THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM CHARLESTON COUNTY COURT OF COMMON PLEAS
THE HONORABLE ROGER M. YOUNG, SR.

Appellate Case No.: 2020-000232

RECEIVED
Sep 04 2020
SC Court of Appeals

Charleston Laboratories, Inc.,

vs.

Womble, Carlyle, Sandridge & Rice, LLP,

RECORD ON APPEAL

Counsel for Appellant Charleston Laboratories, Inc.

BLAND RICHTER, LLP

s/Ronald L. Richter, Jr.
Ronald L. Richter, Jr. (SC Bar No. 66377)
Scott M. Mongillo (SC Bar No. 16574)
Peoples Building
18 Broad Street, Mezzanine
Charleston, South Carolina 29401
Telephone 843.573.9900
Facsimile 843.573.0200
ronnie@blandrichter.com
scott@blandrichter.com

Eric S. Bland (SC Bar No. 64132)
1500 Calhoun Street
Post Office Box 72
Columbia, South Carolina 29202
Telephone 803.256.9664
Facsimile 803.256.3056
ericbland@blandrichter.com

Robert E. Stepp, Esquire
Benjamin R. Gooding, Esquire
Jasmine D. Smith, Esquire
ROBINSON GRAY STEPP & LAFFITTE, LLC
1310 Gadsden Street
P.O. Box 11449
Columbia, SC 29211

Counsel for Respondents

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STATE OF SOUTH CAROLINA	)	
	)	IN THE CIRCUIT COURT
COUNTY OF CHARLESTON	)	2017-CP-10-3768
	)	
Charleston Laboratories, Inc.,	)	
	)	
Plaintiff,	)	**ORDER FOR CASE ASSIGNMENT TO THE BUSINESS COURT**
	)	
v.	)	
	)	
Womble, Carlyle, Sandridge & Rice, LLP,	)	
	)	
Defendant.	)	
	)	

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JULIE J. ARMSTRONG
CLERK OF COURT

It is hereby ordered that assignment to the Business Court for Charleston County is **granted**. It is further ordered that exclusive jurisdiction over this case be assigned to the **Honorable Roger M. Young, Sr.** to hear and handle all pretrial motions and other matters pertaining to this case.

And it is SO ORDERED.

Roger M. Young, Sr., Chief Business Court Judge

August 21, 2018

Charleston, South Carolina

ELECTRONICALLY FILED - 2019 Oct 22 4:11 PM - CHARLESTON - COMMON PLEAS - CASE#2017CP1003768

STATE OF SOUTH CAROLINA COUNTY OF CHARLESTON Charleston Laboratories, Inc., Plaintiff, vs. Womble, Carlyle, Sandridge & Rice, LLP, Defendant.	IN THE COURT OF COMMON PLEAS NINTH JUDICIAL CIRCUIT CASE NO.: 2017-CP-10-3768 **ORDER DENYING DEFENDANT'S MOTION FOR SUMMARY JUDGMENT**

This Motion comes before this Court on Defendant's Motion for Summary Judgment. Defendant's Motion is based on collateral estoppel, judicial estoppel, and statute of limitations.

As to collateral estoppel and judicial estoppel, both essentially claim that because the Plaintiff argued successfully in the Florida court declaratory judgment action that the documents did not confer upon Takigiku any rights he felt entitled to, then the Plaintiffs should be precluded from maintaining that Defendant's draftsmanship was deficient. This misses the point that Plaintiff's action is based upon a theory that they should not have been called upon to defend Takigiku's claims. In other words, but for the poor draftsmanship they would not have incurred the expense of defending themselves against Dr. T's claims, the sine gua non of proximate cause. If the draftsmanship of the documents was a contributing proximate cause of their damages, they are entitled to have their case heard by a jury. *See Shealy v. Walters*, 273 S.C. 330, 256 S.E.2d 739 (1979); *Safine v. Sinnott*, 15 Cal.App.4th 614 (1993).

As to the status of statute of limitations argument, the Court finds there is a genuine issue of material fact as to when the Plaintiffs knew or should have known they were on notice of a potential claim by Dr. T that was caused by Defendant's representation.

Therefore, the Defendant's Motion for Summary Judgment is DENIED.

And it is SO ORDERED.

Charleston, South Carolina

ELECTRONICALLY FILED - 2019 Oct 22 4:11 PM - CHARLESTON - COMMON PLEAS - CASE#2017CP1003768

Charleston Common Pleas

Case Caption:	Charleston Laboratories Inc VS Womble Carlyle Sandridge & Rice LLP
Case Number:	2017CP1003768
Type:	Order/Summary Judgment

It is so ordered.

/s Roger M. Young, Sr. S.C. Circuit Judge 2134

ELECTRONICALLY FILED - 2019 Dec 05 2:24 PM - CHARLESTON - COMMON PLEAS - CASE#2017CP1003768

STATE OF SOUTH CAROLINA	)	IN THE COURT OF COMMON PLEAS
	)	
COUNTY OF CHARLESTON	)	IN THE NINTH JUDICIAL CIRCUIT
Charleston Laboratories, Inc.,	)	Civil Action No. 2017-CP-10-3768
	)	
Plaintiff,	)	
	)	
v.	)	**Order concerning Motion to Reconsider**
	)	
Womble, Carlyle, Sandridge & Rice, LLP,	)	
	)	
Defendant.	)	
	)	

The Defendant filed a motion to reconsider this Court's Order Denying Motion for Summary Judgment filed October 22, 2019. I would like the parties to submit written briefs on the issue of the applicability of the statute of limitations only. The issue should include a discussion of the dates mentioned in the affidavit of Plaintiff's expert Professor Gregory Adams dated July 7, 2017, which was filed with the original Summons and Complaint. The parties may also discuss any other aspect of the statute of limitations they deem necessary.

This briefs should be submitted to the Court no later than January 6, 2020. Furthermore, the parties should in all respects otherwise follow the consent scheduling order filed this date.

AND IT IS SO ORDERED.

The Honorable Roger M. Young, Sr.
Chief Administrative Judge

Charleston, South Carolina

December 5, 2019

ELECTRONICALLY FILED - 2019 Dec 05 2:24 PM - CHARLESTON - COMMON PLEAS - CASE#2017CP1003768

Charleston Common Pleas

Case Caption:	Charleston Laboratories Inc VS Womble Carlyle Sandridge & Rice LLP
Case Number:	2017CP1003768
Type:	Order/Other

It is so ordered.

/s Roger M. Young, Sr. S.C. Circuit Judge 2134

ELECTRONICALLY FILED - 2020 Jan 30 2:58 PM - CHARLESTON - COMMON PLEAS - CASE#2017CP1003768

STATE OF SOUTH CAROLINA COUNTY OF CHARLESTON Charleston Laboratories, Inc., Plaintiff, vs. Womble, Carlyle, Sandridge & Rice, LLP, Defendant.	IN THE COURT OF COMMON PLEAS NINTH JUDICIAL CIRCUIT CASE NO.: 2017-CP-10-3768 **ORDER GRANTING DEFENDANT'S MOTION TO RECONSIDER ORDER DENYING SUMMARY JUDGMENT**

BACKGROUND

On October 22, 2019 the Court denied Defendant's ("Womble") Summary Judgment Motion. On October 31, 2019, Defendant thereby filed a Motion to Reconsider. On December 5, 2019, the Court instructed the parties to submit briefs on the issue of the applicability of the statute of limitations only, which is now before the Court. After a review of the materials, the Court hereby grants Defendant's Motion to Reconsider, and grants Summary Judgment as to the Statute of Limitations issue.

STANDARD OF REVIEW

Summary judgment is appropriate "if the pleadings, deposition, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Rule 56(c), SCRCP. "In determining whether any triable issues of fact exist, the evidence and all inferences which can reasonably be drawn from the evidence must be viewed in the light most favorable to the nonmoving party." *Strother v. Lexington Cnty. Recreation Comm'n*, 332 S.C. 54, 61; 504 S.E.2d 117, 121 (1998) *(citing Hamiter v. Ret. Div. of S.C. Budget & Control Bd.*, 326 S.C. 93, 96, 484 S.E.2d 586, 587 (1997)).

"Under Rule 56(c), SCRCP, the party seeking summary judgment has the initial burden of demonstrating the absence of a genuine issue of material fact." *Trivelas v. S.C. Dep't of Transp.*, 348 S.C. 125, 130; 558 S.E.2d 271, 273 (Ct. App. 2001) (*citing Carolina Alliance for Fair Employment v. S.C. Dep't of Labor, Licensing, & Regulation*, 337 S.C. 476; 523 S.E.2d 795 (Ct. App. 1999)). Once the party seeking summary judgment asserts that a genuine issue of

ROA-0006

material fact does not exist, the opposing party may not rest on the allegations averred in his pleadings; rather, he must demonstrate that specific, material facts exist which give rise to a genuine issue. *See Baughman v. Am. Tel. & Tel. Co.*, 306 S.C. 101, 115; 410 S.E.2d 537, 545 (1991) (*citing* Rule 56(e), SCRCP; *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586-87; 106 S. Ct. 1348, 1356 (1986); *Celotex Corp. v. Catrett*, 477 U.S. 317, 323; 106 S. Ct. 2548, 3553-53 (1986)).

"The plain language of Rule 56(c), SCRCP, mandates the entry of summary judgment, after adequate time for discovery against a party who fails to make a showing sufficient to establish the existence of an element essential to the party's case and on which that party will bear the burden of proof at trial." *Guald v. O'Shaugnessy Realty Co.*, 380 S.C. 548, 559; 671 S.E.2d 79, 85 (Ct. App. 2008) (citations omitted). "A complete failure of proof concerning an essential element of the non-moving party's case necessarily renders all other facts immaterial." *Id.*

DISCUSSION

The statute of limitations for the cause of action alleged in the Complaint is three years. S.C. Code Ann. § 15-3-530; *Stokes-Craven Holding Corp.*, 416 S.C. at 525, 787 S.E.2d at 489 ("The statute of limitations for a legal malpractice action is three years."). Under South Carolina law, the statute of limitations begins to run when "the person knew or by the exercise of reasonable diligence should have known that he had a cause of action." S.C. Code Ann. § 15-3-535; *see also Dean v. Ruscon*, 321 S.C. 360, 363, 468 S.E.2d 645, 647 (1996). "The exercise of reasonable diligence means simply that an injured party must act with some promptness where the facts and circumstances of an injury would put a person of common knowledge and experience on notice that some claim against another party might exist." *Gibson v. Bank of Am., N.A.*, 383 S.C. 399, 406, 680 S.E.2d 778, 782 (Ct. App. 2009). Knowledge of the full extent of damages, or even the possibility of damages at all, is immaterial for purposes of a plaintiff being on notice. *Dean*, 321 S.C. at 363, 468 S.E.2d at 647; *see also Binkley v. Burry*, 352 S.C. 286, 297-98, 573 S.E.2d 838, 844-45 (Ct. App. 2002). Thus, this Court analyzes the statute of limitations issue under the purview of when Charleston Laboratories, Inc. ("Charleston Labs") knew or should have known there was a possibility of a claim against Womble.

Under the present facts, the Court concludes that Charleston Labs was aware, or should have been aware, that it had a claim against Womble no later than 2010. On March 25, 2010 David Baddour of Womble had told Charleston Labs' CEO and sole Board Member, Paul Bosse, "if [Dr.

ELECTRONICALLY FILED - 2020 Jan 30 2:58 PM - CHARLESTON - COMMON PLEAS - CASE#2017CP1003768

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T] doesn't agree to the package it is likely that he'll have a claim on the vested portion of his stock. If [Charleston Laboratories] does nothing to change the status quo, it is likely that [Dr. T] will simply sit tight and do nothing, until such time as the stock becomes worth something, which is when he'll file suit. (March 25, 2010 email from David Baddour to Paul Bosse.) Then, on May 18, 2010, Dr. T's attorney contacted Charleston Labs and stated that it was Dr. T's position that he owned at least 4.25% of the fully diluted equity. (May 18, 2010 email from David Willbrand to David Baddour). These two communications put Charleston Labs on notice, or should have put Charleston Labs on notice, that there was a possibility of a claim against Womble. A plaintiff's ignorance of the "full extent of the damage is immaterial" in setting the accrual date. *Dean v. Ruscon*, 321 S.C. 360, 363, 468 S.E.2d 645, 647 (1996).

> [O]nce a reasonable person has reason to believe that some right of his has been invaded or that some claim against another party might exist, the requirement of reasonable diligence to investigate this information further takes precedence over the inability to ascertain the amount of damages or even the possibility that damages may be forthcoming at all.

Binkley v. Burry, 352 S.C. 286, 297-98, 573 S.E.2d 838, 844-45 (Ct. App. 2002) (internal quotations omitted). As noted above, the statute of limitations begins to run from the point of some injury and "not when advice of counsel is sought or full-blown theory of recovery is developed." *Johnston v. Bowen*, 313 S.C. 61, 64, 437 S.E.2d 45, 47 (1993). Charleston Labs had a duty to exercise reasonable diligence and act with some promptness to investigate further what allowed Dr. T to have a claim when they received the two email communications on March 25, 2010 and May 18, 2010. Thus, the three-year statute of limitations on their claim has expired because they knew or should have known about a possibility of the claim in Spring, 2010.

CONCLUSION

Therefore, Defendant's Motion to Reconsider the Order Denying Summary Judgment in regard to the statute of limitations is granted.

And it is SO ORDERED.

Charleston, South Carolina

ROA-0008

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Charleston Common Pleas

Case Caption:	Charleston Laboratories Inc VS Womble Carlyle Sandridge & Rice LLP
Case Number:	2017CP1003768
Type:	Order/Summary Judgment

It is so ordered.

/s Roger M. Young, Sr. S.C. Circuit Judge 2134

STATE OF SOUTH CAROLINA	)	IN THE COURT OF COMMON PLEAS
	)	NINTH JUDICIAL CIRCUIT
COUNTY OF CHARLESTON	)	ACTION NUMBER: 2017-CP-10-3768
Charleston Laboratories, Inc.	)	
	)	
Plaintiff,	)	
	)	SUMMONS
v.	)	(Legal Malpractice)
	)	
Womble, Carlyle, Sandridge & Rice, LLP,	)	
	)	Jury Trial Demanded!
Defendant.	)	

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JULIE J. ARMSTRONG
CLERK OF COURT

TO THE DEFENDANT ABOVE-NAMED:

YOU ARE HEREBY SUMMONED and required to answer the Complaint herein, a copy of which is herewith served upon you, and to serve a copy of your answer to this Complaint upon the subscriber, at the address shown below, within thirty (30) days after service hereof, exclusive of the day of such service, and if you fail to answer the Complaint, judgment by default will be rendered against you for the relief demanded in the complaint.

Charleston, South Carolina
July 24, 2017

BLAND RICHTER, LLP
Attorneys for Plaintiff

Ronald L. Richter, Jr.
Scott M. Mongillo
Peoples Building
18 Broad Street, Mezzanine
Charleston, South Carolina 29401
843.573.9900 (telephone)
843.573.0200 (facsimile)
ronnie@blandrichter.com (e-mail)
scott@blandrichter.com (e-mail)

Eric S. Bland
1500 Calhoun Street
Post Office Box 72
Columbia, South Carolina 29202
803.256.9664 (telephone)
803.256.3056 (facsimile)
ericbland@blandrichter.com (e-mail)

STATE OF SOUTH CAROLINA	)	IN THE COURT OF COMMON PLEAS
	)	NINTH JUDICIAL CIRCUIT
COUNTY OF CHARLESTON	)	ACTION NUMBER: 2017-CP-10-3768
Charleston Laboratories, Inc.	)	
	)	
Plaintiff,	)	
	)	COMPLAINT
v.	)	(Legal Malpractice)
	)	
Womble, Carlyle, Sandridge & Rice, LLP,	)	
	)	Jury Trial Demanded!
Defendant.	)	

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JULIE J. ARMSTRONG
CLERK OF COURT

The Plaintiff, complaining of the conduct of the Defendant herein, alleges as follows:

Parties and Jurisdiction

1. Charleston Laboratories, Inc. ("Charleston Labs", "Charleston", or "Company") is a corporation organized and existing under the laws of the State of Delaware. During the relevant time period described herein, Charleston Labs had its principal place of business in Charleston, South Carolina from approximately 2007-2013.

2. Upon information and belief, Defendant Womble, Carlyle, Sandridge & Rice, LLP ("WCSR") is a North Carolina limited liability company which is organized for the purpose of practicing law and which maintains offices and transacts business in Charleston, South Carolina.

3. WCSR is subject to the jurisdiction of the South Carolina courts pursuant to the South Carolina Long Arm Statute, 36-2-802 and/or 803, as it does business in South Carolina, contracts to provide services in South Carolina and as set forth herein, has committed tortious acts in South Carolina which affected a client in Charleston, South Carolina.

4. Venue is proper in this court as the events giving rise to this action occurred in Charleston County, South Carolina.

ROA-0011

Factual Background

5. Charleston Labs is a privately-held Delaware corporation in the specialty pharmaceutical industry organized on June 27, 2007.

6. As a start-up pharmaceutical company, Charleston Labs' initial research was dedicated to the development of drugs which reduce opioid induced nausea and vomiting in opioid pharmaceuticals.

7. The three original founders of Charleston Labs were G. Paul Bosse III ("Bosse"), Ryan Baker ("Baker"), and Chris Goodwin ("Goodwin").

8. After reaching out to WCSR partner Dean Rutley ("Rutley") because of his work on venture capital deals in the pharmaceutical industry, Bosse engaged WCSR through Rutley to assist Charleston Labs for its legal needs and raising capital for the company.

9. Rutley was a recognized attorney in the venture capital arena for pharmaceutical start-ups.

10. Rutley practiced out of WCSR's Tysons Corner, Virginia offices.

11. With the understanding that Charleston was, at the time, a start-up company and not a "funding risk", Rutley and WCSR agreed to hold/delay invoices for WCSR services to Charleston with the expectation that such invoices would be issued and paid when Charleston was able to raise capital.

12. Subsequently, Charleston Labs hired three new at-will employees - John Ameling ("Ameling"), Bernard Schachtel ("Schachtel") and Raymond Takigiku ("Takigiku").

13. Together these six individuals (Bosse, Baker, Goodwin, Schachtel, Ameling, and Takigiku) represent the "Founding Stockholders" of Charleston Labs.

ROA-0012

14. WCSR was engaged by Charleston Labs to prepare corporate documents to reflect a proposed new ownership structure of the entity and related provisions that would govern the relationships by and amongst the shareholders while they were employees with Charleston Labs and if their association with Charleston Labs terminated.

15. At the time, Rutley was busy as a partner in WCSR and delegated some of the drafting of the necessary corporate documents, including but not limited to the SRA (as defined below in Paragraph 19) to David Baddour ("Baddour") who was an associate in WCSR's Charlotte, NC offices.

16. Rutley told Bosse that Baddour was "a smart attorney who would do a good job for Charleston Labs and his hourly rate was cheaper than mine".

17. In preparing the new corporate documents, Charleston Labs sought a set of documents that would extend ownership to its newest shareholders (Ameling, Schachtel and Takigiku), while at the same time restricting the marketability and transferability of their shares until such time as they had achieved sufficient tenure with the company or in the event that their employment with Charleston Labs terminated.

18. Charleston Labs relied exclusively on the advice and representation of WCSR in structuring the transaction to protect Charleston Labs in the event that one of its new shareholders elected to leave the company and/or was expelled from the company before becoming fully vested in their ownership and reduce such recommendations to an integrated written binding agreement.

19. WCSR advised Charleston Labs that it would be best protected by having all of the Founding Members execute a Stockholders Agreement ("SHA") and by having each of the new employee/owners execute a Stock Restriction Agreement ("SRA").

ROA-0013

20. WCSR thereafter prepared both the SHA and the SRA (the SHA and SRA are sometimes hereinafter referred to together as "Agreements" and each an "Agreement").

21. Each Agreement contained a provision that allowed the Company to repurchase shares upon the occurrence of certain events.

22. The SRA gave the Company the right to repurchase a specified number of "Restricted Shares", as set forth in its "Schedule A", at a predetermined price of $0.01 per share, but only if the employee (1) resigned or otherwise voluntarily terminated his employment with the Company or (2) was terminated for cause.

23. Under the SRA, the longer the employee remained employed with the Company, the fewer of his shares would be considered "Restricted Shares" at "Schedule A" subject to repurchase for $0.01 per share.

24. In contrast, the SHA granted Charleston Labs the right to purchase "any or all" shares held by a Founding Stockholder, who was also an employee, if that individual ceased to be an employee of the Company "for any reason".

25. Unlike the $0.01 repurchase price of the SRA, the "Agreement Price" to be paid for the shares purchased under the SHA was "the Fair Value . . . on a fully diluted basis, calculated on the basis of the Company as a going concern," as "determined by the Board of Directors of the Company, in good faith in the exercise of its reasonable business judgment."

26. The SHA required that the Company exercise its right to repurchase by notifying the "Terminating Founding Stockholder" in writing.

27. When read together, the "for any reason" clause of the SHA would seem to subsume the "for cause termination" language of the SRA.

28. In preparing both the SHA and the SRA, WCSR knew or should have contemplated a future controversy between the parties to the Agreements and that it should have drafted the two agreements so that they would work harmoniously with each other in a clear and unambiguous fashion.

29. In preparing the Agreements, WCSR knew or should have known that the standard of care required that they prepare the documents in such a way as to avoid confusion, avoid conflict, avoid having the terms and provisions be construed as ambiguous and avoid litigation.

30. In preparing the two documents, WCSR failed to include any language in the SHA that made reference to the SRA and integrating and explaining any inconsistent provisions or to identify which provisions would control in the event of a dispute regarding the two agreements or in connection with a shareholder's dispute of a Charleston Labs repurchase of shares.

31. In preparing the two documents, WCSR failed to include any language in the SRA that made reference to the SHA and integrating and explaining any inconsistent provisions or which identified which provisions would control in the event of a dispute regarding the two agreements or in connection with a shareholder's dispute of a Charleston Labs repurchase of shares.

32. To further complicate matters, both the SRA and the SHA were drafted with integration clauses which provided that each Agreement superseded other prior agreements related to the same subject matter.

33. Unbeknownst to Charleston Labs, WCSR drafted ambiguity, confusion and conflict into the Agreements which WCSR prepared.

34. WCSR assured Charleston Labs that the Agreements would satisfy their desired goals and that the execution of the Agreements was in the best interests of Charleston Labs.

ROA-0015

35. Charleston Labs relied on WCSR's advice and paid for its legal services.

36. In direct reliance on WCSR's advice, the SHA and SRA were executed by the parties and were dated and made effective as of May 30, 2008.

37. Also on May 30, 2008, Charleston Labs issued 210 shares of common stock to Takigiku for an aggregate of $2.10 ($0.01 per share).

38. Takigiku was issued Stock Certificate No. 12. The reverse side of Stock Certificate No. 12 indicated that the shares were subject to the transfer restrictions and rights of repurchase contained in both the SHA and SRA.

39. On September 25, 2008, Takigiku's 210 shares were automatically converted into 420,000 shares of common stock upon consummation of a 2,000 to 1 "forward split".

40. The Company then marked Stock Certificate No. 12 "Cancelled" and issued Stock Certificate No. 14, representing the 420,000 of converted stock.

41. When Charleston decided not to continue to pursue institutional capital funding, Rutley described Charleston Labs as a "funding risk" and shifted the WCSR responsibility for its client to Baddour and other WCSR associates.

42. In March, 2010, Takigiku's employment with Charleston Labs ceased.

43. Prior to terminating Takigiku's employment, Bosse contacted WCSR once again for legal advice as to Takigiku's employment termination and the Company re-acquiring his stock.

44. WCSR agreed to provide legal counsel with respect to Takigiku's employment termination and the re-acquiring of his stock.

45. As WCSR communicated to Charleston that WCSR wanted to minimize its time dedicated to Charleston, Bosse drafted the initial draft of a proposed Takigiku termination letter,

ROA-0016

which he forwarded to WCSR for its review and comment (the "First Letter"). The First Letter failed to make mention of either the SHA or SRA.

46. In reviewing the First Letter, WCSR made comments to and blessed such letter for delivery, but as WCSR did not have command of the Charleston documents which it drafted, the letter lacked reference to either the SHA or SRA and failed to advise Bosse of the importance of making clear which Agreement was being utilized for purposes of determining Takigku's post-employment ownership rights.

47. On March 19, 2010, Charleston Labs issued its termination letter (the First Letter) to Takigiku. The letter stated that the termination was "with cause".

48. As WCSR continued to communicate to Charleston that WCSR wanted to minimize its time dedicated to Charleston, Bosse subsequently drafted the initial draft of a proposed letter to repurchase Takigiku's shares and provide an offer to settle (pursuant to an enclosed Redemption and Settlement Agreement drafted by WCSR) any issues related to Takigiku's employment, which he forwarded to WCSR for its review and comment (the "Second Letter").

49. In reviewing the Second Letter, WCSR made comments to and blessed such letter for delivery, but as WCSR still did not have command of the Charleston documents which it drafted, WCSR again failed to make reference to either the SHA or SRA and failed to advise Bosse of the importance of making clear which Agreement was being utilized for purposes of determining Takigiku's post-employment ownership rights.

50. On March 26, 2010, Charleston Labs sent Takigiku the Second Letter with a check for his stock in the amount of $2.10, along with a Redemption and Settlement Agreement; however, the enclosed Redemption and Settlement Agreement only made mention of the SRA.

ROA-0017

51. Takigiku disagreed that he was separated for cause. Instead, he insisted that he had resigned.

52. Charleston Labs continued its work thereafter and continued to grow as a company.

53. Over the intervening several years and with the legal assistance of WCSR, Charleston Labs successfully raised significant additional capital from investors. In doing so, it issued prospectuses which represented the ownership structure of Charleston Labs, assuming that Takigiku was not a shareholder.

54. WCSR continued to provide legal services to Charleston until late 2014 and Charleston has paid all amounts that were due to WCSR for WCSR's legal services provided to it.

55. In September 2015, Takigiku made a demand to inspect Plaintiff's books and records as a shareholder. Charleston Labs had not heard from Takigiku in the ensuing years after it sent him the Second Letter and the Redemption and Settlement Agreement in 2010.

56. Charleston Labs maintained that it had properly repurchased all of Takigiku's shares and that he was no longer a shareholder.

57. In response, Takigiku argued that the SRA circumscribed Plaintiff's repurchase rights, limiting repurchase to his Restricted Shares. He further contended that even if the repurchase provisions of the SHA were enforceable and controlling, Charleston Labs failed to properly exercise its rights under that Agreement as the letters separating his employment and purportedly repurchasing his shares made no reference to it.

58. If Takigiku was correct, then, among other negative consequences for Charleston, it had raised substantial working capital through offerings which misstated the corporate ownership structure.

ROA-0018

59. In order to resolve the dispute which was caused directly by the conflicts and ambiguities which were drafted into the SHA and SRA, Charleston Labs was forced to engage legal counsel and to file a declaratory judgment action in the United States District Court seeking to determine the rights and interests of the parties.

60. After a year of litigation and nearly $2,000,000.00 in legal expenses and related costs, an Order of the United States District Court for the Southern District of Florida issued on September 13, 2016, which declared once and for all that Charleston Labs had repurchased all of Takigiku's shares in the Company such that he had no ownership rights.

61. But for the malpractice of the Defendant in drafting the SHA and SRA and in their advising Charleston Labs at the time of Takigiku's termination of employment (with respect to, among other things, the First Letter and the Second Letter), Charleston Labs would not have been forced to initiate legal action to determine its rights and would not have incurred nearly $2,000,000.00 of expense in doing so.

For a First Cause of Action
Legal Malpractice

62. The Paragraphs above are incorporated herein as if realleged and restated in full verbatim.

63. At all times relevant hereto, an attorney client relationship existed between the Plaintiff and Defendant.

64. Pursuant to their relationship, the Defendant owed duties to the Plaintiff, including but not necessarily limited to the duty to possess and to exercise the same degree of care, skill and learning which would be expected of reasonable and competent lawyers under the same or similar circumstances.

ROA-0019

65. The Defendant breached its duties to the Plaintiff and otherwise acted in a negligent, grossly negligent, willful, wanton and reckless manner in a number of particulars, including but not limited to some or all of the following:

a. In failing to possess and/or to exercise the degree of care, skill and learning required by the circumstances;

b. In drafting documents which created conflict and ambiguity when it was their duty to draft documents which would avoid conflict and ambiguity;

c. In failing to draft the SHA in such a manner as to reference expressly the SRA and which document or provisions would control in the event of a dispute between them;

d. In failing to draft the SRA in such a manner as to reference expressly the SHA and which document or provisions would control in the event of a dispute between them;

e. In failing to state explicitly in the SHA that Charleston Labs' rights under the SHA were concurrent with and in no way limited by the rights under the SRA;

f. In failing to state explicitly in the SRA that Charleston Labs' rights under the SRA were concurrent with and in no way limited by the rights under the SHA;

g. In failing to make clear that the "for any reason" separation language of the SHA was not limited by the "for cause" language of the SRA;

h. In failing to advise Charleston Labs to make express reference to the Agreement on which it was relying at the time of Takigiku's separation from employment; and

i. In such other particulars as the evidence in the case may demonstrate.

ROA-0020

66. As a direct and proximate result of the conduct of the Defendant, Charleston Labs was forced at considerable expense to initiate legal action to clarify the right and obligations of the parties to the SHA and SRA, which rights and obligations should have been made clear in the drafting of the documents themselves, as well as in the First Letter and in the Second Letter.

67. The Plaintiff has been harmed and is entitled to recover damages, both actual, in an amount sufficient to compensate them fully for all losses herein, and punitive, in an amount determined by a jury to be sufficient to impress upon the Defendant the seriousness of its conduct and to deter such similar conduct in the future.

WHEREFORE, the Plaintiff prays for judgment against the Defendant, for both actual damages, in an amount sufficient to compensate them fully for all losses herein, and punitive damages, in an amount determined by a jury to be sufficient to impress upon the Defendant the seriousness of its conduct and to deter such similar conduct in the future, together with such further relief as the Court deems just and proper.

Charleston, South Carolina
July 24, 2017

BLAND RICHTER, LLP
Attorneys for Plaintiff

Ronald L. Richter, Jr.
Scott M. Mongillo
Peoples Building
18 Broad Street, Mezzanine
Charleston, South Carolina 29401
843.573.9900 (telephone)
843.573.0200 (facsimile)
ronnie@blandrichter.com (e-mail)
scott@blandrichter.com (e-mail)

ROA-0021

Eric S. Bland
1500 Calhoun Street
Post Office Box 72
Columbia, South Carolina 29202
803.256.9664 (telephone)
803.256.3056 (facsimile)
ericbland@blandrichter.com (e-mail)

ROA-0022

STATE SOUTH CAROLINA COUNTY OF CHARLESTON	IN THE COURT OF COMMON PLEAS NINTH JUDICIAL CIRCUIT
	ACTION NO: 2017-CP-10-3768
Charleston Laboratories, Inc., Plaintiff, vs. Womble, Carlyle, Sandridge & Rice, LLP, Defendant.	**AFFIDAVIT OF EXPERT OPINION OF DR. GREGORY B. ADAMS**

FILED
2017 JUN 23 PM 3:44

PERSONALLY APPEARED before me Gregory B. Adams who, being duly sworn, deposes and says that:

1. It is my expert opinion, held to a reasonable degree of professional certainty, that the complaint in this matter alleges facts establishing that the defendant law firm, Womble, Carlyle, Sandridge & Rice, LLP, [WCSR] and its lawyers Dean Wayne Rutley and David B. Baddour had attorney–client relationships with plaintiff Charleston Laboratories, Inc. [Charleston Labs] and owed it professional and fiduciary duties, which defendant breached, failing to adhere to the standard of care required of lawyers; some of these negligent acts and the factual basis for them are set forth below:

   A. Defendant and its lawyers Dean Rutley and David Baddour owed professional, legal, ethical, and fiduciary duties to plaintiff Charleston Labs throughout the events forming the basis for this lawsuit:

      i. Shortly after its incorporation in June 2007, Charleston Labs retained defendant WCSR and its partner Dean Rutley to provide the legal advice and services it needed as a new business,

including corporate organization, documentation, and securities as well as assisting it in raising capital. WCSR continued to provide corporate legal advice and services to Charleston Labs for more than seven years, until late 2014.

ii. On May 20, 2008 defendant WCSR, through its lawyers Rutley and Baddour, undertook to advise Charleston Labs how to protect its interests when it hired three new at-will employees, John Ameling, Bernard Schachtel, and Raymond Takigiku, who were all to become shareholders in Charleston Labs, along with its founders, G. Paul Bosse III, Ryan Baker, and Chris Goodwin.

a. Defendant WCSR, through its associate Baddour, advised Charleston Labs that its interests could be protected through the execution of two contracts that WCSR would draft for it:

(1) a Stockholders' Agreement (SHA) between all six of the "Founding Stockholders"– Bosse, Baker, and Goodwin as well as newcomers Ameling, Schachtel, and Takigiku, and

(2) a Stock Restriction Agreement (SRA) executed by newcomers Ameling, Schachtel, and Takigiku.

b. Over the next ten days Baddour spent eight hours drafting and revising the SHA and SRA and advising Charleston Labs, through its CEO Bosse, about the proper content of the agreements and their execution.

c. On May 30, 2008, as advised by WCSR, the SHA and SRA WSCR drafted were executed and made effective as of May 30, 2008.

d. The SHA and the SRA drafted by WCSR were inconsistent and their relationship was unclear.

(1) Although the agreements had overlapping sets of parties (both agreements affected the company's legal relationships with newcomers Ameling, Schachtel, and Takigiku, but only the SHA applied to Bosse, Baker, and Goodwin – who were not parties to the SRA) and

(2) although both the SHA and the SRA gave Charleston Labs rights to repurchase shares of its stock from Ameling, Schachtel, and Takigiku and

(3) although the triggering events and repurchase price terms differed between the two agreements,

(4) neither agreement referred to the other or contained any provision governing the relationship with contemporaneous agreements;

(5) instead, both the SHA and the SRA merely contained a standard integration clause superseding all prior written and oral agreements.

e. Also on May 30, 2008, Charleston Labs issued 210 shares of common stock to Takigiku for an aggregate price of $2.10 ($0.01 per share) evidenced by Charleston Labs

Stock Certificate No. 12. The reverse side of Stock Certificate No. 12 indicated that the shares were subject to the transfer restrictions and rights of repurchase contained in both the SHA and SRA.

f. On September 25, 2008, Takigiku's 210 shares were automatically converted into 420,000 shares of common stock upon consummation of a 2,000-to-1 forward split. Charleston Labs marked Stock Certificate No. 12 "Cancelled" and replaced it with Stock Certificate No. 14, representing the 420,000 shares of converted stock belonging to Takigiku.

iii. On March 16, 2010 defendant WCSR, through its lawyers Rutley and Baddour, undertook to advise Charleston Labs about the termination of Raymond Takigiku and the repurchase of his shares in the company.

a. On March 19, 2010, after consultation with and following the legal advice of WCSR, Charleston Labs sent Takigiku a letter terminating him for cause. This letter had been reviewed, analyzed, and revised by WCSR, and Charleston Labs' CEO Bosse had discussed it with and received correspondence from WCSR lawyer Baddour.

b. On March 26, 2010, after consultation with and following the legal advice of WCSR, Charleston Labs sent Takigiku a letter exercising its right to repurchase his shares. Enclosed with the letter was a check for $2.10 in full payment for

his shares and a Redemption and Settlement Agreement prepared by WCSR, which referred to the SRA but not the SHA. This letter, too, had been reviewed, analyzed, and revised by WCSR, and Charleston Labs' CEO Bosse had discussed it with and received correspondence from WCSR lawyer Baddour.

iv. WCSR continued to advise and provide legal services to Charleston Labs through 2014. The most recent WSCR Statement for Services Rendered to Charleston Labs that I have reviewed is dated December 19, 2014.

v. I have been informed, and the Complaint alleges, that Charleston Labs has paid all of the amounts billed it by WCSR throughout the seven years that WCSR and its lawyers had ongoing attorney–client relationships with the company.

B. In September 2015, Raymond Takigiku asserted that he was still a shareholder in Charleston Labs because Charleston Labs had not properly repurchased his shares under the terms of the SHA and the SRA.

i. Takigiku claimed that the SRA limited Charleston Labs' repurchase rights and that it had no right to repurchase his shares under the terms of the SHA.

ii. Takigiku also claimed that, even if Charleston Labs had the right to repurchase his shares under the SHA, the company had not effectively exercised that right because neither of the March 2010 letters referred to the SHA or purported to exercise rights under it

(and the Redemption and Settlement Agreement accompanying the March 26 letter referred to the SRA, not the SHA).

C. To resolve this dispute about whether Raymond Takigiku was still a shareholder in Charleston Labs, Charleston Labs retained the Greenberg Traurig law firm and in November 2015 filed a declaratory judgment action against Takigiku. Takigiku filed a counter-claim. On September 12, 2016 U.S. District Judge James I. Cohn granted Charleston Labs' motion for summary judgment and denied Takigiku's motion for summary judgment, ruling that Takigiku was not a shareholder in Charleston Labs because his shares had been repurchased in March 2010. Charleston Labs spent a considerable amount of money to resolve this dispute; the Complaint in this action alleges that the litigation cost to Charleston Labs was almost $2,000,000.00.

D. The claim asserted by Takigiku, resulting in the federal court litigation and legal expenses, was based on (1) the terms of the 2008 SRA and SHA and (2) the wording of the March 2010 letters and the attached Redemption and Settlement Agreement. All of these documents were drafted or revised by WCSR. All were analyzed by WCSR lawyers. All were used by Charleston Labs because WCSR advised it to use them, assuring it that these documents were appropriate to achieve its legal goals and meet its legal needs.

E. It is my expert opinion that WCSR and its lawyers owed their client Charleston Labs professional, fiduciary, and contractual duties of competence, diligence, and communication. WCSR was obligated to render its legal advice and services to Charleston Labs with the degree of

skill, care, knowledge, and judgment usually possessed and exercised by members of the legal profession. "Competent representation requires the legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation." Rule 1.1, S.C. Rules of Professional Conduct, S.C.A.C.R. 407.

F. It is my expert opinion that WCSR and its lawyers violated their duties to their client Charleston Labs by violating the standard of care governing them and in rendering legal advice and services to Charleston Labs while failing to exercise the degree of skill, care, legal knowledge, thoroughness, preparation, and judgment reasonably necessary for the representation and usually possessed and exercised by members of the legal profession. Some of the breaches by WCSR and its lawyers include

i. creating ambiguity and legal uncertainty regarding their client's rights by drafting the SRA and SHA as contemporaneous agreements without assuring their consistency and clarifying their relationship,

(1) although the agreements had overlapping sets of parties (both agreements affected the company's legal relationships with newcomers Ameling, Schachtel, and Takigiku, but only the SHA applied to Bosse, Baker, and Goodwin – who were not parties to the SRA), and

(2) although both the SHA and the SRA gave Charleston Labs rights to repurchase shares of its stock from Ameling, Schachtel, and Takigiku, and

(3) although the triggering events and repurchase price terms differed between the two agreements.

(4) Both agreements should have explicitly referred to the other and contained provisions governing their relationship as contemporaneous agreements.

(5) Once the SHA and SRA had been executed and the shares issued, the rights of Charleston Labs should have been clear.

ii. In failing to draft the March 2010 letters terminating Takigiku and repurchasing his shares to explicitly, unambiguously specify the rights being exercised by Charleston Labs and the source of those rights and in failing to correctly refer to the SHA – not the SRA – in the attached Redemption and Settlement Agreement.

iii. In creating ambiguity in the agreements and uncertainty in Charleston Labs' exercise of its rights under them, leading to costly litigation that would have been unnecessary and unlikely had WCSR fulfilled its duties to its client.

G. It is my expert opinion that these violations of duty by WCSR and its lawyers proximately caused substantial damage to their client Charleston Labs. It is more likely than not that there would have been no litigation between Charleston Labs and Takigiku had they not breached these duties, and even if there had been claims by Takigiku or litigation, it most certainly would have been much less expensive.

2. My resumé, attached as Exhibit A, demonstrates why federal and state courts, including the South Carolina Supreme Court and Court of Appeals, have held

that I am qualified as an expert witness and thus to execute the affidavit required by South Carolina Code of Laws § 15-36-100, which does not require me to state all negligent acts, omissions, or wrongdoing by defendant.

A. I am a tenured law professor at the University of South Carolina School of Law, where I have been teaching since 1978. My subjects of expertise include lawyers' ethics, professional responsibility, and fiduciary duties.

B. I have earned a J.S.D. (Doctor of Juridical Science) and an LL.M. from Columbia University, as well as my J.D. from Louisiana State University.

C. Federal and state courts in South Carolina have recognized my expertise, including the South Carolina Supreme Court in *State v. Morris*, 376 S.C. 189, 656 S.E.2d 359 (2008) (holding that I am qualified as an expert witness and that my expert testimony was accurate and proper) and *Smith v. Haynsworth, Marion, McKay & Guerard*, 322 S.C. 433, 472 S.E.2d 612 (1996) (holding that I am qualified as an expert witness on issues of lawyers' duties and it was reversible error to rule otherwise), and the Court of Appeals in *Ellis v. Davidson*, 358 S.C. 509, 595 S.E.2d 817 (Ct. App. 2004) (holding it was reversible error to discount my expert opinion in a legal malpractice case and to refuse to give it efficacy). Additionally, three South Carolina Attorneys General, the South Carolina Secretary of State, and the United States Attorney for the District of South Carolina have relied upon my expertise to guide and assist them in significant criminal investigations and prosecutions, and the United States Securities and Exchange Commission has retained me as an expert witness on lawyers' duties.

3. I hold all of the expert opinions I have expressed in this affidavit to a reasonable degree of legal certainty; the results are more probable than not.

4. I have been retained as an expert witness by counsel for plaintiff. My expert opinions are based upon the allegations of the complaint, which I assume to be true because they are supported by substantial, incontrovertible evidence which I have reviewed. This evidence is the kind usually relied upon by experts in this field and includes

   A. the WSCR invoices to Charleston Labs from November 29, 2007 to December 19, 2014;

   B. the September 12, 2016 Order on Motions for Summary Judgment of U.S. District Judge James I. Cohn in *Charleston Laboratories, Inc. v. Dr. Raymond Takigiku* and the docket, pleadings, and motions in that case;

   C. the May 30, 2008 Stockholders Agreement (SHA);

   D. the May 30, 2008 Stock Restriction Agreement (SRA) of Raymond Takigiku;

   E. Charleston Labs Stock Certificate No. 12 and corporate records associated with it;

   F. Charleston Labs Stock Certificate No. 14 and corporate records associated with it;

   G. the March 19, 2010 letter of Charleston Labs to Takigiku terminating him with cause;

   H. the March 26, 2010 letter of Charleston Labs to Takigiku paying him for his shares of stock and enclosing the Redemption and Settlement

Agreement;

I. the Redemption and Settlement Agreement sent by Charleston Labs to the March 19, 2010 letter of Charleston Labs to Takigiku with the March 26, 2010 letter.

5. Because of the preliminary nature of this case, these opinions are subject to expansion and modification as further evidence or issues develop.

Further the affiant sayeth not.

Dr. Gregory B. Adams

Sworn to and subscribed before me
this 7th day of July 2017.

Notary Public for South Carolina
My Commission Expires: 4/9/2023

ADELE HENDRICKS
My Commission Expires
NOTARY PUBLIC
04-09-2023
SOUTH CAROLINA

EXHIBIT A

DR. GREGORY B. ADAMS

UNIVERSITY OF SOUTH CAROLINA SCHOOL OF LAW
1525 Senate Street, Columbia, South Carolina 29208

PROFESSIONAL EXPERIENCE

Law Professor (tenured), University of South Carolina, 1978–present.
SUBJECTS TAUGHT: Professional Responsibility; Ethical Issues in Criminal Practice; Judicial Ethics; Legal Profession; Legal Technology; Contracts; Corporate Law; Business Planning; Agency, Partnership & Limited Liability Companies; Antitrust; International Business Law; European Union Law.
Associate, University of South Carolina Rule of Law Consortium (2011-present).
Founding Director, Program on Judicial Ethics, Selection, Accountability, and Independence, University of South Carolina School of Law (2003-12).
Visiting Professor of Law, Pskov Volny University, Pskov, Russia, Spring 2001.
Visiting Professor of Law, University of Southampton, Southampton, England, Fall 1989.
Visiting Professor of Law, Rutgers University, Newark, NJ, 1983-1984.
Stagiaire, Commission of the European Communities (European Union), Brussels, Belgium, 1979.
Research Associate, Institute of European Studies, University of Brussels (U.L.B.), 1979.
Visiting Scholar, Faculté de Droit, Université Catholique de Louvain, Louvain-la-Neuve, Belgium, 1978.
Assistant Professor, Southern University School of Law, 1975-1977.
Consultant, Louisiana Legislative Council, 1976-1977.
Attorney with Breazeale, Sachse & Wilson, Baton Rouge, LA, 1973-1975.
Admitted to Practice by the Louisiana Supreme Court on October 5, 1973.

EDUCATION

J.S.D. 1986
Columbia University School of Law New York, New York
Dissertation: Control of Monopoly Power in Europe and the United States

LL.M. 1979
Columbia University School of Law New York, New York
Thesis: E.E.C. and U.S. Antitrust Regulation of Monopolists' Refusals to Deal
Jervey Fellow in Foreign Law, Parker School, Columbia University, 1977-1979.

J.D. 1973
Louisiana State University Law Center Baton Rouge, LA
Order of the Coif; Louisiana Law Review; Moot Court Board; Winner, Robert Lee Tullis Moot Court Competition before the Louisiana Supreme Court.

B.S. 1977
Louisiana State University Baton Rouge, LA
Phi Kappa Phi
College of Arts & Science, Vanderbilt University Nashville, TN 1966-1968

ROA-0034

Honors and Recognition

Outstanding Faculty Publications Award, University of South Carolina School of Law (April 2006, Book, Runner Up)
Louisiana State University Law Center Hall of Fame
Twenty Year Who's Who Honoree
Who's Who in the World
Who's Who in America
Who's Who in American Law
Who's Who in American Education
Who's Who in the South and Southwest
Who's Who of Emerging Leaders in America
Who's Who in Law Education
Dictionary of Int'l Biography (Cambridge, U.K.)

State v. Morris, 376 S.C. 189, 656 S.E.2d 359 (2008) (holding GBA qualified as an expert witness and that GBA's expert testimony was accurate and proper)

Smith v. Haynsworth, Marion, McKay & Guerard, 322 S.C. 433, 472 S.E.2d 612 (1996) (holding GBA qualified as an expert witness; reversible error to rule otherwise)

Ellis v. Davidson, 358 S.C. 509, 595 S.E.2d 817 (Ct. App., 2004) (holding it was reversible error to discount GBA's expert opinion and fail to give it efficacy)

Davis v. Hamm, 300 S.C. 284, 387 S.E.2d 676 (Ct. App., 1989) ("excellent discussion of the ramifications of these statutes" in "Litigation of Corporate Law Disputes After the Recent Amendments of the Corporate Code," in Current Issues in Civil Litigation, S.C. Bar Continuing Judicial Legal Education Seminar 1989)

Publications

South Carolina Corporate Practice Manual (2nd ed. 2005, S.C. Bar) (lead author, coauthors: Burkhard, Cleveland, Clark, Hellwig, Merline).
"Reflections on the Reactions to Proposed Rule 8.5: Consensus of Failure," 36 S. Texas Law Review 1101 (1995).
"Introductory Remarks to the Conference on the Commercialization of the Legal Profession," 45 S.C. L. Rev. 883 (1994) (with Nathan M. Crystal).
Report of the Proceedings, Conference on the Commercialization of the Legal Profession (with Nathan M. Crystal), authored: "Summary of Discussion of Frankel Paper," 45 S.C.L. Rev. 901; "Summary of Discussion of Palay/Galanter Paper," 45 S.C.L. Rev. 929; "Summary of Discussion of Martyn Paper," 45 S.C.L. Rev. 961; "Summary of Discussion of Dimitriou Paper," 45 S.C.L. Rev. 999 (1994).
"The Ethical Lawyer," occasional column in the S.C. Trial Lawyer Bulletin beginning 1994.
"Suing Corporations and Those Behind Them," 1992 S.C. Trial Lawyer Bulletin 17.
South Carolina Corporate Practice Manual (S.C. Bar, 1989) (with Cleveland, Burkhard, McWilliams).
"European and American Antitrust Regulation of Pricing by Monopolists," 18 Vanderbilt Journal of Trans. Law 1 (1985).
"Antitrust Constraints on Single-Firm Refusals to Deal by Monopolists in the European Economic Community and the United States," 20 Texas Int'l L. J. 1 (1985).
"The 1981 Revision of the South Carolina Business Corporation Act," 33 S.C. L. Rev. 405 (1982).
"Inheritance Taxation of Trusts," in 11 L. Oppenheim & S. Ingram, Louisiana Civil Law Treatise, Trusts (1977).

Public Service

Member, American Bar Association Ethics and Professionalism Committee, A.B.A. Law Practice Division (2015-2018).
Member, American Bar Association Law Practice Futures Initiative, A.B.A. Law Practice Division (2015-2016).
Expert Witness, United States Securities and Exchange Commission, *U.S. S.E.C. v. Staples* (2013)
Invited Expert Witness, Judicial Merit Selection Study Committee, SC Senate (9/17/07)
Member, S.C. Bar, Professional Responsibility Committee, 1993-2012 (chair or member of numerous subcommittees, including Ethics 2000 Subcommittee; presented Ethics 2000 recommendations to S.C. Bar House of Delegates).
Member, S.C. Bar, Unauthorized Practice Committee, 1994, 2000-2003.
Member, S.C. Bar, Technology Committee, 1996-1998.
Ethics Consultant, South Carolina Association for Justice, 1994-2014.
Co-Founder and Vice-President, South Carolina Association of Ethics Counsel, 2000-present.
Expert Witness and advisor to the South Carolina Attorney General in the criminal investigation and prosecutions for securities fraud in connection with the failure of Carolina Investors and HomeGold Financial, 2003-2008.
Expert Consultant for the South Carolina Department of Natural Resources, re: piercing the corporate veil, 2000
Expert Consultant for the South Carolina Department of Health and Environmental Control, re: piercing the corporate veil to impose environmental liability under CERCLA, 1997-1999.
Reporter, South Carolina Uniform Commercial Code Article 2A (South Carolina Law Institute at the request of the South Carolina General Assembly, 1996-2001).
Expert Witness and advisor to the South Carolina Attorney General in criminal prosecution of John O'Quinn, Esq. for unauthorized practice of law and illegal solicitation, 1996-1997.
Co-Reporter, Conference on the Commercialization of the Legal Profession, Charleston, S.C., May 1993.
Expert Witness for the United States before the Federal Grand Jury investigating securities fraud, May 1993.
Member, Governing Board, Center for Law, the Legal Profession, and Public Policy, 1991-93, 1998-2000.
Member, Blue Ribbon Committee on Corporate Law, South Carolina Secretary of State, 1991-95.
Securities Law Expert for the South Carolina Attorney General in connection with the bankruptcy of Patriots Point Associates, 1989-91.
Advisor to the S.C. Deputy Securities Commissioner and the S.C. Senate Judiciary Committee on Corporate Law issues.
Co-Reporter, South Carolina Business Corporation Act of 1988 (South Carolina Law Institute for the South Carolina General Assembly, 1986-88).
Member, Louisiana State Law Institute, Civil Code Revision Committee, 1975-1977.

PRESENTATIONS

"Cyber-Ethics for Lawyers," Workers Injury Law and Advocacy Group Regional Conference, Atlanta, GA (3/27/17) (with Paula J. Frederick, Esq., General Counsel, State Bar of Georgia)
"Operational Cyber-Security for Lawyers," WFG Winter Underwriting Seminar, Columbia, SC (2/7/17)
"Cyber-Fraud, Cyber-Ethics, Cyber-Liability, Cyber-Security," S.C. Bar LEAPP Law Office Management School, Columbia, SC (2/7/17)
"Cyber-Ethics, Cyber-Security, Cyber-Liability, and Cyber-Insurance for Lawyers and Law Firms," Sixth Annual Everything You Need To Know About Ethics, S.C.A.E.C. - S.C. Bar CLE, Columbia, SC (1/13/17)
"Ethical Issues in Criminal Cases: *Slager* & *Roof*," Twenty-first Annual Charleston County Probate Court Seminar, The Mills House Wyndham Grand Hotel, Charleston, SC (12/16/16)
"Getting Clients Ethically While Promoting Our Profession," Florence County Bar (11/30/16)
"Technology for Safe and Sane Lawyering," S.C. Bar LEAPP Law Office Management School (9/29/16)
"Regulating Unauthorized Multijurisdictional Virtual Law Practice," S.C. Law School (2/22/16)
"Practice-Specific Concerns Regarding Cyber Attacks," Panel Moderator, Cyber Attacks & Civil Liability, S.C. Law Review Symposium (2/5/16)
"Highlights from the Technology and Law Seminar: Why Do I Have To Understand This Stuff?," Fifth Annual Everything You Need To Know About Ethics, S.C.A.E.C. - S.C. Bar CLE, Columbia, SC (1/15/16)
"Future Ethics for Lawyers in the Age of the Jetsons," Twentieth Annual Charleston County Probate Court Seminar, The Mills House Hotel, Charleston, SC (12/17/15)
"Ethical Management of Technology: Survival Techniques for Lawyers and Law Firms," Technology Techniques & Security for Litigators and Transactional Lawyers, S.C. Bar CLE, Columbia, SC (12/10/15)
"The Ethics of Technology in Law Practice," Technology Techniques & Security for Litigators and Transactional Lawyers, S.C. Bar CLE, Columbia, SC (12/10/15)
"Technology for Safe & Sane Lawyering," S.C. Bar LEAPP Law Office Management School (10/1/15)
"Cybersecurity Ethics: Encryption for Solo Lawyers and Small Law Firms," LPM-TECH CONFERENCE 2015, S.C. Bar Solo & Small Firm Section, Columbia, SC (9/18/05)
"Minister of Justice, Guardian of the Constitution," 14th Circuit Solicitor's Office Career Prosecutor Program and Externship, Bluffton, SC (6/1/15)
"Ethics for Criminal Defense Counsel in the Age of Social Media and the Internet," Federal Public Defender Seminar for Criminal Justice Act Attorneys (5/8/15)
"Ethics of Lawyers Working for Nonprofits & Serving on Nonprofit Boards," South Carolina Nonprofit Corporate Update, S.C. Bar CLE, Columbia, SC (2/5/15)
"Ethics of Confidentiality Online: Cybersecurity & Encryption," Fourth Annual Everything You Need To Know About Ethics, S.C.A.E.C. - S.C. Bar CLE, Columbia, SC (1/16/15)
"*Fabian v. Lindsay*: Lawyers' Liability to Intended Beneficiaries," with Professor S. Alan Medlin, Nineteenth Annual Charleston County Probate Court Seminar, The Mills House Hotel, Charleston, SC (12/12/14)
"Cybersecurity: Lawyers Safely Using Smartphones, Email, and the Cloud in the Age of International Hackers and Government Spies," S.C. Bar CLE, Columbia, SC (8/26/14)
"Ethics for Prosecutors," 14th Circuit Solicitor's Office Career Prosecutor Program and Externship, Bluffton, SC (6/30/14)
"Modification of Fees and Other Contract Questions: Rules 1.8 and 1.5," Third Annual Everything

You Need To Know About Ethics, S.C.A.E.C.-S.C. Bar CLE, Columbia, SC (1/17/14)

"Modification of Fee Agreements During the Representation: Ethical Duties, Fiduciary Duties, Contract Law," Eighteenth Annual Charleston County Probate Court Seminar, The Mills House Hotel, Charleston, SC (12/12/13)

"Legal Ethics and Social Media: How to Stay Out of Trouble and Protect Your Lawyer's Law License," Palmetto Paralegal Association Seminar, Columbia, SC (10/16/13)

"Professional Responsibility for Prosecutors," 14th Circuit Solicitor's Office Career Prosecutor Program and Externship, Bluffton, SC (May 29-30, 2013)

"War of the Roses & Roses, LLC: The Sequel – When Partners Leave the Firm," Everything You Need To Know About Ethics, S.C.A.E.C.-S.C. Bar CLE, Columbia, SC (1/18/13)

"Getting Paid, Keeping the Money, and Safeguarding Your License: How to Manage Your Cash Flow, Trust Account,and Bottom Line Under the New Rules Without Inviting a Visit from Disciplinary Authorities," Seventeenth Annual Charleston County Probate Court Seminar, The Mills House Hotel, Charleston, SC (12/6/12)

"Getting Paid, Keeping the Money, and Safeguarding Your License: How to Manage Your Cash Flow, Trust Account,and Bottom Line Under the New Rules Without Inviting a Visit from Disciplinary Authorities," S.C. Association for Justice, Auto Torts Seminar, Buckhead Ritz Carlton, Atlanta, GA (12/1/12)

"Mike Nifong – Aberrational Rogue?," U.S.C. Law School Symposium on Prosecutorial Ethics and Duties, Columbia, SC (3/16/12)

"How to Get Paid Now!," Everything You Need To Know About Ethics, S.C.A.E.C.-S.C. Bar CLE, Columbia, SC (1/13/12)

"Current Professional Responsibility Issues for Litigators," S.C. Tort Law Update, S.C. Bar CLE, U.S.C. Law School (1/6/12)

"Fiduciary Duties of Estate Planning & Probate Lawyers: General Principles and S.C. Cases," Sixteenth Annual Charleston County Probate Court Seminar, The Mills House Hotel, Charleston, SC(12/13/11)

"Advanced Ethics for Legislative Attorneys," South Carolina General Assembly, Columbia, SC (10/5/11)

"Judicial Ethics for S.C. Workers' Compensation Commissioners," S.C. Workers' Compensation Commission Continuing Judicial Ethics Seminar, Columbia, SC (11/16/10)

"Ethics for Legislative Attorneys," South Carolina General Assembly, Columbia, SC (10/6/10)

"Current Ethical Issues and Trends," York County Bar Association Ethics CLE, Panel with S.C. Supreme Court Justice Costa M. Pleicones and S.C. Disciplinary Counsel Lesley M. Coggiola, Esq., Rock Hill, SC (3/12/10)

"Lawyers in the Crosshairs: Recent South Carolina Cases of Concern to Estate Planning and Probate Lawyers," Fourteenth Annual Charleston County Probate Court Seminar, The Mills House Hotel, Charleston, SC (12/15/09)

"Judicial Ethics for S.C. Workers' Compensation Commissioners," S.C. Workers' Compensation Commission Continuing Judicial Ethics Seminar, Columbia, SC (11/17/09)

"Regulating Lawyer Behavior Through Recent South Carolina Tort Cases: Issues of Lawyer Ethics, Professionalism, and Liability," S.C. Tort Law Update, S.C. Bar CLE, U.S.C. Law School (11/13/09)

"Lawyers' Ethical Responsibilities and the Torture Memoranda," Amnesty International Panel Discussion, University of South Carolina, Columbia, SC (4/15/09)

"The 'Of Counsel' Agreement," S.C. Bar Annual Convention, Myrtle Beach, SC (1/24/09)

"Ethical Duties in Family Estate Planning," Thirteenth Annual Charleston County Probate Court Seminar, The Mills House Hotel, Charleston, SC (12/11/08)

"Teaching Professional Responsibility in U.S. Law Schools," Southeastern Ass'n of Law Schools, Ritz Carlton, Palm Beach, FL (7/31/08)
"Judicial Selection in the United States," S.C. Supreme Court Teachers Institute, Columbia, SC (6/23/08)
"Corporate Lawyers as Fiduciaries," S.C. Bar Annual Convention, Charleston, SC (1/25/08)
"My Heroes Have Always Been Lawyers and They Still Are, It Seems," Twelfth Annual Charleston County Probate Court Seminar, The Mills House Hotel, Charleston, SC (12/13/07)
"Prosecutorial Ethics: Was the Duke Lacrosse Case an Aberration or the Tip of the Iceberg?," SCTLA Annual Convention, Hilton Head Island (8/3/07).
"Malpractice Liability of Estate-Planning Lawyers," Eleventh Annual Charleston County Probate Court Seminar, The Mills House Hotel, Charleston, S.C. (12/7/06).
"Ethics for Trial Lawyers: How to Avoid Those Hidden Land Mines," S.C.T.L.A. Auto Torts Seminar XXIX, Ritz-Carlton, Buckhead, Atlanta, GA (12/2/06).
"Ethical Issues for the Sports Attorney-Agent: Lessons from *Vortex v. Ware*," International Sport and Entertainment Management Conference, Metropolitan Convention Center, Columbia, SC (11/9/06).
"Ethics in Workers Comp Practice: Negotiation," ASCCAWC Annual Convention, Grove Park Inn, Asheville, NC (11/4/06).
"Probate Judges and Lawyers: Prohibition of *Ex Parte* Communications," Fourteenth Annual Probate Bench/Bar Conference, Columbia, SC (9/15/06).
"The Future Regulation of Lawyer Advertising Under the Proposed S.C. Rules of Professional Conduct," SCTLA Annual Convention, Hilton Head Island (8/4/06).
"Free Speech and Judicial Selection: Implications of *White v. Republican Party*," Southeastern Association of Law Schools, The Breakers Hotel, Palm Beach, FL (7/20/06).
"The New South Carolina Rules of Professional Conduct," Tenth Annual Charleston County Probate Court Seminar, The Mills House Hotel, Charleston, S.C. (12/15/05).
"Ethical Use of Discovery Under the Workers' Compensation Act; Contact with Employer Witnesses; Use of Subpoenas in a Workers' Compensation Case; Frivolous Defenses: What to do About Them," ASCCAWC Annual Meeting, Grove Park Inn, Asheville, N.C. (11/4/05).
"Applying the SC Code of Judicial Conduct to Workers' Compensation Commissioners: Lessons for Lawyers Practicing Before the Commission," SCWCEA Educational Conference CLE, Marriott Myrtle Beach Resort (10/24/05).
"The New SC Rules of Professional Conduct: You Really Can't Do THAT Anymore!," SCWCEA Educational Conference, Marriott Myrtle Beach Resort (10/24/05).
"Newly Revised Frivolous Procedures Act & Other Ethical Issues," SCTLA Tort Reform Seminar, Columbia, S.C. (10/14/05).
Moderator and Coordinator, S.C. Corporate Practice Seminar, S.C. Bar CLE, U.S.C. Law School (9/30/05). Speaker: "Ethical Issues in S.C. Corporate Law for the General Practitioner and the Corporate Lawyer:
Ethical Issues Presented by Choices of Control Devices
Ethical Issues Arising from Threats of Owner Liability
The Big Ethical Question: Who Is The Client?"
"The Code of Judicial Conduct: Does It Effect How We Practice Workers' Comp?," S.C. Bar CLE, U.S.C. Law School (8/26/05).
"Ethics Seminar: The New Rules of Professional Conduct," SCTLA Annual Convention, Hilton Head Island (8/5/05).
"Ethics 2000: The New Rules of Professional Conduct — You Can't Do That Anymore!," C.L.E.

Ethics Seminar, Richland County Bar Association (11/5/04).
"Judicial Ethics Review," J.C.L.E. Ethics Seminar, S.C. Court Administration Magistrates' Training Program, Charleston, S.C. (8/18/04).
"The New S.C. Lawyers' Oath," C.L.E. Seminar, S.C. Bar, Charleston, S.C. (6/25/04).
"Judicial Ethics Review," J.C.L.E. Ethics Seminar, S.C. Court Administration Magistrates' Training Program, Columbia, S.C. (4/23/04).
"Ethics 2000 and Lawyers' Fees," C.L.E. Ethics Seminar, S.C. Bar & S.C. Association of Ethics Counsel, Columbia, S.C. (11/15/03).
"The Ethical Implications of *Brown v. Bi-Lo*," S.C. Workers Comp. Educational Ass'n Educational Conference, Kingston Plantation, Myrtle Beach, S.C. (10/20/03).
"Ethics 2000: The New Rules of Professional Conduct & Multi-Jurisdictional Practice of Law," C.L.E. Ethics Seminar, Investors Title Insurance Co. Seminars (9/17/03 Rock Hill, 9/12/03 Hilton Head).
"Ethics 2000: The New Rules of Professional Conduct — You Can't Do That Anymore!," C.L.E. Ethics Seminar, S.C.T.L.A. Convention (8/8/03).
"Political & Legal Ethics: The Pitfalls to Avoid," C.L.E. Ethics Seminar, S.C. Bar Annual Convention (Young Lawyers Division) (1/24/03).
"Recent Developments in Legal Ethics," C.L.E. Ethics Seminar, S.C. Bar & S.C. Association of Ethics Counsel (12/14/02).
"Current Ethical Issues in Real Estate Practice," C.L.E. Ethics Seminar, Security Title Insurance Company (11/8/02).
"Ethics of Attorney's Fees for Domestic Law Attorneys," C.L.E. Ethics Seminar, S.C. Bar (9/20/02).
"Discovery Abuse and Litigation Ethics," Paralegal Continuing Education Seminar, S.C.T.L.A. Convention (8/3/02).
"Discovery Abuse, Litigation Ethics, Supervision and Other Horrors," C.L.E. Ethics Seminar, S.C.T.L.A. Convention, Hilton Head, S.C. (8/2/02).
"Ethical Issues in Attorney Marketing Under the Amended Rules," C.L.E. Ethics Seminar, S.C. Bar (7/26/02).
"Ethics in the Practice of Criminal Law," C.L.E. Ethics Seminar, S.C. Bar (5/10/02).
"Professional Ethics in the Real World: Communication with Witnesses," C.L.E. Ethics Seminar, Ass'n S.C. Claimants' Attorneys for Workers Comp. (5/3/02).
"Lawyers and Paralegals Practicing Law When and Where They Shouldn't," C.L.E. Ethics Seminar, S.C. Bar and South Carolina Ass'n of Ethics Counsel (12/15/01).
"Proposed Disclosure Rule and Goods Funds Statute in South Carolina,"C.L.E. Ethics Seminar, S.C. Bar (8/17/01).
"Recent Developments in Ethics and Professional Responsibility," C.L.E. Ethics Seminar, S.C.T.L.A. Convention (8/3/01).
"Ethical Perils for Family Practitioners: Keeping Your License and Keeping Your Practice," C.L.E. Ethics Seminar, S.C. Bar (12/2/00).
"Ethical Issues in Workers Compensation Practice," C.L.E. Ethics Seminar, S.C. Workers' Comp. Educational Ass'n, Kingston Plantation, Myrtle Beach, S.C. (10/23/00).
"The Things That Make Paralegals Indispensable: Technology and the Future of the Practice of Law," Paralegal Continuing Education Seminar, S.C.T.L.A. Convention (8/5/00).
"Recent Developments in Ethics and Professional Responsibility," C.L.E. Ethics Seminar, S.C.T.L.A. Convention (8/4/00).

"The Internet – Legal Ethics in Cyberspace: Marketing on the Web and Communicating Via Email Under the Rules of Professional Conduct and the Amended South Carolina Rules Governing Advertising," SC Defense Trial Attorney's Association & SC Claim Manager's Association CLE at Grove Park Inn, Asheville, N.C. (7/29/00).

"The Internet – Legal Ethics in Cyberspace: Marketing on the Web and Communicating Via Email Under the Rules of Professional Conduct and the Amended South Carolina Rules Governing Advertising," C.L.E. Ethics Seminar, S.C. Bar (4/28/00).

"The Responsibility of Administrative Law Judges to Control Unethical and Unprofessional Conduct by Lawyers: Ethical Prohibitions, Remedies and Sanctions," ALJ CLE Seminar, Southern States Association of Administrative Law Judges (3/17/00).

"S.C. Appellate Procedure: The New Relationship Between the Supreme Court and the Court of Appeals," Paralegal Continuing Education Seminar, Ass'n S.C. Claimant Attorneys for Workers Comp., Asheville, N.C. (1/22/00).

"Professionalism: Advertising Ethically Under the Amended S.C. Rules of Professional Conduct," C.L.E. Ethics Seminar, S.C. Bar (1/14/00).

"Multi-Jurisdictional Practice of Law: *Pro Hac Vice* Admission and Unauthorized Practice," C.L.E. Ethics Seminar, S.C. Bar (12/11/99).

"Hot Issues in Ethics: Marketing Under the Rules of Professional Conduct and the Amended South Carolina Rules Governing Advertising," C.L.E. Ethics Seminar, S.C. Bar (10/29/99).

"Ethical and Professional Responsibility Issues in Litigation: Discovery Abuse," C.L.E. Ethics Seminar, S.C. Bar and Univ. of South Carolina School of Law (12/12/98).

"Multi-Jurisdictional Practice of Law: *Pro Hac Vice* Admission and Unauthorized Practice," C.L.E. Ethics Seminar, S.C. Bar (12/8/98).

"Discovery Abuse: Bane of Professionalism? Ethical Prohibitions & Court-Ordered Sanctions," C.L.E. Ethics Seminar, S.C.T.L.A. Convention (8/14/98).

"*Hedgepath* & *McCormick* and the Ethics of Ex-Parte Communication with Treating Physicians," Workers Comp. C.L.E. Seminar, S.C.T.L.A. Convention (8/14/98).

"Legal Ethics for a Multi-State Law Firm," C.L.E. for a Major S.C. Law Firm (8/8/98).

"Prudent Ethical Conduct after *Hedgepath*," Medical Staff, McLeod Hospital, Florence, S.C. (4/6/98).

"What is the Effect of *Hedgepath* on Doctors' Duties to Workers' Comp Patients?" S.C. Workers Comp. Educational Ass'n Annual Meeting, Charleston, S.C. (2/22/98).

"Confidentiality, Privilege, and the Attorney as Witness, Gossip, or Snitch," C.L.E. Ethics Seminar, S.C. Bar and Univ. of South Carolina School of Law (1/10/98).

"Law Firm Breakups and Departing Lawyers," C.L.E. Ethics Seminar, S.C. Bar and University of South Carolina School of Law (12/13/97).

"*Hedgepath* & Lawyers' Professional Conduct: Implications in Workers' Compensation Proceedings," C.L.E. Seminar, The Association of South Carolina Claimant Attorneys, Asheville, N.C. (11/14/97).

"Ethics: Judicial Immunity for Administrative Law Judges," J.C.L.E. Seminar, Chief Administrative Law Judges Conference, Charleston, SC (11/6/97).

"*Hedgepath* and the Rules of Professional Conduct: Who Can We (and They) Talk to Now?" C.L.E. Ethics Seminar, S.C.T.L.A. Convention (8/15/97).

"Ways to Get in Trouble: Old and New," C.L.E Ethics Seminar, U.S.C. School of Law (12/7/96).

"Ethics for the Modern Lawyer on the Information Superhighway," C.L.E. Ethics Seminar, S.C.T.L.A. Convention (8/9/96).

"Mobile Lawyers and Mobile Clients," C.L.E Ethics Seminar, U.S.C. School of Law (12/95).

"Constitutional Restrictions on Regulation of Lawyer Advertising," House of Delegates, S.C. Bar(1/21/94).
"Ethical Issues Facing Law Firms," C.L.E. Seminar, University of South Carolina School of Law (1/9/93).
"Ethical Issues in Office Practice," C.L.E. Seminar, University of South Carolina School of Law (12/5/92).
"Lawyer Television Advertising: A Video Presentation," U.S.C. Law School Faculty Ethics C.L.E. (10/22/92).
"The Ethical Dilemma of Corporate Counsel," C.L.E. Seminar, Farm Credit Sys. General Counsels Conference (10/7/92).
"Lawyer Advertising–The Great Debate," Moderator, C.L.E. Ethics Seminar, S.C.T.L.A. Conv. (8/14/92).
"Civil Litigation," in Ethical Issues in Litigation, C.L.E. Seminar, University of South Carolina School of Law (1/11/92).
"Shareholders' Rights in Disputes with a Corporation and those in Control," in Planning for Business Corporations: A Guide for General Practitioners, C.L.E. Seminar (1/3/92).
"Ethical Issues in Civil Litigation," Legal Ethics and Professional Responsibility, C.L.E. Seminar (12/6/91).
"A Walk Through the New South Carolina Rules of Professional Conduct," C.L.E., U.S.C. School of Law (1/12/91).
"Corporate Litigation and Liabilities of Corporations, Directors, Officers, and Shareholders after the 1988 Revision of the South Carolina Business Corporation Act," in Current Issues in Civil Litigation, a C.J.E. Seminar (4/14/89).
"Fundamental Corporate Changes and Dissenters' Rights under the South Carolina Business Corporation Act of 1988," in The New South Carolina Corporation Act, C.L.E. Seminar (12/16/88).

Amicus Curiae Briefs Drafted

Ex Parte Strom, in re Collins Entertainment Corp. v. Columbia "20" Truck Stop, 343 S.C. 257, 539 S.E.2d 699 (2000) (establishing that attorney's duties to client continued until court granted motion relieving attorney as counsel of record).
Linder v. Insurance Claims Consultants, 348 S.C. 477, 560 S.E.2d 612 (2002) (on behalf of the S.C.Bar, clarifying scope of activities constituting the practice of law).
Brown v. Bi-Lo, 354 S.C. 436, 581 S.E.2d 836 (2003) (on behalf of the S.C. Trial Lawyers Association, protecting the confidentiality of physician-patient relationship).

University and Community Service

Parliamentarian, University of South Carolina School of Law Faculty, 2004-2007, 2008-2014.
Member, Dean Review Committee for the Dean of the College of Criminal Justice, 2003.
Member, Faculty Manual Revision Committee, Faculty Senate, University of South Carolina, 1998-1999.
Parliamentarian, University of South Carolina Faculty, 1997-2004.
Member, Steering Committee, University of South Carolina Faculty Senate, 1997-2004.
Faculty Senator, University of South Carolina, 1983-1985, 1995-1998, 2000-2003.
Faculty Advisor, ABA National Appellate Advocacy Competition Team, University of South Carolina School of Law, 1995-1996.
Faculty Advisor, ABA National Appellate Advocacy Competition Team, University of South Carolina School of Law, 1982-1983 (winner Regional Competition).
Faculty Advisor, National Moot Court Team, University of South Carolina School of Law, 1980-1981.
Committee Chairman, BSA Troop 788, St. David's Episcopal Church, Columbia, SC 1996-2003.
Scoutmaster & Founder, BSA Troop 788, St. David's Episcopal Church, Columbia, SC 1992-1996.
Assistant Scoutmaster, Committee Chairman, Committee Member, BSA Troop 388, Windsor United Methodist Church, Columbia, SC 1986-1992.
Junior Warden, Vestry, St. David's Episcopal Church, Columbia, SC 1984-1987.
Chorister, Good Shepherd Episcopal Church, Columbia, SC 1999-2004.
Chorister, St. David's Episcopal Church, Columbia, SC 1984-1998.
Chairman, Christian Education Committee, St. Michael and All Angels Episcopal Church, Columbia, SC 1981-1983.
President, Richland Northeast High School P.T.S.O., Columbia, SC 1992-1997.
Member, Richland School District Two Strategic Planning Committee, Columbia, SC 1995-96.
Member, Richland School District Two Ridge View High School Planning Committee, Columbia, SC 1993-1994.

STATE OF SOUTH CAROLINA	)	IN THE COURT OF COMMON PLEAS
	)	
COUNTY OF CHARLESTON	)	IN THE NINTH JUDICIAL CIRCUIT
Charleston Laboratories, Inc.,	)	Civil Action No.: 2017-CP-10-3768
	)	
Plaintiff,	)	
	)	
vs.	)	**ANSWER OF DEFENDANT WOMBLE, CARLYLE, SANDRIDGE & RICE, LLP**
	)	
Womble, Carlyle, Sandridge & Rice, LLP,	)	
	)	
Defendant.	)	
	)	

Defendant Womble, Carlyle, Sandridge & Rice, LLP ("Womble") hereby responds to the complaint filed by Charleston Laboratories, Inc. ("Plaintiff") and denies each allegation thereof except those that are expressly admitted below. Further responding to the complaint, Womble alleges as follows.

FOR A FIRST DEFENSE

1. Womble admits the allegations of paragraph one of the complaint upon information and belief.

2. Womble admits the allegations of paragraph two of the complaint upon information and belief except that Womble states that it is a limited liability partnership rather than a limited liability company.

3. The allegations of paragraph three of the complaint are conclusions of law that Womble neither admits nor denies. To the extent that these allegations are deemed to be allegations of fact, Womble denies them.

4. The allegations of paragraph four of the complaint are conclusions of law that Womble neither admits nor denies. To the extent that these allegations are deemed to be

allegations of fact, Womble denies them.

5. Womble admits the allegations of paragraph five of the complaint upon information and belief.

6. Womble admits the allegations of paragraph six of the complaint upon information and belief.

7. Womble admits the allegations of paragraph seven of the complaint upon information and belief.

8. Responding to the allegations of paragraph eight of the complaint, Womble admits that it was retained to provide certain specified legal services to Plaintiff. Womble denies the remaining allegations of paragraph eight of the complaint to the extent they are inconsistent with this admission, and specifically denies that Womble was retained to raise capital for Plaintiff.

9. Responding to the allegations of paragraph nine of the complaint, Womble admits that Dean Rutley ("Rutley") had prior experience in providing legal services to start-up pharmaceutical companies. Womble denies the remaining allegations of paragraph nine of the complaint to the extent they are inconsistent with this admission.

10. Womble admits the allegations of paragraph ten of the complaint.

11. Responding to the allegations of paragraph eleven of the complaint, Womble admits that it agreed to defer billing Plaintiff for legal services until Plaintiff raised additional capital. Womble denies the remaining allegations of paragraph eleven of the complaint to the extent they are inconsistent with this admission.

12. Womble admits the allegations of paragraph twelve of the complaint.

13. Womble admits the allegations of paragraph thirteen of the complaint.

14. Responding to the allegations of paragraph fourteen of the complaint, Womble

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admits that it prepared certain corporate documents for Plaintiff in 2007, and in 2008 prepared the Stock Restriction Agreement ("SRA") executed between Plaintiff and the three new employees referred to in paragraph twelve of the complaint. Womble denies the remaining allegations of paragraph fourteen of the complaint to the extent they are inconsistent with this admission.

15. Responding to the allegations of paragraph fifteen of the complaint, Womble admits that David Baddour ("Baddour") performed work for Plaintiff at the direction of Rutley. Womble denies the remaining allegations of paragraph fifteen of the complaint to the extent they are inconsistent with this admission.

16. Womble admits the allegations of paragraph sixteen of the complaint.

17. Responding to the allegations of paragraph seventeen of the complaint, Womble admits that Plaintiff wanted to restrict the ability of its new shareholders to transfer their shares and to provide a means by which some or all of those shares could be re-acquired by Plaintiff. Womble denies the remaining allegations of paragraph seventeen of the complaint.

18. Womble denies the allegations of paragraph eighteen of the complaint.

19. Responding to the allegations of paragraph nineteen of the complaint, Womble admits that it advised Plaintiff that the company's desire to restrict the transferability of the shares of the newest shareholders could be accomplished by entering into the SRA referred to in paragraph nineteen of the complaint. Womble denies the remaining allegations of paragraph nineteen.

20. Responding to the allegations of paragraph twenty of the complaint, Womble admits only that it prepared the SRA at the direction of and in consultation with Plaintiff. Further responding to the allegations of paragraph twenty, Womble alleges that it reviewed the SHA as provided to it by Plaintiff and provided comments to Plaintiff, but denies that Womble drafted or

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"prepared" the SHA. Womble denies the remaining allegations of paragraph twenty to the extent they are inconsistent with these allegations.

21. Womble denies the allegations of paragraph twenty-one of the complaint as stated and alleges that the agreements referred to therein speak for themselves. Womble therefore refers to and incorporates the SRA and the Stockholders Agreement ("SHA") in response to the allegations of this paragraph.

22. Womble denies the allegations of paragraph twenty-two of the complaint as stated and alleges that the SRA speaks for itself. Womble therefore refers to and incorporates the SRA in response to the allegations of this paragraph.

23. Womble denies the allegations of paragraph twenty-three of the complaint as stated and alleges that the SRA speaks for itself. Womble therefore refers to and incorporates the SRA in response to the allegations of this paragraph.

24. Womble denies the allegations of paragraph twenty-four of the complaint as stated and alleges that the SHA speaks for itself. Womble therefore refers to and incorporates the SHA in response to the allegations of this paragraph.

25. Womble denies the allegations of paragraph twenty-five of the complaint as stated and alleges that the SRA speaks for itself. Womble therefore refers to and incorporates the SRA in response to the allegations of this paragraph.

26. Womble denies the allegations of paragraph twenty-six of the complaint as stated and alleges that the SHA speaks for itself. Womble therefore refers to and incorporates the SHA in response to the allegations of this paragraph.

27. Womble denies the allegations of paragraph twenty-seven of the complaint

28. Womble denies the allegations of paragraph twenty-eight of the complaint, but

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further alleges that the SRA and SHA do work harmoniously with each other, as has been conclusively established by the United States District Court for the Southern District of Florida in Case No. 9:15-cv-81694-JIC ("the Florida Action"). A copy of the Order of that court granting summary judgment in favor of Plaintiff is attached hereto as Exhibit A and incorporated herein by reference.

29. Responding to the allegations of paragraph twenty-nine of the complaint, Womble alleges that the agreements referred to therein speak for themselves. Womble therefore refers to and incorporates the SRA and the SHA in response to the allegations of this paragraph. Further responding to the allegations of paragraph twenty-nine, Womble alleges that the SHA and the SRA are not ambiguous or confusing, and do not conflict with each other, as has been conclusively established in the Florida Action. See Exhibit A attached hereto and incorporated herein by reference. The remaining allegations of paragraph twenty-nine are conclusions of law that Womble neither admits nor denies. To the extent that those allegations are deemed to be allegations of fact, Womble denies them.

30. Responding to the allegations of paragraph thirty of the complaint, Womble alleges that the agreements referred to therein speak for themselves. Womble therefore refers to and incorporates the SRA and the SHA in response to the allegations of this paragraph. Further responding to the allegations of paragraph thirty, Womble further alleges that the provisions referred to in paragraph thirty are unnecessary, as has been conclusively established in the Florida Action. See Exhibit A attached hereto and incorporated herein by reference.

31. Responding to the allegations of paragraph thirty-one of the complaint, Womble alleges that the agreements referred to therein speak for themselves. Womble therefore refers to and incorporates the SRA and the SHA in response to the allegations of this paragraph. Further

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responding to the allegations of paragraph thirty-one, Womble alleges that the provisions referred to in paragraph thirty-one are unnecessary, as has been conclusively established in the Florida Action. See Exhibit A attached hereto and incorporated herein by reference.

32. Womble denies the allegations of paragraph thirty-two of the complaint as stated and alleges that the agreements referred to therein speak for themselves. Womble therefore refers to and incorporates the SRA and the SHA in response to the allegations of this paragraph. Further responding to the allegations of paragraph thirty-two of the complaint, Womble denies that the inclusion of the integration clauses referred to therein created any issue regarding the force and effect of the SRA and SHA, as has been conclusively established in the Florida Action. See Exhibit A attached hereto and incorporated herein by reference.

33. Womble denies the allegations of paragraph thirty-three of the complaint.

34. Womble denies the allegations of paragraph thirty-four of the complaint as stated, and alleges that the SRA was sufficient to accomplish Plaintiff's desire to restrict the transfer of the shares of the new shareholders. Womble further alleges that Plaintiff knew and understood that the SRA and SHA served different purposes and satisfied different objectives of Plaintiff, and were sufficient to accomplish those purposes as conclusively established in the Florida Action.

35. Responding to the allegations of paragraph thirty-five of the complaint, Womble admits that Plaintiff paid Womble for legal services performed by Womble. Further responding to the allegations of paragraph thirty-five, Womble alleges that Plaintiff understood the different purposes and effects of the SRA and SHA.

36. Womble lacks information sufficient to form a belief as to the truth or falsity of the allegations of paragraph thirty-six of the complaint and therefore denies them, but further alleges that Plaintiff understood the purposes and effects of the SRA and SHA.

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37. Womble admits the allegations of paragraph thirty-seven of the complaint upon information and belief.

38. Womble admits the allegations of paragraph thirty-eight of the complaint upon information and belief, and refers to the stock certificate for a complete statement of its terms.

39. Womble admits the allegations of paragraph thirty-nine of the complaint upon information and belief.

40. Womble admits the allegations of paragraph forty of the complaint upon information and belief.

41. Womble denies the allegations of paragraph forty-one of the complaint.

42. Womble admits the allegations of paragraph forty-two of the complaint upon information and belief.

43. Responding to the allegations of paragraph forty-three of the complaint, Womble admits that Plaintiff provided Baddour with a draft letter written by Paul Bosse ("Bosse") terminating Raymond Takigiku ("Takigiku") for cause and exercising Plaintiff's right to re-purchase his shares and that Baddour provided Bosse with comments on the letter. Womble denies the remaining allegations of paragraph forty-three of the complaint.

44. Responding to the allegations of paragraph forty-four of the complaint, Womble admits that Plaintiff provided Baddour with a draft letter written by Bosse terminating Takigiku for cause and exercising Plaintiff's right to re-purchase his shares and that Baddour provided Bosse with comments on the letter. Womble denies the remaining allegations of paragraph forty-four of the complaint.

45. Womble denies the allegations of paragraph forty-five of the complaint, and further alleges that Womble never declined to do any requested legal work for Plaintiff, and that Bosse

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wanted to handle the termination himself, and did not ask Womble to prepare the letter referred to therein.

46. Responding to the allegations of paragraph forty-six of the complaint, Womble alleges that the letter referred to therein speaks for itself. Further responding to the allegations of paragraph forty-six, Womble admits that it provided Bosse with comments on the letter. Womble denies the remaining allegations of paragraph forty-six.

47. Womble admits the allegations of paragraph forty-seven of the complaint upon information and belief.

48. Womble denies the allegations of paragraph forty-eight of the complaint, and further alleges that Womble never declined to do any requested legal work for Plaintiff, and that Bosse wanted to handle the termination and repurchase himself, and did not ask Womble to prepare the letter referred to therein.

49. Responding to the allegations of paragraph forty-nine of the complaint, Womble admits that it provided Bosse with comments on the letter referred to therein, including the advice that the letter should refer to the agreements between Takigiku and Plaintiff. Womble denies the remaining allegations of paragraph forty-nine, and further alleges that the letter did not need to contain the information referred to in paragraph forty-nine as has been conclusively established in the Florida Action. See Exhibit A attached hereto and incorporated herein by reference.

50. Responding to the allegations of paragraph fifty of the complaint, Womble denies the allegations as stated, and alleges that the document referred to therein speaks for itself. Womble further alleges that the document referred to therein was prepared and sent to Takigiku for settlement purposes only and in no way interpreted or limited Plaintiff's rights under the SHA and the SRA.

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51. Womble lacks information sufficient to form a belief as to the truth or falsity of the allegations of paragraph fifty-one of the complaint and therefore denies them.

52. Womble admits the allegations of paragraph fifty-two of the complaint upon information and belief.

53. Womble admits the allegations of paragraph fifty-three of the complaint upon information and belief.

54. Womble admits the allegations of paragraph fifty-four of the complaint.

55. Womble lacks information sufficient to form a belief as to the truth or falsity of the allegations of paragraph fifty-five of the complaint and therefore denies them.

56. Womble admits the allegations of paragraph fifty-six of the complaint. Further responding to the allegations of paragraph fifty-six of the complaint, Womble alleges that as a result of the position taken by Plaintiff and the result obtained in the Florida Action, Plaintiff's claims against Womble should be dismissed.

57. Womble admits the allegations of paragraph fifty-seven of the complaint upon information and belief. Further responding to the allegations of paragraph fifty-seven of the complaint, Womble alleges that all of the positions asserted by Takigiku in the Florida Action were rejected by the court and that Plaintiff obtained summary judgment in its favor on all issues. See Order attached hereto as Exhibit A and incorporated herein by reference. Plaintiff's claims against Womble should be dismissed.

58. Womble lacks information sufficient to form a belief as to the truth or falsity of the allegations of paragraph fifty-eight of the complaint and therefore denies them. Further responding to the allegations of paragraph fifty-eight, Womble alleges that all of the positions asserted by Takigiku in the Florida Action were rejected by the court and that Plaintiff obtained summary

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judgment in its favor on all issues. See Order attached hereto as Exhibit A and incorporated herein by reference.

59. Responding to the allegations of paragraph fifty-nine of the complaint, Womble admits that Plaintiff retained counsel and filed a declaratory judgment action in Florida. Womble denies any remaining allegations of paragraph fifty-nine that are inconsistent with this admission, and specifically denies that Plaintiff was forced to bring a declaratory judgment action in federal court and expend hundreds of thousands of dollars in legal fees and costs in doing so.

60. Responding to the allegations of paragraph sixty of the complaint, Womble admits that Plaintiff obtained an order granting summary judgment in its favor finding, among other things, that the SRA and SHA were not ambiguous and were fully enforceable against Takigiku. Womble refers to and incorporates that Order, a copy of which is attached hereto as Exhibit A, in response to the allegations of this paragraph. Womble lacks information sufficient to form a belief as to the truth or falsity of the remaining allegations of paragraph sixty and therefore denies them.

61. Womble denies the allegations of paragraph sixty-one of the complaint.

62. Womble incorporates the allegations of paragraphs one through sixty-one above in response to the allegations of paragraph sixty-two of the complaint.

63. Responding to the allegations of paragraph sixty-three of the complaint, Womble admits that an attorney-client relationship existed between Plaintiff and Womble from June 2007, until October 2014, but further alleges that all work by Womble related to the Takigiku matter ended in 2010.

64. The allegations of paragraph sixty-four of the complaint constitute conclusions of law that Womble neither admits nor denies as stated. Womble further alleges in response to the allegations of paragraph sixty-four that Womble fulfilled and satisfied all duties it owed to Plaintiff

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during its representation.

65. Womble denies the allegations of paragraph sixty-five of the complaint.

66. Womble denies the allegations of paragraph sixty-six of the complaint.

67. Womble denies the allegations of paragraph sixty-seven of the complaint.

FOR A SECOND DEFENSE
(Failure to State a Claim)

68. Womble incorporates the allegations of paragraphs one through sixty-seven above herein.

69. The complaint fails to state facts sufficient to constitute a cause of action because, among other things, the complaint on its face admits and this Court may take judicial notice of the fact that Plaintiff obtained summary judgment in its favor with respect to the issues raised by Takigiku regarding the SHA and the SRA in the Florida Action, which are the same issues that Plaintiff is attempting to raise in this action against Womble.

70. The grant of summary judgment in favor of Plaintiff in the Florida Action is inconsistent as a matter of law with the alleged breach of the standard of care by Womble with respect to those documents.

71. Plaintiff's complaint therefore not only fails to state facts sufficient to constitute a cause of action but instead states facts that preclude a cause of action and/or any recovery against Womble as a matter of law.

72. The complaint should therefore be dismissed.

FOR A THIRD DEFENSE
(Collateral Estoppel)

73. Womble incorporates the allegations of paragraphs one through seventy-two above herein.

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74. A final judgment was entered by the United States District Court in the Florida Action. See order attached hereto as Exhibit A and incorporated herein by reference.

75. Plaintiff was a party to the Florida Action, and is bound by the judgment entered therein under principles of collateral estoppel.

76. Plaintiff may not re-litigate any claims that were decided or could have been litigated in the Florida Action.

77. The following matters were conclusively resolved by the judgment in the Florida Action pursuant to the Order granting summary judgment in favor of Plaintiff, which is attached hereto as Exhibit A and incorporated herein by reference.

a) The "SHA and SRA created concurrent rights of [Plaintiff] to repurchase the shares in the circumstances enumerated in the SRA and the circumstances enumerated in the SHA." Ex. A, p. 7.

b) "Both Agreements were executed at the same time, and neither claims to limit or supersede contemporaneous agreements." *Id.*

c) "Under the concurrent-rights construction, [Plaintiff] would have the option to exercise its rights under the SHA to purchase all shares at Fair Value. Alternatively, by exercising its rights under both Agreements upon [Takigiku's] resignation or termination for cause, [Plaintiff] could pay only a *de minimus* amount for the Restricted Shares under the SRA and the Fair Value for the Unrestricted Shares under the SHA." *Id.*

d) The "SHA and SRA created concurrent rights of [Plaintiff] to repurchase the shares in the circumstances enumerated in the SRA and the circumstances enumerated in the SHA." *Id.*

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e) "Both Agreements were executed at the same time, and neither claims to limit or supersede contemporaneous agreements." *Id.*

f) "[Takigiku] did not object to the Board's Fair Value Determination within fifteen days of March 26, 2010. Although [Takigiku's] attorney contacted Plaintiff's attorney on April 7, 2010, there is no evidence that [Takigiku] or anyone on his behalf questioned the repurchase until May 18, 2010." *Id.* at 4.

g) "In September 2015, more than five years after [Takigiku] received the Termination Letter, he made a demand to inspect Plaintiff's books and records as a shareholder." *Id.*

h) "Plaintiff . . . materially complied with all of the requirements of the SHA in exercising its repurchase rights. Specifically, Plaintiff has shown that: (1) an event triggering its repurchase rights occurred; (2) the Board made a Fair Value determination in good faith; (3) [Plaintiff] gave [Takigiku] sufficient written notice that it was exercising its repurchase rights; (4) [Takigiku] failed to challenge the Fair Value determination within fifteen days; and (5) the shares were properly transferred back to [Plaintiff]." *Id.* at 9.

i) "Section 2.4(i) of the SHA does not specify any form of notice or require any reference to the SHA in the notice." *Id.* at 12.

78. These and other findings by the court in the Florida Action are inconsistent with the allegations and claims made by Plaintiff in the present action, by which Plaintiff is improperly attempting to impose liability on Womble as if Plaintiff had lost the Florida Action, when instead, the Court completely vindicated the enforceability of the agreements and the actions taken by Plaintiff pursuant to the agreements.

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79. The doctrine of collateral estoppel precludes the claims made by Plaintiff in the present action in which Plaintiff alleges that Womble breached its duties to Plaintiff by:

a) drafting documents that created conflict and ambiguity, when the judgment in the Florida Action conclusively establishes that the documents did not conflict and were not ambiguous;

b) failing to specify whether the SHA or the SRA would control in the event of a dispute, when the judgment in the Florida Action conclusively establishes that the documents operated concurrently, and that one did not operate to limit the other, and that such a specification was unnecessary to the successful assertion of Plaintiff's rights against Takigiku;

c) failing to state that the documents operated concurrently, when the judgment in the Florida Action conclusively establishes their concurrent status without the necessity of any such recitation;

d) failing to make clear that Plaintiff's rights under the SHA were not limited by its rights under the SRA, when the judgment in the Florida Action conclusively establishes that the documents themselves did not create any such limitation; and

e) failing to advise Plaintiff that it should specify the document pursuant to which it was repurchasing Takigiku's shares, when the judgment in the Florida Action conclusively establishes that such a specification was completely unnecessary to the successful assertion of Plaintiff's rights against Takigiku.

80. The complaint should therefore be dismissed.

FOR A FOURTH DEFENSE
(Judicial Estoppel)

81. Womble incorporates the allegations of paragraphs one through eighty above

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herein.

82. In the Florida Action, Plaintiff made allegations and representations of fact to the court, on the basis of which the court granted relief to Plaintiff in the form of an order granting Plaintiff summary judgment.

83. Having taken those factual positions in the Florida Action and having obtained the benefit of a successful outcome in the Florida Action, Plaintiff is now estopped from taking any factual position in the present case that is inconsistent with the facts it represented to the court in the Florida Action as being true.

84. Plaintiff made the following allegations of fact in the Florida Action, all of which must now be deemed to be incontestable in the present action:

a) "[T]he Stockholders' Agreement and the SRA gave the Company concurrent rights to repurchase the Shares, and neither obviated the other . . . ." (Emphasis in original.) Plaintiff's Motion for Summary Judgment in the Florida Action, p. 3, attached as Exhibit B.

b) "The undisputed facts establish that . . . [Plaintiff] had the right to repurchase all of Takigiku's Shares for Fair Value under the Stockholders Agreement and the concurrent right to repurchased 70 . . . of the 210 . . . Shares for the nominal amount of $0.01. . . per share . . . under the SRA." (Emphasis in original). *Id.* at 5.

c) "As demonstrated by the undisputed facts, the Stockholders Agreement and the SRA were intended to and did in fact create concurrent rights of [Plaintiff] to repurchase the Shares in the circumstances enumerated in the SRA and the circumstances enumerated in the Stockholders Agreement." (Emphasis in original). *Id.*

d) "Takigiku never identified ambiguity relating to [Plaintiff's] right to repurchase his

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shares under both the Stockholders Agreement and the SRA." (Emphasis in original). *Id.*

e) "Both the Stockholders Agreement and the SRA contain a provision stating that the agreement 'supersedes' only other prior (but not contemporaneous) agreements." (Emphasis in original). *Id.*

f) "Takigiku's observation in 2008 relating to the SRA [that the SRA "may be unnecessary, but is good to protect all of the other shareholders"] makes sense." *Id.* at 6.

g) "[Plaintiff] and the three original founders would logically want to limit the amount [Plaintiff] may have to pay a new employee to repurchase shares during the initial years of employment." *Id.*

h) "[The position] in the litigation—that the SRA controls to the exclusion of the Stockholders Agreement—does not make sense." *Id.*

i) "Takigiku's contorted construction [of the agreements] therefore puts the new employees in a better position than the original founders! That was not the intent." *Id.* at 7.

j) "In sum, the uncontroverted record evidence establishes that the Stockholders Agreement and the SRA must be read together, creating concurrent rights of [Plaintiff] to repurchase all or some of Takigiku's Shares upon the occurrence of certain events for a stated price, all as set forth in the agreements, respectively." *Id.* at 8-9.

k) "[T]he notice by [Plaintiff] to Takigiku (as set forth in the Tender Letter) that it was exercising its right to repurchase all of Takigiku's equity in [Plaintiff] was sufficient to effect repurchase of the Takigiku Shares and terminate Takigiku's status as a

ROA-0059

shareholder of [Plaintiff]. *Id.* at 12.

l) "[T]he Stockholders Agreement was not drafted by [Plaintiff], but instead was drafted and initially proposed by another potential Founding Stockholder." *Id.* at 17.

m) "Takigiku executed the Stockholders Agreement and the SRA on the same date, effective as of the same date." *Id.*

n) "[T]he Stockholders Agreement and the SRA are not ambiguous." *Id.* at 18.

o) "The Stockholders Agreement was not prepared based on a form proffered by [Plaintiff] or its counsel, but instead was prepared on a form proffered by Landmark Financial Corp. Accordingly, [Plaintiff] is not the drafter of the Stockholders Agreement." Plaintiff's Statement of Undisputed Material Facts filed in Florida Action at paragraph 7, attached hereto as Exhibit C.

p) "The Stockholders Agreement provided protection to the closely-held start-up [Plaintiff] and [Plaintiff's] stockholders . . .. In part, the Stockholders Agreement . . . gives [Plaintiff] the right to repurchase 'any or all' of the Common Stock 'now or hereafter owned' by the Founding Shareholders . . .." *Id.* at ¶ 17.

q) "It is undisputed that [Plaintiff] could repurchase any or all of the Shares for Fair Value under the Stockholders Agreement . . .." *Id.* at ¶ 20.

r) "[B]y letter dated March 26, 2010, [Plaintiff] exercised its rights pursuant to the Stockholders Agreement to purchase all of Takigiku's Shares for Fair Value as defined and calculated in accordance with the Stockholders Agreement (the "Tender Letter")." *Id.* at ¶ 34.

85. Plaintiff may not controvert these facts in the present action.

86. These facts conclusively establish that the agreements at issue did exactly what

ROA-0060

Plaintiff alleges they were intended to do without ambiguity or any diminution of Plaintiff's rights.

87. These facts preclude any finding of fault or liability by Womble as a matter of law.

88. This action should therefore be dismissed.

FOR A FIFTH DEFENSE
(Lack of Proximate Cause)

89. Womble incorporates the allegations of paragraphs one through eighty-eight above herein.

90. Any acts or omissions of Womble were not the proximate cause of any losses or damages alleged to have been suffered by Plaintiff because, among other things, the factually and legally incorrect and unsupported claims made by Takigiku were not foreseeable by Plaintiff or Womble, nor was it foreseeable that Plaintiff would voluntarily initiate an action in federal district court and expend hundreds of thousands of dollars seeking a declaratory judgment to enforce the documents as written.

91. The complaint should therefore be dismissed.

FOR A SIXTH DEFENSE
(Intervening and Superseding Cause)

92. Womble incorporates the allegations of paragraphs one through ninety-one above herein.

93. Any damages or losses alleged to have been suffered by Plaintiff were the result of the intervening and superseding actions of third parties and of Plaintiff for which Womble is not responsible as a matter of law.

94. The complaint should therefore be dismissed.

FOR A SEVENTH DEFENSE
(Failure to Mitigate Damages)

95. Womble incorporates the allegations of paragraphs one through ninety-four above

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herein.

96. Plaintiff's claims are barred because Plaintiff failed to mitigate its alleged damages.

97. The complaint should therefore be dismissed.

FOR AN EIGHTH DEFENSE
(Waiver)

98. Womble incorporates the allegations of paragraphs one through ninety-seven above herein.

99. Plaintiff has waived all claims and/or causes of action against Womble as a result of Plaintiff's conduct pursuant to the agreements and the positions taken and relief obtained in the Florida Action.

100. The complaint should therefore be dismissed.

FOR A NINTH DEFENSE
(Ratification)

101. Womble incorporates the allegations of paragraphs one through 100 above herein.

102. Plaintiff's claims are barred by the doctrine of ratification.

FOR A TENTH DEFENSE
(Statute of Limitations)

103. Womble incorporates the allegations of paragraphs one through 102 above herein.

104. Plaintiff asserted in the Florida Action that Takigiku's attorney questioned the repurchase in 2010, which either did or should have put Plaintiff on notice that a claim against some other party might exist.

105. Plaintiff failed to file the present action within three years of 2010, and the causes of action are therefore barred by the applicable statutes of limitation or repose, and/or the equitable doctrine of laches.

106. The complaint should therefore be dismissed.

ROA-0062

FOR AN ELEVENTH DEFENSE
(Failure to State a Claim for Punitive Damages)

107. Womble incorporates the allegations of paragraphs one through 106 above herein.

108. The complaint fails to state facts sufficient to constitute a cause of action for punitive damages because the complaint does not allege conduct that would warrant the imposition of such damages under South Carolina law.

FOR A TWELFTH DEFENSE
(Punitive Damages)

109. Womble incorporates the allegations of paragraphs one through 108 above herein.

110. Plaintiff is not entitled to an award of punitive damages because such an award would violate the Fifth, Sixth, and Fourteenth Amendments of the United States Constitution and Article I, Section 3, of the South Carolina Constitution in that:

i. The judiciary's ability to correct a punitive damages award only upon a finding of passion, prejudice, or caprice is inconsistent with due process guarantees;

ii. Any award of punitive damages serving a compensatory function is inconsistent with due process guarantees;

iii. Any award of punitive damages based upon the wealth of the defendant violates due process guarantees;

iv. The jury's unfettered power to award punitive damages in any amount it chooses is wholly devoid of meaningful standards and is inconsistent with due process guarantees;

v. Even if it could be argued that the standard governing the imposition of punitive damages exists, the standard is void for vagueness;

vi. Plaintiff's claim for punitive damages violates the Equal Protection Clause of the Fourteenth Amendment of the United States Constitution, and Article I, Section 3, of the South Carolina Constitution in that the amount of punitive damages is based upon the wealth of the defendant; and

ROA-0063

vii. Plaintiff's claim for punitive damages violates the federal doctrine of separation of powers and Article I, Section 8 of the South Carolina Constitution because punitive damages are a creation of the judicial branch of government which invades the province of the legislative branch of government.100

111. All claims for punitive damages should therefore be dismissed.

FOR A THIRTEENTH DEFENSE
(RESERVATION OF RIGHTS)

112. Womble incorporates the allegations of paragraphs one through 111 above herein.

113. Womble expressly reserves the right to assert additional defenses as such become known.

Wherefore, having fully answered Plaintiff's complaint, Womble prays that it be dismissed with prejudice.

SOWELL GRAY ROBINSON STEPP & LAFFITTE, LLC

By: _____

Robert E. Stepp (SC Bar No. 5335)
Tina M. Cundari (SC Bar No. 71951)
William H. Jordan (SC Bar No. 76172)
1310 Gadsden Street
Post Office Box 11449
Columbia, South Carolina 29211
(803) 929-1400

Attorneys for Defendant

Columbia, South Carolina
August 23, 2017

ROA-0064

STATE OF SOUTH CAROLINA	)	IN THE COURT OF COMMON PLEAS
	)	
COUNTY OF CHARLESTON	)	IN THE NINTH JUDICIAL CIRCUIT
Charleston Laboratories, Inc.,	)	Civil Action No.: 2017-CP-10-3768
	)	
Plaintiff,	)	
	)	
vs.	)	
	)	**CERTIFICATE OF SERVICE**
Womble, Carlyle, Sandridge & Rice, LLP,	)	
	)	
	)	
Defendant.	)	
	)	

I, the undersigned legal assistant of the law offices of Sowell Gray Robinson Stepp & Laffitte, L.LC, attorneys for Defendant Womble, Carlyle, Sandridge & Rice, LLP, do hereby certify that I have served all counsel in this action with a copy of the document specified below by mailing a copy of the same by United States Mail, postage prepaid, to the following addresses:

Document: Answer to Complaint

Counsel Served:

Ronald L. Richter, Jr., Esq.
Bland Richter, LLP
Peoples Building
18 Broad Street, Mezzanine
Charleston, SC 29401

Eric S. Bland
Bland Richter, LLP
1500 Calhoun Street
Post Office Box 72
Columbia, SC 29202
Attorneys for Plaintiff

Valerie N. Hampton

Columbia, South Carolina
August 23, 2017

ROA-0065

ELECTRONICALLY FILED - 2020 Feb 18 3:16 PM - CHARLESTON - COMMON PLEAS - CASE#2017CP1003768

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM CHARLESTON COUNTY COURT OF COMMON PLEAS
THE HONORABLE ROGER M. YOUNG, SR.

Case No.: 2017-CP-10-3768

Charleston Laboratories, Inc.,

vs.

Womble, Carlyle, Sandridge & Rice, LLP,

NOTICE OF APPEAL

Charleston Laboratories, Inc. appeal the Order of the Honorable Roger M. Young, Sr. dated January 30, 2020. Appellant received written notice of entry of this Order on January 30, 2020.

Charleston, South Carolina
February 10, 2020

BLAND RICHTER, LLP
Attorneys for Appellant

s/Ronald L. Richter, Jr.
Ronald L. Richter, Jr. (SC Bar No. 66377)
Scott M. Mongillo (SC Bar No. 16574)
Peoples Building
18 Broad Street, Mezzanine
Charleston, South Carolina 29401
Telephone 843.573.9900
Facsimile 843.573.0200
ronnie@blandrichter.com
scott@blandrichter.com

ROA-0066

Eric S. Bland (SC Bar No. 64132)
1500 Calhoun Street
Post Office Box 72
Columbia, South Carolina 29202
Telephone803.256.9664
Facsimile 803.256.3056
ericbland@blandrichter.com

Other Counsel of Record:

Robert E. Stepp, Esquire
Benjamin R. Gooding, Esquire
Jasmine D. Smith, Esquire
ROBINSON GRAY STEPP & LAFFITTE, LLC
1310 Gadsden Street
P.O. Box 11449
Columbia, SC 29211

ELECTRONICALLY FILED - 2020 Feb 18 3:16 PM - CHARLESTON - COMMON PLEAS - CASE#2017CP1003768

STATE OF SOUTH CAROLINA	IN THE COURT OF COMMON PLEAS
COUNTY OF CHARLESTON	NINTH JUDICIAL CIRCUIT
Charleston Laboratories, Inc.,	ACTION NUMBER: 2017-CP-10-3768
Plaintiff,	
-v-	
Womble, Carlyle, Sandridge & Rice, LLP,	
Defendant.	

VIDEOTAPED DEPOSITION OF DEAN RUTLEY

Tysons Corner, Virginia

Monday, April 16, 2018

11:16 a.m.

EveryWord, Inc.
P.O. Box 1459
Columbia, South Carolina 29202
803-212-0012

Pages: 1 - 188

Reported by: Paula Flint

VIDEOTAPED DEPOSITION OF DEAN RUTLEY, held at the law offices of:

WOMBLE BOND DICKINSON
8065 Leesburg Pike
Fourth Floor
Tysons Corner, Virginia 22182
(703) 790-3310

Pursuant to agreement, before Paula Flint, Notary Public of the Commonwealth of Virginia.

A P P E A R A N C E S

ON BEHALF OF THE PLAINTIFF:

RONALD L. RICHTER, JR., ESQUIRE
SCOTT M. MONGILLO, ESQUIRE
BLAND RICHTER, LLP
Peoples Building
18 Broad Street, Mezzanine
Charleston, South Carolina 29401
(843) 573-9900

ON BEHALF OF THE DEFENDANT:

TINA M. CUNDARI, ESQUIRE
WILLIAM H. JORDAN, ESQUIRE
SOWELL GRAY ROBINSON
1310 Gadsden Street
Post Office Box 11449
Columbia, South Carolina 29211
(803) 929-1400

A P P E A R A N C E S C O N T I N U E D

ON BEHALF OF THE DEFENDANT:

ALISON R. BOST, ESQUIRE
WOMBLE BOND DICKINSON
One Wells Fargo Center
301 South College Street
Suite 3500
Charlotte, North Carolina 28202
(704) 331-4900

ALSO PRESENT: Paul Bosse, Via Telephone
George Scott, Via Telephone
Deby Cavazos, Video Specialist

* * *

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* * *

P R O C E E D I N G S

VIDEOTAPE OPERATOR: Here begins tape number one in the videotaped deposition of Dean Rutley in the matter of Charleston Laboratories, Inc., versus Womble, Carlyle, Sandridge & Rice, LLP, in the Court of Common Pleas, Ninth Judicial Circuit, pardon me, case number 2017-CP-10-3768.

Today's date is April 16, 2018. The time on the video monitor is 11:17 a.m. The videographer today is Deby Cavazos representing Planet Depos.

This video deposition is taking place at 8065 Leesburg Pike, Fourth Floor, Tysons Corner, Virginia 22182.

Would counsel please voice identify themselves and state whom they represent.

MR. RICHTER: Ronnie Richter and Scott Mongillo for the plaintiff.

MS. CUNDARI: Tina Cundari and Will Jordan for the defendant.

Do we want to identify George Scott and --

MR. RICHTER: Yes. George Scott and Paul Bosse are appearing by telephone.

MS. CUNDARI: And then Alison Bost is

here on behalf of Womble, Carlyle.

VIDEOTAPE OPERATOR: The court reporter today is Paula Flint representing Planet Depos.

Would the reporter please swear in the witness.

Thereupon,

DEAN RUTLEY,

called as a witness, and having been first duly sworn, was examined and testified as follows:

EXAMINATION BY COUNSEL FOR PLAINTIFF

BY MR. RICHTER:

Q. Mr. Rutley, again my name is Ronnie Richter. I'm a lawyer from Charleston, South Carolina. And I'm here today to take your deposition today.

You understand that, right?

A. Yes.

Q. I know that you're an attorney, but the rules nonetheless require that I give you certain instructions, so I'll instruct you as follows.

You're under oath today. It's the same oath you would take in court. You understand that, right?

A. Yes, sir.

Q. And the expectation is -- today is the

same as it would be tomorrow. And that is, I'm going to ask you questions and I'll expect that you give me truthful responses.

You understand that, right?

A. Yes, sir.

Q. If I ask you a question and you don't understand it please tell me that you didn't understand it. I'll do the best I can to rephrase it. Okay?

A. Yes, sir.

Q. If you answer my question I will assume that you heard it, that you understood it and that you told me the truth. Is that fair?

A. Yes, sir.

Q. If at any point in time you need a break, just let me know. It's not an endurance contest. But please be mindful that you remain under oath during the break. Okay?

A. Yes, sir.

Q. Such that if you were to discuss your testimony before this deposition is adjourned, I would be entitled to ask you about those discussions.

You understand that, right?

A. Yes, sir.

Q. Any reason today why we can't take your deposition?

A. No, sir.

Q. Any reason today why you can't give me truthful responses?

A. No, sir.

Q. Mr. Rutley, to define some terms early on so that we -- we're not confused, we're going to talk today about a shareholders agreement. You understand that, right?

A. Yes, sir.

Q. That pertains to Charleston Laboratories?

A. Yes, sir.

Q. I may call Charleston Laboratories Charleston Labs. We agree we're talking about the same entity, right?

A. Yes, sir.

Q. And if I say the SHA, will you understand that to mean that I'm talking about the shareholders agreement?

A. I can follow that, yes, sir.

Q. And we'll also talk about the stock restriction agreement. And if I say SRA, we'll be talking about the stock restriction agreement.

Fair enough?

A. I can also follow that, yes, sir.

Q. With regard to Dr. Takigiku --

A. I can't say it either. Dr. T is fine.

Q. If I say Dr. T, not to disrespect him in any way, but so that I don't butcher it a hundred times today, if I say Dr. T, you and I both know to whom we're referring, correct?

A. Agreed.

Q. And again, if at any point in time you're confused about my questions or the subject matter, please tell me so that we can be clear for the record. Okay?

A. Yes, sir.

Q. Ms. Rutley, please tell me any criticisms that you have of Charleston Laboratories.

MS. CUNDARI: Object to the form.

A. I don't have any criticisms of Charleston Labs, the entity, at all.

Q. How about as a client, any criticisms of them as a client?

A. The company or individuals?

Q. Well, let's start with the company.

A. The company, no.

Q. Any criticism of Charleston Laboratories as a client of Womble, Carlyle?

A. No, I do not.

Q. Any criticism of Paul Bosse?

A. Paul Bosse -- I always liked Paul. I enjoyed interacting with Paul on -- on multiple occasions. There were times when Paul, who was a very demanding client, would try someone's patience and would be unreasonable, but he was a very demanding client, to say the least.

Q. Well, he was the point of reference for Charleston Labs, correct?

A. Yes. Paul was very much in control of everything that had to do with Charleston Labs.

Q. And I'm assuming you've dealt with demanding clients in the past?

A. Yes.

Q. Was that part and parcel of the trade, when you're rendering legal advice that you might have clients who demand a great deal of your services?

A. Yes.

Q. Did you ever discharge Charleston Labs as a client because you found them to be overdemanding or overbearing?

A. No.
Q. Any criticisms of George Scott?
A. No, no criticism of George.
Q. Anyone else associated with Charleston Laboratories, any person with whom you interacted that you would have any criticisms of?
A. No.
Q. Was Paul Bosse ever dishonest with you?
A. I cannot recall if there was any specific dishonesty.
Q. How about George Scott, any dishonesty in your dealings with George Scott?
A. Note that I'm aware of.
Q. Any dishonesty in your dealings with anyone else associated with Charleston Laboratories?
A. Not that I'm aware of.
Q. At a point in time Dr. T sued Charleston Labs, correct? Or, I'm sorry, Charleston -- let me rephrase that.
At a point in time Charleston Laboratories brought an action against Dr. T for declaratory judgment, correct?
A. It is my understanding that Charleston Labs chose to bring an action against Dr. T.

Q. That was an election by Charleston Labs?
A. I would assume since they were the plaintiff and filed the action in the Florida action, that that was an election that they made.
Q. We'll talk about that in greater depth later. But is it -- is it your contention that it was not a necessary step for them to follow, declaratory judgment, to clarify the rights and obligations of Dr. T as it relates to Charleston Labs?
MS. CUNDARI: Object to the form.
A. I wasn't privy to the conversations and had the opportunity to assess the merits on that. I may have advised, or with litigation counsel here, may have advised not to bring an action for declaratory judgment since they already asserted that they owned the stock, but that was their decision with their then counsel. I wasn't privy to that. So I can't say. I wasn't allowed to have that opportunity.
Q. Do you know of any point in time Womble, Carlyle ever advised Charleston Laboratories that it should file a declaratory judgment against Dr. T?
A. I am not aware of any time where Womble,

Carlyle, now Womble Bond Dickinson, chose to -- or advised him -- or advised the company to take that action.

Q. You're aware that in the context of that declaratory judgment action, Dr. T filed counterclaims, correct?

A. I'm not exactly, at this point in time, without seeing pleadings, aware of any counterclaims.

Q. What is it that you understand that Dr. T contended in the context of that litigation? What was his position?

A. I think his position appears to -- from what I've looked at, his position -- again, I wasn't his counsel. I wasn't counsel to Charleston Labs in this action. But my understanding from looking at the pleadings was that his contention is that he still owned some portion of his stock.

Q. Was it a frivolous contention?

A. I believe that he -- the documentation that he had, I agree with the ultimate decision that the federal judge in the Florida action ruled, that the documents that were in place worked and had their intended purpose and allowed Charleston Labs to obtain summary judgment without even going

to trial, and to -- their contention that they owned all of the shares and had successfully bought back his shares was ultimately proven to be correct and accurate.

Q. I appreciate your answer but my question was more directed at whether you hold the belief that it was frivolous for Dr. T to have taken that position in the litigation.

A. I'm not in position --

MS. CUNDARI: Object to the form.

A. I'm not in position to advise as to whether Dr. T's action was frivolous or not. In this country anyone can sue for anything.

Q. Any criticism -- any criticism of Greenberg Traurig in its representation of Charleston Labs?

A. I did not feel that they did a very good job at the deposition, which I was a fact witness at for them. But -- the attorney, actually for Dr. T, had asked better questions and was much more on top of things and had much more logical sequence of questions. But -- and I don't know -- again, I really can't put myself in their shoes without having seen everything they did.

If you're asking me to advise as to

whether they have a malpractice claim against Greenberg Traurig, I can't speak to that.

Q. Well, as -- as a part of the defense that Womble raises in the present action, I understand you would contend that the fees charged by Greenberg were perhaps unreasonable?

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. Is that a contention of Womble in this litigation?

MS. CUNDARI: Object to the form.

A. My counsel has looked at those fees; I have not. I have not seen any discovery. I have not seen Greenberg Traurig's fees. So I can't speak to that.

Q. Okay. Is there a subject matter of your deposition as a fact witness that you thought the Greenberg attorneys did not develop fully or properly?

A. No. I think ultimately at my -- during the course of my deposition, I remember they took a break at one point and came back in with a much more logical line of questioning dealing with the SRA and SHA. And so I think they ultimately got me to testify as to the facts which bore out and

helped them, I assume -- I would like to think it helped them -- develop the arguments in their motion for summary judgment. Which the -- again, the judge in the federal court, District Court, found to be compelling, that the two documents were concurrent, worked as intended, were not ambiguous.

Q. Is there a question when you look back on that deposition that you wish you had been asked?

A. As I sit here today, I can't think of a question I should have been asked.

Q. How did Charleston Labs become a client of Womble's?

A. According to my recollection, I got a phone call from Paul Bosse sometime in 2007 asking me to act as a reference that he was calling as a -- seek my -- seek my thoughts on a VC that they were about to get a term sheet from. I believe the company -- the VC was called Nexus. And it had two VCs in it, a Tom Hancock and a Greg Zaic, I think if I remember correctly. And both of them had been VCs with another VC firm, to my knowledge -- I know Tom was -- for a VC called New England Venture Capital Partners. And that entity, that VC had invested in a client of mine called

ANG Pharmaceuticals in which I had done the Series A and B and C rounds, or my team did. And Paul was calling to seek a reference on these two individuals now with Nexus as a VC firm and spoke with them.

Q. When you say VC, you're talking about a venture capitalist firm?

A. Yes, sir.

Q. And when you say he was calling to seek a reference, is that something other than calling you for legal advice?

A. Yes. Initially his first phone call was just to say what -- what can you tell me about these -- these venture capitalists and how was your interaction with them. You know, just -- he was just seeking a reference, like are these good guys, will I be able to -- you know, should I take money from them. Are they smart? Are they going to be able to help me? And I -- and I told him that -- you know, what my opinion was of these guys.

Tom Hancock I saw every -- I can't remember now, it's a while ago, you know, whether they were at -- ANG had monthly meetings. I think they had quarterly meetings. But anyway, I attended board meetings at the company's request.

And I would be with Tom on a regular basis so I was able to give him a reference.

Q. What's your understanding as to how Paul knew to contact you for a reference for Nexus?

A. They -- he said that they provided my name and contact information to him as a reference. Usually that's how it works, right?

Q. Was Charleston Labs already formed as a corporation?

A. Apparently -- no, I don't -- well, I don't -- I don't believe they were, because we ended up incorporating them after he hired us.

Q. Womble ended up incorporating Charleston Laboratories?

A. Yes.

Q. Is there an engagement letter between Womble and Charleston Laboratories?

A. Yes, I believe that there's -- there is an engagement letter between --

Q. There is?

A. Yes.

Q. Do you know what the date of that engagement letter is?

A. No. I would have to see it to refresh my memory, if you want me to do that.

Q. Yeah, I -- I don't have it.

MR. RICHTER: I'm not saying it's not been produced. We've certainly searched for it.

MS. CUNDARI: It was produced.

MR. RICHTER: Okay.

BY MR. RICHTER:

Q. Do you know what the scope of the representation is that's embraced by the engagement letter?

A. Without seeing it after this period of time, but typically I will -- I think I am confident enough to say it would have said that we will assist you as a startup entity with -- with incorporation or general corporate work and with -- and I knew that Paul, when he decided to hire us, was hiring us specifically because he expected to get a term sheet from Nexus.

So I'm sure I would have mentioned that in there, that we would have assisted with the venture capital financing transaction. But again if you can produce it, I'm happy to look at it.

Q. For Womble who would be the members of the team providing services to Charleston Laboratories?

A. Well, at that point in time it was

myself and David Baddour, for the most part. And I believe Julia Kreyskop, who was a young associate at the time, helped do the Articles of Incorporation and the Delaware bylaws and pull that together for David and I.

Q. Internally do -- does Womble track originating attorney?

A. Yes, we do.

Q. And would you have been reflected as the originating attorney for Charleston Labs?

A. Yes, sir.

Q. What about responsible attorney, does Womble track responsible attorney?

A. Yes, sir.

Q. And would you have been listed as responsible attorney?

A. Yes, sir.

Q. How about supervising attorney, does Womble track supervising attorney?

A. We have a term called managing attorney. So yes, and it would have been me.

Q. Do those -- do those designations translate in any way into compensation?

A. Yes, they do. However, the way our firm works for compensation purposes you only get -- if

you're the same person, you only get credit for one of those. However, if two partners -- somebody were to bring it in and somebody else to manage it, they would get split -- they would get split credit on that.

Q. How would David Baddour have been listed on the Charleston Laboratories file?

A. He wasn't listed on the file. He would have been assigned to the team and he would have worked on the matter. And David was a senior associate.

Q. But his work would have been under your supervision?

A. That is correct.

Q. And at all times you would have been -- you would have remained the responsible attorney for Charleston Laboratories?

A. Yes, sir.

Q. Did that designation ever change for you?

A. No.

Q. What does it mean to be responsible attorney?

A. Well, it means to be responsible for the ultimate relationship with the client and to ensure

that the work performed was appropriate for the task at hand.

Q. Were you a partner at Womble at the time you first undertook to represent Charleston Labs?

A. Yes, sir.

Q. Was David Baddour?

A. No, sir.

Q. Let me show you what I'll mark as Exhibit 1 --

(Exhibit 1 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. -- and ask if you remember this email exchange. And I'm going to start at the bottom of page one. There's an attachment, which is a term sheet.

So it's an email thread but it reads upside down. So from the bottom to the top on page one. Take a look and tell me if you recall this exchange.

A. I don't specifically remember it, but I recognize that it's an exchange between Paul Bosse and myself.

Q. And is it an exchange that deals with the same term sheet with Nexus that you were

describing to me earlier?

A. Yes, sir.

Q. And this is in June of 2007, correct?

A. June 14, 2007, correct, sir.

Q. "Paul, call me ASAP. I have the term sheet," correct? Is that what he says to you at the bottom?

A. "Call me ASAP. I have the term sheet."

Q. And you stated in your response, "Your file's at work. I don't have your phone number."

So by now there is a file for Charleston Laboratories at Womble. Is that a fair assumption?

A. Yes.

Q. And do you know what would have been in that file at this point?

A. Very preliminary information. I think I -- I was obviously out of the office when -- yeah, because it says sent by my hand held. So I was out of the office at the time. So I didn't have a phone number for him.

Q. All right. With regard to the term sheet, it's from Nexus Medical Partners, correct?

A. The document speaks for itself, yes.

Q. Did you know Nexus Medical Partners?

A. I did not know Nexus Medical Partners

directly, only knew the -- one of the partners well and the other partner through conversations. I don't know how many other partners they may have had.

Q. This term sheet reflects raising $9.5 million in Series A convertible preferred stock, correct?

A. That's what it purports to do.

Q. And to be funded in two tranches, correct?

A. Okay, I see it there, yep. Yeah, it's -- again, the document speaks for itself.

Q. Did you have any involvement in the amount of money that was sought?

A. No, I did not. Again, this was -- when Paul called me for a reference he was already in discussions with these guys, with Nexus, on getting an investment from them -- an investment which never happened. But he was negotiating with them and came to me with -- pretty much with this in hand.

Q. Well, I know this deal didn't fund, correct?

A. Right.

Q. But as far as how much money you need

and when you need it, is that a conversation that you would have had with Paul Bosse?

A. No, I did not advise him. Again, we're lawyers, we're not investment bankers and we're not -- we don't model out our client's success path on an economic level.

Q. Well, how then do you advise a client who's seeking VC funding? What -- what is the role of the attorney in that setting?

A. The role is to negotiate -- and again, this deal didn't happen, so it's interesting your -- path a question here.

But, you know, a -- a role of an attorney is not -- we tell them, we are not here to advise you on how much you need. That's something that the company and that they have a board of advisors, they get the board advisors to advise, and they have to build out their model and build out their business case. And it's up to the client to decide how much money it needs to get from point A to point B, then to point C, then to point D.

We are happy to make introductions to venture capitalists that we know in the hopes of, you know, getting them success. We will sometimes work with them and give comments on their -- on

their executive one-pager or two-pager and on their presentation dec, if they have one -- we'll help coach them up -- but we do not provide business advice. We don't get into broker/dealer issues. I mean surely you know that. We don't -- we don't -- are not a registered broker dealer. My firm's not a registered broker dealer. So we don't get involved in -- in the modeling or those business determinations.

Q. To your knowledge, prior to Charleston Laboratories, how many times had Paul Bosse been involved in VC funding?

A. I don't know.

Q. How many times had you assisted -- assist your clients in placing venture capitalist funding?

A. Zero.

Q. Zero?

A. I never placed venture capital financing. Watch your -- be very careful -- I'm going to be very careful about your questions. I did not -- I'm not a registered broker dealer. I did assist dozens and dozens of clients on venture capital transactions, in terms of papering the transactions and the risk allocation.

Q. In sums greater than $9.5 million, I would assume?

A. Yes.

Q. In what range?

A. Oh, what's Series A? Typically anywhere from 500,000 or a million dollars to 20 million, 30 million.

Usually first rounds are not overly large because the company doesn't want to sell too much of its stock until it achieves certain milestones and has a higher valuation. So it's not -- and that's the type of advice we would -- to answer your original question, we would be able to give and say, look, don't ask for more money upfront than you might need to get to a certain point.

Q. Well, if Paul Bosse said he was relying on Dean Rutley, would he have the right to rely on you for advice as it relates to VC funding?

MS. CUNDARI: Object to the form.

A. It really depends on what VC funding advice he was asking of me.

Q. Well, as -- as an attorney you understand that clients rely upon the advice that you provide, correct?

A. Correct.

MS. CUNDARI: Object to form.

BY MR. RICHTER:

Q. Is it reasonable for clients to rely upon the advice of their counsel?

MS. CUNDARI: Object to form.

A. Yes, sir.

Q. And may a client rely upon the advice that you offer?

A. Yes, sir.

Q. What rate were you charging for your advice in 2007?

A. I do not recall.

Q. What's your rate today?

A. 700.

Q. And what about David Baddour, what was he charging in 2007?

A. Do not recall.

Q. Do you know what his rate is today?

A. No, I do not.

Q. Is he a partner today?

A. Yes, he is. Do you want --

Q. If you don't mind just keeping it in front of you, sir.

A. Okay.

Q. Thanks.

(Exhibit 2 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. All right, Mr. Rutley, I'm going to show you what I've marked as Exhibit Number 2. Do you recognize this to be the Certificate of Incorporation for Charleston Laboratories?

A. The document speaks for itself, but I do recognize it as a Certificate of Incorporation for Charleston Laboratories.

Q. And it bears your signature as the incorporator?

A. Yes, it does.

Q. And you formed Charleston Laboratories as a Delaware corporation, correct?

A. That is correct.

Q. With regard to the -- the share value, how was it determined that there would be 3,000 common shares and that they'd have a par value of point 001?

A. I do not recall how we arrived at that, but it is typical for a startup entity to have a low par value under Delaware law, and it's just market -- market practice. It was then, it

probably still is now, to -- to avoid having Delaware taxes, you know, asserted on -- on the shares. So -- and -- and it's fine to start out with a small amount of common shares until the venture -- a venture capitalist, which he had one essentially in hand, would have come in and dictated on a CAT table pre and post closing how much, you know, they were going to buy the company, for what price and -- and then you amend the charter.

The charter would have gone from this small, little half-page deal to a, you know, 10, 15-page, you know, charter with all kinds of rights and -- you know, that the venture capitalist would have dictated that be in there.

Q. That number though is based on your advice, correct?

MS. CUNDARI: Object to the form.

A. I -- on -- you know, 20 -- 11 years later, I do not recall whether Paul asked for 3,000 common shares or we said pick a low number. And it could have been a thousand shares, it could have been a hundred shares, it -- but, you know, 11 years later I do not recall who came up with that number.

Q. What about the par value? I'm assuming that would have been based upon your recommendation.

A. I do not recall whether it was or not, but it very well could have been.

Q. There was no formal valuation done as of June 2007, correct?

A. No.

Q. And the company would have had no value as of June 2007, effectively, correct?

A. Effectively, no.

Q. Okay. During the time of your representation, was there ever a formal valuation of Charleston Laboratories?

A. Not -- I'm not aware whether there was a formal valuation done or not.

Q. What was the business purpose of Charleston Laboratories?

A. I think the -- under -- under the purpose of the corporation, in terms of the Certificate of Incorporation, which is allowed by Delaware law, was any lawful act or activity that corporations are allowed to be organized under the Delaware statute for.

Q. Well, beyond that what is your

understanding as to their actual corporate purpose? What is it that they sought to do?

A. My recollection is that Charleston Labs was seeking to develop an opioid drug that, combined with an emetic -- I think I'm referring to that correctly -- or as an emetic that would allow people to take painkillers, like opioids, combined with an emetic, which I believe was an anti-nausea, you know, drug, two drugs that were readily available on the market. And Paul's idea was to combine those two drugs through some formulation, some recipe, that would allow people to take painkillers without nausea and vomiting.

His contention was that, you know, a lot of people didn't take their medicines because it made them sick and therefore weren't getting relief. And his idea was to put those two together so that -- in a successful formulation that would allow them to take the painkillers, the opioids, free of nausea and -- and vomiting.

Q. And you understood that he -- he desired to have that drug taken through the FDA approval process?

A. Correct.

Q. Had you assisted prior clients in

seeking to have drugs approved through the FDA approval process?

A. I personally did not, but my firm -- prior firm had and -- when I was at Morgan Lewis we had a strong FDA practice.

(Exhibit 3 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. I'll show you what I'll mark as Exhibit Number 3.

And looking at the email in the middle there between yourself and a John Uhrin, U-H-R-I-N -- do you see that?

A. Uhrin.

Q. Uhrin. And who is John Uhrin?

A. He was a venture capital partner in charge of life sciences transactions for Harbor Ventures.

Q. So what is the purpose of your email here?

A. The purpose of my email here was to -- I was helping, you know, as I often do for a lot -- for a lot of clients doing the venture -- a lot of venture capital work I did and we even do today is introduce clients to venture capitalists, in terms

of assisting with the syndication of that term sheet that you showed me as Exhibit Number 1. As you saw, Nexus was committing the two million and co-investors would have to come in for the rest.

So we often would introduce, if we could to help the client in their efforts, you know, introduce them to VCs that we knew who might want to take a look at it and make their own determination of whether or not they would join the syndicate or not.

Q. I'm assuming you can't send every deal to John?

A. No. I sent this one to John. Tom Roberts is partner there. I would often send Tom, you know, other deals because they divide and conquer. A lot of VCs will have -- unless they're a boutique and only invest in one type of deal, a media deal or a thin-tech deal or something like that, but John Uhrin was in charge of their -- was lead partner there for life sciences transactions.

Q. Had John helped other clients of yours obtain VC funding for projects that they were undertaking?

A. In my prior firms we did some deals with Harbor. I forget at this point in time which deals

those were. But I knew John and I knew his specialty.

Q. Was he a client of yours?

A. No.

Q. Was he a client of Womble's?

A. No, he was not.

Q. Does the fact that you sent this to him to introduce him to the Charleston Laboratories opportunity speak at all to your degree of confidence in Charleston Laboratories?

A. I'm always confident in -- and when I take a client on that, you know, I -- yes. At that early stage, I mean I didn't know the ins and outs of all the science, but I believed Paul had a good idea. And he had a term sheet from a VC that had already talked to him, Nexus, and I trusted that VC's opinion.

And I'm -- so of course to myself, my confidence was if a venture capitalist has put a term sheet forward there must be a there-there. And while there's no guaranties that a client is ultimately going to be successful, that was enough for me to -- to believe that this company had a reasonable opportunity to succeed and if I could be a part of that team, it would be great.

Q. And you told John in closing that you believe strongly in the management team and its advisors/consultants, correct?

A. Yes.

Q. And the management team would be Paul Bosse?

A. Yeah, Paul Bosse. And Paul had spent years in the pharmaceutical industry and seemed -- and the VC, when I talked to them about it, after Paul signed up with me, I had conversations with Greg Zaic, and they thought that Paul had a good idea and that he, you know, could help bring this to fruition.

Q. Do you still believe strongly in Paul Bosse?

A. At this point in time I'm unaware how well Charleston Labs is doing. So I really can't speak to where the company is now.

But I personally like Paul. And -- and certainly, even when he left to go to Greenberg, Traurig I wished him well and said what I've always said. I was often -- you'll probably find emails where I was very much a cheerleader for him. And some of his darkest times, when he thought he was just not going to get it done and not be able to

find the funding, I said, look, Paul, you're like The Little Engine That Could. You know, just keep plowing ahead, you'll get up to that hill; I believe in you. I often try to believe very strongly in my clients and encourage them.

Q. Not easy to get a drug through FDA approval, is it?

A. No, it's -- it's not easy. Although this was a -- my recollection is I knew enough to know that this was a -- and they told me this was a shortened process because it was combining two already approved drugs, which is a shortened FDA approval process.

Q. So this would be the 502(b) -- 505(b)(2) approval pathway?

A. That sounds familiar, but I'm not an FDA lawyer, but I do know there's a -- that sounds familiar.

Q. Had you assisted previous clients through a 505(b)(2) approval pathway at the FDA?

A. No, I personally did not, but my firm did.

Q. Let me show you what I've marked as Exhibit 4.

(Exhibit 4 marked for identification and

attached to the transcript.)

BY MR. RICHTER:

Q. At some point in time Charleston Laboratories sought permission to conduct business in the State of South Carolina, correct?

A. That is correct.

Q. Was that at your advice that they should do that?

A. Yes. We -- it is standard procedure, if you become a Delaware corporation but you're sitting in South Carolina, to get registered as a foreign corporation to transact business.

Q. Did you ever visit the corporate offices of Charleston Laboratories in Charleston, South Carolina?

A. No, I did not.

Q. Did any member of your firm ever visit the corporate offices of Charleston Laboratories in Charleston, South Carolina?

A. I am unaware of any visit.

Q. Would it not be -- would it be unnecessary to visit them to see their operation?

A. Well, at this point in time there was no operation. It was a small startup company with an idea that needed venture capital financing to start

capitalizing on that idea. So it would have been an unnecessary legal expense to charge a client to send attorneys to their office when a phone call works much more efficiently and much more value added.

Q. Well, if I understand your testimony, it's that you -- you never visited their operation in South Carolina. Is that correct?

A. Yes, there's -- that is correct.

Q. It's an attorney/client relationship, right?

A. Yes, sir.

Q. This reflects, also on page two, that the authorized number of shares, at least at this point in time, is 3,000, correct?

A. Yes, sir, that's what -- the document speaks for itself and that's what it says.

Q. Do you know the address 548 Clearview Drive, do you know what that represents?

A. No, sir, I'm not familiar with that address. But I assume it is an address in Charleston, South Carolina.

(Exhibit 5 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 5. This is the initial Report of Corporation in South Carolina. You understand this is a formality that has to be followed in South Carolina when you register to transact business, correct? This is telling the tax man in South Carolina that you're alive and well so we can find you, correct?

A. Well, if that's -- I'm unfamiliar with this particular document immediately. If you want me to study it and advise on it, I'm happy to take the time to do so right now.

Q. Did you have any participation in drafting this document?

A. I did not personally, no.

Q. I'm curious about the issued and the outstanding shares, the 3,000 and the 1,000. Do you see that?

A. Yes, sir.

Q. To whom had a thousand shares been issued as of August of 2007?

A. Without seeing the documentation which would have been a share issuance, I'm not able to say off of this document alone.

Q. Do you know when they issued if they issued subject to any restrictions, the initial

thousand shares?

A. I'm unaware that the initial thousand shares would have been issued with any restrictions.

Q. At that point in time there was no SRA, correct?

A. Correct.

(Exhibit 6 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 6. And I know the firm has changed over time. So if I say Womble or Womble Carlyle, obviously I'm still referring to the Womble Bond Dickinson firm today.

A. Yes, sir.

Q. And I guess you're a successor-in-interest. Is that -- is the current firm a successor of Womble Carlyle or is it a new entity?

A. No, it's -- it's the same entity. Same EIN number, just a name change.

Q. All right. You recognize this to be an invoice for services rendered dated July 19, 2007?

A. That's what it purports to be, yes.

Q. Underneath the date, there's a number

there. What does that number represent?

A. That would be the client number and matter number.

Q. All right. So the client number is 58394. Is that correct?

A. Yes, sir.

Q. And the matter number is what then, one or 1.4?

A. Some people here call it 1.4 and some would call it 0001.4.

Q. All right. So does that mean that there are three before this one?

A. No. There is -- I don't know what the magic of this is, but our accounting department and new matters, there's a certain coding that -- that applies to certain matters. So sometimes it will be a 1.0, sometimes it will be a 1.4. There's some -- there's some rationale to that.

Q. But this is the first matter for which Womble undertook --

A. Yes.

Q. -- to represent Charleston Labs?

A. Yes, sir.

Q. The matter is referred to as venture capital financing, correct?

A. Correct.

Q. And who -- who comes up with that designation? Does that come from the engagement letter?

A. No. Often the -- the billing attorney -- or the originating attorney will pick a name that will be logical and allow the client to have information necessary to know, oh, this is the general corporate matter, this is the venture capital matter, this is the real estate lease matter, so that they -- we like to communicate with our clients as to what the matter is.

Q. When we reach the point of drafting corporate control documents, is that a matter different than venture capital financing?

A. It certainly can be.

Q. Do the -- do the billing invoices accurately reflect the time that was expended on the client matter for the period billed?

MS. CUNDARI: Object to the form.

A. The invoices represent accurately the time that was billed to the client.

Q. What does that mean? What's the difference?

A. Well, there -- we -- we don't always put

every time entry down. Often with startup entities, we invest in our clients, as we like to call it. Our competitors do it as well. Cooley and other law firms. That will often, you know, help a startout up -- startup entity up and -- and not always bill for every nickel and dime or every issue. And sometimes, you know, cut the young company some slack, you know, and try and keep the bills reasonable knowing that they are in the startup mode and don't have a lot of capital to expend.

Q. Are there prebills that you review before an actual bill is issued?

A. Yes.

Q. If you're the responsible attorney, are you charged with reviewing the prebills?

A. Yes, sir.

Q. And it would be only after your review that a prebill would be made into a final bill and sent to the client?

A. Yes, sir.

Q. On this particular billing cycle, you've recorded 13 hours of time and David recorded about 7.3 hours of time, correct?

A. The document speaks for itself, but

that's what's on the timekeeper summary.

Q. Was there a point in time where the heavy lifting for the client shifted to David?

A. Yes, sir.

Q. Was there a reason for that?

A. Yes. Generally -- you know, David was a highly skilled venture capital and corporate attorney working in our RTP, Research Triangle Park for you, RTP office and had a lot of experience working with startup entities, both there, in the Triad area, and also elsewhere for other partners. He was a go-to guy. And he was at a cheaper rate and able to more efficiently help a client that was a technology startup, such as Charleston Labs, providing the appropriate expertise at the -- at the lowest cost possible for a particularly sensitive startup entity.

Q. When was David first barred?

A. I have -- as I sit here today I can't tell you.

Q. All right. Let me show you what I'll mark as Exhibit 7.

(Exhibit 7 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Again, an email exchange. It starts off on the bottom and goes up.

Do you recall this email exchange with Paul Bosse?

A. If you'll give me an opportunity to read it, that would be appreciated. Yes, sir, I have finished reading.

Q. What is your recollection of what was happening in this time frame? This is August 21, 2007?

A. It's 2007, so thank you for noting that.

Again, I don't -- I don't remember reading this then or typing it now, but looking at it my recollection is that this was a point in time where I had been -- you know, I think he was thanking me for, you know, doing what I could to introduce them to a number of potential co-investors to join him with Nexus.

My recollection is that Nexus was not going to go to a first funding until a certain minimum amount of that first tranche that you noted was going to come in. I think they were committed to two million. And -- and it looks like they wanted to do a tranche of five million. So they needed to find another three million dollars before

they would invest their two million.

So that's -- yeah, that's what was going on. We were -- you know, reaching out to venture capitalists I knew might -- that Charleston Labs might fit their target profile to increase the odds that the company had of finding that other three million dollars of co-investment.

Q. What are all the documents that you were working on that he thought were intricate to the operation? Do you see that reference in the second paragraph of his email?

A. At this point in time, without -- I do not recall what -- what documents that he -- are being referred to there. I would have to go back and get my files back from Greenberg Traurig and I'd have to expend time and effort to try and see what was at issue there.

Q. Now I notice, David's not even cc'd on Paul's email, but you then forward the email to David, correct?

A. Yes, sir.

Q. Does that speak at all to his level of involvement, at least at this point in time?

A. I cannot speculate as to whether it involved that or if Paul was simply sending it to

me as the lead partner. And -- and he also didn't copy everybody else in his world, he just copied Bernie and John.

Q. Did David -- would David ghostwrite for you from time to time?

A. Would David ghostwrite? David, you know, would sometimes write an email response to a client such as Charleston Labs and say, you know, do you want this, as the relationship partner, to come from you. If -- if that was ever done, I might edit it. But often I would say no, go ahead. I trusted that -- David's writing ability. And like I said, he's a very sharp, very skilled attorney.

Q. Mr. Rutley, let me show you Exhibit Number 8.

(Exhibit 8 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Again, an email exchange with an attachment. Please take a look and tell me when you're ready to answer a couple questions about it.

A. I've read it now.

Q. Okay. The email is sent to Clint Richardson. Who is that?

A. Clint Richardson, now retired, was a partner of mine in our Atlanta, Georgia office.

Q. And I understand he's Mr. Atlanta, as it relates to VC funding, correct?

A. Yes, I would -- and actually that's pretty -- pretty damn accurate.

Q. So you're sending to other members of your firm a cut sheet on Charleston Laboratories for the purpose of having them also assist in seeking VC funding. Is that right?

A. Well, assist in -- assist in making introductions that would potentially lead -- making venture capitalists that they were aware of separate from the list I had already sent, the one-pager or two, to Johnny Appleseed to sow the seed, so to speak, and get -- you know, put it on people's radar screens in the hopes of assisting Charleston Labs. I certainly hope you don't think that's a bad thing.

Q. You said in part that you're serving as corporate and finance counsel, correct?

A. That is correct.

Q. And what's the line of demarcation there between the two?

A. Well, I would -- finance would

necessarily deal more with the venture capital term sheet side of it, and the corporate is handling any, you know, corporate needs and drafting an NDA, drafting bylaws, you know, routine corporate work.

Q. Drafting an SRA?

A. Drafting an SRA.

Q. Drafting an SHA?

A. Yeah. An SHA and an SRA and, to a certain extent in venture capital, there's also ancillary documents that go with those that might overlap.

Q. Who prepared that attachment to the email?

A. That would have been Paul and his team. We likely may have given him a template. This was a common template used by Cooley and Brobeck and Kilpatrick Stockton, Hogan Lovells -- or Hogan Hartson at the time. I could go on. I mean it was a common template that was -- that VCs had come to know and -- and understand.

So a lot -- a lot of firms would share this template so -- because the VCs, in reviewing 20, 30 of these they get a week, would have a format that they were familiar with and, you know, zero in what they cared about.

Q. Who -- who prepared the revenue projection at the bottom of the attachment?

A. I do not know who prepared -- it would not have been us, but I do not know. I would assume the company.

Q. And the projection for year one is 600 to $800 million of revenue?

A. That appears to be what is purported.

Q. And you shared that projection with your partner and ask that he share that projection with other venture capitalist firms with whom he may have relationships?

MS. CUNDARI: Object to the form.

A. That is correct. And I did share it with my partner to share it with venture capitalists that he might now.

(Exhibit 9 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 9. And my first question is just, did you have any participation in the preparation of Exhibit 9 or any of the content in Exhibit 9?

A. I do not recall. I would not have had this -- the medical knowledge or the industry

knowledge to draft all this market analysis and products and words I can't even -- oxycodeine, I can say that one. But I did not prepare this and -- and do not recall whether or not I commented on it.

Q. Do you know if you would have sent this to your -- your partners or venture capitalists or others who you may have -- you approached about an interest in Charleston Laboratories?

A. I do not recall at this point in time. If you can show me where this is attached to emails I sent out, that would refresh my memory.

Q. Do you recall Dr. Schachtel becoming involved with Charleston Laboratories?

A. I vaguely recall Dr. Schachtel becoming involved.

Q. What was his role, as you recall it?

A. I do not recall other than the fact that he's a doctor and he -- vague recollection that Paul wanted him on the team because he had some expertise that would assist in the development of the product.

Q. Speaking of the team on the Charleston Laboratories side, you've got Paul Bosse, correct?

A. Correct.

Q. What's his role on the team?
A. He was the CEO.
Q. Dr. Schachtel becomes a member of the team at some point in time, correct?
A. To my memory, yes.
Q. Was he a founding shareholder?
A. Yes, I believe he was considered a founding shareholder. He wasn't one of the first three that came together, but I believe, if I remember correctly, Dr. Schachtel, John Ameling and one other person became --
Q. Was it Dr. T?
A. Dr. T, yeah.
Q. Okay. So the -- the founding shareholders would be those four gentlemen, Paul Bosse, Ameling, Dr. T and Schachtel?
MS. CUNDARI: Object to form.
A. I believe -- I believe there was additional people.
Q. You believe there were more.
And so what -- what was the role of Dr. Schachtel, if you recall?
A. I do not recall his specific role other than his medical background or pharmaceutical background. It must have been important.

Q. Did you -- at what point in time did they become shareholders of Charleston Laboratories? Did -- did Womble assist in that?

MS. CUNDARI: Object to form.

A. Can you state your two questions again?

Q. Yeah. The first issuance of shares was a thousand shares, correct? There were three thousand authorized and a thousand issued.

A. The document you gave me that speaks for itself words that one thousand shares were issued.

Q. Do you know who the recipients were of the first thousand shares issued?

A. No, I do not right now.

Q. Did Womble assist Charleston Laboratories in issuing its first thousand shares?

A. I cannot recall if the company did that or if our paralegal or -- or associate helped with the issuance of that -- that first share. But if you can provide me documentation, I'm happy to look at it.

Q. Let me show you Exhibit Number 10.

(Exhibit 10 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. It's an email exchange with an

attachment. So take a look and tell me when you're ready to answer some questions about it.

A. Okay.

Q. You're probably going deeper than I will, but you tell me when you're ready.

A. I am ready.

Q. Okay. This -- this involves Landmark Financial Corporation, correct?

A. The document speaks for itself, but that purports to be Landmark Financial Corporation.

Q. And what is Landmark?

A. I do not personally know Landmark other than they purport to be some kind of financial advisor.

Q. Are they a venture capitalist firm?

A. I cannot speculate as to whether they consider themselves a venture capital firm or an advisor.

Q. Well, I assume then that you did not introduce them to the Charleston Laboratories opportunity?

A. No, I did not introduce Landmark Financial Corporation to Charleston Labs.

Q. Landmark sent a retainer proposal to Charleston Laboratories, correct?

A. According to the document you have handed me, it appears that they sent a -- some type of retainer proposal to them.

Q. And before entering into that proposal, Charleston Laboratories sent it to David Baddour, correct?

MS. CUNDARI: Object to the form.

A. Based on this documentation, it appears that Paul Bosse sent this to David Baddour.

Q. Do you know if Charleston Laboratories ever entered into a deal with Landmark Financial Corporation?

A. To -- my understanding was that they never entered into an agreement with Landmark.

Q. Part of what Landmark proposes on page two, next-to-the-last paragraph, is that among the services they will provide is to assist --

A. Where are you at, sir?

Q. Page two, next-to-the-last paragraph.

A. The starting date?

Q. No, the -- no, I'm sorry. Page two of the exhibit, not the --

A. Oh, okay. You said -- that's page two of their agreement.

Q. Fair enough.

Near the bottom there, one of the services they'll provide is to assist professional legal. Do you see that?

A. Yes, sir.

Q. Do you know if Landmark did anything to assist Charleston Laboratories with its -- with its legal needs?

A. I am unaware of Landmark Financial assisting Charleston with any of its legal regulatory, tax, financial advisors.

Q. Do you know John Moroney?

A. I do not know John Moroney.

Q. Never spoke to him in the -- in the context of the Charleston Laboratories deal?

A. No, I -- no, I did not.

(Exhibit 11 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. I'm going to show you Exhibit Number 11. This is a May 2008 billing statement representing the April 2008 time expenditure, Charleston Laboratories. Is that correct?

A. Ask the question again, please.

Q. Would the May billing represent the April time for Charleston Laboratories?

A. Yes, sir.
Q. And when -- when you look at the time expended in April of 2008, there is no time for yourself but three hours of time for David Baddour, correct?
A. That appears to be the case, yes.
Q. Including April 9, 2008, drafting the founder's shareholder agreement. Is that correct?
A. If you'll give me a moment to read this, sir.
Q. Yeah, sure.
A. Yes, sir. Your question.
Q. Did Womble Carlyle draft the founder's shareholder agreement?
MS. CUNDARI: Object to the form.
A. No, we did not draft the shareholder agreement provided by Landmark.
Q. You reviewed and analyzed a draft shareholder agreement prepared by Landmark Financial Corporation?
MS. CUNDARI: Object to the form.
BY MR. RICHTER:
Q. Is that correct?
MS. CUNDARI: Object to the form.
A. Our form at the client's request

reviewed that agreement.

Q. Who prepared the founder's shareholder agreement that's referenced on April 9, 2008 in the billing statement?

A. I have no knowledge of who had drafted it. My memory is that it was provided by Landmark. But who at Landmark, it could have been millions of people that could have been the drafter.

Q. It wasn't drafted by any lawyer at Womble Carlyle?

A. That is correct.

Q. And the time spent here, at least on April 9, 2008, is point 7 hours, correct?

A. That point 7 is what was charged to the firm by David, yes.

Q. And that -- and that point 7 includes a review and analysis of the letter agreement with Landmark, correct?

A. Correct.

Q. And it also includes a telephone conference with Paul Bosse?

A. Correct.

Q. And -- and somewhere in that same point 7 would have been review and analysis of the draft founder's shareholder agreement, correct?

A. I wouldn't characterize that as being true at all, sir.

Q. Why not?

A. Because -- just because he eyeballs it doesn't mean that was the only time he worked on it or that he followed up on it.

Q. My --

A. Or that he may have done it and not billed all his time. But I can't tell you, based on this -- this time entry, as to how much time he devoted to looking at the draft founder's shareholder agreement.

Q. This single time reference is point 7 hours, correct?

A. That is correct.

Q. And on this single time reference, that point 7 hours was spent reviewing a letter agreement, reviewing the shareholder agreement and having a telephone conference with Paul Bosse, correct?

MS. CUNDARI: Object to the form.

A. That time entry says brief review and analysis of a letter and a draft founder's agreement. And he had a point eight the day before -- or no, on April 3.

Q. On April 3 he has a point 8 for review and analysis of letter agreement with Landmark Financial Corporation, correct?

A. Right. Which is --

Q. Which is not -- which is not a founder's shareholder agreement, is it?

A. Right. It may have been attached to it as well and he may have not have written down that -- that statement, but it doesn't mean that he -- it wasn't there.

Q. So are you speculating about that?

A. Again, you're right. I do not know, but it would not be -- it wouldn't surprise me if -- if both of those entries involved both of those documents.

Q. Well, 4/9, took the time to be precise enough to refer to both the letter agreement and separately the shareholder agreement, correct?

A. Correct.

Q. There's no reference to a shareholder agreement on 4/3, is there?

A. No, there is not.

Q. And there's no time billed for Dean Rutley in April of 2008, correct?

MS. CUNDARI: Object to the form.

A. That is correct. However, the documents were drafted, they were put in place and a federal judge in the Florida action ruled that they worked as intended to Charleston Labs' success.

Q. Were you supervising David Baddour in April of 2008?

A. Yes, I would have been supervising him. Not supervising him on all of his work, but as to this matter, yes.

Q. And so does Exhibit 11 accurately reflect the time that you spent supervising David Baddour in April of 2008?

MS. CUNDARI: Object to the form.

A. It may only to the extent of what I chose to bill, which that month would have been zero.

Q. So the prebills may show a time that you chose not to bill in April of 2008?

A. The prebills may show time that I chose not to bill, but also the prebills may not reflect all the time that I would have spent on a client's behalf.

I often would have associates or senior associates or younger partners, other specialists working on something and not always -- again, with

startup entities, it is not uncommon for the most senior partner to, you know, not record, you know, every entry, every dime, every -- every point one. You know, particularly if it wasn't, you know, deemed that -- that the client could afford to have, you know, multiple attorneys, you know, discussing the same thing.

Q. So do the billing statements accurately reflect the time expended for the client or not?

A. I believe -- I can only say that the invoices accurately reflect the time that for which the client was charged.

(Exhibit 12 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. I'm going to show you Exhibit Number 12. I know you're not a party to this email, but in context, we're now May of 2008, and Paul is talking to David about the shareholder agreements. Were you aware in -- in May of 2008 that David was working on shareholder agreements for Charleston Laboratories?

A. Yeah. My memory is such that I was aware that David was working with Paul on both the SRA and a shareholder agreement, the SHA, around

that time.

Q. All right. So -- so when the subject line is plural, shareholder agreements, and the -- and the question asks how are these coming along, the assumption would be a reference to more than one shareholder agreement?

A. I can't speculate as to that.

Q. How was this going to work between you and David? Who was going to be responsible for the drafting, who was going to be responsible for finalizing the product?

A. David was a highly skilled attorney working for venture capital firms, and to keep fees down David took primary responsibility as a senior associate to prepare the documents. And he knew when to come to me if he had, hey, I'm not sure exactly how to phrase this particular clause, or what are you seeing here.

And then typically when -- after a back-and-forth with the client, David would send me a draft with a red line, hey, can you look over a red line, or he would send it to the client with a copy to me and then I would, you know, provide a quick review, you know, and if something jumped out we'd get on the phone; if not, then I would, you

know, give it my blessing.

Q. Did you ever tell Paul Bosse that you were making David point to save some money?

A. I -- initially Paul would call me. I don't -- do not recall at this time if I ever specifically told him that David was point. But I know that I would have made it clear to Paul that, you know, it would be more efficient at times if he would talk directly to David about documents that he was doing or needs that he had, and that David knew what to filter up to me if it needed a partner sign-off or a partner review. I'm sure you've seen emails to that effect, where David has written to me saying, am I -- Paul wants me to do X. Am I free to do that? I assume you want me to bill my time.

Q. And I've seen emails from Paul where he still wants his Dean time.

A. Paul always wanted his Dean time and Paul got a lot of Dean time. If you want to depose my wife, my wife will tell you how much Paul called on the weekends, in the middle of church, at -- at crew meets that I took my sons to. I mean Paul -- you asked in the beginning how Paul was difficult. You know, Paul was a nice guy. I liked him

personally. But Paul called incessantly. And Paul would often -- he's an affidavit reader. He would read up on things and then he would tend to call me up and just, you know -- just like a deluge of information and where I had to say, Paul, slow down. What documents are you talking about? What's the facts? You know, he had it all geared up and then would just come at you and blind side you.

And when Paul had a need, if he felt that that need -- he didn't -- he didn't stop to think whether or not somebody would -- might be working on another client matter, might be in church, might be somewhere else, he didn't care. He would call. And he would call the work number, home number, you know, cellphone number, send emails. You know, that's where I said Paul was difficult.

But, you know, that was fine. We always got back to Paul within -- not always in the moment he wanted, but we always got back to him within 24 hours, and for the most part, maybe in a case there over a weekend, called him on a Monday. But for the most part, we always -- one of us responded to Paul.

Q. Paul can't be the only client who's calling you on your cellphone, is he?

A. No, certainly not. But certainly he was the one who was the most insistent and would call in the morning, call two hours later, call two hours after that.

Q. I didn't see any emails back from you to Paul to say, look, Paul, you gotta -- you gotta knock it off with these phone calls.

A. No, maybe there wasn't an email. But certainly Paul and I had those discussions, including you surely came across the one email where I wrote to Paul and told him, your voice-mail that you left was highly inappropriate. And we just got the documents from Bernie Schachtel's attorney at 12:01 p.m., and I was writing to him at 1:27 p.m. You know, in preparing for this I saw that and I remember -- took note of the times. And Paul writing on top, hey, I've already talked to David and I was about to send you an email, and I apologize, my bad. I was misled by Bernie that his attorney had sent you the documents in the morning. Well, stop and think for a second, sir. You know, even if he had sent them in the morning, we're talking two or three hours of time frame, and Paul

chose to leave a nasty voice-mail, you know, at that point in time, you know, about not being responsive and taking care of his immediate urgent need. But as it turns out, we didn't get the documents until 12:01 and we're in the process already of working on them.

Q. Anything wrong with a client wanting to talk to the senior guy?

A. Not -- not a problem at all. I'm always available. You may find that I've won several awards for being client-service oriented.

(Exhibit 13 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you what I've marked as Exhibit 13. Do you remember David sending this copy of the draft stock restriction agreement?

A. I don't remember specifically. If you'd give me time I will be happy to at least read the email, if you don't want me to read the whole document. Do you want me to read the whole document or just the email?

Q. Just the email for now. And then --

A. Okay. Let me give -- have a moment. Okay, sir.

Q. Do you know if this came from a Womble template, the stock restriction agreement?

A. I cannot speculate as to what the origin of this agreement is.

Q. Do you think it was a custom piece just for Charleston Labs or you started with some form and then made it work for their purpose?

A. I cannot speculate. I would -- in normal practice we would probably have, to be efficient, used a -- some form of a template that we had, but I cannot speculate in this situation where David started, used as his -- as his basis.

Q. Did you ever offer comments back on this SRA back to David?

A. For an agreement that's now ten years old, I would have -- I can only speculate that I would have given this a read. And Paul -- David was asking me to look at it. And when David asked me to look at it, my normal practice would have been to give it a read and tell him if anything jumped out at me or if I had any comments.

But again, I cannot speculate 10 years later as to, you know -- I don't have a memory of specifically, you know, reading or marking this up. But again, it served its purpose and was well

drafted.

Q. Does the SRA ever make reference of the SHA?

A. No. Well, now you want me to look at it. Take a moment here, couple minutes, maybe five. Do you need time.

Q. Go ahead.

A. You know, without again doing a word search, it does not appear that this references the stockholder agreement.

Q. This stock restriction agreement on the first page in the bottom left has a WCRS number. Do you see that?

A. Yes, sir.

Q. It indicates it's version one, correct?

A. That appears to be what it says.

Q. So this is version one of the draft stock restriction agreement prepared by David Baddour, correct?

A. Correct.

Q. It's contemplated there will be separately a shareholders agreement, correct?

MS. CUNDARI: Object to the form.

A. I -- you know, there was a discussion, mutual discussion at this time, when we were

putting everything in place, with bringing on the three new employees, that it was a lot -- a lot was happening all at the same time, in terms of what was needed. And at the time that this was drafted, 5/20, April 2, so it was Landmark -- Landmark's letter. And so at this point in time I believe, I recall, there was discussions between David and Paul as to whether or not a shareholders agreement would be necessary.

And in fact one of the emails I came across was an email between Paul Bosse and Dr. T where Paul said -- was forwarding these documents and said, I don't believe that the -- you know, he was referring to the shareholder agreement template that he received was necessary. I do recall that Paul didn't think it was necessary at the time, but then later changed his mind.

And in discussions with David, my recollection is that it was decided to go ahead and put that in place along with the SRA. Both of those documents having different purposes in -- in -- just different purposes. And both ultimately mutually decided by all, by the client and counsel, to put both of those in place concurrently as part of the package of bringing these people on.

Q. How many stock restriction agreements had Paul Bosse drafted in his lifetime, to your knowledge?

A. I have no knowledge and cannot speculate.

Q. How about stock restriction agreements, how many times do you think he's drafted a stock restriction agreement?

A. I have no knowledge and -- and cannot speculate.

Q. Do you think the client in this setting was relying on counsel to tell him what's advisable and what's not, as far as corporate control documents?

A. You know, when you talk to Mr. Baddour you can, you know, ask those questions. He did not discuss with me, but he was discussing with Paul at that time, you know, what agreements were necessary to put in place.

I -- oftentimes we talk to clients in terms of saving money. And Paul did not always want to spend money for documents that weren't needed at that very moment and point in time. So a lot of times a client will sometimes say, hey, I want a stock option agreement. Well, are you going

to be hiring employees? Well, not for six or eight months. Well, then why don't we talk about it at that point in time. Why put it in place.

Paul had a term sheet in hand which he ended up loosing that opportunity when he went up to Canada and met in Montreal with the -- the venture capitalist that was going to be the co-investor. Ended up losing his temper, throwing a chair across the room. And he lost that deal.

We were then trying to help him find new financing sources. Somebody introduced him to Landmark. And Landmark was coming in and they were going to help raise honey. And they said they could find people that -- and help raise the money if he would give them some shares, as you see in that agreement there.

So all this was, hey, let's have a -- Paul would always say, I want to have a minimum burn here. I don't want to spend money, you know, where I don't need it. Certainly a shareholders agreement is perfectly acceptable. It's not required. There's no law being violated, no corporate law being violated. It's not absolutely required by any -- by any law that I know of or any construct. It is not a bad idea to have one.

I am sure when you talk to Dave you'll find out that the discussions were made, it's not a bad idea to put one in place. Paul wrote that email to Dr. T saying he didn't think it was necessary. I would -- that may have been after having full discussions with David.

Ultimately it was decided to put it in place. But at the end of the day, I will -- I will submit that both agreements were well drafted, were put together contemporaneously, and both -- a federal judge in the Florida action ruled that both documents were not ambiguous, were concurrent and had their intended purpose, and that your client absolutely agreed with that and submitted in their own summary judgment motion that the documents were unambiguous and that they had their intended purpose. And ultimately that's exactly what happened.

Q. Let me try my question again.

Isn't it true that even as early as version one of the stock restriction agreement, it was contemplated that there would be a separate shareholders agreement. Isn't that true?

A. Your question --

Q. Isn't it true that even as early as

version one of the stock restriction agreement, it was contemplated that there would be a separate shareholders agreement?

MS. CUNDARI: Object to the form.

A. You would have to ask others that question. I -- you know, in -- one day here, one day there. I can tell you that around this period of time it was discussed what documents would -- should be put in place or did Paul want to put in place and why he might want to have those documents.

Paul gave certain direction. He was very much in control, always in control. And Paul often did a lot of things on his own and then would come to us later with questions or ask for our blessing.

But on this I can only tell you that around that period of time, essentially thinking about it 10 years later, that all that would have been discussed with him and he -- we work for the client. Not the other way around.

Q. You're not telling me, are you, that the client is telling you as legal counsel what corporate control documents were advisable and which were not?

A. No, I'm not telling you that at all, sir. You're twisting my words.

What I said, with all due respect, is that it -- would have given advice and we would have discussed these various types of documents with him, and we would then allow the client to make their decision. This is not something -- you have to have Articles of Incorporation to be a corporation. That is required. You do not have to have a shareholders agreement. And if Paul said I don't want to have a shareholders agreement, you know, we would explain why it would be useful. And if the client doesn't want it or the client says let's deal with that later when the VC comes in -- I don't know how much venture capital work you do, but a venture capitalist comes in, they have the stock purchase agreement. They'll have a ROFR and a co-sale and drag-along, tag-long, voting rights agreement. They'll have an ancillary document that contains essentially all the same stuff that's in the shareholder agreement.

And it was often discussed that when the VC comes in, do you want to spend the money to have one now amongst yourselves, amongst the founders. I do recall that Paul was reluctant to put a

shareholder agreement in place, not the SRA. The SRA he liked because the SRA was going to be between his company, that he had control of and majority -- vast majority stock ownership of and the employees. However, the SRA he was going to have -- the SHA, he was going to have to sign. And he was going to have to put his shares subject to that. And Paul at the time was reluctant to have his shares encumbered in any way, shape or form.

Q. Well, we know when the story ends the SRA and the SHA are placed -- put into place at the same point in time, correct?

A. That is correct. After some further discussions and Paul came back and said, you know, I've been thinking about this and I would like to have the SHA. So he called David and said -- and David had a call. And I remember David calling me saying, hey, Paul now wants to go ahead and put the SHA in place. And he's like fine, work with him on it. And ultimately it was all put together at the same time.

Q. Isn't it true that in April of 2008, David is already charged, at least for the first time, for reviewing an SHA? Isn't that true?

A. That time entry shows that he received

the SHA, and that's around the time that Paul didn't want the restricted shares. You have to under he did not want his shares subject -- my memory is that he did not want his shares, you know, subject to any -- any restrictions.

Q. And so on May 20, the same date that we're looking at on Exhibit 13, on Exhibit 12 Paul Bosse wrote an email to David asking, "How are these coming along," referring to the shareholder agreements plural, correct?

A. And again, that plural could be -- you know, certainly even the SRA were shareholder agreements but they were with certain individuals. So whether he's referring to the SHA or the SRA there, I can't speculate. Or if he's referring to multiple of one, multiple of the other or all of them together. I can't speculate. I -- the email was not sent to me and I didn't have a conversation with Paul on May 20 on that email.

Q. Did Paul Bosse ever say to you, Dean Rutley, I don't want an SHA? Yes or no. And you can explain your answer.

A. I cannot recall specifically if Paul told me that. It's possible he did. But I recall in discussions with David, Paul was reluctant to

have his shares, you know, made subject to the SHA, that he didn't want his shares encumbered. That's not unusual for a vast majority owner, not -- to not want his shares.

The VCs, if the venture capitalists had come in, he would have had to put his shares to it because they wouldn't have made the investment without it. And that's what Landmark was trying to go for.

Q. Charleston Laboratories ends up ultimately with both an SHA and an SRA, correct?

A. Correct. I mean all this discussion is somewhat academic because at the end of the day, you know, an SHA and an SRA were in fact put together contemporaneously with each other on the same day.

Q. Was that the right thing to do?

A. That was absolutely the right thing to do.

Q. Was it good legal advice?

A. Yes, I would say that that -- it was fine. It actually worked to their advantage. Would it have been fatal to the company not to have had it? No.

Q. So isn't it true as early as version one

of the stock restriction agreement, that it was contemplated that there would separately be a shareholders agreement?

MS. CUNDARI: Object to the form.

A. Read the question again to me.

Q. Isn't it true that as early as version one of this SRA, it was contemplated that there would separately be an SHA?

MS. CUNDARI: Object to form.

A. I -- you know, I cannot 10 years later speculate as to that day, that moment in time whether it was contemplated. All this would have been discussed around that time. It would have been discussed with Paul. And mutual decisions were made as to what to put in place.

It is not unusual -- I don't know how your practice works in the litigation world, but in the transactional world and giving advice there are various avenues to explore, we can put these five documents in place, we can just do these two for now and do the other three later. Do you want to spend the money to do it all now? Do you want to spend some now and see what a VC or someone else brings in to bear.

You know, this is all done in

consultation. And I can't remember, you know, 10 years later whether on this particular day it was contemplated, that other agreement. It could have been the day before, it could have been that day, it could have been the day after. It could have been 10 days later.

Q. Does the -- does this version of the SRA contemplate an employment agreement with Dr. T?

A. This stock restriction agreement I do not believe -- again --

Q. I'm sorry. This is -- this is Dr. Schachtel's. So let me rephrase the question. Does this SRA contemplate an employment agreement with Dr. Schachtel?

A. Yeah. This -- this first version does say in the whereas clause, "In consideration, entry into employment agreement with Dr. Schachtel." If I'm -- my, again, 10-year-old memory, sir, but my -- you know, looking at this I do recall that Dr. Schachtel's lawyer was advising his client to have an employment agreement. I do not believe that an employment agreement was ever entered into.

Q. In the second whereas clause when it says "As partial consideration for the entry into an employment agreement between the stockholder and

the company dated as even date herewith," is that how you incorporate a document outside of this SRA into the SRA? Is that how it's done?

A. When -- when those are -- when that is consideration --

Q. Is it --

A. In this -- in this context I would say that would be the standard -- standard whereas clause.

Q. What -- what I'm asking you is, sometimes agreements incorporate the terms of other agreements. You agree with that, don't you?

A. Sometimes.

Q. Sometimes?

A. Sometimes.

Q. Yes. By making reference to the employment agreement in a whereas clause, is that how you incorporate into this SRA an employment agreement?

A. No, this was just for consideration.

Q. To incorporate it into the document, you would expressly state that you're incorporating herein the terms and conditions of that certain employment agreement dated yatta, yatta, yatta, correct? Isn't that how it would be done?

MS. CUNDARI: Object to the form.

A. That is one way it could be done.

Q. Does the SRA, version one, speak to the company's right to repurchase shares upon the termination of the stockholder for cause? Does it speak to that event?

A. Again, you're dealing -- you have here a first draft which was not what was entered into.

Q. We're going to look at the other iterations. I'm asking you as early as the first draft, does the SRA speak to the company's ability to repurchase shares upon termination for cause?

A. This first draft does include a repurchase option 1A, the ability to repurchase the shares in the event of a cause -- cause termination.

Q. Does the SRA, version one, make reference at all to an SHA?

A. You want me to read this again, because I --

Q. I thought you just did.

A. I did, but to my memory it -- yeah, subject to 1B, if there's without cause within a 12 -- a 12-month period, it says terminate without cause, the company lost their right to repurchase

the shares, or the shares at least subject to Schedule A.

Q. So my --

A. Oh, your question was does it -- I do not see the SHA -- reference to the SHA in this.

Q. Does the SHA -- we'll look at it when it's ultimately executed -- to your knowledge, does it address the circumstance of the company's right to repurchase shares if the shareholder's terminated from employment for cause?

A. It -- my memory is that it's for any reason, which would include cause.

Q. So both agreements would address the same subject matter, that being the company's right to repurchase shares in the event that employment is terminated for cause, correct?

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. Is that true or not true?

A. As --

MS. CUNDARI: Object to the form.

A. As to that singular point, yes. But the SHA, as you probably know, covers many other topics that the S -- restricted stock -- restricted -- stock restriction agreement, the SHA, does not

cover.

Q. Take a look at page three of the SRA, version one. Paragraph five says in part "This agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof."

Is that true?

A. You read that accurately.

Q. Is it true that the SRA constitutes the entire agreement between the parties with respect to the subject matter hereof?

A. In this first draft, that's what it purports to say with regard to the subject matter thereof.

Q. And if the subject matter in part is the company's ability to repurchase shares upon the termination of employment for cause, that same subject matter is addressed by a separate agreement as well, is it not?

MS. CUNDARI: Object to the form.

A. What subject agreement are you referring to?

Q. The SHA.

A. The SHA? Both of them had different purposes, very distinct different purposes, but

shared a remedy, slightly shared a remedy. But this agreement did not confer -- did not deal with -- this agreement, and I don't know how much you know corporate law, but this agreement is between the company and an employee, an employment setting, giving the company some assurance that the employee won't just take the shares and be -- and quit one day later and -- and they've given away ownership they can't get back.

So you have a vesting-type schedule or a time period by which they earn. The shares are restricted. And they don't become unrestricted until the passage of time, which is an incentive mechanism to have the employee, the executive stay on board. That is an agreement in an employment context between the company and the employee.

The shareholder agreement, the SHA is a document that is amongst the shareholders to allow them to control the transfer of shares and who exactly is going to be in their pool of -- of fellow owners. And it also has the company as a party to it. But it contains, in addition to transfer restrictions on the -- on the stock, it has a right of first refusal, a drag-along, tag-along. I remember it has typically -- and it

typically has, and I believe this one had, management governance provisions in it as to how the board of directors would be decided and voted on. It would also have restrictions on the company being able to take certain corporate actions without a majority or maybe in a super majority of -- of shareholders.

So again, two different documents, two different purposes entered into contemporaneously. They work concurrently with each other. And the language here says prior oral or written agreements. These were contemporaneous documents. And your own client argued that very successfully in the Florida action and the judge validated that these documents were silent as to contemporaneous documents and therefore worked in harmony with each other, read as concurrent documents and afforded the client multiple interests. Including, for example, they had the option, which was actually a good thing, sir. They had the option of buying all the shares under the SR -- SHA at fair -- at fair-market value. They had the ability though, if fair-market value had skyrocketed, to buy all the -- the unvested shares or the -- the restricted shares at a de minimus value under the SRA and then

turn around and buy the other shares back at fair-market value. Therefore -- you know, so they had -- both of these documents worked harmoniously with each other. And your client argued that point and submitted it with all due vigor and said the documents were not ambiguous, exact quotes, and that the federal judge not only ruled in their favor but he wrote an opinion that pretty much validated everything we did except didn't give us a Pulitzer Prize, to be honest with you. That I was a little disappointed in.

Q. You can always appeal it.

In your career, I'm assuming that you've had subject matters that are addressed by more than one agreement?

A. In my 31 years of practicing law, certainly.

Q. It's not uncommon that you would have a single subject matter that would be addressed by more than one agreement, correct?

A. We -- there might be documents that have -- speak to different purposes. I can't speculate where your question's going, other than the fact that documents are reviewed very carefully to make sure that they do not create ambiguity or

create conflicting -- conflicting out comes.

Q. Did you review this version one of the SRA that was sent to you on May 20, 2008?

A. I may have. I cannot recall at this time if I looked at this version or waited until the client had given comments and -- and Bernie's attorneys -- you're trying to get text message.

Q. I'm getting the Wall Street Journal, obviously.

A. Wall Street Journal, sorry.

So I cannot recall if I looked at this version. I would have looked at a -- probably a red line after some additional comments. But I cannot -- I may have looked at this, I may not have looked at it until later.

Q. Would you have looked at it in conjunction with the proposed SHA to make sure there was no ambiguity between the two documents?

A. Again, 10 years later I can only -- yes, my normal practice would have been to have read the documents and made sure that -- you know, that they worked with each other. And in fact, they did and a federal judge agreed that they did.

Q. So in reviewing the documents you would want to read them together to make sure that

there's no ambiguity between the two, correct?

A. That would be a correct statement.

Q. All right. So why wouldn't the SRA say something about the existence of the SHA?

A. Because that is not normal procedure. And I can tell you in preparing for this, I mean I -- I can tell you I looked at other documents. We -- just is not normal practice. You will not see every time every document.

If that were the case, sir, then when a client puts in a most favoured nation clause in one of its contracts with one of its -- one of its customers, it would have to -- for the next 10,000 agreements it would have to cross-reference all over the place. It just -- it's not always necessary to -- to cross-reference other documents.

And in fact the stockholders agreement, in terms of the ultimate purpose here and these restrictions were put on place, you know, the shareholder -- the stock certificates, that I'm sure you've seen, both listed these restrictions in the legends. So those stock certificates could not be transferred without the purchaser having known about the existence of both these documents and pulled them down and read what restrictions may or

may not apply.

Q. What's an addendum to a contract?

A. What's an addendum. It would be a -- it would be a contractual drafting that changes and advances the contract or amends the contract.

Q. And what's a schedule?

A. A schedule would be something that is referred to in the contract that lists for convenience the -- you know, the list of customers, a list of vendors, a list of products being sold.

Q. What's an exhibit?

A. An exhibit often saves -- serves the same purpose as a schedule but typically is usually additional documents that are exhibited.

Q. Perhaps documents that are referenced in the contract itself?

A. Yes.

Q. Is the SHA scheduled anywhere on the SRA or referenced as an exhibit?

A. Run that question by me again.

Q. Does the SRA make reference to the SHA as a schedule or an exhibit to the document?

A. No, it does not.

Q. Whose idea was the SRA? Who initiated the idea of an SRA?

A. Ten years later I cannot speculate as to who. But my recollection would have been certainly when Paul was bringing these three new employees in and giving them stock, that in talking to David about it, that David would have, in normal course, advised, well, are you giving -- ask the question, are you giving these shares to these individuals outright to have, or do you want that to be vested or time-based so that, you know, if -- if they leave or you fire them you have an ability to get the unvested shares back.

VCs normally do that. And so we would have recommended that. So I'm sure -- he's trying to get you a note there, if you want to take a moment.

Q. No, go ahead. I'm listening.

A. Okay. So I can't speculate as to who brought this up initially. That might be a question best posed to Mr. Baddour at the time since he was talking to David about having to -- Paul about that. But it would have been -- in all likelihood, you know, we would have suggested the SRA.

Q. The SRA has an vesting schedule that limits the company's ability to repurchase shares

based upon the amount of shares that are vested in the stockholder at that point in time, correct?

A. Correct.

Q. So as time passes more shares vest and so restricts the company's ability to repurchase their shares under the SRA?

A. Correct.

Q. There is no such vesting schedule in the SHA, such that the company could buy back all the shares?

A. The company or the other shareholders, right. There was a -- and that was one of the changes that I know we made. The -- the Landmark version initially had the shareholders having the first right of refusal to buy the shares back. And second was the company. And David in talking to Paul, you know, they made the decision -- again, Paul wanted to control as the company, he owned the company, the vast majority of it, it was decided to switch that.

Q. If I understand your earlier testimony, you reviewed the stocks, the stocks which actually issued in this case?

A. The only stock certificate that I looked at recently was Dr. T's.

Q. All right. And is it your testimony that the legends on those stocks accurately reflect the language in the SRA and in the SHA?

MS. CUNDARI: Object to the form.

A. They -- those legends are legends that are in those agreements and were accurately put on the stock certificate to alert any purchaser that that stock certificate was subject to the provisions of those two documents.

Q. I'm not sure -- I'm not sure I understood your answer. Please answer yes or no and explain it if you need to.

Is it your testimony that Dr. T's stock certificate contains the legends that are required under the SRA and the SHA?

MS. CUNDARI: Object to form.

A. You asked it differently, but yes.

Q. Okay.

A. More accurately. Thank you.

Q. Yeah. I told you I'd ask bad questions. Let's go to a --

MS. CUNDARI: Lunch is here, just so you know.

MR. RICHTER: Why don't we go ahead and pause here and -- since we're near the end of the

tape.

VIDEOTAPE OPERATOR: We're going off the record. The time is 1:15.

(A lunch recess was taken.)

VIDEOTAPE OPERATOR: We're back on the record. The time is 1:51.

BY MR. RICHTER:

Q. Mr. Rutley, we are talking about version one of the stock restriction agreement, May 20, 2008, correct? That was our point of reference.

A. The Bernie Schachtel first draft?

Q. Yes.

A. Yes.

Q. All right. Let me know you what I've marked as Exhibit 14.

(Exhibit 14 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. An email dated May 21, 2008.

Were you aware that Paul Bosse had sent to David Baddour the shareholders stockholders agreement on May 21, 2008 asking that Womble Carlyle revise that document as well?

A. I do not recall at this point in time, 10 years later, this specific email, but I can see

what it says.

Q. And you're starting with the agreement that Moroney had sent over as a part of the whole Landmark VC deal, correct?

A. Correct.

Q. And the client's asking can you guys at Womble, or David Baddour, modify this, correct?

A. Correct.

Q. And in fact, you go on to modify the stockholders agreement, correct?

A. Correct.

(Exhibit 15 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit 15.

Do you recall David's forwarding this request of Paul Bosse to you?

A. Can I have a moment to read this?

Q. Sure.

A. Okay.

Q. So David wants to know from you does he have permission to go ahead and modify the stockholders agreement, correct?

A. Correct.

Q. And -- and he wants to know from you

from a fee perspective, correct?

A. Yes, he's asking that, correct.

Q. And what does that mean?

A. Well, he wanted to know -- you know, at this point in time Charleston Labs owed us, I don't know -- I don't recall how much, but a fairly significant amount of money. And as his firm custom, the practice group leader and firm management member had sent me emails, I believe one I saw was from Press Millan, saying, hey, you know, what's going on with this? Are we -- are we going to get paid or are you spending associate time wisely? And so I had talked to Paul and he had said he would send a partial payment.

And with a lot of startups, I don't recall specifically with Paul, but I can tell with a lot of clients it was like, look, send in 500, whatever you can, you know, each month, a little bit, just to show good faith to the firm. And Paul -- and David was asking, am I okay to work on this and -- you know, as you're the relationship partner, and that's what he's asking here.

MS. CUNDARI: Ronnie, I just want to put on the record that it doesn't look like the Bates numbers are consistent. So I'm not sure this is an

attachment to this email, but --

MR. RICHTER: Yeah. Well, I see the same thing. I don't know.

MS. CUNDARI: Okay.

THE WITNESS: Oh, yeah, 446 versus 461. That's way off. So it may be the wrong attachment.

MR. RICHTER: It's possible.

(Exhibit 16 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you what I've marked as Exhibit 16. If you see the attachment it's referenced as stockholder agreement version two, correct?

A. I see that at the top, yes.

Q. So David has done some work on the stockholders agreement, presumably, and is sending it to Paul for his review and copies you, correct?

A. Can I read this one?

Q. Sure.

A. Okay.

Q. All right. So in context it's May 22, 2008. David has made some modifications to the shareholders agreement. Isn't that correct?

A. Well, I haven't read the modifications

but he purports to say that he has marked it up and there's a red line attached.

Q. Well, if you look at Bates stamped 2479 in the bottom right-hand corner, it seems to be tracking a document on a red line, correct?

A. Correct.

Q. It appears that 150 changes were made to the stockholders agreement on this red-line version. Is that correct?

A. If I'm -- assertion, deletions, move from, move to. Yep.

Q. Okay. So Womble Carlyle took the stockholders agreement that initiated from Moroney and has now made 150 changes to it, correct?

A. Correct.

Q. And it's being sent back to the client for their further review, right?

A. Correct.

Q. And it also indicates, I'm sending this do Dean for his additional review and comment, correct?

A. Correct.

Q. Do you recall if you reviewed it and commented on it?

A. I recall reading the willing founder's

stockholder -- or the stockholders agreement. What I cannot tell is whether I reviewed this red line, which I probably did, or -- but again I'm speculating there -- or I read a second later version. I don't know what -- what version we ended up with.

But I do recall reading and commenting on the founder's stockholders agreement.

Q. All right. At page 2467, Bates stamp number, section 2.2 --

A. Yes sir.

Q. -- refers to the company's right to repurchase shares upon certain events, correct?

A. Correct.

Q. And this section was modified by Womble Carlyle, correct?

A. Correct.

Q. And one of the events, if you turn to page I, is a terminating founding stockholder who's an employee ceases to be, for any reason, an employee of the company, correct?

A. Correct.

Q. So one of the triggering events under the stockholders agreement that would create the right in Charleston Labs to repurchase shares would

be an employee founding stockholder who's no longer employed for any reason, correct?

A. Correct.

Q. And that exact same subject matter is addressed in the stock restriction agreement, isn't it?

A. That same remedy is discussed, but it's not the exact same subject matter.

Q. Well, the subject matter of the company's right to repurchase shares upon the termination of employment --

A. Different rights.

Q. Is the subject matter of the company's right to repurchase shares addressed under the stock restriction agreement?

MS. CUNDARI: Object to form.

A. This agreement gives them a purchase -- the opportunity to buy all the shares back, any or all the shares. The stock restriction only gave them limited rights to purchase back for a different purchase price consideration -- potentially a different purchase price consideration, a hardwired amount of only the restricted shares.

Q. The stockholders agreement never makes

reference to the stock restriction agreement, does it?

A. Upon recollection it does not. But if you want me to, I can certainly go through this entire document and we can sit here, but your choice.

Q. I'm assuming you reviewed this document before our deposition today --

A. Yes.

Q. -- right?

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. Did you review the stock restriction agreement, stockholders agreement before today?

A. I have reviewed these documents before today.

Q. I'm not --

A. But again, if you want me to do a word search, I'd have to either do it electronically or by hand.

Q. Am I catching you by surprise to be asking you whether the stock restriction agreement --

A. No.

Q. -- references the stockholders

agreement?

A. My recollection is not -- my recollection right now is that it does not refer to the stock restriction agreement.

Q. It does say, however, in provision 5.9, page 2475, that it embodies the entire agreement and understanding of the parties with respect to the actions or transactions contemplated by this agreement, correct?

A. Correct. At least the first sentence. You didn't read the second, but that's all right.

Q. If you feel like you need to, if it's incomplete.

A. Well, the second sentence says that this agreement supersedes all prior written and oral understanding between the parties relating to the subject matter hereof.

But again, most of those documents were contemporaneous. And it was silent contemporaneously. Both your client agreed that the documents worked together and that there was no ambiguity there, and the federal judge in the Florida action agreed.

Q. And is it your testimony today that that's an idea that you came up with in 2008 as

opposed to that was -- that was an idea that we spent two million dollars on a very good law firm to come up with --

A. No, your --

Q. -- trying to ascertain the rights of the shareholders in Charleston Labs?

MS. CUNDARI: Object to the form.

A. I'm not -- I'm not going to speculate as to what Greenberg did. However, Greenberg interviewed me and I gave them that information.

Q. You gave that to them?

A. Yes.

Q. That it's contemporaneous, not prior?

A. That these two documents do not conflict and they work with each other and they were entered into together.

We had phone calls that I was invited to be on where we talked through the documents. And I told them that these documents -- they asked me the purpose of each document. They thought -- one person was asking me -- if she was litigator, was asking me if these two documents are not one in the same. I said no, they have different purposes, different parties. They don't have the exact same parties to them. The one agreement, again I'm

happy to educate you, the SRA is between one individual and the company. The other agreement is between all of the stockholders and the company amongst each other. And one had an employment based purpose to keep longevity, which is not unusual. The other one was in agreement amongst the shareholders as to how they could transfer, under what circumstances they could transfer and move stock. And also to deal with the right of first refusal, the co-sale agreement, the drag-along, the tag-along, protective provisions and the management of the company.

So both of those documents were put in place. But yes, we would have ensured that those documents -- as it turned out those -- and as we put them in place, they were put in contemporaneously with each other. And it was certainly, in my opinion today, still not necessary to cross-reference each other. And a federal judge agreed a hundred percent.

Q. Is it your testimony that in May of 2008, as these two documents were being prepared, it occurred to you that for each of them to say that they supersede prior agreements is not a conflict because you considered them

contemporaneous agreements? Is that your testimony?

MS. CUNDARI: Object to the form.

A. Yes, that -- that would be my testimony. That I would have read the documents, and so would have David. Both of us would have read those documents to ensure that there was not any apparent ambiguity or conflict between the two documents.

Q. And you would have written down your time accurately to reflect the time that you spent reading those two documents together?

MS. CUNDARI: Object to the form.

A. Not necessarily. I may have -- again, Paul was -- this is starting out. I a lot of times gave Paul the benefit of -- of reviewing some documents and not recording all my time. And sometimes I just failed to record all my time.

As a busy attorney, not only do I sometimes give the benefit to clients, but there are times when I quite frankly don't record something. And -- and then we have a ten-day window, if you don't record it, it's locked.

Q. And so I'm clear, it's your testimony that you taught the Greenberg lawyers the legal argument that these are contemporaneous and not

prior, therefore there's no conflict between the agreements.

A. You're -- you're twisting words. I would not say that I taught them anything.

When they asked me questions about it, how these documents worked together, you know, what do we -- how do these documents interwork with one another. And I explained the different purposes, as I just explained to you, between the two documents and why they were put in place. And I am telling you that we discussed, because they said -- I believe they said -- Dr. T's attorneys were asking about the integration clause, and I said it's not a problem. Look at it. These were contemporaneous documents and they were entered into together.

So we had these discussions on the phone, yes. Whether I taught them anything, I'm not going to assume that I taught them anything.

Q. And so this was clear in your mind in May of 2008, correct, this idea?

MS. CUNDARI: Object --

BY MR. RICHTER:

Q. This idea there's no conflict between the agreements because they're talking about prior

agreements, not contemporaneous. That was crystal clear in your mind in May of 2008?

MS. CUNDARI: Object to the form.

A. I can't tell you what was crystal clear in my mind 10 years ago. All I can tell you, sir, is that I would have reviewed these documents with the purpose of ensuring that there was not a -- an apparent latent conflict between the two documents and that the documents would have their intended purpose, and so would have David.

But, you know, sir, you're going into an issue of something 10 years ago when the result is that the documents were properly drafted, were properly put in place. Your client has argued to a federal court that these documents were unambiguous, where the integration clause was not an issue, that they work concurrently with each other, and that a federal judge agreed with their motion for summary judgment on all those points.

So I stick by what your client formerly argued, and I stick by what a federal judge ruled.

Q. So you would have had the same clarity when the client came back to you seeking your advice on how to part company with Dr. T sometime shortly thereafter, correct?

MS. CUNDARI: Object to the form.

A. I did -- do not recall what exact advice was given to Dr. T, other than the fact that he was -- David was -- Paul was dealing mostly with David on -- on the Dr. T termination.

Q. When it's time to part company with Dr. T there are two agreements in place, correct?

A. Yes. And Paul would have read all those documents. He had the stock certificate, the original stock certificate of Dr. T's in his possession. And knowing Paul and his history, he would have read all those documents.

And my recollection, you'll have to -- again, this is something that you would have to ask David. But my recollection is to the effect that Paul was -- did not want to pinpoint anything in any agreement, but there wasn't a notice provision required, no notice. It was not required that his letter that he wrote to Dr. T reference the documents. The documents spoke for themselves and were operative. But that Paul was offering at the time $70,000 as a severance. That was his decision. Paul was driving the ship on this. He was asking -- coming to Womble, particularly to David, to ask for advice on -- on the actions that

he was taking, the steps he was taking.

But we were never asked, and to my knowledge, we were -- even David -- Womble was not asked to deal with any lawyer for Dr. T. At that time when he was being terminated, Paul was very much driving -- driving the ship on that.

Q. It's two sets -- two agreements with two sets of rights that apply in two different circumstances. Can we at least agree it would be important in parting company with Dr. T to identify the document that we seek to part company under? Can we agree on that?

MS. CUNDARI: Object to the form.

A. No, we can't agree on that because he had both agreements. And as -- as you well know, the benefit is they would have -- the two documents work concurrently. They had the option to go under the SRA only or to go under both documents and get the -- if the valuation, which Paul Bosse, as sole board member and -- you know, had to write this to consider the fair-market value of the shares, had the fair-market value been determined to be $10,000 a share, Paul probably would have wanted to go under both agreements.

Q. All right. We'll -- we'll come back to

that subject matter.

Let me show you Exhibit Number 17.

(Exhibit 17 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Getting back to the review of the shareholders agreement before it becomes a shareholders agreement.

So Paul asked David at the bottom --

A. Can you let me read it, then you can ask the questions.

Q. Sure.

A. Okay, go ahead.

Q. On May 27, 2008 Paul is asking David to go over the shareholders agreement and the stock -- restricted stock agreement, correct?

A. Yes.

Q. So he can get a better understanding, correct?

A. Uh-huh. Yes, sir.

Q. And then his response -- David, I guess, forwards that to you and asks a question, would like to take a spin through the founder's agreement I prepared for Paul last week, right?

A. That's what it says.

Q. And you say to David on the -- on the way in, but have heavy day. Go ahead and handle. I'll try to take a quick look. Right?

A. Correct.

Q. We'll see this in other emails. Were you pretty busy in the summer of 2008?

A. Yeah, given the economy at the time. I just -- yes, I was apparently. I don't have complete recollection, but I was pretty busy.

Q. I don't have all of the references at my fingertips, but, you know, going 55 miles an hour, flying here and there --

A. Yeah, I was a busy lawyer --

MS. CUNDARI: Wait for the question. I'm sorry.

A. What is the question?

Q. Did -- did you have the time to devote and the attention to devote to this matter in the summer of 2008?

A. I had complete confidence that David Baddour, as senior as he was, had the ability to handle this agreement and to talk to Paul.

I can tell you that I did take a look. And this says I'll try to rake a look, but I did take a look at the agreement. I remember talking

to David about the document. But it was also not necessary, what he's referring to -- what I was referring to when I said go ahead and handle. He says, do -- also, would you like to join us for the call or would you prefer I handle. I specifically was responding to him on, yes, you can handle the phone call. Paul Bosse and Charleston Labs did not need a senior partner at my billing rate, a combined rate probably of a thousand dollars an hour, to -- to listen in and -- when David was the principal person marking up that agreement. It was completely fine and I had complete utter confidence in David's ability to talk to Paul about the changes he was proposing.

Q. Well, was it that Paul and Charleston Labs didn't need Dean, a higher rated billing attorney, or was it that Dean didn't need to waste time on Paul and Charleston Labs given they were backed up on their bill and it appeared that it wasn't going to launch?

MS. CUNDARI: Object to the form.

A. And I object to your characterization. That's insulting.

But no, I -- I always was there for Paul in the end. I either made sure my staff was taking

care of him, the right team member was taking care of him, or if something rose to a senior partner level work, then I got involved and I talked to Paul.

Paul would call me incessantly. So I had plenty of -- Paul had plenty of Dean time. You know, Paul -- at times I was not acting as much as his attorney as I was a psychologist. Because Paul would call me all worried about this, all worried about that. And sometimes -- and a lot of stuff I didn't bill because Paul just wanted someone to talk to at times.

And Paul would -- you know, it was -- became a common joke. He would call me -- knew when I'd be on the Beltway driving to work in the morning between 8:00 and 8:30 after dropping my kids off at school. And he would call my phone three times a week, if not five. The phone call -- the phone would go off in the morning on my way in and he would want to talk to me.

So ultimately I stand by what our team did. And again, to get down to it, Paul never left us. He didn't leave until George Scott announced he was leaving and going to Greenberg Traurig, in which case, you know, Paul and George talked and

they decided that he would -- Paul would move with George.

But up until that time, I mean this is 2008, Paul stayed with us in this firm for six more years. You'll find plenty emails where Paul raved about the services he was receiving, including raving about me. So I don't think that Paul ever suffered at all from any -- for want of any legal advice.

Q. What was your cellphone number in the summer of 2008?

A. Same as it is today.

Q. What's that?

A. (202)258-2470.

Q. And who was your cell provider in 2008?

A. AT&T.

Q. AT&T, okay.

A. Or maybe it was Bell Atlantic or something like that then.

Q. Let me show you what I've marked as Exhibit 18.

(Exhibit 18 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Further revisions of the stock

restriction agreement and the shareholders agreement, correct?

A. Allow me to read this, please.

Q. Well, I'll call your particular attention to the attachments.

A. Well, let me look at that first, then. Okay.

Q. The stock -- restricted stock agreement is referenced as version two, correct?

A. That's what's in the attachment one.

Q. And the founder's stockholder agreement is referenced as version three, correct?

A. Correct.

Q. And that's the version we amended -- made 150 changes to last time we looked at it, correct?

A. I would have to go back.

MS. CUNDARI: I object to the form.

A. So I don't know if you stated your question correctly.

Q. How many times was it changed in version two?

A. Version two over version one, 150 changes.

Q. Does it become Womble Carlyle's document

after 150 changes?

MS. CUNDARI: Object to the form.

A. I'm not going to speculate as to when -- at what point in time it becomes our document. It was -- the source document was certainly not ours.

Q. Is it unfair for me to say Womble drafted the stock -- stockholder agreement if you modified it 150 times?

A. Yes, I think that would -- I wouldn't characterize it that way. We made changes to another party's form. But again, the document worked fine, and a federal judge ruled that it worked find and gave your client a -- didn't have to go to trial -- gave him a summary judgment on -- on the document.

Q. Did you review these documents, version two of the SRA and version three of the SHA, you, Dean Rutley?

A. Again, I recall only at this point having looked at the stockholder agreement. Which version I particularly looked at, I cannot recall at this time, 10 years later.

Q. All right. If you look at the first page of the SRA, which is page two of the exhibit, second whereas clause still says, "As partial

consideration for the entering into an employment agreement." Is there an employment agreement that supports the SRA?

A. I cannot speculate at this time and do not have any recollection as to whether -- I do not believe any employment agreement was entered into between the company and Bernie Schachtel. I don't think -- I remember an email where Paul said where nobody's going to have any employment agreements. And that was a call he made.

Q. The stock restriction agreement, version two, addresses in part the subject matter --

A. Where is that at? Oh, I see.

Q. You're looking at it.

A. I'm sorry.

Q. So the stock restriction agreement, version two, addresses, at least in part, the rights of the company to repurchase shares in the event of the termination of a stockholder's employment, does it not?

A. In 1A?

Q. Yes.

A. Yes, it does.

Q. And the stockholder's agreement, version three, which starts on 2585 --

A. 2585.
Q. -- provides, at least in part, starting in section 2.1 --
A. That's not 85.
Q. I'm sorry, 2.2?
A. 2.2. No, that's -- yeah, 2589.
Q. The SHA version three addresses, at least in part, the company's right to repurchase shares upon the termination of the employment of a shareholder, correct?
A. For any reason, yes.
Q. Which would include fault reasons, correct?
A. Would -- any -- for any reason means for any reason.
(Exhibit 19 marked for identification and attached to the transcript.)
BY MR. RICHTER:
Q. Let me show you Exhibit Number 19. Take a look and tell me when you're ready. The email thread starts at the bottom and goes up.
A. Okay. Give me a minute. Thank you. Okay.
Q. All right. So at the bottom Paul says, "I think the documents worked great with the team,"

right? "David great work."

A. Uh-huh. Yes, sir.

Q. Still want some Dean time, though, right? Dean, could we set a time to speak about some issues, correct?

A. Well, no, that's not what he says.

Q. All right. What does he say?

A. He says, Dean, could we set a time to speak about issuing certificates and some minor details.

Q. I'm sorry. He says it at the top. Dean, I'd like to have a discussion with you on a couple of very important issues, correct?

A. Correct. That's different than what he said below.

Q. All right. So then you would have called him on May 28, 2008 to talk about the issues that were very important to him, I'm assuming?

A. I do not know how fast I would have called him back, but I'm sure I called Paul back within 24 hours.

Q. Do you know what the very important issues were that he wanted to discuss with you in May of 2008?

A. Seriously? Ten years later -- I'm

sorry. But 10 years later, no, I do not recall. Paul sometimes had indeed very important issues to discuss, and a lot of times what Paul thought was very important issues were not very important issues. But every client has a right to ask questions and I would have gotten back to Paul. I would have -- in due course. I get back to all clients who reach out to me within a reasonable period of time.

Q. And you would have reflected those calls on your time records, I'm assuming?

A. The majority of the time I capture phone calls that -- and -- that I have with clients. And again, with startup clients I don't record every phone call. It's just -- it would add to the bill and they would be buried more than -- than they were -- already were buried.

As you see, I was confirming that he sent the thousand dollar check so that I wasn't getting any more heat from firm management about the AR growing. As you can see I said, just so I can note that in my AR report that I have to complete each month.

(Exhibit 20 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. I'll show you what I've marked as Exhibit 20. This is David sending to you --

A. No. Excuse me.

Q. -- sending to Paul and copying you --

A. Right.

Q. -- the stock agreements, correct, for Dr. T?

A. Well, that's in -- incomplete.

Q. All right. What's he sending?

A. Attached are restrictive stock agreements for Dr. T, Ameling and Schachtel.

Q. Did you review those agreements on May 29, 2008?

A. As we sit here I do not recall whether I reviewed them on May 29 or whether I reviewed them the next day, but I do recall seeing these documents. I cannot recall exactly when I reviewed these documents.

Q. All right. Dr. T's agreement starts on 2680. Would you turn to that Bates stamp. And the second whereas indicates, as partial consideration for the entry into an employment agreement between the stockholder and the company. Was there an employment agreement between Charleston Labs and

Dr. T?

A. I don't believe that any employment agreements were entered into between the company and any of the employees.

Q. In any of your reviews of the several iterations of these agreements, did you flag for comment the fact that there was no employment agreement as is stated in the whereas clause?

A. I do not recall whether I flagged that or not. I think it was still under discussion as to whether or not employment agreements were going to be -- were going to be entered into.

Q. Section 1A addresses, at least in part, the ability of the company to repurchase shares upon the termination of the employee, correct?

A. It says -- it doesn't speak to the company. State your question again. Or can I hear the question back?

Q. Yeah. Section 1A addresses, at least in part, the company's ability to repurchase shares upon the termination of the employee's employment.

MS. CUNDARI: Object to the form.

A. One A provides that in the event of a stockholder's employment is terminated for any reason or no reason, with or without cause, the

company shall have the right, the option to buy the shares back complying with the rest of the terms here.

Q. And that subject matter is also addressed in the SHA, isn't it?

MS. CUNDARI: Object to the form.

A. The ability for the company as a remedy to buy back all of the shares as opposed to the limited shares here, which is limited by 1B, all of the shares -- well, it's limited by Schedule A and 1B, there is a remedy that would allow, under either document, the company to buy back the shares.

And again, your client and the federal judge agreed that these documents worked concurrently with each other, had a similar remedy but different purposes and were not ambiguous and allowed company the option of buying all the shares under the SR -- SHA or to buy at the fair-market value was -- it was deemed in the company's best interest to buy the restricted stock under the stock restriction agreement and unrestricted under the stockholders agreement.

Q. Let me show --

A. And I agree with both your client's

former position and the judge's position.

Q. How much did it cost my client to get that determination?

A. That's -- I don't have that knowledge.

(Exhibit 21 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 21. If you look at the bottom, Dr. T has a question for Paul about the stock restriction agreement, correct?

A. Correct.

Q. What's his question?

A. Are you talking about the second part?

Q. Yes.

A. His question is, Why is the stock restriction agreement under Delaware law and the stockholders agreement under North Carolina law.

Q. And we're now up to version -- we've been through three versions of the stock restriction agreement. Have you reviewed all prior iterations of the stock restriction agreement at that -- up to this point?

A. I cannot recall. As I said, I remember reading these documents and I can keep repeating it

for you, but I remember looking at these documents. Which version I looked at I cannot recall.

Q. So what's the answer to Dr. T's question? Why -- why does this SRA provide for North Carolina law when Charleston Labs is located in South Carolina and formed as a Delaware corporation?

A. Apparently it may have been a hold-over from the prior form that was not caught. But it was caught at that point in time and was -- and corrected. Kind of unusual.

Q. It wasn't caught in the several reviews that took place at Womble, it was caught by Dr. T?

A. It may have been caught by Dr. T or, if he had counsel looking at it, caught -- yeah, it was -- it was raised and it's -- it purports to be what it is.

Q. So now we're going to further modify the agreement to provide for Delaware law, correct?

A. Correct. I guess it changes there.

Q. And in further modifying the agreement, it continues to say in the entireties clause that it represents the entire agreement on this subject matter, correct?

MS. CUNDARI: Object to the form.

A. There is -- I will submit that there's an integration clause which -- which in section 5.9, page 11, 2824, and it supersedes all prior -- other prior written or oral understandings between and among the parties relating to the subject matter hereof, which is a vastly different subject matter overall than the other agreement. But that's fine.

Q. And it continues to not make reference to the SRA, correct?

A. Correct.

(Exhibit 22 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 22. Is this a copy of the executed SRA of Dr. T?

A. Dr. T's signature is on page four.

Q. And on the face page, second whereas clause, it continues to make reference to an employment agreement between Dr. T and the company that does not exist, correct?

A. It refers to an employment agreement. I can say that.

Q. Are you aware of an employment agreement between Dr. T and Charleston Laboratories?

A. I am not aware of any employment agreement.

Q. So -- so an employment agreement then could not be partial consideration for the SRA, could it?

MS. CUNDARI: Object to the form.

A. I cannot speculate as to whether or not that is -- is partial consideration. The employment agreement was never meant to be -- if one was entered into, as consideration for this, this was consideration for that. This would have been partial consideration for the employment agreement, not the other way around, sir.

Q. All right.

A. Duly noted. Thank you.

Q. Look at -- look at page two with restrictive legends. I don't want you to read the entire legend, but read what it says under 2A. If you'd just read that into the record, please.

A. "A, "In whole, primary legends. Certificates representing restricted shares shall bear the following legends."

Q. "Shall bear the following legends," yes?

A. Yes.

Q. And is it your testimony that the stocks

do in fact bear the following legends?

A. If you'll show me the stock certificate.

Q. Okay. We'll get to it.

It's your understanding though that stock certificates do bear this legend?

A. Without seeing the document I cannot tell you that word for word they do, but I know there's legends on this document, yes.

(Exhibit 23 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. I'm going to show you Exhibit Number 23.

Is this the stockholders agreement executed by Dr. T?

A. Wow. Not a very clear copy, is it?

Q. No. I turn your attention to 19804 for his signature page.

A. 19 --

Q. 804.

A. -- 804. Yes, sir.

Q. And the last page indicates that he would have required 210 shares. Is that correct?

A. What is the number of the last page? 807?

Q. Yes.

A. 210 shares. Yes, sir.
Q. And that's the same 210 shares that's referenced in the stock restriction agreement, is that correct, on page one?
A. Both documents reflect 210 shares of the company's common stock.
Q. They reflect the same 210 shares, correct? These aren't 210 and 210. It's the exact same shares, correct?
A. I would assume that those are in the -- the same shares.
Q. And so both agreements speak to the exact same share issuance, correct?
A. Correct.
Q. There's a legend on Exhibit 23 as well, correct, that's required to be placed on share?
A. That would be on page -- top of page three.
Q. And like the stock restriction agreement, it provides that it will -- it shall have the language indicated in the agreement on the share certificate, correct?
A. Correct.
(Exhibit 24 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 24. Does that appear to be the share certificate issued to Dr. T for 210 shares?

A. It does appear to be.

Q. The second page is the backside of the share certificate with the legends on it, correct?

A. Correct.

Q. Have you compared the language to determine if the legends are those which were required to be on the shares by the controlling documents?

A. Do you want me to do that?

Q. Have you done it before today?

A. I -- I may or may not have. I do not recall.

Q. Does it matter if the language is not as set forth in the agreements?

A. If the language is -- if the -- if the language embodies the right reference and concept, if what you're getting at is if there's a few words that are different but the concept is there, generally no court's going to sit there, and nobody's going to be able to argue that the agreements aren't properly noticed as to how to

find this document. So if you're -- you're saying that there's a comma or a word or two that's different, that would not be, in my experience, debilitating to the reference to these documents.

Q. Who prepared the share certificates?

A. I do not know at this point in time who prepared them. Often we have your corporate paralegal prepare the certificates. One of which Paul Bosse was greatly fond of and used -- and called a lot.

(Exhibit 25 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit 25. Is this a copy of the June 2008 Womble billing statement reflecting the May 2008 activity on the matter?

A. Yes, it purports to be the June bill for May time.

Q. How much time did you spend in the month of May on the general corporate matters for Charleston Laboratories?

MS. CUNDARI: Object to the form.

A. I billed Paul Bosse -- or billed Charleston Labs, I should say, on May 20 at point three.

Q. And -- and what did you bill him for? What does that entry say?

A. Regarding executive employment agreement and restricted stock agreement requirement of client.

Q. It's communications with client about that subject matter and David --

A. With David Baddour, yes.

Q. It doesn't say you actually reviewed them, though, does it?

A. No, it does not.

Q. Is that the sole sum of the time that's reflected for the month of May 2008 on your behalf?

A. Yes. But as you'll see on 5/27, correspondence with Dean Rutley from David regarding founder's stockholders agreement, you know, I had correspondence, emails, phone calls. And again Paul was -- Charleston Labs was not flush with cash. And a lot of times I gave him the benefit of my help. And again, David Baddour was senior enough and capable enough to handle all these matters. And I provided content and supervision and -- and responses when called for, a lot of which I was gracious enough not to bill the client for.

Q. So you think your time might be double the point 3?

A. No. I cannot 10 years later speculate as to whether it was -- you know, I put an hour in or I put 1.2 hours in.

(Exhibit 26 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. I'm going to show you Exhibit 26. Email thread starting from the bottom going up again. It starts with Paul Bosse to you and David, June 6, 2008. Do you see that?

A. If you'll give me an opportunity to read it from the bottom up. Thank you. Okay, sir.

Q. All right. So Paul is asking about the plan for the stock allocation among the founding stockholders, correct?

A. Correct.

Q. All right. And David sends his suggestion and invites you to weigh in, correct?

A. Correct.

Q. And what do you say in response?

A. "On my way into work for meetings. Your suggestions below look fine."

Q. Okay. In his email, since his

suggestion looks fine, he says John, Bernie and Ray will be issued restricted stock this week. What does that mean, restricted stock?

A. It's -- means what it says.

Q. Well, on May 30, 2008, didn't we already issue 210 shares to Dr. T?

A. I believe -- yes, what -- I believe what David meant there is the stock certificates.

Q. Isn't the stock certificate Exhibit 24, or is it just back dated to reflect the effective date? I just don't know. I'm confused as to why we've already issued the stock and -- but we're talking about it a week later.

A. It is -- it is not unusual. The -- the stock was intended to be issued on May 30. It is now unusual to have the paralegal or somebody prepare the certificates and then provide them to the client to be signed and the client gets them out, and that may have taken a week.

But I'm speculating as to that -- that sequence. But it's not unusual to -- when the issuance and the documents were signed for the certificate to be issued, you know, slightly later. That's not unusual at all.

Q. Do you remember that Charles Kaufmann is

an attorney representing Dr. Schachtel who had some questions about these agreements? Do you recall that?

A. I recall that Charles Kaufmann was an attorney for Dr. Schachtel, yes.

Q. Did you know Charles Kaufmann before this involvement with Dr. Schachtel?

A. No, I did not.

Q. Do you know anything about him, where he practices or how he became involved?

A. No, I do not.

Q. Let me show you Exhibit Number 27.

(Exhibit 27 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. And it's a longer thread than I intended to ask you about. I want to ask you about the exchange between you and Charles Kaufmann. It starts on page two and goes down.

And as I understand this, and take your time and tell me if I'm wrong, you -- you haven't -- you have responded by inserting language into an email that was sent to you by Charles Kaufmann?

A. Yeah. Originally it was in red font.

It's a little harder to read, but yes.

Q. So you're familiar with this email. And here it appears bolded, your responses, starting at the bottom of page two to questions that were raised by Charles Kaufmann, correct?

A. Correct.

Q. What is it that Charles -- Charles expressed a concern about?

A. All right. I'm going to need to read this and then we'll have to go point by point on each one of them.

Q. All right.

A. Do you want to take them one by one?

Q. Yeah, let's take the first one.

A. All right. Let me read the first one.

Q. Actually, you can skip the first one.

A. Skip the first one?

Q. Yeah. Take the second, starting with "be that as it may."

A. Okay. Okay.

Q. So what is the concern that Charles has expressed to you?

A. He's negotiating -- he wanted to change -- he wanted -- he felt that Bernie should forfeit his shares only if he is terminated for

cause or voluntarily terminates his employment for -- other than constructive discharge.

Q. Under the SRA or the SHA?

A. He doesn't say which agreement he's referring to there.

Q. He's expressing a general concern that, as he reads the agreements, his guy can get fired and his stock can be redeemed, right?

A. Correct.

Q. And he wants to know from you is that true. And what do you say to him about that?

A. In talking to Paul on the phone, as I remember having a phone call with him around that time, Paul said that none of the initial founders/employees will have employment agreements. I think Paul made that -- ultimately that decision. He didn't want to have employment agreements in place. I said the simple structure is that all vested shares are for the founder/employee to keep and the unvested shares are paid overtime. So I was referring to the SRA in that -- in that situation.

Q. You say to him in part, thus termination of the employment relationship for capital (any) reason would result in the employee keeping capital

(all shares) that are vested and just a stoppage of any further vesting, correct?

A. Correct.

Q. And then you go further, a few lines down, to say, "Charles, under our reading, it is clear that only unvested shares can be repurchased," correct?

A. Yes. In referring to the -- in my mind I was referring to the restricted stock agreement.

Q. But you don't say that, do you?

A. Well, it's 1A.

Q. That's a reference to the SRA.

A. Right.

Q. There's no question about it.

A. Yeah.

Q. But you certainly don't say, all candor, Charles, under the SHA, I can terminate you for any reason and get them all back.

A. Uh-huh.

Q. You certainly don't say that, do you?

A. That is not stated here, no.

Q. Okay. And if under the SRA I can terminate you for any reason/no reason, with cause/without cause and get them all back, what's the purpose of the SRA anyway?

A. Well, the -- the SRA -- because the SRA allowed the stock to be bought back. There was a purpose. Because the SRA would allow the company to buy shares back at a hardwire penny per share. The SHA did not do that. The SHA provided for fair-market value. And the Series A went out at, what, a dollar 63, or whatever it was, a share. And one could argue that the company was making enough progress, and whatever the valuation was determined by the board at that time, you know, it could have been a thousand dollars a share. In which case -- in which case then they wouldn't have been able to buy it back.

So the -- the SRA did have a purpose. It allowed the unvested shares to be bought back at a hardwired de minimus amount.

Q. 50 percent vested upon execution of the SRA, correct?

A. Correct.

Q. So we can't get those back --

A. Correct.

Q. -- at a penny a share. We're going back to the SHA for 50 percent from day one, correct?

A. Correct.

Q. When -- when in the foreseeable future,

after May of 2008, was Charleston Laboratories going to be of any value?

A. It could have been -- I'm not going to speculate as to when it was of any -- whether it would have been worth a billion dollars or worth a dollar.

Q. What was realistic? What was foreseeable? When was it anticipated that Charleston Labs would be a viable interest that was worth anything?

MS. CUNDARI: Object to form.

A. Ten years later, I can't speculate as to what the termination was. These were numbers that were provided in a schedule that was provided by the client.

Q. Well, how long was an FDA approval process going to take?

A. I cannot speculate as to how long the FDA approval process was going to take.

Q. What's normal?

A. I cannot answer that question.

Q. Can you put brackets around? Is it five to 20? Is it --

A. I can't speculate, as I'm not an FDA lawyer.

Q. So we -- we can agree that effective May 30, 2008 under the SRA, Dr. T's shares have vested 50 percent immediately, correct?

A. Correct.

Q. So the SRA has no application to that 50?

A. Correct.

Q. Or to the 50 that remains unvested, correct?

A. No. It has an application to the shares that are restricted.

Q. That are restricted. And so the vesting schedule matures out in how long, three years?

A. Whatever it is inside that document. So it runs out on May 30, 2011.

Q. May 30, 2011 he's fully vested?

A. Right. That was an agreement in -- and often what founders like Paul find is when they're bringing experts with CEO experience or, you know, advisory board or people who -- who are experts in the industry and can help advance the cause, they're not going to go out 10, 15 years. That -- that was -- that's something that he would have negotiated with those gentlemen coming in to be part of the team.

Q. What you told Charles was, as to those shares that are vested, those are yours Dr. T. We can't just fire you and take them.

MS. CUNDARI: Object to form.

BY MR. RICHTER:

Q. Correct?

MS. CUNDARI: Object to form.

A. As -- as to my understanding at the time for the SRA, correct.

Q. And -- and you never said to him, my answer's completely different under the SHA, right?

A. No, I did not speak to the SHA. And that's consistent with his writing, by the way, about 83D. There is no 83D election we applied to the stockholders agreement. 83 by election would only be applicable in the case of the restricted stock agreement.

Q. Have you spoken to Charles?

A. Charles Kaufmann?

Q. Kaufmann.

A. No.

Q. Since all of this transpired.

A. No, no. Never had -- never -- no follow-up after that interchange.

Q. Let me show you Exhibit 28.

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(Exhibit 28 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Do you recall the SHA being further revised after May 30, 2008, based on concerns raised by Bernie Schachtel?

A. I do not generally at this point in time remember any concerns that Bernie raised other than his attorney. I have a vague recollection of his attorney or Schachtel requesting some -- his attorney asking for some modifications, which were ultimately agreed to and the agreements were revised by David to reflect those after Paul signed off on them.

Q. So we're up to version four. If you see the attachments on Schachtel's SRA, correct?

A. Correct.

Q. And we're up to version five on the SHA, correct?

A. Correct.

Q. And would you have reviewed versions four and five of these agreements in June of 2008?

A. Again, I -- I recall reviewing these documents. All these years later I do not recall specifically which versions I specifically looked

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at.

Q. Did Paul Bosse ever refuse any advice that you offered to him? Did he ever just say, Dean, I'm not going to do it?

A. I cannot recall him refusing any of my advice. It's possible he -- there were times -- I can tell you, I know there were times that -- I can't remember specifically what things I said to Paul and gave him an option, and he said, well, I just don't want to do it that way. Yes. And then I believe that -- you'll have to talk to David about this, but I can't recall after all these years any specific advice. But there's very few clients that always do exactly everything that we advise.

Q. Well, I'm sure in your career you've had occasion to write a letter to a client saying, look, if you want to proceed on your current path you're doing so against my better advice. You've written a letter like that, haven't you?

A. In my 31 years I believe, yes, I've -- either email or some writing saying you're acting against my advice.

Q. But you've never written a letter like that to Paul Bosse, have you?

A. At this point in time I do not recall if I sent anything like that to Paul.

Q. With regard to the billings to Charleston Labs, you said -- I think you said earlier from time to time they were behind on their invoices?

A. There was a period of time where they just didn't have the money to pay our bills and they were -- they were -- you know, AR was -- was growing. But, you know, I forwarded Paul, you know, a measure of credit, you know, and kept doing the work. Never refused to do any work.

Q. Did they -- did they cure those arrearages?

A. Either they cured those arrearages, as you put it, or we -- I wrote time off and cut them a deal.

I do recall that it was early on after they -- after the -- Nexus pulled their term sheet following the Montreal disaster, that, you know, after following that point I was able to get my firm management to sign off on a $12,000 write-down off of the -- off the deal.

Q. Does Charleston Labs owe Womble Carlyle any money today?

A. No, they do not.
Q. Are you owed any money personally?
A. No. I am not.
(Exhibit 29 marked for identification and attached to the transcript.)
BY MR. RICHTER:
Q. Let me show you Exhibit Number 29.
Do you recall that the original stock issued to Dr. T was cancelled and there was a forward split, 2,001, and a new share issued to Dr. T reflecting his new ownership?
A. I am generally aware of the fact that there was a 2,000 to 1 forward split, yes.
(Exhibit 30 marked for identification and attached to the transcript.)
BY MR. RICHTER:
Q. Let me show you Exhibit Number 30. Does that reflect the certificate number 14, 420,000 shares to Dr. T?
A. Yes, it does.
Q. What were the circumstances by which the original issuance was cancelled and the forward split was enacted? Why -- why did we do that?
A. At this point in time I cannot recall the exact circumstances, as to why the four-split

happened.

MR. RICHTER: Why don't we take a break, let me organize my thoughts on this other section and maybe that will speed it along.

MS. CUNDARI: Not a problem.

VIDEOTAPE OPERATOR: We're going off the record. The time is three o'clock.

(A recess was taken.)

VIDEOTAPE OPERATOR: We're back on the record. The time is 3:08.

BY MR. RICHTER:

Q. Mr. Rutley, do you recall Charleston Labs contacting Womble again because it desires to part company with Dr. T?

A. No.

Q. You don't recall that?

A. I -- not me specifically. He didn't contact --

Q. Let me show you --

A. -- me. That was a phone call to --

(Exhibit 31 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. I'll show you Exhibit Number 31 and see if this refreshes your recollection.

Do you recall getting this email from David on March 16, 2010?

A. Yes. I see the email and it refreshes my memory. But again, your question was do I recall -- recall getting a phone call from Charleston Labs. I do not.

Q. Well, did David need your permission to go forward and advise Charleston Labs as it relates to the separation with Dr. T?

A. David was fully capable of assisting the client with this termination, but he was reaching out to me as the relationship partner to keep me informed.

As you can see the emails around it, Paul called him. Paul was right -- at this point in time Paul was viewing David as his primary contact. And then David would keep me informed as to any kind of developments like this.

Q. What's the subject matter of the email, according to David?

A. Founder restrictive stock agreement.

Q. Not shareholder agreement, right?

A. That is not present on the subject line.

Q. And he says to you they need to get rid of Dr. T. They want to take back all of the stock,

right?

A. Correct.

Q. Did you write him back and tell him to do that, you're going to have to operate under the SHA, not the SRA?

A. I do not recall any specifics of conversation we had following that.

Q. The vesting schedule would be incomplete in March of 2010, correct, under the SRA?

A. Yeah, because it was May 2011, correct.

Q. So you're not aware of a writing from you to David saying, hey, make sure you look at the SHA as well, correct?

A. No.

Q. Do you recall whether or not Womble offered any advice --

(Exhibit 32 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 32 -- commensurate with the decision to terminate Dr. T's employment, which was made effective March 16, 2010?

A. What's your question?

Q. Did Womble offer any advice commensurate

with the termination of Dr. T on March 16, 2010?

A. I am unable to answer that question based on memory.

Q. Do you know who prepared this minute of the meeting of the board of directors on March 16, 2010?

A. No, I do not.

(Exhibit 33 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 33. The bottom's an email from Paul to David that he then forwards to you asking for direction. So if you'd start at the bottom.

A. Okay. If you'd give me a minute to read. Okay.

Q. Is Paul asking David's help because he's never had to fire anyone?

A. That's what he says.

Q. And then David asks you, I guess, is it okay to do this?

A. Uh-huh. Yes, he is. That's apparently what he's asking.

Q. And is he asking you this because he needs your permission or because you're the

relationship partner, or do you know?

A. I -- I don't know. I just know that he was asking would you like me to do this.

Q. Did you say no, don't get involved, we don't want assist Charleston Labs in the separation of Dr. T?

A. No, I would -- I would not do that.

(Exhibit 34 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. I'll show you Exhibit 34. It's -- it's a long thread. I'm only interested in the last one, which is the top message here on page one.

A. Okay. But can I seek context, please?

Q. Sure.

A. Okay, I've read the top one.

Q. All right. So the top one's from Paul to David regarding Ray's termination, correct?

A. Well, I haven't read it yet. I got up to that point.

Q. I'm sorry.

A. I was just letting you know I need to read the top of it.

Q. My fault. Go ahead.

A. Okay.

Q. So Paul is sending to David a proposed termination letter for Dr. T, correct?

A. That's what it purports to do. I was not on this email.

Q. He says in part, I need your help on the severance section as it relates to the stock. Is it the 210 shares, question mark, and other sections as you see fit, correct?

A. The document speaks for itself, but yes, that's what it says.

Q. So the client is asking for the attorney's help specifically as it relates to the stock redemption issue, correct?

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. As opposed to the employment issue.

MS. CUNDARI: Object to the form.

A. He's saying that I need your help on the severance section as it relates to the stock. Is it the 210 shares? So the verbiage is he may have been not referring to certain things correctly, but he's asking -- what he's asking for is, I need your help on the severance section. I'm sure that David then got on the phone with him to clarify what -- what he really wanted.

Q. Well, it's not even 210 at this point, it's 420,000, correct? We've done a forward split of the 210 --

A. Right.

Q. -- and cancelled the 210, right?

A. So Paul's erroneously referring to the original number.

Q. Paul's not an attorney, correct?

A. No, but anyone can do the math.

(Exhibit 35 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit 35.

Do you know if Womble prepared this minute of the meeting of board of directors?

A. I haven't read it yet. Okay. There's no Womble footer. And to answer your question, which I remember, so I don't know who authored this.

Q. All right. Do you know if Paul Bosse knows what the pre-recapitalization share was, as referenced in the second?

A. I do not know whether he ran -- ran those calculations or not.

Q. Now this indicates that we're going to

proceed under 2.2A of the SHA, correct?

A. This document does purport to do that, yes.

Q. All right.

(Exhibit 36 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit 36. It shows you as a cc from David, correct?

A. Correct. Give me an opportunity to read this?

Q. Sure.

A. Do you need to take that?

Q. No, not -- I can see it's my dad.

A. That's important. That's important.

Q. Two times is the background. One time's okay.

A. Okay.

Q. So David had prepared -- did you review these documents contemporaneous with this email?

A. I believe upon memory that I recall taking a look at these documents. And in fact one thing that does jump out at me from memory is I remember asking David why -- why it's $420 and whether -- at one point, maybe -- I don't know if

it was with this or right on the heals of the $2.10. I was like, well, what's the difference. And he said he and Paul were talking about that, going back and forth as to the -- how much was going to be offered.

Ultimately the -- the severance was like, you know, Paul's attempt to, you know, have Dr. T sign a release and give everything up and walk away and put a -- put a nail in the coffin, so to speak.

But I do remember having some discussion with David about whether, you know, the $420 was the right amount and what the exact offer was.

Q. But David is laying it out here for Paul what he needs to do, correct?

A. Correct.

Q. And he's prepared documents to reflect what he needs to do to get rid of Dr. T, correct?

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. In order to redeem Dr. T's shares, this is what we need to do?

MS. CUNDARI: Object to the form.

A. He is writing to him to him to make that bid. He doesn't make that offer to Dr. T. Whether

Dr. T was on board or not, I do not believe Dr. T was on board.

Q. Look at the redemption and settlement agreement, which is the first attachment. David prepared this, correct? His email makes reference to it.

A. Yeah. Upon information and belief, David prepared this agreement.

Q. All right. And Section A reflects that Dr. T is a stockholder of a certain stock certificate and that he's a party to that certain stock restriction agreement, correct?

A. Correct.

Q. It doesn't reference the stockholders agreement, does it?

A. No, it does not.

Q. C says there's a desire to sell and a desire to buy, but again there's no reference to a shareholders agreement, right, only a stock restriction agreement, correct?

A. Correct.

Q. The offer in section 1A, does it -- which agreement does it cite for authority to purchase and redeem the SRA or the SHA, or neither?

A. It doesn't, none.

Q. If you look at the purchase price on the second page it's point 001 per share, right?

A. Correct.

Q. Isn't that the value that's indicated under the SRA?

A. That was the par value of the stock. Both documents -- yes, the SRA does refer to the -- to the par value price. Yep.

Q. That number's not reflected in the SHA, is it?

A. I didn't see it there on -- on a quick review.

Q. And looking back at the email from David to Paul setting forth these are the things you need to do, nowhere does he say you, the board need to undertake a good-faith determination of the fair value as of the date of the redemption, does it?

MS. CUNDARI: Object to the form.

A. In this email -- within this email that is not stated.

Q. Are you aware of any email in which David advises Paul that if we're going to go under the SHA, somebody needs to undertake a good-faith determination of fair market -- fair value as of the date of the redemption?

A. I'm not aware of any email. There may have been oral discussions between the two of them --

Q. Did you --

A. -- but I am not aware of any email.

Q. Did you have that discussion with Paul Bosse?

A. No, I did not.

Q. Did you have that discussion with anyone at Charleston Labs?

A. No, I did not.

(Exhibit 37 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 37. I see you're copied at the top and I think that would have brought along with it the attachments.

This is an email from David to Paul copying you on March 25, 2010, correct?

A. Yes.

Q. "Paula, as we discussed, if Ray doesn't agree to the package it is likely he'll have a claim on the vested portion of his stock."

What is meant by that?

A. Do you want me to speculate? Because I

can't speculate as to what --

Q. Was that consistent with what you told Charles Kaufmann, that's what vested is his and you can't buy it back?

MS. CUNDARI: Object to the form.

A. Under the SRA that would be consistent, that he would have a claim on the vested portion.

Q. Well, does it ever say that's not a problem under the SHA, let's just go the SHA route and we can avoid his claim altogether?

A. No, it does not.

Q. Look at the attached proposed letter, which is the next page of the exhibit. Did you review any version of this letter before it was actually sent to Dr. T?

A. I do not recall.

Q. Does the letter indicate on which agreement we seek to redeem the stock?

A. No, it does not.

Q. If we can buy it all back on the SHA if we just follow that format, why wouldn't it expressly make reference to the SHA?

A. I cannot speculate at this time.

Q. Did --

A. Other than this was settlement

negotiations and this was not ultimately the path taken.

Q. Was -- was Womble offered -- or was Womble asked to provide input on the language of the termination letter to Dr. T?

A. In that same email below Paul asked David to revise as he sees fit.

(Exhibit 38 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you 38. Do you recognize this to be a copy of the actual letter that was issued to Dr. T on March 26, 2010, four days after -- the next day after Womble was asked to weigh in on the issue?

A. It purports to be the letter sent --

Q. All right. And it's --

A. -- I recall, to Dr. T.

Q. I'm sorry. And it's a check for $2.10, correct?

A. Correct.

Q. And what says that the shares were worth $2.10?

A. It is the settlement package offering him $2.10 and -- and the potential severance

payment, 70,000, that's contingent upon financing. So it's a settlement offer.

Q. Well, isn't that exactly the number represented by the SRA, 2.10 shares or point 001 would be $2.10, or 420,000 shares at point 000005 would result in the same number?

A. That math seems consistent with your statement.

Q. Would that indicate that we're going forward on the SRA as opposed to the SHA?

MS. CUNDARI: Object to the form.

A. I'm not going to speculate as to whether that was the basis for -- for moving forward.

Q. Why -- why would there be need for speculation when the invitation was made to modify this letter as Womble deemed fit?

MS. CUNDARI: Object to the form.

A. I'm not aware of an answer that I can give you at this time.

Q. Can we agree that the better practice would have been to state specifically in this letter we're proceeding under provision 2.2A of the SHA?

A. No.

MS. CUNDARI: Object to the form.

A. I'm not going to have you put that forward. I don't necessarily agree that the -- that it's necessary for the letter to refer to either agreement.

Q. If the request had come to you and not David, would you not have wanted to make reference specifically to the agreement that you're exercising?

MS. CUNDARI: Object to the form.

A. I don't know that that is necessarily the case. And I can't go back and do a revision. It's history at this point in time, 10 years later -- or eight years later now.

Q. You were aware there were two separate agreements that, according to your testimony, embodied two separate sets of rights, correct?

A. Yes.

Q. When there's two separate agreements embodying two separate groups of rights, would it not be important to make it clear which agreement we're exercising?

MS. CUNDARI: Object to the form.

A. Not necessarily, but I can't -- again, revision is history.

Q. One of the items of advice in the

earlier email was to send him back his stockmart cancelled. Is that correct? Number three. I'm sorry. Three here, sir.

A. Correct.

(Exhibit 39 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 39.

Did Charleston Labs send to Dr. T a copy of his share certificate, number 14, marked cancelled?

A. Correct.

Q. As of the date of the exercise of the redemption, how many shares had vested with Dr. T? If we look back at the vesting schedule of the 210, we won't do the four split, but of the 210 how many had vested as of March of 2010?

A. Can you give me back the schedule? It would appear, according to Schedule A, the company had the right to repurchase 70 of the shares.

Q. So the company would not have had the right to repurchase under the SRA 140 of the shares?

A. Correct.

Q. So if that's the agreement under which

we're proceeding, we have no right to buy those shares back at a penny par value, correct?

MS. CUNDARI: Object to the form.

A. I would -- I would -- I would submit that in a settlement agreement one could, you know, operate outside the agreement. He certainly could have signed. I think there was a -- if I'm correct, there was a full release included in which case the parties can often -- as you know, you're a litigator, and probably a fine one. A lot of times parties will agree to take a certain settlement consideration and waive, you know, rather than fighting over the rights under an agreement, waive those rights and -- and give a full release by the stockholder here of all claims.

So I imagine this was, you know, an offer made to him to have his shares cancelled and to -- and to release the company from any and all obligations.

Q. There was never a settlement with Dr. T, was there?

A. To my knowledge a settlement was not struck with Dr. T.

Q. Instead a check for $2.10 issued along with a share certificate marked cancelled, correct?

A. Correct, which obviously worked under the SHA.

Q. And that was done on the advice of counsel?

MS. CUNDARI: Object to the form.

A. I cannot recall now, and you -- and again, unfortunately David's fighting cancer, but I would proffer that that's a question that be posed to David. David had direct discussions with Paul during this period of time.

(Exhibit 40 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you what I've marked as Exhibit 40.

Is this a billing statement from Womble Carlyle for April of 2010 capturing the March 2010 activity?

A. Yes.

Q. And the time that you recorded for the month of March 2010 was one hour, correct?

A. Two entries combined one hour, yes.

Q. In that time included a review of the stock repurchase documents, correct?

A. Correct.

Q. And in your review of those documents, did you make any red lines or edits?

A. I do not recall.

Q. In your review of those documents, did -- did you request a change be made to reflect exactly the agreement under which the redemption was being accomplished?

A. I don't recall specifically what comments I may have had.

Q. Can we agree that Charleston Labs' ability to purchase in March of 2010 was different under the SRA than it was under the SHA?

A. Yes. And in fact, they operated under that agreement. Successfully.

Q. When -- when were you made aware -- I'm sorry. Strike that.

Going forward from the redemption of Dr. T's shares, you understand that Charleston Labs sought to raise capital, correct?

A. State the question again. I'm sorry.

Q. After redeeming Dr. T's shares, Charleston Capital sought to -- I mean Charleston Labs sought to raise capital from investors?

A. I believe that Charleston Labs was always perpetually in search of capital.

Q. Was it successful? Was it able to raise capital?

A. It raised some capital, I recall, particularly in the Series A round, which had multiple closings, I recall. But -- and then it was seeking a Series B. I don't recall whether that was ever successful or not. I believe at one point Paul pulled the plug and decided not to pursue it.

Q. In seeking to raise that capital, they made disclosures about themselves, right, financially, ownership, structure, all those things are represented to the investing world, correct?

A. They make disclosures as to their capitalizations, what you're referring to, correct.

Q. Yes. And if those disclosures are inaccurate, especially if they're materially inaccurate, Charleston Laboratories is exposed to contingent liability for that, correct?

MS. CUNDARI: Object to the form.

A. I would say that if there is a breach that there may be remedies pursuant to whatever documentation would have been entered into. That's -- again, you can -- you can speculate it's all over the place as to negotiations between the

parties as to whether there would be a cure right, whether there would be a statute -- a survival period for certain reps and whether -- you know, what the remedies would be. It's all negotiated in each document and -- and -- specifically.

Q. But if -- if I was an investor and I put millions of dollars in and I did that based upon representations about the ownership structure that indicated there was no Dr. T and -- and I was misled, that was incorrect, would that create the basis of liability potentially?

MS. CUNDARI: Object to the form.

A. No. Misled and incorrect are two different things. One shows intent and one's not. But there is potential liability for inaccurate reps and warranties.

Q. Once Charleston Laboratories became aware of a dispute with Dr. T regarding the validity of its attempted redemption of his shares, how could it go forward and raise capital without clarifying that issue?

MS. CUNDARI: Object to the form.

A. Great leading question. I will -- I will tell you -- I will tell you that it is certainly not required to proactively bring a

lawsuit for declaratory judgment, given the passage of time before Dr. T raised -- came out of the woodwork five years later, it's very -- potentially that a statute of limitations would have expired as to any attempt to claim that he was still a stockholder.

And so it is arguable that a better course of action would have been to sit tight and see if Dr. T were to bring any action and respond to that. It may have been far cheaper, it may have -- but again, that's pure speculation at this point and armchair quarterbacking.

But you're asking me how could they do it without that. They could have done it numerous ways. They could have taken the position that they bought the stock back and that they owned it and stood firm on that.

Q. No. I'm asking you how could they do that without exposing themselves to contingent liability if they were wrong?

MS. CUNDARI: Object to the form.

A. You know, I -- any time -- let me put it this way, sir. Any time you put anything down on a disclosure schedule you are opening yourself up to potential liability if it turns out you're wrong.

So I don't want to get into a circular argument here. You know, the disclosure would have been made and if it -- any disclosures that they made turned out to be incorrect, there's potential liability.

Q. Let's start with the disclosure. Let's -- Dr. T comes forward and says I'm still an owner. And Charleston Laboratories wants to go forward and seek to raise capital. Is that a matter that must be disclosed to potential investors, if there's a person out there who claims he's an owner even though we don't think that he is?

MS. CUNDARI: Object to the form.

A. If he were to have made that statement prior to raising capital and they -- and put it in writing and made the company aware of it, it would be to the company's -- normal course would be to, depending on how the reps and warranties read, to disclose any potential -- that a former shareholder is asserting that he still owns equity in the company.

Q. From the corporate governance point of view, how do we go forward? When a matter is up for a shareholder vote, do we allow Dr. T to

participate in the vote or do we not?

MS. CUNDARI: Object to the form.

A. I'm not going to speculate right now as to how I would have advised them to proceed under that circumstances.

Q. What about Dr. T's right as a shareholder, if he was one, to be privy to corporate information, how would you handle that? Now he's knocking on the door saying I'd like to see all the financials. I'm a shareholder.

MS. CUNDARI: Object to the form.

A. As to the situation where -- where Charleston Labs made the -- exercised its rights under the SHA ultimately and bought him out, they could have fully moved forward and told him he is not a shareholder and he isn't entitled to that information.

Q. Didn't Charleston Laboratories need to petition a court to seek clarification of these issues?

MS. CUNDARI: Object to the form.

A. I will not and cannot speculate as to whether that was its only remedy.

Q. Do you fault them for having petitioned a court to seek clarification of these issues?

A. I can't answer whether they should have or should not have.

Q. Would you have --

A. That was a decision made between them and their counsel at the time.

Q. Would you have recommended to them under the same circumstances that they should go seek declaratory judgment relief?

A. I can't speculate as to what advice I would have given at the time. I'm sure I would have pulled in one of my business litigators to talk to the client at the time and assess all right -- all options that would be available to the client and, in consultation, decide what is the best course of action. But I can't do that now. So I can't speculate as to what I -- would have occurred then.

(Exhibit 41 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 41. It's an email that starts at the bottom. My curiosity is going to be the top email.

A. Okay. Let me read this, sir. Thank you. I'm reading the top portion now.

Q. Sure.
A. Okay.
Q. Was it your strong recommendation just to ignore Dr. T and focus on and have Charleston Labs focus on its next round of funding?
A. I cannot recall at this point in time this advice. That's -- what David wrote is what David wrote.
Q. And the next round refers to their efforts to raise money, correct?
A. Correct.
Q. So your very strong -- I'm sorry. Your strong recommendation was just ignore Dr. T's claim and get through the next round of asking people for money?
A. Yes. Because this was after the check was sent. So, you know, the -- the sense -- recollection that I slightly have here, again this is all -- would have been, look, you staked out your position and if he's trying to get more than, you know, just -- perhaps just stand on -- stand on what you've done and -- and move forward.
(Exhibit 42 marked for identification and attached to the transcript.)
BY MR. RICHTER:

Q. Let me show you Exhibit Number 42. It's the same email from below, I think, as the last one with a different email up top. Do you see how they start the same?

A. Okay. One's written to Paul and this one's written to David --

Q. Correct.

A. -- Willbrand? Okay.

Q. Correct. I'm interested in the communication to David Willbrand on May 7, 2010.

A. Okay. The next day. Okay.

Q. Did David communicate to David Willbrand that Charleston Labs was willing to file suit and take any actions necessary to make the situation right?

A. His last sentence in paragraph one --

Q. Yes.

A. -- conveys that message.

Q. And to file suit would be to file for a declaratory judgment, would it not?

MS. CUNDARI: Object to the form.

A. I do not know. I wasn't a party to this email and I'm sure -- but anyway, no. And I don't know what type of suit that would mean.

Q. Is this not Womble on behalf of

Charleston Labs saying we're prepared to file suit on the Dr. T situation?

MS. CUNDARI: Object to the form.

A. This says what it purports to say, Charleston Labs is willing to file suit, take action necessary to make the situation right.

Q. And isn't that what they ultimately did?

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. Didn't Charleston Labs ultimately file suit?

A. Charleston Labs ultimately filed -- filed suit.

Q. And do you take exception with that decision?

A. Of course that was five years later. I -- the course of action that they chose to take five years later is what they chose to take. Or six years later. Whatever it was.

(Exhibit 43 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you 43.

A. Okay.

Q. Did David discuss this email with you?

David Baddour, that is.

A. I need to read it. Go ahead, sir.

Q. So David Willbrand, counsel for Dr. T, is corresponding with David Baddour, correct?

A. Correct.

Q. And in section two he's reflecting on the SRA, correct?

A. Correct.

Q. Willbrand is, right? And he asks a question, "On what basis do you believe the company is entitled to a full repurchase, even for -- even a for cause termination, which Ray vigorously contests," right?

A. Correct.

Q. So are you aware of a response from David or anybody else at Womble to Willbrand saying it's on the authority of the SHA?

A. No, I'm not.

Q. If that was the answer, why wasn't that answer given to David Willbrand May 18, 2010?

A. I cannot speculate.

MR. RICHTER: Can we take five minutes again? I think I might be able to wrap up?

MS. CUNDARI: (Nonverbal answer.)

VIDEOTAPE OPERATOR: We're going off the

record. The time is 3:55.

(A recess was taken.)

VIDEOTAPE OPERATOR: We're back on the record. The time is 4:03.

BY MR. RICHTER:

Q. Mr. Rutley, let me show you again Exhibits 22 and 23, which are Dr. T's SRA and SHA. You're familiar with those documents, right?

A. Yes.

Q. If I wanted to fire Dr. T in March of 2010 and I asked you, please tell me how to do it so I can get all of his shares back, what would you tell me?

MS. CUNDARI: Object to the form.

A. Well, I would say, using these two agreements, that we could operate under either the shareholder/stockholders agreement or under both agreements to get all the shares back.

Q. Tell me the best way. I just want to do it the fastest, cheapest way I can.

MS. CUNDARI: Object to form.

A. Again, everything is facts and circumstances oriented. In a vacuum, as of March, certainly you could -- if depending on the valuation that -- that the board of directors came

up with, you're going to one agreement or under both agreements.

Q. And what would you recommend? How should I do it?

MS. CUNDARI: Object to the form.

A. I can't speculate that without having the facts in front of me as -- as they would exist at this -- if I was back in -- in that moment.

Q. Well, let's assume the facts are unchanged as to what they were in March of 2010. We -- we just wanted to part company with Dr. T.

MS. CUNDARI: Object to the form.

A. You could have done what was done, which was successful, which was to buy -- send him a check for $2.10 and tell him that -- assuming -- assuming that that was a -- the accurate fair-market valuation that the sole board member and largest shareholder determined in his own infinite wisdom was the fair-market value of the company at that time, that he could have proceeded to buy all the shares, assuming the fair-market value -- fair-market value was no different for the stockholders agreement than the stock restriction agreement, and simply go under one or both of them because you would end up with the same result,

issue a check for $2.10 and redeem the shares. Which was done and was deemed by a federal judge to be properly -- procedures properly followed. So the documents were drafted correctly and the procedures were properly followed. And that the end result was, under summary judgment motion, which was granted, that the documents worked contemporaneously with each other -- concurrently, I should say, and that the company successfully bought back the shares for $2.10.

Q. So would you tell me to do a fair-value analysis of the stocks as of that time?

MS. CUNDARI: Object to the form.

A. I would have told you, if you were the CEO, or the CEO, certainly in reading the documents himself, would know that the board would in its -- had the ability in its sole judgment to, with reasonable discretion I believe it is -- I have to read the language here. But the board in its reasonable judgment would set the fair-market value.

Q. There was an attorney who ultimately became involved.

A. Reasonable business judgment.

Q. I'm sorry. His name is Karl here at

Womble Carlyle. Who is that?

A. Karl Knoll.

Q. Karl Knoll. Did he ultimately assume some responsibility for this matter?

A. I don't believe Karl was involved in the termination time of Dr. T. But ultimately Karl Knoll did come here from Cooley Godward where he was a noted specialist in the emerging growth area for technology companies. That's what he -- all he did pretty much at -- at Cooley Godward. And he came here as a new, younger partner. And -- and it was decided that he would work along with David because he was a strong expert in this field, had more time capacity, as I was continuing to be busy at this time. And it was decided that he would take a more active role working with David to service Charleston Labs.

(Exhibit 44 marked for identification and attached to the transcript.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 44. It's one page. This is the only page I was interested in. But it's a red line of a disclosure schedule for a Series B offering. Do you see that?

A. Schedule off. July. This is a red

ROA-0251

line. Okay. Yeah. I wasn't handling this document, Karl -- Karl was.

Q. I see there's a comment box. Somebody's asking Karl a question in the comment box.

A. Yeah. It looks like a Charleston Labs' comment.

Q. Is this the language that Womble was recommending to Charleston Labs that it puts in its Series B offering to explain the situation involving the Dr. T shares?

A. I don't know because this was -- I didn't handle this.

Q. It says in part at the end of this red-line insertion, "The company is presently considering pursuing a declaratory judgment action as to the aforementioned 280,000 shares."

Do you see that?

A. Yeah, right here. I see it.

Q. So they were considering that with you, with you guys at Womble Carlyle?

MS. CUNDARI: Objection to form.

A. Yeah --

Q. Is that right?

A. -- I have no recollection. I mean I have no knowledge of this.

Q. So you don't know if this is -- this is you-all's language advising Charleston Labs, this is what we think you should tell the public about the Dr. T shares and your offering?

MS. CUNDARI: Object to the form.

A. No, I can't speak to it. It's -- it's not my language and wasn't my work product and the first time I'm seeing it.

Q. Was there legal uncertainty about the status of Dr. T's shares after the attempted redemption?

A. I'm unaware of any legal uncertainty.

Q. Did -- did Charleston Labs ask Womble to become involved and to assist it in the litigation with Dr. T?

A. I was asked to be a fact witness.

Q. Was the firm asked to litigate the matter for Charleston Labs to represent them?

A. Not to my to my knowledge, no. Because at the time that all happened they were no longer a client of ours. They were a client of George Scott's at Greenberg Traurig.

Q. So you don't recall Charleston Labs ever asking Womble Carlyle to be litigation counsel in the declaratory judgment with Dr. T?

A. No, absolutely not. I'm not aware of it.

MR. RICHTER: Those are all my questions.

MS. CUNDARI: I do not have any questions.

VIDEOTAPE OPERATOR: This marks the end of the deposition. We're going off the record at 4:12.

(Off the record at 4:12 p.m.)

* * *

ROA-0254

CERTIFICATE OF SHORTHAND REPORTER - NOTARY PUBLIC

I, Paula Flint, the officer before whom the foregoing deposition was taken, do hereby certify that the foregoing transcript is a true and correct record of the testimony given; that said testimony was taken by me stenographically and thereafter reduced to typewriting under my direction; that reading and signing was not requested; and that I am neither counsel for, related to, nor employed by any of the parties to this case and have no interest, financial or otherwise, in its outcome.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this 26th day of April, 2018.

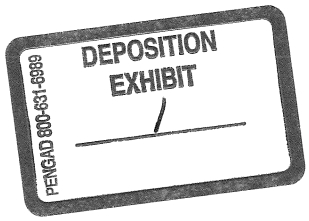
My commission expires January 31, 2019.
Notary Registration Number: 277127

Paula M. Flint

ROA-0255

Message

From: Paul Bosse [pbosse@palmpharmaceuticals.com]
Sent: 6/14/2007 11:52:07 PM
To: Rutley, Dean [DRutley@wcsr.com]
CC: Baddour, David [dbaddour@wcsr.com]
Subject: Re: Call me ASAP..I have the term sheet
Attachments: 07 06 14 TermSheet.doc; 07 06 14 MILESTONES AND CAP TABLE.xls



Term Sheet and other info...

We have some work to do....

Paul Bosse
CEO
(843)364-3256
PBosse@PalmPharmaceuticals.Com
PALM PHARMACEUTICALS, LLC

****Confidentiality Notice: This e-mail message, including any attachments, is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure, or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail and destroy all copies of the original message.

----- Original Message -----
From: Rutley, Dean
To: Paul Bosse
Cc: Baddour, David
Sent: Thursday, June 14, 2007 11:42 PM
Subject: RE: Call me ASAP..I have the term sheet

Paul:

You file is at work and I don't have your phone number. Please forward the term sheet to David Baddour and me to review. Let's chat first thing in the am.

Best regards,

Dean

Sent from my GoodLink Wireless Handheld (www.good.com)

-----Original Message-----
From: Paul Bosse [mailto:pbosse@palmpharmaceuticals.com]
Sent: Thursday, June 14, 2007 07:28 PM Eastern Standard Time
To: Rutley, Dean
Subject: Call me ASAP..I have the term sheet

Dean,

Got the term sheet.....please give me a quick call I dont have your cell number.....

Paul

IRS CIRCULAR 230 NOTICE: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. tax advice contained in this communication (or in any attachment) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed in this communication (or in any attachment).

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Terms and Conditions of Investment
in
Charleston Laboratories

June 14, 2007

Issuer:	Charleston Laboratories (the "Company")	
Investors:	Nexus Medical Partners II, LP ("Nexus")	$2.0 Million
	Co-investors approved by Nexus	$7.5 Million
	Total gross proceeds:	$9.5 Million
Securities:	$9.5 Million in Series A Convertible Preferred Stock ("Series A Preferred")	
Investment Price:	Series A Preferred convertible into 70.9 % of the fully diluted Common Stock of the Company.	
Pre-Money Valuation:	$4.0 million, calculated on a fully diluted basis.	
Investment:	Investors will invest $9.5 million in equity in the Company to purchase newly issued shares of Series A Preferred. The Investors will fund this commitment in two tranches of $5.0 million and $4.5 million, with funding of the second tranche subject to satisfaction of the following condition: favorable first pivotal dose ranging clinical trial results. (See Milestones tab of attached worksheet.) Nexus will assemble a syndicate of coinvestors.	
Post-Closing Capitalization:	See Cap Table tab of attached worksheet.	
Use of Funds:	See Use of Funds tab of attached worksheet (NB: these are not approved, Board-authorized expenditures, but rather current good faith estimates of forecasted spending levels). Founders' debt of $150,000 will be adequately documented to the Board's satisfaction and booked as a loan to the Company. The loan will be repaid when the Company has demonstrated significant increase in value, at the Board's discretion.	
Conversion:	The Series A Preferred is convertible any time and from time to time, in whole or in part, at the option of the holders, into 70.9 % in aggregate (the "Conversion Price") of the fully diluted Common Stock of the Company ("fully diluted Common Stock" to include all convertible preferred, warrants and options granted or reserved). Conversion of the Series A Preferred is mandatory upon an initial public offering, underwritten by an investment bank of national standing, which provides at least $50 million in gross proceeds to the Company and values the shares of common stock into which the Series A Preferred converts at a minimum of 500% of the conversion price ("Qualified IPO") or upon a sale or merger in which the per share price is at least 500 % of the initial valuation.	
Dividends:	Cumulative dividends on the Series A Preferred shall be paid quarterly in arrears at the rate of 8 % per annum of the applicable per share Original Issue Price. The dividends shall accrue if they cannot be paid in cash and may, at the option of the holders, become payable in Common Stock of the Company at the Conversion Price for the Series A Preferred. No dividends will accrue or be paid on other equity securities as long as shares of the Series A Preferred are outstanding.	

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Liquidation Preference:

Upon liquidation, sale, merger, or sale of all or substantially all of the assets, the Series A Preferred will have a liquidation preference over all other equity securities as follows: first, unless converted by the holders, accrued and unpaid dividends on the Series A Preferred; next, unless converted by the holders, the Series A Preferred equal to its purchase price per share; next, the remaining assets to be distributed pro-rata to all shareholders including the Series A Preferred holders on an as-if converted basis.

A merger, acquisition, or sale of substantially all of the assets of the Company (a "Sale Transaction") in which the shareholders do not own a majority of all the outstanding shares of the surviving corporation shall be deemed liquidation.

Preferred Stock Redemption:

At the holder's option, the Series A Preferred shall be redeemed, at the rate of its original issue price plus accrued and unpaid dividends, four years from the closing date of this investment. No equity securities may be redeemed or dividends paid, other than with respect to the Series A Preferred, until all shares of the Series A Preferred have been redeemed.

Dilution Protection:

If the Company sells any common shares or preferred shares (other than in connection with approved management options or lender's warrants), at net prices less than the Conversion Price then applicable to shares held by the Investors, the Conversion Price shall be reduced to become the lowest price per share offered to new investors.

The Conversion Price will be adjusted proportionately for stock splits, combinations, stock dividends, reclassifications, reorganizations, etc.

Voting Rights:

The Series A Preferred, voting on as as-if converted basis, and the Common Stock shall vote as a class on all items, except that approval by the holders of at least 67 % of the Series A Preferred will be required as a condition precedent for: (i) any liquidation, merger or sale of all or substantially all of the assets of the Company, (ii) any sale of more than 10% of its assets in any twelve month period, (iii) any payment or accrual of dividends or redemption or repurchase of stock or options to purchase stock by the Company prior to payment of dividends on or redemption of the Series A Preferred, (iv) any amendment of the Company's certificate of incorporation or by-laws, (v) any creation of a subsidiary, (vi) engaging in a new line of business other than those presented in the business plan, (vii) any authorization or issuance of additional securities of the Company allocated to employees, (viii) any offering of equity or debt securities of the Company, (ix) any acquisition or investment in another business entity or related series of acquisitions or investments in excess of $500,000, (x) any related party transactions other than on an arm's length basis, (xi) any capital expenditure in an amount greater than $100,000 per year, (xii) any loans (including loans or advances to employees other than in the ordinary course of business as port of travel advances or salary), guarantees, or joint ventures, or amendments of existing debt facilities, (xiii) any change or modifications to the rights, preferences privileges or restrictions of the shares of the Series A Preferred so as to affect such shares adversely, or (xiv) removal, destruction, lease, transfer, assignment, sale or license of any Intellectual Property of the Company or its subsidiaries.

Pre-Emptive Right:

For all series of stock, the holders of the Series A Preferred shall have pre-emptive rights based on total ownership for any new equity financing (except for a qualified IPO).

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Board of Directors:

Propose a seven member Board as follows:

- Nexus will have two nominees; Chairman, Gregory Zaic and Tom Hancock, a Nexus partner with broad industry experience and contacts. ;
- The Company will have two nominees; CEO Paul Bosse and John Ameling;
- Other investors will have the opportunity to appoint a nominee; and
- Two outside nominees with relevant industry operating experience agreeable to all parties.

The Board will have compensation and audit committees. The Board will meet at least eight times per year. Chairman must be present to constitute a quorum. Out-of-pocket expenses related to Board attendance, responsibilities and projects will be reimbursed by the Company. The Company will indemnify and hold directors harmless from costs and liabilities incurred in the course of their duties, and will obtain and keep in force Directors and Officers Liability Insurance in amounts approved by the Investors.

Registration Rights:

Holders of the Series A Preferred (and holders of Common Stock issued upon conversion thereof) are entitled, at the Company's expense, to two long form demand registrations, one short form registration, and unlimited first priority "piggyback" registration rights. All registration expenses will be borne by the Company. There will be no grants of additional registration rights, except rights which are subordinate to the rights of the Series A Preferred without the consent of the holders of 75% of the Series A Preferred.

Stockholders' Agreement:

All stockholders of the Company shall enter into a Stockholders' Agreement with customary terms including provisions regarding the voting rights set forth above, "come-along/take-along" rights, permitted transferees and first refusal rights with respect to both transfer of shares and issuance of additional equity. Until the Investors have received 125% of their original investment in the Series A from the sale of the Company's securities, any member of management holding securities of the Company shall retain 80% of such securities, subject only to permitted transfers for estate planning purposes to be set forth in the Stockholders' Agreement.

Employment:

All senior management will be paid base salaries and bonuses consistent with current plans or revisions thereof as shall be determined by the Compensation Committee of the Board following the Closing. All senior Company managers will devote all of their key professional efforts to the Company.

Information Rights:

The Company will provide the holders of the Preferred stock with monthly, quarterly and year-to-date consolidated financial statements within thirty days of month-end. These statements will include income statements, balance sheets and cash flow statements and will provide comparisons to budget and to results of the corresponding period in the prior fiscal year. The Company will submit financial statements audited by a major national auditing firm within 90 days following each fiscal year-end, together with a copy of the Management Letter. Annual operating and capital budgets, including monthly consolidated income statements, balance sheets and cash flow statements, will be prepared and received no later than fifteen days prior to the beginning of each new fiscal year. Holders of the Preferred Stock, or their designees, will have the right to inspect the Company's books and records and to receive such other information as is customary.

CONFIDENTIAL ROA-0260 WBD_CHLAB0001543

Agreement:	A mutually acceptable Purchase Agreement will be prepared by the Investors which will include: (i) customary representations and warranties; (ii) customary covenants, including those reflecting the provisions of this term sheet; and (iii) conditions to closing, including qualification under applicable securities laws of shares to be sold and the filing of an Amended and Restated Certificate of Incorporation.
Indemnifications for Finders Fee:	The Company will at closing give the Investors a letter listing any finders' or brokers' fees which will be incurred in connection with this transaction. The Company shall indemnify the Investors and their respective affiliates, partners, assignees, principals and employees against, and save them harmless from, any claims, costs and liabilities and expenses (including, without implied limitation, attorneys' fees) which may arise by reason of assertion of any such claims for fees, compensation or other consideration.
Expenses:	Upon Closing, legal, accounting, travel, consulting and other out-of-pocket business expenses of the Investors will be paid by the Company.
Conditions to Closing:	The investment, and the obligations of the Investors hereunder, are subject to (a) the final approval of Investors' investment committees, (b) the completion of Investors' due diligence review in a manner satisfactory in all respects to Investors and their counsel, (c) the absence of any material adverse change in the Company's business, financial conditions, management or future prospects prior to the Closing (d) the obtaining by the Company of all required stockholder and other consents, and (e) the preparation and mutual execution of definitive documentation in form and substance acceptable to Investors and their counsel, including the Purchase Agreement, the Stockholders' Agreement, a Registration Rights Agreement, Confidentiality, Inventions and Non-Competition Agreements (with P. Bosse, J. Ameling, B. Schactel, S. Friedman, L. Wine and all future employees and consultants).
Exclusivity:	Upon execution of this letter of Terms and Conditions of Investment, the Company and its representatives agree to keep both the existence and the contents of this letter of Terms and Conditions confidential, and not to enter into discussions with other parties regarding investment in the Company for a period of 60 days. This term may be extended with the mutual agreement of the parties.
Transferability:	The Investors reserve the right to assign their rights and obligations hereunder to one or more co-investors or to affiliate(s) of the Investors.

The terms of this proposed investment as outlined herein shall expire if not executed and returned to Investors by June 22, 2007.

The above terms are hereby agreed to by:

Nexus Medical Partners II, L.P.
By: Nexus Capital, LLC, its General Partner

_____
By: Gregory F. Zaic
Its: Managing Member

Charleston Laboratories, Inc.

_____
By: Paul Bosse
Its: Chief Executive Officer

CONFIDENTIAL ROA-0261 WBD_CHLAB0001544

State of Delaware
Secretary of State
Division of Corporations
Delivered 12:55 PM 06/27/2007
FILED 12:55 PM 06/27/2007
SRV 070757504 - 4379838 FILE

DEPOSITION EXHIBIT 2
PENGAD 800-631-6989

CERTIFICATE OF INCORPORATION OF CHARLESTON LABORATORIES, INC. A STOCK CORPORATION

- **FIRST:** The name of this Corporation is Charleston Laboratories, Inc.
- **SECOND:** Its Registered Office in the State of Delaware is to be located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801. The registered agent in charge thereof is The Corporation Trust Company.
- **THIRD:** The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.
- **FOURTH:** The total amount of authorized common shares of this corporation is Three thousand (3000) common shares, each having a par value of $0.001.
- **FIFTH:** The name and mailing address of the incorporator are as follows:
  Name: Dean Wayne Rutley
  Mailing Address: 8065 Leesburg Pike, 4th Floor, Vienna, VA 22182
- **I, THE UNDERSIGNED**, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate, and do certify that the facts herein stated are true, and I have accordingly hereunto set my hand this 27th day of June, 2007.

BY: _____
Dean Wayne Rutley, Incorporator

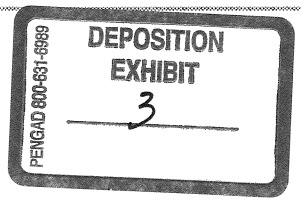
WCSR 3629879v2

Message

From: Rutley, Dean [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_RUTLEY]
Sent: 7/11/2007 4:49:29 PM
To: Baddour, David [dbaddour@wcsr.com]
Subject: FW: email intro (Charleston Laboratories)
Attachments: Charleston Labs - Wilson NDA - v1.DOC

FYI

From: Rutley, Dean
Sent: Tuesday, July 10, 2007 8:37 PM
To: Uhrin, John
Cc: 'Roberts, Tom'; 'greg.zaic@nexusmp.com'
Subject: RE: email intro (Charleston Laboratories)



John:

As I discussed with Tom, Nexus Medical Partners (a venture capital firm in Boston) has committed to an investment in our client Charleston Laboratories, Inc, a Delaware corporation. I mentioned Harbert Venture Partners to Greg Zaic of Nexus and he asked me to go ahead and make this introduction so that you could assess the deal and consider joining the investment syndicate.

Charleston Labs, located in Charleston, SC, has identified a unique and novel (patents pending) product line that will provide patients with optimum pain relief while greatly reducing or eliminating unwanted side effects such as nausea and vomiting that affect 20-30% of patients taking these drugs. The simple but elegant product concept is to combine two currently marketed therapeutics into a single tablet. It is anticipated that the formulation will be patentable and be subject to the 505(b)(2) approval pathway from the FDA (a far less cumbersome and expensive process than the typical NDA).

Charleston Lab's products address a large, unmet need for patients being treated for moderate to severe pain with narcotic analgesic products. The Company believes the conservative potential for each of the first three potential drugs (priced at current market or slightly above) ranges from $200 to $400 million each per year (or $.6M to $1.2B in total per year).

The planned financing (signed term sheet available from Nexus) is $9.5 million of Series A convertible preferred stock, invested in $5 million and $4.5 million tranches. With the first tranche, the Company plans to be able to demonstrate safety and efficacy within 12 months from funding, a major value inflection point.

If interested, please contact Greg Zaic (greg.zaic@nexusmp.com or 203.546.3592) to obtain a copy of the signed term sheet, the Company's Business Plan and the Company's Presentation. The Company's patent counsel (Wilson Sonsini) has requested that a simple CDA be executed to protect the timing of disclosure of the patent related proprietary information...see attached.

I am pleased to be in a position to introduce you to Greg and this transaction and believe strongly in the management team and its advisors/consultants.

Best regards,

Dean

Dean Wayne Rutley|Womble Carlyle|8065 Leesburg Pike, 4th Floor|Tysons Corner, VA 22182|Direct: 703.394.2256|Cell: 202.258.2470|eFax: 703.918.2267

From: Roberts, Tom [mailto:TRoberts@harbert.net]
Sent: Tuesday, July 10, 2007 5:22 PM
To: Rutley, Dean
Cc: Uhrin, John
Subject: email intro

CONFIDENTIAL

CERTIFIED TO BE A TRUE AND CORRECT COPY
AS TAKEN FROM AND COMPARED WITH THE
ORIGINAL ON FILE IN THIS OFFICE

AUG 0 2007

SECRETARY OF STATE OF SOUTH CAROLINA

STATE OF SOUTH CAROLINA
SECRETARY OF STATE

APPLICATION BY A FOREIGN CORPORATION FOR A CERTIFICATE OF AUTHORITY TO TRANSACT BUSINESS IN THE STATE OF SOUTH CAROLINA

TYPE OR PRINT CLEARLY WITH BLACK INK

Pursuant to Section 33-15-103 of the 1976 South Carolina Code of Laws, as amended, the undersigned corporation hereby applies for authority to transact business in the State of South Carolina, and for that purpose, hereby submits the following statement:

1. The name of the corporation is (see Sections 33-4-101 and 33-15-106 and Section 33-19-500(b)(1) if the corporation is a professional corporation) CHARLESTON LABORATORIES, INC.

2. It is incorporated as (check applicable item) [✓] a general business corporation, [ ] a professional corporation, under the laws of the state of DELAWARE.

3. The date of its incorporation is JUNE 27, 2007 and the period of its duration is PERPETUAL.

4. The address of the principal office of the corporation is 548 CLEARVIEW DRIVE (Street Address) in the city of CHARLESTON and the state of SOUTH CAROLINA 29412 (Zip Code).

5. The address of the proposed registered office the state of South Carolina is 75 BEATTIE PLACE (Street Address) in the city of GREENVILLE in South Carolina 29601 (Zip Code).

6. The name of the proposed registered agent in this state at such address is CT CORPORATION SYSTEM (Print Name)

I hereby consent to the appointment as registered agent of the corporation.

Signature of the Registered Agent

Anusha Putty
Vice President
and Assistant Secretary

070801-0195 **FILED: 08/01/2007**
CHARLESTON LABORATORIES, INC.
Filing Fee: $135.00 ORIG

Mark Hammond South Carolina Secretary of State

WBD_CHLAB0001950

DEPOSITION EXHIBIT 4
PENGAD 800-631-6989

CONFIDENTIAL

CHARLESTON LABORATORIES, INC.
Name of Corporation

7. The name and usual business address of the corporation's directors (if the corporation has no directors, then the name and address of the persons who are exercising the statutory authority of the directors on behalf of the corporation) and principal officers:

a) Name of Directors	Business Address
PAUL BOSSE	548 Clearview Dr., Charleston, SC 29412

b) Name and Office of Principal Officers	Business Address
PAUL BOSSE, President / CEO	548 Clearview Drive, Charleston, SC 29412

8. The aggregate number of shares which the corporation has authority to issue, itemized by classes and series, if any, within a class:

Class of Shares (and Series, if any)	Authorized Number of Each Class (and Series)
Common	3,000

9. Unless a delayed date is specified, this application shall be effective when accepted for filing by the Secretary of State (See Section 33-1-230): _____

Date 7/30/2007

CHARLESTON LABORATORIES, IINC.
Name of Corporation

PS
Signature

PAUL BOSSE, PRESIDENT
Type or Print Name and Office

WBD_CHLAB0001951

CONFIDENTIAL

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

INITIAL ANNUAL REPORT OF CORPORATIONS

CL-1
(Rev. 8/7/03)
3134

Office Use Only

▶ File Number _____ ▶ ENDING PERIOD _____ SID Number _____
Month Year

For Secretary of State Use Only

Date "Application for Charter" filed with Secretary of State _____
Date of "Request for authority to do business in this state" (Foreign Corp.) AUG 0 1 2007
FED EI Number 20-0517113 Business Code (Office Use Only) _____

NAME OF CORPORATION
CHARLESTON LABORATORIES, INC.

PHYSICAL ADDRESS OF HEADQUARTERS (NUMBER AND STREET)			MAILING ADDRESS FOR TAX MATTERS	
548 CLEARVIEW DRIVE				
CITY AND STATE	ZIP	COUNTY	CITY AND STATE	ZIP
CHARLESTON, SC	29412	CHARLESTON		

1. State of incorporation: DE 2. Indicate month corporation closes its books: unknown
3. Nature of principal business in SC: Pharmaeceutical research and development
4. Location of registered office of the corporation in the state of SC is 75 Beattie Place in the city of Greenville. Registered agent at such address is CT Corporation System
5. Location of principal office in SC (street, city, zip and county): 548 Clearview Drive, Charleston 29412, Charleston County
6. Date business commenced in SC: August 31, 2007 Telephone # 843-364-3256
7. If a professional corporation, are all shareholders, one-half of the directors (or individuals functioning as directors) and all officers (other than the secretary and treasurer) qualified to practice the professional services engaged in by the corporation?
8. The names and business addresses of the directors (or individuals functioning as directors) and principal officers in the corporation are:

SSN	Name/Title	Business Address and Office
244-55-5178	Paul Bosse / Pres & CEO	548 Clearview Drive, Charleston, SC 29412

ATTACH REMITTANCE HERE

9. The total number of **authorized shares** of capital stock itemized by class and series, if any, within each class is as follows:

Number of Shares	Class	Series
3,000	Common	N/A

10. The total number of **issued and outstanding shares** of capital stock itemized by class and series, if any, within each class is as follows:

Number of Shares	Class	Series
1,000	Common	N/A

1. Fee due with this report	▶ 1.	25 00
2. Interest due	▶ 2.	
3. Penalty due	▶ 3.	
4. **Total - Due**	▶ 4.	

Make remittance payable to SC Department of Revenue and mail to:
SC Department of Revenue, License and Registration Unit, Columbia, SC 29214-0140.

AFFIDAVIT

I, the undersigned incorporator or principal officer of the corporation for which this return is made, declare that this return, including accompanying statements and schedules, has been examined by me and is to the best of my knowledge and belief a true and complete return made in good faith.

Paul Bosse
THIS RETURN PREPARED BY

7/30/07
DATE

SIGNATURE OF INCORPORATOR OR OFFICER AUTHORIZED TO SIGN

President / CEO
TITLE

DEPOSITION EXHIBIT 5
PENGAD 800-631-6989

WBD_CHLAB0001952

WOMBLE CARLYLE SANDRIDGE & RICE
A PROFESSIONAL LIMITED LIABILITY COMPANY
FOURTH FLOOR
8065 LEESBURG PIKE
TYSONS CORNER, VIRGINIA 22182-2738
TELEPHONE (703) 790-3310
FACSIMILE (703) 790-2623

OTHER OFFICES:

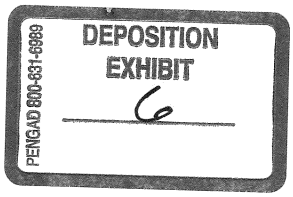
ATLANTA, GA
BALTIMORE, MD
CHARLOTTE, NC
GREENSBORO, NC
GREENVILLE, SC
RALEIGH, NC
RESEARCH TRIANGLE PARK, NC
WASHINGTON, D.C.
WILMINGTON, DE
WINSTON-SALEM, NC

July 19, 2007
58394.0001.4
Bill Number 1542892
STATEMENT FOR SERVICES RENDERED

Charleston Laboratories, Inc.

RE: Venture Capital Financing

FOR PROFESSIONAL SERVICES RENDERED THROUGH 06/30/2007	$7,967.00
DISBURSEMENTS THROUGH 06/30/2007	$0.00
CURRENT TOTAL	**$7,967.00**



ITEMIZED SERVICES BILL

Date:	Description:	Attorney:	Hours:
06/11/2007	Telephone conference with Paul Bosse regarding pending Nexus Medical Partners term sheet; discussion on key terms expected including investment amount at current valuation and board composition; attention to matter	Rutley, Dean W.	0.60
06/12/2007	Preparation of email to Tom Hancock or Nexus Medical Partners; review response email; telephone conferences with Paul Bosse regarding negotiations/discussions with Nexus regarding terms, financing amount for term sheet	Rutley, Dean W.	0.60
06/14/2007	Telephone conference with Paul Bosse regarding coming Nexus Medical Partners term sheet, understood terms; discussion on strategy, process; review messages from Paul Bosse regarding term sheet received from Nexus Medical Partners; telephone conference with Paul Bosse regarding client concern regarding valuation	Rutley, Dean W.	0.80
06/15/2007	Initial review of term sheet from Nexus Medical Partners to Charleston Laboratories; multiple telephone conferences and emails with Paul Bosse; communications with David Baddour; detailed review of Nexus term sheet and provide comments to same; work with David Baddour on valuation, board, syndicate, conversion and other deal issues; extended telephone conference with Paul Bosse and John Ameling (with David Baddour) regarding open issues, venture capital market benchmarks against certain Nexus term sheet terms and negotiation strategy	Rutley, Dean W.	2.80
06/15/2007	Multiple telephone conferences with Dean Rutley and Paul Bosse regarding term sheet; detailed review of provisions of term sheet, including analysis of capitalization table	Baddour, David B.	2.50
06/18/2007	Review and respond to Paul Bosse emails; telephone conferences with Paul Bosse; work with David Baddour regarding revisions to Nexus draft Term Sheet; telephone conference with Paul Bosse and David Baddour regarding revisions, open issues, alternative clauses to certain open issues; conference with David Baddour and review final revised Term Sheet and email to Paul Bosse	Rutley, Dean W.	1.40
06/18/2007	Multiple conversations with Dean Rutley and Paul Bosse regarding term sheet; revisions to Nexus Term Sheet	Baddour, David B.	1.90
06/19/2007	Telephone conference with Paul Bosse regarding continuing negotiations with Nexus Medical Partners regarding valuation and other open issues in term sheet	Rutley, Dean W.	0.30

Date:	Description:	Attorney:	Hours:
06/20/2007	Telephone conference with Paul Bosse regarding negotiation issues with Nexus Medical Partners; review WCSR revised Term Sheet; preparation of email to Greg Zaic of Nexus Medical Partners regarding same; participation in Term Sheet negotiation session with Tom Hancock of Nexus Medical Partners; telephone conference with Paul Bosse and John Ameling regarding same; telephone conference with Paul Bosse regarding updated discussions with Greg Zaic and revised pre-money valuation, other revised terms; receipt and review of second draft Term Sheet from Nexus Medical Partners; telephone conferences with Paul Bosse regarding client issues, questions regarding same; telephone conference with David Baddour; telephone conference with Paul Bosse regarding client potential need for additional Series A financing to cover possible increased FDA requirements	Rutley, Dean W.	2.70
06/20/2007	Telephone conferences with Dean Rutley regarding term sheet; detailed analysis of proposed capitalization table	Baddour, David B.	0.80
06/21/2007	Telephone conference with Paul Bosse regarding effect of possible larger expense for FDA trials; review revised Capitalization Chart from David Baddour; extended telephone conference with Paul Bosse and David Baddour regarding same, regarding effects of different first traunche financing scenarios on current Nexus deal; additional calls with Paul Bosse regarding first traunche funding size issues, FDA issues	Rutley, Dean W.	1.50
06/21/2007	Multiple telephone conferences with Dean Rutley and Paul Bosse regarding term sheet and capitalization table; attention to same	Baddour, David B.	1.30
06/22/2007	Review voice mail and email messages from Paul Bosse regarding stock option plan open issues, Bernard Schactel compensation matters, etc. as relates to Nexus Term Sheet; telephone conferences with Paul Bosse; review and respond to email from Greg Zaic from Nexus Medical Partners; telephone calls to Greg Zaic regarding final open issues; additional telephone conferences with Paul Bosse; final negotiation session with Greg Zaic and Paul Bosse regarding Term Sheet; review and revise Term Sheet and transmit execution version to Greg Zaic and Paul Bosse; telephone conference with Greg Zaic	Rutley, Dean W.	2.30
06/22/2007	Review and analysis of capitalization table; correspondence with Dean Rutley regarding the same	Baddour, David B.	0.80
		Total for Services:	$ 7,967.00

TIMEKEEPER SUMMARY

Attorney:	Hours:	Amount:	Rate:
Rutley, Dean W.	13.00	$ 5,850.00	$ 450.00
Baddour, David B.	7.30	$ 2,117.00	$ 290.00
Totals:	20.30	$ 7,967.00	

Message

From: Rutley, Dean [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_RUTLEY]
Sent: 8/21/2007 6:38:33 PM
To: Baddour, David [dbaddour@wcsr.com]
Subject: FW: Charleston Labs

Importance: High

a nice kudo from Paul....hopefully funds to follow !!

From: Paul Bosse [mailto:pbosse@palmpharmaceuticals.com]
Sent: Tuesday, August 21, 2007 5:50 PM
To: greg.zaic@nexusmp.com; John Ameling; Bernard P. Schachtel, M.D.; Rutley, Dean
Subject: Charleston Labs
Importance: High

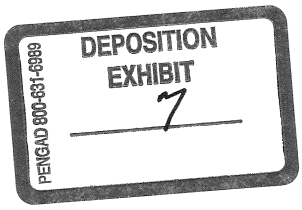
Guys,

I just wanted to let all of you know how much I appreciate your efforts over the past couple of months. I believe strongly in what we are trying to do and failure is not an option. We are a great team and I am looking forward to all the success we achieve together. It would not be possible without each and every one of you. Again thank you.....

I would like extend a special thanks to Dean Rutley for all his hard work in helping us build this syndicate and his great work with the documents that are so intricate to this operation. You have gone over and beyond and that leaves a lasting impression on me as well as the rest of the team.

I am looking forward to the official "kick off" of CL's so everyone can meet and enjoy each others company and the beginning of many great business / personal relationships.

We are getting close lets keep pushing and pushing.....Success is right around the corner!!!!



With kindest regards,

Paul Bosse
CEO
(843)364-3256
PBosse@PalmPharmaceuticals.Com
PALM PHARMACEUTICALS, LLC

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Message

From: Rutley, Dean [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_RUTLEY]
Sent: 12/10/2007 5:15:27 PM
To: Richardson, Clint [CRichardson@wcsr.com]
CC: 'Paul Bosse' [pbosse@charlestonlabs.com]; Webb, Kent [KeWebb@wcsr.com]; Baddour, David [dbaddour@wcsr.com]
Subject: FW: Executive One-Pager for Charleston Labs
Attachments: Charleston Laboratories Executive Summary.DOC

Clint:

Please see attached the executive one-pager for our client Charleston Laboratories, based in Charleston, SC. David Baddour and I spent the this last summer negotiating a Series A term sheet with a Boston-based VC that had difficulty building the syndicate. When a syndicate was finally built last month, it involved the addition of two Canadian-based VCs that forced the Boston VC to present a new term sheet with very harsh terms. The company rejected that revised term sheet and is now back out looking for the "right" investor(s). We are serving as corporate and finance counsel and Wilson Sonsini is serving as patent counsel. The Wilson patent attorney is also planning on helping circulate the executive one-pager on the West Coast. Paul Bosse, Charleston Labs founder and President, would like for us to concentrate on the East Coast. I will send you a list of who I took them too myself this past summer when we were looking to build the syndicate with the Boston-based VC. I told Paul (copied on this email), that you are the "MR. ATLANTA" of VC attorneys (and co-founder of Atlanta Venture Forum) and might very well have some VC firms to whom the attached can be sent for consideration. I'm copying Kent as well to see if he has some suggestions/opportunities for introductions.

FYI....as you will see from the attached, Charleston Labs just had their Pre-IND meeting with the FDA and it was a huge success. This was a major valuation point for the team.

Also, Paul does have a new Power Point on their company and product, plus a longer business plan that can be made available to any VC that expresses an interest to see and learn more about Charleston Labs.

Best regards,

Dean

P.S. I'd like to send Paul Bosse a copy of your "Growth Company Guide 4.0." You can send to me for forwarding or ship directly to Paul.

From: Paul Bosse [mailto:pbosse@charlestonlabs.com]
Sent: Monday, December 10, 2007 4:20 PM
To: Rutley, Dean
Subject: ES

Paul Bosse
CEO
(843)577-2626 (Office)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

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Charleston Laboratories, Inc.

Contact: G. Paul Bosse III, CEO
Email: pbosse@charlestonlabs.com
Phone: 843.364.3256; Fax: 843.628.1061

Innovation in the Narcotic Analgesic Pain Market

Industry Segment: Innovative Specialty Pharmaceutical Company

Company Stage: First institutional round. A PCT patent incorporating three previous provisional patents filed, signed seed money investor, successful completion of Pre-IND meeting, and finalized drug development program of Phase III drug, CL-108.

Number of FTE's: 3

Company History: Founded in August 2007. Charleston Laboratories' Management Team, Clinical Research and Board of Directors were organized by G. Paul Bosse, III who is also the company's inventor of the "novel" product concept.

Executive Management: G. Paul Bosse III, CEO and President; John F. Ameling, COO and Head of Regulatory Affairs.

Clinical Research Consultant: Bernard P. Schachtel, MD

Business Development: Chris Godwin

Outside Board Member: Irwin "Win" Gerson

Financing Sought: $10.6 million in first institutional round

Law Firms: Womble Carlyle and Wilson Sonsini

Company and Management

Charleston Laboratories, Inc. ("CL") is an innovative specialty pharmaceutical company in the narcotic analgesic market sector. CL has identified a unique and novel Phase III pain relief product, CL-108, and pipeline. CL's products will reduce or eliminate side effects such as nausea and vomiting that are commonly associated with this category of drugs. On November 8, 2007, Charleston Laboratories completed the Pre-IND with FDA's Anesthesia, Analgesia and Rheumatology Division. Key FDA personnel, including Dr. Robert Rappaport, Division Director, and Dr. Sharon Hertz, Deputy Division Director, were involved. The highlight of CL's interaction with the FDA was their use of the descriptors, "***novel product***" and "***novel indication***" (transmitted in writing and verbally during the meeting) when speaking about CL-108. The Agency has agreed with CL's drug development program and planned sequence of studies for CL-108 through the 505(b)(2) NDA approval process. Using the 505(b)(2) NDA approval process will give CL between 3 and 5 years of exclusivity from the FDA. CL's executive management, clinical research consultant and outside board member have over 80+ years of large pharmaceutical and entrepreneurial experience in regulatory, clinical research, and marketing. Some of the CL team has worked together on past industry projects that were very successful. Of note, G. Paul Bosse III, John Ameling and Dr. Bernard Schachtel are the three key personnel who moved CL's project through the FDA meeting.

Products Pipeline

CL is advancing a novel pipeline of narcotic analgesic therapies.

Description	Indication	Status
CL-108 (Hydrocodone, APAP + Anti-emetic)	Moderate to Severe Pain While Reducing or Eliminating Nausea / Vomiting	Phase III
CL-308 (Oxycodone, APAP + Anti-emetic)	Moderate to Severe Pain While Reducing or Eliminating Nausea / Vomiting	Phase III
CL-508 (Optimal Dose)	Mild, Moderate and Severe Pain	Pre-Clinical

Market and IP

The CL management team and industry consultants conservatively estimate the incidence of nausea and vomiting at 30% to 40% associated with these narcotic analgesics. The market for these opiates is between $5-6 billion in the United States and Europe. CL's potential for CL-108 (priced at current market or slightly above) ranges from $600 - $800 million a year in both the United States and Europe. Vern Norviel, a senior partner with Wilson Sonsini, is heading CL's intellectual property efforts. Wilson Sonsini conducted a freedom-to-operate search and no blocking patents were identified. Periodically, an updated freedom-to-operate search will be conducted. In addition, Wilson Sonsini has filed a PCT application to cover the current product pipeline, in a wide scope and breadth. Furthermore, additional patents will be filed for a wide range of possible future products/combinations.

Competition and Differentiation

There are no known direct competitors offering a combination analgesic and an anti-emetic within the industry, and the company's intellectual property should enable it to maintain a competitive advantage. CL's novel products will condition the system before the release of the narcotic, eliminate the need for an additional self-medicating prescription for anti-emetic, cost less than pain killer plus anti-emetic, and allow the physician to offer their patient the full prescription dose(s) of the most effective analgesic medication.

Revenue Model and Forecasts

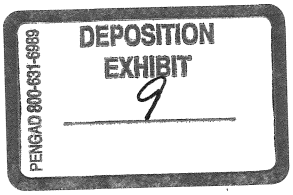
Hydrocodone generated 130,000,000 total prescriptions in 2006. The average hydrocodone growth per year from 2001 to 2006 was 6.5%. Assuming CL can achieve 50% market penetration in year one following FDA approval, using a conservative 30% incidence of nausea/vomiting, the 6.5% average growth, and a $30 average prescription cost, expected revenue for CL-108 is as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
CL-108 Revenue (Millions)	$600 - 800	$639 - 852	$681 - 907	$725 - 966	$769 – 1,209

This information is strictly confidential and is not to be distributed to third parties without prior consent of Charleston Laboratories, Inc.

Charleston
LABORATORIES

Providing Innovation
In the
Narcotic Analgesic Category



Confidential Business Plan
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Contact: Paul Bosse
Telephone: 843-364-3256
Fax: 843-628-1061
Email: pbosse@charlestonlabs.com

Executive Summary

Charleston Laboratories, Inc.
Providing Innovation In the Narcotic Analgesic Category

Business Overview
Charleston Laboratories, Inc. ("CL" or "the Company") is an innovative, specialty pharmaceutical company developing novel pain relief products that reduce, or eliminate the common side effects of nausea and vomiting that are usually associated with narcotics. CL's product concept is to combine two, currently-marketed therapeutics into a bi-layered tablet, with an appropriate release mechanism to prepare the body for the release of the narcotic. This proprietary technology is based on the anti-emetic becoming bioavailable before the release of the narcotic.

Products
Charleston Laboratories is advancing a pipeline of proprietary novel narcotic analgesic therapeutics. The Company's first drug candidate, CL-108, is a hydrocodone, acetaminophen (APAP) + anti-emetic combination.CL-108, has FDA agreement to a 505(b)(2) NDA approval process.

Technology
CL is developing proprietary formulations of registered narcotics with on-market anti-emetics. The novel narcotic analgesic is a bi-layered single tablet that allows for a rapid release of the anti-emetic to "pre-condition" the patient before the narcotic analgesic is released into the system.

Market Analysis and Opportunity
The pain market remains a very lucrative area for development of pharmaceuticals owing to a high patient potential in multiple pain indications and growing unmet need. The post-operative pain market is CL's initial focus with CL-108.

Postoperative pain can arise from a variety of surgical procedures, and may entail complications. Some estimate that as many as 75% of patients experience pain after surgery. In the US alone in 2006, over 41.2 million patients experienced post-operative pain. Current treatment patterns utilize opioid analgesics in moderate to severe cases of postoperative pain. Because 30-40% of patients taking opioids experience nausea and vomiting, there is a substantial opportunity for development of CL-108.

In 2005 the global opiate market was $5.3 billion. More specifically in 2006, hydrocodone (most prescribed opioid analgesic) sales were $1.2 billion in the US and Europe (80% of global market) and growing at 6.5%/yr.

CL-108 is positioned to be an innovative solution for managing post-operative pain by alleviating the common nausea associated with opioid usage. Designed to be a dual-release single pill formulation, the fast release and absorption of an anti-emetic, just prior to release of the opioid, will allow the patient to experience rapid pain relief without additional discomfort.

Currently, there are no known direct competitors to CL-108. By offering a combination analgesic and an anti-emetic, the Company is in a strong position to exploit this unique

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differentiator, enabling it to maintain a competitive advantage. We expect to capture 10% of the US and European market (hydrocodone sales) in year 1 of CL-108's introduction, growing to 30% in year 2, and to 50% in year 3 (see Financial Projections).

Intellectual Property
Charleston Labs has retained Wilson Sonsini Goodrich and Rosati for the Company's intellectual property requirements. Initial freedom to operate and patentability searches were conducted to assess the CL product line. No freedom-to-operate issues were identified.

Regulatory Strategy
CL participated in a Pre-IND meeting with the FDA's Anesthesia, Analgesia and Rheumatology Division on November 8, 2007. Key FDA personnel, including Dr. Robert Rappaport, Division Director, and Dr. Sharon Hertz, Deputy Division Director (as well as representatives from the CMC Branch, Pharmacology/Toxicology, Biopharmaceutics, and Biometrics), were involved in this meeting. The FDA agreed with CL's planned sequence of studies for CL-108 and a 505(b)(2) NDA pathway for CL-108.

Clinical Program
All of the clinical programs are under the direction of Charleston Labs' Chief Medical Officer, Dr. Bernard Schachtel. All key clinical programs have been developed (Appendix 1). As noted previously, the intention of Charleston Labs to progress CL-108 through a modified 505(b)(2) NDA process.

Key Milestones
It is the Company's intent to file an NDA for CL-108 in Q3: 2010.

Management Team
The management team has over 100 years of experience in health care research, development and marketing.
Paul Bosse, CEO, President and Founder, Charleston Laboratories
Ray Takigiku, PhD. COO and Founder, Charleston Laboratories
John F. Ameling, VP Regulatory Affairs and Founder, Charleston Laboratories
Bernard P. Schachtel, MD, Chief Medical Officer and Founder, Charleston Laboratories

Financial Plan
The Company is conservatively projecting:

Year	Market Share	Revenue (M)
1	10%	$117
2	30%	$374
3	50%	$664
4	50%	$707
5	50%	$753

Capital Needs
Charleston Labs is seeking $2.0M as its initial Seed Stage capital raise. These dollars will be used for completion of a Phase I Study.

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BUSINESS OVERVIEW

Charleston Laboratories, Inc. ("CL" or "the Company") is an innovative, specialty pharmaceutical company developing novel pain relief products that reduce, or eliminate the common side effects of nausea and vomiting that are usually associated with narcotics.

CL's product concept is to combine two, currently-marketed therapeutics into a bi-layered tablet, with an appropriate release mechanism to prepare the body for the release of the narcotic. This proprietary technology is based on the anti-emetic becoming bioavailable before the release of the narcotic. The Company's first drug candidate, CL-108, is a hydrocodone, acetaminophen (APAP) + anti-emetic combination.

CL's product line of proprietary late stage opportunities will address a large, unmet need for patients being treated for moderate to severe pain with narcotic analgesic products.

PRODUCTS

Charleston Laboratories is advancing a pipeline of proprietary novel narcotic analgesic therapeutics. The Company's first drug candidate, CL-108, has FDA agreement to a 505(b)(2) NDA approval process.

CL's products will:

- Eliminate the need for an additional self-medicating prescription for anti-emetic
- Cost less than pain medication plus anti-emetic
- Provide uninterrupted pain therapy for the patient
- Become first line formulary pain medication for hospitals, post surgery
- Reduce the number of days patient stays in the hospital, thus reducing medical expenses
- Allow the physician to offer the patient the full prescription dose(s) of the most effective analgesic medication

Description	Indication	Status
CL-108 (Hydrocodone, APAP + Anti-emetic)	Moderate to Severe Pain While Reducing or Eliminating Nausea / Vomiting	Phase III
CL-308 (Oxycodone, APAP + Anti-emetic)	Moderate to Severe Pain While Reducing or Eliminating Nausea / Vomiting	Phase III
CL-508 (Optimal Pain Therapy)	Moderate to Severe Pain	In Development

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TECHNOLOGY

CL is developing proprietary formulations of registered narcotics with on-market anti-emetics. The novel narcotic analgesic is a bi-layered single tablet that allows for a rapid release of the anti-emetic to "pre-condition" the patient before the narcotic analgesic is released into the system. Currently, formulation development is contracted with Patheon, Inc. Patheon is a leading global provider of contract dosage form development and manufacturing services to the pharmaceutical and biotechnology industries.

MARKET ANALYSIS

In general, the pain market remains a very lucrative area for development of pharmaceuticals owing to a high patient potential in multiple pain indications and growing unmet need. In fact, given the recent concerns over drug safety and product withdrawals within the pain market (e.g., certain Cox-II inhibitors), a key enabler has become a proven safety profile. Hence, the market has experienced a large influx of existing drugs in extended release formulations.

In fact, the nociceptive pain pipeline contains few novel drugs and is heavily dependent on reformulation for future prospects.

New, promising treatments for pain that are currently in late stage clinical trials or have been recently launched are Lyrica (pregabalin for diabetic neuropathic pain, Pfizer) and Prexige (lumiracoxib for osteoarthritis and acute pain, Novartis). However, few new drugs are in the pipeline for post-operative pain, the market for which we are targeting development of CL-108.

-Post-operative pain
Postoperative pain can arise from a variety of surgical procedures, and may entail complications. Some estimate that as many as 75% of patients experience pain after surgery. The table below (from Business Insights, Ltd) captures the incidence of post-operative pain in 2005, and the projection of patients to 2011, indicating growth across all major markets (US, France, Germany, Italy, Spain, UK, and Japan).

Table 1.14: Forecast prevalence of post-operative pain across the seven major markets, 2005–11

Country	2005	2006(f)	2007(f)	2008(f)	2009(f)	2010(f)	2011(f)
France	8,516	8,567	8,618	8,670	8,722	8,775	8,827
Germany	11,784	11,855	11,926	11,997	12,069	12,142	12,215
Italy	8,079	8,127	8,176	8,225	8,275	8,324	8,374
Spain	5,615	5,649	5,683	5,717	5,751	5,785	5,820
UK	8,409	8,459	8,510	8,561	8,613	8,664	8,716
EU5	**42,403**	**42,657**	**42,913**	**43,171**	**43,430**	**43,690**	**43,953**
USA	41,033	41,279	41,527	41,776	42,027	42,279	42,533
Japan	18,061	18,169	18,278	18,388	18,498	18,609	18,721
Total	**101,497**	**102,106**	**102,719**	**103,335**	**103,955**	**104,579**	**105,206**

All data in thousands

Source: Author's estimates; WHO, 2006 Business Insights Ltd

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-Diagnosis, treatment and management of post-operative pain
Despite international guidelines for treatment of post-operative pain, there are inconsistent therapy trends across the major markets. However, current treatment patterns for post-operative pain do utilize opioid analgesics as first-line treatments in moderate to severe cases of postoperative pain. Frequently, administration of treatment is via intravenous (IV) techniques. While ensuring rapid effect, IV administrated pain treatments are costly and may result in an injection-site reaction, as well as sedation and/or depression of the respiratory system for the patient. Here, as with all types of medication, oral pills and tablets remain the most preferred for the patient.

Commonly used post-operative pain analgesics are mu-opioid agonists. All mu-opioids have the potential to cause constipation, urinary retention, sedation and respiratory depression, while also frequently producing nausea and confusion. Despite most patients receiving some form of pain management for post-operative pain, more than 50% of these patients still experience inadequate pain relief, again indicative of innovation opportunity in this particular treatment area.

Currently, compounds in development for post-operative pain are M6G (morphine-6-glucuronide, CeNeS) and DepoDur (morphine, Endo Pharma), but these will compete within a heavily genericized market.

In contrast to the above agents, CL-108 is positioned to provide an innovative improvement for Opioid-induced Nausea and Vomiting (OINV). Designed to be a dual-release single pill formulation, the fast release and absorption of an anti-emetic, just prior to release of the opioid, will allow the patient to experience rapid pain relief without additional discomfort.

MARKET OPPORTUNITY

In 2005 the global opiate market was $5.3 billion. Currently this market is heavily impacted by the genericization of former leading brands, and innovation remains restricted to extended release products. CL's leading drug candidate, CL-108, and pipeline represent new innovation by seeking to retain the well recognized pain relief associated with opiates, while alleviating and eliminating the common side effects of nausea and vomiting. The CL management team and industry consultants conservatively estimate the incidence of opioid-induced nausea and vomiting at 30% to 40%, representing a significant, underserved patient population.

As indicated above, opiates are commonly used for the treatment of post-operative pain. Of the major markets, the US is forecast to remain the largest, with an estimated 41.2 million surgical patients experiencing post-operative pain in 2006. More specifically, in 2006, hydrocodone sales were $1.2 billion in the US and Europe (representing over 80% of the global market). The average growth in hydrocodone sales from 2001 to 2006 was 6.5% per year.

Currently, there are no known direct competitors to CL-108. By offering a combination analgesic and an anti-emetic, the Company is in a strong position to exploit this unique differentiator, enabling it to maintain a competitive advantage. We expect to capture 10% of the US and European market (hydrocodone sales) in year 1 of CL-108's introduction, growing to 30% in year 2, and to 50% in year 3 (see Financial Projections).

Charleston Labs strategy is to selectively manage a development portfolio of appropriate narcotic analgesic compounds formulated in combination with a rapid release anti-emetic. There are numerous narcotic and non-narcotic analgesics for which this concept would be

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beneficial. New product selection sequencing for future products will be a function of potential patent protection, market potential, and best chance of receiving FDA approval in the least amount of review time.

A precedent deal in this market segment was completed in November, 2005. Pain Therapeutics licensed a Phase II product, Remoxy, an abuse-resistant version of long acting oxycodone to King Pharmaceuticals for a $150M signature payment and additional milestone payments of up to $150M based on successful milestones. In addition King is also responsible for all R&D expenses, which could be $100M.

INTELLECTUAL PROPERTY

Charleston Labs has retained Wilson Sonsini Goodrich and Rosati for the Company's intellectual property requirements. Initial freedom to operate and patentability searches were conducted to assess the CL product line. No freedom-to-operate issues were identified. In addition, no published references were found that specifically disclose the lead combination products.

CL has filed three provisional patents that cover the first two projected products along with a PCT application to cover the first three provisional patents and a wide range of possible future combinations. CL will file the regular U.S. application in April '09 from the PCT application. CL intends to pursue other patent applications (composition, use, manufacturing, formulation and delivery) to further protect its technology and emerging pipeline.

REGULATORY STRATEGY

The Company's first drug candidate, CL-108, has FDA agreement to a 505(b)(2) NDA approval process. This will give CL between 3 and 5 years of exclusivity with this product.

Background- CL participated in a Pre-IND meeting with the FDA's Anesthesia, Analgesia and Rheumatology Division on November 8, 2007. Key FDA personnel, including Dr. Robert Rappaport, Division Director, and Dr. Sharon Hertz, Deputy Division Director (as well as representatives from the CMC Branch, Pharmacology/Toxicology, Biopharmaceutics, and Biometrics), were involved in this meeting. The FDA agreed with CL's planned sequence of studies for CL-108 and a 505(b)(2) NDA pathway for CL-108.

The 505(b)(2) FDA approval mechanism is an attractive alternative that companies consider when preparing regulatory strategies and submissions for innovative dosage forms or delivery routes for previously approved drugs.

CL will be able to reference existing studies on safety and efficacy, thereby reducing costs and time to gain approval from the FDA. CL expects to receive FDA approval for CL-108 within a 3-year period after funding.

Charleston Labs and its regulatory/clinical consultants have designed a comprehensive drug development program for CL-108 (including more refined instruments for measuring nausea and vomiting). CL plans to be able to demonstrate efficacy, bioequivalence, and long-term safety within 28 months from funding. Charleston Labs will be pursuing a potential drug development and commercialization partner.

Charleston Labs has retained two key personnel to lead Regulatory Strategy and Clinical Development. Mr. John Ameling, has been retained as VP of Regulatory Affairs, and Dr.

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Bernard Schachtel (MD) has been retained as Chief Medical Officer. Both are experienced veterans of the pharmaceutical industry in their respective fields. Importantly, both have worked together on past projects, and combined with the experience of Charleston Labs' Medical Advisors, have expertise in the development of narcotic analgesic therapeutics.

The Company will pursue a fast track designation with the FDA by arguing the uniqueness of the product, its critical need by patients with acute pain, establishing that no other comparable medication is available to patients, and that there have been no previous human experiences with the combination. The request for fast tracking and negotiations can only be made after the original IND has been filed and becomes actionable (second quarter of 2008).

We believe that the Company's second product (i.e., CL-308, Oxycodone, APAP and anti-emetic) will also gain agreement for a 505(b)(2) NDA approval process, utilizing a similarly straightforward development and commercialization plan.

CLINICAL PROGRAM

All of the clinical programs are under the direction of Charleston Labs' Chief Medical Officer, Dr. Bernard Schachtel. All key clinical programs have been developed (Appendix 1). As noted previously, the intention of Charleston Labs to progress CL-108 through a modified 505(b)2 NDA process.

With CL-108, which is intended for the treatment of *acute* pain, Charleston Laboratories will develop the first of several new opioid therapies that also reduce or eliminate "Opioid-Induced Nausea and Vomiting" (OINV).

Beyond this entry drug, Charleston Laboratories will expand its research and manufacturing to the development and approvals of opioid drugs for *chronic* pain that also reduce or eliminate OINV (CL-308, CL-508).

Work has begun to open the IND for CL-108 with a **Bioequivalence Study to Evaluate the Safety, Tolerability, and Pharmacokinetics of CL-108**. This study is designed not merely to confirm the pharmacokinetics of the components of CL-108 as being "equivalent" to standard drugs. This study will also help determine the optimal pharmacokinetics of each component of CL-108: we will be assured of rapid absorption of promethazine, which is faster than commercially-available promethazine and also faster than hydrocodone absorption (Appendix 2).

Thus we will be able to progress the optimal CL-108 formulation directly into Phase III clinical development.

Significantly, Charleston Laboratories was advised by the FDA (at our Pre-IND Meeting) to bypass formal Phase I and Phase II (dose-ranging) studies and to initiate an agreed **Phase III Efficacy Study**, as proposed in the Clinical Development Plan for CL-108.

This "accelerated" drug development plan, which the Agency endorsed as part of the 505(b)(2) drug review, and approval pathway is based on the FDA's agreement with:

1) the medical need and pharmacologic rationale for CL-108

2) CL's "novel" indication, Opioid-Induced Nausea and Vomiting

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3) safe, effective dosages of promethazine, hydrocodone, and acetaminophen in CL-108

4) reduction in sample size (for placebo treatment) in the efficacy evaluations

5) no need for a separate long-term safety study (significantly reducing time and cost of the entire program)

Investigative Sites for Charleston Laboratories' Phase III Efficacy and Safety Post-Operative Pain Study

Arrangements are being finalized with six major universities in the United States to conduct the pivotal Phase III trial. The clinical investigators at these sites bring to the conduct of this trial the proven (and FDA-approved) expertise of their research units.

Additionally, the physicians themselves augment Charleston Laboratories' clinical development program by their stature as pain experts, their upstanding reputation and respect at FDA, and their impressive lists of publications in prominent scientific journals.

Publication Plan

Each stage of the development of CL-108 will have exposure to scientific peer review and publication. A detailed publication plan for Charleston Laboratories' drug development studies can be found in Appendix 3.

KEY MILESTONES

Key Milestones	Q4:07	Q1:08	Q2:08	Q3:08	Q4:08	Q1:09	Q2:09	Q3:09	Q4:09	Q1:10	Q2:10	Q3:10
FDA Pre-IND Meeting												
CL-108 Formulation												
Submit IND												
Pilot BE Study												
Phase III Efficacy Study												
Method Validation Study												
FDA Meeting												
Bioequivalence (Food)												
Long Term Safety												
Abuse Potential Study												
Bioequivalence (Multiple dose)												
FDA Meeting												
File NDA												

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MANAGEMENT TEAM AND ADVISORS

The principals of the Company represent over 100 years of experience in drug development and sales.

Paul Bosse, CEO, President and Founder, Charleston Laboratories
Mr. Bosse is a serial pharmaceutical entrepreneur. He is the inventor of the novel product concept as well as the Company's founder and CEO. Prior to Charleston Laboratories, he founded another pharmaceutical company selling cough/cold products.

Ray Takigiku, PhD. COO and Founder, Charleston Laboratories
Dr. Takigiku is co-founder and is the Chief Scientific Officer of bioLOGIC Corp. LLC, a global life science management and investment company. Previously, Dr. Takigiku was part of the leadership team at Procter & Gamble Pharmaceuticals that developed and marketed the blockbuster drug Actonel for osteoporosis, and market leader Asacol for ulcerative colitis. At Procter & Gamble, he was Director of Discovery Core Technologies, Global Head of Analytical and Bioanalytical, and also Interim co-Director of the Genome Research Institute of the College of Medicine, University of Cincinnati.

John F. Ameling, VP Regulatory Affairs and Founder, Charleston Laboratories
Mr. Ameling has 25+ years of experience in regulatory affairs. He has successfully prosecuted five NDAs and over forty Investigational New Drug applications (INDs). Mr. Ameling spent 34 years at Procter & Gamble in various roles including Principal Scientist and Section Head in Regulatory Affairs. Since leaving Procter & Gamble in 2001, Mr. Ameling has served 16 clients as their primary regulatory consultant. These clients depended on John for his expertise in developing regulatory strategies, labeling and advertisement development, interpreting regulations and statutes and designing clinical trials.

Bernard P. Schachtel, MD, Chief Medical Officer and Founder, Charleston Laboratories
Dr. Schachtel brings to Charleston Laboratories over 30 years' experience in analgesic research. A former member of the Board of Directors of the American Society of Clinical Pharmacology and Therapeutics, Dr. Schachtel has also served as Consultant to the Center for Drug Evaluation and Research at the U.S. Food and Drug Administration. He is President and Medical Director of Schachtel Research Company and retains an appointment as a Lecturer in the Department of Epidemiology and Public Health at the Yale University School of Medicine. His curriculum vitae cites over 150 publications, scientific presentations, and chapters in clinical pharmacology texts on different pain models, clinical trial methodology, and other issues of drug development. Dr. Schachtel will take a leadership position in filing the NDA for the FDA and assist with regulatory affairs issues.

Board of Directors

Paul Bosse, CEO, President and Founder, Charleston Laboratories

Ray Takigiku, PhD. COO, Charleston Laboratories

CL has a number of industry thought leaders enrolled as consultants to the Company. Discussions are being conducted with these thought leaders to participate as a member of the Board of Directors

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Medical Advisory Board

Dr. Bernard P. Schachtel, MD.

Scheduled and ad hoc meetings of the Scientific Advisory Board (SAB) will provide consultation to Charleston Laboratories regarding the various components of the clinical development program.

Arrangements are being finalized so that, in addition to Dr. Schachtel, the SAB will be comprised of experts in analgesia, analgesic clinical pharmacology, and opioid drug safety who are affiliated with respected universities and research institutes in the US and UK.

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FINANCIALS

-Revenue Projections

Revenue projections are based on the following:

1. 2006 hydrocodone sales in the US and Europe (80% of global mkt) were $1.2 B
2. Average growth from 2001-2006 in hydrocodone sales was 6.5%/yr
3. Assumptions:
   a. Growth rate continues
   b. $30 prescription cost for CL-108 (bottle of 20 tablets)
      i. QID for 5 days
   c. Mkt penetration/share
      i. Year 1-10%
      ii. Year 2-30%
      iii. Year 3-5-50%
   d. Discount factor recognizing only 30% of the current patient population experience nausea/vomiting

	Year 1	Year 2	Year 3	Year 4	Year 5
CL-108 Revenue (Millions)	$117	$374	$664	$707	$753

-Projected Budgets

Phase I

CL Phase I Budget	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Budget Totals
Salaries	$44,000	44,000	44,000	44,000	44,000	44,000	264,000
General---Charleston Office	$9,750	$8,751	$8,751	$8,751	$8,751	$8,747	$53,500
Research and Development	$1,307,500					$0	$1,307,500
Professional Services	$250,000	$25,000	$25,000	$25,000	$25,000	$25,000	$375,000
Monthly Totals	**$1,611,250**	**$77,751**	**$77,751**	**$77,751**	**$77,751**	**$77,747**	**$2,000,000**

Capital Needs

Charleston Labs is seeking $2.0M as its initial Seed Stage capital raise. These dollars will be used for completion of a Phase I Study.

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APPENDIX 1
CL-108 Clinical Program

Highlights of the Late-Stage Drug Development Program For Charleston Laboratories' Initial Drug (CL-108)

Indications

Acute moderate-to-severe pain
Opioid-Induced Nausea and Vomiting (OINV)

Stage

Phase III

Unmet Medical Need

Opioid analgesics are commonly associated with nausea and vomiting (OINV). Conservative estimates of this incidence range between 30-40% of opioid-treated patients, depending on different patient characteristics, the indication and diagnosis, clinical setting, and nonspecific factors.

These side effects interfere with pain treatment, resulting in poor patient compliance, poor patient (and physician) satisfaction, poor pain control, additional and/or alternative prescriptions to achieve acceptable pain management.

Physiologic and Pharmacologic Basis

Directly providing a pharmacologically active anti-emetic *before* stimulation by an emetogenic opioid at the nausea and vomiting centers in the brainstem assures reliable and effective treatment of OINV. Though anti-emetic drugs can be administered after these adverse events occur, prophylactic administration is a preferable and more effective mode of therapeutics. For example, prophylactic administration of systemic anti-emetics to patients with chemotherapy-induced nausea and vomiting is standard care. Similarly, a rapidly absorbed anti-emetic that achieves plasma levels faster than the opioid makes physiologic and pharmacologic sense, preventing OINV.

Therapeutic Difference

There are no FDA-approved opioid analgesics labeled with minimal or absent OINV. There are no opioids approved by the FDA specifically to provide analgesia and prevent or eliminate OINV.

CL-108 will be the first opioid drug for relief of acute pain with this labeled indication.

Study 1

Bioequivalence Study to Determine the Safety, Tolerability, and Pharmacokinetics of CL-108

The absorption, distribution, and excretion of CL-108 will be compared to Referenced Listed Drugs (RLDs), commercial 7.5 mg hydrocodone/ 325 mg acetaminophen and commercial 12.5 mg promethazine.

Approximately 24 normal, healthy volunteers will be enrolled in this 2-Period crossover study.

The objectives of this bioequivalence study are to demonstrate that:

1. CL-108 is bioequivalent to commercial hydrocodone/acetaminophen and promethazine
2. promethazine from CL-108 is more readily absorbed than hydrocodone from CL-108
3. promethazine from CL-108 is more readily absorbed than from commercial PM

This study will provide information that the three drugs in combination in CL-108 are bioequivalent to commercial preparations but T_{max} (the time to maximum concentration) should be shorter for promethazine in CL-108. (T_{max} is a pharmacokinetic parameter that is allowed to differ according to FDA's Guidance on 505 (b)(2) Applications.[1])

Based on acceptable pharmacokinetic findings from this single-dose Bioequivalence Study, CL-108 will be progressed to the first Phase III study, on patients with post-operative pain.

Number of Clinical Sites: 1

Duration of the Studies: (Start to Summary) 2 months

Cost estimate: $400,000

[1] Guidance for Industry Applications Covered by Section 505(b)(2); U.S. Department of Health and Human Services Food and Drug Administration Center for Drug Evaluation and Research (CDER) October 1999

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Study 2

Double-Blind, Randomized, Placebo-Controlled Trial to Determine the Safety and Efficacy of CL-108 Compared to Hydrocodone/Acetaminophen In Patients with Post-Operative Pain: A 'Side-Effect Pain Model'

Treatment Comparisons

a. Hydrocodone 7.5 mg/acetaminophen 325 mg (Norco®)
b. Hydrocodone 7.5 mg/acetaminophen 325 mg + promethazine 12.5 mg (CL-108)
c. Placebo

All three study medications will be over-encapsulated to assure double-blinding.
Study drugs will be assigned sequentially to the patients according to a random number list generated by computer and maintained by the independent statistician.
CL-108 will be formulated as a bi-layered tablet utilizing release technology so that the promethazine will be dissolved faster than currently marketed Phenergan™ to precondition the stomach and CNS. The narcotic will not be dissolved until the promethazine is bioavailable. FDA's guidance on 505 (b) (2) applications explicitly allows this variability from the reference listed drug as long as a clinical study will be conducted.

Sample Size: 1,100 patients

500 patients will be assigned to each active study medication
100 patients will be assigned to placebo.

The Agency was comfortable with 350 patients per active treatment group: after our pre-IND Meeting, we increased the sample size to 500 to provide even greater comfort about opioid drug exposure, the incidence of n/v among Norco-treated patients, and the opportunity to demonstrate meaningful treatment effects in the trial.
The "Official Minutes" of our Pre-IND meeting indicate FDA's agreement to fewer patients required for the placebo treatment group and that placebo will only be used to "validate" the pain relief endpoint.

The study sample will be "enriched" with patients with a history of opioid-induced nausea and vomiting. FDA suggested we should prospectively identify patients likely to experience nausea and vomiting (to "enrich" the patient population, if possible) in order to increase the probability of demonstrating statistically significant treatment differences and identify a patient population for labeling purposes (a unique indication: "opioid-induced nausea and vomiting," or OINV).

Endpoints

First Co-Primary endpoint: Pain Relief.
Second Co-Primary endpoint: Reduction/Elimination of nausea and vomiting.
FDA's statistician agreed that the p-values required for declaring statistical significance for each endpoint will be ≤ 0.05.

Clinical Measurements
As Dr. Schachtel has accomplished in other applications favorably reviewed by the Agency, the measurement instruments in our trial are designed to be more sensitive than those currently available, allowing patients to report their nausea status along an "Emesis Ladder," for example, among other rating scales and indexes we will employ. These instruments will

be validated in a randomized, double-blind, placebo-controlled study on patients with n/v, an "extension" of the Pain Study. Results will be presented at clinical pharmacology and pain meetings and published in peer-reviewed journals.

Incidence of Nausea/ Vomiting

Based on a review of published reports of n/v among hydrocodone/APAP-treated patients after oral surgery (incidence rates of n/v which the Agency quoted from the CL Briefing Document, attached), one can reasonably expect an incidence of n/v around 40% in patients with post-operative pain who receive hydrocodone.

Statistical Significance

The sample size is robust, as stated above, increasing the probability of demonstrating a statistically significant difference in terms of the incidence of n/v. Moreover, as Dr. Schachtel has accomplished in other applications favorably reviewed by the Agency, the measurement instruments in our trial are more sensitive than those currently available, allowing patients to report their nausea status along an "Emesis Ladder," for example, among other rating scales and indexes we will employ. (These instruments will be validated in a randomized, double-blind, placebo-controlled study on patients with n/v, an "extension" of the Pain Study. Results will be presented at clinical pharmacology and pain meetings and published in peer-reviewed journals.)

In addition to these elements of study design (which are intended to augment our detection of effect sizes), at the Agency's suggestion, the study population will be "enriched" so that we can recruit patients who have a history of OINV.

Based on a review of published reports of n/v among hydrocodone/APAP-treated patients after oral surgery (incidence rates of n/v which the Agency quoted from the CL Briefing Document), we are estimating ca. 60% overall incidence of n/v in Norco-treated patients and ca. 12% overall incidence of n/v in CL108-treated patients. Thus, depending on the mix of patients in these different prognostic stratifications, we anticipate a reduction of n/v from ca. 60% to ca. 12%, or ca. 48% (a very large "delta").

Even if the incidence of Norco-related n/v in the trial is only 40%, and the incidence of CL108-related n/v is 20%, the reduction in n/v is 20%, an absolute difference in percentage that the Agency has commonly accepted ("vetted") with confidence as statistically and clinically meaningful.

All of the above comparisons will yield highly significant p-values.

It is worth remembering that the study endpoints include reduction in the severity of n/v (not just absence/presence, or incidence, i.e.). Analyzing the study results for these dimensional and categorical data should enable us to identify greater differences, above the "effect size" required for FDA approval.

In sum, the sample size is sufficiently adequate and the study methodology sufficiently sensitive to detect clinically meaningful and statistically significant efficacy in the trial.

Study sites: 6

Duration of Study: (Start to final report): 8 months

Study Budget: $6,535,125

******** Other Potential Aspects of this Research

CL has made preliminary contacts with a researcher who has identified 3 replicated snp's associated with the positive and negative effects of opioids. Since his next research will require a large number patients in order to determine if they do/do not have these genes, he may be very interested in CL's supplying him (in a double-blind fashion) a venous sample from each of the 1,100 patients in our Phase III trial for testing in his lab.

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Study 2b

Extension Method Validation Study

The measurement instruments utilized in Study 1 will be validated in a randomized, double-blind, placebo-controlled study on patients with n/v, an extension of the "Side Effect Pain Model" Study.

Treatment Comparisons

a. Promethazine 25 mg
b. Placebo

Sample Size: 200 patients

100 patients will be assigned to promethazine
100 patients will be assigned to placebo

Endpoint: Reduction/Elimination of existing nausea and vomiting, as demonstrated by correlated measurements of n/v

Study Sites: 6

Duration of Study: (Start to final report): 8 months

Study Budget: $1,780,000

After the results of Studies 1 & 2 have been submitted to FDA we plan to have a meeting with the Division to discuss the remainder of our clinical program.

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Study 3 and 4

Studies to Determine the Bioequivalence of CL-108 to Reference-Listed Drugs: Food-Related and Multiple-Dose Pharmacokinetics

Approximately 50 normal, healthy patients will be enrolled in each of the two studies.

The first pK study will evaluate patients when fed before taking the study medication and when fasting. The second pK study will evaluate multiple dosing of the study medications.

Treatment Comparisons:

Norco® containing 7.5 mg hydrocodone + 325 mg acetaminophen
12.5 mg Promethazine
CL-108 containing 7.5 mg hydrocodone + 325 mg acetaminophen and 12.5 mg promethazine

Objectives of the Studies

These studies will provide information that the three drugs in combination are bioequivalent, that food does not affect pharmacokinetic parameters, that multiple-dosing does not produce drug accumulation, and that there is no "interference" with either drug even though all three ingredients are administered together in one bi-layered tablet.

The three drugs will be directly compared to Referenced Listed Drugs (RLDs), namely Norco® and Phenergan®. Information on absorption, distribution and excretion of the three drugs will be collected to compare to the RLDs. The objective of the study is to allow Charleston Laboratories to "bridge" the existing safety and efficacy data FDA already has on file in other sponsors' New Drug Applications (NDAs).

Number of Clinical Sites: 2

Duration of the Studies: (Start to final report) 6 months

Cost estimate: $1,800,000

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Study 5

A Randomized, Double-Blind, Placebo-Controlled Trial to Determine the Longer-Term Safety and Efficacy of CL-108 Compared to Hydrocodone + Acetaminophen In Patients with Osteoarthritis Pain

Norco® is generally prescribed for a maximum of 2 weeks for post-operative pain. Therefore, two-week duration should suffice in determining safety beyond acute use.

Treatment Comparisons

a. hydrocodone 7.5 mg/acetaminophen 325 mg (Norco®)
b. hydrocodone 7.5 mg/acetaminophen 325 mg + promethazine 12.5 mg (CL-108)
c. Placebo

This study will also serve as the second adequate and well-controlled clinical efficacy trial to satisfy FDA requirements. Efficacy measures will be employed in this study (based on the most sensitive instruments used in Study No. 1), comparing CL-108 to placebo for pain relief, to Norco for n/v prevention. Additionally, safety will be assessed after multiple uses over 2 weeks including liver function tests (a concern of the Agency's because of the presence of acetaminophen).

Because we have selected the lowest dose of promethazine currently marketed (12.5 mg) --- and the most frequently used dose of promethazine for this purpose --- this low dose should help modulate any side effects associated with promethazine. Notably, most of the sedating side effects associated with promethazine are dose-related, associated with higher (25 mg and 50 mg) doses of promethazine.

Number of Clinical Sites: 6

Duration of the Study (Start to final report): 10 months

Cost Estimate: $8,200,000

After we have completed the "Long-Term Safety Study, we will schedule an" End-of-Phase III meeting with FDA to discuss whether it is necessary to conduct abuse potential studies (we will have accumulated data from our two clinical trials to show that the respiratory and CNS systems are not affected by CL-108). If FDA does not agree, CL will request that the Potential Abuse Study be conducted as a Phase IV study so that CL-108 can proceed to approval and the market.

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Study 6

A Randomized Placebo Controlled Clinical Trial to Assess the Potential Abuse of Hydrocodone + Acetaminophen Compared to Hydrocodone + Acetaminophen and Promethazine

CL has not outlined the above captioned study because we want to wait until we have met with the Agency to determine the exact need for conducting a potential abuse study.

Cost: Preliminary estimate = $1.0 million

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APPENDIX 2
Bioequivalence Study to Evaluate the Safety, Tolerability, and Pharmacokinetics of CL-108

Background and Rationale for the Study

Charleston Laboratories has developed CL-108, a bi-layered tablet containing promethazine 12.5 mg with hydrocodone 7.5 mg/acetaminophen (APAP) 325 mg.

CL-108 was conceived as a drug intended to mitigate or eliminate "opioid-induced nausea and vomiting" (OINV), as occurs frequently in patients taking hydrocodone. In order to optimize anti-emetic activity, this drug has been formulated to provide the immediate release of promethazine so that it is more quickly absorbed than hydrocodone, the emetogenic stimulus.

As a component of the modified 505(b)(2) application to the U.S. Food & Drug Administration for CL-108, therefore, we have designed this Bioequivalence (BE) Study to demonstrate that CL-108 fulfills two pre-established criteria:

1) bioequivalence between CL-108 and commercial hydrocodone 7.5 mg/ APAP 325 mg with commercial promethazine 12.5 mg; and,

2) shorter T_{max} of promethazine in CL-108 than T_{max} of hydrocodone in CL-108.

The rationale for this BE Study is derived from the Agency's advice at Charles-ton Laboratories' Pre-IND Meeting. In particular, the Agency advised us to provide basic pharmacokinetic data on CL-108 in various BE studies to satisfy the requirements of a 505(b)(2) application. While establishing the above criteria, the Agency also noted that Charleston Laboratories should "be(ing) sure to document other side effects" in our studies. We were advised to pay careful attention in measuring all opioid-related side effects, not just nausea and vomiting.

Thus, in addition to documenting all volunteered side effects in this BE Study, we will also utilize a modified version of the "Opioid-related Symptom Distress Scale (SDS) Questionnaire," an index developed to measure adverse events related to opioids.[1-3] (This questionnaire measures side effects such as sedation, confusion, drowsiness, dizziness, fatigue, itchiness, difficulty passing urine, dry mouth, headache, i.e., side effects that can be detected after acute dosing with an opioid.) Because this is a single-dose BE Study conducted in-clinic on healthy subjects, we will administer our questionnaire at frequent intervals over the initial 24 hours after drug exposure (rather than retrospectively after 24 hours), measuring the severity of acute, non-emetic adverse events. This prospective, active surveillance instrument may inform us about potential non-emetic side effects associated with hydrocodone, acetaminophen, and promethazine (to address the Agency's concern).

Results from this study will also help determine the suitability of this measure-ment instrument and study design in future studies on CL-108, in particular, the Phase III efficacy and safety study (CLCT-002) and the full-sized fast/fed and multi-dose bio-equivalence studies.

Importantly, the pharmacokinetic and bioavailability data acquired from this initial BE Study will confirm the acceptability of the CL-108 formulation.

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As a result, we will be prepared to study it in the pivotal Phase III efficacy and safety trial (CLCT-002).

Study Objectives

The primary objective of this 2-period crossover bioequivalence study is:

> To demonstrate the bioequivalence between CL-108 (hydrocodone, APAP, promethazine) and commercial hydrocodone/APAP administered with commercial promethazine

Secondary objectives of this 2-period crossover bioequivalence study are:

1) To demonstrate a difference in T_{max} of promethazine and hydrocodone in CL-108

2) To demonstrate a difference in partial AUC of promethazine and hydrocodone in CL-108

3) To demonstrate a difference in T_{max} for promethazine in CL-108 and Tmax for commercial promethazine

4) To demonstrate a difference in partial AUC for promethazine in CL-108 and partial AUC for commercial promethazine

5) To demonstrate any difference in adverse events (i.e., non-emetic AEs) between CL-108 and commercial hydrocodone/APAP administered with commercial promethazine.

---

[1]Zhao S, Gan T, Joshi G, et al. Reduction of opioid use and related side effects after laparoscopic cholecystectomy surgery (LCS): another benefit of IV parecoxib sodium and oral valdecoxib in postoperative pain management [abstract]. J Pain 2003; 4 (Suppl 1): A925.

[2]Zhao SZ, Chung F, Hanna DB, et al. Dose-response relationship between opioid use and adverse effects after ambulatory surgery. J Pain Symptom Manage 2004; 28: 35–46.

[3]Apfelbaum JL, Gan TJ, Zhao S, et al. Reliability and validity of the perioperative opioid-related symptom distress scale. Anesth Analg 2004;99:699-709.

APPENDIX 3
Publication Plan for Charleston Laboratories' Drug Development Studies

Each step in the research and development of Charleston Laboratories' entry drug, CL-108, has an associated scientific presentation and publication. Indeed, each step in the clinical development plan is linked to succeeding publications.

With the completion of dissolution studies testing different prototype formulations for CL-108, results will be presented at an international pharmaceutical sciences meeting, later published in a drug development journal, to highlight the immediate release of promethazine and its quicker dissolution from a bi-layered tablet significantly in advance of hydrocodone.

Following this "proof-of-concept" study, the Pilot Bioequivalence Study will be conducted, evaluating two selected prototypes compared to reference listed drugs.

Beyond reporting as a registered trial in *clinicaltrials.gov*, it is our intention to present the results of this bioequivalence study at an international clinical pharmacology meeting, identifying the distinct pharmacokinetic features of the CL-108 formulation: a short time to maximum promethazine concentration (T_{max}), faster than the time to peak hydrocodone concentration and faster than T_{max} of commercial promethazine.

Also highlighted in this presentation will be the favorable safety profile of the CL-108 formulation (and differences from the reported safety profile of commercially available hydrocodone/acetaminophen preparations).

These findings will be published in a peer-reviewed clinical pharmacology or drug safety journal.

Another publication and presentation will also be prepared to show the correlation of the pharmaceutic features (i.e., dissolution rates) of CL-108 with its pharmacokinetic parameters (especially T_{max}).

The optimal CL-108 formulation will next be compared to commercial hydrocodone/ acetaminophen in a double-blind, randomized, placebo-controlled post-operative pain clinical trial. The results of this efficacy study, demonstrating the reduction and/or elimination of nausea and vomiting (compared to hydrocodone/acetaminophen) as well as analgesia (compared to placebo), will be presented at clinical pharmacology and pain meetings, with publications in respected peer-reviewed journals.

Finally, a summary article based on the coordinated pharmaceutical-pharamacokinetic-pharmacodynamic-and-safety characteristics of CL-108 will also be prepared for publication in an international clinical pharmacology journal with a high impact factor.

In sum, each stage of the development of CL-108 will have exposure to scientific peer review and publication, signifying the high level of scientific expertise in Charleston Laboratories' clinical development program.

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Message

From: Paul Bosse [pbosse@charlestonlabs.com]
Sent: 4/2/2008 4:47:11 PM
To: Baddour, David [dbaddour@wcsr.com]
Subject: Fw: Retainer Proposal
Attachments: Charleston Labs_Proposal_Letter2.doc

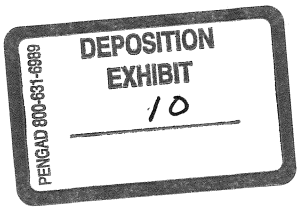
David,

Here it is.....

Paul Bosse
CEO
(843)577-2626 (Office)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

****Confidentiality Notice: This e-mail message, including any attachments, is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure, or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail and destroy all copies of the original message.

----- Original Message -----
From: Mark Blomquist
To: PBosse@Charlestonlabs.Com
Cc: jmoroney@juvent.com
Sent: Wednesday, April 02, 2008 4:19 PM
Subject: Retainer Proposal



Paul:

As discussed earlier, attached for your review & comment is a retainer proposal for Charleston Labs and Landmark to work together. Note that we have amended the the originally contemplated terms so that 50% of Landmark's ownership stake in Charleston Labs is now only payable upon Landmark's success in securing you financing or a strategic partner.

Please don't hesitate to contact either John or myself with any questions you may have. We look forward to working with you.

Best regards,

Mark

LANDMARK FINANCIAL CORPORATION
300 Atrium Drive, 2nd Floor
Somerset, New Jersey 08873
Email: Jmoroney@Landmarkfinancialcorp.com

April 2, 2008

Paul Bosse
President
Charleston Laboratories, Inc.
65 Gadsden Street, Suite 201
Charleston, South Carolina 29401

Dear Mr. Bosse:

The purpose of this letter is to memorialize the discussions we have had on the subject of Landmark assisting Charleston Laboratories, Inc. ("CLI" or "the Company") in examining and developing alternatives for augmenting and maximizing shareholder value, specifically, but not limited to, raising development capital of approximately $10 - $12 million, and/or assisting the Company in securing a strategic partner.

In performing hereunder, Landmark shall, among other things, and without limiting the generality of the foregoing:

Assist CLI in identifying and evaluating alternative strategies for expanding CLI's business and augmenting its value;

Assist CLI in preparing confidential memoranda describing CLI and its business and operations, for use in discussions with third parties;

Assist CLI in identifying potential parties to transactions with CLI;

With the approval of CLI, enter into preliminary discussions with potential parties to transactions with CLI,

Give aid and advice to CLI in evaluating various potential transactions and assist in the development of negotiating positions and alternative structures; and,

Assist CLI's professional legal, regulatory, tax and financial advisors in their evaluation of potential transactions and their rendition of professional advice to CLI. However, Landmark shall assume no responsibility to either CLI or the professional advisers for the advice given by the advisers to CLI.

Both the retainer and success fees shall be payble in the form of shares of CLI common stock.

CLI will retain Landmark for the purpose set forth above, for a period of twelve months. As compensation for the services to be rendered by Landmark, CFI agrees to pay Landmark: (a) a retainer fee, and (b) a "success fee."

The retainer fee will be due Landmark upon the execution of this agreement, and is payable in the form of shares of CLI common stock, in an amount such that Landmark will own ten percent (10%) of the CLI common stock outstanding immediately subsequent to its issuance.

A success fee will be due Landmark at the consummation of the first transaction closing during the term of this agreement and for one year thereafter, between CLI (or any affiliate) and any party introduced to CLI by Landmark. The success fee will be due Landmark at closing, and is payable in the form of shares of CLI common stock, in an amount such that Landmark will own an additional ten percent (10%) of the CLI common stock outstanding immediately subsequent to its issuance.

Upon the consummation of the first aforementioned transaction closing during the term of this agreement and for one year thereafter, between CLI (or any affiliate) and any party introduced to CLI by Landmark, Landmark and CLI will enter into an exclusive five-year Corporate Finance Advisory Agreement, whereby Landmark will provide CLI with corporate finance advisory services under terms to be negotiated between the parties to this agreement.

Any travel and other out-of-pocket expenses incurred by Landmark in performing hereunder shall be borne by CLI and shall be invoiced and paid monthly; any expense in excess of $1,000.00 shall be approved by CLI in advance of its being incurred. No aggregate expenses in excess of $1,000.00 shall be incurred in a given month without CLI's advance consent.

Upon the request of CLI's President and/or Board of Directors, John Moroney will agree to serve as CLI's Chairman.

The starting date of Landmark's engagement hereunder is April 7, 2008. The minimum period of Landmark's engagement hereunder is twelve months. At or before the expiration of that six-month period, the parties may agree to extend the period of the engagement.

If the terms set forth above meet with your approval, please so indicate by countersigning, at the place indicated below, the enclosed copy of this letter.

Very truly yours,

LANDMARK FINANCIAL CORP.

By: _____
John J. Moroney

Approved:
CHARLESTON LABORATORIES, INC.

By : _____
Paul Bosse
President

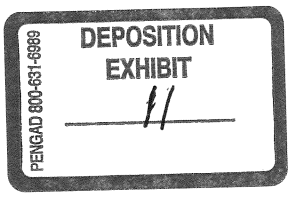
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WOMBLE CARLYLE SANDRIDGE & RICE
A PROFESSIONAL LIMITED LIABILITY COMPANY
FOURTH FLOOR
8065 LEESBURG PIKE
TYSONS CORNER, VIRGINIA 22182-2738
TELEPHONE (703) 790-3310
FACSIMILE (703) 790-2623

OTHER OFFICES:

ATLANTA, GA
BALTIMORE, MD
CHARLOTTE, NC
GREENSBORO, NC
GREENVILLE, SC
RALEIGH, NC
RESEARCH TRIANGLE PARK, NC
WASHINGTON, D.C.
WILMINGTON, DE
WINSTON-SALEM, NC

May 21, 2008
58394.0002.2
Bill Number 1741127
STATEMENT FOR SERVICES RENDERED



Paul Bosse, CEO
Charleston Laboratories, Inc.
548 Clearview Drive
Charleston, SC 29412

RE: General Corporate

FOR PROFESSIONAL SERVICES RENDERED THROUGH 04/30/2008	$990.00
DISBURSEMENTS THROUGH 04/30/2008	$0.00
CURRENT TOTAL	**$990.00**

OUTSTANDING RECEIVABLES AS OF May 21, 2008

BILL NO. 1550865	08/29/2007	$32.50
BILL NO. 1733673	04/15/2008	$315.00
TOTAL BALANCE DUE		**$1,337.50**

ITEMIZED SERVICES BILL

Date:	Description:	Attorney:	Hours:
04/03/2008	Review and analysis of letter agreement with Landmark Financial Corporation; telephone conference with Paul Bosse regarding the same	Baddour, David B.	0.80
04/09/2008	Brief review and analysis of revised letter agreement with Landmark Financial Corporation and draft founder's shareholder agreement; telephone conference with Paul Bosse regarding the same	Baddour, David B.	0.70
04/18/2008	Review and analysis of provisions of SC Launch financing documents; telephone conference with Paul Bosse regarding the same, in preparation for his meeting with potential Florida investor	Baddour, David B.	0.80
04/23/2008	Prepare Amendment No. 2 to SC Launch! Financing Agreement, extending the term until December 31, 2008, as well as consent resolutions approving the same	Baddour, David B.	0.70

Total for Services: $ 990.00

TIMEKEEPER SUMMARY

Attorney:	Hours:	Amount:	Rate:
Baddour, David B.	3.00	$ 990.00	$ 330.00
Totals:	3.00	$ 990.00	

Message

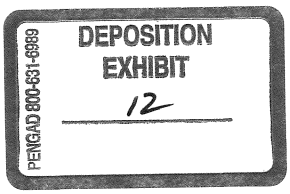
From: Paul Bosse [pbosse@charlestonlabs.com]
Sent: 5/20/2008 3:50:14 PM
To: Baddour, David [dbaddour@wcsr.com]
Subject: Shareholder Agreements

David,

Just wondering how these are coming along?

Thanks,

Paul



Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 5/20/2008 6:29:58 PM
To: 'Paul Bosse' [pbosse@charlestonlabs.com]
CC: Rutley, Dean [DRutley@wcsr.com]
Subject: Stock Restriction Agmt
Attachments: Founder Restrictred Stock Agmt - v1.DOC

Paul,

Please find attached a draft Stock Restriction Agreement. I am sending this to you and Dean simultaneously, so please allow it to remain subject to his further comment. You should not send this to Bernie until after we've received and reviewed the employment agreement he is preparing.

The attached assumes Bernie is getting 360 shares (which is 12% of 3,000, per your cap table). It also assumes 50% vesting on day 1, with the remaining 50% vesting in three installments over the next three years. There is 50% acceleration of any unvested shares upon a Change in Control, and full acceleration upon termination of the employee (without cause) within 12 months following a Change in Control. All of this is open to negotiation, so you should see what he proposes in the draft employment agreement, if anything.

Let me know your thoughts, when you are able.

Best,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | 2530 Meridian Parkway, Suite 400 | Durham, NC 27713 | office: 919.484.2352 | fax: 919.484.2090



STOCK RESTRICTION AGREEMENT

THIS STOCK RESTRICTION AGREEMENT (the "Agreement"), dated as of May _____, 2008, by and between Charleston Laboratories, Inc., a Delaware corporation (the "Company"), and [Bernie Schachtel M.D.] (the "Stockholder").

RECITALS

WHEREAS, the Stockholder is the holder of Three Hundred Sixty (360) shares of the Company's common stock, $0.001 par value per share (the "Common Stock"); and

WHEREAS, as partial consideration for the entry into an employment agreement between the Stockholder and the Company dated as of even date herewith, and for other good and valuable consideration, the Stockholder has agreed to grant to the Company certain rights to repurchase all of the shares of Common Stock held by the Stockholder (the "Restricted Shares"), as provided below.

NOW, THEREFORE, in consideration of the premises, which are incorporated into and made part of this Agreement, and of the mutual representations, warranties, covenants, agreements and conditions set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Repurchase Option.

(a) Termination of Employment. In the event that the Stockholder's employment with the Company is terminated prior to May ____, 2011, for any reason, or no reason, with or without cause, the Company shall have the right and option, for a period of sixty (60) days next following the effective date of such termination, to repurchase from the Stockholder, at a price of $0.001 per share payable in cash or by check, any or all of the number of Restricted Shares set forth on Schedule A attached hereto and made a part hereof.

(b) Termination of Repurchase Option. Notwithstanding the provisions of Section 1(a), the Company's right to repurchase (i) fifty percent (50%) of the number of Restricted Shares then subject to repurchase by the Company pursuant to Section 1(a) on each date set forth on Schedule A shall expire and be of no further force or effect upon the occurrence of a Change in Control, as defined below, and (ii) any of the Restricted Shares then subject to repurchase by the Company pursuant to Section 1(a) shall expire and be of no further force or effect if the Purchaser's employment is terminated by the Company without cause during the 12 month period following a Change in Control. A "Change in Control" shall be deemed to have occurred on the earliest of the following dates: (i) the date on which the Company consummates a merger, share exchange, consolidation or reorganization that results in the stockholders of the Company

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immediately prior to such event holding securities or other rights immediately after such event that represent less than fifty percent (50%) of the voting power and equity ownership of the surviving, acquiring or successor entity, or of the parent of the surviving, acquiring or successor entity; or (ii) the date on which any person or entity, other than a person or entity who was a beneficial owner of the Company's securities on the date of this Agreement, becomes the beneficial owner of more than fifty percent (50%) of the outstanding Common Stock, calculated on a fully-diluted, as converted basis, by means of a purchase or acquisition of the Company's securities from one or more stockholders of the Company, whether by tender offer or otherwise.

(c) Closing. The closing of any repurchase of Restricted Shares pursuant to this Section 1 shall be held at the principal office of the Company on a date selected by the Company but not later than the sixtieth (60^{th}) day next following the occurrence of any event giving rise to the Company's right to repurchase such Restricted Shares. At the closing, the Purchaser shall deliver certificates representing the Restricted Shares being repurchased, duly endorsed for transfer, and shall execute and deliver such other documents as may be reasonably requested by the Company to effectuate the repurchase of the Restricted Shares. The Restricted Shares shall be transferred free and clear of all security interests, liens, encumbrances, restrictions and other claims or charges of any kind whatsoever.

2. Restrictive Legends.

(a) Primary Legends. Certificates representing the Restricted Shares shall bear the following legends:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY STATE SECURITIES LAW AND MAY NOT BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR TRANSFERRED UNLESS THERE EXISTS AN EFFECTIVE REGISTRATION STATEMENT THEREFOR UNDER THE ACT AND ALL APPLICABLE STATE SECURITIES LAWS OR THE ISSUER HEREOF HAS RECEIVED AN OPINION OF COUNSEL, REASONABLY ACCEPTABLE TO THE ISSUER, THAT SUCH SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR TRANSFER IS EXEMPT FROM REGISTRATION.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO REPURCHASE BY THE ISSUER UPON THE OCCURRENCE OF CERTAIN EVENTS SET FORTH IN THAT CERTAIN STOCK RESTRICTION AGREEMENT DATED AS OF MAY ____, 2008 BY AND BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF SUCH SHARES.

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(b) Other Legends. Certificates representing the Restricted Shares shall bear any other legend(s) required by any applicable federal or state securities law or by any other agreement to which the holder thereof is a party or by which the holder thereof is bound.

3. Governing Law. This Agreement shall be governed by and shall be construed and enforced in accordance with the laws of the State of Delaware applicable to agreements entered into and performed within such State, but without reference to the conflicts of law rules of such State.

4. Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

5. Entire Agreement; Amendment and Waiver. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and this Agreement supersedes and renders null and void any and all other prior oral or written agreements, understandings, or commitments pertaining to the subject matter hereof. Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated except by a written instrument signed by the Company and the Stockholder. The failure of any party to this Agreement to insist upon the strict performance of any of the terms, conditions or provisions of this Agreement shall not be construed as a waiver or relinquishment of future compliance therewith, and said terms, conditions and provisions shall remain in full force and effect.

6. Invalidity. Should any part of this Agreement, for any reason whatsoever, be declared invalid, illegal, or incapable of being enforced in whole or in part, such decision shall not affect the validity of any remaining portion, which remaining portion shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any portion which may for any reason be declared invalid.

7. Notices. Any notices required to be delivered under this Agreement shall be in writing and sent to the address(es) set forth below. Any party may change its address for notice purposes by giving written notice of such change as set forth herein.

To the Company: Charleston Laboratories, Inc.
_____
_____
Attn: Board of Directors

Copy to: Womble Carlyle Sandridge & Rice
8065 Leesburg Pike, 4th Floor
Vienna, VA 22182
Attn: Dean Rutley, Esq.

To the Stockholder: _____
_____
_____

Copy to: _____
_____
_____
Attn: _____

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8. Captions. The captions contained in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the Company and the Stockholder have entered into this Agreement as of the date first written above.

CHARLESTON LABORATORIES, INC.	STOCKHOLDER
By:_____	_____
Paul Bosse President	[Bernie Schachtel M.D.]

CONFIDENTIAL ROA-0309 WBD_CHLAB0002421

SCHEDULE A
TO
RESTRICTED STOCK PURCHASE AGREEMENT

If Employment Terminates On or After:	But Prior to:	Company shall have the right to repurchase the following number of Shares of Common Stock
May ___, 2008	May ___, 2009	180
May ___, 2009	May ___, 2010	120
May ___, 2010	May ___, 2011	60
May ___, 2011	n/a	0

CONFIDENTIAL ROA-0310 WBD_CHLAB0002422

Message

From: Paul Bosse [pbosse@charlestonlabs.com]
Sent: 5/21/2008 8:19:39 AM
To: Baddour, David [dbaddour@wcsr.com]
Subject: Shareholders
Attachments: Charleston Laboratories Stockholder Agreement.doc

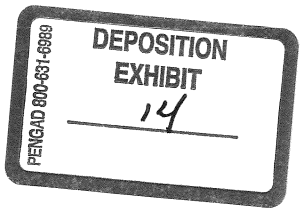
Importance: High

David,

Could you revise this per our discussion some weeks ago when J. Moroney sent this. I know we spoke about voting % and not just that one person could say no... and I know you mentioned a few other places that we would want to change.

Thanks,

Paul



CHARLESTON LABORATORIES, INC.

STOCKHOLDERS AGREEMENT

THIS CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT (this "Agreement") is made and entered into as of May ____, 2008 by and among Charleston Laboratories, Inc., a Delaware corporation (the "Company") and G. Paul Bosse III, John F. Ameling, Bernard P. Schachtel, Ray Takigiku, Ryan Baker, and Chris Godwin (the "Founding Shareholders").

WITNESSETH:

WHEREAS, the Founding Stockholders are collectively the owners of 100% of the issued and outstanding shares of the common stock of the Company as set forth on Exhibit A hereto ("Common Stock");

WHEREAS, the Founding Stockholders believe that it is in the best interests of the Founding Stockholders and the Company to make provisions for the future disposition of the shares of common stock of the Company ("Common Stock") held by the Founding Stockholders and other matters set forth herein; and

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises and covenants herein set forth, the parties hereto agree as follows:

ARTICLE I

RESTRICTIONS ON TRANSFER OF STOCK

1.1 General

(a.) The Founding Stockholders shall not dispose of any shares of Common Stock now or hereafter owned by them ("Shares"), whether by sale, exchange, assignment, transfer, gift, devise, bequest, mortgage, pledge, encumbrance or otherwise, except in accordance with the terms and conditions of this Agreement. The Company and each Founding Stockholder shall also not take or omit to take any action which will impair the absolute and unrestricted right, power, authority and capacity of the Company or the Founding Stockholders to purchase or sell Shares in accordance with the terms and conditions hereof.

(b.) The Company, by its execution of this Agreement, agrees that it will not cause or permit the transfer of any shares to be made on its books except in accordance with the terms of this Agreement.

1.2 **Permitted Transfers of Founding Stockholder's Shares**

(a.) A Founding Stockholder may sell, assign or transfer any Shares held by such Founding Stockholder by complying with the provisions of Sections 2.1 and 3.1 hereof or, with prior written notice to the Company, (i) to any immediate family member (parent, sibling, spouse, child, niece, nephew, first cousin, or grandchild), (ii) to a trust whose sole beneficiaries are immediate family members, (iii) to a Founding Stockholder, (iv) to the Company, (v) in the event of the death of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to the estate of such Founding Stockholder or individual or entity named in the will of such Founding Stockholder, (vi) to any other person or entity, with the prior written consent of holders of capital stock owning 75% of then issued and outstanding shares of Common Stock, (vii) subject to and in accordance with the rights set forth in Article 2 hereof, top any person solely in connection with the transfer of the community property interest of a Founding Stockholder spouse in all or part of such Founding Stockholders' Shares upon death of such spouse or termination of the marital relationship of the spouse and such Founding Stockholder, (viii) to stockholders, members or beneficiary of a Founding Stockholder (if such Founding Stockholder is a corporation, limited liability company or trust, respectively, (xix) in the event of any Founding Stockholder being judicially declared to be incompetent, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, (x) in the event of the total or permanent disability, as defined in Section 422(1)(6) of the Internal Revenue Code, of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, and (xi) to another company or entity in connection with the exchange of all shares of capital stock of the Company to such other company (collectively, "Permitted Transferees"); provided, however, that such Permitted Transferee (other than pursuant to clause (xi) above) agrees to be bound by the terms of this Agreement and such transfer complies with applicable federal and state securities laws,

(b.) Each Founding Stockholder may also sell, assign or transfer any Shares held by such Founding Stockholder without complying with the provisions of Section 2.1 and 3.1 by obtaining the prior written consent of each of the other Founding Stockholders, provided that the transferee agrees in writing to assume the obligations of the Founding Stockholders under this Agreement and that the transfer is made in accordance with any other restrictions or conditions contained in such written consent, if any, and in accordance with applicable federal and state securities laws.

1.3 **No Pledge**. Shares held or otherwise owned by any Founding Stockholder may not be pledged, mortgaged or otherwise encumbered to secure indebtedness of money borrowed or any other obligation for which such Founding Stockholder is primarily or secondarily liable without the consent of the Company and each of the other Founding Stockholders.

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1.4 **Shares Certificate Legend**. Each certificate for Founding Stockholders Shares shall have conspicuously written, printed, typed or stamped upon the face thereof, or upon the reverse thereof with a conspicuous reference on the face thereof, the following legends:

> "THESE SHARES ARE SUBJECT TO CERTAIN TRANSFER RESTRICTIONS AND RIGHT OF REPURCHASE AS SET FORTH IN THE CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT DATED AS OF NOVEMBER 17, 2003 ON FILE WITH THE SECRETARY OF THE COMPANY."

> "THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT"). SUCH SHARES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT REGISTRATION IS NOT REQUIRED."

Promptly after execution of this Agreement, each of the existing stock certificates for the Shares issued to the Founding Stockholders, if any, shall be surrendered and new stock certificates shall be issued to such Founding Stockholders with the legends referred to above. Any stock certificate not so surrendered shall be deemed to have the legends referred to above.

1.5 **Definitions**. The words "sale," "sell," "transfer," and the like shall include any disposition by way of transfer, with or without consideration, to any person for any purpose, but shall not apply to exchanges of securities on account of merger, consolidation, reorganization or any other similar transaction affecting all of the securities of the Company.

ARTICLE 2

CERTAIN RIGHTS TO PURCHASE

2.1 **Sales of Shares**

(a.) The Founding Stockholders; Right of First Refusal. In the event that a Founding Stockholder (the "Selling Founding Stockholder") shall desire to sell, assign or transfer any Shares held by such Selling Founding Stockholder to any other person (the "Offer"), the following procedure shall apply. The Selling Founding Stockholder shall give to the Company and to each other Founding Stockholder (The "Non-Selling Founding Stockholders") written notice containing the terms

CONFIDENTIAL ROA-0314 WBD_CHLAB0002429

and conditions of the Offer, including, but not limited to (i) the number of Offered Shares; (ii) the price per Share; (iii) the method of payment; and (iv) the name(s) of the proposed purchaser(s).

An Offer shall not be deemed bona fide unless, among other things, the method of payment is cash, the Selling Founding Stockholder has informed the prospective purchaser of its obligation under this Agreement and the prospective purchaser has agreed to become a party hereunder and to be bound hereby. The Company and the other Founding Stockholders are entitled to take such steps as they reasonably may deem necessary to determine the validity and bona fide nature of the Offer.

Until 20 days after receipt of such notice, the Non-Selling Founding Stockholders shall have the right (i) to purchase the Offered Shares of any portion thereof at the price offered by the prospective purchaser and specified in such notice or (ii) co-sell Shares to such third party in accordance with Section 3.1 below. The Non-Selling Founding Stockholders electing to purchase or co-sell must give written notice of such election to purchase or co-sell Shares to the Company and the Selling Founding Stockholder which notice shall specify the number of Offered Shares such Stockholder desires to purchase hereunder or the number of Shares such Stockholder desires to co-sell in accordance with Section 3.1. In the event that there are more than one Non-Selling Founding Stockholders desiring to purchase the Offered Shares and they desire to purchase more shares than the aggregate number of Offered Shares, then each Non-Selling Founding Stockholder shall have the right to purchase, on a pro rata basis based on the number of Shares owned by such Non-Selling Founding Stockholders, the Offered Shares. Such purchase shall be, at the option of the Non-Selling Founding Stockholders, either on the payment terms specified in such notice or on the Agreement Terms, as defined in Section 2.5.

(b) The Company's Rights to Purchase if the Non-Selling Founding Stockholders Fail to Purchase All Offered Shares. If the Non-Selling Founding Stockholders do not exercise their right to purchase all of the Offered Shares within the 20-day period, the Company shall have the right to purchase, within 15 days after the expiration of such 20-day period, the remaining Offered Shares or any portion thereof at the price offered by the prospective purchaser. Such purchase shall be, at the option of the Company, either on the payment terms offered by the prospective purchaser or on the Agreement Terms, as defined in Section 2.5.

After giving notice under this Section, the Selling Founding Shareholder shall refrain from participating as an officer, director or shareholder of the Company in the Company's decision whether to purchase any or all of the Offered Shares.

(c) Failure of the Company and the Non-Selling Founding Stockholders to Purchase Offered Shares. If all of the Offered Shares are not purchased by the Company and/or the Non-Selling Founding Stockholders within the 35-day period granted for such purchases, then, subject to the co-sale rights set forth in Section 3.1, the remaining Offered Shares may be sold, assigned, or transferred pursuant to the Offer; provided that the Offered Shares are so transferred with in 90 days of the

expiration of the 35-day period to the person or persons named in, and under the terms and conditions of, the Offer described in the notice to the Company and Founding Stockholders; provided, further, that such transfer requires the new shareholder(s) (being the purchaser(s) under the Offer) to assume the obligations of the Selling Founding Stockholder under this Agreement; and provided, further, that such transfer complies with all applicable federal and state securities laws.

(d) The Right to Withdraw. The Selling Founding Stockholder may at any time prior to the sale of its Shares give notice to the Company that it no longer desires to sell the Offered Shares, provided that if it again desires to sell, assign or transfer any Shares held by it, it must comply with the provisions of the Agreement.

2.2 **Right to Purchase Upon Certain Other Events**

(a.) The Founding Stockholder's Right of Purchase. Each Founding Stockholder (or its transferees hereunder) (a "Purchasing Founding Stockholder") shall have the right to purchase on a pro rata basis based upon the number of Shares owned by such Purchasing Founding Stockholder, the Shares held by a Founding Stockholder (including his transferees hereunder) pursuant to the terms of this Section (the "Terminating Founding Stockholder", and such Shares held by such Terminating Founding Stockholder referred to as the "Terminating Shares") at the Agreement Price and on the Agreement Terms for a period of 90 days after the Company and the Purchasing Founding Stockholder receives notice from the Terminating Founding Stockholder or relevant third party, as applicable, of the occurrence of any of the following events, which notice shall be provided in the case of a Terminating Founding Stockholder within 5 business days of the occurrence of such event:

(i) the Terminating Founding Stockholder who is an employee ceases to be, for any reason, an employee of the Company or a subsidiary of the Company (any uninterrupted absence for a period of 180 days or more, without approval of the Board of Directors of the Company, shall be deemed to be termination of employment);

(ii) the Terminating Founding Stockholder defaults on any debts to the Company as they become due and fails to repay such debts within 60 business days after written notice of such default;

(iii) the Terminating Founding Stockholder is adjudicated a bankrupt or the Terminating Founding Stockholder makes an assignment for the benefit of creditors or a petition under any insolvency or bankruptcy laws is filed for readjustment of such Stockholder's debts or financial affairs by such Stockholder or by any creditor of such Stockholder;

(iv) any of the Terminating Founding Stockholder's Shares are levied upon under a writ of execution or become subject to sale under any legal process, or are transferred or ordered

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to be transferred to or for the benefit of any spouse or any other person or entity as a result of or in connection with any property settlement or judgment incident to a divorce, dissolution of marriage or separation,, or are transferred or ordered to be transferred to any person or entity who is not a party hereto by decree of distribution or other court order in a proceeding arising from the death of the spouse of the Terminating Founding Stockholder; or

(v) the Terminating Founding Stockholder sells, pledges, encumbers, hypothecates or otherwise transfers any interest in, or purports to sell, pledge, encumber, hypothecate or otherwise transfer any interest in, any of his or her Shares, except as permitted by and in full compliance with the terms of this Agreement.

(b.) The Company's Right to Purchase on the Founding Stockholder's Refusal. In the event a Purchasing Founding Stockholder elects not to purchase all of the Terminating Shares to which such Purchasing Founding Stockholder is entitled, the Company shall have the right to purchase, within 15 days after the expiration of such 90-day period, any remaining Terminating Shares, at the Agreement Price and on the Agreement Terms.

2.3 **Manner of Exercise**. Any right to purchase hereunder shall be exercised by giving written notice of election to the Company and the Terminating Founding Stockholder or his or her personal representative, as the case may be, prior to the expiration of such right to purchase. Such notice shall be given as provided in Section 5.5 hereof.

2.4 **Agreement Price**

(i) The "Agreement Price" shall be the fair value ("Fair Value") of the Shares to be purchased on a fully diluted basis, calculated on the basis of the Company as a going concern. Initially, the Board of Directors of the Company, in good faith in the exercise of its reasonable business judgment, shall determine the Fair Value of the shares. The Company shall notify the Founding Stockholders (or their representatives) as soon as possible of such determination, but in any event, not later than 30 days after the date giving rise to the right to purchase such Terminating Shares. If the Terminating Founding Stockholder or any Purchasing Founding Stockholder fail to notify the company within 15 days after the date of such notice of their objection to the proposed Fair Value, then the Fair Value proposed in the Company's notice shall be binding and conclusive.

(ii) If any Purchasing Founding Stockholder or the Terminating Founding Stockholder notifies the Company of its objection in writing within such 15-day period and if the Company, the Purchasing Founding Stockholders and the Terminating Founding Stockholder (or their representatives) can not mutually agree on the Fair Value of such shares within 10 days after the date of the notice of objection, then the Fair Value of the Shares shall be determined by an independent appraiser selected jointly by the Company, the Purchasing and Terminating Founding

Stockholders (or their representatives). The determination of Fair Value by that appraiser shall be binding and conclusive on all parties to the Agreement. If the parties are unable to agree on the selection of an appraiser, each of the Purchasing and Terminating Founding Stockholders shall select an independent appraiser. The two appraisers so selected shall each independently appraise the Shares within 30 days of their appointment and, as long as the difference in the two appraisals does not exceed 5 percent of the lower of the two appraisals, the Fair Value shall be conclusively deemed to equal the average of the two appraisals. If the difference between the two appraisals referred to above exceeds 5 percent of the lower of the two appraisals, the two appraisers selected shall select a third appraiser within 5 business days after delivery of both appraisal, who shall also independently appraise the Fair Value of the shares and whose appraisal shall be conclusively deemed to be the Fair Value of the Shares. If either party fails to select an independent appraiser within the time required by this paragraph or if their appraiser fails to deliver their appraisal to the Company and the other party within the 30-day period, the Fair Value of the Shares shall be conclusively deemed to equal the appraisal of the independent appraiser timely selected by the other or timely delivered to the Company, as the case may be. The Founding Stockholders shall share equally the fees and expenses of the appraisers jointly named, but each party shall be responsible for the fees and expenses of any appraiser named solely by that party. Each party shall bear his, her, or its own expenses in presenting evidence to the appraisers.

2.5 **Agreement Terms**. "Agreement Terms" shall mean 100% of the purchase price, which shall be payable in the form of a check or via wire transfer as directed at the Closing of such purchase and sale. Any payment may be reduced by any indebtedness from the purchase of such purchase and sale.

2.6 **Delivery of Shares and Closing Date**. Within thirty (30) days of the exercise of any right to purchase hereunder or final determination of the Fair Value of the Shares, as the case may be, (the "Closing"), the Selling Founding Stockholder or the Terminating Founding Stockholder or his or her personal representatives, as the case may be, shall deliver certificates representing the Shares to be sold, properly endorsed for transfer, and with the necessary documentary and transfer tax stamps, if any, affixed, to the purchasers of such Shares. Payment of the purchase price therefor shall concurrently be made to the Selling Founding Stockholder or Terminating Founding Stockholder or his or her personal representatives as the case may be. Such delivery and payment shall be made at the principal office of the Company or at such other place as the parties mutually agree. Notwithstanding the above, any such transfer shall not be consummated unless it complies with all federal and state securities laws and the purchaser of such Shares assumes the obligations under this Agreement.

2.7 **Voting Trust**. Upon the occurrence of the following events the Shares held by the applicable Founding Stockholder (the "Trust Founding Stockholder") shall become subject to a voting trust substantially in the form contained at Schedule A:

(a.) the Trust Founding Stockholder is judicially declared to be competent;

(b.) the death of the Trust Founding Stockholder; or

(c.) the total or permanent disability, as defined in Section 422(I)(6) of the Internal Revenue Code, of the Trust Founding Stockholder.

ARTICLE 3

CO-SALE AND DRAG-ALONG RIGHTS

3.1 **Co-Sale Provisions**.

(a) For 24 months from the date hereof, in the event that a founding Stockholder (or his transferees hereunder) (the "Selling Founding Stockholder") proposes to offer for sale or otherwise transfer any Shares to any person or entity (individually a "Third Party" and collectively, "Third Parties") in any one transaction or any series of related transactions, directly or indirectly, other than a sale to a Permitted Transferee under Section 1.2 hereof, such sale or other disposition to a Third Party shall not be permitted unless the Selling Founding Stockholder shall offer (or cause the Third Party to offer) each other Founding Stockholder and its permitted transferees (each being a "Co-Selling Founding Stockholder") the right to elect to include, at the sole option of such Co-Selling Founding Stockholder, in the sale to the Third Party, to the extent such shares have not been purchased by the Company or Non-Selling Founding Stockholder pursuant to Section 2.1 (a) above, such number of Shares owned by such Co-Selling founding Stockholder as permitted under Section 3.1 (b) and (c) below (the "Tag-Along shares")

(b) The Selling Founding Stockholder shall deliver a notice to the Company and the Co-Selling Founding Stockholders as provided in Section 2.1 (a) above. Within 20 days after the date of such notice, the Co-Selling Founding Stockholders may make an election to either (i) include a number of its Shares as Tag-Along Shares (up to the percentage set forth in paragraph (c) below) in such a sale or other disposition (the "Inclusion Election"), (ii) elect to purchase such Offered Shares pursuant to Section 2.1(a) above, or (iii) neither purchase Offered Shares nor sell Tag-along Shares. Such Co-Selling Founding Stockholder shall notify the Company and the Selling Founding Stockholder of its Inclusion Election within such 20-day period. Any Co-Selling Founding Stockholder electing to sell Tag-Along Shares shall also promptly deliver to the Company a stock certificate or certificates representing the number of Tag-Along Shares, together with a power-of-attorney authorizing the Selling Founding Stockholder to sell or otherwise dispose of such Tag-Along Shares pursuant to the terms of such Third Party's offer.

(c) The Co-Selling Founding Stockholders shall have the right to co-sell in the aggregate, pursuant to the Third Party's offer; up to 75% of the number of Offered Shares to be sold to

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the Third Party. If the Co-Selling Founding Stockholders desire to sell in the aggregate more than 75% of the Offered Shares, then the Co-Selling Founding Stockholders will have the right to sell, pro rata based on their number of Shares owned by them, the remaining number of Offered Shares, up to such 75% limit.

(d) The purchase of the Tag-Along Shares shall be on the same terms and conditions, including the price per share and the date of sale or other disposition, as are received by the Selling Founding Stockholder and stated in the notice referred to above.

(e) Promptly (but in no event later than five business days) after the consummation of the sale or other disposition of Shares of the Selling Founding Stockholder to the Third Party pursuant to the Third Party's offer, the Selling Founding Stockholder shall (i) notify the Co-Selling Founding Stockholders electing to sell Shares of the completion thereof, (ii) cause to be remitted to such Co-Selling Founding Stockholders the total sales price attributable to the Tag-Along Shares sold by him or her, and (iii) furnish such other evidence of the completion and time of completion of such sale or other disposition.

(f) If no Founding Stockholder has elected to make an Inclusion Election or an election to purchase Shares pursuant to Section 2.1, the Selling Founding Stockholder shall have 90 days after the expiration of 35-day period referred to in Section 2.1 © in which to well or otherwise dispose of such shares to the Third Party at a price and on terms not more favorable than were set forth in the Offer referred to above. If, at the end of such 90-day period, the Selling Founding Stockholder has not completed the sale of shares in accordance with the terms of the Third Party's offer, all the restrictions on sale contained in this Agreement shall again be in effect (unless such 90-day period is extended with the consent of the other Founding Stockholders). In the event that a sale of Shares is made to a Third Party pursuant to their Section 3.1, such Third Party shall be bound by the Terms of this Agreement.

(g) The Founding Stockholders may elect to either (i) purchase Offered Shares pursuant to Section 2.1 or (ii) sell Tag-along Shares pursuant to Section 3.1, but not both.

ARTICLE 4

MANAGEMENT

4.1 **Board of Directors**. Each Founding Stockholder agrees to vote their shares in favor of XXXXX as directors of the Company.

4.2 **Protective Provisions**. Until this Agreement is terminated, the Company shall not, without obtaining the written consent of each Founding Stockholder;

(a) authorize or issue, or obligate itself to authorize or issue, additional Shares of Common Stock, Preferred Stock or any other capital stock except the issuance of such number of shares of Common Stock as approved by the board of directors for issuance pursuant to exercise of stock options granted to employees, consultants, officers or directors; or

(b) sell, convey, or otherwise dispose of all or substantially all of its property or business, or merge into or consolidate into any other corporation, or effect any transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of, or

(c) Amend its Articles of Incorporation

ARTICLE 5

MISCELLANEOUS

5.1 **Additional Founding Stockholders**. Until this Agreement shall be terminated, all transferees of the Founding Stockholder Shares shall execute and deliver to the Company a written agreement, in form and content satisfactory to the Company, agreeing to be bound by all of the terms and conditions of the Agreement. The term "Founding Stockholder" as used herein shall be deemed to include the Founding Stockholders and their transferees.

5.2 **Representatives and Assigns**. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, their legal representatives, and permitted assigns and designees.

5.3 **Violations or Remedies**. The parties agree that any violation of this Agreement (other than a default in the payment of money) cannot be compensated for by damages and any aggrieved party shall have the right, and is hereby granted the privilege, of obtaining specific performance of this Agreement in any court of competent jurisdiction in the event of any breach hereunder.

5.4 **Governing Law**. This Agreement shall be deemed to be made under and governed by and construed in accordance with the laws of the State of North Carolina.

5.5 **Notices**. All notices required to be delivered pursuant to this Agreement shall be delivered in person or by telegraphic or other facsimile transmission and deemed given on the date of transmission or sent by certified mail, return receipt requested and deemed given three (3) business days after mailing, and shall be addressed to the Company at its principal business office, to the attention of the President, and to a Founding Stockholder at the address of the Founding Stockholder shown in the Company's stock ledger or to such other address as the Founding stockholder may indicate by duly giving written notice to the Company.

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5.6 **Severability**. If any term or condition of this Agreement, or application thereof to any person or circumstance, shall to any extent be held invalid or unenforceable, the remainder of this Agreement, or application of such term or condition to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby and shall remain in full force and effect.

5.7 **Amendment**. This Agreement may be modified or amended in whole or in part by a written instrument signed by the Company and each Founding Stockholder.

5.8 **No Waiver**. No delay or failure on the part of a Company or a Founding Stockholder in the exercise of any right, power or remedy shall operate as a waiver thereof, not shall any single or partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy.

5.9 **Integration**. This Agreement embodies the entire agreement and understanding of the parties hereof in respect of the actions and transactions contemplated by this Agreement. This Agreement supersedes all other prior written or oral understandings between and among the parties hereto relating to the subject matter hereof.

5.10 **Termination of this Agreement**. This Agreement shall terminate upon the earlier of (a) the written agreement of each Founding Stockholder, (b) the sale of all the outstanding shares of capital stock of the company to a third party or, sale of all or substantially all of the assets of the Company to a third party, or (c) upon the closing of a registered, underwritten initial public offering of the Company's Common Stock with net proceeds to the Company in excess of $20,000,000.

5.11 **Counterparts**. This Agreement may be executed in any number counterparts, each of which, when so executed, shall be deemed an original.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above written.

_____

G. PAUL BOSSE III

_____

JOHN F. AMELING

_____

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BERNARD P. SCHACHTEL

_____

RAY TAKIGIKU

_____

RYAN BAKER

_____

CHRIS GODWIN

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APPENDIX A

[to be added]

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SCHEDULE A

[to be added]

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Message

From: Rutley, Dean [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_RUTLEY]
Sent: 5/22/2008 1:16:30 PM
To: Baddour, David [dbaddour@wcsr.com]
Subject: Re: Shareholders

Go ahead but tell him that I called in from the road and wanted to know that he sent a check.

----- Original Message -----
From: Baddour, David
To: Rutley, Dean
Sent: Thu May 22 12:12:35 2008
Subject: FW: Shareholders

I know you are out, but wanted to let you know that in addition to the Restricted Stock Agmt I sent to Paul yesterday, he's now asking me to prepare a founder's stockholders agreement. I am fine doing it, but wanted to make sure it was OK w you, from a fee perspective. (I assume I should bill my time.)

David

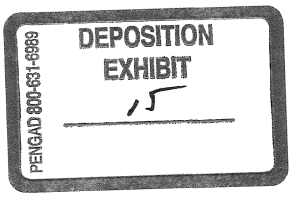
From: Paul Bosse [mailto:pbosse@charlestonlabs.com]
Sent: Wednesday, May 21, 2008 8:20 AM
To: Baddour, David
Subject: Shareholders
Importance: High

David,

Could you revise this per our discussion some weeks ago when J. Moroney sent this. I know we spoke about voting % and not just that one person could say no... and I know you mentioned a few other places that we would want to change.

Thanks,

Paul



CHARLESTON LABORATORIES, INC.

STOCKHOLDERS AGREEMENT

THIS CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT (this "Agreement") is made and entered into as of May ____, 2008 by and among Charleston Laboratories, Inc., a Delaware corporation (the "Company") and G. Paul Bosse III, John F. Ameling, Bernard P. Schachtel, Ray Takigiku, Ryan Baker, and Chris Godwin (the "Founding Shareholders").

WITNESSETH:

WHEREAS, the Founding Stockholders are collectively the owners of 100% of the issued and outstanding shares of the common stock of the Company as set forth on Exhibit A hereto ("Common Stock");

WHEREAS, the Founding Stockholders believe that it is in the best interests of the Founding Stockholders and the Company to make provisions for the future disposition of the shares of common stock of the Company ("Common Stock") held by the Founding Stockholders and other matters set forth herein; and

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises and covenants herein set forth, the parties hereto agree as follows:

ARTICLE I

RESTRICTIONS ON TRANSFER OF STOCK

1.1 General

(a.) The Founding Stockholders shall not dispose of any shares of Common Stock now or hereafter owned by them ("Shares"), whether by sale, exchange, assignment, transfer, gift, devise, bequest, mortgage, pledge, encumbrance or otherwise, except in accordance with the terms and conditions of this Agreement. The Company and each Founding Stockholder shall also not take or omit to take any action which will impair the absolute and unrestricted right, power, authority and capacity of the Company or the Founding Stockholders to purchase or sell Shares in accordance with the terms and conditions hereof.

(b.) The Company, by its execution of this Agreement, agrees that it will not cause or permit the transfer of any shares to be made on its books except in accordance with the terms of this Agreement.

1.2 Permitted Transfers of Founding Stockholder's Shares

(a.) A Founding Stockholder may sell, assign or transfer any Shares held by such Founding Stockholder by complying with the provisions of Sections 2.1 and 3.1 hereof or, with prior written notice to the Company, (i) to any immediate family member (parent, sibling, spouse, child, niece, nephew, first cousin, or grandchild), (ii) to a trust whose sole beneficiaries are immediate family members, (iii) to a Founding Stockholder, (iv) to the Company, (v) in the event of the death of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to the estate of such Founding Stockholder or individual or entity named in the will of such Founding Stockholder, (vi) to any other person or entity, with the prior written consent of holders of capital stock owning 75% of then issued and outstanding shares of Common Stock, (vii) subject to and in accordance with the rights set forth in Article 2 hereof, top any person solely in connection with the transfer of the community property interest of a Founding Stockholder spouse in all or part of such Founding Stockholders' Shares upon death of such spouse or termination of the marital relationship of the spouse and such Founding Stockholder, (viii) to stockholders, members or beneficiary of a Founding Stockholder (if such Founding Stockholder is a corporation, limited liability company or trust, respectively, (xix) in the event of any Founding Stockholder being judicially declared to be incompetent, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, (x) in the event of the total or permanent disability, as defined in Section 422(1)(6) of the Internal Revenue Code, of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, and (xi) to another company or entity in connection with the exchange of all shares of capital stock of the Company to such other company (collectively, "Permitted Transferees"); provided, however, that such Permitted Transferee (other than pursuant to clause (xi) above) agrees to be bound by the terms of this Agreement and such transfer complies with applicable federal and state securities laws,

(b.) Each Founding Stockholder may also sell, assign or transfer any Shares held by such Founding Stockholder without complying with the provisions of Section 2.1 and 3.1 by obtaining the prior written consent of each of the other Founding Stockholders, provided that the transferee agrees in writing to assume the obligations of the Founding Stockholders under this Agreement and that the transfer is made in accordance with any other restrictions or conditions contained in such written consent, if any, and in accordance with applicable federal and state securities laws.

1.3 **No Pledge**. Shares held or otherwise owned by any Founding Stockholder may not be pledged, mortgaged or otherwise encumbered to secure indebtedness of money borrowed or any other obligation for which such Founding Stockholder is primarily or secondarily liable without the consent of the Company and each of the other Founding Stockholders.

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1.4 **Shares Certificate Legend**. Each certificate for Founding Stockholders Shares shall have conspicuously written, printed, typed or stamped upon the face thereof, or upon the reverse thereof with a conspicuous reference on the face thereof, the following legends:

> "THESE SHARES ARE SUBJECT TO CERTAIN TRANSFER RESTRICTIONS AND RIGHT OF REPURCHASE AS SET FORTH IN THE CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT DATED AS OF NOVEMBER 17, 2003 ON FILE WITH THE SECRETARY OF THE COMPANY."

> "THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT"). SUCH SHARES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT REGISTRATION IS NOT REQUIRED."

Promptly after execution of this Agreement, each of the existing stock certificates for the Shares issued to the Founding Stockholders, if any, shall be surrendered and new stock certificates shall be issued to such Founding Stockholders with the legends referred to above. Any stock certificate not so surrendered shall be deemed to have the legends referred to above.

1.5 **Definitions**. The words "sale," "sell," "transfer," and the like shall include any disposition by way of transfer, with or without consideration, to any person for any purpose, but shall not apply to exchanges of securities on account of merger, consolidation, reorganization or any other similar transaction affecting all of the securities of the Company.

ARTICLE 2

CERTAIN RIGHTS TO PURCHASE

2.1 **Sales of Shares**

(a.) The Founding Stockholders; Right of First Refusal. In the event that a Founding Stockholder (the "Selling Founding Stockholder") shall desire to sell, assign or transfer any Shares held by such Selling Founding Stockholder to any other person (the "Offer"), the following procedure shall apply. The Selling Founding Stockholder shall give to the Company and to each other Founding Stockholder (The "Non-Selling Founding Stockholders") written notice containing the terms

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and conditions of the Offer, including, but not limited to (i) the number of Offered Shares; (ii) the price per Share; (iii) the method of payment; and (iv) the name(s) of the proposed purchaser(s).

An Offer shall not be deemed bona fide unless, among other things, the method of payment is cash, the Selling Founding Stockholder has informed the prospective purchaser of its obligation under this Agreement and the prospective purchaser has agreed to become a party hereunder and to be bound hereby. The Company and the other Founding Stockholders are entitled to take such steps as they reasonably may deem necessary to determine the validity and bona fide nature of the Offer.

Until 20 days after receipt of such notice, the Non-Selling Founding Stockholders shall have the right (i) to purchase the Offered Shares of any portion thereof at the price offered by the prospective purchaser and specified in such notice or (ii) co-sell Shares to such third party in accordance with Section 3.1 below. The Non-Selling Founding Stockholders electing to purchase or co-sell must give written notice of such election to purchase or co-sell Shares to the Company and the Selling Founding Stockholder which notice shall specify the number of Offered Shares such Stockholder desires to purchase hereunder or the number of Shares such Stockholder desires to co-sell in accordance with Section 3.1. In the event that there are more than one Non-Selling Founding Stockholders desiring to purchase the Offered Shares and they desire to purchase more shares than the aggregate number of Offered Shares, then each Non-Selling Founding Stockholder shall have the right to purchase, on a pro rata basis based on the number of Shares owned by such Non-Selling Founding Stockholders, the Offered Shares. Such purchase shall be, at the option of the Non-Selling Founding Stockholders, either on the payment terms specified in such notice or on the Agreement Terms, as defined in Section 2.5.

(b) The Company's Rights to Purchase if the Non-Selling Founding Stockholders Fail to Purchase All Offered Shares. If the Non-Selling Founding Stockholders do not exercise their right to purchase all of the Offered Shares within the 20-day period, the Company shall have the right to purchase, within 15 days after the expiration of such 20-day period, the remaining Offered Shares or any portion thereof at the price offered by the prospective purchaser. Such purchase shall be, at the option of the Company, either on the payment terms offered by the prospective purchaser or on the Agreement Terms, as defined in Section 2.5.

After giving notice under this Section, the Selling Founding Shareholder shall refrain from participating as an officer, director or shareholder of the Company in the Company's decision whether to purchase any or all of the Offered Shares.

(c) Failure of the Company and the Non-Selling Founding Stockholders to Purchase Offered Shares. If all of the Offered Shares are not purchased by the Company and/or the Non-Selling Founding Stockholders within the 35-day period granted for such purchases, then, subject to the co-sale rights set forth in Section 3.1, the remaining Offered Shares may be sold, assigned, or transferred pursuant to the Offer; provided that the Offered Shares are so transferred with in 90 days of the

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expiration of the 35-day period to the person or persons named in, and under the terms and conditions of, the Offer described in the notice to the Company and Founding Stockholders; provided, further, that such transfer requires the new shareholder(s) (being the purchaser(s) under the Offer) to assume the obligations of the Selling Founding Stockholder under this Agreement; and provided, further, that such transfer complies with all applicable federal and state securities laws.

(d) The Right to Withdraw. The Selling Founding Stockholder may at any time prior to the sale of its Shares give notice to the Company that it no longer desires to sell the Offered Shares, provided that if it again desires to sell, assign or transfer any Shares held by it, it must comply with the provisions of the Agreement.

2.2 **Right to Purchase Upon Certain Other Events**

(a.) The Founding Stockholder's Right of Purchase. Each Founding Stockholder (or its transferees hereunder) (a "Purchasing Founding Stockholder") shall have the right to purchase on a pro rata basis based upon the number of Shares owned by such Purchasing Founding Stockholder, the Shares held by a Founding Stockholder (including his transferees hereunder) pursuant to the terms of this Section (the "Terminating Founding Stockholder", and such Shares held by such Terminating Founding Stockholder referred to as the "Terminating Shares") at the Agreement Price and on the Agreement Terms for a period of 90 days after the Company and the Purchasing Founding Stockholder receives notice from the Terminating Founding Stockholder or relevant third party, as applicable, of the occurrence of any of the following events, which notice shall be provided in the case of a Terminating Founding Stockholder within 5 business days of the occurrence of such event:

(i) the Terminating Founding Stockholder who is an employee ceases to be, for any reason, an employee of the Company or a subsidiary of the Company (any uninterrupted absence for a period of 180 days or more, without approval of the Board of Directors of the Company, shall be deemed to be termination of employment);

(ii) the Terminating Founding Stockholder defaults on any debts to the Company as they become due and fails to repay such debts within 60 business days after written notice of such default;

(iii) the Terminating Founding Stockholder is adjudicated a bankrupt or the Terminating Founding Stockholder makes an assignment for the benefit of creditors or a petition under any insolvency or bankruptcy laws is filed for readjustment of such Stockholder's debts or financial affairs by such Stockholder or by any creditor of such Stockholder;

(iv) any of the Terminating Founding Stockholder's Shares are levied upon under a writ of execution or become subject to sale under any legal process, or are transferred or ordered

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to be transferred to or for the benefit of any spouse or any other person or entity as a result of or in connection with any property settlement or judgment incident to a divorce, dissolution of marriage or separation,, or are transferred or ordered to be transferred to any person or entity who is not a party hereto by decree of distribution or other court order in a proceeding arising from the death of the spouse of the Terminating Founding Stockholder; or

(v) the Terminating Founding Stockholder sells, pledges, encumbers, hypothecates or otherwise transfers any interest in, or purports to sell, pledge, encumber, hypothecate or otherwise transfer any interest in, any of his or her Shares, except as permitted by and in full compliance with the terms of this Agreement.

(b.) The Company's Right to Purchase on the Founding Stockholder's Refusal. In the event a Purchasing Founding Stockholder elects not to purchase all of the Terminating Shares to which such Purchasing Founding Stockholder is entitled, the Company shall have the right to purchase, within 15 days after the expiration of such 90-day period, any remaining Terminating Shares, at the Agreement Price and on the Agreement Terms.

2.3 **Manner of Exercise**. Any right to purchase hereunder shall be exercised by giving written notice of election to the Company and the Terminating Founding Stockholder or his or her personal representative, as the case may be, prior to the expiration of such right to purchase. Such notice shall be given as provided in Section 5.5 hereof.

2.4 **Agreement Price**

(i) The "Agreement Price" shall be the fair value ("Fair Value") of the Shares to be purchased on a fully diluted basis, calculated on the basis of the Company as a going concern. Initially, the Board of Directors of the Company, in good faith in the exercise of its reasonable business judgment, shall determine the Fair Value of the shares. The Company shall notify the Founding Stockholders (or their representatives) as soon as possible of such determination, but in any event, not later than 30 days after the date giving rise to the right to purchase such Terminating Shares. If the Terminating Founding Stockholder or any Purchasing Founding Stockholder fail to notify the company within 15 days after the date of such notice of their objection to the proposed Fair Value, then the Fair Value proposed in the Company's notice shall be binding and conclusive.

(ii) If any Purchasing Founding Stockholder or the Terminating Founding Stockholder notifies the Company of its objection in writing within such 15-day period and if the Company, the Purchasing Founding Stockholders and the Terminating Founding Stockholder (or their representatives) can not mutually agree on the Fair Value of such shares within 10 days after the date of the notice of objection, then the Fair Value of the Shares shall be determined by an independent appraiser selected jointly by the Company, the Purchasing and Terminating Founding

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Stockholders (or their representatives). The determination of Fair Value by that appraiser shall be binding and conclusive on all parties to the Agreement. If the parties are unable to agree on the selection of an appraiser, each of the Purchasing and Terminating Founding Stockholders shall select an independent appraiser. The two appraisers so selected shall each independently appraise the Shares within 30 days of their appointment and, as long as the difference in the two appraisals does not exceed 5 percent of the lower of the two appraisals, the Fair Value shall be conclusively deemed to equal the average of the two appraisals. If the difference between the two appraisals referred to above exceeds 5 percent of the lower of the two appraisals, the two appraisers selected shall select a third appraiser within 5 business days after delivery of both appraisal, who shall also independently appraise the Fair Value of the shares and whose appraisal shall be conclusively deemed to be the Fair Value of the Shares. If either party fails to select an independent appraiser within the time required by this paragraph or if their appraiser fails to deliver their appraisal to the Company and the other party within the 30-day period, the Fair Value of the Shares shall be conclusively deemed to equal the appraisal of the independent appraiser timely selected by the other or timely delivered to the Company, as the case may be. The Founding Stockholders shall share equally the fees and expenses of the appraisers jointly named, but each party shall be responsible for the fees and expenses of any appraiser named solely by that party. Each party shall bear his, her, or its own expenses in presenting evidence to the appraisers.

2.5 **Agreement Terms**. "Agreement Terms" shall mean 100% of the purchase price, which shall be payable in the form of a check or via wire transfer as directed at the Closing of such purchase and sale. Any payment may be reduced by any indebtedness from the purchase of such purchase and sale.

2.6 **Delivery of Shares and Closing Date**. Within thirty (30) days of the exercise of any right to purchase hereunder or final determination of the Fair Value of the Shares, as the case may be, (the "Closing"), the Selling Founding Stockholder or the Terminating Founding Stockholder or his or her personal representatives, as the case may be, shall deliver certificates representing the Shares to be sold, properly endorsed for transfer, and with the necessary documentary and transfer tax stamps, if any, affixed, to the purchasers of such Shares. Payment of the purchase price therefor shall concurrently be made to the Selling Founding Stockholder or Terminating Founding Stockholder or his or her personal representatives as the case may be. Such delivery and payment shall be made at the principal office of the Company or at such other place as the parties mutually agree. Notwithstanding the above, any such transfer shall not be consummated unless it complies with all federal and state securities laws and the purchaser of such Shares assumes the obligations under this Agreement.

2.7 **Voting Trust**. Upon the occurrence of the following events the Shares held by the applicable Founding Stockholder (the "Trust Founding Stockholder") shall become subject to a voting trust substantially in the form contained at Schedule A:

(a.) the Trust Founding Stockholder is judicially declared to be competent;

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(b.) the death of the Trust Founding Stockholder; or

(c.) the total or permanent disability, as defined in Section 422(I)(6) of the Internal Revenue Code, of the Trust Founding Stockholder.

ARTICLE 3

CO-SALE AND DRAG-ALONG RIGHTS

3.1 **Co-Sale Provisions**.

(a) For 24 months from the date hereof, in the event that a founding Stockholder (or his transferees hereunder) (the "Selling Founding Stockholder") proposes to offer for sale or otherwise transfer any Shares to any person or entity (individually a "Third Party" and collectively, "Third Parties") in any one transaction or any series of related transactions, directly or indirectly, other than a sale to a Permitted Transferee under Section 1.2 hereof, such sale or other disposition to a Third Party shall not be permitted unless the Selling Founding Stockholder shall offer (or cause the Third Party to offer) each other Founding Stockholder and its permitted transferees (each being a "Co-Selling Founding Stockholder") the right to elect to include, at the sole option of such Co-Selling Founding Stockholder, in the sale to the Third Party, to the extent such shares have not been purchased by the Company or Non-Selling Founding Stockholder pursuant to Section 2.1 (a) above, such number of Shares owned by such Co-Selling founding Stockholder as permitted under Section 3.1 (b) and (c) below (the "Tag-Along shares")

(b) The Selling Founding Stockholder shall deliver a notice to the Company and the Co-Selling Founding Stockholders as provided in Section 2.1 (a) above. Within 20 days after the date of such notice, the Co-Selling Founding Stockholders may make an election to either (i) include a number of its Shares as Tag-Along Shares (up to the percentage set forth in paragraph (c) below) in such a sale or other disposition (the "Inclusion Election"), (ii) elect to purchase such Offered Shares pursuant to Section 2.1(a) above, or (iii) neither purchase Offered Shares nor sell Tag-along Shares. Such Co-Selling Founding Stockholder shall notify the Company and the Selling Founding Stockholder of its Inclusion Election within such 20-day period. Any Co-Selling Founding Stockholder electing to sell Tag-Along Shares shall also promptly deliver to the Company a stock certificate or certificates representing the number of Tag-Along Shares, together with a power-of-attorney authorizing the Selling Founding Stockholder to sell or otherwise dispose of such Tag-Along Shares pursuant to the terms of such Third Party's offer.

(c) The Co-Selling Founding Stockholders shall have the right to co-sell in the aggregate, pursuant to the Third Party's offer; up to 75% of the number of Offered Shares to be sold to

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the Third Party. If the Co-Selling Founding Stockholders desire to sell in the aggregate more than 75% of the Offered Shares, then the Co-Selling Founding Stockholders will have the right to sell, pro rata based on their number of Shares owned by them, the remaining number of Offered Shares, up to such 75% limit.

(d) The purchase of the Tag-Along Shares shall be on the same terms and conditions, including the price per share and the date of sale or other disposition, as are received by the Selling Founding Stockholder and stated in the notice referred to above.

(e) Promptly (but in no event later than five business days) after the consummation of the sale or other disposition of Shares of the Selling Founding Stockholder to the Third Party pursuant to the Third Party's offer, the Selling Founding Stockholder shall (i) notify the Co-Selling Founding Stockholders electing to sell Shares of the completion thereof, (ii) cause to be remitted to such Co-Selling Founding Stockholders the total sales price attributable to the Tag-Along Shares sold by him or her, and (iii) furnish such other evidence of the completion and time of completion of such sale or other disposition.

(f) If no Founding Stockholder has elected to make an Inclusion Election or an election to purchase Shares pursuant to Section 2.1, the Selling Founding Stockholder shall have 90 days after the expiration of 35-day period referred to in Section 2.1 © in which to well or otherwise dispose of such shares to the Third Party at a price and on terms not more favorable than were set forth in the Offer referred to above. If, at the end of such 90-day period, the Selling Founding Stockholder has not completed the sale of shares in accordance with the terms of the Third Party's offer, all the restrictions on sale contained in this Agreement shall again be in effect (unless such 90-day period is extended with the consent of the other Founding Stockholders). In the event that a sale of Shares is made to a Third Party pursuant to their Section 3.1, such Third Party shall be bound by the Terms of this Agreement.

(g) The Founding Stockholders may elect to either (i) purchase Offered Shares pursuant to Section 2.1 or (ii) sell Tag-along Shares pursuant to Section 3.1, but not both.

ARTICLE 4

MANAGEMENT

4.1 **Board of Directors**. Each Founding Stockholder agrees to vote their shares in favor of XXXXX as directors of the Company.

4.2 **Protective Provisions**. Until this Agreement is terminated, the Company shall not, without obtaining the written consent of each Founding Stockholder;

(a) authorize or issue, or obligate itself to authorize or issue, additional Shares of Common Stock, Preferred Stock or any other capital stock except the issuance of such number of shares of Common Stock as approved by the board of directors for issuance pursuant to exercise of stock options granted to employees, consultants, officers or directors; or

(b) sell, convey, or otherwise dispose of all or substantially all of its property or business, or merge into or consolidate into any other corporation, or effect any transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of, or

(c) Amend its Articles of Incorporation

ARTICLE 5

MISCELLANEOUS

5.1 **Additional Founding Stockholders**. Until this Agreement shall be terminated, all transferees of the Founding Stockholder Shares shall execute and deliver to the Company a written agreement, in form and content satisfactory to the Company, agreeing to be bound by all of the terms and conditions of the Agreement. The term "Founding Stockholder" as used herein shall be deemed to include the Founding Stockholders and their transferees.

5.2 **Representatives and Assigns**. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, their legal representatives, and permitted assigns and designees.

5.3 **Violations or Remedies**. The parties agree that any violation of this Agreement (other than a default in the payment of money) cannot be compensated for by damages and any aggrieved party shall have the right, and is hereby granted the privilege, of obtaining specific performance of this Agreement in any court of competent jurisdiction in the event of any breach hereunder.

5.4 **Governing Law**. This Agreement shall be deemed to be made under and governed by and construed in accordance with the laws of the State of North Carolina.

5.5 **Notices**. All notices required to be delivered pursuant to this Agreement shall be delivered in person or by telegraphic or other facsimile transmission and deemed given on the date of transmission or sent by certified mail, return receipt requested and deemed given three (3) business days after mailing, and shall be addressed to the Company at its principal business office, to the attention of the President, and to a Founding Stockholder at the address of the Founding Stockholder shown in the Company's stock ledger or to such other address as the Founding stockholder may indicate by duly giving written notice to the Company.

5.6 **Severability**. If any term or condition of this Agreement, or application thereof to any person or circumstance, shall to any extent be held invalid or unenforceable, the remainder of this Agreement, or application of such term or condition to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby and shall remain in full force and effect.

5.7 **Amendment**. This Agreement may be modified or amended in whole or in part by a written instrument signed by the Company and each Founding Stockholder.

5.8 **No Waiver**. No delay or failure on the part of a Company or a Founding Stockholder in the exercise of any right, power or remedy shall operate as a waiver thereof, not shall any single or partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy.

5.9 **Integration**. This Agreement embodies the entire agreement and understanding of the parties hereof in respect of the actions and transactions contemplated by this Agreement. This Agreement supersedes all other prior written or oral understandings between and among the parties hereto relating to the subject matter hereof.

5.10 **Termination of this Agreement**. This Agreement shall terminate upon the earlier of (a) the written agreement of each Founding Stockholder, (b) the sale of all the outstanding shares of capital stock of the company to a third party or, sale of all or substantially all of the assets of the Company to a third party, or (c) upon the closing of a registered, underwritten initial public offering of the Company's Common Stock with net proceeds to the Company in excess of $20,000,000.

5.11 **Counterparts**. This Agreement may be executed in any number counterparts, each of which, when so executed, shall be deemed an original.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above written.

_____

G. PAUL BOSSE III

_____

JOHN F. AMELING

_____

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BERNARD P. SCHACHTEL

RAY TAKIGIKU

RYAN BAKER

CHRIS GODWIN

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APPENDIX A

[to be added]

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SCHEDULE A

[to be added]

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Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 5/22/2008 6:08:25 PM
To: 'Paul Bosse' [pbosse@charlestonlabs.com]
CC: Rutley, Dean [DRutley@wcsr.com]
Subject: Founder's Stockholders Agreement
Attachments: Charleston Laboratories - Founders Stockholder Agreement - vdoc.DOC; Charleston Laboratories - Founders Stockholder Agreement - v2.DOC

Paul,

As discussed, please find attached the revised founder's stockholder agmt, together with a redline against the version you sent over. Please note that I am sending this subject to Dean's additional review and comment.

A few notes:

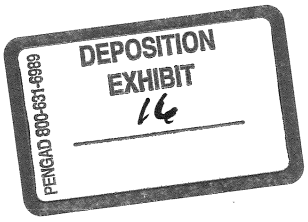
(1) you'll need to decide who else (if anyone) will sit on the board.
(2) the rights/obligations can be waived with the consent of the Company (via a Board vote) and a majority of holders of Common -- which means you (since you hold 55%). If you like, and if you think your team will feel better, we can raise the percentage to 66% or 75%. Refer to the spreadsheet showing the percentage of stock owned, to see the different combinations of votes that would be req'd at either such threshold.

Talk to you tomorrow afternoon.

Best,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | 2530 Meridian Parkway, Suite 400 | Durham, NC 27713 | office: 919.484.2352 | fax: 919.484.2090



CHARLESTON LABORATORIES, INC.

STOCKHOLDERS AGREEMENT

THIS CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT (this "Agreement") is made and entered into as of May ____, 2008 by and among Charleston Laboratories, Inc., a Delaware corporation (the "Company") and G. Paul Bosse III, John F. Ameling, Bernard P. Schachtel, Ray Takigiku, Ryan Baker, and Chris Godwin (the "Founding Shareholders").

WITNESSETH:

WHEREAS, the Founding Stockholders are collectively the owners of 100% of the issued and outstanding shares of the common stock of the Company as set forth on Exhibit A hereto ("Common Stock");

WHEREAS, the Founding Stockholders believe that it is in the best interests of the Founding Stockholders and the Company to make provisions for the future disposition of the shares of common stock of the Company ~~("Common Stock")~~ held by the Founding Stockholders and other matters set forth herein; and

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises and covenants herein set forth, the parties hereto agree as follows:

ARTICLE I

RESTRICTIONS ON TRANSFER OF STOCK

1.1 General

(a.) The Founding Stockholders shall not dispose of any shares of Common Stock now or hereafter owned by them ("Shares"), whether by sale, exchange, assignment, transfer, gift, devise, bequest, mortgage, pledge, encumbrance or otherwise, except in accordance with the terms and conditions of this Agreement. The Company and each Founding Stockholder shall also not take or omit to take any action which will impair the absolute and unrestricted right, power, authority and capacity of the Company or the Founding Stockholders to purchase or sell Shares in accordance with the terms and conditions hereof.

(b.) The Company, by its execution of this Agreement, agrees that it will not cause or permit the transfer of any shares to be made on its books except in accordance with the terms of this Agreement.

1.2 **Permitted Transfers of Founding Stockholder's Shares**

(a.) A Founding Stockholder may sell, assign or transfer any Shares held by such Founding Stockholder by complying with the provisions of Sections 2.1 and 3.1 hereof or, with prior written notice to the Company, (i) to any immediate family member (parent, sibling, spouse, child (including stepchildren or adopted children), niece, nephew, first cousin, or grandchild), (ii) to a trust whose sole beneficiaries are immediate family members, (iii) to a Founding Stockholder, (iv) to the Company, (v) in the event of the death of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to the estate of such Founding Stockholder or individual or entity named in the will of such Founding Stockholder, (vi) ~~to any other person or entity, with the prior written consent of holders of capital stock owning 75% of then issued and outstanding shares of Common Stock, (vii)~~ subject to and in accordance with the rights set forth in Article 2 hereof, top any person solely in connection with the transfer of the community property interest of a Founding Stockholder spouse in all or part of such Founding Stockholders' Shares upon death of such spouse or termination of the marital relationship of the spouse and such Founding Stockholder, (~~viii) to stockholders, members or beneficiary of a Founding Stockholder (if such Founding Stockholder is a corporation, limited liability company or trust, respectively, (xixxii~~) in the event of any Founding Stockholder being judicially declared to be incompetent, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, (~~x~~xiii) in the event of the total or permanent disability, as defined in Section 422(1)(6) of the Internal Revenue Code, of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, and (~~xii~~ix) to another company or entity in connection with the exchange of all shares of capital stock of the Company to such other company (collectively, "Permitted Transferees"); provided, however, that such Permitted Transferee (other than pursuant to clause (~~xii~~ix) above) agrees to be bound by the terms of this Agreement and such transfer complies with applicable federal and state securities laws,

(b.) Each Founding Stockholder may also sell, assign or transfer any Shares held by such Founding Stockholder without complying with the provisions of Section 2.1 and 3.1 by obtaining the prior written consent of each of the other Founding Stockholders, provided that the transferee agrees in writing to assume the obligations of the Founding Stockholders under this Agreement and that the transfer is made in accordance with any other restrictions or conditions contained in such written consent, if any, and in accordance with applicable federal and state securities laws.

1.3 **No Pledge**. Shares held or otherwise owned by any Founding Stockholder may not be pledged, mortgaged or otherwise encumbered to secure indebtedness of money borrowed or any other obligation for which such Founding Stockholder is primarily or secondarily liable without the consent of the Company and each of the other Founding Stockholders.

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1.4 **Shares Certificate Legend**. Each certificate for Founding Stockholders Shares shall have conspicuously written, printed, typed or stamped upon the face thereof, or upon the reverse thereof with a conspicuous reference on the face thereof, the following legends:

"THESE SHARES ARE SUBJECT TO CERTAIN TRANSFER RESTRICTIONS AND RIGHT OF REPURCHASE AS SET FORTH IN THE CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT DATED AS OF ~~NOVEMBER 17, 2003~~MAY ____, 2008 ON FILE WITH THE SECRETARY OF THE COMPANY."

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT"). SUCH SHARES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT REGISTRATION IS NOT REQUIRED."

Promptly after execution of this Agreement, each of the existing stock certificates for the Shares issued to the Founding Stockholders, if any, shall be surrendered and new stock certificates shall be issued to such Founding Stockholders with the legends referred to above. Any stock certificate not so surrendered shall be deemed to have the legends referred to above.

1.5 **Definitions**. The words "sale," "sell," "transfer," and the like shall include any disposition by way of transfer, with or without consideration, to any person for any purpose, but shall not apply to exchanges of securities on account of merger, consolidation, reorganization or any other similar transaction affecting all of the securities of the Company.

ARTICLE 2

CERTAIN RIGHTS TO PURCHASE

2.1 **Sales of Shares**

(a.) ~~The Founding Stockholders;~~ Right of First Refusal. In the event that a Founding Stockholder (the "Selling Founding Stockholder") shall desire to sell, assign or transfer any Shares held by such Selling Founding Stockholder to any other person (the "Offer"), the following procedure shall apply. The Selling Founding Stockholder shall give to the Company and to each other Founding Stockholder (~~The~~the "Non-Selling Founding Stockholders") written notice (the "Selling

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Founding Stockholder Notice") containing the terms and conditions of the Offer, including, but not limited to (i) the number of Offered Shares; (ii) the price per Share; (iii) the method of payment; and (iv) the name(s) of the proposed purchaser(s).

An Offer shall not be deemed bona fide unless, among other things, the method of payment is cash, the Selling Founding Stockholder has informed the prospective purchaser of its obligation under this Agreement and the prospective purchaser has agreed to become a party hereunder and to be bound hereby. The Company and the other Founding Stockholders are entitled to take such steps as they reasonably may deem necessary to determine the validity and bona fide nature of the Offer.

The Company and the Non-Selling Founding Stockholders shall have sixty (60) days after receipt of the Selling Founder Stockholder Notice within which to elect to purchase some or all of the Offered Shares. Until thirty (30) days after receipt of the Selling Founder Stockholder Notice, the Company shall have the right to elect to purchase, within fifteen (15) days after the expiration of such 30-day period, the Offered Shares or any portion thereof at the price offered by the prospective purchaser. Such purchase shall be, at the option of the Company, either on the payment terms offered by the prospective purchaser or on the Agreement Terms, as defined in Section 2.5.

~~Until 20 days after receipt of such notice~~If the Company does not elect to purchase all of the Offered Shares, the Non-Selling Founding Stockholders shall have the right (i) to ~~purchase~~elect to purchase, within sixty (60) days after receipt of the Selling Founder Stockholder Notice, the Offered Shares of any portion thereof at the price offered by the prospective purchaser and specified in such notice or (ii) co-sell Shares to such third party in accordance with Section 3.1 below. The Non-Selling Founding Stockholders electing to purchase or co-sell must give written notice of such election to purchase or co-sell Shares to the Company and the Selling Founding Stockholder which notice shall specify the number of Offered Shares such Stockholder desires to purchase hereunder or the number of Shares such Stockholder desires to co-sell in accordance with Section 3.1. In the event that there are more than one Non-Selling Founding Stockholders desiring to purchase the Offered Shares (or the remaining portion thereof) and they desire to purchase more shares than the aggregate number of Offered Shares (or the remaining portion thereof), then each Non-Selling Founding Stockholder shall have the right to purchase, on a pro rata basis based on the number of Shares owned by such Non-Selling Founding Stockholders, the Offered Shares (or the remaining portion thereof). Such purchase shall be, at the option of the Non-Selling Founding Stockholders, either on the payment terms specified in such notice or on the Agreement Terms, as defined in Section 2.5.

(b) ~~The Company's Rights to Purchase if the Non-Selling Founding Stockholders Fail to Purchase All Offered Shares. If the Non-Selling Founding Stockholders do not exercise their right to purchase all of the Offered Shares within the 20-day period, the Company shall have the right to purchase, within 15 days after the expiration of such 20-day period, the remaining Offered Shares or any portion thereof at the price offered by the prospective purchaser. Such purchase shall be, at the option of~~

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~~the Company, either on the payment terms offered by the prospective purchaser or on the Agreement Terms, as defined in Section 2.5.~~ After giving notice under this Section, the Selling Founding Shareholder shall refrain from participating as an officer, director or shareholder of the Company in the Company's decision whether to purchase any or all of the Offered Shares.

(c) Failure of the Company and the Non-Selling Founding Stockholders to Purchase Offered Shares. If all of the Offered Shares are not purchased by the Company and/or the Non-Selling Founding Stockholders within the ~~35~~60-day period granted for such purchases, then, subject to the co-sale rights set forth in Section 3.1, the remaining Offered Shares may be sold, assigned, or transferred pursuant to the Offer; provided that the Offered Shares are so transferred ~~with in 90~~within ninety (90) days of the expiration of the ~~35~~60-day period to the person or persons named in, and under the terms and conditions of, the Offer described in the notice to the Company and Founding Stockholders; provided, further, that such transfer requires the new shareholder(s) (being the purchaser(s) under the Offer) to assume the obligations of the Selling Founding Stockholder under this Agreement; and provided, further, that such transfer complies with all applicable federal and state securities laws. Notwithstanding the foregoing, prior to consummating any such sale, the Selling Founding Stockholder will, upon request from the Company, provide the Company with reasonable supporting documentation with respect to the terms and conditions of any such sale so as to demonstrate such Selling Founding Stockholder's compliance with the provisions of the preceding sentence. If such sale has not been completed within ninety (90) days of the expiration of the 60-day period as provided above, the Offered Shares may not thereafter be sold by the Selling Founding Stockholder unless the Selling Founding Stockholder reoffers the Offered Shares to the Company and the Non-Selling Founding Stockholders and complies with the procedures set forth in this Section 2.1.

(d) The Right to Withdraw. The Selling Founding Stockholder may at any time prior to the sale of its Shares give notice to the Company that it no longer desires to sell the Offered Shares, provided that if it again desires to sell, assign or transfer any Shares held by it, it must comply with the provisions of the Agreement.

2.2 **Right to Purchase Upon Certain Other Events**

(a.) The ~~Founding Stockholder~~Company's Right ~~of~~to Purchase. ~~Each Founding Stockholder (or its transferees hereunder) (a "Purchasing Founding Stockholder")~~The Company shall have the right to purchase ~~on a pro rata basis based upon the number of Shares owned by such Purchasing Founding Stockholder,~~any or all of the Shares held by a Founding Stockholder (including his transferees hereunder) pursuant to the terms of this Section (the "Terminating Founding Stockholder", and such Shares held by such Terminating Founding Stockholder referred to as the "Terminating Shares") at the Agreement Price and on the Agreement Terms for a period of 90 days after the Company and the Purchasing Founding Stockholder receives notice from the Terminating Founding Stockholder or relevant third party, as applicable, of the occurrence of any of the following events, which notice shall

be provided in the case of a Terminating Founding Stockholder within five (5) business days of the occurrence of such event:

(i) the Terminating Founding Stockholder who is an employee ceases to be, for any reason, an employee of the Company or a subsidiary of the Company (any uninterrupted absence for a period of 180 days or more, without approval of the Board of Directors of the Company, shall be deemed to be termination of employment);

(ii) the Terminating Founding Stockholder defaults on any debts to the Company as they become due and fails to repay such debts within 60 business days after written notice of such default;

(iii) the Terminating Founding Stockholder is adjudicated a bankrupt or the Terminating Founding Stockholder makes an assignment for the benefit of creditors or a petition under any insolvency or bankruptcy laws is filed for readjustment of such Stockholder's debts or financial affairs by such Stockholder or by any creditor of such Stockholder;

(iv) any of the Terminating Founding Stockholder's Shares are levied upon under a writ of execution or become subject to sale under any legal process, or are transferred or ordered to be transferred to or for the benefit of any spouse or any other person or entity as a result of or in connection with any property settlement or judgment incident to a divorce, dissolution of marriage or separation,, or are transferred or ordered to be transferred to any person or entity who is not a party hereto by decree of distribution or other court order in a proceeding arising from the death of the spouse of the Terminating Founding Stockholder; or

(v) the Terminating Founding Stockholder sells, pledges, encumbers, hypothecates or otherwise transfers any interest in, or purports to sell, pledge, encumber, hypothecate or otherwise transfer any interest in, any of his or her Shares, except as permitted by and in full compliance with the terms of this Agreement.

(b.) The ~~Company's Right to Purchase on the~~ Founding Stockholder's ~~Refusal~~Right of Purchase. In the event ~~a Purchasing Founding Stockholder~~the Company elects not to purchase all of the Terminating Shares to which ~~such Purchasing Founding Stockholder is entitled, the Company~~the Company is entitled, Each Founding Stockholder (or its transferees hereunder) (a "Purchasing Founding Stockholder") shall have the right to purchase on a pro rata basis based upon the number of Shares owned by such Purchasing Founding Stockholder, within 15 days after the expiration of such 90-day period, any remaining Terminating Shares~~,~~ at the Agreement Price and on the Agreement Terms.

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2.3 **Manner of Exercise**. Any right to purchase ~~hereunder~~under Section 2.2 shall be exercised by giving written notice of election to the Company and the Terminating Founding Stockholder or his or her personal representative, as the case may be, prior to the expiration of such right to purchase. Such notice shall be given as provided in Section 5.5 hereof.

2.4 **Agreement Price**

(i) The "Agreement Price" shall be the fair value ("Fair Value") of the Shares to be purchased on a fully diluted basis, calculated on the basis of the Company as a going concern. Initially, the Board of Directors of the Company, in good faith in the exercise of its reasonable business judgment, shall determine the Fair Value of the shares. The Company shall notify the Founding Stockholders (or their representatives) as soon as possible of such determination, but in any event, not later than 30 days after the date giving rise to the right to purchase such Terminating Shares. If the Terminating Founding Stockholder or any Purchasing Founding Stockholder fail to notify the company within 15 days after the date of such notice of their objection to the proposed Fair Value, then the Fair Value proposed in the Company's notice shall be binding and conclusive.

(ii) If any Purchasing Founding Stockholder or the Terminating Founding Stockholder notifies the Company of its objection in writing within such 15-day period and if the Company, the Purchasing Founding Stockholders and the Terminating Founding Stockholder (or their representatives) can not mutually agree on the Fair Value of such shares within 10 days after the date of the notice of objection, then the Fair Value of the Shares shall be determined by an independent appraiser selected jointly by the Company, the Purchasing and Terminating Founding Stockholders (or their representatives). The determination of Fair Value by that appraiser shall be binding and conclusive on all parties to the Agreement. If the parties are unable to agree on the selection of an appraiser, each of the Purchasing and Terminating Founding Stockholders shall select an independent appraiser. The two appraisers so selected shall each independently appraise the Shares within 30 days of their appointment and, as long as the difference in the two appraisals does not exceed 5 percent of the lower of the two appraisals, the Fair Value shall be conclusively deemed to equal the average of the two appraisals. If the difference between the two appraisals referred to above exceeds 5 percent of the lower of the two appraisals, the two appraisers selected shall select a third appraiser within 5 business days after delivery of both appraisal, who shall also independently appraise the Fair Value of the shares and whose appraisal shall be conclusively deemed to be the Fair Value of the Shares. If either party fails to select an independent appraiser within the time required by this paragraph or if their appraiser fails to deliver their appraisal to the Company and the other party within the 30-day period, the Fair Value of the Shares shall be conclusively deemed to equal the appraisal of the independent appraiser timely selected by the other or timely delivered to the Company, as the case may be. The Founding Stockholders shall share equally the fees and expenses of the appraisers jointly named, but each party shall be responsible for the fees and expenses of any appraiser named solely by that party. Each party shall bear his, her, or its own expenses in presenting evidence to the appraisers.

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2.5 **Agreement Terms**. "Agreement Terms" shall mean 100% of the purchase price, which shall be payable, in the Company's sole discretion, (i) in the form of a check or via wire transfer as directed at the Closing of such purchase and sale~~. Any payment may be reduced by any indebtedness from the purchase of such purchase and sale~~, or (ii) in five (5) equal annual installments, represented by a negotiable promissory note secured by a pledge of all shares of Stock involved in such purchase of shares of Stock to the payee of the note.

2.6 **Delivery of Shares and Closing Date**. Within thirty (30) days of the exercise of any right to purchase hereunder or final determination of the Fair Value of the Shares, as the case may be, (the "Closing"), the Selling Founding Stockholder or the Terminating Founding Stockholder or his or her personal representatives, as the case may be, shall deliver certificates representing the Shares to be sold, properly endorsed for transfer, and with the necessary documentary and transfer tax stamps, if any, affixed, to the purchasers of such Shares. Payment of the purchase price therefor shall concurrently be made to the Selling Founding Stockholder or Terminating Founding Stockholder or his or her personal representatives as the case may be. Such delivery and payment shall be made at the principal office of the Company or at such other place as the parties mutually agree. Notwithstanding the above, any such transfer shall not be consummated unless it complies with all federal and state securities laws and the purchaser of such Shares assumes the obligations under this Agreement.

~~2.7 **Voting Trust**. Upon the occurrence of the following events the Shares held by the applicable Founding Stockholder (the "Trust Founding Stockholder") shall become subject to a voting trust substantially in the form contained at Schedule A:~~

~~(a.) the Trust Founding Stockholder is judicially declared to be competent;~~

~~(b.) the death of the Trust Founding Stockholder; or~~

~~(c.) the total or permanent disability, as defined in Section 422(I)(6) of the Internal Revenue Code, of the Trust Founding Stockholder.~~

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ARTICLE 3

CO-SALE AND DRAG-ALONG RIGHTS

3.1 **Co-Sale Provisions**.

(a) ~~For 24 months from the date hereof, in~~In the event that a ~~founding Stockholder (or his transferees hereunder) (the "~~Selling Founding Stockholder~~")~~ proposes to offer for sale or otherwise transfer any Shares to any person or entity (individually a "Third Party" and collectively, "Third Parties") in any one transaction or any series of related transactions, directly or indirectly, other than a sale to a Permitted Transferee under Section 1.2 hereof, such sale or other disposition to a Third Party shall not be permitted unless the Selling Founding Stockholder shall offer (or cause the Third Party to offer) each other Founding Stockholder and its permitted transferees (each being a "Co-Selling Founding Stockholder") the right to elect to include, at the sole option of such Co-Selling Founding Stockholder, in the sale to the Third Party, to the extent such shares have not been purchased by the Company or Non-Selling Founding Stockholder pursuant to Section 2.1 (a) above, such number of Shares owned by such Co-Selling founding Stockholder as permitted under Section 3.1 (b) and (c) below (the "Tag-Along shares")

(b) The Selling Founding Stockholder shall deliver a notice to the Company and the Co-Selling Founding Stockholders as provided in Section 2.1 (a) above. Within ~~20~~sixty (60) days after the date of such notice, the Co-Selling Founding Stockholders may make an election to either (i) include a number of its Shares as Tag-Along Shares (up to the percentage set forth in paragraph (c) below) in such a sale or other disposition (the "Inclusion Election"), (ii) elect to purchase such Offered Shares pursuant to Section 2.1(a) above, or (iii) neither purchase Offered Shares nor sell Tag-along Shares. Such Co-Selling Founding Stockholder shall notify the Company and the Selling Founding Stockholder of its Inclusion Election within such ~~20~~60-day period. Any Co-Selling Founding Stockholder electing to sell Tag-Along Shares shall also promptly deliver to the Company a stock certificate or certificates representing the number of Tag-Along Shares, together with a power-of-attorney authorizing the Selling Founding Stockholder to sell or otherwise dispose of such Tag-Along Shares pursuant to the terms of such Third Party's offer.

(c) ~~The~~Each Co-Selling Founding Stockholders shall have the right to co-sell ~~in the aggregate~~, pursuant to the Third Party's offer~~; up to 75% of~~, the number of Offered Shares ~~to be sold to the Third Party. If the Co-Selling Founding Stockholders desire to sell in the aggregate more than 75% of the Offered Shares, then the Co-Selling Founding Stockholders will have the right to sell, pro rata based on their number of Shares owned by them, the remaining number of Offered Shares, up to such 75% limit~~equal to the product obtained by multiplying (x) the number of Offered Shares by (y) a fraction, (A) the numerator of which is the aggregate number of Shares then held by such Co-Selling

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Founding Stockholder, and (B) the denominator of which is the total number of Shares then held by the Selling Founding Stockholder and all of the Co-Selling Founding Stockholders.

(d) The purchase of the Tag-Along Shares shall be on the same terms and conditions, including the price per share and the date of sale or other disposition, as are received by the Selling Founding Stockholder and stated in the notice referred to above.

(e) ~~Promptly (but in no event later than five business days) after the consummation of the sale or other disposition of Shares of the Selling Founding Stockholder to the Third Party pursuant to the Third Party's offer,~~If the Third Party refuses to purchase Shares from the Co-Selling Founding Stockholders at the closing, then the Selling Founding Stockholder shall ~~(i) notify the Co-Selling Founding Stockholders electing to sell Shares of the completion thereof, (ii) cause to be remitted to such Co-Selling Founding Stockholders the total sales price attributable to the Tag-Along Shares sold by him or her, and (iii) furnish such other evidence of the completion and time of completion of such sale or other disposition~~not be entitled to sell any Shares to the Third Party.

(f) If no Founding Stockholder has elected to make an Inclusion Election or an election to purchase Shares pursuant to Section 2.1, the Selling Founding Stockholder shall have ninety (90) days after the expiration of ~~35~~60-day period referred to in Section 2.1~~©~~(c) in which to ~~well~~sell or otherwise dispose of such shares to the Third Party at a price and on terms not more favorable than were set forth in the Offer referred to above. If, at the end of such 90-day period, the Selling Founding Stockholder has not completed the sale of shares in accordance with the terms of the Third Party's offer, all the restrictions on sale contained in this Agreement shall again be in effect (unless such 90-day period is extended with the consent of the other Founding Stockholders). In the event that a sale of Shares is made to a Third Party pursuant to their Section 3.1, such Third Party shall be bound by the Terms of this Agreement.

(g) The Founding Stockholders may elect to either (i) purchase Offered Shares pursuant to Section 2.1 or (ii) sell Tag-along Shares pursuant to Section 3.1, but not both.

3.2 **Drag-Along Provisions**. In the event the Board of Directors and the holders of a majority of the then outstanding Shares approve a bona fide offer from a third party that is not a Founding Stockholder or an affiliate of any Founding Stockholder (as defined in Rule 144 under the Securities Act of 1933, as amended) to purchase all of the then outstanding capital stock of the Company, then each Founding Stockholder shall vote all of the Shares owned or controlled by such Founding Stockholder in favor of the proposed transaction and shall take all other action deemed necessary or desirable by the Board of Directors to effect the proposed transaction.

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ARTICLE 4

MANAGEMENT

4.1 **Board of Directors**. Each Founding Stockholder ~~agrees to vote their shares in favor of XXXXX as directors of the Company~~hereby agrees that the Board of Directors of the Company shall consist of the number of members determined by the Board of Directors of the Company from time to time. The Founding Stockholders hereby agree that each shall vote all shares of Common Stock held or controlled by each Founding Stockholder so as to provide for the election to the Board of Directors of the Company of each of G. Paul Bosse III, , and so long as such individuals continue to own at least 50% of the shares of Common Stock of the Company owned as of the date hereof (as adjusted for stock splits and stock dividends, if any).

4.2 **Protective Provisions**. Until this Agreement is terminated, the Company shall not, without obtaining the written consent of ~~each Founding Stockholder;~~the Founding Stockholders (or their transferees) then subject to this Agreement holding not less than fifty percent (50%) of the total Shares held by the Founding Stockholders then subject to this Agreement (a "Majority of Founding Stockholders"):

(a) authorize or issue, or obligate itself to authorize or issue, additional Shares of Common Stock, Preferred Stock or any other capital stock except the issuance of such number of shares of Common Stock as approved by the ~~board~~Board of ~~directors~~Directors for issuance pursuant to exercise of stock options granted to employees, consultants, officers or directors; or

(b) sell, convey, or otherwise dispose of all or substantially all of its property or business, or merge into or consolidate into any other corporation, or effect any transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of~~;~~, or

(c) Amend its Articles of Incorporation.

ARTICLE 5

MISCELLANEOUS

5.1 **Additional Founding Stockholders**. Until this Agreement shall be terminated, all transferees of the Founding Stockholder Shares shall execute and deliver to the Company a written agreement, in form and content satisfactory to the Company, agreeing to be bound by all of the terms and conditions of the Agreement. The term "Founding Stockholder" as used herein shall be deemed to include the Founding Stockholders and their transferees.

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5.2 **Representatives and Assigns**. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, their legal representatives, and permitted assigns and designees.

5.3 **Violations or Remedies**. The parties agree that any violation of this Agreement (other than a default in the payment of money) cannot be compensated for by damages and any aggrieved party shall have the right, and is hereby granted the privilege, of obtaining specific performance of this Agreement in any court of competent jurisdiction in the event of any breach hereunder.

5.4 **Governing Law**. This Agreement shall be deemed to be made under and governed by and construed in accordance with the laws of the State of North Carolina.

5.5 **Notices**. All notices required to be delivered pursuant to this Agreement shall be delivered in person or by telegraphic or other facsimile transmission and deemed given on the date of transmission or sent by certified mail, return receipt requested and deemed given three (3) business days after mailing, and shall be addressed to the Company at its principal business office, to the attention of the President, and to a Founding Stockholder at the address of the Founding Stockholder shown in the Company's stock ledger or to such other address as the Founding stockholder may indicate by duly giving written notice to the Company.

5.6 **Severability**. If any term or condition of this Agreement, or application thereof to any person or circumstance, shall to any extent be held invalid or unenforceable, the remainder of this Agreement, or application of such term or condition to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby and shall remain in full force and effect.

5.7 **Amendment and Waiver**. This Agreement may be modified or amended in whole or in part, and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument signed by the Company and ~~each Founding Stockholder~~ a Majority of Founding Stockholders. Any amendment, modification or waiver so effected shall be binding upon the Company, the Founding Stockholders and all of their respective successors and permitted assigns whether or not such party, assignee or other shareholder entered into or approved such amendment, modification or waiver. Notwithstanding the foregoing, (i) this Agreement may not be amended or modified and the observance of any term hereunder may not be waived with respect to any Founding Stockholder without the written consent of such Founding Stockholder unless such amendment, modification or waiver applies to all Founding Stockholders, respectively, in the same fashion and (ii) Exhibit A hereto may be amended by the Company from time to time to add information regarding additional Founding Stockholders without the consent of the other parties hereto.

5.8 **No Waiver**. No delay or failure on the part of a Company or a Founding Stockholder in the exercise of any right, power or remedy shall operate as a waiver thereof, not shall any single or

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partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy.

5.9 **Integration**. This Agreement embodies the entire agreement and understanding of the parties hereof in respect of the actions and transactions contemplated by this Agreement. This Agreement supersedes all other prior written or oral understandings between and among the parties hereto relating to the subject matter hereof.

5.10 **Termination of this Agreement**. This Agreement shall terminate upon the earlier of (a) the written agreement of ~~each~~(i) the Company and (ii) a Majority of Founding ~~Stockholder~~Stockholders, (b) the sale of all the outstanding shares of capital stock of the company to a third party or, sale of all or substantially all of the assets of the Company to a third party, or (c) upon the closing of a registered, underwritten initial public offering of the Company's Common Stock with net proceeds to the Company in excess of $20,000,000.

5.11 **Counterparts**. This Agreement may be executed in any number counterparts, each of which, when so executed, shall be deemed an original.

5.12 **After-Acquired Shares**. Each Founding Stockholder agrees and acknowledges that all of the terms, conditions and restrictions of this Agreement shall apply to all shares of the capital stock of the Company now owned or hereafter acquired by him.

5.13 **Additional Parties**. Any person exercising a right, option or warrant to acquire shares of the Company's capital stock and any purchaser of shares of the Company's capital stock issued by the Company may be admitted as a party to this Agreement as a Founding Stockholder upon the execution of a counterpart signature page by such person.

[Signature Page Follows]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above written.

_____
G. PAUL BOSSE III

_____
JOHN F. AMELING

_____
BERNARD P. SCHACHTEL

_____
RAY TAKIGIKU

_____
RYAN BAKER

_____
CHRIS GODWIN

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APPENDIX A

~~[to be added]~~

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~~SCHEDULE A~~

Shareholders	Number of Shares of Common Stock
G. Paul Bosse III	1650
Ray Takigiku PhD	240
John Ameling	300
Bernie Schachtel M.D.	360
Ryan Baker	300
Chris Godwin	150
TOTAL	3000

~~[to be added]~~

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Split/Merged cell	
Padding cell	

Statistics:	
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Deletions	58
Moved from	8
Moved to	8
Style change	0
Format changed	0
Total changes	150

CHARLESTON LABORATORIES, INC.

STOCKHOLDERS AGREEMENT

THIS CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT (this "Agreement") is made and entered into as of May ____, 2008 by and among Charleston Laboratories, Inc., a Delaware corporation (the "Company") and G. Paul Bosse III, John F. Ameling, Bernard P. Schachtel, Ray Takigiku, Ryan Baker, and Chris Godwin (the "Founding Shareholders").

WITNESSETH:

WHEREAS, the Founding Stockholders are collectively the owners of 100% of the issued and outstanding shares of the common stock of the Company as set forth on Exhibit A hereto ("Common Stock");

WHEREAS, the Founding Stockholders believe that it is in the best interests of the Founding Stockholders and the Company to make provisions for the future disposition of the shares of common stock of the Company held by the Founding Stockholders and other matters set forth herein; and

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises and covenants herein set forth, the parties hereto agree as follows:

ARTICLE I

RESTRICTIONS ON TRANSFER OF STOCK

1.1 General

(a.) The Founding Stockholders shall not dispose of any shares of Common Stock now or hereafter owned by them ("Shares"), whether by sale, exchange, assignment, transfer, gift, devise, bequest, mortgage, pledge, encumbrance or otherwise, except in accordance with the terms and conditions of this Agreement. The Company and each Founding Stockholder shall also not take or omit to take any action which will impair the absolute and unrestricted right, power, authority and capacity of the Company or the Founding Stockholders to purchase or sell Shares in accordance with the terms and conditions hereof.

(b.) The Company, by its execution of this Agreement, agrees that it will not cause or permit the transfer of any shares to be made on its books except in accordance with the terms of this Agreement.

1.2 **Permitted Transfers of Founding Stockholder's Shares**

(a.) A Founding Stockholder may sell, assign or transfer any Shares held by such Founding Stockholder by complying with the provisions of Sections 2.1 and 3.1 hereof or, with prior written notice to the Company, (i) to any immediate family member (parent, sibling, spouse, child (including stepchildren or adopted children), niece, nephew, first cousin, or grandchild), (ii) to a trust whose sole beneficiaries are immediate family members, (iii) to a Founding Stockholder, (iv) to the Company, (v) in the event of the death of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to the estate of such Founding Stockholder or individual or entity named in the will of such Founding Stockholder, (vi) subject to and in accordance with the rights set forth in Article 2 hereof, top any person solely in connection with the transfer of the community property interest of a Founding Stockholder spouse in all or part of such Founding Stockholders' Shares upon death of such spouse or termination of the marital relationship of the spouse and such Founding Stockholder, (xii) in the event of any Founding Stockholder being judicially declared to be incompetent, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, (xiii) in the event of the total or permanent disability, as defined in Section 422(1)(6) of the Internal Revenue Code, of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, and (ix) to another company or entity in connection with the exchange of all shares of capital stock of the Company to such other company (collectively, "Permitted Transferees"); provided, however, that such Permitted Transferee (other than pursuant to clause (ix) above) agrees to be bound by the terms of this Agreement and such transfer complies with applicable federal and state securities laws,

(b.) Each Founding Stockholder may also sell, assign or transfer any Shares held by such Founding Stockholder without complying with the provisions of Section 2.1 and 3.1 by obtaining the prior written consent of each of the other Founding Stockholders, provided that the transferee agrees in writing to assume the obligations of the Founding Stockholders under this Agreement and that the transfer is made in accordance with any other restrictions or conditions contained in such written consent, if any, and in accordance with applicable federal and state securities laws.

1.3 **No Pledge**. Shares held or otherwise owned by any Founding Stockholder may not be pledged, mortgaged or otherwise encumbered to secure indebtedness of money borrowed or any other obligation for which such Founding Stockholder is primarily or secondarily liable without the consent of the Company and each of the other Founding Stockholders.

1.4 **Shares Certificate Legend**. Each certificate for Founding Stockholders Shares shall have conspicuously written, printed, typed or stamped upon the face thereof, or upon the reverse thereof with a conspicuous reference on the face thereof, the following legends:

"THESE SHARES ARE SUBJECT TO CERTAIN TRANSFER RESTRICTIONS AND RIGHT OF REPURCHASE AS SET FORTH IN THE CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT DATED AS OF MAY _____, 2008 ON FILE WITH THE SECRETARY OF THE COMPANY."

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT"). SUCH SHARES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT REGISTRATION IS NOT REQUIRED."

Promptly after execution of this Agreement, each of the existing stock certificates for the Shares issued to the Founding Stockholders, if any, shall be surrendered and new stock certificates shall be issued to such Founding Stockholders with the legends referred to above. Any stock certificate not so surrendered shall be deemed to have the legends referred to above.

1.5 **Definitions**. The words "sale," "sell," "transfer," and the like shall include any disposition by way of transfer, with or without consideration, to any person for any purpose, but shall not apply to exchanges of securities on account of merger, consolidation, reorganization or any other similar transaction affecting all of the securities of the Company.

ARTICLE 2

CERTAIN RIGHTS TO PURCHASE

2.1 **Sales of Shares**

(a.) Right of First Refusal. In the event that a Founding Stockholder (the "Selling Founding Stockholder") shall desire to sell, assign or transfer any Shares held by such Selling Founding Stockholder to any other person (the "Offer"), the following procedure shall apply. The Selling Founding Stockholder shall give to the Company and to each other Founding Stockholder (the "Non-Selling Founding Stockholders") written notice (the "Selling Founding Stockholder Notice") containing the terms and conditions of the Offer, including, but not limited to (i) the number of Offered Shares; (ii) the price per Share; (iii) the method of payment; and (iv) the name(s) of the proposed purchaser(s).

An Offer shall not be deemed bona fide unless, among other things, the method of payment is cash, the Selling Founding Stockholder has informed the prospective purchaser of its obligation under

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this Agreement and the prospective purchaser has agreed to become a party hereunder and to be bound hereby. The Company and the other Founding Stockholders are entitled to take such steps as they reasonably may deem necessary to determine the validity and bona fide nature of the Offer.

The Company and the Non-Selling Founding Stockholders shall have sixty (60) days after receipt of the Selling Founder Stockholder Notice within which to elect to purchase some or all of the Offered Shares. Until thirty (30) days after receipt of the Selling Founder Stockholder Notice, the Company shall have the right to elect to purchase, within fifteen (15) days after the expiration of such 30-day period, the Offered Shares or any portion thereof at the price offered by the prospective purchaser. Such purchase shall be, at the option of the Company, either on the payment terms offered by the prospective purchaser or on the Agreement Terms, as defined in Section 2.5.

If the Company does not elect to purchase all of the Offered Shares, the Non-Selling Founding Stockholders shall have the right (i) to elect to purchase, within sixty (60) days after receipt of the Selling Founder Stockholder Notice, the Offered Shares of any portion thereof at the price offered by the prospective purchaser and specified in such notice or (ii) co-sell Shares to such third party in accordance with Section 3.1 below. The Non-Selling Founding Stockholders electing to purchase or co-sell must give written notice of such election to purchase or co-sell Shares to the Company and the Selling Founding Stockholder which notice shall specify the number of Offered Shares such Stockholder desires to purchase hereunder or the number of Shares such Stockholder desires to co-sell in accordance with Section 3.1. In the event that there are more than one Non-Selling Founding Stockholders desiring to purchase the Offered Shares (or the remaining portion thereof) and they desire to purchase more shares than the aggregate number of Offered Shares (or the remaining portion thereof), then each Non-Selling Founding Stockholder shall have the right to purchase, on a pro rata basis based on the number of Shares owned by such Non-Selling Founding Stockholders, the Offered Shares (or the remaining portion thereof). Such purchase shall be, at the option of the Non-Selling Founding Stockholders, either on the payment terms specified in such notice or on the Agreement Terms, as defined in Section 2.5.

(b) After giving notice under this Section, the Selling Founding Shareholder shall refrain from participating as an officer, director or shareholder of the Company in the Company's decision whether to purchase any or all of the Offered Shares.

(c) Failure of the Company and the Non-Selling Founding Stockholders to Purchase Offered Shares. If all of the Offered Shares are not purchased by the Company and/or the Non-Selling Founding Stockholders within the 60-day period granted for such purchases, then, subject to the co-sale rights set forth in Section 3.1, the remaining Offered Shares may be sold, assigned, or transferred pursuant to the Offer; provided that the Offered Shares are so transferred within ninety (90) days of the expiration of the 60-day period to the person or persons named in, and under the terms and conditions of, the Offer described in the notice to the Company and Founding Stockholders; provided, further, that such transfer requires the new shareholder(s) (being the purchaser(s) under the Offer) to assume the

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obligations of the Selling Founding Stockholder under this Agreement; and provided, further, that such transfer complies with all applicable federal and state securities laws. Notwithstanding the foregoing, prior to consummating any such sale, the Selling Founding Stockholder will, upon request from the Company, provide the Company with reasonable supporting documentation with respect to the terms and conditions of any such sale so as to demonstrate such Selling Founding Stockholder's compliance with the provisions of the preceding sentence. If such sale has not been completed within ninety (90) days of the expiration of the 60-day period as provided above, the Offered Shares may not thereafter be sold by the Selling Founding Stockholder unless the Selling Founding Stockholder reoffers the Offered Shares to the Company and the Non-Selling Founding Stockholders and complies with the procedures set forth in this Section 2.1.

(d) The Right to Withdraw. The Selling Founding Stockholder may at any time prior to the sale of its Shares give notice to the Company that it no longer desires to sell the Offered Shares, provided that if it again desires to sell, assign or transfer any Shares held by it, it must comply with the provisions of the Agreement.

2.2 **Right to Purchase Upon Certain Other Events**

(a.) The Company's Right to Purchase. The Company shall have the right to purchase any or all of the Shares held by a Founding Stockholder (including his transferees hereunder) pursuant to the terms of this Section (the "Terminating Founding Stockholder", and such Shares held by such Terminating Founding Stockholder referred to as the "Terminating Shares") at the Agreement Price and on the Agreement Terms for a period of 90 days after the Company and the Purchasing Founding Stockholder receives notice from the Terminating Founding Stockholder or relevant third party, as applicable, of the occurrence of any of the following events, which notice shall be provided in the case of a Terminating Founding Stockholder within five (5) business days of the occurrence of such event:

(i) the Terminating Founding Stockholder who is an employee ceases to be, for any reason, an employee of the Company or a subsidiary of the Company (any uninterrupted absence for a period of 180 days or more, without approval of the Board of Directors of the Company, shall be deemed to be termination of employment);

(ii) the Terminating Founding Stockholder defaults on any debts to the Company as they become due and fails to repay such debts within 60 business days after written notice of such default;

(iii) the Terminating Founding Stockholder is adjudicated a bankrupt or the Terminating Founding Stockholder makes an assignment for the benefit of creditors or a petition under any insolvency or bankruptcy laws is filed for readjustment of such Stockholder's debts or financial affairs by such Stockholder or by any creditor of such Stockholder;

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(iv) any of the Terminating Founding Stockholder's Shares are levied upon under a writ of execution or become subject to sale under any legal process, or are transferred or ordered to be transferred to or for the benefit of any spouse or any other person or entity as a result of or in connection with any property settlement or judgment incident to a divorce, dissolution of marriage or separation,, or are transferred or ordered to be transferred to any person or entity who is not a party hereto by decree of distribution or other court order in a proceeding arising from the death of the spouse of the Terminating Founding Stockholder; or

(v) the Terminating Founding Stockholder sells, pledges, encumbers, hypothecates or otherwise transfers any interest in, or purports to sell, pledge, encumber, hypothecate or otherwise transfer any interest in, any of his or her Shares, except as permitted by and in full compliance with the terms of this Agreement.

(b.) The Founding Stockholder's Right of Purchase. In the event the Company elects not to purchase all of the Terminating Shares to which the Company is entitled, Each Founding Stockholder (or its transferees hereunder) (a "Purchasing Founding Stockholder") shall have the right to purchase on a pro rata basis based upon the number of Shares owned by such Purchasing Founding Stockholder, within 15 days after the expiration of such 90-day period, any remaining Terminating Shares at the Agreement Price and on the Agreement Terms.

2.3 **Manner of Exercise**. Any right to purchase under Section 2.2 shall be exercised by giving written notice of election to the Company and the Terminating Founding Stockholder or his or her personal representative, as the case may be, prior to the expiration of such right to purchase. Such notice shall be given as provided in Section 5.5 hereof.

2.4 **Agreement Price**

(i) The "Agreement Price" shall be the fair value ("Fair Value") of the Shares to be purchased on a fully diluted basis, calculated on the basis of the Company as a going concern. Initially, the Board of Directors of the Company, in good faith in the exercise of its reasonable business judgment, shall determine the Fair Value of the shares. The Company shall notify the Founding Stockholders (or their representatives) as soon as possible of such determination, but in any event, not later than 30 days after the date giving rise to the right to purchase such Terminating Shares. If the Terminating Founding Stockholder or any Purchasing Founding Stockholder fail to notify the company within 15 days after the date of such notice of their objection to the proposed Fair Value, then the Fair Value proposed in the Company's notice shall be binding and conclusive.

(ii) If any Purchasing Founding Stockholder or the Terminating Founding Stockholder notifies the Company of its objection in writing within such 15-day period and if the

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Company, the Purchasing Founding Stockholders and the Terminating Founding Stockholder (or their representatives) can not mutually agree on the Fair Value of such shares within 10 days after the date of the notice of objection, then the Fair Value of the Shares shall be determined by an independent appraiser selected jointly by the Company, the Purchasing and Terminating Founding Stockholders (or their representatives). The determination of Fair Value by that appraiser shall be binding and conclusive on all parties to the Agreement. If the parties are unable to agree on the selection of an appraiser, each of the Purchasing and Terminating Founding Stockholders shall select an independent appraiser. The two appraisers so selected shall each independently appraise the Shares within 30 days of their appointment and, as long as the difference in the two appraisals does not exceed 5 percent of the lower of the two appraisals, the Fair Value shall be conclusively deemed to equal the average of the two appraisals. If the difference between the two appraisals referred to above exceeds 5 percent of the lower of the two appraisals, the two appraisers selected shall select a third appraiser within 5 business days after delivery of both appraisal, who shall also independently appraise the Fair Value of the shares and whose appraisal shall be conclusively deemed to be the Fair Value of the Shares. If either party fails to select an independent appraiser within the time required by this paragraph or if their appraiser fails to deliver their appraisal to the Company and the other party within the 30-day period, the Fair Value of the Shares shall be conclusively deemed to equal the appraisal of the independent appraiser timely selected by the other or timely delivered to the Company, as the case may be. The Founding Stockholders shall share equally the fees and expenses of the appraisers jointly named, but each party shall be responsible for the fees and expenses of any appraiser named solely by that party. Each party shall bear his, her, or its own expenses in presenting evidence to the appraisers.

2.5 **Agreement Terms**. "Agreement Terms" shall mean100% of the purchase price, which shall be payable, in the Company's sole discretion, (i) in the form of a check or via wire transfer as directed at the Closing of such purchase and sale, or (ii) in five (5) equal annual installments, represented by a negotiable promissory note secured by a pledge of all shares of Stock involved in such purchase of shares of Stock to the payee of the note.

2.6 **Delivery of Shares and Closing Date**. Within thirty (30) days of the exercise of any right to purchase hereunder or final determination of the Fair Value of the Shares, as the case may be, (the "Closing"), the Selling Founding Stockholder or the Terminating Founding Stockholder or his or her personal representatives, as the case may be, shall deliver certificates representing the Shares to be sold, properly endorsed for transfer, and with the necessary documentary and transfer tax stamps, if any, affixed, to the purchasers of such Shares. Payment of the purchase price therefor shall concurrently be made to the Selling Founding Stockholder or Terminating Founding Stockholder or his or her personal representatives as the case may be. Such delivery and payment shall be made at the principal office of the Company or at such other place as the parties mutually agree. Notwithstanding the above, any such transfer shall not be consummated unless it complies with all federal and state securities laws and the purchaser of such Shares assumes the obligations under this Agreement.

ARTICLE 3

CO-SALE AND DRAG-ALONG RIGHTS

3.1 **Co-Sale Provisions**.

(a) In the event that a Selling Founding Stockholder proposes to offer for sale or otherwise transfer any Shares to any person or entity (individually a "Third Party" and collectively, "Third Parties") in any one transaction or any series of related transactions, directly or indirectly, other than a sale to a Permitted Transferee under Section 1.2 hereof, such sale or other disposition to a Third Party shall not be permitted unless the Selling Founding Stockholder shall offer (or cause the Third Party to offer) each other Founding Stockholder and its permitted transferees (each being a "Co-Selling Founding Stockholder") the right to elect to include, at the sole option of such Co-Selling Founding Stockholder, in the sale to the Third Party, to the extent such shares have not been purchased by the Company or Non-Selling Founding Stockholder pursuant to Section 2.1(a) above, such number of Shares owned by such Co-Selling founding Stockholder as permitted under Section 3.1(b) and (c) below (the "Tag-Along shares")

(b) The Selling Founding Stockholder shall deliver a notice to the Company and the Co-Selling Founding Stockholders as provided in Section 2.1(a) above. Within sixty (60) days after the date of such notice, the Co-Selling Founding Stockholders may make an election to either (i) include a number of its Shares as Tag-Along Shares (up to the percentage set forth in paragraph (c) below) in such a sale or other disposition (the "Inclusion Election"), (ii) elect to purchase such Offered Shares pursuant to Section 2.1(a) above, or (iii) neither purchase Offered Shares nor sell Tag-along Shares. Such Co-Selling Founding Stockholder shall notify the Company and the Selling Founding Stockholder of its Inclusion Election within such 60-day period. Any Co-Selling Founding Stockholder electing to sell Tag-Along Shares shall also promptly deliver to the Company a stock certificate or certificates representing the number of Tag-Along Shares, together with a power-of-attorney authorizing the Selling Founding Stockholder to sell or otherwise dispose of such Tag-Along Shares pursuant to the terms of such Third Party's offer.

(c) Each Co-Selling Founding Stockholders shall have the right to co-sell, pursuant to the Third Party's offer, the number of Offered Shares equal to the product obtained by multiplying (x) the number of Offered Shares by (y) a fraction, (A) the numerator of which is the aggregate number of Shares then held by such Co-Selling Founding Stockholder, and (B) the denominator of which is the total number of Shares then held by the Selling Founding Stockholder and all of the Co-Selling Founding Stockholders.

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(d) The purchase of the Tag-Along Shares shall be on the same terms and conditions, including the price per share and the date of sale or other disposition, as are received by the Selling Founding Stockholder and stated in the notice referred to above.

(e) If the Third Party refuses to purchase Shares from the Co-Selling Founding Stockholders at the closing, then the Selling Founding Stockholder shall not be entitled to sell any Shares to the Third Party.

(f) If no Founding Stockholder has elected to make an Inclusion Election or an election to purchase Shares pursuant to Section 2.1, the Selling Founding Stockholder shall have ninety (90) days after the expiration of 60-day period referred to in Section 2.1(c) in which to sell or otherwise dispose of such shares to the Third Party at a price and on terms not more favorable than were set forth in the Offer referred to above. If, at the end of such 90-day period, the Selling Founding Stockholder has not completed the sale of shares in accordance with the terms of the Third Party's offer, all the restrictions on sale contained in this Agreement shall again be in effect (unless such 90-day period is extended with the consent of the other Founding Stockholders). In the event that a sale of Shares is made to a Third Party pursuant to their Section 3.1, such Third Party shall be bound by the Terms of this Agreement.

(g) The Founding Stockholders may elect to either (i) purchase Offered Shares pursuant to Section 2.1 or (ii) sell Tag-along Shares pursuant to Section 3.1, but not both.

3.2 **Drag-Along Provisions**. In the event the Board of Directors and the holders of a majority of the then outstanding Shares approve a bona fide offer from a third party that is not a Founding Stockholder or an affiliate of any Founding Stockholder (as defined in Rule 144 under the Securities Act of 1933, as amended) to purchase all of the then outstanding capital stock of the Company, then each Founding Stockholder shall vote all of the Shares owned or controlled by such Founding Stockholder in favor of the proposed transaction and shall take all other action deemed necessary or desirable by the Board of Directors to effect the proposed transaction.

ARTICLE 4

MANAGEMENT

4.1 **Board of Directors**. Each Founding Stockholder hereby agrees that the Board of Directors of the Company shall consist of the number of members determined by the Board of Directors of the Company from time to time. The Founding Stockholders hereby agree that each shall vote all shares of Common Stock held or controlled by each Founding Stockholder so as to provide for the election to the Board of Directors of the Company of each of G. Paul Bosse III, _____, and _____ so long as such individuals continue to own at

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least 50% of the shares of Common Stock of the Company owned as of the date hereof (as adjusted for stock splits and stock dividends, if any).

4.2 **Protective Provisions**. Until this Agreement is terminated, the Company shall not, without obtaining the written consent of the Founding Stockholders (or their transferees) then subject to this Agreement holding not less than fifty percent (50%) of the total Shares held by the Founding Stockholders then subject to this Agreement (a "Majority of Founding Stockholders"):

(a) authorize or issue, or obligate itself to authorize or issue, additional Shares of Common Stock, Preferred Stock or any other capital stock except the issuance of such number of shares of Common Stock as approved by the Board of Directors for issuance pursuant to exercise of stock options granted to employees, consultants, officers or directors; or

(b) sell, convey, or otherwise dispose of all or substantially all of its property or business, or merge into or consolidate into any other corporation, or effect any transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of; or

(c) Amend its Articles of Incorporation.

ARTICLE 5

MISCELLANEOUS

5.1 **Additional Founding Stockholders**. Until this Agreement shall be terminated, all transferees of the Founding Stockholder Shares shall execute and deliver to the Company a written agreement, in form and content satisfactory to the Company, agreeing to be bound by all of the terms and conditions of the Agreement. The term "Founding Stockholder" as used herein shall be deemed to include the Founding Stockholders and their transferees.

5.2 **Representatives and Assigns**. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, their legal representatives, and permitted assigns and designees.

5.3 **Violations or Remedies**. The parties agree that any violation of this Agreement (other than a default in the payment of money) cannot be compensated for by damages and any aggrieved party shall have the right, and is hereby granted the privilege, of obtaining specific performance of this Agreement in any court of competent jurisdiction in the event of any breach hereunder.

5.4 **Governing Law**. This Agreement shall be deemed to be made under and governed by and construed in accordance with the laws of the State of North Carolina.

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5.5 **Notices**. All notices required to be delivered pursuant to this Agreement shall be delivered in person or by telegraphic or other facsimile transmission and deemed given on the date of transmission or sent by certified mail, return receipt requested and deemed given three (3) business days after mailing, and shall be addressed to the Company at its principal business office, to the attention of the President, and to a Founding Stockholder at the address of the Founding Stockholder shown in the Company's stock ledger or to such other address as the Founding stockholder may indicate by duly giving written notice to the Company.

5.6 **Severability**. If any term or condition of this Agreement, or application thereof to any person or circumstance, shall to any extent be held invalid or unenforceable, the remainder of this Agreement, or application of such term or condition to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby and shall remain in full force and effect.

5.7 **Amendment and Waiver**. This Agreement may be modified or amended in whole or in part, and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument signed by the Company and a Majority of Founding Stockholders. Any amendment, modification or waiver so effected shall be binding upon the Company, the Founding Stockholders and all of their respective successors and permitted assigns whether or not such party, assignee or other shareholder entered into or approved such amendment, modification or waiver. Notwithstanding the foregoing, (i) this Agreement may not be amended or modified and the observance of any term hereunder may not be waived with respect to any Founding Stockholder without the written consent of such Founding Stockholder unless such amendment, modification or waiver applies to all Founding Stockholders, respectively, in the same fashion and (ii) Exhibit A hereto may be amended by the Company from time to time to add information regarding additional Founding Stockholders without the consent of the other parties hereto.

5.8 **No Waiver**. No delay or failure on the part of a Company or a Founding Stockholder in the exercise of any right, power or remedy shall operate as a waiver thereof, not shall any single or partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy.

5.9 **Integration**. This Agreement embodies the entire agreement and understanding of the parties hereof in respect of the actions and transactions contemplated by this Agreement. This Agreement supersedes all other prior written or oral understandings between and among the parties hereto relating to the subject matter hereof.

5.10 **Termination of this Agreement**. This Agreement shall terminate upon the earlier of (a) the written agreement of (i) the Company and (ii) a Majority of Founding Stockholders, (b) the sale of all the outstanding shares of capital stock of the company to a third party or, sale of all or substantially

all of the assets of the Company to a third party, or (c) upon the closing of a registered, underwritten initial public offering of the Company's Common Stock with net proceeds to the Company in excess of $20,000,000.

5.11 **Counterparts**. This Agreement may be executed in any number counterparts, each of which, when so executed, shall be deemed an original.

5.12 **After-Acquired Shares**. Each Founding Stockholder agrees and acknowledges that all of the terms, conditions and restrictions of this Agreement shall apply to all shares of the capital stock of the Company now owned or hereafter acquired by him.

5.13 **Additional Parties**. Any person exercising a right, option or warrant to acquire shares of the Company's capital stock and any purchaser of shares of the Company's capital stock issued by the Company may be admitted as a party to this Agreement as a Founding Stockholder upon the execution of a counterpart signature page by such person.

[Signature Page Follows]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above written.

_____

G. PAUL BOSSE III

_____

JOHN F. AMELING

_____

BERNARD P. SCHACHTEL

_____

RAY TAKIGIKU

_____

RYAN BAKER

_____

CHRIS GODWIN

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APPENDIX A

Shareholders	Number of Shares of Common Stock
G. Paul Bosse III	1650
Ray Takigiku PhD	240
John Ameling	300
Bernie Schachtel M.D.	360
Ryan Baker	300
Chris Godwin	150
TOTAL	3000

Message

From: Rutley, Dean [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_RUTLEY]
Sent: 5/27/2008 9:22:34 AM
To: Baddour, David [dbaddour@wcsr.com]
Subject: Re: SA

On way in but have heavy day. Go ahead and handle. I'll try to rake quick look.

----- Original Message -----
From: Baddour, David
To: Rutley, Dean
Sent: Tue May 27 09:05:22 2008
Subject: FW: SA

Dean,

Hope the crew meet (is that what you call it?) went well last weekend.

Would you like to take a spin through the Founder's Agmt I prepared for Paul last week? Also, would you like to join us for this call, or would you prefer I handle?

David
x2352

From: Paul Bosse [mailto:pbosse@charlestonlabs.com]
Sent: Tuesday, May 27, 2008 8:22 AM
To: Baddour, David
Subject: SA
Importance: High

David,

I hope you are well and you had a great holiday weekend.

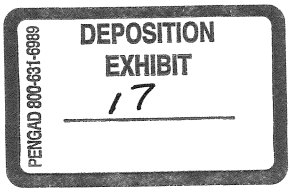
I would like to go over the Shareholders Agreements and the Restricted Stock Agreement this morning so I can get a better understanding and so we can get in place today or tomorrow.

Do you have a preferred time?

Thanks,

Paul Bosse
CEO
(843)577-2626 (Office)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

****Confidentiality Notice: This e-mail message, including any attachments, is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure, or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail and destroy all copies of the original message.



Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 5/27/2008 5:36:14 PM
To: 'Paul Bosse' [pbosse@charlestonlabs.com]
CC: Rutley, Dean [DRutley@wcsr.com]
Subject: Revised Founders Stockholder Agmt and Restricted Stock Agmt
Attachments: Founder Restrictred Stock Agmt - vdoc.DOC; Founder Restrictred Stock Agmt - v2.DOC; Charleston Laboratories - Founders Stockholder Agreement - vdoc.DOC; Charleston Laboratories - Founders Stockholder Agreement - v3.DOC

Paul,

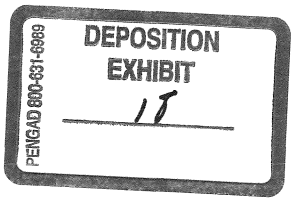
Please find attached the revised documents referenced above, together in each case with redlines highlighting the changes made to the previously distributed versions.

Please note that the Restricted Stock Agmt has been "set up" for Bernie. You'll need to change the information in brackets (including on the vesting schedule at the very end) for each founder. Let's discuss as necessary.

Best,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | 2530 Meridian Parkway, Suite 400 | Durham, NC 27713 | office: 919.484.2352 | fax: 919.484.2090



STOCK RESTRICTION AGREEMENT

THIS STOCK RESTRICTION AGREEMENT (the "Agreement"), dated as of May _____, 2008, by and between Charleston Laboratories, Inc., a Delaware corporation (the "Company"), and [~~Bernie~~Bernard P. Schachtel M.D.] (the "Stockholder").

RECITALS

WHEREAS, the Stockholder is the holder of [Three Hundred Sixty (360)] shares of the Company's common stock, $0.001 par value per share (the "Common Stock"), which shares represent [twelve percent (12%)] of the outstanding capital stock as of the date hereof; and

WHEREAS, as partial consideration for the entry into an employment agreement between the Stockholder and the Company dated as of even date herewith, and for other good and valuable consideration, the Stockholder has agreed to grant to the Company certain rights to repurchase all of the shares of Common Stock held by the Stockholder (the "Restricted Shares"), as provided below.

NOW, THEREFORE, in consideration of the premises, which are incorporated into and made part of this Agreement, and of the mutual representations, warranties, covenants, agreements and conditions set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Repurchase Option.

(a) Termination of Employment. In the event that the Stockholder's employment with the Company is terminated prior to May ____, 2011, for any reason, or no reason, with or without cause, the Company shall have the right and option, for a period of sixty (60) days next following the effective date of such termination, to repurchase from the Stockholder, at a price of $0.001 per share payable in cash or by check, any or all of the number of Restricted Shares set forth on Schedule A attached hereto and made a part hereof.

(b) Termination of Repurchase Option. Notwithstanding the provisions of Section 1(a), the Company's right to repurchase (i) fifty percent (50%) of the number of Restricted Shares then subject to repurchase by the Company pursuant to Section 1(a) on each date set forth on Schedule A shall expire and be of no further force or effect upon the occurrence of a Change in Control, as defined below, and (ii) any of the Restricted Shares then subject to repurchase by the Company pursuant to Section 1(a) shall expire and be of no further force or effect if the Purchaser's employment is terminated by the Company without cause during the 12 month period following a Change in Control. A "Change in Control" shall be deemed to have occurred on the earliest of the following dates: (i) the date on which the Company consummates a merger, share exchange, consolidation or

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reorganization that results in the stockholders of the Company immediately prior to such event holding securities or other rights immediately after such event that represent less than fifty percent (50%) of the voting power and equity ownership of the surviving, acquiring or successor entity, or of the parent of the surviving, acquiring or successor entity; or (ii) the date on which any person or entity, other than a person or entity who was a beneficial owner of the Company's securities on the date of this Agreement, becomes the beneficial owner of more than fifty percent (50%) of the outstanding Common Stock, calculated on a fully-diluted, as converted basis, by means of a purchase or acquisition of the Company's securities from one or more stockholders of the Company, whether by tender offer or otherwise.

(c) Closing. The closing of any repurchase of Restricted Shares pursuant to this Section 1 shall be held at the principal office of the Company on a date selected by the Company but not later than the sixtieth (60^{th}) day next following the occurrence of any event giving rise to the Company's right to repurchase such Restricted Shares. At the closing, the Purchaser shall deliver certificates representing the Restricted Shares being repurchased, duly endorsed for transfer, and shall execute and deliver such other documents as may be reasonably requested by the Company to effectuate the repurchase of the Restricted Shares. The Restricted Shares shall be transferred free and clear of all security interests, liens, encumbrances, restrictions and other claims or charges of any kind whatsoever.

2. Restrictive Legends.

(a) Primary Legends. Certificates representing the Restricted Shares shall bear the following legends:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY STATE SECURITIES LAW AND MAY NOT BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR TRANSFERRED UNLESS THERE EXISTS AN EFFECTIVE REGISTRATION STATEMENT THEREFOR UNDER THE ACT AND ALL APPLICABLE STATE SECURITIES LAWS OR THE ISSUER HEREOF HAS RECEIVED AN OPINION OF COUNSEL, REASONABLY ACCEPTABLE TO THE ISSUER, THAT SUCH SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR TRANSFER IS EXEMPT FROM REGISTRATION.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO REPURCHASE BY THE ISSUER UPON THE OCCURRENCE OF CERTAIN EVENTS SET FORTH IN THAT CERTAIN STOCK RESTRICTION AGREEMENT DATED AS OF MAY ____, 2008 BY AND BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF SUCH SHARES.

(b) Other Legends. Certificates representing the Restricted Shares shall bear any other legend(s) required by any applicable federal or state securities law or by any other agreement to which the holder thereof is a party or by which the holder thereof is bound.

3. Governing Law. This Agreement shall be governed by and shall be construed and enforced in accordance with the laws of the State of Delaware applicable to agreements entered into and performed within such State, but without reference to the conflicts of law rules of such State.

4. Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

5. Entire Agreement; Amendment and Waiver. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and this Agreement supersedes and renders null and void any and all other prior oral or written agreements, understandings, or commitments pertaining to the subject matter hereof. Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated except by a written instrument signed by the Company and the Stockholder. The failure of any party to this Agreement to insist upon the strict performance of any of the terms, conditions or provisions of this Agreement shall not be construed as a waiver or relinquishment of future compliance therewith, and said terms, conditions and provisions shall remain in full force and effect.

6. Invalidity. Should any part of this Agreement, for any reason whatsoever, be declared invalid, illegal, or incapable of being enforced in whole or in part, such decision shall not affect the validity of any remaining portion, which remaining portion shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any portion which may for any reason be declared invalid.

7. Notices. Any notices required to be delivered under this Agreement shall be in writing and sent to the address(es) set forth below. Any party may change its address for notice purposes by giving written notice of such change as set forth herein.

To the Company: Charleston Laboratories, Inc.
_____
_____
Attn: Board of Directors

Copy to: Womble Carlyle Sandridge & Rice
8065 Leesburg Pike, 4th Floor
Vienna, VA 22182
Attn: Dean Rutley, Esq.

To the Stockholder: _____
_____
_____

Copy to: _____
_____
_____
Attn: _____

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8. Captions. The captions contained in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the Company and the Stockholder have entered into this Agreement as of the date first written above.

CHARLESTON LABORATORIES, INC.	STOCKHOLDER
By:_____	_____
Paul Bosse	[~~Bernie~~Bernard P. Schachtel M.D.]
President	

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SCHEDULE A
TO
RESTRICTED STOCK PURCHASE AGREEMENT

If Employment Terminates On or After:	But Prior to:	Company shall have the right to repurchase the following number of Shares of Common Stock
May ___, 2008	May ___, 2009	[180]
May ___, 2009	May ___, 2010	[120]
May ___, 2010	May ___, 2011	[60]
May ___, 2011	n/a	0

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Document comparison done by DeltaView on Tuesday, May 27, 2008 5:14:50 PM

Input:	
Document 1	PowerDocs://WINSTON/3903823/1
Document 2	PowerDocs://WINSTON/3903823/2
Rendering set	standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	13
Deletions	4
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	17

STOCK RESTRICTION AGREEMENT

THIS STOCK RESTRICTION AGREEMENT (the "Agreement"), dated as of May _____, 2008, by and between Charleston Laboratories, Inc., a Delaware corporation (the "Company"), and [Bernard P. Schachtel M.D.] (the "Stockholder").

RECITALS

WHEREAS, the Stockholder is the holder of [Three Hundred Sixty (360)] shares of the Company's common stock, $0.001 par value per share (the "Common Stock"), which shares represent [twelve percent (12%)] of the outstanding capital stock as of the date hereof; and

WHEREAS, as partial consideration for the entry into an employment agreement between the Stockholder and the Company dated as of even date herewith, and for other good and valuable consideration, the Stockholder has agreed to grant to the Company certain rights to repurchase all of the shares of Common Stock held by the Stockholder (the "Restricted Shares"), as provided below.

NOW, THEREFORE, in consideration of the premises, which are incorporated into and made part of this Agreement, and of the mutual representations, warranties, covenants, agreements and conditions set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Repurchase Option.

(a) Termination of Employment. In the event that the Stockholder's employment with the Company is terminated prior to May ____, 2011, for any reason, or no reason, with or without cause, the Company shall have the right and option, for a period of sixty (60) days next following the effective date of such termination, to repurchase from the Stockholder, at a price of $0.001 per share payable in cash or by check, any or all of the number of Restricted Shares set forth on Schedule A attached hereto and made a part hereof.

(b) Termination of Repurchase Option. Notwithstanding the provisions of Section 1(a), the Company's right to repurchase (i) fifty percent (50%) of the number of Restricted Shares then subject to repurchase by the Company pursuant to Section 1(a) on each date set forth on Schedule A shall expire and be of no further force or effect upon the occurrence of a Change in Control, as defined below, and (ii) any of the Restricted Shares then subject to repurchase by the Company pursuant to Section 1(a) shall expire and be of no further force or effect if the Purchaser's employment is terminated by the Company without cause during the 12 month period following a Change in Control. A "Change in Control" shall be deemed to have occurred on the earliest of the following dates: (i) the date on which the Company consummates a merger, share exchange, consolidation or

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reorganization that results in the stockholders of the Company immediately prior to such event holding securities or other rights immediately after such event that represent less than fifty percent (50%) of the voting power and equity ownership of the surviving, acquiring or successor entity, or of the parent of the surviving, acquiring or successor entity; or (ii) the date on which any person or entity, other than a person or entity who was a beneficial owner of the Company's securities on the date of this Agreement, becomes the beneficial owner of more than fifty percent (50%) of the outstanding Common Stock, calculated on a fully-diluted, as converted basis, by means of a purchase or acquisition of the Company's securities from one or more stockholders of the Company, whether by tender offer or otherwise.

(c) Closing. The closing of any repurchase of Restricted Shares pursuant to this Section 1 shall be held at the principal office of the Company on a date selected by the Company but not later than the sixtieth (60^{th}) day next following the occurrence of any event giving rise to the Company's right to repurchase such Restricted Shares. At the closing, the Purchaser shall deliver certificates representing the Restricted Shares being repurchased, duly endorsed for transfer, and shall execute and deliver such other documents as may be reasonably requested by the Company to effectuate the repurchase of the Restricted Shares. The Restricted Shares shall be transferred free and clear of all security interests, liens, encumbrances, restrictions and other claims or charges of any kind whatsoever.

2. Restrictive Legends.

(a) Primary Legends. Certificates representing the Restricted Shares shall bear the following legends:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY STATE SECURITIES LAW AND MAY NOT BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR TRANSFERRED UNLESS THERE EXISTS AN EFFECTIVE REGISTRATION STATEMENT THEREFOR UNDER THE ACT AND ALL APPLICABLE STATE SECURITIES LAWS OR THE ISSUER HEREOF HAS RECEIVED AN OPINION OF COUNSEL, REASONABLY ACCEPTABLE TO THE ISSUER, THAT SUCH SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR TRANSFER IS EXEMPT FROM REGISTRATION.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO REPURCHASE BY THE ISSUER UPON THE OCCURRENCE OF CERTAIN EVENTS SET FORTH IN THAT CERTAIN STOCK RESTRICTION AGREEMENT DATED AS OF MAY ____, 2008 BY AND BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF SUCH SHARES.

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(b) Other Legends. Certificates representing the Restricted Shares shall bear any other legend(s) required by any applicable federal or state securities law or by any other agreement to which the holder thereof is a party or by which the holder thereof is bound.

3. Governing Law. This Agreement shall be governed by and shall be construed and enforced in accordance with the laws of the State of Delaware applicable to agreements entered into and performed within such State, but without reference to the conflicts of law rules of such State.

4. Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

5. Entire Agreement; Amendment and Waiver. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and this Agreement supersedes and renders null and void any and all other prior oral or written agreements, understandings, or commitments pertaining to the subject matter hereof. Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated except by a written instrument signed by the Company and the Stockholder. The failure of any party to this Agreement to insist upon the strict performance of any of the terms, conditions or provisions of this Agreement shall not be construed as a waiver or relinquishment of future compliance therewith, and said terms, conditions and provisions shall remain in full force and effect.

6. Invalidity. Should any part of this Agreement, for any reason whatsoever, be declared invalid, illegal, or incapable of being enforced in whole or in part, such decision shall not affect the validity of any remaining portion, which remaining portion shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any portion which may for any reason be declared invalid.

7. Notices. Any notices required to be delivered under this Agreement shall be in writing and sent to the address(es) set forth below. Any party may change its address for notice purposes by giving written notice of such change as set forth herein.

To the Company: Charleston Laboratories, Inc.
_____
_____
Attn: Board of Directors

Copy to: Womble Carlyle Sandridge & Rice
8065 Leesburg Pike, 4th Floor
Vienna, VA 22182
Attn: Dean Rutley, Esq.

To the Stockholder: _____
_____
_____

Copy to: _____
_____
_____
Attn: _____

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8. Captions. The captions contained in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the Company and the Stockholder have entered into this Agreement as of the date first written above.

CHARLESTON LABORATORIES, INC.	STOCKHOLDER
By:_____	_____
Paul Bosse President	[Bernard P. Schachtel M.D.]

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SCHEDULE A
TO
RESTRICTED STOCK PURCHASE AGREEMENT

If Employment Terminates On or After:	But Prior to:	Company shall have the right to repurchase the following number of Shares of Common Stock
May ___, 2008	May ___, 2009	[180]
May ___, 2009	May ___, 2010	[120]
May ___, 2010	May ___, 2011	[60]
May ___, 2011	n/a	0

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CHARLESTON LABORATORIES, INC.

STOCKHOLDERS AGREEMENT

THIS CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT (this "Agreement") is made and entered into as of May ____, 2008 by and among Charleston Laboratories, Inc., a Delaware corporation (the "Company") and G. Paul Bosse III, John F. Ameling, Bernard P. Schachtel, Ray Takigiku, Ryan Baker, and Chris Godwin (the "Founding Shareholders").

WITNESSETH:

WHEREAS, the Founding Stockholders are collectively the owners of 100% of the issued and outstanding shares of the common stock of the Company as set forth on Exhibit A hereto ("Common Stock");

WHEREAS, the Founding Stockholders believe that it is in the best interests of the Founding Stockholders and the Company to make provisions for the future disposition of the shares of common stock of the Company held by the Founding Stockholders and other matters set forth herein; and

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises and covenants herein set forth, the parties hereto agree as follows:

ARTICLE I

RESTRICTIONS ON TRANSFER OF STOCK

1.1 General

(a.) The Founding Stockholders shall not dispose of any shares of Common Stock now or hereafter owned by them ("Shares"), whether by sale, exchange, assignment, transfer, gift, devise, bequest, mortgage, pledge, encumbrance or otherwise, except in accordance with the terms and conditions of this Agreement. The Company and each Founding Stockholder shall also not take or omit to take any action which will impair the absolute and unrestricted right, power, authority and capacity of the Company or the Founding Stockholders to purchase or sell Shares in accordance with the terms and conditions hereof.

(b.) The Company, by its execution of this Agreement, agrees that it will not cause or permit the transfer of any shares to be made on its books except in accordance with the terms of this Agreement.

1.2 **Permitted Transfers of Founding Stockholder's Shares**

(a.) A Founding Stockholder may sell, assign or transfer any Shares held by such Founding Stockholder by complying with the provisions of Sections 2.1 and 3.1 hereof or, with prior written notice to the Company, (i) to any immediate family member (parent, sibling, spouse, child (including stepchildren or adopted children), niece, nephew, first cousin, or grandchild), (ii) to a trust whose sole beneficiaries are immediate family members, (iii) to a Founding Stockholder, (iv) to the Company, (v) in the event of the death of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to the estate of such Founding Stockholder or individual or entity named in the will of such Founding Stockholder, (vi) subject to and in accordance with the rights set forth in Article 2 hereof, top any person solely in connection with the transfer of the community property interest of a Founding Stockholder spouse in all or part of such Founding Stockholders' Shares upon death of such spouse or termination of the marital relationship of the spouse and such Founding Stockholder, (xii) in the event of any Founding Stockholder being judicially declared to be incompetent, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, (xiii) in the event of the total or permanent disability, as defined in Section 422(1)(6) of the Internal Revenue Code, of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, and (ix) to another company or entity in connection with the exchange of all shares of capital stock of the Company to such other company (collectively, "Permitted Transferees"); provided, however, that such Permitted Transferee (other than pursuant to clause (ix) above) agrees to be bound by the terms of this Agreement and such transfer complies with applicable federal and state securities laws,

(b.) Each Founding Stockholder may also sell, assign or transfer any Shares held by such Founding Stockholder without complying with the provisions of Section 2.1 and 3.1 by obtaining the prior written consent of each of the other Founding Stockholders, provided that the transferee agrees in writing to assume the obligations of the Founding Stockholders under this Agreement and that the transfer is made in accordance with any other restrictions or conditions contained in such written consent, if any, and in accordance with applicable federal and state securities laws.

1.3 **No Pledge**. Shares held or otherwise owned by any Founding Stockholder may not be pledged, mortgaged or otherwise encumbered to secure indebtedness of money borrowed or any other obligation for which such Founding Stockholder is primarily or secondarily liable without the consent of the Company and each of the other Founding Stockholders.

1.4 **Shares Certificate Legend**. Each certificate for Founding Stockholders Shares shall have conspicuously written, printed, typed or stamped upon the face thereof, or upon the reverse thereof with a conspicuous reference on the face thereof, the following legends:

"THESE SHARES ARE SUBJECT TO CERTAIN TRANSFER RESTRICTIONS AND RIGHT OF REPURCHASE AS SET FORTH IN THE CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT DATED AS OF MAY _____, 2008 ON FILE WITH THE SECRETARY OF THE COMPANY."

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT"). SUCH SHARES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT REGISTRATION IS NOT REQUIRED."

Promptly after execution of this Agreement, each of the existing stock certificates for the Shares issued to the Founding Stockholders, if any, shall be surrendered and new stock certificates shall be issued to such Founding Stockholders with the legends referred to above. Any stock certificate not so surrendered shall be deemed to have the legends referred to above.

1.5 **Definitions**. The words "sale," "sell," "transfer," and the like shall include any disposition by way of transfer, with or without consideration, to any person for any purpose, but shall not apply to exchanges of securities on account of merger, consolidation, reorganization or any other similar transaction affecting all of the securities of the Company.

ARTICLE 2

CERTAIN RIGHTS TO PURCHASE

2.1 **Sales of Shares**

(a.) Right of First Refusal. In the event that a Founding Stockholder (the "Selling Founding Stockholder") shall desire to sell, assign or transfer any Shares held by such Selling Founding Stockholder to any other person (the "Offer"), the following procedure shall apply. The Selling Founding Stockholder shall give to the Company and to each other Founding Stockholder (the "Non-Selling Founding Stockholders") written notice (the "Selling Founding Stockholder Notice") containing the terms and conditions of the Offer, including, but not limited to (i) the number of Offered Shares; (ii) the price per Share; (iii) the method of payment; and (iv) the name(s) of the proposed purchaser(s).

An Offer shall not be deemed bona fide unless, among other things, the method of payment is cash, the Selling Founding Stockholder has informed the prospective purchaser of its obligation under

this Agreement and the prospective purchaser has agreed to become a party hereunder and to be bound hereby. The Company and the other Founding Stockholders are entitled to take such steps as they reasonably may deem necessary to determine the validity and bona fide nature of the Offer.

The Company and the Non-Selling Founding Stockholders shall have sixty (60) days after receipt of the Selling Founder Stockholder Notice within which to elect to purchase some or all of the Offered Shares. Until thirty (30) days after receipt of the Selling Founder Stockholder Notice, the Company shall have the right to elect to purchase, within fifteen (15) days after the expiration of such 30-day period, the Offered Shares or any portion thereof at the price offered by the prospective purchaser. Such purchase shall be, at the option of the Company, either on the payment terms offered by the prospective purchaser or on the Agreement Terms, as defined in Section 2.5.

If the Company does not elect to purchase all of the Offered Shares, the Non-Selling Founding Stockholders shall have the right (i) to elect to purchase, within sixty (60) days after receipt of the Selling Founder Stockholder Notice, the Offered Shares of any portion thereof at the price offered by the prospective purchaser and specified in such notice or (ii) co-sell Shares to such third party in accordance with Section 3.1 below. The Non-Selling Founding Stockholders electing to purchase or co-sell must give written notice of such election to purchase or co-sell Shares to the Company and the Selling Founding Stockholder which notice shall specify the number of Offered Shares such Stockholder desires to purchase hereunder or the number of Shares such Stockholder desires to co-sell in accordance with Section 3.1. In the event that there are more than one Non-Selling Founding Stockholders desiring to purchase the Offered Shares (or the remaining portion thereof) and they desire to purchase more shares than the aggregate number of Offered Shares (or the remaining portion thereof), then each Non-Selling Founding Stockholder shall have the right to purchase, on a pro rata basis based on the number of Shares owned by such Non-Selling Founding Stockholders, the Offered Shares (or the remaining portion thereof). Such purchase shall be, at the option of the Non-Selling Founding Stockholders, either on the payment terms specified in such notice or on the Agreement Terms, as defined in Section 2.5.

(b) After giving notice under this Section, the Selling Founding Shareholder shall refrain from participating as an officer, director or shareholder of the Company in the Company's decision whether to purchase any or all of the Offered Shares.

(c) Failure of the Company and the Non-Selling Founding Stockholders to Purchase Offered Shares. If all of the Offered Shares are not purchased by the Company and/or the Non-Selling Founding Stockholders within the 60-day period granted for such purchases, then, subject to the co-sale rights set forth in Section 3.1, the remaining Offered Shares may be sold, assigned, or transferred pursuant to the Offer; provided that the Offered Shares are so transferred within ninety (90) days of the expiration of the 60-day period to the person or persons named in, and under the terms and conditions of, the Offer described in the notice to the Company and Founding Stockholders; provided, further, that such transfer requires the new shareholder(s) (being the purchaser(s) under the Offer) to assume the

obligations of the Selling Founding Stockholder under this Agreement; and provided, further, that such transfer complies with all applicable federal and state securities laws. Notwithstanding the foregoing, prior to consummating any such sale, the Selling Founding Stockholder will, upon request from the Company, provide the Company with reasonable supporting documentation with respect to the terms and conditions of any such sale so as to demonstrate such Selling Founding Stockholder's compliance with the provisions of the preceding sentence. If such sale has not been completed within ninety (90) days of the expiration of the 60-day period as provided above, the Offered Shares may not thereafter be sold by the Selling Founding Stockholder unless the Selling Founding Stockholder reoffers the Offered Shares to the Company and the Non-Selling Founding Stockholders and complies with the procedures set forth in this Section 2.1.

(d) The Right to Withdraw. The Selling Founding Stockholder may at any time prior to the sale of its Shares give notice to the Company that it no longer desires to sell the Offered Shares, provided that if it again desires to sell, assign or transfer any Shares held by it, it must comply with the provisions of the Agreement.

2.2 **Right to Purchase Upon Certain Other Events**

(a.) The Company's Right to Purchase. The Company shall have the right to purchase any or all of the Shares held by a Founding Stockholder (including his transferees hereunder) pursuant to the terms of this Section (the "Terminating Founding Stockholder", and such Shares held by such Terminating Founding Stockholder referred to as the "Terminating Shares") at the Agreement Price and on the Agreement Terms for a period of 90 days after the Company and the Purchasing Founding Stockholder receives notice from the Terminating Founding Stockholder or relevant third party, as applicable, of the occurrence of any of the following events, which notice shall be provided in the case of a Terminating Founding Stockholder within five (5) business days of the occurrence of such event:

(i) the Terminating Founding Stockholder who is an employee ceases to be, for any reason, an employee of the Company or a subsidiary of the Company (any uninterrupted absence for a period of 180 days or more, without approval of the Board of Directors of the Company, shall be deemed to be termination of employment);

(ii) the Terminating Founding Stockholder defaults on any debts to the Company as they become due and fails to repay such debts within 60 business days after written notice of such default;

(iii) the Terminating Founding Stockholder is adjudicated a bankrupt or the Terminating Founding Stockholder makes an assignment for the benefit of creditors or a petition under any insolvency or bankruptcy laws is filed for readjustment of such Stockholder's debts or financial affairs by such Stockholder or by any creditor of such Stockholder;

(iv) any of the Terminating Founding Stockholder's Shares are levied upon under a writ of execution or become subject to sale under any legal process, or are transferred or ordered to be transferred to or for the benefit of any spouse or any other person or entity as a result of or in connection with any property settlement or judgment incident to a divorce, dissolution of marriage or separation,, or are transferred or ordered to be transferred to any person or entity who is not a party hereto by decree of distribution or other court order in a proceeding arising from the death of the spouse of the Terminating Founding Stockholder; or

(v) the Terminating Founding Stockholder sells, pledges, encumbers, hypothecates or otherwise transfers any interest in, or purports to sell, pledge, encumber, hypothecate or otherwise transfer any interest in, any of his or her Shares, except as permitted by and in full compliance with the terms of this Agreement.

(b.) The Founding Stockholder's Right of Purchase. In the event the Company elects not to purchase all of the Terminating Shares to which the Company is entitled, Each Founding Stockholder (or its transferees hereunder) (a "Purchasing Founding Stockholder") shall have the right to purchase on a pro rata basis based upon the number of Shares owned by such Purchasing Founding Stockholder, within 15 days after the expiration of such 90-day period, any remaining Terminating Shares at the Agreement Price and on the Agreement Terms.

2.3 **Manner of Exercise**. Any right to purchase under Section 2.2 shall be exercised by giving written notice of election to the Company and the Terminating Founding Stockholder or his or her personal representative, as the case may be, prior to the expiration of such right to purchase. Such notice shall be given as provided in Section 5.5 hereof.

2.4 **Agreement Price**

(i) The "Agreement Price" shall be the fair value ("Fair Value") of the Shares to be purchased on a fully diluted basis, calculated on the basis of the Company as a going concern. Initially, the Board of Directors of the Company, in good faith in the exercise of its reasonable business judgment, shall determine the Fair Value of the shares. The Company shall notify the Founding Stockholders (or their representatives) as soon as possible of such determination, but in any event, not later than 30 days after the date giving rise to the right to purchase such Terminating Shares. If the Terminating Founding Stockholder or any Purchasing Founding Stockholder fail to notify the company within 15 days after the date of such notice of their objection to the proposed Fair Value, then the Fair Value proposed in the Company's notice shall be binding and conclusive.

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(ii) If any Purchasing Founding Stockholder or the Terminating Founding Stockholder notifies the Company of its objection in writing within such 15-day period and if the Company, the Purchasing Founding Stockholders and the Terminating Founding Stockholder (or their representatives) can not mutually agree on the Fair Value of such shares within 10 days after the date of the notice of objection, then the Fair Value of the Shares shall be determined by an independent appraiser selected jointly by the Company, the Purchasing and Terminating Founding Stockholders (or their representatives). The determination of Fair Value by that appraiser shall be binding and conclusive on all parties to the Agreement. If the parties are unable to agree on the selection of an appraiser, each of the Purchasing and Terminating Founding Stockholders shall select an independent appraiser. The two appraisers so selected shall each independently appraise the Shares within 30 days of their appointment and, as long as the difference in the two appraisals does not exceed 5 percent of the lower of the two appraisals, the Fair Value shall be conclusively deemed to equal the average of the two appraisals. If the difference between the two appraisals referred to above exceeds 5 percent of the lower of the two appraisals, the two appraisers selected shall select a third appraiser within 5 business days after delivery of both appraisal, who shall also independently appraise the Fair Value of the shares and whose appraisal shall be conclusively deemed to be the Fair Value of the Shares. If either party fails to select an independent appraiser within the time required by this paragraph or if their appraiser fails to deliver their appraisal to the Company and the other party within the 30-day period, the Fair Value of the Shares shall be conclusively deemed to equal the appraisal of the independent appraiser timely selected by the other or timely delivered to the Company, as the case may be. The Founding Stockholders shall share equally the fees and expenses of the appraisers jointly named, but each party shall be responsible for the fees and expenses of any appraiser named solely by that party. Each party shall bear his, her, or its own expenses in presenting evidence to the appraisers.

2.5 **Agreement Terms**. "Agreement Terms" shall mean100% of the purchase price, which shall be payable, in the Company's sole discretion, (i) in the form of a check or via wire transfer as directed at the Closing of such purchase and sale, or (ii) in five (5) equal annual installments, represented by a negotiable promissory note secured by a pledge of all shares of Stock involved in such purchase of shares of Stock to the payee of the note.

2.6 **Delivery of Shares and Closing Date**. Within thirty (30) days of the exercise of any right to purchase hereunder or final determination of the Fair Value of the Shares, as the case may be, (the "Closing"), the Selling Founding Stockholder or the Terminating Founding Stockholder or his or her personal representatives, as the case may be, shall deliver certificates representing the Shares to be sold, properly endorsed for transfer, and with the necessary documentary and transfer tax stamps, if any, affixed, to the purchasers of such Shares. Payment of the purchase price therefor shall concurrently be made to the Selling Founding Stockholder or Terminating Founding Stockholder or his or her personal representatives as the case may be. Such delivery and payment shall be made at the principal office of the Company or at such other place as the parties mutually agree. Notwithstanding the above, any such

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transfer shall not be consummated unless it complies with all federal and state securities laws and the purchaser of such Shares assumes the obligations under this Agreement.

ARTICLE 3

CO-SALE AND DRAG-ALONG RIGHTS

3.1 **Co-Sale Provisions**.

(a) In the event that a Selling Founding Stockholder proposes to offer for sale or otherwise transfer any Shares to any person or entity (individually a "Third Party" and collectively, "Third Parties") in any one transaction or any series of related transactions, directly or indirectly, other than a sale to a Permitted Transferee under Section 1.2 hereof, such sale or other disposition to a Third Party shall not be permitted unless the Selling Founding Stockholder shall offer (or cause the Third Party to offer) each other Founding Stockholder and its permitted transferees (each being a "Co-Selling Founding Stockholder") the right to elect to include, at the sole option of such Co-Selling Founding Stockholder, in the sale to the Third Party, to the extent such shares have not been purchased by the Company or Non-Selling Founding Stockholder pursuant to Section 2.1(a) above, such number of Shares owned by such Co-Selling founding Stockholder as permitted under Section 3.1(b) and (c) below (the "Tag-Along shares")

(b) The Selling Founding Stockholder shall deliver a notice to the Company and the Co-Selling Founding Stockholders as provided in Section 2.1(a) above. Within sixty (60) days after the date of such notice, the Co-Selling Founding Stockholders may make an election to either (i) include a number of its Shares as Tag-Along Shares (up to the percentage set forth in paragraph (c) below) in such a sale or other disposition (the "Inclusion Election"), (ii) elect to purchase such Offered Shares pursuant to Section 2.1(a) above, or (iii) neither purchase Offered Shares nor sell Tag-along Shares. Such Co-Selling Founding Stockholder shall notify the Company and the Selling Founding Stockholder of its Inclusion Election within such 60-day period. Any Co-Selling Founding Stockholder electing to sell Tag-Along Shares shall also promptly deliver to the Company a stock certificate or certificates representing the number of Tag-Along Shares, together with a power-of-attorney authorizing the Selling Founding Stockholder to sell or otherwise dispose of such Tag-Along Shares pursuant to the terms of such Third Party's offer.

(c) Each Co-Selling Founding Stockholders shall have the right to co-sell, pursuant to the Third Party's offer, the number of Offered Shares equal to the product obtained by multiplying (x) the number of Offered Shares by (y) a fraction, (A) the numerator of which is the aggregate number of Shares then held by such Co-Selling Founding Stockholder, and (B) the denominator of which is the total number of Shares then held by the Selling Founding Stockholder and all of the Co-Selling Founding Stockholders.

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(d) The purchase of the Tag-Along Shares shall be on the same terms and conditions, including the price per share and the date of sale or other disposition, as are received by the Selling Founding Stockholder and stated in the notice referred to above.

(e) If the Third Party refuses to purchase Shares from the Co-Selling Founding Stockholders at the closing, then the Selling Founding Stockholder shall not be entitled to sell any Shares to the Third Party.

(f) If no Founding Stockholder has elected to make an Inclusion Election or an election to purchase Shares pursuant to Section 2.1, the Selling Founding Stockholder shall have ninety (90) days after the expiration of 60-day period referred to in Section 2.1(c) in which to sell or otherwise dispose of such shares to the Third Party at a price and on terms not more favorable than were set forth in the Offer referred to above. If, at the end of such 90-day period, the Selling Founding Stockholder has not completed the sale of shares in accordance with the terms of the Third Party's offer, all the restrictions on sale contained in this Agreement shall again be in effect (unless such 90-day period is extended with the consent of the other Founding Stockholders). In the event that a sale of Shares is made to a Third Party pursuant to their Section 3.1, such Third Party shall be bound by the Terms of this Agreement.

(g) The Founding Stockholders may elect to either (i) purchase Offered Shares pursuant to Section 2.1 or (ii) sell Tag-along Shares pursuant to Section 3.1, but not both.

3.2 **Drag-Along Provisions**. In the event the Board of Directors and the holders of ~~a majority~~at least Sixty Five Percent (65%) of the then outstanding Shares approve a bona fide offer from a third party that is not a Founding Stockholder or an affiliate of any Founding Stockholder (as defined in Rule 144 under the Securities Act of 1933, as amended) to purchase all of the then outstanding capital stock of the Company, then each Founding Stockholder shall vote all of the Shares owned or controlled by such Founding Stockholder in favor of the proposed transaction and shall take all other action deemed necessary or desirable by the Board of Directors to effect the proposed transaction.

ARTICLE 4

MANAGEMENT

4.1 **Board of Directors**. Each Founding Stockholder hereby agrees that the Board of Directors of the Company shall consist of the number of members determined by the Board of Directors

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of the Company from time to time. The Founding Stockholders hereby agree that each shall vote all shares of Common Stock held or controlled by each Founding Stockholder so as to provide for the election to the Board of Directors of the Company of each of G. Paul Bosse III, John Ameling, and Ray Takigiku PhD, so long as such individuals continue to own at least 50% of the shares of Common Stock of the Company owned as of the date hereof (as adjusted for stock splits and stock dividends, if any).

4.2 **Protective Provisions**. Until this Agreement is terminated, the Company shall not, without obtaining the written consent of the Founding Stockholders (or their transferees) then subject to this Agreement holding not less than ~~fifty~~sixty-five percent (~~50~~65%) of the total Shares held by the Founding Stockholders then subject to this Agreement (a "Super-Majority of Founding Stockholders"):

(a) authorize or issue, or obligate itself to authorize or issue, additional Shares of Common Stock, Preferred Stock or any other capital stock except the issuance of such number of shares of Common Stock as approved by the Board of Directors for issuance pursuant to exercise of stock options granted to employees, consultants, officers or directors; or

(b) sell, convey, or otherwise dispose of all or substantially all of its property or business, or merge into or consolidate into any other corporation, or effect any transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of; or

(c) Amend its Articles of Incorporation.

ARTICLE 5

MISCELLANEOUS

5.1 **Additional Founding Stockholders**. Until this Agreement shall be terminated, all transferees of the Founding Stockholder Shares shall execute and deliver to the Company a written agreement, in form and content satisfactory to the Company, agreeing to be bound by all of the terms and conditions of the Agreement. The term "Founding Stockholder" as used herein shall be deemed to include the Founding Stockholders and their transferees.

5.2 **Representatives and Assigns**. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, their legal representatives, and permitted assigns and designees.

5.3 **Violations or Remedies**. The parties agree that any violation of this Agreement (other than a default in the payment of money) cannot be compensated for by damages and any aggrieved party shall have the right, and is hereby granted the privilege, of obtaining specific performance of this Agreement in any court of competent jurisdiction in the event of any breach hereunder.

5.4 **Governing Law**. This Agreement shall be deemed to be made under and governed by and construed in accordance with the laws of the State of North Carolina.

5.5 **Notices**. All notices required to be delivered pursuant to this Agreement shall be delivered in person or by telegraphic or other facsimile transmission and deemed given on the date of transmission or sent by certified mail, return receipt requested and deemed given three (3) business days after mailing, and shall be addressed to the Company at its principal business office, to the attention of the President, and to a Founding Stockholder at the address of the Founding Stockholder shown in the Company's stock ledger or to such other address as the Founding stockholder may indicate by duly giving written notice to the Company.

5.6 **Severability**. If any term or condition of this Agreement, or application thereof to any person or circumstance, shall to any extent be held invalid or unenforceable, the remainder of this Agreement, or application of such term or condition to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby and shall remain in full force and effect.

5.7 **Amendment and Waiver**. This Agreement may be modified or amended in whole or in part, and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument signed by the Company and a Super-Majority of Founding Stockholders. Any amendment, modification or waiver so effected shall be binding upon the Company, the Founding Stockholders and all of their respective successors and permitted assigns whether or not such party, assignee or other shareholder entered into or approved such amendment, modification or waiver. Notwithstanding the foregoing, (i) this Agreement may not be amended or modified and the observance of any term hereunder may not be waived with respect to any Founding Stockholder without the written consent of such Founding Stockholder unless such amendment, modification or waiver applies to all Founding Stockholders, respectively, in the same fashion and (ii) Exhibit A hereto may be amended by the Company from time to time to add information regarding additional Founding Stockholders without the consent of the other parties hereto.

5.8 **No Waiver**. No delay or failure on the part of a Company or a Founding Stockholder in the exercise of any right, power or remedy shall operate as a waiver thereof, not shall any single or partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy.

5.9 **Integration**. This Agreement embodies the entire agreement and understanding of the parties hereof in respect of the actions and transactions contemplated by this Agreement. This Agreement supersedes all other prior written or oral understandings between and among the parties hereto relating to the subject matter hereof.

5.10 **Termination of this Agreement**. This Agreement shall terminate upon the earlier of (a) the written agreement of (i) the Company and (ii) a Super-Majority of Founding Stockholders, (b) the sale of all the outstanding shares of capital stock of the company to a third party or, sale of all or substantially all of the assets of the Company to a third party, or (c) upon the closing of a registered, underwritten initial public offering of the Company's Common Stock with net proceeds to the Company in excess of $20,000,000.

5.11 **Counterparts**. This Agreement may be executed in any number counterparts, each of which, when so executed, shall be deemed an original.

5.12 **After-Acquired Shares**. Each Founding Stockholder agrees and acknowledges that all of the terms, conditions and restrictions of this Agreement shall apply to all shares of the capital stock of the Company now owned or hereafter acquired by him.

5.13 **Additional Parties**. Any person exercising a right, option or warrant to acquire shares of the Company's capital stock and any purchaser of shares of the Company's capital stock issued by the Company may be admitted as a party to this Agreement as a Founding Stockholder upon the execution of a counterpart signature page by such person.

[Signature Page Follows]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above written.

_____

G. PAUL BOSSE III

_____

JOHN F. AMELING

_____

BERNARD P. SCHACHTEL

_____

RAY TAKIGIKU

_____

RYAN BAKER

_____

CHRIS GODWIN

CONFIDENTIAL ROA-0398 WBD_CHLAB0002597

APPENDIX A

Shareholders	Number of Shares of Common Stock
G. Paul Bosse III	~~1650~~1,800
Ray Takigiku PhD	~~240~~210
John Ameling	~~300~~270
Bernie Schachtel M.D.	360
Ryan Baker	~~300~~270
Chris Godwin	~~150~~90
TOTAL	~~3000~~3,000

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Document comparison done by DeltaView on Tuesday, May 27, 2008 5:13:38 PM

Input:	
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Document 2	PowerDocs://WINSTON/3905566/3
Rendering set	standard

Legend:	
Insertion	
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Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	15
Deletions	12
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	27

CHARLESTON LABORATORIES, INC.

STOCKHOLDERS AGREEMENT

THIS CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT (this "Agreement") is made and entered into as of May ____, 2008 by and among Charleston Laboratories, Inc., a Delaware corporation (the "Company") and G. Paul Bosse III, John F. Ameling, Bernard P. Schachtel, Ray Takigiku, Ryan Baker, and Chris Godwin (the "Founding Shareholders").

WITNESSETH:

WHEREAS, the Founding Stockholders are collectively the owners of 100% of the issued and outstanding shares of the common stock of the Company as set forth on Exhibit A hereto ("Common Stock");

WHEREAS, the Founding Stockholders believe that it is in the best interests of the Founding Stockholders and the Company to make provisions for the future disposition of the shares of common stock of the Company held by the Founding Stockholders and other matters set forth herein; and

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises and covenants herein set forth, the parties hereto agree as follows:

ARTICLE I

RESTRICTIONS ON TRANSFER OF STOCK

1.1 General

(a.) The Founding Stockholders shall not dispose of any shares of Common Stock now or hereafter owned by them ("Shares"), whether by sale, exchange, assignment, transfer, gift, devise, bequest, mortgage, pledge, encumbrance or otherwise, except in accordance with the terms and conditions of this Agreement. The Company and each Founding Stockholder shall also not take or omit to take any action which will impair the absolute and unrestricted right, power, authority and capacity of the Company or the Founding Stockholders to purchase or sell Shares in accordance with the terms and conditions hereof.

(b.) The Company, by its execution of this Agreement, agrees that it will not cause or permit the transfer of any shares to be made on its books except in accordance with the terms of this Agreement.

1.2 **Permitted Transfers of Founding Stockholder's Shares**

(a.) A Founding Stockholder may sell, assign or transfer any Shares held by such Founding Stockholder by complying with the provisions of Sections 2.1 and 3.1 hereof or, with prior written notice to the Company, (i) to any immediate family member (parent, sibling, spouse, child (including stepchildren or adopted children), niece, nephew, first cousin, or grandchild), (ii) to a trust whose sole beneficiaries are immediate family members, (iii) to a Founding Stockholder, (iv) to the Company, (v) in the event of the death of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to the estate of such Founding Stockholder or individual or entity named in the will of such Founding Stockholder, (vi) subject to and in accordance with the rights set forth in Article 2 hereof, top any person solely in connection with the transfer of the community property interest of a Founding Stockholder spouse in all or part of such Founding Stockholders' Shares upon death of such spouse or termination of the marital relationship of the spouse and such Founding Stockholder, (xii) in the event of any Founding Stockholder being judicially declared to be incompetent, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, (xiii) in the event of the total or permanent disability, as defined in Section 422(1)(6) of the Internal Revenue Code, of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, and (ix) to another company or entity in connection with the exchange of all shares of capital stock of the Company to such other company (collectively, "Permitted Transferees"); provided, however, that such Permitted Transferee (other than pursuant to clause (ix) above) agrees to be bound by the terms of this Agreement and such transfer complies with applicable federal and state securities laws,

(b.) Each Founding Stockholder may also sell, assign or transfer any Shares held by such Founding Stockholder without complying with the provisions of Section 2.1 and 3.1 by obtaining the prior written consent of each of the other Founding Stockholders, provided that the transferee agrees in writing to assume the obligations of the Founding Stockholders under this Agreement and that the transfer is made in accordance with any other restrictions or conditions contained in such written consent, if any, and in accordance with applicable federal and state securities laws.

1.3 **No Pledge**. Shares held or otherwise owned by any Founding Stockholder may not be pledged, mortgaged or otherwise encumbered to secure indebtedness of money borrowed or any other obligation for which such Founding Stockholder is primarily or secondarily liable without the consent of the Company and each of the other Founding Stockholders.

1.4 **Shares Certificate Legend**. Each certificate for Founding Stockholders Shares shall have conspicuously written, printed, typed or stamped upon the face thereof, or upon the reverse thereof with a conspicuous reference on the face thereof, the following legends:

"THESE SHARES ARE SUBJECT TO CERTAIN TRANSFER RESTRICTIONS AND RIGHT OF REPURCHASE AS SET FORTH IN THE CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT DATED AS OF MAY _____, 2008 ON FILE WITH THE SECRETARY OF THE COMPANY."

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT"). SUCH SHARES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT REGISTRATION IS NOT REQUIRED."

Promptly after execution of this Agreement, each of the existing stock certificates for the Shares issued to the Founding Stockholders, if any, shall be surrendered and new stock certificates shall be issued to such Founding Stockholders with the legends referred to above. Any stock certificate not so surrendered shall be deemed to have the legends referred to above.

1.5 **Definitions**. The words "sale," "sell," "transfer," and the like shall include any disposition by way of transfer, with or without consideration, to any person for any purpose, but shall not apply to exchanges of securities on account of merger, consolidation, reorganization or any other similar transaction affecting all of the securities of the Company.

ARTICLE 2

CERTAIN RIGHTS TO PURCHASE

2.1 **Sales of Shares**

(a.) Right of First Refusal. In the event that a Founding Stockholder (the "Selling Founding Stockholder") shall desire to sell, assign or transfer any Shares held by such Selling Founding Stockholder to any other person (the "Offer"), the following procedure shall apply. The Selling Founding Stockholder shall give to the Company and to each other Founding Stockholder (the "Non-Selling Founding Stockholders") written notice (the "Selling Founding Stockholder Notice") containing the terms and conditions of the Offer, including, but not limited to (i) the number of Offered Shares; (ii) the price per Share; (iii) the method of payment; and (iv) the name(s) of the proposed purchaser(s).

An Offer shall not be deemed bona fide unless, among other things, the method of payment is cash, the Selling Founding Stockholder has informed the prospective purchaser of its obligation under

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this Agreement and the prospective purchaser has agreed to become a party hereunder and to be bound hereby. The Company and the other Founding Stockholders are entitled to take such steps as they reasonably may deem necessary to determine the validity and bona fide nature of the Offer.

The Company and the Non-Selling Founding Stockholders shall have sixty (60) days after receipt of the Selling Founder Stockholder Notice within which to elect to purchase some or all of the Offered Shares. Until thirty (30) days after receipt of the Selling Founder Stockholder Notice, the Company shall have the right to elect to purchase, within fifteen (15) days after the expiration of such 30-day period, the Offered Shares or any portion thereof at the price offered by the prospective purchaser. Such purchase shall be, at the option of the Company, either on the payment terms offered by the prospective purchaser or on the Agreement Terms, as defined in Section 2.5.

If the Company does not elect to purchase all of the Offered Shares, the Non-Selling Founding Stockholders shall have the right (i) to elect to purchase, within sixty (60) days after receipt of the Selling Founder Stockholder Notice, the Offered Shares of any portion thereof at the price offered by the prospective purchaser and specified in such notice or (ii) co-sell Shares to such third party in accordance with Section 3.1 below. The Non-Selling Founding Stockholders electing to purchase or co-sell must give written notice of such election to purchase or co-sell Shares to the Company and the Selling Founding Stockholder which notice shall specify the number of Offered Shares such Stockholder desires to purchase hereunder or the number of Shares such Stockholder desires to co-sell in accordance with Section 3.1. In the event that there are more than one Non-Selling Founding Stockholders desiring to purchase the Offered Shares (or the remaining portion thereof) and they desire to purchase more shares than the aggregate number of Offered Shares (or the remaining portion thereof), then each Non-Selling Founding Stockholder shall have the right to purchase, on a pro rata basis based on the number of Shares owned by such Non-Selling Founding Stockholders, the Offered Shares (or the remaining portion thereof). Such purchase shall be, at the option of the Non-Selling Founding Stockholders, either on the payment terms specified in such notice or on the Agreement Terms, as defined in Section 2.5.

(b) After giving notice under this Section, the Selling Founding Shareholder shall refrain from participating as an officer, director or shareholder of the Company in the Company's decision whether to purchase any or all of the Offered Shares.

(c) Failure of the Company and the Non-Selling Founding Stockholders to Purchase Offered Shares. If all of the Offered Shares are not purchased by the Company and/or the Non-Selling Founding Stockholders within the 60-day period granted for such purchases, then, subject to the co-sale rights set forth in Section 3.1, the remaining Offered Shares may be sold, assigned, or transferred pursuant to the Offer; provided that the Offered Shares are so transferred within ninety (90) days of the expiration of the 60-day period to the person or persons named in, and under the terms and conditions of, the Offer described in the notice to the Company and Founding Stockholders; provided, further, that such transfer requires the new shareholder(s) (being the purchaser(s) under the Offer) to assume the

obligations of the Selling Founding Stockholder under this Agreement; and provided, further, that such transfer complies with all applicable federal and state securities laws. Notwithstanding the foregoing, prior to consummating any such sale, the Selling Founding Stockholder will, upon request from the Company, provide the Company with reasonable supporting documentation with respect to the terms and conditions of any such sale so as to demonstrate such Selling Founding Stockholder's compliance with the provisions of the preceding sentence. If such sale has not been completed within ninety (90) days of the expiration of the 60-day period as provided above, the Offered Shares may not thereafter be sold by the Selling Founding Stockholder unless the Selling Founding Stockholder reoffers the Offered Shares to the Company and the Non-Selling Founding Stockholders and complies with the procedures set forth in this Section 2.1.

(d) The Right to Withdraw. The Selling Founding Stockholder may at any time prior to the sale of its Shares give notice to the Company that it no longer desires to sell the Offered Shares, provided that if it again desires to sell, assign or transfer any Shares held by it, it must comply with the provisions of the Agreement.

2.2 **Right to Purchase Upon Certain Other Events**

(a.) The Company's Right to Purchase. The Company shall have the right to purchase any or all of the Shares held by a Founding Stockholder (including his transferees hereunder) pursuant to the terms of this Section (the "Terminating Founding Stockholder", and such Shares held by such Terminating Founding Stockholder referred to as the "Terminating Shares") at the Agreement Price and on the Agreement Terms for a period of 90 days after the Company and the Purchasing Founding Stockholder receives notice from the Terminating Founding Stockholder or relevant third party, as applicable, of the occurrence of any of the following events, which notice shall be provided in the case of a Terminating Founding Stockholder within five (5) business days of the occurrence of such event:

(i) the Terminating Founding Stockholder who is an employee ceases to be, for any reason, an employee of the Company or a subsidiary of the Company (any uninterrupted absence for a period of 180 days or more, without approval of the Board of Directors of the Company, shall be deemed to be termination of employment);

(ii) the Terminating Founding Stockholder defaults on any debts to the Company as they become due and fails to repay such debts within 60 business days after written notice of such default;

(iii) the Terminating Founding Stockholder is adjudicated a bankrupt or the Terminating Founding Stockholder makes an assignment for the benefit of creditors or a petition under any insolvency or bankruptcy laws is filed for readjustment of such Stockholder's debts or financial affairs by such Stockholder or by any creditor of such Stockholder;

(iv) any of the Terminating Founding Stockholder's Shares are levied upon under a writ of execution or become subject to sale under any legal process, or are transferred or ordered to be transferred to or for the benefit of any spouse or any other person or entity as a result of or in connection with any property settlement or judgment incident to a divorce, dissolution of marriage or separation,, or are transferred or ordered to be transferred to any person or entity who is not a party hereto by decree of distribution or other court order in a proceeding arising from the death of the spouse of the Terminating Founding Stockholder; or

(v) the Terminating Founding Stockholder sells, pledges, encumbers, hypothecates or otherwise transfers any interest in, or purports to sell, pledge, encumber, hypothecate or otherwise transfer any interest in, any of his or her Shares, except as permitted by and in full compliance with the terms of this Agreement.

(b.) The Founding Stockholder's Right of Purchase. In the event the Company elects not to purchase all of the Terminating Shares to which the Company is entitled, Each Founding Stockholder (or its transferees hereunder) (a "Purchasing Founding Stockholder") shall have the right to purchase on a pro rata basis based upon the number of Shares owned by such Purchasing Founding Stockholder, within 15 days after the expiration of such 90-day period, any remaining Terminating Shares at the Agreement Price and on the Agreement Terms.

2.3 **Manner of Exercise**. Any right to purchase under Section 2.2 shall be exercised by giving written notice of election to the Company and the Terminating Founding Stockholder or his or her personal representative, as the case may be, prior to the expiration of such right to purchase. Such notice shall be given as provided in Section 5.5 hereof.

2.4 **Agreement Price**

(i) The "Agreement Price" shall be the fair value ("Fair Value") of the Shares to be purchased on a fully diluted basis, calculated on the basis of the Company as a going concern. Initially, the Board of Directors of the Company, in good faith in the exercise of its reasonable business judgment, shall determine the Fair Value of the shares. The Company shall notify the Founding Stockholders (or their representatives) as soon as possible of such determination, but in any event, not later than 30 days after the date giving rise to the right to purchase such Terminating Shares. If the Terminating Founding Stockholder or any Purchasing Founding Stockholder fail to notify the company within 15 days after the date of such notice of their objection to the proposed Fair Value, then the Fair Value proposed in the Company's notice shall be binding and conclusive.

(ii) If any Purchasing Founding Stockholder or the Terminating Founding Stockholder notifies the Company of its objection in writing within such 15-day period and if the

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Company, the Purchasing Founding Stockholders and the Terminating Founding Stockholder (or their representatives) can not mutually agree on the Fair Value of such shares within 10 days after the date of the notice of objection, then the Fair Value of the Shares shall be determined by an independent appraiser selected jointly by the Company, the Purchasing and Terminating Founding Stockholders (or their representatives). The determination of Fair Value by that appraiser shall be binding and conclusive on all parties to the Agreement. If the parties are unable to agree on the selection of an appraiser, each of the Purchasing and Terminating Founding Stockholders shall select an independent appraiser. The two appraisers so selected shall each independently appraise the Shares within 30 days of their appointment and, as long as the difference in the two appraisals does not exceed 5 percent of the lower of the two appraisals, the Fair Value shall be conclusively deemed to equal the average of the two appraisals. If the difference between the two appraisals referred to above exceeds 5 percent of the lower of the two appraisals, the two appraisers selected shall select a third appraiser within 5 business days after delivery of both appraisal, who shall also independently appraise the Fair Value of the shares and whose appraisal shall be conclusively deemed to be the Fair Value of the Shares. If either party fails to select an independent appraiser within the time required by this paragraph or if their appraiser fails to deliver their appraisal to the Company and the other party within the 30-day period, the Fair Value of the Shares shall be conclusively deemed to equal the appraisal of the independent appraiser timely selected by the other or timely delivered to the Company, as the case may be. The Founding Stockholders shall share equally the fees and expenses of the appraisers jointly named, but each party shall be responsible for the fees and expenses of any appraiser named solely by that party. Each party shall bear his, her, or its own expenses in presenting evidence to the appraisers.

2.5 **Agreement Terms**. "Agreement Terms" shall mean100% of the purchase price, which shall be payable, in the Company's sole discretion, (i) in the form of a check or via wire transfer as directed at the Closing of such purchase and sale, or (ii) in five (5) equal annual installments, represented by a negotiable promissory note secured by a pledge of all shares of Stock involved in such purchase of shares of Stock to the payee of the note.

2.6 **Delivery of Shares and Closing Date**. Within thirty (30) days of the exercise of any right to purchase hereunder or final determination of the Fair Value of the Shares, as the case may be, (the "Closing"), the Selling Founding Stockholder or the Terminating Founding Stockholder or his or her personal representatives, as the case may be, shall deliver certificates representing the Shares to be sold, properly endorsed for transfer, and with the necessary documentary and transfer tax stamps, if any, affixed, to the purchasers of such Shares. Payment of the purchase price therefor shall concurrently be made to the Selling Founding Stockholder or Terminating Founding Stockholder or his or her personal representatives as the case may be. Such delivery and payment shall be made at the principal office of the Company or at such other place as the parties mutually agree. Notwithstanding the above, any such transfer shall not be consummated unless it complies with all federal and state securities laws and the purchaser of such Shares assumes the obligations under this Agreement.

ARTICLE 3

CO-SALE AND DRAG-ALONG RIGHTS

3.1 **Co-Sale Provisions**.

(a) In the event that a Selling Founding Stockholder proposes to offer for sale or otherwise transfer any Shares to any person or entity (individually a "Third Party" and collectively, "Third Parties") in any one transaction or any series of related transactions, directly or indirectly, other than a sale to a Permitted Transferee under Section 1.2 hereof, such sale or other disposition to a Third Party shall not be permitted unless the Selling Founding Stockholder shall offer (or cause the Third Party to offer) each other Founding Stockholder and its permitted transferees (each being a "Co-Selling Founding Stockholder") the right to elect to include, at the sole option of such Co-Selling Founding Stockholder, in the sale to the Third Party, to the extent such shares have not been purchased by the Company or Non-Selling Founding Stockholder pursuant to Section 2.1(a) above, such number of Shares owned by such Co-Selling founding Stockholder as permitted under Section 3.1(b) and (c) below (the "Tag-Along shares")

(b) The Selling Founding Stockholder shall deliver a notice to the Company and the Co-Selling Founding Stockholders as provided in Section 2.1(a) above. Within sixty (60) days after the date of such notice, the Co-Selling Founding Stockholders may make an election to either (i) include a number of its Shares as Tag-Along Shares (up to the percentage set forth in paragraph (c) below) in such a sale or other disposition (the "Inclusion Election"), (ii) elect to purchase such Offered Shares pursuant to Section 2.1(a) above, or (iii) neither purchase Offered Shares nor sell Tag-along Shares. Such Co-Selling Founding Stockholder shall notify the Company and the Selling Founding Stockholder of its Inclusion Election within such 60-day period. Any Co-Selling Founding Stockholder electing to sell Tag-Along Shares shall also promptly deliver to the Company a stock certificate or certificates representing the number of Tag-Along Shares, together with a power-of-attorney authorizing the Selling Founding Stockholder to sell or otherwise dispose of such Tag-Along Shares pursuant to the terms of such Third Party's offer.

(c) Each Co-Selling Founding Stockholders shall have the right to co-sell, pursuant to the Third Party's offer, the number of Offered Shares equal to the product obtained by multiplying (x) the number of Offered Shares by (y) a fraction, (A) the numerator of which is the aggregate number of Shares then held by such Co-Selling Founding Stockholder, and (B) the denominator of which is the total number of Shares then held by the Selling Founding Stockholder and all of the Co-Selling Founding Stockholders.

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(d) The purchase of the Tag-Along Shares shall be on the same terms and conditions, including the price per share and the date of sale or other disposition, as are received by the Selling Founding Stockholder and stated in the notice referred to above.

(e) If the Third Party refuses to purchase Shares from the Co-Selling Founding Stockholders at the closing, then the Selling Founding Stockholder shall not be entitled to sell any Shares to the Third Party.

(f) If no Founding Stockholder has elected to make an Inclusion Election or an election to purchase Shares pursuant to Section 2.1, the Selling Founding Stockholder shall have ninety (90) days after the expiration of 60-day period referred to in Section 2.1(c) in which to sell or otherwise dispose of such shares to the Third Party at a price and on terms not more favorable than were set forth in the Offer referred to above. If, at the end of such 90-day period, the Selling Founding Stockholder has not completed the sale of shares in accordance with the terms of the Third Party's offer, all the restrictions on sale contained in this Agreement shall again be in effect (unless such 90-day period is extended with the consent of the other Founding Stockholders). In the event that a sale of Shares is made to a Third Party pursuant to their Section 3.1, such Third Party shall be bound by the Terms of this Agreement.

(g) The Founding Stockholders may elect to either (i) purchase Offered Shares pursuant to Section 2.1 or (ii) sell Tag-along Shares pursuant to Section 3.1, but not both.

3.2 **Drag-Along Provisions**. In the event the Board of Directors and the holders of at least Sixty Five Percent (65%) of the then outstanding Shares approve a bona fide offer from a third party that is not a Founding Stockholder or an affiliate of any Founding Stockholder (as defined in Rule 144 under the Securities Act of 1933, as amended) to purchase all of the then outstanding capital stock of the Company, then each Founding Stockholder shall vote all of the Shares owned or controlled by such Founding Stockholder in favor of the proposed transaction and shall take all other action deemed necessary or desirable by the Board of Directors to effect the proposed transaction.

ARTICLE 4

MANAGEMENT

4.1 **Board of Directors**. Each Founding Stockholder hereby agrees that the Board of Directors of the Company shall consist of the number of members determined by the Board of Directors of the Company from time to time. The Founding Stockholders hereby agree that each shall vote all shares of Common Stock held or controlled by each Founding Stockholder so as to provide for the election to the Board of Directors of the Company of each of G. Paul Bosse III, John Ameling, and Ray

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Takigiku PhD, so long as such individuals continue to own at least 50% of the shares of Common Stock of the Company owned as of the date hereof (as adjusted for stock splits and stock dividends, if any).

4.2 **Protective Provisions**. Until this Agreement is terminated, the Company shall not, without obtaining the written consent of the Founding Stockholders (or their transferees) then subject to this Agreement holding not less than sixty-five percent (65%) of the total Shares held by the Founding Stockholders then subject to this Agreement (a "Super-Majority of Founding Stockholders"):

(a) authorize or issue, or obligate itself to authorize or issue, additional Shares of Common Stock, Preferred Stock or any other capital stock except the issuance of such number of shares of Common Stock as approved by the Board of Directors for issuance pursuant to exercise of stock options granted to employees, consultants, officers or directors; or

(b) sell, convey, or otherwise dispose of all or substantially all of its property or business, or merge into or consolidate into any other corporation, or effect any transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of; or

(c) Amend its Articles of Incorporation.

ARTICLE 5

MISCELLANEOUS

5.1 **Additional Founding Stockholders**. Until this Agreement shall be terminated, all transferees of the Founding Stockholder Shares shall execute and deliver to the Company a written agreement, in form and content satisfactory to the Company, agreeing to be bound by all of the terms and conditions of the Agreement. The term "Founding Stockholder" as used herein shall be deemed to include the Founding Stockholders and their transferees.

5.2 **Representatives and Assigns**. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, their legal representatives, and permitted assigns and designees.

5.3 **Violations or Remedies**. The parties agree that any violation of this Agreement (other than a default in the payment of money) cannot be compensated for by damages and any aggrieved party shall have the right, and is hereby granted the privilege, of obtaining specific performance of this Agreement in any court of competent jurisdiction in the event of any breach hereunder.

5.4 **Governing Law**. This Agreement shall be deemed to be made under and governed by and construed in accordance with the laws of the State of North Carolina.

CONFIDENTIAL ROA-0410 WBD_CHLAB0002609

5.5 **Notices**. All notices required to be delivered pursuant to this Agreement shall be delivered in person or by telegraphic or other facsimile transmission and deemed given on the date of transmission or sent by certified mail, return receipt requested and deemed given three (3) business days after mailing, and shall be addressed to the Company at its principal business office, to the attention of the President, and to a Founding Stockholder at the address of the Founding Stockholder shown in the Company's stock ledger or to such other address as the Founding stockholder may indicate by duly giving written notice to the Company.

5.6 **Severability**. If any term or condition of this Agreement, or application thereof to any person or circumstance, shall to any extent be held invalid or unenforceable, the remainder of this Agreement, or application of such term or condition to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby and shall remain in full force and effect.

5.7 **Amendment and Waiver**. This Agreement may be modified or amended in whole or in part, and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument signed by the Company and a Super-Majority of Founding Stockholders. Any amendment, modification or waiver so effected shall be binding upon the Company, the Founding Stockholders and all of their respective successors and permitted assigns whether or not such party, assignee or other shareholder entered into or approved such amendment, modification or waiver. Notwithstanding the foregoing, (i) this Agreement may not be amended or modified and the observance of any term hereunder may not be waived with respect to any Founding Stockholder without the written consent of such Founding Stockholder unless such amendment, modification or waiver applies to all Founding Stockholders, respectively, in the same fashion and (ii) Exhibit A hereto may be amended by the Company from time to time to add information regarding additional Founding Stockholders without the consent of the other parties hereto.

5.8 **No Waiver**. No delay or failure on the part of a Company or a Founding Stockholder in the exercise of any right, power or remedy shall operate as a waiver thereof, not shall any single or partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy.

5.9 **Integration**. This Agreement embodies the entire agreement and understanding of the parties hereof in respect of the actions and transactions contemplated by this Agreement. This Agreement supersedes all other prior written or oral understandings between and among the parties hereto relating to the subject matter hereof.

5.10 **Termination of this Agreement**. This Agreement shall terminate upon the earlier of (a) the written agreement of (i) the Company and (ii) a Super-Majority of Founding Stockholders, (b) the sale of all the outstanding shares of capital stock of the company to a third party or, sale of all or

substantially all of the assets of the Company to a third party, or (c) upon the closing of a registered, underwritten initial public offering of the Company's Common Stock with net proceeds to the Company in excess of $20,000,000.

5.11 **Counterparts**. This Agreement may be executed in any number counterparts, each of which, when so executed, shall be deemed an original.

5.12 **After-Acquired Shares**. Each Founding Stockholder agrees and acknowledges that all of the terms, conditions and restrictions of this Agreement shall apply to all shares of the capital stock of the Company now owned or hereafter acquired by him.

5.13 **Additional Parties**. Any person exercising a right, option or warrant to acquire shares of the Company's capital stock and any purchaser of shares of the Company's capital stock issued by the Company may be admitted as a party to this Agreement as a Founding Stockholder upon the execution of a counterpart signature page by such person.

[Signature Page Follows]

CONFIDENTIAL ROA-0412 WBD_CHLAB0002611

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above written.

_____

G. PAUL BOSSE III

_____

JOHN F. AMELING

_____

BERNARD P. SCHACHTEL

_____

RAY TAKIGIKU

_____

RYAN BAKER

_____

CHRIS GODWIN

CONFIDENTIAL ROA-0413 WBD_CHLAB0002612

APPENDIX A

Shareholders	Number of Shares of Common Stock
G. Paul Bosse III	1,800
Ray Takigiku PhD	210
John Ameling	270
Bernie Schachtel M.D.	360
Ryan Baker	270
Chris Godwin	90
TOTAL	3,000

Message

From: Paul Bosse [pbosse@charlestonlabs.com]
Sent: 5/28/2008 11:51:02 AM
To: Rutley, Dean [DRutley@wcsr.com]; Baddour, David [dbaddour@wcsr.com]
Subject: Re: Revised Founders Stockholder Agmt and Restricted Stock Agmt

Dean,

I would like to have a disscusion with you on a couple of very important issues.

Thanks,

Paul

----- Original Message -----
From: Rutley, Dean
To: 'Paul Bosse' ; Baddour, David
Sent: Wednesday, May 28, 2008 11:36 AM
Subject: RE: Revised Founders Stockholder Agmt and Restricted Stock Agmt

Paul:

Call David today about issuing the certificates and any minor items. I was supposed to be in Baltimore today but had to cancel as a deal we thought was closing next week just got moved up to this Friday and I'm now in serious crunch time. David can handle.

Dean

P.S. Can you confirm the sending of the $1,000 check? Just so I can note that on my A/R report I have to complete each month. Thanks

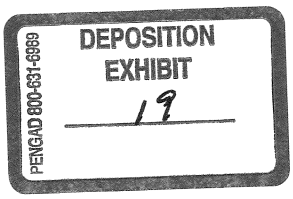
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From: Paul Bosse [mailto:pbosse@charlestonlabs.com]
Sent: Wednesday, May 28, 2008 10:23 AM
To: Baddour, David
Cc: Rutley, Dean
Subject: Re: Revised Founders Stockholder Agmt and Restricted Stock Agmt
Importance: High

Guys,

I think these doc's will work with the team, David, great work!!

Dean, could we set a time to speak about issuing the certificates and some other minor details.



Thanks,

Paul Bosse
CEO
(843)577-2626 (Office)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

****Confidentiality Notice: This e-mail message, including any attachments, is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure, or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail and destroy all copies of the original message.

Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 5/29/2008 6:14:21 PM
To: 'Paul Bosse' [pbosse@charlestonlabs.com]
CC: Rutley, Dean [DRutley@wcsr.com]
Subject: Restricted Stock Agmts
Attachments: Founder Restrictred Stock Agmt (Schachtel) - v2.DOC; Founder Restricted Stock Agmt (Takigiku) - v1.DOC; Founder Restricted Stock Agmt (Ameling) - v1.DOC

Paul,

As requested, attached are restricted stock agreements for Takigiku, Ameling and Schachtel. Please take a look and let me know if you have any questions.

Best,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | 2530 Meridian Parkway, Suite 400 | Durham, NC 27713 | office: 919.484.2352 | fax: 919.484.2090



STOCK RESTRICTION AGREEMENT

THIS STOCK RESTRICTION AGREEMENT (the "Agreement"), dated as of May 30, 2008, by and between Charleston Laboratories, Inc., a Delaware corporation (the "Company"), and Bernard P. Schachtel M.D. (the "Stockholder").

RECITALS

WHEREAS, the Stockholder is the holder of Three Hundred Sixty (360) shares of the Company's common stock, $0.001 par value per share (the "Common Stock"), which shares represent twelve percent (12%) of the outstanding capital stock as of the date hereof; and

WHEREAS, as partial consideration for the entry into an employment agreement between the Stockholder and the Company dated as of even date herewith, and for other good and valuable consideration, the Stockholder has agreed to grant to the Company certain rights to repurchase all of the shares of Common Stock held by the Stockholder (the "Restricted Shares"), as provided below.

NOW, THEREFORE, in consideration of the premises, which are incorporated into and made part of this Agreement, and of the mutual representations, warranties, covenants, agreements and conditions set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Repurchase Option.

(a) Termination of Employment. In the event that the Stockholder's employment with the Company is terminated prior to May 30, 2011, for any reason, or no reason, with or without cause, the Company shall have the right and option, for a period of sixty (60) days next following the effective date of such termination, to repurchase from the Stockholder, at a price of $0.001 per share payable in cash or by check, any or all of the number of Restricted Shares set forth on Schedule A attached hereto and made a part hereof.

(b) Termination of Repurchase Option. Notwithstanding the provisions of Section 1(a), (i) the Company's right to repurchase fifty percent (50%) of the number of Restricted Shares then subject to repurchase by the Company pursuant to Section 1(a) on each date set forth on Schedule A shall expire and be of no further force or effect upon the occurrence of a Change in Control, as defined below, and (ii) any of the Restricted Shares then subject to repurchase by the Company pursuant to Section 1(a) shall expire and be of no further force or effect if the Purchaser's employment is terminated by the Company without cause during the 12 month period following a Change in Control. A "Change in Control" shall be deemed to have occurred on the earliest of the following dates: (i) the date on which the Company consummates a merger, share exchange, consolidation or

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reorganization that results in the stockholders of the Company immediately prior to such event holding securities or other rights immediately after such event that represent less than fifty percent (50%) of the voting power and equity ownership of the surviving, acquiring or successor entity, or of the parent of the surviving, acquiring or successor entity; or (ii) the date on which any person or entity, other than a person or entity who was a beneficial owner of the Company's securities on the date of this Agreement, becomes the beneficial owner of more than fifty percent (50%) of the outstanding Common Stock, calculated on a fully-diluted, as converted basis, by means of a purchase or acquisition of the Company's securities from one or more stockholders of the Company, whether by tender offer or otherwise.

(c) Closing. The closing of any repurchase of Restricted Shares pursuant to this Section 1 shall be held at the principal office of the Company on a date selected by the Company but not later than the sixtieth (60^{th}) day next following the occurrence of any event giving rise to the Company's right to repurchase such Restricted Shares. At the closing, the Purchaser shall deliver certificates representing the Restricted Shares being repurchased, duly endorsed for transfer, and shall execute and deliver such other documents as may be reasonably requested by the Company to effectuate the repurchase of the Restricted Shares. The Restricted Shares shall be transferred free and clear of all security interests, liens, encumbrances, restrictions and other claims or charges of any kind whatsoever.

2. Restrictive Legends.

(a) Primary Legends. Certificates representing the Restricted Shares shall bear the following legends:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY STATE SECURITIES LAW AND MAY NOT BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR TRANSFERRED UNLESS THERE EXISTS AN EFFECTIVE REGISTRATION STATEMENT THEREFOR UNDER THE ACT AND ALL APPLICABLE STATE SECURITIES LAWS OR THE ISSUER HEREOF HAS RECEIVED AN OPINION OF COUNSEL, REASONABLY ACCEPTABLE TO THE ISSUER, THAT SUCH SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR TRANSFER IS EXEMPT FROM REGISTRATION.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO REPURCHASE BY THE ISSUER UPON THE OCCURRENCE OF CERTAIN EVENTS SET FORTH IN THAT CERTAIN STOCK RESTRICTION AGREEMENT DATED AS OF MAY 30, 2008 BY AND BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF SUCH SHARES.

CONFIDENTIAL ROA-0418 WBD_CHLAB0002676

(b) Other Legends. Certificates representing the Restricted Shares shall bear any other legend(s) required by any applicable federal or state securities law or by any other agreement to which the holder thereof is a party or by which the holder thereof is bound.

3. Governing Law. This Agreement shall be governed by and shall be construed and enforced in accordance with the laws of the State of Delaware applicable to agreements entered into and performed within such State, but without reference to the conflicts of law rules of such State.

4. Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

5. Entire Agreement; Amendment and Waiver. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and this Agreement supersedes and renders null and void any and all other prior oral or written agreements, understandings, or commitments pertaining to the subject matter hereof. Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated except by a written instrument signed by the Company and the Stockholder. The failure of any party to this Agreement to insist upon the strict performance of any of the terms, conditions or provisions of this Agreement shall not be construed as a waiver or relinquishment of future compliance therewith, and said terms, conditions and provisions shall remain in full force and effect.

6. Invalidity. Should any part of this Agreement, for any reason whatsoever, be declared invalid, illegal, or incapable of being enforced in whole or in part, such decision shall not affect the validity of any remaining portion, which remaining portion shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any portion which may for any reason be declared invalid.

7. Notices. Any notices required to be delivered under this Agreement shall be in writing and sent to the address(es) set forth below. Any party may change its address for notice purposes by giving written notice of such change as set forth herein.

To the Company: Charleston Laboratories, Inc.
548 Clearview Drive
Charleston, SC 29412
Attn: Board of Directors

Copy to: Womble Carlyle Sandridge & Rice
8065 Leesburg Pike, 4th Floor
Vienna, VA 22182
Attn: Dean Rutley, Esq.

To the Stockholder: _____
_____
_____

Copy to: _____
_____
_____
Attn: _____

CONFIDENTIAL ROA-0419 WBD_CHLAB0002677

8. Captions. The captions contained in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the Company and the Stockholder have entered into this Agreement as of the date first written above.

CHARLESTON LABORATORIES, INC.	STOCKHOLDER
By:_____	_____
Paul Bosse President	Bernard P. Schachtel M.D.

CONFIDENTIAL ROA-0420 WBD_CHLAB0002678

SCHEDULE A
TO
RESTRICTED STOCK PURCHASE AGREEMENT

If Employment Terminates On or After:	But Prior to:	Company shall have the right to repurchase the following number of Shares of Common Stock
May 30, 2008	May 30, 2009	180
May 30, 2009	May 30, 2010	120
May 30, 2010	May 30, 2011	60
May 30, 2011	n/a	0

CONFIDENTIAL ROA-0421 WBD_CHLAB0002679

STOCK RESTRICTION AGREEMENT

THIS STOCK RESTRICTION AGREEMENT (the "Agreement"), dated as of May 30, 2008, by and between Charleston Laboratories, Inc., a Delaware corporation (the "Company"), and Ray Takigiku, Ph.D (the "Stockholder").

RECITALS

WHEREAS, the Stockholder is the holder of Two Hundred Ten (210) shares of the Company's common stock, $0.001 par value per share (the "Common Stock"), which shares represent seven percent (7%) of the outstanding capital stock as of the date hereof; and

WHEREAS, as partial consideration for the entry into an employment agreement between the Stockholder and the Company dated as of even date herewith, and for other good and valuable consideration, the Stockholder has agreed to grant to the Company certain rights to repurchase all of the shares of Common Stock held by the Stockholder (the "Restricted Shares"), as provided below.

NOW, THEREFORE, in consideration of the premises, which are incorporated into and made part of this Agreement, and of the mutual representations, warranties, covenants, agreements and conditions set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Repurchase Option.

(a) Termination of Employment. In the event that the Stockholder's employment with the Company is terminated prior to May 30, 2011, for any reason, or no reason, with or without cause, the Company shall have the right and option, for a period of sixty (60) days next following the effective date of such termination, to repurchase from the Stockholder, at a price of $0.001 per share payable in cash or by check, any or all of the number of Restricted Shares set forth on Schedule A attached hereto and made a part hereof.

(b) Termination of Repurchase Option. Notwithstanding the provisions of Section 1(a), (i) the Company's right to repurchase fifty percent (50%) of the number of Restricted Shares then subject to repurchase by the Company pursuant to Section 1(a) on each date set forth on Schedule A shall expire and be of no further force or effect upon the occurrence of a Change in Control, as defined below, and (ii) any of the Restricted Shares then subject to repurchase by the Company pursuant to Section 1(a) shall expire and be of no further force or effect if the Purchaser's employment is terminated by the Company without cause during the 12 month period following a Change in Control. A "Change in Control" shall be deemed to have occurred on the earliest of the following dates: (i) the date on which the Company consummates a merger, share exchange, consolidation or

CONFIDENTIAL ROA-0422 WBD_CHLAB0002680

reorganization that results in the stockholders of the Company immediately prior to such event holding securities or other rights immediately after such event that represent less than fifty percent (50%) of the voting power and equity ownership of the surviving, acquiring or successor entity, or of the parent of the surviving, acquiring or successor entity; or (ii) the date on which any person or entity, other than a person or entity who was a beneficial owner of the Company's securities on the date of this Agreement, becomes the beneficial owner of more than fifty percent (50%) of the outstanding Common Stock, calculated on a fully-diluted, as converted basis, by means of a purchase or acquisition of the Company's securities from one or more stockholders of the Company, whether by tender offer or otherwise.

(c) Closing. The closing of any repurchase of Restricted Shares pursuant to this Section 1 shall be held at the principal office of the Company on a date selected by the Company but not later than the sixtieth (60^{th}) day next following the occurrence of any event giving rise to the Company's right to repurchase such Restricted Shares. At the closing, the Purchaser shall deliver certificates representing the Restricted Shares being repurchased, duly endorsed for transfer, and shall execute and deliver such other documents as may be reasonably requested by the Company to effectuate the repurchase of the Restricted Shares. The Restricted Shares shall be transferred free and clear of all security interests, liens, encumbrances, restrictions and other claims or charges of any kind whatsoever.

2. Restrictive Legends.

(a) Primary Legends. Certificates representing the Restricted Shares shall bear the following legends:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY STATE SECURITIES LAW AND MAY NOT BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR TRANSFERRED UNLESS THERE EXISTS AN EFFECTIVE REGISTRATION STATEMENT THEREFOR UNDER THE ACT AND ALL APPLICABLE STATE SECURITIES LAWS OR THE ISSUER HEREOF HAS RECEIVED AN OPINION OF COUNSEL, REASONABLY ACCEPTABLE TO THE ISSUER, THAT SUCH SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR TRANSFER IS EXEMPT FROM REGISTRATION.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO REPURCHASE BY THE ISSUER UPON THE OCCURRENCE OF CERTAIN EVENTS SET FORTH IN THAT CERTAIN STOCK RESTRICTION AGREEMENT DATED AS OF MAY 30, 2008 BY AND BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF SUCH SHARES.

CONFIDENTIAL ROA-0423 WBD_CHLAB0002681

(b) Other Legends. Certificates representing the Restricted Shares shall bear any other legend(s) required by any applicable federal or state securities law or by any other agreement to which the holder thereof is a party or by which the holder thereof is bound.

3. Governing Law. This Agreement shall be governed by and shall be construed and enforced in accordance with the laws of the State of Delaware applicable to agreements entered into and performed within such State, but without reference to the conflicts of law rules of such State.

4. Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

5. Entire Agreement; Amendment and Waiver. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and this Agreement supersedes and renders null and void any and all other prior oral or written agreements, understandings, or commitments pertaining to the subject matter hereof. Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated except by a written instrument signed by the Company and the Stockholder. The failure of any party to this Agreement to insist upon the strict performance of any of the terms, conditions or provisions of this Agreement shall not be construed as a waiver or relinquishment of future compliance therewith, and said terms, conditions and provisions shall remain in full force and effect.

6. Invalidity. Should any part of this Agreement, for any reason whatsoever, be declared invalid, illegal, or incapable of being enforced in whole or in part, such decision shall not affect the validity of any remaining portion, which remaining portion shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any portion which may for any reason be declared invalid.

7. Notices. Any notices required to be delivered under this Agreement shall be in writing and sent to the address(es) set forth below. Any party may change its address for notice purposes by giving written notice of such change as set forth herein.

To the Company: Charleston Laboratories, Inc.
548 Clearview Drive
Charleston, SC 29412
Attn: Board of Directors

Copy to: Womble Carlyle Sandridge & Rice
8065 Leesburg Pike, 4th Floor
Vienna, VA 22182
Attn: Dean Rutley, Esq.

To the Stockholder: _____
_____
_____

Copy to: _____
_____
_____
Attn: _____

CONFIDENTIAL ROA-0424 WBD_CHLAB0002682

8. Captions. The captions contained in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the Company and the Stockholder have entered into this Agreement as of the date first written above.

CHARLESTON LABORATORIES, INC.	STOCKHOLDER
By:_____	_____
Paul Bosse President	Ray Takigiku, Ph.D

CONFIDENTIAL ROA-0425 WBD_CHLAB0002683

SCHEDULE A
TO
RESTRICTED STOCK PURCHASE AGREEMENT

If Employment Terminates On or After:	But Prior to:	Company shall have the right to repurchase the following number of Shares of Common Stock
May 30, 2008	May 30, 2009	105
May 30, 2009	May 30, 2010	70
May 30, 2010	May 30, 2011	35
May 30, 2011	n/a	0

CONFIDENTIAL ROA-0426 WBD_CHLAB0002684

STOCK RESTRICTION AGREEMENT

THIS STOCK RESTRICTION AGREEMENT (the "Agreement"), dated as of May 30, 2008, by and between Charleston Laboratories, Inc., a Delaware corporation (the "Company"), and John Ameling (the "Stockholder").

RECITALS

WHEREAS, the Stockholder is the holder of Two Hundred Seventy (270) shares of the Company's common stock, $0.001 par value per share (the "Common Stock"), which shares represent nine percent (9%) of the outstanding capital stock as of the date hereof; and

WHEREAS, as partial consideration for the entry into an employment agreement between the Stockholder and the Company dated as of even date herewith, and for other good and valuable consideration, the Stockholder has agreed to grant to the Company certain rights to repurchase all of the shares of Common Stock held by the Stockholder (the "Restricted Shares"), as provided below.

NOW, THEREFORE, in consideration of the premises, which are incorporated into and made part of this Agreement, and of the mutual representations, warranties, covenants, agreements and conditions set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Repurchase Option.

(a) Termination of Employment. In the event that the Stockholder's employment with the Company is terminated prior to May 30, 2011, for any reason, or no reason, with or without cause, the Company shall have the right and option, for a period of sixty (60) days next following the effective date of such termination, to repurchase from the Stockholder, at a price of $0.001 per share payable in cash or by check, any or all of the number of Restricted Shares set forth on Schedule A attached hereto and made a part hereof.

(b) Termination of Repurchase Option. Notwithstanding the provisions of Section 1(a), (i) the Company's right to repurchase fifty percent (50%) of the number of Restricted Shares then subject to repurchase by the Company pursuant to Section 1(a) on each date set forth on Schedule A shall expire and be of no further force or effect upon the occurrence of a Change in Control, as defined below, and (ii) any of the Restricted Shares then subject to repurchase by the Company pursuant to Section 1(a) shall expire and be of no further force or effect if the Purchaser's employment is terminated by the Company without cause during the 12 month period following a Change in Control. A "Change in Control" shall be deemed to have occurred on the earliest of the following dates: (i) the date on which the Company consummates a merger, share exchange, consolidation or

CONFIDENTIAL ROA-0427 WBD_CHLAB0002685

reorganization that results in the stockholders of the Company immediately prior to such event holding securities or other rights immediately after such event that represent less than fifty percent (50%) of the voting power and equity ownership of the surviving, acquiring or successor entity, or of the parent of the surviving, acquiring or successor entity; or (ii) the date on which any person or entity, other than a person or entity who was a beneficial owner of the Company's securities on the date of this Agreement, becomes the beneficial owner of more than fifty percent (50%) of the outstanding Common Stock, calculated on a fully-diluted, as converted basis, by means of a purchase or acquisition of the Company's securities from one or more stockholders of the Company, whether by tender offer or otherwise.

(c) Closing. The closing of any repurchase of Restricted Shares pursuant to this Section 1 shall be held at the principal office of the Company on a date selected by the Company but not later than the sixtieth (60^{th}) day next following the occurrence of any event giving rise to the Company's right to repurchase such Restricted Shares. At the closing, the Purchaser shall deliver certificates representing the Restricted Shares being repurchased, duly endorsed for transfer, and shall execute and deliver such other documents as may be reasonably requested by the Company to effectuate the repurchase of the Restricted Shares. The Restricted Shares shall be transferred free and clear of all security interests, liens, encumbrances, restrictions and other claims or charges of any kind whatsoever.

2. Restrictive Legends.

(a) Primary Legends. Certificates representing the Restricted Shares shall bear the following legends:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY STATE SECURITIES LAW AND MAY NOT BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR TRANSFERRED UNLESS THERE EXISTS AN EFFECTIVE REGISTRATION STATEMENT THEREFOR UNDER THE ACT AND ALL APPLICABLE STATE SECURITIES LAWS OR THE ISSUER HEREOF HAS RECEIVED AN OPINION OF COUNSEL, REASONABLY ACCEPTABLE TO THE ISSUER, THAT SUCH SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR TRANSFER IS EXEMPT FROM REGISTRATION.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO REPURCHASE BY THE ISSUER UPON THE OCCURRENCE OF CERTAIN EVENTS SET FORTH IN THAT CERTAIN STOCK RESTRICTION AGREEMENT DATED AS OF MAY 30, 2008 BY AND BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF SUCH SHARES.

CONFIDENTIAL ROA-0428 WBD_CHLAB0002686

(b) Other Legends. Certificates representing the Restricted Shares shall bear any other legend(s) required by any applicable federal or state securities law or by any other agreement to which the holder thereof is a party or by which the holder thereof is bound.

3. Governing Law. This Agreement shall be governed by and shall be construed and enforced in accordance with the laws of the State of Delaware applicable to agreements entered into and performed within such State, but without reference to the conflicts of law rules of such State.

4. Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

5. Entire Agreement; Amendment and Waiver. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and this Agreement supersedes and renders null and void any and all other prior oral or written agreements, understandings, or commitments pertaining to the subject matter hereof. Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated except by a written instrument signed by the Company and the Stockholder. The failure of any party to this Agreement to insist upon the strict performance of any of the terms, conditions or provisions of this Agreement shall not be construed as a waiver or relinquishment of future compliance therewith, and said terms, conditions and provisions shall remain in full force and effect.

6. Invalidity. Should any part of this Agreement, for any reason whatsoever, be declared invalid, illegal, or incapable of being enforced in whole or in part, such decision shall not affect the validity of any remaining portion, which remaining portion shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any portion which may for any reason be declared invalid.

7. Notices. Any notices required to be delivered under this Agreement shall be in writing and sent to the address(es) set forth below. Any party may change its address for notice purposes by giving written notice of such change as set forth herein.

To the Company: Charleston Laboratories, Inc.
548 Clearview Drive
Charleston, SC 29412
Attn: Board of Directors

Copy to: Womble Carlyle Sandridge & Rice
8065 Leesburg Pike, 4th Floor
Vienna, VA 22182
Attn: Dean Rutley, Esq.

To the Stockholder: _____
_____
_____

Copy to: _____
_____
_____
Attn: _____

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8. Captions. The captions contained in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the Company and the Stockholder have entered into this Agreement as of the date first written above.

CHARLESTON LABORATORIES, INC.	STOCKHOLDER
By:_____	_____
Paul Bosse President	John Ameling

CONFIDENTIAL ROA-0430 WBD_CHLAB0002688

SCHEDULE A
TO
RESTRICTED STOCK PURCHASE AGREEMENT

If Employment Terminates On or After:	But Prior to:	Company shall have the right to repurchase the following number of Shares of Common Stock
May 30, 2008	May 30, 2009	135
May 30, 2009	May 30, 2010	90
May 30, 2010	May 30, 2011	45
May 30, 2011	n/a	0

CONFIDENTIAL ROA-0431 WBD_CHLAB0002689

Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 5/30/2008 9:44:01 AM
To: 'Paul Bosse' [pbosse@charlestonlabs.com]
CC: Rutley, Dean [DRutley@wcsr.com]
Subject: RE: Shareholders Agreement and Stock Agreement
Attachments: Charleston Laboratories - Founders Stockholder Agreement - vdoc.DOC; Charleston Laboratories - Founders Stockholder Agreement - v4.DOC

Paul,

Pls see attached, together with a redline showing the changes.

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | 2530 Meridian Parkway, Suite 400 | Durham, NC 27713 | office: 919.484.2352 | fax: 919.484.2090

From: Paul Bosse [mailto:pbosse@charlestonlabs.com]
Sent: Friday, May 30, 2008 9:11 AM
To: Baddour, David; Rutley, Dean
Subject: Fw: Shareholders Agreement and Stock Agreement
Importance: High

Guys,

FYI.....

Please correct these and give one last redline look to make sure everything else is correct.

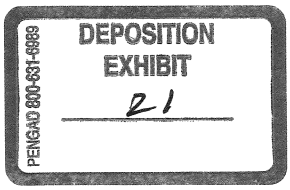
Paul

----- Original Message -----
From: Ray Takigiku
To: Paul Bosse
Sent: Friday, May 30, 2008 8:59 AM
Subject: Re: Shareholders Agreement and Stock Agreement

Paul,
Minor fix to Stockholder's Agreement:
Page 2, item 1.2 the subsets go from (vi) to (xii)...should instead go from vi to vii, etc.

Why is the Stock Restriction Agreement under Delaware law, but the Stockholder's Agreement is under North Carolina law?

Best,
Ray



Paul Bosse <*pbosse@charlestonlabs.com*> wrote:
Guys,

I hope all is well....

I realized after I sent the email last night, I left out my fax number 843-628-1061 and instructions for execution. If you could please apply your signature to the appropriate two pages and fax to me. We will then execute hard copies when the whole team is together in a couple of weeks.

Thanks,

All the best.....

Paul Bosse
CEO
(843)577-2626 (Office)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

****Confidentiality Notice: This e-mail message, including any attachments, is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure, or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail and destroy all copies of the original message.

CHARLESTON LABORATORIES, INC.

STOCKHOLDERS AGREEMENT

THIS CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT (this "Agreement") is made and entered into as of May ____, 2008 by and among Charleston Laboratories, Inc., a Delaware corporation (the "Company") and G. Paul Bosse III, John F. Ameling, Bernard P. Schachtel, Ray Takigiku, Ryan Baker, and Chris Godwin (the "Founding Shareholders").

WITNESSETH:

WHEREAS, the Founding Stockholders are collectively the owners of 100% of the issued and outstanding shares of the common stock of the Company as set forth on Exhibit A hereto ("Common Stock");

WHEREAS, the Founding Stockholders believe that it is in the best interests of the Founding Stockholders and the Company to make provisions for the future disposition of the shares of common stock of the Company held by the Founding Stockholders and other matters set forth herein; and

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises and covenants herein set forth, the parties hereto agree as follows:

ARTICLE I

RESTRICTIONS ON TRANSFER OF STOCK

1.1 General

(a.) The Founding Stockholders shall not dispose of any shares of Common Stock now or hereafter owned by them ("Shares"), whether by sale, exchange, assignment, transfer, gift, devise, bequest, mortgage, pledge, encumbrance or otherwise, except in accordance with the terms and conditions of this Agreement. The Company and each Founding Stockholder shall also not take or omit to take any action which will impair the absolute and unrestricted right, power, authority and capacity of the Company or the Founding Stockholders to purchase or sell Shares in accordance with the terms and conditions hereof.

(b.) The Company, by its execution of this Agreement, agrees that it will not cause or permit the transfer of any shares to be made on its books except in accordance with the terms of this Agreement.

1.2 **Permitted Transfers of Founding Stockholder's Shares**

(a.) A Founding Stockholder may sell, assign or transfer any Shares held by such Founding Stockholder by complying with the provisions of Sections 2.1 and 3.1 hereof or, with prior written notice to the Company, (i) to any immediate family member (parent, sibling, spouse, child (including stepchildren or adopted children), niece, nephew, first cousin, or grandchild), (ii) to a trust whose sole beneficiaries are immediate family members, (iii) to a Founding Stockholder, (iv) to the Company, (v) in the event of the death of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to the estate of such Founding Stockholder or individual or entity named in the will of such Founding Stockholder, (vi) subject to and in accordance with the rights set forth in Article 2 hereof, top any person solely in connection with the transfer of the community property interest of a Founding Stockholder spouse in all or part of such Founding Stockholders' Shares upon death of such spouse or termination of the marital relationship of the spouse and such Founding Stockholder, (~~xii~~vii) in the event of any Founding Stockholder being judicially declared to be incompetent, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, (~~xiii~~viii) in the event of the total or permanent disability, as defined in Section 422(1)(6) of the Internal Revenue Code, of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, and (ix) to another company or entity in connection with the exchange of all shares of capital stock of the Company to such other company (collectively, "Permitted Transferees"); provided, however, that such Permitted Transferee (other than pursuant to clause (ix) above) agrees to be bound by the terms of this Agreement and such transfer complies with applicable federal and state securities laws,

(b.) Each Founding Stockholder may also sell, assign or transfer any Shares held by such Founding Stockholder without complying with the provisions of Section 2.1 and 3.1 by obtaining the prior written consent of each of the other Founding Stockholders, provided that the transferee agrees in writing to assume the obligations of the Founding Stockholders under this Agreement and that the transfer is made in accordance with any other restrictions or conditions contained in such written consent, if any, and in accordance with applicable federal and state securities laws.

1.3 **No Pledge**. Shares held or otherwise owned by any Founding Stockholder may not be pledged, mortgaged or otherwise encumbered to secure indebtedness of money borrowed or any other obligation for which such Founding Stockholder is primarily or secondarily liable without the consent of the Company and each of the other Founding Stockholders.

1.4 **Shares Certificate Legend**. Each certificate for Founding Stockholders Shares shall have conspicuously written, printed, typed or stamped upon the face thereof, or upon the reverse thereof with a conspicuous reference on the face thereof, the following legends:

"THESE SHARES ARE SUBJECT TO CERTAIN TRANSFER RESTRICTIONS AND RIGHT OF REPURCHASE AS SET FORTH IN THE CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT DATED AS OF MAY _____, 2008 ON FILE WITH THE SECRETARY OF THE COMPANY."

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT"). SUCH SHARES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT REGISTRATION IS NOT REQUIRED."

Promptly after execution of this Agreement, each of the existing stock certificates for the Shares issued to the Founding Stockholders, if any, shall be surrendered and new stock certificates shall be issued to such Founding Stockholders with the legends referred to above. Any stock certificate not so surrendered shall be deemed to have the legends referred to above.

1.5 **Definitions**. The words "sale," "sell," "transfer," and the like shall include any disposition by way of transfer, with or without consideration, to any person for any purpose, but shall not apply to exchanges of securities on account of merger, consolidation, reorganization or any other similar transaction affecting all of the securities of the Company.

ARTICLE 2

CERTAIN RIGHTS TO PURCHASE

2.1 **Sales of Shares**

(a.) Right of First Refusal. In the event that a Founding Stockholder (the "Selling Founding Stockholder") shall desire to sell, assign or transfer any Shares held by such Selling Founding Stockholder to any other person (the "Offer"), the following procedure shall apply. The Selling Founding Stockholder shall give to the Company and to each other Founding Stockholder (the "Non-Selling Founding Stockholders") written notice (the "Selling Founding Stockholder Notice") containing the terms and conditions of the Offer, including, but not limited to (i) the number of Offered Shares; (ii) the price per Share; (iii) the method of payment; and (iv) the name(s) of the proposed purchaser(s).

An Offer shall not be deemed bona fide unless, among other things, the method of payment is cash, the Selling Founding Stockholder has informed the prospective purchaser of its obligation under

this Agreement and the prospective purchaser has agreed to become a party hereunder and to be bound hereby. The Company and the other Founding Stockholders are entitled to take such steps as they reasonably may deem necessary to determine the validity and bona fide nature of the Offer.

The Company and the Non-Selling Founding Stockholders shall have sixty (60) days after receipt of the Selling Founder Stockholder Notice within which to elect to purchase some or all of the Offered Shares. Until thirty (30) days after receipt of the Selling Founder Stockholder Notice, the Company shall have the right to elect to purchase, within fifteen (15) days after the expiration of such 30-day period, the Offered Shares or any portion thereof at the price offered by the prospective purchaser. Such purchase shall be, at the option of the Company, either on the payment terms offered by the prospective purchaser or on the Agreement Terms, as defined in Section 2.5.

If the Company does not elect to purchase all of the Offered Shares, the Non-Selling Founding Stockholders shall have the right (i) to elect to purchase, within sixty (60) days after receipt of the Selling Founder Stockholder Notice, the Offered Shares of any portion thereof at the price offered by the prospective purchaser and specified in such notice or (ii) co-sell Shares to such third party in accordance with Section 3.1 below. The Non-Selling Founding Stockholders electing to purchase or co-sell must give written notice of such election to purchase or co-sell Shares to the Company and the Selling Founding Stockholder which notice shall specify the number of Offered Shares such Stockholder desires to purchase hereunder or the number of Shares such Stockholder desires to co-sell in accordance with Section 3.1. In the event that there are more than one Non-Selling Founding Stockholders desiring to purchase the Offered Shares (or the remaining portion thereof) and they desire to purchase more shares than the aggregate number of Offered Shares (or the remaining portion thereof), then each Non-Selling Founding Stockholder shall have the right to purchase, on a pro rata basis based on the number of Shares owned by such Non-Selling Founding Stockholders, the Offered Shares (or the remaining portion thereof). Such purchase shall be, at the option of the Non-Selling Founding Stockholders, either on the payment terms specified in such notice or on the Agreement Terms, as defined in Section 2.5.

(b) After giving notice under this Section, the Selling Founding Shareholder shall refrain from participating as an officer, director or shareholder of the Company in the Company's decision whether to purchase any or all of the Offered Shares.

(c) Failure of the Company and the Non-Selling Founding Stockholders to Purchase Offered Shares. If all of the Offered Shares are not purchased by the Company and/or the Non-Selling Founding Stockholders within the 60-day period granted for such purchases, then, subject to the co-sale rights set forth in Section 3.1, the remaining Offered Shares may be sold, assigned, or transferred pursuant to the Offer; provided that the Offered Shares are so transferred within ninety (90) days of the expiration of the 60-day period to the person or persons named in, and under the terms and conditions of, the Offer described in the notice to the Company and Founding Stockholders; provided, further, that such transfer requires the new shareholder(s) (being the purchaser(s) under the Offer) to assume the

obligations of the Selling Founding Stockholder under this Agreement; and provided, further, that such transfer complies with all applicable federal and state securities laws. Notwithstanding the foregoing, prior to consummating any such sale, the Selling Founding Stockholder will, upon request from the Company, provide the Company with reasonable supporting documentation with respect to the terms and conditions of any such sale so as to demonstrate such Selling Founding Stockholder's compliance with the provisions of the preceding sentence. If such sale has not been completed within ninety (90) days of the expiration of the 60-day period as provided above, the Offered Shares may not thereafter be sold by the Selling Founding Stockholder unless the Selling Founding Stockholder reoffers the Offered Shares to the Company and the Non-Selling Founding Stockholders and complies with the procedures set forth in this Section 2.1.

(d) The Right to Withdraw. The Selling Founding Stockholder may at any time prior to the sale of its Shares give notice to the Company that it no longer desires to sell the Offered Shares, provided that if it again desires to sell, assign or transfer any Shares held by it, it must comply with the provisions of the Agreement.

2.2 **Right to Purchase Upon Certain Other Events**

(a.) The Company's Right to Purchase. The Company shall have the right to purchase any or all of the Shares held by a Founding Stockholder (including his transferees hereunder) pursuant to the terms of this Section (the "Terminating Founding Stockholder", and such Shares held by such Terminating Founding Stockholder referred to as the "Terminating Shares") at the Agreement Price and on the Agreement Terms for a period of 90 days after the Company and the Purchasing Founding Stockholder receives notice from the Terminating Founding Stockholder or relevant third party, as applicable, of the occurrence of any of the following events, which notice shall be provided in the case of a Terminating Founding Stockholder within five (5) business days of the occurrence of such event:

(i) the Terminating Founding Stockholder who is an employee ceases to be, for any reason, an employee of the Company or a subsidiary of the Company (any uninterrupted absence for a period of 180 days or more, without approval of the Board of Directors of the Company, shall be deemed to be termination of employment);

(ii) the Terminating Founding Stockholder defaults on any debts to the Company as they become due and fails to repay such debts within 60 business days after written notice of such default;

(iii) the Terminating Founding Stockholder is adjudicated a bankrupt or the Terminating Founding Stockholder makes an assignment for the benefit of creditors or a petition under any insolvency or bankruptcy laws is filed for readjustment of such Stockholder's debts or financial affairs by such Stockholder or by any creditor of such Stockholder;

(iv) any of the Terminating Founding Stockholder's Shares are levied upon under a writ of execution or become subject to sale under any legal process, or are transferred or ordered to be transferred to or for the benefit of any spouse or any other person or entity as a result of or in connection with any property settlement or judgment incident to a divorce, dissolution of marriage or separation,, or are transferred or ordered to be transferred to any person or entity who is not a party hereto by decree of distribution or other court order in a proceeding arising from the death of the spouse of the Terminating Founding Stockholder; or

(v) the Terminating Founding Stockholder sells, pledges, encumbers, hypothecates or otherwise transfers any interest in, or purports to sell, pledge, encumber, hypothecate or otherwise transfer any interest in, any of his or her Shares, except as permitted by and in full compliance with the terms of this Agreement.

(b.) The Founding Stockholder's Right of Purchase. In the event the Company elects not to purchase all of the Terminating Shares to which the Company is entitled, Each Founding Stockholder (or its transferees hereunder) (a "Purchasing Founding Stockholder") shall have the right to purchase on a pro rata basis based upon the number of Shares owned by such Purchasing Founding Stockholder, within 15 days after the expiration of such 90-day period, any remaining Terminating Shares at the Agreement Price and on the Agreement Terms.

2.3 **Manner of Exercise**. Any right to purchase under Section 2.2 shall be exercised by giving written notice of election to the Company and the Terminating Founding Stockholder or his or her personal representative, as the case may be, prior to the expiration of such right to purchase. Such notice shall be given as provided in Section 5.5 hereof.

2.4 **Agreement Price**

(i) The "Agreement Price" shall be the fair value ("Fair Value") of the Shares to be purchased on a fully diluted basis, calculated on the basis of the Company as a going concern. Initially, the Board of Directors of the Company, in good faith in the exercise of its reasonable business judgment, shall determine the Fair Value of the shares. The Company shall notify the Founding Stockholders (or their representatives) as soon as possible of such determination, but in any event, not later than 30 days after the date giving rise to the right to purchase such Terminating Shares. If the Terminating Founding Stockholder or any Purchasing Founding Stockholder fail to notify the company within 15 days after the date of such notice of their objection to the proposed Fair Value, then the Fair Value proposed in the Company's notice shall be binding and conclusive.

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(ii) If any Purchasing Founding Stockholder or the Terminating Founding Stockholder notifies the Company of its objection in writing within such 15-day period and if the Company, the Purchasing Founding Stockholders and the Terminating Founding Stockholder (or their representatives) can not mutually agree on the Fair Value of such shares within 10 days after the date of the notice of objection, then the Fair Value of the Shares shall be determined by an independent appraiser selected jointly by the Company, the Purchasing and Terminating Founding Stockholders (or their representatives). The determination of Fair Value by that appraiser shall be binding and conclusive on all parties to the Agreement. If the parties are unable to agree on the selection of an appraiser, each of the Purchasing and Terminating Founding Stockholders shall select an independent appraiser. The two appraisers so selected shall each independently appraise the Shares within 30 days of their appointment and, as long as the difference in the two appraisals does not exceed 5 percent of the lower of the two appraisals, the Fair Value shall be conclusively deemed to equal the average of the two appraisals. If the difference between the two appraisals referred to above exceeds 5 percent of the lower of the two appraisals, the two appraisers selected shall select a third appraiser within 5 business days after delivery of both appraisal, who shall also independently appraise the Fair Value of the shares and whose appraisal shall be conclusively deemed to be the Fair Value of the Shares. If either party fails to select an independent appraiser within the time required by this paragraph or if their appraiser fails to deliver their appraisal to the Company and the other party within the 30-day period, the Fair Value of the Shares shall be conclusively deemed to equal the appraisal of the independent appraiser timely selected by the other or timely delivered to the Company, as the case may be. The Founding Stockholders shall share equally the fees and expenses of the appraisers jointly named, but each party shall be responsible for the fees and expenses of any appraiser named solely by that party. Each party shall bear his, her, or its own expenses in presenting evidence to the appraisers.

2.5 **Agreement Terms**. "Agreement Terms" shall mean100% of the purchase price, which shall be payable, in the Company's sole discretion, (i) in the form of a check or via wire transfer as directed at the Closing of such purchase and sale, or (ii) in five (5) equal annual installments, represented by a negotiable promissory note secured by a pledge of all shares of Stock involved in such purchase of shares of Stock to the payee of the note.

2.6 **Delivery of Shares and Closing Date**. Within thirty (30) days of the exercise of any right to purchase hereunder or final determination of the Fair Value of the Shares, as the case may be, (the "Closing"), the Selling Founding Stockholder or the Terminating Founding Stockholder or his or her personal representatives, as the case may be, shall deliver certificates representing the Shares to be sold, properly endorsed for transfer, and with the necessary documentary and transfer tax stamps, if any, affixed, to the purchasers of such Shares. Payment of the purchase price therefor shall concurrently be made to the Selling Founding Stockholder or Terminating Founding Stockholder or his or her personal representatives as the case may be. Such delivery and payment shall be made at the principal office of the Company or at such other place as the parties mutually agree. Notwithstanding the above, any such

transfer shall not be consummated unless it complies with all federal and state securities laws and the purchaser of such Shares assumes the obligations under this Agreement.

ARTICLE 3

CO-SALE AND DRAG-ALONG RIGHTS

3.1 **Co-Sale Provisions**.

(a) In the event that a Selling Founding Stockholder proposes to offer for sale or otherwise transfer any Shares to any person or entity (individually a "Third Party" and collectively, "Third Parties") in any one transaction or any series of related transactions, directly or indirectly, other than a sale to a Permitted Transferee under Section 1.2 hereof, such sale or other disposition to a Third Party shall not be permitted unless the Selling Founding Stockholder shall offer (or cause the Third Party to offer) each other Founding Stockholder and its permitted transferees (each being a "Co-Selling Founding Stockholder") the right to elect to include, at the sole option of such Co-Selling Founding Stockholder, in the sale to the Third Party, to the extent such shares have not been purchased by the Company or Non-Selling Founding Stockholder pursuant to Section 2.1(a) above, such number of Shares owned by such Co-Selling founding Stockholder as permitted under Section 3.1(b) and (c) below (the "Tag-Along shares")

(b) The Selling Founding Stockholder shall deliver a notice to the Company and the Co-Selling Founding Stockholders as provided in Section 2.1(a) above. Within sixty (60) days after the date of such notice, the Co-Selling Founding Stockholders may make an election to either (i) include a number of its Shares as Tag-Along Shares (up to the percentage set forth in paragraph (c) below) in such a sale or other disposition (the "Inclusion Election"), (ii) elect to purchase such Offered Shares pursuant to Section 2.1(a) above, or (iii) neither purchase Offered Shares nor sell Tag-along Shares. Such Co-Selling Founding Stockholder shall notify the Company and the Selling Founding Stockholder of its Inclusion Election within such 60-day period. Any Co-Selling Founding Stockholder electing to sell Tag-Along Shares shall also promptly deliver to the Company a stock certificate or certificates representing the number of Tag-Along Shares, together with a power-of-attorney authorizing the Selling Founding Stockholder to sell or otherwise dispose of such Tag-Along Shares pursuant to the terms of such Third Party's offer.

(c) Each Co-Selling Founding Stockholders shall have the right to co-sell, pursuant to the Third Party's offer, the number of Offered Shares equal to the product obtained by multiplying (x) the number of Offered Shares by (y) a fraction, (A) the numerator of which is the aggregate number of Shares then held by such Co-Selling Founding Stockholder, and (B) the denominator of which is the total number of Shares then held by the Selling Founding Stockholder and all of the Co-Selling Founding Stockholders.

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(d) The purchase of the Tag-Along Shares shall be on the same terms and conditions, including the price per share and the date of sale or other disposition, as are received by the Selling Founding Stockholder and stated in the notice referred to above.

(e) If the Third Party refuses to purchase Shares from the Co-Selling Founding Stockholders at the closing, then the Selling Founding Stockholder shall not be entitled to sell any Shares to the Third Party.

(f) If no Founding Stockholder has elected to make an Inclusion Election or an election to purchase Shares pursuant to Section 2.1, the Selling Founding Stockholder shall have ninety (90) days after the expiration of 60-day period referred to in Section 2.1(c) in which to sell or otherwise dispose of such shares to the Third Party at a price and on terms not more favorable than were set forth in the Offer referred to above. If, at the end of such 90-day period, the Selling Founding Stockholder has not completed the sale of shares in accordance with the terms of the Third Party's offer, all the restrictions on sale contained in this Agreement shall again be in effect (unless such 90-day period is extended with the consent of the other Founding Stockholders). In the event that a sale of Shares is made to a Third Party pursuant to their Section 3.1, such Third Party shall be bound by the Terms of this Agreement.

(g) The Founding Stockholders may elect to either (i) purchase Offered Shares pursuant to Section 2.1 or (ii) sell Tag-along Shares pursuant to Section 3.1, but not both.

3.2 **Drag-Along Provisions**. In the event the Board of Directors and the holders of at least Sixty Five Percent (65%) of the then outstanding Shares approve a bona fide offer from a third party that is not a Founding Stockholder or an affiliate of any Founding Stockholder (as defined in Rule 144 under the Securities Act of 1933, as amended) to purchase all of the then outstanding capital stock of the Company, then each Founding Stockholder shall vote all of the Shares owned or controlled by such Founding Stockholder in favor of the proposed transaction and shall take all other action deemed necessary or desirable by the Board of Directors to effect the proposed transaction.

ARTICLE 4

MANAGEMENT

4.1 **Board of Directors**. Each Founding Stockholder hereby agrees that the Board of Directors of the Company shall consist of the number of members determined by the Board of Directors

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of the Company from time to time. The Founding Stockholders hereby agree that each shall vote all shares of Common Stock held or controlled by each Founding Stockholder so as to provide for the election to the Board of Directors of the Company of each of G. Paul Bosse III, John Ameling, and Ray Takigiku PhD, so long as such individuals continue to own at least 50% of the shares of Common Stock of the Company owned as of the date hereof (as adjusted for stock splits and stock dividends, if any).

4.2 **Protective Provisions**. Until this Agreement is terminated, the Company shall not, without obtaining the written consent of the Founding Stockholders (or their transferees) then subject to this Agreement holding not less than sixty-five percent (65%) of the total Shares held by the Founding Stockholders then subject to this Agreement (a "Super-Majority of Founding Stockholders"):

(a) authorize or issue, or obligate itself to authorize or issue, additional Shares of Common Stock, Preferred Stock or any other capital stock except the issuance of such number of shares of Common Stock as approved by the Board of Directors for issuance pursuant to exercise of stock options granted to employees, consultants, officers or directors; or

(b) sell, convey, or otherwise dispose of all or substantially all of its property or business, or merge into or consolidate into any other corporation, or effect any transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of; or

(c) Amend its Articles of Incorporation.

ARTICLE 5

MISCELLANEOUS

5.1 **Additional Founding Stockholders**. Until this Agreement shall be terminated, all transferees of the Founding Stockholder Shares shall execute and deliver to the Company a written agreement, in form and content satisfactory to the Company, agreeing to be bound by all of the terms and conditions of the Agreement. The term "Founding Stockholder" as used herein shall be deemed to include the Founding Stockholders and their transferees.

5.2 **Representatives and Assigns**. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, their legal representatives, and permitted assigns and designees.

5.3 **Violations or Remedies**. The parties agree that any violation of this Agreement (other than a default in the payment of money) cannot be compensated for by damages and any aggrieved party shall have the right, and is hereby granted the privilege, of obtaining specific performance of this Agreement in any court of competent jurisdiction in the event of any breach hereunder.

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5.4 **Governing Law**. This Agreement shall be deemed to be made under and governed by and construed in accordance with the laws of the State of ~~North Carolina~~Delaware.

5.5 **Notices**. All notices required to be delivered pursuant to this Agreement shall be delivered in person or by telegraphic or other facsimile transmission and deemed given on the date of transmission or sent by certified mail, return receipt requested and deemed given three (3) business days after mailing, and shall be addressed to the Company at its principal business office, to the attention of the President, and to a Founding Stockholder at the address of the Founding Stockholder shown in the Company's stock ledger or to such other address as the Founding stockholder may indicate by duly giving written notice to the Company.

5.6 **Severability**. If any term or condition of this Agreement, or application thereof to any person or circumstance, shall to any extent be held invalid or unenforceable, the remainder of this Agreement, or application of such term or condition to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby and shall remain in full force and effect.

5.7 **Amendment and Waiver**. This Agreement may be modified or amended in whole or in part, and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument signed by the Company and a Super-Majority of Founding Stockholders. Any amendment, modification or waiver so effected shall be binding upon the Company, the Founding Stockholders and all of their respective successors and permitted assigns whether or not such party, assignee or other shareholder entered into or approved such amendment, modification or waiver. Notwithstanding the foregoing, (i) this Agreement may not be amended or modified and the observance of any term hereunder may not be waived with respect to any Founding Stockholder without the written consent of such Founding Stockholder unless such amendment, modification or waiver applies to all Founding Stockholders, respectively, in the same fashion and (ii) Exhibit A hereto may be amended by the Company from time to time to add information regarding additional Founding Stockholders without the consent of the other parties hereto.

5.8 **No Waiver**. No delay or failure on the part of a Company or a Founding Stockholder in the exercise of any right, power or remedy shall operate as a waiver thereof, not shall any single or partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy.

5.9 **Integration**. This Agreement embodies the entire agreement and understanding of the parties hereof in respect of the actions and transactions contemplated by this Agreement. This Agreement supersedes all other prior written or oral understandings between and among the parties hereto relating to the subject matter hereof.

5.10 **Termination of this Agreement**. This Agreement shall terminate upon the earlier of (a) the written agreement of (i) the Company and (ii) a Super-Majority of Founding Stockholders, (b) the sale of all the outstanding shares of capital stock of the company to a third party or, sale of all or substantially all of the assets of the Company to a third party, or (c) upon the closing of a registered, underwritten initial public offering of the Company's Common Stock with net proceeds to the Company in excess of $20,000,000.

5.11 **Counterparts**. This Agreement may be executed in any number counterparts, each of which, when so executed, shall be deemed an original.

5.12 **After-Acquired Shares**. Each Founding Stockholder agrees and acknowledges that all of the terms, conditions and restrictions of this Agreement shall apply to all shares of the capital stock of the Company now owned or hereafter acquired by him.

5.13 **Additional Parties**. Any person exercising a right, option or warrant to acquire shares of the Company's capital stock and any purchaser of shares of the Company's capital stock issued by the Company may be admitted as a party to this Agreement as a Founding Stockholder upon the execution of a counterpart signature page by such person.

[Signature Page Follows]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above written.

_____

G. PAUL BOSSE III

_____

JOHN F. AMELING

_____

BERNARD P. SCHACHTEL

_____

RAY TAKIGIKU

_____

RYAN BAKER

_____

CHRIS GODWIN

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APPENDIX A

Shareholders	Number of Shares of Common Stock
G. Paul Bosse III	1,800
Ray Takigiku PhD	210
John Ameling	270
Bernie Schachtel M.D.	360
Ryan Baker	270
Chris Godwin	90
TOTAL	3,000

Document comparison done by DeltaView on Friday, May 30, 2008 9:35:37 AM

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Document 1	PowerDocs://WINSTON/3905566/3
Document 2	PowerDocs://WINSTON/3905566/4
Rendering set	standard

Legend:	
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Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	4
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Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	8

CHARLESTON LABORATORIES, INC.

STOCKHOLDERS AGREEMENT

THIS CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT (this "Agreement") is made and entered into as of May ____, 2008 by and among Charleston Laboratories, Inc., a Delaware corporation (the "Company") and G. Paul Bosse III, John F. Ameling, Bernard P. Schachtel, Ray Takigiku, Ryan Baker, and Chris Godwin (the "Founding Shareholders").

WITNESSETH:

WHEREAS, the Founding Stockholders are collectively the owners of 100% of the issued and outstanding shares of the common stock of the Company as set forth on Exhibit A hereto ("Common Stock");

WHEREAS, the Founding Stockholders believe that it is in the best interests of the Founding Stockholders and the Company to make provisions for the future disposition of the shares of common stock of the Company held by the Founding Stockholders and other matters set forth herein; and

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises and covenants herein set forth, the parties hereto agree as follows:

ARTICLE I

RESTRICTIONS ON TRANSFER OF STOCK

1.1 General

(a.) The Founding Stockholders shall not dispose of any shares of Common Stock now or hereafter owned by them ("Shares"), whether by sale, exchange, assignment, transfer, gift, devise, bequest, mortgage, pledge, encumbrance or otherwise, except in accordance with the terms and conditions of this Agreement. The Company and each Founding Stockholder shall also not take or omit to take any action which will impair the absolute and unrestricted right, power, authority and capacity of the Company or the Founding Stockholders to purchase or sell Shares in accordance with the terms and conditions hereof.

(b.) The Company, by its execution of this Agreement, agrees that it will not cause or permit the transfer of any shares to be made on its books except in accordance with the terms of this Agreement.

1.2 **Permitted Transfers of Founding Stockholder's Shares**

(a.) A Founding Stockholder may sell, assign or transfer any Shares held by such Founding Stockholder by complying with the provisions of Sections 2.1 and 3.1 hereof or, with prior written notice to the Company, (i) to any immediate family member (parent, sibling, spouse, child (including stepchildren or adopted children), niece, nephew, first cousin, or grandchild), (ii) to a trust whose sole beneficiaries are immediate family members, (iii) to a Founding Stockholder, (iv) to the Company, (v) in the event of the death of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to the estate of such Founding Stockholder or individual or entity named in the will of such Founding Stockholder, (vi) subject to and in accordance with the rights set forth in Article 2 hereof, top any person solely in connection with the transfer of the community property interest of a Founding Stockholder spouse in all or part of such Founding Stockholders' Shares upon death of such spouse or termination of the marital relationship of the spouse and such Founding Stockholder, (vii) in the event of any Founding Stockholder being judicially declared to be incompetent, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, (viii) in the event of the total or permanent disability, as defined in Section 422(1)(6) of the Internal Revenue Code, of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, and (ix) to another company or entity in connection with the exchange of all shares of capital stock of the Company to such other company (collectively, "Permitted Transferees"); provided, however, that such Permitted Transferee (other than pursuant to clause (ix) above) agrees to be bound by the terms of this Agreement and such transfer complies with applicable federal and state securities laws,

(b.) Each Founding Stockholder may also sell, assign or transfer any Shares held by such Founding Stockholder without complying with the provisions of Section 2.1 and 3.1 by obtaining the prior written consent of each of the other Founding Stockholders, provided that the transferee agrees in writing to assume the obligations of the Founding Stockholders under this Agreement and that the transfer is made in accordance with any other restrictions or conditions contained in such written consent, if any, and in accordance with applicable federal and state securities laws.

1.3 **No Pledge**. Shares held or otherwise owned by any Founding Stockholder may not be pledged, mortgaged or otherwise encumbered to secure indebtedness of money borrowed or any other obligation for which such Founding Stockholder is primarily or secondarily liable without the consent of the Company and each of the other Founding Stockholders.

1.4 **Shares Certificate Legend**. Each certificate for Founding Stockholders Shares shall have conspicuously written, printed, typed or stamped upon the face thereof, or upon the reverse thereof with a conspicuous reference on the face thereof, the following legends:

"THESE SHARES ARE SUBJECT TO CERTAIN TRANSFER RESTRICTIONS AND RIGHT OF REPURCHASE AS SET FORTH IN THE CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT DATED AS OF MAY _____, 2008 ON FILE WITH THE SECRETARY OF THE COMPANY."

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT"). SUCH SHARES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT REGISTRATION IS NOT REQUIRED."

Promptly after execution of this Agreement, each of the existing stock certificates for the Shares issued to the Founding Stockholders, if any, shall be surrendered and new stock certificates shall be issued to such Founding Stockholders with the legends referred to above. Any stock certificate not so surrendered shall be deemed to have the legends referred to above.

1.5 **Definitions**. The words "sale," "sell," "transfer," and the like shall include any disposition by way of transfer, with or without consideration, to any person for any purpose, but shall not apply to exchanges of securities on account of merger, consolidation, reorganization or any other similar transaction affecting all of the securities of the Company.

ARTICLE 2

CERTAIN RIGHTS TO PURCHASE

2.1 **Sales of Shares**

(a.) Right of First Refusal. In the event that a Founding Stockholder (the "Selling Founding Stockholder") shall desire to sell, assign or transfer any Shares held by such Selling Founding Stockholder to any other person (the "Offer"), the following procedure shall apply. The Selling Founding Stockholder shall give to the Company and to each other Founding Stockholder (the "Non-Selling Founding Stockholders") written notice (the "Selling Founding Stockholder Notice") containing the terms and conditions of the Offer, including, but not limited to (i) the number of Offered Shares; (ii) the price per Share; (iii) the method of payment; and (iv) the name(s) of the proposed purchaser(s).

An Offer shall not be deemed bona fide unless, among other things, the method of payment is cash, the Selling Founding Stockholder has informed the prospective purchaser of its obligation under

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this Agreement and the prospective purchaser has agreed to become a party hereunder and to be bound hereby. The Company and the other Founding Stockholders are entitled to take such steps as they reasonably may deem necessary to determine the validity and bona fide nature of the Offer.

The Company and the Non-Selling Founding Stockholders shall have sixty (60) days after receipt of the Selling Founder Stockholder Notice within which to elect to purchase some or all of the Offered Shares. Until thirty (30) days after receipt of the Selling Founder Stockholder Notice, the Company shall have the right to elect to purchase, within fifteen (15) days after the expiration of such 30-day period, the Offered Shares or any portion thereof at the price offered by the prospective purchaser. Such purchase shall be, at the option of the Company, either on the payment terms offered by the prospective purchaser or on the Agreement Terms, as defined in Section 2.5.

If the Company does not elect to purchase all of the Offered Shares, the Non-Selling Founding Stockholders shall have the right (i) to elect to purchase, within sixty (60) days after receipt of the Selling Founder Stockholder Notice, the Offered Shares of any portion thereof at the price offered by the prospective purchaser and specified in such notice or (ii) co-sell Shares to such third party in accordance with Section 3.1 below. The Non-Selling Founding Stockholders electing to purchase or co-sell must give written notice of such election to purchase or co-sell Shares to the Company and the Selling Founding Stockholder which notice shall specify the number of Offered Shares such Stockholder desires to purchase hereunder or the number of Shares such Stockholder desires to co-sell in accordance with Section 3.1. In the event that there are more than one Non-Selling Founding Stockholders desiring to purchase the Offered Shares (or the remaining portion thereof) and they desire to purchase more shares than the aggregate number of Offered Shares (or the remaining portion thereof), then each Non-Selling Founding Stockholder shall have the right to purchase, on a pro rata basis based on the number of Shares owned by such Non-Selling Founding Stockholders, the Offered Shares (or the remaining portion thereof). Such purchase shall be, at the option of the Non-Selling Founding Stockholders, either on the payment terms specified in such notice or on the Agreement Terms, as defined in Section 2.5.

(b) After giving notice under this Section, the Selling Founding Shareholder shall refrain from participating as an officer, director or shareholder of the Company in the Company's decision whether to purchase any or all of the Offered Shares.

(c) Failure of the Company and the Non-Selling Founding Stockholders to Purchase Offered Shares. If all of the Offered Shares are not purchased by the Company and/or the Non-Selling Founding Stockholders within the 60-day period granted for such purchases, then, subject to the co-sale rights set forth in Section 3.1, the remaining Offered Shares may be sold, assigned, or transferred pursuant to the Offer; provided that the Offered Shares are so transferred within ninety (90) days of the expiration of the 60-day period to the person or persons named in, and under the terms and conditions of, the Offer described in the notice to the Company and Founding Stockholders; provided, further, that such transfer requires the new shareholder(s) (being the purchaser(s) under the Offer) to assume the

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obligations of the Selling Founding Stockholder under this Agreement; and provided, further, that such transfer complies with all applicable federal and state securities laws. Notwithstanding the foregoing, prior to consummating any such sale, the Selling Founding Stockholder will, upon request from the Company, provide the Company with reasonable supporting documentation with respect to the terms and conditions of any such sale so as to demonstrate such Selling Founding Stockholder's compliance with the provisions of the preceding sentence. If such sale has not been completed within ninety (90) days of the expiration of the 60-day period as provided above, the Offered Shares may not thereafter be sold by the Selling Founding Stockholder unless the Selling Founding Stockholder reoffers the Offered Shares to the Company and the Non-Selling Founding Stockholders and complies with the procedures set forth in this Section 2.1.

(d) The Right to Withdraw. The Selling Founding Stockholder may at any time prior to the sale of its Shares give notice to the Company that it no longer desires to sell the Offered Shares, provided that if it again desires to sell, assign or transfer any Shares held by it, it must comply with the provisions of the Agreement.

2.2 **Right to Purchase Upon Certain Other Events**

(a.) The Company's Right to Purchase. The Company shall have the right to purchase any or all of the Shares held by a Founding Stockholder (including his transferees hereunder) pursuant to the terms of this Section (the "Terminating Founding Stockholder", and such Shares held by such Terminating Founding Stockholder referred to as the "Terminating Shares") at the Agreement Price and on the Agreement Terms for a period of 90 days after the Company and the Purchasing Founding Stockholder receives notice from the Terminating Founding Stockholder or relevant third party, as applicable, of the occurrence of any of the following events, which notice shall be provided in the case of a Terminating Founding Stockholder within five (5) business days of the occurrence of such event:

(i) the Terminating Founding Stockholder who is an employee ceases to be, for any reason, an employee of the Company or a subsidiary of the Company (any uninterrupted absence for a period of 180 days or more, without approval of the Board of Directors of the Company, shall be deemed to be termination of employment);

(ii) the Terminating Founding Stockholder defaults on any debts to the Company as they become due and fails to repay such debts within 60 business days after written notice of such default;

(iii) the Terminating Founding Stockholder is adjudicated a bankrupt or the Terminating Founding Stockholder makes an assignment for the benefit of creditors or a petition under any insolvency or bankruptcy laws is filed for readjustment of such Stockholder's debts or financial affairs by such Stockholder or by any creditor of such Stockholder;

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(iv) any of the Terminating Founding Stockholder's Shares are levied upon under a writ of execution or become subject to sale under any legal process, or are transferred or ordered to be transferred to or for the benefit of any spouse or any other person or entity as a result of or in connection with any property settlement or judgment incident to a divorce, dissolution of marriage or separation,, or are transferred or ordered to be transferred to any person or entity who is not a party hereto by decree of distribution or other court order in a proceeding arising from the death of the spouse of the Terminating Founding Stockholder; or

(v) the Terminating Founding Stockholder sells, pledges, encumbers, hypothecates or otherwise transfers any interest in, or purports to sell, pledge, encumber, hypothecate or otherwise transfer any interest in, any of his or her Shares, except as permitted by and in full compliance with the terms of this Agreement.

(b.) The Founding Stockholder's Right of Purchase. In the event the Company elects not to purchase all of the Terminating Shares to which the Company is entitled, Each Founding Stockholder (or its transferees hereunder) (a "Purchasing Founding Stockholder") shall have the right to purchase on a pro rata basis based upon the number of Shares owned by such Purchasing Founding Stockholder, within 15 days after the expiration of such 90-day period, any remaining Terminating Shares at the Agreement Price and on the Agreement Terms.

2.3 **Manner of Exercise**. Any right to purchase under Section 2.2 shall be exercised by giving written notice of election to the Company and the Terminating Founding Stockholder or his or her personal representative, as the case may be, prior to the expiration of such right to purchase. Such notice shall be given as provided in Section 5.5 hereof.

2.4 **Agreement Price**

(i) The "Agreement Price" shall be the fair value ("Fair Value") of the Shares to be purchased on a fully diluted basis, calculated on the basis of the Company as a going concern. Initially, the Board of Directors of the Company, in good faith in the exercise of its reasonable business judgment, shall determine the Fair Value of the shares. The Company shall notify the Founding Stockholders (or their representatives) as soon as possible of such determination, but in any event, not later than 30 days after the date giving rise to the right to purchase such Terminating Shares. If the Terminating Founding Stockholder or any Purchasing Founding Stockholder fail to notify the company within 15 days after the date of such notice of their objection to the proposed Fair Value, then the Fair Value proposed in the Company's notice shall be binding and conclusive.

(ii) If any Purchasing Founding Stockholder or the Terminating Founding Stockholder notifies the Company of its objection in writing within such 15-day period and if the

Company, the Purchasing Founding Stockholders and the Terminating Founding Stockholder (or their representatives) can not mutually agree on the Fair Value of such shares within 10 days after the date of the notice of objection, then the Fair Value of the Shares shall be determined by an independent appraiser selected jointly by the Company, the Purchasing and Terminating Founding Stockholders (or their representatives). The determination of Fair Value by that appraiser shall be binding and conclusive on all parties to the Agreement. If the parties are unable to agree on the selection of an appraiser, each of the Purchasing and Terminating Founding Stockholders shall select an independent appraiser. The two appraisers so selected shall each independently appraise the Shares within 30 days of their appointment and, as long as the difference in the two appraisals does not exceed 5 percent of the lower of the two appraisals, the Fair Value shall be conclusively deemed to equal the average of the two appraisals. If the difference between the two appraisals referred to above exceeds 5 percent of the lower of the two appraisals, the two appraisers selected shall select a third appraiser within 5 business days after delivery of both appraisal, who shall also independently appraise the Fair Value of the shares and whose appraisal shall be conclusively deemed to be the Fair Value of the Shares. If either party fails to select an independent appraiser within the time required by this paragraph or if their appraiser fails to deliver their appraisal to the Company and the other party within the 30-day period, the Fair Value of the Shares shall be conclusively deemed to equal the appraisal of the independent appraiser timely selected by the other or timely delivered to the Company, as the case may be. The Founding Stockholders shall share equally the fees and expenses of the appraisers jointly named, but each party shall be responsible for the fees and expenses of any appraiser named solely by that party. Each party shall bear his, her, or its own expenses in presenting evidence to the appraisers.

2.5 **Agreement Terms**. "Agreement Terms" shall mean100% of the purchase price, which shall be payable, in the Company's sole discretion, (i) in the form of a check or via wire transfer as directed at the Closing of such purchase and sale, or (ii) in five (5) equal annual installments, represented by a negotiable promissory note secured by a pledge of all shares of Stock involved in such purchase of shares of Stock to the payee of the note.

2.6 **Delivery of Shares and Closing Date**. Within thirty (30) days of the exercise of any right to purchase hereunder or final determination of the Fair Value of the Shares, as the case may be, (the "Closing"), the Selling Founding Stockholder or the Terminating Founding Stockholder or his or her personal representatives, as the case may be, shall deliver certificates representing the Shares to be sold, properly endorsed for transfer, and with the necessary documentary and transfer tax stamps, if any, affixed, to the purchasers of such Shares. Payment of the purchase price therefor shall concurrently be made to the Selling Founding Stockholder or Terminating Founding Stockholder or his or her personal representatives as the case may be. Such delivery and payment shall be made at the principal office of the Company or at such other place as the parties mutually agree. Notwithstanding the above, any such transfer shall not be consummated unless it complies with all federal and state securities laws and the purchaser of such Shares assumes the obligations under this Agreement.

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ARTICLE 3

CO-SALE AND DRAG-ALONG RIGHTS

3.1 **Co-Sale Provisions**.

(a) In the event that a Selling Founding Stockholder proposes to offer for sale or otherwise transfer any Shares to any person or entity (individually a "Third Party" and collectively, "Third Parties") in any one transaction or any series of related transactions, directly or indirectly, other than a sale to a Permitted Transferee under Section 1.2 hereof, such sale or other disposition to a Third Party shall not be permitted unless the Selling Founding Stockholder shall offer (or cause the Third Party to offer) each other Founding Stockholder and its permitted transferees (each being a "Co-Selling Founding Stockholder") the right to elect to include, at the sole option of such Co-Selling Founding Stockholder, in the sale to the Third Party, to the extent such shares have not been purchased by the Company or Non-Selling Founding Stockholder pursuant to Section 2.1(a) above, such number of Shares owned by such Co-Selling founding Stockholder as permitted under Section 3.1(b) and (c) below (the "Tag-Along shares")

(b) The Selling Founding Stockholder shall deliver a notice to the Company and the Co-Selling Founding Stockholders as provided in Section 2.1(a) above. Within sixty (60) days after the date of such notice, the Co-Selling Founding Stockholders may make an election to either (i) include a number of its Shares as Tag-Along Shares (up to the percentage set forth in paragraph (c) below) in such a sale or other disposition (the "Inclusion Election"), (ii) elect to purchase such Offered Shares pursuant to Section 2.1(a) above, or (iii) neither purchase Offered Shares nor sell Tag-along Shares. Such Co-Selling Founding Stockholder shall notify the Company and the Selling Founding Stockholder of its Inclusion Election within such 60-day period. Any Co-Selling Founding Stockholder electing to sell Tag-Along Shares shall also promptly deliver to the Company a stock certificate or certificates representing the number of Tag-Along Shares, together with a power-of-attorney authorizing the Selling Founding Stockholder to sell or otherwise dispose of such Tag-Along Shares pursuant to the terms of such Third Party's offer.

(c) Each Co-Selling Founding Stockholders shall have the right to co-sell, pursuant to the Third Party's offer, the number of Offered Shares equal to the product obtained by multiplying (x) the number of Offered Shares by (y) a fraction, (A) the numerator of which is the aggregate number of Shares then held by such Co-Selling Founding Stockholder, and (B) the denominator of which is the total number of Shares then held by the Selling Founding Stockholder and all of the Co-Selling Founding Stockholders.

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(d) The purchase of the Tag-Along Shares shall be on the same terms and conditions, including the price per share and the date of sale or other disposition, as are received by the Selling Founding Stockholder and stated in the notice referred to above.

(e) If the Third Party refuses to purchase Shares from the Co-Selling Founding Stockholders at the closing, then the Selling Founding Stockholder shall not be entitled to sell any Shares to the Third Party.

(f) If no Founding Stockholder has elected to make an Inclusion Election or an election to purchase Shares pursuant to Section 2.1, the Selling Founding Stockholder shall have ninety (90) days after the expiration of 60-day period referred to in Section 2.1(c) in which to sell or otherwise dispose of such shares to the Third Party at a price and on terms not more favorable than were set forth in the Offer referred to above. If, at the end of such 90-day period, the Selling Founding Stockholder has not completed the sale of shares in accordance with the terms of the Third Party's offer, all the restrictions on sale contained in this Agreement shall again be in effect (unless such 90-day period is extended with the consent of the other Founding Stockholders). In the event that a sale of Shares is made to a Third Party pursuant to their Section 3.1, such Third Party shall be bound by the Terms of this Agreement.

(g) The Founding Stockholders may elect to either (i) purchase Offered Shares pursuant to Section 2.1 or (ii) sell Tag-along Shares pursuant to Section 3.1, but not both.

3.2 **Drag-Along Provisions**. In the event the Board of Directors and the holders of at least Sixty Five Percent (65%) of the then outstanding Shares approve a bona fide offer from a third party that is not a Founding Stockholder or an affiliate of any Founding Stockholder (as defined in Rule 144 under the Securities Act of 1933, as amended) to purchase all of the then outstanding capital stock of the Company, then each Founding Stockholder shall vote all of the Shares owned or controlled by such Founding Stockholder in favor of the proposed transaction and shall take all other action deemed necessary or desirable by the Board of Directors to effect the proposed transaction.

ARTICLE 4

MANAGEMENT

4.1 **Board of Directors**. Each Founding Stockholder hereby agrees that the Board of Directors of the Company shall consist of the number of members determined by the Board of Directors of the Company from time to time. The Founding Stockholders hereby agree that each shall vote all shares of Common Stock held or controlled by each Founding Stockholder so as to provide for the election to the Board of Directors of the Company of each of G. Paul Bosse III, John Ameling, and Ray

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Takigiku PhD, so long as such individuals continue to own at least 50% of the shares of Common Stock of the Company owned as of the date hereof (as adjusted for stock splits and stock dividends, if any).

4.2 **Protective Provisions**. Until this Agreement is terminated, the Company shall not, without obtaining the written consent of the Founding Stockholders (or their transferees) then subject to this Agreement holding not less than sixty-five percent (65%) of the total Shares held by the Founding Stockholders then subject to this Agreement (a "Super-Majority of Founding Stockholders"):

(a) authorize or issue, or obligate itself to authorize or issue, additional Shares of Common Stock, Preferred Stock or any other capital stock except the issuance of such number of shares of Common Stock as approved by the Board of Directors for issuance pursuant to exercise of stock options granted to employees, consultants, officers or directors; or

(b) sell, convey, or otherwise dispose of all or substantially all of its property or business, or merge into or consolidate into any other corporation, or effect any transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of; or

(c) Amend its Articles of Incorporation.

ARTICLE 5

MISCELLANEOUS

5.1 **Additional Founding Stockholders**. Until this Agreement shall be terminated, all transferees of the Founding Stockholder Shares shall execute and deliver to the Company a written agreement, in form and content satisfactory to the Company, agreeing to be bound by all of the terms and conditions of the Agreement. The term "Founding Stockholder" as used herein shall be deemed to include the Founding Stockholders and their transferees.

5.2 **Representatives and Assigns**. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, their legal representatives, and permitted assigns and designees.

5.3 **Violations or Remedies**. The parties agree that any violation of this Agreement (other than a default in the payment of money) cannot be compensated for by damages and any aggrieved party shall have the right, and is hereby granted the privilege, of obtaining specific performance of this Agreement in any court of competent jurisdiction in the event of any breach hereunder.

5.4 **Governing Law**. This Agreement shall be deemed to be made under and governed by and construed in accordance with the laws of the State of Delaware.

5.5 **Notices**. All notices required to be delivered pursuant to this Agreement shall be delivered in person or by telegraphic or other facsimile transmission and deemed given on the date of transmission or sent by certified mail, return receipt requested and deemed given three (3) business days after mailing, and shall be addressed to the Company at its principal business office, to the attention of the President, and to a Founding Stockholder at the address of the Founding Stockholder shown in the Company's stock ledger or to such other address as the Founding stockholder may indicate by duly giving written notice to the Company.

5.6 **Severability**. If any term or condition of this Agreement, or application thereof to any person or circumstance, shall to any extent be held invalid or unenforceable, the remainder of this Agreement, or application of such term or condition to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby and shall remain in full force and effect.

5.7 **Amendment and Waiver**. This Agreement may be modified or amended in whole or in part, and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument signed by the Company and a Super-Majority of Founding Stockholders. Any amendment, modification or waiver so effected shall be binding upon the Company, the Founding Stockholders and all of their respective successors and permitted assigns whether or not such party, assignee or other shareholder entered into or approved such amendment, modification or waiver. Notwithstanding the foregoing, (i) this Agreement may not be amended or modified and the observance of any term hereunder may not be waived with respect to any Founding Stockholder without the written consent of such Founding Stockholder unless such amendment, modification or waiver applies to all Founding Stockholders, respectively, in the same fashion and (ii) Exhibit A hereto may be amended by the Company from time to time to add information regarding additional Founding Stockholders without the consent of the other parties hereto.

5.8 **No Waiver**. No delay or failure on the part of a Company or a Founding Stockholder in the exercise of any right, power or remedy shall operate as a waiver thereof, not shall any single or partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy.

5.9 **Integration**. This Agreement embodies the entire agreement and understanding of the parties hereof in respect of the actions and transactions contemplated by this Agreement. This Agreement supersedes all other prior written or oral understandings between and among the parties hereto relating to the subject matter hereof.

5.10 **Termination of this Agreement**. This Agreement shall terminate upon the earlier of (a) the written agreement of (i) the Company and (ii) a Super-Majority of Founding Stockholders, (b) the sale of all the outstanding shares of capital stock of the company to a third party or, sale of all or

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substantially all of the assets of the Company to a third party, or (c) upon the closing of a registered, underwritten initial public offering of the Company's Common Stock with net proceeds to the Company in excess of $20,000,000.

5.11 **Counterparts**. This Agreement may be executed in any number counterparts, each of which, when so executed, shall be deemed an original.

5.12 **After-Acquired Shares**. Each Founding Stockholder agrees and acknowledges that all of the terms, conditions and restrictions of this Agreement shall apply to all shares of the capital stock of the Company now owned or hereafter acquired by him.

5.13 **Additional Parties**. Any person exercising a right, option or warrant to acquire shares of the Company's capital stock and any purchaser of shares of the Company's capital stock issued by the Company may be admitted as a party to this Agreement as a Founding Stockholder upon the execution of a counterpart signature page by such person.

[Signature Page Follows]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above written.

_____
G. PAUL BOSSE III

_____
JOHN F. AMELING

_____
BERNARD P. SCHACHTEL

_____
RAY TAKIGIKU

_____
RYAN BAKER

_____
CHRIS GODWIN

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APPENDIX A

Shareholders	Number of Shares of Common Stock
G. Paul Bosse III	1,800
Ray Takigiku PhD	210
John Ameling	270
Bernie Schachtel M.D.	360
Ryan Baker	270
Chris Godwin	90
TOTAL	3,000

STOCK RESTRICTION AGREEMENT

THIS STOCK RESTRICTION AGREEMENT (the "Agreement"), dated as of May 30, 2008, by and between Charleston Laboratories, Inc., a Delaware corporation (the "Company"), and Ray Takigiku, Ph.D (the "Stockholder").

RECITALS

WHEREAS, the Stockholder is the holder of Two Hundred Ten (210) shares of the Company's common stock, $0.001 par value per share (the "Common Stock"), which shares represent seven percent (7%) of the outstanding capital stock as of the date hereof; and

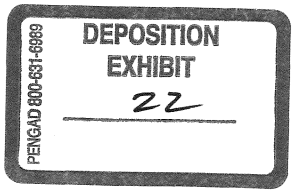
WHEREAS, as partial consideration for the entry into an employment agreement between the Stockholder and the Company dated as of even date herewith, and for other good and valuable consideration, the Stockholder has agreed to grant to the Company certain rights to repurchase all of the shares of Common Stock held by the Stockholder (the "Restricted Shares"), as provided below.

NOW, THEREFORE, in consideration of the premises, which are incorporated into and made part of this Agreement, and of the mutual representations, warranties, covenants, agreements and conditions set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Repurchase Option.

(a) Termination of Employment. In the event that prior to May 30, 2011 the Stockholder either (i) resigns or otherwise voluntarily terminates his employment with the Company or (ii) is terminated for Cause (as defined below), the Company shall have the right and option, for a period of sixty (60) days next following the effective date of such resignation or termination, to repurchase from the Stockholder, at a price of $0.01 per share payable in cash or by check, any or all of the number of Restricted Shares set forth on Schedule A attached hereto and made a part hereof. For purposes of this provision, "Cause" shall have the meaning given in a written employment agreement between the Stockholder and the Company, if any, and otherwise shall have the meaning determined by the Board of Directors of the Company, in its reasonable judgment after consultation with counsel for the Company.

(b) Termination of Repurchase Option. Notwithstanding the provisions of Section 1(a), (i) the Company's right to repurchase fifty percent (50%) of the number of Restricted Shares then subject to repurchase by the Company pursuant to Section 1(a) on each date set forth on Schedule A shall expire and be of no further force or effect upon the occurrence of a Change in Control, as defined below, and (ii) any of the Restricted Shares then subject to repurchase by the Company pursuant to Section 1(a) shall



expire and be of no further force or effect if the Purchaser's employment is terminated by the Company without cause during the 12 month period following a Change in Control. A "Change in Control" shall be deemed to have occurred on the earliest of the following dates: (i) the date on which the Company consummates a merger, share exchange, consolidation or reorganization that results in the stockholders of the Company immediately prior to such event holding securities or other rights immediately after such event that represent less than fifty percent (50%) of the voting power and equity ownership of the surviving, acquiring or successor entity, or of the parent of the surviving, acquiring or successor entity; or (ii) the date on which any person or entity, other than a person or entity who was a beneficial owner of the Company's securities on the date of this Agreement, becomes the beneficial owner of more than fifty percent (50%) of the outstanding Common Stock, calculated on a fully-diluted, as converted basis, by means of a purchase or acquisition of the Company's securities from one or more stockholders of the Company, whether by tender offer or otherwise.

(c) Closing. The closing of any repurchase of Restricted Shares pursuant to this Section 1 shall be held at the principal office of the Company on a date selected by the Company but not later than the sixtieth (60^{th}) day next following the occurrence of any event giving rise to the Company's right to repurchase such Restricted Shares. At the closing, the Purchaser shall deliver certificates representing the Restricted Shares being repurchased, duly endorsed for transfer, and shall execute and deliver such other documents as may be reasonably requested by the Company to effectuate the repurchase of the Restricted Shares. The Restricted Shares shall be transferred free and clear of all security interests, liens, encumbrances, restrictions and other claims or charges of any kind whatsoever.

2. Restrictive Legends.

(a) Primary Legends. Certificates representing the Restricted Shares shall bear the following legends:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY STATE SECURITIES LAW AND MAY NOT BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR TRANSFERRED UNLESS THERE EXISTS AN EFFECTIVE REGISTRATION STATEMENT THEREFOR UNDER THE ACT AND ALL APPLICABLE STATE SECURITIES LAWS OR THE ISSUER HEREOF HAS RECEIVED AN OPINION OF COUNSEL, REASONABLY ACCEPTABLE TO THE ISSUER, THAT SUCH SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR TRANSFER IS EXEMPT FROM REGISTRATION.

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THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO REPURCHASE BY THE ISSUER UPON THE OCCURRENCE OF CERTAIN EVENTS SET FORTH IN THAT CERTAIN STOCK RESTRICTION AGREEMENT DATED AS OF MAY 30, 2008 BY AND BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF SUCH SHARES.

(b) Other Legends. Certificates representing the Restricted Shares shall bear any other legend(s) required by any applicable federal or state securities law or by any other agreement to which the holder thereof is a party or by which the holder thereof is bound.

3. Governing Law. This Agreement shall be governed by and shall be construed and enforced in accordance with the laws of the State of Delaware applicable to agreements entered into and performed within such State, but without reference to the conflicts of law rules of such State.

4. Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

5. Entire Agreement; Amendment and Waiver. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and this Agreement supersedes and renders null and void any and all other prior oral or written agreements, understandings, or commitments pertaining to the subject matter hereof. Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated except by a written instrument signed by the Company and the Stockholder. The failure of any party to this Agreement to insist upon the strict performance of any of the terms, conditions or provisions of this Agreement shall not be construed as a waiver or relinquishment of future compliance therewith, and said terms, conditions and provisions shall remain in full force and effect.

6. Invalidity. Should any part of this Agreement, for any reason whatsoever, be declared invalid, illegal, or incapable of being enforced in whole or in part, such decision shall not affect the validity of any remaining portion, which remaining portion shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any portion which may for any reason be declared invalid.

7. Notices. Any notices required to be delivered under this Agreement shall be in writing and sent to the address(es) set forth below. Any party may change its address for notice purposes by giving written notice of such change as set forth herein.

To the Company:	Charleston Laboratories, Inc. 548 Clearview Drive Charleston, SC 29412 Attn: Board of Directors	Copy to:	Womble Carlyle Sandridge & Rice 8065 Leesburg Pike, 4th Floor Vienna, VA 22182 Attn: Dean Rutley, Esq.

To the Stockholder: Ray Takigiku
3952 Timberwoods Ct
Loveland, OH 45140

Copy to: _____
_____
_____
Attn: _____

8. Captions. The captions contained in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the Company and the Stockholder have entered into this Agreement as of the date first written above.

CHARLESTON LABORATORIES, INC.

By: _____
Paul Bosse
President

STOCKHOLDER

5/30/03
Ray Takigiku, Ph.D

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SCHEDULE A
TO
RESTRICTED STOCK PURCHASE AGREEMENT

If Employment Terminates On or After:	But Prior to:	Company shall have the right to repurchase the following number of Shares of Common Stock
May 30, 2008	May 30, 2009	105
May 30, 2009	May 30, 2010	70
May 30, 2010	May 30, 2011	35
May 30, 2011	n/a	0

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CHARLESTON LABORATORIES, INC.

STOCKHOLDERS AGREEMENT

THIS CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT (this "Agreement") is made and entered into as of May 30, 2008 by and among Charleston Laboratories, Inc., a Delaware corporation (the "Company") and G. Paul Bosse III, John F. Ameling, Bernard P. Schachtel, Ray Takigiku, Ryan Baker, and Chris Godwin (the "Founding Shareholders").

WITNESSETH:

WHEREAS, the Founding Stockholders are collectively the owners of 100% of the issued and outstanding shares of the common stock of the Company as set forth on Exhibit A hereto ("Common Stock");

WHEREAS, the Founding Stockholders believe that it is in the best interests of the Founding Stockholders and the Company to make provisions for the future disposition of the shares of common stock of the Company held by the Founding Stockholders and other matters set forth herein; and

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises and covenants herein set forth, the parties hereto agree as follows:

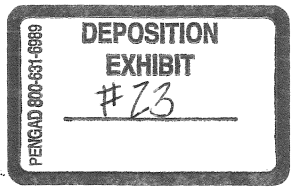
ARTICLE I

RESTRICTIONS ON TRANSFER OF STOCK

1.1 General

(a.) The Founding Stockholders shall not dispose of any shares of Common Stock now or hereafter owned by them ("Shares"), whether by sale, exchange, assignment, transfer, gift, devise, bequest, mortgage, pledge, encumbrance or otherwise, except in accordance with the terms and conditions of this Agreement. The Company and each Founding Stockholder shall also not take or omit to take any action which will impair the absolute and unrestricted right, power, authority and capacity of the Company or the Founding Stockholders to purchase or sell Shares in accordance with the terms and conditions hereof.

(b.) The Company, by its execution of this Agreement, agrees that it will not cause or permit the transfer of any shares to be made on its books except in accordance with the terms of this Agreement.



1.2 **Permitted Transfers of Founding Stockholder's Shares**

(a.) A Founding Stockholder may sell, assign or transfer any Shares held by such Founding Stockholder by complying with the provisions of Sections 2.1 and 3.1 hereof or, with prior written notice to the Company, (i) to any immediate family member (parent, sibling, spouse, child (including stepchildren or adopted children), niece, nephew, first cousin, or grandchild), (ii) to a trust whose sole beneficiaries are immediate family members, (iii) to a Founding Stockholder, (iv) to the Company, (v) in the event of the death of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to the estate of such Founding Stockholder or individual or entity named in the will of such Founding Stockholder, (vi) subject to and in accordance with the rights set forth in Article 2 hereof, top any person solely in connection with the transfer of the community property interest of a Founding Stockholder spouse in all or part of such Founding Stockholders' Shares upon death of such spouse or termination of the marital relationship of the spouse and such Founding Stockholder, (vii) in the event of any Founding Stockholder being judicially declared to be incompetent, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, (viii) in the event of the total or permanent disability, as defined in Section 422(1)(6) of the Internal Revenue Code, of any Founding Stockholder, subject to and in accordance with the rights set forth in Article 2 hereof, to such specified transferee of such Founding Stockholder, and (ix) to another company or entity in connection with the exchange of all shares of capital stock of the Company to such other company (collectively, "Permitted Transferees"); provided, however, that such Permitted Transferee (other than pursuant to clause (ix) above) agrees to be bound by the terms of this Agreement and such transfer complies with applicable federal and state securities laws.

(b.) Each Founding Stockholder may also sell, assign or transfer any Shares held by such Founding Stockholder without complying with the provisions of Section 2.1 and 3.1 by obtaining the prior written consent of each of the other Founding Stockholders, provided that the transferee agrees in writing to assume the obligations of the Founding Stockholders under this Agreement and that the transfer is made in accordance with any other restrictions or conditions contained in such written consent, if any, and in accordance with applicable federal and state securities laws.

1.3 **No Pledge**. Shares held or otherwise owned by any Founding Stockholder may not be pledged, mortgaged or otherwise encumbered to secure indebtedness of money borrowed or any other obligation for which such Founding Stockholder is primarily or secondarily liable without the consent of the Company and each of the other Founding Stockholders.

1.4 **Shares Certificate Legend**. Each certificate for Founding Stockholders Shares shall have conspicuously written, printed, typed or stamped upon the face thereof, or upon the reverse thereof with a conspicuous reference on the face thereof, the following legends:

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"THESE SHARES ARE SUBJECT TO CERTAIN TRANSFER RESTRICTIONS AND RIGHT OF REPURCHASE AS SET FORTH IN THE CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT DATED AS OF MAY 30, 2008 ON FILE WITH THE SECRETARY OF THE COMPANY."

"THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT"). SUCH SHARES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT REGISTRATION IS NOT REQUIRED."

Promptly after execution of this Agreement, each of the existing stock certificates for the Shares issued to the Founding Stockholders, if any, shall be surrendered and new stock certificates shall be issued to such Founding Stockholders with the legends referred to above. Any stock certificate not so surrendered shall be deemed to have the legends referred to above.

1.5 **Definitions**. The words "sale," "sell," "transfer," and the like shall include any disposition by way of transfer, with or without consideration, to any person for any purpose, but shall not apply to exchanges of securities on account of merger, consolidation, reorganization or any other similar transaction affecting all of the securities of the Company.

ARTICLE 2

CERTAIN RIGHTS TO PURCHASE

2.1 **Sales of Shares**

(a.) Right of First Refusal. In the event that a Founding Stockholder (the "Selling Founding Stockholder") shall desire to sell, assign or transfer any Shares held by such Selling Founding Stockholder to any other person (the "Offer"), the following procedure shall apply. The Selling Founding Stockholder shall give to the Company and to each other Founding Stockholder (the "Non-Selling Founding Stockholders") written notice (the "Selling Founding Stockholder Notice") containing the terms and conditions of the Offer, including, but not limited to (i) the number of Offered Shares; (ii) the price per Share; (iii) the method of payment; and (iv) the name(s) of the proposed purchaser(s).

An Offer shall not be deemed bona fide unless, among other things, the method of payment is cash, the Selling Founding Stockholder has informed the prospective purchaser of its obligation under

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this Agreement and the prospective purchaser has agreed to become a party hereunder and to be bound hereby. The Company and the other Founding Stockholders are entitled to take such steps as they reasonably may deem necessary to determine the validity and bona fide nature of the Offer.

The Company and the Non-Selling Founding Stockholders shall have sixty (60) days after receipt of the Selling Founder Stockholder Notice within which to elect to purchase some or all of the Offered Shares. Until thirty (30) days after receipt of the Selling Founder Stockholder Notice, the Company shall have the right to elect to purchase, within fifteen (15) days after the expiration of such 30-day period, the Offered Shares or any portion thereof at the price offered by the prospective purchaser. Such purchase shall be, at the option of the Company, either on the payment terms offered by the prospective purchaser or on the Agreement Terms, as defined in Section 2.5.

If the Company does not elect to purchase all of the Offered Shares, the Non-Selling Founding Stockholders shall have the right (i) to elect to purchase, within sixty (60) days after receipt of the Selling Founder Stockholder Notice, the Offered Shares of any portion thereof at the price offered by the prospective purchaser and specified in such notice or (ii) co-sell Shares to such third party in accordance with Section 3.1 below. The Non-Selling Founding Stockholders electing to purchase or co-sell must give written notice of such election to purchase or co-sell Shares to the Company and the Selling Founding Stockholder which notice shall specify the number of Offered Shares such Stockholder desires to purchase hereunder or the number of Shares such Stockholder desires to co-sell in accordance with Section 3.1. In the event that there are more than one Non-Selling Founding Stockholders desiring to purchase the Offered Shares (or the remaining portion thereof) and they desire to purchase more shares than the aggregate number of Offered Shares (or the remaining portion thereof), then each Non-Selling Founding Stockholder shall have the right to purchase, on a pro rata basis based on the number of Shares owned by such Non-Selling Founding Stockholders, the Offered Shares (or the remaining portion thereof). Such purchase shall be, at the option of the Non-Selling Founding Stockholders, either on the payment terms specified in such notice or on the Agreement Terms, as defined in Section 2.5.

(b) After giving notice under this Section, the Selling Founding Shareholder shall refrain from participating as an officer, director or shareholder of the Company in the Company's decision whether to purchase any or all of the Offered Shares.

(c) Failure of the Company and the Non-Selling Founding Stockholders to Purchase Offered Shares. If all of the Offered Shares are not purchased by the Company and/or the Non-Selling Founding Stockholders within the 60-day period granted for such purchases, then, subject to the co-sale rights set forth in Section 3.1, the remaining Offered Shares may be sold, assigned, or transferred pursuant to the Offer; provided that the Offered Shares are so transferred within ninety (90) days of the expiration of the 60-day period to the person or persons named in, and under the terms and conditions of, the Offer described in the notice to the Company and Founding Stockholders; provided, further, that such transfer requires the new shareholder(s) (being the purchaser(s) under the Offer) to assume the

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obligations of the Selling Founding Stockholder under this Agreement; and provided, further, that such transfer complies with all applicable federal and state securities laws. Notwithstanding the foregoing, prior to consummating any such sale, the Selling Founding Stockholder will, upon request from the Company, provide the Company with reasonable supporting documentation with respect to the terms and conditions of any such sale so as to demonstrate such Selling Founding Stockholder's compliance with the provisions of the preceding sentence. If such sale has not been completed within ninety (90) days of the expiration of the 60-day period as provided above, the Offered Shares may not thereafter be sold by the Selling Founding Stockholder unless the Selling Founding Stockholder reoffers the Offered Shares to the Company and the Non-Selling Founding Stockholders and complies with the procedures set forth in this Section 2.1.

(d) The Right to Withdraw. The Selling Founding Stockholder may at any time prior to the sale of its Shares give notice to the Company that it no longer desires to sell the Offered Shares, provided that if it again desires to sell, assign or transfer any Shares held by it, it must comply with the provisions of the Agreement.

2.2 Right to Purchase Upon Certain Other Events

(a) The Company's Right to Purchase. The Company shall have the right to purchase any or all of the Shares held by a Founding Stockholder (including his transferees hereunder) pursuant to the terms of this Section (the "Terminating Founding Stockholder", and such Shares held by such Terminating Founding Stockholder referred to as the "Terminating Shares") at the Agreement Price and on the Agreement Terms for a period of 90 days after the Company and the Purchasing Founding Stockholder receives notice from the Terminating Founding Stockholder or relevant third party, as applicable, of the occurrence of any of the following events, which notice shall be provided in the case of a Terminating Founding Stockholder within five (5) business days of the occurrence of such event:

(i) the Terminating Founding Stockholder who is an employee ceases to be, for any reason, an employee of the Company or a subsidiary of the Company (any uninterrupted absence for a period of 180 days or more, without approval of the Board of Directors of the Company, shall be deemed to be termination of employment);

(ii) the Terminating Founding Stockholder defaults on any debts to the Company as they become due and fails to repay such debts within 60 business days after written notice of such default;

(iii) the Terminating Founding Stockholder is adjudicated a bankrupt or the Terminating Founding Stockholder makes an assignment for the benefit of creditors or a petition under any insolvency or bankruptcy laws is filed for readjustment of such Stockholder's debts or financial affairs by such Stockholder or by any creditor of such Stockholder;

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(iv) any of the Terminating Founding Stockholder's Shares are levied upon under a writ of execution or become subject to sale under any legal process, or are transferred or ordered to be transferred to or for the benefit of any spouse or any other person or entity as a result of or in connection with any property settlement or judgment incident to a divorce, dissolution of marriage or separation,, or are transferred or ordered to be transferred to any person or entity who is not a party hereto by decree of distribution or other court order in a proceeding arising from the death of the spouse of the Terminating Founding Stockholder; or

(v) the Terminating Founding Stockholder sells, pledges, encumbers, hypothecates or otherwise transfers any interest in, or purports to sell, pledge, encumber, hypothecate or otherwise transfer any interest in, any of his or her Shares, except as permitted by and in full compliance with the terms of this Agreement,

(b.) The Founding Stockholder's Right of Purchase. In the event the Company elects not to purchase all of the Terminating Shares to which the Company is entitled, Each Founding Stockholder (or its transferees hereunder) (a "Purchasing Founding Stockholder") shall have the right to purchase on a pro rata basis based upon the number of Shares owned by such Purchasing Founding Stockholder, within 15 days after the expiration of such 90-day period, any remaining Terminating Shares at the Agreement Price and on the Agreement Terms.

2.3 Manner of Exercise. Any right to purchase under Section 2.2 shall be exercised by giving written notice of election to the Company and the Terminating Founding Stockholder or his or her personal representative, as the case may be, prior to the expiration of such right to purchase. Such notice shall be given as provided in Section 5.5 hereof.

2.4 Agreement Price

(i) The "Agreement Price" shall be the fair value ("Fair Value") of the Shares to be purchased on a fully diluted basis, calculated on the basis of the Company as a going concern. Initially, the Board of Directors of the Company, in good faith in the exercise of its reasonable business judgment, shall determine the Fair Value of the shares. The Company shall notify the Founding Stockholders (or their representatives) as soon as possible of such determination, but in any event, not later than 30 days after the date giving rise to the right to purchase such Terminating Shares. If the Terminating Founding Stockholder or any Purchasing Founding Stockholder fail to notify the company within 15 days after the date of such notice of their objection to the proposed Fair Value, then the Fair Value proposed in the Company's notice shall be binding and conclusive.

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(ii) If any Purchasing Founding Stockholder or the Terminating Founding Stockholder notifies the Company of its objection in writing within such 15-day period and if the Company, the Purchasing Founding Stockholders and the Terminating Founding Stockholder (or their representatives) can not mutually agree on the Fair Value of such shares within 10 days after the date of the notice of objection, then the Fair Value of the Shares shall be determined by an independent appraiser selected jointly by the Company, the Purchasing and Terminating Founding Stockholders (or their representatives). The determination of Fair Value by that appraiser shall be binding and conclusive on all parties to the Agreement. If the parties are unable to agree on the selection of an appraiser, each of the Purchasing and Terminating Founding Stockholders shall select an independent appraiser. The two appraisers so selected shall each independently appraise the Shares within 30 days of their appointment and, as long as the difference in the two appraisals does not exceed 5 percent of the lower of the two appraisals, the Fair Value shall be conclusively deemed to equal the average of the two appraisals. If the difference between the two appraisals referred to above exceeds 5 percent of the lower of the two appraisals, the two appraisers selected shall select a third appraiser within 5 business days after delivery of both appraisal, who shall also independently appraise the Fair Value of the shares and whose appraisal shall be conclusively deemed to be the Fair Value of the Shares. If either party fails to select an independent appraiser within the time required by this paragraph or if their appraiser fails to deliver their appraisal to the Company and the other party within the 30-day period, the Fair Value of the Shares shall be conclusively deemed to equal the appraisal of the independent appraiser timely selected by the other or timely delivered to the Company, as the case may be. The Founding Stockholders shall share equally the fees and expenses of the appraisers jointly named, but each party shall be responsible for the fees and expenses of any appraiser named solely by that party. Each party shall bear his, her, or its own expenses in presenting evidence to the appraisers.

2.5 **Agreement Terms**. "Agreement Terms" shall mean100% of the purchase price, which shall be payable, in the Company's sole discretion, (i) in the form of a check or via wire transfer as directed at the Closing of such purchase and sale, or (ii) in five (5) equal annual installments, represented by a negotiable promissory note secured by a pledge of all shares of Stock involved in such purchase of shares of Stock to the payee of the note.

2.6 **Delivery of Shares and Closing Date**. Within thirty (30) days of the exercise of any right to purchase hereunder or final determination of the Fair Value of the Shares, as the case may be, (the "Closing"), the Selling Founding Stockholder or the Terminating Founding Stockholder or his or her personal representatives, as the case may be, shall deliver certificates representing the Shares to be sold, properly endorsed for transfer, and with the necessary documentary and transfer tax stamps, if any, affixed, to the purchasers of such Shares. Payment of the purchase price therefor shall concurrently be made to the Selling Founding Stockholder or Terminating Founding Stockholder or his or her personal representatives as the case may be. Such delivery and payment shall be made at the principal office of the Company or at such other place as the parties mutually agree. Notwithstanding the above, any such

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transfer shall not be consummated unless it complies with all federal and state securities laws and the purchaser of such Shares assumes the obligations under this Agreement.

ARTICLE 3

CO-SALE AND DRAG-ALONG RIGHTS

3.1 Co-Sale Provisions.

(a) In the event that a Selling Founding Stockholder proposes to offer for sale or otherwise transfer any Shares to any person or entity (individually a "Third Party" and collectively, "Third Parties") in any one transaction or any series of related transactions, directly or indirectly, other than a sale to a Permitted Transferee under Section 1.2 hereof, such sale or other disposition to a Third Party shall not be permitted unless the Selling Founding Stockholder shall offer (or cause the Third Party to offer) each other Founding Stockholder and its permitted transferees (each being a "Co-Selling Founding Stockholder") the right to elect to include, at the sole option of such Co-Selling Founding Stockholder, in the sale to the Third Party, to the extent such shares have not been purchased by the Company or Non-Selling Founding Stockholder pursuant to Section 2.1(a) above, such number of Shares owned by such Co-Selling founding Stockholder as permitted under Section 3.1(b) and (c) below (the "Tag-Along shares")

(b) The Selling Founding Stockholder shall deliver a notice to the Company and the Co-Selling Founding Stockholders as provided in Section 2.1(a) above. Within sixty (60) days after the date of such notice, the Co-Selling Founding Stockholders may make an election to either (i) include a number of its Shares as Tag-Along Shares (up to the percentage set forth in paragraph (c) below) in such a sale or other disposition (the "Inclusion Election"), (ii) elect to purchase such Offered Shares pursuant to Section 2.1(a) above, or (iii) neither purchase Offered Shares nor sell Tag-along Shares. Such Co-Selling Founding Stockholder shall notify the Company and the Selling Founding Stockholder of its Inclusion Election within such 60-day period. Any Co-Selling Founding Stockholder electing to sell Tag-Along Shares shall also promptly deliver to the Company a stock certificate or certificates representing the number of Tag-Along Shares, together with a power-of-attorney authorizing the Selling Founding Stockholder to sell or otherwise dispose of such Tag-Along Shares pursuant to the terms of such Third Party's offer.

(c) Each Co-Selling Founding Stockholders shall have the right to co-sell, pursuant to the Third Party's offer, the number of Offered Shares equal to the product obtained by multiplying (x) the number of Offered Shares by (y) a fraction, (A) the numerator of which is the aggregate number of Shares then held by such Co-Selling Founding Stockholder, and (B) the denominator of which is the total number of Shares then held by the Selling Founding Stockholder and all of the Co-Selling Founding Stockholders.

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(d) The purchase of the Tag-Along Shares shall be on the same terms and conditions, including the price per share and the date of sale or other disposition, as are received by the Selling Founding Stockholder and stated in the notice referred to above.

(e) If the Third Party refuses to purchase Shares from the Co-Selling Founding Stockholders at the closing, then the Selling Founding Stockholder shall not be entitled to sell any Shares to the Third Party.

(f) If no Founding Stockholder has elected to make an Inclusion Election or an election to purchase Shares pursuant to Section 2.1, the Selling Founding Stockholder shall have ninety (90) days after the expiration of 60-day period referred to in Section 2.1(c) in which to sell or otherwise dispose of such shares to the Third Party at a price and on terms not more favorable than were set forth in the Offer referred to above. If, at the end of such 90-day period, the Selling Founding Stockholder has not completed the sale of shares in accordance with the terms of the Third Party's offer, all the restrictions on sale contained in this Agreement shall again be in effect (unless such 90-day period is extended with the consent of the other Founding Stockholders). In the event that a sale of Shares is made to a Third Party pursuant to their Section 3.1, such Third Party shall be bound by the Terms of this Agreement.

(g) The Founding Stockholders may elect to either (i) purchase Offered Shares pursuant to Section 2.1 or (ii) sell Tag-along Shares pursuant to Section 3.1, but not both.

3.2 **Drag-Along Provisions**. In the event the Board of Directors and the holders of at least Sixty Five Percent (65%) of the then outstanding Shares approve a bona fide offer from a third party that is not a Founding Stockholder or an affiliate of any Founding Stockholder (as defined in Rule 144 under the Securities Act of 1933, as amended) to purchase all of the then outstanding capital stock of the Company, then each Founding Stockholder shall vote all of the Shares owned or controlled by such Founding Stockholder in favor of the proposed transaction and shall take all other action deemed necessary or desirable by the Board of Directors to effect the proposed transaction.

ARTICLE 4

MANAGEMENT

4.1 **Board of Directors**. Each Founding Stockholder hereby agrees that the Board of Directors of the Company shall consist of the number of members determined by the Board of Directors

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of the Company from time to time. The Founding Stockholders hereby agree that each shall vote all shares of Common Stock held or controlled by each Founding Stockholder so as to provide for the election to the Board of Directors of the Company of each of G. Paul Bosse III, John Ameling, and Ray Takigiku PhD, so long as such individuals continue to own at least 50% of the shares of Common Stock of the Company owned as of the date hereof (as adjusted for stock splits and stock dividends, if any).

4.2 Protective Provisions. Until this Agreement is terminated, the Company shall not, without obtaining the written consent of the Founding Stockholders (or their transferees) then subject to this Agreement holding not less than sixty-five percent (65%) of the total Shares held by the Founding Stockholders then subject to this Agreement (a "Super-Majority of Founding Stockholders"):

(a) authorize or issue, or obligate itself to authorize or issue, additional Shares of Common Stock, Preferred Stock or any other capital stock except the issuance of such number of shares of Common Stock as approved by the Board of Directors for issuance pursuant to exercise of stock options granted to employees, consultants, officers or directors; or

(b) sell, convey, or otherwise dispose of all or substantially all of its property or business, or merge into or consolidate into any other corporation, or effect any transaction or series of related transactions in which more than 50% of the voting power of the Corporation is disposed of; or

(c) Amend its Articles of Incorporation.

ARTICLE 5

MISCELLANEOUS

5.1 Additional Founding Stockholders. Until this Agreement shall be terminated, all transferees of the Founding Stockholder Shares shall execute and deliver to the Company a written agreement, in form and content satisfactory to the Company, agreeing to be bound by all of the terms and conditions of the Agreement. The term "Founding Stockholder" as used herein shall be deemed to include the Founding Stockholders and their transferees.

5.2 Representatives and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, their legal representatives, and permitted assigns and designees.

5.3 Violations or Remedies. The parties agree that any violation of this Agreement (other than a default in the payment of money) cannot be compensated for by damages and any aggrieved party shall have the right, and is hereby granted the privilege, of obtaining specific performance of this Agreement in any court of competent jurisdiction in the event of any breach hereunder.

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5.4 Governing Law. This Agreement shall be deemed to be made under and governed by and construed in accordance with the laws of the State of Delaware.

5.5 Notices. All notices required to be delivered pursuant to this Agreement shall be delivered in person or by telegraphic or other facsimile transmission and deemed given on the date of transmission or sent by certified mail, return receipt requested and deemed given three (3) business days after mailing, and shall be addressed to the Company at its principal business office, to the attention of the President, and to a Founding Stockholder at the address of the Founding Stockholder shown in the Company's stock ledger or to such other address as the Founding stockholder may indicate by duly giving written notice to the Company.

5.6 Severability. If any term or condition of this Agreement, or application thereof to any person or circumstance, shall to any extent be held invalid or unenforceable, the remainder of this Agreement, or application of such term or condition to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby and shall remain in full force and effect.

5.7 Amendment and Waiver. This Agreement may be modified or amended in whole or in part, and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument signed by the Company and a Super-Majority of Founding Stockholders. Any amendment, modification or waiver so effected shall be binding upon the Company, the Founding Stockholders and all of their respective successors and permitted assigns whether or not such party, assignee or other shareholder entered into or approved such amendment, modification or waiver. Notwithstanding the foregoing, (i) this Agreement may not be amended or modified and the observance of any term hereunder may not be waived with respect to any Founding Stockholder without the written consent of such Founding Stockholder unless such amendment, modification or waiver applies to all Founding Stockholders, respectively, in the same fashion and (ii) Exhibit A hereto may be amended by the Company from time to time to add information regarding additional Founding Stockholders without the consent of the other parties hereto.

5.8 No Waiver. No delay or failure on the part of a Company or a Founding Stockholder in the exercise of any right, power or remedy shall operate as a waiver thereof, nor shall any single or partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy.

5.9 Integration. This Agreement embodies the entire agreement and understanding of the parties hereof in respect of the actions and transactions contemplated by this Agreement. This Agreement supersedes all other prior written or oral understandings between and among the parties hereto relating to the subject matter hereof.

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5.10 Termination of this Agreement. This Agreement shall terminate upon the earlier of (a) the written agreement of (i) the Company and (ii) a Super-Majority of Founding Stockholders, (b) the sale of all the outstanding shares of capital stock of the company to a third party or, sale of all or substantially all of the assets of the Company to a third party, or (c) upon the closing of a registered, underwritten initial public offering of the Company's Common Stock with net proceeds to the Company in excess of $20,000,000.

5.11 Counterparts. This Agreement may be executed in any number counterparts, each of which, when so executed, shall be deemed an original.

5.12 After-Acquired Shares. Each Founding Stockholder agrees and acknowledges that all of the terms, conditions and restrictions of this Agreement shall apply to all shares of the capital stock of the Company now owned or hereafter acquired by him.

5.13 Additional Parties. Any person exercising a right, option or warrant to acquire shares of the Company's capital stock and any purchaser of shares of the Company's capital stock issued by the Company may be admitted as a party to this Agreement as a Founding Stockholder upon the execution of a counterpart signature page by such person.

[Signature Page Follows]

CONFIDENTIAL ROA-0479 WBD_CHLAB0019800

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above written.

G. Paul Bosse III

G. PAUL BOSSE III

JOHN F. AMELING

BERNARD P. SCHACHTEL

RAY TAKIGIKU

RYAN BAKER

CHRIS GODWIN

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ROA-0480

WBD_CHLAB0019801

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above written.

G. PAUL BOSSE III

JOHN F. AMELING

BERNARD P. SCHACHTEL M.D.

RAY TAKIGIKU PhD

RYAN BAKER

CHRIS GODWIN

CONFIDENTIAL

WBD_CHLAB0019802

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above written.

G. PAUL BOSSE III

JOHN F. AMELING

BERNARD P. SCHACHTEL

RAY TAKIGIKU

RYAN BAKER

CHRIS GODWIN

CONFIDENTIAL

WBD_CHLAB0019803

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above written.

G. PAUL BOSSE III

JOHN F. AMELING

BERNARD P. SCHACHTEL

RAY TAKIGIKU 5/30/08

RYAN BAKER

CHRIS GODWIN

CONFIDENTIAL ROA-0483 WBD_CHLAB0019804

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above written.

G. PAUL BOSSE III

JOHN F. AMELING

BERNARD P. SCHACHTEL

RAY TAKIGUKU

RYAN BAKER

CHRIS GODWIN

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above written.

G. PAUL BOSSE III

JOHN F. AMELING

BERNARD P. SCHACHTEL

RAY TAKIGIKU

RYAN BAKER

CHRIS GODWIN

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WBD_CHLAB0019806

APPENDIX A

Shareholders	Number of Shares of Common Stock
G. Paul Bosse III	1,800
Ray Takigiku PhD	210
John Ameling	270
Bernie Schachtel M.D.	360
Ryan Baker	270
Chris Godwin	90
TOTAL	3,000

WEST 38655665v4

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INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

NUMBER

12

SHARES

210

CANCELED
9/25/08

CHARLESTON LABORATORIES, INC.

AUTHORIZED TO ISSUE 3,000 SHARES - PAR VALUE $.001 PER SHARE

CL-000026

This Certifies that RAY TAKIGIKU is the registered holder of * * * TWO HUNDRED TEN * * * Shares of the capital stock of the above named corporation, fully paid and non-assessable, transferrable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this Certificate properly endorsed.

SPECIMEN

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and its Corporate Seal to be hereunto affixed this 30th day of May, 2008.

G. Paul Bosse III
SECRETARY

G. Paul Bosse III
PRESIDENT

DEPOSITION EXHIBIT #24
PENGAD 800-631-6989

THESE SHARES ARE SUBJECT TO CERTAIN TRANSFER RESTRICTIONS AND RIGHT OF REPURCHASE AS SET FORTH IN THE CHARLESTON LABORATORIES, INC. STOCKHOLDERS AGREEMENT DATED AS OF MAY 30, 2008 ON FILE WITH THE SECRETARY OF THE COMPANY.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO REPURCHASE BY THE ISSUER UPON THE OCCURRENCE OF CERTAIN EVENTS SET FORTH IN THAT CERTAIN STOCK RESTRICTION AGREEMENT DATED AS OF MAY 30, 2008 BY AND BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF SUCH SHARES.

THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT"). SUCH SHARES MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT REGISTRATION IS NOT REQUIRED.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	-as tenants in common	UNIF GIFT MIN ACT- .... Custodian ....
TEN ENT	-as tenants by the entireties	(Cust) (Minor)
JT TEN	-as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act ..... (State)

Additional abbreviations may also be used though not in the above list.

For Value Received, ___ hereby sell, assign and transfer unto

_____

_____ *Shares*

represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ *Attorney*

to transfer the said Shares on the books of the within named Corporation with full power of substitution in the premises.

Dated _____, ____

In presence of _____

_____

NOTICE: THE SIGNATURE OF THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THIS CERTIFICATE, IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATSOEVER.

WCSR 3928837v1

WOMBLE CARLYLE SANDRIDGE & RICE
A PROFESSIONAL LIMITED LIABILITY COMPANY
FOURTH FLOOR
8065 LEESBURG PIKE
TYSONS CORNER, VIRGINIA 22182-2738
TELEPHONE (703) 790-3310
FACSIMILE (703) 790-2623

OTHER OFFICES:
ATLANTA, GA
BALTIMORE, MD
CHARLOTTE, NC
GREENSBORO, NC
GREENVILLE, SC
RALEIGH, NC
RESEARCH TRIANGLE PARK, NC
WASHINGTON, D.C.
WILMINGTON, DE
WINSTON-SALEM, NC

June 19, 2008
58394.0002.2
Bill Number 1746677
STATEMENT FOR SERVICES RENDERED

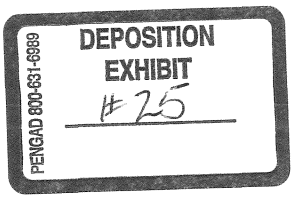
Paul Bosse, CEO
Charleston Laboratories, Inc.
548 Clearview Drive
Charleston, SC 29412

RE: General Corporate

FOR PROFESSIONAL SERVICES RENDERED THROUGH 05/31/2008	$2,785.50
DISBURSEMENTS THROUGH 05/31/2008	$0.00
CURRENT TOTAL	**$2,785.50**

OUTSTANDING RECEIVABLES AS OF June 19, 2008

BILL NO. 1550865	08/29/2007	$32.50
BILL NO. 1733673	04/15/2008	$315.00
BILL NO. 1741127	05/21/2008	$990.00
TOTAL BALANCE DUE		**$4,123.00**



ITEMIZED SERVICES BILL

Date:	Description:	Attorney:	Hours:
05/20/2008	Communications with client and with David Baddour regarding executive employment agreement and restricted stock agreement requirement of client	Rutley, Dean W.	0.30
05/20/2008	Telephone conferences with Paul Bosse regarding employment agreement and founders' stock issues; prepare draft form of stock restriction agreement; correspondence with Paul Bosse regarding the same; additional telephone calls regarding the same	Baddour, David B.	2.20
05/22/2008	Prepare and transmit draft of Founder's Stockholder Agreement; correspondence with Paul Bosse regarding the same	Baddour, David B.	3.20
05/27/2008	Correspondence with Dean Rutley regarding Founders' Stockholders Agreement; correspondence and telephone conference with Paul Bosse regarding the same; revisions to the same as well as form of stock restriction agreement; transmit revised documents to Paul Bosse	Baddour, David B.	1.80
05/29/2008	Prepare final versions of stock restriction agreements for founders	Baddour, David B.	0.50
05/30/2008	Revise and re-send Founder's Shareholder Agreement pre minor comments from founder	Baddour, David B.	0.30

Total for Services: $ 2,785.50

TIMEKEEPER SUMMARY

Attorney:		Hours:	Amount:	Rate:
Rutley, Dean W.		0.30	$ 145.50	$ 485.00
Baddour, David B.		8.00	$ 2,640.00	$ 330.00
	Totals:	8.30	$ 2,785.50	

Message

From: Rutley, Dean [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_RUTLEY]
Sent: 6/10/2008 11:01:05 AM
To: Baddour, David [dbaddour@wcsr.com]; 'pbosse@charlestonlabs.com' [pbosse@charlestonlabs.com]
Subject: Re: Instructions

On my way into work from mtgs. Your suggestions below look fine.

----- Original Message -----
From: Baddour, David
To: Paul Bosse <pbosse@charlestonlabs.com>; Rutley, Dean
Sent: Tue Jun 10 10:32:36 2008
Subject: RE: Instructions

Paul,

Am working on resolutions approving the stock issuances. John, Bernie and Ray will be issued Restricted Stock, this week. The other founders will get their common stock free and clear, dated as of last summer.

One item -- when we approved the SCLaunch financing, we had John A. sign as a shareholder. Thus, to be consistent with the prior actions, we'll need to issue him some shares as of last summer. I suppose the simplest thing would be to issue him the 50% that will be vested (dated last summer), and then issue him the remaining 50% (dated this week) with the restrictions. I'll proceed in this manner, unless you tell me differently. (Dean, please weigh in as well if you have other thoughts.)

Best,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | 2530 Meridian Parkway, Suite 400 | Durham, NC 27713 | office: 919.484.2352 | fax: 919.484.2090

From: Paul Bosse [mailto:pbosse@charlestonlabs.com]
Sent: Friday, June 06, 2008 5:39 PM
To: Baddour, David; Rutley, Dean
Subject: Instructions

David,

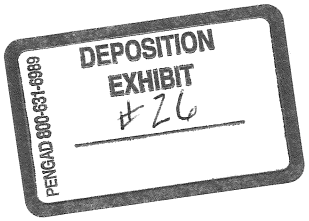
Could you send me an email with the detailed plan of the stock allocation per out last email.

I would like to be able to expalin how and when stock is going to be cut and then let John, Bernie, and Ray know what they will need to file within 30 days.

Thanks,

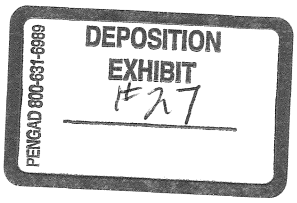
Paul Bosse
CEO
(843)577-2626 (Office)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

****Confidentiality Notice: This e-mail message, including any attachments, is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure, or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail and destroy all copies of the original message.



Message

From: Rutley, Dean [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_RUTLEY]
Sent: 6/18/2008 2:14:48 PM
To: 'Kaufmann, Charles' [CKaufmann@goodwin.com]
CC: Baddour, David [dbaddour@wcsr.com]
Subject: RE: Bernie Schachtel



Charles:

We will call you shortly to discuss the corporate issues.

With regard to the 83(b) analysis, we only spoke to one of our tax partners to confirm the 30 day election period. Neither we nor the company are in a position to provide individual tax advice to any of the founders/initial stockholders. Each stockholder certainly has the right and ability to seek tax advice from a CPA or tax attorney as to their particular personal situation.

Dean

From: Kaufmann, Charles [mailto:CKaufmann@goodwin.com]
Sent: Wednesday, June 18, 2008 12:48 PM
To: Baddour, David
Cc: Rutley, Dean
Subject: RE: Bernie Schachtel

David,
Thank you for the materials. I note that as of July 30, 2007 according to the South Carolina filing Paul Bosse was the only shareholder and owned 1000 shares. Could you please forward copies of the minutes of Charleston to review including those showing authorization for the issuances of other shares. Unless I'm missing something, the Delaware materials showed no directors or officers, but rather "?'s" opposite each category of requested information. Bernie wishes to proceed but we are also awaiting the 83 b analysis your tax people were going to provide as well as the tax consequences to various shareholders including Bernie relating to the value of issued and vested shares. Thanks.
Charlie Kaufmann

> -----Original Message-----
> **From:** Baddour, David [mailto:dbaddour@wcsr.com]
> **Sent:** Tuesday, June 17, 2008 4:53 PM
> **To:** Kaufmann, Charles
> **Cc:** Rutley, Dean
> **Subject:** RE: Bernie Schachtel
>
> Charles,
>
> At the request of Paul Bosse, please find attached the documents listed below.
>
> 1) Certificate of Incorporation
> 2) Certificate of Authorization (SC)
> 3) Bylaws
>
> The current capitalization of the company was attached as an exhibit to the Stockholders Agreement. For convenience, it is below.
>
> Best regards,
>
> David Baddour

Shareholders	Number of Shares of Common Stock

G. Paul Bosse III	1,800
Ray Takigiku PhD	210
John Ameling	270
Bernie Schachtel M.D.	360
Ryan Baker	270
Chris Godwin	90
TOTAL	3,000

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | 2530 Meridian Parkway, Suite 400 | Durham, NC 27713 | office: 919.484.2352 | fax: 919.484.2090

From: Rutley, Dean
Sent: Monday, June 16, 2008 7:26 PM
To: 'Kaufmann, Charles'
Cc: Baddour, David
Subject: RE: Bernie Schachtel

Charles:

You are correct in your email below that many of the inquiries you raised are business, not legal, issues. We spoke to Paul late this afternoon and are now working with him on gathering information in response. We are also gathering certain documents per your request. Below in brackets and RED text are certain initial responses to your email.

Dean

-----Original Message-----
From: Kaufmann, Charles [mailto:CKaufmann@goodwin.com]
Sent: Saturday, June 14, 2008 2:26 PM
To: Rutley, Dean
Subject: Bernie Schachtel

Dean,

While I did have to wait a full week from our last phone conversation, I was glad to hear from you. Naturally I have some questions. You and I first communicated on July 10, 2007, and of course had Bernie been issued his shares then which as I understand it is the approximate time that you plan to have the shares issued to three of the "founders" we would not have to worry about 83b, so my initial question is what is the purpose of treating Bernie differently from three other founders given his role with Charleston? **[Charles: there was no talk of Bernie being a shareholder/founder back in 2007 that we are aware of and Paul confirmed same on our call today; initially Bernie was to take an advisory role under a consulting agmt and get stock options or warrants because the Boston based VC was going to have the company spend over 75% of the money raised with Bernie's other company....so the thinking between Bernie and CL at the time was to have him NOT be an employee, founder, etc. but rather a consultant/vendor. All of this then began to change and evolve after the Nexus term sheet deal collapsed. Thus Bernie is being treated differently in terms of timing because he is different. We can discuss a bit more via phone.]**

Be that as it may, and assuming the restrictions remain and 83b applies, I believe Bernie should forfeit his shares only if he is

terminated for "cause" or voluntarily terminates his employment other than by reason of constructive discharge. The language now gives unusually broad discretion to get rid of him for any reason. **[Charles: for a start-up with very few dollars left Paul doesn't want to complicate the arrangement with Bernie. Paul said that NONE of the initial founders/employees will have employment agreements. The simple structure is that ALL vested shares are for the founder/employee to KEEP and the unvested shares are paid over time for service during the vesting period. Thus, termination of the employment relationship for ANY reason would result in the employee keeping ALL shares that are vested and just a stoppage of any further vesting. We can discuss this further with you.]** . Also 1 (a) should be clarified to make it clear that only those Restricted Shares that remain restricted following his termination could be repurchased. When I first read 1 (a), I read it as meaning that all his shares could be repurchased at any time prior to May 30, 2011. **[Charles: under our reading, it is clear that only unvested shares can be repurchased.]**

Also, should not "new share issuances" be added to clause (I) following "Change in Control", since new investors would be likely to acquire more than 50% of Charleston should such investments become reality. Issuances of new shares and stock dilution with respect to the "founders" are not really addressed in the drafts I received. **[This should be fine to add.]**

Finally, the Stock Restriction Agreement deals with "Termination of Employment", but the terms of Bernie's employment have still not been formalized, notwithstanding our prior discussion on terms, and this needs to be done in connection with the finalization of Bernie's relationships. As we discussed at such time as $1,000,000 of new capital is invested in the company, assuming it will be at some point in the future, Bernie has asked to be compensated , given his responsibilities and time commitments to the detriment of other opportunities, at the rate of $20,000 per month. **[Charles: No VC would ever allow $20K per month to one employee on a $1MM raise....even if the employee was full time and attention (which I doubt Bernie wants to do). Paul feels as if we are all getting way ahead of the curve on this....if the merger happens with the Canadian public company then such arrangements would become moot....if a VC comes in such arrangements will become moot and subject to negotiations with the VC. Right now major compensation should await a term sheet from a third party investor or acquiror.]** We also believe that he should be reimbursed for his legal fees incurred in connection with formalizing his relationships with Charleston since your firm is taking care of other founders presumably at company expense--and deservedly so, I might add. **[Charles: our firm is NOT "taking care of" any of the founders. We are only representing the corporation. We told Paul back in the beginning (in June, 2007) that if we did an employment agreement for him that we would recommend that he retain his own personal counsel to advise him on same as we would be looking at any such agreement from the company's perspective. I mentioned your request to Paul and he said that the company currently does not have any money to pay its own legal fees right now and was not contemplating paying the personal legal fees of any founder/employee. Once the company is adequately funded, such issues could be raised with the board, of course, for consideration as compensation bonuses.]**
I realize these are business points and not legal ones, but your client needs to address at least the employment issue soon.

Also, could you kindly arrange for us to review the following Charleston documents and contacts: **[Charles: we are in the process of gathering some of the organizational documents that you request below. The company doesn't see the purpose of providing tax returns and financials. Happy to discuss further via phone.]**

Charter and by-laws
Current and contemplated capitalization tables Charleston Lab's 2007 Federal and state income tax returns Most recent Delaware franchise tax return Balance sheets and P&L statements for 2007 and the three months ended March 31, 2008
Name and contact information for Charleston's accountants/auditors

Many thanks and I look forward to hearing from you next week.

Charlie Kaufmann

Charles B. Kaufmann, III
Shipman & Goodwin LLP
289 Greenwich Avenue
Greenwich, CT 06830
Phone: (203) 869-5600
Fax: (203) 869-4648
ckaufmann@goodwin.com
http://www.shipmangoodwin.com

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Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 6/19/2008 2:25:45 PM
To: 'Paul Bosse' [pbosse@charlestonlabs.com]
CC: Rutley, Dean [DRutley@wcsr.com]
Subject: revised docs
Attachments: Section 83(b) (Schachtel) - v3.DOC; Section 83(b) (Takigiku) - v4.DOC; Section 83(b) (Ameling) - v4.DOC; Founder Restricted Stock Agmt (Takigiku) - v3.DOC; Founder Restricted Stock Agmt (Ameling) - v4.DOC; Founder Restrictred Stock Agmt (Schachtel) - v4.DOC; Charleston Laboratories - Founders Stockholder Agreement - v5.DOC

Paul,

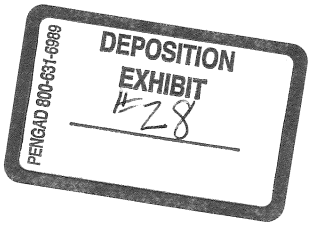
Attached are revised Stock Restriction Agmts, 83(b) elections and Founders Stockholder Agmt.

As per the other e-mail, I will send Bernie's docs and the revised Founders Stockholder Agmt to Bernie's attorney in a moment, with marked versions. I'll copy you.

Best,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | 2530 Meridian Parkway, Suite 400 | Durham, NC 27713 | office: 919.484.2352 | fax: 919.484.2090



ELECTION TO INCLUDE VALUE OF RESTRICTED PROPERTY IN GROSS INCOME IN YEAR OF TRANSFER

The undersigned taxpayer hereby elects to include the value of property described below in gross income pursuant to Section 83(b) of the Internal Revenue Code of 1986 and provides the following information in accordance with the Treasury Regulations promulgated thereunder:

1. **The name, address and taxpayer identification number of the undersigned taxpayer are:**

Name: Bernard P. Schachtel Address: _____

SSN: _____ _____

2. **Description of property with respect to which the election is made:**

360 shares (the "Shares") of Common Stock of Charleston Laboratories, Inc. (the "Company").

3. **The date on which the Property was transferred to the taxpayer was:**

May 30, 2008

The taxable year to which this election relates is the 2008 calendar year.

4. **The nature of the restrictions to which the Property is subject is:**

Termination of Employment. In the event that prior to May 30, 2011 the taxpayer either (i) resigns or otherwise voluntarily terminates his employment with the Company or (ii) is terminated for Cause (as defined below), the Company shall have the right and option, for a period of sixty (60) days next following the effective date of such resignation or termination, to repurchase from the taxpayer, at a price of $0.01 per share payable in cash or by check, any or all of the number of Restricted Shares set forth on Schedule A attached hereto and made a part hereof. For purposes of this provision, "Cause" shall have the meaning given in a written employment agreement between the taxpayer and the Company, if any, and otherwise shall have the meaning determined by the Board of Directors of the Company, in its reasonable judgment after consultation with counsel for the Company.

Termination of Repurchase Option. Notwithstanding the foregoing provisions the Company's right to repurchase fifty percent (50%) of the number of Restricted Shares then subject to repurchase by the Company on each date set forth on Schedule A shall expire and be of no further force or effect upon the occurrence of a Change in Control, as defined below, and (ii) any of the Restricted Shares then subject to repurchase by the Company shall expire and be of no further force or effect if the Purchaser's employment is terminated by the Company without cause during the 12 month period following a

Change in Control. A "Change in Control" shall be deemed to have occurred on the earliest of the following dates: (i) the date on which the Company consummates a merger, share exchange, consolidation or reorganization that results in the stockholders of the Company immediately prior to such event holding securities or other rights immediately after such event that represent less than fifty percent (50%) of the voting power and equity ownership of the surviving, acquiring or successor entity, or of the parent of the surviving, acquiring or successor entity; or (ii) the date on which any person or entity, other than a person or entity who was a beneficial owner of the Company's securities on the date hereof, becomes the beneficial owner of more than fifty percent (50%) of the outstanding Common Stock, calculated on a fully-diluted, as converted basis, by means of a purchase or acquisition of the Company's securities from one or more stockholders of the Company, whether by tender offer or otherwise.

5. **Fair Market Value:**

The fair market value at the time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the Shares was $0.01 per share.

6. **Amount paid for the property:**

The amount paid by the taxpayer for the Shares was $0.01 per share.

7. **Furnishing statement to the Company:**

A copy of this statement has been furnished to the Company.

Dated: June ___, 2008.

_____

Bernard P. Schachtel

SCHEDULE A
TO
RESTRICTED STOCK PURCHASE AGREEMENT

If Employment Terminates On or After:	But Prior to:	Company shall have the right to repurchase the following number of Shares of Common Stock
May 30, 2008	May 30, 2009	180
May 30, 2009	May 30, 2010	120
May 30, 2010	May 30, 2011	60
May 30, 2011	n/a	0

ELECTION TO INCLUDE VALUE OF RESTRICTED PROPERTY IN GROSS INCOME IN YEAR OF TRANSFER

The undersigned taxpayer hereby elects to include the value of property described below in gross income pursuant to Section 83(b) of the Internal Revenue Code of 1986 and provides the following information in accordance with the Treasury Regulations promulgated thereunder:

1. **The name, address and taxpayer identification number of the undersigned taxpayer are:**

Name: Ray Takigiku Address: _____

SSN: _____ _____

2. **Description of property with respect to which the election is made:**

210 shares (the "Shares") of Common Stock of Charleston Laboratories, Inc. (the "Company").

3. **The date on which the Property was transferred to the taxpayer was:**

May 30, 2008

The taxable year to which this election relates is the 2008 calendar year.

4. **The nature of the restrictions to which the Property is subject is:**

Termination of Employment. In the event that prior to May 30, 2011 the taxpayer either (i) resigns or otherwise voluntarily terminates his employment with the Company or (ii) is terminated for Cause (as defined below), the Company shall have the right and option, for a period of sixty (60) days next following the effective date of such resignation or termination, to repurchase from the taxpayer, at a price of $0.01 per share payable in cash or by check, any or all of the number of Restricted Shares set forth on Schedule A attached hereto and made a part hereof. For purposes of this provision, "Cause" shall have the meaning given in a written employment agreement between the taxpayer and the Company, if any, and otherwise shall have the meaning determined by the Board of Directors of the Company, in its reasonable judgment after consultation with counsel for the Company.

Termination of Repurchase Option. Notwithstanding the foregoing provisions the Company's right to repurchase fifty percent (50%) of the number of Restricted Shares then subject to repurchase by the Company on each date set forth on Schedule A shall expire and be of no further force or effect upon the occurrence of a Change in Control, as defined below, and (ii) any of the Restricted Shares then subject to repurchase by the Company shall expire and be of no further force or effect if the Purchaser's employment is terminated by the Company without cause during the 12 month period following a