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

Charleston Laboratories, Inc.,

vs.

Womble, Carlyle, Sandridge & Rice, LLP,

RECEIVED
Sep 04 2020
SC Court of Appeals

RECORD ON APPEAL

Counsel for Appellant Charleston Laboratories, Inc.

BLAND RICHTER, LLP

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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.

_____

Ray Takigiku

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

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: John Ameling Address: _____

SSN: _____ _____

2. **Description of property with respect to which the election is made:**

135 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, (i) 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.

_____

John Ameling

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

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

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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: _____

_____

_____

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

_____

Ray Takigiku, Ph.D

CONFIDENTIAL ROA-0509 WBD_CHLAB0003703

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-0510 WBD_CHLAB0003704

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 One Hundred Thirty Five (135) 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

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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.

CONFIDENTIAL ROA-0513 WBD_CHLAB0003707

To the Stockholder: _____

_____

_____

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

_____
John Ameling

CONFIDENTIAL ROA-0514 WBD_CHLAB0003708

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-0515 WBD_CHLAB0003709

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 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

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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.

CONFIDENTIAL ROA-0517 WBD_CHLAB0003711

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.

CONFIDENTIAL ROA-0518 WBD_CHLAB0003712

To the Stockholder: _____

_____

_____

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

_____

Bernard P. Schachtel M.D.

CONFIDENTIAL ROA-0519 WBD_CHLAB0003713

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-0520 WBD_CHLAB0003714

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 Stockholders").

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, to 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

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 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, or (ii) 25% of the purchase price in the form of a check or via wire transfers as directed at the Closing, with the balance due in three (3) equal annual installments commencing on the first anniversary of the Closing, which balance shall be represented by a negotiable promissory note bearing interest at the prime rate as published in the Wall Street Journal and 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 Delaware.

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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 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.

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-0532 WBD_CHLAB0003726

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-0533 WBD_CHLAB0003727

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

CHARLESTON LABORATORIES, INC.
Stock Certificate Receipt

TO: RAY TAKIGIKU

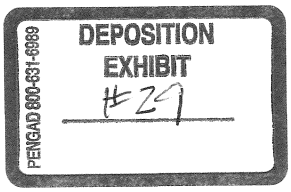
Attached is stock certificate # 12 for 210 shares of Charleston Laboratories, Inc., common stock dated May 30, 2008.

Please acknowledge receipt of this certificate by signing this memo and returning it in the enclosed stamped, return envelope for filing among the corporate records.

RECEIPT ACKNOWLEDGED:

Ray Takigiku

Feb 29, 2008
Date



WCSR 3934666v1

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.

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

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.

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: 3952 Timberwoods Ct

SSN: 524-92-7427

Loreland, OH 45140

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

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 27, 2008.

Ray Takigiku

PASTE CANCELLED CERTIFICATE IN THIS SPACE

CL-000030

CERTIFICATE No. 12

FOR TWO HUNDRED TEN (210) SHARES

ISSUED TO

RAY TAKIGIKU

DATED May 30, 2008

RECEIVED CERTIFICATE No. 12

FOR TWO HUNDRED TEN SHARES

THIS 25th DAY OF September, 2008

TRANSFER FROM ORIGINAL ISSUE BELOW

FROM WHOM TRANSFERRED:

DATED

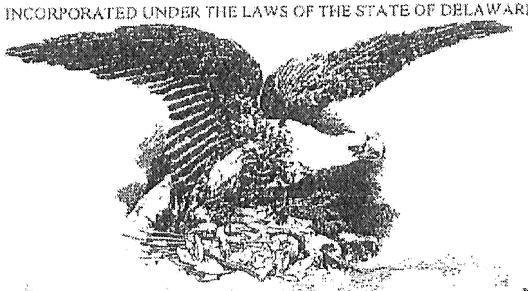
NO. ORIGINAL CERTIFICATE	NO. ORIGINAL SHARES	NO. OF SHARES TRANSFERRED

TRANSFER DETAILS FOR SURRENDERED CERTIFICATES

NEW CERTIFICATES ISSUED TO:	NO. OF SHARES TRANSFERRED	NO. OF NEW CERTIFICATES
Ray Takigiku pursuant to 2,000:1 stock split	210	14

PL-0023623

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE



14

420,000

CANCELED
3/26/2010

CHARLESTON LABORATORIES, INC.

AUTHORIZED TO ISSUE 8,000,000 SHARES COMMON STOCK PAR VALUE $0.001 and 1,200,000 SHARES PREFERRED STOCK PAR VALUE $0.001

This Certifies that RAY TAKIGIKU is the registered holder of * * * FOUR HUNDRED TWENTY THOUSAND * * * 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 25th day of September, 2008.

PB
SECRETARY

PB
PRESIDENT

PENGAD 800-631-6989
DEPOSITION EXHIBIT #30

ULTRO NO. 2

CONFIDENTIAL
CL-004022

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

Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 3/16/2010 11:17:23 AM
To: Rutley, Dean [DRutley@wcsr.com]
Subject: Founder Restricted Stock Agmt (Takigiku)
Attachments: Founder Restricted Stock Agmt (Takigiku) - v3.DOC

Dean,

Spoke with Paul for about an hour this morning. They need to get rid of Ray Takigiku, their COO, but they want to take all of his stock back (vested and unvested). Let me know when you have a couple of minutes, and I'll update you.

David
x2352



CHARLESTON LABORATORIES, INC.

MINUTES OF MEETING OF BOARD OF DIRECTORS

March 16, 2010

The meeting of the board of directors of Charleston Laboratories, Inc. (hereinafter sometimes referred to as the "Corporation"), a corporation created under the laws of Delaware, was held on March 16, 2010, at 6:30 p.m. at 65 Gadsden Street, Suite 201, Charleston, South Carolina 29401, pursuant to a call of a majority of the initial directors.

The following directors, who are all of the initial directors of the corporation, were present: G. Paul Bosse, III.

G. Paul Bosse, III, was elected to preside at the meeting, and G. Paul Bosse, III, was elected to serve as secretary and record the minutes.

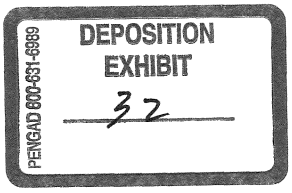
Upon a motion duly made, seconded, and unanimously carried, the following resolution was adopted:

RESOLVED that the employment of Ray Takigiku as the Chief Operating Officer of Charleston Laboratories, Inc., is hereby terminated for cause pursuant to Takigiku's acts and/or omissions detrimental to the Corporation, including but not limited to abandonment of his responsibilities as an officer of the Corporation and breaches of his fiduciary duties to the Corporation's shareholders.

There being no further business to come before the meeting, the meeting was adjourned.

PB

G. Paul Bosse, III



Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 3/17/2010 10:59:08 AM
To: Rutley, Dean [DRutley@wcsr.com]
Subject: FW: Termination Letter

Dean,

Would you like me to do this?

David
x2352

From: Paul Bosse [mailto:pbosse@charlestonlabs.com]
Sent: Wednesday, March 17, 2010 10:58 AM
To: Baddour, David
Subject: Termination Letter

David,

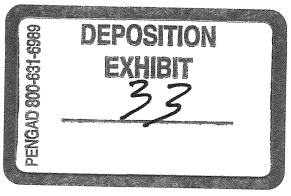
I have spoken to the team about our conversation yesterday morning. We all agree with your recommendation for a sit down face to face discussion / negotiation.

Being that none of us have ever had to terminate anyone, nor do we have a human resource department, we were hoping / would feel best if you could draft the short termination letter using the languge (mutual releases, non disparagement etc) that you know we need in the letter and we can insert the payment / stock section and place on our letterhead.

Let me know...

Thanks,

Paul



Message

From: Paul Bosse [pbosse@charlestonlabs.com]
Sent: 3/17/2010 8:30:58 PM
To: Baddour, David [dbaddour@wcsr.com]
Subject: Ray Termination
Attachments: Ray Takigiku Termination Letter.doc; Ray Takigiku Mutual Release.doc

Importance: High

David,

John called me this evening and after a meeting with his lawyer they have suggested he resign this Friday (which will be the same time we terminate / negotiate), therefore I had to scramble to get these drafted as best I could.

I need to get everyone on the mgt team to sign a copy of the termination letter and overnighted to John for Friday. I need your help on the Severance section as it relates to the stock is it the 210 shares ? and other sections as you see fit.

I hope I have made this easy on you and hope to have them complete by noon(?) if possible.

Thanks,

Paul Bosse
CEO & President
Charleston Laboratories Inc
www.charlestonlabs.com
(843)577-2626 (Office)
(843)628-1061 (Fax)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

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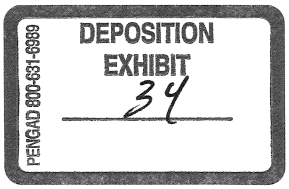
----- Original Message -----
From: Baddour, David
To: pbosse@charlestonlabs.com
Sent: Tuesday, March 16, 2010 9:25 AM
Subject: RE: Call

I have a 10:30 call scheduled already. If you want to speak later today with Ryan, that's fine with me. But I can still do 9:30 if you like.

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com

From: pbosse@charlestonlabs.com [mailto:pbosse@charlestonlabs.com]
Sent: Tuesday, March 16, 2010 9:15 AM
To: Baddour, David
Subject: Re: Call



David,

Ill call you at 930 I was trying to pull Ryan into the convo and he had a conflict.

Best,

Paul Bosse
CEO & President
Charleston Laboratories Inc
www.charlestonlabs.com
(843)577-2626 (Office)
(843)628-1061 (Fax)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

Sent from BlackBerry----------

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From: "Baddour, David" <dbaddour@wcsr.com>
Date: Tue, 16 Mar 2010 07:33:01 -0400
To: 'pbosse@charlestonlabs.com'<pbosse@charlestonlabs.com>
Subject: Re: Call

Unfortunately not. I could talk after lunch if that is better.

From: pbosse@charlestonlabs.com <pbosse@charlestonlabs.com>
To: Baddour, David
Sent: Mon Mar 15 22:03:09 2010
Subject: Re: Call

David,

My apologies, could we do 10:30am?

Thanks,

Paul

Paul Bosse
CEO & President
Charleston Laboratories Inc
www.charlestonlabs.com
(843)577-2626 (Office)
(843)628-1061 (Fax)

(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

Sent from BlackBerry----------

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From: "Baddour, David" <dbaddour@wcsr.com>
Date: Mon, 15 Mar 2010 20:29:23 -0400
To: 'pbosse@charlestonlabs.com'<pbosse@charlestonlabs.com>
Subject: Re: Call

How about 9:30?

Best,

David

From: Paul Bosse <pbosse@charlestonlabs.com>
To: Baddour, David
Sent: Mon Mar 15 18:38:42 2010
Subject: Re: Call

Absolutely... What time is best for you?

----- Original Message -----
From: Baddour, David
To: 'pbosse@charlestonlabs.com'
Sent: Monday, March 15, 2010 6:37 PM
Subject: Re: Call

Hi Paul. I can speak in the morning, if that works for you. Let me know.

Best,

David

From: Paul Bosse <pbosse@charlestonlabs.com>
To: Baddour, David
Sent: Mon Mar 15 18:19:53 2010
Subject: Call

David,

Hope you are well..

I left a voice message with your assistant this afternoon and wanted to follow-up with an email. I was hoping to get a quick few minutes of your time to discuss a few things that may be time sensitive as we are baring down on setting a closing date with investors in the Series B.

Let me know the best time to reach you..

Best,

Paul Bosse
CEO & President
Charleston Laboratories Inc
www.charlestonlabs.com
(843)577-2626 (Office)
(843)628-1061 (Fax)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

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Charleston
LABORATORIES

Executive Offices
65 Gadsden St. Ste 201
Charleston, SC 29401
843-577-2626

March 22, 2010

Ref: Termination Letter with Cause

Dear Ray Takigiku P.h.D,

You are hereby notified that Charleston Laboratories, Inc has decided to terminate your employment with cause as Chief Operating Officer effective immediately. The reason for termination is abandonment of your executive and fiduciary responsibilities to the shareholders for well over 6 months and your eventual signing an exclusive employment contract without notice or resignation from Charleston as the full time CEO of Bexion Pharmaceuticals.

Severance.

As severance, and in lieu of all ownership of Charleston Laboratories, Inc common stock, Charleston will pay to you $70,002.10 upon closing the Series B Preferred stock investment round. The $70,002.10 includes your $20,000.00 original investment plus a $50,000.00 salary for your work during the 12 month period and $2.10 for repurchase of your original 210 common stock shares at 0.0001 notwithstanding the existence of just cause for the termination of your employment. This payment is being made on a purely ex gratia basis, without prejudice, and in no way does it constitute a waiver of our position that your employment has been terminated for just cause.

Non-disparagement.

The Parties agree not to make any statements, written or verbal, or cause or encourage others to make any statements, written or verbal, that defame, disparage or in any way criticize the personal or business reputation, practices, or conduct of Defendant, its employees, directors, and officers. The Parties acknowledge and agree that this prohibition extends to statements, written or verbal, made to anyone, including but not limited to, the news media, investors, potential investors, any board of directors or advisory board or directors, industry analysts, competitors, strategic partners, vendors, employees (past and present), and clients.

The Parties understand and agree that this Paragraph is a material provision of this Agreement and that any breach of this Paragraph shall be a material breach of this Agreement, and that each Party would be irreparably harmed by violation of this provision.

If you have any questions, please contact me.

Yours very truly,

Paul Bosse
CEO & President

Charleston Laboratories, Inc.

By: _____

Ryan Baker, Chief Financial Officer

By: _____

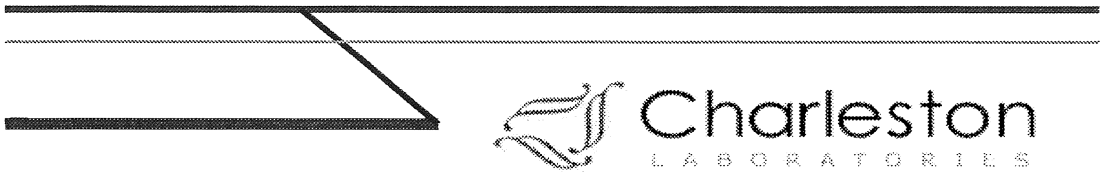
John F. Ameling, VP of Regulatory Affairs

By: _____

Bernard Schachtel, M.D., Chief Scientific Officer

CC- David Baddor, Womble Carlyle Sandridge & Rice

CONFIDENTIAL ROA-0551 WBD_CHLAB0006185



Executive Offices
65 Gadsden St. Ste 201
Charleston, SC 29401
843-577-2626

March 22, 2010

Ref: Mutual Release

Dear Ray Takigiku P.h.D,

This mutual release, executed on March 22, 2010, between Charleston Laboratories, Inc of 65 Gadsden Street, Suite 201, City of Charleston, State of South Carolina, and Ray Takigiku of 3952 Timberwoods Ct, City of Loveland, State of Ohio, is intended to effect the elimination of any obligations by either party as hereinafter designated.

Whereas, disputes and differences have arisen between the parties with respect to Charleston Laboratories, Inc Stockholders Agreement entered into by said parties and executed on May 30, 2008.

Whereas, both parties recognize that by the execution of this mutual release, they are relinquishing their respective legal rights with reference to the herein mentioned disputes and differences, both parties agree that in consideration of this execution of this mutual release, and for the added consideration of the payment of $70,002.10 Dollars, by Charleston Laboratories, Inc to Ray Takigiku upon closing the Series B Preferred Stock round of financing. Each party for his heirs and assigns,expressly releases the other party, and his heirs and assigns, from all liability for claims and/or demands which may arise from that certain contract referenced herein and attached hereto.

In witness whereof the parties have executed this mutual release at PrimeDP offices on the day and year stated above.

By : _____
John F. Ameling, VP of Regulatory Affairs

By: _____
Ray Takigiku

CHARLESTON LABORATORIES, INC.

MINUTES OF MEETING OF BOARD OF DIRECTORS

March 22, 2010

The meeting of the board of directors of Charleston Laboratories, Inc. (hereinafter sometimes referred to as the "Corporation"), a corporation created under the laws of Delaware, was held on March 22, 2010, at 9:30 a.m. at 65 Gadsden Street, Suite 201, Charleston, South Carolina 29401, pursuant to a call of a majority of the initial directors.

The following directors, who are all of the initial directors of the corporation, were present: G. Paul Bosse, III.

G. Paul Bosse, III, was elected to preside at the meeting, and G. Paul Bosse, III, was elected to serve as secretary and record the minutes.

Upon a motion duly made, seconded, and unanimously carried, the following resolution was adopted:

RESOLVED that the Corporation will repurchase all of the Common Stock currently held by the Corporation's former Chief Operating Officer, Ray Takigiku, pursuant to Article 2.2(a) of the Corporation's Stockholders Agreement.

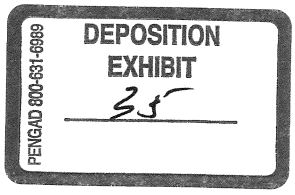
RESOLVED that in accordance with the repurchase protocol outlined in Article 2 of the Stockholders Agreement, the Board of Directors determines the Fair Value of the Corporation's Common Stock to be $0.01 per pre-recapitalization share or $0.000005 per fully-diluted share of Common Stock.

RESOLVED that, as a gesture of goodwill, the Corporation will gratuitously offer a severance package to the Corporation's former Chief Operating Officer, Ray Takigiku, under which the Corporation will pay Takigiku a sum of $70,000.00 contingent upon the closing of a qualified financing.

There being no further business to come before the meeting, the meeting was adjourned.

PB

G. Paul Bosse, III



Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 3/22/2010 4:19:00 PM
To: Paul Bosse [pbosse@charlestonlabs.com]
CC: Rutley, Dean [DRutley@wcsr.com]
Subject: Takigiku Paperwork
Attachments: Charleston Labs - Takigiku Redemption and Release Agmt - v1.DOC; Charleston Labs - Board Consent re Redemption - v1.DOC; Charleston Labs - Takigiku Stock Power - v1.DOC

Paul,

As discussed, please find attached:

1) Redemption and Settlement Agreement and Release
2) Stock Power
3) Consent of the Sole Director

As discussed, please have John print out 2 copies of the Redemption and Settlement Agreement and Release and 1 copy of the Stock Power. Mr. Takigiku should sign all 3 documents. Once they are returned to you, you can countersign both copies of the Redemption and Settlement Agreement and Release. You should also sign the Consent of Sole Director. You should keep the Stock Power (signed by Ray) and the Consent (signed by you) in the corporate minute book, and one of the fully executed originals of the Redemption and Settlement Agreement and Release in your corporate files.

The following should be returned to Mr. Takigiku:

1) the second fully executed original of Redemption and Separation Agreement and Release
2) check for $420
3) photocopy of his original stock certificate, with the words "cancelled" stamped or written across his name

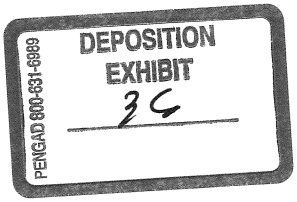
As always, please make photocopies of all correspondence and send a copy to us for our files, if you don't mind.

Let me know if you have any questions or comments on the attached documents, or on the process I've outlined above.

Best regards,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com



REDEMPTION AND SETTLEMENT AGREEMENT AND RELEASE

THIS REDEMPTION AND SETTLEMENT AGREEMENT AND RELEASE (this "**Agreement**"), made and entered into as of the ____ day of March, 2010, is by and between Ray Takigiku (the "**Stockholder**"), and Charleston Laboratories, Inc., a Delaware corporation (the "**Company**").

RECITALS

A. The Stockholder is the holder of stock certificate no. 14, representing 420,000 of the Company's common stock, par value $0.001 per share (the "**Common Stock**"). The Stockholder is a party to that certain Stock Restriction Agreement dated May 30, 2008, pursuant to which the Common Stock is subject to vesting.

B. On March 19, 2010 the Stockholder's employment with the Company was terminated for cause, and the Company believes it has several causes of action against the Stockholder. Nevertheless, the Company and the Stockholder desire to resolve any and all disputes as provided herein.

C. The Stockholder desires to sell to the Company, and the Company desires to purchase and redeem from the Stockholder, all of the Stockholder's Common Stock on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. Redemption and Contingent Severance Payment.

(a) The Company hereby purchases and redeems from the Stockholder, and the Stockholder hereby sells, transfers and conveys to the Company, all of the Stockholder's right, title and interest in and to the Common Stock for the Purchase Price specified in Section 2 of this Agreement.

(b) As a contingent severance payment, upon the closing by the Company of either (A) a convertible preferred stock financing in which the Company issues shares of convertible preferred stock with an aggregate purchase price equal to or greater than Five Million Dollars ($5,000,000.00) or (B) a sale of all or substantially all of the assets of the Company for an aggregate purchase price equal to or greater than Five Million Dollars ($5,000,000.00) (either (A) or (B) being referred to hereinafter as a "Qualified Transaction"), the Company agrees to pay to the Stockholder Seventy Thousand Dollars ($70,000.00). Such payment will be made within sixty (60) days following the closing of the Qualified Transaction.

Section 2. **Purchase Price**. The purchase price for the Common Stock is $0.001 per share, and the aggregate purchase price for all the Stockholder's Common Stock is $420.00 (the "**Purchase Price**"), the receipt of which is hereby acknowledged by the Stockholder.

Section 3. **Closing; Deliveries**. The closing of the purchase and redemption of the Common Stock contemplated hereby (the "**Closing**") shall take place concurrently with the execution and delivery of this Agreement by the parties hereto. Stock certificate no. 14 representing the Common Stock is hereby delivered by the Stockholder to the Company, properly endorsed by the Stockholder or accompanied by a duly executed stock power of attorney, in either case with signature guaranteed, for transfer of the Stockholder's Common Stock to the Company.

Section 4. **Acknowledgments**. Stockholder hereby acknowledges that: (i) the Purchase Price, together with the Release described in Section 7 below, represents full, fair and adequate consideration for the redemption and purchase of the Stockholder's Common Stock and represents a value mutually determined by the Stockholder and the Company; (ii) the Stockholder is familiar with the business, operations and financial condition of the Company and its subsidiaries and the Stockholder understands the prospects and industry of the Company and its subsidiaries; (iii) the Stockholder has taken such due diligence actions as the Stockholder deems necessary or appropriate; (iv) the Stockholder has consulted with legal counsel, tax advisors or other third parties of the Stockholder's choice in connection with the transactions contemplated hereby; (v) the Stockholder has the capacity to evaluate the merits and risks of the transactions contemplated by this Agreement and to protect the Stockholder's interests in connection with such transactions; (vi) no representations, warranties or tax or legal advice have been made or given to the Stockholder by the Company or any of its agents, representatives, attorneys, officers, directors or employees to induce the Stockholder to enter into this Agreement, other than those expressly set forth herein; (vii) the Stockholder has not relied upon any representation, warranty or tax or legal advice of the Company or any of its agents, representatives, attorneys, officers, directors, or employees in making the Stockholder's decision to enter into this Agreement, other than those expressly set forth herein; and (viii) upon the Closing, the Stockholder will no longer be a stockholder of, or own any interest in, the Company.

Section 5. **Representations and Warranties of the Stockholder**. The Stockholder represents and warrants to the Company of the date hereof as follows (which representations and warranties shall survive the sale, transfer and conveyance of the Common Stock to the Company pursuant to this Agreement): (i) the Stockholder is the record and beneficial owner of the Common Stock and has valid title to the Common Stock; (ii) the Common Stock is free and clear of any security interests, pledges, claims, liens, encumbrances, charges and assessments, restrictive agreements and other restrictions, preemptive or similar rights, and any other rights or interests of any nature whatsoever; (iii) the Common Stock represents all the equity interest or other ownership rights that the Stockholder has in the Company; (iv) the Stockholder has full legal right, power, authority and legal capacity to enter into this Agreement and sell, assign, convey and transfer the Common Stock to the Company; (v) this Agreement constitutes the valid and binding obligation of the Stockholder, enforceable against the Stockholder in accordance with its terms; (vi) the Common Stock is not subject to any restrictions on transferability that have not been waived, and may be sold, assigned, conveyed and transferred to the Company in accordance with the terms of this Agreement; (vii) the execution, delivery and performance of

this Agreement, and the consummation by the Stockholder of the transactions contemplated hereby have been duly authorized by all necessary limited liability company action on the part of the Stockholder; and (viii) the Stockholder's execution and delivery of this Agreement and the performance of the Stockholder's obligations hereunder does not and will not conflict with, violate, result in a breach of, or constitute a default under any agreement, contract, instrument or other arrangement to which the Stockholder is a party or by which the Stockholder or the Stockholder's property is bound.

Section 6. **Representation and Warranty of the Company**. The Company represents and warrants to the Stockholder as of the date hereof (which representations and warranties shall survive the sale, transfer and conveyance of the Common Stock to the Company pursuant to this Agreement) that: (i) it has full legal right, power and authority to enter into this Agreement and redeem and purchase the Common Stock from the Stockholder; (ii) this Agreement constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms; and (iii) its execution and delivery of this Agreement and the performance of its obligations hereunder does not and will not conflict with, violate, result in a breach of, or constitute a default under any agreement, contract, instrument or other arrangement to which it is a party or by which its property is bound.

Section 7. **Releases and Non-disparagement.**

(a) Release by the Stockholder.

(i) The Stockholder, for itself and for its heirs, legal representatives, administrators, executors, successors and assigns, hereby releases and forever discharges the Company, and each of their respective individual, joint or mutual, past, present and future representatives, parent companies, affiliates, stockholders, managers, members, directors, officers, employees (both current and former), partners, controlling persons, subsidiaries, insurers, attorneys, successors and assigns (individually, a "**Releasee**" and collectively, the "**Releasees**") from any and all claims, demands, proceedings, causes of action, orders, obligations, damages, interest, contracts, agreements, debts, liabilities, attorneys' fees and expenses, whatsoever, whether in law or equity, whether known or unknown, suspected or unsuspected in connection with the Stockholder's ownership of the Company's Common Stock or its status as a stockholder of the Company (collectively, "**Claims**"), relating to the Company, its subsidiaries or their respective businesses or securities which the Stockholder now has, has ever had or may hereafter have against the respective Releasees arising contemporaneously with or prior to the date hereof or on account of or arising out of any matter, cause or event occurring contemporaneously with or prior to the date hereof.

(ii) In executing this Agreement, the Stockholder acknowledges that it has been informed that the Company and/or their subsidiaries may from time to time enter into agreements for additional types of financing, including without limitation recapitalizations, mergers and initial public offerings of

capital stock of the Company and/or their subsidiaries, and also may pursue acquisitions or enter into agreements for the sale of the Company and/or their subsidiaries or all or a portion of the Company's and/or their subsidiaries' assets, which may result in or reflect an increase in equity value or enterprise value, and that any and all claims arising from or relating to such transactions or such increases in equity value or enterprise value (without limitation) are encompassed within the scope of this release, and that the sole exceptions to the scope of this release are for claims arising after the date hereof directly under this Agreement in accordance with its terms.

(iii) The Stockholder hereby irrevocably covenants to refrain from, directly or indirectly, asserting any Claim, or commencing, instituting or causing to be commenced, any proceeding of any kind against any Releasee, based upon any matter released hereby.

(b) Release by the Company.

(i) The Company, for itself and for its legal representatives, administrators, successors and assigns, hereby releases and forever discharges the Stockholder from any and all claims, demands, proceedings, causes of action, orders, obligations, damages, interest, contracts, agreements, debts, liabilities, attorneys' fees and expenses, whatsoever, whether in law or equity, whether known or unknown, suspected or unsuspected in connection with the Stockholder's employment by the Company as an officer arising contemporaneously with or prior to the date hereof or on account of or arising out of any matter, cause or event occurring contemporaneously with or prior to the date hereof.

(ii) The Company hereby irrevocably covenants to refrain from, directly or indirectly, asserting any claim, or commencing, instituting or causing to be commenced, any proceeding of any kind against any the Stockholder, based upon any matter released hereby.

(c) Non-disparagement. The Stockholder shall not make any disparaging remarks, or any remarks that could reasonably be construed as disparaging, regarding the Company or any of its affiliates, or their officers, directors, employees, partners, or agents. The Stockholder shall not take any action or provide information or issue statements, to the media or otherwise, or cause anyone else to take any action or provide information or issue statements, to the media or otherwise, regarding the Company or any of its affiliates or their officers, directors, employees, partners, or agents.

(d) If any provision of the release contained in this Section 7 is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of such release will remain in full force and effect. Any provision of the release contained in this Section 7 held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

Section 9. **Further Assurances**. The Stockholder hereby agrees to from time to time execute and deliver, or cause to be executed and delivered, such additional or further documents, instruments, certificates and agreements, and do or cause to be done such further acts, as the Company may reasonably request for the purpose of effectively carrying out the transaction contemplated by this Agreement.

Section 10. **Assignment; Binding Effect**. This Agreement may not be assigned by the Stockholder, whether by operation of law or otherwise, without the express prior written consent of the Company. This Agreement shall bind and inure to the benefit of the parties hereto and their respective heirs, administrators, executors, personal and legal representatives, successors and permitted assigns.

Section 11. **Entire Agreement; Amendment**. This Agreement and the exhibits attached hereto represent the entire understanding and agreement between the parties with respect to the subject matter hereof and shall supersede any prior agreements and understandings between the parties with respect to that subject matter. This Agreement may not be amended, modified or changed, in whole or in part, except by a written instrument signed by both of the parties hereto.

Section 12. **Governing Law**. This Agreement shall be governed by and construed and enforced in accordance with the substantive laws of the State of Delaware, without regard to principles governing conflicts of law.

Section 13. **Counterparts**. Any number of counterparts of this Agreement may be executed, and each counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement. The facsimile signature of either party to this Agreement for purposes of execution or otherwise, is to be considered as an original signature, and the document transmitted is to be considered to have the same binding effect as an original signature on an original document.

Section 14. **Interpretation**. In the event of any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

Section 15. **Section Headings**. The section headings contained herein are for convenience of reference only and are not to be considered in interpreting or construing this Agreement.

Section 16. **Effective Date**. The purchase, redemption, sale, transfer and conveyance of the Redemption Shares contemplated hereby shall be effective as of the date of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by a duly authorized person, or has set their hand, as of the day and year first above written.

STOCKHOLDER:

_____

Ray Takigiku

COMPANY:

Charleston Laboratories, Inc.

By: _____

Paul Bosse, CEO and President

ACTION WITHOUT MEETING OF THE BOARD OF DIRECTORS OF CHARLESTON LABORATORIES, INC.

The undersigned, being the sole member of board of directors of Charleston Laboratories, Inc., a Delaware corporation (the "Company"), acting pursuant to the authority of Section 141 of the Delaware General Corporation Law, does hereby adopt the following resolutions by signing his written consent thereto:

REDEMPTION OF STOCK

WHEREAS, Mr. Ray Takigiku ("Takigiku") is the record and beneficial owner of Four Hundred Twenty Thousand (420,000) of the issued and outstanding shares of $0.001 par value Common Stock of the Corporation (the "Redemption Shares");

WHEREAS, on March 19, 2010 Takigiku was terminated for cause; and

WHEREAS, it is deemed desirable and in the best interest of the Corporation and its shareholders to redeem the Redemption Shares (the "Redemption") for a total purchase price of Four Hundred Twenty Dollars ($420.00), payable in cash, and to settle all other matters relating to Takigiku's employment on the terms and conditions described in that certain Redemption and Settlement Agreement and Release (the "Redemption Agreement") by and between Takigiku and the Company.

NOW, THEREFORE, BE IT RESOLVED, that the proper officers of the Corporation, acting for and in behalf of the Corporation, are hereby authorized and directed to purchase from Takigiku the Redemption Shares in accordance with the Redemption Agreement for a total purchase price of Four Hundred Twenty Dollars ($420.00); and

BE IT FURTHER RESOLVED, that the proper officers of the Corporation, acting for and in behalf of the Corporation, are hereby authorized and directed to execute and deliver the Redemption Agreement and to make the contingent severance payment described therein, upon the closing of a $3 million financing or sale; and

BE IT FURTHER RESOLVED, that the proper officers of the Corporation, acting for and in behalf of the Corporation, are hereby authorized and directed to execute any and all further documents and take any and all further actions deemed necessary or desirable to carry out the intent and purpose of the foregoing resolutions.

IN WITNESS WHEREOF, the undersigned, being the sole director of the Corporation, hereby indicate its consent in writing to the foregoing actions, and certify that such actions were taken without a meeting, effective as of the 22nd day of March, 2010.

SOLE DIRECTOR:

_____

Paul Bosse

CONFIDENTIAL ROA-0562 WBD_CHLAB0006226

STOCK POWER

FOR VALUE RECEIVED, I, Ray Takigiku, do hereby sell, assign and transfer to Charleston Laboratories, Inc., a Delaware corporation, four hundred twenty (420,000) shares of Common Stock of Charleston Laboratories, Inc. a corporation organized under the laws of the State of Delaware (the "Corporation"), represented on the books of the Corporation as Certificate No. 14 (the "Shares") and do hereby irrevocably constitute and appoint Paul Bosse as my true and lawful attorney to sell, assign and transfer the Shares, and for that purpose to make and execute all necessary acts of assignment and transfer thereof, and to substitute one or more persons with like full power, hereby ratifying and confirming all that said attorney or substitutes shall lawfully do by virtue hereof.

Dated: March ____, 2010

Signature: _____
Printed Name: Ray Takigiku

Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 3/25/2010 6:20:31 PM
To: Paul Bosse [pbosse@charlestonlabs.com]
CC: Rutley, Dean [DRutley@wcsr.com]
Subject: FW: Ray Takigiku
Attachments: Charleston Laboratories - Takigiku Package.DOC; Charleston Labs - Takigiku Redemption and Release Agmt - v2.DOC

Paul,

Please see attached.

As we've discussed, if Ray doesn't agree to the package (and the contingent $70k payment) it is likely that he'll have a claim on the vested portion of his stock. If CL does nothing to change the status quo, it is likely that Ray will simply sit tight and do nothing, until such time as the stock becomes worth something, which is when he'll file suit. Again, the worst case scenario seems to be that he'll ultimately be entitled to the vested portion of his stock.

Keep us posted.

Best,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com

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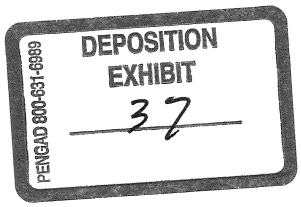
From: Paul Bosse [mailto:pbosse@charlestonlabs.com]
Sent: Thursday, March 25, 2010 3:59 PM
To: Baddour, David
Subject: Ray Takigiku

David,

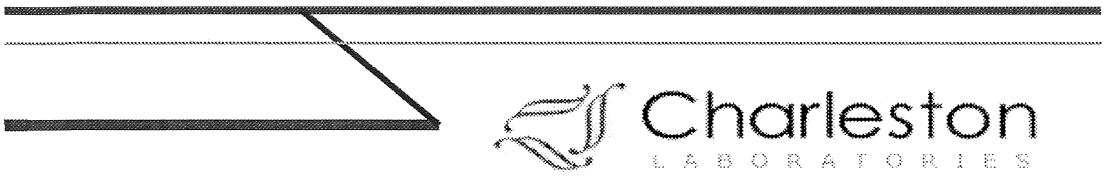
Attached... Please revise edit as you see fit..

Best,

Paul Bosse
CEO & President
Charleston Laboratories Inc
www.charlestonlabs.com
(843)577-2626 (Office)
(843)628-1061 (Fax)
(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.



Executive Offices
65 Gadsden St. Ste 201
Charleston, SC 29401
843-577-2626

March 26, 2010

VIA CERTIFIED MAIL

Ray Takigiku P.h.D
632 Russell Street
Covington, KY 41011

Re: Termination of Employment / Redemption and Settlement Agreement / Stock Power

Dear Ray:

On Friday March 19th your employment was terminated with cause. Please find enclosed a check in the amount of $2.10, which the company hereby tenders as payment in full for your equity.

In addition, please find enclosed two copies of a Redemption and Settlement Agreement and a single copy of a Stock Power. The settlement package described in the Redemption and Settlement Agreement includes a severance payment to you in the amount of $70,000, which will be payable upon the closing of a qualified financing. This package is non-negotiable. Please sign one copy of the Redemption and Settlement Agreement and the Stock Power and return both to us, in order to finalize our relationship.

I need these documents signed and returned no later than April 5th 2010. If we do not receive a response from you by then, we will assume you do not intend to cooperate and we will pursue all other legal remedies at our disposal.

Sincerely,

Paul Bosse
CEO, President and Sole Director
Charleston Laboratories, Inc.

cc: Ryan Baker, Chief Financial Officer
John F. Ameling, VP of Regulatory Affairs
Bernard Schachtel, M.D., Chief Scientific Officer
David Baddour, Womble Carlyle Sandridge & Rice

Confidential

REDEMPTION AND SETTLEMENT AGREEMENT AND RELEASE

THIS REDEMPTION AND SETTLEMENT AGREEMENT AND RELEASE (this "**Agreement**"), made and entered into as of the ____ day of March, 2010, is by and between Ray Takigiku (the "**Stockholder**"), and Charleston Laboratories, Inc., a Delaware corporation (the "**Company**").

RECITALS

A. The Stockholder is the holder of stock certificate no. 14, representing 420,000 of the Company's common stock, par value $0.001 per share (the "**Common Stock**"). The Stockholder is a party to that certain Stock Restriction Agreement dated May 30, 2008, pursuant to which the Common Stock is subject to vesting.

B. On March 19, 2010 the Stockholder's employment with the Company was terminated for cause, and the Company believes it has several causes of action against the Stockholder. Nevertheless, the Company and the Stockholder desire to resolve any and all disputes as provided herein.

C. The Stockholder desires to sell to the Company, and the Company desires to purchase and redeem from the Stockholder, all of the Stockholder's Common Stock on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. **Redemption and Contingent Severance Payment**.

(a) The Company hereby purchases and redeems from the Stockholder, and the Stockholder hereby sells, transfers and conveys to the Company, all of the Stockholder's right, title and interest in and to the Common Stock for the Purchase Price specified in Section 2 of this Agreement.

(b) As a contingent severance payment, upon the closing by the Company of either (A) a convertible preferred stock financing in which the Company issues shares of convertible preferred stock with an aggregate purchase price equal to or greater than Five Million Dollars ($5,000,000.00) or (B) a sale of all or substantially all of the assets of the Company for an aggregate purchase price equal to or greater than Five Million Dollars ($5,000,000.00) (either (A) or (B) being referred to hereinafter as a "Qualified Transaction"), the Company agrees to pay to the Stockholder Seventy Thousand Dollars ($70,000.00). Such payment will be made within sixty (60) days following the closing of the Qualified Transaction.

Section 2. **Purchase Price**. The purchase price for the Common Stock is $0.01 per share of pre-recapitalization common stock (or $0.000005 per share of Common Stock), and the

aggregate purchase price for all the Stockholder's Common Stock is $2.10 (the "**Purchase Price**"), the receipt of which is hereby acknowledged by the Stockholder.

Section 3. **Closing; Deliveries**. The closing of the purchase and redemption of the Common Stock contemplated hereby (the "**Closing**") shall take place concurrently with the execution and delivery of this Agreement by the parties hereto. Stock certificate no. 14 representing the Common Stock is hereby delivered by the Stockholder to the Company, properly endorsed by the Stockholder or accompanied by a duly executed stock power of attorney, in either case with signature guaranteed, for transfer of the Stockholder's Common Stock to the Company.

Section 4. **Acknowledgments**. Stockholder hereby acknowledges that: (i) the Purchase Price, together with the Release described in Section 7 below, represents full, fair and adequate consideration for the redemption and purchase of the Stockholder's Common Stock and represents a value mutually determined by the Stockholder and the Company; (ii) the Stockholder is familiar with the business, operations and financial condition of the Company and its subsidiaries and the Stockholder understands the prospects and industry of the Company and its subsidiaries; (iii) the Stockholder has taken such due diligence actions as the Stockholder deems necessary or appropriate; (iv) the Stockholder has consulted with legal counsel, tax advisors or other third parties of the Stockholder's choice in connection with the transactions contemplated hereby; (v) the Stockholder has the capacity to evaluate the merits and risks of the transactions contemplated by this Agreement and to protect the Stockholder's interests in connection with such transactions; (vi) no representations, warranties or tax or legal advice have been made or given to the Stockholder by the Company or any of its agents, representatives, attorneys, officers, directors or employees to induce the Stockholder to enter into this Agreement, other than those expressly set forth herein; (vii) the Stockholder has not relied upon any representation, warranty or tax or legal advice of the Company or any of its agents, representatives, attorneys, officers, directors, or employees in making the Stockholder's decision to enter into this Agreement, other than those expressly set forth herein; and (viii) upon the Closing, the Stockholder will no longer be a stockholder of, or own any interest in, the Company.

Section 5. **Representations and Warranties of the Stockholder**. The Stockholder represents and warrants to the Company of the date hereof as follows (which representations and warranties shall survive the sale, transfer and conveyance of the Common Stock to the Company pursuant to this Agreement): (i) the Stockholder is the record and beneficial owner of the Common Stock and has valid title to the Common Stock; (ii) the Common Stock is free and clear of any security interests, pledges, claims, liens, encumbrances, charges and assessments, restrictive agreements and other restrictions, preemptive or similar rights, and any other rights or interests of any nature whatsoever; (iii) the Common Stock represents all the equity interest or other ownership rights that the Stockholder has in the Company; (iv) the Stockholder has full legal right, power, authority and legal capacity to enter into this Agreement and sell, assign, convey and transfer the Common Stock to the Company; (v) this Agreement constitutes the valid and binding obligation of the Stockholder, enforceable against the Stockholder in accordance with its terms; (vi) the Common Stock is not subject to any restrictions on transferability that have not been waived, and may be sold, assigned, conveyed and transferred to the Company in accordance with the terms of this Agreement; (vii) the execution, delivery and performance of this Agreement, and the consummation by the Stockholder of the transactions contemplated

hereby have been duly authorized by all necessary limited liability company action on the part of the Stockholder; and (viii) the Stockholder's execution and delivery of this Agreement and the performance of the Stockholder's obligations hereunder does not and will not conflict with, violate, result in a breach of, or constitute a default under any agreement, contract, instrument or other arrangement to which the Stockholder is a party or by which the Stockholder or the Stockholder's property is bound.

Section 6. **Representation and Warranty of the Company**. The Company represents and warrants to the Stockholder as of the date hereof (which representations and warranties shall survive the sale, transfer and conveyance of the Common Stock to the Company pursuant to this Agreement) that: (i) it has full legal right, power and authority to enter into this Agreement and redeem and purchase the Common Stock from the Stockholder; (ii) this Agreement constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms; and (iii) its execution and delivery of this Agreement and the performance of its obligations hereunder does not and will not conflict with, violate, result in a breach of, or constitute a default under any agreement, contract, instrument or other arrangement to which it is a party or by which its property is bound.

Section 7. **Releases and Non-disparagement.**

(a) Release by the Stockholder.

(i) The Stockholder, for itself and for its heirs, legal representatives, administrators, executors, successors and assigns, hereby releases and forever discharges the Company, and each of their respective individual, joint or mutual, past, present and future representatives, parent companies, affiliates, stockholders, managers, members, directors, officers, employees (both current and former), partners, controlling persons, subsidiaries, insurers, attorneys, successors and assigns (individually, a "**Releasee**" and collectively, the "**Releasees**") from any and all claims, demands, proceedings, causes of action, orders, obligations, damages, interest, contracts, agreements, debts, liabilities, attorneys' fees and expenses, whatsoever, whether in law or equity, whether known or unknown, suspected or unsuspected in connection with the Stockholder's ownership of the Company's Common Stock or its status as a stockholder of the Company (collectively, "**Claims**"), relating to the Company, its subsidiaries or their respective businesses or securities which the Stockholder now has, has ever had or may hereafter have against the respective Releasees arising contemporaneously with or prior to the date hereof or on account of or arising out of any matter, cause or event occurring contemporaneously with or prior to the date hereof.

(ii) In executing this Agreement, the Stockholder acknowledges that it has been informed that the Company and/or their subsidiaries may from time to time enter into agreements for additional types of financing, including without limitation recapitalizations, mergers and initial public offerings of capital stock of the Company and/or their subsidiaries, and also may

pursue acquisitions or enter into agreements for the sale of the Company and/or their subsidiaries or all or a portion of the Company's and/or their subsidiaries' assets, which may result in or reflect an increase in equity value or enterprise value, and that any and all claims arising from or relating to such transactions or such increases in equity value or enterprise value (without limitation) are encompassed within the scope of this release, and that the sole exceptions to the scope of this release are for claims arising after the date hereof directly under this Agreement in accordance with its terms.

(iii) The Stockholder hereby irrevocably covenants to refrain from, directly or indirectly, asserting any Claim, or commencing, instituting or causing to be commenced, any proceeding of any kind against any Releasee, based upon any matter released hereby.

(b) Release by the Company.

(i) The Company, for itself and for its legal representatives, administrators, successors and assigns, hereby releases and forever discharges the Stockholder from any and all claims, demands, proceedings, causes of action, orders, obligations, damages, interest, contracts, agreements, debts, liabilities, attorneys' fees and expenses, whatsoever, whether in law or equity, whether known or unknown, suspected or unsuspected in connection with the Stockholder's employment by the Company as an officer arising contemporaneously with or prior to the date hereof or on account of or arising out of any matter, cause or event occurring contemporaneously with or prior to the date hereof.

(ii) The Company hereby irrevocably covenants to refrain from, directly or indirectly, asserting any claim, or commencing, instituting or causing to be commenced, any proceeding of any kind against any the Stockholder, based upon any matter released hereby.

(c) Non-disparagement. The Stockholder shall not make any disparaging remarks, or any remarks that could reasonably be construed as disparaging, regarding the Company or any of its affiliates, or their officers, directors, employees, partners, or agents. The Stockholder shall not take any action or provide information or issue statements, to the media or otherwise, or cause anyone else to take any action or provide information or issue statements, to the media or otherwise, regarding the Company or any of its affiliates or their officers, directors, employees, partners, or agents.

(d) If any provision of the release contained in this Section 7 is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of such release will remain in full force and effect. Any provision of the release contained in this Section 7 held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

Section 9. **Further Assurances**. The Stockholder hereby agrees to from time to time execute and deliver, or cause to be executed and delivered, such additional or further documents, instruments, certificates and agreements, and do or cause to be done such further acts, as the Company may reasonably request for the purpose of effectively carrying out the transaction contemplated by this Agreement.

Section 10. **Assignment; Binding Effect**. This Agreement may not be assigned by the Stockholder, whether by operation of law or otherwise, without the express prior written consent of the Company. This Agreement shall bind and inure to the benefit of the parties hereto and their respective heirs, administrators, executors, personal and legal representatives, successors and permitted assigns.

Section 11. **Entire Agreement; Amendment**. This Agreement and the exhibits attached hereto represent the entire understanding and agreement between the parties with respect to the subject matter hereof and shall supersede any prior agreements and understandings between the parties with respect to that subject matter. This Agreement may not be amended, modified or changed, in whole or in part, except by a written instrument signed by both of the parties hereto.

Section 12. **Governing Law**. This Agreement shall be governed by and construed and enforced in accordance with the substantive laws of the State of Delaware, without regard to principles governing conflicts of law.

Section 13. **Counterparts**. Any number of counterparts of this Agreement may be executed, and each counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement. The facsimile signature of either party to this Agreement for purposes of execution or otherwise, is to be considered as an original signature, and the document transmitted is to be considered to have the same binding effect as an original signature on an original document.

Section 14. **Interpretation**. In the event of any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

Section 15. **Section Headings**. The section headings contained herein are for convenience of reference only and are not to be considered in interpreting or construing this Agreement.

Section 16. **Effective Date**. The purchase, redemption, sale, transfer and conveyance of the Redemption Shares contemplated hereby shall be effective as of the date of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by a duly authorized person, or has set their hand, as of the day and year first above written.

STOCKHOLDER:

_____

Ray Takigiku

COMPANY:

Charleston Laboratories, Inc.

By: _____

Paul Bosse, CEO and President

Charleston
LABORATORIES

Executive Offices
65 Gadsden St. Ste 201
Charleston, SC 29401
843-577-2626

March 26, 2010

VIA CERTIFIED MAIL

Ray Takigiku P.h.D
632 Russell Street
Covington, KY 41011

Re: Termination of Employment / Redemption and Settlement Agreement / Stock Power

Dear Ray:

On Friday March 19th your employment was terminated with cause. Please find enclosed a check in the amount of $2.10, which the company hereby tenders as payment in full for your equity.

In addition, please find enclosed two copies of a Redemption and Settlement Agreement and a single copy of a Stock Power. The settlement package described in the Redemption and Settlement Agreement includes a severance payment to you in the amount of $70,000, which will be payable upon the closing of a qualified financing. This package is non-negotiable. Please sign one copy of the Redemption and Settlement Agreement and the Stock Power and return both to us, in order to finalize our relationship.

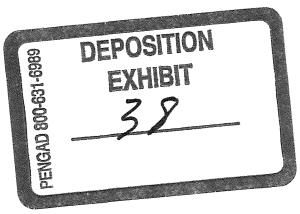
I need these documents signed and returned no later than April 5th 2010. If we do not receive a response from you by then, we will assume you do not intend to cooperate and we will pursue all other legal remedies at our disposal.

Sincerely,

PB

Paul Bosse
CEO, President and Sole Director
Charleston Laboratories, Inc.

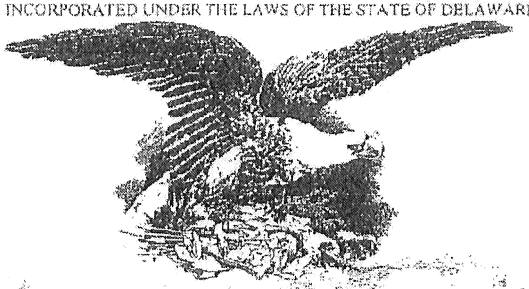
cc: Ryan Baker, Chief Financial Officer
John F. Ameling, VP of Regulatory Affairs
Bernard Schachtel, M.D., Chief Scientific Officer
David Baddour, Womble Carlyle Sandridge & Rice



Confidential

CL-004022

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE



NUMBER

14

SHARES

420,000

CANCELED
3/24/2010

CHARLESTON LABORATORIES, INC.

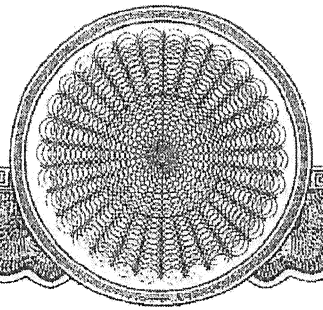
AUTHORIZED TO ISSUE 8,000,000 SHARES COMMON STOCK PAR VALUE $0.001 and 1,000,000 SHARES PREFERRED STOCK PAR VALUE $0.001

This Certifies that RAY TAKIGIKU is the registered holder of * * * FOUR HUNDRED TWENTY THOUSAND * * * 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 25th day of September, 2008.

PB
SECRETARY



PB
PRESIDENT

DEPOSITION EXHIBIT 39

PENGAD 800-631-6989

ULTRO NO. 7

CONFIDENTIAL

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

April 20, 2010
58394.0002.2
Bill Number 1876238
STATEMENT FOR SERVICES RENDERED

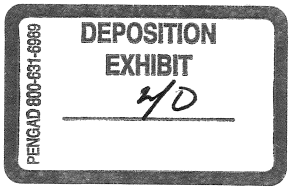
Paul Bosse, CEO
Charleston Laboratories, Inc.
548 Clearview Drive
Charleston, SC 29412

RE: General Corporate

FOR PROFESSIONAL SERVICES RENDERED THROUGH 03/31/2010	$5,550.00
DISBURSEMENTS THROUGH 03/31/2010	$0.00
CURRENT TOTAL	**$5,550.00**

OUTSTANDING RECEIVABLES AS OF April 20, 2010

BILL NO. 1550865	08/29/2007	$32.50
BILL NO. 1733673	04/15/2008	$315.00
BILL NO. 1741127	05/21/2008	$990.00
BILL NO. 1746677	06/19/2008	$2,785.50
BILL NO. 1752534	07/22/2008	$7,035.50
BILL NO. 1756892	08/18/2008	$4,373.14
BILL NO. 1764456	09/17/2008	$585.51
BILL NO. 1794914	02/18/2009	$5,587.61
BILL NO. 1800271	03/12/2009	$811.36
BILL NO. 1806700	04/14/2009	$176.79
BILL NO. 1813147	05/15/2009	$2,174.00
BILL NO. 1819342	06/16/2009	$1,444.00
BILL NO. 1825408	07/16/2009	$69.00
BILL NO. 1829558	08/12/2009	$128.69
TOTAL BALANCE DUE		**$32,058.60**



ITEMIZED SERVICES BILL

Date:	Description:	Attorney:	Hours:
03/16/2010	Telephone call with Paul Bosse regarding termination of officer	Baddour, David B.	0.80
03/17/2010	Correspondence with Paul Bosse regarding termination of officer; conference call with Dean Rutley regarding same	Baddour, David B.	0.70
03/17/2010	Conference call with David Baddour regarding executive termination matter, stock buy-back	Rutley, Dean W.	0.20
03/18/2010	Review and analysis of, and revisions to, termination letter; correspondence with Paul Bosse regarding the same	Baddour, David B.	2.20
03/22/2010	Conference call with Ryan Baker, CFO, regarding potential investor term sheet; conference call with David Baddour regarding preparation of current legal documents pertaining to stock repurchase; review stock repurchase documents	Rutley, Dean W.	0.80
03/22/2010	Prepare Redemption and Settlement Agreement and Release for Mr. Takigiku, Stock Power and board consent approving the same; correspondence with Paul Bosse regarding the same; correspondence with Dean Rutley regarding the same	Baddour, David B.	5.20
03/24/2010	Telephone call with Paul Bosse and John Ameling regarding termination of officer and related items	Baddour, David B.	1.60
03/25/2010	Correspondence with Paul Bosse regarding personnel matter; review and analysis of, and revisions to, paperwork relating to the same; conference with Dean Rutley regarding the same; correspondence with Paul Bosse regarding the same	Baddour, David B.	2.50
03/26/2010	Telephone call with Paul Bosse regarding termination of officer	Baddour, David B.	0.40
	Total for Services:	$ 5,550.00	

Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 5/6/2010 11:29:33 AM
To: Paul Bosse [pbosse@charlestonlabs.com]
CC: Rutley, Dean [DRutley@wcsr.com]
Subject: FW: 10 Charleston/Takigiku Conversation

Paul,

Just chatted with Dean; he has to run, but thinks the counteroffer below is dead on arrival. (It is a better deal than Ray has currently, probably.) Your original offer was cash (described in 2 below) in exchange for giving up the stock. Below they are asking for both, which they obviously can't have. If you do decide to give him some stock, it obviously can't be nondilutable (it should dilute just like any other founder's stock).

Dean's strong recommendation is to just ignore Ray and focus on closing your next round. If you want to fight with Ray once you have funding, that would be a different story.

(Just got your message; thanks for letting me know it was a disconnection. I have to leave now, but am available to discuss tomorrow if you like.)

Best,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com

---

From: Willbrand, David [mailto:David.Willbrand@thompsonhine.com]
Sent: Thursday, May 06, 2010 11:07 AM
To: Baddour, David
Cc: Willbrand, David
Subject: RE: 10 Charleston/Takigiku Conversation

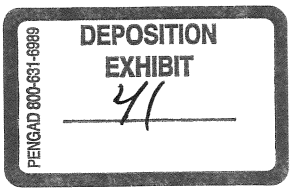
Hi David -

I apologize for the delay in getting back to you after our call. After some discussion on our end, here is where we sit. I welcome your thoughts and appreciate your openness to this discussion.

1. The agreement is phrased and structured as a mutual voluntary separation with typical mutual releases, mutual nondisparagement clauses, etc.
2. The conditional/contingent cash severance payment is ok as originally presented by your client.
3. My understanding is that Ray's ownership position is 3.5%. Ray would like to either (1) hold on to his equity, or (2) if your client has a strong preference for reacquiring the equity, then Ray would agree to that in exchange for a carve-out which would deliver to him 2% (nondilutable) of the proceeds available for distribution to the shareholders in a liquidity event.
4. The acknowledgement and reaffirmation of Ray's equity holdings tied to his $20,000 investment.

I hope this helps gets us closer to closure. Thanks for your consideration.

DW



Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 5/7/2010 10:32:19 AM
To: David Willbrand [david.willbrand@thompsonhine.com]
Subject: RE: 10 Charleston/Takigiku Conversation

David,

Thank you for your e-mail. I've discussed with our client very briefly, as they clearly can't accept the offer below, which would put Ray in a significantly better position than he is now (not to mention all the founders) even if none of Charleston Labs potential claims against Ray (fraud, securities law violations, etc.) are upheld. Charleston Labs is willing to file suit and take any actions necessary to make this situation right, from their perspective.

However, they recognize that doing so will cost money and take time, which is why they are willing to discuss settlement. In addition to the offer they have already made, CL is willing to make one alternative proposal: Ray can have 1.5%, which will be treated just like all of the other founders' equity except that Ray will need to grant CL an irrevocable proxy to vote the stock.

In sum, Ray can either have the conditional/contingent cash severance payment per the initial offer or he can have 1.5% common stock, non-voting. Let me know if Ray would like to pursue either of the alternatives.

Best,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com

---

From: Willbrand, David [mailto:David.Willbrand@thompsonhine.com]
Sent: Thursday, May 06, 2010 11:07 AM
To: Baddour, David
Cc: Willbrand, David
Subject: RE: 10 Charleston/Takigiku Conversation

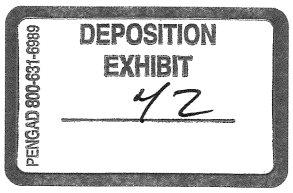
Hi David -

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1. The agreement is phrased and structured as a mutual voluntary separation with typical mutual releases, mutual nondisparagement clauses, etc.
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3. My understanding is that Ray's ownership position is 3.5%. Ray would like to either (1) hold on to his equity, or (2) if your client has a strong preference for reacquiring the equity, then Ray would agree to that in exchange for a carve-out which would deliver to him 2% (nondilutable) of the proceeds available for distribution to the shareholders in a liquidity event.
4. The acknowledgement and reaffirmation of Ray's equity holdings tied to his $20,000 investment.

I hope this helps gets us closer to closure. Thanks for your consideration.

DW



Message

From: Willbrand, David [David.Willbrand@thompsonhine.com]
Sent: 5/18/2010 11:27:46 AM
To: Baddour, David [dbaddour@wcsr.com]
CC: Willbrand, David [David.Willbrand@thompsonhine.com]
Subject: RE: 10 Charleston/Takigiku Conversation

David -

Thanks. At this point, this cap table will do. I also appreciate you taking the time last week to speak with me about your perspective on the capitalization of the company.

I have a few quick questions:

1. The proffered March 2010 Redemption and Settlement Agreement and Release provides for the repurchase by the Company of 420,000 common shares, the entirety of Ray's equity interest in the Company (I presume his 210 common shares became 420,000 in a 2,000:1 split, correct?). Am I correct in understanding the Company's most recent offer to be, in lieu of the conditional $70,000 severance payment, that the Company repurchase 330,000 common shares (at the de minimis purchase price) and Ray would retain 90,000 common shares, which 90,000 common shares would be subject to a proxy in favor of the CEO? And those 90,000 common shares would represent 1.5% of the post-settlement common and 1.37% of the fully-diluted equity, per your calculations, correct?

2. That aside, the May 30, 2008 Stock Restriction Agreement provides that Ray's 210 common shares are subject to a stepped buyback. If employment is terminated between May 30, 2009 and May 30, 2010, the Company can buy back 70 common shares - which, on a 2,000:1 split basis, equates to 140,000 common shares. That would leave 280,000 common shares in Ray's hands, or 4.67% of the post-settlement common and 4.25% of the fully-diluted equity. On what basis do you believe that the Company is entitled to a full repurchase (even a for-cause termination (which Ray vigorously contests, as you know) is subject to this step process)?

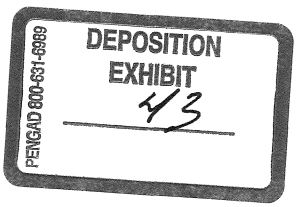
3. While Ray has provided me with the Series A documentation, the Stock Restriction Agreement and the 83(b) election (which shows a purchase price of $0.01 for the 210 common shares), I have been provided nothing relating to the manner in which Ray's $20,000 investment was handled, and Ray says he has nothing in this regard. To the extent you or the Company has any paper evidencing this structure, and given its personal importance to the management team, I would presume there is a paper trail, I would appreciate a copy. But that point aside:

As Ray sees it, given his position at 4.25% of the fully-diluted equity under a worst-case characterization of this situation, his original offer of (1) the conditional $70,000 severance payment, plus (2) a 2% nondilutable interest [or] a 3.5% equity interest plus additional equity credit for the $20,000 investment, seems reasonable. He realizes that the Company could stir the pot with the threat of a lawsuit, or the filing of one, and that's a cost and a distraction he doesn't want. But similarly, he could do the same vis-a-vis the Company and can't imagine the Company would want that cost or distraction, either, especially while raising money. Bottom line - there is a deal that can get done, now, that saves both sides headaches, as presented previously by Ray and rearticulated in this paragraph.

Thanks, David. Appreciate your help here. If there is something material here that I have missed, overlooked or am not aware of, please advise. Otherwise, it would be great to push this to closure this week.

Cheers,
DW

David J. Willbrand
Thompson Hine LLP
(513) 352-6646 (Office)
(513) 240-3001 (Mobile)
David.Willbrand@ThompsonHine.com
Other Contact Information: Online Profile



Disclosure Schedule

JulySeptember 10,, 201208

Schedule of Exceptions to Series BA Preferred Stock Purchase Agreement, dated as of July September 26, 201208 (the "Stock Purchase Agreement"), by and between Charleston Laboratories, Inc. (the "Company") and the purchasers named therein (the "Purchasers"). All capitalized terms used in this Schedule of Exceptions that are not otherwise defined in this Schedule of Exceptions will have the meanings ascribed to such terms in the Stock Purchase Agreement. **Any matter disclosed in any Section of this Schedule of Exceptions will be deemed to have been disclosed under each other applicable Section of this Schedule of Exceptions notwithstanding the fact that such other Section may not be referenced in the Schedule of Exceptions.**

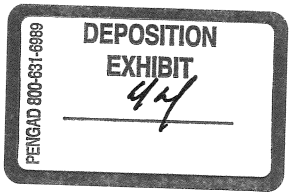
Section	Explanation
2.2(d)	**Capitalization**

Common Stock held by Founders	56,2000,000
Series A Preferred Stock Authorized	1,585200,000
Series B Preferred Stock Authorized	??
Common Stock Reserved for Option Pool	800,000
TOTAL	8,000,000

Note: The company's former COO, Ray Takigiku, was issued 210 shares of common stock on 5/30/08. These shares were subsequently included in a 2000 for 1 stock split on 9/25/08, leaving Takigiku with 420,000 shares of fully diluted stock. On March 19, 2010, Mr. Takigiku's employment was terminated. On March 26, 2010, the company tendered payment for all 420,000 of Takigiku's shares pursuant to the repurchase provision found in Article 2.2 of the Stockholders Agreement. While Takigiku has conceded that the company was entitled to repurchase 140,000 of his 420,000 shares pursuant to the Stock Restriction Agreement and its accompanying Vesting Schedule, Takigiku disputes the company's ownership of the remaining 280,000 shares. For present purposes, all 420,000 shares previously owned by Takigiku have been earmarked for inclusion in the option pool and are included as such in the above table. The company is presently considering pursuing a declaratory judgment action as to the aforementioned 280,000 shares. ~~Of the 6,000,000 shares of Common Stock held by founders, an aggregate of 840,000 shares currently are subject to repurchase by the Company at $0.01 per share in the event the holder thereof resigns or is terminated for cause, pursuant to the provisions of a stock restriction agreement signed by each of Bernard P. Schachtel (360,000 shares), Ray Takigiku (210,000 shares) and John F. Ameling (270,000 shares).~~

~~Such restrictions vest annually in three equal installments beginning on May 30, 2009, provided that (i) in the event of a "change in control" the Company's right to repurchase fifty percent (50%) of the number of restricted shares then subject to repurchase by the Company shall expire and be of no further force or effect, 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 holder's employment is terminated by the~~

Comment [CL11]: Karl – Do you want to revise this word? He was not an employee rather a founder who was terminated. Just don't want people to read employee here and then in the sections below see we have no employees.



STATE OF SOUTH CAROLINA — COURT OF COMMON PLEAS
NINTH JUDICIAL CIRCUIT
COUNTY OF CHARLESTON — 2017-CP-10-3768

CHARLESTON LABORATORIES, INC.,
Plaintiff,
vs.
WOMBLE, CARLYLE, SANDRIDGE & RICE, LLP,
Defendants.

VIDEOTAPED DEPOSITION OF DAVID BADDOUR

DATE TAKEN: May 2, 2018

TIME BEGAN: 9:26 a.m.

TIME ENDED: 1:49 p.m.

LOCATION: Womble Bond Dickinson
2530 Meridian Parkway, Suite 400
Durham, North Carolina 27713

REPORTED BY: Lisa A. Wheeler, RPR, CRR
EVERYWORD, INC.
P.O. Box 1459
Columbia, South Carolina 29202
803-212-0012

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
18 Broad Street, Mezzanine
Charleston, South Carolina 29401
(843) 573-9900
ronnie@blandrichter.com
scott@blandrichter.com

On behalf of the Defendant:

Tina Cundari, Esquire
William H. Jordan, Esquire
Sowell Gray Robinson Stepp & Laffitte
1310 Gadsden Street
Columbia, South Carolina 29201
(803) 929-1400
tcundari@sowellgray.com
wjordan@sowellgray.com

-and-

Alison R. Bost, Esquire
Womble Bond Dickinson
One Wells Fargo Center
301 South College Street, Suite 3500
Charlotte, North Carolina 28202-6037
(704) 331-4900
alison.bost@wbd-us.com

ALSO PRESENT: George Scott (Via telephone)
Paul Bosse (Via telephone)
Brent Troublefield, Videographer

I N D E X

	PAGE
EXAMINATION BY MR. RICHTER	10
SIGNATURE OF DEPONENT	195
CERTIFICATE OF REPORTER	196

E X H I B I T S

BADDOUR NUMBER	DESCRIPTION	PAGE
EXHIBIT 1	Final Judgment	14
EXHIBIT 2	E-mail String, March 8, 2011, and March 10, 2011, Subject: Charleston Labs - Revised Cap Table for Auditor (Feb 2011).xlsx	16
EXHIBIT 3	Disclosure Schedule, July 10, 2012	23
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(It is hereby stipulated and agreed by and between counsel for the respective parties that this deposition is being taken in accordance with the South Carolina Rules of Civil Procedure; that all objections, except as to the form of the question, are reserved until the time of trial; and that the deponent reserves reading and signing of this deposition transcript.)

- - -

THE VIDEOGRAPHER: My name is Brent Troublefield of EveryWord, Incorporated. The date today is May 2nd, 2018, and the time is approximately 9:26 a.m. This deposition is being held in the office of Womble Bond Dickinson located at 2530 Meridian Parkway, Durham, North Carolina. The caption of this case is Charleston Laboratories, Incorporated, Plaintiffs, versus Womble, Carlyle, Sandridge & Rice, LLP, Defendant. The name of the witness is David Baddour.

At this time will the attorneys please identify themselves and the parties they represent, after which our court reporter,

Lisa Wheeler of EveryWord, will swear in the witness and we can proceed.

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

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

MS. BOST: And Alison Bost on behalf of the firm.

- - -

DAVID BADDOUR, after having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. RICHTER:

Q. Mr. Baddour, again, my name is Ronnie Richter. I'm a lawyer from South Carolina. We're here today to take your deposition. You understand that, right?

A. Yes.

Q. I know that you're an attorney, but our rules require that I give you certain instructions anyway, so I will instruct you that you're under oath today. It's the same oath you would take in court. You understand that, right?

A. Yes.

Q. And the expectation is the same and that is, I'm going to ask you questions and I'll expect that you'll give me truthful responses. You understand that, right?

A. Yes.

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

A. Okay.

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

A. Yes.

Q. If at any point in time you need a break, just say so, this is not an endurance contest, but please be mindful that you remain under oath until the deposition is concluded. You understand that, right?

A. Yes.

Q. Such that if you were to discuss your testimony during a break, I would have the right to ask you about those discussions. You understand that, right?

A. Yes.

Q. Any reason today why you can't give a

deposition?

A. No.

Q. Any reason today why you can't understand my questions?

A. No.

Q. Mr. Baddour, Charleston Laboratories is a former client of yours, correct?

A. Correct.

Q. All right. And throughout the day I might call them Charleston Labs. I'm talking about the same entity, okay?

A. Sure.

Q. We've been -- I have been referring to Dr. Ray as Dr. T. If I use those names, will -- you will understand who I'm talking about?

A. Yes.

Q. There's no confusion about that?

A. No.

Q. All right. So if I use -- if I use a name or -- or an abbreviation and you don't understand what I'm saying, please tell me that you didn't understand the question, okay?

A. Sure.

Q. All right. You understand that Charleston Laboratories filed an action against

Dr. T to clarify the ownership rights and interest in stock formerly held by Dr. T, correct?

A. Yes.

Q. And that action was styled as a declaratory judgment action, correct?

A. That's my understanding.

Q. And in a declaratory judgment action a litigant asks a court to declare rights that are otherwise uncertain. Is that --

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. Is that your understanding?

MS. CUNDARI: Object to the form.

A. I'm not a litigator.

Q. You're not a litigator?

A. Yeah.

Q. All right. Do you -- do you understand what a declaratory judgment action is? I --

A. Yes. Yes.

Q. I know that you don't litigate, but --

A. Right.

Q. -- you understand what it is, right?

A. Right.

Q. What is it that you understood --

stand Charleston Laboratories sought to clarify by its declaratory judgment?

A. My understanding is that they were trying to clarify that Ray no longer owned his stock, that Dr. T no longer owned his stock.

Q. And no longer owned his stock as of when?

A. As of the date that -- suppose the legal title would have transferred on the date when Charleston Labs tendered payment for the stock.

(BADDOUR EXHIBIT 1, Final Judgment, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you what I'll mark as Exhibit 1. This is a final judgment that issued in the declaratory judgment action that was commenced by Charleston Laboratories. Have you seen this document before?

A. I don't think so, actually.

Q. In preparation for your deposition would you have had the chance to review this document?

A. Yes, but I'm not sure that we focused on this one. I probably did see it back around

the time that this judgment, I guess, was handed down.

Q. Can we agree that by virtue of Paragraph 2, the court has declared that Charleston Laboratories is the true sole owner of the 420,000 shares previously held by Dr. T?

A. Uh-huh. Yes.

Q. All right. Can we agree that it was necessary for Charleston Laboratories to have brought this action in order to get that declaration?

MS. CUNDARI: Object to the form.

A. I -- I don't agree with that.

Q. All right. Can we agree that this action was brought because there was uncertainty as to the legal status of the Dr. T shares?

A. I have no --

MS. CUNDARI: Object to the form.

A. -- idea. I have no idea why this action was brought.

Q. All right. And -- and you would disagree with me that prior to the commencement of this action, there was uncertainty as to the legal status of the Dr. T shares?

A. I'm aware that Dr. T had argued that

he still owned the shares. I -- I believe -- yeah.

Q. Did you believe that there was uncertainty as to the legal status of the Dr. T shares?

MS. CUNDARI: Object to the form.

A. No, I didn't.

(BADDOUR EXHIBIT 2, E-mail String, March 8, 2011, and March 10, 2011, Subject: Charleston Labs - Revised Cap Table for Auditor (Feb 2011).xlsx, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you what I've marked as Exhibit 2, and this is an e-mail exchange. You know, take your time to get yourself in the context from the back to the front, but my interest is the -- the middle e-mail on Page 1. So tell me when you're ready to answer questions about this e-mail.

A. I'm ready.

Q. You -- you've read the exhibit?

A. Yes.

Q. With regard to the e-mail that you sent on March 10th, 2011, at 1:43 p.m., what is it

that you reported to Mitchell Ryan about the uncertainty of the legal status of the Dr. T shares? Could you read that statement into the record.

A. Clearly there is uncertainty about the legal status of those shares.

Q. Why was there clearly uncertainty about the legal status of the Dr. T shares as of March 10, 2011?

A. This e-mail was written in the context of a note that was included on a capitalization table, and I was responding, I believe, to a question from Mitchell about that note, and that was the context in which I wrote this statement.

Q. All right. Well, what made the legal status of Dr. T's shares uncertain as of March 10, 2011?

A. We did not have a settlement agreement signed by Dr. T where he acknowledged that the shares had been repurchased.

Q. You understand in the declaratory judgment action that was brought, Dr. T actually filed counterclaims, correct?

A. Yep, I'm aware of that.

Q. Were his counterclaims frivolous?

MS. CUNDARI: Object to the form.

A. I -- I don't -- I'm not familiar with the exact counterclaims.

Q. Was it sanctionable of Dr. T and his counsel to have asserted in that litigation that they were the right and truthful owners of the 420,000 shares of stock?

MS. CUNDARI: Object to the form.

A. A federal judge disagreed with that statement.

Q. Did a federal judge sanction them for having asserted that position?

A. I have no idea.

Q. You -- you say in the e-mail, until the dispute is resolved. Do you see that?

A. No, I don't. Until the -- just show me where you're --

Q. Yeah. The same e-mail, the middle one --

A. Right.

Q. -- on Page 1, three lines down, we would very likely --

A. Okay. The parenthetical. Right.

Q. Yeah. We'd very likely have to qualify the opinion as to the legal status of the

shares until the dispute is resolved, correct?

A. Again, that e-mail was written -- that example -- I say, for example -- was written in the context of a very specific scenario in which I was hypothesizing that they would ask our firm to give a -- a formal legal opinion.

Q. And -- and what you're saying is, we would have to qualify that opinion until the dispute with Dr. T is resolved --

A. I was giving --

Q. -- correct?

A. -- an example. I -- I did not research the exact requirements -- the -- the level of comfort we would have to have to give that legal opinion, but -- and I haven't done that today, but, yeah, my understanding to give -- for our law firm to give a formal legal opinion is a very high threshold.

Q. And -- and this would be a formal legal opinion as to the ownership of the Dr. T shares, correct?

A. It would really be as to the capitalization of the company, which would include the ownership of the shares, yes.

Q. Right. That issue would subsume the

issue of the stock ownership, correct?

A. Right.

Q. You couldn't give an -- an opinion as to the legal status of the entity without --

A. Correct. That's --

Q. -- opining as to --

A. That's right.

Q. -- the ownership structure --

A. That's correct.

Q. -- correct?

A. That's correct.

Q. And -- and so how is it that the dispute is to be resolved?

A. I -- I disagree with -- I mean, there is -- I don't think -- there was a dis- -- I don't think that there was a dispute. I think that the -- what I was saying is that in order to give a legal opinion, we would prob- -- we may have to qualify the -- the status of the shares. I was trying to give an example to Mitchell.

Q. So what would a qualified opinion sound like as it relates to the Dr. T shares?

A. I don't know how we would word that, but --

Q. That you would warn investors or folks

who might want to purchase an interest in the company that there's a dispute as to the ownership of a portion of the shares previously held by Dr. T, correct?

MS. CUNDARI: Object to the form.

A. Again, I'm not sure what the -- the le- -- the -- I'm not sure if we'd have to qualify the legal opinion, but I -- I think we would and I'm not sure what that would look like.

Q. Well, if I'm purchasing a shareholder interest and it's later determined that Dr. T was, in fact, an owner, then is there a risk that my purchase could be diluted?

MS. CUNDARI: Object to the form.

A. I don't think so because I think that -- that the -- that we would have treated those shares as -- as outstanding so I -- the -- the point of the note on the capitalization table was to remind the company that every time it used that capitalization table, it needed to think about this issue --

Q. What did --

A. -- that --

Q. I'm sorry. Were you -- were you finished?

A. Yeah.
Q. All right. Well, if the stock had been repurchased and redeemed, it would be returned to the stock treasury, would it not?
A. Yes, it would.
Q. And in that sense it would not be outstanding?
A. But my recollection is that the company was asking us to put that stock either to the other founders or to the -- an option pool or to -- to let it be reused to compensate other people.
Q. Well, from the time of the repurchase or attempted repurchase of the Dr. T shares through the declaratory judgment action, did your law firm ever issue an unqualified opinion as to the ownership of those shares?
A. We weren't asked to.
Q. Would -- would you have?
A. I told -- I told you already I don't know. We -- we didn't actually do the research. I was trying to provide a fairly brief example to Mitchell about why the note was included on the capitalization table.
Q. Well, is a declaratory judgment action

one way to resolve the dispute as to the ownership of the shares?

MS. CUNDARI: Object to the form.

A. I -- yeah, I suppose so.

Q. And -- and didn't your firm first recommend or advocate the commencement of a declaratory judgment action to resolve this very dispute?

MS. CUNDARI: Object to the form.

A. I -- I don't believe we did.

(BADDOUR EXHIBIT 3, Disclosure Schedule, July 10, 2012, was marked for identification.)

BY MR. RICHTER:

Q. I'm going to show you what I've marked as Exhibit 3. In the interest of saving a tree, I did not print the entire document. My interest is in the comment, and this is Page 1 of a disclosure schedule.

Are you familiar with this document?

A. I've seen it, yes.

Q. All right. In the middle of that primary paragraph before the red line strikes out the language, there's a statement that says, the company is presently considering pursuing a

declaratory judgment action as to the aforementioned 280,000 shares.

You see that?

A. Uh-huh. Yeah.

Q. Okay. Did your firm prepare this disclosure schedule or these red lines?

A. I -- I don't know. I did not.

Q. Is it your testimony that the Womble firm had not recommended to Charleston Laboratories that it consider filing a declaratory judgment action to clarify the ownership of the disputed shares?

A. I would not have made that recommendation. I would be very surprised if our firm would have recommended that.

(BADDOUR EXHIBIT 4, E-mail String, May 6, 2010, and May 7, 2010, Subject: 10 Charleston/Takigiku Conversation, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 4. Do you remember having a conversation with an attorney named David Willbrand?

A. I remember several conversations. I mean, I remember the fact that I had several

conversations with David Willbrand.

Q. All right. And he was representing Dr. T --

A. Correct.

Q. -- correct? And you all were having a conversation about Dr. T's ownership, whether he still held share -- shares or not, correct?

A. Our conversations were about -- well, yeah, in part, right.

Q. And -- and how to resolve that dispute?

A. Correct. Yeah.

Q. Are we going to pay a severance package or are we going to pay Dr. T something in settlement to make him go away; these are conversations you were having with Mr. Willbrand, correct?

A. Right.

Q. But it all centered around his claim that despite the effort to redeem his shares, he was still an owner of Charleston Laboratories, correct?

MS. CUNDARI: Object to the form.

A. That's not how I would put it.

Q. All right. Well, what was Dr. T

saying? Was he asserting an ownership interest in Charleston --

A. He was --

Q. -- Laboratories?

A. -- but the conversations were about his separation from the company. That was a piece of it, but that was not the primary piece. I don't -- I don't -- I mean...

Q. All right. He had -- he may have had a number of contentions, but one of them was that he remained an owner of Charleston Laboratories, correct?

MS. CUNDARI: Object to the form.

A. I -- I -- yeah. I mean, I -- he was trying to keep his stock.

Q. He was saying that Charleston Laboratories had not redeemed all of his stock, was he not?

A. I --

MS. CUNDARI: Object to the form.

A. No, I don't think he was saying that. I think he was trying to say he wanted to keep his stock.

Q. You say in this e-mail to Mr. Willbrand, first paragraph, last line,

Charleston Labs is willing to file suit and take any action necessary to make the situation right from their perspective.

A. Uh-huh.

Q. What suit is that?

A. I think in the previous sentence -- it refers to the previous sentence. The client, Charleston Labs, was telling me that they believed they had all these fraud and securities law violations claims against Dr. T. So I -- that is what I was referring to, not ownership of stock.

Q. What would those violations be?

A. You -- you'd have to ask your client.

Q. Okay. What's et cetera, fraud, security law violation, et cetera?

A. You'd have to ask your client. I mean, I...

Q. Is -- is the lawsuit not also the one that they were ready and willing to file a lawsuit seeking a declaratory judgment to clarify the ownership interest in the stock?

MS. CUNDARI: Object to the form.

A. That is not what I was referring to.

Q. Do you know if that's what they were referring to?

A. I -- I don't believe so. It's been a long time, but I don't -- the -- the claims I was referring to in those last two sentences are what your client was telling me and that I had not investigated, I had not looked at. I was writing an e-mail to try to help us get to a settlement.

Q. Was -- was it the worst-case scenario for Charleston Laboratories that it ultimately be determined that Dr. T remain an owner of the company?

MS. CUNDARI: Object to the form.

A. I'm not sure I understand what you're getting at.

Q. Well, in the dispute over the stock ownership, what was the worst-case scenario for Charleston Laboratories?

MS. CUNDARI: Object to the form.

A. Yeah, I mean, you're asking the wrong law firm right now. I mean, you'd have to ask, I think, the -- the law firm that filed the lawsuit.

Q. We can agree that there was a dispute between Charleston Laboratories and Dr. T regarding the ownership of that stock, correct?

MS. CUNDARI: Object to form.

A. I mean, again, you're -- you're asking

the wrong law firm. Apparently so because they decided to file suit, but I --

Q. Well, of the issues you attempted to settle --

A. Uh-huh.

Q. -- was the issue of Dr. T's claim of ownership in Charleston Laboratories, correct?

A. I mean, it -- it was an issue, but -- and -- and what -- our goal was to try to obtain a settlement agreement with respect to his termination from the company where there was mutual releases and all issues were taken off the table and that was one of the issues. That -- that did not feel like a significant issue because we had strong documentation that we had repurchased those shares.

Q. That you could or that you had?

A. I don't remember. I mean, with -- you know, at the time of this e-mail -- you'll have to help me refresh the time line, but -- it looks like we had by now --

Q. And had --

A. -- right?

Q. -- had by virtue of what agreement? By virtue of the stock restriction agreement or by

virtue of the stockholders agreement?

A. The -- the shareholders agreement, stockholders agreement.

(BADDOUR EXHIBIT 5, E-mail String, March 25, 2010, Subject: Ray Takigiku, with Attachment, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 5. Do you see your e-mail at the top to Paul Bosse and Dean Rutley, March 25th, 2010?

A. Uh-huh. Yes.

Q. This would be well after the attempted redemption or repurchase of the Dr. T shares, right?

A. No, I don't think it was well after.

Q. Okay.

A. It was a few days after.

Q. All right. So did you tell Paul Bosse that the worst-case scenario would be that he'll ultimately be entitled to the vested portion of his stock?

A. This e-mail was written in the context of a strategy that involved repurchasing his shares under the stock restriction agreement.

That's not ultimately what we did.

Q. Well, had the repurchase occurred yet or not?

A. You'll have to remind me of the time line. I think it had. I think it had.

Q. We'll -- we'll look at the document. It either had or had not.

A. Right.

Q. So you were discussing a strategy with the client of purchasing either under the stock restriction agreement or the stockholders agreement?

A. That's actually not accurate. What we were talking about was trying to get a settlement with Dr. T.

Q. All right. Well, the decision to -- to terminate Dr. T's employment had already been made, correct?

A. To my knowledge, yes.

Q. All right. We were going to part company with Dr. T, correct?

A. Correct.

Q. He -- he owned shares by that time, correct?

A. When he left, he had own -- yes, he

owned shares.

Q. All right. And there were two documents, a stock restriction agreement, which I might call an SRA --

A. Uh-huh.

Q. -- and there was a stockholders agreement or a shareholders agreement --

A. Okay.

Q. -- which I might call an SHA --

A. Okay.

Q. -- is that -- is that correct?

A. Correct.

Q. Were there any other documents that you're aware of that would speak to or control the issue of the stock ownership?

A. Not to my knowledge, no.

Q. All right. So if we're going to part company with Dr. T, as a company we'd like those shares back, correct?

A. Correct.

Q. All right. And so what's the most efficient way to get the shares back?

MS. CUNDARI: Object to form.

A. A settlement agreement.

Q. A settlement agreement?

A. Yeah.
Q. As opposed to an exercise of the rights under those agreements?
A. Correct.
MS. CUNDARI: Object to the form.
BY MR. RICHTER:
Q. So what advice did you give Charleston Laboratories as to the most efficient, effective way to repurchase those shares?
A. My recollection is that we advised them to negotiate a settlement.
Q. Well, a settlement requires two parties, right?
A. Yes.
Q. All right. So if Dr. T is not cooperating in a settlement --
A. Uh-huh.
Q. -- and we still want those shares back, did Charleston Laboratories have rights of repurchase under the SHA and under the SRA or not?
A. They did under both --
Q. Okay.
A. -- but our advice was to try to reach a amicable settlement. That's what we were working on.

Q. All right. But it takes two to dance, right?

A. Yeah.

Q. All right. So if Dr. T just doesn't want to dance and we still want the shares --

A. But we had to investigate that. We had to try that.

Q. Right.

A. Okay.

Q. Was that successful ultimately? Were you --

A. No.

Q. Were you able to achieve a settlement with Dr. T?

A. No.

Q. All right. So we're unable to achieve a settlement. We want to redeem the shares, right?

A. Uh-huh.

Q. What's the best way to do it?

MS. CUNDARI: Object to the form.

A. If -- it depends on what the goals are.

Q. Well, the goals are to get -- get all of the ownership back.

A. If -- well, if -- if the goals are to get all the ownership shares back, then you have to proceed under the shareholders agreement.

Q. What did you advise the client at that time?

A. To --

MS. CUNDARI: Object to the form.

A. To try to settle.

Q. All right. Well, when settlement became futile --

A. Uh-huh.

Q. -- and the client still wished to redeem the shares, what was your advice to them?

A. That they could pay a nominal amount of money, you know, a penny, to repurchase the -- the unvested shares under the SRA or they could pay fair market value to repurchase all the shares under the SHA.

Q. And how did you communicate that advice?

A. I assume orally because we don't have any e-mails.

Q. Right. So there's -- there's not a -- there's not so much as an e-mail that I could look at that would explain to the client, these are the

two paths?

MS. CUNDARI: Object to the form.

A. I don't -- I don't understand your question.

Q. Did -- did you reduce to writing anywhere the advice to describe the two different options to repurchase the shares?

A. No.

Q. Okay. And so if you explained it orally, who did you explain it to?

A. Paul.

Q. And how would that have been done, face-to-face meeting, over the phone?

A. Over the phone.

Q. Had -- had you ever visited the Charleston Laboratory offices?

A. No.

Q. Do you -- do you know where their offices were in Charleston, South Carolina?

A. No. And I advise clients over the phone and over e-mail all the time. There's no need for us to be face to face.

Q. How did Charleston Laboratories become a client of then Womble, Carlyle?

A. Through Dean Rutley.

Q. And what's your understanding as to how that originated?

A. I'm not sure I have knowledge of that. I don't think I have knowledge of that.

Q. How -- how were you brought onto the -- the team to assist with the Charleston Laboratories matters?

A. Dean asked me to help him, which he has done many times and which I've done many times, help -- to help him with his clients.

Q. All right. Would this have been from the inception, from the first time that Charleston Laboratories was signed on as a client?

A. I'm not sure about that. I'm -- feel like it was fairly early, yes.

(BADDOUR EXHIBIT 6, E-mail Message from Mary Rowland to Paul Bosse, et al., 6/6/2007, Subject: Charleston Laboratories.pdf, with Attachment, was marked for identification.)

BY MR. RICHTER:

Q. I'm going to show you Exhibit 6. Is this a copy of the engagement letter by virtue of which you all were providing legal services to Charleston Laboratories?

A. It looks like that, yes.
Q. All right. And the first paragraph defines it as, for general corporate legal advice, venture capital financing, and other matters you may request from time to time, correct?
A. Yep, looks -- looks like it.
Q. Are -- are you aware of any separate engagement at any point in time?
A. I'm not aware of one.
Q. Or any modification to this engagement at any point in time?
A. Not to my knowledge.
Q. All right. So this document would speak to the terms of engagement by virtue of which you all would represent Charleston Laboratories, correct?
A. Correct.
Q. Did you have any involvement in forming Charleston Laboratories, you personally?
A. Not to my knowledge.
Q. Any participation in deciding that it should be registered as a Delaware corporation, for example, as opposed to a South Carolina corporation?
A. I don't think I was involved in the

formation.

Q. Okay. Do you know how it was determined that the authorized common shares in the company would be 3,000 and they'd have a par value of .001?

A. No.

Q. Is that pretty standard, to start a company and have a par value of a stock that's virtually valueless?

A. Yes.

Q. Okay. And so the -- what was the expectation that, you know, as the company grew, that the value of the stock would grow accordingly?

A. That was the hope.

Q. Yeah. Did you have any involvement in the initial issuance of shares in the company?

A. I don't recall, but I certainly could have.

Q. Okay. Did you assist Charleston Laboratories in seeking to place venture capital financing?

MS. CUNDARI: Object to form.

A. No.

Q. Okay. That was -- did Dean do that?

MS. CUNDARI: Object to form.

A. I feel certain he would not. He might have made some introductions, but I don't think he -- I mean, I don't know what you mean by placed.

Q. Well, did you -- did you assist him in a Series A or a Series B offering?

A. Yes. We did the legal work.

Q. Okay. And did you -- did you or your firm introduce Charleston Laboratories to different VC firms?

MS. CUNDARI: Object to form.

A. My understanding is it wouldn't be uncommon for Dean to introduce a client to VC firms that he knew. Wouldn't surprise me if that happened here.

Q. Were you serving as corporate and finance counsel?

A. What do you mean by finance counsel?

Q. That's a description that Dean Rutley gave.

A. Yeah.

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. Do you know what that means?

MS. CUNDARI: Object to form.

A. I'm not sure what -- what exactly he meant there, but we would help them with the legal work related to their raising money from investors, yes. If that's what he meant by finance counsel, then I agree with that.

(BADDOUR EXHIBIT 7, E-mail String, December 10, 2007, Subject: Charleston Laboratories Executive Summary, DOC, with Attachment, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 7. This is an e-mail from Dean Rutley on which you're copied. Middle of that first paragraph he says in part, we are serving as corporate and finance counsel. Do you see that?

A. Uh-huh. Yes.

Q. So did you understand what he meant? You were a recipient of this e-mail.

A. I'm -- I -- I assume he meant exactly what I just said, that we were going to do the legal work associated with their fund-raising. We do that for startup companies all the time.

Q. There's a document attached to the e-mail. Did -- did you have any involvement in

the preparation of that document?

A. No.

Q. At the bottom of the attachment there's a projected revenue stream. Did you have any involvement in the projected revenue stream?

A. I don't believe so, no.

Q. Do you have any criticisms of Charleston Laboratories as a client?

A. Like many of our startup company clients, they did not have a lot of experience in starting and running a company. This was, to my knowledge, their first time at it, so it's perfectly understandable that they wouldn't have experience, but that's not unusual. I mean, we -- we help clients with that all the time and we helped them with that.

Q. Is that a criticism?

A. Well, I suppose where I was going was that we also had to help, I think, Charleston Labs become a more sophisticated user of legal services. I don't think that they were -- they understood what it meant to interact with their advisors and I don't think they still understand that, but -- so that's a criticism. That's the criticism.

Q. Well, is that unusual?
A. Yeah, it is.
Q. All right. What -- what does that mean, that they -- you helped make them a more sophisticated user of legal services?
A. I mean things like, you know, they would frequently call or e-mail and expect that something would be done, you know, within 24 hours and -- or they would call and say -- and then they'd e-mail quickly thereafter and say, how come you haven't called me back? And so we would do things like say, why don't you send me an e-mail and let's agree on a time that we can talk when we're both available instead of just playing phone tag. That -- that's what I mean. And they never really got that.
Q. Were they dishonest with you?
A. No, not to my knowledge.
Q. Were they noncompliant with you?
A. I don't know what you mean.
Q. Just openly acted contrary to your better advice.
A. They did disregard our advice.
Q. All right. And what advice did you offer to them that they disregarded?

A. Again, this has been a long time, but to my knowledge, we advised them on a couple occasions about the use of a fund-rais- -- someone to help them raise funds and we were cautioning them that -- that the structure that they were using -- they were going to pay someone essentially a commission to help them raise money from investors and that there was a ton of securities laws/compliance issues with that and, in fact, unless that person in our -- in our opinion based on the facts that -- as we knew them was a registered broker/dealer that there was significant risks to the company to proceeding. And I believe one time they decided not to go forward with the -- with the -- entering into a deal with this person who was going to help them raise money. I believe a second time that they did do that, but it's been a long time, like I said.

Q. Did you ever write them a letter or an e-mail to tell them that they were operating against your better advice?

A. I don't know. I -- I documented it internally.

Q. Have you had occasion where clients

have acted against your better advice and you've taken the time to write to them and say, look, guys, if you want to do this, it's -- you have to understand it's at your peril?

A. I -- the message was conveyed very clearly to Paul and I documented it internally.

Q. My question is, have -- in your experience as an attorney have you had occasion to write something like that to a client?

A. I'm not -- I don't know.

Q. All right. Did you write anything like that to this client?

A. I don't recall.

Q. Did -- did Paul Bosse call you incessantly?

A. What do you mean by incessantly?

Q. I don't know.

A. Yeah.

Q. Too frequently, I suppose.

A. No. The issue with Paul's calls were that he -- he expect- -- I think he expected us to be sort of on call and that the moment he called, we would drop whatever we were doing or maybe he thought we weren't doing anything else and address his issue right then, and that's just not the way

a sophisticated client interacts with their advisors.

Q. Did you fire Charleston Laboratories as a client?

A. I didn't fire Charleston Labs as a client. I don't think the firm did.

Q. Have you fired clients before?

A. The -- I don't know. I don't know.

Q. I'm sure the firm must have --

A. I'm certain the firm has, abso- --

Q. Okay.

A. Yeah. But I don't know that I -- I can tell you an example of a situation where I have.

Q. Well, if it's an attorney-client relationship and the relationship's not working, then you would just part the relationship, right?

MS. CUNDARI: Object to the form.

A. I'm not -- I don't agree with the premise of that question. I'm not -- I'm not suggesting that the relationship wasn't working. I think we provided excellent service to Paul and we tried to coach him along and tried to do exactly what we do with all of our clients, which is help them be more efficient in the way they use

us.

Q. Well, can I assume that if he was enough of an annoyance that he would have been fired as a client?

MS. CUNDARI: Object to form.

A. I -- I -- yeah. Can you assume that if Paul were enough of annoy- -- enough of an annoyance --

Q. Yes.

A. -- that he would have been fired as a client?

Q. Yes.

A. Based on the billing attorney's determination of whether he was enough of a nuisance?

Q. Whoever has the authority to terminate a relationship.

A. Which wasn't me, I mean.

Q. Okay.

A. Right.

Q. Did you ever recommend to Dean that we should part company with this guy?

A. I don't recall.

Q. All right. Do you know if that was discussed internally, that Charleston Laboratories

is the worst kind of client?

MS. CUNDARI: Object to the form.

A. I don't know if that was discussed internally.

Q. Well, in -- in your interactions with them would you consider them the, quote, worst kind of client?

MS. CUNDARI: Object to the form.

A. Paul without a doubt was the most difficult client I have ever worked with.

Q. Did you tell him that?

A. I don't know. I mean, I -- yeah, I don't know.

(BADDOUR EXHIBIT 8, E-mail String, 5/26/2011, Subject: RE: This is what i am working off of. It shows to be right $6.83, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 8. Who is Karl Knoll?

A. He was a partner of -- of mine and of the firm's in the northern Virginia office.

Q. When he sent to you on May 26th, 2011, this guy is the absolute worst kind of client, did you disagree with that characterization?

A. I knew what he meant. I knew what Karl meant.

Q. What did he mean by that?

A. Well, I -- I should -- I should -- I mean, I don't know exactly what he meant, but I think I know what he was saying, which is that Paul was the type of person to try to blame other people for issues that he created and that that is not -- that -- that that's not a ideal client. That's -- that is a very bad -- that's the type of client that ends up suing you.

Q. All right. Well, tell me every circumstance that you're aware of where Paul was responsible for something but sought to blame someone else.

A. I don't know that I can do that, but this e-mail chain is a -- is an example of that.

Q. Well -- well, give me any example where --

A. I'm giving you one right now. This e-mail chain, he accused us of not updating a cap table, which was not accurate. He blamed us for something that was not -- that we had not been asked to do, that was not something that would be normally done. I mean, that's why these e-mails

were sent back and forth. I was explaining to Karl what type of client he was taking on and I was defending the work that I did.

Q. Well, you -- you said in part in your e-mail in the -- the paragraph that begins, so you know, you say that they also took the position that none of Dr. -- Ray T's shares are outstanding.

They -- they being Charleston Laboratories?

A. Correct.

Q. Did they take that position or did -- did Womble take that position on their behalf?

MS. CUNDARI: Object to the form.

A. I'm not sure I understand the distinction on that.

Q. Did -- did your law firm also take the position --

A. Absolutely.

Q. -- that none of Dr. T's shares were outstanding?

A. Yes.

Q. Okay. So it's not true that they also took that position; you -- you took that position --

MS. CUNDARI: Object.
BY MR. RICHTER:
Q. -- didn't you?
MS. CUNDARI: Object to the form.
A. Yeah. You're totally mischaracterizing that sentence. I'm providing two examples of things that have changed since we last -- since we had most recently sent him the proposed Series B cap table. I'm giving you two examples.
Q. I don't think I'm mischaracterizing. I think and is a conjunctive. Is -- is and a conjunctive --
A. Yes.
Q. -- to the best of your knowledge? Okay. Can we look at what happens after the and and tell me if that's an accurate statement or not? They also took the position that none of Ray's shares are outstanding.
Is that a position that Charleston Laboratories took or a position that its counsel advised them?
MS. CUNDARI: Object to the form.
A. That -- I -- I don't -- I don't see the distinction you're trying to make. I'm not

quite sure what you're driving at. It is true to say that the client took that position and that we agreed with it.

Q. Okay. Karl says, maybe we should just fire him before something bad happens, right?

A. He was prescient.

Q. And -- and so what is something bad happening?

A. He -- they sue us despite the fact that we did good work.

Q. So the lawsuit is just frivolous?

MS. CUNDARI: Object to the form.

A. We have a federal judge that agreed that the documents worked exactly as intended.

Q. After the expenditure of 2 million dollars?

A. I am stunned --

Q. Okay.

A. -- that they spent that much money on that or that they spent any money on that.

Q. So Greenberg Traurig's billings are excessive?

MS. CUNDARI: Objection.

A. I have no idea. You'd have to talk to Greenberg Traurig and you'd have to talk to your

client.

Q. How much could Womble have done the same action for?

MS. CUNDARI: Object to the form.

A. I have no idea.

Q. Did you offer to bring the declaratory judgment action?

A. I was done with the client by then. No, I didn't.

Q. Didn't the firm represent or hold out that a declaratory judgment action was being contemplated?

MS. CUNDARI: Object to the form.

A. No. I disagree with that characterization.

Q. So you think this unsophisticated client came up with the idea of --

A. No, I think --

Q. -- commencing a declaratory judgment action?

A. I --

MS. CUNDARI: Object to the form.

A. I -- I have no idea. I would -- I would guess that Greenberg Traurig recommended it.

Q. And that that idea didn't first

germinate here at Womble?

A. Not to my knowledge. I -- yeah.

Q. So you would say then that talking to Paul would be like talking to your -- to a three-year-old?

MS. CUNDARI: Object to the form.

A. He was irrational.

(BADDOUR EXHIBIT 9, E-mail String, May 26, 2011, Subject: RE: This is what i am working off of. It shows to be right $6.83, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 9. Did you say to Karl that he should be warned that Paul is irrational and it's like having a conversation with my three-year-old?

A. Yes, I did.

Q. Is this how things are documented internally? You told me before that you had said something and documented it internally.

A. No.

Q. Is this how you document things internally at Womble?

MS. CUNDARI: Object to the form.

A. No. I -- I wrote a memo to the file

ROA-0634

about the advice we gave to Paul on the broker/dealer issue.

Q. There's a memo to the file on that subject matter?

A. To my knowledge, yes.

Q. Okay. And it's contemporaneous with the time that Dr. T's shares were redeemed?

MS. CUNDARI: Object to the form.

A. No. It was a totally different issue.

Q. All right. So tell me when you wrote a memo to file about the advice that you rendered regarding the redemption of Dr. T's shares?

A. I didn't. I wrote the memo to the file about the broker/dealer issue, about our advice saying don't use an unregistered broker/dealer to help you raise money.

Q. Okay. All right. So what does that look like? What -- is it -- it's in a memo format and it's from you --

A. It could be any -- I could write myself an e-mail. I could write myself an actual memo.

Q. All right.

MS. CUNDARI: Let me just stop. Will you make sure you wait till he finishes the

question?

THE WITNESS: Yeah.

MS. CUNDARI: Okay. Thanks.

BY MR. RICHTER:

Q. All right. So when you describe it, I'm -- I'm contemplating a formal memo that says, from David to file this date regarding this subject. Are you describing that kind of memo --

A. Yes.

Q. -- that you would have entered describing the advice you offered?

A. Yes.

Q. And on how many occasions did you make such a memo to file on the Charleston Laboratories matters?

A. To my knowledge, once.

Q. All right. And that was on the issue of what again?

A. We advised him of the risks of using essentially an unregistered broker/dealer and...

Q. And did they use an unregistered broker/dealer?

A. I don't recall.

Q. So do you have any basis to believe that that advice was ignored?

A. I -- yeah, I do. I -- I -- yes.
Q. Then you must believe that they used an unregistered broker/dealer?
A. I don't know that they did, but I felt uncomfortable enough about it that I took the time to write a memo to the file.
Q. In a Series A or a Series B offering, are representations made about the ownership structure of the company?
A. Typically.
Q. And is there a contingent liability that exists if those representations are false?
MS. CUNDARI: Object to the form.
A. I'm not sure what you mean by a contingent liability, but there's -- there's exposure, absolutely.
Q. Right. Could -- could a company be sued if it issued a -- a Series A or a Series B offering and there were misrepresentations in the disclosures?
A. People can sue anybody for anything.
Q. No. I'm not asking about people filing suits over peanut butter sandwiches. I'm talking about if I'm an investor in a company and I've invested based upon disclosures in a Series A

or a Series B offering and those disclosures are wrong, by federal securities law do I have a basis to bring an action?

MS. CUNDARI: Object to the form.

A. It would depend on the facts.

Q. If the ownership structure of the company was misstated such that my purchase is diluted because I'm not getting what I thought I was getting, would I have a basis to sue?

A. I would assume so, yes.

Q. Whether there's a basis or not, I'm assuming you would advocate for accuracy in Series A and Series B offerings?

A. Yes.

Q. And you would want the ownership structure to be depicted accurately as well, correct?

A. Yes.

Q. All right. After the attempt to redeem Dr. T's shares, how do we accurately seek to raise capital and reference the ownership structure of the company?

MS. CUNDARI: Object to the form.

A. You -- you have options on how you do that, but the most conservative thing to do would

be to include documentation that the shares have been repurchased and that the company believes it has repurchased the shares but that Dr. T doesn't agree with that or may not agree with that.

Q. Did you assist in any Series A or Series B offerings after the Dr. T redemption?

A. You'll have to help me with the time line.

Q. Is that on March of 2010?

MR. MONGILLO: Right.

A. Right. March of 2010 was the termination. When was --

Q. Yes.

A. -- the Series A, do you recall?

Q. We'll get to it.

A. Yeah.

Q. Okay. Is that an issue you would have discussed with the client?

A. Yes.

Q. The issues -- the issue of what do we say about Dr. T?

A. If we raise money after the termination.

Q. Right. You wouldn't give the advice that you should just say nothing and seek to raise

money and address the issue down the line?

MS. CUNDARI: Object to form.

A. That is -- that is definitely an option of how to proceed and that -- what that entails would be taking a risk.

Q. And what would that risk be?

A. That, in fact, there was some -- some way, some reason that Dr. T still held those shares and that people invested in the company, you know, after a misstatement in the offering documents.

Q. Did you give the client the advice to remain silent on the Dr. T issue in seeking to raise money after the attempt to redeem his shares?

A. I don't recall. Possibly.

Q. If you did, I'm -- I'm assuming you would have explained the risk associated with that?

A. I feel confident that I would have.

Q. If you would have explained the risk -- I've not seen any e-mails. Is it your testimony you would have explained it orally?

A. Yes.

Q. To whom?

A. To Paul.
Q. To anyone else?
A. Potentially -- I -- Paul was the primary contact.
Q. Well, did that happen or do you not recall?
A. What -- did what happen?
Q. Did you advise Paul of the risk associated with seeking to raise capital while making no disclosure about the Dr. T dispute?
A. The -- do you have an e-mail or something that you can show me to help refresh my memory? I remember seeing an e-mail as I was preparing for the deposition that discussed that issue. I don't remember the details.
(BADDOUR EXHIBIT 10, E-mail String, May 6, 2010, Subject: RE: 10 Charleston/Takigiku Conversation, was marked for identification.)
BY MR. RICHTER:
Q. Let me show you Exhibit Number 10. This is May 6th, 2010, after the attempted redemption of Dr. T's shares, correct?
A. Yes.
Q. Which was in March of 2010.

A. Right.
Q. An e-mail between yourself and Paul copying Dean, correct?
A. Yes.
Q. And you report to Paul in part that, it's Dean's strong recommendation to just ignore Ray and focus on your next round. If you want to fight with Ray once you have funding, that would be a different story.
Is that correct?
A. Correct.
Q. Is that in the context of seeking to raise money?
A. It's really in the context of where we thought the focus of the company should be, meaning that a better use of their time was not to spend a lot of time and money fighting with Dr. T but, rather, to focus on his next round.
Q. Well, closing your next round refers to closing money --
A. Yes.
Q. -- correct?
A. Yes, it does.
Q. And so is the strong recommendation to ignore Ray and focus on closing the next round?

A. Yeah.
Q. All right. To -- to ignore Ray would be to make no disclosure about Ray either in --
A. No.
Q. -- an effort to raise money, would it not?
MS. CUNDARI: Object to form.
A. That's not what I meant.
Q. Okay.
A. What I meant was don't file a declaratory judgment.
Q. Don't do that?
A. No, I don't know.
Q. Well, is it your testimony that you -- did you ever give advice either way about a declaratory judgment action, to file --
A. I don't --
Q. -- or to not file?
A. I don't think I did. I don't recall. Yeah.
Q. Do you have any criticism of the decision to have brought the declaratory judgment action?
A. I don't -- without knowing all the facts, it's hard for me to weigh in on that. I'm

not quite sure what the purpose of it was.

Q. Can we agree that as Charleston Laboratories sought to continue to grow its business and to attract new investors that it would be forced to make disclosure -- disclosures about the ownership of the company?

A. Yes, it would have.

Q. And what is it that you would have him say about Dr. T who continues to maintain that he's an owner?

MS. CUNDARI: Object to the form.

A. I think we would have to do an analysis of the risks and the -- we would have to discuss it and -- and contemplate what the best approach was. The most conservative approach would be in the documents to identify this -- this dispute. Another approach given that we had fairly ironclad documents that allowed us to repurchase that stock would be to go -- to go ahead without disclosing it.

Q. Well, would it be in the company's best interest to seek to get to the bottom of that issue before it was worth a lot of money or after it was worth a lot of money?

MS. CUNDARI: Object to the form.

A. I -- I'm -- the premise of your question is -- implies that they had unlimited resources to fight every battle, okay? They had to make decisions about where they were allocating their time and their money, and in that context it would be a perfectly reasonable -- reasonable decision -- I -- again, I haven't done the -- I don't -- I'm not -- we haven't done the analysis as I sit here, but an option would be for a small fraction of those shares that -- to -- to proceed to raise money without disclosing it.

Q. Well, some of the initial disclosures reference revenue streams, $600 million a year plus, right?

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. I know those are just projections, but that was the thought, correct?

MS. CUNDARI: Object to the form.

A. I think you showed me that earlier.

Q. All right. If we could actually get this drug to launch, if we could actually get FDA approval --

A. Uh-huh.

Q. -- it'd be worth a lot of money. That

was the thought, correct?

A. That was the hope, I assume.

Q. Yeah.

A. Yeah.

Q. And there would be a basis to believe that to be true, correct?

A. I have no idea.

Q. Well -- well, again, would you want to resolve a disputed ownership with a shareholder while the company is worth nothing or after the company is worth something?

MS. CUNDARI: Object to the form.

A. If you had unlimited time and unlimited resources?

Q. I don't -- I don't understand your qualification, but, sure, if you want to say that.

A. Yeah. I mean, if you had unlimited time and unlimited resources, then you could allocate some of that to resolving the dispute now. I think our advice to him was that a better use of your time is to go ahead and continue operating your company.

Q. Well, what would your advice be to them when periodically Dr. T after the redemption would say, I'd like to see the corporate books and

records --

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. -- I'm a shareholder?

MS. CUNDARI: Object to the form.

A. I -- are you -- are you suggesting that I provided advice on that topic or that --

Q. I'm ask- -- I'm asking how -- how would you advise them in that circumstance?

MS. CUNDARI: Object to the form.

A. I would have to look -- I'd have to dig into the issue and -- and look at it.

Q. All right. Can we agree that if -- if, in fact, Dr. T was an owner that he had rights?

A. Yes.

Q. Okay. And so if he's knocking on the door presumably as an owner, we would have to deal with him at Charleston Laboratories, correct?

MS. CUNDARI: Object to the form.

A. I suppose you'd have to respond, yeah.

Q. Okay. So we'd have the issue of seeking to raise new money where we'd have to say something about him, correct?

MS. CUNDARI: Object to the form.

A. Not necessarily but you could.
Q. All right. We have the issue of dealing with him if and when he comes knocking at the door demanding records or information, correct?
MS. CUNDARI: Object to the form.
A. Or you could continue to ignore him.
Q. All right. And then we have the issue of what's the best time to deal with Dr. T in -- in relation to the value of the company --
MS. CUNDARI: Object to form.
BY MR. RICHTER:
Q. -- correct?
MS. CUNDARI: Object to form.
A. Those are -- you keep saying that, but what I'm telling you is that there's practical issues in a startup company with very little funds and, you know, very little bandwidth.
Q. Was this some of the uncertainty that flows when there's a question as to the legal status of the ownership of the Dr. T shares?
MS. CUNDARI: Object to the form.
A. Yeah. I mean, I -- I disagree with your characterization that there was a dispute about the ownership of those shares.

Q. You -- do you disagree with my characterization that there was uncertainty as to the legal status of the ownership of those shares?
A. I do disagree with that.
Q. You disagree with that?
A. Yeah.
Q. Okay. You think it was crystal clear who owned those shares and when?
A. I do.
MS. CUNDARI: Object.
BY MR. RICHTER:
Q. All right. Such that the filing of a declaratory judgment action was unnecessary?
MS. CUNDARI: Object to the form.
A. I don't know why they filed the declaratory judgment action then or ever, but, yeah.
Q. Have you ever filed one?
A. I'm not a litigator.
Q. So you would disagree with the advice to file the declaratory judgment action --
MS. CUNDARI: Object to the form.
BY MR. RICHTER:
Q. -- correct?
MS. CUNDARI: Object to form.

A. I think -- I mean, haven't we been down that -- I -- what I would do would be to talk to a litigator if the client said they wanted to do that.

Q. And just to put a pin in it, did your firm recommend the filing of a declaratory judgment action or not?

A. To my knowledge we did not.

(BADDOUR EXHIBIT 11, Statement for Services Rendered, May 21, 2008, with Attachments, was marked for identification.)

BY MR. RICHTER:

Q. I'm going to show you Exhibit Number 11. It's a -- a billing statement from May of 2008 that represents the April 2008 time. Did you draft the founder shareholders agreement?

A. No, I -- I commented on it and revised it.

Q. We'll look at some of the revisions. I -- in the end there were more than 150 changes made to the shareholders agreement, correct?

MS. CUNDARI: Object to the form.

A. I have no idea.

Q. You don't know that?

A. It wouldn't surprise me.
Q. Well, at some point in time does that not become the work product of Womble Carlyle?
MS. CUNDARI: Object to the form.
A. What do you mean by work product? I mean, we reviewed and revised the document and provided our comments on it.
Q. On behalf of your client?
A. Yes.
Q. Who signed it only after you all were satisfied with it?
A. And after he was satisfied with it.
Q. But you're doing the legal?
A. Yeah.
Q. Clients do the business deal terms, right?
A. We -- yeah.
Q. And -- and -- and you seek to put in the agreements whatever you think is necessary to protect the clients legally, right?
A. Correct.
Q. You -- you don't get involved in the wisdom or folly of whether something costs $5 or 5 million; your concern is, you know, how do -- how do you paper the deal properly, correct?

A. I said primary concern, but we absolutely provide, you know, advice to our clients about things that touch on legal issues that are business issues if asked.

Q. All right. Well, I know this shareholders agreement initiated with a fellow named Moroney, correct?

A. I don't know.

Q. All right. It came in from outside, though?

A. It came in from Landmark or whatever, yeah.

Q. All right. And -- and when it came in you all looked it over and made changes to it and recommended ultimately that the client execute it?

A. We rec- -- yeah, we rec- -- yeah, we did.

Q. And the client didn't do that until you all were satisfied that the document accomplished its intended purpose?

A. Right.

Q. And that the client would be adequately protected by the document?

A. Correct.

Q. All right. In preparing documents

like a shareholders agreement, is it your point of view or is it a point of view that the relationship will fail and when it fails, not if it fails, the document should be there to protect the client?

A. I don't understand that question.

Q. All right. Are these documents drafted with the point of view that events will transpire that may require that the rights under the document be executed?

MS. CUNDARI: Object to the form.

A. Again, I'm not sure what you're driving at. I don't -- we -- that is individuality. I think we all hope that -- that everything works well and that you're never needed to do -- you're never -- that you'll never be required to dig into the details of how these things work.

Q. No. But in the -- the -- if you bifurcate the roles, the client is the optimist; they're going to put a bunch of money and time and effort and sweat and love into this entity and it's going to go great, right? Isn't that a client's point of view --

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. -- more often than not?

A. I would hope.

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. Right. And the lawyer's point of view is, I'm going to build documents that are going to speak to what's going to happen when it fails --

MS. CUNDARI: Object to the form.

A. Yeah, I --

Q. -- or when there's a dispute?

MS. CUNDARI: Object to the form.

A. I don't know why you're saying when. I mean, I -- I don't know if there's a distinction between when and if, but, I mean --

Q. You contemplate --

A. That it could fail, yes.

Q. Yes. And in the document you anticipate failure?

MS. CUNDARI: Object to the form.

A. Again, I'm not quite sure what you're driving at. It's --

Q. The document --

A. -- intended to -- it's intended to -- to protect the client in the event that there's a

dispute or -- or not. I mean, it could be just a typical transaction that you have to look at the document to see what's going to happen.

Q. But the document contemplates disputes, correct?

MS. CUNDARI: Object to the form.

A. Yeah. I mean, I don't know that I agree with that characterization.

Q. You don't think so? You don't think the documents speak to dispute resolution, for example?

A. It -- it may --

MS. CUNDARI: Object to the form.

A. -- but that's not -- I mean --

Q. This is what's going to happen when Dr. -- when we decide Dr. T has to leave?

MS. CUNDARI: Objection.

BY MR. RICHTER:

Q. Does the document speak to that?

MS. CUNDARI: Object to the form.

A. But you're in- -- you're assuming or hypothesizing or saying that that would necessarily entail a dispute. I mean, there's --

Q. Well, put an if in there if it makes you more comfortable.

A. Yeah.
Q. Does the document speak to the eventuality if Dr. T leaves or we want him to leave?
MS. CUNDARI: Object to the form. I don't know what document we're talking about.
MR. RICHTER: The SHA.
A. The -- the SHA includes provisions that deal with Ray's departure, yes --
Q. All right.
A. -- or any founder's departure.
Q. Whether for cause or without cause?
A. Can I have the document to look at? Yes, I think that's accurate.
Q. We'll -- yeah. Why does the SHA not speak to the SRA?
A. Because they address two different subjects.
Q. Well, why wouldn't they cross-reference one another?
A. Because they address two different subjects.
Q. Do -- do they not both address the circumstance of Dr. T leaving and an attempt to

redeem his shares?

A. They both deal with ways that the company in different situations could repurchase a founder who leaves the company -- could repurchase the shares of a founder who leaves the company.

Q. The premise of both is that a founder is going to leave and the company is going to seek to repurchase, correct?

MS. CUNDARI: Object to the form.

A. I -- no, that's incorrect.

Q. That's not the premise?

A. No.

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. All right.

(BADDOUR EXHIBIT 12, E-mail Message from David Baddour to Paul Bosse, et al., 5/20/2008, Subject: Stock Restriction Agmt, with Attachment, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 12. This is an e-mail from you to Paul on May 20th, 2008, attaching a draft stock restriction agreement, correct?

A. Yes.
Q. Whose idea was it to have a stock restriction agreement?
A. I don't recall.
Q. Do you think it was the unsophisticated client's idea that we would have a stock restriction agreement?
MS. CUNDARI: Object to the form.
A. No, I think it probably was not.
Q. Do you have stock restriction agreements in every startup company that you advise?
A. No.
Q. If you look at the first page of the attachment, at the bottom left there's a Womble, Carlyle moniker down there. Do you see that?
A. Uh-huh.
Q. Does that indicate that this is a Womble, Carlyle form?
A. Yes.
Q. Did this start as a template, this stock restriction agreement, that was tailored to meet this specific need?
A. I would assume so.
Q. As opposed to something that was

originally drafted for this one client for this one use?

A. Right.

Q. All right. So at the time you send this stock restriction agreement, the draft, there's already also a -- a shareholders agreement that's being reviewed and edited, correct?

A. I don't recall. I -- that would not surprise me.

Q. All right. Well, if you look back at the billing statement from the April time, you've already billed time for --

A. Yeah. Okay.

Q. -- reviewing and modifying --

A. Again, it wouldn't surprise me.

Q. Okay. All right.

A. Yeah.

Q. All right. So the two documents are being prepared, edited in parallel --

A. Cor- --

Q. -- correct?

A. Yeah, that's right -- looks to be correct.

Q. All right. If we already had a stockholders agreement that was being reviewed,

edited, analyzed, why couldn't we simply include the provisions of the stock restriction agreement in the same document?

A. I suppose you could have.

Q. Okay. If the stock restriction agreement -- the idea of it follows the stockholders agreement, why wouldn't you have the stockholders agreement make reference to it?

A. Because they're dealing with two different subjects.

Q. Why wouldn't you have the two documents speak to which one controls under which separate set of circumstances?

A. They clearly do that.

Q. They clearly do that?

A. Yeah.

Q. Okay. All right. If you look at the stock restriction agreement, Section 1(b) is the right to repurchase shares, correct?

A. Looks like 1(b) actually -- I mean, I'm sorry, 1(a) gives the right to repurchase.

Q. Yeah. I'm sorry. And then 1(b) is that -- that right sunsetting as the shares vest?

A. Correct.

Q. All right. So on -- on day one of the

SRA, the day I execute it, the most shares I could ever redeem under the SRA would be 50 percent, correct, because 50 percent vests immediately?

A. Correct.

Q. Now, under the shareholders agreement, we'll take a look at that, do -- do you recall that the right there was to repurchase all of the shares?

A. Correct.

Q. All right. And the -- the circumstance that triggers the right under the SRA is Section 1(a), termination of Dr. T's employment for any reason, no reason, with or without cause, right?

A. Under this draft amend- -- yes.

Q. Yeah, under this draft.

A. Right.

Q. All right. So that -- that's the triggering event; we've parted company with Dr. T, at least his -- his employment, for any reason, no reason, with or without cause, correct?

A. Correct.

Q. And that creates in the company the right to repurchase shares under this stock restriction agreement?

A. Correct.
Q. Which as of day one of Dr. T's employment, the most we could redeem would be 50 percent?
A. Cor- -- under this draft, correct.
Q. Under this draft.
A. Yeah.
(BADDOUR EXHIBIT 13, E-mail Message from Paul Bosse to David Baddour, 5/21/2008, Subject: Shareholders, with Attachment, was marked for identification.)
BY MR. RICHTER:
Q. Let me show you Exhibit 13.
MR. RICHTER: That's actually 13. That was 14 to Dean's.
BY MR. RICHTER:
Q. All right. And this is a draft of the stockholders agreement, correct?
A. Yes, looks that way.
Q. And the stockholders agreement also speaks to the right to redeem founders' shares, correct?
A. Among other things.
Q. All right. And if you look at Section 2.2 that's on Page 5 of the stockholders

agreement, 2.2(a) defines the events that may occur that would trigger the right to repurchase shares under the SHA, correct?

A. It looks to be right, yeah.

Q. Yeah. And -- and one of those triggering events is 2.2(a)(1), which is terminating a founding stockholder who is an employee for any reason, correct?

A. This is the draft as it came to us?

Q. Yes.

A. It looks to be that that's what it says, yes.

Q. Okay. All right. And we'll -- and we'll see iterations of the document --

A. Okay.

Q. -- and the final document, but in -- in this draft --

A. It looks to be that -- right.

Q. Right. The triggering event would be --

A. A triggering event.

Q. A triggering event would be termination of employment of a founding stockholder for any reason, correct?

A. Correct.

Q. And under this document, under this draft there would be the right to repurchase all of the shares?

A. Correct. Under this draft the right is of the other founding shareholders, actually. Is that what you said?

Q. Of the other founding shareholders as --

A. They have to --

Q. -- opposed to --

A. As opposed to the company.

Q. As opposed to the company?

A. Yeah.

Q. Okay. All right. We'll see if that holds true on the final draft.

A. Yeah, I think it doesn't, but go ahead.

(BADDOUR EXHIBIT 14, E-mail Message from David Baddour to Paul Bosse, et al., 5/22/2008, Subject: Founder's Stockholders Agreement, with Attachment, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit 14, and this attaches Version 2 of the stockholder agreement or

the SHA, correct?

A. Yep, looks that way.

Q. All right. And -- and this one's been edited, and if you look at Bates Stamp Page 2479, it indicates in the report that there's been 150 total changes to the document, correct?

A. Yes.

Q. All right. And so did you -- did you participate -- did you have involvement in making those changes, those edits?

A. Yes.

Q. All right. And so you're tailoring this document that was initiated by an outside entity for -- for purposes of your client, correct?

A. Correct.

Q. With the -- with the point of view of protecting Charleston Laboratories in this document, correct?

A. Correct. And -- correct.

Q. So let's look at 2.2 in this document. Again, it begins at the bottom of Page 5, and one of those changes you made was to, as you pointed out, change the right of repurchase to the company as opposed to the founding stockholders --

A. Correct.
Q. -- correct? All right. But the triggering event, at least the first one remains the same, which is the termination of employment of a founding stockholder --
A. Yes.
Q. -- would create under this document the right to repurchase all of that stockholders interest?
A. Correct.
Q. Okay. Did Paul Bosse understand these documents?
MS. CUNDARI: Object to the form.
A. I assume so.
Q. Did -- did you explain these documents to Paul Bosse?
A. I don't recall. I assume so. As -- I assume I said things like, let -- do you want to go through it, do you have questions? I mean...
(BADDOUR EXHIBIT 15, E-mail String, May 27, 2008, Subject: SA, was marked for identification.)
BY MR. RICHTER:
Q. Well, let me show you Exhibit 15. This is an e-mail from the bottom to the top. You

recall Paul reaching out May 27, 2008, and asking to go over the SHA and the SRA so he can get a better understanding?

A. Uh-huh.

Q. All right. And do you recall doing this with him?

A. I don't, but I'm sure we did.

Q. If you did, would you have billed your time for it?

A. I would have -- I would have written down my time. Whether or not Dean billed it, I don't know as we sit here.

Q. So with regard to the billing statements, can you attest to their accuracy and completeness?

MS. CUNDARI: Object to form.

A. The way it works is I write my time down. It goes to the billing attorney. The billing attorney reviews it and the billing attorney can write the time down, can ask me to expand on things or whatever.

Q. Right. Well -- well, somewhere there's a prebill, I assume?

A. Yes.

Q. And the prebill would be a complete

capture of your time?

A. Yes.

Q. Whether the billing attorney decides to pass that time on to the client is up to the billing attorney?

A. Correct.

Q. All right. So a more accurate statement or reflection of your time would be on the prebill --

MS. CUNDARI: Object to form.

BY MR. RICHTER:

Q. -- is that fair?

MS. CUNDARI: Object to form.

A. There -- again, the billing attorney has the ability and discretion to write the time down.

Q. Do you enter all your time?

A. Yes.

Q. Do you exercise any discretion and say, I'm just not going to write this down because I just don't think we should bill it?

A. Not as a -- no.

Q. Okay. Did -- did Dean Rutley have any material input on the SHA and the SRA?

A. I don't recall.

Q. With regard to the edits that were done, the 150 changes we just looked at, were those your changes?

A. It looks like it from the e-mail.

Q. Okay. Can -- can you recall any change or addition that Dean asked that you put in these documents?

A. I don't recall.

MS. CUNDARI: Is now an okay time to take a break?

MR. RICHTER: Sure.

THE VIDEOGRAPHER: Off record at 10:44 a.m.

(Whereupon, there was a recess in the proceedings from 10:44 a.m. to 10:57 a.m.)

THE VIDEOGRAPHER: On record at 10:57 a.m.

BY MR. RICHTER:

Q. Mr. Baddour, do clients have the right to rely on the advice of their counsel?

A. Sure.

Q. I'm sure in your career you've had clients who've acted first and sought advice second?

A. I'm sure I have.

Q. All right. Was that your experience with Charleston Labs?

A. I can't think of specific examples of one -- that one way or the other, really.

Q. Well, wasn't -- wasn't it more their pattern that they would ask before they would act?

MS. CUNDARI: Object to the form.

A. I -- I -- like I say, I don't recall really one way or the other.

Q. Let me give you this as an example and see if it refreshes your memory.

(BADDOUR EXHIBIT 16, E-mail Message from Paul Bosse to David Baddour, et al., 5/29/2008, Subject: Shareholders Agreements & Vesting Schedule, was marked for identification.)

BY MR. RICHTER:

Q. This is Exhibit 16. Do you remember Paul sending you an e-mail on May 29, 2008, where he's intending to send the SA -- shareholders agreement and the stock restriction agreement to the other founders and he's predrafted an e-mail that he wants you to see before he sends anything for the other shareholders to look at, correct?

A. I don't remember that, but it

certainly looks like that's what happened.

Q. All right. And so he -- he wants you to look at what he proposes to say to the other shareholders and kind of get your blessing first, right?

A. I mean, he says that he's going to send the e-mail. Is he -- I --

Q. Well, he also says, please feel free to add or delete anything --

A. Right.

Q. -- from the e-mail below, correct?

A. Yep, he does.

Q. All right. And that's -- you would interpret that as him wanting to know from you that it's okay to send, right?

A. Yes.

Q. Okay. And -- and that's -- that's a good client, right, I'm going to -- I'm going to ask before I act? Yes?

A. Is that a question? I mean --

Q. Yeah.

A. Yeah.

Q. Yes.

A. I don't know that that has much bearing on whether that's a good client, but...

Q. Well, you would prefer a client ask before they act?

A. Sure. Yeah.

(BADDOUR EXHIBIT 17, E-mail Message from Paul Bosse to Ray Takigiku, et al., 5/29/2008, Subject: Shareholders Agreements and Stock Agreement, was marked for identification.)

BY MR. RICHTER:

Q. And I'll show you Exhibit 17. Paul goes on then to send the very same communication to the other founders with the attached documents, correct?

MS. CUNDARI: Object to the form.

A. I mean, it looks like there's a -- some differences in the e-mail, but -- I mean, he omits this paragraph, right, about -- from Bernie. I -- do you want me to go through and compare them or -- or have you done that?

Q. Well, if you see something that's materially different, then --

A. Yeah. He dropped this whole paragraph to Bernie it looks like.

Q. Well, was that a paragraph intended for Bernie or do you -- there was going to be a

separate e-mail to Bernie with that explanation? See, he's got three stars on it?

A. Yes. But, I mean, poss- -- yeah, I guess possibly he -- he just sent that paragraph -- you're saying he just sent that paragraph to Bernie? I don't know.

Q. Did you make any recommendations to --

A. I don't recall.

Q. -- any changes, additions, deletions?

A. I don't recall.

(BADDOUR EXHIBIT 18, Stock Restriction Agreement, May 30, 2008, was marked for identification.)

(BADDOUR EXHIBIT 19, Charleston Laboratories, Inc., Stockholders Agreement, May 30, 2008, was marked for identification.)

BY MR. RICHTER:

Q. I'm going to show you Exhibits 18 and 19.

A. You gave me -- did I give you two of those?

Q. Okay. Would you please hand one --

MS. CUNDARI: Give me that one.

BY MR. RICHTER:

Q. Thanks. All right. Are these executed copies of the stock restriction agreement and shareholder agreement for Dr. T?

A. It looks like Paul didn't sign this stock restriction agreement but Dr. T did. It looks like everybody signed. If you want me to flip the pages, I will.

Q. Well, are they signed by Dr. T?

A. Oh, yeah. Yes.

Q. All right. And as -- as finally drafted as it relates to Dr. T, this stock restriction agreement contains the same termination repurchase language that we've already looked at, correct?

MS. CUNDARI: Object to the form.

A. Which document are we talking about?

Q. The stock restriction agreement as -- as finalized provides a mechanism for the repurchase of shares from Dr. T, correct?

A. Correct.

Q. And the triggering event is the separation of his employment for cause?

A. Or if he resigns or otherwise voluntarily terminates his employment.

Q. Okay. And what we can repurchase

depends on a vesting schedule that's attached as the last page of the document, correct?

A. That's correct.

Q. And -- and he had 210 shares issued to him, and on day one of this agreement the most we ever could have bought back under this document was 105, correct?

A. That's right.

Q. And then on the -- the stockholders agreement, Section 2.2 which is on Page 5 provides the right to repurchase Dr. T's shares upon the termination of his employment for any reason, correct?

A. Among other things, yes.

Q. All right. And that would be a right to repurchase all of the shares?

A. Correct.

Q. If you look at Page 6, the agreement price for Dr. T's shares is going to be fair value as of the time we exercise the right, correct?

A. Under the shareholder agreement, right.

Q. And fair value at the time of the issuance of these documents was .001 par value, correct?

MS. CUNDARI: Object to the form.
A. No.
Q. No? What --
A. We -- we did not to my knowledge do a valuation analysis of any of the share --
Q. And would a -- would a valuation analysis be necessary to determine fair value?
A. No, not at that point of the life of the company.
Q. All right. So do -- do you believe that the fair value as of May 30, 2008, was something other than .001 per share?
A. I -- I don't know what the fair value was. It was de minimus. I have -- it has no relation to the par value.
Q. Do you know what the fair value was at the time of the redemption of Dr. T shares?
A. You could refresh my memory, but I think it was a fraction of a penny a share.
Q. Was a fair value analysis done?
A. By the board of directors.
Q. How is that done?
A. You'd have to ask the board of directors. I mean, the document requires the -- the stockholders agreement gives the -- well, we

could look at it, right?

Q. Yeah. Let's take a look. Page 6.

A. So the board of directors are required to use -- is good faith, reasonable business judgment to determine fair value.

Q. And the company shall notify the founding stockholder 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, correct?

A. That's what the document says.

Q. Right. Then it creates the right or the option for the founding stockholder to object to the fair value analysis, correct?

A. The terminating founding stockholder.

Q. But given that this is a startup company, inexperienced, unsophisticated in these matters, how was the board to conduct a fair value analysis? What -- what did you tell them?

A. I don't recall. I imagine if I were asked now I would tell them to look at their debt, to look at their prospects, to look at any number of factors.

Q. Would -- would it involve any analysis by an accountant?

A. Not necessarily.
Q. Would you expect they would consult with a company accountant?
A. If the com- -- if they thought the company's accountant had something to add.
Q. Did you advise Charleston Laboratories on how to do a fair value analysis?
A. I don't recall.
Q. Do you recall the issue ever coming up?
A. Yeah. We -- I mean --
Q. When -- and in what context did fair value analysis come up with Charleston Laboratories?
A. I think that it came up, I believe, later than all this when they entered into a stock option plan and I think they had to go out -- I think they had to go out and get a third-party valuation.
Q. All right. And why they did have to go out and get a third-party valuation?
A. It's been a long time since I have looked at this, but I believe it's a tax law or it might be a securities law that requires that in order to get into a safe harbor to make sure

you're not issuing options that are already in the mon- -- what we call in the money, that are already worth something.

Q. If you look at Par- -- Page 11 of the stockholders agreement, Paragraph 5.9 is an integration clause.

A. Okay.

Q. Is it a true statement that this agreement embodies the entire agreement and understanding of the parties hereof in respect of the actions and transactions contem- -- contemplated by this agreement?

A. That is a true statement.

Q. All right. And the stock restriction agreement does not address the same subject matter?

MS. CUNDARI: Object to the form.

A. That's correct.

Q. All right. What -- what subject matter does the stock restriction agreement address?

A. It addresses the repurchase of a portion of the shares for a nominal -- nominal price.

Q. Upon what event?

A. Upon the holder of the restricted shares leaving the company.

Q. For any reason or no reason?

A. Or if they resign.

Q. Okay. And -- and the stock re- -- stockholders agreement addresses at least in part the right of the company to repurchase shares upon the departure from employment of a founding stockholder?

A. At fair market value.

Q. At fair value. So those are two totally different subject matters?

A. Those are two different subject matters, yes.

Q. Okay. And so there would be no need to cross-reference them?

A. Correct.

Q. Did you consider in the integration clause that the language that says, this agreement supersedes all prior written or oral understandings between and among the parties hereto related to the subject matter hereof, would not speak to the SRA because it was a contemporaneous agreement as opposed to a prior agreement?

A. I don't recall. I would argue that they're about different -- to -- to reiterate what I said a minute ago, my belief is that they are different subject matters.

Q. In the SRA there's an integration clause on Page 3, Paragraph 5. It says in part, this agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and this agreement supercedes and renders null and void any and all other prior oral or written agreements, understandings, or commit -- or commitments pertaining to the subject matter hereof.

Did you believe at the time of the drafting of this language that it would not speak to the SHA because it was a contemporaneous as opposed to prior agreement?

A. I don't recall. I -- I believe that they are addressing different subject matters.

Q. And the difference in the subject matter is the price at which you can redeem the stock?

A. And the purpose of the documents.

Q. So what -- what is the difference in the purpose of the documents?

A. The stock restriction agreement is intended to give equity to early employees, in this case they called them founders, and to do it in a way that -- that satisfies the business objective of the client, which is to have that equity vest over time. It's --

Q. You --

A. -- very similar in substance to a stock option, but it's simpler to do at the early stage, simpler to put in place, less legal work, and there's also tax advantages to doing it -- to -- to -- to doing it the way we did it.

Q. Could the SHA have had a vesting schedule?

A. You just don't typically see that. Yeah, it could have, but you don't typically see that. They're addressing two different subjects.

Q. Could the SHA have had an option?

A. I don't think so. I've never seen that. There may even be a tax requirement that you have to file a portion of the stock restriction agreement so there's a very -- there's a reason why you do it in a separate document, I believe.

Q. So is it your testimony that your

standard practice would be to document this in separate -- separate instruments, a stockholders agreement and a stock restriction agreement?

MS. CUNDARI: Object to form.

A. That's how we would typically do it. That's how startup company lawyers would typically do it.

Q. And you would typically not have those documents cross reference one another?

A. There would be no need to because they're about different subjects.

Q. And you would type -- typically have each of those documents contain an integration clause saying that it's the only document on the subject matter?

A. Because they're about different subjects, yes.

Q. And you -- you've done the same arrangement, a shareholders agreement and a stock restriction agreement, for other clients?

A. I -- I feel confident that I have. I can't remember a specific example, but it's a very -- these are very common startup company documents, yes.

Q. Well, the stock restriction agreement

was a template that lived at Womble, Carlyle somewhere, correct?

A. Yeah, I believe so.

Q. Do -- do you maintain -- is there a schedule of forms here for a corporate startup?

A. It's not that formalized, but there's definitely -- we have access to -- to templates and documents that have been used in the past.

Q. Well, is there a recommended menu for, you know, I need these forms for this type of startup entity?

A. No. It's all depending on the specific client and deal.

Q. Why -- why didn't you use the Womble template for the stockholder agreement as opposed to modifying the one provided by Landmark?

A. My recollection is that Paul either asked us to use it or that maybe he had already shared the template with his guys and so they were famil- -- I don't know. I probably would have recommended and I probably did recommend to him that we use our form.

Q. All right. So not -- not being client specific, there is a form that lives here, though, that's a stockholders agreement and a stock

restriction agreement?

A. Yeah. I might have misspoke. I mean, there are documents that I would have access to that I'm fam- -- that I'm familiar with but that we have used for other clients that I could have and would have preferred to go to instead of using a document I had never seen before.

Q. So for -- for the template SRA, do you believe that was client specific or more of a -- a generalized template?

A. I don't know. It wouldn't surprise me if it was more of a generalized template for that -- for that document.

Q. If it -- if it was client specific, I'm assuming it wouldn't be difficult to redact out the -- the references to the client if I wanted to see the template?

A. Are you ask- -- are you asking a hypothetical or -- I don't --

Q. Yes.

A. Yeah.

Q. I'm asking if I sent a request for production to say, show me the template, if it was client specific --

A. Yeah.

Q. -- it would not be a difficult task to redact out the client reference?

MS. CUNDARI: Object to the form.

A. I don't think it'd be difficult to redact. No, I guess not.

(BADDOUR EXHIBIT 20, Statement for Services Rendered, June 19, 2008, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit 20. That's the billing statement for June of 2008 reflecting the May time, correct?

A. Okay.

Q. Does this accurately capture your time or would you tell me the same thing, that the prebill would be a more accurate statement of what you did in relation to these tasks?

A. The latter.

Q. The last entry is, revise and resend founder's shareholder agreement pre minor comments from founder. Do you -- do you know what that refers to?

A. I think she said, per minor comments from founder. I believe -- I don't.

Q. Okay.

A. I believe we changed the choice of law provision. I think one of the -- someone noticed that it was different --

Q. Okay.

A. -- but I don't recall if that was the only change that -- that they, the founders, had.

Q. Do you recall a -- a lawyer named Charles Kaufmann acting on behalf of Bernie Schachtel had some questions about the way these documents operate? Do you recall that?

A. I -- yes. I looked at that in preparation for this deposition.

Q. All right. I know he addressed the questions to Dean, but you were copied on that e-mail thread. And I'll show it to you, but do you recall generally that conversation with Bernie Schachtel's counsel?

A. I looked at it in preparation. I couldn't tell you what it was about without looking at it now.

Q. Do you recall whether you and Dean had any conversations at that time about the concerns that were being raised by Charles Kaufmann?

A. I don't recall.

Q. Okay.

(BADDOUR EXHIBIT 21, E-mail String, June 14, 2008, through June 18, 2008, Subject: Bernie Schachtel, was marked for identification.)

BY MR. RICHTER:

Q. All right. Let me show you Exhibit Number 21. Is this the e-mail exchange that you would have had a chance to review before the deposition where Dean is responding to issues raised by Charles Kaufmann? It starts on Page 2 at the bottom and then carries over to Page 3.

A. Yeah, I believe we did look at this. I did look at this.

Q. Again, as I understand it, you know, in -- in color the bold would be red, but the bold language is Dean responding to issues raised by Charles.

A. Okay.

Q. Okay? And then you're -- I guess you're copied ultimately on this thread on Page 1 and it looks like it carries the rest of this con- -- no, you're there on -- on Page 2 as well.

A. Yeah. I see it.

Q. So when Dean responds to Charles, he does copy you on this, correct?

A. Right.
Q. And -- and Dean is explaining to Charles how these documents are intended to work, correct?
MS. CUNDARI: Object to the form.
A. Dean is responding to questions that Charles asked him.
Q. Okay. And Dean says at the top of the -- the last page in part, thus, termination of the employment relationship for, all caps, any reason would result in the employee keeping, all caps, all shares that are vested and just a stoppage of any further vesting.
Do you see that?
A. We can discuss this further with you. Yes.
Q. Okay. Was that your understanding of how the documents worked?
A. Under the re- -- that's my understanding of the way the restricted stock agreement worked.
Q. Do you understand that that's what Charles was asking, I just want to know about the stock restriction agreement, I don't care about stockholders agreement?

MS. CUNDARI: Object to the form.

A. I don't have -- I mean, I can just tell you what it says. He -- he says as a part of that question, related to the 83(b) election, and that 83(b) election relates to the restrictive stock agreement.

Q. All right. Well, you didn't -- you didn't chime in on this e-mail thread, did you?

A. I don't think so.

Q. All right. Did anyone -- strike that.

You didn't respond separately to say, in all candor, the -- the rights and the results are different under the SHA?

A. It looked like they were talking about the stock restriction agreement. Based on my reading of the e-mail right now as I sit here, I don't recall having a thought one way or the other.

Q. So tell me about the 83(b) election. What does that mean?

A. It's an election you make with the IRS to include an income in your -- your taxable income -- I'm sorry. It's an election that each founder would have made to include in their individual income tax the fair value of all of the

stock that they were granted irrespective of the fact that they actually only for constructive ownership purposes owned the vested piece. So that -- that -- you're telling the IRS -- the typical rule if you didn't do an 83(b) election is that each year as the restricted stock vests and it becomes owned free and clear, you'd have to include in your income in that year the portion that was no longer restricted. So the 83(b) election says, no, I want to take it all into income today and it's a tax benefit for the founders in a startup company setting because normally at the time the restricted stock is granted it is worth very little. So they'd rather go ahead and take it in the income and not have to worry about if there's a big increase in value, taking into account a bunch of equity that is not liquid, right, they'd have to come out of pocket to pay additional taxes in the future. So that's what an 83(b) election is.

Q. Okay. Dean says in part, Charles, under our reading it is clear that only unvested shares can be repurchased. Is that right?

A. Under the stock restriction agreement.

Q. Under the stock restriction agreement.

The -- that answer would be different under the shareholders agreement, right?

A. Correct.

Q. At some point in time there was a -- there was a forward split 2,000 to one for the existing shares in Charleston Labs, right?

A. Yes.

Q. Were you a part of the discussions that led to the split?

A. I don't recall, but I -- I feel confident I was.

(BADDOUR EXHIBIT 22, Charleston Laboratories, Inc., Stock Certificate, September 25, 2008, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit Number 22. Do you know why Charleston Laboratories decided to do their forward split?

A. Not as we sit here today.

Q. Would it be a mechanism for raising capital?

A. I mean, it's really not directly relevant to that, but sometimes, yes, I think they feel better about going out with something that

looks like a more typical, more mature company as opposed to a brand-new company with just what -- whatever it was, 3,000 shares.

Q. All right. So in -- in any event, Dr. T's 210 shares were canceled and replaced by 420,000 shares, correct?

A. Yes.

Q. And that's what that stock certificate indicates, correct?

A. Correct.

Q. So Dr. T's ownership in Charleston Labs as of September 25th, 2008, was 420,000 shares, correct?

A. As of what date?

Q. As of September 25th, 2008.

A. Subject to the vesting schedule.

Q. Subject to the vesting schedule.

A. Right.

Q. Okay. And the -- the par value would be just reduced mathematically, right? Is that --

A. That's my understanding, right.

Q. I can't remember the number of zeros, but it's --

A. Right.

Q. -- .00005 or something like that,

right?

A. Agreed.

Q. Okay. Was there a fair value analysis done in September 2008 to your knowledge?

A. That's when we did the forward split?

Q. Yes.

A. There were -- no, there would have been no need -- no reason to, I mean, related to the split.

(BADDOUR EXHIBIT 23, Memorandum to Dr. David Drenning from PB, September 20, 2008, Subject: Re: Charleston Laboratories Series A Preferred Closing on September 26th, 2008, was marked for identification.)

BY MR. RICHTER:

Q. I'll show you Exhibit -- Exhibit Number 23. Do you recall a Series A being offered in September of 2008 from Charleston Laboratories?

A. I recall the Series A.

Q. All right. Did -- did you participate or assist Charleston Laboratories in making this Series A offer?

A. I did, yeah.

Q. And would it be important in a Series

A offering that the disclosures are made accurately?

A. Of course.

Q. So what -- what's the role of counsel and client in this setting? What -- what is it that you do and what do you expect of the client in a Series A?

A. Well, I'm not quite sure I understand what you're asking. We -- we do the legal work.

Q. Yeah. I'm not exactly sure where that line is drawn. I'm not trying to be cagey with you.

A. Yeah.

Q. I don't know. I've never done a Series A offering so --

A. Right.

Q. -- what is it that you're asking the client to prepare for your -- or gather for you so that you can do what you have to do?

A. The client has primary ownership over the disclosure schedule.

Q. Okay.

A. I mean, they are the ones who know what to put on the schedule of exceptions. What we would typically do is say, here's a Series A

purchase agreement. It's got these representations. You -- you need to look at them and read them very carefully and read them and go through line by line and decide are these 100 percent true, and if they're not, that's when we have to put something on the schedule of exceptions.

Q. All right.

A. And so the client is in charge of the schedule of exceptions.

Q. Okay. And so -- and so what is the risk -- what's the exposure if they're not 100 percent correct or accurate?

A. It depends on the -- the -- the nature of the misstatement. If it's immaterial, then there's, you know, virtually no risk. If -- if it's a material misstatement, then obviously you could be subject to everything up to a rescission offering.

Q. Do you recall the circumstances that led to Charleston Laboratories wanting to part company with Dr. T? Just factually do you know what was going on?

A. My recollection is that Paul was saying that he was not doing his job and he was

making these other allegations about his involvement with other companies and securities fraud and -- you know, I didn't really get into it. This was an at-will employee. He had the ability to fire him for any reason, for no reason. To my knowledge he was an at-will employee.

Q. Well, would cause matter? If we're going to terminate Dr. T under the SRA or SHA, would it matter if we're going to exercise our rights for cause?

A. I'll have to look. In order to proceed under the stock restriction agreement, if we terminated him it needed to be for cause.

Q. Okay.

A. Okay.

Q. And is cause defined in that agreement?

A. Yes, it is.

Q. And -- and how is it defined?

A. It's -- cause -- it says, 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.

Q. Was there ever an employment agreement?

A. To my knowledge there was not.

Q. All right. And if you look at the second whereas clause on the stock restriction agreement, it indicates that as partial consideration for the entry into an employment agreement, we are entering into this stock restriction agreement, correct?

A. Yeah, an -- an agreement of employment. I mean, it doesn't say written employment agreement.

Q. Okay.

(BADDOUR EXHIBIT 24, E-mail Message from David Baddour to Dean Rutley, 3/16/2010, Subject: Founder Restricted Stock Agmt (Takigiku), was marked for identification.)

BY MR. RICHTER:

Q. All right. Let me show you Exhibit 24. This is an e-mail from you to Dean. You had spoken to Paul for an hour, correct?

A. Looks like it.

Q. They --

A. About an hour, yeah.

Q. They need to get rid of Dr. T, but they want to take all of his stock back, vested and unvested, correct?

A. Correct.

Q. And in that conversation I'm assuming that's when you would have learned the facts and circumstances that caused them to want to part company with Dr. T, right?

A. I don't recall.

Q. All right. They were describing cause, were they not, acts of disloyalty, nonperformance?

A. Yes, I think that's right.

Q. Okay. So if we wanted to go on a cause basis, the client had described cause to you, correct?

A. Yeah. I mean -- yeah, I guess. I don't recall, you know, the specifics of that conversation and whether he was asking, do we have cause or not? I mean --

Q. Okay.

A. -- he was describing why he wanted to get rid of an employee and that's what we were talking about.

Q. All right. But the directive from the

client is clear; they want to get rid of Dr. T and they want all of his stock back whether it's vested or not, correct?

A. I agree. Yeah, I agree.

Q. All right.

(BADDOUR EXHIBIT 25, Charleston Laboratories, Inc., Minutes of Meeting of Board of Directors, March 16, 2010, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit 25. Did you assist Charleston Labs in preparing this resolution -- or, I'm sorry, these minutes?

A. No.

Q. All right. And you understand from these minutes that at a meeting of the board of directors of Charleston Laboratories, it was determined that the employment of Dr. T would be terminated?

A. I'm sorry. What was your question?

Q. Yeah. You -- you under- -- do you understand that by this action the -- the board resolved to terminate Dr. T?

A. Yes.

Q. And to do so for cause?

A. Yes.
Q. At least that's the resolution of the board --
A. Correct.
Q. -- right?
A. Right.
Q. Had -- had you been prepared a copy of that after the action was taken by the board?
A. I -- I don't recall.
Q. Okay.
A. Yeah.
Q. All right. Now somebody has to actually do it, right? Somebody has to actually call Dr. T in and tell him it's time to leave.
A. Okay. Yeah.
Q. Makes sense, right?
A. Right.
(BADDOUR EXHIBIT 26, E-mail String, March 17, 2010, Subject: Termination Letter, was marked for identification.)
BY MR. RICHTER:
Q. And let me show you Exhibit Number 26, the e-mail starting at the bottom. And Paul -- does Paul seek your help, your advice on how to actually fire Dr. T?

A. Yes.

Q. All right. And he indicates, never had to fire anybody before.

A. Right. I mean, I don't know that he asked what words do I say or anything like that, but he asked -- I mean, he was asking for a -- a document that would accomplish, yeah, the firing of Dr. T.

Q. All right. And he wanted you to help wordsmith the document?

A. Correct.

Q. And then you asked Dean is it okay to do that and what was Dean's response?

A. I assume he said yes.

Q. Okay.

(BADDOUR EXHIBIT 27, E-mail String, March 17, 2010, Subject: Termination Letter, was marked for identification.)

BY MR. RICHTER:

Q. I show you -- I'm sorry -- Exhibit 27. Just the e-mail at the top, looks like it's jumping on the same thread, would you like me to do this, and Dean says, okay. You'll pull a form from the labor/employment guys.

A. Right.

Q. And did you do that? Did you use a form from labor and employment to build a letter to assist Paul in terminating Dr. T?

A. No.

Q. No?

A. I -- I think I used a form from our labor employment guys to prepare a draft settlement agreement.

Q. Okay. Why -- why a settlement agreement?

A. Because our advice if you look was to -- to -- to negotiate with him, to sit down and to -- to settle it.

Q. All right. What -- what were the terms that were going to be negotiated?

A. Well, in addition to the equity ownership there was talk of a severance payment -- a conditional severance payment. There was mutual nondisparagement provisions. There was releases. There was everything you would see in a -- in a settlement.

Q. Okay. Was Dr. T subject to a covenant not to compete?

A. I don't recall. I don't think so, though.

Q. He didn't have an employment agreement, right? He just had --

A. Yeah, but he had -- I think he had an inventions assignment agreement --

Q. Okay.

A. -- an intellectual property assignment agreement --

Q. Right.

A. -- and sometimes they could be in there. I -- he -- they had -- the client had in- -- intellectual property counsel that --

Q. Right.

A. -- was separate from us.

Q. Okay. Did you review any of those agreements to see if there was a provision that would restrict Dr. T?

A. I think I was given a copy of the IP assignment agreement, but I don't recall. I mean, the executed version of it.

Q. Okay. Well, if you're going to negotiate the terms of the separation, I'm assuming that he would want to know if he's subject to any restrictions.

A. Yeah. And I -- yeah.

Q. Right. So if you saw it, I'm assuming

you would have billed your time for that --
MS. CUNDARI: Object to the form.
BY MR. RICHTER:
Q. -- for having reviewing any IP agreements?
MS. CUNDARI: Object to the form.
A. I assume I would have, too.
Q. Okay.
(BADDOUR EXHIBIT 28, E-mail String, March 15, 2010, through March 17, 2010, Subject: Ray Termination, with Attachment, was marked for identification.)
BY MR. RICHTER:
Q. Let me show you Exhibit 28. So this is a lengthy thread.
A. To -- to be clear --
Q. Yeah.
A. -- you know, the fact that I don't mention specifically reviewing an IP inventions assignment agreement in a billing statement doesn't mean I didn't review it. I mean, if I had said in the billing statement, you know, work on separation agreement with Paul, that could certainly cover looking at a document that Paul sent me related to it.

Q. I don't -- I don't know if that agreement's in the file or not. If -- if you looked at it, it would be in the file, wouldn't it?

A. What do you mean when you say the file?

Q. I mean, that we brought an action. We asked that Womble produce its file in the Charleston Laboratories matter.

A. Uh-huh.

Q. I'm assuming if you had acquired a document from outside for your review that it would be in that file somewhere.

A. I -- I assume that as well.

Q. Okay. So -- and, again, with regard to your prebill --

A. Uh-huh.

Q. -- is -- is it your practice to write down your time as you're engaged in your work or is it at the end of the day? How do you do it?

A. It varied over time based on the -- the tools that the firm, you know, made available. And I don't recall what tools we had at this point, but it would normally be that I would either keep a ledger and then at the end of the

day or at the end of the week or at the end of the month sometimes, you know, go back and -- and enter in what I had manually written down, and then later we gain -- we adopted a timekeep- -- keeping system where you have timers and you can literally press buttons and start timers to keep track of your time, and then it was more contemporaneous, I think, that I would try to jot down what I did.

Q. All right. But if we're talking about an outside document, there would be some effort or some communication to obtain it and then some time to review it, correct?

MS. CUNDARI: Object to the form.

A. Not necessarily. I mean, I don't know. I don't know. I --

Q. Do you think you looked at that document or not?

A. I remem- -- I don't -- I don't recall. I remember something about that document and if it was sent to us, I'm sure I looked at it quickly. And it may have been just to confirm that all it did was assign the IP and there was nothing really relevant for purposes of this termination.

Q. All right. Well, this Exhibit 28 is a

very lengthy e-mail thread. My -- my interest is only in this last e-mail. It's at the top of the first page. You can look at as much of it as -- as you want to for context, but I'm -- I'm interested in this exchange between you and Paul on March 17, 2010, where he's sending you a proposed termination letter and a proposed release, correct, or is that a tagalong from something you sent to him?

A. Is that a what?

Q. Is that a tagalong subject line from something you sent to him?

A. That's a good question. It looks like he sent them to me because the previous e-mail, the subject line is -- well, there's no attachment --

Q. Yeah.

A. -- and the subject line is actually different.

Q. Yeah. There's a lot of jumping onto old threads in these e-mail communications. Not that there's anything wrong with that --

A. No. No.

Q. -- but it's just the way they're -- just the way it happened.

A. Sorry. Did you have a question?
Q. Yeah. So it appears that you're being asked to look at a termination letter and a release, correct?
A. Agreed.
Q. All right. And in the second paragraph, I need your help on the severance section as it relates to the stock. Is it the 210 shares, question mark, correct? And other sections as you see fit, right?
A. That's what he says, yes.
Q. All right. So -- so the client's asking you to weigh in on the stock and other sections as you see fit, right?
A. Correct.
Q. I mean -- and obviously, it's not 210 shares. It hadn't been 210 shares since September of 2008, correct?
A. Right.
Q. But I -- I assume that you would assume that he's referring to the 420?
A. I would have assumed that, yes.
Q. Okay.
(BADDOUR EXHIBIT 29, E-mail Message from David Baddour to Paul Bosse, et al.,

3/22/2010, Subject: Takigiku Paperwork, with Attachments, was marked for identification.)

BY MR. RICHTER:

Q. All right. So let me show you 29. It looks likes in 29 on March 22nd, 2010, you're sending to Paul a redemption release agreement, a board consent, and a stock power, correct?

A. That appears to be correct, yes.

Q. And in the body of the e-mail you say, the following should be returned to Mr. T or Dr. T. Number 2 is a check for 420,000 -- $420, right?

A. Correct.

Q. And what represents $420?

A. Based on the resolution, it's the purchase price for the redeemed shares -- for the shares being redeemed.

Q. Well, when -- when did the shares go up in value to $420?

A. This is pursuant to the settlement agreement.

Q. So we were going to offer him $420?

A. I -- it looks like it.

Q. Is that supposed to represent fair

val- -- value or is that supposed to represent par?

A. I don't recall.

Q. Well, didn't the par change to .00005 when we went to 420,000?

A. It did.

Q. And so the check would be $2.10?

A. Which is ultimately what we paid.

Q. All right.

A. But that was based on fair market value, not par value.

Q. What was based on fair market value?

A. The $2.10 that was ultimately tendered.

Q. That was based on fair market value?

A. That's correct.

Q. Based on what analysis?

A. Based on the board of directors.

Q. So what's $420 represent?

A. The redemption price for the stock. I don't know how we came up with that number. I don't remember. I...

Q. Well, if you look at the first page of the redemption and settlement agreement, it says there's 420,000 at a par value of .001, right?

A. So maybe that's how we came up with it.

Q. And that would give you $420.

A. Okay.

Q. But the par wasn't .001, was it?

A. No, it was .00005. This was a draft. No. This was right. This was final. This was final.

Q. All right. And it indicates in Paragraph B of the redemption and settlement agreement that the termination was for cause, correct?

A. Yes.

Q. And -- and, again, does that matter?

A. To what end?

Q. Well, it matters in the sense that under the SRA it must be for cause?

A. Or he quit.

Q. But this -- this says we're asking him to stipulate by signing this agreement that the termination was for cause.

A. Right. But I'm not -- I'm not -- I would not concede that that for cause is -- is relating back to the stock restriction agreement.

Q. Well, why are we asking him to

stipulate for cause if it doesn't matter?

A. Well, there could be many reasons. I mean, Paul wants it in the record that this guy -- in fact, I -- that was probably the reason. I don't remember, but Paul wanted it in the record that he felt like he was treated wrongly.

Q. So it's your testimony the for cause doesn't refer back to the for cause language of the SRA?

A. That's not why -- that's not -- that's not the -- the mechanism by which we were repurchasing those shares in this redemption agreement. There --

Q. All right. Well, where -- where does it say in this redemption agreement by virtue of what document we're making a repurchase?

A. It doesn't. It doesn't need to. It's -- it's a settlement -- it's -- it's an agreement. It's a contract.

Q. Well, why -- why wouldn't it say pursuant to the SHA?

A. Because it wasn't pursuant to the SHA.

Q. Why wouldn't it say pursuant to the SRA?

A. Because we did -- under the settlement

we were trying to repurchase the agreement pursuant to a settlement, not pursuant to either of those documents.

Q. Okay. Were you -- were you able to accomplish that?

A. No.

Q. In Paragraph A of the recitals it says the stockholder is a party to that certain stock restriction agreement right after it mentions the par value of .001 and right before it mentions for cause, right?

A. I see that, yeah.

Q. So was this settlement agreement an attempt to repurchase under the SRA?

A. No.

Q. Then why would you mention the SRA and not the SHA?

A. I don't recall.

Q. On Paragraph -- Paragraph 2, Section 2, Page 2 of the agreement it says that the purchase price is .001, but it doesn't say that that's either par or fair value, correct?

A. Correct.

Q. Why -- why wouldn't it say one or the other?

A. Because it didn't need to.
Q. All right. Dr. -- Dr. T didn't accept this settlement, right?
A. That's right.
(BADDOUR EXHIBIT 30, Letter to Ray Takigiku, Ph.D., from Paul Bosse, March 26, 2010, was marked for identification.)
BY MR. RICHTER:
Q. I show you Exhibit 30. This is a termination letter dated March 26th, 2- -- 2010, correct?
A. Yes.
Q. Did you assist in the preparation of the termination letter?
A. My recollection is that I provided comments on it.
Q. All right. So, again, before the client issued it, the client asked you to comment on it, correct?
A. Best of my recollection.
Q. And what, if any, changes did you make to the proposed letter?
A. I don't recall.
Q. All right. It says, enclosed please find a check in the amount of $2.10 which the

company hereby tenders as payment in full for your equity, correct?

A. Yes.

Q. The -- is there any reference here to SHA?

A. No.

Q. Is there any reference here to SRA?

A. No.

Q. Is there any reference here to fair value?

A. No.

Q. Is there any indication here that the board believed this to represent the fair value of the shares such that you have the right to object pursuant to the stockholders agreement?

A. My recollection is that I told Paul that best practice would be to include in this letter a reference to the shareholders agreement.

Q. You told him that?

A. That's my recollection.

Q. Orally?

A. That that would be best -- sorry. That that would be best practice but that it was not required.

Q. All right. In -- in all the e-mail

traffic back and forth --

A. That would be oral. It would be orally.

Q. In all the e-mail traffic back and forth I can't find an e-mail where you said, Paul, I like your letter, but I think you should include this language.

A. I haven't found that either.

Q. All right. And he sent you an e-mail asking you specifically, this is what we propose to send, what do you think, right?

A. Correct.

Q. And it's your testimony that rather than responding by e-mail and making clear the language you wanted inserted, you talked to him orally and told him to include language that he rejected to include?

MS. CUNDARI: Object to the form.

A. What I'm telling you is that my recollection is that when we talked before the letter went out, he -- I advised him that best practice would be to refer to the provision in the shareholders agreement pursuant to which he was repurchasing those shares but that it was not required. A federal judge agreed with that.

Q. You recall that oral conversation from March of 2010?

A. I do.

Q. All right. And you didn't know anything about this again until you and Dean Rutley were named as witnesses in a lawsuit that wasn't filed until 2016; is that right?

A. I'm sorry. What are you suggesting?

Q. I'm suggesting that the declaratory judgment action wasn't brought until 2016.

A. Okay.

Q. Okay? And this would have been of no moment to you whatsoever.

A. What do you mean when you say that?

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. I'm assuming you've represented lots of other clients on lots of other matters --

A. Yeah.

Q. -- right?

A. Yes.

Q. All right. You have no e-mail, no writing, no letter, no time record to document that you had this important oral conversation, but here it is 2018. This wouldn't have come back on

your radar until 2016, but you remember specifically telling Paul, you should put this language in the letter, and he didn't do it?

A. I didn't tell him to do --

MS. CUNDARI: Object to the form. And is there a question?

BY MR. RICHTER:

Q. Yeah. Is that your testimony, that you recall advising Paul to include language in this letter --

A. That's not what I said.

Q. Right.

MS. CUNDARI: Let him finish, please.

BY MR. RICHTER:

Q. You said you told Paul that the best practice would be to include this language?

A. That's my recollection.

Q. All right. What's the difference between it's best practice and I recommend that you do it? What's the difference?

A. Because I then followed up and said, but it's not necessary, and a federal judge agreed with that.

Q. Who -- who said it's not necessary?

A. I did.

Q. You told the client it's not necessary?

A. Yes. I said it's best practice to do it, but it's not necessary. That's what I told him. That's my recollection of what I told him. If you're -- are you suggesting that -- that I -- I'm making that up? Is that what -- is that what you're suggesting?

Q. I'm testing your recollection because I see no evidence of it.

A. Okay.

Q. The client wrote you this letter in draft and asked for your input. What you're describing to me is important input.

A. Yeah.

Q. There -- there's no writing from you that documents that you made that recommendation, is there?

MS. CUNDARI: Object to the form.

A. There's no document in writing that I'm aware of.

Q. Okay. Why wouldn't you simply respond to the e-mail and say, I think it's best practice that you include this additional language?

A. Because we're working in real time on

a -- on a live issue and we're -- I'm giving advice via phone and I'm giving advice via writ- -- via e-mail.

Q. Well, you -- you already know that we're parting company with someone on bad terms, correct?

A. Correct.

Q. You already know that we've tried to settle with this guy and he's not talking --

A. True.

Q. -- right? So it's reasonable to foresee there's going to be trouble with Dr. T?

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. Is that reasonable to foresee?

MS. CUNDARI: Object to the form.

A. No, it's not rea- -- I mean, it's possible, but we're still including a copy of the redemption agreement at this point.

Q. We -- we had tried to settle with Dr. T. We offered him $70,000 in severance --

A. Contingent.

Q. -- and -- and he said no.

A. Contingent $70,000.

Q. Okay. He rejected the offer --

MS. CUNDARI: Object to form.
BY MR. RICHTER:
Q. -- correct?
MS. CUNDARI: Object to form.
A. Eventually he rejected the offer.
Q. Did he stipulate that he was being fired for cause?
A. Did who?
Q. Dr. T.
A. I -- I never talked with Dr. T.
Q. All right. In anything that you're aware of did Dr. T ever say, you know what, you're right, I -- I was a bad boy and I was disloyal and you guys were right to fire me?
A. I'm not aware of --
Q. Okay.
A. -- of --
Q. And so isn't it reasonable fore- -- to foresee that we're going to have trouble down the line with Dr. T?
MS. CUNDARI: Object to the form.
A. At what point? I mean, we're -- I believe that we're still talking about settlement at this point.
Q. Well, when we send him a check for

$2.10 for his 420,000 shares after he's said, no, I don't want $70,000 in your contingent severance package --

MS. CUNDARI: Object to the form. I don't hear a question, but go ahead.

A. This -- this letter also encloses a copy of the settlement agreement un- -- unless -- I'm just telling you what it says.

Q. Did he accept the settlement?

A. Later he -- I mean, later he didn't, but at this point unless you tell me I'm wrong, it looks to me like we're still talking about settlement.

Q. All right. But it's your testimony that having received an e-mail from the client asking for your input on this letter, that you orally advised the client to include language as a best practice that was not ultimately included?

A. My recollection is that I -- is that I responded to him, and I don't recall whether I provided writ- -- some written comments on this letter, but that we then also had phone conversations and so I gave him advice either exclusively orally or also -- or written and orally.

Q. And the -- the best practice that you're describing is to include language in this letter that makes it crystal clear the provision of the agreement under which we're proceeding?

MS. CUNDARI: Object to the form.

A. My recollection is that I told him that best practice would be to refer to the agreement but that it's not necessary, and a federal judge agreed with that advice.

Q. Did you tell him that it was foreseeable at the time that we might have to file a declaratory judgment action to clarify the rights --

A. Of course not.

Q. -- and interest in the stock?

A. Of course not.

(BADDOUR EXHIBIT 31, Action Without Meeting of the Board of Directors of Charleston Laboratories, Inc., was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit 31. Did you draft this action without meeting of the board of directors of Charleston Laboratories on behalf of your client?

A. It looks like I did, yes.
Q. And it was resolved by this action that the company could buy the shares back for $420, correct?
A. Yes.
Q. Did the company buy the shares back for $420?
A. No.
Q. Was there ever a resolution authorizing the company to buy the shares back at 2 -- $2.10?
A. I'm not aware of one.
Q. Do corporations act through resolutions?
A. Yeah, among other ways, right.
(BADDOUR EXHIBIT 32, E-mail Message from David Baddour to Paul Bosse, 4/27/2010, Subject: Your VM, was marked for identification.)
BY MR. RICHTER:
Q. I'm going to show you Exhibit Number 32, your e-mail to Paul Bosse on April 27th, 2010. Got your voice mail. No word from Ray or his attorney. I recommend we sit tight at least for now.

To what are you referencing there?

A. I -- my -- to my recollection I'm recommending that we don't reach back out to Ray or his attorney.

Q. In -- in response to -- to Ray not returning the settlement agreement?

A. Or to me not hearing from his attorney.

Q. Okay. So they just went dark on you?

A. I'm not -- I mean, I don't remember what was in that voice mail. I don't remember exactly where this was in the conversation in terms of settlement, but clearly I'm saying that since his voice mail or with respect to that window of time that we haven't heard anything. I don't know that they went dark. I don't know what that means.

Q. Well, he -- it's been a month since we sent the letter, right, March 26?

A. But I'm -- I'm not suggesting that this implies that we didn't hear from them for that whole month.

Q. Had they cashed the check by April 27th, 2010, the check for $2.10?

A. I have no idea.

Q. Would it have been the worst-case scenario at that point in time that the company just redeemed those shares it had not yet vested?

MS. CUNDARI: Object to the form.

A. If we proceeded under the -- under the stock restriction agreement, yes.

Q. The letter doesn't indicate under which agreement you proceeded, does it?

A. Correct.

(BADDOUR EXHIBIT 33, E-mail String, May 7, 2010, Subject: 10 Charleston/Takigiku Conversation, was marked for identification.)

BY MR. RICHTER:

Q. I show you Exhibit 33. We're now into May of 2010 and you're having a conversation with Attorney David Willbrand, correct?

A. Right.

Q. And he says to you at the bottom his client can't accept the offer, right?

A. I say that to him.

Q. I'm sorry. All right. And he says to you in response, can you send me the cap -- a cap table so I can see how this all fits together, right?

A. Yes.
Q. And -- and then you're discussing with the client, you know, how -- how do we send the cap table?
A. Or whether to.
Q. Whether to at all?
A. Right.
Q. Well, if he's a stockholder he's certainly entitled to a cap table, is he not?
A. If he's a stockholder.
Q. All right. And if he's not, he may not be?
A. Correct.
Q. It's uncertain?
A. Actually, I don't -- I'm not going to concede that he's entitled to a cap table as a stockholder. I have not done an analysis of the Delaware books and records, statutes and case law.
Q. Okay.
A. He's entitled -- I think he's entitled to look at the stock ledger, but...
Q. You say in the first paragraph, the original postsplit cap table had Ray with 420,000 common shares out of 6 million or 7 percent, right?

A. We do say that.
Q. The offer is that he'll keep 90,000 shares, which that would have represented, what, the unvested shares at the time of our attempted reacquisition?
A. I don't recall.
Q. All right. Do you know what that number corresponds to the vesting schedule?
A. I could look. I don't recall.
Q. Okay. FYI, there are currently 585,000 Series A outstanding, 5,670,000 common outstanding, and then, parenthetically, assuming Ray has 90,000, right?
A. Yes.
Q. So with the uncertainty surrounding Ray's shares, we have to make assumptions about what shares are outstanding and what shares are not, don't we?
A. No.
MS. CUNDARI: Object to the form.
BY MR. RICHTER:
Q. No?
A. No. That parenthetical refers to if he accepts the offer, which was 90,000.
Q. Right. So if he accepts that offer,

then --

A. He'll have --

Q. -- then this would be an accurate statement of the cap tables?

A. That's correct. That's my understanding.

Q. And if he rejects that offer, what -- what then would the cap tables look like?

A. All of -- all of his shares would have been repurchased under the shareholders agreement.

Q. And -- and that's what we would say to any investor or any other shareholder, that we've successfully recovered in the treasury a hundred percent of Dr. T's former holdings?

MS. CUNDARI: Object to the form.

A. Yeah. As I think I've talk- -- we talked about earlier, I -- that is an analysis that you'd have to do at the time of a potential offering. You'd have to -- and that's why you include a note on a cap table to remind yourself of that, to -- to go through that analysis, do we disclose this or is it immater- -- maybe it's just immaterial so maybe we can get comfortable we don't need to disclose it because it's not actually material.

Q. Well, best practices would be to make disclosure of all of it, right?

MS. CUNDARI: Object to the form.

A. No. I mean, I think not necessarily. You'd have to do the analysis.

(BADDOUR EXHIBIT 34, Charleston Laboratories, Inc., Capitalization Table, as of May 10, 2010, was marked for identification.)

(BADDOUR EXHIBIT 35, Charleston Laboratories, Inc., Capitalization Table, as of May 10, 2010, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you 34 and 35, which are two cap tables.

MR. RICHTER: And I might have transposed yours.

MS. CUNDARI: 59 is 34? I'm asking.

MR. RICHTER: Yeah.

BY MR. RICHTER:

Q. 34 indicates -- it indicates Dr. T at 420,000, correct?

A. On mine Exhibit 34 indicates Dr. T at 420,000.

Q. And 35 indicates Dr. T at 90,000, correct?

A. On my exhibits, yes.

Q. Okay. So do you know why these two cap tables with different ownership structures were being prepared?

A. I don't recall. I -- this could be -- were these prepared by Mitchell?

Q. I'm not sure.

A. Yeah.

Q. They seem to me to correspond to the last e-mail, but they may not, Exhibit --

A. Yeah. I -- I don't -- I mean, obviously one shows him pretermination and one shows him postsettlement if we agreed on the settlement.

Q. All right. So pretermination is 420,000 ownership, correct?

A. Subject to the vesting -- well, he may have been vest- -- no. Right, subject to the vesting.

Q. Subject to vesting?

A. The rest of the founders also have some stock that's still subject to vesting.

Q. All right. And then postsettlement if

there is a settlement is he keeps 90,000 shares?

A. That -- post the settlement offer that was on the table, right.

Q. Right. And what the client had desired before we went down this path was to recapture everything, vested or unvested, correct?

A. That was their goal.

Q. And -- and there were agreements in place that would have permitted that goal to be achieved, correct?

A. Subject to process -- yeah. Under the SHA Ray would have -- Dr. T would have had the ability to challenge valuation so there was a process that we would have had to go down and that we did go down. Ultimately we decided that was the best option once the settlement agreement wasn't --

Q. He -- he could challenge --

A. -- concluded.

Q. -- valuation, but he couldn't challenge redemption. We -- we would have recovered. If he had an issue at all, it would have been did you give me the right value or not?

A. Well, you could have -- there -- there's a process in the shareholders agreement.

They --

Q. Right.

A. He could have forced an appraisal. We would have each had to get an appraisal, et cetera.

Q. But what he could not have done is he could not have maintained legally that I am the owner?

A. Correct.

Q. He could have said, you didn't pay me enough money, right, and we would have had a valuation contest, but he could not have said, I am the owner?

A. That would be our argument, certainly.

(BADDOUR EXHIBIT 36, Charleston Laboratories, Inc., Capitalization Table, as of January 9, 2009, was marked for identification.)

BY MR. RICHTER:

Q. I'm going to show you this cap table, Exhibit 36. There's a date at the top, January 9, 2009. Do you see that?

A. I do.

Q. Dr. T is not reflected in the ownership on the -- in the column on the left. Do

you see that?

A. I do. This was postredemption, right?

Q. The redemption was March of 2010.

A. Okay. Thanks.

Q. So did you have any participation, involvement in the preparation of this capitalization table?

A. I do not recall.

Q. It might just be a typo on the date. It would almost have to be because the footnote says --

A. Former C --

Q. -- company former --

A. Right.

Q. -- right? So if he's the former, is -- is this how you would explain his ownership on a cap table that would be included on a disclosure statement?

MS. CUNDARI: Object to the form.

A. Assuming -- no.

Q. Would -- would a cap table be included among the disclosures that you would -- that -- that you would include on a Series A or a Series B?

A. I don't know that you'd -- I do not

think that you would actually include a table. I think that would be unusual. I think you would make representations about the ownership of the site. Maybe you would.

Q. Well, on a cap table would there be a need to make an explanation like this after Dr. T's departure, the -- the footnote?

A. It -- it depends on what the cap table's being used for.

Q. Well, if it's being used to court outside investment --

A. That -- again, we're going back -- that's the analysis that you would have to do as you're going out. You'd have to do a securities laws analysis of what's the materiality, what's the likelihood that he could claim that stock, is it material. You'd have to do an analysis and I -- I don't recall doing that.

(BADDOUR EXHIBIT 37, Summary of Terms and Conditions of Series B Stock, Charleston Laboratories, Inc., May 10, 2010, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit 37. Did you assist in the preparation of this summary of terms

and conditions of Series B stock for Charleston Labs May 10, 2010?

A. I don't recall.

Q. Okay. So you may or may not have; you just don't recall?

A. I don't recall.

Q. Okay.

(BADDOUR EXHIBIT 38, Statement for Services Rendered, May 17, 2010, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit 38. Does that appear to be a billing statement for Womble, Carlyle's time for Charleston Labs May of 2010 capturing the April of 2010 time period?

A. Yes.

Q. All right. And as you testified earlier, would your prebill be a more accurate statement of your time and activity during this period of time?

MS. CUNDARI: Object to the form.

A. Yes.

Q. Your prebill or your time sheets?

A. Correct.

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. Is there both? Is there -- do you have time sheets that are separate from the prebill?

A. No. I mean, there may be some record in our timekeeping system, but it's not to my knowledge -- well, again, I don't remember when we switched over to the electronic timekeeping system.

Q. You don't input time directly into a prebill, though, do you? I'm assuming you record time in a --

A. Yeah, in a timekeeping system.

Q. Yeah.

MS. CUNDARI: Are we switching -- can we take a break for lunch?

MR. RICHTER: Yeah.

MS. CUNDARI: Is this a good time?

MR. RICHTER: It's a good time. I know this looks more intimidating than it is.

THE REPORTER: Do we want to go off?

MR. RICHTER: Yeah, let's go off the record.

THE VIDEOGRAPHER: Off record at 12:10

p.m.

(Whereupon, there was a lunch recess in the proceedings from 12:10 p.m. to 1:03 p.m.)

(BADDOUR EXHIBIT 39, E-mail Message from David Willbrand to David Baddour, et al., 5/18/2010, Subject: RE: 10 Charleston/Takigiku Conversation, was marked for identification.)

THE VIDEOGRAPHER: On record at 1:03 p.m.

BY MR. RICHTER:

Q. Mr. Baddour, you were communicating with attorney David Willbrand on behalf of Dr. T in an effort to resolve his separation issues, correct?

A. On behalf of Charleston Labs.

Q. Yes.

A. Yeah.

Q. I'm going to show you Exhibit Number 39. David Willbrand writes to you on behalf of Dr. T and says he has a few quick questions and then goes on to write some pretty typical long lawyer questions, right?

A. Uh-huh.

Q. Question Number 2, at the end he asks you, on what basis do you believe the company is entitled to a full repurchase even a for-cause termination which Ray vigorously contests, as you know?

So what's the answer to that question?

MS. CUNDARI: Object to the form.

A. The answer is pursuant to the shareholders agreement.

Q. All right. Is that the answer you gave David Willbrand?

A. To my recollection, yes.

Q. Did you send an e-mail in response to this e-mail saying, David, we repurchased pursuant to the SHA?

A. I don't recall. I -- probably not because I haven't seen it.

Q. So how would you have communicated to David that the repurchase was pursuant to the SHA?

MS. CUNDARI: Object to the form.

A. Via phone call.

Q. Is there any reason why you wouldn't have responded by e-mail to say, David, it's crystal clear we repurchased pursuant to the SHA?

MS. CUNDARI: Object to form.

A. Because -- I don't know. Because I assume we had a phone call. I mean, this is a lot of stuff, right? It was easier, quicker to speak with him.

Q. The company at that time was going forward, correct, continued to operate --

A. Yeah.

Q. -- continued to try to raise capital, correct?

A. At that time meaning when Ray --

Q. In May of 2010 --

A. Yeah.

Q. -- post-Dr. Ray?

A. Correct.

Q. Okay.

(BADDOUR EXHIBIT 40, E-mail String, May 18, 2010, Subject: RE: 10 Charleston/Takigiku Conversation, was marked for identification.)

BY MR. RICHTER:

Q. Okay. Let me show you Exhibit Number 40. Dean Rutley sends this e-mail May 18th, 2010, and copies you and says it's his strong advice to leave this issue alone until after you've raised your next round.

And so what -- what issue is that that we're going to leave alone until after our next round?

A. I mean, Dean wrote this e-mail, not me, but I assume he's talking about the issue with Ray.

Q. And the issue being Ray's ownership?

A. Separa- -- separation.

Q. And raise your next round refers specifically to raising money, right?

A. Yes.

Q. All right. And so the strong advice is to not say anything about the Ray issue and continue to raise money?

A. No, that -- that's not how I take this e-mail.

Q. Well, how do you take this e-mail?

A. I think he's telling -- I think Dean is telling the company that they should not reach back out to Ray and reengage with Ray.

Q. All right. Well, that would be a directive to you, too, then, not to reach back out to Ray's counsel and reengage Ray's counsel, right?

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. Would you not in -- understand it to be the same?

MS. CUNDARI: Object to form.

A. No. That's -- he's talking to the client now; he's not talking to me. I mean, I -- I don't know what he would say about that and I don't know whether we -- I mean, Willbrand reached back out to me, maybe. I don't know what happened, but -- I don't recall what happened as I'm sitting here, but this e-mail was not to me. This is to the company.

Q. But you're -- you are copied --

A. Yeah. Yeah. Yeah.

Q. -- right? Did -- did you take from that e-mail that you should cease your attempts to resolve disputes with Willbrand on behalf of Dr. T?

A. No.

Q. Were you able to reach a resolution with Willbrand?

A. No.

(BADDOUR EXHIBIT 41, E-mail String, March 8, 2011, and March 10, 2011, Subject: RE: Charleston Labs - Revised Cap Table for

Auditor (Feb 2011).xlsx, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit 41. When you told Willbrand that the repurchase was made pursuant to the SHA, what was his response?

A. I don't recall.

Q. All right. Tell me who Mitchell Ryan is.

A. My understanding is that he's an attorney that was providing advice to Charleston.

Q. In what capacity?

A. I don't know.

Q. Is he IP counsel?

A. I don't know. I don't recall. I may have known then, but I don't recall.

Q. All right. Well, starting on the second page is an e-mail so from the back to the front he's asking you questions about the cap tables for Charleston Labs, right?

A. Yes.

Q. All right. And he says in that first main paragraph, as you know, Paul wants to include Ray's 420,000 in the option pool, right?

A. Yes.

Q. Is that where those 420,000 should be reflected?

MS. CUNDARI: Object to the form.

A. I don't understand that to be what he was saying.

Q. Well, I'm asking you as of March of 2011, did you believe that the 420,000 shares should properly be reflected as being returned back into the company treasury?

A. Our position was definitely that the shares had been repurchased. They were not -- they wouldn't automatically go back into the option pool. We had to -- we would have had to do something to put -- to increase the size of the pool otherwise.

Q. And he -- he asks you in that last question with regard to the cap table, can you revise it to reflect the fact that the company repurchased all 420,000 of Ray's shares on March 26th, 2010?

And you responded to his questions in the e-mail that follows, correct?

A. Yes.

Q. Okay. And what did you tell him about whether we can revise the cap table to reflect

that the company's repurchased all 420,000 shares?

A. Is there a specific thing you want to point me to or do you want me to read --

Q. I think at the bottom of 2 on the first page --

A. Okay.

Q. -- where you say, I am certainly comfortable. I'm not trying to limit you to that, but I think that's where you answer the question.

A. Okay. Okay. So what was your question?

Q. So my question is Mitchell's question, could the cap table be revised to reflect the fact that the company repurchased all 420,000 of Ray's shares on March 26th, 2010?

A. Yeah, the -- do you -- do -- do you have a copy of the cap table before this or do you -- do you know if -- is that the one we were looking at?

Q. We've looked at a few so I --

A. Yeah. I mean, I think the point of the note in the internal capitalization table was to -- was to generate the type of analysis that we're sort of going through here about whether or not -- how to disclose the fact that one of the

founders was fired for cause in our opinion and his stock was redeemed.

Q. Well, I guess the threshold issue is had the company repurchased all 420,000 shares or not.

A. The answer is yes.

Q. All right. Well, explain to me then your answer that says, I am certainly comfortable as well assuming we do, in fact, get Ray's shares back. What does that mean?

A. Again, this was in the context of whether and how to disclose the issue with Ray in -- on the cap table, and I don't recall what -- oh, it looks like the -- this cap table was being used for the -- for the auditor.

Q. Well, this is March of 2011 --

A. Uh-huh.

Q. -- and we're -- we're a year postreacquisition, correct?

A. Correct.

Q. So why -- why would you be saying a year postreacquisition assuming we do, in fact, get the shares back if it's your position that we had redeemed the shares a year previously?

A. Well, because -- I mean, to be clear,

that was and is our position, but the reason we included the note in the cap table was so that for each -- each time we needed to produce or distribute a copy of the cap table, we would remember that we needed to do an analysis of that issue and for the purposes for which the capital table was be use -- was being used as it came up from time to time, you know, how -- how do we treat the fact that we don't have a settlement and release agreement from Ray.

Q. Well, this -- this doesn't mention a settlement or a release from Ray. This -- this mentions the assumption that we're able to get stocks back, does -- does it not?

A. I mean -- but I'm just telling you what the context of the e-mail was. I don't think there was any confusion between me and Mitchell. I mean, what we were talking about here is how to disclose this issue for this pur- -- in this context, in the context of updating a cap table to share with the auditors.

Q. But the -- you're saying, I'm comfortable with an -- an amended cap table that shows the reacquisition of the 420 assuming we do, in fact, get the shares back. That's what you

said in March of 2011.

A. Yeah. But you're just picking, you know, that one little clause of one sentence of a whole e-mail. If you read the whole e-mail, I say, I have removed the note regarding the reservation.

Q. Yeah. But you -- you had either reacquired or you had not by March of 2011 all 420,000 shares. Which is true?

A. We had.

Q. All right. Then what's the assumption in there that you underline, assuming we do get the shares back?

A. I'm couching it for Mitchell to make him understand that there's this -- that there's a founder out there who has not signed a settlement agreement. You understand a settlement agreement would be where both parties have agreed that I no longer -- that Ray no -- that Dr. T no longer has a -- an equity interest in the agreement. And if we're talking about Womble, Carlyle, for example, issuing a legal opinion, then maybe that's the type of comfort we would need to do that. I don't know. I haven't done the analysis. For a disclosure document in an offering, maybe there's

a different analysis. For use by -- with the auditors, maybe there's a third analysis.

Q. Was -- was there uncertainty as to the legal status of Dr. T's shares in March of 2011?

A. Not in my opinion.

Q. Not in your opinion? And that -- that e-mail doesn't speak to the uncertainty in your mind about the status of those shares?

A. No, it doesn't.

(BADDOUR EXHIBIT 42, E-mail String, March 8, 2011, through March 15, 2011, Subject: Charleston Labs - Revised Cap Table for Auditor (Feb 2011).xlsx, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit 42. This is jumping on the same thread a little bit, I think. At the bottom is a question from Mitchell Ryan. Well, maybe not. Mitchell is, again, asking questions about the cap table.

A. This is the same e-mail, right?

Q. Okay.

A. Yeah.

Q. All right. And you instruct Rosanne Labrozzi -- who is that?

A. She's a paralegal in northern Virginia. I believe in northern Virginia.

Q. All right. You're telling her to -- to update the stock ledger, correct?

A. Yes.

Q. To reflect the repurchase, redemption of all of Dr. T's shares for $2.10 on March 6th, 2010, per the founder stockholder agreement, right?

A. Yes.

Q. All right. There's a question mark at the end of that. What -- why does that end with a question mark?

A. Because I'm asking Rosanne to do it, would you please do it, could you please update.

Q. Okay. Is it per the stockholders agreement or is it per the stock restriction agreement?

A. Stockholders agreement.

Q. And what says that?

A. I'm sorry?

Q. What -- what says that the repurchase was made pursuant to the SHA?

MS. CUNDARI: Object to the form.

A. I mean, the client.

Q. Did the letter exercising the repurchase say that?

A. No, and a federal judge said it didn't need to.

Q. Did Dr. T and his counsel agree or stipulate to that?

A. No, and a federal judge said they didn't need to.

Q. Why -- why are we just amending the cap table in March of 2011 to reflect the repurchase pursuant to the SHA if it was done a year earlier?

A. To my knowledge, this was the next time that anyone needed to use the cap table for anything.

Q. Is there a difference between a cap table and a common stock ledger?

A. Yes.

Q. What's the difference?

A. Well, a common stock ledger only shows common stock and it has a certain form. It lists the names and it's like -- it's more like a bank ledger or something where you show how the stock is being transferred. The cap table is more of a summary. It has all shares of stock. It has

option pools. It has...

Q. Who -- who's entitled to see the stockholder ledger?

A. I have not looked at that issue in a long time, but under Delaware law my understanding is that stockholders can see the stock ledger as a part of a books and records request.

Q. All right. Who's entitled to see a cap table?

A. Again, I haven't done that analysis. I don't know whether that's included in a books and records request under Delaware law.

Q. In Series A or a Series B, would you make disclosure of the stockholder ledger or the cap table or both or neither?

A. I think you would make representations about the capitalization of the company in -- in the Series A purchase agreement and you may have some sort of summary table as a part of an exhibit or on a schedule of exceptions or may even refer to it -- to it on the schedule. I don't think you would typ- -- I can't -- I don't -- I'm not aware of a situation where you would disclose a stock ledger.

(BADDOUR EXHIBIT 43, E-mail Message

from Mitchell S. Ryan to David Baddour, 4/1/2011, Subject: Charleston, was marked for identification.)

BY MR. RICHTER:

Q. I'm going to show you Exhibit Number 43, another e-mail exchange between yourself and Mitchell Ryan, and this is April 1, 2011. Take -- take a look now. We've got a couple questions. Just tell me when you're ready.

A. (Complies). Okay.

Q. So what do you understand to be the concern that Mitchell is addressing to you in this e-mail?

A. I think he's worried that another shareholder would receive information that Paul is sharing with his shareholders and would share that information with Ray.

Q. All right. And if Ray is not a shareholder he wouldn't be entitled to the information; if he -- if he was, then arguably he would be, correct?

A. Correct.

Q. All right. So Mitchell's worried that Ray's got a -- a mole or a surrogate or a friendly who's going to share financials of the company

with Ray, correct?

A. I think that's right.

Q. And this specific worry is that if Ray sees the financials, it might make it more difficult to settle with Ray?

A. That's what Mitchell says.

Q. And then he asks a couple questions like Question 2, do you have a sense of what, if any, liability the company could expose itself to if it failed to send financials to the stockholder? Did you ever answer that question from Mitchell?

A. I don't believe I did.

Q. Would the answer be the same whether the liability was to this female shareholder or to Dr. T if, in fact, he was a shareholder?

A. I just don't agree with the premise of the question because Dr. T was not a shareholder.

Q. Well --

A. But, yeah, if two shareholders are entitled to information and you send one to one and not the -- and -- and not to the other, then there -- there would be -- whatever liability there is would be there, yes.

Q. Do you recall what your ultimate

advice was there whether to share the financials with the stockholder or to withhold them?

A. In preparation for this deposition my -- my recollection is that I forwarded this e-mail to my partner who then responded to his questions.

(BADDOUR EXHIBIT 44, E-mail String, April 1, 2011, Subject: Charleston, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you -- this might be the e-mail that you're referring to, Exhibit 44. Looks like a forward to Dean Rutley, correct?

A. Yes.

Q. And you say in that forward, I'd like to discuss handing the Charleston Labs work over to Karl.

A. Correct.

Q. Why is that?

A. Well, for lots of reasons. I mean, I was a partner now. I was in charge of -- I had different responsibilities. I was doing less work for other partners. I was more handling my own clients. My practice had shifted. I was de-emphasizing venture capital startup work and

focusing on some other areas of practice. Karl was a -- is a very experienced venture capital startup company-type attorney, and my recollection is he had some availability and it felt like a good time to -- to transition that work.

Q. So this is not a reflection on the client?

A. I won't say I shed tears over not helping Paul anymore, but, no. And that's -- I won't say that I shed tears over interacting with Paul anymore. I enjoyed helping Paul. It was fine.

(BADDOUR EXHIBIT 45, E-mail String, May 26, 2011, Subject: RE: This is what i am working off of. It shows to be right $6.83, was marked for identification.)

BY MR. RICHTER:

Q. Okay. Let me show you Exhibit 45. We have looked at maybe another part of this conversation earlier in the exhibits and I don't know if this is the case of it's the same base thread that people are jumping in and out of, but you'll remember at the bottom there is Karl Knoll. An issue came up about the cap tables; is that right?

A. It looks -- that looks to be correct, yeah.

Q. All right. And in the middle e-mail you say to Karl, so you know he's wrong, that nothing's changed since the last proposed Series B cap table. Was that the same example that you told me about earlier when you said Paul would, you know, try to blame somebody and you -- you referenced this cap table issue --

A. Uh-huh.

Q. -- as a circumstance where he tried to blame somebody?

A. Right.

Q. Well -- well, who is wrong here that -- so you know he is wrong. To -- who's the he that you're referencing in that e-mail?

A. I believe Paul.

Q. Okay. And Paul is wrong about what?

A. Is there more to this e-mail thread?

Q. There may be in the prior exhibit. I -- I don't recall.

A. I'm going to need to look at it to answer that question if you want me to.

Q. All right.

A. He was -- he -- he made an accusation

about some -- something that I had either failed to do or did incorrectly and I'm explaining to Karl how that was an incorrect assertion.

Q. And then Karl says to you, you know what, I think I'll call his bluff on this.

A. Yeah.

Q. Referring to Paul?

A. Correct.

Q. And --

MR. MONGILLO: Exhibit 8.

BY MR. RICHTER:

Q. -- he'll have to change his tune or find a new law firm; is that right?

A. That's what Karl says.

Q. So was Charleston Labs fired as a client?

A. Not to my knowledge.

Q. Okay. Did -- did Karl have a heart-to-heart with Paul?

A. I have no idea. Apparently so if we kept them.

Q. What -- what would it mean to call his bluff?

A. I think what Karl meant -- you'll have to ask Karl, but I think what Karl meant was that

he was going to confront Paul and say, you accused David of doing something wrong or you implied that David did something wrong and now I, Karl, understand that David did not do anything wrong and I'm going to say, Paul, don't -- you -- you're incorrect. You -- you made an assertion that David had done something incorrect, and clearly the facts show that that's not the case.

Q. When was Womble, Carlyle first in anticipation of litigation with Charleston Labs --

MS. CUNDARI: Object to the form.

BY MR. RICHTER:

Q. -- if you know?

MS. CUNDARI: Object to form.

A. I don't know. Are you asking when we first --

Q. Anticipated that Charleston Labs may make a claim against --

A. Against Womble?

Q. Yes.

MS. CUNDARI: Object to the form.

A. I don't know.

(BADDOUR EXHIBIT 46, E-mail String, December 17, 2015, Subject: RE: Charleston Laboratories/Takigiku Litigation, was

marked for identification.)

BY MR. RICHTER:

Q. I'm going to show you Exhibit 46. It's a -- there's an e-mail between George Scott who by then had gone over to Charleston Labs. You understand that, right?

A. I know he did. I assume you're correct that this was -- yeah. He says -- he sign- -- his signature block says that he's GC.

Q. Yeah. And then in -- this is George and Dean Rutley in December of 2015 and there's a forward of this communication up to Alison eventually and you see part of it's redacted.

A. Looks like all of it's redacted, right? I mean, not George's initial e-mail, but everything above it appears to be redacted.

Q. Was the -- was the firm in anticipation of litigation with Charleston Laboratories in December of 2015?

MS. CUNDARI: Object to form.

A. I don't know.

Q. Do you have any criticisms of George Scott?

A. I -- I don't know about the interactions between George and George's client.

ROA-0761

I -- I have some criticisms of how Paul has handled this and to the extent George did not advise Paul to handle it in a different way, then, yeah.

Q. What -- what is that criticism?

A. He should have told Paul that we can't spend seven figures on litigation that we initiate over a issue that's not an issue. And furthermore, once we win on summary judgment in federal court, we can't go around suing our lawyers. And if George didn't advise -- maybe George did advise him of that and Paul did it anyway, but that'd be a criticism.

Q. It's a hypothetical criticism?

A. It's a hypo- -- right.

Q. Yeah. Yeah. If he, in fact, encouraged the DJ, then you would take exception with that and then if he, in fact, encouraged the malpractice, you would take exception with that?

A. Yes.

Q. Anything else?

A. No.

(BADDOUR EXHIBIT 47, E-mail String, January 18, 2016, Subject: Charleston Laboratores, Inc./Takigiku; CASE NO.

9:15-cv-81694-JIC, was marked for identification.)

BY MR. RICHTER:

Q. Let me show you Exhibit 47. In the DJ action do you understand at a point in time you and Dean became witnesses, Dr. T listed you as witnesses?

A. If I knew that, I forgot it.

Q. Okay. So -- it's the second paragraph. Please note Dr. T lists David and Dean as witnesses on his behalf.

A. Yeah. Actually, I do remember Alison saying I might get deposed.

Q. All right. Do you know what it is that you were identified to testify in regards to?

A. No idea.

Q. Were you deposed?

A. No.

Q. Dean was deposed?

A. That's my understanding.

Q. In contract litigation what's your understanding as to the role of parol evidence?

MS. CUNDARI: Object to the form.

A. That's been a long time, yeah.

Q. Can we agree that we don't get into

parol evidence un- -- until and unless there's an ambiguity in the contract itself?

MS. CUNDARI: Object to the form.

A. I -- I -- it's truly not something that I'm familiar with or that I have studied up on since law school probably so...

Q. Okay. You understand that Dr. T advanced in the federal case that Charleston Labs did not repurchase all of his shares?

A. I think I looked at those filings and it doesn't surprise me that that was his claim. I mean, I think that would be -- he -- he -- it was a counterclaim from him, right?

Q. Yes.

A. Yeah, I think that that sounds right.

Q. Was it the intent at the time of drafting that the SHA and the SRA create concurrent rights?

A. What do you mean when you say concurrent?

Q. I can't -- I can't better define the term.

A. I mean, they -- they both existed at the same time and dealt with different subject matters, and so, yeah, there was rights and

obligations under both -- each document that existed concurrently. Is that what you're asking?

Q. Yes. A -- a draft summary of terms and conditions of Series B preferred stock issued in February 2010 from Charleston Laboratories. Are you familiar with that?

A. Is that the document we looked at a little while ago, a term sheet?

Q. Yes.

A. Uh-huh. I mean, we've looked at it already, right?

Q. Yes.

A. Right. I don't remember if I drafted it, but I'm familiar with it because we've already talked about it.

Q. All right. Did -- did that term sheet indicate Charleston Laboratories had value?

A. You mean on its face or --

Q. Yes. Did it -- did it represent to the world that Charleston Laboratories was a company of value?

A. No. I mean, this is like an offer, right?

Q. Did -- did it speak anything to the value of the company?

A. It offered a price for the shares that were being sold, but until someone pays that price, it's just --

Q. But it's an offering from Charleston Laboratories?

A. Correct.

Q. It's not an offer to Charleston Laboratories?

A. No. No. It's an offer to sell at a certain price and until someone accepts that offer, there's -- you --

Q. So -- so presumably some thought would go into it and the ownership of Charleston Laboratories would say to the world that we -- we think this is the fair value that you should pay to participate in our company?

MS. CUNDARI: Object to the form.

A. Yeah. I mean, that's not quite how it works. I'm sure there was thought put into it, but the term sheet is just that and then you negotiate the term sheet with your investors.

Q. Well, what was the value that Charleston Laboratories held out in February 2010?

A. It looks like $6 -- 6.8337130 per

share of Series B stock.

Q. So would it be frivolous of Dr. T to say, I don't think in March of 2010 that receiving .000005 for each of my shares represents fair value when you, the company, stuck it out to the world that you were worth over $6 a share in February 2010?

A. That's just --

MS. CUNDARI: Object to the form.

A. -- completely inaccurate characterization of what this document does. First of all, he had common stock and you understand that common stock is behind Series A and Series B and that many, many times if you're lucky enough to get to an exit that you -- you have to pay the Series B first, that's why it's a preference, then you pay the Series A, and then you pay the common. So it's entirely possible that a -- an investor would have looked at this agreement and said, okay, I'll pay that, and the common stock would still be worthless.

Q. And my question was, would that create a -- at least a good-faith basis for Dr. T to question whether he, in fact, received fair value in March of 2010?

MS. CUNDARI: Object to form.

A. If he went to court -- to federal court with this as his only evidence, I -- I'm not willing to concede that, no.

Q. I didn't say as his only evidence.

A. Okay. Well, you -- that's --

Q. I asked you would it -- would it be frivolous for him, would it be no merit, no basis --

A. If --

Q. -- to ask the question, I don't think I got fair value when you paid me .00005 when you were representing to the world that at least the preferred shares were worth $6?

MS. CUNDARI: Object to the form.

A. That's not what we were representing to the world. It was an offer. To my knowledge it was never accepted. And furthermore -- I mean, when you say who is he -- who is Dr. T in your hypothetical representing this to when you said is it frivolous?

Q. Is it frivolous for Dr. T --

A. To make this claim to who, to his --

Q. To Charleston Labs. To say to Charleston Labs, I don't think I got fair value

at .00005 when you had a Series B offering at over $6.

MS. CUNDARI: Object to form.

A. If Dr. T or his lawyer were having a conversation with Charleston Labs and he were to say, look, you guys tried to go out and raise money at this price, you know, I feel like I didn't -- then that by itself would not be frivolous. I have no idea whether based -- making that claim in a counterclaim in a federal lawsuit, for example, would be deemed frivolous if this was the only evidence that it was based on.

Q. Do you know Eric Salpeter?

A. No.

Q. Do you know Jeffrey Long?

A. That name actually does sound familiar. Is he an attorney?

Q. At Bray & Long in Charlotte, North Carolina.

A. If I do, I might know him socially. He was not at Bray & Long. The guy -- the guy I'm thinking of was with another firm, but maybe he switched. It may be him. I don't know.

Q. How about Charles Bridgmon?

A. Doesn't sound familiar.

Q. How about Joseph Rose?
A. No.
Q. Okay. You didn't -- you understand Dr. T actually filed his own motion for summary judgment in the federal action?
A. As a part of a counterclaim or --
Q. Yes, as part of a counterclaim.
A. Okay.
Q. Was it frivolous for him to have done so?
MS. CUNDARI: Object to the form.
A. Well, I don't know. I have no idea.
Q. Should he have been sanctioned for it, him and his legal team --
MS. CUNDARI: Objection.
BY MR. RICHTER:
Q. -- for having advanced --
A. I --
Q. -- that he thought he was right and that the other side was wrong?
MS. CUNDARI: Object to the form.
A. It's -- I don't know what evidence he based it on and I certainly am not an expert on litigation or on what constitutes a frivolous lawsuit, but if I was his lawyer and this was the

only evidence he had, I think I would have said, we probably need some better evidence before we make a federal case out of this.

MR. RICHTER: All right. Let's take a break real quick.

THE VIDEOGRAPHER: Off record at 1:39 p.m.

(Whereupon, there was a recess in the proceedings from 1:39 p.m. to 1:47 p.m.)

THE VIDEOGRAPHER: On record at 1:47 p.m.

BY MR. RICHTER:

Q. When did Charleston Laboratories reacquire Dr. T's shares?

A. I would argue that legally that happened, without having done the analysis recently, if -- if ever -- I think the date was -- what's the date on the stock ledger? I mean, March 26th --

Q. The date of the letter is March 26th, 2- -- 2010.

A. The -- the letter where we tendered payment?

Q. Yes.

A. I -- I would argue that that's the

date.

Q. All right. Has that always been your position?

A. I don't know. I mean --

Q. Is your -- have you always told the client that it reacquired all of the shares with that tender on March 26th, 2010?

MS. CUNDARI: Object to form.

A. I don't recall.

Q. All right. Take a look back at Exhibit 45. This was the exhibit, again, that we talked about where you were correcting Paul that he was blaming you for something with the cap table and you were calling it to Karl's attention that Paul is wrong, right, by way of context?

A. Yes.

Q. All right. And what you say to Karl May 26th, 2011, so you know he is wrong, that nothing has changed since I sent him the last proposed Series B cap table, right?

A. (Nods head.)

Q. To the contrary -- now you're going to tell us what has changed, right?

MS. CUNDARI: Object to form.

BY MR. RICHTER:

Q. Correct, to the contrary, you're going to tell us what has changed?

MS. CUNDARI: Object to the form.

A. Yeah, I think so.

Q. Okay. And so two things have changed. Since I last touched the proposed Series B cap table, they increased the size of the pool, right?

A. Stock option pool.

Q. And they also took the position that none of Ray T's shares are outstanding.

A. Okay.

Q. All right. And that's a change in position?

A. Since --

Q. Since the last time you touched the Series B cap table.

A. Okay.

Q. All right.

MR. RICHTER: Okay. That's all I have.

MS. CUNDARI: I don't have any questions.

MR. RICHTER: Okay.

THE VIDEOGRAPHER: This concludes the

deposition. The time is 1:49 p.m.

- - -

(Witness excused.)

- - -

(Deposition concluded at 1:49 p.m.)

- - -

SIGNATURE OF DEPONENT

I, the undersigned, DAVID BADDOUR, do hereby certify that I have read the foregoing deposition transcript and find it to be a true and accurate transcription of my testimony, with the following corrections, if any:

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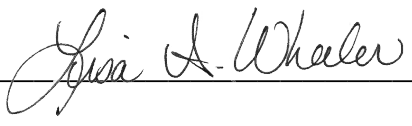
DAVID BADDOUR

CERTIFICATE OF REPORTER

I, Lisa A. Wheeler, Registered Professional Reporter and Notary Public for the State of North Carolina at Large, do hereby certify:

That the foregoing deposition was taken before me on the date and at the time and location stated on Page 1 of this transcript; that the deponent was duly sworn to testify to the truth, the whole truth, and nothing but the truth; that the testimony of the deponent and all objections made at the time of the examination were recorded stenographically by me and were thereafter transcribed; that the foregoing deposition as typed is a true, accurate, and complete record of the testimony of the deponent and of all objections made at the time of the examination to the best of my ability.

I further certify that I am neither related to nor counsel for any party to the cause pending or interested in the events thereof. Witness my hand, I have hereunto affixed my official seal this 14th day of May, 2018, at Fuquay-Varina, Wake County, North Carolina.



Lisa A. Wheeler,
Registered Professional Reporter
Notary Public
State of North Carolina at Large
My Commission expires:
June 7, 2018

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 15-81694-CIV-COHN/SELTZER

CHARLESTON LABORATORIES, INC.,

Plaintiff,

v.

DR. RAYMOND TAKIGIKU,

Defendant.
_____/

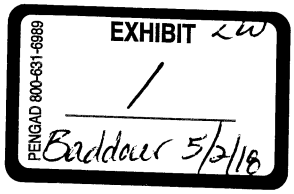
FINAL JUDGMENT

THIS CAUSE is before the Court upon its separately entered Order on Motions for Summary Judgment [DE 152]. It is thereupon

ORDERED AND ADJUDGED as follows:

1. Judgment is entered in favor of Plaintiff Charleston Laboratories, Inc. and against Defendant Dr. Raymond Takigiku on the single count of the Third Amended Complaint [DE 133] and the single counterclaim in Defendant's Answer, Affirmative Defenses, and Counterclaim [DE 141].
2. Plaintiff Charleston Laboratories, Inc. is declared the true, sole owner of the 420,000 shares of stock in Charleston Laboratories, Inc. previously held by Defendant Dr. Ray Takigiku, as described in the Third Amended Complaint.
3. The Clerk of Court is directed to **CLOSE** this case and **DENY as moot** all pending motions.

DONE AND ORDERED in Chambers at Fort Lauderdale, Broward County,



Florida, this 12th day of September, 2016.

JAMES I. COHN
United States District Judge

Copies provided to:
Counsel of record via CM/ECF

ROA-0778

Message

From: Mitchell S. Ryan [mitchell@ryan-lawyers.com]
Sent: 3/10/2011 3:54:04 PM
To: Baddour, David [dbaddour@wcsr.com]
Subject: RE: Charleston Labs - Revised Cap Table for Auditor (Feb 2011).xlsx

Looks good. I should've been more clear re: the note – I was intending to refer solely to the note about the Series A offering documents, but I can see how that could be misconstrued. I'll forward this on to Paul and the CPAs. Let me know once the stock ledger has been revised. Thanks.

Mitchell S. Ryan
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From: Baddour, David [mailto:dbaddour@wcsr.com]
Sent: Thursday, March 10, 2011 1:43 PM
To: Mitchell S. Ryan
Subject: RE: Charleston Labs - Revised Cap Table for Auditor (Feb 2011).xlsx

I thought you had asked me to do so.

Clearly there is uncertainty about the legal status of those shares. For example, as I told Paul earlier this week, if our firm were asked to give a formal legal opinion on the capitalization of the company, we would very likely have to qualify the opinion as to the legal status of Ray's shares (until the dispute is resolved). As such, I am certainly more comfortable including the note. Again, I thought you had asked me to remove it and did so based on what I thought were your instructions.

Attached has the note back in. Let me know what you think.

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com

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From: Mitchell S. Ryan [mailto:mitchell@ryan-lawyers.com]
Sent: Thursday, March 10, 2011 2:34 PM
To: Baddour, David
Subject: RE: Charleston Labs - Revised Cap Table for Auditor (Feb 2011).xlsx

Great, David. Thanks for the explanations. One quick question: I noticed that the note in the cap table re: the company's repurchase of Ray's shares was removed also – was that intentional? If so, what are your thoughts there?

Mitchell S. Ryan

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From: Baddour, David [mailto:dbaddour@wcsr.com]
Sent: Thursday, March 10, 2011 8:23 AM
To: Mitchell S. Ryan
Cc: Paul Bosse
Subject: RE: Charleston Labs - Revised Cap Table for Auditor (Feb 2011).xlsx

Mitchell,

Please find attached the revised cap table.

To answer your questions below:

1) To reserve stock for the plan, we need board approval. We are preparing an Equity Incentive Plan (which will permit the Company to issue up to 1.22 million of Common Stock awards) and board consent resolutions approving the same, which Paul can sign as sole director. BUT PLEASE NOTE: in order for the Company to grant qualified "Incentive Stock Options" to employees (recall that ISOs are tax favored), the Internal Revenue Code requires stockholder approval of the plan as well. As such, we are also drafting stockholder consent resolutions for Paul and the rest of the stockholders. Paul and the management team collectively clearly control this vote and can approve it without going to the Series A investors. However under DE law if the stockholders take corporate action by less than unanimous consent, the Company is required to promptly notify the stockholders who didn't vote of the action taken. In short, at a minimum Paul will need to notify the Series A investors that the stockholders have approved an Equity Incentive Plan. I am happy to discuss in greater detail with you and/or Paul as necessary.

2) I have removed the note regarding the reservation of shares for the Option Pool. The Series A Purchase Agreement does state that the Company has reserved 800,000 shares of Common for the equity pool. However, there is no prohibition against increasing the size of the pool. (Normally this anti-dilution protection would be in the Certificate of Incorporation, along with a host of other Series A protective provisions.) So from a corporate law perspective, it is fine to increase the size of the Option Pool. From a securities law perspective (meaning, "we told the investors that the pool was 800,000 and now we're increasing it to 1.22 million, which has the potential to dilute them") I am certainly comfortable as well assuming we do in fact get Ray's shares back. In other words, all we've done is to shift Ray's 420,000 shares from his line to the Option Pool line on the cap table, thus there has been no net dilution. To be clear, even if we ultimately do not get all of Ray's shares back, we still have a strong argument that there is no securities law issue, given that the corporate documents clearly permit us to increase the size of the pool. (By the way, see paragraph 2(b) clause (v) of the Accredited Investor Questionnaire and Supplemental Representation that each Series A investor signed, per which they acknowledge that the Series A stock "will be subject to dilution if additional capital stock is sold.")

3) I'll ask our paralegal to update the common stock ledger.

Let me know if you'd like to discuss.

Best,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com

From: Mitchell S. Ryan [mailto:mitchell@ryan-lawyers.com]
Sent: Tuesday, March 08, 2011 7:17 PM
To: Baddour, David
Subject: Charleston Labs - Revised Cap Table for Auditor (Feb 2011).xlsx

David,

Please disregard the version of the cap table I sent you earlier. Attached is the latest iteration. From my perspective, the only outstanding issue with it is the note re: the option pool. I haven't reviewed the Series A docs in detail, but I'm assuming they said the option pool would be restricted to 10% of the total common shares (i.e., 800K shares). As you know, Paul wants to include Ray's 420K in the option pool. (1) What do we need to do in order to make that happen? (2) What would you do with the aforementioned note in the cap table to account for this?

On a related note, assuming you're good with the current version of the cap table, can you revise the common stock ledger to be consistent with the cap table? That is, can you revise it to reflect the fact that the company repurchased all 420K of Ray's shares on March 26, 2010?

Let me know what you think.

Thanks,

Mitchell

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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Disclosure Schedule

~~July~~September 10,~~ 2012~~08

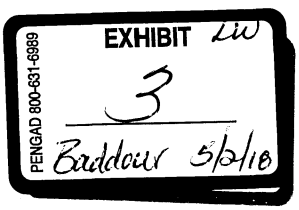
Schedule of Exceptions to Series ~~B~~A Preferred Stock Purchase Agreement, dated as of ~~July~~ September ~~26~~, 2012~~08~~ (the "Stock Purchase Agreement"), by and between Charleston Laboratories, Inc. (the "Company") and the purchasers named therein (the "Purchasers"). All capitalized terms used in this Schedule of Exceptions that are not otherwise defined in this Schedule of Exceptions will have the meanings ascribed to such terms in the Stock Purchase Agreement. **Any matter disclosed in any Section of this Schedule of Exceptions will be deemed to have been disclosed under each other applicable Section of this Schedule of Exceptions notwithstanding the fact that such other Section may not be referenced in the Schedule of Exceptions.**

Section	Explanation	
2.2(d)	**Capitalization**	
	Common Stock held by Founders	5~~6,2~~000,000
	Series A Preferred Stock ~~Authorized~~	~~1,585200~~,000
	Series B Preferred Stock Authorized	??
	Common Stock Reserved for Option Pool	800,000
	TOTAL	8,000,000

Note: The company's former COO, Ray Takigiku, was issued 210 shares of common stock on 5/30/08. These shares were subsequently included in a 2000 for 1 stock split on 9/25/08, leaving Takigiku with 420,000 shares of fully diluted stock. On March 19, 2010, Mr. Takigiku's employment was terminated. On March 26, 2010, the company tendered payment for all 420,000 of Takigiku's shares pursuant to the repurchase provision found in Article 2.2 of the Stockholders Agreement. While Takigiku has conceded that the company was entitled to repurchase 140,000 of his 420,000 shares pursuant to the Stock Restriction Agreement and its accompanying Vesting Schedule, Takigiku disputes the company's ownership of the remaining 280,000 shares. For present purposes, all 420,000 shares previously owned by Takigiku have been earmarked for inclusion in the option pool and are included as such in the above table. The company is presently considering pursuing a declaratory judgment action as to the aforementioned 280,000 shares. ~~Of the 6,000,000 shares of Common Stock held by founders, an aggregate of 840,000 shares currently are subject to repurchase by the Company at $0.01 per share in the event the holder thereof resigns or is terminated for cause, pursuant to the provisions of a stock restriction agreement signed by each of Bernard P. Schachtel (360,000 shares), Ray Takigiku (210,000 shares) and John F. Ameling (270,000 shares).~~

~~Such restrictions vest annually in three equal installments beginning on May 30, 2009, provided that (i) in the event of a "change in control" the Company's right to repurchase fifty percent (50%) of the number of restricted shares then subject to repurchase by the Company shall expire and be of no further force or effect, 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 holder's employment is terminated by the~~

Comment [CLI1]: Karl – Do you want to revise this word? He was not an employee rather a founder who was terminated. Just don't want people to read employee here and then in the sections below see we have no employees.



Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 5/7/2010 10:32:19 AM
To: David Willbrand [david.willbrand@thompsonhine.com]
Subject: RE: 10 Charleston/Takigiku Conversation

David,

Thank you for your e-mail. I've discussed with our client very briefly, as they clearly can't accept the offer below, which would put Ray in a significantly better position than he is now (not to mention all the founders) even if none of Charleston Labs potential claims against Ray (fraud, securities law violations, etc.) are upheld. Charleston Labs is willing to file suit and take any actions necessary to make this situation right, from their perspective.

However, they recognize that doing so will cost money and take time, which is why they are willing to discuss settlement. In addition to the offer they have already made, CL is willing to make one alternative proposal: Ray can have 1.5%, which will be treated just like all of the other founders' equity except that Ray will need to grant CL an irrevocable proxy to vote the stock.

In sum, Ray can either have the conditional/contingent cash severance payment per the initial offer or he can have 1.5% common stock, non-voting. Let me know if Ray would like to pursue either of the alternatives.

Best,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com

---

From: Willbrand, David [mailto:David.Willbrand@thompsonhine.com]
Sent: Thursday, May 06, 2010 11:07 AM
To: Baddour, David
Cc: Willbrand, David
Subject: RE: 10 Charleston/Takigiku Conversation

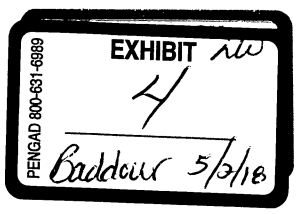
Hi David -

I apologize for the delay in getting back to you after our call. After some discussion on our end, here is where we sit. I welcome your thoughts and appreciate your openness to this discussion.

1. The agreement is phrased and structured as a mutual voluntary separation with typical mutual releases, mutual nondisparagement clauses, etc.
2. The conditional/contingent cash severance payment is ok as originally presented by your client.
3. My understanding is that Ray's ownership position is 3.5%. Ray would like to either (1) hold on to his equity, or (2) if your client has a strong preference for reacquiring the equity, then Ray would agree to that in exchange for a carve-out which would deliver to him 2% (nondilutable) of the proceeds available for distribution to the shareholders in a liquidity event.
4. The acknowledgement and reaffirmation of Ray's equity holdings tied to his $20,000 investment.

I hope this helps gets us closer to closure. Thanks for your consideration.

DW



Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 3/25/2010 6:20:31 PM
To: Paul Bosse [pbosse@charlestonlabs.com]
CC: Rutley, Dean [DRutley@wcsr.com]
Subject: FW: Ray Takigiku
Attachments: Charleston Laboratories - Takigiku Package.DOC; Charleston Labs - Takigiku Redemption and Release Agmt - v2.DOC

Paul,

Please see attached.

As we've discussed, if Ray doesn't agree to the package (and the contingent $70k payment) it is likely that he'll have a claim on the vested portion of his stock. If CL does nothing to change the status quo, it is likely that Ray will simply sit tight and do nothing, until such time as the stock becomes worth something, which is when he'll file suit. Again, the worst case scenario seems to be that he'll ultimately be entitled to the vested portion of his stock.

Keep us posted.

Best,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com

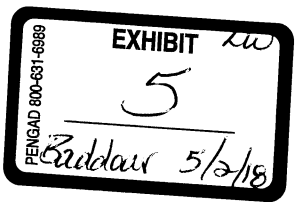
---

From: Paul Bosse [mailto:pbosse@charlestonlabs.com]
Sent: Thursday, March 25, 2010 3:59 PM
To: Baddour, David
Subject: Ray Takigiku

David,

Attached... Please revise edit as you see fit..

Best,



Paul Bosse
CEO & President
Charleston Laboratories Inc
www.charlestonlabs.com
(843)577-2626 (Office)
(843)628-1061 (Fax)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

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Charleston
LABORATORIES

Executive Offices
65 Gadsden St. Ste 201
Charleston, SC 29401
843-577-2626

March 26, 2010

VIA CERTIFIED MAIL

Ray Takigiku P.h.D
632 Russell Street
Covington, KY 41011

Re: Termination of Employment / Redemption and Settlement Agreement / Stock Power

Dear Ray:

On Friday March 19th your employment was terminated with cause. Please find enclosed a check in the amount of $2.10, which the company hereby tenders as payment in full for your equity.

In addition, please find enclosed two copies of a Redemption and Settlement Agreement and a single copy of a Stock Power. The settlement package described in the Redemption and Settlement Agreement includes a severance payment to you in the amount of $70,000, which will be payable upon the closing of a qualified financing. This package is non-negotiable. Please sign one copy of the Redemption and Settlement Agreement and the Stock Power and return both to us, in order to finalize our relationship.

I need these documents signed and returned no later than April 5th 2010. If we do not receive a response from you by then, we will assume you do not intend to cooperate and we will pursue all other legal remedies at our disposal.

Sincerely,

Paul Bosse
CEO, President and Sole Director
Charleston Laboratories, Inc.

cc: Ryan Baker, Chief Financial Officer
John F. Ameling, VP of Regulatory Affairs
Bernard Schachtel, M.D., Chief Scientific Officer
David Baddour, Womble Carlyle Sandridge & Rice

Confidential

REDEMPTION AND SETTLEMENT AGREEMENT AND RELEASE

THIS REDEMPTION AND SETTLEMENT AGREEMENT AND RELEASE (this "**Agreement**"), made and entered into as of the ____ day of March, 2010, is by and between Ray Takigiku (the "**Stockholder**"), and Charleston Laboratories, Inc., a Delaware corporation (the "**Company**").

RECITALS

A. The Stockholder is the holder of stock certificate no. 14, representing 420,000 of the Company's common stock, par value $0.001 per share (the "**Common Stock**"). The Stockholder is a party to that certain Stock Restriction Agreement dated May 30, 2008, pursuant to which the Common Stock is subject to vesting.

B. On March 19, 2010 the Stockholder's employment with the Company was terminated for cause, and the Company believes it has several causes of action against the Stockholder. Nevertheless, the Company and the Stockholder desire to resolve any and all disputes as provided herein.

C. The Stockholder desires to sell to the Company, and the Company desires to purchase and redeem from the Stockholder, all of the Stockholder's Common Stock on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. **Redemption and Contingent Severance Payment**.

(a) The Company hereby purchases and redeems from the Stockholder, and the Stockholder hereby sells, transfers and conveys to the Company, all of the Stockholder's right, title and interest in and to the Common Stock for the Purchase Price specified in Section 2 of this Agreement.

(b) As a contingent severance payment, upon the closing by the Company of either (A) a convertible preferred stock financing in which the Company issues shares of convertible preferred stock with an aggregate purchase price equal to or greater than Five Million Dollars ($5,000,000.00) or (B) a sale of all or substantially all of the assets of the Company for an aggregate purchase price equal to or greater than Five Million Dollars ($5,000,000.00) (either (A) or (B) being referred to hereinafter as a "Qualified Transaction"), the Company agrees to pay to the Stockholder Seventy Thousand Dollars ($70,000.00). Such payment will be made within sixty (60) days following the closing of the Qualified Transaction.

Section 2. **Purchase Price**. The purchase price for the Common Stock is $0.01 per share of pre-recapitalization common stock (or $0.000005 per share of Common Stock), and the

aggregate purchase price for all the Stockholder's Common Stock is $2.10 (the "**Purchase Price**"), the receipt of which is hereby acknowledged by the Stockholder.

Section 3. **Closing; Deliveries**. The closing of the purchase and redemption of the Common Stock contemplated hereby (the "**Closing**") shall take place concurrently with the execution and delivery of this Agreement by the parties hereto. Stock certificate no. 14 representing the Common Stock is hereby delivered by the Stockholder to the Company, properly endorsed by the Stockholder or accompanied by a duly executed stock power of attorney, in either case with signature guaranteed, for transfer of the Stockholder's Common Stock to the Company.

Section 4. **Acknowledgments**. Stockholder hereby acknowledges that: (i) the Purchase Price, together with the Release described in Section 7 below, represents full, fair and adequate consideration for the redemption and purchase of the Stockholder's Common Stock and represents a value mutually determined by the Stockholder and the Company; (ii) the Stockholder is familiar with the business, operations and financial condition of the Company and its subsidiaries and the Stockholder understands the prospects and industry of the Company and its subsidiaries; (iii) the Stockholder has taken such due diligence actions as the Stockholder deems necessary or appropriate; (iv) the Stockholder has consulted with legal counsel, tax advisors or other third parties of the Stockholder's choice in connection with the transactions contemplated hereby; (v) the Stockholder has the capacity to evaluate the merits and risks of the transactions contemplated by this Agreement and to protect the Stockholder's interests in connection with such transactions; (vi) no representations, warranties or tax or legal advice have been made or given to the Stockholder by the Company or any of its agents, representatives, attorneys, officers, directors or employees to induce the Stockholder to enter into this Agreement, other than those expressly set forth herein; (vii) the Stockholder has not relied upon any representation, warranty or tax or legal advice of the Company or any of its agents, representatives, attorneys, officers, directors, or employees in making the Stockholder's decision to enter into this Agreement, other than those expressly set forth herein; and (viii) upon the Closing, the Stockholder will no longer be a stockholder of, or own any interest in, the Company.

Section 5. **Representations and Warranties of the Stockholder**. The Stockholder represents and warrants to the Company of the date hereof as follows (which representations and warranties shall survive the sale, transfer and conveyance of the Common Stock to the Company pursuant to this Agreement): (i) the Stockholder is the record and beneficial owner of the Common Stock and has valid title to the Common Stock; (ii) the Common Stock is free and clear of any security interests, pledges, claims, liens, encumbrances, charges and assessments, restrictive agreements and other restrictions, preemptive or similar rights, and any other rights or interests of any nature whatsoever; (iii) the Common Stock represents all the equity interest or other ownership rights that the Stockholder has in the Company; (iv) the Stockholder has full legal right, power, authority and legal capacity to enter into this Agreement and sell, assign, convey and transfer the Common Stock to the Company; (v) this Agreement constitutes the valid and binding obligation of the Stockholder, enforceable against the Stockholder in accordance with its terms; (vi) the Common Stock is not subject to any restrictions on transferability that have not been waived, and may be sold, assigned, conveyed and transferred to the Company in accordance with the terms of this Agreement; (vii) the execution, delivery and performance of this Agreement, and the consummation by the Stockholder of the transactions contemplated

hereby have been duly authorized by all necessary limited liability company action on the part of the Stockholder; and (viii) the Stockholder's execution and delivery of this Agreement and the performance of the Stockholder's obligations hereunder does not and will not conflict with, violate, result in a breach of, or constitute a default under any agreement, contract, instrument or other arrangement to which the Stockholder is a party or by which the Stockholder or the Stockholder's property is bound.

Section 6. Representation and Warranty of the Company. The Company represents and warrants to the Stockholder as of the date hereof (which representations and warranties shall survive the sale, transfer and conveyance of the Common Stock to the Company pursuant to this Agreement) that: (i) it has full legal right, power and authority to enter into this Agreement and redeem and purchase the Common Stock from the Stockholder; (ii) this Agreement constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms; and (iii) its execution and delivery of this Agreement and the performance of its obligations hereunder does not and will not conflict with, violate, result in a breach of, or constitute a default under any agreement, contract, instrument or other arrangement to which it is a party or by which its property is bound.

Section 7. Releases and Non-disparagement.

(a) Release by the Stockholder.

(i) The Stockholder, for itself and for its heirs, legal representatives, administrators, executors, successors and assigns, hereby releases and forever discharges the Company, and each of their respective individual, joint or mutual, past, present and future representatives, parent companies, affiliates, stockholders, managers, members, directors, officers, employees (both current and former), partners, controlling persons, subsidiaries, insurers, attorneys, successors and assigns (individually, a "**Releasee**" and collectively, the "**Releasees**") from any and all claims, demands, proceedings, causes of action, orders, obligations, damages, interest, contracts, agreements, debts, liabilities, attorneys' fees and expenses, whatsoever, whether in law or equity, whether known or unknown, suspected or unsuspected in connection with the Stockholder's ownership of the Company's Common Stock or its status as a stockholder of the Company (collectively, "**Claims**"), relating to the Company, its subsidiaries or their respective businesses or securities which the Stockholder now has, has ever had or may hereafter have against the respective Releasees arising contemporaneously with or prior to the date hereof or on account of or arising out of any matter, cause or event occurring contemporaneously with or prior to the date hereof.

(ii) In executing this Agreement, the Stockholder acknowledges that it has been informed that the Company and/or their subsidiaries may from time to time enter into agreements for additional types of financing, including without limitation recapitalizations, mergers and initial public offerings of capital stock of the Company and/or their subsidiaries, and also may

pursue acquisitions or enter into agreements for the sale of the Company and/or their subsidiaries or all or a portion of the Company's and/or their subsidiaries' assets, which may result in or reflect an increase in equity value or enterprise value, and that any and all claims arising from or relating to such transactions or such increases in equity value or enterprise value (without limitation) are encompassed within the scope of this release, and that the sole exceptions to the scope of this release are for claims arising after the date hereof directly under this Agreement in accordance with its terms.

(iii) The Stockholder hereby irrevocably covenants to refrain from, directly or indirectly, asserting any Claim, or commencing, instituting or causing to be commenced, any proceeding of any kind against any Releasee, based upon any matter released hereby.

(b) Release by the Company.

(i) The Company, for itself and for its legal representatives, administrators, successors and assigns, hereby releases and forever discharges the Stockholder from any and all claims, demands, proceedings, causes of action, orders, obligations, damages, interest, contracts, agreements, debts, liabilities, attorneys' fees and expenses, whatsoever, whether in law or equity, whether known or unknown, suspected or unsuspected in connection with the Stockholder's employment by the Company as an officer arising contemporaneously with or prior to the date hereof or on account of or arising out of any matter, cause or event occurring contemporaneously with or prior to the date hereof.

(ii) The Company hereby irrevocably covenants to refrain from, directly or indirectly, asserting any claim, or commencing, instituting or causing to be commenced, any proceeding of any kind against any the Stockholder, based upon any matter released hereby.

(c) Non-disparagement. The Stockholder shall not make any disparaging remarks, or any remarks that could reasonably be construed as disparaging, regarding the Company or any of its affiliates, or their officers, directors, employees, partners, or agents. The Stockholder shall not take any action or provide information or issue statements, to the media or otherwise, or cause anyone else to take any action or provide information or issue statements, to the media or otherwise, regarding the Company or any of its affiliates or their officers, directors, employees, partners, or agents.

(d) If any provision of the release contained in this Section 7 is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of such release will remain in full force and effect. Any provision of the release contained in this Section 7 held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

Section 9. **Further Assurances**. The Stockholder hereby agrees to from time to time execute and deliver, or cause to be executed and delivered, such additional or further documents, instruments, certificates and agreements, and do or cause to be done such further acts, as the Company may reasonably request for the purpose of effectively carrying out the transaction contemplated by this Agreement.

Section 10. **Assignment; Binding Effect**. This Agreement may not be assigned by the Stockholder, whether by operation of law or otherwise, without the express prior written consent of the Company. This Agreement shall bind and inure to the benefit of the parties hereto and their respective heirs, administrators, executors, personal and legal representatives, successors and permitted assigns.

Section 11. **Entire Agreement; Amendment**. This Agreement and the exhibits attached hereto represent the entire understanding and agreement between the parties with respect to the subject matter hereof and shall supersede any prior agreements and understandings between the parties with respect to that subject matter. This Agreement may not be amended, modified or changed, in whole or in part, except by a written instrument signed by both of the parties hereto.

Section 12. **Governing Law**. This Agreement shall be governed by and construed and enforced in accordance with the substantive laws of the State of Delaware, without regard to principles governing conflicts of law.

Section 13. **Counterparts**. Any number of counterparts of this Agreement may be executed, and each counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement. The facsimile signature of either party to this Agreement for purposes of execution or otherwise, is to be considered as an original signature, and the document transmitted is to be considered to have the same binding effect as an original signature on an original document.

Section 14. **Interpretation**. In the event of any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

Section 15. **Section Headings**. The section headings contained herein are for convenience of reference only and are not to be considered in interpreting or construing this Agreement.

Section 16. **Effective Date**. The purchase, redemption, sale, transfer and conveyance of the Redemption Shares contemplated hereby shall be effective as of the date of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by a duly authorized person, or has set their hand, as of the day and year first above written.

STOCKHOLDER:

_____

Ray Takigiku

COMPANY:

Charleston Laboratories, Inc.

By: _____

Paul Bosse, CEO and President

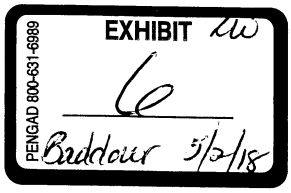
Message

From: Rowland, Mary [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=M_ROWLAND]
Sent: 6/6/2007 1:31:43 PM
To: pbosse@palmpharmaceuticals.com
CC: Rutley, Dean [DRutley@wcsr.com]
Subject: Charleston Laboratories.pdf
Attachments: Charleston Laboratories.pdf

Engagement letter attached for your review and signature.

Please call if you have any questions for Dean.

Thank you.



WOMBLE CARLYLE SANDRIDGE & RICE
A PROFESSIONAL LIMITED LIABILITY COMPANY

Fourth Floor
8065 Leesburg Pike
Tysons Corner, Virginia 22182-2738

Telephone: (703) 790-3310
Fax: (703) 790-2623
Web site: www.wcsr.com

DEAN WAYNE RUTLEY
Direct Dial: (703) 394-2256
Direct Fax: (703) 918-2267
E-mail: drutley@wcsr.com

June 6, 2007

Via Email pbosse@palmpharmaceuticals.com

Paul Bosse, CEO
Charleston Laboratories, Inc.
548 Clearview Drive
Charleston, SC 29412

Dear Paul:

We are pleased that you have asked Womble Carlyle Sandridge & Rice, PLLC to represent Charleston Laboratories, Inc. ("Charleston Labs") for general corporate legal advice, venture capital financing, and other matters that you may request from time to time. We submit for your approval the following provisions governing our engagement. If these are agreeable, please sign the enclosed copy of this letter and return it to me via facsimile (703) 918-2267, with the original transmittal in the enclosed self-addressed envelope. Should you have any questions regarding these provisions, please do not hesitate to call so that we may discuss any proposed changes.

1. Scope of Representation

We will advise Charleston Labs with regard to matters on which you specifically request our services from time to time and on which we specifically agree to provide such services. On any particular matter, you may limit or expand the scope of our representation from time to time, provided that any substantial expansion must be agreed to by us.

2. Term of Engagement

Either of us may terminate the engagement at any time for any reason by written notice, subject on our part to the applicable rules of professional responsibility. In the event that we terminate the relationship, we will take whatever steps are reasonably practicable to protect the interests of Charleston Labs, and, if you so request, we will suggest to Charleston Labs possible successor counsel and cooperate in making available to them whatever papers you have provided to us.

At the conclusion of our work for Charleston Labs on any particular matter, we will return to you, upon your request, any materials you have furnished to us in connection with that matter. Thereupon, we will store files respecting that matter for six (6) years following the conclusion of our representation of Charleston Labs in that matter, and we will provide you with access to those files upon request. After six (6) years from the conclusion of our representation

of Charleston Labs in that matter, we will review the stored files with respect to whether they should be retained or destroyed. We disclaim any obligation to provide further notice to Charleston Labs before destroying the files concerning a matter at any time after six (6) years from the conclusion of our representation of you in that matter.

Charleston Labs is engaging Womble Carlyle to provide the specific legal services described herein. After the completion of our representation, changes may occur in the laws or regulations that could have an impact upon your future rights, and as such, we will have no continuing obligation to advise you with respect to future legal developments, unless re-engaged to address such changes on your behalf.

3. Fees and Expenses

As a courtesy to you based on your existing relationship with Michael Keefe of A&G Pharmaceutical, we are not requesting a retainer at this time. If in the future a retainer is established, the retainer would be held by us in our Trust Account under our normal retainer arrangements which we will disclose to you prior to the deposit of any such retainer.

In general, our fees for legal services are based upon the hourly billing rate for each attorney devoting time to a matter. Our hourly billing rates currently range from $165 per hour for our most junior associates to $575 per hour for our most experienced members. In an effort to reduce legal fees, where appropriate, we utilize paralegals and legal assistants. Their billing rates currently begin at $100 per hour. I will be responsible for our overall relationship with Charleston Labs and my hourly rate is $450. David Baddour ($290) and Julia Kreyskop ($225) will be assisting me on your matters. Other lawyers and paralegals in the firm might be called upon to assist on your matters from time to time, some of whom might spend considerable time on this engagement. Our billing rates are subject to adjustment from time to time by the firm. Our adjustments are designed to maintain our rates at market levels. We believe our rates are very competitive in our markets.

On a monthly basis we will submit a billing statement describing in detail the work incurred on behalf of Charleston Labs. We will include in our bills, in addition to the description of services rendered, a listing of additional billable administrative costs such as photocopying, messenger and delivery services, computerized research, travel, etc. Our policy with respect to these charges is attached hereto. Fees and expenses of third parties (such as consultants, appraisers, etc.) generally will not be paid by us, but will be billed directly to Charleston Labs. Should you believe that any charge set forth on a billing statement is not reasonable or should not be paid in full, you agree to notify us of the reasons within thirty (30) days of the receipt of the statement and give us an opportunity to respond.

Bills are generally payable upon receipt and, unless otherwise agreed, in no more than thirty (30) days from the date of the statement.

4. Dispute Resolution

Should any differences of opinion arise over fees or costs, or should our bills not be paid in a timely manner, we agree that we will consult with each other in good faith in an effort to resolve the matter.

5. Conflicts

WCSR is a multi-jurisdictional law firm representing many clients and handling a large number of complex matters each year. As a result, conflict of interest issues arise and, from time to time, may even include disputes between the firm and our own clients over the handling of a matter. Under such circumstances, we need the ability to seek expert analysis of our obligations from our General Counsel's office or outside counsel without waiving any attorney client privilege. We believe that seeking expert advice is in our clients' interest as well as our own. Accordingly, in signing this agreement, you consent to our seeking advice from our General Counsel's office or outside counsel of our choosing on legal ethics or related issues that may arise during our representation of Charleston Labs and that our representation of Charleston Labs shall not, thereby, waive any attorney-client privilege that WCSR may have to protect the confidentiality of our communications with counsel.

Once again, we are delighted you have chosen us to represent Charleston Labs, and we look forward to a productive relationship. If you have any questions or comments during the course of our representation, please do not hesitate to call me at 703-394-2256.

Very truly yours,

Dean Wayne Rutley

AGREED:

Charleston Laboratories, Inc.

By:_____ _____
Paul Bosse, CEO Date

Attachment

WOMBLE CARLYLE SANDRIDGE & RICE PLLC

Policy in Regard to Billing for Disbursements

We will bill you for disbursements made on your behalf as indicated below:

Photocopies. We will bill you for photocopies at 20 cents per page.

Outside computer research (Lexis® or Westlaw®). We will bill at the normal Lexis® or Westlaw® rate without markup.

Filing fees will be billed at the charges incurred by the Firm.

Travel expenses. We will bill travel expenses at our cost without markup.

Express delivery services (Federal Express, Airborne, etc.). We will bill you for the charges at our cost without markup.

Facsimile. We will not charge you for facsimile copies.

Court reporters, expert witnesses, accountants, etc. will be billed at our cost without markup.

Our philosophy is to minimize out of pocket expenses consistent with those required in conjunction with the legal services we provide. We manage our expenses on behalf of clients as if they were our personal expenses.

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.

Message

From: Knoll, Karl [KKnoll@wcsr.com]
Sent: 5/26/2011 5:06:15 PM
To: Baddour, David [dbaddour@wcsr.com]
Subject: RE: this is what i am working off of. It shows to be right $6.83

I knew that would be the case. This guy is the absolute worst kind of client. Everything is someone else's fault and he doesn't have the communications skills to explain what he needs. A formula for disaster. Maybe we really should just fire him. I am not that frustrated with him yet, but seeing the way he is reacting to this issue makes me think that we may want to distance ourselves before something bad happens.

-----Original Message-----
From: Baddour, David
Sent: Thursday, May 26, 2011 3:12 PM
To: Knoll, Karl
Subject: RE: this is what i am working off of. It shows to be right $6.83

Thanks Karl, and thanks also for you VM. I appreciate you getting my back, w Paul.

So you know, he is wrong that nothing has changed since I sent him the last proposed Series B cap table. To the contrary: since I last touched the proposed Series B cap table, they increased the size of the pool and they also took the position that none of Ray T.'s shares are outstanding.

The last Series B cap table I sent to Paul was in January (see attached e-mail), several months before he asked us to create the option plan and increase the size of the pool and several months before they decided that Ray's shares should be taken off the cap table.

Later, in Feb, I sent a current cap table (not a proposed Series B) to auditors. There again, the "proposed" option pool was shown at 800,000 (I also included 2 notes, one that the pool had not yet been created, but that the Company had told the Series A investors that it would be, and a second about the dispute w Ray). In March, as we were preparing paperwork for the option plan, the attorney he is using out of Alabama sent a revised "current" cap table showing a 1.22 million pool. We were not asked to update the proposed Series B cap table at that time. The first time we were asked to revise the proposed Series B cap table to include the bigger pool and leaving Ray out was when you just did it.

FYI, I'm pulling together a minute book and a handful of other folders that I'll send to you, that will include all the docs I believe are final. As you'll see, some are missing signatures.

Will call in a bit about the notes.

Best,

David
x2352



-----Original Message-----
From: Knoll, Karl
Sent: Thursday, May 26, 2011 2:39 PM
To: 'pbosse@charlestonlabs.com'; Baddour, David; 'Ryan'
Cc: Rutley, Dean
Subject: RE: this is what i am working off of. It shows to be right $6.83

Paul, David and I connected yesterday on the interest payments and he explained to me the reason for this approach. I agree with his logic, so let's go with the way you have handled that in the past (i.e., make the catch up interest payments and close everybody as of one date). As for the cap table, both his an my table work exactly the same way, it is just a question of having the same inputs (and the option pool number needed to be filled in for David's cap table to have the same inputs as mine, whether it was before or not is water under the bridge, everyone involved should always double check the cap numbers to make sure they are correct each time the cap table is used). As for what you need in terms of closing packet on Note #2 and Note #3, I will coordinate with David so that he can fill me in on what your normal procedure is and we will try to get you what you need quickly. Please let me know if that sounds right, or if you would like to discuss any of these issues live.

Thanks,

Karl T. Knoll
Womble Carlyle Sandridge & Rice, PLLC
8065 Leesburg Pike

Message

From: Knoll, Karl [KKnoll@wcsr.com]
Sent: 5/26/2011 5:20:12 PM
To: Baddour, David [dbaddour@wcsr.com]
Subject: RE: this is what i am working off of. It shows to be right $6.83

Oh, I know. Not as well as you, but I've already figured that out.

Thanks,

-----Original Message-----
From: Baddour, David
Sent: Thursday, May 26, 2011 5:14 PM
To: Knoll, Karl
Subject: RE: this is what i am working off of. It shows to be right $6.83

Sounds good to me! But be warned, he is irrational. It is like having a conversation with my 3 year old.

(Would be curious as to how it goes, if you do speak w him...)

-----Original Message-----
From: Knoll, Karl
Sent: Thursday, May 26, 2011 5:11 PM
To: Baddour, David
Subject: RE: this is what i am working off of. It shows to be right $6.83

You know what, I think I will call his bluff on this. I am going to ask him to send me the last email from you where you sent over the cap table. We can use this as an object lesson and have a real heart to heart. He either needs to change his tune or find a new law firm.

-----Original Message-----
From: Baddour, David
Sent: Thursday, May 26, 2011 3:12 PM
To: Knoll, Karl
Subject: RE: this is what i am working off of. It shows to be right $6.83

Thanks Karl, and thanks also for you VM. I appreciate you getting my back, w Paul.

So you know, he is wrong that nothing has changed since I sent him the last proposed Series B cap table. To the contrary: since I last touched the proposed Series B cap table, they increased the size of the pool and they also took the position that none of Ray T.'s shares are outstanding.

The last Series B cap table I sent to Paul was in January (see attached e-mail), several months before he asked us to create the option plan and increase the size of the pool and several months before they decided that Ray's shares should be taken off the cap table.

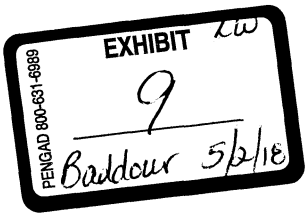
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FYI, I'm pulling together a minute book and a handful of other folders that I'll send to you, that will include all the docs I believe are final. As you'll see, some are missing signatures.

Will call in a bit about the notes.

Best,

David
x2352



-----Original Message-----
From: Knoll, Karl
Sent: Thursday, May 26, 2011 2:39 PM
To: 'pbosse@charlestonlabs.com'; Baddour, David; 'Ryan'

Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 5/6/2010 11:29:33 AM
To: Paul Bosse [pbosse@charlestonlabs.com]
CC: Rutley, Dean [DRutley@wcsr.com]
Subject: FW: 10 Charleston/Takigiku Conversation

Paul,

Just chatted with Dean; he has to run, but thinks the counteroffer below is dead on arrival. (It is a better deal than Ray has currently, probably.) Your original offer was cash (described in 2 below) in exchange for giving up the stock. Below they are asking for both, which they obviously can't have. If you do decide to give him some stock, it obviously can't be nondilutable (it should dilute just like any other founder's stock).

Dean's strong recommendation is to just ignore Ray and focus on closing your next round. If you want to fight with Ray once you have funding, that would be a different story.

(Just got your message; thanks for letting me know it was a disconnection. I have to leave now, but am available to discuss tomorrow if you like.)

Best,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com

---

From: Willbrand, David [mailto:David.Willbrand@thompsonhine.com]
Sent: Thursday, May 06, 2010 11:07 AM
To: Baddour, David
Cc: Willbrand, David
Subject: RE: 10 Charleston/Takigiku Conversation

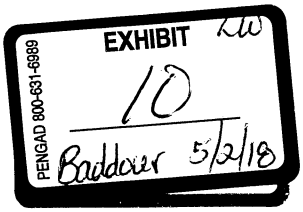
Hi David -

I apologize for the delay in getting back to you after our call. After some discussion on our end, here is where we sit. I welcome your thoughts and appreciate your openness to this discussion.

1. The agreement is phrased and structured as a mutual voluntary separation with typical mutual releases, mutual nondisparagement clauses, etc.
2. The conditional/contingent cash severance payment is ok as originally presented by your client.
3. My understanding is that Ray's ownership position is 3.5%. Ray would like to either (1) hold on to his equity, or (2) if your client has a strong preference for reacquiring the equity, then Ray would agree to that in exchange for a carve-out which would deliver to him 2% (nondilutable) of the proceeds available for distribution to the shareholders in a liquidity event.
4. The acknowledgement and reaffirmation of Ray's equity holdings tied to his $20,000 investment.

I hope this helps gets us closer to closure. Thanks for your consideration.

DW

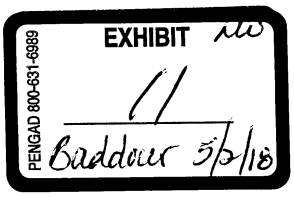


WOMBLE CARLYLE SANDRIDGE & RICE
A PROFESSIONAL LIMITED LIABILITY COMPANY
FOURTH FLOOR
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TYSONS CORNER, VIRGINIA 22182-2738
TELEPHONE (703) 790-3310
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WILMINGTON, DE
WINSTON-SALEM, NC

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: 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

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: _____

CONFIDENTIAL WBD_CHLAB0002420

ROA-0808

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

_____
[Bernie Schachtel M.D.]

CONFIDENTIAL WBD_CHLAB0002421

ROA-0809

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 WBD_CHLAB0002422

ROA-0810

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

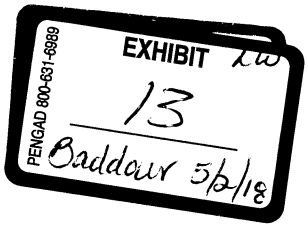
Importance: High

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

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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;

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(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

CONFIDENTIAL

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APPENDIX A

[to be added]

CONFIDENTIAL

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SCHEDULE A

[to be added]

CONFIDENTIAL

ROA-0825

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:

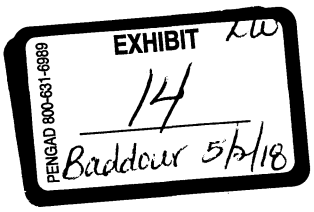
(1) you'll need to decide who else (if anyone) will sit on the board.
(2) the rights/obligations can be waived with the consent of the Company (via a Board vote) and a majority of holders of Common -- which means you (since you hold 55%). If you like, and if you think your team will feel better, we can 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

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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, (xix~~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, (~~xx~~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

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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]~~

Document comparison done by DeltaView on Thursday, May 22, 2008 5:56:02 PM

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Document 1	PowerDocs://WINSTON/3905566/1
Document 2	PowerDocs://WINSTON/3905566/2
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Legend:	
Insertion	
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Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	76
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:

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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 _____, 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.

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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 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

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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.

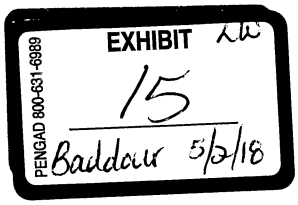
I would like to go over the Shareholders Agreements and the Restricted Stock Agreement this morning so I can get a better understanding and so we can get in place today or tomorrow.

Do you have a preferred time?

Thanks,

Paul Bosse
CEO
(843)577-2626 (Office)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

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Message

From: Paul Bosse [pbosse@charlestonlabs.com]
Sent: 5/29/2008 6:33:24 PM
To: Baddour, David [dbaddour@wcsr.com]; Rutley, Dean [DRutley@wcsr.com]
Subject: Shareholders Ageements & Vesting Schedule

Importance: Low

David and Dean,

Please see the email below that I will send with the SA and RSA.

Is it ok for them to fax me a signed copy then once we are all together in a few weeks get 7 (One for your records and one for each of us) with original signatures for official record???

Please feel free to add or delete anything from the email below.

Thanks,

Paul Bosse
CEO
(843)577-2626 (Office)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

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Guys,

I hope all is well.

Womble Carlyle and I have finished the shareholder's agreements and a stock agreement specific that specifies a vesting schedule. You each will be vested 50% of your founder stock and the remaining will vest and be issued on time served. This protects both myself and the company to make sure everyone has a reason to come to work and not quit. This stock will accelerate with any M&A or sale etc.....

***Bernie, due to your travel, you are actually the only founder that I have been unable to speak with personally but certainly want to talk with you about these documents. I know your counsel raised premature questions (due to lack of information) for a start-up company. David Baddour & Dean Rutley are free to speak with anyone's counsel on CL start-up issues. If needed, let me know and I will set-up accordingly.

Of note:

1. CL is a registered Delaware C Incorporation
2. CL is a **START-UP** Company with only debt and no value to date (idea, non-issued patents, etc...)
3. I have been the sole director / board member
4. There have been no official board meetings to therefore no official minutes necessary
5. The founder stock is issued to founders at .001 / therefore the CL book will show a total of 3,000 shares sold for a grand total of $3.00.
6. These shareholders agreements will be the governing body of CL until an investor is secured and / or documents are revised
7. We will execute employee contracts once investor is secured

Please do not hesitate to contact me with any questions.

Thanks,

Paul Bosse
CEO
(843)577-2626 (Office)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

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Message

From: Paul Bosse [pbosse@charlestonlabs.com]
Sent: 5/29/2008 9:12:56 PM
To: Ray Takigiku [rtakigiku@axellerate.com]; John Ameling [jameling@amelingrs.com]
CC: Rutley, Dean [DRutley@wcsr.com]; Baddour, David [dbaddour@wcsr.com]
Subject: Shareholders Agreements and Stock Agreement
Attachments: Charleston Laboratories - Founders Stockholder Agreement.DOC; Founder Restricted Stock Agmt (Takigiku).DOC; Founder Restricted Stock Agmt (Ameling).DOC

Importance: High

Guys,

I hope all is well.

Womble Carlyle and I have finished the shareholder's agreements and a stock agreement that specifies a vesting schedule that I spoke with each of you about on the phone.

David Baddour & Dean Rutley are free to speak on any CL start-up issues. If this is needed, let me know and I will set-up accordingly.

Of note:

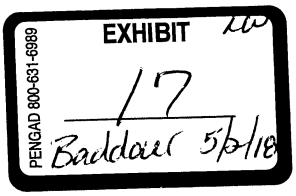
1. CL is a registered Delaware C Incorporation
2. CL is a **START-UP** Company with only debt and no value to date (idea, non-issued patents, etc...)
3. I have been the sole director / board member
4. There have been no official board meetings to therefore no official minutes necessary (the only official board action relates to the SC Launch debt and the organization of CL)
5. The founder stock is issued to founders at .001 / therefore the CL book will show a total of 3,000 shares sold for a grand total of $3.00.
6. These shareholders agreements will be the governing body of CL until an investor is secured and / or documents are revised
7. We will execute employee contracts once investor is secured

Please do not hesitate to contact me with any questions.

Thanks,

Paul Bosse
CEO
(843)577-2626 (Office)
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PBosse@Charlestonlabs.Com

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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, (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:

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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.

(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.

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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 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 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 M.D.

_____

RAY TAKIGIKU PhD

_____

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 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.

(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 & CEO	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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ROA-0880

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

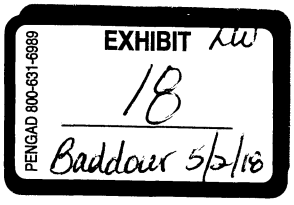
WHEREAS, as partial consideration for the entry into an employment agreement between the Stockholder and the Company dated as of even date herewith, and for other good and valuable consideration, the Stockholder has agreed to grant to the Company certain rights to repurchase all of the shares of Common 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.

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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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ROA-0884

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:

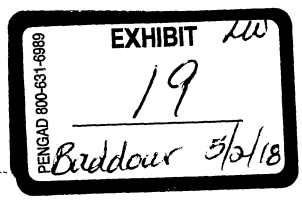
ARTICLE I

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 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, 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 in 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]

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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

G. PAUL BOSSE III

JOHN F. AMELING

BERNARD P. SCHACHTEL

RAY TAKIGIKU

RYAN BAKER

CHRIS GODWIN

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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 M.D.

RAY TAKIGIKU PhD

RYAN BAKER

CHRIS GODWIN

CONFIDENTIAL

ROA-0899

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-0900

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dey and year above written.

G. PAUL BOSSE III

JOHN F. AMELING

BERNARD P. SCHACHTEL

RAY TANGIKU 5/30/08

RYAN BAKER

CHRIS GODWIN

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ROA-0901

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year above written.

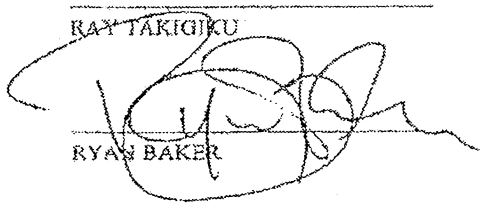
G. PAUL BOSSE III

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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APPENDIX A

Shareholders	Number of Shares of Common Stock
G. Paul Basse III	1,800
Ray Takigiku PhD	210
John Ameling	270
Bernie Schachtel M.D.	360
Ryan Baker	270
Chris Godwin	90
TOTAL	3,000

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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

June 19, 2008
58394.0002.2
Bill Number 1746677
STATEMENT FOR SERVICES RENDERED

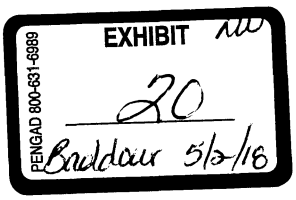
Paul Bosse, CEO
Charleston Laboratories, Inc.
548 Clearview Drive
Charleston, SC 29412

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

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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: 6/18/2008 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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INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE



14

420,000

CANCELED
3/26/2010

CHARLESTON LABORATORIES, INC.

AUTHORIZED TO ISSUE 8,000,000 SHARES COMMON STOCK PAR VALUE $0.001 and 1,200,000 SHARES PREFERRED STOCK PAR VALUE $0.001

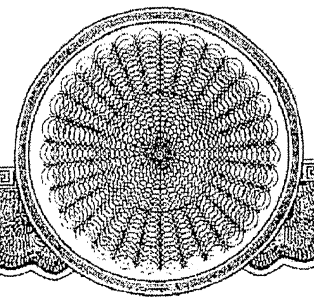
This Certifies that RAY TAKIGIKU is the registered holder of * * * FOUR HUNDRED TWENTY THOUSAND * * * Shares of the capital stock of the above named corporation, fully paid and non-assessable, transferrable only on the books of the Corporation by the holder hereof in person or by Attorney upon surrender 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 25th day of September, 2008.

PB
SECRETARY

PB
PRESIDENT



PENGAD 800-631-6989

EXHIBIT 110
22
Baldour 5/5/10

ULTRO NO 7

CL-004022

CONFIDENTIAL

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

Charleston
LABORATORIES

Charleston Laboratories, Inc.
65 Gadsden Street, Suite 201
Charleston, SC 29401
September 20, 2008

To: Dr. David Drenning

From: PB

Subject: Re: Charleston Laboratories Series A Preferred Closing on September 26th, 2008

Charleston Laboratories Inc (CL) is herewith providing the Series A Preferred Closing Documents for you and your legal counsel's review.

Once you have completed your review and unless you have any further questions, in order to invest we will need you to sign and date the documents as indicated. For your convenience, we have provided a "Signature Packet" consisting of the signature pages (only) of each document that needs to be signed. Signature pages should be faxed to (843) 628-1061 and then mailed to the company at the address above.

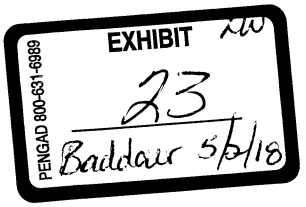
The initial closing is scheduled for 10:00 am (EST) Friday September 26th. Investors should make plans to wire or make direct deposit in the form of cash or money order to Wachovia Bank on Friday September 26th via one of the following:

1. Wire Transfer: Wachovia Bank --Charleston Laboratories, Inc. --Routing# 053207766—Account # 2000036952311
2. Direct Deposit---Charleston Laboratories, Inc.--2000036952311

Charleston Laboratories will break escrow with the total amount of proceeds from this initial closing. If necessary, CL will continue to raise the rest of the offering as per the closing documents.

Each investor will receive their stock certificate via priority mail following the closing.

If you have any further questions about this initial closing, please do not hesitate to call me.



Sincerely,

Paul Bosse
CEO
Office: 843-577-2626
Cell: 843-364-3256

Enclosures:

1. Series A Preferred Stock Purchase Agreement, with the following attachments:
    a. Schedule of Purchasers (to be completed at closing)
    b. Amended and Restated Certificate Of Incorporation
    c. Disclosure Schedule
    d. Right of First Refusal, Co-Sale and Voting Agreement
    e. Accredited Investor Questionnaire and Supplemental Representations
2. Business Plan
3. ****Expected Phase I Budget / Burn Rate
4. Financial Statements dated 9/17/08 (unaudited)
5. Signature Packet

*********Please note budget anticipates SC Launch! converts into this round of financing bringing total round to a decreased $1,750,000.00. Should SC Launch! not convert there will be a new line item in the budget for $250,000.00 and CL will raise full $2,000,000.00 to repay SC Launch! promissory note.

Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 3/16/2010 11:17:23 AM
To: Rutley, Dean [DRutley@wcsr.com]
Subject: Founder Restricted Stock Agmt (Takigiku)
Attachments: Founder Restricted Stock Agmt (Takigiku) - v3.DOC

Dean,

Spoke with Paul for about an hour this morning. They need to get rid of Ray Takigiku, their COO, but they want to take all of his stock back (vested and unvested). Let me know when you have a couple of minutes, and I'll update you.

David
x2352



CHARLESTON LABORATORIES, INC.

MINUTES OF MEETING OF BOARD OF DIRECTORS

March 16, 2010

The meeting of the board of directors of Charleston Laboratories, Inc. (hereinafter sometimes referred to as the "Corporation"), a corporation created under the laws of Delaware, was held on March 16, 2010, at 6:30 p.m. at 65 Gadsden Street, Suite 201, Charleston, South Carolina 29401, pursuant to a call of a majority of the initial directors.

The following directors, who are all of the initial directors of the corporation, were present: G. Paul Bosse, III.

G. Paul Bosse, III, was elected to preside at the meeting, and G. Paul Bosse, III, was elected to serve as secretary and record the minutes.

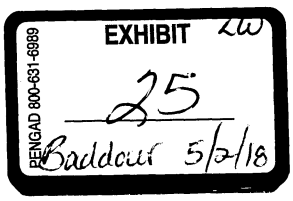
Upon a motion duly made, seconded, and unanimously carried, the following resolution was adopted:

RESOLVED that the employment of Ray Takigiku as the Chief Operating Officer of Charleston Laboratories, Inc., is hereby terminated for cause pursuant to Takigiku's acts and/or omissions detrimental to the Corporation, including but not limited to abandonment of his responsibilities as an officer of the Corporation and breaches of his fiduciary duties to the Corporation's shareholders.

There being no further business to come before the meeting, the meeting was adjourned.

PB

G. Paul Bosse, III



Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 3/17/2010 10:59:08 AM
To: Rutley, Dean [DRutley@wcsr.com]
Subject: FW: Termination Letter

Dean,

Would you like me to do this?

David
x2352

From: Paul Bosse [mailto:pbosse@charlestonlabs.com]
Sent: Wednesday, March 17, 2010 10:58 AM
To: Baddour, David
Subject: Termination Letter

David,

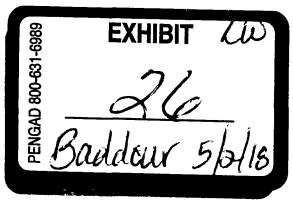
I have spoken to the team about our conversation yesterday morning. We all agree with your recommendation for a sit down face to face discussion / negotiation.

Being that none of us have ever had to terminate anyone, nor do we have a human resource department, we were hoping / would feel best if you could draft the short termination letter using the languge (mutual releases, non disparagement etc) that you know we need in the letter and we can insert the payment / stock section and place on our letterhead.

Let me know...

Thanks,

Paul



Message

From: Rutley, Dean [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_RUTLEY]
Sent: 3/17/2010 1:38:22 PM
To: Baddour, David [dbaddour@wcsr.com]
Subject: Re: Termination Letter

OK. But pull a form from one of the labor & employment guys. Maybe Tom Sawyer.

Sent from my iPhone

On Mar 17, 2010, at 10:59 AM, "Baddour, David" <dbaddour@wcsr.com> wrote:

Dean,

Would you like me to do this?

David

x2352

From: Paul Bosse [mailto:pbosse@charlestonlabs.com]
Sent: Wednesday, March 17, 2010 10:58 AM
To: Baddour, David
Subject: Termination Letter



David,

I have spoken to the team about our conversation yesterday morning. We all agree with your recommendation for a sit down face to face discussion / negotiation.

Being that none of us have ever had to terminate anyone, nor do we have a human resource department, we were hoping / would feel best if you could draft the short termination letter using the languge (mutual releases, non disparagement etc) that you know we need in the letter and we can insert the payment / stock section and place on our letterhead.

Let me know...

Thanks,

Message

From: Paul Bosse [pbosse@charlestonlabs.com]
Sent: 3/17/2010 8:30:58 PM
To: Baddour, David [dbaddour@wcsr.com]
Subject: Ray Termination
Attachments: Ray Takigiku Termination Letter.doc; Ray Takigiku Mutual Release.doc

Importance: High

David,

John called me this evening and after a meeting with his lawyer they have suggested he resign this Friday (which will be the same time we terminate / negotiate), therefore I had to scramble to get these drafted as best I could.

I need to get everyone on the mgt team to sign a copy of the termination letter and overnighted to John for Friday. I need your help on the Severance section as it relates to the stock is it the 210 shares ? and other sections as you see fit.

I hope I have made this easy on you and hope to have them complete by noon(?) if possible.

Thanks,

Paul Bosse
CEO & President
Charleston Laboratories Inc
www.charlestonlabs.com
(843)577-2626 (Office)
(843)628-1061 (Fax)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

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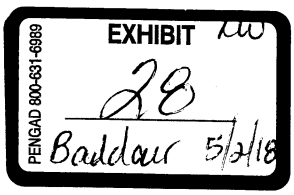
----- Original Message -----
From: Baddour, David
To: pbosse@charlestonlabs.com
Sent: Tuesday, March 16, 2010 9:25 AM
Subject: RE: Call

I have a 10:30 call scheduled already. If you want to speak later today with Ryan, that's fine with me. But I can still do 9:30 if you like.

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com

From: pbosse@charlestonlabs.com [mailto:pbosse@charlestonlabs.com]
Sent: Tuesday, March 16, 2010 9:15 AM
To: Baddour, David
Subject: Re: Call



David,

Ill call you at 930 I was trying to pull Ryan into the convo and he had a conflict.

Best,

Paul Bosse
CEO & President
Charleston Laboratories Inc
www.charlestonlabs.com
(843)577-2626 (Office)
(843)628-1061 (Fax)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

Sent from BlackBerry----------

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From: "Baddour, David" <dbaddour@wcsr.com>
Date: Tue, 16 Mar 2010 07:33:01 -0400
To: 'pbosse@charlestonlabs.com'<pbosse@charlestonlabs.com>
Subject: Re: Call

Unfortunately not. I could talk after lunch if that is better.

From: pbosse@charlestonlabs.com <pbosse@charlestonlabs.com>
To: Baddour, David
Sent: Mon Mar 15 22:03:09 2010
Subject: Re: Call

David,

My apologies, could we do 10:30am?

Thanks,

Paul

Paul Bosse
CEO & President
Charleston Laboratories Inc
www.charlestonlabs.com
(843)577-2626 (Office)
(843)628-1061 (Fax)

(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

Sent from BlackBerry----------

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From: "Baddour, David" <dbaddour@wcsr.com>
Date: Mon, 15 Mar 2010 20:29:23 -0400
To: 'pbosse@charlestonlabs.com'<pbosse@charlestonlabs.com>
Subject: Re: Call

How about 9:30?

Best,

David

From: Paul Bosse <pbosse@charlestonlabs.com>
To: Baddour, David
Sent: Mon Mar 15 18:38:42 2010
Subject: Re: Call

Absolutely... What time is best for you?

----- Original Message -----
From: Baddour, David
To: 'pbosse@charlestonlabs.com'
Sent: Monday, March 15, 2010 6:37 PM
Subject: Re: Call

Hi Paul. I can speak in the morning, if that works for you. Let me know.

Best,

David

From: Paul Bosse <pbosse@charlestonlabs.com>
To: Baddour, David
Sent: Mon Mar 15 18:19:53 2010
Subject: Call

David,

Hope you are well..

I left a voice message with your assistant this afternoon and wanted to follow-up with an email. I was hoping to get a quick few minutes of your time to discuss a few things that may be time sensitive as we are baring down on setting a closing date with investors in the Series B.

Let me know the best time to reach you..

Best,

Paul Bosse
CEO & President
Charleston Laboratories Inc
www.charlestonlabs.com
(843)577-2626 (Office)
(843)628-1061 (Fax)
(843)364-3256 (Cell)
PBosse@Charlestonlabs.Com

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Charleston
LABORATORIES

Executive Offices
65 Gadsden St. Ste 201
Charleston, SC 29401
843-577-2626

March 22, 2010

Ref: Termination Letter with Cause

Dear Ray Takigiku P.h.D,

You are hereby notified that Charleston Laboratories, Inc has decided to terminate your employment with cause as Chief Operating Officer effective immediately. The reason for termination is abandonment of your executive and fiduciary responsibilities to the shareholders for well over 6 months and your eventual signing an exclusive employment contract without notice or resignation from Charleston as the full time CEO of Bexion Pharmaceuticals.

Severance.

As severance, and in lieu of all ownership of Charleston Laboratories, Inc common stock, Charleston will pay to you $70,002.10 upon closing the Series B Preferred stock investment round. The $70,002.10 includes your $20,000.00 original investment plus a $50,000.00 salary for your work during the 12 month period and $2.10 for repurchase of your original 210 common stock shares at 0.0001 notwithstanding the existence of just cause for the termination of your employment. This payment is being made on a purely ex gratia basis, without prejudice, and in no way does it constitute a waiver of our position that your employment has been terminated for just cause.

Non-disparagement.

The Parties agree not to make any statements, written or verbal, or cause or encourage others to make any statements, written or verbal, that defame, disparage or in any way criticize the personal or business reputation, practices, or conduct of Defendant, its employees, directors, and officers. The Parties acknowledge and agree that this prohibition extends to statements, written or verbal, made to anyone, including but not limited to, the news media, investors, potential investors, any board of directors or advisory board or directors, industry analysts, competitors, strategic partners, vendors, employees (past and present), and clients.

The Parties understand and agree that this Paragraph is a material provision of this Agreement and that any breach of this Paragraph shall be a material breach of this Agreement, and that each Party would be irreparably harmed by violation of this provision.

If you have any questions, please contact me.

Yours very truly,

Paul Bosse
CEO & President

Charleston Laboratories, Inc.

By: _____

Ryan Baker, Chief Financial Officer

By: _____

John F. Ameling, VP of Regulatory Affairs

By: _____

Bernard Schachtel, M.D., Chief Scientific Officer

CC- David Baddor, Womble Carlyle Sandridge & Rice

CONFIDENTIAL WBD_CHLAB0006185

ROA-0924



Executive Offices
65 Gadsden St. Ste 201
Charleston, SC 29401
843-577-2626

March 22, 2010

Ref: Mutual Release

Dear Ray Takigiku P.h.D,

This mutual release, executed on March 22, 2010, between Charleston Laboratories, Inc of 65 Gadsden Street, Suite 201, City of Charleston, State of South Carolina, and Ray Takigiku of 3952 Timberwoods Ct, City of Loveland, State of Ohio, is intended to effect the elimination of any obligations by either party as hereinafter designated.

Whereas, disputes and differences have arisen between the parties with respect to Charleston Laboratories, Inc Stockholders Agreement entered into by said parties and executed on May 30, 2008.

Whereas, both parties recognize that by the execution of this mutual release, they are relinquishing their respective legal rights with reference to the herein mentioned disputes and differences, both parties agree that in consideration of this execution of this mutual release, and for the added consideration of the payment of $70,002.10 Dollars, by Charleston Laboratories, Inc to Ray Takigiku upon closing the Series B Preferred Stock round of financing. Each party for his heirs and assigns,expressly releases the other party, and his heirs and assigns, from all liability for claims and/or demands which may arise from that certain contract referenced herein and attached hereto.

In witness whereof the parties have executed this mutual release at PrimeDP offices on the day and year stated above.

By : _____
John F. Ameling, VP of Regulatory Affairs

By: _____
Ray Takigiku

Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 3/22/2010 4:19:00 PM
To: Paul Bosse [pbosse@charlestonlabs.com]
CC: Rutley, Dean [DRutley@wcsr.com]
Subject: Takigiku Paperwork
Attachments: Charleston Labs - Takigiku Redemption and Release Agmt - v1.DOC; Charleston Labs - Board Consent re Redemption - v1.DOC; Charleston Labs - Takigiku Stock Power - v1.DOC

Paul,

As discussed, please find attached:

1) Redemption and Settlement Agreement and Release
2) Stock Power
3) Consent of the Sole Director

As discussed, please have John print out 2 copies of the Redemption and Settlement Agreement and Release and 1 copy of the Stock Power. Mr. Takigiku should sign all 3 documents. Once they are returned to you, you can countersign both copies of the Redemption and Settlement Agreement and Release. You should also sign the Consent of Sole Director. You should keep the Stock Power (signed by Ray) and the Consent (signed by you) in the corporate minute book, and one of the fully executed originals of the Redemption and Settlement Agreement and Release in your corporate files.

The following should be returned to Mr. Takigiku:

1) the second fully executed original of Redemption and Separation Agreement and Release
2) check for $420
3) photocopy of his original stock certificate, with the words "cancelled" stamped or written across his name

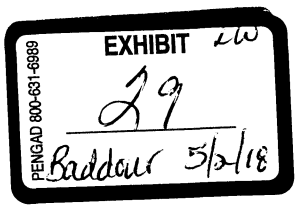
As always, please make photocopies of all correspondence and send a copy to us for our files, if you don't mind.

Let me know if you have any questions or comments on the attached documents, or on the process I've outlined above.

Best regards,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com



REDEMPTION AND SETTLEMENT AGREEMENT AND RELEASE

THIS REDEMPTION AND SETTLEMENT AGREEMENT AND RELEASE (this "**Agreement**"), made and entered into as of the ____ day of March, 2010, is by and between Ray Takigiku (the "**Stockholder**"), and Charleston Laboratories, Inc., a Delaware corporation (the "**Company**").

RECITALS

A. The Stockholder is the holder of stock certificate no. 14, representing 420,000 of the Company's common stock, par value $0.001 per share (the "**Common Stock**"). The Stockholder is a party to that certain Stock Restriction Agreement dated May 30, 2008, pursuant to which the Common Stock is subject to vesting.

B. On March 19, 2010 the Stockholder's employment with the Company was terminated for cause, and the Company believes it has several causes of action against the Stockholder. Nevertheless, the Company and the Stockholder desire to resolve any and all disputes as provided herein.

C. The Stockholder desires to sell to the Company, and the Company desires to purchase and redeem from the Stockholder, all of the Stockholder's Common Stock on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. Redemption and Contingent Severance Payment.

(a) The Company hereby purchases and redeems from the Stockholder, and the Stockholder hereby sells, transfers and conveys to the Company, all of the Stockholder's right, title and interest in and to the Common Stock for the Purchase Price specified in Section 2 of this Agreement.

(b) As a contingent severance payment, upon the closing by the Company of either (A) a convertible preferred stock financing in which the Company issues shares of convertible preferred stock with an aggregate purchase price equal to or greater than Five Million Dollars ($5,000,000.00) or (B) a sale of all or substantially all of the assets of the Company for an aggregate purchase price equal to or greater than Five Million Dollars ($5,000,000.00) (either (A) or (B) being referred to hereinafter as a "Qualified Transaction"), the Company agrees to pay to the Stockholder Seventy Thousand Dollars ($70,000.00). Such payment will be made within sixty (60) days following the closing of the Qualified Transaction.

Section 2. **Purchase Price**. The purchase price for the Common Stock is $0.001 per share, and the aggregate purchase price for all the Stockholder's Common Stock is $420.00 (the "**Purchase Price**"), the receipt of which is hereby acknowledged by the Stockholder.

Section 3. **Closing; Deliveries**. The closing of the purchase and redemption of the Common Stock contemplated hereby (the "**Closing**") shall take place concurrently with the execution and delivery of this Agreement by the parties hereto. Stock certificate no. 14 representing the Common Stock is hereby delivered by the Stockholder to the Company, properly endorsed by the Stockholder or accompanied by a duly executed stock power of attorney, in either case with signature guaranteed, for transfer of the Stockholder's Common Stock to the Company.

Section 4. **Acknowledgments**. Stockholder hereby acknowledges that: (i) the Purchase Price, together with the Release described in Section 7 below, represents full, fair and adequate consideration for the redemption and purchase of the Stockholder's Common Stock and represents a value mutually determined by the Stockholder and the Company; (ii) the Stockholder is familiar with the business, operations and financial condition of the Company and its subsidiaries and the Stockholder understands the prospects and industry of the Company and its subsidiaries; (iii) the Stockholder has taken such due diligence actions as the Stockholder deems necessary or appropriate; (iv) the Stockholder has consulted with legal counsel, tax advisors or other third parties of the Stockholder's choice in connection with the transactions contemplated hereby; (v) the Stockholder has the capacity to evaluate the merits and risks of the transactions contemplated by this Agreement and to protect the Stockholder's interests in connection with such transactions; (vi) no representations, warranties or tax or legal advice have been made or given to the Stockholder by the Company or any of its agents, representatives, attorneys, officers, directors or employees to induce the Stockholder to enter into this Agreement, other than those expressly set forth herein; (vii) the Stockholder has not relied upon any representation, warranty or tax or legal advice of the Company or any of its agents, representatives, attorneys, officers, directors, or employees in making the Stockholder's decision to enter into this Agreement, other than those expressly set forth herein; and (viii) upon the Closing, the Stockholder will no longer be a stockholder of, or own any interest in, the Company.

Section 5. **Representations and Warranties of the Stockholder**. The Stockholder represents and warrants to the Company of the date hereof as follows (which representations and warranties shall survive the sale, transfer and conveyance of the Common Stock to the Company pursuant to this Agreement): (i) the Stockholder is the record and beneficial owner of the Common Stock and has valid title to the Common Stock; (ii) the Common Stock is free and clear of any security interests, pledges, claims, liens, encumbrances, charges and assessments, restrictive agreements and other restrictions, preemptive or similar rights, and any other rights or interests of any nature whatsoever; (iii) the Common Stock represents all the equity interest or other ownership rights that the Stockholder has in the Company; (iv) the Stockholder has full legal right, power, authority and legal capacity to enter into this Agreement and sell, assign, convey and transfer the Common Stock to the Company; (v) this Agreement constitutes the valid and binding obligation of the Stockholder, enforceable against the Stockholder in accordance with its terms; (vi) the Common Stock is not subject to any restrictions on transferability that have not been waived, and may be sold, assigned, conveyed and transferred to the Company in accordance with the terms of this Agreement; (vii) the execution, delivery and performance of

this Agreement, and the consummation by the Stockholder of the transactions contemplated hereby have been duly authorized by all necessary limited liability company action on the part of the Stockholder; and (viii) the Stockholder's execution and delivery of this Agreement and the performance of the Stockholder's obligations hereunder does not and will not conflict with, violate, result in a breach of, or constitute a default under any agreement, contract, instrument or other arrangement to which the Stockholder is a party or by which the Stockholder or the Stockholder's property is bound.

Section 6. **Representation and Warranty of the Company**. The Company represents and warrants to the Stockholder as of the date hereof (which representations and warranties shall survive the sale, transfer and conveyance of the Common Stock to the Company pursuant to this Agreement) that: (i) it has full legal right, power and authority to enter into this Agreement and redeem and purchase the Common Stock from the Stockholder; (ii) this Agreement constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms; and (iii) its execution and delivery of this Agreement and the performance of its obligations hereunder does not and will not conflict with, violate, result in a breach of, or constitute a default under any agreement, contract, instrument or other arrangement to which it is a party or by which its property is bound.

Section 7. **Releases and Non-disparagement.**

(a) Release by the Stockholder.

(i) The Stockholder, for itself and for its heirs, legal representatives, administrators, executors, successors and assigns, hereby releases and forever discharges the Company, and each of their respective individual, joint or mutual, past, present and future representatives, parent companies, affiliates, stockholders, managers, members, directors, officers, employees (both current and former), partners, controlling persons, subsidiaries, insurers, attorneys, successors and assigns (individually, a "**Releasee**" and collectively, the "**Releasees**") from any and all claims, demands, proceedings, causes of action, orders, obligations, damages, interest, contracts, agreements, debts, liabilities, attorneys' fees and expenses, whatsoever, whether in law or equity, whether known or unknown, suspected or unsuspected in connection with the Stockholder's ownership of the Company's Common Stock or its status as a stockholder of the Company (collectively, "**Claims**"), relating to the Company, its subsidiaries or their respective businesses or securities which the Stockholder now has, has ever had or may hereafter have against the respective Releasees arising contemporaneously with or prior to the date hereof or on account of or arising out of any matter, cause or event occurring contemporaneously with or prior to the date hereof.

(ii) In executing this Agreement, the Stockholder acknowledges that it has been informed that the Company and/or their subsidiaries may from time to time enter into agreements for additional types of financing, including without limitation recapitalizations, mergers and initial public offerings of

capital stock of the Company and/or their subsidiaries, and also may pursue acquisitions or enter into agreements for the sale of the Company and/or their subsidiaries or all or a portion of the Company's and/or their subsidiaries' assets, which may result in or reflect an increase in equity value or enterprise value, and that any and all claims arising from or relating to such transactions or such increases in equity value or enterprise value (without limitation) are encompassed within the scope of this release, and that the sole exceptions to the scope of this release are for claims arising after the date hereof directly under this Agreement in accordance with its terms.

(iii) The Stockholder hereby irrevocably covenants to refrain from, directly or indirectly, asserting any Claim, or commencing, instituting or causing to be commenced, any proceeding of any kind against any Releasee, based upon any matter released hereby.

(b) Release by the Company.

(i) The Company, for itself and for its legal representatives, administrators, successors and assigns, hereby releases and forever discharges the Stockholder from any and all claims, demands, proceedings, causes of action, orders, obligations, damages, interest, contracts, agreements, debts, liabilities, attorneys' fees and expenses, whatsoever, whether in law or equity, whether known or unknown, suspected or unsuspected in connection with the Stockholder's employment by the Company as an officer arising contemporaneously with or prior to the date hereof or on account of or arising out of any matter, cause or event occurring contemporaneously with or prior to the date hereof.

(ii) The Company hereby irrevocably covenants to refrain from, directly or indirectly, asserting any claim, or commencing, instituting or causing to be commenced, any proceeding of any kind against any the Stockholder, based upon any matter released hereby.

(c) Non-disparagement. The Stockholder shall not make any disparaging remarks, or any remarks that could reasonably be construed as disparaging, regarding the Company or any of its affiliates, or their officers, directors, employees, partners, or agents. The Stockholder shall not take any action or provide information or issue statements, to the media or otherwise, or cause anyone else to take any action or provide information or issue statements, to the media or otherwise, regarding the Company or any of its affiliates or their officers, directors, employees, partners, or agents.

(d) If any provision of the release contained in this Section 7 is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of such release will remain in full force and effect. Any provision of the release contained in this Section 7 held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

Section 9. **Further Assurances**. The Stockholder hereby agrees to from time to time execute and deliver, or cause to be executed and delivered, such additional or further documents, instruments, certificates and agreements, and do or cause to be done such further acts, as the Company may reasonably request for the purpose of effectively carrying out the transaction contemplated by this Agreement.

Section 10. **Assignment; Binding Effect**. This Agreement may not be assigned by the Stockholder, whether by operation of law or otherwise, without the express prior written consent of the Company. This Agreement shall bind and inure to the benefit of the parties hereto and their respective heirs, administrators, executors, personal and legal representatives, successors and permitted assigns.

Section 11. **Entire Agreement; Amendment**. This Agreement and the exhibits attached hereto represent the entire understanding and agreement between the parties with respect to the subject matter hereof and shall supersede any prior agreements and understandings between the parties with respect to that subject matter. This Agreement may not be amended, modified or changed, in whole or in part, except by a written instrument signed by both of the parties hereto.

Section 12. **Governing Law**. This Agreement shall be governed by and construed and enforced in accordance with the substantive laws of the State of Delaware, without regard to principles governing conflicts of law.

Section 13. **Counterparts**. Any number of counterparts of this Agreement may be executed, and each counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement. The facsimile signature of either party to this Agreement for purposes of execution or otherwise, is to be considered as an original signature, and the document transmitted is to be considered to have the same binding effect as an original signature on an original document.

Section 14. **Interpretation**. In the event of any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

Section 15. **Section Headings**. The section headings contained herein are for convenience of reference only and are not to be considered in interpreting or construing this Agreement.

Section 16. **Effective Date**. The purchase, redemption, sale, transfer and conveyance of the Redemption Shares contemplated hereby shall be effective as of the date of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by a duly authorized person, or has set their hand, as of the day and year first above written.

STOCKHOLDER:

_____

Ray Takigiku

COMPANY:

Charleston Laboratories, Inc.

By: _____

Paul Bosse, CEO and President

ACTION WITHOUT MEETING OF THE BOARD OF DIRECTORS OF CHARLESTON LABORATORIES, INC.

The undersigned, being the sole member of board of directors of Charleston Laboratories, Inc., a Delaware corporation (the "Company"), acting pursuant to the authority of Section 141 of the Delaware General Corporation Law, does hereby adopt the following resolutions by signing his written consent thereto:

REDEMPTION OF STOCK

WHEREAS, Mr. Ray Takigiku ("Takigiku") is the record and beneficial owner of Four Hundred Twenty Thousand (420,000) of the issued and outstanding shares of $0.001 par value Common Stock of the Corporation (the "Redemption Shares");

WHEREAS, on March 19, 2010 Takigiku was terminated for cause; and

WHEREAS, it is deemed desirable and in the best interest of the Corporation and its shareholders to redeem the Redemption Shares (the "Redemption") for a total purchase price of Four Hundred Twenty Dollars ($420.00), payable in cash, and to settle all other matters relating to Takigiku's employment on the terms and conditions described in that certain Redemption and Settlement Agreement and Release (the "Redemption Agreement") by and between Takigiku and the Company.

NOW, THEREFORE, BE IT RESOLVED, that the proper officers of the Corporation, acting for and in behalf of the Corporation, are hereby authorized and directed to purchase from Takigiku the Redemption Shares in accordance with the Redemption Agreement for a total purchase price of Four Hundred Twenty Dollars ($420.00); and

BE IT FURTHER RESOLVED, that the proper officers of the Corporation, acting for and in behalf of the Corporation, are hereby authorized and directed to execute and deliver the Redemption Agreement and to make the contingent severance payment described therein, upon the closing of a $3 million financing or sale; and

BE IT FURTHER RESOLVED, that the proper officers of the Corporation, acting for and in behalf of the Corporation, are hereby authorized and directed to execute any and all further documents and take any and all further actions deemed necessary or desirable to carry out the intent and purpose of the foregoing resolutions.

IN WITNESS WHEREOF, the undersigned, being the sole director of the Corporation, hereby indicate its consent in writing to the foregoing actions, and certify that such actions were taken without a meeting, effective as of the 22nd day of March, 2010.

SOLE DIRECTOR:

_____

Paul Bosse

CONFIDENTIAL WBD_CHLAB0006226

ROA-0934

STOCK POWER

FOR VALUE RECEIVED, I, Ray Takigiku, do hereby sell, assign and transfer to Charleston Laboratories, Inc., a Delaware corporation, four hundred twenty (420,000) shares of Common Stock of Charleston Laboratories, Inc. a corporation organized under the laws of the State of Delaware (the "Corporation"), represented on the books of the Corporation as Certificate No. 14 (the "Shares") and do hereby irrevocably constitute and appoint Paul Bosse as my true and lawful attorney to sell, assign and transfer the Shares, and for that purpose to make and execute all necessary acts of assignment and transfer thereof, and to substitute one or more persons with like full power, hereby ratifying and confirming all that said attorney or substitutes shall lawfully do by virtue hereof.

Dated: March ____, 2010

Signature: _____
Printed Name: Ray Takigiku

Charleston
LABORATORIES

Executive Offices
65 Gadsden St. Ste 201
Charleston, SC 29401
843-577-2626

March 26, 2010

VIA CERTIFIED MAIL

Ray Takigiku P.h.D
632 Russell Street
Covington, KY 41011

Re: Termination of Employment / Redemption and Settlement Agreement / Stock Power

Dear Ray:

On Friday March 19th your employment was terminated with cause. Please find enclosed a check in the amount of $2.10, which the company hereby tenders as payment in full for your equity.

In addition, please find enclosed two copies of a Redemption and Settlement Agreement and a single copy of a Stock Power. The settlement package described in the Redemption and Settlement Agreement includes a severance payment to you in the amount of $70,000, which will be payable upon the closing of a qualified financing. This package is non-negotiable. Please sign one copy of the Redemption and Settlement Agreement and the Stock Power and return both to us, in order to finalize our relationship.

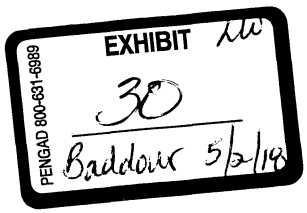
I need these documents signed and returned no later than April 5th 2010. If we do not receive a response from you by then, we will assume you do not intend to cooperate and we will pursue all other legal remedies at our disposal.

Sincerely,

PB

Paul Bosse
CEO, President and Sole Director
Charleston Laboratories, Inc.

cc: Ryan Baker, Chief Financial Officer
John F. Ameling, VP of Regulatory Affairs
Bernard Schachtel, M.D., Chief Scientific Officer
David Baddour, Womble Carlyle Sandridge & Rice



Confidential

ACTION WITHOUT MEETING OF THE BOARD OF DIRECTORS OF CHARLESTON LABORATORIES, INC.

The undersigned, being the sole member of board of directors of Charleston Laboratories, Inc., a Delaware corporation (the "Company"), acting pursuant to the authority of Section 141 of the Delaware General Corporation Law, does hereby adopt the following resolutions by signing his written consent thereto:

REDEMPTION OF STOCK

WHEREAS, Mr. Ray Takigiku ("Takigiku") is the record and beneficial owner of Four Hundred Twenty Thousand (420,000) of the issued and outstanding shares of $0.001 par value Common Stock of the Corporation (the "Redemption Shares");

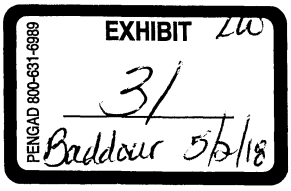
WHEREAS, on March 19, 2010 Takigiku was terminated for cause; and

WHEREAS, it is deemed desirable and in the best interest of the Corporation and its shareholders to redeem the Redemption Shares (the "Redemption") for a total purchase price of Four Hundred Twenty Dollars ($420.00), payable in cash, and to settle all other matters relating to Takigiku's employment on the terms and conditions described in that certain Redemption and Settlement Agreement and Release (the "Redemption Agreement") by and between Takigiku and the Company.

NOW, THEREFORE, BE IT RESOLVED, that the proper officers of the Corporation, acting for and in behalf of the Corporation, are hereby authorized and directed to purchase from Takigiku the Redemption Shares in accordance with the Redemption Agreement for a total purchase price of Four Hundred Twenty Dollars ($420.00); and

BE IT FURTHER RESOLVED, that the proper officers of the Corporation, acting for and in behalf of the Corporation, are hereby authorized and directed to execute and deliver the Redemption Agreement and to make the contingent severance payment described therein, upon the closing of a $5 million financing or sale; and

BE IT FURTHER RESOLVED, that the proper officers of the Corporation, acting for and in behalf of the Corporation, are hereby authorized and directed to execute any and all further documents and take any and all further actions deemed necessary or desirable to carry out the intent and purpose of the foregoing resolutions.



IN WITNESS WHEREOF, the undersigned, being the sole director of the Corporation, hereby indicate its consent in writing to the foregoing actions, and certify that such actions were taken without a meeting, effective as of the 22nd day of March, 2010.

SOLE DIRECTOR:

PB

Paul Bosse

CONFIDENTIAL

WBD_CHLAB0024369

ROA-0938

Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 4/27/2010 10:11:11 AM
To: Paul Bosse [pbosse@charlestonlabs.com]
Subject: Your VM

Paul,

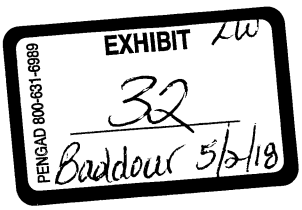
Got your VM – no word from Ray or his attorney. I recommend we sit tight, at least for now.

Keep us posted – and good luck – on the next round!

Best,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com



Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 5/7/2010 11:17:47 AM
To: rbaker@charlestonlabs.com; Paul Bosse [pbosse@charlestonlabs.com]
Subject: RE: 10 Charleston/Takigiku Conversation

PAUL / RYAN: PLEASE CONFIRM THE E-MAIL BELOW, BEFORE I SEND.

DAVID

* * * * * * * *

David,

I am confident Ray knows and understands this, but so you and I are on the same page: the 1.5% is based on the original grant, which was before the Series A and future option pool. The original (post-split) cap table had Ray with 420,000 common shares out of 6 million, or 7%. The offer is that he'll keep 90,000 shares (1.5/7.0 * 420,000).

FYI, currently there are 585,000 Series A outstanding, 5,670,000 common outstanding (assuming Ray has 90,000), and 800,000 common reserved for a future option pool.

Best,

David

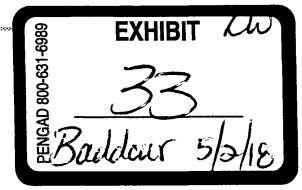
David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com

---

From: Willbrand, David [mailto:David.Willbrand@thompsonhine.com]
Sent: Friday, May 07, 2010 10:40 AM
To: Baddour, David
Cc: Willbrand, David
Subject: RE: 10 Charleston/Takigiku Conversation

thanks, david. before i speak with my client, can you please send a cap table to me so that i can see how this fits together? many thanks.

From: Baddour, David [mailto:dbaddour@wcsr.com]
Sent: Friday, May 07, 2010 10:32 AM
To: Willbrand, David
Subject: RE: 10 Charleston/Takigiku Conversation



David,

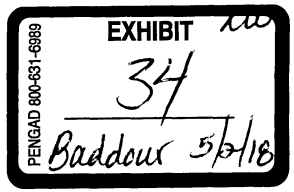
Thank you for your e-mail. I've discussed with our client very briefly, as they clearly can't accept the offer below, which would put Ray in a significantly better position than he is now (not to mention all the founders) even if none of Charleston Labs potential claims against Ray (fraud, securities law violations, etc.) are upheld. Charleston Labs is willing to file suit and take any actions necessary to make this situation right, from their perspective.

Charleston Laboratories, Inc.

Capitalization Table, as of May 10, 2010

	Series A Preferred Shares	Common Shares	Voting Shares	Voting Percentage	Fully Diluted Shares	Fully Diluted Percentage
Investor 1	90,000		90,000	1.37%	90,000	1.37%
Investor 2	60,000		60,000	0.91%	60,000	0.91%
Investor 3	60,000		60,000	0.91%	60,000	0.91%
Investor 4	12,000		12,000	0.18%	12,000	0.18%
Investor 5	3,000		3,000	0.05%	3,000	0.05%
Investor 6	60,000		60,000	0.91%	60,000	0.91%
Investor 7	60,000		60,000	0.91%	60,000	0.91%
Investor 8	60,000		60,000	0.91%	60,000	0.91%
Investor 9	60,000		60,000	0.91%	60,000	0.91%
Investor 10	60,000		60,000	0.91%	60,000	0.91%
Investor 11	60,000		60,000	0.91%	60,000	0.91%
Founders		5,580,000	5,580,000	84.74%	5,580,000	84.74%
Ray Takigiku PhD		420,000	420,000	6.38%	420,000	6.38%
Equity Incentive Pool*					-	0.00%
Total	**585,000**	**6,000,000**	**6,585,000**	**100.00%**	**6,585,000**	**100.00%**

* A post-closing Equity Incentive Pool may be created out of the existing outstanding Common Shares. Neither the Series A nor the proposed Series B holders will be diluted by the creation of such pool, without their prior consent (as a class).



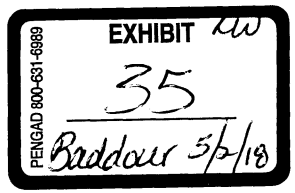
Charleston Laboratories, Inc.

Capitalization Table, as of May 10, 2010

	Series A Preferred Shares	Common Shares	Voting Shares	Voting Percentage	Fully Diluted Shares	Fully Diluted Percentage
Investor 1	90,000		90,000	1.44%	90,000	1.44%
Investor 2	60,000		60,000	0.96%	60,000	0.96%
Investor 3	60,000		60,000	0.96%	60,000	0.96%
Investor 4	12,000		12,000	0.19%	12,000	0.19%
Investor 5	3,000		3,000	0.05%	3,000	0.05%
Investor 6	60,000		60,000	0.96%	60,000	0.96%
Investor 7	60,000		60,000	0.96%	60,000	0.96%
Investor 8	60,000		60,000	0.96%	60,000	0.96%
Investor 9	60,000		60,000	0.96%	60,000	0.96%
Investor 10	60,000		60,000	0.96%	60,000	0.96%
Investor 11	60,000		60,000	0.96%	60,000	0.96%
Founders		5,580,000	5,580,000	89.21%	5,580,000	89.21%
Ray Takigiku PhD		90,000	90,000	1.44%	90,000	1.44%
Equity Incentive Pool*					-	0.00%
Total	**585,000**	**5,670,000**	**6,255,000**	**100.00%**	**6,255,000**	**100.00%**

* A post-closing Equity Incentive Pool may be created out of the existing outstanding Common Shares. The Series A holders will not be diluted by the creation of such pool, without their prior consent (as a class).

** No Founders own any Series A Preferred Shares



Charleston Laboratories, Inc.

Capitalization Table, as of January 9, 2009

	Series A Preferred Shares	Common Shares	Voting Shares	Voting Percentage	Fully Diluted Shares	Fully Diluted Percentage	Date Issued
WBH Investments, LLC	90,000		90,000	1.46%	90,000	1.22%	60000 issued 9/26/08, 30000 issued 12/3/08
Franklin Street Investments, LLC	60,000		60,000	0.97%	60,000	0.81%	60000 issued 9/26/08
Gregory K. Gum	60,000		60,000	0.97%	60,000	0.81%	45000 issued 9/26/08, 15000 issued 11/12/08
WS Investment Company, LLC (2008A)	12,000		12,000	0.19%	12,000	0.16%	12000 issued 10/20/08
WS Investment Company, LLC (2008C)	3,000		3,000	0.05%	3,000	0.04%	3000 issued 10/20/08
CLSPA 1, LLC	60,000		60,000	0.97%	60,000	0.81%	60000 issued 11/12/08
CLSPA 2, LLC	60,000		60,000	0.97%	60,000	0.81%	60000 issued 11/12/08
Stephen Miller	60,000		60,000	0.97%	60,000	0.81%	60000 issued 11/2/08
Jeffrey J. Sandwick	60,000		60,000	0.97%	60,000	0.81%	60000 issued 11/12/08
William M. Mathers	60,000		60,000	0.97%	60,000	0.81%	60000 issued 11/12/08
Charles R. Scheper Irrevocable Family Trust	60,000		60,000	0.97%	60,000	0.81%	60000 issued 1/9/09
G. Paul Bosse III		3,600,000	3,600,000	58.39%	3,600,000	48.75%	1000 shares issued 6/27/07, 800 shares issued 8/1/07, 2000 for 1 stock split on 9/25/08
John Ameling		540,000	540,000	8.76%	540,000	7.31%	135 shares issued 8/1/07, 135 shares issued 5/30/08, 2000 for 1 stock split on 9/25/08
Bernie Schachtel M.D.		720,000	720,000	11.68%	720,000	9.75%	360 shares issued 5/30/08, 2000 for 1 stock split on 9/25/08
Ryan Baker		540,000	540,000	8.76%	540,000	7.31%	270 shares issued 8/1/07, 2000 for 1 stock split on 9/25/08
Chris Godwin		180,000	180,000	2.92%	180,000	2.44%	90 shares issued 8/1/07, 2000 for 1 stock split on 9/25/08
Option Pool (proposed*)					1,220,000	16.52%	
Total	**585,000**	**5,580,000**	**6,165,000**	**100.00%**	**7,385,000**	**100.00%**	

* The Series A offering documents indicated that the Company has reserved 800,000 shares of Common Stock for an equity incentive plan to be adopted in the future by the Board of Directors and approved by the stockholders.

Note: The company's former COO, Ray Takigiku, was issued 210 shares of common stock on 5/30/08. These shares were subsequently included in a 2000 for 1 stock split on 9/25/08, leaving Takigiku with 420,000 shares of fully diluted



Document Number: 4538958 Version: 1

Summary of Terms and Conditions of Series B Stock
Charleston Laboratories, Inc.

May 10, 2010

Issuer: Charleston Laboratories, Inc. ("Charleston Labs" or "the Company")

Investors: New accredited investors

Securities: Series B Preferred Stock, par value $0.001 per share (the "Preferred Stock")

Investment Price: $6.8337130 per share (up to $13.0 million aggregate investment)

Pre-Money Valuation: $45,000,000, calculated on a fully diluted basis (including all stock options)

Post Closing Capital Structure:

	Common Shares	Series A Preferred Shares	Series B Preferred Shares	Fully Diluted Percentage (approx.)
Founders	5,295,405			62.39%
Equity Incentive Pool*	704,595			8.30%
Series A Investors		585,000		6.89%
Series B Investors			**1,902,333**	**22.41%**
Total	**6,000,000**	**585,000**	**1,902,333**	**100.00%**

Equity Incentive Pool: A post-closing Equity Incentive Pool may be created out of the existing outstanding Common Shares. Neither the Series A nor the Series B holders will be diluted by the creation of such pool, without their prior consent (as a class).

Dividends: Payable if and when declared by the Board of Directors.

Liquidation Preference: Holder of Series B Preferred Stock receives a 2X, non-participating liquidation preference over the holders of Series A Preferred Stock and Common Stock.

Conversion: Each share of Series B Preferred Stock is convertible at any time into an equivalent number of shares of Common Stock.

Mandatory Conversion: Each share of Series B Preferred Stock will automatically convert into an equivalent number of shares of Common Stock upon the earliest to occur of: (i) a qualified IPO; (ii) at the election of a majority of holders of then outstanding shared of Series B Preferred Stock; and (iii) the receipt by the holder of Series B Preferred Stock of aggregate dividends in an amount equal to $13.667426 per share.

Closing: The initial closing is scheduled for May 28th, 2010. The Company plans to hold Additional closings over the following 180 days, until it has sold up to a total of 1,902,333 million shares ($13 million).



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

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GREENVILLE, SC
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RESEARCH TRIANGLE PARK, NC
WASHINGTON, D.C.
WILMINGTON, DE
WINSTON-SALEM, NC

May 17, 2010
58394.0002.2
Bill Number 1882203
STATEMENT FOR SERVICES RENDERED

Paul Bosse, CEO
Charleston Laboratories, Inc.
548 Clearview Drive
Charleston, SC 29412

RE: General Corporate

FOR PROFESSIONAL SERVICES RENDERED THROUGH 04/30/2010	$1,672.50
DISBURSEMENTS THROUGH 04/30/2010	$0.00
CURRENT TOTAL	**$1,672.50**

OUTSTANDING RECEIVABLES AS OF May 17, 2010

BILL NO. 1550865	08/29/2007	$32.50
BILL NO. 1733673	04/15/2008	$315.00
BILL NO. 1741127	05/21/2008	$990.00
BILL NO. 1746677	06/19/2008	$2,785.50
BILL NO. 1752534	07/22/2008	$7,035.50
BILL NO. 1756892	08/18/2008	$4,373.14
BILL NO. 1764456	09/17/2008	$585.51
BILL NO. 1794914	02/18/2009	$5,587.61
BILL NO. 1800271	03/12/2009	$811.36
BILL NO. 1806700	04/14/2009	$176.79
BILL NO. 1813147	05/15/2009	$2,174.00
BILL NO. 1819342	06/16/2009	$1,444.00
BILL NO. 1825408	07/16/2009	$69.00
BILL NO. 1829558	08/12/2009	$128.69
BILL NO. 1876238	04/20/2010	$5,550.00
TOTAL BALANCE DUE		**$33,731.10**



ITEMIZED SERVICES BILL

Date:	Description:	Attorney:	Hours:
04/08/2010	Correspondence with Paul Bosse regarding personnel matter	Baddour, David B.	0.30
04/12/2010	Correspondence with Paul Bosse and Dean Rutley regarding personnel issue	Baddour, David B.	0.40
04/13/2010	Conference with David Baddour regarding outstanding dispute with former officer with stock ownership claims; discussion on impact on potential Series B financing	Rutley, Dean W.	0.40
04/13/2010	Telephone conference with Dean Rutley regarding personnel matter and disclosure of equity related to the same	Baddour, David B.	0.60
04/14/2010	Telephone call with Paul Bosse and John Ameling regarding personnel dispute and equity issues related to the same; correspondence with counsel to terminated COO; follow-up correspondence with Paul Bosse regarding the same	Baddour, David B.	1.10
04/16/2010	Conference with counsel for terminated executive regarding separation package; correspondence with Paul Bosse regarding the same	Baddour, David B.	1.50

Total for Services: $ 1,672.50

TIMEKEEPER SUMMARY

Attorney:	Hours:	Amount:	Rate:
Rutley, Dean W.	0.40	$ 210.00	$ 525.00
Baddour, David B.	3.90	$ 1,462.50	$ 375.00
Totals:	4.30	$ 1,672.50	

Message

From: Willbrand, David [David.Willbrand@thompsonhine.com]
Sent: 5/18/2010 11:27:46 AM
To: Baddour, David [dbaddour@wcsr.com]
CC: Willbrand, David [David.Willbrand@thompsonhine.com]
Subject: RE: 10 Charleston/Takigiku Conversation

David -

Thanks. At this point, this cap table will do. I also appreciate you taking the time last week to speak with me about your perspective on the capitalization of the company.

I have a few quick questions:

1. The proffered March 2010 Redemption and Settlement Agreement and Release provides for the repurchase by the Company of 420,000 common shares, the entirety of Ray's equity interest in the Company (I presume his 210 common shares became 420,000 in a 2,000:1 split, correct?). Am I correct in understanding the Company's most recent offer to be, in lieu of the conditional $70,000 severance payment, that the Company repurchase 330,000 common shares (at the de minimis purchase price) and Ray would retain 90,000 common shares, which 90,000 common shares would be subject to a proxy in favor of the CEO? And those 90,000 common shares would represent 1.5% of the post-settlement common and 1.37% of the fully-diluted equity, per your calculations, correct?

2. That aside, the May 30, 2008 Stock Restriction Agreement provides that Ray's 210 common shares are subject to a stepped buyback. If employment is terminated between May 30, 2009 and May 30, 2010, the Company can buy back 70 common shares - which, on a 2,000:1 split basis, equates to 140,000 common shares. That would leave 280,000 common shares in Ray's hands, or 4.67% of the post-settlement common and 4.25% of the fully-diluted equity. On what basis do you believe that the Company is entitled to a full repurchase (even a for-cause termination (which Ray vigorously contests, as you know) is subject to this step process)?

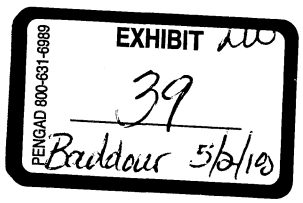
3. While Ray has provided me with the Series A documentation, the Stock Restriction Agreement and the 83(b) election (which shows a purchase price of $0.01 for the 210 common shares), I have been provided nothing relating to the manner in which Ray's $20,000 investment was handled, and Ray says he has nothing in this regard. To the extent you or the Company has any paper evidencing this structure, and given its personal importance to the management team, I would presume there is a paper trail, I would appreciate a copy. But that point aside:

As Ray sees it, given his position at 4.25% of the fully-diluted equity under a worst-case characterization of this situation, his original offer of (1) the conditional $70,000 severance payment, plus (2) a 2% nondilutable interest [or] a 3.5% equity interest plus additional equity credit for the $20,000 investment, seems reasonable. He realizes that the Company could stir the pot with the threat of a lawsuit, or the filing of one, and that's a cost and a distraction he doesn't want. But similarly, he could do the same vis-a-vis the Company and can't imagine the Company would want that cost or distraction, either, especially while raising money. Bottom line - there is a deal that can get done, now, that saves both sides headaches, as presented previously by Ray and rearticulated in this paragraph.

Thanks, David. Appreciate your help here. If there is something material here that I have missed, overlooked or am not aware of, please advise. Otherwise, it would be great to push this to closure this week.

Cheers,
DW

David J. Willbrand
Thompson Hine LLP
(513) 352-6646 (Office)
(513) 240-3001 (Mobile)
David.Willbrand@ThompsonHine.com
Other Contact Information: Online Profile



Message

From: Rutley, Dean [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_RUTLEY]
Sent: 5/18/2010 1:59:18 PM
To: 'Ryan Baker' [rbaker@charlestonlabs.com]; Baddour, David [dbaddour@wcsr.com]
CC: 'Paul Bosse' [pbosse@charlestonlabs.com]
Subject: RE: FW: 10 Charleston/Takigiku Conversation

Unless you can get a company favorable deal prior to closing, my strong advice is to leave this issue alone until AFTER you have raised your next round. Then look at negotiations with Ray and his counsel. If early discussions go sideways, it could blow up any investor deal before it happens. You'll have more cash to fight and more leverage after a new financing round.

As for the $20K the founders all put in, that can be treated as "additional paid in capital." Thus each investor simply has a higher basis in their personally held stock. Simple.

-----Original Message-----
From: Ryan Baker [mailto:rbaker@charlestonlabs.com]
Sent: Tuesday, May 18, 2010 1:18 PM
To: Baddour, David
Cc: Paul Bosse; Rutley, Dean
Subject: Re: FW: 10 Charleston/Takigiku Conversation

Hey David,

We are in meetings all day with potential investors in Houston. I'll call you to discuss as soon as possible.

Thanks
Ryan

"Baddour, David" <dbaddour@wcsr.com> wrote:

>FYI. Are you available to discuss, this afternoon?
>
>Best,
>
>David
>
>_____
>David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com<mailto:dbaddour@wcsr.com>
>
>
>From: Willbrand, David [mailto:David.Willbrand@thompsonhine.com]
>Sent: Tuesday, May 18, 2010 11:28 AM
>To: Baddour, David
>Cc: Willbrand, David
>Subject: RE: 10 Charleston/Takigiku Conversation
>
>David -
>
>Thanks. At this point, this cap table will do. I also appreciate you taking the time last week to speak with me about your perspective on the capitalization of the company.



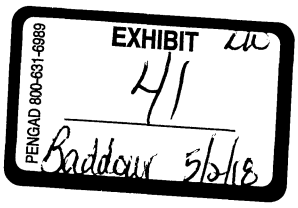
Message

From: Mitchell S. Ryan [mitchell@ryan-lawyers.com]
Sent: 3/10/2011 2:33:40 PM
To: Baddour, David [dbaddour@wcsr.com]
Subject: RE: Charleston Labs - Revised Cap Table for Auditor (Feb 2011).xlsx

Great, David. Thanks for the explanations. One quick question: I noticed that the note in the cap table re: the company's repurchase of Ray's shares was removed also – was that intentional? If so, what are your thoughts there?

Mitchell S. Ryan
RYAN & RYAN, LLC
Attorneys at Law
3300 Woodward Avenue
Post Office Box 4082
Muscle Shoals, Alabama 35662
T 256.381.7673
F 256-263-4272
mitchell@ryan-lawyers.com

From: Baddour, David [mailto:dbaddour@wcsr.com]
Sent: Thursday, March 10, 2011 8:23 AM
To: Mitchell S. Ryan
Cc: Paul Bosse
Subject: RE: Charleston Labs - Revised Cap Table for Auditor (Feb 2011).xlsx



Mitchell,

Please find attached the revised cap table.

To answer your questions below:

1) To reserve stock for the plan, we need board approval. We are preparing an Equity Incentive Plan (which will permit the Company to issue up to 1.22 million of Common Stock awards) and board consent resolutions approving the same, which Paul can sign as sole director. BUT PLEASE NOTE: in order for the Company to grant qualified "Incentive Stock Options" to employees (recall that ISOs are tax favored), the Internal Revenue Code requires stockholder approval of the plan as well. As such, we are also drafting stockholder consent resolutions for Paul and the rest of the stockholders. Paul and the management team collectively clearly control this vote and can approve it without going to the Series A investors. However under DE law if the stockholders take corporate action by less than unanimous consent, the Company is required to promptly notify the stockholders who didn't vote of the action taken. In short, at a minimum Paul will need to notify the Series A investors that the stockholders have approved an Equity Incentive Plan. I am happy to discuss in greater detail with you and/or Paul as necessary.

2) I have removed the note regarding the reservation of shares for the Option Pool. The Series A Purchase Agreement does state that the Company has reserved 800,000 shares of Common for the equity pool. However, there is no prohibition against increasing the size of the pool. (Normally this anti-dilution protection would be in the Certificate of Incorporation, along with a host of other Series A protective provisions.) So from a corporate law perspective, it is fine to increase the size of the Option Pool. From a securities law perspective (meaning, "we told the investors that the pool was 800,000 and now we're increasing it to 1.22 million, which has the potential to dilute them") I am certainly comfortable as well assuming we do in fact get Ray's shares back. In other words, all we've done is to shift Ray's 420,000 shares from his line to the Option Pool line on the cap table, thus there has been no net dilution. To be clear, even if we ultimately do not get all of Ray's shares back, we still

have a strong argument that there is no securities law issue, given that the corporate documents clearly permit us to increase the size of the pool. (By the way, see paragraph 2(b) clause (v) of the Accredited Investor Questionnaire and Supplemental Representation that each Series A investor signed, per which they acknowledge that the Series A stock "will be subject to dilution if additional capital stock is sold.")

3) I'll ask our paralegal to update the common stock ledger.

Let me know if you'd like to discuss.

Best,

David

David B. Baddour | Womble Carlyle Sandridge & Rice, PLLC | Direct: 919-484-2352 | Facsimile: 919-484-2090 | dbaddour@wcsr.com

From: Mitchell S. Ryan [mailto:mitchell@ryan-lawyers.com]
Sent: Tuesday, March 08, 2011 7:17 PM
To: Baddour, David
Subject: Charleston Labs - Revised Cap Table for Auditor (Feb 2011).xlsx

David,

Please disregard the version of the cap table I sent you earlier. Attached is the latest iteration. From my perspective, the only outstanding issue with it is the note re: the option pool. I haven't reviewed the Series A docs in detail, but I'm assuming they said the option pool would be restricted to 10% of the total common shares (i.e., 800K shares). As you know, Paul wants to include Ray's 420K in the option pool. (1) What do we need to do in order to make that happen? (2) What would you do with the aforementioned note in the cap table to account for this?

On a related note, assuming you're good with the current version of the cap table, can you revise the common stock ledger to be consistent with the cap table? That is, can you revise it to reflect the fact that the company repurchased all 420K of Ray's shares on March 26, 2010?

Let me know what you think.

Thanks,

Mitchell

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)

CONFIDENTIALITY NOTICE: This electronic mail transmission has been sent by a lawyer. It may contain information that is confidential, privileged, proprietary, or

Message

From: Labrozzi, Rosanne [RLabrozzi@wcsr.com]
Sent: 3/15/2011 12:26:48 PM
To: Baddour, David [dbaddour@wcsr.com]
CC: Rutley, Dean [DRutley@wcsr.com]
Subject: RE: Charleston Labs - Revised Cap Table for Auditor (Feb 2011).xlsx
Attachments: Common Stock Transfer Ledger - v6.XLS

David and Dean,

Attached is the Common Stock Ledger reflecting the repurchase of Ray Takigiku's shares. Please let me know if there are any changes or corrections.

Rosanne

From: Baddour, David
Sent: Thursday, March 10, 2011 9:44 AM
To: Labrozzi, Rosanne
Cc: Rutley, Dean
Subject: FW: Charleston Labs - Revised Cap Table for Auditor (Feb 2011).xlsx

Rosanne,

Per below could you pls update the common stock ledger for Charleston Labs to reflect the repurchase/redemption of all of Ray T's shares for $2.10 on March 26, 2010 per the founder's stockholders' agreement?

Best,

David
x2352

From: Mitchell S. Ryan [mailto:mitchell@ryan-lawyers.com]
Sent: Tuesday, March 08, 2011 7:17 PM
To: Baddour, David
Subject: Charleston Labs - Revised Cap Table for Auditor (Feb 2011).xlsx

David,

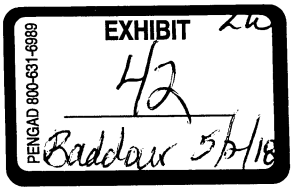
Please disregard the version of the cap table I sent you earlier. Attached is the latest iteration. From my perspective, the only outstanding issue with it is the note re: the option pool. I haven't reviewed the Series A docs in detail, but I'm assuming they said the option pool would be restricted to 10% of the total common shares (i.e., 800K shares). As you know, Paul wants to include Ray's 420K in the option pool. (1) What do we need to do in order to make that happen? (2) What would you do with the aforementioned note in the cap table to account for this?

On a related note, assuming you're good with the current version of the cap table, can you revise the common stock ledger to be consistent with the cap table? That is, can you revise it to reflect the fact that the company repurchased all 420K of Ray's shares on March 26, 2010?

Let me know what you think.

Thanks,

Mitchell



Message

From: Mitchell S. Ryan [mitchell@ryan-lawyers.com]
Sent: 4/1/2011 1:26:58 PM
To: Baddour, David [dbaddour@wcsr.com]
Subject: Charleston

David,

Hey man...hope you're having a good Friday.

Paul called me earlier this week and raised some concerns regarding the disclosure of financials to a certain shareholder in light of her relationship with Ray (don't recall the shareholder's name off-hand, but it's my understanding that she's the only shareholder to whom the company has not yet sent quarterly financials; apparently she's Chuck Schwepper's niece and/or Ray's girlfriend). Basically, Paul is certain that this shareholder will share the contents of the financials with Ray which might in turn make more difficult our job of convincing Ray to settle/release all claims as to any equity stake in CL.

I am trying to help Paul determine whether and on what terms the company should send financials to said shareholder, and I have a few related questions that I believe you are best situated to answer:

(1) From where does the company's obligation to send quarterly financials to its stockholders arise (e.g., Bylaws, Series A agreement)? (I'm sure I could find this myself if I spend the time scouring the docs, but thought asking you might be the quickest way to find the answer.)

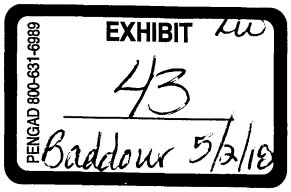
(2) Do you have any sense of what if any liability the company could expose itself to if it failed to send financials to said stockholder for this past quarter?

(3) Do you have any experience whatsoever with having shareholders sign confidentiality agreements pertaining to the content of financials? Do shareholders have a preexisting obligation to keep such information confidential?

Let me know if any of the above needs clarifying. I don't think this is a terribly huge issue but it is something we'd like to work out before proceeding against Ray. Thanks for your help.

Mitchell

Mitchell S. Ryan
RYAN & RYAN, LLC
Attorneys at Law
3300 Woodward Avenue
Post Office Box 4082
Muscle Shoals, Alabama 35662
T 256.381.7673
F 256-263-4272
mitchell@ryan-lawyers.com



Message

From: Baddour, David [/O=FIRM/OU=FIRM/CN=RECIPIENTS/CN=D_BADDOUR]
Sent: 4/1/2011 3:29:39 PM
To: Rutley, Dean [DRutley@wcsr.com]
Subject: FW: Charleston

Dean,

Assuming you are ok with it, I'd like to discuss handing the Charleston Labs work over to Karl. I'm working from home this afternoon if you happen to be around. (I have call at 4, but otherwise am available.)

Best,

David
x2352

From: Mitchell S. Ryan [mailto:mitchell@ryan-lawyers.com]
Sent: Friday, April 01, 2011 1:27 PM
To: Baddour, David
Subject: Charleston

David,

Hey man...hope you're having a good Friday.

Paul called me earlier this week and raised some concerns regarding the disclosure of financials to a certain shareholder in light of her relationship with Ray (don't recall the shareholder's name off-hand, but it's my understanding that she's the only shareholder to whom the company has not yet sent quarterly financials; apparently she's Chuck Schwepper's niece and/or Ray's girlfriend). Basically, Paul is certain that this shareholder will share the contents of the financials with Ray which might in turn make more difficult our job of convincing Ray to settle/release all claims as to any equity stake in CL.

I am trying to help Paul determine whether and on what terms the company should send financials to said shareholder, and I have a few related questions that I believe you are best situated to answer:

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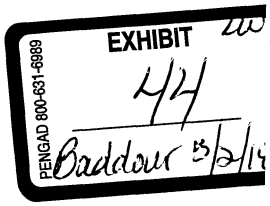
(2) Do you have any sense of what if any liability the company could expose itself to if it failed to send financials to said stockholder for this past quarter?

(3) Do you have any experience whatsoever with having shareholders sign confidentiality agreements pertaining to the content of financials? Do shareholders have a preexisting obligation to keep such information confidential?

Let me know if any of the above needs clarifying. I don't think this is a terribly huge issue but it is something we'd like to work out before proceeding against Ray. Thanks for your help.

Mitchell

Mitchell S. Ryan



Message

From: Knoll, Karl [KKnoll@wcsr.com]
Sent: 5/26/2011 5:10:34 PM
To: Baddour, David [dbaddour@wcsr.com]
Subject: RE: this is what i am working off of. It shows to be right $6.83

You know what, I think I will call his bluff on this. I am going to ask him to send me the last email from you where you sent over the cap table. We can use this as an object lesson and have a real heart to heart. He either needs to change his tune or find a new law firm.

-----Original Message-----
From: Baddour, David
Sent: Thursday, May 26, 2011 3:12 PM
To: Knoll, Karl
Subject: RE: this is what i am working off of. It shows to be right $6.83

Thanks Karl, and thanks also for you VM. I appreciate you getting my back, w Paul.

So you know, he is wrong that nothing has changed since I sent him the last proposed Series B cap table. To the contrary: since I last touched the proposed Series B cap table, they increased the size of the pool and they also took the position that none of Ray T.'s shares are outstanding.

The last Series B cap table I sent to Paul was in January (see attached e-mail), several months before he asked us to create the option plan and increase the size of the pool and several months before they decided that Ray's shares should be taken off the cap table.

Later, in Feb, I sent a current cap table (not a proposed Series B) to auditors. There again, the "proposed" option pool was shown at 800,000 (I also included 2 notes, one that the pool had not yet been created, but that the Company had told the Series A investors that it would be, and a second about the dispute w Ray). In March, as we were preparing paperwork for the option plan, the attorney he is using out of Alabama sent a revised "current" cap table showing a 1.22 million pool. We were not asked to update the proposed Series B cap table at that time. The first time we were asked to revise the proposed Series B cap table to include the bigger pool and leaving Ray out was when you just did it.

FYI, I'm pulling together a minute book and a handful of other folders that I'll send to you, that will include all the docs I believe are final. As you'll see, some are missing signatures.

Will call in a bit about the notes.

Best,

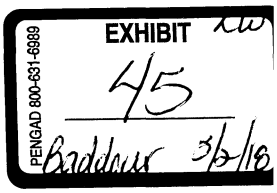
David
x2352

-----Original Message-----
From: Knoll, Karl
Sent: Thursday, May 26, 2011 2:39 PM
To: 'pbosse@charlestonlabs.com'; Baddour, David; 'Ryan'
Cc: Rutley, Dean
Subject: RE: this is what i am working off of. It shows to be right $6.83

Paul, David and I connected yesterday on the interest payments and he explained to me the reason for this approach. I agree with his logic, so let's go with the way you have handled that in the past (i.e., make the catch up interest payments and close everybody as of one date). As for the cap table, both his an my table work exactly the same way, it is just a question of having the same inputs (and the option pool number needed to be filled in for David's cap table to have the same inputs as mine, whether it was before or not is water under the bridge, everyone involved should always double check the cap numbers to make sure they are correct each time the cap table is used). As for what you need in terms of closing packet on Note #2 and Note #3, I will coordinate with David so that he can fill me in on what your normal procedure is and we will try to get you what you need quickly. Please let me know if that sounds right, or if you would like to discuss any of these issues live.

Thanks,

Karl T. Knoll
Womble Carlyle Sandridge & Rice, PLLC
8065 Leesburg Pike
Tysons Corner, VA 22182-2738
Office: 703-394-2279 | Mobile: 703-589-2428 | Fax: 703-918-2290 | kknoll@wcsr.com



Message

From: Bost, Alison [ABost@wcsr.com]
Sent: 12/17/2015 10:01:16 AM
To: Rutley, Dean [DRutley@wcsr.com]
CC: Baddour, David [dbaddour@wcsr.com]
Subject: RE: Charleston Laboratories/Takigiku Litigation

Privileged - Redacted

From: Rutley, Dean
Sent: Thursday, December 17, 2015 10:00 AM
To: Bost, Alison
Cc: Baddour, David
Subject: RE: Charleston Laboratories/Takigiku Litigation

Privileged - Redacted

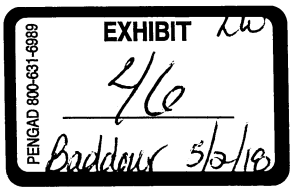
From: George Scott [mailto:gscott@charlestonlabs.com]
Sent: Thursday, December 17, 2015 9:40 AM
To: Rutley, Dean
Cc: BerryB@gtlaw.com; THOMSONJ@gtlaw.com
Subject: Re: Charleston Laboratories/Takigiku Litigation

Dean,

I am not sure whether you received the attached filings, but here is our amended complaint and Ray's responsive motions. We should be getting you a non-redacted letter (although I assume you would still have one on file). Please call to discuss.

Thank you,

George A. Scott, Jr., JD, MBA
Chief Legal Officer and General Counsel
Charleston Laboratories, Inc.
www.charlestonlabs.com
(703) 505-0849 (Cell)
gscott@charlestonlabs.com



****The information contained in this communication is confidential, may be subject to legal privileges, may constitute inside information, and is intended only for the use of the addressee. It is the property of Charleston Laboratories, Inc. Unauthorized use, disclosure or copying of this communication or any part thereof is strictly prohibited and may be unlawful. If you have received this communication in error, please notify Charleston Laboratories immediately by return e-mail and destroy this communication and all copies thereof, including all attachments.

Message

From: Bost, Alison [ABost@wcsr.com]
Sent: 1/18/2016 6:05:46 PM
To: Rutley, Dean [DRutley@wcsr.com]
Subject: Fwd: Charleston Laboratories, Inc./Takigiku; CASE NO. 9:15-cv-81694-JIC
Attachments: image002.jpg; ATT00001.htm; Defendant's Initial Disclosures Pursuant to Rule 26(a)(1).pdf; ATT00002.htm

Privileged - Redacted

Alison R. Bost
704-350-6328
336-671-4883 (cell)

Sent from my iPhone

Begin forwarded message:

From: <BerryB@gtlaw.com>
Date: January 18, 2016 at 5:59:15 PM EST
To: <ABost@wcsr.com>
Cc: <Terribilek@gtlaw.com>, <chalkleyt@gtlaw.com>, <THOMSONJ@gtlaw.com>
Subject: Charleston Laboratories, Inc./Takigiku; CASE NO. 9:15-cv-81694-JIC

Alison,

As you know, GT represents Charleston Laboratories, Inc. (the "Company") in litigation pending in the United States District Court, Southern District of Florida. It is our understanding that Womble Carlyle Sandridge & Rice represented the Company in the underlying transaction(s) and relating to the termination of Dr. Takigiku's employment and the Company's purchase of shares held by Dr. Takigiku.

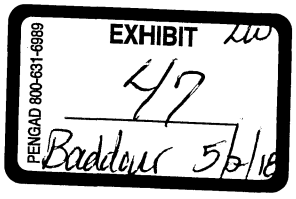
Attached is Defendant/Counter-Plaintiff Raymond Takigiku's Initial Disclosures Pursuant to Rule 26(a)(1). Please note that Dr. Takigiku lists David Baddour and Dean Rutley of WCSR as witnesses on his behalf. Please also note that Dr. Takigiku identifies various documents in support of his claims or defenses that we understand were drafted by WCSR. Dr. Takigiku's attorneys have already asked for dates for depositions of WCSR attorneys. As I stated on Friday, the Company intends to assert the privilege as appropriate, but it is likely that the depositions will proceed.

Dr. Takigiku's disclosures and the January 22, 2016 deadline by which the Company must make its Rule 26 disclosures and answer Dr. Takigiku's counterclaim make our need to discuss the matter with you all the more pressing. Please let me know when tomorrow you will be available to discuss.

Understanding from your email Friday that your office was closed today, may I suggest that we plan to talk at 2:30 p.m. tomorrow (Tuesday) so that you have sufficient time to prepare if necessary.

Best regards,
Bridget

Bridget A. Berry
Shareholder



STATE OF SOUTH CAROLINA COURT OF COMMON PLEAS

COUNTY OF CHARLESTON NINTH JUDICIAL CIRCUIT

- - -

Charleston Laboratories, Inc., Plaintiff, vs. Womble, Carlyle, Sandridge & Rice, LLP, Defendant.	Civil Action No.: 2017-CP-10-3768

VIDEOTAPED 30(b)6 DEPOSITION OF CHARLESTON LABORATORIES, INC.
(Given by George A. Scott, Jr.)

DATE TAKEN: December 4, 2018

TIME BEGAN: 9:12 a.m.

TIME ENDED: 3:43 p.m.

LOCATION: Nelson Mullins
One North Clematis Street
West Palm Beach, Florida

REPORTED BY: Tami I. Watters, RPR, CRR
EveryWord, Inc.
P.O. Box 1459
Columbia, South Carolina 29202
(803) 212-0012

APPEARANCES:

BLAND RICHTER, LLP
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scott@blandrichter.com
Representing the Plaintiff

ROBINSON GRAY STEPP & LAFITTE, LLC
BY: ROBERT E. STEPP, ESQUIRE
BY: WILLIAM H. JORDAN, ESQUIRE
1310 Gadsden Street
Columbia, South Carolina 29201
(803) 929-1400
wjordan@robinsongray.com
rstepp@robinsongray.com
Representing the Defendant

ALSO PRESENT:

MICHAEL HOLLANDER - CLVS

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(It is hereby stipulated and agreed by and between counsel for the respective parties that this deposition is being taken in accordance with the South Carolina Rules of Civil Procedure, and that the deponent waives reading and signing of this deposition transcript.)

- - -

THE VIDEOGRAPHER: Good morning. My name is Michael Hollander of EveryWord, Incorporated. The date today is December 4th, 2018, and the time is approximately 9:12 a.m.

This deposition is being held at the offices of Nelson Mullins Broad and Cassel located at One North Clematis Street, West Palm Beach, Florida.

The caption of the case is Charleston Laboratories, Incorporated versus Womble, Carlyle, Sandridge, Rice, LLP. The name of the witness is George Scott.

At this time will the attorneys please introduce themselves and the parties they represent?

MR. RICHTER: Ronnie Richter and Scott Mongillo for Charleston Laboratories.

MR. JORDAN: Will Jordan and Bobby Stepp for Womble Carlyle.

THE VIDEOGRAPHER: Please raise your right hand.

Do you solemnly swear to tell the truth, the whole truth, nothing but the truth?

MR. SCOTT: Yes.

- - -

EXAMINATION

- - -

BY MR. JORDAN:

Q Good morning, Mr. Scott. We met a few minutes ago, but my name is Will Jordan, and I am an attorney in Columbia with Robinson Gray Stepp & Lafitte and I'm one of the attorneys representing Womble Carlyle in this action that's been brought by Charleston Laboratories, Incorporated.

Would you please state your full name for the record one more time?

A George A. Scott, Jr.

Q Okay. And, Mr. Scott, have you ever been deposed before?

A No, I have not.

Q Okay. Our supreme court requires me to give you a couple of rules in depositions just so

we're all on the same page.

Now that the deposition has begun, if you don't understand a question that I ask, please ask me to clarify it; and direct your questions about my questions to me as opposed to -- to your counsel.

If I ask you a question and you answer it, I'll assume that you understood the question.

Is it fair for me to do that?

A Yes.

Q Okay. If you have any need for clarification or definitions or explanations, certainly let me know and I'm happy to do that to make sure we're on the same page.

At any time if you need to take a break, just let me know, or have to go off the record and get some water, use the restroom, whatever you need to do.

Do you have any questions before we get started?

A No, sir.

Q Okay. I have here a notebook of the documents that we'll be looking at today. I'll put it in front of you.

- - -

- - -

(Amended Notice of Deposition previously marked Defendant's Exhibit Number 1, for identification.)

- - -

BY MR. JORDAN:

Q If you will flip to tab number 1 in that notebook. And this is a copy of the amended notice of deposition for today.

Have you seen this document before?

A Yes, sir.

Q And just as we go through the deposition, I'm gonna use the term Charleston Labs to refer to Charleston Laboratories, Incorporated, and I assume that that is okay for me to do and you'll understand what I'm talking about if I do that?

A Yes, sir.

Q Okay. And you have been designated as the witness to testify on behalf of Charleston Labs on the topics that are identified on Exhibit A to this notice of deposition. If you'll flip to that.

And is this Exhibit A to the deposition notice a document that you have seen before?

A Yes, sir.

Q Okay. And you understand that the

ROA-0967

questions that I ask you during this deposition are questions that I'm asking of Charleston Labs, correct?

A Correct.

Q And you understand that your responses to my questions are responses that are given by Charleston Labs, correct?

A Correct.

Q Okay. And do you have knowledge regarding the topics that are listed in Exhibit A?

A Yes, sir.

Q Are you --

That was a yes? I'm sorry.

A Yes. Yes, sir.

Q Are you the person within Charleston Labs who is most knowledgeable about these topics?

MR. RICHTER: Object to the form.

THE WITNESS: Yes. I have the -- I have --

I have the knowledge of all the topics. I have sufficient knowledge of all these topics.

BY MR. JORDAN:

Q Okay. Would you say that you're more knowledgeable on these topics than Paul Bosse is?

ROA-0968

A I have -- I would say I --

I don't think I really could compare my knowledge verse another individual's knowledge, but I'm more than qualified to speak fully on all these topics.

Q Okay. So you're able to offer testimony on behalf of Charleston Labs regarding all these topics.

A Correct.

Q Thank you. If you'll flip to Exhibit 2.

- - -

(Third Amended Complaint previously marked Defendant's Exhibit Number 2, for identification.)

- - -

BY MR. JORDAN:

Q This is a copy of the third amended complaint that was filed by Charleston Labs against Dr. Raymond Takigiku in Florida. And I want to just make sure we're on the same page on a couple of terms.

Charleston Labs filed a lawsuit in state court against a former employee, Dr. Raymond Takigiku, correct?

A Originally? Is that what you're

referring to?

Q Correct.

A Yes. I believe the original filing was in state court.

Q Okay. And Dr. Takigiku removed that case to federal court in the Southern District of Florida; is that correct?

A I believe that's the process or the history.

Q Okay. And if I refer to that lawsuit, both as it was filed in state court and then removed to the federal court, as the Florida litigation, you'll understand what I'm referring to?

A Yes. The Florida litigation against Dr. Takigiku.

Q And if I refer to Dr. Raymond Takigiku -- and the need to do this is obvious now -- as Dr. T, you'll understand who I'm referring to, correct?

A Yes.

Q Okay. And am I correct in understanding that the Florida litigation concerned two different agreements that were executed by Dr. T in connection with his employment at Charleston Labs, a Stock Restriction Agreement and a Stockholders

Agreement; is that correct?

A Yes. And also his termination of employment.

Q Okay.

A Yeah.

Q So there were other issues in the lawsuit, but the lawsuit did also involve his execution and the meaning of these two agreements, correct?

A Right.

Q Okay. And if I were to refer to --

- - -

(Stock Restriction Agreement, PL-0026849-53 previously marked Defendant's Exhibit Number 3 for identification.)

- - -

BY MR. JORDAN:

Q Well, flip to Exhibit 3. Is this a copy of the Stock Restriction Agreement that Dr. T signed in connection with his employment at Charleston Labs?

A Yes. It appears to be.

Q Okay. And if I refer to this document throughout the deposition as the SRA, you'll understand what I'm referring to, correct?

ROA-0971

A Yes, sir.

- - -

(Stockholders Agreement, PL-0026854-72, marked Defendant's Exhibit Number 4 for identification.)

- - -

BY MR. JORDAN:

Q And Exhibit Number 4 is the Stockholders Agreement. And is this a copy of the document that Dr. T and others executed in connection with Dr. T's employment at Charleston Labs?

A Yes, sir, appears to be.

Q Okay. And if I refer to this document as the SHA, you'll understand what I'm referring to; is that correct?

A Yes.

Q Okay.

A And I may refer to it as the Stockholders Agreement and I may refer to the SRA as the Stock Restriction Agreement.

Q Okay.

A And I may refer to Dr. T as Ray.

Q Okay.

A Just in my -- that's how I just recall.

Q We're on the same page about who everyone

is and what these documents are. That's fine.

And just before we get into the questions, am I -- in the Florida litigation, Charleston Labs was represented by Greenberg Traurig, correct?

A Correct.

Q Okay. And am I correct in understanding that Charleston Labs has waived the attorney-client privilege with respect to work performed by Greenberg in the Florida litigation?

A With respect to their representation of Charleston Laboratories -- us and the Florida litigation?

Q Correct.

A Yes.

Q Okay. Mr. Scott, what did you do to prepare for today's deposition?

A Reviewed the documents that were provided from you all and speak to my counsel, and then review just corresponding documents in Charleston Laboratories.

Q And I don't want to know anything that you and Mr. Richter or Mr. Mongillo talked about, but did you speak with anyone else regarding your testimony today before the deposition?

A Paul Bosse, to the extent that he participated in those conversations.

Q Did you review any deposition transcripts in preparation for your deposition today?

A If -- if they were in the documents provided, I reviewed them.

Q Okay. Do you recall any specific deposition transcripts that you reviewed?

A Not specifically for this deposition, no.

Q Okay. Have you read the deposition of Dean Rutley that was taken in this case?

A I have.

Q Have you read the deposition of David Baddour that was taken in this case?

A I have.

Q You talked about a meeting with counsel and with Mr. Bosse to prepare for the deposition.

When did that meeting take place?

A Yesterday.

Q Okay. And about how long did it last?

A A few hours.

Q Other than Mr. Mongillo, Mr. Richter, and Mr. Bosse, did you talk to anyone else about your testimony today?

A No, sir.

Q When was Charleston Labs formed?
A So just to clarify the question, when you say formed as a business or formed as an entity?
Q Well, when was it -- is it a corporation?
A Yes.
Q When was it incorporated?
A I believe it was incorporated in 2007.
Q And did it exist as a business or an entity prior to its incorporation?
A Well, that's two different questions.
Q Okay. Did it exist as a business prior to its incorporation?
A Yes.
Q Okay. When did it first begin to operate as a business?
A Sometime in 2006.
Q When you say it's two different questions whether it existed as an entity or as a business, did it exist as an entity prior to its incorporation?
A So I will clarify what I mean.
So the business of Charleston, which was founded by our CEO, Paul Bosse, which is a research and development organization for proprietary pharmaceutical products, so that intellectual

property was created by Paul in about 2006. And he began the business of exploring that, and through maybe even another entity, I can't remember exactly, beginning the business of Charleston. And then, after that, it was officially incorporated into a company.

Q In 2007?

A I believe that's the date. Whatever the date's on the Certificate of Incorporation that Womble drafted.

Q In what state is it incorporated?

A Delaware.

Q And you described a little bit about the research and development aspect.

Help me understand the nature of Charleston Labs' business. What does it do?

A We develop pharmaceutical products.

Q And has that been the case since Charleston Labs began as a company, that it's developed pharmaceutical products?

A Yes.

Q What type of pharmaceutical products does it develop?

A Proprietary analgesics that aim to decrease its analgesic side effects.

ROA-0976

Q Okay. How many different products has Charleston Labs developed?

A So can you clarify "develop"?

Q Maybe. I'm trying to understand. You said that they seek to develop products that reduce the side effects of --

It's essentially opioid-induced nausea, correct?

A That's one product.

Q Okay. So how many different products has Charleston Labs developed over its existence?

A So let me explain why I have to ask you to clarify.

So Charleston Laboratories has a wide breadth of intellectual property. The -- one of the fundamental things of that intellectual property is -- and it's not specific to opioids, per se -- is analgesics and side effects related to analgesics or the disease itself.

So from that intellectual property sweep, call it, there are several products at which, you know, we have begun development, and those products are at different stages.

The one product that is most further along in that stage would be what's referred to as

CL-108.

Q How many different products are in the different stages?

From inception to as far along as CL-108, how many different products are on that chain?

A You know, I don't know the exact number, but I believe I'll refer you to our website.

Q On Charleston Labs' website, it says: At the heart of Charleston Laboratories lies our products pipeline. Designed with one purpose: To treat acute pain while preventing and reducing the common side effects of nausea and vomiting, providing patients with appropriate pain relief while ensuring a timely and smooth recovery.

Is that an accurate description of Charleston Labs' business?

A Yes, sir.

Q Has Charleston Labs sold any pharmaceuticals?

A To consumers?

Q Correct.

A No, sir.

Q Has it sold pharmaceuticals to anyone other than consumers?

A Not in the sense for --

Not in the sense of marketing. We have no approved products to market, but in the process of development and a licensing agreement, to the extent that will be constituting a selling the product.

But, no, Charleston Laboratories does not have any approved products to market in the United States or any other country.

Q And when you've talked about "approved to market," so Charleston Labs has not yet received FDA approval for any of the pharmaceuticals it has developed; is that correct?

A That's correct.

Q Has Charleston Labs sought FDA approval for any of its products yet?

A Yes, sir.

Q How many different products has Charleston Labs sought FDA approval for?

A So there --

I just want to clarify this question so you -- so the --

There's development process, which could be deemed as seeking approval, because you have to go through the clinical trial process to get approval. And then at the end of that stage you

would file an NDA or a new drug application, which is -- verifies that, working with the FDA, you've completed all the requirements the FDA has put forth for you, and then that's the last step in which you seek approval.

So, like I said, we've gone through different stages of development of several products, but we've only filed one NDA with respect to CL-108.

Q That was for CL-108?

A Correct.

Q Okay. And did the FDA deny approval for CL-108?

A The FDA gave us a -- what's called a complete response letter which says it cannot be approved at this time.

Q And what was the reason that it couldn't be approved?

A That's proprietary.

Q When did that letter come to Charleston Labs from the FDA?

A We received a CRL on the FDA in -- received one in -- January 31st of 2016, I believe.

Q Okay. Is that the only one that Charleston Labs has received?

A No.
Q Okay. When were the other ones received?
A Received a CRL in -- I believe it was April of 2018.
Q And are those the only two --
Were you calling them CRL?
A Yes. Complete response letters.
Q Are those the only two complete response letters that Charleston Labs has received from the FDA related to CL-108?
A Yes, sir.
Q And it's your position that the proprietary nature of those letters deems them not discoverable by my client in this case?
A Yes, sir.
Q You said that CL-108 is the only product for which Charleston Labs has filed an NDA with the FDA; is that correct?
A Yes, sir.
Q From what sources does Charleston Labs receive funding?
A Currently?
Q Yes.
A We don't.
Q Okay. In its history, from what sources

has Charleston Labs received funding?

A Can you clarify what you mean by "funding"?

Q Sure. I understand that it has not sold any products to consumers or otherwise.

A Correct.

Q So how does it raise money to operate?

A So we raised a Series A round where we sold stock in 2009, and we closed a Series B round where we sold stock in 2012.

Q And other than those Series A and Series B stock sales, Charleston Labs has not received any other funding for its operation?

A If you --

By "funding," you mean like capital investments?

Q Correct.

A No. We have reached any other investments?

Q Okay. Has it received any grants?

A I believe we received a grant from South Carolina back in 2009 or 2010. I'm sorry. I think it --

It was around the time of the Series A. I can't remember exactly when it was. And that may

actually have been a debt and not a grant or some combination thereof.

Q Was that the SC Launch?

A Yes.

Q Okay. I think I've seen that document somewhere.

Jumping back real quick to the FDA approval, is there -- does Charleston Labs currently have an NDA pending with the FDA for a CL-108?

A That's proprietary as well.

Q When it was incorporated in 2007, did Charleston Labs have a physical location?

A I believe Charleston Labs was located in Charleston, South Carolina at that time.

Q Was it in an office building or was it in Mr. Bosse's residence, or do you know the answer?

A I don't know the exact date of when we obtained our office in South Carolina. It was -- we had --

I don't know the exact date we incorporated, but around that time we had an office in South Carolina.

Q What was the location of the office in South Carolina, do you recall?

A I don't recall the exact address.
Q Okay. Do you know why Charleston Labs decided to locate in Charleston, South Carolina initially?
A That's where Paul Bosse was.
Q And Charleston Labs is currently located in Florida, correct?
A Correct.
Q And does it have a physical location in Florida?
A Yes, sir.
Q Where is it located in Florida?
A Jupiter, Florida.
Q In an office building there?
A Yes, sir.
Q What's the address?
A 1150 South US Highway 1, Jupiter, Florida 33477.
Q Why did it move to Florida?
A It was in the best interest of the company at that time.
Q What do you mean when you say that?
A So, you know, as a startup pharmaceutical company in Charleston, South Carolina, you know, Paul being the founder and you had several other

founders very important to the company essentially working virtually, which worked at that stage, but we were transitioning from a, quote, kind of startup company to an emerging company and looking towards approval. And two of our very critical employees live in Jupiter, Florida, and considering their age and -- you know, somebody had to move, and -- and, as well, that Jupiter itself and the state of Florida were -- had become essentially kind of a biotech hub and they were trying to promote that hub to the pharmaceutical.

Officers were spending a lot of time in Florida. It ultimately made sense, when weighing all the options that were on the table at that point, to move to Florida.

Q And when was it that Charleston Labs moved to Jupiter, Florida?

A Probably about 2015 at some point. 2014-2015.

Q And you said that there were two -- I think you used the word "critical" or "important" employees --

A Uh-huh.

Q -- who were located down here.

Who were those two employees?

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A Bernie Schachtel and I believe Bill Kozarek.
Q What was the second name?
A Bill Kozarek.
Q Has Charleston Labs been in the same location in Jupiter, Florida since it's move from Charleston?
A No, sir.
Q Okay. Where did it start after moving from Charleston?
A The original office building was --
I can't remember the exact address, but it's a half a mile north on the same road where we're currently located.
Q Okay. Since moving from Charleston, has Charleston Labs been located in Jupiter, Florida?
A Yes, sir.
Q Okay. It's moved to different offices from time to time --
A Correct.
Q -- but it's been in the same city?
A Correct.
Q At the time it was started, what was Paul Bosse's position with Charleston Labs?
A He was always the CEO. President/CEO.

Q And he remains that today?
A Yes. And sole board member.
Q Ryan Baker is another president of Charleston Labs; is that correct?
A Yes.
Q And was he with the company when it started?
A Essentially.
Q What was Ryan Baker's position with Charleston Labs when it began?
A When it began, I believe he was the --
I believe he was the chief operating officer when it began.
Q What position does he currently hold?
A He is now the chief strategy officer.
Q How many employees does Charleston Labs currently have?
A Nine.
Q I know that Mr. Bosse is the president and CEO. Mr. Baker is the chief strategy officer.
Who are the other employees?
A Bernie Schachtel is the chief scientific officer, Joe Hazelton is the chief operating officer, I am the chief legal officer and general counsel, Terry Terifay is the chief commercial

officer.

Q What was his last name? I'm sorry.

A Terifay.

Q Terry Terifay?

A Yes.

Q Okay. And what was his position?

A Chief commercial officer. How many is that?

Q Six.

A Chelsea Malone is a senior accountant.

Actually, that may be it now because we actually don't have the other two employees.

Q At any time during its existence, what was the largest number of employees that Charleston Labs has had?

A Nine.

Q When did Charleston Labs hire Dr. T?

A May of 2008.

Q How did Charleston Labs get connected with Dr. T as an employee?

A So at the time we were working with a third-party manufacturer to work on our development of CL-108. Our then chief of regulatory -- or vice president of regulatory, John Ameling, was working with that third party.

ROA-0988

That third party then suggested, as we were going through the process, that we reach out to Ray; that he may be a person with his background that could assist us.

Q Who is that third party?

A Pathion.

Q And did Charleston Labs reach out to Ray to request -- or to consider his services?

A Not at that time.

Q Okay. Did it eventually reach out to Ray?

A I can't recall who reached out to who first. But essentially what occurred is John Ameling took the information from Pathion about Ray and discovered that they both worked at Johnson & Johnson at some point in the same time so they had that commonality, and they both are in the same city/area. And at some point they got in contact and had a preliminary conversation.

Q Okay. That would be John Ameling and Dr. T.

A Correct.

Q And where were they located at that time?

A The Kentucky/Ohio area. The Louisville area. The Louisville. Not Louisville. I'm sorry.

ROA-0989

Cincinnati. Cincinnati.

Q And did Mr. Ameling recommend Ray as an employee of Charleston Labs?

A No.

Q Okay. So how did Mr. --

How did Dr. T come to be an employee of Charleston Labs?

A Well, once John introduced Ray to Paul and they had several conversations amongst themselves, then they discovered that Ray may possibly help Charleston.

Q What was Dr. T's role at Charleston Labs when he came onboard?

A Well, what he was supposed to do was assist us in the formulation of CL-108.

Q When you say "formulation of CL-108," what do you mean by formulation?

A The chemical composition of the product.

Q And did Ray have experience in that realm in his work history?

A According to his resume, yes.

Q So at the time that Dr. T came onboard at Charleston Labs, Charleston Labs was still working on the chemical makeup of the drug that will become CL-108; is that correct?

A Yes. The technical measurements of all the components that would be the best for a successful product.

Q Where was Dr. T located to perform this role?

A Just like everyone else except for Paul, you know, we're in different places. He was in Cincinnati.

Q Okay. Was he working out of his home or did he have a laboratory somewhere? Or where was he doing the actual work?

A I don't know exactly what office he was in, but he was -- he was just not in Charleston.

Q Let me show you what's been marked as Exhibit Number 62.

- - -

(Engagement Letter, WBD_CHLAB0016317-20, previously marked Defendant's Exhibit Number 62, for identification.)

- - -

BY MR. JORDAN:

Q This is a copy of the Womble engagement letter for Charleston Labs, and it might help you in this line of questioning.

When did Charleston Labs first hire

Womble?

A Looks like the official engagement letter was dated June 6th, 2007.

Q Okay. And do you know how Charleston Labs came to retain Womble?

A Well, my understanding is that Dean Rutley had done a transaction with some venture capital firm, and at the time --

And this kind of goes back to where I say the business of Charleston started before its incorporation.

At the time Charleston, through Paul Bosse, was, you know, looking to raise capital to, you know, finance development of Charleston's products. And in doing that, in engaging with people who were interested in his -- his -- Charleston's product, one of the venture capital firms that had a lot of interest, I believe Dean had some experience with that investment firm.

And I think they eventually met at some conference.

Q What was the name of that investment firm?

A I don't recall.

Q So there was some venture capital

investment firm that recommended Dean Rutley as an attorney for Charleston Labs?

A No, sir. I don't believe he recommended them. I think this was a --

My understanding is that Paul Bosse and his desire to find effective counsel searched and looked and came across Dean Rutley.

Q Do you know where he searched and looked for counsel?

A No, sir.

Q Okay. Do you know what specific services he was seeking when he was seeking counsel?

A Probably the tip of the spear to say was assistance in raising capital.

Q Did Charleston Labs have a law firm or a lawyer that it used prior to retaining Womble?

A If it did, it would not be for corporate matters or raising capital. It would be for intellectual property matters.

Q And did Charleston Labs have an IP firm that it used for intellectual property matters?

A Yes, sir.

Q And what's the name of that firm?

A Wilson Sonsini.

Q Does Charleston Labs still use Wilson

ROA-0993

Sonsini for IP work?

A Yes, sir.

Q Has Charleston Labs used any other IP firms other than Wilson Sonsini during its existence?

A Not to my knowledge.

Q At the time Charleston Labs hired Womble in 2007, did Charleston Labs have an in-house lawyer?

A No, sir.

Q And what is your understanding of the purpose or purposes which Charleston Labs hired Womble?

A So the main purpose at the time, which was the cause of the engagement, was to have Womble help them raise capital, impose a round of funding, and for -- to become their general corporate counsel for all their corporate matters.

Q During the time of Womble's representation of Charleston Labs, did Charleston Labs use the services of any other lawyers or law firms other than Wilson Sonsini for its IP work?

A For its IP work. I'm sorry. Can you ask the question again?

Q Sure. You told me Charleston Labs used Wilson Sonsini for its IP work --

A Correct.

Q -- so I understand that.

During its --

During Womble's representation of Charleston Labs, were there any other law firms that Charleston Labs used for any purpose?

A Any other law firms that Charleston Labs used for any other purpose?

Q Correct.

A Besides Wilson Sonsini in IP? Is that what you're asking?

Q Correct.

A Yes.

Q Who else did they use?

A We used Ryan & Ryan when we were creating an option plan for our employees and doing a valuation that was tied to the option plan to assist in cleaning up our books and records for that valuation. And we used tax counsel that was referred to -- Bradley Arant was referred to us from our CPA firm when we were paying dividends to our employees -- I'm sorry -- to our stockholders pursuant to our stock -- our Series A and Series B

documents for tax counsel.

Q Okay. Is there any other law firms that Charleston Labs used during its -- during the time that it was represented by Womble?

A Not that I'm aware of.

Q Okay. The Ryan & Ryan firm, is that firm the one located in Alabama somewhere?

A I believe so, yes.

Q And is that where Mitchell Ryan practices?

A Correct.

Q You said that --

A Excuse me. That's where he practiced at that time. I couldn't tell you if he was still there.

Q You said that Ryan & Ryan assisted Charleston Labs in creating an option plan for employees, correct?

A They assist -- they assisted us in cleaning up our books and records for our valuation which was tied to our option plan.

Q And when was that engagement?

A Sometime in 2011.

Q And was that the sole purpose of Ryan & Ryan's engagement with Charleston Labs?

A Yes.
Q Okay. How long did that engagement last?
A I believe it was terminated right after we got our valuation completed. Maybe -- maybe --
Actually, let me correct that. I believe it was terminated in 2012 after we did our Series B. So shortly after our Series B completion, and -- which was July 2012, right around the time that I came to Womble Carlyle.
Q You said that Bradley Arant served as tax counsel for Charleston Labs during some period; is that correct?
A Yes, sir.
Q And when was that engagement? During what time period?
A Late 2014 to maybe early 2015.
Q At some point in time Charleston Labs transferred its representation from Womble to Greenberg, correct?
A Yes.
Q And that's for its corporate matters as well, correct?
A As far as representation, yeah.
Q Okay. You said that Womble was to serve as sort of outside general counsel for corporate

matters for Charleston Labs, and that representation was transferred to Greenberg, correct?

A Yes, sir.

Q When did that take place?

A I think late 2014 is when I left Womble to go to GT.

Q Why did Charleston Labs transfer its work from Womble to Greenberg in late 2014?

A Well, Charleston had a history with Womble. Essentially after Dean Rutley had stopped paying attention to Charleston and kind of shifted the work to several other attorneys.

There was always a constant desire for Charleston to -- you know, just to have more attention paid to it, and --

However, it was difficult because Womble had a lot of resources and they had a legacy of Womble's history and documents. And once I was -- I came to Womble and took over that relationship, they got very comfortable with staying at Womble. And then when I was going to GT, then Charleston looked at GT and the resources they had, it was in the best interest of the company to go over to GT.

Q When did you start at Womble?

ROA-0998

A I believe it was July of 2012.
Q And you left Womble and went to Greenberg in late 2014; is that correct?
A That's correct.
Q You said that Charleston Labs felt like Dean Rutley wasn't giving them sufficient attention as counsel.
When did Charleston Labs first believe that to be the case?
A After Charleston decided not to focus its attentions on getting institutional financing for its capital.
Q When was that?
A Probably 2008 era, 2009. Sometime before the Series A.
Q So Charleston Labs felt like it wasn't getting sufficient attention from Mr. Rutley beginning in 2008 or 2009; is that your testimony?
A Yeah. Probably more likely 2008, around that time.
Q And you started at Womble Carlyle in July of 2012?
A Yes, sir.
Q And did you --
How quickly after you joined

Womble Carlyle did you begin working on Charleston Labs matters?

A It was probably a few months after that, after I began.

Q During your tenure at Womble and while you were working on the Charleston Labs matter, what attorney was primarily responsible for the representation of Charleston Labs?

A Dean Rutley.

Q During your time at Womble working with Mr. Rutley on Charleston Labs' matters, did you ever raise concerns with Mr. Rutley about his attention to Charleston Labs matters?

A So I'm --

Just to clarify, I'm speaking on behalf of the company, correct?

Q Correct.

A So I came to Womble Carlyle as an associate, and I had reservations about Dean's treatment of Charleston, as I did with other startups.

But as a new associate who -- you know, there's also Karl Knoll on the file as well and Dean Rutley, two partners. As a young associate, I defer to the senior partners, so I did not feel