

THE STATE OF SOUTH CAROLINA
In The Supreme Court

APPEAL FROM GREENVILLE COUNTY
Court of Common Pleas

Steven H. John, Circuit Court Judge

Case No. 2007-CP-23-3206

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S.C. Supreme Court

North American Rescue Products, Inc., ... Respondent/Petitioner
v.
P.J. Richardson, ... Petitioner/Respondent

APPENDIX - VOLUME I

C. Mitchell Brown
William C. Wood, Jr.
A. Mattison Bogan
Nelson Mullins Riley & Scarborough LLP
Post Office Box 11070
Columbia, SC 29211
(803) 799-2000

Rivers S. Stilwell
104 South Main Street / Ninth Floor
Nelson Mullins Riley & Scarborough LLP
Post Office Box 10084 (29603-0084)
Greenville, SC 29601
(864) 250-2300

Attorneys for P.J. Richardson

Robert L. Widener
McNair Law Firm, PA
Post Office Box 11390
Columbia, SC 29211
(803) 799-9800

Bernie W. Ellis
McNair Law Firm, PA
101 North Main Street, Suite 900
Greenville, SC 29601
(864) 271-4940

*Attorneys for North American Rescue
Products, Inc.*

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THE STATE OF SOUTH CAROLINA
In The Court Of Appeals

APPEAL FROM GREENVILLE COUNTY
Court of Common Pleas

Steven H. John, Circuit Court Judge

Case No. 2007-CP-23-3206

North American Rescue Products, Inc., ... Appellant/Respondent,

v.

P. J. Richardson, ... Respondent/Appellant.

RECORD ON APPEAL
VOLUME I

Robert L. Widener
McNair Law Firm, P.A.
Post Office Box 11390
COLUMBIA, SOUTH CAROLINA 29211
(803) 799-9800

Bernie W. Ellis, Jr
McNair Law Firm, P.A.
Post Office Box 447
Greenville, South Carolina 29602
(864) 271-4940

ATTORNEYS FOR
APPELLANT/RESPONDENT

C. Mitchell Brown
William C. Wood, Jr.
A. Mattison Bogan
Nelson Mullins Riley
& Scarborough
Columbia, South Carolina 29211
(803) 799-2000

Rivers S. Stillwell
Nelson Mullins Riley
& Scarborough
Post Office Box 10084
Greenville, South Carolina 29601
(864) 250-2300

ATTORNEYS FOR RESPONDENT
RESPONDENT/APPELLANT

30528/1500

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM GREENVILLE COUNTY
In the Court of Common Pleas

Steven H. John, Circuit Court Judge

Case No.: 07-CP-23-3206

North American Rescue Products, Inc.,.....Appellant-Respondent,

v.

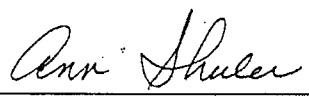
P. J. Richardson,.....Respondent-Appellant.

CERTIFICATE OF SERVICE

I, Ann Shuler, an employee of the McNair Law Firm, certify that I have served the
RECORD ON APPEAL by depositing copies in the United States Mail, postage prepaid,
on August 25, 2010 addressed to the attorneys of record, as follows:

Lane W. Davis, Esq.
Rivers S. Stilwell, Esq.
NELSON MULLINS RILEY &
SCARBOROUGH, LLP
Post Office Box 10084
Greenville, South Carolina 29603

C. Mitchell Brown, Esq.
William C. Wood, Jr., Esq.
A. Mattison Bogan, Esq.
NELSON MULLINS RILEY &
SCARBOROUGH, LLP
Post Office Box 11070
Columbia, South Carolina 29211-1070



Ann Shuler

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STATE OF SOUTH CAROLINA
COUNTY OF GREENVILLE
IN THE COURT OF COMMON PLEAS

JUDGMENT IN A CIVIL CASE
CASE NO: 2007CP2303206

North American Rescue Products Inc vs. P J Richardson

CHECK ONE:

- ☐ JURY VERDICT. This action came before the court for a trial by jury. The issues have been tried and a verdict rendered.
- ☐ DECISION BY THE COURT. This action came to trial or hearing before the court. The issues have been tried or heard and a decision rendered.
- ☐ ACTION DISMISSED (CHECK REASON): ☐ Rule 12(b), SCRCPP; ☐ Rule 41(a), SCRCPP (Vol. Nonsuit); ☐ Rule 43(k), SCRCPP (Settled); ☐ Other:
- ☐ ACTION STRICKEN (CHECK REASON): ☐ Rule 40(j) SCRCPP; ☐ Bankruptcy:
- ☐ Binding arbitration, subject to right to restore to confirm, vacate or modify arbitration award;
- ☐ Other: _____

IT IS ORDERED AND ADJUDGED:

☐ See attached order;

☐ Statement of Judgment by the Court:

Judgment for the Defendant under specific performance doctrine

Dated at Greenville, South Carolina, this

29th day of August, 2008.

Court Reporter: April Herron

August 1st, 2008
added at 3:45 PM, 2008
PRESIDING JUDGE - Steven H. John

This judgment was entered on the , and a copy mailed first class this , to attorneys of record or to parties (when appearing pro se) as follows:

✓ Bernie Wellington Ellis McNair Law Firm, PA P.O. Box 447
Greenville, SC 29602

A. Marvin Quattlebaum Jr. Nelson Mullins Riley &
Scarborough, LLP P.O. Box 10084 Greenville, SC 29603
Rivers Samuel Stilwell Nelson Mullins Riley & Scarborough,
LLP P.O. Box 10084 Greenville, SC 29603
Lane Whittaker Davis Nelson Mullins Riley & Scarborough
Llp P.O. Box 10084 Greenville, SC 29603

ATTORNEY(S) FOR THE PLAINTIFF(S)

ATTORNEY(S) FOR THE DEFENDANT(S)

SCRCPP APP-24/FORM 4

Paul B. Wickensimer - Clerk of Court

CPFORM4M

0001

APP_0006

VERDICT FORM

1. Did North American Rescue Products, Inc. and P.J. Richardson give each other the right to acquire 7.5% of each other's stock?

☒ _____

Yes

No

2. Do you find that North American Rescue Products agreed to let P.J. Richardson acquire 7.5% of the capital stock of North American Rescue Products, Inc. in exchange for money, rather than the issuance of 7.5% of capital stock?

☒ _____

Yes

No

3. Can Both parties perform under the 2000 Agreement as amended in Charleston?

☒ _____

Yes

No

4. Did the parties (North American Rescue Products, Inc. and P.J. Richardson) enter into a contract, that is the November 2004 Termination, Settlement and Release Agreement?

☒ _____

Yes

No

FILED-CLERK OF COURT
GREENVILLE CO. S.C.
DAVE B. WICKENS/SMR

2008 SEP -2 A 10:44

5. If the Termination, Settlement and Release Agreement is a contract, does it end both parties' rights to acquire 7.5% of the capital stock of each other?

Yes

~~_____
No~~

- a. If you answer YES, then answer Both i and ii.

- i. Did P.J. Richardson reasonably rely on North American Rescue Products, Inc. to his detriment?

Yes

No

- ii. Did North American Rescue Products, Inc. reasonably rely on P.J. Richardson to its detriment.

Yes

No

6. Do you find that P.J. Richardson was a Director of North American Rescue Products, Inc. when the Termination, Settlement and Release Agreement was entered into?

~~_____
Yes~~

No

- a. If you answer NO, Skip to Number 8.

7. Did P.J. Richardson owe a fiduciary duty to North American Rescue Products, Inc. when the Termination, Settlement and Release Agreement was entered into?

Yes

No

- a. If you answer NO, skip to Number 8.
- b. If you answer YES, did P.J. Richardson breach a fiduciary duty owed to North American Rescue Products, Inc.?

No

Yes

- i. If you answer NO, skip to Number 8.
- ii. If you answer YES, should P.J. Richardson return all or a portion of the \$50,000 paid to Mr. Richardson as a Director of North American Rescue Products, Inc.?

Yes

No

1. If YES, how much?

\$

IMPORTANT INSTRUCTIONS FOR THE REMAINING QUESTIONS: The Jury must look at both 8 and 9, and then must decide to answer 8 or 9 - not both! After answering 8 or 9, proceed to 9.

8. Is P.J. Richardson entitled to receive 7.5% of the outstanding capital stock of North American Rescue Products, Inc.?

X
Yes

No

- a. If you answer YES, what should P.J. Richardson pay to North American Rescue Products for 7.5% of the common capital stock?

\$ 2,936,300.00

OR;

9. Did the parties enter into an agreement arising from their

Yes

No

- a. If you answer NO, STOP and notify Bailiff.

- b. If you answer YES:

- i. Did P.J. Richardson offer to perform under the

Yes

No

1. If NO, STOP and notify Bailiff.

- ii. If YES, Did North American Rescue Products breach the agreement?

Yes

No

1. If you answer YES what damages, if any, should be paid to P.J. Richardson by North American Rescue Products, Inc.?

a. \$

Charles Varner
Foreman

STATE OF SOUTH CAROLINA)

IN THE COURT OF COMMON PLEAS

COUNTY OF GREENVILLE)

Civil Action No.

North American Rescue Products,
Inc.,)

2007-CP-23- 3206

Plaintiff,)

COMPLAINT
(Declaratory Judgment)
(Non-Jury)

vs.)

P. J. Richardson,)

Defendant.)

The Plaintiff, complaining of the Defendant would allege and show as follows:

NATURE OF THE ACTION

1. This is an action for a declaratory judgment pursuant to S.C. Code Ann. § 15-53-10, et seq.

JURISDICTION

2. The Plaintiff is a Delaware corporation with headquarters in Greenville, SC.
3. The Defendant maintains a residence in Greenville County, South Carolina.
4. Because the subject of this action concerns whether Defendant has a right to purchase shares of stock in Plaintiff which is headquartered in Greenville County, SC, jurisdiction and venue are proper in this Court.

FACTS

5. Defendant has demanded of Plaintiff that he be allowed to purchase 7.5% of the stock of the Plaintiff at \$.01 per share pursuant to an alleged option agreement between Defendant and Plaintiff.

0006

APP_0011

6. Plaintiff denies that such an option agreement exists; therefore, an actual case or controversy exists between the parties because Plaintiff needs a determination of whether it has such an obligation as alleged by Defendant.

**FOR A FIRST CAUSE OF ACTION
(Declaratory Judgment)**

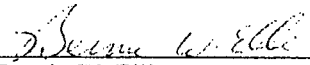
7. The foregoing paragraphs of this Complaint are incorporated herein.

8. The demand made by Defendant to Plaintiff to purchase 7.5% of the stock of Plaintiff is improper because no right to do so exists.

9. Based upon the foregoing, the Plaintiff seeks a declaratory judgment that Defendant is not entitled to purchase any stock in Plaintiff.

WHEREFORE, having set forth its claim for declaratory relief, the Plaintiff prays that the relief sought herein be granted, that the Plaintiff be awarded his costs in bringing this action and for such other and further relief as this Court deems just and proper.

Respectfully submitted,


Bernie W. Ellis
S.C. Bar No. 64841
McNair Law Firm, P.A.
Post Office Box 447
Greenville, SC 29602
Tel. (864) 271-4940
Fax (864) 271-4015
bellis@mcnair.net

Curtis W. Stodghill
S.C. Bar No. 6458
Stodghill Law Firm Chartered
Post Office Box 2431
Greenville, SC 29602
Tel. (864) 271-0966
Fax (864) 770-6167
cstodghill@stodghill-law.com

Attorneys for the Plaintiff

Greenville, SC
May 17, 2007

STATE OF SOUTH CAROLINA) IN THE COURT OF COMMON PLEAS
COUNTY OF GREENVILLE)
2007 AUG 14 11:34 AM THIRTEENTH JUDICIAL CIRCUIT

North American Rescue Products, Inc.,) Civil Action No. 2007-CP-23-3206

Plaintiff,)
FILED - CLERK OF COURT
GREENVILLE CO. S.C.
2007 AUG 14 11:34 AM

vs.)

ANSWER & COUNTERCLAIM

(Jury Trial Requested)

P.J. Richardson,)

Defendant.)

Defendant, P.J. Richardson ("Richardson"), answering the Complaint of Plaintiff would respectfully show as follows:

Unless specifically admitted, all allegations in the Complaint are denied.

FOR A FIRST DEFENSE

1. The allegations contained in Paragraph 1 are admitted.
2. The allegations contained in Paragraph 2 are admitted.
3. In relation to the allegations in Paragraph 3, Richardson admits that he owns a condominium in Greenville County, South Carolina, where he intermittently stays while visiting the area.
4. In relation to the allegations in Paragraph 4, Richardson admits that he owns an option, or otherwise possesses a right to own and/or purchase, shares in Plaintiff, which is headquartered in Greenville County.
5. In relation to the allegations in Paragraph 5, Richardson admits that he has demanded that he be allowed to purchase 7.5% of the stock of Plaintiff at one cent (\$.01) per share, pursuant to a binding agreement between the parties.

6. In relation the allegations contained in Paragraph 6, Richardson admits that Plaintiff has wrongfully denied the existence of an agreement between North American Rescue Products, Inc. ("NARP") and Richardson, wherein 7.5% of the stock of Plaintiff would be delivered to Richardson at a price of one cent (\$.01) per share.

7. With respect to the allegations contained in Paragraph 7 of the Complaint, Richardson is informed and believes that no response is necessary. To the extent a response is required, the Paragraph's allegations are denied.

8. The allegations contained in Paragraph 8 of the Complaint are denied.

9. The allegations contained in Paragraph 9 of the Complaint and the Prayer for Relief are denied.

FOR A SECOND DEFENSE
(Failure to State a Claim)

10. The preceding paragraphs are incorporated herein by reference.

11. Plaintiff's claims for declaratory relief fail to state a claim upon which relief can be granted.

FOR A THIRD DEFENSE
(Estoppel)

12. The preceding paragraphs are incorporated herein by reference.

13. Plaintiff's claims for declaratory relief are barred in whole, or in part, by the doctrine of estoppel.

FOR A FOURTH DEFENSE
(Waiver)

14. The preceding paragraphs are incorporated herein by reference.

15. Plaintiff's claims for declaratory relief are barred in whole, or in part, by the doctrine of waiver.

FOR A FIFTH DEFENSE
(Statute of Frauds)

16. The preceding paragraphs are incorporated herein by reference.

17. Plaintiff's claims for declaratory relief are barred in whole, or in part, by the statute of frauds.

FOR A SIXTH DEFENSE
(Ratification)

18. The preceding paragraphs are incorporated herein by reference.

19. Plaintiff's claims for declaratory relief are barred in whole, or in part, by the doctrine of ratification.

FOR A SEVENTH DEFENSE
(Improper Declaratory Relief)

20. The preceding paragraphs are incorporated herein by reference.

21. Under the facts of the instant case, Plaintiff's claims for declaratory relief are improper under the South Carolina Declaratory Judgment Statute as codified at S.C. Code §15-53-10 *et seq.*

IN THE ALTERNATIVE FOR AN EIGHTH DEFENSE
(Mutual Mistake)

22. The preceding paragraphs are incorporated herein by reference.

23. In the alternative, to the extent Plaintiff relies upon the doctrine of mutual mistake, and to the extent a finding of the same is made by the fact-finder in this case, Richardson would be entitled to be restored to his original position of owning 25% of the outstanding stock in NARP, because any agreements terminating, superseding, or modifying

that ownership interest would be null and void based upon Plaintiff's accepted proof of mutual mistake.

FOR A NINTH DEFENSE & BY WAY OF COUNTERCLAIM
(Breach of Contract & Specific Performance)

24. The preceding paragraphs are incorporated herein by reference.
25. NARP is a Delaware corporation with its principal place of business in Greenville, South Carolina. NARP is owned, in part, by Robert Castellani ("Castellani").
26. Richardson and Castellani first met in 1994. At that time, NARP was in the business of selling stretchers for use by the military.
27. Richardson owned and operated a company named Reeves Manufacturing, Inc. (later renamed as the Reeves Group, Inc. treated collectively herein as "Reeves").
28. Between 1996 and 2000, Reeves and NARP began doing business with each other.
29. Cross-selling their respective customers became an important aspect of the two companies' business relationship.
30. While each company sold related products, NARP and Reeves frequently had different customers.
31. Frequently, Reeves' customers would buy from NARP and vice versa.
32. In January of 2000, Richardson (on behalf of Reeves and himself) and Castellani (on behalf of NARP and himself) executed an agreement (treated herein as "2000 Agreement") to formalize their respective companies' business relationship.
33. A copy of the parties' 2000 Agreement is attached hereto as Exhibit A and incorporated herein by reference.

34. Pursuant to the 2000 Agreement, NARP and Reeves agreed to pay each other commissions equal to 25% of the taxable income of their companies for cross-selling each other's respective products. (Exhibit A, p.1, ¶4.)

35. Also according to the 2000 Agreement, Richardson and Castellani each agreed on behalf of Reeves and NARP to issue to each other 25% of the capital stock of their respective companies. (Exhibit A, p. 1, ¶7.) Although this stock was never physically issued and exchanged, it was understood that each held a 25% interest in the other's company.

36. For years the parties operated under the 2000 Agreement and cooperatively assisted each other in growing both companies.

37. Some time in 2004, the parties began to rethink the 25% share of capital stock in each other's companies.

38. In the Fall of 2004, the parties agreed to amend the percentage each owned in the other party's company from 25% to 7.5% of the common capital stock.

39. The parties reduced the 7.5% interest to writing in a "Stock Option Agreement" (treated herein as "Option Agreement") dated October 4, 2004.

40. The Option Agreement is attached hereto as Exhibit B and incorporated herein by reference.

41. As provided for in the Option Agreement, Richardson obtained an option to purchase 7.5% of the common capital stock in NARP for a price of one cent (\$.01) per share. (Exhibit B, p.1, ¶2.2.)

42. The Option Agreement further stated: "Optionee has been elected as a member of the board of directors of NARP. Because of his experience and skills it is anticipated that

he will make valuable contributions to the management of NARP in the best interest of NARP and its stockholders." (Exhibit B, p. 1, Recital A.)

43. Pursuant to Article 2.1 of the Option Agreement, the term of the option lasted for a period of ten (10) years from the date the agreement was executed. (Exhibit B, p. 1, Art. 2.2.)

44. In November of 2004, the parties executed a companion agreement entitled: "Termination, Settlement and Release" (treated herein as "Termination Agreement.")

45. A copy of this agreement is attached hereto as Exhibit C and is incorporated herein by reference.

46. Under the terms and conditions of the Termination Agreement, both parties released each other from obligations owed under the 2000 Agreement. (Exhibit C, p. 1, ¶3.)

47. However, the Termination Agreement specifically reserved Richardson's option right to purchase 7.5% of the outstanding NARP stock.

48. Richardson's option rights, as conferred by the Option Agreement, were kept fully intact under the Termination Agreement.

49. The option to purchase 7.5% of the outstanding NARP stock for one cent (\$.01) per share constituted a material term of the Termination Agreement for Richardson.

50. Richardson would not have executed the Termination Agreement if it did not specifically contain this provision.

51. Richardson has made a demand to purchase 7.5% of NARP's outstanding stock at one cent (\$.01) per share, as previously agreed upon by the parties.

52. Richardson's Option Agreement from October of 2004 constitutes a valid and binding contract between the parties.

53. By and through its attorney, NARP has refused to honor Richardson's right to purchase 7.5% of NARP's outstanding stock for one cent (\$.01) per share. NARP has, therefore, breached the Option Agreement with Richardson.

54. Through the Option Agreement, Richardson has a right to own 7.5% of the outstanding stock in NARP; such stock constitutes a unique property interest for which money damages may not adequately compensate Richardson.

55. Richardson is entitled to specific performance of the Option Contract along with money damages accruing during the interim period during which Plaintiff has failed to perform.

56. Alternatively, Richardson is entitled to recoup money damages from NARP in an amount equivalent to the value of 7.5% of the NARP stock along with any consequential or interim damages.

57. Alternatively, if the Option Agreement and the Termination Agreement are deemed unenforceable due to a finding of mutual mistake of the parties or other legal grounds, Richardson is entitled to be restored to his original ownership position in NARP under the 2000 Agreement. Under such circumstances, Defendant is entitled to specific performance of the 2000 Agreement with Plaintiff returning to Richardson his 25% interest in the outstanding shares of NARP plus all payments he was entitled to but did not receive from the date of the attempted but failed termination/modification of the 2000 Agreement.

58. Alternatively, Richardson would be entitled to money damages in an amount equal to 25% of the NARP stock as determined by a jury along with all payments he would have been entitled to but did not receive had the parties not attempted to terminate the 2000 Agreement in the first instance.

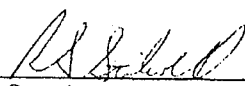
FOR A TENTH DEFENSE & BY WAY OF COUNTERCLAIM
(Promissory Estoppel)

59. The preceding paragraphs are incorporated herein by reference.
60. By and through Castellani, Plaintiff made an unambiguous promise to Richardson that he would be able to purchase 7.5% of NARP's stock for one cent (\$.01) per share.
61. Richardson reasonably relied upon Plaintiff and/or Castellani's promise with respect to his ability to purchase 7.5% of NARP's outstanding stock.
62. Richardson's reliance on Plaintiff's/Castellani's promise was expected and foreseeable by Plaintiff and Castellani.
63. Richardson has sustained financial injury as a result of his reliance upon Castellani's/Plaintiff's unambiguous promise.
64. Accordingly, Richardson is entitled to recover damages in an amount that would restore him to the position he would have attained had Plaintiff and Castellani fulfilled their promise.

WHEREFORE, having fully answered the Complaint of the Plaintiff, Defendant prays for the following:

- A. A dismissal of Plaintiff's Complaint with prejudice;
- B. The relief of specific performance as requested herein;
- C. Alternatively, damages in an amount determined by the jury;
- D. All other relief this Court deems just and proper.

NELSON MULLINS RILEY & SCARBOROUGH, LLP

By: 

A. M. Quattlebaum, Jr. (SC Bar No. 013048)
E-Mail Address: marvin.quattlebaum@nelsonmullins.com
Rivers S. Stilwell (SC Bar No. 002108)
E-Mail Address: rivers.stilwell@nelsonmullins.com
Lane W. Davis (SC Bar No. 68796)
E-Mail Address: lane.davis@nelsonmullins.com
104 South Main Street, Suite 900
Post Office Box 10084 (29603-0084)
Greenville, SC 29601
(864) 250-2300

Attorneys for P.J. Richardson

Greenville, South Carolina

Aug 17, 2007

STATE OF SOUTH CAROLINA)
COUNTY OF GREENVILLE)
2008 JUN 21 P 4: 28
North American Rescue Products,)
Inc.,)
Plaintiff,)
vs.)
P. J. Richardson,)
Defendant.)

IN THE COURT OF COMMON PLEAS
Civil Action No. 2007-CP-23-3206

FIRST AMENDED COMPLAINT
(Declaratory Judgment and
Equitable Relief)

The Plaintiff, complaining of the Defendant would allege and show as follows:

NATURE OF THE ACTION

1. This is an action for a declaratory judgment pursuant to S.C. Code Ann. § 15-53-10, et seq. and for equitable relief.

JURISDICTION

2. The Plaintiff is a South Carolina corporation with headquarters in Greenville, South Carolina.
3. The Defendant maintains a residence in South Carolina.
4. Because the subject of this action concerns whether Defendant has a right to purchase shares of stock in Plaintiff which is headquartered in Greenville County, South Carolina, jurisdiction and venue are proper in this Court.

FACTS

5. Defendant has demanded of Plaintiff that he be allowed to purchase 7.5% of the stock of the Plaintiff at \$.01 per share pursuant to an alleged option agreement between Defendant and Plaintiff, or, in the alternative, that if no such option exists, that Defendant be

recognized as the owner of stock of NARP pursuant to a prior agreement among NARP, Reeves Manufacturing, Inc., Robert Castellani, and Defendant.

6. Plaintiff denies that such an option agreement exists, that Defendant has any right to own any of the stock of NARP, or that Defendant has any rights whatsoever with respect to NARP; therefore, an actual case or controversy exists between the parties because Plaintiff needs a determination of whether it has such an obligation as alleged by Defendant.

**FOR A FIRST CAUSE OF ACTION
(Declaratory Judgment)**

7. The foregoing paragraphs of this Complaint are incorporated herein.

8. The demand made by Defendant to Plaintiff to purchase or otherwise own an interest in the capital stock of Plaintiff is improper because no right to do so exists.

9. Based upon the foregoing, the Plaintiff seeks a declaratory judgment that Defendant is not entitled to purchase any stock in Plaintiff.

**FOR A SECOND CAUSE OF ACTION
(Breach of Fiduciary Duty)**

10. The foregoing paragraphs of the Complaint are incorporated herein.

11. In September 2004, Defendant was elected to the board of directors of Plaintiff, and was compensated \$50,000.00 for his service as such.

12. In a meeting held at Atlanta, Georgia in October 2004, Defendant with legal counsel and Plaintiff with legal counsel held discussions regarding Defendant's acquisition of a 7.5% interest in Plaintiff, but no agreement was reached other than that the Defendant would release any claim he had to ownership in Plaintiff, and Robert A. Castellani, president and majority stockholder of Plaintiff, would release any claim to ownership in Defendant's company, Reeves Manufacturing, Inc.

13. On or before November 14, 2004, while serving on Plaintiff's board, Defendant proffered a document to Mr. Castellani titled "Agreement of Termination, Settlement and Release" ("Release"), which Defendant represented was consistent with the agreements of the October 2004 meeting.

14. The provisions of the Release at paragraphs 3 and 4 thereof refer to a separate option for Defendant to purchase 7.5% of the stock of Plaintiff pursuant to the terms of a "separate Option Agreement dated 15 Dec, 2004."

15. As a member of the board of directors of Plaintiff, Defendant owed duties to Plaintiff and its shareholders in accordance with applicable law and with Plaintiff's articles of incorporation including a duty of loyalty and a duty to avoid realizing improper benefits from his relationship to Plaintiff.

16. In breach of those duties, Defendant sought to obtain for himself an option to acquire the stock of NARP without regard to whether the consideration for that stock was adequate and without regard to whether the issuance of such an option was in the best interests of NARP.

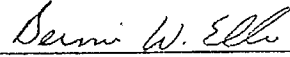
17. Though Defendant's claim to be entitled to acquire or otherwise own stock in Plaintiff is invalid because no option was finally entered into, his attempt to do so in a manner detrimental to the best interests of NARP was a breach of his fiduciary duty.

18. Based upon Defendant's breach of his fiduciary duty, it would be inequitable to allow him to retain the \$50,000.00 fee he was paid, and he should be required to disgorge it.

WHEREFORE, having set forth its claim for declaratory and equitable relief, the Plaintiff prays that the relief sought herein be granted, that the Plaintiff be awarded its costs in bringing

this action, for pre-judgment interest, and for such other and further relief as this Court deems just and proper.

Respectfully submitted,



Bernie W. Ellis
S.C. Bar No. 64841
McNair Law Firm, P.A.
Post Office Box 447
Greenville, SC 29602
Tel. (864) 271-4940
Fax (864) 271-4015
bellis@mcnair.net

Attorney for the Plaintiff

Greenville, SC
June 27, 2008

STATE OF SOUTH CAROLINA) IN THE COURT OF COMMON PLEAS
COUNTY OF GREENVILLE) 2008 JUL 17 A 10 13
North American Rescue Products, Inc.,) Civil Action No. 2007-CP-23-3206
Plaintiff,)
vs.) AMENDED ANSWER &
P.J. Richardson,) COUNTERCLAIM
Defendant.) (Jury Trial Requested)

Defendant, P.J. Richardson ("Richardson"), answering the First Amended Complaint (reated simply as "Complaint") of Plaintiff would respectfully show as follows:

Unless specifically admitted, all allegations in the Complaint are denied.

FOR A FIRST DEFENSE

1. The allegations contained in Paragraph 1 are admitted.
2. The allegations contained in Paragraph 2 are admitted.
3. In relation to the allegations in Paragraph 3, Richardson admits that he owns a condominium in Greenville County, South Carolina, where he intermittently stays while visiting the area.
4. In relation to the allegations in Paragraph 4, Richardson admits that he owns an option, or otherwise possesses a right to own and/or purchase, shares in Plaintiff, which is headquartered in Greenville County.
5. In relation to the allegations in Paragraph 5, Richardson admits that he has demanded that he be allowed to purchase 7.5% of the stock of Plaintiff at one cent (\$.01) per share. In the alternative, Richardson also admits that he would be entitled to own no less than 7.5% of NARP's stock if the parties' option agreement is deemed unenforceable. To the

to the extent the allegations contained in Paragraph 5 of the Complaint differ from the same, they are denied.

6. In relation to the allegations contained in Paragraph 6, Richardson admits that Plaintiff has wrongfully denied the existence of an agreement between North American Rescue Products, Inc. ("NARP") and Richardson, wherein 7.5% of the stock of Plaintiff would be delivered to Richardson at a price of one cent (\$.01) per share. Alternatively, if the option agreement is deemed unenforceable, Richardson further admits that NARP has wrongfully refused to acknowledge his 7.5% ownership interest in NARP under a prior stock agreement. To the extent the allegations contained in Paragraph 6 differ from the same, they are denied.

7. With respect to the allegations contained in Paragraph 7 of the Complaint, Richardson is informed and believes that no response is necessary. To the extent a response is required, the Paragraph's allegations are denied.

8. The allegations contained in Paragraph 8 of the Complaint are denied.

9. The allegations contained in Paragraph 9 of the Complaint are denied.

10. With respect to the allegations contained in Paragraph 10 of the Complaint, Richardson is informed and believes that no response is necessary. To the extent a response is required, the Paragraph's allegations are denied.

11. With respect to the allegations contained in Paragraph 11 of the Complaint, Richardson admits that he was elected to the board of directors of Plaintiff and was compensated for the same. In relation to the more specific allegations, Richardson craves reference to the applicable business documents that would reflect such information.

12. In response to the allegations contained in Paragraph 12 of the Complaint, Richardson admits that a meeting occurred in Atlanta, Georgia in the fall of 2004 and that legal counsel was present. All remaining allegations in the Paragraph are denied.

13. In response to the allegations contained in Paragraph 13 of the Complaint, Richardson admits that he delivered to Robert Castellani a document entitled, "Agreement of Termination, Settlement and Release." Richardson further admits that the document was consistent with the parties' agreement from Atlanta and was a component part of an overall agreement reached by the parties.

14. In relation to Paragraph 14 of the Complaint, Richardson craves reference to the document cited in the Paragraph. To the extent the Paragraph's allegations differ from the same, they are denied. Richardson would further show that the document cited in the Paragraph was a component part of an overall deal, which he was informed and believed, was reached by the parties.

15. The allegations contained in Paragraph 15 of the Complaint constitute conclusions of law, for which no response is necessary. However, Richardson does acknowledge that, as a member of the Board of Directors of NARP, he owed certain duties and obligations to NARP, which he honored.

16. Richardson denies the allegations contained in Paragraph 16 of the Complaint.

17. Richardson denies the allegations contained in Paragraph 17 of the Complaint.

18. Richardson denies the allegations contained in Paragraph 18 of the Complaint and the Prayer for Relief.

FOR A SECOND DEFENSE
(Failure to State a Claim)

19. The preceding paragraphs are incorporated herein by reference.
20. Plaintiff's claims for relief fail to state a claim upon which relief can be granted.

FOR A THIRD DEFENSE
(Estoppel)

21. The preceding paragraphs are incorporated herein by reference.
22. Plaintiff's claims for relief are barred in whole, or in part, by the doctrine of estoppel.

FOR A FOURTH DEFENSE
(Waiver)

23. The preceding paragraphs are incorporated herein by reference.
24. Plaintiff's claims for relief are barred in whole, or in part, by the doctrine of waiver.

FOR A FIFTH DEFENSE
(Statute of Frauds)

25. The preceding paragraphs are incorporated herein by reference.
26. Plaintiff's claims for relief are barred in whole, or in part, by the statute of frauds.

FOR A SIXTH DEFENSE
(Ratification)

27. The preceding paragraphs are incorporated herein by reference.
28. Plaintiff's claims for relief are barred in whole, or in part, by the doctrine of ratification.

FOR A SEVENTH DEFENSE
(Improper Declaratory Relief)

29. The preceding paragraphs are incorporated herein by reference.

30. Under the facts of the instant case, Plaintiff's claims for declaratory relief are improper under the South Carolina Declaratory Judgment Statute as codified at S.C. Code §15-51-10 *et seq.*

IN THE ALTERNATIVE FOR AN EIGHTH DEFENSE
(Mutual Mistake)

31. The preceding paragraphs are incorporated herein by reference.

32. In the alternative, to the extent Plaintiff relies upon the doctrine of mutual mistake, and to the extent a finding of the same is made by the fact-finder in this case, Richardson would be entitled to be restored to his original position of owning no less than 7.5% of the outstanding stock in NARP, because any agreements terminating, superseding, or modifying that ownership interest would be null and void based upon Plaintiff's accepted proof of mutual mistake.

FOR A NINTH DEFENSE
(Statute of Limitations)

33. The preceding paragraphs are incorporated herein by reference.

34. Plaintiff's claim for breach of fiduciary duty is barred by the applicable statute of limitations.

FOR A TENTH DEFENSE
(Laches)

35. The preceding paragraphs are incorporated herein by reference.

36. Plaintiff's claim for breach of fiduciary duty is barred by the doctrine of laches.

FOR AN ELEVENTH DEFENSE & BY WAY OF COUNTERCLAIM
(Breach of Contract & Specific Performance)

37. The preceding paragraphs are incorporated herein by reference.

38. NARP is a Delaware corporation with its principal place of business in Greenville, South Carolina. NARP is owned, in part, by Robert Castellani ("Castellani").

39. Richardson and Castellani first met in 1994. At that time, NARP was in the business of selling stretchers for use by the military.

40. Richardson owned and operated a company named Reeves Manufacturing, Inc. (later renamed as the Reeves Group, Inc. treated collectively herein as "Reeves").

41. Between 1996 and 2000, Reeves and NARP began doing business with each other.

42. Cross-selling their respective customers became an important aspect of the two companies' business relationship.

43. While each company sold related products, NARP and Reeves often had different customers.

44. Frequently, Reeves' customers would buy from NARP and vice versa.

45. In January of 2000, Richardson (on behalf of Reeves and himself) and Castellani (on behalf of NARP and himself) executed an agreement (treated herein as "2000 Agreement") to formalize their respective companies' business relationship.

46. A copy of the parties' 2000 Agreement is attached hereto as Exhibit A and incorporated herein by reference.

47. Pursuant to the 2000 Agreement, NARP and Reeves agreed to pay each other commissions equal to 25% of the taxable income of their companies for cross-selling each other's respective products. (Exhibit A, p.1, ¶4.)

48. Also according to the 2000 Agreement, Richardson and Castellani each agreed on behalf of Reeves and NARP to issue to each other 25% of the capital stock of their respective companies. (Exhibit A, p. 1, ¶7.) Although this stock was never physically issued and exchanged, it was understood that each held a 25% interest in the other's company.

49. For years the parties operated under the 2000 Agreement and cooperatively assisted each other in growing both companies.

50. Several years later, the parties began to rethink the 25% share of capital stock in each other's companies.

51. The parties agreed to amend the percentage each owned in the other party's company from 25% to 7.5% of the common capital stock. No formal writing was ever executed in relation to the reduction of the parties' ownership interest but both parties agree such a reduction in ownership occurred.

52. In the fall of 2004, the parties met in Atlanta ("Atlanta Meeting") and once again endeavored to restructure their respective ownership interests in each other's companies.

53. During this meeting, Richardson believed that he had reached a new agreement with Castellani and NARP. Under the new arrangement, Castellani agreed to release his interest in Reeves Manufacturing ("Reeves") in exchange for 7.5% of the proceeds from the sale of Reeves, which was imminently to occur. Richardson likewise agreed to release his interest in NARP in exchange for an option to purchase 7.5% of the stock in NARP. Each term of the parties' agreement was dependent upon the other terms. Under such terms, but

only under such terms, Richardson agreed to release his ownership interest in NARP in exchange for an option to purchase 7.5% of NARP stocks for \$.01 per share.

54. The parties memorialized the 7.5% interest, contemplated by this arrangement, in a document entitled "Stock Option Agreement" (treated herein as "Option Agreement") dated October 4, 2004.

55. The Option Agreement is attached hereto as Exhibit B and incorporated herein by reference.

56. As provided for in the Option Agreement, Richardson obtained an option to purchase 7.5% of the common capital stock in NARP for a price of one cent (\$.01) per share. (Exhibit B, p.1, ¶2.2.)

57. The Option Agreement further stated: "Optionee has been elected as a member of the board of directors of NARP. Because of his experience and skills, it is anticipated that he will make valuable contributions to the management of NARP in the best interest of NARP and its stockholders." (Exhibit B, p. 1, Recital A.)

58. Pursuant to Article 2.1 of the Option Agreement, the term of the option lasted for a period of ten (10) years from the date the agreement was executed. (Exhibit B, p. 1, Art. 2.2.) The parties similarly agreed to execute a companion document entitled: "Termination, Settlement and Release" (treated herein as "Termination Agreement.")

59. A copy of this agreement is attached hereto as Exhibit C and is incorporated herein by reference.

60. Under the terms and conditions of the agreement reached at the Atlanta Meeting, both parties released each other from obligations owed under the 2000 Agreement as modified. (Exhibit C, p. 1, ¶3.) However, as also contemplated by the parties in Atlanta, the

Termination Agreement specifically reserved Richardson's option right to purchase 7.5% of the outstanding NARP stock.

61. For Richardson, the option to purchase 7.5% of the outstanding NARP stock for one cent (\$.01) per share constituted a material term of the overall agreement reached by the parties in Atlanta.

62. Richardson would not have executed the Termination Agreement if NARP had not promised to execute the Option Contract and if he did not believe the parties otherwise had a binding agreement embracing all component parts of the overall agreement.

63. NARP and Castellani now contend that Richardson has neither a 7.5% ownership interest in NARP nor an option to purchase 7.5% of NARP's outstanding stock.

64. Richardson has made a demand to purchase 7.5% of NARP's outstanding stock at one cent (\$.01) per share, as previously agreed upon by the parties.

65. The parties' agreement in Atlanta and Richardson's Option Agreement from October of 2004 constitute valid and binding contracts between the parties.

66. By and through its attorney, NARP has refused to honor Richardson's right to purchase 7.5% of NARP's outstanding stock for one cent (\$.01) per share. However, NARP simultaneously contends (mistakenly) that Richardson has released his interest in NARP.

67. NARP has, therefore, breached the overall agreement and the Option Agreement with Richardson.

68. Through the Option Agreement, Richardson has a right to own 7.5% of the outstanding stock in NARP; such stock constitutes a unique property interest for which money damages may not adequately compensate Richardson.

69. Richardson is entitled to specific performance of the overall agreement and the Option Contract along with money damages accruing during the interim period during which Plaintiff has failed to perform.

70. Alternatively, Richardson is entitled to recoup money damages from NARP in an amount equivalent to the value of his 7.5% option interest of the NARP stock along with any consequential or interim damages.

71. NARP has taken the position that the Option Agreement and the remaining documents memorializing the balance of the components of the overall agreement fail to constitute enforceable agreements. If true, Richardson would revert to his prior ownership interest of 7.5% of NARP. Thus, Richardson is alternatively entitled to specific performance of his prior agreement with NARP wherein he possessed a 7.5% ownership interest of the NARP stock.

72. Alternatively, Richardson would be entitled to money damages in an amount equal to no less than 7.5% of the NARP stock as determined by a jury along with all payments he would have been entitled to but did not receive had the parties not attempted to terminate the 2000 Agreement in the first instance.

FOR A TENTH DEFENSE & BY WAY OF COUNTERCLAIM
(Promissory Estoppel)

73. The preceding paragraphs are incorporated herein by reference.

74. By and through Castellani, Plaintiff made an unambiguous promise that Richardson possessed a 7.5% ownership interest in NARP.

75. By and through Castellani, Plaintiff further made an unambiguous promise to Richardson that he would be able to purchase 7.5% of NARP's stock for one cent (\$.01) per share.

76. Richardson reasonably relied upon Plaintiff and/or Castellani's promise (on Plaintiff's behalf) with respect to his ownership interest in NARP.

77. Richardson reasonably relied upon Plaintiff and/or Castellani's promise (on Plaintiff's behalf) with respect to his ability to purchase 7.5% of NARP's outstanding stock.

78. Richardson's reliance on Plaintiff's/Castellani's promises in both regards was expected and foreseeable by Plaintiff and Castellani.

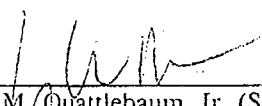
79. Richardson has sustained financial injury as a result of his reliance upon Castellani's/Plaintiff's unambiguous promises.

80. Accordingly, Richardson is entitled to recover damages in an amount that would restore him to the position he would have attained had Plaintiff and Castellani fulfilled their promise.

WHEREFORE, having fully answered the Complaint of the Plaintiff, Defendant prays
for the following:

- A. A dismissal of Plaintiff's Complaint with prejudice;
- B. The relief of specific performance as requested herein;
- C. Alternatively, damages in an amount determined by the jury;
- D. All other relief this Court deems just and proper.

NELSON MULLINS RILEY & SCARBOROUGH, LLP

By: 

A. M. Quattlebaum, Jr. (SC Bar No. 013048)
E-Mail Address: marvin.quattlebaum@nelsonmullins.com
Rivers S. Stilwell (SC Bar No. 002108)
E-Mail Address: rivers.stilwell@nelsonmullins.com
Lane W. Davis (SC Bar No. 68796)
E-Mail Address: lane.davis@nelsonmullins.com
104 South Main Street, Suite 900
Post Office Box 10084 (29603-0084)
Greenville, SC 29601
(864) 250-2300

Attorneys for P.J. Richardson

Greenville, South Carolina

7/12, 2008

extent the allegations contained in Paragraph 5 of the Complaint differ from the same, they are denied.

6. In relation to the allegations contained in Paragraph 6, Richardson admits that Plaintiff has wrongfully denied the existence of an agreement between North American Rescue Products, Inc. ("NARP") and Richardson, wherein 7.5% of the stock of Plaintiff would be delivered to Richardson at a price of one cent (\$.01) per share. Alternatively, if the option agreement is deemed unenforceable, Richardson further admits that NARP has wrongfully refused to acknowledge his 7.5% ownership interest in NARP under a prior stock agreement. To the extent the allegations contained in Paragraph 6 differ from the same, they are denied.

7. With respect to the allegations contained in Paragraph 7 of the Complaint, Richardson is informed and believes that no response is necessary. To the extent a response is required, the Paragraph's allegations are denied.

8. The allegations contained in Paragraph 8 of the Complaint are denied.

9. The allegations contained in Paragraph 9 of the Complaint are denied.

10. With respect to the allegations contained in Paragraph 10 of the Complaint, Richardson is informed and believes that no response is necessary. To the extent a response is required, the Paragraph's allegations are denied.

11. With respect to the allegations contained in Paragraph 11 of the Complaint, Richardson admits that he was elected to the board of directors of Plaintiff and was compensated for the same. In relation to the more specific allegations, Richardson craves reference to the applicable business documents that would reflect such information.

12. In response to the allegations contained in Paragraph 12 of the Complaint, Richardson admits that a meeting occurred in Atlanta, Georgia in the fall of 2004 and that legal counsel was present. All remaining allegations in the Paragraph are denied.

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14. In relation to Paragraph 14 of the Complaint, Richardson craves reference to the document cited in the Paragraph. To the extent the Paragraph's allegations differ from the same, they are denied. Richardson would further show that the document cited in the Paragraph was a component part of an overall deal, which he was informed and believed, was reached by the parties.

15. The allegations contained in Paragraph 15 of the Complaint constitute conclusions of law, for which no response is necessary. However, Richardson does acknowledge that, as a member of the Board of Directors of NARP, he owed certain duties and obligations to NARP, which he honored.

16. Richardson denies the allegations contained in Paragraph 16 of the Complaint.

17. Richardson denies the allegations contained in Paragraph 17 of the Complaint.

18. Richardson denies the allegations contained in Paragraph 18 of the Complaint and the Prayer for Relief.

FOR A SECOND DEFENSE
(Failure to State a Claim)

19. The preceding paragraphs are incorporated herein by reference.
20. Plaintiff's claims for relief fail to state a claim upon which relief can be granted.

FOR A THIRD DEFENSE
(Estoppel)

21. The preceding paragraphs are incorporated herein by reference.
22. Plaintiff's claims for relief are barred in whole, or in part, by the doctrine of estoppel.

FOR A FOURTH DEFENSE
(Waiver)

23. The preceding paragraphs are incorporated herein by reference.
24. Plaintiff's claims for relief are barred in whole, or in part, by the doctrine of waiver.

FOR A FIFTH DEFENSE
(Statute of Frauds)

25. The preceding paragraphs are incorporated herein by reference.
26. Plaintiff's claims for relief are barred in whole, or in part, by the statute of frauds.

FOR A SIXTH DEFENSE
(Ratification)

27. The preceding paragraphs are incorporated herein by reference.
28. Plaintiff's claims for relief are barred in whole, or in part, by the doctrine of ratification.

FOR A SEVENTH DEFENSE
(Improper Declaratory Relief)

29. The preceding paragraphs are incorporated herein by reference.

30. Under the facts of the instant case, Plaintiff's claims for declaratory relief are improper under the South Carolina Declaratory Judgment Statute as codified at S.C. Code §15-53-10 *et seq.*

IN THE ALTERNATIVE FOR AN EIGHTH DEFENSE
(Mutual Mistake)

31. The preceding paragraphs are incorporated herein by reference.

32. In the alternative, to the extent Plaintiff relies upon the doctrine of mutual mistake, and to the extent a finding of the same is made by the fact-finder in this case, Richardson would be entitled to be restored to his original position of owning no less than 7.5% of the outstanding stock in NARP, because any agreements terminating, superseding, or modifying that ownership interest would be null and void based upon Plaintiff's accepted proof of mutual mistake.

FOR A NINTH DEFENSE
(Statute of Limitations)

33. The preceding paragraphs are incorporated herein by reference.

34. Plaintiff's claim for breach of fiduciary duty is barred by the applicable statute of limitations.

FOR A TENTH DEFENSE
(Laches)

35. The preceding paragraphs are incorporated herein by reference.

36. Plaintiff's claim for breach of fiduciary duty is barred by the doctrine of laches.

FOR AN ELEVENTH DEFENSE & BY WAY OF COUNTERCLAIM
(Breach of Contract & Specific Performance)

37. The preceding paragraphs are incorporated herein by reference.

38. NARP is a Delaware corporation with its principal place of business in Greenville, South Carolina. NARP is owned, in part, by Robert Castellani ("Castellani").

39. Richardson and Castellani first met in 1994. At that time, NARP was in the business of selling stretchers for use by the military.

40. Richardson owned and operated a company named Reeves Manufacturing, Inc. (treated herein as "Reeves").

41. Between 1996 and 2000, Reeves and NARP began doing business with each other.

42. Cross-selling their respective customers became an important aspect of the two companies' business relationship.

43. While each company sold related products, NARP and Reeves often had different customers.

44. Frequently, Reeves' customers would buy from NARP and vice versa.

45. In January of 2000, Richardson (on behalf of Reeves and himself) and Castellani (on behalf of NARP and himself) executed an agreement (treated herein as "2000 Agreement") to formalize their respective companies' business relationship.

46. A copy of the parties' 2000 Agreement is attached hereto as Exhibit A and incorporated herein by reference.

47. Pursuant to the 2000 Agreement, NARP and Reeves agreed to pay each other commissions equal to 25% of the taxable income of their companies for cross-selling each other's respective products. (Exhibit A, p.1, ¶4.)

48. Also according to the 2000 Agreement, Richardson and Castellani each agreed on behalf of Reeves and NARP to issue to each other 25% of the capital stock of their respective companies. (Exhibit A, p. 1, ¶7.) Although this stock was never physically issued and exchanged, it was understood that each held a 25% interest in the other's company.

49. For years the parties operated under the 2000 Agreement and cooperatively assisted each other in growing both companies. Throughout this time, both Richardson and Castellani acknowledged a 25% ownership interest in each other's companies.

50. Several years later, the parties began to rethink the 25% ownership interest in each other's companies.

51. The parties agreed to amend the percentage each owned in the other party's company from a 25% to 7.5% ownership interest. No formal writing was ever executed in relation to the reduction of the parties' ownership interest but both parties agree such a reduction in ownership occurred.

52. Throughout the fall of 2004, the parties discussed treating Richardson's ownership interest as an option to purchase stock. The parties exchanged draft option agreements reflecting their agreement that Richardson owned a 7.5% equity interest in NARP. A copy of these draft option agreements is attached hereto as Exhibit B. The draft option agreements reflected that Richardson would have the right to purchase 7.5% of NARP's stock at \$.01 per share.

53. In October of 2004, the parties met in Atlanta ("Atlanta Meeting") and once again endeavored to restructure their respective ownership interests in each other's companies.

54. Out of this meeting, the parties reached a new agreement. Under the new arrangement, Castellani agreed to release his interest in Reeves Manufacturing ("Reeves") in exchange for 7.5% of the proceeds from the sale of Reeves, which was imminently to occur. Richardson likewise agreed to release his interest in NARP in exchange for an option to purchase 7.5% of the stock in NARP ("Option Agreement"). Each term of the parties' overall agreement was dependent upon the other terms. Under such terms, but only under such terms, Richardson agreed to release his ownership interest in NARP in exchange for an option to purchase 7.5% of NARP's stock for \$.01 per share, as previously discussed by the parties.

55. In November of 2004, the parties executed a companion document entitled: "Termination, Settlement and Release" (treated herein as "Termination Agreement.")

56. A copy of this agreement is attached hereto as Exhibit C and is incorporated herein by reference.

57. Under the terms and conditions of the agreement arising out of the Atlanta Meeting, both parties released each other from obligations owed under the 2000 Agreement as modified. (Exhibit C, p. 1, ¶3.) However, as also contemplated by the parties in Atlanta, the Termination Agreement specifically reserved Richardson's option right to purchase 7.5% of the outstanding NARP stock.

58. For Richardson, the option to purchase 7.5% of the outstanding NARP stock for one cent (\$.01) per share constituted a material term of the overall agreement reached by the parties as arising out of the Atlanta meeting.

59. Richardson would not have executed the Termination Agreement if NARP had not promised to execute the Option Agreement (or some other mutually acceptable means of preserving his 7.5% interest in NARP in exchange for 7.5% of the proceeds of the Reeves sale) and if he did not believe the parties otherwise had a binding agreement embracing all component parts of the overall agreement.

60. NARP and Castellani now contend that Richardson has neither a 7.5% ownership interest in NARP nor an option to purchase 7.5% of NARP's outstanding stock.

61. Richardson has made a demand to purchase 7.5% of NARP's outstanding stock at one cent (\$.01) per share, as previously agreed upon by the parties.

62. The parties' overall agreement arising out of the Atlanta meeting, including Richardson's Option Agreement, constitute valid and binding terms of a contract between the parties.

63. By and through its attorney, NARP has refused to honor Richardson's right to purchase 7.5% of NARP's outstanding stock for one cent (\$.01) per share. However, NARP simultaneously contends (mistakenly) that Richardson has released his interest in NARP.

64. NARP has, therefore, breached the overall agreement including the Option Agreement with Richardson.

65. Through the Option Agreement, Richardson has a right to own 7.5% of the outstanding stock in NARP; such stock constitutes a unique property interest for which money damages may not adequately compensate Richardson.

66. Richardson is entitled to specific performance of the overall agreement and the Option Contract along with money damages accruing during the interim period during which Plaintiff has failed to perform.

67. Alternatively, Richardson is entitled to recoup money damages from NARP in an amount equivalent to the value of his 7.5% option interest of the NARP stock along with any consequential or interim damages.

68. NARP has taken the position that the Option Agreement and the remaining documents memorializing the balance of the components of the overall agreement fail to constitute enforceable agreements. If true, Richardson would revert to his prior ownership interest of 7.5% of NARP. Thus, Richardson is alternatively entitled to specific performance of his prior agreement with NARP wherein he possessed a 7.5% ownership interest of the NARP stock.

69. Alternatively, Richardson would be entitled to money damages in an amount equal to no less than 7.5% of the NARP stock as determined by a jury along with all payments he would have been entitled to but did not receive had the parties not attempted to terminate the 2000 Agreement in the first instance.

FOR A TENTH DEFENSE & BY WAY OF COUNTERCLAIM
(Promissory Estoppel)

70. The preceding paragraphs are incorporated herein by reference.

71. By and through Castellani, Plaintiff made an unambiguous promise that Richardson possessed a 7.5% ownership interest in NARP.

72. By and through Castellani, Plaintiff further made an unambiguous promise to Richardson that he would be able to purchase 7.5% of NARP's stock for one cent (\$.01) per share.

73. Richardson reasonably relied upon Plaintiff and/or Castellani's promise (on Plaintiff's behalf) with respect to his ownership interest in NARP.

74. Richardson reasonably relied upon Plaintiff and/or Castellani's promise (on Plaintiff's behalf) with respect to his ability to purchase 7.5% of NARP's outstanding stock.

75. Richardson's reliance on Plaintiff's/Castellani's promises in both regards was expected and foreseeable by Plaintiff and Castellani.

76. Richardson has sustained financial injury as a result of his reliance upon Castellani's/Plaintiff's unambiguous promises.

77. Accordingly, Richardson is entitled to recover damages in an amount that would restore him to the position he would have attained had Plaintiff and Castellani fulfilled their promise.

WHEREFORE, having fully answered the Complaint of the Plaintiff, Defendant prays
for the following:

- A. A dismissal of Plaintiff's Complaint with prejudice;
- B. The relief of specific performance as requested herein;
- C. Alternatively, damages in an amount determined by the jury;
- D. All other relief this Court deems just and proper.

NELSON MULLINS RILEY & SCARBOROUGH, LLP

By: *RS Stilwell*

A. M. Quattlebaum, Jr. (SC Bar No. 013048)
E-Mail Address: marvin.quattlebaum@nelsonmullins.com
Rivers S. Stilwell (SC Bar No. 002108)
E-Mail Address: rivers.stilwell@nelsonmullins.com
Lane W. Davis (SC Bar No. 68796)
E-Mail Address: lane.davis@nelsonmullins.com
104 South Main Street, Suite 900
Post Office Box 10084 (29603-0084)
Greenville, SC 29601
(864) 250-2300

Attorneys for P.J. Richardson

Greenville, South Carolina

July 25, 2008

STATE OF SOUTH CAROLINA

COUNTY OF GREENVILLE

North American Rescue Products, Inc.,

Plaintiff,

vs.

P.J. Richardson,

Defendant.

IN THE COURT OF COMMON PLEAS

THIRTEENTH JUDICIAL CIRCUIT

2008 SEP 15 PM 4:40

Civil Action No. 2007-CP-23-3206

PLAINTIFF'S MOTION TO ALTER
OR AMEND THE JUDGMENT

Plaintiff, North American Rescue Products, Inc. ("NARP"), moves this Honorable Court pursuant to Rule 52 and Rule 59, SCRCF, to alter or amend the Order granting specific performance to Defendant, P.J. Richardson ("Richardson") dated August 29, 2008. Plaintiff received written notice of the entry of this Order on September 3, 2008. A copy of the Order is attached as Exhibit A.

The grounds for this motion are that Richardson is not entitled to relief where the jury did not find that a contract had been breached, Richardson's conduct was inequitable, and the Court did not find that Richardson was ready, willing, and able to perform the contract as found by the jury. As Richardson is not entitled to specific performance, judgment should be entered in accordance with the jury verdict.

In order to grant a remedy, a court must first find a corresponding wrong. *See, Page v. Winter*, 126 S.E.2d 570, 574 (S.C. 1962) (Bussey, J. dissenting). In the present case, the jury did not find the existence of a wrong to be remedied. The jury essentially held that no contract had been breached. Therefore, no remedy should have been awarded to Richardson.

GREENVILLE 258875v1

0046

APP_0051

The South Carolina Supreme Court recognizes two alternative remedies to a breach of contract: the legal remedy of damages and the equitable remedy of specific performance. *McMaster v. Strickland*, 472 S.E.2d 623 (S.C. 1996). The grant of either remedy, however, must be predicated on a finding that the contract has been breached. "In order to compel specific performance, a court of equity must find (1) there is clear evidence of a valid agreement; (2) the agreement had been partly carried into execution on one side with the approbation of the other; and (3) the party who comes to compel performance has performed his or her part, or has been and remains able and willing to perform his or her part of the contract." *Ingram v. Kasey's Assoc.*, 531 S.E.2d 287, 291 (S.C. 2000) (internal citations omitted).

The jury's findings do not support an order compelling specific performance. First and foremost, the jury did not find that that NARP had breached a contract. ("Specific performance should be granted only if there is no adequate remedy at law and specific performance is equitable between the parties." *Ingram*, 531 S.E.2d at 291.) Accordingly, there is no basis for granting Richardson relief for breach of contract. The jury simply found the existence of a contract giving Richardson the right to receive 7.5 percent of NARP's capital stock for \$2,936,300.00. The jury did not find and the evidence does not support the conclusion that NARP refused to allow Richardson to purchase 7.5 percent of NARP's stock for \$2,936,300.00. The jury did not even find that Richardson ever attempted to purchase 7.5 percent of NARP's stock for \$2,936,300.00.

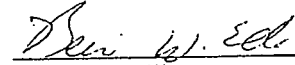
Also, the evidence was clear that Richardson's conduct in this matter was inequitable in failing to disclose to NARP his belief that he had a contractual right to purchase 7.5 percent of the stock of NARP that was clearly at odds with what NARP believed and in seeking to enforce a contract that did not exist.

Additionally, neither the jury nor the court found that Richardson "has been and remains able and willing to perform his...part of the contract," as is required by South Carolina law. *Ingram*, 531 S.E.2d at 291. The jury did not find that Richardson had tendered or was able and willing to pay \$2,936,300.00 for 7.5 percent of the stock of NARP. Thus, Richardson is not entitled to an award of specific performance.

For the above reasons, NARP respectfully requests this Court to amend its Order compelling specific performance and enter judgment in accordance with the jury verdict.

Respectfully submitted

MCNAIR LAW FIRM, P.A.



Bernie W. Ellis

SC Bar No. 64841

Post Office Box 447

Greenville, South Carolina 29602

Tel. (864) 271-4940

Fax (864) 271-4015

Attorney for Plaintiff

Greenville, South Carolina
September 15, 2008

STATE OF SOUTH CAROLINA) IN THE COURT OF COMMON PLEAS
COUNTY OF GREENVILLE) THIRTEENTH JUDICIAL CIRCUIT

North American Rescue Products, Inc.) A 9 35
Civil Action No. 2007-CP-23-3206

Plaintiff,

vs.

P.J. Richardson,

Defendant.

NOTICE OF WITHDRAWAL OF
PLAINTIFF'S MOTION TO ALTER
OR AMEND THE JUDGMENT

Plaintiff, North American Rescue Products, Inc., hereby withdraws its Motion to Alter or Amend the Judgment filed September 15, 2008.

Respectfully submitted

MCNAIR LAW FIRM, P.A.

Bernie W. Ellis
Bernie W. Ellis
SC Bar No. 64841
Post Office Box 447
Greenville, South Carolina 29602
Tel. (864) 271-4940
Fax (864) 271-4015
Attorney for Plaintiff

Greenville, South Carolina
September 23, 2008

GREENVILLE 259233v1

0049

APP_0054

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM GREENVILLE COUNTY
In the Court of Common Pleas

Steven H. John, Circuit Court Judge

Case No. 07-CP-23-3206

RECEIVED

OCT 09 2008

SC Court of Appeals

North American Rescue Products, Inc., ... Appellant,

v.

P. J. Richardson, ... Respondent.

NOTICE OF APPEAL

YOU WILL PLEASE TAKE NOTICE that North American Rescue Products, Inc. hereby appeals from the Jury Verdict and Order entering Judgment of the Honorable Steven H. John signed on 29th day of August, 2008 and filed on September 2, 2008. The Appellant received written notice of the entry of on September 3, 2008.

Robert L. Widenor by [signature] with permission
Robert L. Widenor
McNAIR LAW FIRM, P.A.
Post Office Box 11390
Columbia, South Carolina 29211
(803) 799-9800

Bernie W. Ellis
McNAIR LAW FIRM, P.A.
Post Office Box 447
Greenville, South Carolina 29602
(864) 271-4940

October 3, 2008
Columbia, South Carolina

ATTORNEYS FOR APPELLANT

THE STATE OF SOUTH CAROLINA
In The Court of Appeals

APPEAL FROM GREENVILLE COUNTY
Court of Common Pleas

Steven H. John, Circuit Court Judge

Case No. 2007-CP-23-3206

North American Rescue Products, Inc., ... Appellant/
Respondent,
v.
P.J. Richardson, ... Respondent/
Appellant.

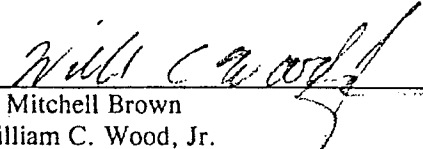
NOTICE OF APPEAL

P.J. Richardson appeals the judgment of the Honorable Steven H. John dated August 29, 2008. Respondent-Appellant received a notice of appeal from Appellant-Respondent on October 6, 2008.

NELSON MULLINS RILEY & SCARBOROUGH LLP

October 13, 2008

By:


C. Mitchell Brown
William C. Wood, Jr.
A. Mattison Bogan
1320 Main Street / 17th Floor
Post Office Box 11070 (29211-1070)
Columbia, SC 29201
(803) 799-2000

Rivers S. Stilwell
104 South Main Street / Ninth Floor
Post Office Box 10084 (29603-0084)
Greenville, SC 29601
(864) 250-2300

Attorneys for P.J. Richardson

0051

APP_0056

Other Counsel of Record:

Robert L. Widener
McNair Law Firm, PA
P.O. Box 11390
Columbia, SC 29211
(803) 799-9800

Bernie W. Ellis
McNair Law Firm, PA
P.O. Box 447
Greenville, SC 29602
(864) 271-4940

Attorneys for Appellant / Respondent

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM GREENVILLE COUNTY
In the Court of Common Pleas

Steven H. John, Circuit Court Judge

Case No. 07-CP-23-3206

North American Rescue Products, Inc.,.....Appellant-Respondent,

v.

P. J. Richardson,.....Respondent-Appellant

RECEIVED

NOV 20 2008

SC Court of Appeals

MOTION FOR LIMITED REMAND AND TO HOLD
APPELLATE TIMELINES IN ABEYANCE PENDING A RULING ON REMAND

Pursuant to Rule 224, SCACR, and Rule 60(b), SCRCP, the Appellant-Respondent (Plaintiff) moves for a limited remand to make a motion under Rule 60(b)(5), SCRCP, to have the judgment marked satisfied. To best serve judicial economy, Plaintiff further requests that the time for perfecting this cross-appeal (except for production of the already ordered trial transcript) be held in abeyance pending a ruling on remand, so that any appeal from any order on remand can be consolidated with this cross-appeal. The grounds for this motion are as follows:

(1) Plaintiff commenced this action against the Respondent-Appellant (Defendant) seeking a declaratory judgment that there was no agreement between the parties for Defendant to own or acquire stock in Plaintiff, and for breach of fiduciary

duty. Defendant answered and counterclaimed for breach of contract and specific performance, demanding a jury trial on his counterclaims.

(2) The case was tried before a jury without objection by Defendant. The trial court submitted the case to the jury under a special verdict form. Defendant did not object to this procedure or to the form or content of the special verdict form.

(3) The jury answered the questions on the special verdict form and found that Defendant was "entitled to receive 7.5% of the outstanding capital stock of [Plaintiff] North American Rescue Products, Inc." for the price of \$2,936,300.00. (Tab A at 4, Ques. 8). The trial court denied all post-trial motions by both parties.

(4) The trial court entered judgment for Defendant by attaching the Special Verdict Form to a standard judgment form and ordering thereon: "Judgment for the Defendant under specific performance doctrine." (Tab A). Thus, the trial court granted Defendant specific performance of the contract found by the jury.

(5) Defendant did not make any motions challenging the above-noted entry of judgment on the jury's special verdict.

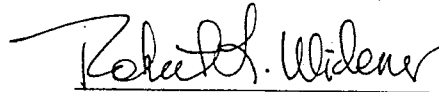
(6) Both parties have appealed. The principal thrust of Plaintiff's appeal will be that there is no binding contract between the parties and, therefore, Plaintiff is entitled to judgment on all counterclaims by Defendant. It is unknown what issues Defendant will raise in its cross-appeal.

(7) On October 6, 2008, by hand delivery of a letter to Defendant's Counsel, Plaintiff gave notice that, on October 10, 2008, it would tender performance of the judgment of specific performance entered by the trial court on the jury's special verdict, to-wit: it would deliver 7.5% of its stock to Defendant in exchange for the \$2,936,300.00

found by the jury and ordered specifically performed by the trial court. (Tab B). On October 9, Defendant rejected the tendered performance, thus making it clear that Defendant is not "ready, willing and able" to perform the contract found by the jury and ordered specifically performed by the trial court.

Based on the foregoing circumstances, Plaintiff seeks leave to move before the trial court under Rule 60(b)(5), SCRCPP, to have the judgment marked satisfied. It is likely that the party losing the Rule 60(b)(5) motion will appeal to this Court. In the interest of judicial economy, any such appeal should be consolidated with the current cross-appeal. For this reason, Plaintiff further requests that the timelines for perfecting the currently pending cross-appeal be held in abeyance pending a decision on remand.

Respectfully Submitted,



Robert L. Widener
McNair Law Firm, P.A.
Post Office Box 11390
Columbia, South Carolina 29211
(803) 799-9800
Attorneys for Appellant-Respondent

November 17, 2008
Columbia, SC

The South Carolina Court of Appeals

North American Rescue Products, Inc., Appellant/Respondent.

v.

P. J. Richardson, Respondent/Appellant.

The Honorable Steven H. John
Greenville County
Trial Court Case No. 2007-CP-23-03206

ORDER

Appellant/Respondent North American Rescue Products, Inc. filed a motion for limited remand and to hold appellate timelines in abeyance. After review, the motion is denied.

Appellant/Respondent's motion for an extension to file a reply to the motion is granted.

AND IT IS SO ORDERED.

Joseph M. Curran A.S.

Columbia, South Carolina

January 27, 2009

cc: Bernie Wellington Ellis, Esquire
Robert L. Widener, Esquire

FILED

1/27/09

0056

APP_0061

STATE OF SOUTH CAROLINA)

COUNTY OF GREENVILLE)

COURT OF COMMON PLEAS

2007-CP-23-3206

ORIGINAL

NORTH AMERICAN RESCUE PRODUCTS)
INC.)

PLAINTIFF)

vs.)

P.J. RICHARDSON)

DEFENDANT)

VOLUME I
TRANSCRIPT OF RECORD

August 25-29, 2008
Greenville, South Carolina

B E F O R E:

THE HONORABLE STEVEN H. JOHN, Judge; and a jury.

A P P E A R A N C E S:

BERNIE ELLIS, ESQ.
HUNTER FREEMAN, ESQ.
Attorneys for the Plaintiff

RIVERS STILLWELL, ESQ.
LANE DAVIS, ESQ.
DOWSE BRAD RUSTIN, IV, ESQ.
Attorneys for the Defendant

APRIL HERRON
Official Court Reporter

0057

APP_0062

Monday, August 25, 2008

THE COURT: All right, ladies and gentlemen, my name is Steven John and I'm the resident Judge of the 15th Judicial Circuit which covers Horry and Georgetown Counties. And by that, you can surmise that circuit judges actually do ride the circuit. I've been assigned by the Chief Justice to hold a term of common pleas or civil court this particular week. And y'all have been selected out of the total jury venire to potentially be jurors in the case of North American Rescue Products, Inc. vs. P.J. Richardson. This is essential. And there are a lot of parameters to this particular case but it's essentially a contract claim. And the parties have made competing claims against each other and you will be called upon to sit through that and come up with a verdict in this particular case.

What I'm going to do at this particular time is ask you some particular questions that are -- will give the lawyers some benefit in striking the jury, that is selecting the actual jury for this particular case. If I ask you a question and you need to respond to it or answer the question, I'll ask that you stand and then when I recognize you, we'll need to know your name and your juror

1 thing on that. Some of what you said, I'm completely fine
2 with, there was a dispute. But that's somewhat of a
3 strawman set up by Mr. Ellis where he says if they say the
4 lawsuit was an excuse why we didn't get this deal done
5 gets the doors open. I want to try to understand because
6 we have done a lot of depositions and looked at them over
7 and over. Even Mr. Castellani said they had a meeting and
8 they said it's on hold during the suit. So it's not even
9 a point of contention. I don't want to cut something and
10 then the door be considered open because it's not a
11 disputed point.

12 THE COURT: Well, it may not be a disputed point, but
13 if he said -- and I don't care if it's by agreement, that
14 the parties agreed to it. He says I did this and gave
15 that reason, then I'm going to allow the jury to hear what
16 was it about so they're not completely and totally in the
17 dark.

18 All right. All right. Then -- let's go on to the
19 motion for partial summary judgment or the alternative
20 motion in limine.

21 MR. ELLIS: Thank you, Your Honor. Your Honor, the
22 motion for partial summary judgment or in the alternative
23 motion in limine is based primarily on the parole evidence
24 rule and the document merger.

25 Your Honor, this lawsuit has developed in a very

1 unusual way. We're on our -- I believe that the Defendant
2 is on its fourth set of facts as far as what he is
3 alleging. It started out as a claim that the parties
4 entered into a termination agreement -- let me get this.
5 It started out that the parties entered into a termination
6 agreement and that Mr. Richardson had an option to
7 purchase 7 1/2 percent of the stock of North American
8 Rescue for one penny per share. That's his initial claim.

9 Now, Your Honor, we amended the pleadings and we got
10 an amended response that said well, he had an option to
11 buy for a penny a share, but it was reached as part of a
12 larger agreement that happened in Atlanta. I then
13 notified my friends that they really should not take
14 depositions because the deposition testimony was clear
15 that the parties had not reached an agreement in Atlanta.

16 So I got a third set of facts which said that the
17 parties reached a new agreement after Atlanta that Mr.
18 Castellani was going to accept some funds, an option would
19 be granted to the Defendant and then the 2000 agreement
20 would be terminated.

21 And then in the pretrial brief and in their prior
22 motion for summary judgment hearing, they took a different
23 position. And that position is this is part of a larger
24 agreement. It involved a charitable trust, that
25 Mr. Richardson was going to make a donation to a

0060

APP_0065

1 charitable trust, and that the agreement would be
2 terminated. Mr. Richardson would get a penny a share.

3 Well, after looking at that, I refiled this motion
4 and said wait a minute, under the law in a contract case,
5 the very first thing you do when you start out is the
6 Court is supposed to read the contract and interpret the
7 contract first. And say, do we have an ambiguous contract
8 here? If we don't have an ambiguous contract, if there's
9 nothing unclear about the contract, then the contract must
10 be interpreted according to the words used by the party.
11 The parole evidence, which is prior or contemporaneous
12 discussions or agreements cannot be used to vary or alter
13 the terms of the words that the parties used in the
14 contract.

15 What Mr. Richardson has pled is this agreement was
16 supposed to be part of a larger agreement that the parties
17 entered into involving the charitable trust and involving
18 an agreement by Mr. Castellani to go along with this. And
19 that this agreement is not valid unless it is seen as part
20 of this much larger agreement. Well, Your Honor, I would
21 submit to the Court that I think that this agreement, the
22 Agreement of Termination, Settlement and Release is --
23 that's three different things.

24 It clearly states in paragraph one, that it
25 terminates the 2000 outline. I think we all -- we're all

0061

APP_0066

1 certainly in agreement as to what the 2000 outline was.
2 It clearly states the termination of that. That means the
3 parties aren't going to operate under it any further.

4 Now, the second idea is it says all claims and
5 potential claims under the 2000 outline have been settled.
6 That means if we believe he breached the 2000 outline, he
7 didn't pay us our commission that we required him when we
8 entered into it, we can't sue him and, likewise, he can't
9 sue us. So it clearly terminated the old outline and it
10 clearly settled any claims, so we're not operating under
11 it. We can't sue each other under it. And then the third
12 provision of it is that the parties released each other
13 from any and all claims, understanding debts, whatever,
14 arising out from under the 2000 agreement.

15 Now, what happened is, obviously, a critical
16 component of this case, is that there was a sentence
17 inserted in this that it is specifically agreed and
18 understood by the parties that the foregoing release is
19 not intended to and shall not release any of the parties
20 from that certain separate option agreement dated 15
21 December, 2004, pursuant to which NARP and RAC, which is
22 Bob, Bob Castellani, agreeing that P. J. has an option to
23 purchase 7 1/2 percent of the capital stock of NARP.

24 Your Honor, I think we are finally to a point in
25 this -- I can't be sure, but I think we're finally to the

0062

APP_0067

1 point, I believe it's been understood that there was no
2 option entered into on the date of December 15th, 2004.
3 No option agreement was executed that had that date.
4 Furthermore, I think, Your Honor, has noted, 15 December,
5 2004 is after the date that this contract was entered
6 into. So this is postdated. The position of the
7 Defendant in this case is, you can't -- you can't see this
8 contract in isolation. You have to see it as part of this
9 oral agreement that -- you have to see it and then you
10 have to see it as part of -- you have to see it as part of
11 this larger contract.

12 Your Honor, I would bring to the Court's attention,
13 one thing in the case that's real clear, number six, the
14 entire agreement. This agreement sets forth the entire
15 agreement and understanding of the parties relating to the
16 subject matter contained herein and merges all prior
17 discussions and agreements, both oral and written, between
18 the parties. The contract that Mr. Richardson drafted --
19 his lawyer drafted and he asked us to sign says there are
20 no other agreements. And yet, they want to introduce that
21 this was part of a larger agreement.

22 Your Honor, I think that the proper resolution of
23 this particular issue is this, this is a clear agreement
24 that terminated the 2000 outline. It settled all claims
25 under the 2000 outline. And if they have an option dated

0063

APP_0068

1 December 15th, 2004, or can prove that that's what it
2 refers to, this agreement doesn't invalidate it. This
3 agreement does not say that the validity of this agreement
4 is contingent upon the existence of an option. It doesn't
5 say that. This merely says it shall not release that
6 certain separate option agreement.

7 So under this agreement, if we come forward and we
8 sued him for -- claiming he owes us money, well, you pull
9 out this and you say no, that's released, can't do that.
10 If he comes forward with an option dated December 15th,
11 2004, you look at this and you say, well, that's not
12 released. That doesn't mean you still don't have to prove
13 your option. You still have to prove your option. This
14 option agreement may be invalid for other reasons. If
15 there's an option agreement, it may be invalid for other
16 reasons. All this says is this agreement, we want to
17 terminate it. It doesn't say that it has to be valid.
18 And what you can see from the handwriting is it was
19 understood that the parties had not yet entered into it.

20 Your Honor, I think there's several cases that play
21 into this. Your Honor, in Crafton vs. Brown, it was a
22 guarantee, the borrower in that case made exactly the same
23 arguments that the Defendant is making here about the
24 written guarantee being a part of a larger agreement. You
25 can't just look at the guarantee, this is part of an

1 overall agreement to lend 20 to 25 million dollars. And
2 what the Court of Appeals said is this is precisely the
3 evidence, the parole evidence rule seeks to bar. That's
4 what you can't put in. The contract he presented to us
5 says there are no other agreements.

6 Your Honor, so the question is well, what about his
7 ability -- what about interpreting this otherwise? Your
8 Honor, in the case of McMaster vs. Strickland -- and I can
9 hand up a highlighted copy to the Court. Your Honor,
10 McMaster vs. Strickland Court of Appeals case in which he
11 purchased some property, bought some land intending to use
12 it for homesites. Once he entered into the contract, he
13 was not able to use the property for homesites because he
14 couldn't get wetlands permits. So the trial court said
15 well, the seller's responsibility was to deliver good and
16 marketable title to the property. And the -- so the trial
17 court had held that the seller didn't deliver good and
18 marketable title.

19 And what the Court of Appeals said is the trial judge
20 confused the concepts of title and marketability with use
21 and value. They went on to say this simply boils down to
22 a case of the purchaser taking a calculated business risk.
23 The fact that he is dissatisfied with the results will not
24 excuse him from the contract without some condition stated
25 in the contract allowing his reputation of the same. I

0065

APP_0070

1 note again, will not excuse him from the contract without
2 some condition stated in the contract allowing his
3 reputation of the same. The record is clear that all
4 parties, including purchaser, were aware of the wetland
5 nature of the property and successfully obtaining the
6 permit to build the property. Although, the purchaser
7 believed he would be successful obtaining the necessary
8 permits, no exception is placed in the contract.

9 Your Honor, if you go to their most recently amended
10 answer, I think what they allege and I believe it's in
11 paragraph 59 of their answer -- of their revised amended
12 answer and counterclaim, excuse me, they allege Richardson
13 would not have executed the termination agreement if NARP
14 had not promised to execute a document that some of the
15 mutually acceptable means in preserving his 7 1/2 percent
16 interest in NARP in exchange for 7 1/2 percent of the
17 proceeds of the Reeves sale. And he didn't believe the
18 parties had a binding agreement.

19 Your Honor, I think that the reason McMaster vs.
20 Strickland is so on point in this case is that what the
21 Defendant is trying to do is to confuse the terms shall
22 not release that separate option agreement dated
23 December 15th, 2004, which is contingent upon the
24 existence of an option agreement. As we say, Your Honor,
25 what happens to this agreement if an option is entered

0066

APP_0071

1 into? Five years down the road, Mr. Richardson comes to
2 exercise his option and it turns out it wasn't validly
3 executed. Turns out it wasn't for good consideration.
4 Turns out that he has otherwise breached a duty that
5 doesn't make that option enforceable. Does that mean his
6 termination agreement is invalidated going back to 2004?
7 No. It just means that these words say this agreement
8 doesn't invalidate the option. It doesn't mean that
9 something else doesn't invalidate the option. And, Your
10 Honor, since you see that it's postdated, it shows that an
11 option was never entered into. And that he knew that an
12 option was not entered into and he signed it.

13 Now, one of the arguments that have been made by the
14 Defendant in this is well, we think those were blank at
15 the time this was signed. Well, Your Honor, in a -- in
16 Tom Policing Company vs. Audit Market (ph), it says, A
17 writing is incomplete as an agreement where a contract is
18 blank as to material matters left into it unless the
19 admissions may be supplied in other parts of such writing
20 and blanks subsequently and lawfully filled in.

21 Well, Your Honor, you have a situation here where Mr.
22 Richardson filled this out. He put in and postdated it
23 December 15th, 2004. Your Honor, it is also the rule that
24 in a contract where there are conflicting provisions,
25 where there's a handwritten provision that conflicts with

0067

APP_0072

1 a typewritten provision or a printed provision, then the
2 handwritten provision controls.

3 So, when you look at this contract -- I'll hand it up
4 to Your Honor, this is Hawkins vs. Greenville Development
5 Company -- Corporation, I'm sorry. When you look at this
6 contract, what you have is an agreement to terminate the
7 2000 agreement, release all claims and a statement that
8 this will not invalidate a contract that the parties have
9 not yet entered into. Because it's dated December 15th,
10 2004. To the extent that there's some conflict between
11 where it says by which the parties have granted. Under
12 Hawkins vs. Greenville Development Corporation and other
13 cases, the handwritten provisions control.

14 Your Honor, I think that the right way to approach
15 this and the correct way to look at the contract and
16 approach it is to say this is not an ambiguous contract.
17 What it purports to do is not -- it's not something that
18 can be read in more ways than one. It's a termination of
19 the preexisting arrangement. It sells everything. And
20 then the question is okay, can he prove the existence of
21 an option dated December 15th? That's what I think -- I
22 would, of course, like it if the Judge grants my entire
23 motion and throws the whole case out. But what the trial
24 of the case is about I don't think is whether or not they
25 entered into an agreement. They did. They entered into

0068

APP_0073

1 this contract. This is exactly why Mr. Richardson when he
2 asked us to sign it at a time that he knew there was not a
3 disagreement to this option agreement. The question is,
4 is there an option agreement? Because I don't think there
5 is in any way a valid reading of this contract to say that
6 this contract is not valid unless there is an option
7 agreement. That's simply not what the words say.

8 Well, let's look at the question we had in our motion
9 in limine, can you prove the existence of an option? Your
10 Honor and I won't belabor that because it's in writing in
11 our motion and explains. The answer to that, Your Honor,
12 is no. And the reason is NARP is a Delaware Corporation
13 and under the Internal Affairs Doctrine, which is
14 statutorily adopted in South Carolina, and I think it's
15 the rule pretty much everywhere, Delaware law controls the
16 existence of stock options and how they're carried out.
17 That's a matter of Delaware corporate law. Under Delaware
18 corporate law, a stock options has to meet certain
19 requirements and has to be done in a certain way. It has
20 to be in writing. The terms have to be set forth in the
21 certificate of incorporation or in a resolution, which has
22 to be adopted by -- it has to be set forth or it has to be
23 incorporated by the record. It's a very, very specific,
24 difficult thing to do.

25 Your Honor, as much as these guys are friends of

1 mine, one of the things in their response to my motion for
2 summary judgment that really, really bothered me is
3 they're making an argument in this case that well, you can
4 take the drafts between the lawyers and find an option
5 there. Mr. Stodghill, NARP's lawyer, sent a draft option
6 over to Mr. Richardson. Mr. Richardson's lawyer sent a
7 draft back that said well, one of the things the Court can
8 do is see where these things agree and find an option
9 agreement. That is not the law. It is not the law that
10 the Court can find the existence of an agreement where the
11 lawyers are exchanging drafts. Cited a case in court
12 where meeting of the minds can never be found based upon
13 negotiations of the parties. Obviously, if you could find
14 an agreement based upon written negotiations, written
15 drafts between lawyers, lawyers could never exchange
16 drafts. These things that the lawyers sent to each other
17 said draft. And they're trying to tell the Court that you
18 can find an option based upon these exchanges between
19 parties.

20 So, Your Honor, I think it's very clear -- first of
21 all, I think it's a clear agreement. I don't think
22 they're entitled to introduce evidence that this was part
23 of a larger agreement other than what's contemplated in
24 here. I think it's also clear that this says -- it
25 doesn't say contingent upon, it just says it invalidates.

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APP_0075

1 So if they can prove an option, they're fine. If they
2 can't, it doesn't invalidate this. Further, Your Honor, I
3 don't think they have an option based upon Delaware law.

4 Your Honor, I have also incorporated this as well as
5 a motion in limine for the Court to grant the motion for
6 summary judgment. I did also note that it be treated as a
7 motion in limine. Again, they want to introduce evidence
8 that there were all these discussions in Atlanta and all
9 this stuff carrying on and they want to say let's
10 introduce all this confusion and let's see which way this
11 agreement -- which side of the facts this agreement fits
12 into. Once again, Your Honor, I don't think that's
13 correct. I think I'm entitled to a motion excluding
14 anything except consideration of this contract and what it
15 means.

16 Your Honor, I also have another -- as part of the
17 motion in limine, one of the things that they have asked
18 to introduce -- one of the things they're seeking to
19 introduce is evidence that later on there was a contract.
20 Well, that as part of the contract, Bob Castellani and
21 P.J. Richardson had this agreement that Bob Castellani is
22 going to accept 7 1/2 percent of the proceeds of Reeves in
23 exchange for 7 1/2 percent of the stock of NARP. Your
24 Honor, I have asked to exclude any evidence that following
25 this agreement, there was any sort of contractual right of

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APP_0076

1 Bob Castellani to receive any proceeds from the sale of
2 Reeves.

3 And the reason is this, this agreement completely
4 wipes out Bob Castellani. He has no further rights. But
5 what they want to introduce is Mr. Richardson's
6 self-serving statements that say this is Bob's share.
7 This is what I'm going to give to Bob. Well, Your Honor,
8 with this agreement in place, Bob Castellani can go into
9 any court anywhere and act like he has share from the sale
10 of Reeves. This is an agreement that the parties had and
11 they didn't challenge the validity of it -- they didn't
12 challenge the validity of it until we were well into this
13 lawsuit. When they first asked in 2007 and demanded that
14 Mr. Richardson be able to receive a 7 1/2 percent share,
15 it's because of this contract. So the idea of them being
16 able to introduce evidence where Mr. Castellani -- I'm
17 sorry, Mr. Richardson, and his advisers wrote notes and
18 said this is the Castellani share, and try to say that
19 proves the contract, I don't think that's fair for them to
20 do this because the legal fact is Bob Castellani could not
21 have enforced a right to the sale of Reeves whatsoever
22 once this contract was signed.

23 Your Honor, I have one more part of this motion in
24 limine. Under the 2000 outline, as amended -- and
25 Mr. Davis called me on this in his response. I think,

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1 technically, I was correct, but I'll explain why. This is
2 an agreement to exchange stock. That's what it was.
3 Reeves will issue to Bob Castellani stock and NARP will
4 issue to Mr. Richardson stock. That's what it was. It
5 was an agreement to swap stock. The parties agreed
6 later -- this is not parole evidence because it's a
7 subsequent modification contract. The parties agreed to
8 modify the amount of stock they were going to issue from
9 25 percent down to 7 1/2 percent. So that's fine. It was
10 an agreement to exchange stock.

11 There are a couple of things the Defendants have been
12 doing in this case that I don't think are right. Number
13 one, Mr. Richardson has been testifying and I expect him
14 to testify that we had an agreement that whenever I sold
15 my company, Bob would take 7 1/2 percent of the proceeds
16 of the sale and I would get 7 1/2 percent of the stock.
17 Well, this is the agreement between the parties as amended
18 to 7 1/2 percent. That was not the agreement. And I
19 think it's a violation of parole evidence rule to allow
20 him to say that this agreement was anything other than an
21 agreement to exchange stock.

22 And therefore, Your Honor, I'm asking that
23 Mr. Richardson and his counsel be precluded from
24 introducing any sort of evidence that that's what this
25 agreement was, that it was anything other than an

1 agreement to exchange stock. If you can't exchange stock
2 in that operating company, Reeves, then he can no longer
3 perform the 2000 agreement.

4 THE COURT: All right.
5 Counsel.

6 MR. ELLIS: Thank you.

7 MR. STILLWELL: Your Honor, I don't know, I was over
8 there conferring with Mr. Davis, and I said Mr. Ellis had
9 a little Freudian slip there because I think he just said
10 we refiled this motion after the summary judgment hearing
11 and that's basically what we're doing. This is the same
12 arguments that we heard before Judge Miller for about two
13 hours. But they're better now, I'll grant you that,
14 because they should be because they're going to be closing
15 in about four days. But these are the exact same
16 arguments that we went through before.

17 By the end of the trial, Mr. Ellis is going have to
18 be wearing this agreement on himself like a sandwich board
19 because as far as he's concerned, the whole trial ain't
20 got nothing to do with anything but this agreement right
21 here. And when he started, he said that the suit was
22 filed about this agreement. Well, it wasn't. When they
23 sued us for the deck action, we're not talking about this
24 agreement. We're talking about the option agreement.

25 And this is what Mr. Ellis would have you do with

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APP_0079

1 that agreement. He says it's clearly unambiguous. I'm
2 not going to fall into the trap of saying it's unambiguous
3 and then he's going to try to construe it against the
4 drafter because I've got some law on that we'll look at
5 later. This is what he's going to want you and the jury
6 to do, just pretend like those don't matter. Just pretend
7 like they're not in there. There's no reason they're in
8 there whatsoever, just ignore that. This is a do not
9 enter zone.

10 Your Honor, I don't want to spend a whole bunch of
11 time on my closing arguments, which I've given a lot of
12 thought to, but they say in this agreement it's got a
13 funny date in it. And the dating itself is all over the
14 map. I mean, it's dated the 5th and the 8th by one.
15 There's a ratification by another that predates both of
16 them. And then there's also an e-mail on the 13th that
17 shows it hasn't even been signed then. So all the dates
18 in there are all messed up. So there's a question of is
19 it not set forth more than one interpretation of what
20 these two paragraphs mean?

21 I mean, look in the face of the document itself. Mr.
22 Ellis mentioned in this case the Craftman case. I don't
23 know which of these cases are actually in the brief and
24 which are even new, but I've got somebody that can handle
25 all those if they're new ones, Your Honor. But the ones

1 that are in there, Craftman was in there, it says -- it
2 talks about that guarantee agreement case. And they talk
3 about oh, it can't be part of an overall scheme. The
4 document in that case does not have mention of a 2000
5 agreement and of an option agreement. There's other
6 things in this document right there that tell you it's got
7 other directions pointing on it.

8 That other argument he's got about they shouldn't be
9 able to talk about what Bob Castellani was owed and the
10 proceeds. Your Honor, that's just the third part of our
11 three-legged stool. They hate that. There's no doubt
12 that's terrible evidence for them because it shows
13 directly that there was something more than this. We're
14 going to do this and we're going to do something else.

15 THE COURT: Counsel, I appreciate it.

16 What I'm going to do, gentlemen, I think your
17 arguments probably will be incorporated into your closing
18 arguments to the jury, but they just point out the fact
19 that there's facts in dispute. And further, the facts
20 have to be delved into to have the correct interpretation
21 of the law. So both of those principles of motion for
22 summary judgment is denied.

23 Further, as far as the motion in limine, I'm not
24 going to prohibit -- I'm not going to grant the motion for
25 limine at this point in time. If you have objections to

1 certain testimony during the course of the trial, I'll
2 hear you at that point in time. But as to a prohibition
3 beforehand, I will not grant it.

4 All right, Mr. Dobson. Let's hear about Mr. Dobson.

5 MR. DAVIS: Your Honor, we had cross motions. I just
6 assumed I'd hit the ground first because I filed mine
7 first.

8 THE COURT: That's fine. Whoever filed first. Let's
9 go in that order.

10 MR. DAVIS: Your Honor, there are underlying facts
11 relating to an individual in this case and his name is Bob
12 Dobson, III. And Bobby Dobson was a lawyer and he was,
13 actually, a partner of Mr. Stodghill, who was a material
14 witness in this case. He's one of the fabulous four
15 witnesses out of the Atlanta meeting, which is going to be
16 very important. In fact, Bobby Dobson was Mr. Stodghill's
17 mentor. This is all undisputed and we've talked about it.
18 And they were friends, close friends. And in relation to
19 this case, somewhere along the line a deal structure came
20 up that was proposed. And I asked during Mr. Stodghill's
21 deposition, is that the sole proposal? Yes, that was the
22 sole proposal. Yes, that was the sole proposal. And that
23 was sort of why I was kind of surprised when Mr. Ellis was
24 talking this morning that oh, well, we're going to go down
25 this termination agreement, this is it and this is it, but

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APP_0082

1 jury. Once a jury resolution comes about in this
2 particular case, somebody's going to be happy, somebody's
3 going to be sad and this case isn't going to be over with.
4 Y'all haven't spent all this time on this case already,
5 put all this time, money and effort in this case to have
6 it end in this jury trial. It's going to get appealed.
7 Go to Court of Appeals, Supreme Court, couple years from
8 now, y'all might be back here again.

9 Now, if you want to do that, you want to spend that
10 time, money and effort, that's what we're here about.
11 We're going to do that. But if you want to determine your
12 own fates, have some say into how this case is going to be
13 decided, I would suggest that you open up your minds and
14 look at this particular case from the other side and see
15 if you can't come to a resolution in this case. Y'all are
16 going to be much happier when it's over with if you do
17 that. Y'all do with it what you want to.

18 Thank you, very much. See you at 2:00.

19 (WHEREUPON, a lunch break was taken.)

20 THE COURT: Mr. Stillwell, are we ready to proceed?

21 MR. STILLWELL: We are, Your Honor.

22 THE COURT: The foreperson is Charles Varner. And
23 the jury did send us a note about wanting to know if they
24 could take notes during the course of the trial. Before I
25 tell them otherwise, I understand that the Plaintiff

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APP_0083

1 THE CLERK: Thank you. Please be seated.

2 THE COURT: Is there any juror who did not
3 affirmatively take the oath as given by the Clerk of
4 Court? If so, please stand.

5 (There was no response.)

6 THE COURT: No juror having stood, I find the jury
7 properly sworn in this particular matter.

8 All right, ladies and gentlemen, you have been seated
9 as the jury in this particular case. And, ultimately, it
10 will be your responsibility to collectively examine the
11 facts and evidence in this case and to render a unanimous
12 verdict in this particular case. While I remember, you
13 had sent in the note about taking notes. The standard
14 procedure and one that we have used in the court system
15 for over 200 years is that jurors do not take notes. The
16 basic rationale for that is there is a striking tendency
17 to pay attention to something that you're taking the notes
18 on and completely miss what the witness is saying in the
19 meantime. So we rely completely on your collective wisdom
20 and your collective memory as to what the facts are in a
21 particular case rather than one person's note that John
22 Doe might have said A, B or C. So they will -- we will
23 not have you taking notes during the course of the trial.

24 How the trial will operate is when I get done with
25 these brief opening statements, we'll have the opening

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APP_0084

1 arguments of the attorneys, the opening statements. Now,
2 these statements are not evidence. They cannot be
3 considered by you as evidence in the case. They are each
4 side's initial presentation to you of what they believe
5 the evidence will show to you during the course of the
6 trial. When we get done with those opening statements, we
7 will go into the evidentiary portion of the case. That is
8 witnesses called before you under oath to testify about
9 what they may know about this particular matter, the
10 introduction of certain documents or other type of
11 materials that the Court may find to be proper to be
12 introduced in the trial of this case.

13 When we are done with that evidentiary portion of the
14 trial, we will then have the closing arguments of the
15 attorneys. Those closing arguments, again, are not
16 evidence. Cannot be considered by you as evidence in the
17 case. They are each side's summation to you. Again, what
18 they believe the evidence has shown to you during the
19 course of the trial and, ultimately, what they're asking
20 you to do as a result of your collective unanimous verdict
21 in this particular matter. I will then give you the law
22 that you will apply to the facts as you so find them to be
23 in this particular case. And then the case will be
24 submitted to you for your deliberations and your unanimous
25 decision in this matter.

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APP_0085

1 The reason I went over this brief outline of the
2 trial is to emphasize the fact that it will be presented
3 to you in stages. There's a tendency that when you hear
4 something, you may start thinking in a certain fashion.
5 There's nothing wrong with that, but you have to
6 understand that to reach a conclusion in the initial stage
7 would not be proper. You have to hear and listen to all
8 of the evidence in the case and to know the law that
9 you're going to apply to the facts as you so find them to
10 be before you come to any conclusion in this matter. I
11 will ask you not to discuss this case until I send it to
12 you at the end for your deliberations in this matter.
13 Again, because someone may state a position and they may
14 hear something later on that might change their opinion,
15 but since they've already put forth a position, they might
16 find it hard to change that position. So talk about
17 anything you want to, but please don't talk about and
18 discuss the case until I give it to you at the end for
19 your deliberations in this particular matter.

20 Your job in this case is going to be the judges of
21 the facts. I will not indicate to you, I will not
22 intimate to you in any fashion what I believe the facts of
23 this will case are because that's not my job. That is
24 your job. That is your responsibility. So listen to the
25 evidence, find that evidence which convinces you of its

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APP_0086

1 truth and, thereafter, to render and true and just verdict
2 in this particular matter. You will be called upon to
3 judge the credibility, that is the believability of
4 witnesses that testify before you. You might think how do
5 I do that? You do it every single day of your life. When
6 somebody tells you something, automatically judging
7 whether or not you believe them. How do you do that? You
8 use your good common sense. That's what we're going to
9 ask you to do during the course of this trial and in your
10 deliberations. You use your good common sense and find
11 the facts and evidence which convince you of their truth
12 and then to decide whether or not the particular parties
13 have met their burden of proof. There are claims on each
14 side of the case. And when that party is putting forth a
15 position where they are claiming a certain position in the
16 law, that is that the other party damaged them in some
17 way, they will have to carry that burden of proof by what
18 we call the greater weight or the preponderance of the
19 evidence. And if you just want to imagine a set of scales
20 when we start the case, obviously, the set of scales are
21 even. By weight of the evidence, looking at the evidence,
22 the scales may tip ever so slightly in favor of one party
23 or the other. If you tip them in your favor, that's
24 called the greater weight or the preponderance of the
25 evidence.

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[illegible]

1 You have an awesome duty and responsibility in this
2 case. These parties have not been able to resolve the
3 matter among themselves. So they are going to present
4 their case to you for your judgment in this matter and ask
5 you to weigh the different positions. And thereafter,
6 render a verdict in this matter. I would give your
7 attention to the counsels and their opening arguments.

8 You may do so.

9 MR. ELLIS: Thank you, Your Honor, may it please the
10 Court.

11 THE COURT: Yes, sir..

12 OPENING STATEMENT

13 MR. ELLIS: Good afternoon, ladies and gentlemen. My
14 name is Bernie Ellis, I'm a lawyer here in Greenville.
15 I'm with the McNair Law Firm here in town. I represent
16 the Plaintiff in this case, North American Rescue
17 Products. With me, the gentleman here in the gold tie
18 along with another attorney at our office, his name is
19 Hunter Freeman, he's going to be helping me out in our
20 presentation of the case. Seated next to him is Bob
21 Castellani. Bob Castellani is the president and founder
22 of North American Rescue Products. Also, introduce you to
23 the gentleman there in the back. His name is Curt
24 Stodghill. Curt is going to be one of our witnesses today
25 as well. Curt is a lawyer here in town and he represents

1 North American Rescue Products in a lot of its activities.
2 And he was actually involved in the facts that gave rise
3 to this cause of action. So you'll be hearing from him as
4 well.

5 Let me tell you a little bit about what this case is
6 about from our perspective. This is a contract dispute.
7 We have a belief that the parties had a contract at one
8 time. But then they terminated the contract and that no
9 new contract was formed. When I say the parties, I mean
10 North American Rescue and Mr. P.J. Richardson, who is the
11 Defendant. We're the Plaintiff, North American Rescue.
12 The Defendant is Mr. P.J. Richardson.

13 What we think this case is about is about someone who
14 wanted to have his cake and eat it, too. Mr. Richardson
15 and his company, called Reeves Manufacturing, entered into
16 a contract with North American Rescue and Bob Castellani
17 to do certain things. When Mr. Richardson later wanted to
18 get out of the contract in order to pursue a new business
19 opportunity, we let him do that and we were glad to let
20 him do that. We think what the evidence will show you at
21 the end of this is that years later, after Mr. Richardson
22 had received the benefits of having gotten out of his
23 contract with us, wants to come back and be put back in
24 the same place as if he still had that contract. He wants
25 to have his cake and eat it, too.

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1 Now, let me put a little bit more -- give you a
2 little bit more context of what is going on. Bob
3 Castellani founded North American Rescue Products in the
4 early 90's. It's now called North American Rescue,
5 eventually changed its name from North American Rescue
6 Products to North American Rescue. North American Rescue
7 is in the business of protecting our soldiers on the
8 battlefield. Bob, as you'll hear, is a former military
9 pararescue. He has a lot of experience and a lot of
10 knowledge about going in the battlefield and saving
11 soldiers. So when he got out, he was able to develop a
12 business because he knows what helps to save soldiers
13 lives if they were wounded. So he started a business
14 called North American Rescue. Great business. Very
15 successful business. The business is located here in
16 Greenville and employs a number of people and does a lot
17 of good in the community.

18 Mr. Richardson, P.J. Richardson, the Defendant, also
19 had a great business. He had a business called Reeves
20 Manufacturing. And Reeves, as I understand it -- you'll
21 hear testimony on this. But Reeves, as I understand it,
22 is a little bit more on the civilian end. Also providing
23 safety equipment also doing very important work. But it
24 was more geared toward fire departments and emergency
25 medical services and things like that.

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APP_0090

1 The parties, Mr. Castellani and Mr. Richardson,
2 became really good friends. They met each other and they
3 became good friends. There was a lot of this energy about
4 their working together, so they worked together a lot.
5 P.J.'s wife, Billie, actually, became an employee of North
6 American Rescue at one point. And they helped each other.
7 And they worked together and they did business together.

8 In 2000, you'll hear that the parties entered into
9 this agreement. And don't worry, if you can't follow
10 along, you'll be seeing an awful lot of it in this case.
11 Actually, let me show it to you from this angle. We're
12 going to call this the 2000 outline, the 2000 agreement.
13 This is an agreement that the parties entered into in the
14 year 2000. And what you'll see when you look at it a
15 little bit more closely, you'll see that it's a contract
16 between North American Rescue Products, Reeves
17 Manufacturing, Bob Castellani and P.J. Richardson.

18 And in this contract, the parties agreed to do
19 certain things. They were going to have cross-selling
20 activities. They agreed to pay commissions to each other.
21 They agreed to have independent management. They agreed
22 you run your company, I'll run my company. There was a
23 provision about what happened if they terminated
24 commission. But the most important part of this contract
25 for purposes of this case was this agreement. And, again,

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1 don't worry if you can't follow it now, you'll be seeing
2 it an awful lot. It was an agreement between the parties
3 to exchange stock. Reeves, Mr. Richardson's company,
4 under this was supposed to issue 25 percent of his stock
5 to Mr. Castellani and Mr. Castellani's company, North
6 American Rescue, was supposed to issue 25 percent of its
7 stock to Mr. Richardson. That's what the agreement called
8 for.

9 You'll hear how later on that these parties actually
10 changed that percentage, so instead of 25 percent, they
11 agreed to reduce the percentage in the 2000 agreement to 7
12 1/2 percent. So they had this agreement that they were
13 going to exchange 7 1/2 percent of stock. They actually
14 never really exchanged stock, however. They had the
15 agreement in place for a while, but they didn't exchange
16 stock. It turned out about the time they were going to do
17 that, they had developed a very good problem. And that
18 was the companies had actually become pretty valuable. So
19 there were tax ramifications actually for giving stock to
20 each other. In order to give 7 1/2 percent of the stock
21 to Bob from Reeves and for NARP to give 7 1/2 percent to
22 P.J., it was going to cause some tax problems.

23 So one of the things that they discussed doing was
24 instead of doing -- actually, exchanging stock with each
25 other, they suggested doing options. So the lawyers for

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1 North American Rescue and for Mr. Richardson's company,
2 Reeves, actually, exchanged drafts to options that they
3 might want to consider. But as it turns out, the parties
4 couldn't agree on the terms of those options either. So
5 the parties really were trying to decide, you know, what
6 to do. How do we deal with this contract so we can
7 formalize relationships with each other?

8 The parties had a meeting in Atlanta you'll hear
9 about. Bob and his lawyer, Curt Stodghill, and P.J.
10 Richardson and his lawyer, a gentleman named Rod Manning,
11 had a meeting in Atlanta to try to discuss how do we
12 resolve these problems. What you'll hear from North
13 American Rescue and from Mr. Castellani and from Mr.
14 Stodghill, it was their understanding that the parties
15 agreed at that meeting that they would terminate all of
16 the interest that they had to exchange stock, any interest
17 they had in each other's companies at that time and would
18 try to work together on formulating a new agreement at a
19 later time whereby they could exchange some sort of
20 interest in each other's companies. But it was our clear
21 understanding from NARP's perspective that the parties had
22 agreed for the present time to terminate the relationship.

23 Now, what you'll hear testimony on from our side is
24 that we didn't find that particularly surprising because
25 Reeves and NARP were worth about the same amount at this

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APP_0093

1 time. They were roughly equal in value. So for Reeves
2 not to have to give 7 1/2 percent of its stock to Bob and
3 for NARP not to have give 7 1/2 percent of its stock to
4 P.J. was, basically, economically a wash. So there wasn't
5 any particular reason that would have been surprising from
6 our perspective that would happen.

7 But another really good problem happened along the
8 way from Mr. Richardson's perspective. And that was
9 during this same period of time, he got an opportunity to
10 sell his company for a lot of money. And we were very
11 happy for him. NARP was perfectly happy for him. But
12 from his perspective, in order for him to facilitate the
13 sale of his company, he needed to end this agreement. He
14 needed to make sure that this agreement was terminated so
15 that he could go sell his company to a third party.
16 That's when we get to this agreement.

17 Mr. Richardson -- Mr. Richardson's lawyer drafted
18 this agreement. Mr. Richardson himself sent it to Bob
19 Castellani and asked him to sign it. It's called An
20 Agreement of Termination, Settlement and Release. And
21 what you'll hear when you listen to the arguments is
22 that -- I'm sorry, when you listen to the evidence, you'll
23 hear the testimony that under the terms of the contract,
24 it terminated the 2000 outline. Our understanding was it
25 ended this because that's what it said. Secondly, we

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APP_0094

1 understood that it settled any existing claims. So not
2 only did it terminate this, but can't seek a breach of
3 contract under the old agreement or anything like that.
4 And thirdly, it released -- the parties released each
5 other from everything.

6 Now, Bob Castellani was asked to sign that agreement
7 and he did sign the agreement because P.J. asked him to,
8 because P.J. told him -- P.J. told Bob that he needed for
9 him to sign this agreement in order to facilitate the sale
10 of his company to a third party. I need to get out -- I
11 need for us to sign this agreement to terminate the old
12 relationship so that I can sell my company. Bob was
13 willing to do that.

14 But Bob later on noticed that there was something in
15 this agreement he had not noticed when he signed it. And
16 that is there is a specific sentence in here that says, It
17 was specifically agreed and understood by the parties that
18 the foregoing release is not intended to and shall not
19 release any of the parties from that certain separate
20 option agreement dated 15 December, 2004. Pursuant to
21 which NARP, North American Rescue, and RAC, Bob Castellani
22 had granted P. J. Richardson an option to purchase 7 1/2
23 percent of the capital stock of NARP. This says we're
24 releasing everything, but this agreement, and they
25 understand, that this release will not release their

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1 separate option agreement.

2 When you look at this more carefully, you will also
3 notice that there's nothing in here that says Bob isn't
4 releasing everything. This contract only says that the
5 only clause out here is in favor of P. J. and yet, Bob's
6 rights under the contract are completely wiped out.

7 Now, Bob was angry about that at first when he
8 realized it. The reason he was angry about it -- well,
9 several reasons. Number one, you'll hear he and Curt did
10 not think that that was specifically what the parties had
11 agreed to at Atlanta when they talked. Secondly, P. J.
12 Richardson was actually a member of the Board of Directors
13 of North America Rescue at the time. He had been put on
14 the Board of Directors of North America Rescue and he had
15 actually been paid a fee of \$50,000 to serve on the Board.
16 And what you'll hear from our argument is that as a member
17 of Board of Directors holds a very, very special place.
18 And that he has a duty to put the company first. And he
19 has a duty to make sure the company's best interest is
20 protected over his own.

21 So our side was not very happy that this had a
22 provision in it that carved out a reference to an option
23 to Mr. Richardson, but didn't say anything about Bob. But
24 over time, it didn't really bother us for this reason.
25 You'll notice that this agreement is dated 8th of

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1 November, signed by Bob on the 8th of November. You'll
2 notice that the effective date of the agreement is 5th of
3 November, 2004. And it says that the parties -- it
4 doesn't release the parties from the option agreement
5 dated 15 December, 2004. So the date in here that reports
6 the option agreement is, actually, about 40 days later
7 than the date of the agreement. And we'll present
8 testimony, our evidence to you that the reason that's true
9 is, that the parties had not entered into an option
10 agreement at that time. They knew that no option
11 agreement had yet been entered into. And yet,
12 Mr. Richardson needed the termination provision of this
13 contract to help facilitate the sell of his company to
14 DHS.

15 Now, you remember I told you what our evidence in
16 this case is going to be is that we understood that the
17 parties had terminated everything but were going to work
18 on a new agreement in the future. What you'll hear from
19 our witnesses is that's what we, in turn, thought the
20 effectiveness of this contract was. We have terminated
21 our rights and then we would have an agreement to agree in
22 the future about some way -- the agreement to agree in the
23 future was going to be about some way to get 7 1/2 percent
24 of the stock, come up with an agreement, come up with some
25 sort of deal by which Mr. Richardson could acquire stock

1 in the company of North American Rescue, 7 1/2 percent of
2 the stock of North America Rescue.

3 What you'll hear is that over the next several
4 months, North America Rescue Products put forward several
5 proposals to try to make this happen. We actually sent
6 proposals to Mr. Richardson that he could have exercised
7 that would have given him the opportunity to purchase 7
8 1/2 percent of the stock of North America Rescue. Bob
9 wanted this to be done through Dobson Ministries. Bob
10 wanted, that if he were going to receive any money from
11 the proceeds of Reeves, he didn't want it to go to
12 himself, he wanted it to go to Dobson Ministries. He was
13 a big supporter of Dobson Ministries. But he wanted the
14 money to go to Dobson Ministries.

15 What you'll hear is that North America Rescue
16 proposed an agreement, it was just a proposal, but we sent
17 it to him and said you can buy 7 1/2 percent of the stock
18 through Dobson Ministries. Well, Mr. Richardson didn't
19 want to do that. He didn't want to do that. What you'll
20 hear is Mr. Richardson never sent back a proposal of his
21 own. He never said to us no, I don't want to do that, but
22 here's what I'd like to do. I'd like to do it another
23 way. Nothing like that happened.

24 Over two years went by. I say over two years,
25 approximately two years, right at two years went by. And

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1 during that period of time, any sort of trying to work out
2 a deal, any sort of trying to work out an agreement with
3 Mr. Richardson acquiring stock stopped happening.
4 Mr. Richardson and his advisers knew that North American
5 Rescue Products thought there wasn't a contract. He and
6 his advisers could tell from the agreement signing hat we
7 believed any contractual obligations between the parties
8 had ended. But the testimony that you'll hear is that
9 Mr. Richardson or his advisers didn't tell us that. They
10 didn't tell us that they had a different belief than we
11 did. Because Mr. Castellani was actually helping
12 Mr. Richardson in his involvement. So they didn't say
13 anything because they wanted Bob's help in another matter,
14 so they let Mr. Castellani and NARP believe that any prior
15 agreement had been ended until some period of time went
16 by.

17 And that period of time ended on April 17th, 2007.
18 Bob had told P. J., I believe it was in May of 2005, said
19 we've been trying to get this done. We're going to have
20 to take everything off the table. There are other things
21 that are going on. So from March 2005 until April 2007,
22 there were other conversations. In fact, you'll hear
23 testimony that Mr. Stodghill, Curt Stodghill, wrote to
24 P. J.'s lawyers and said, What are y'all doing? The
25 responses that we got were never, What are you talking

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APP_0099

1 about? We have a contract. What are you talking about,
2 we have a right right now to buy in. That's not what they
3 said. They just said something to the effect of don't
4 assume. We'll get toward -- we'll come back with a
5 proposal at a later time.

6 On April 17th, 2007, North American Rescue received a
7 letter from P. J.'s lawyer. And in that letter, he wrote
8 and said Mr. Richardson is now prepared to exercise his
9 option to buy 7 1/2 percent of the stock of North American
10 Rescue Products setting forth one penny for share. I
11 didn't say that clearly, let me say it again. The letter
12 said Mr. Richardson is now prepared to exercise an option
13 to purchase 7 1/2 percent of stock of North American
14 Rescue Products for one penny a share.

15 Now, there's one little detail I left out of this.
16 North American Rescue Products stock had gone through the
17 roof during this period of time. It had gone up, up, up
18 in value. And when we're making proposals for
19 Mr. Richardson to buy this, we had told them that if
20 you're going to buy this, it needs to be at a fair market
21 value. Early on, that wasn't a problem because the fair
22 market value of 7 1/2 percent of NARP was at one point,
23 actually, even less than the value of the 7 1/2 percent
24 from the sale of Reeves. So the values were actually sort
25 of equal. As time went on, we told Mr. Richardson we want

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1 to do this for you, but we're going to do fair market and,
2 please, know that the stock is going up, up, up in value.

3 So the evidence that you'll hear is that
4 Mr. Richardson waited. He waited and waited, he didn't do
5 anything. 2007 comes, suddenly he demands to buy stock
6 for one penny per share. North American Rescue Products
7 was flabbergasted. They were actually in shock. Why do
8 you think you have the option to buy the stock at one
9 penny a share? What we found out in discovery in this
10 case, we had not even seen it until after this lawsuit
11 started, was that Mr. Richardson back in 2004, had
12 actually taken a draft, some draft option that had been
13 sent, actually signed it and kept it. He didn't tell
14 anybody. He didn't tell Bob. He didn't tell Mr.
15 Stodghill. He didn't tell anybody from North American
16 Rescue Products. And he just kept it hoping to claim
17 later that he had an option and he sold his soul. As you
18 might understand, North American Rescue Products was very,
19 very unhappy about that particular circumstance and that
20 is what resulted in this lawsuit.

21 We brought this lawsuit because we needed to
22 establish something. We believed that the parties had an
23 agreement to terminate their relationship. We will tell
24 you and present evidence to you that yes, we had an
25 agreement to agree in the future. We actually sent

1 proposals. We actually wanted to do things to try to get
2 him 7 1/2 percent of the stock of NARP. But he would not
3 accept our proposal, which is fine. That is absolutely
4 his freedom to do that. But a contract has to be a
5 meeting of the minds. There has to be an agreement to do
6 something new. And we believe that Mr. Richardson
7 terminated his rights when he asked us to sign this
8 agreement. And what he wanted to do was this, he wanted
9 to terminate the old agreement between the parties and get
10 the benefits of terminating the agreement. And now once
11 he's gotten the benefits of having terminated that
12 agreement and he doesn't need that anymore, he wants the
13 benefits of the old agreement. He wants to have his cake
14 and eat it, too.

15 Of course, what we think is also happening here is
16 this. We will show you that Mr. Richardson in his
17 fiduciary to North American Rescue Products, at the time
18 he entered into this agreement to terminate the settlement
19 and release, he's a member of the Board. He had a duty to
20 tell North American Rescue about anything that affected
21 him. He had the duty to tell them if there was anything
22 that could negatively impact on them. And yet as a member
23 of the Board of Directors, there's two things he didn't
24 do. One of the things is he had signed this draft option
25 agreement that Bob had not signed, stuck it in his back

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APP_0102

1 pocket, didn't tell North American Rescue, didn't tell
2 North American Rescue's lawyer. We think that's a breach
3 of his fiduciary duty.

4 Another thing is that his adviser never disclosed to
5 Bob Castellani and Curt Stodghill, the lawyer for NARP,
6 they never told him during this period of time we think
7 there's an agreement right now. We think we have a right
8 to buy it. We were telling them -- the message we were
9 sending them and telling them, we clearly didn't think
10 there was such a contract. We think that Mr. Richardson
11 had a duty to tell us that because his relationship with
12 NARP arose out of his having been on the Board of
13 Directors.

14 So we're going to ask you to do two things. North
15 American Rescue is going to ask you to find that P.J.
16 Richardson and North American Rescue Products terminated
17 any contract between them that gave Mr. Richardson a right
18 to buy 7 1/2 percent. We're also going to ask you to make
19 Mr. Richardson pay that \$50,000 back that he got in
20 director's fees. Because while he was a member of the
21 Board of Directors, he did something that was unfair to
22 the corporation. Thank you, very much.

23 THE COURT: Counsel.

24 MR. STILLWELL: Thank you, Your Honor. Your Honor,
25 I've got to have some help trying to get things together

Opening Statement by Mr. Stillwell

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1 to try to make this move along.

2 THE COURT: All right, sir.

3 OPENING STATEMENT

4 MR. STILLWELL: I don't want y'all to get nervous
5 about this. It ain't that long, believe me. You've got a
6 good friend at home in my wife. When she looked at what I
7 was going to show y'all last night, she said too much, cut
8 it in half, so that's what I'm doing. So it's a lot of
9 boards, but it ain't going to be that much content thanks
10 to her.

11 All right. Talking about my conversation with my
12 wife. My wife said what is this case you've been working
13 on all the time? You know, tell me what it is. She only
14 wants to hear a little bit of it and that's all I'm going
15 to give you right now. This is going to be like a slip
16 cover of a book. You know, we're going to read the inside
17 jacket and read the back and we might peek at the pictures
18 a little bit, but this isn't going to be your argument
19 part, okay. You're going to hear that through these
20 witnesses. As much as I'd like to testify, I don't get to
21 testify. The witnesses have got to tell you the story.
22 The documents got to tell you the story. Then at the end,
23 we get the argument. Mr. Ellis and I get to tell you how
24 it all sums up.

25 This is what this case is about. It is about a

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APP_0104

1 contract. It's about the document. It's about some.
2 companies. Fundamentally, this is a case about people.
3 And this is a case about a relationship between the
4 Richardson's over there, P. J. and Billie, and Bob
5 Castellani. And it's a question about a relationship
6 built in trust, built in faith that worked for years and
7 years. And what went wrong? What happened between then
8 and now? And that's why there's a little more context to
9 this than just right in here looking at these termination
10 orders all day. There's a little bit more about what were
11 the parties like down here and how did they end up here?
12 And that's what I'd like to turn to and talk to you a
13 little bit about.

14 First, I've got to the introductions, I guess you
15 know, I'm Rivers Stillwell. I represent P. J. and Billie.
16 Over there are P. J. and Billie behind the board. And
17 I've got Lane with me, he's a lawyer helping me. And then
18 there's one of P. J. and Billie's sons right there.
19 Fran's helping me, she works in my office. And Mandy's
20 working the projector back there. She's going to flash a
21 few documents up here, like Mr. Ellis said. Just a couple
22 of them. And all we're going to do is just kind of look
23 at them so you can get the shape of them. We're not going
24 to read them, so don't get frustrated if you can't read
25 them. You will have more than enough opportunity to read

1 these. As a matter of fact, you might be sick of them by
2 the end of the week. It's going to be pretty hard work,
3 but we're going to get started right here today.

4 The only way I can organize this is just do it
5 chronologically. There's too many documents. There's too
6 many he said, she said in it. And in the end, y'all have
7 got to sort all that out, okay. I'm going to put a couple
8 cards up and I'm going to put some documents up. We're
9 going to look at them again and again and again. Y'all
10 are going to sort them out. That one matters. That one
11 don't matter. I don't understand that part. I'm just
12 going to have put that aside and see if I can make sense
13 of the rest of it. But this is pretty much the nuts and
14 bolts of it.

15 The first thing we have, Mr. Ellis showed it to you,
16 was the 2000 agreement. And you know what, I lied. I
17 started right off and I lied to you. I've got to cheat a
18 little bit and go off the board. Right off the board
19 right here is when Mr. Castellani and P. J. meet. Mr.
20 Ellis did a pretty good job telling you about their
21 companies. I think that will suffice for now. But P. J.
22 will tell you like in the middle, after growing his
23 company, being at trade shows and stuff, one time he
24 walked through the lobby of the hotel and sees this guy
25 out there reading the Bible. Bob Castellani. And P. J.

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APP_0106

1 goes hey, that's a good book you're reading. And that's
2 where it begins. 1998 or 1999, these two guys meet.
3 They're in similar industries. You've got North American
4 Securities, you've got the military. They're kind of in
5 parallel industries there and they strike up a
6 relationship right there based on their faith and it
7 grows. And it becomes a very close relationship.

8 Through those first couple of years, it gets so close
9 that eventually Bob says why don't we just merge the
10 companies. Well, that's pretty steep, you know,
11 considering Reeves is bigger than NARP at that point. So
12 they agree in this 2000 agreement, basically, let's go
13 25/25. That's what that is, it's not the commissions,
14 cross selling, blah, blah, blah. These guys get in here
15 down at the bottom about issuing stock and say let's own a
16 quarter of each other's company. There's no question they
17 didn't issue stock. That's not going to be in dispute,
18 you don't have to worry about that part. There's no
19 question. But you can listen to the testimony and hear
20 how they commonly said we own a piece of each of other's
21 company. I'm committed to him, he's committed to me.

22 Now, there's a third player in there, that's Billie.
23 Billie's in there. It's a mom and pop business right over
24 there. That's the Reeves business. People knew --
25 P. J.'s name is Richardson, they thought he was Mr.

1 Reeves, that's his company. That's Mrs. Reeves (sic)
2 right over there beside him. She ended up working for
3 P. J. and working for Bob. She's the back-end of both
4 businesses, okay, so you've got three of them. When
5 Billie gave me this story, she says this is just like this
6 play, I never seen it, called, the Dirty Boys. She told
7 me about it, she said the Dirty Boys is about Frankie
8 Valley and the Four Seasons, which predates me a little,
9 but when you get to my age, it makes you feel good when
10 something actually predates you. And she said you've got
11 three guys who got together and they make a commitment, if
12 one of us makes it, we all make it. We're in this
13 together. If any of us makes it, we're going to share
14 with everybody else.

15 That's what we're going to try to show you this case
16 is. This is three people, all promising I got a stake in
17 you, you got a stake in me. If I make it, you make it.
18 And the question is going to be what happened between then
19 and now? How did we end up here? How did we end up with
20 these two guys who were such close friends, who went to
21 trade shows together selling their goods, reading the
22 Bible together sitting there in bed side by side. How did
23 they end up one on that side with all these lawyers and
24 boxes behind them and one on this side with all these
25 lawyers around him? How do we get here? That's what the

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APP_0108

1 story of this case is going to be about.

2 Pretty big event happened right here at 9/11. You
3 can imagine that was a big deal for these companies.
4 9/11, the Homeland Security business takes off. The war
5 fighting stuff takes off. That's a big deal. You see
6 there's not a lot of activity here. Basically, I've got a
7 little tag where I'm going to put some of these tags.
8 There's not a lot of activity in here. That, basically,
9 when it gets too busy to do anything. They're too busy to
10 issue stock. You think -- P. J. stated it pretty well, he
11 said, if we cross the T's, great, dot an I, it just wasn't
12 going to happen. Why? Because they're growing like gang
13 busters through here. And both companies are growing
14 through the roof. Okay.

15 But, eventually, it does come to a time where P. J.
16 and Billie start thinking things are going to be good.
17 And you don't think things are going to be good tomorrow.
18 So they think, you know what, based on our age, maybe it's
19 time to start thinking about getting out. So they start
20 looking at the agreement. Hey, you know, we never issued
21 each other stock. What are we going to do with this? So
22 they have a meeting. Well, I think I left one out. They
23 start working on some ideas. And one of them is they sit
24 down in Curt's office. That's Curt Stodghill right back
25 there, okay. He is the lawyer for North American Rescue

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APP_0109

1 at that time.

2 Now, back in the day, P. J. and Bob were so close
3 they even had the same lawyer working for them on
4 different things, but now, Bob's got his own lawyer. So
5 they have a meeting here. And they said what should we
6 do? And what happens, they don't get any resolution of
7 any kind. And this is kind of common. You'll have the
8 agreement, disagreement. Agreement, disagreement. You
9 know where that train ends, so we've pretty much got a
10 disagreement for you right here.

11 So after that meeting in April of 2004, right down
12 here in Greenville, they decide, I tell you what, let's
13 the three of us, P. J., Billie and Bob go down to Bob's
14 beach house and let's have a board meeting. These guys
15 are informal. They're going to have a board meeting, just
16 the three of them. And they go down there and they go, we
17 can work this out between us. Okay. And they agree this
18 works for all of us. Let's take it down to 7 1/2, 7 1/2,
19 okay. Our 25 percent stake is 7 1/2 stake. Everybody is
20 going to be in agreement about that. That's not a
21 problem. But, you know, they still haven't issued each
22 other stock. And so they've got to figure out, how are we
23 going to do this? How is this going to work, really,
24 because by this time, we're big. We can't just do things.
25 The lawyers have got to put stuff together.

0105

APP_0110

1 So they decide let's meet at the Atlanta Airport and
2 get this done. Bob, his lawyer, P. J., his lawyer. Okay.
3 Two lawyers, two clients. They go down there and they
4 meet. And you're going to hear about that meeting a lot.
5 You're going to hear a lot of discussion about what they
6 did talk about, what they didn't talk about, what the
7 agreement was, what wasn't an agreement. It's going to be
8 all over the map, I'm just going to go ahead and confess
9 to you, okay. You put the lawyers in the room with them
10 and it's going to be all over the map. Okay.

11 So the question's going to be what happens after
12 that? Because they still did not get it done right there.
13 And you're going to see me interject some personal
14 dynamics in the case that are going to be important, okay.
15 And I said what happened between then and then? One of
16 the questions you're going to have to ask yourself is who
17 happened in between then and then. What soured the
18 relationship between these guys and between Bob and
19 Billie. And you're going to have to look at that Atlanta
20 airport meeting to get the first indication of that.

21 Now, there is -- these boards that Mr. Ellis showed
22 you, he talked about when they were signed and when they
23 weren't signed.

24 Mandy, can you put up the November agreement?

25 This is a picture of the first page of it, the

1 agreement of termination. And you're going to see that
2 until you can't see it anymore, okay. There's going to be
3 an e-mail on November 13th -- and the dates are all over
4 this thing. It's got November 5 on it. It's got November
5 8 on it. It's got November 15 on it. But there's this
6 November e-mail P. J. writes Bob and says, Hey, remember
7 we had the phone conversation this morning about an option
8 agreement, well, who's going to finish that? Which lawyer
9 is going to finish it? And then send me the signed
10 termination agreement.

11 Now, the question about -- and what does Bob do? He
12 signs it. He gets that e-mail -- they had a phone call.
13 He gets the e-mail, talks about options, talks about a
14 termination agreement. He signs it and he sends it back.
15 Okay. I want to talk a second about what's going on with
16 that.

17 Mr. Ellis, I think as far as he's concerned right
18 there, you can just stop reading the agreement
19 termination. You don't have to read the rest of it. Just
20 termination, that's all he's concerned with, but there's a
21 lot of other stuff there. And that's what we're going to
22 examine. What is that other stuff? Where's my red pen?
23 I've got so many pens in my pocket, I can't keep them
24 straight.

25 Now, Rod Manning, the lawyer for P. J., who's down in

1 the Atlanta airport, is going to say you know what, what
2 we wanted to do, what we thought we were going to do when
3 we got back from Atlanta is we were going to work on what
4 he called a three-legged stool. Okay. It wasn't just to
5 be terminated, because that's what Mr. Ellis is going to
6 argue is it was terminated, but it's going to be three
7 pieces to it. It's going to be a termination, yes, but
8 then we were going to do something. Reeves was going to
9 sell and we were going to pay some money to Bob and
10 P. J.'s interest is 7 1/2, right? Because it's 7 1/2, 7
11 1/2, like for like. His 7 1/2 is going to come down here.
12 It's not a termination so much as a transformation. Okay.
13 Because this one's going to sell, Reeves is going to sell
14 and NARP is still going to be here. You don't have to
15 understand this right now. This three-legged stool is
16 just a concept I'm throwing out there. Okay. But I'm
17 going to show you this board right here, the second page
18 of that termination agreement. This is the second page,
19 okay. And it's got these paragraphs three and four right
20 here. And this piece right here and this piece right here
21 is where we're going to be in dispute. You see that?
22 That part right there, Mr. Ellis would have you say well
23 it says 15 December, no option agreement, it just doesn't
24 matter, just ignore it. Okay.

25 I don't want to put words in Mr. Ellis' mouth because

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APP_0113

1 he's going to talk plenty during this trial, but basically
2 he's going to say just ignore that stuff. Everybody knows
3 that doesn't exist. Okay. He's going to say have you --
4 ask you is that the same as this? That's what I'm going
5 to ask you. Is this the same agreement? If you just
6 black that stuff out of there, the same thing? That's the
7 essential question you're going to be asking yourself. Or
8 is there something else going on? Is there something else
9 going on, is there a bigger piece of this deal?

10 Let me get back to my cards here. You know, one part
11 Mr. Ellis said is like, hey, there's nothing in this
12 agreement that takes care of Bob. Nothing that takes care
13 of Bob. You know what, that's not a problem for people
14 who trust each other. It only becomes a problem with
15 people who do not trust each other, who do not have a
16 relationship with each other. Because we're going to put
17 in evidence showing people counting up how much that money
18 is down here. Hey, how much is my cut of Reeves? How
19 much is my seven percent? And so we think full well why
20 would Bob worry about it when we're counting it up and he
21 knows it's coming? And Rod Manning is going to say the
22 way this deal's going to work is we're supposed to be
23 doing all this at the same time. We're supposed to be
24 doing a termination. We're supposed to be doing an option
25 and we're supposed to be passing the check across the

1 table at the same table. It all happened at the same
2 time. That's what he thinks.

3 Now, apparently, this is done out of order. Okay.
4 It's a question of what is the purpose of this document?
5 Not going to let Mr. Ellis go ahead and say the purpose of
6 the document is so they sell DHS. So that's going to be
7 an issue you're going to have to look at. Is that all it
8 was for? Mr. Ellis talked about documents sitting in the
9 file, nobody ever knew they were. But it's pretty
10 important in there, ratification, Mr. Stodghill calls it.
11 It's a corporate document.

12 And do you have that?

13 Not that exciting to look at, really. The
14 ratification. And, basically, this says we authorize
15 Mr. Castellani to enter this termination agreement, which
16 we don't like because it's got these things in it, and we
17 authorize him to take such further action as he needs to
18 effectuate these releases. Here's this ratification.
19 This termination agreement they say they don't like. Did
20 P. J. know that was in there? He never saw that. P. J.
21 Richardson's signature, blank. So people who are going to
22 sling mud about stuff sitting in files, there's plenty of
23 that to go around.

24 Now, this, basically, it starts in harmony down here
25 and the discord builds. I mean, I'm just going to go

0110

APP_0115

1 ahead and confess right here, because I'm about to get
2 them out of order, everything else after this is almost
3 impossible to understand, okay. So your question is going
4 to be what were they trying to do here, okay? And if they
5 did not do anything past this point, even if that
6 termination agreement is not effective -- because you're
7 going to hear P. J. say I wouldn't have signed it without
8 talking to Rod Manning. I'm not walking away from NARP.
9 I've been watching NARP grow from a baby. I've got faith
10 in Bob. I've got faith in NARP. I know that's a good
11 investment.

12 As a matter of fact, the way NARP grew since then,
13 that's the best investment in the world. Let me take a
14 few minutes and tell you, I'm never going to say anything
15 bad about NARP. It's a great company. I love that stuff.
16 I mean, I used to be in the Marines, talk about saving
17 people on the battlefield, I'm all about that. So it's
18 not going to be any of that in this case, okay.

19 Let's get over to this other board here and I just
20 want to run through a little bit about what happened in
21 2005. What I was saying is if that termination agreement
22 is not effective, where do we go? Where do we go back to?
23 That's a part of our case, okay? Part of our case says we
24 think we've got an option agreement. But if we don't, if
25 we don't, they would have you assume that it's a

0111

APP_0116

1 termination. It's either/or. It ain't either/or, okay.
2 We have to look when is the last time these guys were in
3 agreement? And you'll see it's the day before they walk
4 in the Atlanta airport. So where are they? Well, I offer
5 up 7 1/2 and 7 1/2, like for like. If they don't get this
6 done, if nobody can agree down in there, then the question
7 is then where are they? That's the question you're going
8 to have to answer. At the end of the case, we're going to
9 ask you to find for P.J. Richardson. We're going to ask
10 you not to give the \$50,000. We're going to ask you to
11 either give us an option for a penny a share and 7 1/2
12 percent of the company, give us the 7 1/2 percent of NARP
13 that we always had or give us the value of it. Okay. And
14 we'll talk about the value. I don't even know when that's
15 going to come out exactly. It's pretty confusing when you
16 go into all these numbers.

17 And by the way, all these tax ramifications, if you
18 don't understand those, you're not the only one. Okay.
19 Because this case has got a heck of a lot of the tax tail
20 wagging the dog it in. Okay. Because when you get the
21 tax lawyer in the Atlanta airport with you, the whole
22 world becomes focused through the tax liens. So bear with
23 us on that. There's going to be a lot of tax talk. And
24 you ain't the first people that didn't understand it,
25 okay.

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1 All right. Here's an important event, right here in
2 January, Reeves sales. Okay. American dream, they sell
3 the company. They get a lot of money for it. They get
4 eight million dollars for it. That's a lot of money to
5 everybody in the courtroom, except for Bob Castellani. I
6 mean, the value of NARP, you're going to see up there,
7 okay. You're going to see P. J.'s advisers are talking
8 about running some numbers on the sale of Reeves. Here's
9 what your 7 1/2 percent is worth. This is where the trust
10 part comes in. The question you have to ask yourself is
11 why are they messing with these numbers, running these
12 numbers unless P. J. is going to be paying this to
13 somebody, to Reeves -- I mean, to NARP, Bob Castellani, at
14 a closing? Why are they even counting them up?

15 Mr. Ellis talked about an email from Bob where he
16 said, and he paraphrased it and said took it off the
17 table. He said no offers that were on here. Pretty
18 important e-mail from Bob. I want you to look at it and I
19 want you to ask the question of who actually wrote that
20 e-mail? Refer to the words in it and ask yourself who
21 wrote that?

22 In this e-mail, I can't remember what date it is, but
23 Bob says -- he talks about my share of Reeves. Okay.
24 Then another important thing he says, nothing has changed
25 in my mind about getting this deal done for you and

1 Billie. Okay. Nothing has changed. Well, things have
2 changed. We've got a little bit more to get there. Okay.
3 This is probably going to make me really hungry, I'm glad
4 y'all already ate lunch because all these times they meet,
5 they always meet at restaurants. This is an important
6 meeting. They meet at Stax in June. Stax Omega. Which
7 I'm going to go ahead and say here in open court, it's the
8 best restaurant in Greenville. It's got everything you
9 ever want, breakfast 24 hours.

10 And at that meeting, they have a discussion as
11 friends and they talk about you know what, P. J. now has a
12 dispute with these guys at DHS. And they agree, they
13 agree now, we're going to table all this stuff, this is
14 costing them a king's ransom in lawyer's fees to get done
15 and still can't get done, we're going to table it, okay.
16 They're just going to leave it sitting there. This table
17 stuff involves Mr. Stodghill because he knows about that.
18 Bob's telling him, let's table it. Let's leave it.

19 Then what you're going to see is you're going to
20 see -- by this time, P. J.'s got new lawyers in there.
21 Because his lawyer, Rod Manning, is down in Florida. He's
22 got lawyers in Maryland helping him. Okay. These are the
23 ones who's helping him sell the business to DHS. He's
24 using them now to help him with Bob. The guy's name is
25 Eric. And you're going to see his deposition. His

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1 deposition is going to be kind of hard because we're going
2 to sit there and read them and they're going to be hard to
3 follow. But, trust me, when you read these things,
4 afterwards in the closing, you're going to hear Mr. Ellis
5 tell you and I tell you what's important about that, okay,
6 so just listen as carefully as you can. Don't feel bad if
7 it's hard to digest, they are hard to digest, believe me.

8 You're going to see Curt Stodghill sending -- well,
9 wait a minute, he calls Mr. Orlinsky says hey, how about
10 doing this NARP deal. While it's tabled, right? Then he
11 sends an e-mail to Mr. Orlinsky, Eric, up in Maryland.
12 Still tabled, right? Everybody knows it. He even knows
13 it. Then in December, he sends a letter to Eric, okay.
14 And it's tabled. So it's a call, e-mail, letter. You
15 know how it's just like a drip of water after a while.
16 Then finally, this last one, he goes maybe -- you remember
17 what I suggested that you just merely retain the proceeds
18 of Reeves, the Castellahi share? I assume that's what you
19 want to do since I suggested it and I haven't heard back
20 from you. Well, finally, Eric writes him a letter back.
21 He says, I assume that's what we're doing. We'll get back
22 to you. Okay.

23 Now, there is some time because that dispute goes on.
24 And, finally, you get a letter from Eric saying now we'd
25 like to do this. We'd like to get our 7 1/2 percent. And

1 he sends it to Curt. What does Curt write back? He
2 writes back a letter that you'll see.

3 Mandy, can you put up the letter?

4 He writes back a letter --

5 Can you flip the pages for us? Flip the next page.

6 He's got a few things to say about it. That's the
7 world according to Curt, the three-page letter, this is
8 everything that happened. And I know because I was there.
9 And what's attached to it? A nice little time bomb is
10 attached to it, this lawsuit. Welcome to our party.
11 We'll see you in South Carolina.

12 How did we get from underneath here to here? How did
13 we get from reading the Bible together to this lawsuit?
14 That's what the question is going to be for y'all, okay.
15 It's going to go -- this timeline is going to run like
16 this and it's going to run like this and it ends up right
17 there. The question of how we get there, you're going to
18 ask yourself that question. The question of what to do
19 about it, we're going to you because you're the only one
20 that can make it better now. I don't know if you can make
21 the trust better, it might never come back, the trust
22 might never come back.

23 We've got one other meeting. And once there was a
24 glimmer of hope. We've got one other meeting in Trio.
25 I'm off the board again. I'm cheating on you. We've got

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1 a meeting in Trio right down here on Main Street. You're
2 going to hear, P.J., Billie and Bob. Frankie Valley and
3 the boys once more. They're sitting in Trio and they have
4 some discussion. Part of those discussions are about
5 telling them things have changed. Things have changed.
6 Not nothing has changed, but things have changed. Ladies
7 and gentlemen, they certainly have. Okay. We're here to
8 try to do something about it today.

9 Now, this is going to be fairly long. It's going to
10 be hard work. And I know and Mr. Ellis knows the world
11 don't stop while we're in here. Today is my oldest son's
12 14th birthday. It's my four-year-old son's first day at
13 school. It's going to be tough working here. And I don't
14 know who set this trial in the first week of football
15 season, but, believe me, I know this is hard. But we're
16 going to work hard to get this evidence to you in a way
17 that you can digest it. And I know it's going to be hard
18 work from y'all, but we trust you to be diligent about it
19 and in the end do what's right. That's all I have.

20 Thank you, Your Honor.

21 THE COURT: All right.

22 Ladies and gentlemen, we're going to take a short
23 break for about five minutes. Y'all go back to your jury
24 room and we'll come back and start with the first witness.

25 Everybody else remain seated, please.

1 (WHEREUPON, the jury left open court at
2 approximately 3:00 p.m.)
3 (WHEREUPON, a short break was taken.)
4 THE COURT: Defense?
5 MR. STILLWELL: The Defense is good.
6 THE COURT: Ask the jury to come in.
7 (WHEREUPON, the jury came into open court at
8 approximately 3:05 p.m.)
9 THE COURT: Mr. Ellis.
10 MR. ELLIS: Your Honor, the Plaintiff calls Mr.
11 Robert Castellani.
12 THE COURT: Please come around and be sworn, sir.
13 THE CLERK: Place your left hand on the Bible and
14 raise your right hand.
15 ROBERT CASTELLANI, after being duly sworn,
16 testified as follows:
17 THE CLERK: State your name, please.
18 THE WITNESS: Robert Castellani.
19 THE CLERK: Thank you, be seated.
20 DIRECT EXAMINATION
21 BY MR. ELLIS:
22 Q All right. You are Bob Castellani; is that right?
23 A I am.
24 Q Mr. Castellani, where are you from?
25 A Greenville, South Carolina.

- 1 Q How long have you lived here?
- 2 A About eight years, eight, nine years.
- 3 Q Where did you move here from?
- 4 A Columbia, Maryland.
- 5 Q Are you married?
- 6 A I'm married.
- 7 Q What's your wife's name?
- 8 A Lisa.
- 9 Q Do you have children?
- 10 A Yes, I do. Cole and Rachel.
- 11 Q And how old are Cole and Rachel?
- 12 A Cole is four and Rachel is three -- I mean, Cole is
13 four and Rachel is seven.
- 14 Q Where do you go to church?
- 15 A Brookwood.
- 16 Q Are you involved in your church?
- 17 A I am.
- 18 Q What's your educational background?
- 19 A I have a high school diploma.
- 20 Q Tell us about your employment history.
- 21 A I was in the military for ten years.
- 22 Q What did you do in the military?
- 23 A I was in Air Force Pararescue.
- 24 Q Could you tell the jury what an Air Force Pararescue
25 man is?

1 A . It is one of the two special operation components of
2 the Air Force. Our mission was to rescue downed pilots
3 and recover essential equipment.

4 Q And how long were you in the military?

5 A About 10 years.

6 Q When did you get out?

7 A I got out in April 14th, 1964.

8 Q 1964?

9 A That's when I was born, 1994.

10 Q Okay.

11 A I'm a little bit nervous.

12 Q I understand. By the way, how old are you?

13 A I'm 44.

14 Q Okay. Was your discharge from the military
15 honorable?

16 A It was.

17 Q What happened to cause you to have to get out of the
18 military?

19 A I was doing military pre-fall and I broke my neck.

20 Q What's military pre-fall?

21 A I jumped out at 25,000 feet and I crushed the disks
22 in my neck.

23 Q Did you have any decorations or accommodations while
24 you were in the military?

25 A I did.

1 Q What were they?

2 A Without giving you the details of each one, I was
3 decorated for a gallantry unit four times then unit
4 citations, good behavior and longevity and others.

5 Q Any decorations for heroism?

6 A Four, yes.

7 Q What are those?

8 A I have an Airman's medal, it's just above the Bronze
9 Star Medal. I have two Airman's medals, then I have a
10 joint service accommodation medal as well.

11 Q Could you pull that microphone a little bit closer to
12 you there? Okay. Thank you. Now, what did you do when
13 you got out of the military?

14 A I had decided that I was going to go to college and
15 become a physician's assistant.

16 Q How did college work out?

17 A Didn't work out real well.

18 Q Okay.

19 A Difficult.

20 Q Then what did you do?

21 A I worked as a paramedic on an ambulance and the fire
22 department in Baltimore, Maryland.

23 Q Then what?

24 A That didn't work out, so I started my own company.

25 Q And was that company North American Rescue Products?

1 A It is.

2 Q Do you recall about the year that you started North
3 American Rescue Products?

4 A 1995.

5 Q Okay. Tell us what North American Rescue Products
6 does.

7 A We design equipment that produces preventable combat
8 death. We use a science of how guys are injured and
9 killed. The body armor, weapon systems, evacuation times.
10 What we do is we try to define medical equipment and
11 rescue equipment and take that number, let's say
12 62 percent of them died we try to reduce that at least
13 60 percent so it's 100 percent effective. So they live
14 100 percent of the time. It's data driven --

15 Q Do you work with the military in developing these
16 products?

17 A We do.

18 Q Do you have a pretty close relationship then with the
19 various branches of the military?

20 A Yes, I do.

21 Q Okay. Now, exactly what is your relationship with
22 North American Rescue Products?

23 A I'm the chief executive officer.

24 Q Now, recently, it's changed its name, right?

25 A North American Rescue, we started doing a whole lot

1 more training, having soldiers come in and train on the
2 equipment, so we changed the name.

3 Q So now instead of North American Rescue Products,
4 it's called North American Rescue; is that right?

5 A Correct.

6 Q What is the North American Rescue Products
7 foundation?

8 A The foundation is set up to be able to effectively
9 transfer our profits to charities that support the
10 rehabilitation of soldiers when they're wounded, their
11 families. It's kind of one of the cracks. The Department
12 of Defense does really well in treating the soldiers, but
13 it doesn't help the family members as well as it probably
14 should. So we make a good bit of money off of it so we do
15 soldieries then we do kind of Christian based causes.
16 Like have a big autism program, mission work overseas.

17 Q Is there something call the Hopeful Foundation as
18 well, what is that?

19 A That's another foundation that we have. It's a
20 vehicle to take money and again, I guess it's going to be
21 weird taxes right. It's a way to take dollars, pretax
22 dollars that I would pay income tax on, transfer all that
23 money into the charity. So instead of giving the church a
24 dollar, I can give it this way they and they get the whole
25 dollar.

1 Q Just in the past year or so, do you know how much
2 North American Rescue has given away to charitable causes?

3 A In the last three years, probably over six million.

4 Q How many employees does North American Rescue have?

5 A We have 27 to 28 direct employees, but we employee --
6 South Carolina Voc Rehab has a job training program and we
7 employee anywhere from 40 to 60 on the floor on a given
8 day.

9 Q I'm going show you a document, we'll mark this as
10 Exhibit one, I mean I've offered it as Exhibit 1, do you
11 recognize that document?

12 A I do.

13 Q It's actually a set of documents marked as Exhibit 1,
14 can you tell us what those are?

15 A Incorporation documents.

16 Q Okay. I'm going to see if I can show them to the
17 jury as well. Okay. These incorporation documents? You
18 might need to move that picture. Thank you. Do you know
19 what state then North American Rescue Products was
20 incorporated in?

21 A Delaware.

22 Q Okay. So it's a Delaware corporation that's
23 authorized to do business in South Carolina?

24 A Yes, sir.

25 Q Okay.

1 MR. ELLIS: Your Honor, I'd like the offer that into
2 evidence as Plaintiff's Exhibit 1.

3 THE COURT: Any objection?

4 MR. STILLWELL: No, sir, Your Honor.

5 THE COURT: Plaintiff's 1 is in evidence without
6 objection.

7 (WHEREUPON, Plaintiff's Exhibit No. 1 was marked
8 for identification and received into evidence.)

9 BY MR. ELLIS:

10 Q How did you meet P. J. Richardson?

11 A It was at a trade show. And he and I differ a little
12 bit, but I think I met his son, Michael, and then I think
13 it was soon after that we bumped into each other at a
14 restaurant.

15 Q What year do you recall this was?

16 A I'm not sure.

17 Q Okay. Now, at that time, did you have North American
18 Rescue Products?

19 A I did.

20 Q Okay. What was the name of P. J.'s company?

21 A Reeves Manufacturing.

22 Q What, at that time, did you understand what Reeves
23 did?

24 A It made emergency medical equipment, a little similar
25 to ours. They got very heavy in the tent and showers.

1 Q Okay. What was your relationship with P. J. when you
2 all started out?

3 A It was a friendly vendor relationship. We hit it
4 off.

5 Q Okay. Did y'all become personal friends as well?

6 A We did.

7 Q Okay. Now, did North American Rescue Products
8 actually pay Reeves for administrative services?

9 A They did.

10 Q Can you give me some kind of a ballpark as to how
11 much North American paid Reeves?

12 A Half a million dollars.

13 Q Do you know what time period it was?

14 A I think over a two or three year period. We had a
15 very lengthy agreement, then it started migrating into
16 they were doing a lot services.

17 Q Okay. What types of services did Reeves do for you?

18 A They did customer service, taking orders. They did
19 my accounting. They did some shipping for me. There was
20 some sewing, but I was paying them to do the sewing. I
21 was buying the product directly, they did that. They did
22 some mailing and marketing, but I did that, too.

23 Q You're saying sewing, tell the jury what kind of
24 products you're talking about here?

25 A They made litter beds for me for a while.

1 Q Let me go back, litter beds, is that to carry
2 soldiers off a battlefield; is that what that is?

3 A It's a way to move people, a litter stretcher to
4 carry people.

5 Q Okay. And did Mrs. Richardson, actually, become an
6 employee of North American, actually, at some point?

7 A She did.

8 Q Okay. What was your relationship with Billie?

9 A It was very warm.

10 Q Your relationship with P. J. personally in the mid to
11 late 90's, what was that?

12 A When I say warm, it was a very good relationship. It
13 was a friendship. We shared a lot of stuff together.

14 Q Okay. Let me show you a document that we've marked
15 as North American Rescue Exhibit 2 and ask you if you
16 recognize that document?

17 A I do.

18 Q What is that document?

19 A This is our first contract together.

20 Q Okay.

21 MR. ELLIS: Your Honor, I'd like to offer that into
22 evidence as North American Rescue's Exhibit 2.

23 THE COURT: Any objection?

24 MR. STILLWELL: I don't have any objection to that,
25 Your Honor. And I think we have a copy of ours, too. We

1 can talk later about how to deal with it.

2 THE COURT: All right, thank you.

3 THE COURT REPORTER: Judge, I need to mark that.

4 THE COURT: I'm sorry, I thought you already had.

5 THE COURT REPORTER: No, sir.

6 THE COURT: Gentleman, make sure the Court Reporter
7 sees those, if you would.

8 MR. ELLIS: I'm sorry.

9 (WHEREUPON, Plaintiff's Exhibit No. 2 was marked
10 for identification and received into evidence.)

11 BY MR. ELLIS:

12 Q Bob, let's take a look at this agreement. Do you
13 recognize this agreement -- tell us what that agreement
14 is.

15 A This was the first time we kind of memorialized or
16 officially memorialized the working relationship.

17 Q Okay. How did this agreement come about?

18 A We had both had some limited status in our companies
19 and we had worked together for a while and trusted each
20 other. It was kind of like an insurance policy. We both
21 had pretty good companies. We had a lot of hurdles in
22 front of us. The odds of both of us making it were
23 probably not great, but the odds of one of us surviving
24 was probably pretty good. And speaking for myself, I
25 viewed it as a way to kind of change (sic) my bed.

1 Q Well, let me see if I can zoom in a little bit here.
2 Bear with me. Looking at Exhibit 2, North American Rescue
3 Exhibit 2, who are the parties to this agreement?

4 A My company and myself and P. J. and his company.

5 Q Okay. So you had North American Rescue Products,
6 Reeves Manufacturing, Bob Castellani and P.J. Richardson..
7 Is there a definition that you see in there of what RMI,
8 Reeves Manufacturing, business is?

9 A Yes, it's the first sentence.

10 Q Okay. And do you also see that the agreement
11 identifies what NARP's business is?

12 A Correct.

13 Q Okay. And just going on down, what else did this
14 contract address?

15 A Well, it's cross-selling products, fairly common
16 thing. Depends how you look at the companies, but we were
17 in about the same market space with different focuses in
18 areas. Reeves Manufacturing, historically, works in the
19 medical EMS that worked with ambulance services. There
20 was an opportunity that presented itself decon weapons of
21 mass destruction. So they really started focusing on that
22 new market. Where I was -- my litters were the only ever
23 tested on live warfare so it kind of bled into that
24 market. But I really was more looking forward on how
25 soldiers were being wounded and how to get people off the

1 battlefield efficiently.

2 Q I noticed that in the next to the last sentence, it
3 says the cross selling has become an important part of
4 each company's business. Did y'all actually engage in
5 that activity as a stock in the contract?

6 A I can tell you what we did. We would go to trade
7 shows and he would put my litters up. And I would go to
8 trade shows and I would promote the decon business. The
9 real link there was the litter. Without the litter, I
10 really didn't have a lot to do with that new market. So
11 as he would sell decon systems, he would try to promote
12 the litter. And I was selling litters for decons, I would
13 try to promote his systems.

14 Q What about commissions, the next line down is
15 commissions, how did that work out?

16 A They sold my product directly, so the whole
17 commission thing wasn't -- I don't remember getting
18 commissions from them, but nor did I really expect to.
19 And I really didn't pay them that many commissions
20 because, again, if someone bought the litter, they bought
21 them from Reeves, not myself. Every now and then, someone
22 would come direct to me, but that normally got caught in
23 the Reeves office somewhere.

24 Q Did y'all ever formally terminate the commission
25 provision?

1 A In the termination agreement.

2 Q Okay. In the next line, it says envelope of
3 management. Did you all respect that provision?

4 A We did.

5 Q And looking at the agreement, what did you understand
6 that to mean?

7 A We just didn't meddle in each other's business.

8 P. J. had -- the business, of course, setting up, he had a
9 lot of employees. I really didn't have employees. They
10 had manufacturing, which is a whole separate type of
11 industry than selling as you viewed it. So he had to run
12 his company his way. It was a family-owned business, his
13 wife and his two sons were involved. So that inherently
14 caused problems. If I was involved and say I don't like
15 what you're doing and I would say I don't like what your
16 wife's doing. But that, and I had a virtual company, kind
17 of. I was running it differently. I looked at it as a
18 modern company. I was outsource manufacture, outsource
19 distribution. I really focused on designing the products
20 themselves, finding a place to get it manufactured. But
21 really it was about marketing and distributing. So that's
22 what I meant by that.

23 Q It is fair to say then you ran your company and he
24 ran his company?

25 A Yes.

1 Q I believe we've already touched on the termination of
2 commissions. Now, number seven, restricted stock, it says
3 Reeves shall issue RMC, now RMC is you, right?

4 A Correct.

5 Q And NARP shall issue PJR, and that's P. J.
6 Richardson, right?

7 A That's true.

8 Q Capital stock to 25 percent fully diluted of the
9 issued stock of all classes. Did y'all ever actually
10 exchange stock?

11 A We did not.

12 Q Did you ever show P. J. as a stockholder on the books
13 of North American Rescue Products?

14 A Did not.

15 Q To your knowledge, did Reeves Manufacturing ever show
16 you as a shareholder on the book of Reeves?

17 A No.

18 Q This agreement, I believe, was executed originally in
19 2000; is that right?

20 A Yes.

21 Q Okay. Let's just take a look at the next page. So
22 y'all signed this that agreement at the end of 2000?

23 A We did.

24 Q Okay. Did you and P. J. ever have any conversations
25 about actually carrying out the stock provisions of this

1 agreement?

2 A You mean just swapping stock?

3 Q Yes.

4 A We never had a conversation about swapping stock in
5 this agreement.

6 Q Tell me what happened after this was executed in 2000
7 and take me forward to the year 2004.

8 A Well, we signed it and it sat in a drawer. We ran
9 our companies separately. Things were going well.
10 Obviously, there were little issues that would come up
11 every now and then, but I think we had -- we were each
12 looking for the greater good of each other. It did
13 exactly what it was supposed to do. We were linked
14 together. What was good for the goose was good for the
15 gander, which is kind of a silly saying, but it worked.
16 So if I disagreed with a decision P. J. made and I thought
17 it was a bad decision, that's okay, because he was driving
18 the truck off the cliff and I went with him, but he went
19 first. If he disagreed with something I did, I was going
20 to go off the cliff first and he would follow. That was
21 the beauty of this agreement. We had no real separation
22 between us. Of course, the problem was there was not a
23 lot of meat on the agreement, but it worked.

24 Q Did you all talk at some point about changing the
25 relationship then in this contract?

1 A There were two discussions about changing the
2 contract. The first was something called a Reeves group,
3 which came about. And then we had the modified 2004
4 contract that we either signed or agreed to.

5 Q Do you recall ever asking P. J. to merge your company
6 into his or his company into yours?

7 A I do not remember that.

8 Q Okay. You and P. J, you all are actually working
9 with the same lawyer at this time, weren't you? I'm
10 sorry, let me give you a little bit more context. Late
11 2003, early 2004, were y'all actually -- late 2003, were
12 you all working with the same lawyer?

13 A I heard that said. I don't -- I can tell you that
14 Curt drafted that document in 2001 and we both signed it.
15 I do not know if he had a lawyer or not, but I do not know
16 who he was using at the time. Late 2004, I had worked
17 with Curt on this and then turned around and started
18 working with them in 2004. I didn't have an attorney.

19 Q Okay. In late in 2003, were you actually working
20 with a Rod Manning out of Florida?

21 A I'm sorry, yes.

22 Q Was P. J. also using Rod Manning?

23 A Rod was not my attorney. That was his attorney. He
24 drafted the documents and as we were doing the preliminary
25 work, I had to find an attorney. Rod made that perfectly

1 clear.

2 Q Okay. Let me show you this document and see if you
3 recognize that?

4 A I do.

5 Q What is that document?

6 A It's a letter to Rod Manning from myself.

7 Q Okay.

8 MR. ELLIS: Your Honor, I'd like to offer that into
9 evidence as North American Rescue Exhibit 3.

10 THE COURT: Any objection?

11 MR. STILLWELL: I'm sorry, Your Honor. I'm sure I
12 don't. That's fine.

13 THE COURT: All right. Plaintiff's Exhibit No. 3 in
14 evidence at this time without objection.

15 (WHEREUPON, Plaintiff's Exhibit No. 3 was marked
16 for identification and received into evidence.)

17 BY MR. ELLIS:

18 Q What is this Exhibit, Bob?

19 A This is a letter to Rod Manning just kind of
20 outlining -- at the time, we were starting to see the
21 agreement pulled apart, something called the Reeves Group,
22 something that kind of upset me. It was a different way
23 to restructure and I felt that P. J. was pulling assets
24 out of Reeves Manufacturing to what he called Reeves Group
25 where he could do some other investing and buy companies

1 or merge with companies or something. And what we're
2 getting to is we need to relook at the agreement, so I
3 sent a note saying here's what's important to me.

4 Q Let me ask you before we go any further with this,
5 tell me who Curt Stodghill is.

6 A Curt Stodghill is my -- I'm probably going to use
7 this wrong. He's my general counsel. If I have contracts
8 to review, if I have estate planning, if I have
9 nondisclosure agreements people send me, he reviews them
10 for me. General, kind of general business law.

11 Q Okay. Now, looking back at this e-mail that you
12 wrote on January 23rd, 2004, when you say Curt -- I spoke
13 to Curt and I think he has a pretty good understanding of
14 what we are trying to accomplish. However, I'll try to
15 write the main points down. We each -- our 25 percent of
16 the other guy's company. This our, I think that's
17 supposed to be own; is that right?

18 A That's correct.

19 Q Okay. What did you mean there?

20 A I speak minimum -- I'm a military guy, I speak in
21 very direct terms. So after each sentence, I don't write,
22 you know, I would like us each to own, I would like -- we
23 own 25 percent. We operate companies separately. We have
24 right of first refusal. Then the last one is in reference
25 to the Reeves Group, which is this arrangement we had. I

1 wanted to make sure that I reiterated that we had the --
2 the come-along rights or the -- whatever he did, what's
3 good for the goose is good for the gander. So that's what
4 I meant. It was basically this new agreement that we were
5 trying to work out. Those are the four points that I
6 thought were most important.

7 Q Now, at that time, January 23rd, 2004, did you think
8 that you actually owned 25 percent of Reeves?

9 A No.

10 Q Did you think that Reeves, actually, owned 25 -- I'm
11 sorry, did you think that P. J. actually owned 25 percent
12 of North American Rescue Products?

13 A He did not own 25 percent.

14 Q Okay. What did you understand this Exhibit 2 to be
15 then as far as the stock rights went?

16 A Can you ask that again?

17 Q What did you understand the relationship to be then
18 based on Exhibit 2?

19 A This was memorializing. Again, we didn't have all
20 the structure at this time. We were just memorializing.
21 These were things that we were trying to accomplish,
22 although we could have accomplished them.

23 Q Okay. Now, did you actually exchange stock at that
24 point?

25 A We did not.

1 Q Why not?

2 A You mean 2004?

3 Q 2003. Again, I'm sorry, I'll put this back up.
4 January 23rd, 2004. When you all were talking in early
5 2004, did you actually exchange stock with P. J. then?

6 A We did not. At this time, we -- again, we were kind
7 of in between what we were thinking. The Reeves group was
8 a concept of how to -- let me back up. Rightfully so,
9 P. J. was looking at an exit strategy for the company. We
10 knew that the decon business had kind of made its big run.
11 Everybody jumped in the business. P. J. was one of the
12 first ones. We were trying to come up with this really
13 great concept which had air jumpers, had a modac that made
14 phones and stuff. I got real uncomfortable with this
15 deal. And I assumed at this time he was thinking about
16 stopping the company. So there would have definitely not
17 been an exchange of stock because the structure had
18 started to change..

19 Q At some point, did you and P. J. agree to modify the
20 stock provisions of this agreement?

21 A We did.

22 Q How -- tell us how that came about.

23 A It had become clear that he was looking to sell his
24 company. He'd come to me and wanted to know if I wanted
25 to sell the company and I did not want to sell the

1 company. It's my understanding that if he had sold me 25
2 or traded stock with me or sold me 25 percent of his
3 company, he wouldn't have realized enough money out of the
4 sale of the company to retire. He's still gambling on my
5 company. So -- and I didn't want to give up 25 percent of
6 my company now because I was going to be by myself. 7 1/2
7 percent had to have come from some merger between ten and
8 five or something like that, split the difference. But we
9 both felt comfortable with that. And, rightfully, P. J.
10 and Billie were very helpful for me. We, at this time,
11 had this great relationship. But vice versa, they wanted
12 to gamble. But I think it became that, Do we gamble with
13 our retirement or do we gamble on NARP?

14 Q Now, at this point, are we in mid 2004?

15 A When the modification agreement was?

16 Q Yes.

17 A Yeah, correct.

18 Q Now, again, about the modification agreement, where
19 did that happen?

20 A Well, it was agreed to.

21 Q No, tell me where you were when you met with P. J. to
22 talk about changing the agreement from 25 percent to 7 1/2
23 percent?

24 A There wasn't one. We had phone calls. We got
25 together at Curt's office and then we went down to

1 Charleston. So there was kind of a -- so pick your place
2 when we talked about it.

3 Q So did you actually meet with him then in Charleston?

4 A We did.

5 Q And tell me what happened in Charleston, who was
6 there?

7 A Me, Billie and P. J.

8 Q And that was at your beach house?

9 A Yes.

10 Q Okay. And was that the place where you all finally
11 agreed to reduce the stock percentage from 25 percent to 7
12 1/2 percent?

13 A It is.

14 Q Did you exchange stock at that point?

15 A We did not.

16 Q Okay. Did you ever agree with P. J. or did he even
17 discuss with you about whether you would accept anything
18 other than stock in Reeves in exchange for NARP stock?

19 A In Charleston?

20 Q At any time.

21 A That was after -- that was at maybe the Dobson thing
22 or something like that, but at this point, it had always
23 been stock for stock.

24 Q Okay.

25 A So I want to say we signed the termination agreement,

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1 then we started talking about how to make some things
2 work. But he had never offered as we were going through
3 these contracts anything but stock for stock.

4 Q Did he discuss with you during this period of time
5 whether you would accept any other consideration besides
6 stock in Reeves?

7 A No.

8 Q Did you ever offer at that time to accept any other
9 consideration besides stock in Reeves -- I'm sorry, stock
10 in Reeves Manufacturing?

11 A No.

12 Q Okay. Did you make an agreement that sometime P. J.
13 could just pay you directly in cash for NARP stock?

14 A No.

15 Q After the meeting in July where you all reduced the
16 percentage from 25 percent to 7 1/2 percent, what happened
17 then with the companies?

18 A July of? What was --

19 Q July of '04?

20 A I've got so many dates in my head.

21 Q Sure, I understand. What was P. J. talking about
22 doing with his company at this point?

23 A He was looking at selling his company.

24 Q Did he have any actual potential buyers at some
25 point?

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1 A I know of two buyers, but I wasn't brought into the
2 loop. One was the TBI Corporation, which I vaguely
3 remember they wanted -- they were going to give a little
4 bit more, but there was a lot of stock involved in the
5 transaction. The other was the EHS, which was more cash,
6 more of a traditional buy out. That's all I know about.

7 Q At some point, did P. J. Richardson actually become a
8 member of the Board of Directors?

9 A He did.

10 Q Let me show you a document and ask if you recognize
11 North American Rescue Products Exhibit 4?

12 A I do.

13 Q Okay. Let me show it to the jury. What is it
14 Exhibit 4?

15 A Shareholder Minutes.

16 Q Okay.

17 A I might have it as that but it's shareholder
18 agreements and stuff.

19 Q Okay. Would you look and see what the top paragraph
20 says? Where it says resolved?

21 A Okay. You want me to read it?

22 Q Just tell us what it says.

23 A It basically places P. J. on my Board of Directors
24 for a fee of \$50,000.

25 Q So P. J. was actually elected as a member of the

1 Board of Directors of North American Rescue Products at
2 that time, right?

3 A Correct.

4 Q Can you see what the date is at the bottom there?

5 A September 24th, 2004.

6 Q Thank you.

7 MR. ELLIS: Your Honor, I'd like to offer that into
8 evidence as North American Rescue 4.

9 THE COURT: Any objection?

10 MR. STILLWELL: No objection, Your Honor.

11 THE COURT: It's in evidence without objection.

12 (WHEREUPON, Plaintiff's Exhibit No. 4 was marked
13 for identification and received into evidence.)

14 MR. STILLWELL: When we get to some point, I think we
15 can probably stipulate to them.

16 THE COURT: All right.

17 BY MR. ELLIS:

18 Q We talked about he was paid \$50,000 to serve as a
19 member of the Board of Directors. Was he actually paid
20 that amount?

21 A He was paid that amount.

22 Q Okay. Let me show you Exhibit 5, North American
23 Rescue Exhibit 5. And do you recognize that document?

24 A I do.

25 Q Okay. And just describe what it is, please.

1 A It's a 1099. It's a tax form required by the IRS
2 when you pay someone. So it was a sum of \$50,000. And
3 that's how the corporation has to report it.

4 MR. ELLIS: Your Honor, I'd like to offer that in
5 evidence as North American Rescue Exhibit No. 5.

6 THE COURT: Any objection?

7 MR. STILLWELL: No objection, Your Honor.

8 THE COURT: In evidence without objection.

9 (WHEREUPON, Plaintiff's Exhibit No. 5 was marked
10 for identification and received into evidence.)

11 BY MR. ELLIS:

12 Q Why was P. J. put on the Board of Director of NARP?

13 A It was his request as we -- again, as I stated, the
14 agreement started to change for P. J. basically to -- he
15 was looking at this as more of an investment of his money.
16 He wanted to watch his money now. Where before it wasn't
17 an issue because Billie was doing the books, his CFO was
18 doing the financial stuff. He required to now be placed
19 on the Board which gets into the whole management of my
20 company. But again, we had a good relationship. It
21 didn't seem like it was an unreasonable request.

22 Q Now, when you say the agreement was changing, I'm
23 going back to North American Exhibit 2, the 2000 outline,
24 at this point had you all formerly ended this agreement,
25 and I'm talking about in September 2004?

1 A No, we hadn't.

2 Q Okay. What was your understanding of why -- after
3 July 2004, what was your understanding of why the parties
4 didn't just exchange stock as it had been discussed in the
5 outline?

6 A Prior to the Reeves sale happening, is that -- we
7 hadn't really exchanged stocks. I don't know how much
8 time and energy we put into exchanging stock. At this
9 time we didn't exchange stock because P. J. was making a
10 transaction.

11 Q By transaction, what do you mean?

12 A With DHS.

13 Q Okay.

14 A They didn't necessarily want me to be a shareholder,
15 it just complicated the issue. And as a seven percent
16 shareholder, that's a significant amount of ownership in a
17 company. So I would have had the right to ask DHS
18 questions and that would have kind of violated that whole
19 let the other guy manage his company.

20 Q Did P. J. actually tell you that he or someone else
21 had told DHS anything concerning ownership in his company?

22 A Yes, I was told that he had told DHS that he was the
23 only stockholder.

24 Q Okay. So what was your understanding of how that
25 effected his ability to issue shares in Reeves after he

1 had told that to DHS?

2 A Well, it was true, he was the only stockholder but we
3 had the agreement. So he couldn't -- I mean, once he sold
4 Reeves, obviously, he couldn't have given me the 7 1/2
5 percent of the company after it was sold.

6 Q Did you understand anything about any of the tax
7 ramifications also in exchanging stock?

8 A I did.

9 Q Tell the jury what was going on as far as the tax
10 ramifications.

11 A It's not real complicated. It's ordinary income,
12 which is taxed ordinary income rates. Then you have
13 capital gains, which is taxed at a different rate. When
14 you sell -- so, basically, if we swap stock, it would have
15 been capital gains. Currently, that's 15 percent, if you
16 sell stock. If it's ordinary income, it's whatever your
17 tax bracket is. So by switching stock, there's no tax
18 ramification. But for me to have given him stock and him
19 just given me cash -- and again, that's why he donated to
20 charity, why waste the money, just go ahead and give it to
21 a good cause.

22 Q Did you have any discussions about doing something
23 else then besides exchanging stock so you could exchange
24 some interest in each other's companies?

25 A We did. As we were moving forward, again, it's

1 probably a bad analogy but I'll say it anyway because it
2 helps clarify it for me. I can treat you like my brother,
3 but that doesn't make you my brother. We didn't have
4 stock but we treated each other that way. It started to
5 change as the change in Reeves was moving forward. What I
6 was still trying to do -- again, at this point, we had a
7 good relationship. I wanted to still honor that agreement
8 the best I could. So at this point -- or in November or
9 near the end of the termination, we were trying to work
10 something out to make that happen. It's never -- there
11 was never -- there was never a contract or proposals out
12 there.

13 Q Did y'all have any discussions about possibly doing
14 anything with stock options instead of stock?

15 A There were a lot of options mentioned and stock
16 options was definitely one of them.

17 Q Do you know whether or not the lawyers actually
18 floated draft options back and forth between each other?

19 A I found out after the lawsuit they were -- after the
20 lawsuit started that there were options flying back and
21 forth.

22 Q Did you actually see any of the draft options that
23 had been sent back and forth between your lawyer and
24 P. J.'s lawyer?

25 A The first time I saw a draft option was after the

1 lawsuit had started.

2 Q Okay. At some point, did you and Curt Stodghill have
3 a meeting with P. J. and his lawyer to discuss about how
4 to work all this out?

5 A Yeah, it was pretty common. Normally, what happened
6 is we would set some form of the agreement, then you'd
7 turn it over to the attorneys. The attorneys would try to
8 work out what they can work out. Normally, there was one
9 or two sticking points. Then once they come to the
10 sticking points, then you meet with all the attorneys and
11 you say no, what I really need to do is this. I want to
12 do this. You kind of just fine tune it instead of sitting
13 around for the whole discussion. So we did that in
14 Atlanta.

15 Q So what happened in Atlanta?

16 A Well, we had -- we had, again, sticking problems. In
17 the Atlanta meeting, you had a lot of stuff happening.
18 You had P. J. getting close to selling his company, so he
19 needed documents called due diligence documents,
20 shareholders, are you selling what you're selling, do you
21 own what you own, those type of things. So they needed to
22 get this document executed to, basically, say that we
23 didn't have -- they didn't have shareholders.

24 Q Now, this meeting was -- do you recall exactly when
25 it was?

1 A No.

2 Q Do you know if it was in October of 2004?

3 A It was before the November termination, so sometime
4 mid-October to early November.

5 Q Do you recall any of the discussions about the
6 disagreements that you and P. J. were having about how to
7 resolve this? Do you recall anything about an
8 anti-dilution issue coming up?

9 A Yeah, that was again -- the anti-dilution issue -- I
10 have to go back. The first contract, which was good for
11 the goose is good for the gander, my company's an
12 employee-owned company, they own 10 percent of it. I
13 issue shares to people in the company. So what I needed
14 to be able to do is, again, driving off the cliff thing.
15 If I found somebody who was such a good employee that I
16 wanted to retain them and I gave them stock, how the stock
17 would work is it would come out of my pocket and as a
18 percentage of ownership, it would come out of theirs. It
19 was good for me, it was good for them. If they sold the
20 stock back, I would get my percentage and so would the
21 shareholders. P. J. wanted to say no, if you give stock
22 to your employees, that's your business, that doesn't
23 effect my shares. And again, if you go back to the intent
24 that I was trying to follow, that's not what the intent
25 said. The intent said was that they didn't know the

1 management of my company. Part of the management of my
2 company is that the reason we've grown so fast is I've got
3 some awesome people. And I want to hold those awesome
4 people in place with benefits. And one of the benefits
5 you can get is you can get stock in the company. So the
6 anti-dilution clause had specific heartburn. A, it didn't
7 keep us all rowing in the same direction and it started
8 meddling again, more in the management, which started
9 again altering the intent of that original agreement.

10 Q Okay. So in Atlanta, you all met -- in the fall of
11 2004, you all met to try to work out all these differences
12 that you were having?

13 A Yeah, I actually thought that issue had been
14 resolved.

15 Q Okay.

16 A And that's again -- that either came up then. I know
17 it had been an issue early on with other issues.

18 Q But did you all actually have proposals back and
19 forth on the table when you met together in Atlanta?

20 A We had been talking about -- we were talking about
21 it, I believe, at the time the Dobson agreement.

22 Q Okay. How did you understand the parties left the
23 Atlanta meeting?

24 A Just like we've had, we want to work together, but
25 it's all the details that had to be worked out. It hadn't

1 gotten worked out. There was still -- even today sitting
2 in this courtroom, it's not worked out. There were all
3 sorts of little nuances that had to be worked out that
4 were pretty significant then. And anti-dilution was one
5 of them. At one point, he wanted me to put a forfeiture
6 on the stock. So if he bought it at \$100, my company
7 failed, I would have to pay him a hundred dollars for the
8 stock. Again, there were all these little things he was
9 putting in this agreement. And again, I don't know which
10 one at which time, you got e-mails that would give dates
11 and stuff.

12 But the Atlanta meeting, we walked out of there
13 saying listen, this thing's a mess, you're selling your
14 company. Let's clean it with termination -- that I am not
15 an owner in this company. It allows us to start over and
16 there's no pressure anymore. The pressure was coming from
17 the sale of Reeves. At the time, I was just doing
18 business stuff. I had no pressure on me.

19 Q Just then to be sure it's clear, what was your
20 understanding of the status of this Exhibit 2 when the
21 four of you left the meeting in Atlanta?

22 A That it was being terminated.

23 Q Okay. What were things going to be as far as the
24 future goes?

25 A The future was terminate it. Then we were going to

1 get in the Dobson Ministries thing, which was a proposal
2 to take some of the -- it was to take the money I was
3 supposed to get if Reeves sold and it was going to be
4 donated to charity. It's got to work away all this. The
5 tax implications were, basically, me owning the stock. At
6 that point, it didn't matter if I owned the stock. It was
7 all going to charity anyway. So it was a way to effect
8 that thing and, again, try to mirror what we were doing in
9 2000.

10 Q When you left Atlanta, did you understand whether or
11 not the parties had made a new agreement?

12 A We had not made a new agreement.

13 Q Okay. Did it surprise you that -- it is your
14 understanding that you all had terminated the 2000
15 agreement, did it surprise you that P. J. was willing to
16 terminate this?

17 A By terminating this agreement he basically retained 7
18 1/2 percent of his company, which allowed him to sell his
19 company for nine million dollars. So it's not -- no, I
20 mean, I understood -- I mean, he was going to have to take
21 a gamble on me. Again, what might be important for
22 everybody to understand, at the time, most of my
23 infrastructure was sitting up in Maryland. I was working
24 out of the bonus room in my house. So here's this young
25 guy who's got, you know, a high school diploma, a military

1 guy, rightfully, I had done very well for myself. Now,
2 we're going to start managing people, doing payroll,
3 hiring CFO's. There was a risk and he was looking at
4 retirement, so in context, it was a fair thought on his
5 part to basically pad his bed.

6 Q Now, after you all left that meeting in Atlanta then,
7 what do you recall the next step that happened?

8 A Well, I got -- I had faxed over an e-mail going over
9 the termination agreement.

10 Q Okay.

11 MR. ELLIS: Ask you to mark this for me.

12 (WHEREUPON, Plaintiff's Exhibit No. 6 was marked
13 for identification only.)

14 BY MR. ELLIS:

15 Q Okay. Do you recognize this document?

16 A I do.

17 Q What is it?

18 A The Termination, Settlement and Release Agreement.

19 MR. ELLIS: Your Honor, I'd like to offer that into
20 evidence as North American Exhibit 6.

21 THE COURT: Any objection?

22 MR. STILLWELL: No, sir, Your Honor. I was just
23 wondering, I just saw number two up there.

24 MR. ELLIS: Yes.

25 MR. STILLWELL: No problem, Your Honor.

1 THE COURT: Plaintiff's 6 in evidence without
2 objection.

3 (WHEREUPON, Plaintiff's Exhibit No. 6 was
4 admitted into evidence.)

5 BY MR. ELLIS:

6 Q Okay. This is the agreement of termination and
7 settlement that you heard us talk about before. How did
8 you get this document?

9 A It was either faxed to me or e-mailed to me.

10 Q By who?

11 A P. J. Richardson.

12 Q Did you have any part in drafting this document?

13 A I did not.

14 Q Did your lawyer have any part in drafting this
15 document?

16 A I don't believe he had.

17 Q Did P. J. tell you why he sent this document to you?

18 A Yes. I got this document, I think it was relatively
19 late in the day, and he said he needed it for due
20 diligence.

21 Q What due diligence?

22 A For the DHS deal. You have to get one in order to
23 sell the company.

24 Q What did you do when you got the document?

25 A I signed it.

1 Q Why did you sign it?

2 A Because he had told me it was what we agreed to in
3 Atlanta.

4 Q Okay. What did you understand the effect of that
5 agreement to be?

6 A To terminate the 2000 -- well, the modified 2000
7 agreement.

8 Q Okay. Let's go through it and see what it talks
9 about in terms of sale. Down here, it says it terminated
10 the 2000 outline, right?

11 A Correct.

12 Q In the second part of this, it says there's a
13 settlement. All claims and any claims of any major debts
14 are settled, right?

15 A Correct.

16 Q Paragraph three says that NARP and Bob Castellani
17 hereby remise, release and forever discharge Reeves and
18 P. J. for any and all matter of claims and so forth
19 related to the 2000 outline from the beginning of time to
20 the date of this settlement agreement?

21 A Correct.

22 Q Did you notice anything when you first signed this
23 about the next sentence?

24 A No, I did not. I got the paper, I flipped to the
25 back of it and I signed.

1 Q Bob, why did you sign this document without fully
2 going over it and making sure that it was fair to North
3 American Rescue Products as well as to you?

4 A It was the -- you know, we talked about it, it was
5 the trust that we had for all these years. What he told
6 me it was. Again, if you want to get technical, he was
7 the fiduciary of my company, so why wouldn't I trust to
8 sign what he told me.

9 Q What did you understand at this time the role of the
10 board member to be?

11 A Board member is a great position, but they're
12 supposed to put their self-interest aside. That's why you
13 pay them to objectively look at what you're doing, give
14 opinions on, I think that's right, I think that's wrong, I
15 think you're heading in the right direction, I think
16 you're heading in the wrong direction. I sign it or I
17 wouldn't sign it.

18 Q Did you think -- what did you understand that that
19 agreement had effect on your rights with respect to Reeves
20 Manufacturing from that point forward?

21 A They were terminated.

22 Q Okay. Did you believe after you signed this that you
23 had any further rights in Reeves?

24 A No.

25 Q After you signed this, did you undertake any efforts

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1 to claim that you had any rights in Reeves?

2 A No.

3 Q Why not?

4 A I didn't have any rights in Reeves. It was
5 terminated.

6 Q Let me direct your attention to paragraph six where
7 it says entire agreement. Do you see that?

8 A I do.

9 Q This sets forth the entire agreement and
10 understanding of the parties relating to the subject
11 matter contained herein and merges all prior discussions
12 and agreements, both oral and written, between parties.
13 Did you understand at the time you signed this that there
14 actually were other agreements besides this agreement that
15 terminated the 2000 outline?

16 A I knew the 2000 outline, the modification of the 2000
17 outline was that 7.5 percent.

18 Q Did you understand, though, that there was some other
19 part of this particular agreement other than this
20 agreement?

21 A No.

22 Q Okay. Mr. Castellani, was there an option agreement
23 dated December 15, 2004?

24 A There was no other option agreement.

25 Q Do you recall whether that blank was filled in at the

1 time you signed this?

2 A I do not.

3 Q But do you know whose handwriting that is, this 15
4 December, 2004?

5 A I think it's P. J.'s.

6 Q Do you recall why he would have written that in
7 there?

8 A No. I think it's P. J.'s. It's not mine and it's
9 not Curt's.

10 Q Okay. What was your reaction when you realized that
11 there was a reference in there to a certain separate
12 option agreement dated 15 December, 2004 in favor of P. J.
13 but there was nothing in this agreement with reference to
14 you?

15 A It was a turning point in our relationship.

16 Q Okay.

17 A I mean, I was furious.

18 Q Well, why were you furious?

19 A What he did was in a single document, he had his
20 attorney slip in the option agreement, which hadn't
21 existed, but he slipped in that thing from reference to a
22 offer -- a big reference to an option agreement dated
23 somewhere and he didn't put anything there for me.

24 Again, during opening comments, it was real
25 interesting, what went wrong, trust. Well, where was the

1 trust? Why did he put something in there for him and not
2 for me? Why -- I mean, that became the big issue. You
3 see a lot of letters on that, what we're trying to find
4 out, who slipped that in there. That's why it makes no
5 sense in this document that somebody just popped it in
6 there. It was just a little dirty trick.

7 Q Now, what did you think the effect of this agreement
8 was once you came to understand it?

9 A Well, a termination agreement would have been in
10 reference to an option. There was no option. So it was
11 important for me to move forward to find out who put that
12 little micky or whatever you want to do into the document.

13 Q Well, did you think that had caused you to enter into
14 an option agreement?

15 A No, there is no option.

16 Q I'm sorry?

17 A No.

18 Q Okay. Bob, I would like to show you a document that
19 we'll mark as Exhibit 7?

20 A Okay.

21 Q I believe it's already been marked as Exhibit 7.
22 Well, actually, I'm sorry, I take it back. It is not. Do
23 you know what that document is?

24 A Board meetings.

25 Q Okay.

1 MR. ELLIS: Your Honor, I'd like to offer that into
2 evidence as North American Exhibit 7.

3 MR. STILLWELL: It's on my list, too, Your Honor.

4 THE COURT: All right. No objection to Plaintiff's
5 7, it's in evidence without objection.

6 (WHEREUPON, Plaintiff's Exhibit No. 7 was marked
7 for identification and received into evidence.)

8 BY MR. ELLIS:

9 Q Bob, now, in Exhibit 7, this appears to say that the
10 Agreement of Termination, Settlement and Release that
11 resulted the corporation entered into an execute that
12 Agreement of Termination, Settlement and Release. Why was
13 that document entered into?

14 A It's technical, but being the CEO of the company, the
15 Board has to give me authority.

16 Q Well, now, at that time, did you believe -- let me
17 ask you again that what did you think the effect then of
18 Exhibit 6 was, the Agreement of Termination, Settlement
19 and Release was at that point?

20 A I thought it was an inefficient dirty trick. I mean,
21 there was no agreement. Go ahead and terminate the
22 agreement and move on. So it was just memorializing the
23 termination.

24 Q Were you still willing to have discussions of P. J.
25 going forward about his being able to get a percentage of

1 the stock of NARP at this time?

2 A Yeah, I was. But what's important about this is I
3 signed the agreement. I faxed it back that night. Sent
4 it to my attorney, who was upset that I signed it because
5 it was that little line in there. I called P. J., he told
6 me that his attorney had put it in there, that he hadn't.
7 So at this point, I believed that his attorney had put it
8 in there. Again, attorneys do that from time to time,
9 there's always looking out for the best interest of their
10 client. So I thought at that point when we did this that
11 P. J. hadn't done it yet. So, of course, I'm not going to
12 hold him accountable for what his attorney did.

13 Q Okay.

14 A That was voiced to him and Billie both.

15 Q I believe you mentioned earlier that you all were
16 having possible discussions during this period of time
17 about that if P. J. was going to be able to get a
18 percentage of NARP stock going forward, it would involve
19 some sort of a contribution to a charity or charitable
20 trust; is that right?

21 A We did.

22 Q Okay. Let me ask you to look at Exhibit 8 and ask
23 you if you recognize that.

24 A I do.

25 Q What is it?

1 A It's just wiring instructions that I sent up to
2 Billie.

3 Q Okay.

4 MR. ELLIS: Your Honor, I'd like to offer that into
5 evidence as Exhibit 8.

6 THE COURT: Any objection?

7 MR. STILLWELL: It's on our list, too, Your Honor.

8 THE COURT: In evidence.

9 (WHEREUPON, Plaintiff's Exhibit No. 8 was marked
10 for identification and received into evidence.)

11 BY MR. ELLIS:

12 Q This is an e-mail to Billie Richardson?

13 A Correct.

14 Q And, again, that's P. J.'s wife, right?

15 A It is.

16 Q So at this point, you were still discussing then the
17 possibility of P. J. being able to get 7 1/2 percent of
18 the stock of NARP?

19 A Yeah, the wiring instructions, it got this far, I was
20 expecting that deal to go through.

21 Q But did you understand at that point that you,
22 actually, had -- that you and P. J. and NARP and Reeves
23 actually had a contractual obligation among each other?

24 A No, because at the time -- again, the complicated
25 part is there is stuff going on. There is stuff going on

1 with the sale of company requirements. I don't know if a
2 non-compete issue had come in at this time. At some
3 point, we lost Rod Manning, who was the attorney that we
4 had originally worked with down in Atlanta, and we picked
5 up some new attorneys. So what I can't tell was -- what I
6 can tell here is this isn't like it's just a hold on it.
7 There's stuff going on. All sorts of ramifications of the
8 sale of his company and the professionals that are working
9 their way in now. This document shows me that at this
10 point in time that we are moving toward to cling on this
11 deal or wiring instructions.

12 Q Okay. Bob, let me show you this document and ask you
13 if you recognize that? Do you recognize that document?

14 A I do.

15 Q Okay. What is it?

16 A It's a letter from P. J. to myself confirming some
17 conversations that he had with his attorney.

18 MR. ELLIS: I'd like to offer that into evidence as
19 North American's Exhibit 9.

20 THE COURT: Any objection?

21 MR. STILLWELL: We think that one's in our book, too,
22 Your Honor.

23 THE COURT: All right, sir. In evidence without
24 objection.

25

1 A Yes.

2 Q Okay.

3 A I can tell you that when I got it, I signed it and
4 faxed it. So.

5 Q Okay. After you signed the termination agreement and
6 sent it back to him, what did P. J. do with his company?

7 A He sold it.

8 Q Do you know how much he sold it for?

9 A I thought prior to the lawsuit 10 million dollars,
10 but, I guess, it's 9.1, something like that.

11 Q Did he send you any of the money from the sale of
12 Reeves?

13 A Did not.

14 Q Did he tender any of the money from the sale of
15 Reeves to you?

16 A Did not.

17 Q Just be sure I'm being clear, did he say I will be
18 glad to send you this money next week?

19 A No.

20 Q Did you receive any -- did you understand that P. J.
21 believed that he had some obligation to send you any of
22 the money from the sale of Reeves?

23 A The only time we ever talked about it was in the
24 context of a bigger deal. But he never said you get and
25 I'm sending you the money. You'll get, you know, whatever

1 the amount of money was, I don't know. Different numbers
2 floating around here.

3 Q Had you ever agreed with P. J. at this point -- did
4 you ever agree with P. J. that you would just accept cash
5 directly in exchange for the sale of NARP stock?

6 A No.

7 MR. STILLWELL: Your Honor, I have to object to these
8 questions as leading.

9 THE COURT: I appreciate that. I'm going to allow
10 the question.

11 BY MR. ELLIS:

12 Q Okay.

13 A No.

14 Q If you had not terminated your rights of Reeves, if
15 you hadn't signed the termination agreement, would you
16 have done anything differently with respect to the sale of
17 Reeves to DHS than you did?

18 A Yeah, I would have -- it would have -- if you're
19 asking me if I hadn't signed the termination and I still
20 own 7.5 percent or had the right to swap?

21 Q Right.

22 A Yes, I would have done stuff differently.

23 Q What would you have done?

24 A I would have done due diligence. I would have found
25 out how it was being sold. When you sell a company,

1 there's a lot of parts to it. You can be paid for the
2 stock of it and the assets for it. They can work out real
3 nice employee contracts, earns outs, meaning that you and
4 certain members get a certain amount of money. So if I
5 was just a shareholder, it could have been well, the
6 stock's really not worth anything, we're just going to buy
7 your assets. So yes, I would want to know, what was good
8 for the goose, did he get some sort of sweetheart buy-out
9 plan under the golden parachute type of thing and I would
10 have got kind of like stuck in the back. So there's a
11 lots of ways. It's a little complicated when you sell a
12 company, but I would want to know the details of that. So
13 it's just not you have a company, somebody pays you "X"
14 dollars for it, it's not that simple. So yeah, I need to
15 get in just like he did with due diligence to find out
16 what was going on.

17 Q But you didn't do that, did you?

18 A No.

19 Q Why not?

20 A Terminated our rights to the company.

21 Q Was that okay with you?

22 A Yes.

23 Q Okay. Bob, why was it okay with you, though, to
24 terminate your right in Reeves? Had you gotten anything
25 in exchange?

1 A Well, I gained 7 1/2 percent of my company back. But
2 again, if you go back, the original intent of that
3 agreement was not to meddle with each other. P. J. and
4 Billie had been very good to me and had been very helpful
5 to me. I had been helpful to them. They had been very
6 helpful to me. They were looking at retiring. So if
7 that's what they wanted to do, that's what I wanted for
8 them.

9 And, of course, the other side of that is I gained 7
10 1/2 percent of my company back. Because, again, I mean, I
11 was fairly competent that I was going to do well in life.
12 So I wanted to keep doing what I do for a living.

13 Q After he sold Reeves -- after he sold the assets of
14 Reeves to DHS for 9.1 million dollars, did P. J. ever
15 propose an option as described in Exhibit 6, did he ever
16 say okay, here's the option I want to do?

17 A No, he never proposed an option. Again, this is how
18 much -- I didn't know at the time he sold his assets he
19 didn't sell the stock. So, I mean, again, there -- again,
20 that's an example again of complicatedness of that.
21 That's what he wanted to do. But no, he never proposed a
22 deal.

23 Q He didn't send you an option dated December 15th,
24 2004?

25 A No.

1 and -- P. J. Richardson has sold all the assets of his
2 company to DHS. I believe I asked you earlier if he had
3 sent you any of the proceeds from the sale and your answer
4 was?

5 A No.

6 Q Was North American Rescue Products at that point
7 making any proposals about how P. J. might still come to
8 acquire 7 1/2 percent of the stock of NARP?

9 A What was the date?

10 Q I'm talking about after the sale to DHS?

11 A Yes. We're still trying to do the -- kind of honor
12 that original agreement the best we could.

13 Q And again, was it your understanding at that point
14 that you and P. J., actually -- you and P. J. and North
15 American Rescue Products, actually, had a contract at that
16 time?

17 A No, it was the proposal. It was all sorts of little
18 nuances going on with it. But no, we didn't have an
19 agreement.

20 Q Can you describe what it was that you proposed for
21 P. J. to be able to do?

22 A Explain the Dobson deal?

23 Q Sure. As best you can.

24 A As best I can. Again, since I wasn't going to
25 realize capital gain, I was going to realize ordinary

1 income, I was trying to honor the original agreement.
2 Without tooting my own horn, I give lots of money away. I
3 gave money away when I didn't have any money. An
4 opportunity at the time and the church was doing big
5 volunteering projects to put water wells and medical
6 places in line. So I said no harm, no foul, take the
7 money, give it to Dobson Ministries and then Dobson
8 Ministries would donate the money to the church. So it's
9 not real complicated. If I had taken the money, it would
10 have been taxed at my ordinarily income. There was no --
11 there was no -- but that's kind of what the deal was. It
12 was going to be donated.

13 Q So how would P. J. have gotten the stock then?

14 A So what happens is the corporation donates stock to a
15 charity. It's exempt from taxes. So it sits in the
16 charity. Then -- I believe. It sits in the charity, then
17 the person who had the money would donate the money to a
18 charity and then the stock would get transferred to the
19 person and they would have the tax -- they would have the
20 tax problem. If I understand correctly.

21 Q Now, when this proposal was offered to P. J., was
22 there any issue with respect to the price he would have to
23 pay to get the stock?

24 A Yes. Again, if the stocks are equal price, there's
25 no tax hit. There's no tax value. If I were to give you

1 500 shares of my stock, there's a value to that and the
2 IRS is going to want their money out of it. So what we
3 were trying to do is slide these things to each other
4 without the tax event. Again, honoring the original
5 agreement of having 25 percent ownership in it. So --

6 Q Well, now, at that point, though, you were offering 7
7 1/2 percent, though, weren't you?

8 A Yes, 7 1/2 percent.

9 Q Was there any issue with respect, though, to the fair
10 market value of the stock?

11 A There was, that was the problem. My company price at
12 that time was starting to go up. Every year we have
13 somebody come in and they do an evaluation of the stock
14 because we need to make sure if we need to bring new
15 shareholders on. We do all the math the same way so
16 people can't say we're doing something bad. That time was
17 coming so we had to do an evaluation. Now the pressure
18 was on us. Because we were going to have this thing
19 happen whether we liked it or not. We were going to have
20 the evaluation. I didn't have the evaluation. Then it
21 starts to throw problems into the other shareholders, the
22 people that we're bringing in, so the evaluation had to
23 happen.

24 Q When NARP first offered 7 1/2 percent of its stock to
25 P. J. Richardson for the Dobson Ministries, do you know

1 what the relative values were as far as 7 1/2 percent of
2 the stock of NARP versus 7 1/2 percent --

3 A They were relatively --

4 Q Let me finish my question. Do you know what the
5 values were, 7 1/2 percent of the stock of NARP as opposed
6 to 7 1/2 percent of what P. J. had received from the sale
7 of Reeves?

8 A Well, it was -- I don't know the technical term,
9 simple math, what's nine percent of 7 1/2 percent, but
10 there's all sorts of different --

11 Q No, I'm asking you were the values roughly equal,
12 were they not equal?

13 A Yeah, they were equal, roughly equal.

14 Q Okay. So did P. J. want to do the -- want to buy the
15 stock through Dobson?

16 A It is my understanding he did.

17 Q It is your understanding that he did?

18 A By all the documents. I found out later that he
19 didn't want to do it. But, again, I don't know what date
20 we're talking about. If we're talking about -- where's
21 the last document? On the transfer, he didn't do it. He,
22 eventually, didn't want to do it. But maybe I'm stuck and
23 I don't know what month.

24 Q Did P. J. tell you why he didn't want to buy the
25 stock through Dobson?

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1 A There were lots of little things, but I think it came
2 down to, in the end, a non-compete. He had to sign when
3 you sell a company. Why would somebody sell my company
4 today and then pay me for it? The person who bought it
5 wouldn't want to say, Listen, Bob, you're not going to go
6 on in this business for the next three to five years. And
7 if you do, then --

8 Q Well, tell me about that with the non-compete. Did
9 you actually have discussions with P. J. about his having
10 signed the non-compete?

11 A No. We talked about having to sign the non-compete.

12 Q Okay.

13 A That was why there was others. Again, I don't know
14 all the little issues, but there was lots of little
15 issues, always a little something.

16 Q Did P. J. actually during this period of time say to
17 you, Bob, what are you talking about, we already have a
18 contract. I have a right to have your stock and why are
19 we talking about any new deals?

20 A No, he didn't. We signed a termination agreement.
21 It is how you acquired stock at that point. We terminated
22 it. It was proposals, again, multiple proposals, a lot of
23 variations of proposals. Dobson was the last one.

24 Q Did he ever during this period of time say I don't
25 want to do the Dobson deal, but let me do it this other

1 way. I've got another way I can acquire 7 1/2 percent?

2 A No. It was always we would -- we were the ones
3 working to try to make the deal work. Never gave -- the
4 only -- the only deal he ever forwarded me was the demand
5 letter for 7 1/2 percent of the company for a penny. But
6 he never -- his attorneys never generated any proposals,
7 they never said well, why don't we try to do it this way.
8 It was we kept trying to make the deal work. And -- so
9 no, we didn't.

10 Q Did P. J. at this time express to you any discomfort
11 about acquiring the NARP stock?

12 A Yes.

13 Q What did he say?

14 A He discussed things like putting floor on the stock
15 price. So if he had \$100 a share, that the stock could
16 never drop below it. And I thought that was ridiculous.
17 I'm like wait a minute, you know. And his point was
18 listen, this is real money now. I don't think he ever
19 really used that term real money now. But it was clear
20 you want me to put a floor on the stock so if my company's
21 doing great today and then it drops, you never lose value.
22 That's -- that's plenty of doubt. There was doubt about
23 hiring people. There was doubt about -- yeah, there
24 was -- I mean, the emails and all the documents you guys
25 are going to see, there's handwritten notes about doubt,

1 so -- I'm not going to get into all of them, but there was
2 plenty of doubt.

3 Q What did that make you understand, then, about P.J.'s
4 understanding of the relationship at that time?

5 A Well, it was coming in as -- I mean, it was my
6 opinion, he was coming in as an investor. Yeah, he -- if
7 you really think about the context, I had never hired one
8 person -- maybe I had hired one person that time, Rob
9 Miller. I didn't take orders. I didn't have an office.
10 I was working out of the bonus room of my house. In
11 fairness, you could have some real doubts and say well,
12 this guy's a really good salesman, can he now take the
13 role of being chief executive officer or a guy that can
14 take his own orders and hire people. There is a --
15 remember the time now, there was some definite challenges,
16 but I think they were fair.

17 MR. ELLIS: Your Honor, may we approach?

18 THE COURT: Absolutely.

19 BY MR. ELLIS:

20 Q Do you recognize Exhibit 11?

21 A I do.

22 Q What is Exhibit 11?

23 A It's a due diligence checklist.

24 Q Where did you get that?

25 A I'm not sure if I got it from P. J. or if I got it

1 non-compete that Billie own the stock and his name wasn't
2 on it, that it would get around the non-compete.

3 Q Again, let me go back. You're generally in business,
4 can you tell the jury, what's a non-compete agreement?

5 A Non-compete -- again, I told them, it depends on what
6 you do for a living. The more important you are to a
7 corporation, the more solid the non-compete is, the longer
8 the non-compete and the bigger the non-compete is. And
9 again, it's whether to pay you a lot of money, I'm not
10 going to have you go compete with me. So if you're the
11 CEO of a company, especially if you create it from
12 scratch, the last thing they want to do is pay you and
13 then take all those relationships you have and reformulate
14 another company. And then you go all the way to a lower
15 level -- not lower level -- yeah, lower level sales that
16 maybe you taught some techniques, some special techniques
17 in the market space that you don't to want to get out.

18 Q Had P. J. expressed to you at that time whether or
19 not his non-compete had any affect on his ability to
20 acquire NARP stock?

21 A Well, yes, that was transmitted, but I don't know --
22 as we look at these dates on when this due diligence was
23 sent back. But yes, he definitely had concerns about
24 that.

25 Q Okay. Let me show you what we've previously marked

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1 A Well, technically, the handshake preceded it.

2 Q Okay.

3 A It was a handshake agreement and now it's just kind
4 of what the handshake agreement was once we got people who
5 could write legal documents.

6 Q Okay. You go on to say, My concerns we had a great
7 deal on the table which addressed every aspect of the
8 original agreement allowing me to donate all the funds to
9 support missionary work, a nontraditional tax break. It's
10 my opinion it was a perfect agreement, but never really
11 got off the ground. Here's my suggestion, since it's
12 clear NARP stock price is going to rise, which will
13 nullify our original proposal, and I've liquidated stock
14 that's become cumbersome, but are some of the most
15 critical pledges I've made with my share of the sale of
16 Reeves, we can slow down. Let me ask you first of all,
17 why does it say my share of the sale of Reeves?

18 A My theoretical share. I thought things were moving
19 forward and I had made some promises to the church that I
20 was going to support some stuff.

21 Q Did you think at that time that you, actually, were
22 going to get a deal worked out with P. J.?

23 A At that time, I did.

24 Q Okay. Why is my share in quotes?

25 A Theoretically, my share, I didn't own anything. It

1 was -- my share was the, I don't know, my handshake. It
2 wasn't really -- it -- this shaking hands -- I didn't go
3 to college, I don't know the right word. I don't know
4 what it is, but it just kind of my -- kind of thought we
5 were going to do it and I learned I shouldn't open my
6 mouth and promise things to the church if I don't have it.
7 Good lesson.

8 Q It says NARP stock prices is going to rise which will
9 nullify our original proposal. What does it mean, NARP
10 stock will rise and nullify the original proposal?

11 A The original proposal is of equal value. Again, I
12 had to have this evaluation done. It was going to show
13 that my stock price went up significantly. Then we
14 wouldn't be able to do this transaction through Dobson
15 Ministries because now it would risk the -- well, it
16 complicated it, but they just couldn't do it. They
17 couldn't touch it at that point.

18 Q Now, you say it will nullify the original proposal.
19 I mean, at this point, did you understand that there was a
20 proposal on the table -- after this point, did you
21 understand whether there was a proposal on the table that
22 P. J. could react to, could accept?

23 A As I read it, I'm sure we weren't far enough along to
24 make that happen. So I'm assuming at this time the Dobson
25 agreement was there. This letter is, basically, to say

1 remember, I was trying to move my company down. It's not
2 like I had time to sit around. I wasn't going oh, my God,
3 I'm going to hire CFO's and COO's and accounts payable
4 people. I'd never done that before. So this was getting
5 way too distracting and was completely missing the bar,
6 so.

7 Q On top of that you recognize that is P. J.'s response
8 to you?

9 A Yes.

10 Q And he said thanks for your response, I share the
11 same concerns about costs and timing as you do. I think a
12 quick 15 to 20 minute conference call would resolve a lot
13 of outstanding issues and so forth. Did you receive a
14 response from P. J. to your e-mail that said wait a
15 minute, Bob, what are you talking about? We have a
16 contract. You can't pull anything off the table. We have
17 a contract.

18 A No. Again, this was fine now. I mean, we had so
19 many quick 15 to 20 minute phone conferences, this was
20 another one of those things. There was some significant
21 structural issues that kept coming up, you know. But, no.

22 Q At any time prior to April 17th, 2007, which we'll
23 get to shortly -- any time prior to April 17th, 2007 --
24 from May 12th, 2005 to April of 2007, 23-month span, did
25 P. J. ever express to you his belief that you all had an

1 existing contract that allowed him to buy 7 1/2 percent of
2 the stock of NARP in exchange for what -- 7 1/2 percent of
3 what he had received from Reeves?

4 A No. All our talks were, again -- well, the only time
5 I really knew when I got that letter, the demand letter.
6 But no, we talked and -- but, no.

7 Q Now, you all did have some more contact after?

8 A We did.

9 Q Let me show you a document. Do you recognize Exhibit
10 10?

11 A I do.

12 Q What is Exhibit 10?

13 A It's a -- basically, takes the vague reference to an
14 option agreement that was in the November termination
15 agreement and kind of guts it.

16 MR. ELLIS: Your Honor, I'd like to offer that into
17 evidence as North American Exhibit 10.

18 THE COURT: Any objection?

19 MR. STILLWELL: No objection, Your Honor.

20 THE COURT: In evidence without objection.

21 (WHEREUPON, Plaintiff's Exhibit No. 10 was
22 marked for identification and received into
23 evidence.)

24 BY MR. ELLIS:

25 Q Now, what is the -- what's the story behind Exhibit

1 10 here? This is dated June 17th, 2005. This is after
2 the last e-mail where you told P. J. we'll talk in the
3 future. What's going on here?

4 A We had had a meeting set up at Stax to discuss what
5 was going on. I believe Billie and P. J. were traveling
6 down here. I think their son, Michael, had moved down at
7 that time, I believe. They could have come down to see
8 him. But we had a meeting at Stax and Curt and I had a
9 discussion because it really bothered me. Again, this
10 whole trust issue of how that line got inserted in that
11 contract. P. J. told me that Curt had done it or Rod had
12 done it. I confronted Billie, asked Billie -- Billie told
13 me that P. J. would never have done it. So to solve that
14 issue -- that's why it's so clean. It's -- you don't need
15 an attorney to read this document. So what I wanted to do
16 is once and for all find out if P. J. had slipped that
17 thing in because he said Rod did it. So I had Curt
18 prepare me the absolute shortest contact little thing that
19 said, Hey, I'm just taking this thing out. You're right,
20 Rod put it in there. So that's all this is, that's why
21 it's so short. There's no letterhead. It's -- anybody
22 can read this.

23 Q Let me make sure everyone's clear what we're talking
24 about. November 5th you signed an Agreement Termination,
25 Settlement and Release, paragraph 34 refers to an option,

1 refers to 7 1/2 percent of NARP capital stock. An option
2 agreement dated December 15th, 2004. So what we're
3 talking about, what we previously marked as Exhibit 6 and
4 referencing paragraph 34 there -- sorry, I got the pages
5 out of order. The reference in that document, which I
6 have now misplaced, that referred to the option dated
7 December 15th, 2004, right?

8 A This is referring to -- it got a little confusing for
9 me, I'm sorry. This is referring to the, what I call the
10 dirty trick or thing that got slipped into that document
11 on me.

12 Q All right. Okay. So you presented him with this
13 document that you asked him to sign; is that right?

14 A Yep. It is just to see -- again, there was lots of
15 stuff going back and forth, who was telling us what truth
16 about all these e-mails and could we work something out.
17 And again, in the back of my head, it was always did he
18 slip this thing in on me and if he did, then maybe my
19 relationship with him wasn't quite as strong as I thought.
20 All this thing is is just to say, okay, if you didn't put
21 it in the agreement, then take it out.

22 Q Well, were you concerned, though, that there was
23 actually an option?

24 A No, there's no option. There's no December -- no one
25 ever showed an option agreement. So no, there is no --

1 there was never an option agreement. There's no December
2 December 15th. There's no October 3rd option agreement.
3 There is no option agreement.

4 Q Did P. J. agree to sign that document?

5 A No.

6 Q What did you -- what did you take from the fact that
7 he did not agree to sign that document?

8 A I took a very strong -- I think he was going to have
9 someone review it. I think he said well, let me have my
10 attorney review it. But I took from his body language
11 that he wasn't going to sign the document. It's only,
12 what, five lines. We had already terminated.

13 Q We talked before about the fact that you signed that
14 document with that language in there -- I'm sorry, talked
15 before about the fact that you went ahead and signed that
16 document with that language in there without reading it.
17 Again, why had you even signed it?

18 A Again, we had a great relationship. I mean, I can
19 come up with all sorts of words. We trusted each other.
20 We shared each other's families. Our successes. We
21 bounced ideas off each other. Billie was very important
22 to my company and I probably couldn't have done most of it
23 without her. I had a great relationship with these
24 people. You know.

25 And he told me to sign, it's what he said we were

1 going to do. We were going to terminate in Atlanta. He
2 said he needed it. I knew he needed it for closing. I
3 know what due diligence is and the paperwork you have to
4 get ready for it. So I signed it. Should I have read it?
5 Absolutely. But, you know, they want to know when did all
6 this trust go away and make it sound like it just kind
7 of -- something got ahold of my mind and put a hex on me,
8 the attorneys have put a hex on me. No, there's some real
9 facts here. That is a major deal when somebody slips
10 something on freaking -- promise me not to say that, I
11 apologize. Slips something in the agreement. So all this
12 was a way to verify it in a very simple...

13 Q And again, going back to this Exhibit 6 when
14 Mr. Richardson had asked you to sign this, what was his
15 relationship with North American Rescue Products?

16 A He was a fiduciary on my Board of Directors.

17 Q All right. Now, so we've gone from May 12th, 2005
18 was the date that -- May 12th, 2005 was the date that you
19 said he gave -- we're going to have to slow down. I'm
20 thinking stock price is on the rise which will nullify our
21 original proposal in 2005. When was -- did you ever
22 receive a demand from anyone acting on behalf of
23 Mr. Richardson that he is entitled to get 7 1/2 percent of
24 the stock of NARP?

25 A The person -- I think I got the letter sent to Curt

1 and myself from that law firm.

2 Q Do you recognize what's been marked as North American
3 Rescue Exhibit 13?

4 A I do.

5 Q What is it?

6 A It's a demand letter.

7 MR. ELLIS: Your Honor, I'd like to offer that into
8 evidence as Exhibit 13.

9 THE COURT: Any objection?

10 MR. STILLWELL: No objection.

11 THE COURT: In evidence without objection.

12 (WHEREUPON, Plaintiff's Exhibit No. 13 was
13 marked for identification and received into
14 evidence.)

15 BY MR. ELLIS:

16 Q Okay. Again, the date of this letter is April 17th,
17 2007. And it's to Curt Stodghill. And up at the top, it
18 says it's from Eric Orlinsky, do you know who Eric
19 Orlinsky was?

20 A It was one of P. J.'s attorneys.

21 Q Again, the last communication -- your communication
22 to P. J. had been May of 2005. You get this letter
23 April 17th, 2007. Let's take a look at this letter and
24 see what it is he demands in the last paragraph, then
25 we'll go back and talk about a little bit more of it.

1 Accordingly, Mr. Richardson now desires to exercise his
2 option to purchase 7 1/2 percent of the common stock of
3 NARP. Under the terms of the October 2004 option
4 agreement between Mr. Richardson and NARP, Mr. Richardson
5 is entitled to purchase those shares at a price of one
6 cent per share. Did you know what he was talking about
7 when you got this letter?

8 A No. I didn't know -- that's the first time I ever
9 heard about October 4th -- well, couple of things. One is
10 I couldn't believe it surfaced again. Because at the Stax
11 meeting when we said we were going to put things on hold
12 again; an example, again, I can treat you like my brother,
13 but you're not my brother. All I was doing was trying to
14 honor this thing. At the time, I still didn't quite know
15 what the truth of that thing that got slipped into the
16 agreement was. So I did have conversations -- we had
17 conversations about the kids. We had conversations about
18 his son's business. So we did have conversations, but not
19 about this -- this.

20 Q Take me back to the Stax meeting, when was the Stax
21 meeting; do you recall?

22 A Hopefully, it's on the e-mail. I sure you guys have
23 all the dates. I don't have the date of that.

24 Q Let's just say prior to April 17th, 2007, you had
25 talked to Mr. Richardson a number of times, right?

1 A Yes..

2 Q During that period of time, had he ever told you he
3 thought he had a right to buy 7 1/2 percent of the stock
4 of NARP for a penny a share?

5 A No.

6 Q Had he told he thought he had the right to buy the
7 stock of NARP at any price?

8 A No.

9 Q And again, had you seen anything -- had you seen any
10 reference to an October 4th, 2004, option agreement?

11 A First time I ever saw that was when we were going
12 over the legal paperwork.

13 Q Now, let me go back to the second paragraph, as you
14 may be aware, one of the reasons we have been reluctant to
15 proceed in addressing our interest in NARP is due to
16 non-compete restrictions that Mr. Richardson had entered
17 into with DHS and EMS. I believe you testified earlier
18 that you were aware that P. J. had signed a non-compete
19 with DHS when he sold his assets; is that right? Were you
20 aware of it?

21 A I knew it was an issue, I never knew he actually
22 technically signed it. What I knew at the time, somewhere
23 in this stuff, P. J. was also released from Reeves and got
24 into a subsequent lawsuit. That was going -- the
25 non-compete was going -- and that's where Billie bounced

1 feel when you received a letter from Mr. Orlinsky on April
2 17th demanding that he had a right to purchase for a penny
3 a share?

4 A Out of my tree would probably be sufficient.

5 Q Out of your tree would probably be sufficient?

6 A I was very angry.

7 Q That means you're angry?

8 A Yeah, trying to.

9 Q What did you think when you actually saw that draft
10 that P. J. had signed?

11 A I mean, again, it was unbelievable that -- that -- I
12 don't know. Again, this is a draft agreement nobody but
13 P. J. had seen at this point. Anybody we talked to hadn't
14 seen this thing yet. It shows up -- apparently, Orlinsky
15 had saw it. Assuming I had signed the other back end of
16 this thing or something. I was a madman.

17 Q Again, this whole time, had he never tried to send
18 you 7 1/2 percent of the sales proceeds of Reeves?

19 A No.

20 Q Had it surprised you he hadn't tried to send you 7
21 1/2 percent of Reeves?

22 A No.

23 Q Why not?

24 A He didn't owe me 7 1/2 percent of Reeves.

25 Q I'm sorry, I didn't hear you. Speak into the

1 microphone?

2 A I never owned 7 1/2 percent of Reeves. It terminated
3 and we were going to work on proposals to try to get the
4 general intention, the general agreement done.

5 Q What are you going to ask this Court to do as far as
6 P. J. not having disclosed to NARP that he had signed this
7 draft until 2007?

8 A I'm asking for the \$50,000 I gave him to be an
9 adviser and be on the Board of Directors and to put our
10 corporate or shareholders' concerns above his own.

11 Q Now, let me go back just real quickly, I'm almost
12 done, let me go back with you to Exhibit 2. To Exhibit 2.
13 Now, that is an agreement between Reeves, NARP, you and P.
14 J., right?

15 A Correct.

16 Q Okay. And is Reeves' business defined in that?

17 A It is.

18 Q Does P. J., to your knowledge, still have any
19 ownership in a business that's in the business of
20 designing, manufacturing and selling certain emergency,
21 medical and rescue products?

22 A To my knowledge, he has no business with those
23 things.

24 Q Okay. In exchange for 7 1/2 percent of the stock of
25 NARP, other than proposals to the Dobson Ministries, had

1 you agreed to accept anything -- what had you agreed to
2 accept beside stock in Reeves?

3 A Other than that Dobson proposal, through this whole
4 thing, it was stock for stock.

5 Q Was it ever okay with you just to get cash,
6 personally get cash for NARP stock?

7 A No, we don't -- there's no reason for the company to
8 have cash investors. Only people that get stock other
9 than when I first started the company. The only reason to
10 have shareholders is they're in the company working. So
11 there wouldn't have been any reason for me just to take
12 cash. I didn't need the cash. I was giving the cash
13 away. The key to ownership is to have people working side
14 by side, you know, you manage -- at least, let me explain
15 to them why they're mad before they walk out the door.
16 The ownership -- if you're happy and you're celebrating,
17 they're happy. So there's no reason to pay cash.

18 Q So in your view, could P. J. still perform the 2000
19 agreement?

20 A He could not.

21 Q Why not?

22 A He doesn't own Reeves Manufacturing nor is he in a
23 position of influence to help the company. He was when he
24 was the CEO of Reeves Manufacturing. He has -- all the
25 customer lists are gone, the warehousing, manufacturing,

1 sign. He sent it to me because he needed the document.
2 There was no document. I signed it. I didn't think it
3 was in here. It's my fault for signing it. I'm a big
4 boy. I should have had somebody review it.

5 Q Had you ever agreed, though, to any proposal for him
6 to be able to acquire NARP stock after this termination
7 agreement other than his paying fair market value for it?

8 A No.

9 Q Okay. But did you, in fact, after the 2000 agreement
10 make a proposal to the Dobson Ministries to him?

11 A Yes, that was fair market value.

12 Q Okay. Fair market value?

13 A It has to be fair market value.

14 MR. ELLIS: Thank you, Your Honor. Nothing further
15 at this time.

16 THE COURT: All right.

17 Ladies and gentlemen, we're going to -- well, y'all
18 are going to go home for the evening. I'm going to have
19 you come back tomorrow morning at 9:00 in your jury room.
20 Please do not discuss this case. I told you not to
21 discuss the case among yourselves. Go home and see your
22 husband, wife, boyfriend, girlfriend, whomever, you cannot
23 talk about this case. They unintentionally will give you
24 their opinion about this case. They don't have one.
25 Y'all shouldn't have one at this point in time. Don't

1 talk about the case. Don't allow anybody to talk to you
2 about it. If from some reason someone would try to do
3 that and you can find out who that person is in relative
4 safety, you report that person to the Court and we'll take
5 care of it. I'll see you back tomorrow morning at 9:00
6 a.m. Thank you, very much.

7 Everyone else remain seated.

8 (WHEREUPON, the jury left open court at
9 approximately 5:10 p.m.)

10 THE COURT: All right. All right, gentlemen, take a
11 short break for five minutes and we'll reconvene. Thank
12 you, very much.

13 (WHEREUPON, a short break was taken.)

14 THE COURT: I don't ever like to split up direct and
15 cross-examination, but I felt the jury needed a break.
16 And, obviously, you recognize, they don't have to be here,
17 we do. I don't know if you've ever had the pleasure of
18 trying cases with Judge Ralph King. I did on many a day
19 and was there in the courtroom till 9:00, 10:00, 11:00,
20 midnight. I swore I never would do that. I'm not going
21 to be here next week. If this case doesn't finish on
22 Friday and if we continue on into the future until next
23 time I have court here in Greenville, that's some time
24 from now.

25 Let me ask another question, is there any dispute

1 from the Plaintiff or Defendant that they entered into
2 that agreement, Plaintiff's Exhibit No. 2, that there was
3 a contract and there was an agreement? Is there any
4 problem about that at all from the Plaintiff's side?

5 MR. ELLIS: No, the 2000 outline, no, sir.

6 THE COURT: From the Defense?

7 MR. STILLWELL: Not here, Your Honor.

8 THE COURT: All right. I understand y'all have been
9 living with this thing for a long time. I told you it was
10 my intention to have the jury answer a threshold question
11 as part of some kind of verdict form. Whether or not the
12 parties entered into the -- that contract, the November
13 2004 termination agreement that we've been talking about.
14 A simple yes or no. If they say no, then y'all are back
15 with the 2000 agreement. You sat there and argued about
16 that with the Plaintiff. How can that be?

17 MR. ELLIS: Because I believe they have to prove
18 their decision.

19 THE COURT: No, sir, you have to prove a meeting of
20 the minds. You have to prove the parties entered into a
21 contract. You have to prove -- you're going to prove your
22 case that the parties intended and did enter into that
23 contract. And the jury is going to answer that question
24 yes or no. If for some reason, they answer no, it's going
25 to be the Court's ruling that you go back to the 2000

1 agreement. That means this case ends right then. Don't
2 get any other answers from the jury. And that is because
3 in the 2000 agreement, you agreed to arbitrate all
4 disputes. So your case ends right then with an answer of
5 no by the jury. Y'all need to think about it. See you
6 back tomorrow morning at 9:00 a.m. Thank you, very much.

7 (WHEREUPON, the proceedings were concluded for
8 the day to be reconvened on August 26, 2008.)
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1 Tuesday, August 26, 2008

2 THE COURT: Plaintiff ready?

3 MR. ELLIS: Yes, Your Honor.

4 THE COURT: Defense?

5 MR. STILLWELL: I'd like to do one bit of
6 housekeeping about these documents.

7 THE COURT: Yes, sir. Is there any Plaintiff's
8 documents that you are aware of that you object to at this
9 point in time?

10 MR. STILLWELL: Yes, Your Honor, there is -- Exhibit
11 24 is the only one we object to.

12 THE COURT: All right. So the other exhibits -- does
13 the Plaintiff move to enter those at this point in time?

14 MR. ELLIS: Yes, sir.

15 THE COURT: Any objection except for No. 24?

16 MR. STILLWELL: No, sir, Your Honor.

17 THE COURT: All right. They're in evidence without
18 objection.

19 (WHEREUPON, Plaintiff's Exhibit No.s 14 through
20 23 were marked for identification and received
21 into evidence.)

22 (WHEREUPON, Plaintiff's Exhibit No. 24 was
23 marked for identification only.)

24 (WHEREUPON, Plaintiff's Exhibit Nos. 25 through
25 35 were marked for identification and received

1 into evidence.)

2 THE COURT: On the Defense side, what exhibits has
3 the Defense presented to you that you object to from
4 Plaintiff's counsel?

5 MR. ELLIS: This has just been presented to me. I
6 would like to have a couple of minutes to look at them.

7 THE COURT: I know, but do you know what they have
8 sent to you in the past? I'm sure you have looked at what
9 they've sent to you in the past.

10 MR. ELLIS: I certainly have, Your Honor. My primary
11 objections are to these document, there's an email from a
12 gentleman named Jon Trump regarding the --

13 MR. STILLWELL: I mean, I might not even get into
14 that --

15 (WHEREUPON, the lawyers have an off-the-record
16 discussion.)

17 THE COURT: Let him find the ones that he objects to
18 first.

19 MR. STILLWELL: Okay, I think Madam Court Reporter
20 has already marked --

21 THE COURT: All right, state -- what I want you to do
22 is state what they are.

23 MR. STILLWELL: Okay, Your Honor, I think we got it
24 and I'm going to call out the ones that he agrees to. 51,
25 3, 4, 10, 11, 13, 55, 19, 14, 22, 25, 23, 22, 24, 39, 1,

1 31, 38, 34, 40, 41, 42, 46, and 35. I realize, Your
2 Honor, that's a heck of a lot of exhibits..

3 THE COURT: All right, as I understand it then, the
4 Plaintiff has no objection to any of those. The only one
5 you had an objection was No. 10, is that correct, Mr.
6 Ellis?

7 MR. ELLIS: That's correct.

8 THE COURT: All right, they are in evidence without
9 objection. Why don't we look at No. 10 Tell me what it is
10 that you object to regarding Exhibit 10.

11 (WHEREUPON, Defendant's Exhibit Nos. 1, 3, 4,
12 10, 11, 13, 14, 19, 22, 23, 24, 25, 31, 34, 35,
13 38, 39, 40, 41, 42, 46, 51 and 55 were admitted
14 into evidence.

15 MR. ELLIS: Your Honor, that is -- I think it's
16 prejudicial. I think it shows something that is not the
17 case. Which is there's handwriting on next to the last
18 page where Bob wrote down 7 1/2 percent P.J.

19 THE COURT: Okay.

20 MR. ELLIS: And it's trying to be introduced to show
21 that P. J., I think was an actual owner of North American
22 Rescue Products. And I object to that. I think it's
23 misleading and prejudicial.

24 THE COURT: Well, I'm going to allow it in and your
25 client can explain whatever it is that he did.

1 MR. ELLIS: And, Your Honor, let me make one more
2 note. I didn't understand when I was going through those
3 I think it's Exhibit 1 and I apologize, it's Exhibit 39 --
4 I'm back to Exhibit 1, it's the Reeves Manufacturing
5 Castellani Computation.

6 THE COURT: All right, hold on a second. Are you
7 talking about 39 or are you talking about 1?

8 MR. ELLIS: 1.

9 THE COURT: All right, go ahead.

10 MR. ELLIS: Your Honor, that is an exhibit -- I don't
11 mind it being introduced, being shown, that that is a
12 calculation that P.J. Richardson made. I do mind that
13 it's being introduced for the purpose of showing that
14 there was some subsequent agreement. I just note that for
15 the record.

16 THE COURT: Oaky, I appreciate that. Once again,
17 your client can explain whatever it is that he pleases
18 about that particular document.

19 Mr. Castellani, you may come and retake the stand.

20 All right, ask the jury to come in.

21 (WHEREUPON, the jury came into open court.)

22 THE COURT: Before we get started, Ladies and
23 gentlemen, I apologize for the delay. There were matters
24 the Court had to take up outside your presence. It will
25 not happen again. Thank you, very much.

1 You may begin cross-examination.

2 MR. ELLIS: Thank you, Your Honor.

3 CROSS-EXAMINATION

4 BY MR. STILLWELL:

5 Q Mr. Castellani, just before we start, a little
6 roadmap, you've got the book here that's got all the
7 exhibits or it will come up on the screen and you can read
8 that, whichever one is the most convenient for you.

9 A Thank you.

10 Q Now, I wanted to start where you started with Mr.
11 Ellis where you mentioned that you were a pararescue man
12 in the Air Force.

13 A I was.

14 Q These are actually called pj's, aren't they?

15 A They are.

16 Q Okay. And when you were a pj, did you have a little
17 book like this, on rainy days like this, a little white
18 manual like that?

19 A We did.

20 Q A little checklist. And inside it, did you have like
21 this, like a little call for fire card like this that
22 tells you how to call for fire in case you freak out and
23 forget out to do it?

24 A I did.

25 Q Okay. And when you call for fire, and when I say

1 call for fire, you understand I'm talking about like
2 calling in artillery?

3 A Yes.

4 Q Call in air?

5 A Yes.

6 Q Naval guns, orders, whole nine yards, right?

7 A Right.

8 Q When you do that, you need to be as accurate as you
9 can, don't you?

10 A Correct.

11 Q And you need to be as clear as you can when you call
12 them in, right?

13 A Correct.

14 Q And you have to be direct, too, right?

15 A Yes.

16 Q And you're a direct speaker, aren't you?

17 A Most of the time I am.

18 Q You say what you mean and you mean what you say,
19 right?

20 A As best I can.

21 Q Mandy, could you direct your attention to Exhibit 4
22 there?

23 Could you give me that name. We looked at this when
24 Mr. Ellis was up here and this is a January 23rd e-mail
25 from --

1 A I'm sorry, am I on the right one?

2 Q Yeah. This is from you, right, NA Rescue, that's
3 you, right, at the top?

4 A Yes.

5 Q And it says right there on that first line, we each
6 -- and I'm going to read it and you correct me, we each
7 own 25 percent of the other guy's company, right?

8 A That's what it says.

9 Q Does that mean what it says?

10 A It means we were trying to work out a new
11 arrangement. If you're asking me correctly what that
12 means (inaudible).

13 Q So you're saying that it says we each own 25 percent
14 of the other guy's company and you're saying that it does
15 not mean that. Is that your sworn testimony today?

16 A That's my testimony.

17 Q And if we could pull up -- you remember when I took
18 your deposition about five weeks ago?

19 A Yes..

20 Q I'm going to hand you that. And if you could turn
21 with me to page 31 of that.

22 A (The witness complies.)

23 Q Are you with me?

24 A Yes.

25 Q And I ask you right there, I said -- I'm going to

1 start right there on number 14, line 14. I said, After
2 y'all signed this agreement, I'm talking about the 2000
3 agreement, did you consider that you owned 25 percent of
4 Reeves? And your answer there was, Yeah, yeah, wasn't it?

5 A It was.

6 Q And so is that different than your testimony
7 yesterday, then, you're saying now you didn't own 25
8 percent of each other's company?

9 A No. This document -- through this document, you're
10 going to see ownership, agreement, option, they all
11 blurred together. So as I said, I treated him as an
12 owner. There was no stock. So when you asked these
13 questions, and we go through this, and I know we will,
14 you'll see where I basically kept saying well, I treated
15 him like an owner, but he wasn't an owner. So that answer
16 is correct. Which way are you talking about, again, he
17 was my brother, he was my family. I treated him like
18 that. I considered them owners. I considered them
19 owners. I split the money apart. I didn't put them on
20 tax returns. I didn't do so many other things that make
21 them a real owner. So again, if you want to hold me to
22 the standard that I held them out as a buyer or owner,
23 that's all I can tell you about that.

24 Q I'm going to hand you what's marked as Exhibit No. 62
25 and ask you if you've seen that before.

1 A I think so, I'm not sure.

2 Q Okay, you recognize the caption on it, these are
3 Plaintiff's answers to interrogatories in this case,
4 right?

5 A Okay, yeah.

6 Q And you recognize that caption there, NARP vs. P.J.
7 Richardson. And that's Mr. Ellis' signature on the back
8 there, right, in November of '07?

9 A That is correct.

10 Q Now, let's turn to page six. Start with number
11 seven. This is the question we asked, Enumerate all
12 agreements between the parties that relate to ownership
13 interest. Do you see that?

14 A I do.

15 Q And the answer there, the first line says, Castellani
16 and Richardson signed the January 1, 2000 outline of
17 business relationship. So we asked you what ownership
18 interest there was and you said the 2000 agreement, right?

19 A You asked to identify all agreements that were
20 relating to ownership.

21 Q Okay. But the first answer that you gave out was the
22 2000 agreement, right?

23 A That's related to ownership. We had a right to swap
24 stock.

25 Q Okay. It's related to ownership. Let's look down

1 later there, if you see at the sentence where it starts
2 with therefore, it's the one, two, three, four, fifth
3 sentence in there. Right where it says therefore right
4 there.

5 A Therefore at the meeting --

6 Q Therefore at a meeting in Atlanta, which we're going
7 to talk about, Castellani and Richardson, with counsel
8 present, agreed that neither Castellani had any further
9 ownership interest in each other's company. Don't you
10 think fairly that implies that you had a previous
11 ownership interest in each other's company?

12 A No. I mean, you can look at those words loosely, but
13 if you go back to the top, it says all related. That was
14 related. We modified the 2000 Agreement, it does not say
15 who has ownership.

16 Q Okay.

17 A The question was tell me anything, advise me of
18 anything that's related to ownership. So that would be
19 one of the documents.

20 Q Let's keep reading on that same sentence. Richardson
21 had any further ownership in each other's company and
22 would not have any such ownership until a further
23 agreement could be reached --

24 A Could you say it one more time?

25 Q Right there, Richardson had any further ownership in

1 each other's company and would not have any such ownership
2 unless a further agreement could be reached. Do you see
3 that part?

4 A I do.

5 Q Now, you've never read these before?

6 A No. What happened -- well, this is my -- Bernie
7 asked me questions and I answered those questions. I'm
8 responsible for them, but I don't know what that means.
9 All I know is is all documents related to ownership.

10 Q Well, see how many lawyers you told previously that
11 you owned an interest in each other's company. First,
12 that Exhibit 4 we looked at was you writing Rod Manning
13 that you each owned a 25 percent interest in each other's
14 company, correct?

15 MR. ELLIS: Your Honor, I'm going to object to the
16 line of questioning on the grounds of relevance. I mean,
17 I think the issue before the Court that we talked about is
18 it's something for the jury to decide. I don't understand
19 how this line of questioning is relevant.

20 THE COURT: I appreciate that. First, it is
21 cross-examination and I do not see him going beyond the
22 bounds that's proper. At this point in time, I'm going to
23 allow it. I'm not telling you not to seek further
24 objections.

25 BY MR. STILLWELL:

1 Q All right. This e-mail No. 4 is to Rod Manning, so
2 you're telling him you each own 25 percent of each other's
3 company, right?

4 A As I said before, you can look throughout this whole
5 document and you will -- that's how I treated him. This
6 e-mail sort of binds all these things together, which is
7 what you're supposed to do. This e-mail -- there is no
8 ownership. You can't create ownership.

9 Q Let's see if we can make it simple. Did you write
10 Rod Manning, a lawyer, and Curt Stodghill, a lawyer, and
11 say number one, we each own 25 percent of the other guy's
12 company? You wrote two lawyers there, didn't you?

13 A I did write two lawyers.

14 Q And then the other lawyer, which you told Mr. Ellis
15 at some time about those interrogatory responses and you
16 told him you owned 25 percent of each other's company?

17 A It's the same context that I'm tell you--

18 MR. ELLIS: Your Honor, objection.

19 THE COURT: I think the witness can answer the
20 question as he deems proper.

21 BY MR. STILLWELL:

22 Q And then when I took your deposition, me, as a
23 lawyer, you told me you owned 25 percent in each other's
24 company, too, didn't you?

25 A Again, as I've explained it, that we treated each

1 other like 25 percent. This document, again, if you'll
2 read through it you'll see where we're saying we had
3 ownership, we didn't have ownership, we've got agreements.
4 It depends on the context of what you're talking about.

5 Q Just so we're clear, though, you told me that you
6 owned 25 percent of each other's company in June, correct?

7 A In the context of treating each other like owners. I
8 did not tell you, and you'll see throughout this
9 deposition where I -- where we bounced back and forth
10 because the words we were using in its context.

11 Q But you're telling the jury today y'all never owned
12 25 percent stake in each other's business?

13 A That's what I'm telling them.

14 Q I want to move on now and talk about another issue,
15 about these taxes.

16 A Okay.

17 Q The taxes. Now, you mentioned something about a 41
18 percent personal income tax rate?

19 A I don't know if I mentioned that exactly.

20 Q What did you say, you said 41 percent number, you
21 said ordinary income is taxed at 41 percent, right?

22 A No, I never said that.

23 Q You didn't say that on your direct examination?

24 A No, I said I intentionally didn't give the tax rate
25 because I don't know the tax rate. But, I mean, clearly

1 because I don't understand it. Ordinary income I gave no
2 number and I think it's 42 on tax.

3 Q Okay.

4 A And I gave capital gains I gave 15 percent.

5 Q Okay. And that part you know about the 42 percent,
6 the 15 percent, that's just a rule of thumb?

7 A That is a rule of thumb.

8 Q And did you learn that from Curt?

9 A It's a pretty common knowledge just dealing with
10 money.

11 Q But your tax lawyer is Curt, right?

12 A That's correct.

13 Q Now, let me just go -- let me just run through some
14 numbers with you, okay?

15 A Okay.

16 Q And do you need a calculator, you may need a
17 calculator.

18 A I can use a calculator. You got a pad?

19 Q First thing I want you to do is let's just go 42
20 minus 15. Let's just figure out the difference in those
21 income tax rates.

22 A Okay.

23 Q Okay. There's a 27 percent difference, right?

24 A Correct.

25 Q Let's just pick a number and apply it against that.

1 And let's just pick a number of \$415,000, okay?

2 A Okay.

3 Q And then let's multiple those two numbers together.

4 A Okay.

5 Q Then divide by 100.

6 A Okay.

7 Q What did you get?

8 A I got \$112 and five cents.

9 Q Let's do that again, okay. Do point 27.

10 A 415.

11 Q 415,000, you've got to add those three zeros on

12 there. Point 27 times 415,000.

13 A You wanted 415,000 times point 27.

14 Q 415,000 times point 27, right.

15 A Okay.

16 Q What did you get?

17 A 112,000.

18 Q Now, I understand that you do not agree that 7 1/2

19 percent of the proceeds from the sale of Reeves was

20 415,000, do you?

21 A I don't know what the proceeds are. They don't make

22 sense.

23 Q You don't have any idea what they are?

24 A It's 7 1/2 percent -- I think he sold it for 9.1

25 million. I do know that there's other tax ramifications.

1 So if you're asking me to sit up here today for the first
2 time and calculate what my portion of Reeves is we can do
3 it if this is--

4 Q No, I'm not. When you were working on the Dobson
5 deal, was that to pay less taxes?

6 A I was giving money away.

7 Q Now, were you trying to pay less taxes when you did
8 the Dobson deal?

9 A There were two things we were trying to do.
10 Primarily, get the deal done because we had the inflated
11 evaluation coming. So there are multiple reasons to do
12 that deal. If you're going to ask me about the Dobson
13 deal I'll try to give an answer, but I just want everybody
14 to know the relatively complicated tax structure. And
15 that's why Curt is the attorney and tax specialist. But
16 I'll try to answer that.

17 Q Okay. Isn't it true that you told P. J. that he
18 would also get a tax deduction for the Dobson deal?

19 A I did.

20 Q And so he would get a deduction on the other side of
21 putting that money into Dobson, is that how that would
22 work?

23 A I remember when we were working the deal out, that it
24 was some benefits because that price was about to pop up.
25 So P. J. was kind of donating the money to charity. So he

1 donated a hundred dollars to charity and he gets a hundred
2 dollars donation. If he had bought the stock directly, he
3 wouldn't have gotten the deduction. Just like if you guys
4 buy stock, if it's a hundred dollars, you buy a hundred
5 dollars and donate it to charity, you get it.

6 Q But you told P. J. he'd get a tax break out of the
7 Dobson deal, too, right?

8 A I did.

9 Q So you get a tax break out of one side and he'd get a
10 tax break out of the other side?

11 A That's correct.

12 Q And then Curt also told -- you understand, don't you,
13 that Curt told Eric Orlinsky up in Maryland that P. J.
14 would get a tax break, too?

15 A I don't know.

16 Q That's not your understanding?

17 A I said I didn't know if he said that.

18 Q Let's go over here and talk about some evaluations of
19 the company.

20 A Okay.

21 Q I want to look at Exhibit 35. You can keep the
22 calculator.

23 A Go ahead.

24 Q If we could go to the second page of this document.

25 A Okay.

1 Q You recognize here that this is sent from Curt
2 Stodghill to Ed Kidner?

3 A Okay.

4 Q And this is around the time of April 21st, 2005, you
5 see the date there?

6 A Yes.

7 Q And was this evaluation something that was used in
8 connection with the Dobson deal?

9 A I've not ever seen the document. If you can show me
10 where it says that.

11 Q You don't know why Curt was sending this to Ed Kidner
12 in April of 2005?

13 A I don't know if this was part of the Dobson, but this
14 was part of his plan. He said he could possibly do it,
15 but there's nothing on here to say here Ed, this is about
16 the Dobson deal.

17 Q You see it right there in the subject line it's RE:
18 NARP 7.5 percent evaluation. That's what we've been
19 talking about, right, 7.5 percent evaluation?

20 A Yes.

21 Q Let's turn to page 8 of 10. And I just want to
22 direct your attention to those bottom two paragraphs. The
23 first one talks about a discount for lack of control,
24 right, you see that?

25 A I do.

1 Q You see down there at the bottom, it says for lack of
2 control, there's a 35 percent discount. You see that?

3 A I see 20 percent discount, I don't see the 30.

4 Q Lack of control, the one before. You're looking down
5 in marketability. The last line, you see that?

6 A I do.

7 Q You agree that 35 percent lack of control discount is
8 something you would agree that's reasonable?

9 A Yeah.

10 Q And then the next paragraph, lack of marketability,
11 that's a 20 percent discount, right?

12 A That is correct.

13 Q And if you'll flip over -- and you agree, that's a
14 reasonable figure for lack of marketability?

15 A I assume it is.

16 Q Let's flip over to the next page. And I'm just going
17 to direct your attention to the bottom two paragraphs.

18 A Okay.

19 Q Now, right there, that first sentence says, Based on
20 our assessment of the two methods, we concluded the
21 enterprise value to be, and that's six million 635, is
22 that what that looks like?

23 A It's six or eight million.

24 Q Okay. Six or eight million dollars is what the value
25 of NARP was in April of 2005?

1 A Correct.

2 Q And then if we go down to the last paragraph, it says
3 the value for the 7 1/2 percent is \$336,000. Do you see
4 that?

5 A I do.

6 Q Do you agree that was the correct evaluation at that
7 time?

8 A Depending on the deal that we were structuring but in
9 this document it says that it's 600 and 7 or 8 thousand
10 dollars.

11 Q But you don't have any reason to contest the validity
12 of this document sent from your lawyer to Mr. Kidner, do
13 you?

14 A No, I just don't know if it's relationship to the
15 Dobson deal or in relationship to just buying the stock
16 straight.

17 Q Okay.

18 A Again, it's two different ways you have to view that.

19 Q We'll come back to that. We have some documents.
20 Now, those discounts on page 8 and 10 for lack of control
21 and lack of marketability, those don't apply to you as the
22 guy who owns 90 percent of the stock, do they?

23 A No, they don't.

24 Q And so there wouldn't be any discount against the
25 total value of the company on your shares, would they?

1 A No.

2 Q And what do you believe the value of NARP is today?

3 A It's probably in the range of 70 to 85 million.

4 Q Seventy to 85 million?

5 A Correct.

6 Q Let me direct your attention to your deposition
7 testimony.

8 A Okay.

9 Q And, Mandy, could you put that up for me? I don't
10 have the page in front of me.

11 I'm on page 215.

12 A Okay.

13 Q You see that on line 16 there?

14 A 16, okay.

15 Q Now, I said, Let's start at the other end, do you
16 have a feeling for what your company's worth today? And
17 if you flip to the front of your book, that was June 17th,
18 wasn't it?

19 A Correct.

20 Q June 17, you said you had a feeling.

21 What do you think that is?

22 Somewhere between 150 to 200 million dollars.

23 On June 17, you believed your company was worth
24 between 150 and 200 million dollars?

25 A I did.

1 Q And now you're saying it's worth 85 million dollars?

2 I didn't even hear what you said, 78 to 85?

3 A Seventy-five to 85.

4 Q You can put that down, Mandy.

5 So between 2005 and today, your company has grown
6 from either six or eight million dollars to 85 million
7 dollars, at least?

8 A At the time of that 150 to 200 million, we had a
9 company that actually had a bid on our company to buy it
10 for that. But they didn't ask me has anybody offered to
11 buy, we were looking for a partner at the time. Saturday,
12 they pulled out. And the reason was is because what we do
13 for a living, again, we make military medical equipment.
14 And they just signed the Iraq peace deal or think about to
15 sign it which means they'll pull out by 2012. And the
16 company thought at the time, who was looking to buy into
17 it, they didn't believe investing that much money into the
18 company because they didn't think they would get a big
19 enough return. What they said was they would do the deal
20 somewhere 75 to 80 million dollars. So at the time you
21 asked me that question, I was a hundred percent accurate.
22 I had a deal on the table and I was being honest about it.
23 Being honest today, they pulled out of it. There is no
24 deal. When I talked to my bankers, who do this for a
25 living, they told me that that was about the right range

1 of wanting to try to find a partner.

2 Q And that happened Saturday, right?

3 A That happened Saturday.

4 Q Friday, you thought your company was worth 150
5 million dollars?

6 A I did.

7 Q Saturday, you thought it was worth 85 million
8 dollars?

9 A That's correct.

10 Q And you're telling us on Tuesday, it went from 150 on
11 Friday to 85 on Tuesday?

12 A It was a bad weekend.

13 Q Let's go back and start a little bit with the boards.
14 I want to talk chronology. It's a little bit easier that
15 way. Now, you and P. J. met, I think you said '98, '99?

16 A Could you put the boards back up?

17 Q Yeah, they're right here. Can you see them?

18 A I can stand up.

19 Q Let's start -- I'm going to start in the beginning so
20 we can just use that board right now. Y'all met in '98 or
21 '99, we're off the board, right?

22 A Correct.

23 Q You had been out of the Air Force like four or five
24 years at that point?

25 A Correct.

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1 Q And at that point, Reeves was an established company,
2 wasn't it?

3 A I don't know when they incorporated. When did they
4 incorporate?

5 Q I don't know when they incorporated. Reeves was an
6 operating company, wasn't it?

7 A Well, here's what I understand about Reeves. Reeves
8 was bought an old company and started in the 1800's
9 building (inaudible). P. J. bought it. He had investors
10 and he just transferred it. And I think that's -- within
11 a short period of time transferred it down to Maryland.
12 So you're saying it was an established company, the brand
13 had been established. Had you said correctly, Mr. and
14 Mrs. Reeves. So they were a fairly new company. They had
15 more overhead than I did, they had investors, I didn't. I
16 don't know how you want to say established.

17 Q It was an established company, wasn't it?

18 A As I knew it, it was a pretty new company.

19 Q Okay. Well --

20 A His wasn't too much older than mine.

21 Q Well, let me direct your attention to page 20 of your
22 deposition.

23 A Okay.

24 Q I said -- on page 20 at line 2, I said, How did that
25 compare to the size of Reeves at that time? And you tell

1 me if I'm reading your answer right. I mean, Reeves was
2 bigger from a structural standpoint --

3 A Could you give me the line number?

4 Q Yeah, line 2, page 20.

5 A Thank you.

6 Q I said, How did that compare to the size of Reeves at
7 that time?

8 And you said, I mean, Reeves was bigger from a
9 structural standpoint. It was bigger from a personnel
10 standpoint. I don't know how it, from a gross sales, but
11 it -- I don't know. I don't know how it compared to them
12 as profitability or I don't know the structure of Reeves
13 at the time, I don't know. I mean, it was an established
14 company.

15 Isn't that what you said to me at your deposition?

16 A That is correct.

17 Q Okay. And at that time, NARP had no employees other
18 than yourself, did it?

19 A It did not.

20 Q And you were working out of your house?

21 A I was.

22 Q And I heard you say in your direct testimony that
23 NARP was actually a virtual company then, right?

24 A I used the term virtual company. If you mean did I
25 profit, sometimes virtual companies were used to start a

1 company that didn't have products and assets, didn't have
2 patents and stuff, I had all that. What I didn't do, I
3 didn't do all the back-end stuff, shipping and stuff.

4 Q All, right. Okay. In 2000, would you describe NARP
5 as a virtual company?

6 A That's how I describe it now.

7 Q And that's how you described it then, too?

8 A Yes.

9 Q And I think you said that that was a -- that was a
10 more modernistic version than what Reeves was doing?

11 A Yes.

12 Q And at that time, you had no building?

13 A Correct.

14 Q But you have a building now, right?

15 A I do.

16 Q You had no employees then?

17 A Correct.

18 Q But you have employees now?

19 A Correct.

20 Q And your first employee at NARP was, actually,
21 Billie, wasn't she? I mean, other than Bob?

22 A I don't know if she was an employee, but she was paid
23 a salary and stuff like that, which is probably -- Bob
24 Miller was my actual first employee that I hired that came
25 on.. So Billie, I don't know if Billie got a paycheck at

1 that time or not. If she did, that's okay and I wouldn't
2 argue with that.

3 Q She worked there before Bob Miller?

4 A She definitely worked with me but again, I don't want
5 to step in some--

6 Q Well, instead of talking about her employment status,
7 let's just talk about what she did. She ran your books?

8 A Yes.

9 Q She did the paperwork?

10 A When I say what she did, her and support people. So
11 I don't know -- I mean, she was definitely kind of my
12 go-to person. Yes, she was very important.

13 Q And those other people were people who worked for
14 Reeves, right?

15 A Correct.

16 Q Okay. And so through her, they did your receivables,
17 your payables, all your back-end stuff, right?

18 A Receivables, payables, customer inquiries, not all of
19 them, answered my phones and it grew over time.

20 Q And you talked to her everyday, right?

21 A Yes, I did.

22 Q Multiple times a day?

23 A Yes.

24 Q And that's not just when you were in Maryland, but
25 when you were down here in Easley and Greenville, too,

1 right?

2 A Correct, until we transferred.

3 Q I mean, even after you transferred, you talked to her
4 daily, didn't you?

5 A Well, as soon as we transferred everything down here
6 it wasn't everyday but it was frequent. So it dropped
7 off.

8 Q Y'all had a very close relationship, didn't you?

9 A Yes.

10 Q Did you frequently close calls with each other by
11 saying you love each other?

12 A Yes.

13 Q And on P. J., before the Atlanta meeting, you talked
14 to P. J. multiple times a day, too, didn't you?

15 A I did.

16 Q That was also a very close relationship?

17 A It was.

18 Q And after Atlanta, you still talked to P. J.
19 regularly, didn't you?

20 A I did.

21 Q And, again, that was a very trusting relationship,
22 wasn't it?

23 A After the Atlanta meeting, it had become a whole
24 lot -- actually, Charleston to Atlanta, it became a whole
25 lot more business focused.

1 Q Right. That was the then part. It was trusting back
2 then, wasn't it?

3 A It was trusting, yes.

4 Q Okay. Now, at one point in time, you even appointed
5 Billie as your assistant treasurer of your company, right?

6 A That was done under the request of this whole new
7 thing that we're doing.

8 Q Exhibit 51, if you'll look at that. And, Bob, just
9 looking at that last paragraph, it says, Further resolved
10 that Billie Richardson be elected as assistant treasurer
11 of the company. Do you see that?

12 A I do.

13 Q And that's dated June of 2004, right?

14 A Correct.

15 Q This actually predated the beach house meeting?

16 A Yes. If it did, I agree.

17 Q Okay.

18 A Just so you know, Billie was qualified to do this. I
19 didn't have any board members at the time. I didn't have
20 any officers at the time. I ran this company by myself.
21 So I'm not saying Billie wasn't qualified to be a board
22 member or anything like that, I'm just saying I had no
23 reason to complicate my life by starting to pass board
24 resolution among myself. So.

25 Q Let's go to the 2000 agreement. 2000 agreement,

1 Exhibit 3.

2 A Okay.

3 Q This is the agreement where y'all decided to do the
4 25 percent stake, right?

5 A This is the agreement where we were going to swap 25
6 percent.

7 Q And now, at this point, y'all were growing your
8 companies side by side when this agreement was -- after it
9 was entered into, weren't you?

10 A We were both supporting each other.

11 Q And you mentioned that y'all -- you paid some
12 commissions to them, at least?

13 A Not as I understand commissions. There was money
14 being sent back and forth. The majority of the money went
15 for services for doing bookkeeping, half a million
16 dollars, plus or minus. Maybe a little bit more. The
17 commissions really didn't play much into this. Reeves was
18 actually selling my products. So if somebody wanted to
19 buy my product, a lot of it was sitting in the warehouse,
20 they would sell it and then they would pay me whatever
21 that was. So there was really no need for commissions.
22 If there was commission, it was very rare and it was for
23 something like maybe Baltimore City wanted to buy some
24 product and they came directly to me. And their sales
25 people had they thought they could get a better deal from

1 me, what I would do is I would is sell it at the same sale
2 price and cut them a check for less.

3 Q Let's talk about something simpler than commissions
4 then. After you paid yourself in NARP, did you pay P. J.
5 a 25 percent share of what was left?

6 A I did.

7 Q This document was actually drafted by Curt Stodghill,
8 wasn't it?

9 A Yes.

10 Q And you got to Curt from a referral from Bobby
11 Dobson's group?

12 A I did.

13 Q Bobby was a preacher that you knew?

14 A Bobby was a CPA.

15 Q He's a preacher, too, right?

16 A He's ministry. It depends on what domination of
17 Christianity calls it, pastors, ministries.

18 Q Now, when you first met him, you thought he was a
19 poor preacher, didn't you?

20 A Oh, yeah.

21 Q Until you went to his house, right?

22 A Bobby and I met and I was looking -- I didn't have a
23 church in the area and I wanted to donate money still.
24 And I met up with Bobby by -- and my friend has a ministry
25 and I thought the ministry was run by a pastor. So I met

1 Bobby and he didn't come across as a lawyer or accountant
2 and so yeah, I thought -- I thought he was a preacher.

3 Q So Bobby is a tax lawyer?

4 A He's a tax lawyer and CPA.

5 Q And he's your son, Tom's, business adviser, correct?

6 A He's a close friend.

7 Q Let's look down there at paragraph seven, paragraph
8 seven of the 2000 agreement. The first part there, Bob,
9 you see that? You can use either one. That part about
10 issuing 25 percent of stock to each other, y'all never
11 actually did that, did you?

12 A We never did.

13 Q Fully diluted right there, so the 2000 agreement was
14 fully diluted right beside the 25 percent, you see that?

15 A Correct.

16 Q This last part down there, at the bottom, now,
17 listen, this is a long sentence, so I'm going to read it
18 and I just want you to tell me what it means. If a
19 company exercises its right to purchase the stock and it
20 entered into an agreement to sell or consummate a
21 transaction to sell a material portion of its property,
22 other than the ordinary course of business. Now, do you
23 see that part?

24 A I do.

25 MR. ELLIS: Your Honor, I'm sorry, may I ask that he

1 read the entire paragraph?

2 THE COURT: I'll allow the question as it is framed.
3 The witness can certainly either explain or refer to other
4 parts of the agreement if he wishes.

5 BY MR. STILLWELL:

6 Q We can do it like this, Bob, to make it easier on all
7 of us. That last sentence, does that sentence talk about
8 if one company sells before the other does, isn't that
9 what that talks about?

10 A I know I need to answer all your questions but you're
11 talking about restricted contact and I understand that.
12 And you're right, that is a long sentence. I could read
13 through this thing in its entirety and give you whatever I
14 think and give you what I think it in is. But this is
15 definitely something that's -- I mean, I could go to my
16 attorney and talk to him about. So if you want to
17 characterize it not being evasive, it's just--

18 Q Curt wrote that, right?

19 A He did.

20 Q So you'd have to ask Curt what it means?

21 A Well I would ask Curt or Bernie.

22 Q I want to go down to this last part, okay?

23 A Okay.

24 Q Just the last phrase there.

25 A Okay.

1 Q Starts down there on the line 4, it says, Then the
2 terminated stockholders shall be paid a portion of any
3 consideration received as if they still owned stock. This
4 provision shall be for a period of two years from the date
5 of the stock purchase at \$100 dollar profit. (Do you see
6 that?

7 A I do.

8 Q Does that tell you what happens after one of the
9 companies is already sold?

10 A It did not.

11 Q It doesn't tell you that?

12 A I mean, again, because you know you need to read the
13 whole agreement and not pulling out a sentence and asking
14 me to relate it to part of your time line. I don't -- I
15 don't know what that means.

16 Q That's fair enough. You don't know what it means, do
17 you?

18 A I do not know what that means.

19 Q Now, isn't it true that at times, y'all actually
20 called this 2000 agreement an option agreement?

21 A It means when we were in deposition, we called this
22 agreement contract, agreement. We kind of called it an
23 option agreement. We didn't have stock. We called it a
24 handshake agreement. There were a lot of different terms,
25 it depended on what we were thinking, what we were doing.

1 Q So yes, you sometimes called this an option
2 agreement?

3 A Correct.

4 Q And when you signed this agreement, by this time, you
5 were actually down here in Easley, right?

6 A Yes.

7 Q I mean, Curt wasn't your lawyer while you were in
8 Maryland, right?

9 A That's right, Curt wrote it.

10 Q So the back end of your company when you first moved
11 down here was still back in Frederick, Maryland with
12 Billie, wasn't it?

13 A It was in Frederick, Maryland, yes.

14 Q Okay. You mentioned when y'all entered into this
15 that it was something that -- was an insurance policy, do
16 you remember that?

17 A I said it was like an insurance policy.

18 Q And this is something that you and P. J. had, you had
19 your bets in each other; is that true? I'm not reading,
20 I'm asking you what you said yesterday?

21 A What I said was that's how I viewed it and I think he
22 viewed it that way.

23 Q And it was something that would offset the risk of
24 two young companies, is that it?

25 A If we decided to use it, yes.

1 Q And at that time, none of y'all had very much money,
2 did you?

3 A Again, I don't know what Reeves had. I never saw the
4 brochure telling me they were a well-established company.
5 At the time I can assure you, I was driving limousines at
6 night to pay my bills, so no, I didn't have a lot of
7 money.

8 Q Side jobs, right?

9 A Right.

10 Q And this interest y'all had in each other's company,
11 this was so y'all were all rowing in the same direction;
12 isn't that what you said yesterday?

13 A I want to be accurate, we didn't have interest.

14 Q Okay. I understand that's what you're saying today.

15 A I know we keep using that and I want everybody to
16 understand it, we didn't have interest.

17 Q Okay.

18 A It was an option or agreement or contract that
19 allowed us to trade stock if we wanted to do it.

20 Q Y'all were all rowing in the same direction, weren't
21 you?

22 A Absolutely.

23 Q Now, when you enter into this 2000 agreement, wasn't
24 it clear that P. J. was going to build Reeves just to sell
25 it?

1 A I don't know if I knew that at the 2000 agreement,
2 but it was clear right after that. But again, it could
3 be. Yeah, I think that's probably fair splitting hairs.

4 Q It's fair. When you enter this agreement, you knew
5 P. J. was going to sell the company, right?

6 A Right.

7 Q And you didn't --

8 A He wanted to.

9 Q In other words, he wasn't going to die at the chair
10 running the company, right?

11 A I don't know.

12 Q Okay. Now, did there come a point in time -- we
13 looked at a document yesterday and you were talking about
14 the Reeves group. Do you recall the Reeves group concept?

15 A I do.

16 Q Can you we look at Exhibit 4 real quickly? And it's
17 the same one we've been looking at, the only thing I want
18 to direct your attention to, Bob, down here at the bottom
19 where it says best regards, Bob.

20 A Okay.

21 Q NARP, a member of the Reeves Group, right?

22 A I explained during my deposition that it was a
23 marketing concept. So we're trying to market some of the
24 companies together the same way we were doing it before.
25 So instead of having one company that said Reeves or

1 Reeves and NARP, we had a company called Air Shelter,
2 which was a (inaudible) and a company called modac. So
3 all it was was try to make ourselves seem a little bit
4 better because at the time there were a lot of bigger
5 players. When P. J. went in that market, there weren't a
6 lot of people in this decon business. And we saw people
7 making money, so that's what we tried to do. That's what
8 big companies do. There is big money. So we're trying to
9 do is compete with these individuals. At least,
10 initially.

11 Q Bob, right there on that document, Exhibit 4, same
12 one that was sent to Curt and Rod?

13 A Yes.

14 Q Does it say North American Rescue Products, a member
15 of the Reeves Group?

16 A It does.

17 Q Okay. Let's move on then. Did there come a point in
18 time when you and Billie and Rod and Curt and P. J. all
19 met in Curt's office in Greenville?

20 A Yeah.

21 Q You don't have any memory of what anybody said at
22 that meeting, do you?

23 A No.

24 Q And you do recall the purpose of that meeting,
25 though, was to talk about this 2000 agreement, right?

1 A Yes.

2 Q And there was no resolution at that meeting about the
3 2000 agreement, was there?

4 A While I'm hesitating, I heard a lot about this
5 meeting. But at the time, I didn't remember the meeting.
6 What I've learned subsequently, it was about the 2000
7 agreement, modifying it to some degree.

8 Q And what you've learned about it since is from Curt?

9 A Curt, Bernie, documents, handwritten notes from P.J.

10 Q Let's go to the Charleston beach house, okay?

11 A Okay.

12 Q Let's go to the Charleston beach house. That meeting
13 was you, Billie and P. J., right?

14 A Yes.

15 Q No lawyers?

16 A No lawyers.

17 Q And that was, in fact, your first NARP board meeting,
18 right?

19 A We called it that, I don't know if it actually -- if
20 we had officers left. And real quick, just so you know,
21 that beach house, I've been very blessed, it was on the
22 third story, 1100 square feet condominium that had a
23 beautiful view of part of the canal.

24 Q Okay. We'll call it your beach condo, can we do
25 that?

1 A Yes.

2 Q Okay. And at that point, P. J. was already looking
3 at selling his company, wasn't he?

4 A Yes.

5 Q Okay. And you weren't interested in selling yours,
6 were you?

7 A No.

8 Q Were you interested -- you were interested, weren't
9 you, in reducing P. J.'s ownership share in NARP because
10 you wanted to keep owning NARP?

11 A Well, what was clear is he was backing out of the
12 deal. Not backing out, that's the wrong way to phrase it.
13 They were looking at retiring and 25 percent was a big
14 slug to leave with me. As I had to make this transition
15 more of a traditional type of business. So I didn't want
16 to, as I started bringing employees on, have that much
17 stock owned by someone who didn't have day-to-day dealing
18 in my company. I just didn't have general investors come
19 and give me money. So it was a mutual agreement.

20 Q Okay. A mutual agreement to reduce the 7.5 percent,
21 right?

22 A Correct.

23 Q And part of your emphasis behind that was because you
24 wanted to keep owning the company, right?

25 A Yes.

1 Q Okay.

2 A But just so you know, I would have owned the company
3 with 7 1/2 percent too.

4 Q Right, you just owned less of it?

5 A I would have owned less of it.

6 Q So y'all had mutually agreeable goals in the
7 Charleston meeting?

8 A Correct.

9 Q And it ended up being you'd reduce the 25 percent
10 agreement to 7 1/2, right?

11 A From 25 to 7 1/2, right.

12 Q Okay, 25 to 7 1/2?

13 A Correct.

14 Q Like for like?

15 A Correct.

16 Q And y'all did that deal and then you hugged and
17 kissed and sealed the deal?

18 A Correct.

19 Q And that wasn't just a business meeting, it was a
20 personal meeting, wasn't it?

21 A It was a time to get together and enjoy Charleston
22 and stuff.

23 Q I mean, what I'm saying is it wasn't just money and
24 corporations, there were feelings involved, too, weren't
25 there?

- 1 A There were feelings involved.
- 2 Q Let's talk about options a little bit.
- 3 A Okay.
- 4 Q We talked about that you sometimes called the 2000
- 5 agreement an option?
- 6 A Yes.
- 7 Q Okay. Now, let's look here -- look at Exhibit 11.
- 8 A Okay.
- 9 Q Now, I want you to look at that bottom paragraph.
- 10 A Okay..
- 11 Q Now, this on the top, this is a letter from Curt to
- 12 Rod Manning, right?
- 13 A Yes.
- 14 Q Okay. And it says -- I'm looking at that sentence,
- 15 it says, At this point since we are dealing with 7.5
- 16 percent equity division instead of 25 percent, perhaps,
- 17 options are the least tax and cost means to get this done
- 18 -- well, to get Bob and P. J. to where they desire to be
- 19 provided they are properly tailored. Do you see that?
- 20 A I do.
- 21 Q So here, Curt is mentioning options as a way to get
- 22 this done?
- 23 A Apparently, he is.
- 24 Q I mean, you're copied on this e-mail, aren't you,
- 25 Bob@narescue, that's you, right?

1 A Yeah, but I don't -- again, you're asking -- I don't
2 know what was going on at the time. This is very clear
3 they're talking about taking 7 1/2 percent and turn it
4 into an option. I don't know if there was discussion why
5 P. J. didn't exercise 7 1/2 percent. I don't know what
6 the context was. This is between Curt and Rod. So I can
7 tell you that's what it said, but I don't know the context
8 of this conversation. I don't know what had happened. I
9 don't know --

10 Q Let's put some context on it. The date on it is
11 August of 2004?

12 A Okay.

13 Q That's after the beach meeting, right?

14 A Yes.

15 Q Okay. And at that time, you remember the word
16 options being used a lot, don't you?

17 A I don't know if I would say it's -- I know around the
18 Dobson deal the options word was used a whole lot.

19 Q I want to go back to August, though. I mean, here's
20 the August thing where Curt's talking about options,
21 right?

22 A I'm not disagreeing. You're asking if I remember. I
23 remember the option word. I'm not trying to be evasive.

24 Q All right, let's go to --

25 A That was the predominant subject matter.

1 Q It's just a simple question. Let's look at page 64
2 of your deposition. At page 64, down at the bottom on 22
3 there.

4 A Okay.

5 Q It says Q and that's me talking. I'm going to read
6 this and I'm going to read what you told me. Right. In
7 the second paragraph there again, Curt mentioned options
8 as the least tax costly means. Do you remember during
9 this timeframe discussing the 7 1/2 percent interest being
10 expressed in terms of options? And it's got a little note
11 there and says review document.

12 And you said, I remember the word options being used
13 a lot.

14 Do you see that?

15 A Yes. I remember lots of terms. That's the same
16 thing I just said.

17 Q Okay, at this point in time, you were still talking
18 to P. J. daily?

19 A Yes.

20 Q And you were talking to Billie all the time, right?

21 A Same pattern as before.

22 Q And at this point, Curt's working on -- he's talking
23 about some options here, correct?

24 A Yes.

25 Q And as to which way you were going to go in the end,

1 that was going to be Curt's decision, wasn't it?

2 A That is not correct.

3 Q Well, whatever Curt decided was probably going to be
4 it, wasn't it?

5 A What was going to happen was Curt had to work it out
6 with Rod. Once Curt and Rod worked it out -- because I
7 don't know all the deals. As I said before, the attorneys
8 get together, they fight for their client, they understand
9 their client's position, they give advise to their client.
10 And the clients get together and they talk and said, Well,
11 that's really not what I meant or that's what I meant. So
12 Curt was going to have -- if Curt said Bob, don't sign the
13 document, then I don't sign it. But I don't know the
14 context in what you're talking about. But in the end, if
15 Curt told me not to sign the document, I would probably
16 not sign the document, sir.

17 Q Same question I just asked in your deposition, okay,
18 page 65. Okay. Okay. I ask you the same question.

19 A Number?

20 Q I'll read the answer, this is on number 2. Okay, you
21 tell me if I read correctly.

22 A Well I'd like to read the question. You got to tell
23 me--

24 Q 64. It's the line before where we start.

25 A Okay.

1 Q Do you see that?

2 A Wait a minute.

3 Q I said in the second paragraph there --

4 A Just a second. Let me find the question, you got all
5 day with me. All right. All right. I got 64, Do you
6 remember.

7 Q Okay.

8 A Okay, I'm going to look at the same answer on the
9 next page. Okay.

10 Q Okay. Do you remember the word option being used a
11 lot?

12 I remember lots of terms. I'm in the -- just so you
13 know I'm not debating the option was where it was or not.
14 I'm not -- I can -- I know what was going on here, I
15 wasn't really engaged in it. It doesn't take any
16 responsibility away but whatever Curt decided then that
17 was probably going to be it.

18 Is that what you said to me?

19 A That's what I just said 10 minutes ago or two minutes
20 ago.

21 Q Okay. Let's look at Exhibit 16. This is another
22 copy of the same document that I think you said this on
23 has P.J.'s handwriting up in the corner there, do you see
24 that?

25 A I do.

1 Q Do you recognize that as P.J.'s handwriting?
2 A Yes?
3 Q So you said you had never seen this document before?
4 A I had never seen it.
5 Q Let's flip over to number 130.
6 A Okay.
7 Q Mandy, can you highlight the body of that?
8 Okay, so this is from Curt to Rod Manning, P.J.'s
9 lawyer, right?
10 A Correct.
11 Q October 4th, right?
12 A Correct.
13 Q That's the same document that P.J. has written on
14 that you had never seen?
15 A Correct.
16 Q Then P.J.'s copied on that, correct?
17 A Correct.
18 Q And you received this document?
19 A I did.
20 Q Did you not review the document?
21 A I did not.
22 Q You received it from Curt on October 4th, isn't that
23 true?
24 A That's the document -- additionally what's not here,
25 again, I get copied on a lot of emails that I don't read,

1 that's my fault. But I don't know if that had a signature
2 on it. If this document -- this was probably draft
3 documents shooting back and forth. If you guys have ever
4 been involved in this kind of stuff, they fly back and
5 forth and I'm cc'd on all of them. As a matter of fact,
6 this one doesn't have any date or signature on it.

7 Q Did you ever review any of the draft option
8 agreements?

9 A Curt sent -- I talked about this -- again, if you're
10 asking me did I read them, no I didn't read each one of
11 them.

12 Q Bob, this next one is Exhibit 13?

13 A Number 14?

14 Q No, we're in 13?

15 A Oh, the next page, I'm, sorry.

16 Q Right. Okay. Let's look at article one.

17 Mandy can you give us that?

18 I'm going to give you a chance to read it, Bob, in
19 case you haven't read it before. I'm just asking you, I'm
20 going to ask you some questions about it.

21 A Sure. Okay.

22 Q Okay. Do you see there that it means 7 1/2 percent
23 share common cap stock?

24 A I do.

25 Q Do you see there it's a penny per share?

1 A I do.

2 Q Let's go down to article two?

3 A Okay.

4 Q Twenty-one.

5 Mandy.

6 Okay, give you a chance to read that.

7 A Okay.

8 Q Okay. And do you see there 2.1. One it means for
9 the ten year term?

10 A I do.

11 Q Let's look at 2.2, okay. Did you have chance to read
12 that?

13 A Yes.

14 Q It says, If the optionee (inaudible) continue to the
15 extent that the stock option would otherwise have been
16 exercised by the optionee, do you see that?

17 A I do.

18 Q Okay. Today it is the first time you've ever read
19 that draft sent from Curt Stodghill on October 4th?

20 A I mean, I flipped through it but I haven't read it.
21 I mean, that's the first time I just read that. This --
22 this draft document that -- there's a lot of draft
23 documents laying around. This specific one just happened
24 to show up in court. So again, I didn't sign it, I was
25 copied it. As I said prior to this, this document hasn't

1 been seen by anybody. What I meant by that is I seen a
2 copy with the date on it, not the draft document.

3 Q Okay. Now, again though, is this the first time
4 you've read that October draft sent from Curt just today?

5 A I don't even know but it mirrors the October 4th
6 draft.

7 Q Can you give us the first page, Mandy?

8 Bob, do you remember the first page? First page's
9 date is on October 4th, isn't it?

10 A Okay.

11 Q Let's move on.

12 A That doesn't have the date on the document.

13 Q Okay.

14 A I'm sure you want to be accurate.

15 Q At one point in time you made P.J. a director of your
16 company, did you?

17 A I did.

18 Q And you paid him \$50,000.00?

19 A I did.

20 Q Okay. And today you want that \$50,000.00 back from
21 P.J.?

22 A I do.

23 Q And the first time you ever asked or mentioned him
24 giving that money back was during this lawsuit, wasn't it?

25 A That is correct.

1 Q In fact, it wasn't when you first filed the lawsuit
2 in May '07 but it was 2008, wasn't it?

3 A I don't know exactly when things got put in but I'm
4 sure you got the documents.

5 Q Okay. Let's look at one -- let's look at Exhibit 55.
6 Now just to put some context on this, I heard you say
7 yesterday that you confronted Billie about the termination
8 release agreement in November of 2004?

9 A I think confronting her is a little strong but I
10 talked to her about it.

11 Q But you talked to her?

12 A I did. It was probably tough but whatever I
13 confronted her.

14 Q Let's look at this caption from this complaint.
15 That's what we're here about today, North American Rescue
16 Products vs. P.J. Richardson?

17 A It is.

18 Q Okay, let's turn to page 2.

19 A (The witness complies.)

20 Q And there's the second claim there, do you see that?

21 A Yes.

22 Q Breach of fiduciary duty, do you see that?

23 A Correct.

24 Q Okay. Let's turn to the next -- let's turn to the
25 fourth page. Okay. That's Mr. Ellis' signature, right?

1 A Correct.

2 Q And that date on there is June 27, 2007, correct?

3 A Correct.

4 Q Approximately two months (sic) before today? That's
5 the first time you asked P.J. for \$50, 0000 back, isn't
6 it?

7 A As we were doing the due diligence stuff, that
8 October 4th document is another good example. So I don't
9 know -- reviewing the documents they found that or if they
10 were trying to figure out what law applied to it. So I
11 guess you could ask Bernie but that document changed the
12 facts.

13 Q We've got plenty of lawyers to get on the stand. I
14 just want to ask you, June 27th, 2007, give the \$50,000.00
15 back.

16 A It's in the complaint, I guess is the first time.

17 Q Okay. Let's move over and talk about the termination
18 agreement a little bit.

19 A Okay.

20 Q Even before that termination agreement you weren't
21 interested in talking to DHS, were you.?

22 A I was not interested in talking to DHS if I
23 understood how we were going to handle this thing. Again,
24 context is important. We had a meeting. We talked. It
25 wasn't going to micromanage their business, it wasn't

1 going to get involved. I also said that I did not want to
2 sell my company. And we were working on some
3 arrangements. So I the not know the date that the DHS
4 thing started. So no, at the time I didn't want to seem
5 as though we were going to work a deal out. If I knew
6 that deal wasn't going to get worked out then I would want
7 to talk to him. I like to keep it as much in the context.

8 Q I'm sorry, before you signed the termination
9 agreement you weren't interested in talking to DHS, were
10 you.

11 A No.

12 Q And you weren't a shareholder at that time of Reeves,
13 were you?

14 A I was not an owner in Reeves ever.

15 Q And you weren't a shareholder, were you.

16 A I was not.

17 Q And you're saying that you weren't an owner either,
18 right?

19 A Correct.

20 Q You had a equitable interest in Reeves?

21 A We treated each other like brothers, like owners. He
22 was working toward forward to a deal. I did not have the
23 right to be involved in that deal. Again, the right thing
24 to do is to offer to me and he did. So getting a little
25 confused in your words. One minute you're telling me we

1 had the ownership, now you're saying I don't have
2 ownership.

3 Q Talk about ownership, can you open your deposition to
4 page 125.

5 A (The witness complies.) Okay.

6 Q I'm going to start at line three, do you see it?

7 A I do.

8 Q The question again is me. Before Atlanta you still
9 thought you had a in it, shareholder interest perhaps, but
10 a ownership interest; do why see that?

11 A I do.

12 Q Yeah, I've had a interest again, but when you look at
13 the agreement it's -- it was equitable. So I asked you
14 about an ownership. You said it was equitable and fair.

15 A I -- it was the fair and equitable as equitable and
16 fair and it was fair.

17 Q So fair and equitable if you're --

18 A I think it's different.

19 Q You did talk to DHS for a little bit, didn't you?

20 A Context. I did not talk to DHS at any point about
21 ownership. P.J. introduced me as a separate company.
22 They didn't talk to me about the relationship between us.
23 It was strictly, Hi, here's his company, this is what they
24 do. So again, if you're trying to make a point that P.J.
25 said, Hey, by the way, here's my partner, we've had a

1 great relationship, we can have stock options with each
2 other -- No, it was here's the company I work for, he has
3 he has back-end support here. That's the type of
4 conversation it was. So it was never, ever brought into
5 the loan on the purchase.

6 Q Okay. It was a complicated answer to a simple
7 question. Did you talk to DHS?

8 A I did talk to DHS.

9 Q Okay. I want to talk about -- I want to change pages
10 now.

11 A Okay.

12 Q You can leave that, we'll come back to it. We might.
13 I want to get us to Atlanta. Okay. Now it is your
14 recollection that the first time anybody talked about
15 cleaning out each other's interest in each other's company
16 was in Atlanta?

17 A We had actually talked a little bit about that either
18 at Charleston or before. And we had decided not to do
19 that. But yes, that was -- that's primarily where we kind
20 of hit loggerheads, in Atlanta.

21 Q So you may have talked about that before Atlanta?

22 A Yes, might have, yeah.

23 Q Was it P.J. or Billie?

24 A (There was no response.)

25 Q You don't remember anything special about those

1 Q So not signing refers to the document right there
2 that we just looked at, right?

3 A Correct.

4 Q He confused the termination agreement reflected what
5 y'all talked about in Atlanta?

6 A Correct.

7 Q Other than that you don't remember anything P.J. said
8 about the termination agreement, do you? At that meeting?

9 A No, that's not accurate.

10 Q Okay. Let's look at Exhibit one. Okay. Have you
11 ever seen this document before?

12 A Preparing for trial.

13 Q Okay. And where did it come from, do you know?

14 A I do not know.

15 Q Okay. Let's look down there at the bottom where it
16 says 2005. It came out of Mr. Stodghill's file.

17 A I'm assuming you're right.

18 Q Is it possible that Mr. Stodghill had this
19 computation?

20 A It's possible Curt prepared it or it's possible that
21 Curt forward it from somebody else so I don't know.

22 Q So you've never seen it before?

23 A No.

24 Q Has anybody ever mentioned to Castellani,
25 Castellani's share is 415,000, did anybody ever tell you

1 that?

2 A Is this part of the Dobson deal or this part of
3 another deal?

4 Q I'm asking the questions again, Mr. Castellani?

5 A I'm sorry, again, I don't have any specific
6 recollection that somebody said they were giving me
7 415,000.

8 Q You just don't know. Nobody ever told that to you?

9 A I'm saying I don't recognize it, no.

10 Q Okay. Let's go back to number 31.

11 A Okay.

12 Q And let me get that out. Bob, do you remember when
13 Reeves sold, generally?

14 A Generally. I don't know the date.

15 Q January 2, 2005 sound right?

16 A I have no reason to question that.

17 Q You don't know?

18 A If that's what you say I believe you.

19 Q Okay. Let's go to the first paragraph. Just that
20 third part, Mandy.

21 Okay. So this e-mail from curt to Rod as late as
22 April, right? Do you see that?

23 A April 14th.

24 Q Right. And he mentions -- Curt mentions through
25 going through the projected closing dates twice. Do you

1 see that?

2 A I do.

3 Q And do you know what closing that was?

4 A I'm assuming it's the Dobson.

5 Q But you're not sure, are you?

6 A No.

7 Q Now, let's go back down. Now in this, Curt says, If
8 we can't come to some resolution, I guess we can go back
9 to an option or maybe we should just end the whole
10 discussion and leave the money and the ownership as they
11 are. Do you see that?

12 A I do.

13 Q The money refers to the money from the sale of
14 Reeves?

15 A I know it refers to that but I don't understand,
16 there must be another option or something because this has
17 to be referring to the Dobson deal or I guess go back to
18 an option agreement. That's what I thought all along the
19 Dobson deal was. I'm sorry, that just threw me. So I
20 don't know -- yeah, I'm sure. Okay, so he put ownership.

21 Q And the ownership is the ownership in NARP?

22 A There was ownership in NARP.

23 Q Okay. Again, there's no stock, I won't bore people.

24 A I'm sure he's talking about the deal, ownership
25 agreement.

1 Q But you don't think that ownership refers to
2 ownership in NARP or Reeves, you just don't know, do you?

3 A I know neither one of us had ownership in each
4 other's company.

5 Q Let's go to Exhibit 38. Bob, this is an e-mail from
6 you to P. J., correct?

7 A Uh-huh.

8 Q In May of 2005?

9 A Yes.

10 Q And I think you talked about this in your direct.
11 And you see that part there where you say the original
12 handshake agreement worked so well because it was simple.
13 Do you see that?

14 A Yes, I do.

15 Q And that refers to the 2000 agreement, doesn't it?

16 A The 2000 agreement memorialized kind of a handshake
17 deal.

18 Q So there was a handshake and then it was memorialized
19 in a written document, correct?

20 A Correct.

21 Q And it was written by Curt, correct?

22 A Yes.

23 Q And at this point in time, you mentioned that you had
24 paid Curt \$12,000 in the last few months, so are you
25 frustrated at this time?

1 A I was frustrated.

2 Q Okay. Let me go down to the second paragraph. Bob,
3 where you say, My concern is we had a great deal on the
4 table. Does that refer to the Dobson deal?

5 A It's my understanding, it was the Dobson deal. But
6 the other e-mail mentioned another option, so going back
7 to an option.

8 Q Well, see if this makes it any clearer where it says,
9 In my opinion, it was the perfect agreement. Are you
10 talking about the Dobson deal was the perfect agreement?

11 A This talks about missions to support so this is
12 talking specifically about the Dobson deal.

13 Q Okay. It is talking about the Dobson deal?

14 A It is talking about the Dobson deal.

15 Q Okay. And you considered the Dobson deal the perfect
16 agreement?

17 A For we had migrated. I mean, We had already --
18 again, if you think about what happens, this is -- he's
19 getting ready to sale (inaudible) perfect deal it would
20 have been to exchange the 7 1/2 -- 7 1/2 the perfect deal
21 from whatever we could hobble together. So that's what I
22 meant by perfect deal.

23 Q Okay. The perfect agreement. And Curt thought it
24 was the perfect agreement, too?

25 A No, I mean, I don't know if he thought it was the

1 perfect agreement or not. He was working within the
2 constraints of what I was telling him, what Rod was
3 telling him so I don't know.

4 Q Okay. Let's go to the next paragraph. I want to
5 read this first part: Since it's clear the NARP stock
6 price is going to rise, which will nullify our original
7 proposal and I've liquidated stock to cover some of the
8 most time critical pledges I've made. Bob, did you write
9 that?

10 A I did.

11 Q Did Curt review this before you sent it?

12 A Probably not because I wrote in there my bad grammar.

13 Q Okay. Let's look down at the next part of that
14 sentence, keep reading, Time critical pledges I've made
15 with my share of the sale of Reeves. Is that supposed to
16 be sale of Reeves?

17 A Yeah.

18 Q And you had, actually, then, made some commitments
19 with what you were going to get from the sale of Reeves?

20 A I had.

21 Q And you covered those elsewhere?

22 A I did cover them.

23 Q Okay. And let's see, if we take the termination
24 agreement that was entered into in November, correct?

25 A November, yes.

1 on hold your discussions about the Dobson deal during the
2 DHS lawsuit?

3 A Yeah. Just so you know that was talking getting it
4 done about the Dobson deal, not getting -- specifically
5 talk about that deal we were still working.

6 Q Okay. So did you agree to put your discussions that
7 you were paying Curt \$12,000 a month for, did you agree to
8 put those on hold in June?

9 A We put on hold in June the general discussions about
10 how to move forward. We -- again, we just blew through
11 the evaluation, so the Dobson probably couldn't begin to
12 work at that point. So generally we still wanted to try
13 to honor it again. I was pretty mad at P. J. I wasn't
14 mad at Billie. Billie represented that P. J. had told her
15 that he didn't put that in the agreement. Billie was an
16 incredibly important person to me. So I was -- they're
17 married, this deal is with P. J., I was trying to honor
18 that entity. That's what I meant by that.

19 Q I understand that and I appreciate it. But the
20 question is at the Stax meeting, did y'all have an
21 agreement that you were doing to table any further
22 discussions about these interests until after the DHS suit
23 was resolved?

24 A Yes.

25 Q Let's go look at Exhibit 40.

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1 interested in buying any of this company would be
2 interested in buying?

3 A No. It's even hard for me to believe when you look
4 at how quickly the company grew. It was a niche. We
5 filled a need that nobody else had. Actually, today,
6 after 10 years, nobody else fills that niche. So the
7 difficulty in doing a corporation as you look for a
8 partner to help you grow your company, they didn't
9 understand the niche. So the lesson is that people don't
10 understand it, so it's hard to get into that market space.
11 The downside of it is it's hard to find somebody that
12 understands to want to partner with you. So it's a good
13 problem to have, but it depends on what you're trying to
14 do.

15 Q Have you had another experience in life with stocks
16 fluctuating in value?

17 A I did.

18 Q Has it been your experience that stocks sometimes go
19 up and stocks sometimes go down?

20 A They do.

21 Q I think you were asked about when you all were
22 working on the 2000 outline, was it clear to you that
23 P. J. was planning to sell his company. Do you recall
24 being asked about that?

25 A Yeah, I do. I mean, again, it wasn't a big issue,

1 but it was kind of understood that he was going to
2 eventually sell his company and, you know, in between
3 maybe grow his company. But if you're asking me for the
4 totality of our relationship he was looking at selling it
5 or my sums.

6 Q How many years went by before P. J. actually sold his
7 company?

8 A Timeline, right? 2000 to he sold it in 2000 five.

9 Q So it was nearly five years from that period, wasn't
10 it?

11 A Correct.

12 Q Let me just ask you again if you could comment a
13 little bit more on the Reeves Group.

14 A Exhibit?

15 Q I'm sorry, it's Exhibit 4 in that notebook.

16 A Okay.

17 Q Once again, could you explain for the jury, was this
18 Reeves Group a company that you worked for?

19 A No. I don't know if it ever officially got
20 incorporated or not, I don't know if the name officially
21 got changed.

22 Q Just say one more time, what was the Reeves Group?

23 A Again, if I remember correctly, the decon business
24 had become a big business, whether it was mass
25 destruction. You had the Oklahoma City bombing and you

1 had those things. So the president put extra funds
2 into -- it wasn't called Homeland Security then, it was
3 called Homeland Defense, maybe it was even around the
4 Olympics. So small companies could operate in that market
5 pretty efficiently because those were big guys that never
6 got involved in it a lot. There was lots of room to
7 compete at a lower level. Regional distributors and
8 stuff. And you started seeing bigger companies come in
9 that market space to kind of offer all the services, radio
10 communications, tents, heaters, litters, trailers to move
11 back and forth. They could kind of come in and give them
12 the whole package and give them training. The Reeves
13 Group did two things. One, it allowed us to kind of put a
14 bigger image focus, look at all these guys in this
15 company. The other thing put it more into -- and I don't
16 know if it happened before or after, but the vehicle
17 started kind of -- merging together or acquiring
18 companies. So the group was kind of like -- you know, and
19 people switched from North American Rescue Products to
20 North American Rescue International. Supposed to make
21 people think now I'm a...

22 Q So why did you put Reeves Group on the bottom of your
23 email then?

24 A Marketing, it was just a marketing thing. And I
25 don't think I put it on my catalog that year, but it was

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APP_0263

1 just a easy line to type at the bottom.

2 Q Let me ask you if you will turn to page 30 of your
3 deposition. I'm sorry, page 31. I believe you were asked
4 a question at line 17, it said, Did you commonly talk
5 about owning a stake in each other's companies? And your
6 response was?

7 A Yes.

8 Q Okay. You said, Uh-huh, which the court reporter
9 marked as affirmative. You said an interest, yeah. Would
10 you go down to page 31 and begin reading at line -- I
11 mean, I'm sorry, still on page 31, going down a little
12 further on the same page, line 25. Okay.

13 A Yeah. I mean, here's what I guess the best -- just
14 let me explain what I -- what I understand. Is we had an
15 interest in each other's company, but as an owner, I
16 didn't -- as an owner, I didn't review the books. I
17 didn't have anything to say about the business. I
18 couldn't alter the decisions. I couldn't -- so it's not
19 like a shareholder or a normal owner. We talked about,
20 yeah, how the companies were doing. All the -- there's a
21 space. I mean, it was -- yeah.

22 Q So Mr. Stillwell asked you a question about what you
23 said earlier?

24 A I'm not sure what I just said.

25 Q I tell you what, I might -- I might with their

1 permission just flash that up on our screen here so you
2 can kind of see what the confusion was. I couldn't offer
3 a decision. I couldn't, so it's not like a shareholder or
4 a normal owner. We talked about -- yeah, how the
5 companies were doing. All the -- I mean, yeah. So we've
6 got that.

7 A That's my second language.

8 Q My question to you, though, is that just after you
9 had answered the thing about owning -- about -- talking
10 about having an ownership stake, the very next page, which
11 I don't think you were asked about, you went on to explain
12 that, didn't you?

13 A Correct.

14 Q You went on to explain that it was not like a
15 shareholder or a normal owner?

16 A Correct.

17 Q I think also look at page 65 of your deposition. You
18 were asked about that as well.

19 A Okay.

20 Q And let me direct you to lines seven and eight.

21 A Okay.

22 Q And nine.

23 A Okay.

24 Q Says doesn't take any responsibility away, but
25 whatever Curt decided, please continue reading.

1 A But whatever Curt decided, then that's probably going
2 to be it. He knew that, space, what he was trying to
3 do -- trying to do was to make the transaction equitable,
4 right.

5 Q Bob, my question to you is this, did Curt Stodghill
6 make decisions for you?

7 A No, he did not.

8 Q What does Curt Stodghill do for you?

9 A I tell him what my goals are and my objectives and he
10 tries to craft those in a way that's -- that we can put
11 into contracts. He gives me general business advise,
12 general attorney. He's seen lots of different deals, lots
13 of different mistakes and lots of different ways to work,
14 so it's a -- definitely the legal part. And then he
15 also -- like today, you're in court, he works with other
16 attorneys. And let me say, when I said he didn't make
17 decisions for me, in the end, I'm the ultimate guy, but he
18 does give me some real good advice on legal documents. I
19 mean, I have to kind of trust him.

20 Q Let me talk to you about -- I believe that
21 Mr. Stillwell showed you the draft option agreements that
22 had been sent back and forth between the lawyers. This
23 is -- this is -- it's in the Exhibit book and this -- I'm
24 sorry, turn the page. This is Exhibit 13, PJR's Exhibit
25 13.

1 A Okay.

2 Q In article one, I'll point to it if I can find the
3 pen. Says, At a price of one penny per share. So, again,
4 it's an option -- date of the agreement an option to
5 purchase a limited share of the common capital stock
6 equivalent to 7 1/2 percent of the common capital stock
7 outstanding on the date of this agreement at a price of
8 1.01 per share. Do you see that?

9 A I do.

10 Q I believe that Mr. Stillwell then asked you to look
11 at carve line in the drafts submitted by P. J.'s lawyer
12 and he ask you do you see where it says --

13 A What page?

14 Q I'm sorry, it is Exhibit 14 and it is the second page
15 of that exhibit?

16 A Okay.

17 Q And he asked you do you see where this also provides
18 for exercise price of a penny per share. Do you see that?

19 A I'm sorry?

20 Q It's Article 1.1, agreement of option.

21 A I'm on 14.

22 Q Exhibit 14, the second page of it?

23 A Oh, I'm sorry, different option agreement.

24 Q I understand.

25 A Second page?

1 Q Right.

2 A Article three?

3 Q No, I'm sorry, Article 1.1.

4 A Okay. Oh, the second page. I'm sorry.

5 Q I'm sorry for the miscommunication.

6 A It's been a long day.

7 Q He asked you to look at this where it says the
8 exercise price is a penny per share. Do you see that?

9 A Yes.

10 Q Look at it again. Does it say a penny per share?

11 A It doesn't say a penny per share.

12 Q No, it doesn't say a penny per share. It just says
13 one penny, doesn't it?

14 A Correct.

15 Q Let me ask you to go back to Exhibit 13, the draft
16 that Curt prepared, back to Article 1 there?

17 A Okay.

18 Q All right. Where it says NARP with the approval and
19 at the direction of the committee hereby grants the
20 optionee with the direction of the Board, an option to
21 purchase the number of shares of common capital stock,
22 equivalent to 7 1/2 percent of the common capital stock
23 outstanding on the date of this agreement. 7 1/2 percent
24 of the common capital stock outstanding on the date of
25 this agreement at a penny per share, right?

1 A Correct.

2 Q Let me ask you if you will, go back to draft prepared
3 by Mr. Manning, which is P. J.'s lawyer?

4 A Yes.

5 Q After 7 1/2 percent, you see what it says? Article
6 1.1 again?

7 A Yeah, it says that it's at a penny.

8 Q Okay. Go back before that. NARP's approval and with
9 the direction of the Board hereby grants the optionee,
10 with the direction of the Board, the option to purchase
11 the number of shares of common capital stock, equivalent
12 to 7 1/2 percent of the common capital stock, outstanding
13 on the date of this agreement. Subject to adjustments as
14 provided for herein?

15 A Okay.

16 Q If you go back to Curt's draft?

17 A There's no reference to adjustment.

18 Q There's no reference to adjustment, is there?

19 A It's not.

20 Q So in the draft that P. J. sent back, his lawyer sent
21 back a draft that would make the option of exercise
22 subject to adjustment?

23 A Correct.

24 Q Can you give some background as to what the
25 difference between those might be?

1 A I would be -- I would be guessing. This is a better
2 question for Curt, but I'm assuming that's the inflated --
3 the adjusted value of the company. I don't understand the
4 difference. I know it's different than the other
5 agreement. I'm sure it wasn't put in there just to --

6 Q Give me just one moment. In fact, I think I can do
7 something that might make it little bit easier for you to
8 look at. This is North American -- we've marked this as
9 North American Rescue Exhibit 17. It's not been offered
10 into evidence yet, but I would like to --

11 MR. STILLWELL: No objection.

12 THE COURT: 17?

13 MR. ELLIS: Yes, Your Honor.

14 THE COURT: It's in evidence without objection.

15 (WHEREUPON, all Plaintiff's Exhibits were
16 previously admitted into evidence.)

17 BY MR. ELLIS:

18 Q Do you know what this document is?

19 A It's looks like either one of these two drafts.

20 Q Well, I'll tell you what, if you don't know what that
21 is, I'm going to go back and ask you about the other one.
22 I thought it might make it easier to show you a
23 comparison, but I can ask another witness about that. Let
24 me -- let me ask you to talk about, though, this is going
25 back to P. J.'s Exhibit 14?

1 A Okay.

2 Q Actually, first take a look at P. J.'s Exhibit 13?

3 A Okay.

4 Q Yeah, that's the draft that Curt sent?

5 A Okay.

6 Q If you look in Article 4, P. J.'s Exhibit 13, the
7 draft that Curt Stodghill has prepared.

8 A Okay.

9 Q You'll see on the bottom where it says adjustment of
10 the changes in NARP common stock. If there is a
11 reorganization in capitalization, change in shares, stock
12 split spinoff, stock dividends and so forth and any other
13 changes in corporate structure or shares in capital stock
14 of NARP, the Board of Directors shall make such adjustment
15 as it deems appropriate in the number and kinds of shares
16 of common stock subject to the option or in the option
17 price provided. However, that no such adjustment shall
18 give the optionee any additional benefit under the stock
19 option. You see where it says that?

20 A Yes.

21 Q That's the draft option that Curt sent to P. J.'s
22 lawyer?

23 A Which gives me flexibility.

24 Q Let's look at the draft --

25 MR. STILLWELL: Your Honor, I'm interested in moving

1 things along, but I think these questions are somewhat
2 leading.

3 THE COURT: Well, I've given the both of you a lot of
4 leeway, I'm going to continue to do so.

5 Go ahead.

6 BY MR. ELLIS:

7 Q Let me ask you if you would look at common law
8 Article 4 in the draft that P. J.'s lawyer sent back?

9 A Okay.

10 Q Then it went on to say, if there is a reorganization,
11 recapitalization, change in shares, stock split, spinoff,
12 stock dividends, and so forth, the Board of Directors is
13 to make such adjustment in the number and kind of shares
14 in common stock as necessary and sufficient so that the
15 number of share in common capital stock purchased by
16 optionee as option shares are equivalent to 7 1/2 percent
17 of common capital stock on a fully diluted basis. Do you
18 see that?

19 A I do.

20 Q If you look back at Exhibit 4 in the comparable
21 paragraph in Curt's draft -- I'm sorry, I'm on the wrong
22 page. Is there any reference to the stock remaining at a
23 fully diluted basis?

24 A There is not.

25 Q Okay. Let's go on and keep comparing. Mr. --

1 A What that means, what's important -- what that means
2 is the stock will never decrease, his stock would always
3 stay. Everybody else would get diluted for that stock.

4 Q In the proposal that Curt sent, was there an
5 adjustment division that would make his stock always stay
6 at 7 1/2 percent?

7 A No, what was good for me was good for him. The other
8 agreement put that stock where you can't -- it's always
9 going to stay at 7 1/2 percent no matter what happens.

10 Q P. J.'s lawyer's draft said, Fully diluted basis
11 means without duplication all shares of common stock
12 outstanding at the time of the termination, plus all
13 shares of common stock issuable directly or indirectly
14 upon a conversion of all outstanding -- including without
15 limitation to preferred stock, exercise the exchange --
16 and warrants or rights. Skipping on down, All shares
17 reserved from -- from the company stock plans -- price.
18 It has a lot more things to this -- well, let me ask it a
19 different way. Can you tell whether or not this draft
20 would add a lot more rights to P. J. than the draft that
21 Curt prepared?

22 A Yeah, without -- I don't understand some of the words
23 in there, but it's, obviously, more restricting or it
24 gives the shareholder of the 7 1/2 percent a whole lot
25 more control. So that 7 1/2, if you think about it, it

1 would be a little ion cut out and it would just cause all
2 sorts of problems if you wanted to still different classes
3 or whatever. But any way, it's definitely a mouthful.

4 Q Bob, let me go back to -- again, to Article 1 of the
5 draft that Curt prepared and it said -- the draft said it
6 would be 7 1/2 percent outstanding on the date of this
7 agreement, okay?

8 A Okay.

9 Q You see that?

10 A I do.

11 Q And this is the draft P. J. sent back, outstanding on
12 the date of agreement second to the adjustment as provided
13 for herein. Then you have a paragraph explaining how the
14 adjustment would work. Let me show you another provision
15 in Curt's draft that he sent to you -- I'm sorry, Curt's
16 draft that he sent to P. J.'s lawyer. Under Article 2,
17 2.1, Stock option and all rights hereunder with respect
18 hereto to the extent such rights have not been exercised
19 shall be terminated upon -- become void after expiration
20 ten years from the date of the agreement?

21 A Correct.

22 Q If you will look at Article 2.1, this says
23 Termination of options -- I'm sorry, where it says
24 Exercise schedule. Let's look back, this is Curt's
25 provision, Article 1, do you see an Article 1.2 there?

1 A I do not.

2 Q But you see an Article 1.2 in the draft that P. J.'s
3 lawyer sent?

4 A I do.

5 Q Do you see where it says exercise schedule.

6 A I do.

7 Q It goes on to say that this stock option shall be
8 exercised in accordance with the following schedule, the
9 option (sic) shares subject to the stock options shall be
10 exercisable upon the closing of and approved sale as
11 defined in the stockholders agreement. Was that provision
12 in what Curt said?

13 A No.

14 Q Okay. Let me show you, continuing on in Exhibit 14,
15 I don't know if you can find the stockholder agreement
16 part of that. It's on page six.

17 A I'm just going to -- just going to look at that.

18 Q Okay. The stockholder agreement where it defines an
19 approved sale. If the Board approves the sale of the
20 company, an approved sale, defines approved sale. Now, I
21 can ask another witness about this later, but do you know
22 under this agreement what an approved sale was?

23 A I think an approved sale has to be voted on by the
24 Board of Directors.

25 Q Okay.

1 A If that's what -- but that's -- I mean, I know if you
2 have an approved sale, the Board of Directors have to
3 because they have to take into consideration votes of the
4 shareholders.

5 Q Okay, well, you see where it describes the approved
6 sale of structured -- a merger or consolidation. And then
7 number two, a sale of stock, assets and so forth. So
8 we've talked about -- I think when Mr. Stillwell was
9 asking you this, he was trying to get you to look at
10 places where the documents seemed similar. He asked you
11 to see if the price point --

12 MR. STILLWELL: Your Honor, I think this is more
13 appropriate for closing arguments.

14 THE COURT: All right. Let's confine our questions
15 instead of asking what opposing counsel tried to do.

16 MR. ELLIS: Okay.

17 BY MR. ELLIS:

18 Q Upon review of these, do you see that there are -- do
19 you see that these agreements were the same?

20 A They're different agreements. And those changes are
21 pretty significant.

22 Q Was there a difference in the proposed two documents
23 as to price?

24 A One was a penny a share, if I remember correctly, one
25 was the penny.

1 Q And just to be fair, a penny a share for 100 shares
2 is only a dollar, but it's still a 100 percent different.

3 A It is.

4 Q In terms of when the option could be exercised, under
5 the two drafts, was that the same?

6 A It was not.

7 Q And in terms of how much potential stock the optionee
8 would be able to acquire, were those the same?

9 A Were not.

10 Q Okay. And once again, are you aware of the parties
11 ever coming together and agreeing as to the terms of an
12 option agreement?

13 A No. I wouldn't agree to the rebuttal by Rod Manning.

14 Q Let me ask you if you would look at page 82 of the
15 deposition.

16 A (The witness complies.)

17 Q I'm sorry, I got the wrong page. No, I don't. Line
18 seven.

19 A Okay.

20 Q Do you see where you said -- do you see what you said
21 there at the beginning of line seven?

22 A Do you want me to try to read it?

23 MR. STILLWELL: Your Honor, I believe the proper way
24 to ask the question--

25 MR. ELLIS: I'll be glad to.

1 BY MR. ELLIS:

2 Q Going back to the question that you asked about. Go
3 to the top of the page, I'm sorry.

4 A Starting at one?

5 Q Starting at one.

6 A You want me to start reading?

7 Q I'll read the question. Do you recall that there was
8 an option agreement which was one of the things that was
9 on the table at the Atlanta meeting?

10 I objected to the form.

11 And you said?

12 A I don't know. All I remember about the Atlanta
13 meeting was -- at that Atlanta meeting is nobody really
14 could agree on anything.

15 Q Let me ask you if you would turn back to page 79 in
16 the same deposition. Go back to 78. I'm sorry, yeah, 78,
17 line 23. And I'll read the question.

18 Set that up for me again.

19 This agreement here is dated, it's looks like one
20 of -- you signed it on the 8th of November and the other,
21 signed it on the 5th of November. Going over to the top
22 of page 79, continued his question, did y'all have this
23 agreement on the table at the Atlanta airport? And then
24 you started answering at line three, what did you say?

25 A This agreement memorialized the conversation that we

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1 had. When we left the Atlanta airport, we had an
2 agreement that we were going to terminate each other's
3 ownership in the company and were going to reconvene after
4 the DHS deal was done and try to work it out. We had
5 talked about it, I believe, I think that was -- I do
6 believe we talked about the Dobson Ministries thing down
7 there, but I'm not convinced or I'm not sure, but that --
8 but that's what we agreed to do down there.

9 Q Okay. Thank you. I'm going to mark this exhibit.
10 We've got it marked as one of ours and he, of course, has
11 marked it one of his. This is P. J.'s Exhibit 22. This
12 is Agreement Termination Settlement and Release.

13 A Okay.

14 Q Going over this next paragraph, I understand when I
15 ask this question that it wasn't dated December 15th, but
16 NARP -- did NARP, actually, provide an opportunity for
17 P. J. to acquire 7 1/2 percent of the company after he had
18 sold the assets of his company to DHS?

19 A We did.

20 Q Okay. Did you actually make it so that he could have
21 accepted that if he had wanted to and had been able to?

22 A Yes.

23 Q Okay. In terms of P. J. having -- in terms of any
24 discussions you ever had about P. J. giving an option,
25 were any discussions you ever had with him about having an

1 option ever done with his just having an option by itself
2 or was it -- well, was it ever done just by itself?

3 A No, it was always -- there's always kind of a
4 counterbalance for me. If there was an option that I
5 needed to be paid or I needed to be able to donate money
6 because of the agreement that we had about ownership or
7 potential ownership or swap in the company. So I needed
8 to realize whatever gain I got out of that company to
9 donate to charity or to keep and he would in lieu of that
10 get... So it's still a little confusing, isn't it?

11 Q When you talked about his being able to get an
12 interest in the company, whether through -- I'm sorry,
13 whether through the Dobson -- or proposed Dobson deal, was
14 a value assigned to what he would have to pay to Dobson in
15 order to get that?

16 A Yes. There always had to be a value for tax
17 purposes.

18 Q What was that value? I'm asking you to describe the
19 value for me?

20 A It was the current value of NARP and then the
21 discounted, again, or the ratio or lack of marketability
22 and become a company shareholder. Probably not the right
23 words, but it's the two discounts that you get.

24 Q Let me get back to P. J.'s Exhibit 39, this document.

25 A Okay.

1 Q And I just want to be sure your testimony is clear,
2 do you know the day that you found out for sure that P. J.
3 was not going to sign that?

4 A I guess my deposition said that day, I guess.

5 Q Okay. I'm sorry. You were asked about this Exhibit
6 1. Again, were you involved in making this calculation at
7 all?

8 A I was not.

9 Q Did you have any discussions with P. J. at any time
10 about the actual dollar -- do you recall having
11 discussions with P. J. about what the actual dollar value
12 of 7 1/2 percent interest from the sale of Reeves would
13 be?

14 A We might have talked about it, but we didn't talk
15 about where it came from or what it was. It was probably,
16 if we did, in passing about a specific conversation that I
17 brought up in the context we talked about the corporate
18 taxes, transactions, always just numbers. It's hard for
19 me to affix the number that we talked about, it kind of
20 all blurred together.

21 Q And if 7 1/2 percent of the proceeds from the sale of
22 Reeves was ever going to be part of the deal, was there a
23 way that you presented it to him that in order to make the
24 deal work it had to be done?

25 A Can you ask that question again?

1 Q Yeah. Did you ever agree he just pay you cash?

2 A No.

3 Q Okay. Was there a way that you said if you were
4 going to be able to reach a deal that from your
5 perspective the deal needed to work?

6 A Yes. I remember some minor little things at the
7 beginning, but it all settled at the Dobson agreement.

8 Q Okay. Let me show you what was marked as PJR 46.
9 And I think you were asked about this particular
10 paragraph. It was Bob's hope that P. J. would make a
11 donation to the charity of Bob's choice. Do you see that?

12 A At the first page?

13 Q Yes.

14 A Okay, I got it.

15 Q Bob hoped that the donation would be about 7 1/2
16 percent of the amount realized from the sale. And
17 skipping on down, Bob (inaudible) upon P. J. being able to
18 purchase 7 1/2 percent of NARP stock at a favorable price.
19 Do you see that?

20 A Yes.

21 Q Now, Mr. Stillwell indicated or asked you about were
22 you asking P. J., basically, to make a double payment. Do
23 you recall that question?

24 A I don't remember if I heard it that way, but there
25 was no double payment. This is memorializing all the

1 conversations prior to that meeting, that he was going to
2 make -- I was going to make a donation and he was going to
3 buy the stock for supplies.

4 Q Well, skipping over --

5 A What page are you on?

6 Q I'm going to the next page. To the third on the next
7 page, the new plan called for Bob to contribute 7 1/2
8 percent of NARP stock to charity, P. J. would then have
9 the opportunity to purchase the stock from the charity.
10 Attribution and purchase would be effected at fair market
11 value. Okay, is the plan that's talked about in this
12 paragraph the same idea that was talked about in this
13 paragraph?

14 A It's the same plan.

15 Q Okay. Well, was it -- when you say it was the same
16 plan, was P. J. going to be required under the plan to
17 make a contribution to charity in the amount of 7 1/2
18 percent of the sale of Reeves and pay 7 1/2 percent?

19 A No.

20 Q Okay. He wasn't going to be required to do that or
21 he was?

22 A He was going to make the donation to Dobson
23 Ministries. And I was going to donate the stock to Dobson
24 Ministries and he was going to buy the stock out of Dobson
25 Ministries with all these things. But that's what I

1 understood.

2 Q My question was, on the first page, was there a first
3 discussion that was talked about where P. J. would make a
4 donation to a charity and then he would have the ability
5 to get an option at a cheap price?

6 A That was -- okay. That was, again, as I talked,
7 there were other little kind of things we were trying to
8 work out early on. That's early on to get settled on the
9 Dobson Ministries.

10 Q Was this early on?

11 A I'm trying to read all this lawyer talk. I can tell
12 you what the Dobson deal was.

13 Q Okay. I think I can simplify it. I don't want to
14 beat this to death. Did you ever -- did NARP ever present
15 a proposal to P. J. where in order to be able to acquire 7
16 1/2 percent of the stock of NARP, he would have to make a
17 contribution in the amount of 7 1/2 percent of the sales
18 price of Reeves as well as pay to Dobson Ministries 7 1/2
19 percent of the sales price of Reeves?

20 A No, that wouldn't have been a fair equitable -- the
21 whole thing being he was to take those proceeds to do it.
22 There was no doubling payment. There was no double
23 dipping. It was a straightforward deal.

24 Q I think Mr. Stillwell asked you about Exhibit 38.

25 A Okay.

1 Q I think I heard him make reference to you paying Curt
2 Stodghill \$12,000 a month?

3 A Yes.

4 Q Let's look and see what the e-mail actually says.

5 A I paid him a total of \$12,000, Curt Stodghill
6 \$12,000, not a month.

7 Q This email doesn't say that you're paying him
8 \$12,000, does it?

9 A No. I'm sure it was a mistake.

10 Q Going back to where he puts in quotes, my share of
11 the sale of Reeves. Again, why did you put that in
12 quotes?

13 A I don't know the right English term for it, but as I
14 said, we had a handshake agreement that got memorialized,
15 it was talk. My share, again, I wasn't an owner. We were
16 working a deal out that we were trying to do, so in
17 parentheses, I put my share. And it is important, I wrote
18 this document. I guess, in the opening, it may seem like
19 someone wrote this document for me. I wrote this
20 document. I actually was going to write a nice general
21 letter.

22 MR. ELLIS: Thank you, Mr. Castellani. I don't think
23 I have anything else at this time.

24 THE COURT: Very briefly.

25 MR. STILLWELL: It's brief, Your Honor.

RECROSS-EXAMINATION

1
2 BY MR. STILLWELL:

3 Q Mr. Castellani, did you say that -- Mr. Ellis asked
4 you some questions that you didn't consider yourself a
5 normal owner of Reeves.

6 A Can you ask the question again?

7 Q Did you consider yourself -- whatever y'all had
8 before you went to Atlanta, did you consider yourself to
9 be a normal owner?

10 A I did not.

11 Q And you don't consider yourself to be a normal
12 businessman either, do you?

13 A Different context.

14 Q Is that yes or no? Do you consider yourself to be a
15 normal businessman?

16 A Yes.

17 Q Okay.

18 MR. STILLWELL: Could you give me page 30 of his
19 deposition, please?

20 BY MR. STILLWELL:

21 Q Right here on page 30 at line 20, this is me Q and
22 you A again. At this point in time in 2000, did you
23 actually have stock certificates? I had a book. I can't
24 tell you about stocks, but, again, at this point, I don't
25 consider myself a normal businessman. Now, I do remember

1 I had 1500 shares of no par stock. So we're talking there
2 about ownership of stock, right?

3 A We are.

4 Q And you said you don't consider yourself a normal
5 businessman, true?

6 A Again, I thought you were asking me today. This is
7 going back to 2000, this context. So no, when I -- before
8 when we were talking about me as a normal kind of owner,
9 in 2000, it's a different context than you asked me today.
10 I'm much more of a traditional businessman than I was
11 then.

12 Q Okay. That's fair enough. Let's go to a different
13 context and let's look in August 2004 after y'all got back
14 from the beach.

15 MR. STILLWELL: Mandy, could you give me Exhibit 10,
16 please?

17 THE WITNESS: What exhibit, please?

18 BY MR. STILLWELL:

19 Q Ten.

20 A Thank you.

21 Q Okay. So this is -- Bob, this is on NARP's old
22 letterhead, right?

23 A It is.

24 Q And it's from Tony Papalaya to you, to Bob
25 Castellani, true?

1 A It is.

2 Q And it's dated August 5, 2004, right?

3 A Uh-huh.

4 Q So this is after the beach meeting in July, correct?

5 A Yes.

6 Q Now, could you flip to page S-233 there, the back
7 where your handwriting is. Okay. Down at the bottom
8 there, that's your handwriting, isn't it?

9 A It is.

10 Q And Rob there, that's Rob Miller?

11 A Correct.

12 Q And that's 1.25 percent, that's the value of the
13 stock he owned in the company?

14 A Yes.

15 Q I mean, that's the share that he owned, right?

16 A I'm assuming at that time he owned the shares of
17 that, I don't know what this is in.

18 Q At that time, you and Rob are the only two
19 shareholders, correct?

20 A I don't know the date of the paperwork, but I'm
21 assuming we were.

22 Q Do you want to go back to the front, it's August of
23 2004?

24 A I trust if you tell me he was a shareholder.

25 Q And you and he were the only two shareholders,

1 correct?

2 A Correct.

3 Q And where it says me, 91.25 percent, that's your
4 share of the company, right?

5 A Yes.

6 Q And the P. J., 7.5 percent, is that P. J.'s
7 percentage of the company?

8 A P. J. didn't own the company at that point. The 7.5
9 percent, again, is me treating him as an actual
10 shareholder. If I shared -- I'm assuming this was the
11 same just like when it was 25. All that number means is
12 if I take \$700,000 out of the company, this could have
13 been bonus, taxes or whatever, the disbursement was just
14 like he was an owner. Again, I was treating him like my
15 brother. That's all I'm doing.

16 Q Okay. And this --

17 A That doesn't say he owns 7 1/2 percent. That means
18 if I'm going to disburse and I did that he would get 7 1/2
19 percent of the proceeds.

20 Q And the 7.5 percent is what y'all agreed to in
21 Charleston, correct?

22 A We agreed to this in Charleston.

23 Q Now, did I hear you say that the Dobson deal, the
24 perfect deal in your words, was a simple matter?

25 A Again, the context, it wasn't the perfect deal from

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1 the beginning. It had crunched down where we only had a
2 few options. So at the time, it was, basically, the only
3 option we ever had that I remember. So it was about as
4 perfect as you could get because our values had kind of
5 just lined up right. He was selling, my company had just
6 caught up to where he was, so it was a perfect deal.

7 Q You may be getting hung up on the perfect deal part.
8 Was the Dobson deal a simple deal?

9 A Again, in context, it was the simplest -- if you're
10 asking if it was a simple deal, I don't know which one of
11 these deals would be real simple. It might have been
12 simple to have us execute this 7.5, 7.5 in Charleston,
13 that was probably simplist. I don't know where you put
14 this on simple. I don't understand the whole thing. I'm
15 not a tax attorney.

16 Q So the Dobson deal wasn't a simple deal?

17 A To a lay business, it may have been a little bit
18 different.

19 Q How about that tax option stuff you went through with
20 Mr. Ellis, that's not simple stuff either, is it?

21 A The stuff that --

22 Q The options you just went through with Mr. Ellis,
23 that's not simple stuff either, is it?

24 A I can explain it simple.

25 Q It is simple?

1 A Yes.

2 Q Okay. I just want to know what your position is.

3 Now, I want to know, that termination agreement that we
4 looked at, Exhibit 4?

5 A Okay.

6 Q Do you believe that this agreement reflected what Rod
7 and P. J. thought they had agreed to in Atlanta?

8 A Exhibit --

9 Q Yeah, the termination agreement, Exhibit 4?

10 A I don't think this is Exhibit 4.

11 Q I'm sorry, I gave you the wrong exhibit number.

12 Twenty-two. Yeah, Exhibit 22, the termination agreement.

13 There's one document we find we think it's this one. Do
14 you believe that this agreement reflected what Rod and
15 P. J. thought they had agreed to in Atlanta?

16 A I do not.

17 MR. STILLWELL: Okay. Let me see page 90 of his
18 deposition, Mandy.

19 THE WITNESS: Of my deposition?

20 BY MR. STILWELL:

21 Q I ask you -- are you with me, on line 15?

22 A Thank you.

23 Q Do you believe that this agreement reflected what Rod
24 and P. J. thought they had agreed to in Atlanta?

25 And you said, I don't know, I know that's not what I

1 agreed to.

2 Bob, isn't it possible that y'all agreed to something
3 different than each other in Atlanta?

4 A No.

5 MR. STILLWELL: Okay. That's all the questions I
6 have.

7 THE COURT: All right. You may step down, sir.

8 All right, Mr. Ellis, your next witness, please, sir.

9 (WHEREUPON, Court's Exhibit No. 1 was marked for
10 identification and received into evidence.)

11 MR. ELLIS: Your Honor, I would like to read the
12 designations from the deposition of Mr. Barry Harper.

13 THE COURT: All right, sir.

14 MR. ELLIS: I'll pass it up to, Your Honor.

15 MR. STILLWELL: Your Honor, can we just figure out
16 how we're going to do this? It seems like somebody should
17 just read them in order. I've cut mine considerably to
18 try to help move this along and I don't think y'all have
19 time -- We have original designations.

20 THE COURT: Well, I think at this point in time, it
21 probably will be just as easy to go along -- at the end of
22 Mr. Ellis doing that, if you want to read some others,
23 then I'll let you do that at that time.

24 MR. STILLWELL: I think we're probably okay, Your
25 Honor. If I could just look at these while he's reading

1 presentation of your case.

2 MR. STILLWELL: That will be fine.

3 THE COURT: All right. Mr. Ellis, proceed on.

4 MR. ELLIS: Your Honor, the Plaintiff calls P. J.
5 Richardson.

6 THE COURT: Please come around and be sworn, sir.

7 P.J. RICHARDSON, after being duly sworn,
8 testified as follows:

9 THE CLERK: State your name, please.

10 THE WITNESS: Patrick J. Richardson.

11 DIRECT EXAMINATION

12 BY MR. ELLIS:

13 Q Mr. Richardson, how are you?

14 A Fine. How are you?

15 Q I'm fine, thank you. It's nice to see you. I take
16 it you're the P. J. Richardson whose name has been
17 mentioned here a number of times; is that right?

18 A Yes, sir.

19 Q Okay. And you were the sole shareholder of Reeves
20 Manufacturing, Inc., right?

21 A I was.

22 Q That was prior to its sell to DHS in 2005, right?

23 A Yes, sir.

24 Q Okay. I want to talk to you first about your
25 understanding of what this case is all about. When you

1 first started this case, do you recall what your claim was
2 against North American Rescue Products?

3 A I believe you started this case.

4 Q Okay. When the case first started, though, you had
5 asserted a claim, hadn't you, against North American
6 Rescue Products?

7 A Yes, sir.

8 Q Okay. And where this -- where this whole thing
9 started, I believe, you can correct me if I'm wrong, was
10 with this letter that your lawyer wrote dated April 7th,
11 2007, right? You recognize that letter, right?

12 A Yes, I do.

13 Q I believe that's already in evidence as Plaintiff's
14 Exhibit -- yeah, NARP Exhibit 13. That was the initial
15 letter that your lawyer wrote to Curt Stodghill, right?

16 A Yes, it was.

17 Q And in that letter, Mr. Orlinsky, your lawyer, set
18 forth that you had a claim to acquire 7 1/2 percent of the
19 common stock of NARP for one penny per share, right?

20 A Yes, sir, that's what it says.

21 Q And at the time that letter was written, was that
22 your belief that you had a right to buy the common stock
23 of NARP for a penny per share?

24 A Yes, sir.

25 Q And now, wasn't -- you don't recall that there was

1 any option sheet or anything attached to that, do you?

2 A What I was sent was a copy of that letter. There was
3 not an option sheet attached to it.

4 Q Okay. Let's -- do you recognize this document?

5 A Yes, I do.

6 Q Okay. At the time Mr. Orlinsky wrote his letter, was
7 it your belief that that was an option in your favor for a
8 penny per share?

9 A This option that's up here was never a completed
10 option. That's an option -- I think it said up there, I
11 received it from Curt.

12 Q But it was not a completed option?

13 A It wasn't fully executed.

14 Q In fact, sir, there was never an option agreement
15 that the parties ever finally agreed on in this case, was
16 there?

17 A That's correct.

18 Q Okay. Sir, I want to go back to the original answer
19 and counterclaim that you filed in this action in August
20 of 2007, do you recognize that document?

21 A Yes, I do.

22 Q Okay. This is your initial claim in this case, I
23 believe, in the fall of 2004, the parties agreed to amend
24 the percentage each owned in the other party's company for
25 25 percent and 7 1/2 percent of the common capital stock.

1 The parties reduced the 7 1/2 percent interest to a
2 writing and a stock option agreement treated herein as an
3 option agreement dated October 4th, 2004. The option
4 agreement is attached hereto and incorporated in by
5 reference. Now, I believe you just testified that the
6 document that's dated October 4th, 2004, was not, in fact,
7 a completed option agreement, right?

8 A Yes, sir.

9 Q So what's in paragraph 39 of your answer and
10 counterclaim is not correct, is it?

11 A That's correct.

12 Q Okay. Thank you. Going on down, as provided for in
13 the option agreement, Richardson will retain an option to
14 purchase 7 1/2 percent of the common capital stock. You
15 went on to say in November 2004, the parties executed a
16 continued agreement entitled Termination Settlement and
17 Release. A copy of this agreement is attached as Exhibit
18 C. Under the terms of the termination agreement, both
19 parties release each other from obligations owed in the
20 2000 agreement, however the termination agreement
21 specifically reserved Richardson's option to purchase 7
22 1/2 percent -- I'm sorry, the outstanding NARP stock,
23 Richardson's option right confirmed by the option
24 agreement was kept fully intact under the termination
25 agreement. Do you see where it says that?

1 A Yes, I do.

2 Q And I think we've agreed earlier that the option
3 agreement that's referred to here -- that sentence
4 actually isn't correct because that option agreement was
5 actually never agreed to by the parties; is that right?

6 A It was never finalized, that's correct.

7 Q Now, sir, you amended your answer and counterclaim, I
8 think early July of this year. And in that, there's a
9 different set of facts set forth. And it says the parties
10 agree to amend the percent each owned and the other's
11 party from 25 percent to 7 1/2 of common capital stock.
12 No formal writing was ever executed in relation to the
13 reduction of the parties' ownership, but both parties
14 agree such a reduction in ownership occurred. In the fall
15 of 2004, the parties met in Atlanta and looked again and
16 delved into the structure of the ownership in each other's
17 companies.

18 During this meeting, Richardson believed that he had
19 reached a new agreement with Castellani and NARP. Under
20 the new agreement, Castellani agreed to release his
21 interest in Reeves Manufacturing in exchange for 7 1/2
22 percent of the proceeds from the sale of Reeves, which was
23 imminently to occur. Richardson, likewise, agreed to
24 release his interest in NARP in exchange for an option to
25 purchase 7 1/2 percent of the stock of NARP. Each term of

1 the parties' agreement was dependent upon the other terms.
2 Only under separate such terms would Richardson agree to
3 release his ownership interest in NARP in exchange for an
4 option to purchase 7 1/2 percent of NARP stock for a penny
5 a share.

6 Then it goes on to say that the parties memorialized
7 the 7.5 interest contemplated by this arrangement in a
8 document called a Stock Option Agreement herein dated
9 October 4th, 2004. Once again, what's set forth in this
10 Court document is not correct, is not true, is it, because
11 there was not an option agreement dated October 4th, 2004?

12 A Well, what you're seeing here is discussions that
13 took place at the Atlanta meeting, which we talked about
14 numerous times today. And what we discussed was and what
15 we all left that meeting with was an agreement that we
16 were going to strike -- or, at least, work down on a plan,
17 the two attorneys, Stodghill and Manning, and they would
18 develop a three-part plan to get this done. One part of
19 it was the termination and settlement agreement. The
20 second part of it was the option agreement. And the third
21 part was the payment of the proceeds of Reeves into some
22 charity.

23 Q What I'm focusing on here is that this document, it
24 says you all actually reached a meeting in Atlanta -- let
25 me go back and be sure what it says. This document says

1 Richardson -- during this meeting, Richardson believed
2 that he had reached a new agreement with Castellani and
3 NARP and that an option agreement had been agreed to. And
4 it says the stock option agreement dated October 4th,
5 2004, right?

6 A That's correct.

7 Q So what's in this document, this pleading sets forth
8 your claim, that's actually not true either, is it?

9 A Well, it's not true, I guess, as far as the fact that
10 the stock option agreement was never completely executed.
11 But it is true from the standpoint that we left there with
12 an agreement that it would take three things that would
13 have to be done to make this work. One was the release
14 and termination and settlement agreement. One was the
15 stock option for 7 1/2 percent of the company at one cent
16 a share for ten years and the third was the payment of
17 this money to a charity. And the two attorneys left, as
18 Bob and I did, and they were to work on it.

19 Q They were going to work on it after the Atlanta
20 meeting?

21 A That's correct. But we agreed that's what we wanted
22 to do?

23 Q That's what you wanted to do?

24 A That's correct.

25 Q But I'm just clarifying in this document where I

1 asked you where it says that you had -- an option
2 agreement was memorialized, this document was served as a
3 pleading answer, that's not correct?

4 A Well, defining memorialized as not being signed, then
5 I would say you are correct.

6 Q Well, and in fact, at the meeting in Atlanta, you all
7 did not reach any sort of final agreement in Atlanta?

8 A I guess I would say it depends on what's a final
9 agreement. The way Bob and I ran our businesses and we
10 worked with each other, the bond and trust that we had, we
11 said this is what we're going to do and the attorneys were
12 set off to do it.

13 Q Sir, if I could hand your deposition and ask you to
14 turn to page 113.

15 A Thank you. Yes, sir, you said 113?

16 Q Yes, sir, I sure did.

17 A Yes, sir.

18 Q Do you see beginning at line 15 where I asked you
19 this question, and y'all met on October 29th, 2004. When
20 you left that meeting, you did not have an agreement, did
21 you, as to how to exchange any stock or have an sort of
22 option between the parties, did you? And your answer?

23 A No, nothing -- do you want me to read it?

24 Q Yes, sir, I do.

25 A No, nothing was completed.

1 Q So when I asked you in your deposition if a final
2 agreement had been reached, you said no, nothing was
3 completed?

4 A That is correct.

5 Q Okay. Can I just keep that for the time being. I
6 may need it back. I may get your original.

7 A That's fine.

8 Q Sir, I want to show you your -- I think it's your
9 most recent pleading in this case. Now, this is a
10 document -- I'm going turn over the last page -- well,
11 actually, let me see the first page. Do you see the file
12 date on that? The typewritten part here?

13 A Yes, I do.

14 Q What's that date?

15 A Looks like 2008, July 25 at 3:16.

16 Q I believe that was 11 days ago, right. July 25th --

17 A It should be more than that, this is August.

18 Q I apologize. Oh, goodness.

19 A That's okay.

20 Q I had a bit of a time warp, I'm sorry. That's what
21 this job will do to you, though, I'm telling you. I
22 apologize. That was 32 days ago?

23 A Sounds more accurate.

24 Q My fault. Let's go up here to paragraph 53 of your
25 most recent pleading. It says in October of 2004, the

1 parties met in Atlanta. The Atlanta meeting, once again,
2 an endeavor to restructure their respective ownership in
3 each other's companies. Out of this meeting, the parties
4 reached a new agreement. Under the new arrangement,
5 Castellani agreed to release his interest in Reeves
6 Manufacturing in exchange for 7 1/2 percent of the
7 proceeds from the sale of Reeves, which was imminent to
8 occur. Richardson, likewise, agreed to release his
9 interest in exchange for an option to purchase 7 1/2
10 percent of stock in NARP. Each of the parties overall
11 agreement was dependent on the other terms. Only under
12 such terms Richardson agreed to release his ownership
13 interest in NARP in exchange for an option to purchase 7
14 1/2 percent of the stock in NARP for a penny a share as
15 previously discussed by the parties. In November of 2004,
16 the parties executed a companion document entitled
17 Termination, Settlement and Release. I believe that says
18 it's attached to Exhibit 2. I think everybody in here
19 probably recognizes this document by now. You see that
20 Termination, Settlement and Release Agreement?
21 A Yes, I do.
22 Q Okay. I'm sorry it looks so bad. Going back to this
23 theory now. This is your latest claim, out of this
24 meeting, the parties reached a new agreement Castellani
25 agreed to release his interest in exchange for 7 1/2

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1 percent of the proceeds and you, likewise, agreed to
2 release your interest in NARP. Sir, I think we've
3 established that the parties never did reach a conclusion
4 or agreement as to an option agreement, right?

5 A That's correct. We reached an agreement to continue
6 to develop a three-part option. The option program
7 release and then using the charity that Bob wanted us to
8 use.

9 Q Well, I want to go on down here because in your
10 complaint you're saying the parties' overall agreement,
11 including Richardson's option agreement continues to be
12 valid and binding in terms of the contract between the
13 parties. By and through his attorney, NARP has refused to
14 honor Richardson's right to purchase 7 1/2 percent of
15 NARP's outstanding stock for one penny per share.
16 However, NARP simultaneously contends mistakenly that
17 Richardson has released his interest in NARP, therefore,
18 breaching the overall agreement, including the option
19 agreement. Through the option agreement, Richardson has
20 the right to own 7 1/2 percent of the stock in NARP. I
21 think we have established that there actually never was an
22 option agreement agreed to, right?

23 A That's correct. The option agreement was one of the
24 three parts of what the final agreement would look like.

25 Q Going back to paragraph 4, if I can see where this

- 1 is, Castellani agreed to release his interest -- it says,
2 at the meeting, the parties reached a new agreement.
3 Under the new arrangement, Castellani agreed to release
4 his interest in Reeves Manufacturing in exchange for 7 1/2
5 percent of the proceeds from the sale of Reeves. Now,
6 sir, you all never reached actually that agreement in
7 which Mr. Castellani agreed to release his interest -- he
8 never agreed to accept 7 1/2 percent of the sale of Reeves
9 as part of the agreement, did he?
- 10 A That was all part of three pieces that were going to
11 be consummated at one time.
- 12 Q Let's talk a little bit about the three pieces that
13 you're talking about. Mr. Castellani, actually, never,
14 though, agreed to accept a payment of 7 1/2 percent of the
15 proceeds from the sale of Reeves, did he?
- 16 A Specifically at the Atlanta meeting?
- 17 Q Or after the Atlanta meeting? Did he ever say just
18 send me cash from the sale of Reeves and I'll take that
19 and then you can have -- you can have stock in NARP?
- 20 A At the Atlanta meeting was the first time that we
21 actually discussed using a form of payment to charity. It
22 had always been my assumption we would simply write Bob a
23 check for whatever his entitlement was from the sale of
24 Reeves.
- 25 Q Sir, I know, but I'm trying to understand factually

1 what your position is because the most recent -- the most
2 recent pleading that I received from your attorneys in
3 this case, which is very recently, though, not as recently
4 as it struck me a moment ago, 30ish days ago or so, this
5 most recent pleading that sets forth your claim in this
6 case says that the parties reached a new agreement.
7 Castellani would release his interest in Reeves for 7 1/2
8 percent of the proceeds of the sale and you would get an
9 option. Now, we can read every word of this if you would
10 like to, but I believe that your complaint in this case is
11 that through the option agreement, Richardson has the
12 right to own 7 1/2 percent of the outstanding stock of
13 NARP, such stock constitutes a unique property interest
14 for which money damages may not compensate Richardson.
15 Richardson is entitled to specific performance in the
16 overall agreement in the option contract along with money
17 damages and so forth. What I'm trying to understand is
18 what's in this complaint that's actually -- what's in your
19 counterclaim here, that's actually not true either, is it,
20 because an option contract had never been agreed to?

21 A That is correct, an option contract was never
22 finalized.

23 Q Well, then, your claim they breached the option
24 agreement isn't true then, is it?

25 A Well, part of that -- part of the agreement had been

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1 executed. All three pieces of our plan should have been
2 executed at the same time and they were not.

3 Q And they were not because you went to Mr. Castellani
4 with the termination agreement without anything else
5 having yet been agreed to, right?

6 A That's correct. On November 5th -- well, probably on
7 November 4th, I received part one from my attorney,
8 Mr. Manning. And understanding that at that time I was
9 working down two tracks because we were finalizing our
10 sale of our company. And that requires a laundry list of
11 documents that would have to work on everyday. So when
12 Mr. Manning sent me the first piece of this three-part
13 stool, I simply sent it on to Bob Castellani on the 5th, I
14 said you need to review this and get it back to me. And I
15 assumed the other two parts would be coming because my
16 attorney was working on the settlement. It was my
17 understanding Mr. Stodghill was working on the option part
18 and -- as well as the payment to the charity.

19 Q Well, sir, my understanding is that you're here in
20 this courtroom -- the reason we're here is that we have a
21 dispute over whether or not you have a right, a contract
22 to require NARP to turn over to you 7 1/2 percent of its
23 stock. That's what I understand is the principle -- the
24 big reason we're here. Is that your understanding as
25 well?

1 A Yes, it is.

2 Q Okay. Thank you. In your first claim in this case
3 then, you said that you had an option that was
4 specifically reserved by the termination agreement. That
5 was your first claim, right? I can put it back up for
6 you, your original counterclaim?

7 A Yes.

8 Q Your second claim was well, no, the parties reached
9 an agreement in Atlanta, that was your second claim,
10 right?

11 A Yes.

12 Q And that y'all entered into that option agreement --
13 y'all entered into an option agreement dated October 4th,
14 2004, that was your second claim, you changed it. Now,
15 the third version of the facts was that an agreement was
16 reached after the Atlanta meeting and that somehow you
17 have an option and Mr. Castellani had agreed to accept the
18 payment of 7 1/2 percent of the sale of Reeves. And now I
19 understand that's not true either. I mean, do I have it
20 wrong?

21 A Well, I'm not sure that you have the whole story.

22 Q Well, I'm just trying to ask about what is in the
23 pleadings that you and your attorneys filed with this
24 Court as to what your claim is. Because what I now
25 understand is that the document upon which you are basing

1 your claim that says you are here to enforce an option is
2 really not correct because you actually don't have an
3 option?

4 A Well, if you look in the settlement agreement, there
5 is an option. In fact, I wouldn't have even signed the
6 settlement agreement if I didn't have an option in there
7 protecting me.

8 Q Yes, sir. But what I believe you talked about
9 earlier and I think you've answered this, as a matter of
10 fact, I've asked you several times, you never, actually,
11 though, did enter into an option agreement. You were
12 discussing entering into an option agreement, according to
13 you, but you never actually entered one?

14 A That's correct. There was never an option agreement
15 signed.

16 Q And Bob -- and, also, as part of this three-legged
17 stool that's been discussed, Bob Castellani had never --
18 you all had never reached a final agreement as to how
19 proceeds of any sale would be paid on his behalf; isn't
20 that right?

21 A That is correct. Well, the only option that was on
22 the table to allow us to make payment was to use a payment
23 to a charity, which we were open to. The problem arose
24 when we were told -- or when I was told that it was a
25 Dobson Ministries, Tape Ministries, because I didn't know

1 who they were and I wanted to find out who they were.

2 Q Well, sir, what I want to understand is I believe
3 this is the diagram that was reviewed by your attorneys, a
4 three-legged stool termination option and I think that's
5 supposed to be 415,000?

6 A That's correct.

7 Q The parties never actually finally agreed to do this,
8 did they?

9 A That's correct, we weren't able to finalize that.

10 Q Well, sir, if nothing in your pleadings is correct
11 about your claim, what are you here for?

12 A I think that's your perspective that there's nothing
13 correct. I've pointed out what we agreed to in Atlanta.

14 Q Yes, sir. And I believe you also just testified that
15 you all never actually finally -- the parties never
16 actually came together and reached a final agreement that
17 they were going to do that, didn't you?

18 A No, I said we were unable to complete it. I don't
19 know that I said -- I did not say that the parties got
20 together and said that we weren't going to agree.

21 Q No, that's not what I'm asking you. And I'm sorry if
22 my question was unclear. I'm asking you -- and we'll talk
23 a little bit about what you testified to earlier if we
24 need to, I'm asking you, isn't it true that in Atlanta,
25 you all had discussions about what you wanted to do in the

1 future, right?

2 A That's not quiet accurate. We had -- I remember an
3 awful lot of what happened in Atlanta.

4 Q Well, let me ask you this question about -- because
5 I'm trying to understand the basis of your claim. If an
6 option agreement wasn't ever entered into and you and
7 North American Rescue Products and Mr. Castellani never
8 reached a final agreement as to how that part of the
9 transaction would occur, what is the final agreement that
10 you're here asking the Court to enforce?

11 A I was asking the Court to enforce my 7 1/2 percent
12 ownership in North American Rescue.

13 Q And where does that 7 1/2 percent ownership -- where
14 is the reference to that? Where do you believe there is
15 an agreement that gives you a contractual right to have 7
16 1/2 percent of the stock of NARP?

17 A Well, the only part of our agreement that we had
18 intended to complete as a result of the Atlanta meeting is
19 the settlement agreement, which I think is this here. And
20 in that, it clearly states that I am carved out a 7 1/2
21 percent option agreement.

22 Q Well, I believe it says that that document would not
23 have the effect of terminating 7 1/2 percent option
24 agreement, but I believe you've now testified a number of
25 times, and I appreciate that, because I believe you and

1 Bob have both testified about this, you all never actually
2 finally entered into an option agreement, right?

3 A That is correct.

4 Q Okay. So, sir, isn't it true that the basis of your
5 belief that you had a right to acquire 7 1/2 percent of
6 the stock of NARP came only from the 2000 agreement, is
7 that correct?

8 A Certainly, I can go back to the 2000 agreement. The
9 2000 agreement clearly states that was a 25 percent
10 ownership. Bob and I both know, based on subsequent needs
11 in our agreement, that it was no longer 25 percent, but
12 was, in fact, 7 1/2 percent.

13 MR. STILLWELL: Your Honor, can we do something with
14 the microphone.

15 THE COURT: Just move just a little bit further away
16 and speak up.

17 THE WITNESS: Is that better?

18 BY MR. ELLIS:

19 Q Yes, sir. Now, just to be sure, we all agree that
20 the 2000 outline that y'all entered into, we all agree
21 that you all knew the percentage of that went from 25
22 percent to 7 1/2 percent, right?

23 A Yes, that's correct.

24 Q And what you're seeking from this Court is an
25 enforcement of a right for you to be able to acquire 7 1/2

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1 percent of the stock of North American Rescue Products,
2 right?

3 A That is correct.

4 Q And the right that you're asserting to do that is
5 actually not as is stated in your pleadings in this case,
6 right?

7 A You know, you may have me there because I'm not an
8 attorney. I have counsel that has filed those pleadings
9 and I would say that's -- I have a base what's there, I
10 have a right to 7 1/2 percent of the company.

11 Q Okay. Okay. What is the contract -- let me see if I
12 can dig down, dig down and get to this is a little bit
13 closer. This was North American Rescue Exhibit 2. As far
14 as ownership interest go, this was the only agreement that
15 you and Bob ever had as far as ownership, as far as saying
16 this is what your ownership would be, this isn't the only
17 agreement that you all ever finally had an agreement on,
18 right?

19 A That is correct.

20 Q Because out of Atlanta, at the Atlanta meeting when
21 you all were talking about doing something different,
22 there were still issues up in the air; isn't that correct?

23 A That is correct.

24 Q And those issues were never finally resolved, were
25 they?

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1 A That is correct.

2 Q Well, this might be a good time to talk about the
3 2000 outline as long as I have it out. Before I do that,
4 let me talk a little bit -- before I do that, let me talk
5 a little bit more, though, about this three-legged stool
6 you all talked about. I think in a later version of facts
7 after your last pleading, you all may have taken the
8 position that what was discussed was a contribution by you
9 to a charitable trust as part of a proposed deal, right?

10 A The contribution to a charitable trust was an idea
11 that Bob put on the table.

12 Q But isn't that a part of the proposed three-legged
13 stool that you all talked about?

14 A That's correct.

15 Q And you never agreed to participate in that, did you?

16 A I'm sorry, are you asking me I never agreed to
17 participate in donating to a charity?

18 Q Certainly not. Certainly, you made donations to
19 charities.

20 A No, no.

21 Q No, I'm asking you that. I'm talking about the
22 proposal that you had talked about that came out of
23 Atlanta, as I understand it, in your pleadings, it said
24 Castellani agreed to accept 7 1/2 percent of the sales
25 price of Reeves. What I understand you're telling me now

1 is that -- well, the proposal that was on the table was
2 that you would make the contribution to a charitable
3 trust, right?

4 A That's what was proposed, correct.

5 Q But you never agreed to do that, did you?

6 A No, I did not. We said we would consider looking at
7 the charitable option.

8 Q Let me go to -- as I said I would do earlier, let me
9 go to North American Exhibit 2. And again, this is a
10 document I think we're all familiar with now. You're, of
11 course, familiar with, right? Right, you're very familiar
12 with that, right?

13 A Yes, I am.

14 Q Okay. Thank you. Who were the parties to this
15 agreement?

16 A The parties to the agreement were North American
17 Rescue Products, RMI, which is Reeves Manufacturing, RAC,
18 Bob Castellani, and PJR, myself, Patrick J. Richardson.

19 Q So it was NARP, Reeves, you and Bob?

20 A That is correct.

21 Q Well, define RMI's business and Reeves Manufacturing
22 business and it's actually defined as being the business
23 of designing, manufacturing and selling certain emergency
24 and medical rescue products, right?

25 A As well as decontamination systems, that's correct.

1 Q I apologize, that is correct, you're right. And it
2 talks about also as part of this contract was
3 cross-selling activities, right?

4 A That's correct.

5 Q And it has a commission arrangement in it, right?

6 A That is also correct.

7 Q Now, let's get down to this part. Restricted stock,
8 this is an agreement, wasn't it, for Reeves to issue to
9 Bob and NARP to issue to you 25 percent of companies'
10 capital stock, issued stock of all classes, right?

11 A Yes, it is.

12 Q Let me go down to the next sentence where it says
13 such stock shall be subject to a right by either company
14 to purchase the issue arrangement between RMI and RAC and
15 NARP and PJR is terminated, right?

16 A Yes, sir.

17 Q So you had a buy back right -- once you issued the
18 stock, you had a buy back right if you terminated the
19 commission language, right?

20 A Yes.

21 Q And it says the rights shall be exercised by notice
22 of the holding stock in the interest of the terminating
23 company shall pay \$100 to the portions of such stock. If
24 the company exercises its right to purchase the stock and
25 it enters into an agreement to sell the consummated

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1 transaction. Sell the material portion of the stock other
2 than the ordinary course of business, PJR in the case of
3 RMI and RAC in the case of NARP directly or indirectly
4 through related parties in a series of later transactions
5 entered into an agreement to sell or otherwise consummate
6 a transaction selling the capital stock of RMI and NARP,
7 respectfully. Then the terminating stockholder shall be
8 paid a portion in consideration as if they -- I'm sorry.

9 A Thank you.

10 Q Need on of those fancier machines, gotta get one of
11 those. Sorry. As if they still owned the stock. As if
12 they still owned the stock. Sir, my question for you
13 about this paragraph -- then it says this provision shall
14 be refuted ten years from the date of the stock purchase
15 at the hundred dollar price, right?

16 A Yes, it says that.

17 Q Mr. Richardson, what the stock agreement was between
18 the parties then was that y'all had an agreement to
19 exchange stock in each other's companies, originally 25
20 percent, then you adjusted it to 7 1/2 percent, right?

21 A That is correct.

22 Q And then the right was each of the companies had a
23 buy back right, right?

24 A Yes.

25 Q Then after you had issued the stock and if you bought

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1 the stock back, then there was a right of the stockholder
2 whose stock had been bought to receive proceeds from the
3 sale of the company if that happened within two years
4 after the buy back, right?

5 A Yes, sir.

6 Q But there's not a provision in the contract that ever
7 just called for something to happen without stock having
8 been issued, right?

9 A That is correct.

10 Q And you and Bob never did exchange stock?

11 A I'm not sure that North American even had stock
12 certificates at that time. So the answer to your question
13 is no, we never exchanged stock.

14 Q Mr. Richardson, you served on the Board of Directors
15 of North American Rescue from September of '04 to December
16 of '04, right?

17 A That's what I was told. I never had any information
18 that would have indicated that. My background is more
19 corporate. There would have been typically some sort of a
20 Board motion that would have told me that. But I would
21 say Bob told me I was on the Board.

22 Q And you knew you were on the Board of Directors,
23 though, right, during this time?

24 A Well, I trusted Bob. We were extremely close. He
25 said I was on the Board, so I was on the Board.

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1 Q Well, in fact, you were paid your \$50,000.00 to be on
2 the Board, right?

3 A That's what the W-2 said, yes.

4 Q Well, you actually got the money, too, right?

5 A Well, I think when it was discussed and the payment
6 came, I found it rather surprising because companies of
7 that size, typically, wouldn't pay Board assignments that
8 kind of money. I think it was -- in our discussions, it
9 was more couched in terms of a bonus payment to me. And
10 it was called a directorship. But for a company of that
11 magnitude to pay a \$50,000.00 for Board positions is
12 rather pricy.

13 Q Well, that was good, though, wasn't it?

14 A Yes, it was fine, yes.

15 Q Now, tell us a little bit about your corporate
16 background. I mean, you have a college degree in
17 business, don't you?

18 A Yes, I do.

19 Q And tell us a little bit about what your corporate
20 background is?

21 A I started my business career in 1969 with Johnson &
22 Johnson Family and Companies. I stayed with that company
23 approximately 10 or 11 years. When the division that I
24 was with was divested, I went on with that division. And
25 when that company was sold, I moved on to become a

1 director of sales and marketing for American Optical
2 Company in Massachusetts. Eventually, the weather just
3 became so severe after less than two years, an opportunity
4 became available in Maryland with a large international
5 company where I went to and, eventually, became president
6 of that company, was just about five years. And in 1990,
7 I went off and decided that I wanted to work for myself.
8 So at -- that's at the time that I acquired A. Smith & Son
9 and started Reeves Manufacturing. I had no investors at
10 that time as was indicated earlier. I did it with bank
11 loans, 401 K's and all my own money. Come from a very
12 simple background and we have built the company, my wife
13 and I, on our own.

14 Q You took Reeves from being virtually nothing to being
15 really something, didn't you? Isn't that fair enough?

16 A It was a nice small business, yes.

17 Q Well, I'm just -- I'm noting the fact that it's sure
18 easier for me to say than you, you are quite -- Reeves is
19 a success story, right?

20 A Yes, it was.

21 Q So you have a lot of corporate experience. You know
22 what members of the Board of Directors do, right?

23 A Yes, I do.

24 Q And you know what a contract is, don't you?

25 A Yes, I do.

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1 Q You know that when parties are merely discussing
2 something, that's different than when the parties have
3 finally actually entered into a contract, don't you?

4 A Yes, I do.

5 Q Okay. And you know that a member of a Board of
6 Directors -- do you sit on any Boards right now?

7 A Yes, I do.

8 Q What Boards are you on?

9 A I sit on the Board of a start up company in New York
10 City. I'm on Board of Advisers on merging banking
11 company.

12 Q A member of a board of directors is a fiduciary to
13 the company, right?

14 A Yes, it is.

15 Q And a member of the Board of Directors has a duty to
16 look out for the best interest of the company, right?

17 A Yes, it does.

18 Q In fact, a member of the Board of Directors has a
19 duty to put the interest of the corporation ahead of his
20 own personal interest, right?

21 A Yes, he does or she does.

22 Q You heard earlier the -- well, before you -- before I
23 move on, you recall the fact that in the course of
24 discussing options in 2004 that there were draft options
25 going back and forth between Curt Stodghill on behalf of

1 NARP and Rod Manning on behalf of you, right?

2 A Yes, I do.

3 Q And there were some points of disagreement in the
4 drafts, which I believe you heard discussed earlier with
5 Mr. Castellani's testimony, right?

6 A Yes.

7 Q And one of the points of disagreement was -- had to
8 do with a potential antidilution clause, right?

9 A That was a topic of discussion, yes.

10 Q Okay. Let me just also -- I want to show you a copy
11 of the black line, do you know what this document is?

12 A Yes, I do.

13 Q What is it?

14 A That appears to be a redline copy of a -- or draft
15 copy of an option agreement that was produced by -- that
16 looks like it came from Curt Stodghill.

17 Q Do you recognize this, though? Let me zoom out to
18 that comparison document.

19 A I'm not sure I understand what the comparison
20 document means.

21 Q I think we looked at this document with you earlier
22 in your deposition. Do you recall that Rod Manning,
23 actually, did a comparison of the draft that Curt
24 Stodghill had sent?

25 A Yes, I do.

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1 Q And the draft that he had sent, right?

2 A Yes.

3 Q And do you recall that Rod Manning had done a life
4 line -- or redline comparison of the two documents, right?

5 A Yes.

6 Q And do you understand that the underlying parts of
7 this document are additions that Rod Manning had made to
8 the draft that Curt sent?

9 A I understand the underlying to be the portions of the
10 document added by Mr. Manning that he would recommend he
11 put into the document.

12 Q I'm just curious where it says exercise here?

13 A In 1.2?

14 Q Yes, sir?

15 A Yes.

16 Q Did you understand that in the draft that your lawyer
17 had sent -- in the draft your lawyer had sent if you all
18 had entered into that, an option would only be exercisable
19 upon the closing of an approved sale?

20 A That's what it says, yes.

21 Q Did you know that before today?

22 A Yes, I did.

23 Q Okay. Well, isn't it -- I mean, isn't it correct
24 that if that option agreement had been entered into, you
25 wouldn't yet have any rights to get the stock to NARP if

1 that agreement had been entered into, would you?

2 A I'm not sure about that. This is a redline. This is
3 a document that was considered a draft. It was being
4 discussed by both parties. There is nothing signed, so
5 it's, therefore, not memorialized. It could mean a lot of
6 things. It wasn't finalized, obviously.

7 Q Okay. We talked a little bit earlier -- I mean, you
8 heard us read the deposition testimony of Barry Harper,
9 right?

10 A Yes, I did.

11 Q And you know Mr. Harper, right?

12 A Yes, I do. Known him for a very long time.

13 Q I didn't mean to interrupt you, I apologize. He
14 assisted you in the sale of the assets of Reeves, right?

15 A Yes, he did.

16 Q And tell me, I know we've talked a little bit with
17 him about what he did, I believe he said that he was the
18 point man, he was the point man in terms of your
19 communications with -- I'm sorry, the communications with
20 Reeves, DHS and Carlisle?

21 A Let me add a little bit of color to what point man
22 means. Reeves Manufacturing at that time was growing at
23 an incredible rate and I needed someone who could assist
24 in the sale of the company who would focus only on the
25 sale of the company, would not interfere or be involved in

1 the day-to-day workings of the company, who also allowed
2 me to put the quality of Mr. Harper's background to stay
3 focused on the business. Because I, in fact, was the
4 business along with my sons and other supporting staff.
5 So I could not take large blocks of time away dedicated to
6 DHS, who not only was the company looking to buy us, but
7 they were also our largest supplier. So I needed to have
8 what we would call firewall, somehow to separate our daily
9 activities of running Reeves and the process of trying to
10 sell the company.

11 Keeping in mind, my wife and I were living the
12 American dream. We built this company from nothing. We
13 put every cent of our own money into it to build it. This
14 is an opportunity because like North American Rescue, we
15 were very specialized. We were a company in a position
16 during the start up of the war on terrorism and we
17 happened to respond with the right products. We were
18 there developing things that the country needed to provide
19 assistance to civilians in the event of an attack.
20 Mr. Harper allowed me to focus on my business. With his
21 background, as was already in the record, he was able to
22 do that in a very professional manner and only bring me
23 into the transaction with DHS and Carlisle Group on as
24 needed basis. So he did everything. We ran what we would
25 call the war room, which was a room in our building where

1 all the documents were brought, Carlisle Group and their
2 staff would come in and sit there on a daily basis from
3 eight in the morning till seven or eight o'clock at night,
4 go over those documents and I would be called in as
5 needed. So he did a lot of things more than just a simple
6 point man.

7 Q I mean, he really went through your company with a
8 fine-tooth comb, right?

9 A I guess the equivalent of doing an order.

10 Q And he had told DHS -- and I apologize if I'm going
11 over something we talk about before, what was your
12 understanding of the Carlisle Group's relationship with
13 DHS?

14 A Carlisle Group was a significant investor in DHS.

15 Q Okay. And he told them in due diligence that you
16 were the stockholder of Reeves Manufacturing, correct?

17 A That is correct.

18 Q And did you also tell DHS that yourself?

19 A Yes, I did.

20 Q And that was completely true, wasn't it?

21 A Yes, it was.

22 Q Because you and Bob -- you and Bob had this contract
23 that you had reduced to 7 1/2 percent, but since y'all had
24 not exchanged stock, it was absolutely true that you were
25 the sole stockholder in Reeves and he was the sole

1 stockholder in NARP?

2 A That is correct.

3 Q Mr. Richardson, once you and Mr. Harper told DHS that
4 you were the sole stockholder of Reeves, you really
5 couldn't do this deal anymore, could you? You really
6 couldn't do the exchange as described in the 2000 outline,
7 could you?

8 A I'm not sure I -- that I would agree with that, no.

9 Q Well, I mean, unless that agreement changed pretty
10 drastically, you wouldn't be able to -- you had told DHS
11 there weren't any stockholders except for you, which was
12 accurate?

13 A Correct.

14 Q You were getting ready to sell the assets of your
15 company to DHS, right?

16 A Correct.

17 Q As well as assets that you claimed belonged to you,
18 right?

19 A Correct.

20 Q So once you told them you were the sole stockholder
21 of DHS, actually, issuing stock to Bob and making him a
22 stockholder as well was really no longer on the table for
23 you, was it?

24 A I think there's a difference of opinion from the
25 standpoint of honoring a deal and your calculating -- you

1 know, the way you categorized it. I had every intention
2 of honoring my deal with Bob Castellani. It didn't really
3 matter to me what the provisions of this agreement may or
4 may not have said.

5 Q Well, but -- now, you're a man of business and you
6 built the business from scratch to being able to sell it
7 for 9.1 million dollars. You understand the importance of
8 the parties putting an agreement down in writing, don't
9 you?

10 A Yes, I do. But I'm also a man of integrity and a man
11 of honor.

12 Q Well, yes, sir, but this agreement that you had with
13 Bob called for the issuance of stock from Reeves to Bob
14 and from NARP to you and all I'm asking you is once you
15 had told DHS that you were the sole stockholder and you
16 were going to do that, once that date had passed, you were
17 not going to be able to actually carry out the terms of
18 this agreement anymore, right?

19 A I do not agree with you. I can carry out that
20 agreement.

21 Q You can't issue him stock in Reeves.

22 A But I can still honor the agreement.

23 Q What you're saying is you could honor what you
24 understood the intent of the agreement to be, right?

25 A That's correct.

1 Q But you can't actually follow the terms of the
2 contract and give him stock in Reeves, right?

3 A I'm not -- actually, I'm not sure. I guess I would
4 seek legal opinion on that.

5 Q Well, I mean --

6 A My intention is I would have honored my agreement.
7 That's what I always have felt.

8 Q If you had given Bob stock in Reeves after you had
9 already told DHS you were the only stockholder, you would
10 have been violating what you had told DHS to be true,
11 right?

12 A That's not what you asked me. If I was going to --
13 if I had, which is a hypothetical because I did not issue
14 stock after I told DHS that I was the sole stockholder.
15 Bob knew that the sale was going to be consummated and
16 that he was going to get his payout.

17 Q Yes, sir. What I'm trying to understand, though, is
18 that -- I think your speaking in terms of carrying out
19 what you understood the intent of the agreement to be.
20 But in order to change an agreement like that, both
21 parties have to intend for it, don't they, based upon your
22 contract experience?

23 A And my response is that I would have to ask -- seek
24 counsel to tell me whether I can do that. My intention
25 was to carry out and honor this agreement with Bob by

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1 paying out with proceeds of the sale of Reeves.

2 Q That was your intent of how you wanted to do this,
3 right?

4 A That's correct.

5 Q But in order to change the contract from what it
6 actually says, to still have a contract, the other side's
7 got to agree with that, too, right?

8 A I would assume so.

9 Q Okay. Let's go back to the agreement, the
10 termination, settlement and release. You asked Bob to
11 sign this to help facilitate the DHS sale, right?

12 A That is incorrect.

13 Q Well -- pardon me just a moment. Do you have the
14 deposition transcript?

15 A Yes, I have it right here.

16 Q May see that just a minute?

17 A Sure.

18 Q I'm going to give you -- I'm going to give you the
19 original copy of your deposition if I can get into it.
20 They wrap those things pretty tight. Thank you. Sorry
21 for the mess. That's you, isn't it?

22 A Yes, it is.

23 Q Thank you. Would you turn to page 121 in that
24 document?

25 A Okay.

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1 Q I asked you beginning at line eight, this is a
2 document that appears to be a signed version of Exhibit
3 21, is that right? And you said that's what it appears to
4 be, right?

5 A Yes, I did.

6 Q No -- you said -- I'm sorry, my -- I didn't do my
7 voice right. I think you said that's what it appears to
8 be, right. Let me just show that Exhibit 21 to this
9 deposition just so we're all on the same page. Exhibit 21
10 to this deposition is the agreement to terminate;
11 settlement and release, right? You see it? The exhibit
12 is right there next to you.

13 A I'm sorry?

14 Q I'm just confirming that the exhibit we were talking
15 about is actually the deposition --

16 A Yes, I'm sorry, I heard what you were saying. It's
17 the terminate settlement agreement. I read my deposition.

18 Q Thank you.

19 A I read my deposition.

20 Q I understand. Okay. Tell me what you recall about
21 this agreement, who prepared it? And if you'll read your
22 answer.

23 A I'm going to guess Rod Manning prepared this.

24 Q And I said okay and do you know why he prepared it,
25 did you ask him to prepare it? And you answered?

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1 A Would you like me to read my answer?

2 Q Yes, sir.

3 A No, I -- well, I might have. I don't know. I don't
4 remember the exact flow of who did what, to which and to
5 whom, but at that point, you know, we were getting down to
6 crunch time with DHS.

7 Q And I said right and you said?

8 A And to make this whole thing just flow a lot easier,
9 although we hadn't pulled the trigger with an agreement on
10 our ownership, it was just going to be easier just to have
11 Bob release. And my comments, as you remember earlier on
12 the record, was a lot of -- was a lot of all of this. I
13 mean, we did more paperwork in last year of this
14 relationship than we had done in the prior nine. It was
15 all done on trust. And this document, I believe, was done
16 at the very end just to make the sale seamless. It wasn't
17 affecting anything else that was in place.

18 Q And I said make the sale to DHS seamless and you
19 said?

20 A Yeah, it wasn't a problem, even though there was no
21 stock, there was no ownership, Bob and I had our
22 handshake, swapping spit agreement that we had set
23 initially back in 2000, modified it again in '04. Because
24 Bob knew, we told him when it was all -- when everything
25 was over, we already sensed there might be some problems

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1 as we went forward with DHS, so we were just trying to
2 keep him out of everything so he wouldn't have to worry
3 about it and this is where it gets you.

4 Q Mr. Richardson, let me ask you to turn over to page
5 128 and beginning at line 13. And I said, What I'm trying
6 to understand is, though, from this document and I'm
7 really trying to nail this down here is is it true, is my
8 understanding correct that this agreement -- and this
9 isn't in the text, but I'm referring to this termination
10 agreement --

11 A Yes.

12 Q You wanted this agreement executed to facilitate the
13 sale of assets to Reeves; is that correct -- I'm sorry,
14 the sale of Reeves to DHS? And you answered, DHS, right.
15 and I said, That was the purpose of this document? And
16 you said, Right. Do you see that?

17 A Yes, I do.

18 Q So I asked you just a minute ago, I think, that the
19 purpose of this document, the reason you asked for this
20 document to be signed was to facilitate the sale to DHS.
21 And I believe I just showed you in your deposition where I
22 had asked you that the purpose of that document was to
23 facilitate the sale to DHS and you said right. Okay.
24 Tell me why you're telling me today that it's incorrect
25 that that was the purpose of this document?

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1 A I don't believe that the -- needing that document for
2 the sale of DHS, that wasn't the primary reason. In fact,
3 this document was never even used in the sale of our
4 company to DHS. The primary purpose of this document was
5 just one piece of our overall intent to resolve the
6 outstanding issue with the -- with the stock option, the
7 charitable donation and then this agreement. The -- you
8 know, Bob had indicated early on he didn't want any part
9 of our sale. So not having him involved just made it a
10 whole lot easier.

11 Q Well, yes, sir, but how came when I asked you on May
12 22nd if this document -- if you asked Bob to sign this
13 document to facilitate the sale to DHS, you said yes and
14 today, you're saying no. Why are you changing your
15 testimony?

16 A I don't believe I am changing my testimony. I think
17 the document, as I said, was primarily for, which would
18 indicate it may have had a secondary use for it, was
19 primarily for resolving the outstanding issues with the
20 option agreement.

21 Q Well, let me go back to page 121. I want to be sure
22 I understand and that I'm not being unclear. I think on
23 page 121, I asked an open-ended question, why was this
24 document prepared? And you said, starting at 19, At this
25 point, you know, we were getting down to crunch time with

1 DHS. And I said, Right. And you said, And to make this
2 whole thing just flow a lot easier, although we hadn't
3 pulled the final trigger with our agreement on ownership,
4 it was just going to be easier to have Bob release. So
5 what I'm trying to understand is at that time, I asked you
6 an open-ended question. It wasn't a leading question at
7 all, why was that document prepared? And I think you told
8 me on that day, I did it to help with the DHS sale.
9 Today, you're telling me that the reason this was done was
10 it had -- was that not the main reason. And I'm just
11 trying to understand why there's been a change in your
12 testimony from May 22nd, 2008 to today?

13 A I don't believe there is a change in my testimony. I
14 said that there was a primary reason and it was the fact
15 that Bob signed the release just made it that much easier.

16 Q Okay. What was the primary reason?

17 A The primary reason for this document, this document
18 up here on the screen, was that it was part of a
19 three-part -- a three-part -- I'm trying to get the right
20 words he used to describe it, three-part agreement, which
21 would allow us to resolve the outstanding ownership issue,
22 which included our 7 1/2 percent option agreement at one
23 cent for ten years, the release agreement and the payment
24 to charity, all three of which needed to be done at one
25 time. The fact that -- it's all a timing issue. It

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APP_0334

1 should have all been signed and released at -- done at one
2 time. And the fact that Bob gave it to me -- I mean, the
3 fact that it took eight days to get it back to me I think
4 is an indication that I wasn't in any rush to have that
5 document. But it was nice to have and that's what I
6 thought I said to you.

7 Q Mr. Richardson, where in your deposition -- and I
8 certainly don't want to take the Court's time on this, but
9 where in your deposition did you tell me that the purpose
10 of that agreement was anything other than to facilitate
11 the DHS sale? I mean, you're familiar with it?

12 A Yes, I am.

13 Q I asked you why that document was prepared and you're
14 telling me that what you said in your deposition is not
15 inconsistent with what you're saying today and I don't
16 want to beat this too much to death, but I don't
17 understand why you're telling me that you're telling me
18 the same thing today that you did in May?

19 A Well, I'm sorry you feel that way. At that time,
20 that's what I could remember. So I told you that. I
21 don't think what I said to you then is any less consistent
22 than what I'm saying now. That document had -- it had a
23 primary reason. The fact that we had it during -- I mean,
24 you have to understand when -- and you may or may not have
25 gone through closing of companies, there are hundreds of

1 documents that are coming through by courier, by fax
2 machines, by mail that have to be signed that's got to be
3 left -- you know, cataloged. So, I mean, I'm moving a lot
4 of paper during that period of time.

5 Q Okay. And it is your claim now that you weren't in
6 any particular hurry to get the agreement of termination
7 settlement and release back, that's your testimony now,
8 right?

9 A It's always been my testimony.

10 Q But you said at this point we're getting down to
11 crunch time with DHS, it's just going to be easier to have
12 Bob -- go ahead and have Bob released. Let me ask you to
13 take a look at the agreement. Since your position is this
14 isn't inconsistent with your deposition testimony, I take
15 it that you will stand by your deposition testimony that,
16 at least, a part of having this agreement signed was to
17 facilitate the sale to DHS, correct?

18 A I did not need this document to -- it wasn't a
19 required document. I mean, I guess we're sort of parsing
20 this, but I was not required -- I was not told that I
21 needed to have a release by any of my counsel. This was
22 actually part of another track we were going down. I was
23 never asked to get a release from anyone. This was never
24 a form that was given to DHS as part of a closing package.
25 So it was -- I mean, with the circumstances going on at

1 that time, sure, it was nice to have. We didn't own stock
2 in the company, so it was nice to have.

3 Q You didn't say to Bob, Bob, I need this document
4 because I'm getting ready to sell all the assets of DHS?
5 Your testimony you didn't say that?

6 A I do not remember saying that to Bob.

7 Q Well, when I asked you in your deposition why you had
8 that document executed, you said, at least, twice -- at
9 least, twice when I asked you the reason then, it was
10 because of the sale to DHS?

11 A I might have very well said that.

12 Q Thank you. Well, it's not might, we've actually read
13 it.

14 A Okay.

15 Q All right. Let me ask you to look at the agreement
16 of termination, settlement and release. You have it there
17 in your book. I believe it's Defendant's Exhibit 21 what
18 you have?

19 A I'm sorry. Is it in the back?

20 Q No, sir. I think it's up there on that stack.

21 A Thank you. I have it, Mr. Ellis.

22 Q Thank you. Could you tell me what in this document
23 is unclear to you? Is there anything in this document
24 that's unclear to you?

25 A There's nothing in the document that's unclear to me

1 as I read it today.

2 Q I mean, it's a very clearly stated document, isn't
3 it?

4 A I'm sorry, repeat?

5 Q The words -- the terms in the document are real
6 clear, aren't they?

7 A With the number of times that I've read this
8 document, it's real clear to me now.

9 Q Maybe a lot of people in here can say that. Well,
10 let's just look at the first paragraph about what the
11 parties are agreeing to do. Number one, termination of
12 2000 outline. There's no doubt that in that document,
13 what it says in that agreement is that the parties are
14 totally getting rid of the 2000 outline, right?

15 A That's correct.

16 Q So that means -- I take it -- would you agree with me
17 that what that means is we're not operating under the 2000
18 agreement anymore, right?

19 A Yes, that's what this says.

20 Q Settlement, number two, settlement. All claims or
21 potential claims of any nature whatever that could have
22 been or in the future be asserted by the parties arising
23 out of or relating in a matter to the 2000 outline are
24 hereby settled, compromised or released for and in
25 consideration of the payment by RMI PJR for the sum of a

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1 hundred dollars and so forth to NARP and Bob Castellani.

2 Would you agree with me that what that provision means is
3 you can't sue each other for anything that happened in
4 that 2000 agreement, right?

5 A That is correct.

6 Q And then you have a release portion of this document,
7 right?

8 A Yes, we do.

9 Q Okay. I think we've all looked at the release enough
10 we know what it says. The parties will release each other
11 from everything, accept it says specifically agreed and
12 understood by the parties that the foregoing release is
13 not intended to, shall not release any of the parties from
14 that certain separate option agreement dated 15-December,
15 2004, pursuant to which NARP and RAC have granted PJR an
16 option to purchase 7 1/2 percent of capital stock of NARP,
17 right?

18 A Yes, that's what it says.

19 Q And this document was dated effective 5-November,
20 2004, right?

21 A Yes, that is -- my mine isn't, but I don't think that
22 matters.

23 Q What does your say?

24 A Doesn't say anything, but that's okay. I know when
25 it was dated.

1 Q I just want to be sure we're talking about the same
2 document. Does your have a signature page in the back?
3 A It's marked on the bottom. It's that document, it
4 just doesn't have the date, the dates are blank.
5 Q Do you have an unexecuted draft or --
6 A Mine is unexecuted.
7 Q Well, let me ask you to look at the one we have. Can
8 you see it from there or I can get -- that's fine?
9 A Yeah, this came out of this pile here.
10 Q Right. Thank you. And it was signed by you
11 effective 5-November of '04. And it was signed effective
12 8-November by Bob Castellani, right?
13 A That's correct.
14 Q Okay. Let me go back to the dates on here,
15 December 15th, 2004. As of the date that you signed
16 this -- the date you asked Bob to sign it, you knew that
17 an option agreement had not yet been entered into, right?
18 A That's correct.
19 Q Okay. And yet you asked Bob to go ahead and sign it,
20 right?
21 A No, I asked Bob to look at it and he had to do it --
22 I assumed he was going to sign it because I had signed it.
23 Q I think we've looked at an e-mail in this case a
24 number of times in which you said, Don't forget to sign
25 the termination agreement and return it to me, haven't we?

1 Do you remember that?

2 A Yeah, there's an email I think dated about the 13th
3 or so.

4 Q Yes, sir. Well, I'm trying to understand -- this is
5 NARP Exhibit 9 -- a little pile up over there, sorry.

6 NARP Exhibit 9, you asked him to sign this termination and
7 send it back, right?

8 A Yes, I did.

9 Q Even though you knew that the parties had not yet
10 entered into an option agreement, right?

11 A That's correct, but I didn't give it a second
12 thought. It was just one part of the three things we were
13 going to do. I mean, it was no big deal. When it came
14 back, it just went in the file and sat there.

15 Q What you're saying is you didn't do the other two
16 things?

17 A The intention was that we were going to get them
18 done, that's what the attorneys were working on.

19 Q The attorneys and parties just never got it all
20 worked out, is that your testimony?

21 A That's why we're here.

22 Q Well, sir, is it your position today then that that's
23 just not an effective document?

24 A Well, without the other two pieces of the pie, I
25 guess it has some problems.

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1 Q So you're saying that without these other two pieces
2 of the pie that were never agreed to that this agreement
3 was not effective to terminate the rights of the parties,
4 right?

5 A No, I was--

6 Q Is that your position --

7 A I'm sorry?

8 Q I didn't mean to talk on top of you, I'm sorry. Is
9 that your position?

10 A No, my position is that this document says that I've
11 got 7 1/2 percent stake in the company. I mean, my option
12 is protected. It's the only reason I would have ever
13 signed it. So when the document was sent to Bob, it was
14 my impression that this document protected both of us.

15 Q Well, what I believe you said a number of times,
16 though, is that you had not yet entered into an option
17 agreement when you signed this, but you thought you were
18 going to later?

19 A That is correct.

20 Q And you never did wind up entering into an option
21 agreement, right?

22 A That is correct.

23 Q And it's your testimony that when you first asked
24 Mr. Castellani to sign this -- did you -- is it your
25 testimony that you didn't understand that those references

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1 to the option agreement were only applicable to you and
2 not to Bob?

3 A At the time I executed it, if you look at these two
4 paragraphs very closely, which is what you have to do,
5 they look -- to me, they look identical. Bob called me
6 after he signed this document and told me that they were
7 different. In fact, he told me that he got a call from
8 his attorney and his attorney said to him, What the blank
9 you need me for if you're signing a document like this? I
10 called my attorney to find out what had happened. My
11 attorney, at that point, said the difference was because
12 my interest had to be protected. Bob's interest would be
13 protected when the money went to the charitable trust, so
14 he was covered.

15 Q Now, sir, it's your testimony that -- it's your take
16 on this case that this agreement cannot be read in
17 isolation and that it can only be read -- it was only
18 supposed to be applicable -- the termination was only
19 supposed to occur if you all had agreed upon the
20 charitable trust and if you had also agreed upon an
21 option; is that right?

22 A Well, we executed the agreement. I think the fact
23 that it's executed and protects the interest, then I'm
24 still entitled to be sitting here talking about an
25 interest.

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1 Q But you never agreed with NARP, though, as to the
2 term of that interest, though, did you?

3 A Well, it was the 7 1/2 percent. That was what we
4 discussed and was the track we were going to go down as a
5 result of the Atlanta meeting.

6 Q Well, yes, sir, but in order to have -- there's no
7 statement in there as to -- let me not get too wrapped up
8 in this, you testified that y'all never actually finally
9 agreed to the terms upon which an option agreement would
10 be effective.

11 A That is correct.

12 Q Okay. Now, as far as talking about this -- other
13 parts of the agreement, let me direct your attention to
14 paragraph 6 of the agreement that you asked Bob to sign.
15 Do you see paragraph 6?

16 A Yes, I do.

17 Q And it says this agreement sets forth the entire
18 agreement and understanding of the parties related to the
19 subject matter contained herein and merges all prior
20 discussions and agreements both oral and written between
21 the parties. Right?

22 A Correct.

23 Q And you're familiar with the term a merger clause,
24 aren't you?

25 A I don't believe I am.

1 Q You're not familiar with the term merger clause?

2 A Maybe if you tell me what it is, I'll tell you, but.

3 I may know it by another name, I don't know.

4 Q Well, I think I'm not supposed to do that, but I can
5 ask you to discuss the sentence that we just read that
6 said this agreement sets forth the entire agreement and
7 understanding of the parties relating to the subject
8 matter contained here and merges all prior discussions and
9 agreements between the parties. So what you're saying is
10 that sentence -- that sentence wasn't true, is that what
11 you're saying?

12 A I don't believe that's what I said at all.

13 Q I may have misunderstood. I thought it was your
14 testimony that this was part of an overall agreement, this
15 was part of a three-part agreement in which there was
16 going to be a donation to a charitable trust. I
17 thought -- that's not what you said?

18 A Yes, I did say we had agreed to develop a three-part
19 agreement.

20 Q Okay. And that agreement says there's not another
21 agreement concern the subject matter, okay?

22 A I'm not an attorney. I mean, I couldn't give you a
23 conclusive opinion on what that means or doesn't mean.

24 Q There's not anything in writing anywhere that
25 discusses any sort of agreement -- I'm sorry, that

1 discusses any sort of discussions that you all were having
2 about the charitable trust thing, is there?

3 A Let me clarify, you're saying were there memos or?

4 Q It was an unclear question and I apologize. It was
5 not a clear question at all. I'm just trying to
6 understand what you understand about that sentence meaning
7 that it's the entire agreement. If you're telling me that
8 there was supposed to be other agreements?

9 MR. STILLWELL: Your Honor, I think that's been asked
10 and answered.

11 MR. ELLIS: Okay. I'll move on.

12 BY MR. ELLIS:

13 Q Let me talk a little bit about the asset sale to
14 Reeves -- I'm sorry, asset sale to DHS.

15 A Okay.

16 Q I got it mixed up. Confusing.

17 THE COURT: Would y'all come up here just a second,
18 please?

19 (WHEREUPON, a bench conference was held in the
20 presence of the jury but out of the hearing of
21 the jury.)

22 BY MR. ELLIS:

23 Q Let me just show you a couple of documents related to
24 your sale. This is the coversheet of your sales documents
25 to DHS, right?

1 A I believe that's one of them, yes.

2 Q Okay. And it says P. J. Richardson is sole
3 stockholder, right?

4 A That is correct.

5 Q You have that purchase agreement between Reeves, the
6 seller, P. J. Richardson, as full stockholder, and EMS,
7 right, which we called DHS, right?

8 A Yes.

9 Q EMS --

10 A EMS LLC was a new company that was established by DHS
11 just to handle the transaction.

12 Q And this was done in a two-part agreement, right?

13 A There were two agreements.

14 Q Right. Reeves sold part of its assets -- I'm sorry,
15 the breakdown was basically between two -- there were two
16 contracts. One was the sale of your goodwill directly to
17 the company, right, and one was the sale of the assets of
18 Reeves to the company, right?

19 A Yes.

20 Q Okay. And this was structured so that you can -- I'm
21 not asking you if it was accurate or not, this was
22 structured because it saved a lot of money on taxes if
23 part of the sale was structured as money directly to you,
24 right?

25 A Yes, sir.

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1 Q And the total purchase price was 9.1 million, right?

2 A That is correct.

3 Q And then five million two hundred -- and out of that
4 5,200,000 was payable to you, right?

5 A I believe that's the right amount.

6 Q And the remaining 3,850,000 if I've got the number
7 right, was payable directly to Reeves, right?

8 A Yeah. There were actually -- that's probably
9 correct, yes. It's hard -- even though it's not
10 considered a large transaction, they tend to all be
11 complexed.

12 MR. ELLIS: Your Honor, these are Exhibits 18 and 19
13 that I've previously marked that I would like to enter
14 into evidence.

15 THE COURT: Any objection?

16 MR. STILLWELL: None, Your Honor.

17 THE COURT: 18 and 19 in evidence without objection.

18 (WHEREUPON, Plaintiff's Exhibit Nos. 18 and 19
19 have previously been admitted into evidence.)

20 BY MR. ELLIS:

21 Q I'm not going to go through each of the documents
22 about this, but as part of the sale, you were required to
23 sign a non-compete agreement, right?

24 A That is correct.

25 Q And this non-compete agreement prevented you from

1 owning any stock in any company for a period of time after
2 the sale, right -- I'm sorry, any company that competed
3 directly or indirectly, right?

4 A That is correct.

5 Q All right. And I believe, without going into them,
6 all three of these -- both the contracts and -- both the
7 contracts have a noncompeting and the employment --
8 there's a separate employment non-compete agreement,
9 right?

10 A That is correct.

11 Q The structure that you used to do that was called a
12 Martin's Ice Cream structure, right?

13 A That is correct.

14 Q All right. Okay. And the reason is there was a case
15 called Martin's Ice Cream in which this structure, selling
16 the assets of the company that's partly belonging to the
17 company and partly belonging to the individual was
18 discussed, right?

19 A That's not completely accurate.

20 Q Well, tell me how I missed it.

21 A The -- IRS determined in the Martin's Ice Cream
22 Company sale that Mr. Martin, the owner of the company,
23 was back -- synonymous with the company. He had -- the
24 company, basically, was him. He had all the knowledge in
25 his head. And the tax -- my accountants came to us

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1 because of our -- type company that we were and they were
2 looking at different tax strategies that would be helpful
3 for my wife and I to be able to pay our fair share of our
4 taxes without reducing our main amount of money
5 dramatically. So many cases, people thought my name was
6 Reeves I was so synonymous with the company.

7 MR. STILLWELL: Your Honor, could I object to this
8 Martin's Ice Cream --

9 THE COURT: Sustained.

10 Move on.

11 MR. ELLIS: Thank you, Judge.

12 BY MR. ELLIS:

13 Q After the sale -- Bob, let me just make sure I
14 understand and I think this is well established.. After
15 the sale of the assets, the company and you together got
16 9.1 million dollars from the sale of Reeves, right?

17 A That is correct.

18 Q And I think we've established fairly well, it was
19 never final -- you and NARP never finally agreed upon the
20 deal going forward about how to complete any kind of
21 transaction for you to acquire the stock of NARP, right?

22 A We weren't able to work out the details, but we
23 always planned to honor our commitment.

24 Q Let me show you -- let me show you Exhibit 22 that we
25 previously marked. You were involved in a lawsuit with

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1 Mr. Tony Papalaya, right?

2 A Yes, I was.

3 Q And in that lawsuit -- I'm just going to show you, he
4 asked you to admit that no other individual other than Mr.
5 Richardson was paid a portion of the proceeds from
6 Richardson sale or share in said proceeds with
7 Mr. Richardson, right? And you -- if you look at the
8 response --

9 A Are we looking at number --

10 Q Eighteen, I'm sorry.

11 A Okay.

12 Q You admitted that, right?

13 A Yes, I did.

14 Q Okay. And then he asked you in 19, no legal business
15 entity or company other than Extol could pay a portion of
16 the proceeds from the Richardson sale or share in the
17 proceeds of Mr. Richardson and you admitted that as well,
18 except for the payment to Evergreen Capital, right?

19 A That is correct.

20 Q Let me just ask, Extol was the name of the corporate
21 entity that had been called Reeves was changed to after
22 the sale, right?

23 A That's also correct.

24 Q So when he's talking about Extol, he's talking about
25 what was called Reeves prior to the sale?

1 A Yes.

2 Q Then you asked -- he asked admit that Mr. Richardson
3 was the sole shareholder -- I'm sorry, sole proprietor to
4 the sale to EMS and also that you were the -- the sole
5 shareholder and the sole owner and you admitted both of
6 those, right?

7 A Yes, I did.

8 Q I'm not going to take you through these, but I'll
9 show you Exhibit 23, those were admissions on behalf of
10 the company. And would you agree with me there were
11 similar admissions there, right?

12 A Yes, I would.

13 MR. ELLIS: Your Honor, I'd like to offer 22 and 23
14 into evidence.

15 THE COURT: Any objections?

16 MR. STILLWELL: Your Honor, we objected to the whole
17 binder before we started.

18 THE COURT: All right. I'm going to allow it into
19 evidence over the objection.

20 (WHEREUPON, all Plaintiff's Exhibits were
21 admitted into evidence.)

22 BY MR. ELLIS:

23 Q You had later a -- I believe you discussed a dispute
24 that you had with DHS at some point after the sale to DHS,
25 right?

1 A Sorry, would you --

2 Q You were involved in a dispute with DHS, right?

3 A That is correct.

4 Q And you needed Mr. Castellani's help in dealing with
5 that dispute with DHS, right?

6 A I don't know that I would characterize it as needed
7 his help. I would characterize it as he was helpful.

8 Q But you asked for his help, didn't you?

9 A I believe I explained my situation and he offered to
10 help.

11 Q Okay. And I don't want to go into any of the details
12 of it at all, but, eventually, there was actually a
13 lawsuit; is that correct?

14 A That is correct.

15 Q Okay. And again, did Mr. Castellani help you with
16 the lawsuit?

17 A Yes, he was helpful in the lawsuit.

18 Q You eventually had a lawyer helping you named Eric
19 Orlinsky, correct?

20 A That is correct.

21 Q And Eric's a lawyer in Baltimore, right?

22 A That is also correct.

23 Q Mr. Orlinsky had concerns about the non-compete that
24 you had signed with DHS and whether that would allow you
25 even to acquire the stock of NARP, didn't he?

1 A I saw that in his letter.

2 Q Okay. But he -- I'm not trying to invade your
3 privilege, we've all been trying to protect each other
4 here, but he actually told you that it would be better for
5 you not to try to acquire stock in NARP while you had a
6 non-compete effective with DHS, right?

7 A I don't know if that was said in exactly those words
8 or not.

9 Q This is an email from you dated April 27th, 2005,
10 NARP's Exhibit 26, and you said, We need to consider the
11 ownership. I think it should be one hundred percent
12 Billie. Let me know you when get this. What did that
13 mean?

14 A I think it's self-evidence. That email pertained to
15 stock ownership in my wife's name.

16 Q Well, you were, actually, in fact, thinking, though,
17 that it might be better if you were going to do a deal for
18 Billie to get the stock rather than you because of the
19 non-compete, right?

20 A No, the non-compete wasn't as much of an issue as
21 just the overall possibilities of what could potentially
22 happen with the company that acquired us.

23 MR. ELLIS: Your Honor, I'd like to offer Exhibit 26
24 into evidence if that's okay.

25 THE COURT: Any objections?

1 MR. STILLWELL: No, Your Honor, we don't have any
2 objection to the whole binder except for that one
3 document.

4 (WHEREUPON, all Plaintiff's Exhibits were
5 previously admitted into evidence.)

6 BY MR. ELLIS:

7 Q And let me show you Exhibit 27 --

8 MR. STILLWELL: If you would like to move all the
9 numbers in, we don't object.

10 MR. ELLIS: That will be fine, Judge, I'd like to
11 move all those in evidence, all my exhibits in evidence.

12 THE COURT: You retain your objection to 22 and 23,
13 but all the others are in evidence without objection.

14 MR. DAVIS: Actually, Your Honor, 24 is one we also
15 objected to.

16 THE COURT: Twenty-four. Very good.

17 (WHEREUPON, it's noted again for the record that
18 all Plaintiff's Exhibits were into evidence
19 except for Plaintiff's Exhibit No. 24.)

20 BY MR. ELLIS:

21 Q On the bottom of this e-mail you sent April 28th,
22 2005, maybe some ownership entitled Richardson for him to
23 comment on in light of DHS agreements. Is that in
24 reference to Mr. Orlinsky's concern that you should not
25 acquire the stock of NARP because of the non-compete. Or

1 not.

2 A I'm not sure exactly what I was thinking at the time
3 that I wrote that.

4 BY MR. ELLIS:

5 Q I want to go back just quickly to touch on the DHS
6 situation. If Bob -- if you had not gotten Bob to
7 terminate his rights with respect to Reeves, Bob could
8 have actually made a claim against you to become a
9 shareholder of Reeves prior to the sale of DHS, couldn't
10 he? I mean, legally, he could have, couldn't he?

11 A Yes, technically, he could have. I wouldn't have
12 anticipated that because of our friendship and trust we
13 had. It wasn't something I would have even thought about.

14 Q But if he had become a shareholder, he would have had
15 certain rights as a shareholder, wouldn't he, while you
16 were trying to sell the company?

17 A Yes, he would have, but this is all hypothetical.

18 Q NARP offered you the opportunity to buy 7 1/2 percent
19 of the stock of NARP, didn't they?

20 A Yes.

21 Q And it was going to be done through Dobson
22 Ministries, right?

23 A That's correct.

24 Q And the offer was made to do it at fair market value,
25 right?

1 A Correct.

2 Q And at the time that was initially offered, fair
3 market value of 7 1/2 percent of the stock of NARP was,
4 actually, less than what you had calculated to be 7 1/2
5 percent of the sale of Reeves, wasn't it?

6 A Yes.

7 Q And your adviser, Ed Kidner, told you that it would
8 be okay for you to do a Dobson deal as long as you paid
9 fair market value for the NARP stock, didn't he?

10 A You know, I had discussions with a number of people.
11 I don't -- I'd have to have something to refresh my mind.
12 Ed, eventually, agreed with all my other advisers that it
13 was not a deal that we should do.

14 Q You never made a proposal -- outside of the deals
15 that Bob and Curt proposed, you never actually made your
16 own proposal to try to acquire NARP stock, did you?

17 A That's not accurate.

18 Q Okay. Tell me what's accurate.

19 A In a phone conversation with Bob, we started talking
20 about -- it was probably around -- we started about just
21 how complex this was all getting. I said, Wouldn't it
22 just be simple for me to write you a check for the whole
23 thing and then you do with it what you want? I don't need
24 any tax schemes to put my money into. We were just very
25 uncomfortable with the Dobson Ministries deal, and so it

1 would just be easier -- and so I offered that -- that was
2 done telephonically.

3 Q Sir, but we've got a lot of e-mails and documents
4 going back and forth, you're not aware of anything in
5 writing, that was put in writing that said to Bob, we
6 don't want to do your proposal, but here's another
7 proposal?

8 A I don't remember one that was formalized.

9 Q Bob and Curt -- well, basically, North American
10 Rescue Products kept advising you that in order to do the
11 Dobson deal, you'd have to pay fair market value and that
12 the price was going up, right?

13 A Yes, the price was going up.

14 Q You understood that Bob and Curt did not believe that
15 there was a contract in place for you to acquire 7 1/2
16 percent of the stock of NARP? You knew that they
17 didn't --

18 A I'm not sure I know what they -- what they
19 understood.

20 Q But when they wrote to you and asked you -- when they
21 wrote to you and asked you, sent you proposals, you never
22 wrote them back and said there seems to be a
23 misunderstanding here, I think I have a right to buy it
24 now at a set price, did you?

25 A I personally did not write that, correct.

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1 Q You're not aware of anyone acting on your behalf that
2 wrote that back, did you.

3 A Well, I am aware that my attorney, Eric Orlinsky, had
4 written correspondence, may have had some telephone
5 correspondence with Curt. I know there was written
6 correspondence.

7 Q Isn't it true that the reason that you and your
8 advisers did not write back to NARP and tell them that you
9 all had a disagreement or that -- isn't it true that the
10 reason you did not write them back and say there seems to
11 be a misunderstanding, you, obviously, don't think there's
12 a contract, here's what we think is a contract, you didn't
13 do that because Bob was helping you with your dispute with
14 DHS, right?

15 A No, that's not right.

16 Q Let me show you the April 17th letter again.
17 Actually, let me show you Exhibit 14. Mr. Richardson,
18 this is Exhibit 14. That's the draft that you signed,
19 right, and early on in this lawsuit, you were claiming
20 that that actually was an option, right?

21 A I don't believe I ever claimed it was an option -- an
22 executed option agreement.

23 Q I showed you your answer and counterclaim earlier in
24 this case, do you remember that?

25 A You have to refresh me again.

1 Q Well, let me just ask you, you signed this and you
2 did not disclose to North American Rescue Products that
3 you had signed this until after this lawsuit started, did
4 you?

5 A Is this the fully executed document?

6 Q No, this is the draft that you signed?

7 A Well, I guess I'm uncertain why it matters if I
8 signed it if it was sitting in my file.

9 Q Well, I mean, is it your position that since this
10 wasn't fully executed, this document doesn't matter
11 anyway?

12 A I think it shows that there was an effort going on.
13 This document was -- demonstrates that there was a lot of
14 work going on prior to when we met in Atlanta. I think
15 this prior -- I think October document. And I guess
16 that's what it demonstrates.

17 Q Yes, sir, and I'm almost done, but in the early
18 stages of this lawsuit, until we got heavily into the
19 discovery in this action, you made a claim that you had an
20 option for a penny a share, right?

21 A That's correct. I believe that.

22 Q And all --

23 MR. STILLWELL: Your Honor, I object. I believe he's
24 already plowed this ground.

25 THE COURT: I appreciate that. I'm going to allow

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1 it. I understand the attorney says that he is very close.
2 to finishing.

3 MR. ELLIS: I am very close. Thank you, Your Honor.

4 BY MR. ELLIS:

5 Q I don't want to keep going over plowed ground, it's
6 just that I asked you didn't you make the claim twice in
7 this case -- I want to show you your amended answer. You
8 made the claim twice in this case that you had an option
9 agreement dated October 4th, 2004. And, sir, do you think
10 that that's fair to NARP to have signed a document when
11 you were a member of the Board of Directors and use it
12 later to claim that you had an option agreement? Do you
13 think that was fair to North American Rescue Products?

14 A I don't know that it's necessarily an issue of
15 whether it was fair or not. I think Eric Orlinsky thought
16 there was a signed, executed document. This document was
17 never put into play with anybody. I mean, it stayed in my
18 file. Again, this was all -- I don't know, I may have
19 signed that just so I knew I had read it and reviewed the
20 thing.

21 Q You don't think filing and putting it in court
22 claiming that that constitutes an option agreement is
23 putting it into play?

24 A Maybe that's a poor choice of words, but.

25 MR. ELLIS: Mr. Richardson, this has taken a long

1 time and I thank you, very much. I don't have anything
2 further at this time.

3 THE COURT: All right. Ladies and gentlemen, Mr.
4 Foreman, take the jury to the jury room, please. Thank
5 you.

6 Everyone else remain seated.

7 (WHEREUPON, the jury left open court at
8 approximately 5:30 p.m.)

9 (WHEREUPON, a short break was taken.)

10 (WHEREUPON, the jury came into open court at
11 approximately 5:40 p.m.)

12 THE COURT: Ladies and gentlemen, I'm going to send
13 you home for the evening. Before I do that, I want to,
14 obviously, do two things. One, remind you about no
15 discussions or communications about this case with anyone.
16 Don't let anyone communicate with you about this case.
17 The second thing is, I want to give you fair warning that
18 tomorrow night, we may be working late. So you need to
19 make whatever arrangements that may be necessary to warn
20 whomever that you may be somewhat late in coming home.
21 And I cannot give you an approximation at this point in
22 time. It will depend on what work we accomplish tomorrow.
23 Because of a matter that was previously scheduled for over
24 four months, I will not be able to have you in the
25 courtroom before 10:00 tomorrow morning. You need to be

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1 back in your jury room by 10:00 and we will resume the
2 case. But there's another matter that I have to resolve
3 tomorrow morning. I do not anticipate that I will be able
4 to get here before 10:00 so there's no sense in your
5 sitting in your jury room waiting for that. So with that,
6 I'll see you back in your jury room tomorrow morning
7 10 o'clock. Thank you, very much.

8 (WHEREUPON, the jury came into open court at
9 approximately 5:43 p.m.)

10 THE COURT: All right. Gentlemen, I was going to
11 have you start working on a project that is your idea of
12 the verdict form in this particular matter. I have
13 received something that I did not -- though it had some
14 good ideas, it's not workable. There will have to be a
15 lot of work done on a verdict form that might go to the
16 jury in this particular case. You have said you have
17 intentions to discuss a potential resolution of this
18 matter, so, therefore, I'm not going to have you work on a
19 verdict form tonight. But, obviously, we'll need to begin
20 working on that when we resume tomorrow. So I'm not going
21 to fuss at you anymore. Y'all know where you are in this
22 case. You, obviously, understand -- I, apparently, think
23 it's more important for y'all to resolve your differences
24 amicably and intelligently on your own than y'all do. But
25 y'all work on it as you want to. And I'll see you back

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1 tomorrow morning 10:00. Thank you, very much.

2 MR. ELLIS: Your Honor, can I ask a question?

3 THE COURT: Yes, sir.

4 MR. ELLIS: I think they submitted proposed jury
5 charge, we have some ourselves. Can we submit those
6 tomorrow?

7 THE COURT: As soon as y'all want to, but, obviously,
8 I want y'all to exchange them and be able to discuss with
9 me whether you agree or disagree with the other side's
10 charges. Thank you, very much.

11 (WHEREUPON, the proceedings were concluded for
12 the day to be reconvened on August 27, 2008.)

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1 Wednesday, August 27, 2008

2 THE COURT: All right. Gentlemen, as I asked you and
3 I understand that you have inquired of your clients that
4 if the Court dismisses the alternate in this particular
5 matter that both Plaintiff and Defendant agree to have
6 this matter resolved by a jury of 12 or less. Is that
7 correct from the Plaintiff's perspective?

8 MR. ELLIS: That is correct, Your Honor.

9 THE COURT: From the Defense?

10 MR. STILLWELL: That's true, Your Honor, we consent.

11 THE COURT: Very good. All right.

12 Mr. Bailiff, if you would ask the alternate, if would
13 ask her alone to come into the courtroom, please.

14 (WHEREUPON, the alternate juror entered the
15 courtroom.)

16 THE COURT: Ms. Reeves?

17 ALTERNATE JUROR: Yes.

18 THE COURT: Being the alternate in this particular
19 case, the Plaintiff and the Defendant have agreed to try
20 this case with 12 or less, so I'll not further impose on
21 your time. You are excused from this case and excused
22 from jury duty.

23 ALTERNATE JUROR: Okay.

24 THE COURT: Thank you.

25 Ask the jury to come in, please.

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1 (WHEREUPON, the jury came into open court at
2 approximately 9:25 a.m.)

3 THE COURT: Mr. Foreman, ladies and gentlemen of the
4 jury, based upon written communication I received, I
5 discussed the matter with the lawyers and based upon that,
6 I have excused the alternate from the trial of this case
7 for violation of my Order to -- not to discuss this
8 matter, not to discuss this case. I decided not to hold
9 her in contempt of court. But I'm going to emphasize to
10 you that this is an absolute prohibition. You shall not
11 discuss this case among yourselves until I give this case
12 to you at the very end for your deliberations and your
13 unanimous decision in this matter.

14 That means you don't discuss it among yourselves, you
15 didn't discuss it at home, you don't discuss it with
16 anyone. You keep your thoughts on this particular case
17 private. It is your job and your duty to keep an open
18 mind and not to come to any conclusions until you've heard
19 the entirety of the case and I give you the law that you
20 apply to the facts as you so find them to be in this case.
21 Please do not put me in the position of enforcing this
22 because I will do so.

23 Now, I must inquire of you since there has been some
24 previous violation of this Order and I will ask each of
25 you, in turn, and I will just go as the list is here and

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1 I'll be asking you, if the actions of the alternate have
2 in any way affected you in making a decision in this
3 matter and can you now set that aside and render to the
4 Plaintiff and the Defendant in this case a fair and just
5 trial.

6 All right. Mr. Jonathan Poore, if you would stand,
7 please. All right, sir, understanding that there may have
8 been some violation of the Court's directive and the
9 alternate having expressed some opinion in this matter,
10 can you at this point in time set this aside and render a
11 true and just verdict in this matter both to the Plaintiff
12 and to the Defendant?

13 JUROR POORE: Yes, sir.

14 THE COURT: Thank you, very much.

15 Christopher Walker. Understanding, again, that some
16 opinions may have been expressed, can you set that aside
17 and can you now render a true and just verdict both for
18 the Plaintiff and the Defendant in this particular matter?

19 JUROR WALKER: Yes, sir.

20 THE COURT: Thank you, very much.

21 Donna Reeves. Ms. Reeves, can you set aside any
22 opinions that may have been expressed in this matter --

23 JUROR REEVES: Yes, sir.

24 THE COURT: -- and render to both the Plaintiff and
25 Defendant in this case a fair and just verdict?

1 JUROR REEVES: Yes, sir.

2 THE COURT: Thank you, very much.

3 Christina Johnson. Ms. Johnson, can you set aside
4 any opinions that have been expressed in this matter and
5 render to the Plaintiff and the Defendant a fair and just
6 verdict?

7 JUROR JOHNSON: Yes, sir.

8 THE COURT: Thank you, very much.

9 Jennifer Barnett. Can you set aside any opinions
10 that have been expressed in this particular matter and
11 render to the Plaintiff and to the Defendant a true and
12 just verdict in this matter?

13 JUROR BARNETT: Yes, sir.

14 THE COURT: Thank you, very much.

15 Betsy Exton. Ms. Exton, can you set aside any
16 opinions that have been expressed in this particular
17 matter and render to the Plaintiff and the Defendant a
18 fair and just verdict.

19 JUROR EXTON: Yes, sir.

20 THE COURT: Thank you, very much.

21 Gloria Larkin. Ms. Larkin, can you set aside any
22 opinions that have been expressed in this particular
23 matter and render to both the Plaintiff and the Defendant
24 a fair and just verdict in this matter?

25 JUROR LARKIN: Yes, sir.

1 THE COURT: Thank you, very much.

2 Eunice Jayne Stewart. Ms. Stewart, can you set aside
3 any opinions that have been expressed in this matter and
4 render both to the Plaintiff and to the Defendant a fair
5 and just verdict in this matter?

6 JUROR STEWART: Yes, sir.

7 THE COURT: Thank you, very much.

8 Jill Lafoy. Ms. Lafoy, can you set aside any
9 opinions that have been expressed in this matter and
10 render both to the Plaintiff and to the Defendant a fair
11 and just verdict in this matter?

12 JUROR LAFOY: Yes, sir.

13 THE COURT: Thank you, very much.

14 Mr. Charles Varner. Can you set aside any opinions
15 that have been expressed in this particular matter and
16 render both to the Plaintiff and the Defendant a fair and
17 just verdict in this matter?

18 JUROR VARNER: Yes, sir, Your Honor.

19 THE COURT: Thank you, very much, sir.

20 Gregory Prescott. Mr. Prescott, can you set aside
21 any opinions that have been expressed in this matter and
22 render both to the Plaintiff and to the Defendant a fair
23 and just verdict in this matter?

24 JUROR PRESCOTT: Yes, sir.

25 THE COURT: Thank you, very much.

1 Robert Barney. Mr. Barney, can you set aside any
2 opinions that have been expressed in this matter and
3 render both to the Plaintiff and to the Defendant a fair
4 and just verdict in this matter?

5 JUROR BARNEY: Yes, Your Honor, I can.

6 THE COURT: Thank you, very much, sir.

7 All right. Is there any member of the jury that I
8 did not inquire as to their ability in this case? I
9 believe I asked everyone.

10 All right. Further matters regarding this particular
11 issue from the Plaintiff?

12 MR. ELLIS: No, Your Honor.

13 THE COURT: Nothing from the defense?

14 MR. STILLWELL: No, sir. Your Honor.

15 THE COURT: Very good. All right. We will resume
16 the trial of this case.

17 So, Mr. Richardson, you can resume the witness stand,
18 please, sir.

19 MR. STILLWELL: Your Honor?

20 THE COURT: Yes, sir.

21 MR. STILLWELL: Just to clarify, I can just continue
22 to ask this witness small questions and call him later, am
23 I okay on that?

24 THE COURT: Yes, sir. You're still able to call him
25 as your witness in your presentation of the case.

1 MR. STILLWELL: Thank you, Your Honor.

2 CROSS-EXAMINATION

3 BY MR. STILLWELL:

4 Q Good morning, P. J. I'm just going to ask you some
5 brief questions, touch on some things Mr. Ellis talked
6 about and we'll talk later in more detail, okay?

7 A Yes, sir.

8 Q The first thing I just want to ask you about is like,
9 tell me about -- you said something about when you started
10 Reeves how you put all your money into it and everything.
11 Can you just tell me briefly about that?

12 A Yeah, we -- in order to acquire the company, we
13 were -- my wife and I were the only investors. We had
14 cash in our 401K, all our savings, eventually, had to sell
15 our home. It was a tough time.

16 Q That was hard on you and Billie?

17 A Sure.

18 Q You mentioned Bob saying that -- I mean, Bob
19 mentioned about it being an insurance policy when y'all
20 took a share in each other's company. Was that how it was
21 for you?

22 A At the time, we were much further along. We were
23 established in business for seven years or so. You know,
24 it was just a good investment. I spent an incredible
25 amount of time with Bob in those days and we talked a lot.

1 And, frankly, my wife and I thought it was a good
2 investment and was going to be successful. It had been a
3 long time since I had seen anybody work as hard as he did.

4 Q You and Bob struck it off right off the bat, right?

5 A Oh, yes. I mean, the first time I met him was at a
6 disaster conference in Denver and he happened to be
7 sitting there reading his Bible. And we connected on
8 that. I just said, That's a great book you're reading and
9 that's really where our relationship developed.

10 Q Did you have great faith even back in the early days
11 when y'all signed that 2000 agreement that Bob was going
12 to make it?

13 A Yes, yes, I did. He's a hardworking guy. I mean, he
14 can figure out how to make eight days out of seven.

15 Q Let turn --

16 MR. STILLWELL: Mandy, if you could just put up
17 Exhibit 3.

18 BY MR. STILLWELL:

19 Q I'm only going to put one document up. I think we've
20 been seeing enough documents. Just the -- you see it up
21 there?

22 A Yes.

23 Q Or you can look it wherever.

24 A It's in here.

25 Q And it's up there, too, the 2000 agreement.

1 A Thank you.

2 Q I'm going to move to the beach house. Was this the
3 agreement that y'all modified at the beach house?

4 A Yes, it is.

5 Q I guess I should call it a beach condo. I don't want
6 to load that up. Was this the original handshake
7 agreement put down on paper?

8 A Yes, it was.

9 Q Tell me about the beach house, about how you went
10 from 25 to 7 1/2, 7 1/2, just briefly.

11 A Well, the three of us, Billie, Bob and myself, you
12 know, Bob suggested we come down and see his house and
13 while we were there have a meeting and discuss the
14 ownership and business. We all were very busy, so it was
15 an extremely difficult time. This was all, you know,
16 post-911 where businesses -- both businesses were growing
17 very, very quickly, to take a few days off was good. We
18 were all very stressed. But it was a very relaxed
19 meeting. It was no stress, nobody was being forced. We
20 knew at that time, Billie and I, and we shared it with Bob
21 that we were going to be selling our company, so it was
22 just -- it was a good time to get together and share some
23 quality time with a good friend.

24 Q So it was a mutual thing to go from 25 down to 7.5?

25 A Yes, it was.

1 Q And this part, y'all never did issue each other
2 stock, right?

3 A That's correct.

4 Q Did you still consider yourself an owner in each
5 other's company?

6 A Yes, we did.

7 Q Did you talk about that commonly?

8 A Yes, we did.

9 Q Tell me about -- I mean, how would y'all refer to it,
10 like, you know, I got a piece of him, he's got a piece --
11 how did that work?

12 A Just in general discussions, you know, our company.
13 It was three of us.

14 Q Okay. And did you sometimes call this agreement --
15 since you hadn't issued the stock, did you sometimes call
16 it an option opposite agreement?

17 A Yeah, I mean, we used different words. Option was
18 one of them that we used, all kind of interchanged.

19 Q And we'll talk about the formal options later, but, I
20 mean, this is the handshake deal, right?

21 A Yes, it is.

22 Q This part about -- paragraph seven down here, I just
23 want to ask you this, we won't even read it again, okay, I
24 just want to ask you this general question. Do you
25 understand exactly what all that language means?

1 A Well, I probably don't understand it as well as the
2 attorneys would, but I have a businessman understanding of
3 how it works.

4 Q And this whole agreement, did you find out later that
5 it was written by Curt?

6 A Yes, I found out later it was written by Curt.

7 Q When did you figure that out?

8 A Sorry, when did I figure out --

9 Q When did find out that Curt had written it?

10 A Well, during the process of this trial, I -- was the
11 first time I heard that it had been written by Curt.

12 Q And tell me, paragraph seven, I want to ask you about
13 when you and Bob first got together and did your handshake
14 deal and you had this agreement, did you have any kind of
15 discussion about what would happen if one sold their
16 company before the other? Did you talk about that
17 scenario?

18 A Yes, we had general discussions of what we would do.

19 Q Okay. And did you have some of those discussions at
20 the beach house, too, considering you were talking about
21 selling your company?

22 A Yes, we did.

23 Q Tell me what y'all talked about.

24 MR. ELLIS: Your Honor, I just want to object there,
25 the parol evidence rule.

1 THE COURT: I appreciate it. I'm going allow him to
2 do so.

3 THE WITNESS: You know, at the beach house, we knew
4 we had not exchanged any stock so it became a matter of --
5 well, at this point in time, is it really worth even
6 going -- getting involved in that. There was so much
7 trust in the relationship that it was just going to be
8 easier to make a simple payment of proceeds when our sale
9 to DHS was completed.

10 BY MR. STILWELL:

11 Q When you sealed that deal at the beach house -- I'm
12 going to try to get you out of the beach house in just a
13 bit, when you sealed the deal at the beach house, was it a
14 handshake or was it more?

15 A Well, it was certainly a handshake. But like in any
16 of our meetings, when we would leave, we would hug, say
17 hey, I love you, man. I mean, just friends, Christian
18 brothers.

19 Q Now, I want to move on and talk about the option
20 stuff. Considering y'all were coming out of the beach
21 house and you still hadn't issued stock, did the term
22 option start coming up? Do you remember Curt mentioning
23 an option deal?

24 A I think the first time that I had heard option deals
25 was either through Bob or from Curt.

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1 Q Okay. And I want to get you like right before you
2 come up to the Atlanta airport, okay. You know, we've
3 seen there was some option deals exchanged back and forth,
4 right?

5 A I think we were exchanging deals right up until the
6 day before.

7 Q And as far as the details of those deals were
8 concerned, had you every seen anything other than a penny
9 a share for 7 1/2 percent interest?

10 A No, I had not.

11 Q Had you every heard anything like that come out of
12 Bob's mouth before you went in the Atlanta airport?

13 A I don't remember that level of detail. I mean, it
14 was always the 7 1/2 percent. But I remember seeing it in
15 the draft that, I believe, came from Curt.

16 Q And before the Atlanta airport, you didn't talk about
17 terminating and going to zero before that, did you?

18 A No, we did not.

19 Q Okay. I want to get you to the day that you off the
20 plane in Atlanta, before anybody said anything between the
21 lawyers or between you and Bob that day. Your deal
22 walking out of there, is it -- when you came in there, is
23 it 7 1/2 for 7 1/2 that day?

24 A Yes, it was.

25 Q Did you ever agree to walk away from that deal

1 without preserving your interest in Bob and his company?

2 A I'm not crazy. I mean, we had an agreement. No, I
3 would never have considered it.

4 Q If all this stuff that happens after Atlanta, the
5 three-legged stool, the Dobson deal, all that stuff
6 doesn't happen, that deal, the day you get off the plane
7 in Atlanta, is that the deal that you're going asked to be
8 enforced in this case?

9 A Yes.

10 Q Okay. I'm going to skip over Atlanta for these two
11 questions, okay, because we'll talk about that later.
12 There seems to be an awful lot of disagreement there.
13 Just ask you these couple of questions. Was that a
14 pleasant meeting?

15 A Well, other than the fact that I was spending time
16 with Bob, no, not necessarily.

17 Q Did you and Curt have a run-in at the meeting?

18 A Yes, we did.

19 Q We'll just leave that and move on. Okay. I want to
20 talk a little bit about the termination agreement itself.
21 Okay. We talked about when Mr. Orlinsky wrote that letter
22 talking about the October 4th agreement, the October 4
23 option; do you remember that?

24 A Yes.

25 Q Okay. And what is that binder you've got right

1 there?

2 A This is -- whenever Eric asked me what information I
3 had on this, this is what I sent down.

4 Q Okay. Now, Eric did the DHS closing, right, I mean,
5 he had tons of documents about DHS?

6 A Yes, he did.

7 Q Okay. But as to NARP, that's what Eric had when he
8 wrote that letter to Curt?

9 A Yes.

10 Q And those are your records, right?

11 A Yes, this is what came out of my files.

12 Q Now, tell me, you talked about yesterday I signed it
13 and stuck it in a drawer. What did you have in your
14 drawer? I mean, what, generally, did you have at the
15 point when Eric wrote that letter?

16 A This information, I just was compiling -- because I
17 was going down two tracks because we had our DHS closing
18 documents and get separate files for what we were working
19 on with NARP and with the documents that would come in
20 from Rod.

21 Q Did you have a termination agreement that had both of
22 y'all's signatures on it in the file?

23 A Yes, I did.

24 Q Okay. Did you have that one, that October 4
25 agreement that said received from Curt in there?

1 A Yes, I did.

2 Q Okay. And did you think there was one out there that
3 had Bob's signature on it, too?

4 A Well, I knew these documents had been circulating
5 back and forth, so it, certainly, very well could have
6 been.

7 Q Okay. Now, the option agreement, the termination
8 agreement itself, okay, this part right here, would you
9 ever have signed this agreement if it did not have these
10 two pieces in it referring to this release or something
11 keeping your share in Bob's company?

12 MR. ELLIS: Objection, Your Honor.

13 THE WITNESS: No, I wouldn't.

14 THE COURT: I will allow it. Thank you.

15 THE WITNESS: No, I wouldn't have unless there was
16 something to protect my rights.

17 BY MR. STILLWELL:

18 Q Okay. Now, you had heard Mr. Castellani talk about
19 there's nothing in here to protect my rights. I want to
20 talk to you about the concept of the simultaneous closing,
21 okay?

22 A Yes.

23 Q Did you understand that there was going to be a
24 payment to Bob at this closing?

25 A Yes, that's what I understood we would be doing, that

1 would be our objective.

2 Q And that pay was a calculated piece of Reeves sale?

3 A Just a calculation of what 7 1/2 percent was of the
4 Reeves sale.

5 Q And you've seen that number we put up, Exhibit 1, it
6 was the \$415,000?

7 A Yes, sir.

8 Q And was that document, that Castellani thing,
9 Castellani computation sent to Curt?

10 A Yes, it was.

11 Q And I heard Bob say he had never seen it, did you
12 discuss the Castellani computations with Bob during this
13 time?

14 A I discussed them with Bob on several times.

15 Q And this was after the termination agreement had
16 already been sold?

17 A Yes.

18 Q Okay. Now, y'all never did have that simultaneous
19 closing, did you?

20 A No, we did not.

21 Q Did you think, perhaps, at that simultaneous closing
22 that Bob would sign that option agreement and you would
23 give him the money?

24 A Yes.

25 Q Okay. But it never happened, did it?

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1 A No, it didn't happen.

2 Q And if it didn't happen, if nothing happened, the
3 Dobson deal didn't happen, three-legged stool didn't
4 happen, are you back to the morning that you got off the
5 plane in Atlanta?

6 A Yes, we would be.

7 Q Okay. In your deposition, Mr. Ellis was showing you
8 that deposition about the purpose of the agreement and
9 stuff, did he ever ask you -- did he tell you that was the
10 only single purpose in the world for this termination
11 agreement?

12 A No, he didn't.

13 Q Okay. Let's go Stax. And we're moving on down the
14 board there, okay. When you met at Stax and Bob gave you
15 that document that says these insertions here that we
16 marked in red were made in error, did you know at that
17 time that Curt had ratified this agreement?

18 A No, I didn't.

19 MR. ELLIS: Object to the form of the question.

20 THE COURT: What don't you rephrase your question,
21 please.

22 BY MR. STILLWELL:

23 Q All right. When you met at Stax, had you ever seen
24 that ratification document that we looked at before?

25 A No, I had never seen it.

1 Q Was the first time you saw it in this suit?

2 A Yes, it is.

3 Q Okay.

4 MR. STILLWELL: Mandy, can you put that ratification
5 agreement up?

6 BY MR. STILLWELL:

7 Q I tell you what, let's get back. We'll save this.

8 Okay. I just want to leave Stax, okay, leaving Stax, did
9 y'all have an agreement that you were going to table all
10 the discussions during the DHS suit?

11 A Yes, we did.

12 Q Now, I'm not going to get all into DHS, I just want
13 to ask you some simple questions. Did the DHS suit have
14 anything to do with your interest in NARP?

15 A No, it didn't.

16 Q Did the DHS suit have anything to do with Bob's
17 interest in the proceeds from the sale of Reeves?

18 A No, it did not.

19 Q Okay. And the last piece of that, did Reeves and
20 NARP compete with each other?

21 A No, they didn't.

22 Q What about this issue about the stretchers that
23 Mr. Ellis was sticking up there?

24 A Those were two totally different stretchers, two
25 totally different markets.

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1 Q Is there any question in your mind about whether they
2 compete or not?

3 A No.

4 Q And this non-compete agreement was not a part of your
5 suit with DHS, was it?

6 A No, it wasn't.

7 Q Let's go to Trio. We haven't really talked a lot
8 about the Trio meeting. The Trio meeting was you, Bob and
9 Billie, correct?

10 A Yes, that's correct.

11 Q And was that, basically -- that was during the suit,
12 right?

13 A Yes, it was.

14 Q Okay. Was that kind of a last ditch chance to kiss
15 and make up?

16 A Yes.

17 Q Okay. Do you recall Bob saying some things at that
18 meeting?

19 A Yes, I do.

20 MR. ELLIS: Your Honor, I'd like to note an
21 objection. I think what they're getting into are possible
22 talks that are excluded from evidence. It was talk among
23 the parties.

24 THE COURT: I understand your objection. I'm going
25 to allow the question, but I better not see it in that

1 vein.

2 MR. STILLWELL: I'm not going to touch it, Your
3 Honor.

4 BY MR. STILWELL:

5 Q Do you recall Bob saying things have changed over and
6 over?

7 A I do recall him saying that several times.

8 Q And without asking you to go into detail about
9 anything else that -- we'll save that for you or Billie
10 later, do you recall some other things y'all talked about?

11 A Yes, I do.

12 Q Okay. We'll save those. Now, I want to ask you
13 about the \$50,000 they're asking for you to give back.
14 And I want to ask you about it in relation to all these
15 lawsuit papers that Bernie was putting up yesterday, okay?
16 When you met at Trio, did Bob say anything about giving
17 the \$50,000 back?

18 A No, he did not.

19 Q Did he ever mention it back when you were at Stax?

20 A No, he did not.

21 Q The first time you heard anything about them trying
22 to get the \$50,000 back, was that like June or July of
23 this year?

24 A It was in one of the subsequent meetings.

25 Q And did Lane and I, actually, have to respond to

1 those pleadings after that?

2 A Yes.

3 Q And we looked at those pleadings that Mr. Ellis was
4 showing you and did any of those look to be wrong to you?

5 A No, when I looked at them, it didn't appear to be
6 wrong to me.

7 Q Did they actually seem to be any important
8 differences in them to you?

9 A No.

10 Q Okay. Simple question, considering the amount of
11 documents you've got there and the amount of documents
12 we've got there in the back of the case now, okay -- and
13 since this case started, we've gotten more documents from
14 Curt Stodghill?

15 A Yes, we have.

16 Q Yeah. All these guys, Kohr, Orlinsky, Kidner, we've
17 got all those documents during this case, didn't we?

18 A Yes.

19 Q Do we know more about this case today than we did
20 when Eric Orlinsky wrote that letter to Curt Stodghill?

21 A Absolutely.

22 Q And do we know more about the case today than we did
23 when Lane and I made that first response when they sued
24 you down in South Carolina?

25 A Yes, we do.

1 MR. STILLWELL: I don't have any more questions, Your
2 Honor.

3 THE COURT: Mr. Ellis, anything on those particular
4 questions?

5 MR. ELLIS: Yes, sir, just a very few redirect on
6 those particular questions.

7 REDIRECT EXAMINATION

8 BY MR. ELLIS:

9 Q Mr. Richardson, I just want to establish something.
10 Mr. Stillwell asked you if the three-legged stool deal
11 didn't get done, then your allegation -- your claim in
12 this case is that you're back at the 2000 agreement,
13 that's your claim, right?

14 A Yes, sir.

15 Q Well, let's just clarify from yesterday, the
16 three-legged stool that you're alleging didn't get done?

17 A Only part of it got done.

18 Q Well, but the three-legged agreement didn't get done?

19 A Part of it got done is my answer.

20 Q The part that got done was the termination part?

21 A That's correct.

22 Q Okay. Let me talk to you a little bit further about
23 the Agreement of Termination, Settlement and Release.

24 Well, my primary question before I show it and we don't
25 need to discuss it too much. That was -- that was a

1 document -- I just want to confirm we understand, that was
2 a document that your lawyer drafted, right?

3 A Would you clarify what document?

4 Q Yes, sir, I'm sorry. I'm talking about the
5 termination agreement. And I understand it will be
6 appearing here at any moment. Slowly appearing. Now do
7 you see it?

8 A Yes, I do.

9 Q Thank you. I'm just now seeing it myself. That is a
10 document that your lawyer drafted, right?

11 A That is correct.

12 Q Neither NARP nor Bob Castellani had any role in
13 drafting that document?

14 A Yes, the word load in Atlanta was distributed the two
15 attorneys.

16 Q And you presented that to Mr. Castellani and asked
17 him to sign that, right? He did not present it to you ask
18 you to sign it?

19 A I presented it to him to review and, subsequently,
20 the process that he would sign it.

21 Q Okay. Let me go to the 2000 outline. Back to the
22 2000 outline as amended to 7 1/2 percent, I just want to
23 make a point on here, Mr -- I'm just going to ask you if
24 you would agree with me that the 2000 outline had more to
25 it than just the exchanging of stock, right?

1 A Yes, sir, it did.

2 Q The 2000 outline, as in existence, calls for
3 cross-selling, it calls for exchange in commissions, it
4 calls for what to do if commissions are terminated and
5 then goes into restricted stock, correct?

6 A Yes.

7 Q In fact, you all did terminate paying any commissions
8 to each other when you signed the termination agreement,
9 right?

10 A Well, in fact, there were minimal commission fees
11 paid, which is the way we worked with this document.

12 Q Well -- but I'm talking about after you -- after you
13 sold the assets of Reeves and you didn't have Reeves
14 anymore? Reeves wasn't --

15 A I sold the assets of Reeves, that's correct.

16 Q Yes, sir. After you sold the assets of Reeves,
17 Reeves wasn't paying commissions anymore to Bob Castellani
18 or NARP, was it?

19 A Why would we?

20 Q That's my question.

21 A Well, we weren't making progress.

22 Q Exactly. Thank you. That's my question. Once you
23 sold Reeves, the cross-selling and the commissions weren't
24 going on, were they?

25 A I guess I'm not clear on the question what you're

1 asking me.

2 Q I'm sorry about that. And I appreciate your answer.

3 Do we have a copy of the calculation of their Exhibit 1?

4 Let me just ask you, Mr. Stillwell asked you a little bit
5 about the calculation of what 7 1/2 percent of the sale of
6 Reeves, would be?

7 A Yes.

8 Q A little bit earlier and I think the number was
9 \$415,000 calculated by you and your advisers?

10 A It was calculated by my advisers.

11 Q And that was calculated in -- that was calculated
12 with respect to the proposed Dobson deal you were
13 discussing, right?

14 A Well, that would be one of the reasons. It was
15 calculated because we had an obligation to pay Bob 7 1/2
16 percent of our company.

17 Q Well, but, sir, in fact, I think you testified pretty
18 clearly, pretty thoroughly that you guys, actually, never
19 did reach a contract, never did reach an agreement after
20 Atlanta about any further agreement, didn't you? I mean,
21 you had the termination agreement, but the other parts of
22 the agreement never were finally agreed to?

23 A That's correct, but we still went on with our intent
24 to fulfill our obligation.

25 Q Yes, sir, I understand. I mean, I understand your

1 testimony to be there continued to be discussions and
2 there continued to be negotiations?

3 A But besides that, we were still -- in addition to
4 that, Billie and I were still committed to fulfill our
5 obligation to Bob.

6 Q But, sir, in fact, no money was ever tendered from
7 you or from Reeves to Bob Castellani in or around 2004,
8 2005, 2006 or 2007; isn't that right?

9 A That's correct.

10 Q Okay. This is the calculation I think you all sent
11 over. I noticed that in the way you calculated 7 1/2
12 percent, you deducted funds held in escrow, right?

13 A That's correct.

14 Q Okay. If someone else were to calculate 7 1/2
15 percent, they might not necessarily believe that was the
16 right way to do it because the total purchase price was
17 9.1, wasn't it?

18 A That is correct.

19 Q And sir, even to this very day, no one from your side
20 has ever offered to this side to pay cash in the amount
21 equal to 7 1/2 percent of the sale of Reeves taking into
22 account whatever the interest would have to be, would it?

23 MR. STILLWELL: Your Honor, I object based on one of
24 the -- I want to send the jury out, Your Honor. There's a
25 piece of evidence that we said we wouldn't put in about

1 that.

2 THE COURT: I appreciate that. Let's move on.

3 MR. ELLIS: Okay.

4 THE COURT: Thank you.

5 BY MR. ELLIS:

6 Q Mr. Stillwell asked you about you thought there was
7 going to be a closing with Bob?

8 A I'm sorry, would you repeat that again?

9 Q I'm sorry. You thought there was going to be a
10 closing with Bob -- you were going to pay 7 1/2 percent to
11 Bob? You thought there was going to be a closing?

12 A We were informed a couple times that there had been
13 closings. But as part of our proposal that was being
14 worked on, yes, there would be a closing at which we would
15 pay our 7 1/2 commitment to Bob.

16 Q Yes, sir, but the closing that was ever discussed was
17 in terms of your buying the stock through Dobson
18 Ministries, right?

19 A That's correct. That was the only avenue we were --
20 at that point we were given, but we still held out that
21 there would be some solution for us to get this money that
22 we were obligated to pay to Bob.

23 Q And you did not -- you were the one who did not agree
24 to do the Dobson Ministries proposal, right?

25 A Based on conversations with my attorneys and other

1 advisers, the Dobson deal was felt there was just too many
2 parts to it and didn't work for us.

3 Q Yes, sir. But my question is as part of the
4 three-legged stool that's been discussed here, part of
5 that three-legged stool was -- a part of the three-legged
6 stool that was proposed that you all were alleging was
7 money going from you to Dobson Ministries, right?

8 A I did not propose that money would go to Dobson
9 Ministries.

10 Q No, sir, you didn't propose that, but the deal that
11 was discussed -- the only part of the three-legged stool
12 that was ever discussed as far as payment of money was
13 through a charitable trust for payment directly to Dobson
14 Ministries, right?

15 A That is correct.

16 Q And you're the one who didn't want to do that part of
17 it, right?

18 A After talking with my attorney, it was considered
19 that it would be much cleaner way of doing it. I did
20 suggest that I would simply pay cash.

21 Q Mr. Richardson, you were asked questions about
22 whether or not Reeves and NARP ever competed, right?

23 A Yes, I was.

24 Q And you just testified that Reeves and NARP didn't
25 compete, right?

1 A That is correct.

2 Q And just to clarify -- and we may get into this a
3 little later, I just want to ask of your own knowledge,
4 the tax strategy that you employed to sell the assets of
5 Reeves --

6 MR. STILLWELL: You're Honor, this is the same
7 objection, they're about to march right into some stuff
8 and I think it's confusing to the jury and irrelevant to
9 the case.

10 THE COURT: Well, I appreciate that. I'm going to
11 allow this particular question. Let's not go any further.

12 BY MR. ELLIS:

13 Q Did that require you as part of the strategy for your
14 benefit to sign a non-compete?

15 A In the asset sell to --

16 Q To DHS, yes, sir?

17 A Yes, sir. A non-compete was part of that.

18 Q A non-compete was part of that. Thank you. Sir, I
19 know you testified just this morning that you don't think
20 Reeves and NARP competed?

21 A Yes, sir.

22 Q I'd like you to look at Exhibit 13 that your lawyer
23 wrote, as you may be aware, one of the reasons that we
24 have been reluctant to pursue in addressing your interest
25 -- NARP, I apologize, is due to non-compete restrictions

1 that Mr. Richardson had entered into with DHS and EMS,
2 right?

3 A Yes, sir.

4 Q That's what that says?

5 A Yes, sir.

6 Q And this is a letter dated April 17th, 2007, correct?

7 A That's correct.

8 Q And I don't know if we've shown it to the jury or
9 not, but the earlier prior correspondence from your lawyer
10 was in January of '06; isn't that right?

11 A I believe that's the correct date.

12 Q Okay. So you may not have thought that Reeves and
13 NARP competed, but your lawyer advised you not to try to
14 acquire any interest in NARP because he was concerned
15 about the non-compete restriction?

16 MR. STILLWELL: Judge, I object. He's asking for
17 privileged information.

18 THE COURT: Sustained.

19 MR. ELLIS: Well, your Honor, I don't want to go into
20 the privilege on that, but it's in a letter that was
21 written by his lawyer to us.

22 MR. STILLWELL: Your Honor, there's nothing in there
23 about what he did --

24 THE COURT: Gentlemen, I sustained the objection.
25 You can ask him if that's the information that's in the

1 letter and that's as far as we're going.

2 BY MR. ELLIS:

3 Q Well, Mr. Richardson, you will just confirm to me
4 that that's the information that's in the letter, right?

5 A As written, yes.

6 Q Yeah.

7 MR. ELLIS: Beg the Court's indulgence just a minute,
8 please.

9 THE COURT: Yes, sir.

10 MR. ELLIS: Nothing further, Your Honor.

11 THE COURT: All right. You may step down, sir.

12 All right. Mr. Ellis, your next witness, please.

13 MR. ELLIS: Your Honor, I'd like to read the
14 deposition of Ed Kidner.

15 THE COURT: All right, sir.

16 MR. STILLWELL: Actually, we've got him on video.
17 I'll just read what they read and we'll show the video.

18 THE COURT: Very good. Not a problem.

19 MR. ELLIS: Your Honor, I would just note for the
20 record that we're reading deposition designations of Ed
21 Kidner.

22 THE COURT: All right.

23 MR. ELLIS: I will just begin on page 6 at line 12,
24 Whereupon Edward Kidner is called as a witness and having
25 been duly sworn, testified as follows.

1 (WHEREUPON, deposition designations of Edward
2 Kidner was read into the record by Hunter
3 Freeman.)

4 (WHEREUPON, Court's Exhibit Nos. 3 through 5
5 were marked for identification and received into
6 evidence.)

7 MR. ELLIS: Skipping over to page 20, line 7.

8 (WHEREUPON, deposition designations of Edward
9 Kidner continued to be read into the record by
10 Hunter Freeman.)

11 MR. ELLIS: Now skipping to page 10 at line 16.

12 (WHEREUPON, deposition designations of Edward
13 Kidner continued to be read into the record by
14 Hunter Freeman.)

15 MR. ELLIS: I'm sorry, page 11, line 1.

16 (WHEREUPON, deposition designations of Edward
17 Kidner continued to be read into the record by
18 Hunter Freeman.)

19 MR. ELLIS: Going to page 11, line 17.

20 (WHEREUPON, deposition designations of Edward
21 Kidner continued to be read into the record by
22 Hunter Freeman.)

23 MR. ELLIS: Your Honor, going to page 13.

24 (WHEREUPON, deposition designations of Edward
25 Kidner continued to be read into the record by

1 Hunter Freeman.)

2 MR. ELLIS: Page 14, line 7.

3 (WHEREUPON, deposition designations of Edward
4 Kidner continued to be read into the record by
5 Hunter Freeman.)

6 MR. ELLIS: Page 15, line 9.

7 (WHEREUPON, deposition designations of Edward
8 Kidner continued to be read into the record by
9 Hunter Freeman.)

10 MR. ELLIS: Page 19, line 19.

11 (WHEREUPON, deposition designations of Edward
12 Kidner continued to be read into the record by
13 Hunter Freeman.)

14 MR. ELLIS: Page 26, line 20.

15 (WHEREUPON, deposition designations of Edward
16 Kidner continued to be read into the record by
17 Hunter Freeman.)

18 MR. STILLWELL: Your Honor, I wasn't sure where Mr.
19 Ellis was going. I think this part about Martin's Ice
20 Cream is getting beyond anything that's relevant to this
21 case.

22 MR. ELLIS: And the reason I'm hesitating is I'm
23 trying to find ways to cut it, but, yesterday, I had a
24 complaint that it was confusing.

25 THE COURT: All right. Well, let's just continue on.

1 I'm reading through it. If I see something, I'll let you
2 know.

3 MR. ELLIS: If you could continue on page 32.

4 (WHEREUPON, deposition designations of Edward
5 Kidner continued to be read into the record by
6 Hunter Freeman.)

7 MR. ELLIS: Skipping over to page 33.

8 (WHEREUPON, deposition designations of Edward
9 Kidner continued to be read into the record by
10 Hunter Freeman.)

11 MR. ELLIS: Page 38, line 10.

12 THE COURT: Before you go, there was an objection
13 before as to that. I said I would look at the matter and
14 I'm going to grant the objection as to page 38.

15 MR. ELLIS: Oh, okay.

16 THE COURT: I did not allow as to matters that are on
17 page 38 as they continue on to page 38. I'm going to
18 sustain the objection.

19 MR. ELLIS: Thank you, Your Honor.

20 Beginning at page 42, line 4.

21 (WHEREUPON, deposition designations of Edward
22 Kidner continued to be read into the record by
23 Hunter Freeman.)

24 MR. STILLWELL: Your Honor, he is reading sentences
25 that he did not designate previously to which I objected.

1 You may have designated them five minutes ago.

2 MR. ELLIS: I didn't designate them five minutes ago.

3 THE COURT: Gentleman, don't discuss the matter among
4 yourselves.

5 Ladies and gentlemen of the jury, go to your jury
6 room, please.

7 MR. ELLIS: My apologies, Your Honor.

8 (WHEREUPON, the jury left open court at
9 approximately 11:25 a.m.)

10 MR. STILLWELL: Your Honor, the next question he was
11 going to read right there at the top of the page, I think
12 he was on 61. We could have worked this out, Your Honor,
13 I just didn't know he was going to read that part.

14 MR. ELLIS: I'm sorry, I thought that that was
15 included -- well, it is.

16 THE COURT: Okay. So the question on 61 lines 1
17 through 3, that's what your objection is to?

18 MR. STILLWELL: Yes, sir, Your Honor.

19 THE COURT: All right. And what's your objection?

20 MR. STILLWELL: My objection to it, Your Honor, is
21 that he's leading him on direct. Mr. Ellis is testifying
22 on that. The man's not a party to the case. He's not an
23 officer of the corporation.

24 THE COURT: All right. Hold on a second.

25 MR. STILLWELL: And, Your Honor, this is not

1 critical, I just don't know if he's going to do it on
2 other ones.

3 THE COURT: And I appreciate that. Do you see --
4 okay. Do you need to look at the -- do you have a copy of
5 the designation form?

6 MR. STILLWELL: Yes, sir, Your Honor.

7 THE COURT: It's dated -- I don't know the date. You
8 got a copy of the three-page designation form?

9 MR. STILLWELL: Your Honor, the problem I have is, at
10 least, two of them, I may have three.

11 THE COURT: All right. Do you have one, Mr. Ellis,
12 that you are working from right now?

13 MR. ELLIS: Yes, sir.

14 THE COURT: All right. How about show that to
15 Mr. Stillwell and make sure that he has the one that
16 you're working from. I just simply ask can you hand him
17 the one that you're working from? And make sure that
18 Mr. Stillwell has a copy of the one you're working from.

19 MR. ELLIS: Did you have any discussion with P. J.
20 about doing this proposal outside?

21 MR. STILLWELL: Okay.

22 MR. ELLIS: I think after that --

23 MR. STILLWELL: Yeah, that's the way to do it, just
24 tell me what you want to read.

25 MR. ELLIS: Page 62 and going down to page 63.

1 MR. STILLWELL: Yeah.

2 MR. ELLIS: And up to page 64 at line 7.

3 MR. STILLWELL: 64, line 7.

4 MR. ELLIS: I think I can actually cut a good bit of
5 this.

6 MR. STILLWELL: Okay.

7 MR. ELLIS: Then I'll go to page 69, line 14.

8 MR. STILLWELL: Okay.

9 MR. ELLIS: And read down to page 70, line 12.

10 MR. STILLWELL: Good.

11 MR. ELLIS: And I think that's going to be it.

12 MR. STILLWELL: Your Honor, we'll react to this and
13 cut down what we got down on our tape.

14 THE COURT: All right. Thank you, very much.

15 MR. FREEMAN: Where am I going to be starting when
16 they come back in?

17 MR. ELLIS: And if I mess it up --

18 THE COURT: How about can you tell Mr. Freeman where
19 he's starting from?

20 MR. ELLIS: Oh, that would be good. Page 62, line
21 17. Then we're going to skip over to page 69. And let me
22 see if I can get Exhibit 17 out of here.

23 THE COURT: Just for my own information,
24 Mr. Stillwell, will you be producing at this point in time
25 portions of this deposition, or are you going to do it at

1 a later time.

2 MR. STILLWELL: Your Honor, we'll do it later. We've
3 got it on video. Making it smaller and smaller.

4 THE COURT: Very good. All right.

5 All right, Mr. Ellis, are you ready for the jury to
6 come back in?

7 MR. ELLIS: Yes, Your Honor, I am.

8 THE COURT: Very good.

9 Ask the jury to come back in.

10 (WHEREUPON, the jury came into open court at
11 approximately 11:30 a.m.)

12 THE COURT: All right. You may continue.

13 MR. ELLIS: Thank you, Your Honor.

14 Beginning at page 62, line 17.

15 (WHEREUPON, deposition designations of Edward
16 Kidner continued to be read into the record by
17 Hunter Freeman.)

18 MR. ELLIS: Your Honor, skipping to page 69, line 14.
19 Going to Exhibit 17.

20 (WHEREUPON, deposition designations of Edward
21 Kidner continued to be into the record by Hunter
22 Freeman.)

23 MR. ELLIS: Thank you, Your Honor. Nothing further
24 from this witness.

25 THE COURT: And as I understand it, Mr. Stillwell, at

1 this point in time, you will not produce any parts of this
2 deposition.

3 MR. STILLWELL: No, sir, Your Honor, brief parts in
4 video.

5 THE COURT: All right. Mr. Ellis, your next witness,
6 please, sir.

7 MR. ELLIS: Your Honor, we would like to read also
8 from the deposition testimony of Eric Orlinsky.

9 THE COURT: All right, sir.

10 MR. ELLIS: Thank you. Therefore, Eric Orlinsky,
11 Esquire, called as a witness and having been duly sworn,
12 testified as follows:

13 (WHEREUPON, deposition designations of Eric
14 Orlinsky were read into the record by Hunter
15 Freeman.)

16 (WHEREUPON, Court's Exhibit No. 6 was marked for
17 identification and received into evidence.)

18 MR. ELLIS: Page 10, line 17.

19 (WHEREUPON, deposition designations of Eric
20 Orlinsky continued to be read into the record by
21 Hunter Freeman.)

22 MR. ELLIS: Page 12, line 12.

23 (WHEREUPON, deposition designations of Eric
24 Orlinsky continued to be read into the record by
25 Hunter Freeman.)

1 MR. ELLIS: Page 14, line 10.

2 (WHEREUPON, deposition designations of Eric
3 Orlinsky continued to be read into the record by
4 Hunter Freeman.)

5 MR. ELLIS: Page 20, line 19.

6 (WHEREUPON, deposition designations of Eric
7 Orlinsky continued to be read into the record by
8 Hunter Freeman.)

9 MR. ELLIS: Page 27, line 17.

10 (WHEREUPON, deposition designations of Eric
11 Orlinsky continued to be read into the record by
12 Hunter Freeman.)

13 MR. ELLIS: Page 30, line 7.

14 (WHEREUPON, deposition designations of Eric
15 Orlinsky continued to be read into the record by
16 Hunter Freeman.)

17 MR. ELLIS: Page 31, line 20.

18 (WHEREUPON, deposition designations of Eric
19 Orlinsky continued to be read into the record by
20 Hunter Freeman.)

21 MR. ELLIS: I have the wrong exhibit pulled out, I'm
22 sorry.

23 Your Honor, I can represent to the Court I think what
24 we're discussing here is the agreement of Termination,
25 Settlement and Release. May I show that to the jury?

0400

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1 THE COURT: All right. Any objection to that?

2 MR. STILLWELL: No, sir, Your Honor.

3 THE COURT: All right. Very good.

4 MR. ELLIS: I'd like to skip down to page 33, line
5 12.

6 (WHEREUPON, deposition designations of Eric
7 Orlinsky continued to be read into the record by
8 Hunter Freeman.)

9 MR. ELLIS: Page 38, line two.

10 (WHEREUPON, deposition designations of Eric
11 Orlinsky continued to be read into the record by
12 Hunter Freeman.)

13 MR. ELLIS: Page 39, line 18.

14 (WHEREUPON, deposition designations of Eric
15 Orlinsky continued to be read into the record by
16 Hunter Freeman.)

17 MR. ELLIS: Page 44, line 10.

18 (WHEREUPON, deposition designations of Eric
19 Orlinsky continued to be read into the record by
20 Hunter Freeman.)

21 MR. ELLIS: Let's go to page 55, line 11.

22 (WHEREUPON, deposition designations of Eric
23 Orlinsky continued to be read into the record by
24 Hunter Freeman.)

25 MR. ELLIS: Page 66, line 8.

1 (WHEREUPON, deposition designations of Eric
2 Orlinsky continued to be read into the record by
3 Hunter Freeman.)

4 MR. ELLIS: Going to page 72, line 10.

5 (WHEREUPON, deposition designations of Eric
6 Orlinsky continued to be read into the record by
7 Hunter Freeman.)

8 MR. ELLIS: Page 77, line 10.

9 (WHEREUPON, deposition designations of Eric
10 Orlinsky continued to be read into the record by
11 Hunter Freeman.)

12 MR. ELLIS: Page 82, line 20.

13 (WHEREUPON, deposition designations of Eric
14 Orlinsky continued to be read into the record by
15 Hunter Freeman.)

16 MR. ELLIS: Skip to page 84, line 13.

17 (WHEREUPON, deposition designations of Eric
18 Orlinsky continued to be read into the record by
19 Hunter Freeman.)

20 MR. ELLIS: Page 90, line 13.

21 (WHEREUPON, deposition designations of Eric
22 Orlinsky continued to be read into the record by
23 Hunter Freeman.)

24 MR. ELLIS: Thank you, Your Honor. Nothing further
25 from this witness.

1 THE COURT: All right.

2 Mr. Stillwell, anything you wish to publish regarding
3 this particular deposition at this point in time?

4 MR. STILLWELL: No, Your Honor. We would
5 respectfully reserve the right to allow us to call
6 Mr. Orlinsky live or if we just don't have time because
7 we're running out read some tiny portions of this.

8 THE COURT: All right. Very good.

9 Mr. Ellis, Mr. Stillwell, could you come up here and
10 see me for a minute, please?

11 (WHEREUPON, a bench conference was held in the
12 presence of the jury but out of the hearing of
13 the jury.)

14 THE COURT: Ladies and gentlemen, could you go to
15 your jury room for about five minutes, please.

16 (WHEREUPON, the jury left open court at
17 approximately 12:15 p.m.)

18 (WHEREUPON, a bench conference was held.)

19 THE COURT: All right. Be at ease for a moment.

20 Mr. Ellis, as I understand it, you have one witness
21 left in the Plaintiff's presentation?

22 MR. ELLIS: Yes, Your Honor.

23 THE COURT: All right, sir, ask the jury to come in,
24 please.

25 MR. ELLIS: That's going to be relatively short.

1 THE COURT: Very good.

2 (WHEREUPON, the jury came into open court at
3 approximately 12:30 p.m.)

4 MR. ELLIS: Your Honor, the deposition exhibits which
5 were identified in the deposition, Mr. Stillwell
6 suggested, which I think is a good idea, is just to
7 cross-check them with the exhibits that are already in. I
8 think all those exhibits are already in.

9 THE COURT: Why don't you do that first and make sure
10 they aren't already in and if they aren't, we'll address
11 that.

12 MR. ELLIS: All right. Thank you.

13 THE COURT: All right.

14 Ladies and gentlemen, I am mindful of what time it
15 is. It's my understanding that the Plaintiff has one
16 remaining witness, which it has been stated to the Court
17 will be relatively short. It's my intention to accomplish
18 that before lunch.

19 All right, Mr. Ellis.

20 MR. ELLIS: Your Honor, may it please the Court, the
21 plaintiff calls Ms. Billie Richardson.

22 THE COURT: All right, ma'am, if you would please
23 come around to be sworn.

24 BILLIE RICHARDSON, after being duly sworn,
25 testified as follows:

1 THE CLERK: Thank you, ma'am, be seated.

2 DIRECT EXAMINATION

3 BY MR. ELLIS:

4 Q Good afternoon, Ms. Richardson?

5 A Hi there.

6 Q I'll try to make this very, very brief so we move
7 along. I just want to ask you, we've talked a lot
8 about -- I know I've got my wing man back here, we've
9 talked a lot about the Agreement of Termination,
10 Settlement and Release?

11 A Yes.

12 Q You were familiar with this document at or about the
13 time it was signed, right?

14 A I was familiar with the document about the time it
15 was signed through conversations with Bob.

16 Q Okay. You were actually an officer of Reeves
17 Manufacturing before it was sold -- the assets were sold
18 to DHS, weren't you?

19 A Yes, I was.

20 Q You had also been an employee of NARP as well, right?

21 A Yes, uh-huh.

22 Q You recall, don't you, that P. J. had asked Bob to
23 sign this document, don't you?

24 A I wasn't familiar with the document until, I believe,
25 after it was signed by Bob and by P. J., through

1 conversations I had with Bob.

2 Q But you're aware, aren't you, that the reason it was
3 sign -- the reason P. J. had asked Bob to sign this was
4 related to the sale of the assets of Reeves to DHS,
5 weren't you?

6 A No. I -- well, let's see, I thought the -- in my
7 opinion --

8 Q Right.

9 A This is strictly my opinion, that the termination
10 agreement, what is now the termination agreement, I didn't
11 even know it was called the termination agreement at that
12 point, was signed because if Bob was not interested in
13 what was going on at the time, he could be rather patient
14 with things and not focused. And he was running his
15 business. He had a lot going on. I really thought, and
16 this is my opinion, that it was just so Bob didn't need to
17 be coming up to Maryland and be involved in discussions
18 with DHS.

19 Q Okay.

20 A I wasn't really -- I didn't know that much about it,
21 truthfully.

22 MR. ELLIS: Okay. Thank you. I don't believe I have
23 any further questions. Thank you.

24 THE COURT: Mr. Stillwell, any questions at this
25 point in time of Ms. Richardson?

1 MR. STILLWELL: No, Your Honor, not at this time.

2 THE COURT: All right. Thank you, very much. You
3 may step down.

4 All right. Any further witnesses on behalf of the
5 Plaintiff at this point in time?

6 MR. STILLWELL: No, Your Honor.

7 THE COURT: With the understanding as to the
8 exhibits, does the Plaintiff rest at this point?

9 MR. ELLIS: With the understanding as to the
10 exhibits, the Plaintiff rest at this point.

11 THE COURT: Very good. And I would understand that
12 the parties would have some matters of law for the Court
13 at this point in time, would that be correct?

14 MR. ELLIS: That would be correct, Your Honor.

15 THE COURT: All right. Very good.

16 Mr. Stillwell, Mr. Ellis, could you come talk with me
17 for just one second degree, please?

18 (WHEREUPON, a bench conference was held in the
19 presence of the jury but out of the hearing of
20 the jury.)

21 THE COURT: All right, ladies and gentlemen, I'm
22 trying to avoid having you sit in the jury room waiting
23 for us to finish matters. And I do have to give the
24 parties some period of time. So I'm going to have you
25 come back at 2:00. I want you back in your jury room at

1 2:00 and we will resume at that point in time. Thank you,
2 very much.

3 (WHEREUPON, the jury left open court at
4 approximately 12:35 p.m.)

5 THE COURT: All right, motions on behalf of the
6 plaintiff?

7 MR. STILLWELL: Your Honor, may I ask, Your Honor,
8 one thing?

9 THE COURT: Yes, sir.

10 MR. STILLWELL: I never anticipated that he wouldn't
11 call anybody, so I don't even have my directed verdict
12 memo book over here. I don't know how long he's going to
13 argue but I'd rather put our part of it up after lunch if
14 we could. Or I got to at least get the guy here with the
15 book whose got my stuff.

16 THE COURT: All right.

17 MR. STILLWELL: We can do them both after we eat.
18 I'm actually having some blood sugar issues at this point.

19 THE COURT: All right. I don't want to split them
20 up. I mean, I want them all done at the same time. So
21 y'all came back at 1:30. All right. Come back at 1:30,
22 we'll do the motion, then. Thank you, very much.

23 (WHEREUPON, a lunch break was taken.)

24 THE COURT: All right, gentlemen, motions on behalf
25 of the plaintiff?

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1 MR. ELLIS: Yes, Your Honor, I have a motion. It's a
2 little bit of an unusual posture to be in when you're
3 dealing with declaratory judgment. Deferring that the
4 other side doesn't have a right that they asserted because
5 ordinarily I know that a directed verdict motion comes at
6 the end of the other side's case. I do make a motion for
7 a directed verdict in this case at this time. However,
8 and also I would fashion it also as a renewed motion for
9 summary judgment. Motion for summary judgment doesn't
10 require 10 days notice if it's made at trial in the
11 presence of the court reporter.

12 Your Honor, my motion for summary judgment is this.
13 I believe that the plaintiff is entitled to judgment with
14 respect the to breach of contract claim, specific
15 performance claim alleged by Mr. Richardson based upon the
16 three-legged stool approach. Your Honor, I make that
17 based upon this. I think Mr. Stillwell framed up the
18 issue very, very well in his questions to Mr. Richardson.
19 Mr. Richardson said -- Mr. Richardson, is the three-legged
20 stool approach, the three-legged agreement that we talked
21 about, didn't happen, is the 2000 agreement the agreement
22 that you're here seeking to enforce?

23 Mr. Richardson, I believe, said, Yes.

24 On my cross-examination I asked Mr. Richardson, Well,
25 the three-legged agreement didn't happen, did it? And his

1 he response to that was, I believe, Well one part did.

2 But, Your Honor, I think we've established very, very
3 clearly, overly, maybe to the point of overkill yesterday
4 that the three-legged agreement, the three part agreement
5 that was alleged in the counterclaim, as the basis for
6 Mr. Richardson's breach of contract claim did not occur.
7 That, in fact, there was a meeting of the minds. That, in
8 fact, it was just a decision between the parties.

9 Your Honor, I would point out that under Ellis vs.
10 Taylor, an agreement to agree is not enforceable. I think
11 we all understand that. That an agreement has to be a
12 meeting of the minds between the parties. It's been very
13 clearly established that the three-legged approach that
14 was alleged was a donation to a charitable trust of some
15 sort. In the termination agreement and an option.
16 Mr. Richardson testified candidly, and I appreciate that,
17 and I think this is consistent with his earlier deposition
18 testimony, he is the one who didn't want to do the
19 charitable trust part. Which is fine but he didn't want
20 to do that. He did not agree to that provision. He also
21 testified, I think, also again, consistent with his prior
22 testimony, that no option agreement had ever been agreed
23 to between the parties.

24 Your Honor, I would note if I need to that we've made
25 quite an issue on our side, I would factor under Delaware

1 law, an option agreement has to have very specific
2 portions to it. It has to be in writing, the terms have
3 to be set forth in writing, has to have board approval.
4 The terms have to be adopted within the instrument
5 granting the option and so forth. But, Your Honor, the
6 defendant's side isn't even that far. They admitted and
7 agreed, and I appreciate it, that there was never an
8 option agreement finally settled on with the parties and
9 there was no charitable trust. So the three-legged
10 agreement that was alleged as the basis of their claim did
11 not happen and I think we're entitled to judgment as to
12 that issue.

13 Your Honor, I think what the Court -- I think that
14 the issue for the jury at this point to determine is
15 whether or not the 2000 agreement was terminated either by
16 the termination agreement or otherwise. We have also
17 alleged that there was some abandonment or disablement.
18 And I realize that if the Court doesn't grant our motion
19 with respect to parole evidence rule, those might be
20 issues for the jury. Because I don't think -- I think the
21 2000 agreement can be terminated other than just by the
22 termination agreement. If Mr. Richardson is no longer in
23 a position to perform the 2000 agreement, that would end
24 the agreement as well as any termination agreement would
25 have.

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1 Your Honor, I think where we are -- and I think it's
2 just been so clearly, very, very clearly established, that
3 at this point the defendant's counterclaim for breach of
4 contract, with specific performance, pursuant to an
5 agreement, amongst the parties, fails as a matter of law,
6 it's been clearly established that it didn't. Your Honor,
7 in their counterclaim, I would note for the Court, we're
8 not alleged to have breached the 2000 agreement. That's
9 not been alleged that we have breached that agreement. It
10 has been alleged that Mr. Richardson would revert to his
11 prior interest under the 2000 agreement. And it's my
12 understanding that it's the Court's, I don't want to say
13 ruling, that may be too strong to say at this point. But I
14 think it's the Court's position at this point that the
15 parties rights and responsibilities and duties to each
16 other, if any, under the 2000 agreement, is a different
17 dispute for a different day. Mr. Richardson has not
18 tendered performance, for example, under the 2000
19 agreement. We haven't been asked to comply with the 2000
20 agreement. He has not yet explained to us how he's going
21 to comply and we haven't had a chance to react to that.

22 So, I believe that where we are, again, barring the
23 parole evidence rule, which I'm bringing up in just a
24 minute. I believe that where we are is what we would be
25 left with the jury to determine as a contract rule -- I'm

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1 sorry, where we would be -- where the jury would determine
2 an existence of a contract is the jury should be given a
3 verdict form that says, do you believe that the 2000 --
4 that the termination agreement terminated the 2000
5 outline? And check list. And then say, Do you believe
6 that the 2000 outline was terminated otherwise? And we
7 would present jury charges about that one party -- we
8 would ask the Court to give a jury charge that if one
9 party disabled himself from performing, the other party
10 may consider it terminated and so forth.

11 So, Your Honor, I would ask for judgment as matter of
12 law. Directed verdict, summary judgment with respect to
13 the breach of contract claim, the two counterclaims that
14 the plaintiff has presented. Because, Your Honor, it is
15 very, very clear that the parties did this three-part
16 agreement. Mr. Richardson didn't agree to part of it --
17 I'm sorry, they had a discussion about the three-part
18 agreement, they had a discussion about having a three-part
19 agreement, Mr. Richardson did not agree to the charitable
20 trust part of it, the parties had a discussion about a
21 option agreement but no option was ever entered into.

22 Again, Your Honor, I would just make a point that
23 the -- that whether or not we would have some liability or
24 some duty under the 2000 agreement, as I say, I think --
25 we would ask the Court -- we would ask the jury to

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1 determine or ask the Court to determine that it's
2 terminated as a matter of law. But if it's not, then I
3 think it would be up to Mr. Richardson to attempt to
4 tender performance and how we would react to that. As I
5 said, it's something that has not been determined yet.
6 Because there are other rights and responsibilities under
7 that contract. For example, there's a buy back and the
8 parties can issue stock and then if the submissions have
9 been terminated, the parties can buy the stock back. And
10 as long as no sale occurs within two years or they would
11 also -- that could create a right within the next two
12 years to go further (sic). Maybe I'm understanding the
13 buy back provision in it so that one of the parties could
14 issue stock to the other, buy it back, then the other
15 party would have the right for two years to participate in
16 any profits if the company was sold. I'm not saying we
17 would do that. I can't obviously promise that we would do
18 that but our reaction would be, once Mr. Richardson --
19 what our position would be, as I said, is not yet
20 determined and again we're not alleged to have breached
21 it.

22 Your Honor, I'd like to take one more shot at parole
23 evidence rule.

24 THE COURT: Go ahead.

25 MR. ELLIS: If it's okay. I think that once again,

1 the issue before the Court is this. It's up to the Court
2 to determine in the first instance if an agreement is
3 ambiguous. If it's not ambiguous then the words alone
4 control. If it is -- if it is ambiguous then the Court
5 has to hear evidence -- this how I understand it. The
6 Court has to hear evidence about the ambiguous part. If
7 there's ambiguity. I don't think in this case, Your
8 Honor, there's any question whatsoever that the parties
9 entered into an agreement. They entered into a contract.
10 I think we're kind of somewhat close to where we were when
11 the Court asked us if the parties agreed that the 2000
12 agreement hadn't been entered into. Mr. Richardson
13 presented this, Mr. Castellani signed it. So you have
14 this agreement that they entered into. The question
15 before the Court is based upon the evidence that's been
16 heard, did this agreement terminate the 2000 agreement as
17 a matter of law?

18 Your Honor, I think the testimony was abundantly
19 clear. Mr. Richardson knew that the December 14th
20 reference in there had not yet -- but he asked Mr.
21 Castellani to go ahead and sign it. That Mr. Castellani
22 did sign it and that it was Mr. Richardson's hope and
23 expectation going forward that an option agreement would
24 be entered into. But for whatever reason, no other option
25 agreement was ever entered into. Your Honor, again, I

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1 think what we're faced with the fact -- I think that we're
2 faced with the fact that you have a clear provision
3 terminating everything. And then you have basically, I
4 think, what can most generally be described as an
5 agreement to agree. I think that where we are is similar
6 to where we were in the case of McMaster vs. Strickland
7 where the parties entered into a contract with the
8 expectation and hope, that all parties knew about, that he
9 would be able to get wetlands permits later. What the
10 Court of Appeals said in that case is that the contracting
11 parties took a calculated business risk. He wanted to go
12 ahead and terminate and get the benefits of that but there
13 was nothing on the table at that point for him to react to
14 or from him to accept.

15 Your Honor, the rules of entering a contract, 17(a)
16 of entering a contract, The contract is capable of
17 construction which will make it valid, legal, effective-
18 and enforceable, it will be given that construction if the
19 contract is ambiguous -- the construction renders the
20 contract valid (inaudible) for the one that is invalid.
21 And will not be considered invalid unless that
22 construction is required by the terms of the agreement in
23 light of the surrounding circumstances.

24 Your Honor, once again, too, and I think South
25 Carolina law is very abundantly clear, a contract is

1 ambiguous has to be construed against the drafting party.
2 That party is Mr. Richardson. I think if you say, Well
3 there's two ways you can read this. One way to read this
4 is this agreement is not effective unless -- unless there
5 was an option agreed on. The expectation -- the
6 expectation is that this is not effective unless an option
7 weren't going to be agreed upon. I think the other way to
8 read it, Your Honor, is to read it to say, No, this
9 agreement is a stand alone agreement. And if an
10 agreement -- if a December 5th option were entered into --
11 I'm sorry, December 15th option were entered into, this
12 agreement would not be effective so as to render that
13 agreement invalid.

14 And I would suggest, Your Honor, that actually, in
15 real life, that might make some sense to do that among the
16 parties. Because if someone thinks he has an option
17 agreement and somebody says, We got an agreement over here
18 that says that everything that arose from the 2000
19 agreement is terminated. Somebody over here says, Well
20 wait a second, I got an option we entered into six weeks
21 later and the person says, Yeah, but everything that arose
22 out of the 2000 agreement terminated. Let's read the
23 words. Everything that arose out of it was terminated.
24 This later agreement is invalid because it arose out of
25 something that was already void.

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1 It would make a certain amount of sense to have a
2 provision in here, no matter when this was drafted that
3 says, Well this is not going to have an effect in
4 validating something. But that doesn't mean that if
5 invalidity occurs for some other reason, that this whole
6 agreement falls apart. This is not a promise that the
7 parties are going to enter into an agreement. Because as
8 you know, the reason the agreement is not enforceable is
9 you just don't know what's going to happen. What happened
10 in Ellis vs. Taylor, is they had three provisions in the
11 agreement.

12 Provision one says very clear obligation that the
13 father do certain things. It is very clear obligations.
14 And the third is I think the party will agree and
15 negotiate at a later time as to what to do. And the Court
16 said we can enforce the first two, we can't enforce that
17 third one because there's nothing to enforce. The parties
18 haven't agreed to anything. Your Honor---

19 THE COURT: I'll hear you a little bit.

20 MR. STILLWELL: I was concerned about the timing,
21 Your Honor.

22 THE COURT: I understand, I'll just hear you.
23 Go ahead.

24 MR. ELLIS: I'll stop in just a minute. I'm about
25 through. So I think that the point is I don't know if

1 this is necessarily something where there's a severability
2 issue. It might be and we pled that. I don't think it's
3 a severability issue that has to be determined by a jury.
4 I think you can say look there's a common sense way of
5 reading this, taking the whole contract as a whole,
6 reading the clear language of the parties is that since we
7 now know, we now have evidence that the parties knew that
8 when this was entered into, that it was not an option
9 agreement entered into, that there were going to be steps
10 taken of that being entered into at some point in the
11 future. We know that the parties went ahead and decided
12 to terminate the agreement. With the expect of keeping
13 open the idea that maybe they would have an option in the
14 future.

15 Your Honor, once again, I do make that motion and I
16 would just say, I do think that regardless of anything, I
17 think it's extremely clear that the three-legged stool
18 approach breached the contract and the defendant's
19 counterclaim ought to be gone. I think that where we are
20 now is a determination by the Court as to whether or not
21 the 2000 agreement still remains in force. And also, ask
22 the Court to determine our breach of fiduciary claim,
23 thank you. Thank you, Your Honor.

24 THE COURT: All right, thank you.

25 Mr. Stillwell.

1 MR. STILLWELL: Your Honor, I've been working on this
2 trial so long my dates are starting to run together but I
3 think deja vu is a good way to describe this same argument
4 that now I'm making for the third time in 15 days.
5 Mr. Ellis said that this is a matter of common sense.
6 Your Honor, said when we started that common sense is the
7 jury's thing. The issue about whether these meaning the
8 same thing, these two contracts, the one that's got those
9 options agreement referenced in there and the one that
10 Mr. Ellis says is common sense and you should just ignore
11 them. That's a straight jury issue.

12 And, Your Honor, all the evidence that went in was
13 the same thing that was cited in our two summary judgment
14 briefs. None of it was inconsistent with what happened in
15 depositions, other than Mr. Castellani. And so we're
16 looking at the exact same evidence, and we're looking at
17 the exact same law and we don't have any new legal
18 arguments. Which I was a little bit worried about over
19 lunch but I feel better about now. It's all the same
20 issues.

21 Some of the issues, Your Honor, that Mr. Ellis talked
22 about, they're already sitting in our jury charges. For
23 instance, the issue about construing it against the
24 drafter. That ain't all the law in South Carolina. We
25 got one of the jury charges in there that says this rule

1 does not apply where there's no evidence of adhesion or
2 unequal bargaining power between the parties. I don't
3 have my AM JUR either but Mr. Ellis was citing that on
4 something and I know there's plenty of law out there about
5 whether you can just take a contract and render a term
6 meaningless or render it annulable. There's plenty of
7 that law out there.

8 Your Honor, Mr. Ellis has this nicely framed up thing
9 about whether there was a final agreement or not. That is
10 exactly the same thing that PJ said in his deposition.
11 The issue about whether there was a final agreement begs
12 to question about was there a previous agreement? Was
13 there a standing agreement before everybody walked out of
14 the airport. This issue about the three-legged stool.
15 I'm glad, Your Honor, again is hearing this instead of the
16 jury because it ain't ready for them yet. But this part
17 right here about this donation. This donation to charity.
18 Your Honor, there is a difference between a donation to
19 charity, don't give me the money, I'll give it to charity.
20 That's fine. But let me purchase it out of charity,
21 that's what nobody ever agreed to. This issue about
22 whether he actually tendered his money or not, I thought
23 PJ said on direct, I offered Bob the money and he said,
24 No. And I tell you, if he didn't say that then, he's
25 about to say it.

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1 Your Honor, where Mr. Ellis started was we're the
2 ones who were saying we're trying to enforce these
3 contracts. We haven't put our case on yet. He's trying
4 to prove the negative, well how can he directed verdict a
5 negative? Because, Your Honor, we're at directed verdict,
6 the burdens are the same. We are entitled to the
7 inferences. That's what makes this round three of summary
8 judgment motions. It's the same thing.

9 Your Honor, this option agreement, this issue about
10 whether it's got to be written under Delaware law, I can't
11 say that any better than we've already briefed it in our
12 thing. But when Mr. Richardson says there's no final
13 agreement, he knows there's no option now that has a
14 signature on it. The issue under Delaware law is, do you
15 have to have a signature? And the answer is, no. We have
16 heard Mr. Richardson testify, I knew it was a penny for
17 share for seven and a half percent for 10 years. I never
18 heard anything different from Bob.

19 Your Honor, the question of whether that is a final
20 agreement is a different question from whether that is an
21 enforceable agreement. He knows it's not signed, that's
22 what he said. That doesn't mean you can't enforce it.
23 You can have a meeting of the minds without a signed
24 instrument. Now there has to be a writing but we've got
25 so many writings we don't know what to do with. The issue

1 about stuff in that red line makes a difference as to
2 whether there was a meeting of the minds, that is an issue
3 of materiality. Does it matter?

4 Your Honor, I did some quick calculations yesterday,
5 the difference between a penny a share and a penny is
6 \$176. Our position is the jury is entitled to look at
7 that and say, Is that material in the scope of how much
8 money these two people were moving back and forth? I
9 don't think so, Your Honor. There's nothing here that's
10 appropriate to end the case. I appreciate that Mr. Ellis
11 has truncated his severely and I'm hoping now we're going
12 to get this one in the barn in a hurry.

13 THE COURT: All right. All right, I appreciate that
14 you want to make some other arguments, Mr. Ellis, but I am
15 respectfully declining to grant your motion for directed
16 verdict for judgment as a matter of law. Y'all might be
17 certain that you entered into that November 8th, 2004
18 termination agreement but I don't think the evidence shows
19 that. I don't know if you did or not. Number one. And
20 the terms of that contract are absolutely ambiguous. Read
21 as a whole, it borders on being completely
22 un-understandable. So all these matters barring some
23 change from the evidence presented by the defense and all
24 these issues are going to go to the jury.

25 All right, any motions on behalf of the defense?

1 MR. STILLWELL: No, sir, Your Honor.

2 THE COURT: All right. Just for my own information,
3 was there any progress in trying to resolve this matter?

4 MR. STILLWELL: I don't know what happened right when
5 we started, if I can go outside in the hallway.

6 THE COURT: I'll be glad for you to do so.

7 MR. STILLWELL: I think, Your Honor, we've got a
8 frame work but I don't know the values we've got or
9 anything.

10 THE COURT: All right.

11 All right, plaintiff ready for the jury, Mr. Ellis?

12 MR. ELLIS: Yes, sir.

13 THE COURT: Defense?

14 MR. STILLWELL: We are, Your Honor.

15 THE COURT: Very good.

16 Ask the jury to come in, please.

17 (WHEREUPON, the jury came into open court at
18 approximately 2:00 p.m.)

19 MR. STILLWELL: The Defense calls P. J. Richardson,
20 Your Honor.

21 THE COURT: Please come around and be sworn.

22 I understand he was sworn before, I'm having you do
23 it again since we are in the Defense's case.

24 P.J. RICHARDSON, after being duly sworn,
25 testified as follows:

1 THE CLERK: State your name, please.

2 THE WITNESS: Patrick J. Richardson.

3 DIRECT EXAMINATION

4 BY MR. STILLWELL:

5 Q P. J.?

6 A Yes, sir.

7 Q Welcome back.

8 A Thank you.

9 Q P. J., let's start this time and just start kind of a
10 little bit with the background. The jury has already
11 talked to you a little bit, but they don't know that much
12 about you. Tell me where you're from and how you got
13 here.

14 A I was born in New York City, grew up in New Jersey.

15 Q Okay. Where did you go to school?

16 A I went to -- graduated from grammar school in New
17 Jersey, high school in New Jersey, and then I went to a
18 small Christian college out in New Mexico, graduated with
19 a four-year business degree.

20 Q And you talked a little bit about your business
21 background and that was probably fine about it. One part
22 I wanted to focus on a little more is about Regal, is that
23 where you met Rod?

24 A Yes, it is, that's where I met Rod Manning.

25 Q Tell me something about Regal and what you did with

1 Rod there?

2 A Regal helped me take the, what's part of the Regal
3 electronics group, don't know if you're familiar with the
4 (inaudible) Regal electronic phone, cellular phone
5 company, is a global company. And I was responsible for
6 the North American operations for our health and safety
7 business. Primarily, in respiratory protection. Rod was
8 one of your counselors. And companies that I was
9 responsible for, Rod represented us in liability suits,
10 acquisition, things of that nature.

11 Q Now, I've probably got this a little out of order in
12 importance, but I apologize -- I mean, excuse me, it's in
13 trial, I talked about your lawyer before I talked about
14 your wife. Tell me about how you met Billie and how long
15 y'all have been married.

16 A Billie and I will celebrate our 38th wedding
17 anniversary in October, October 4th of this year. We were
18 married in 1970. We met in Chicago. It was a blind date.
19 Anyway, the rest is some history, but it's been just a
20 great trip together. We have two grown sons who live here
21 in the Greenville area. We have two grandchildren, who
22 also are here Greenville.

23 Q And your grandkids are in school right here?

24 A That's right, at Thurmond Academy.

25 Q Okay. And did you say y'all live in Greenville now?

1 A Yes, we do. We live here in Greenville. Decided to
2 live here in Greenville, wanted to retire here.

3 Q And before, when you were still running Reeves, that
4 was the part when you were up in Maryland?

5 A We lived right outside Frederick, Maryland.

6 Q And how did you end up in Maryland, is that where
7 Reeves was or how did you end up there?

8 A Well, what originally brought me to Maryland was to
9 work at Regal Health and Safety. And being in the
10 corporate world, you move a lot, which we did. We spent
11 most of our business career through our marriage, we have
12 lived in a few cities. But Maryland, really, became our
13 home. The children were raised there. When I left Regal
14 in 1989, 1990, I set out to look for something that I
15 could -- that Billie and I could grow into a business. We
16 thought that that would be the best way for us to create
17 our nest egg for retirement. And I was in my mid-40's at
18 that time, mid-40's. And we found a small company in
19 Pennsylvania called A. Smith & Son. And part of that was
20 a product line called the Reeves flexible stretcher, which
21 is where the Reeves Manufacturing came from. The company
22 had been around since about science 1967 and technology on
23 this little flexible stretcher since 1903, which was the
24 original patten. It was kind of a neat little company. I
25 had a good background having worked with Johnson & Johnson

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1 for a long time and I saw the opportunities to grow this
2 stretcher from a regional product into a national company.
3 And we were successful in doing that for a number of
4 reasons, the stretcher was just one part of it.

5 Q How long was it between when you and Billie started
6 Reeves until you met Bob, just approximately?

7 A Probably seven years.

8 Q Okay. By the -- before you met Bob, what had you
9 done with Reeves.

10 A We struggled. There were a lot of tough nights. We
11 put everything we had into our company. The boys, rather
12 than going to college, they ended up coming to work in the
13 business. But it's tough. Anyone that starts a company
14 realizes quickly it takes twice as much money and probably
15 twice as much time than you would ever imagine. You know,
16 seventy hour weeks, weekends, we just didn't know what a
17 weekend was, you know, we just worked continually to make
18 this thing go.

19 Q The boys coming to work for you, that's because you
20 just had that much work or the money or what?

21 A Well, we, obviously, needed people. We were a small
22 company, but we were growing. By the time we sold, we had
23 50 employees. Our revenues had grown significantly. But
24 in the early days, we just needed all hands. But it's
25 nice. I never expected to have that opportunity coming

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1 from the corporate world to work with my two sons, my
2 wife. You know, to be married 38 years is, obviously, a
3 milestone, but to have spent 10 or 12 years working
4 closely with your spouse is another milestone because you
5 know each other. I mean, we -- it was kind of a great
6 feeling when you go to retire and there was no surprise.
7 I mean, we know each other.

8 Q Well, that part, when Billie's working with you
9 there, when you were in the corporate world, she was at
10 home with the boys?

11 A For the most part, Billie was a homemaker, raising
12 our sons. She had part-time jobs, but her career was the
13 big full-time job, raising our two sons.

14 Q At Reeves, what was she doing there, I mean, she with
15 you like every step of the way?

16 A Every step of the way. In fact, we always kid her
17 sign over our desk -- her desk that said, Project little
18 landing, details handled here. You know, when you have a
19 small company, there's a lot of details. And I have an
20 entrepreneur spirit. She was the detailed person. I can
21 go out and bring the bears home, but somebody had to skin
22 them and that's what she did. She did everything. I
23 mean, coming from the corporate world, you learn very
24 quickly that to a small business, you know, if you're
25 afraid to change the toilet paper or put in the light

1 bulbs, you're in the wrong business. And you learn to do
2 that. You don't have a staff. You're the staff, so you
3 do a lot of that work yourself. And between Billie and I,
4 we did that. The boys came in. We had like seven or
5 eight, so it was like -- at the time we started, we
6 probably had like eight or nine employees.

7 Q Now, you guys -- your sons, they're living down here
8 in Greenville now?

9 A Yes, they are.

10 Q What are they doing?

11 A The boys have -- Terry and Mike have a business
12 called Trailer Logic. They have a manufacturing facility
13 in Belton right off of Highway 29 south of the Jockey Lot,
14 I'm sure some of you know where that is. And then Michael
15 operates his little facility in Easley, but it is all one
16 business.

17 Q And you and Billie are retired now?

18 A Yes, we are.

19 Q Are you helping the boys?

20 A Yes, we are.

21 Q What are y'all doing for them?

22 A Billie's been very involved down in Belton. Part of
23 Trailer Logic is an outdoor power equipment business. So
24 Billie spends -- we spend a lot of time. In fact, if we
25 weren't here this week, she'd be in Easley -- in Belton

1 helping the one son and I'd be in Easley helping my other.
2 son in his manufacturing. We're very low overhead people.
3 We don't charge them much. Nothing.

4 Q Pretty good deal. Right price, as they say. I want
5 to move over to when you met Bob Castellani.

6 A Yeah.

7 Q Tell me about how you met Bob and when.

8 A In mid to late 90's, when the whole domestic
9 terrorism problem was beginning to grow. There was a
10 group called NDMS, National Disaster Management System,
11 which is physicians, first responders, EMT's, people out
12 of the emergency medical service, military people, large
13 core section of first responders. We happened to be in
14 Denver when I -- when Bob and I started our relationship.
15 He happened to be sitting between sessions at his booth
16 reading his Bible and I was coming back with a container
17 of coffee. And I saw what he was reading and I said, Hey,
18 that's a great book you're reading. And that just kind of
19 started the relationship. I had really renewed my faith
20 in the 90's and Bob was on his own faith walk. We just
21 meshed. It just all worked. It was great timing.

22 Q It's hard for me to run the numbers in reverse, but
23 you were in your 40's or something, Bob was in his -- was
24 he still in his 20's, what was y'all's ages then?

25 A Well, Bob was probably in his mid-30's, maybe early

1 30's. I would have been in my very late 40's, early 50's.
2 It was probably 17, 18 years.

3 Q And tell me about once you learned something about
4 NARP business what it was like when y'all met in those
5 first years.

6 A When we first met -- well, at that point that
7 subcontracted -- he had outside manufacturing his
8 products. And, you know, our relationship just kind of
9 grew very slowly, very gradually. He knew I had some
10 background in fabrics. We had a number of sewers, sewing
11 machine operators in our facility. And we just started
12 talking about his products. I made some trips with Bob
13 to, you know, supplier here, fabric supplier, a -- well,
14 showed his colors for him and it just kind of a
15 relationship that grew over time. He'd come to visit us.
16 At that time, Bob was living in Columbia, Maryland. We
17 were -- our small manufacturing plant was up in Frederick,
18 Maryland. I think the first time he came to visit us, he
19 brought his dog with him, Remington. It just kind of just
20 grew.

21 Q Now, Mr. Ellis and I have had the pleasure of
22 traveling to Maryland together a few times, but Frederick
23 and Columbia are like outside of Baltimore there?

24 A They are. They are due west of Baltimore. We were
25 probably 35, 40 miles further west of Columbia.

1 Q Okay. And was Mr. Castellani from there, how did he
2 end up in Maryland?

3 A At that time, Bob was living in the Columbia,
4 Maryland area, I believe.

5 Q And Mr. Castellani, tell me about what -- what was
6 the status of NARP at that time as far as size?

7 A When we first met, I don't know that they had cracked
8 a million dollars in revenue yet, but it was probably
9 right there on the edge of cutting through a million
10 dollars.

11 Q Okay. That's total sales, right?

12 A Yes.

13 Q Before you take all the costs out?

14 A That's wholesale.

15 Q Just comparing apples to apples, how big was Reeves
16 then?

17 A Reeves, at that time, was just shy of five million
18 dollars.

19 Q Okay. Are those -- you talked about a nice small
20 little company earlier, were those small companies or even
21 tiny companies, what were they?

22 A Well, they were pretty small companies if you look at
23 what the federal standard is. I mean, it's considered
24 small business. Either way, we classified them as small
25 businesses.

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1 Q Now, you talked a little bit about what Reeves did
2 for NARP, the sewing and stuff like that. Tell me
3 something about what P. J. did for Bob, the personal side?
4 A Well, it was a big difference in our backgrounds. I
5 mean, I came out of the corporate world and Bob came out
6 of the military world. And, you know, you just viewed it
7 a little bit differently. We both really respected the
8 way each other looked at things. We just had a different,
9 you know, pair of glasses that we looked at the business
10 world. I felt and feel that -- you know, I, certainly,
11 was a senior mentor to Bob. The one thing that was really
12 kind of neat about Bob is you didn't have to give him a
13 work ethic. He had that built into him. So -- that's not
14 true today, a lot of young people don't have that solid
15 work ethic. And he had that to the point where -- I mean,
16 it would be tough to talk late in the afternoon because he
17 had been probably up since four o'clock in the morning
18 working on his business plan. So Bob was very focused, he
19 knew what he wanted to do. And I always -- I like that.
20 The military ethnic training gave him that. That being
21 said, you, you know, I had a lot of years, 30 plus years,
22 25 years at that time of corporate experience. You know,
23 I knew how to read a balance sheet and income statements,
24 so I was able to gather -- show him how all those things
25 worked. As our relationship developed and we started

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1 doing more things, we were able to set up a financial
2 structure for him in his business so he could see what was
3 happening in the company month to month. I mean, so many
4 small businesses, even today, don't close their financials
5 every month and we always did that. Some people would say
6 to me you're too small, why do you do it? Well, because
7 that's the only thing I knew coming out of the corporate
8 world. You close every month. You can't go back and
9 close once a quarter. You know what happened 90 days ago.
10 So I think I brought a lot of that knowledge. And, you
11 know, knowing where Bob is today, I think he made great
12 use of his own personal skills and the things that he
13 picked up, some of it came from me.

14 Q Were you somewhat of a mentor to him?

15 A Yes. And I used that word earlier, I was mentoring
16 to him. And I had done that. I had done that in my
17 community. Just coming out of Johnson & Johnson, you
18 train to give back to the community. I was in a mentoring
19 program, so I knew how that would work. If you were
20 struggling -- not necessarily a new business, but a
21 struggling business.

22 Q Tell me about Billie's relationship with Bob, what
23 they did professionally and personally.

24 A Well, you know, my wife ran -- she was our
25 administrative -- she was vice-president of

1 administration. She ran everything. I mean, she had a
2 staff that was in there doing order entry, doing
3 bookkeeping, accounts receivable, accounts payable, all
4 the bits and pieces that are behind the business. And she
5 worked on Bob's staff directly for him. She provided, if
6 Bob called and -- you know, have to give her many kudos
7 and hats off to her because she was running two hats. She
8 was working with two high energy guys that are
9 constantly -- you know, when I called, I wanted to talk to
10 her, when he called, he wanted to talk to her and she
11 managed to juggle it all. You know, we're both growing by
12 this time, that relationship with Bob was really growing.
13 We, at Reeves, were probably at 15 million dollars in
14 revenues and Bob had revenues of maybe six or seven, so
15 combined -- it was an awesome task for her to handle.

16 Q Okay. I want to get you to the 2000 agreement. At
17 the time that y'all did the 2000 agreement, was that the
18 relative size of the company, like 15 to six or seven?

19 A No, no, we weren't that big. That kind of volume
20 came in probably '02 or '03.

21 Q Okay..

22 A I would say the 2000 -- gosh, going back, but the
23 spread was probably about the same, but we were probably
24 more in the \$8 million range, Bob was probably, at that
25 time, getting close to the three, four million dollar

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1 range.

2 Q So let's not get wrapped around that, Reeves was
3 still about twice as big as NARP on the sales?

4 A Yeah, we actually remained that -- that spread
5 existed, actually, up until the time we sold. At the time
6 we sold, we closed at -- our revenue was close to 19
7 million and their revenue was under 10 million, just under
8 10.

9 Q Now, before I get to the 2000 agreement, did you Bob
10 ever have any discussions about entering into business
11 together or anything like that?

12 A Yeah. I mean, this whole idea of having a closer
13 relationship was something that Bob really liked. And I
14 was never opposed to it. I mean, me coming out of the
15 corporate world, I was really used to having a lot of
16 people around me. It's just natural, you go in an
17 office -- and when I started Reeves, I was a one-man band,
18 just like Bob, working out of the house. And that's
19 lonely. You know, you've got to get up every morning and
20 you've got to go to work, but I'm just going downstairs.
21 Bob's case, maybe he just went down the hallway, but we
22 did the same thing. We became, as Bob said, a more
23 traditional company just quick because I had the skill
24 sets. I did that for a living, so I could do it.

25 Q Would you describe yourself as a normal businessman

1 in that respect?

2 A Yeah, I was very much -- I mean, I'm a Type A
3 personality, high energy morning guy, but I've a very
4 conventional businessman in terms of the way I structured
5 my business.

6 Q You heard yesterday I asked Mr. Castellani some
7 questions about him being a normal businessman or not, how
8 would you describe him as a businessman?

9 A Well, I knew at the time when I knew Bob, he was a
10 guy that was really yearning to learn. He had ideas. He
11 knew what he wanted to do. I think he just needed some
12 help to get there. He's obviously gotten there. Bob is a
13 unique individual. He was driven towards success.

14 Q Let's step to the 2000 agreement. We've probably
15 looked at it enough right now, at least. Tell me about
16 that, does that agreement have a 25/25 percent stake in
17 it?

18 A Yes, it does.

19 Q How did y'all get there?

20 A Well, tagging onto the last talking about running
21 businesses. Initially, Bob said why don't we merge our
22 businesses. And I felt it was my obligation with my
23 family and all being involved, I didn't know that I --
24 that wasn't an interest, just putting it together just
25 didn't seem right. So Bob proposed that we have a 25

1 percent stake. And we were small. As I said earlier, you
2 know, relative to where we both ended up. I was
3 comfortable with that. I had been around Bob long enough,
4 I thought it was a darn good investment. And I thought
5 together, we're going to grow. There was so much energy,
6 the similarities between the companies, the ability to
7 trade back and forth, to him being able to help us into
8 military and us being able to take his products into our
9 market. It just was an attractive business. And most of
10 all, we trusted each other. We had chemistry. We just
11 worked well.

12 Q Right. Now, I'm going to get my board out here for a
13 second and put it down so we don't leave anything out
14 that's important. I'm just going to leave it down here
15 for our reference. We use the board, maybe we don't have
16 to use all these documents. I know you can't see it, but
17 I'll read it okay.

18 A Okay.

19 Q Go to 9/11, okay? Well, first of all, y'all entered
20 this agreement in 2000, right?

21 A That's correct.

22 Q I think it was January 2000?

23 A Yeah, I think it's dated January 1st.

24 Q So business was good between January of 2000 and even
25 up to 9/11?

1 A Yes.

2 Q Just generally?

3 A Generally, yes, it was.

4 Q Okay. And tell me what affect 911 had on your
5 company?

6 A It was incredible what happened. Obviously, it was
7 incredible what happened on September 11th, but because of
8 the nature of our business, and I'm not talking about
9 Bob's business, I'm just talking about what we did at
10 Reeves Manufacturing with first responders. After we all
11 stood in the office and watched what happened on that
12 fateful day, we just started scattering everywhere we
13 needed to be. I personally deployed myself with one other
14 guy to a marine base right outside of Washington because
15 they needed some of our team examination equipment. We
16 sent a small team up to Shanksville, Pennsylvania, who
17 arrived -- they were the third guys after United 93 went
18 down. And then we had just the one-man party. Went to
19 New York to work with the Federal government on a project,
20 which eventually -- we had to get involved with at ground
21 zero. I, then, spent two solid weeks with a small team in
22 Shanksville on the actual recovery.

23 Q Could I stop you there for one minute and talk about
24 this whole issue of what Reeves has done with decon and
25 showers and stuff. Can you tell me what that stuff was,

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1 was that your primary product?

2 A Well, it, ultimately, became our -- what we were best
3 known for. The company, up until the late 90's, was
4 really only known for the Reeves flexible stretcher. It
5 was used widely by fire departments and emergency medical
6 services throughout the northeast and then when we started
7 to expand across the country. That was really our number
8 one product. In the late or mid 90's, following the
9 (inaudible) Act, which was the first (inaudible) ever put
10 into domestic preparedness --

11 Q Homeland Security?

12 A Homeland Security. And then (inaudible) Act was part
13 of Presidential directive, '92, I think, and that allowed
14 them to spend money. We came up with an idea to build
15 water heaters that could be rapidly deployed at any event,
16 any event that needed contamination, and we could
17 instantaneously heat water to body temperature. Get it to
18 the same temperature as what your body was. And you could
19 do that anywhere. If we had a water source, we could heat
20 this water and we could continue to do it for as long as
21 we had water and power or fuel. We then put that together
22 with a tent system, a rapidly deployable tent system.
23 Originally, we used one style, we went to another, which
24 was just a better product for us to use. And these were
25 packaged together. Sometimes, they would have Bob's

1 litters with them. He would supply dressing gowns for
2 victims.

3 And, simply, what would happen, was in the event of a
4 chemical or a disaster, could be a bomb, whatever. If
5 there had been chemicals used in New York City, that's why
6 we were there. People have to be deconed. They didn't
7 know what was there. In this case, they were concerned
8 about asbestos in those very old buildings. So everybody
9 going and coming from ground zero had to go through the
10 examination system. And we provided that essential
11 service. In the beginning, we were the only ones doing
12 it.

13 Q Okay. So at ground zero, that's what you were doing,
14 you were doing the, basically, portable shower stall
15 things?

16 A And every worker, and that meant every vehicle, every
17 truck, everybody walking in had to be decontaminated
18 before they left Ground Zero. You have microfibers on the
19 edges of those aircraft. We had it in all those
20 buildings. The trade towers were loaded with asbestos. I
21 mean, we lived in -- I was there for about three months,
22 wore a respirator everyday when I walked around the
23 street.

24 Q You were up in New York for three months?

25 A Yes.

1 Q Billie was at home?

2 A Well, we had the company back here and, as you can
3 imagine, after September 11th, this business suddenly
4 changed. I mean, everybody across the country, Chicago,
5 Los Angeles, didn't matter, everybody was calling for we
6 need decontamination. You know, there was always that
7 discussion in Washington, you know, either it's not going
8 to happen, may happen. You know, we always thought it
9 would happen, just didn't know when it would happen.

10 Q Now, eventually, did your work with Reeves take you
11 overseas in connection with this 9/11 work?

12 A Yes. We had built systems for the military to be
13 used in the event that there were -- was chemical warfare
14 in the Middle East.

15 Q Right.

16 A So we built a system to be used. The concern was
17 what do we do with the dead, our soldiers coming home that
18 might have been covered with chemicals? Nobody knew what
19 Saddam Hussein had, but you have to be prepared. So
20 myself and another gentleman, we were sent over there just
21 about a week before the war started, this current war. We
22 didn't know it was going to start and then we couldn't
23 leave, we had to stay. So we stayed. We were, basically,
24 contractors, that was our job. We went in there to train.
25 So once we were there, we just stayed and we trained

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1 for -- I guess we were there about a month.

2 Q This work at Ground Zero and this work in Iraq, is
3 this a source of pride to you with your work with Reeves?

4 A Well, of course, I mean, that chance you get to be a
5 patriot. So yeah, I -- we got citations for doing it. It
6 was good to be able to do it.

7 Q Yeah. Tell me about the affect of 9/11 on the other
8 side, on the military side, on the NARP business?

9 A Well, I can say during that period of time, Bob and I
10 would talk by phone. I don't know that during that
11 period, from September to December, that we actually saw
12 each other. We would see each other probably once a month
13 at a minimum because by that time, Bob was living down
14 here. We were still operating out of Maryland, but we
15 would -- we would talk. I even called him from Iraq when
16 I was there. The cell phones work everywhere anymore, but
17 we didn't get to talk, but I knew Bob, Bob was busy. I
18 mean, he's fighting on a different battlefield than we
19 were because it wasn't our primary business. You know, it
20 was his. And it was -- obviously, with what was going on
21 in Afghanistan and Iraq, his business was taking off as
22 well.

23 Q And his sales were primarily on the military side
24 then?

25 A Yes.

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1 Q Okay. Now, during this time, then, when y'all are so
2 busy, did y'all have any problems with the 2000 agreement,
3 is that what y'all were operating under?

4 A Yeah, we operated under it. I guess, I should
5 characterize, we didn't take the 2000 agreement out, you
6 know, every week and kind of look at it and polish it up.
7 You know, it was stuck in a drawer. And I don't remember,
8 we didn't discuss it really much until we started getting
9 down to hey, you know, Billie and I are getting ready. I
10 will say that between September 11 and the war in Iraq, I
11 was just getting tired, you know. I'm a guy in my 50's.
12 I was proud of what I did, but I was ready to retire.
13 After New York City, I know I came home and I was
14 different. I mean, it was tough and I didn't want to do
15 it anymore.

16 Q Right.

17 A And family businesses can be stressful. So I knew I
18 was going to be -- Billie and I were going to retire. We
19 didn't want to do anything else. It had taken it's toll
20 and we saw this opportunity to get out and so that's --
21 yeah, then, suddenly, the 2000 agreement, yes, it becomes
22 something we were looking at.

23 Q Right before this time when we talked about the
24 opportunity to get out, I want to ask you one question.
25 We looked at that Reeves Group yesterday, can you just

1 tell me briefly about what was the Reeves Group, briefly?

2 A Yeah, the Reeves Group, it was a -- and Bob, he
3 described it pretty well. It was a marketing alliance.
4 You know, you fly a lot, you see how airlines ban together
5 and they have an alliance. That's what this was. I mean,
6 it was an alliance. It gave companies -- I mean, it gave
7 three or four companies an opportunity to ban together and
8 really save some costs. And as a group -- and the reason
9 it was called the Reeves Group was because the Reeves name
10 had been around since, you know, before the turn of the
11 last century. So people knew us in the fire service. And
12 everybody kept their identities, but it made us -- it
13 allowed us to go up against some really big defense
14 contractors, you know, people just -- you know, you had
15 your group and your small businesses -- this was a way you
16 could go to trade shows and we can share expense.

17 Q Were you and Bob going to trade shows together during
18 this period, not necessarily while you were in Iraq,
19 obviously, but, I mean, tell me about y'all traveling
20 together?

21 A Yeah, if the show made sense. If it was -- you know,
22 if it made sense to be there and -- because both
23 products -- if it was a big show and I needed help, then
24 Bob would be there. Because he knew enough about what we
25 did and I knew enough about what he was doing then, we

1 could trade off and talk about each other's product. If
2 it was a small show, then just one of us would go and take
3 both products.

4 Q When you guys were at the same show, y'all shared a
5 room and everything?

6 A Yes, we did.

7 Q Now, I talked earlier about you guys reading the
8 Bible in bed, I assume you were in two different beds?

9 A That is also correct.

10 Q Okay. Tell me just a little bit, too, about y'all's
11 faith together, I mean, how that worked. I mean, I don't
12 want to talk about it forever, but, I mean, was that a
13 part of y'all's relationship?

14 A Yes, it was. I mean, and we didn't have to be
15 together necessarily to share faith. We talked on the
16 phone about it. You know, I -- Bob spent a lot of time in
17 his Bible, so that was a side of the relationship where he
18 mentored to me. He gave me an opportunity to learn more
19 about the Bible than I really -- than I knew at that time.
20 So it was a real -- it was great relationship. It was a
21 very positive influence, I think, I think we had on each
22 other.

23 Q I'm going to go into a part where you're talking
24 about some of these names that have been flying around.
25 You know, kind of the cast of players. And I'm just going

1 to start with Rod in connection with the Reeves Group
2 while we're right here. Did Rod do a little work on the
3 Reeves Group for y'all?

4 A Yeah. Early on, Rod -- well, actually, Rod, with
5 another fellow who came out of the Reeves Group, they came
6 and started talking about it. Yes, Rod did work in the
7 early stages of it.

8 Q Was he working for both of y'all, what was going on?

9 A Initially, he was. Then the Reeves Group started to
10 take on -- started thinking in some other directions
11 beyond just an alliance, the market. But they looked like
12 there might be some possibilities that never panned out.
13 But to get involved in buying small -- actually, buying
14 companies and putting them into the group. But we just
15 hit it at a time where the investment community wasn't
16 really open to it. We didn't have that kind of money that
17 we could just start writing checks and trying to buy
18 companies, so that aspect never got off the ground.

19 Q Okay. Let's just stick on the interpersonal part. I
20 understand from what you told me before, Rod is, actually,
21 a former Marine himself?

22 A Right.

23 Q How was the working relationship between Rod and
24 Curt -- I mean, not Curt. Let's not get to Curt yet,
25 let's say Rod and Bob?

1 A I think initially it was probably pretty good. I
2 didn't -- I don't know that I knew Curt, I had not met him
3 because I think it came up yesterday, I didn't know that
4 Curt wrote the 2000 agreement until much, much later. So
5 I don't know that Bob had a -- had counsel then. So I
6 know Bob had asked Rod to look at a couple of things for
7 him independent of what he did for me. But when we got
8 into discussions about trying to memorialize our
9 agreement, I think Rod made it clear to Bob he'd have to
10 get his own counsel.

11 Q Now, just sticking with Rod, I know Rod's a big
12 player in this and I understand Rod's not going to be able
13 to be here this week. Do you know why?

14 A Yes, I do, unfortunately. Rod is a -- I guess, I'd
15 call him an international business lawyer. But he's got a
16 young daughter who's gravely ill.

17 Q Okay. That's enough on that, but he can't be here
18 this week, right?

19 A That's correct.

20 Q Let's go to another guy. Rick Kohr. There has been
21 some mention of who Rick Kohr is, I think his name came
22 up. Who is Rick Kohr?

23 A Rick Kohr is the CEO of Evergreen Capital, who is the
24 investment banking firm who I brought in to do evaluations
25 on my company and helped us in the sale of Reeves.

1 Q Okay. I get these guys out of order sometimes, but
2 was Barry Harper the first one who started working on your
3 team when you were looking in selling the company?

4 A Yes, it was through Barry Harper that I met Rick.

5 Q Okay. And I think we read a little piece of Barry
6 Harper yesterday. And then there's another member of the
7 team, Ed Kidner? How did you get to Ed Kidner?

8 A Well, at that time, Ed Kidner worked for an
9 accounting firm with Waynes -- something, something. And
10 they were affiliated with Evergreen Capital. So Rick Kohr
11 introduced me to Ed Kidner.

12 Q Okay. So if you can just summarize what those are,
13 you've got -- like you've got an investment banker -- tell
14 me what each of these guys' roles were.

15 A Barry Harper, who was retired CPA. He, actually,
16 came on as a consulting force. He was not on our payroll,
17 but he was on our staff full-time and his job was to
18 manage at the time the process. We talked about what the
19 process was at that time because early on it wasn't
20 necessarily to sell the company. But Barry came in to
21 look at that because the rate at which this company was
22 growing, I couldn't risk taking my eye off the ball. I
23 didn't want my own financial -- my CFO, who ran it
24 day-to-day, be taking his eye off the ball to be looking
25 at these investment opportunities. So I felt it was good

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1 to bring somebody in to run this part of the company on a
2 regular basis. I also wanted to do for the first time in
3 the company an independent audit, wanted to bring in
4 accountants to, actually, independently audit our books.
5 Because if you're to proceed in investing or selling, you
6 need to have good quality financials, which we had, but we
7 wanted to have an independent voice in it.

8 Q So Barry's the next set of hands, right?

9 A He was my first set, my first set of hands.

10 Q Okay.

11 A He then started laying everything out. That's how
12 Rick Kohr came in. Rick is an investment banking guy. He
13 kind of had an overall picture. And he said, you know,
14 you can't be using a small accountant to run a business
15 like this. So we needed to upgrade our accounting program
16 and McClain (inaudible). He had a new accounting firm.
17 And Ed Kidner was working for that accounting firm at that
18 time.

19 Q Okay. And so at this point in time when you're
20 getting your team together, DHS isn't even on the scene
21 yet?

22 A No, not in the early stages, they were not.

23 Q Now, when -- skipping ahead a little bit, when you
24 get to DHS part of it, is that where Eric Orlinsky comes
25 in?

1 A Eric came in early on, probably right after or just
2 before, I'm not sure, but right around the time we
3 received our letter of intent from DHS, Eric Orlinsky came
4 on board.

5 Q Okay. And so how did you -- tell me how the
6 relationship between Rod, being one of your lawyers, and
7 Eric, being another, what were their roles?

8 A Well, Rod is a very old friend and goes back more
9 than 20 years. The problem I had with Rod was that he
10 worked for a law firm in Fort Lauderdale, Florida, and
11 we're sitting in Baltimore. So my advisers said we don't
12 think that's going to work. You need access to somebody
13 in Reeves, somebody close by that you can get to, you can
14 talk to, and I could have talked to Rod, but somebody that
15 we can have meetings with on a regular basis. Rod was an
16 international attorney, so we were a very, very small
17 client. He had huge clients, international clients that
18 he dealt with. So it was a difficult decision, difficult
19 message to deliver, but Rod understood. I had -- in order
20 to sell the company, I need to come to a local firm.

21 Q Okay. And these guys we talked about, Kohr, Kidner
22 and Harper, all those guys are up in Baltimore where you
23 are, right?

24 A That is correct.

25 Q Eric's up there, too?

1 A Yes.

2 Q Did Kohr, actually, send you to Eric or do you
3 remember who sent you?

4 A He took me to several law firms and we selected out
5 of that group Eric.

6 Q Eric's the guy who ended up closing the DHS sale?

7 A That's correct.

8 Q And then what was Rod doing for you?

9 A Well, Rod was working on another tract because he
10 knew Bob -- I just -- the decision was made to stay with
11 Rod on that since he knew so much, trying to get Orlinsky
12 and his guys up to speed just didn't make sense. And,
13 quite honestly, we thought that this other track with Bob
14 was going to be wrapped up pretty quickly.

15 Q All right. Let's talk about when you first -- this
16 DHS opportunity first came up, how that happened.

17 A I was at a defense show with my wife. In fact, it
18 was a week where -- it was a good example of where we
19 shared these show responsibilities. There was a show in
20 Europe, defense show, and Bob and Lisa Castellani, they
21 did the first part of the show and came back to the states
22 and then Billie and I went and did the second part of the
23 show.

24 Q This was in Paris?

25 A This was in Paris.

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1 Q So that wasn't such bad duty, was it?

2 A No, it wasn't bad duty. But, believe me, we worked
3 darn hard, so whether we're there or not, it's part of the
4 work. And while I was at the show, during the time that I
5 was working the show, Bob had gone home, John Prossmac,
6 the CEO of DHS, was at the show as well. They were
7 standing -- they had a stand. And while I was at the
8 show, John told me that the Carlisle Group, who was a
9 large investment banking firm in Washington, D.C., had
10 acquired a significant part of his company. And I said,
11 just in a passing comment, boy, that would be great to
12 talk to somebody like that but they wouldn't find us in a
13 hundred years. We're so far down in the system, they
14 wouldn't talk to us. And that was the end of that
15 discussion. And I would say that probably within five
16 weeks, I received a phone call from John Prossmac that he
17 and the managing directors of Carlisle would like to come
18 out and speak to me about our company.

19 Q Now, P. J., this period, just to get us back to just
20 kind of a frame on the boards here, are we still prior to
21 that meeting Curt here in Greenville, when you meet DHS,
22 or is that after?

23 A Well, let's see, the Carlisle work was all done in
24 '04. We started talking in probably -- I'd have to say
25 our first was probably June.

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1 Q Okay.

2 A So I see that board down there. But to tell you
3 where we were, it was '04.

4 Q Yeah. Do you remember this meeting at Curt's to be
5 on April Fool's Day?

6 A Yes, I do.

7 Q Okay. Now, right before we get to Curt, before we
8 start talking about any of the 25 percent piece of
9 company, did you have any discussions with Bob about
10 changing the 25 percent?

11 A Yeah, there was some discussion. In fact, I think it
12 may be one point, Bob -- not with me, but with Billie,
13 they were talking about going much lower than that. I
14 mean, going to zero.

15 Q What was your reaction to that?

16 A My reaction was absolutely not. I mean, I felt that
17 I knew enough about where we were with Bob and what he was
18 doing that I -- I was going to be very happy to invest my
19 money into NARP when I sold my company if that was going
20 to happen. At that point, we really weren't thinking
21 about selling, we were thinking more about investing. So
22 it was a good -- it was a very good investment for us.

23 Q Yeah.

24 A But when we went to Greenville for that meeting, the
25 first time I met Curt, that was going to be one of the

1 topics of discussion, reducing the stakes.

2 Q Remember that email I was looking at with Bob
3 yesterday for a long time and it said we each own 25
4 percent of each other's company?

5 A Yes.

6 Q Would you agree with that statement?

7 A Yes, I would.

8 Q So the 25 percent before you walk into Curt's office.
9 Let's get to Curt's office, okay? Who was at that
10 meeting?

11 A Curt, Bob, Billie, Rod Manning and myself.

12 Q Okay. What do you remember about that meeting?

13 A I think it was maybe some new space that Curt was in,
14 so he was sharing with some people and it was a little bit
15 awkward. We had lunch in town and then drove over to the
16 office. Kind of a rambling meeting. We were trying to
17 get some resolution on what was going to happen with our
18 2000 agreement. And I don't know, we spent a couple of
19 hours. Then it was, all of a sudden, Bob jumped up and
20 said it's going to stay at 25 and the meeting ended.

21 Q What do you mean he jumped up, what are you talking
22 about?

23 A Well, he had to go somewhere, so he said that was it,
24 the meeting was over.

25 Q So that was, I guess, fair to say an inconclusive

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1 meeting?

2 A Yes, it was inconclusive. But, I mean, I hadn't
3 really thought much about it. We went down there thinking
4 that's what the discussion was going to be, Billie and I,
5 but it ended abruptly. But, I mean, we had known Bob a
6 long time, so that wasn't -- it just didn't phase us that
7 he had done that. I have seen that when it happened
8 before, so it was no big deal.

9 Q Just to link it back up to Billie this morning when I
10 asked her and she said something about Bob being
11 impatient. Tell me about that.

12 A Yeah, I mean, it would happen, you know, mealtime
13 would come and we all had eaten. If things just didn't
14 interest Bob, then he didn't have time for them. I had
15 some awkward situations. I can remember being in a trade
16 show and after a certain situation happened, I had to tell
17 him, you know, I mean, if I'm standing here talking to
18 you, it's very difficult when there's somebody behind you
19 giving me all kinds of hand signals. It's not a
20 professional way of doing things.

21 Q What are you talking about giving me hand signals?

22 A If I was talking to you in a business situation,
23 talking to somebody in the jury in a business and the
24 person in the back row was sitting there giving me hand
25 signals, it would be very distracting. That person in the

1 back row trying to send me a message.

2 Q Are you saying -- I mean, you're saying if it were,
3 you're saying this happened?

4 A Yes, that did happen. That would be categorized to
5 me as inappropriate behavior, I guess, in any situation.

6 Q You mean using hand signals like time to --

7 A Yeah, time to go. And, you know, I'm a businessman,
8 but I got there because I was a salesman. I've sold
9 things, principally for companies that make things.
10 That's not something you do in a sales presentation.

11 Q At the meeting at Curt's, was there actually a
12 discussion about going zero there, too?

13 A No, I don't remember any discussion about going to
14 zero.

15 Q Okay. What would your reaction have been to that if
16 it were discussed at Curt's office?

17 A My reaction probably would have been, I would have
18 probably chuckled and said you're kidding me, aren't you?
19 I mean, that's not what happened, but if it had been said,
20 that's how I would have reacted.

21 Q Is that the first time you had met Curt personally?

22 A Yes, it was.

23 Q How did you and Curt get along at that meeting?

24 A It was all right. I mean, it was no -- didn't have
25 any problems, but I mean --

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1 Q Did it get worse later?

2 A Not at that meeting, but, yeah, we've had our
3 differences of agreement.

4 Q All right. Save that. We'll get to the Atlanta
5 airport, eventually, I promise you. I want to take you to
6 the Charleston beach condo. Okay?

7 A Yes.

8 Q Tell me how that meeting came about.

9 A We -- Bob and I or Bob and Billed, we talked deal.
10 And you know, Bob is a very gracious guy and said, you
11 know, we all need to get together down in -- let's go to
12 the beach house. We'd never been to Charleston that I
13 know of. It's a delightful place to go. And he said
14 let's have a meeting down there. We'll go down and have a
15 board meeting. We kind of be kind of loose and discuss
16 how we're going to memorialize our agreements. And so it
17 was proposed by Bob.

18 Q I mean, you're talking about memorializing the
19 agreement, what agreement did you have at that point?

20 A The only agreement in place at that time was our 2000
21 agreement.

22 Q Okay.

23 A So it wasn't memorializing, but how we would change
24 it, I guess, is probably a better way to categorize it.

25 Q You talking about changing it in the context of maybe

1 selling the business, is that what you're talking about?

2 A Well, at that point, we probably either just had a
3 letter of intent or we knew something was going to be
4 coming to us from the acquiring company.

5 Q Now, what were the relative sizes of the businesses,
6 and you can use gross revenue again, between you and NARP
7 at that time?

8 A In --

9 Q In Charleston? Just roughly.

10 A Probably in the low teens. They would have been
11 something below 10 million. It would have been probably
12 10 million or so.

13 Q Okay. So, sounds like if you used to be twice as big
14 as him now, he's gaining on you somewhat during this time?

15 A Oh, yes, he was definitely cutting into the --
16 filling in the gap.

17 Q Did you and Bob actually kind of compete in business
18 like that? I don't mean compete, I mean friendly
19 competition?

20 A Oh, yeah. We always knew when Bob would get a nice
21 order because he would call and tell us and we would call
22 and tell him the same. So yeah, but that's healthy for
23 businesses. We have a common interest and so, yeah, we
24 had a healthy kind of competition.

25 Q Now, before Mr. Ellis gets all excited, I would like

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1 to fix something I just muddled up. We talked earlier
2 about whether y'all completed or not, remember, that NARP
3 and Reeves competed?

4 A Yes.

5 Q When I just say competing there --

6 A Oh, I know what you meant.

7 Q What do you think I meant then?

8 A I took what you meant was that our competition was a
9 personal thing in terms of the size of our businesses.

10 Q Yeah.

11 A If Bob got an order, you know, we wanted to get an
12 order. But that's a great way to drive your businesses.

13 Q Right.

14 A I mean, this wasn't a competition in terms of we were
15 both going after -- tried to beat each other up over the
16 same customer. We weren't even in markets that were
17 remotely connected. This was, I got an order, you know, I
18 just got one, too. Mine's a little bigger than yours,
19 your's is a little bigger than mine. But that's healthy
20 for businesses because you're both growing.

21 Q Both growing well at that time in Charleston?

22 A Yes.

23 Q Now, let's get down to Charleston. Do you know whose
24 idea it was, was it a mutual thing, how did that happen?

25 A Well, Bob would have suggested it because I never

1 would have invited myself down to his house.

2 Q Tell me what y'all talked about down there: Again,
3 this is you, Bob and Billie, right?

4 A Just the three of us, correct.

5 Q Okay.

6 A Well, we talked -- we talked about the businesses
7 over all. And we talked about some of the new products
8 that were coming, where we saw the market. I mean, we
9 had -- I don't know whether we had a printed agenda. We
10 had a certain agenda in our minds of what we wanted to
11 talk about. But one of the main things to talk about
12 while we were there was the 25 percent in the original
13 agreement. And so we spent considerable time on
14 discussing that.

15 Q All right. I tell you what, as good as we've been
16 doing, I want to put up one document and that's Exhibit
17 17, if we could, Mandy.

18 Do you recognize the handwriting on Exhibit 17,
19 P. J.?

20 A Yes, I do.

21 Q And that's yours?

22 A Yes, it is.

23 Q 29-July, that's the date y'all were down at Bob's
24 beach condo?

25 A Yes.

1 Q It says Board meeting of NARP, was this a Board
2 meeting?

3 A Well, that's what we -- Bob would have called it.

4 Q Okay. Had you ever been to a Board meeting of NARP
5 before?

6 A No.

7 Q Had you ever known that -- was there a Board then?

8 A Well, you know, it's a funny thing. Because of my
9 corporate background, when a Board is constituted, there's
10 certain documents that are created. I have never seen any
11 of that, but I knew Bob well enough, when he said
12 something, I believed in him. When he told me that's what
13 it was and I did not say oh, we've got to get that
14 corporate Minutes book together. You should really have
15 it. This is the way it's done.

16 Q Were you guys -- what were you doing with your
17 corporate records and whatnot at that time? I mean, you
18 said that your 2000 agreement was sitting your drawer,
19 what were y'all doing with the corporate formalities?

20 A Well, you know, our accountant would send us -- you
21 know, at the end of each year, we would get our annual
22 statements from the accountants and there would be a list
23 of things that management needed to do. So we would
24 generate from that list, you know, closely held companies,
25 in our case, you know, you just did not have time to be

1 calling serious Board meetings. And that's just the way
2 it was done then. So it was kept in files.

3 Q This part at the top up there, new products and
4 stuff, I don't want you to really talk too much about what
5 that is, but is that just everyday business like y'all
6 talk about? Like under number one --

7 A Yeah, those are all products that may -- I don't know
8 what it is, but they were NARP products at that time.

9 Q That's everyday business?

10 A Yes.

11 Q The part at the bottom there, 7 1/2 percent ownership
12 Reeves to NARP, NARP to Reeves?

13 A Right, that was the agreement we reached on how we
14 were going to amend the 2000 agreement.

15 Q Okay. And you what, you took it from 25/25 to 7
16 1/2 --

17 A Took it from 25 and then -- but, you know, we
18 discussed this and Bob didn't say it was going to be 7
19 1/2, that's not the way it happened. This was a
20 free-flowing discussion. I think we got to 25 percent and
21 said why don't we just split it. The discussion was
22 dragging on -- I think, you know, 7 1/2 percent, that's a
23 nice -- we were both comfortable with it. There was no
24 arm twisting.

25 Q At that point, did Bob know that DHS was out there,

1 that the sale was coming?

2 A Yes, he knew. We talked about that.

3 Q Did y'all discuss how you were going -- you hadn't
4 issued stock at that point, had you?

5 A No, we had not. We did not -- on July 4th of '04, I
6 don't believe we had a firm offer from DHS. DHS, they
7 were in a pickle. I mean, they -- I think we had a range,
8 but we didn't have a firm commitment from them.

9 Q All right. So taking up on my call for fire things,
10 they had you bracketed?

11 A Yes.

12 Q Okay. Now, tell me how y'all sealed the deal at 7
13 1/2, 7 1/2?

14 A In terms of what happened there at the meeting?

15 Q No, physically? I mean, you, Bob and Billie, what
16 happened?

17 A I think once we agreed that that was the number, I
18 think there was -- there was some emotions, say, hey, you
19 know what, this is good. Everybody felt good, we embraced
20 and went out to dinner.

21 Q All right. I just said you hadn't issued stock,
22 y'all never did issue each other stock, did you?

23 A No, we did not.

24 Q If you had, we wouldn't be here today, would we?

25 A No.

1 Q Tell me how y'all discussed what you were going to do
2 with the pending sale of DHS considering you hadn't issued
3 stock in each other?

4 A Well, because that step had really never been taken,
5 it was -- the belief was at that time, we were just going
6 to simply calculate what the proceeds were. Out of the
7 proceeds what 7 1/2 of our company was and that would be
8 what would be delivered to Bob.

9 Q I want to stick right here on these stock fees
10 because it calls for that question Mr. Ellis asked you
11 about yesterday about issuing stock in Reeves. Okay. And
12 I think you said something about I'll have to ask my
13 lawyer about that. Have you seen some stuff from your
14 lawyer in the interim since yesterday?

15 A In terms of?

16 Q In terms of issuing stock?

17 A Well, we have stock.

18 Q Tell me about that. What do you mean you have stock?
19 I thought you sold Reeves?

20 A Well, Extol is the company that carried on from
21 Reeves. We have stock certificates. It's a duly
22 incorporated company. We have stock certificates.

23 Q Did you not sell the stock in Reeves?

24 A No, I did not sell the stock in Reeves. I sold the
25 assets.

1 Q So Reeves became Extol?

2 A That's correct, and even has the same federal ID

3 number.

4 Q Where did you get the name Extol?

5 A The Extol name is actually a -- means to extol, it's

6 a Christian word to praise.

7 Q Oh, like in the Church days?

8 A Yes. In fact, the logo that I put on there is called

9 a triquetra. It's an ancient Christian symbol.

10 Q Based on what you saw from the lawyers, could you

11 actually issue stock certificates to Bob if you wanted to?

12 A Yeah, yeah, I could.

13 Q Okay.

14 MR. ELLIS: Objection, Your Honor.

15 THE COURT: Going to allow the question. Thank you,

16 very much.

17 MR. STILLWELL: I'm finish with that, Your Honor.

18 THE COURT: All right.

19 BY MR. STILLWELL:

20 Q Get you out of the beach house, okay?

21 A Okay.

22 Q I'm going to get you just a little bit briefly before

23 you get to Atlanta. You saw this stuff with the option

24 agreement going back and forth?

25 A Yes.

1 Q The previous one Mr. Ellis was talking about, I
2 think, probably a good big and maybe some more. Were you
3 involved in those documents going back and forth?

4 A Well, I was involved from the standpoint I would see
5 them. I wasn't part of the process of moving them around.
6 I mean, they were just being sent.

7 Q I think I asked you earlier this morning, but even
8 under the 2000 agreement, did y'all call that an option
9 agreement sometimes?

10 A Yes.

11 Q Was that because you hadn't issued stock?

12 A Yes.

13 Q Okay. Now, how about going to options, formal
14 options, where did that idea come from?

15 A I think the first time that I heard that we were
16 going to talk about options was Curt brought it up.

17 Q Okay. Was that sometime after the beach house?

18 A I believe it was.

19 Q Okay. Now --

20 MR. STILLWELL: Mandy, can you give me No. 19. Can
21 you give me the body of it, Mandy, so P. J. can read it?

22 BY MR. STILLWELL:

23 Q P. J., you can use the blow-up, too, whichever is
24 easier for you. And we looked at this briefly with Bob.
25 This is your October 27, two days before the Atlanta

1 meeting, note to -- from you to Curt, right?

2 A Yes, it is.

3 Q Okay. And it copy's Rod and it copy's Bob. That
4 part down there at the bottom, Bob and -- well, first of
5 all, it talks about a services agreement and an option
6 agreement in the top line, right?

7 A Yes, it does.

8 Q Okay. And this is two days before the meeting, do
9 you know if option agreement drafts are already
10 circulating between the lawyers?

11 A Yes, I believe they were.

12 Q Okay. Tell me about that part down there, Bob and I
13 are committed to completing both agreements on Friday
14 while in Atlanta.

15 A Well, Bob and I had been having phone conversations.
16 We spoke -- I'm sure, you all heard both of us say this,
17 we spoke a lot.

18 Q Okay.

19 A Everyday. So that was just the commitment we made to
20 each other, we've got to get this done.

21 Q Did you discuss -- you were discussing a 7 1/2
22 percent interest?

23 A Yes, we were.

24 Q Okay.

25 A That would be part of that discussion.

1 Q Did you ever discuss anything other than a penny a
2 share?

3 A No.

4 Q Did you ever discuss anything other than that
5 ten-year term?

6 A No.

7 Q Did you and -- did you and Bob ever discuss any of
8 that stuff that was in that redline version that Mr. Ellis
9 had up yesterday afternoon?

10 A None of the details of it, no.

11 Q That was left to the lawyers?

12 A Yes, left to the lawyers.

13 Q Okay. Doing good here taking stuff out of the boat.
14 Let's get to Atlanta. All right. Walking into Atlanta,
15 we said today, what deal did you have in your mind before
16 you got off that plane and walked down to see Curt and
17 Bob?

18 A Well, obviously, I had my 7 1/2 percent from our 2000
19 agreement.

20 Q Okay. Tell me about the Atlanta meeting, who was
21 there?

22 A Gosh, I remember a lot about that meeting. It was
23 Curt and Bob and Rod and I.

24 Q Where were y'all?

25 A We were at a restaurant outside of security in the

1 Atlanta Hartsville airport.

2 Q And what -- other than the discussions, do you
3 remember anything else about that meeting? Were you
4 sitting out there where all the people are?

5 A No, actually, we were actually -- we were sitting at
6 a table. The four of us sat at a table. We were actually
7 inside the inner circle of the restaurant.

8 Q Okay.

9 A Amongst a lot of other patrons.

10 Q Who was sitting where?

11 A Curt was sitting to my immediate left at a rectangle
12 table, across from me was Rod and Bob was sitting diagonal
13 across from me, opposite corner.

14 Q So y'all had a table like this?

15 A Yeah.

16 Q And you're sitting here and Curt was sitting there?

17 A That's correct. And then Bob was diagonally down and
18 Rod was at the end.

19 Q Like that, where the jury is?

20 A Yes.

21 Q So you were sitting side by side with Curt there?

22 A Yes, I was.

23 Q Tell me, did you discuss a charitable -- well, let's
24 put up --

25 MR. STILLWELL: Can we put up No. 21, Mandy?

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1 BY MR. STILLWELL:

2 Q We'll talk more than just talk about the documents,
3 but I want to ask, did y'all -- these are your notes from
4 the meeting?

5 A Yes, they are.

6 Q Okay. And that date up there, 29-October, was the
7 date of the meeting?

8 A Date of the meeting, yes, it was.

9 Q You see Bob, Curt, Rod and P. J., like you just said.
10 The first point up there about a contribution to a
11 charitable trust, did y'all talk about you taking money
12 and putting it into a charity in Atlanta?

13 A Yes, that's the first time I heard that would be the
14 vehicle that Bob would like to use for us.

15 Q Now, prior to walking into Atlanta, we see you
16 talking about options, had anybody said anything about
17 these donation to charity things?

18 A No, that was that first time Rod and I -- at least,
19 that I knew about it.

20 Q Did that take you somewhat by surprise?

21 A Well, a little bit by surprise, but, I mean, I
22 certainly was open. I mean, I had no problems with
23 charitable trusts. I mean, I've made donations myself,
24 but I didn't know that was -- it just surprised me because
25 I was always of the impression we were just going to write

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1 a check out of our proceeds and pay for our share.

2 Q Now, tell me how -- at this time, this -- you know,
3 later in the spring, when we get over on this other board,
4 we'll talk about this thing about purchasing it out of the
5 trust and out of the Dobson Ministries and that stuff. Is
6 that what this is or is this something different?

7 A Well, at the time I made that note, I don't believe
8 that, specifically, the Dobson Ministry was mentioned.

9 Q Okay.

10 A I mean, it may have been. It didn't make my notes,
11 but I did not remember it. But I wasn't -- I wasn't
12 opposed to the charity, I just didn't know any of the
13 details at that point.

14 Q Whenever you did find out about the Dobson
15 Ministries, did you know what that was, did you know
16 anything about it?

17 A No, I didn't. I didn't know anything about the
18 Dobson Ministries.

19 Q Did you know who Bobby Dobson was?

20 A I knew the name Bobby Dobson because I thought he was
21 a Bible study friend of Bob's.

22 Q Okay. Did you know what his relationship with Curt
23 was at that time?

24 A No. No, I did not.

25 Q Okay. What did you find out later about Bobby

1 Dobson's relationship with Curt?

2 MR. ELLIS: Your Honor, I want to make an objection
3 based upon some prior matters before the Court about
4 limiting this area of inquiry.

5 MR. STILLWELL: We're not touching any of that, Your
6 Honor. I think P. J. was here when, Your Honor, spoke
7 about that.

8 THE COURT: I'll let you ask this particular question
9 then.

10 MR. STILLWELL: I'm done with it, Your Honor.

11 BY MR. STILLWELL:

12 Q Just that question, what did you know about Curt and
13 Bobby's past relationship?

14 A I knew that he and Curt worked together.

15 Q Okay. Now, tell me about what you remember about the
16 discussions at the table. Who was doing most of the
17 talking, was it you and Bob, the lawyers talking, how did
18 that work?

19 A Well, when you have a meeting like that, when you
20 have two principals and two attorneys --

21 Q Right.

22 A It kind of -- and that's probably why the dynamics of
23 the table was set up so that you can see your attorney,
24 but you can see your -- you know, the counterpart, your
25 partner. And -- in terms of Bob and I being able to see

1 each other. So it was set up, I guess, like that on
2 purpose. There was the normal, you know, just general
3 discussion. We talked about some tax situations which
4 I -- Curt brought up that I didn't agree with, so that
5 kind of changed the tenor of our meeting for a while, it
6 got a little testy.

7 Q Yeah. All right. How about right there, the number
8 two bullet on your thing says 7.5 percent stock options.
9 Do you remember talking about a 7.5 percent stock option
10 in Atlanta?

11 A Yes, I do.

12 Q What do you remember talking about on it?

13 A Well, I think at that point, if I could just make the
14 record clear for that meeting, you know, Bob and I were
15 saying, this is what we agreed to. Now, you guys have got
16 to figure out how to make this all work for us. You know,
17 take that 2000 agreement and it's not 25 percent, it was 7
18 1/2.

19 Q Okay. Now, tell me about -- you talked about it
20 getting testy for a portion. Did tax discussions come up,
21 is that what made it testy, what happened?

22 A No, it was the discussion about some NARP issues,
23 about their -- the type of corporation they were and how
24 assets could be moved from one -- from this corporation to
25 a new corporation in a taxable event. I have limited tax

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1 knowledge from my college education, but it just didn't
2 sound ethical to me. And when I challenged on it, I was
3 rebuked pretty severely.

4 Q When you challenged whom?

5 A Challenged Curt.

6 Q What was the form of this rebuke?

7 A Turned his back on me, like that. He looked the
8 other way. He just sat there and turned away from me.
9 Then I called him on that.

10 Q What do you mean?

11 A I said you're acting like a child. I mean, I'm just
12 questioning. I don't think this is an ethical way to do
13 something. And so --

14 Q Was he giving you --

15 A And the relationship hasn't been the same since.

16 Q Was he giving you tax advice?

17 A No, no, no. He was explaining how things could be
18 done. And I just simply from a business perspective was
19 questioning him. I didn't -- seemed a bit feisty to me.
20 And I was told I didn't know what I was talking about.

21 Q Did y'all talk about an IRS audit?

22 A I think I brought that up, that I thought the IRS
23 might be interested in hearing what this transaction was
24 all about.

25 Q What did Mr --

1 A Oh, he welcomed them --

2 Q He said what?

3 A He welcomed them in to look at it. I said, hey,
4 that's great. Let's get together and talk about it, maybe
5 go for dinner or something.

6 Q What did you think about that comment?

7 A You know, I didn't know. I was concerned, but just
8 about that line of thinking. I didn't understand it. It
9 just didn't seem appropriate to me to be doing that.

10 Q Now, had any of your tax advisers ever told you they
11 would welcome an IRS audit?

12 A No.

13 Q Okay. Tell me about when you said you called Curt
14 for turning his back on you, what was Bob's reaction?

15 A Bob thought it was pretty funny.

16 Q What do you mean?

17 A Just laughed. I think Bob liked that kind of stuff
18 anyway. You know, a little confrontation, it was -- added
19 a little spice to our meeting.

20 Q Yeah. Well, how did y'all reconcile, what happened?

21 A Well, we knew we were there for a reason. We were
22 there to conduct some business. So, you know what, cool
23 heads prevailed and we got back to the matters at hand and
24 the sideshow was ended. And we set out to accomplish what
25 we were there for in the first place.

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APP_0482

1 Q Uh-huh. At this point, was most of the talking being
2 done by the lawyers or who was the back and forth with,
3 you and Curt? How did that work?

4 A No, it was good free flow of good exchange. I mean,
5 ideas were put on the table. We discussed them, moved
6 them around. I mean, lots of things get discussed as
7 everybody has heard this week that we didn't seem to all
8 agree to, but we discussed a lot of things.

9 Q Okay. Did y'all four of you stay there for the whole
10 meeting or did you ever split up or what?

11 A No, we ever actually left the table. At one point
12 that was suggested maybe we should split up, but when the
13 cooler heads prevailed, we got serious and we got serious.

14 Q I don't understand this part about --

15 A Well, because when -- I don't remember the exact
16 issue, but it was either part of the Richardson/Stodghill
17 disagreement, you know, I made the comment, hey, you know,
18 Curt, you are here, you are counsel to us. Bob and I are
19 the principals. So maybe we should move to another table.
20 We'll work out the details and then we'll come back. And
21 then we'll tell you guys this is what we agree to and then
22 you guys work it out. It was just -- you know, seemed
23 like there was always a road block that would come up when
24 we would start talking about things. And I just felt they
25 were personally road blocks that were coming from Curt.

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APP_0483

1 Q So y'all were stuck at that point?

2 A On whatever that issue was. I mean, you were asking
3 about adjournment and that comes to mind that's when we
4 talked about it. It never actually happened, we didn't,
5 you know, cooler minds prevailed and we got back on -- we
6 started some serious discussion and we tried to move this
7 thing ahead.

8 Q When was Curt's reaction, when you suggested the
9 principals go to a different table?

10 A You know, I didn't even look. I don't know what his
11 reaction was at that point. I don't know if he -- I don't
12 remember.

13 Q I assume at that point, he had turned back around and
14 he was actually talking to you?

15 A Yeah, oh, yeah, he was engaged, everybody was engaged
16 in the discussion at that point.

17 Q When you suggested going to another table, what did
18 Bob say?

19 A Well, it was probably Bob that got us back on track.

20 Q Okay. How long was the meeting? I don't see
21 anything in here about time, but just generally, how long
22 were y'all sitting there?

23 A A couple hours.

24 Q A couple hours?

25 A Yeah.

1 Q Okay. And what did y'all actually agree -- how did
2 you break up? Where did you leave it?

3 A Well, I mean, I think once we decided how we thought
4 we could make this work, there were kind of like homework
5 assignments, what needed to be done. You know, you heard
6 mentioned a couple of times about this three-legged
7 stool --

8 Q Yeah.

9 A -- that was, basically, what we had settled on in
10 order to get this new arrangement at the 7 1/2 percent to
11 work, those were the pieces that had to be put together by
12 the attorneys. So it was on that ground that we left.
13 Curt had his responsibility. Rod has his responsibility.
14 We went our separate ways.

15 Q Tell me about that three-legged stool. Maybe we can
16 use this to help in this part. Because we're about to get
17 in the termination agreement. Have to spend a couple more
18 seconds on it. But anyway, the three-legged stool.
19 That's kind of tall, isn't it?

20 A It is.

21 Q Just stick it down here, I think everybody can see
22 it. It's just generally for a reference. Was one of the
23 legs of the termination agreement that we looked at and
24 we'll look at in a little bit?

25 A Yes, it was.

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APP_0485

- 1 Q Can you see the back of it? Okay, you're cheating on
2 the one on the back. Okay. This other leg down here that
3 says option?
- 4 A On the right side?
- 5 Q Yeah. We know that the option agreement never got
6 signed, we settled that this morning, didn't we?
- 7 A Yes, we did.
- 8 Q Did the option agreement ever get killed in Atlanta?
- 9 A No, no, it didn't.
- 10 Q Okay. What happened? I mean, that leg, like option,
11 Dobson deal, charitable trust, what happened with that leg
12 of it?
- 13 A Well, when we arrived there, the 2000 agreement was
14 what we had in place. There were option agreements going
15 back and forth right there in the morning -- maybe -- I
16 don't know whether one came that morning, but the day
17 before, there were option agreements. I mean, we were
18 right there. I mean, I thought we were going to get it
19 done.
- 20 Q Did either of you -- go ahead, I'm sorry.
- 21 A Well, my point was that's the track that I was going
22 down and I assumed that Bob was on the track, that was
23 going to happen because there was just so much work being
24 done getting these option agreements.
- 25 Q Right. This issue about the Dobson, either the

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1 donation or the purchase sale agreement or whatever, did
2 you ever agree to do that in Atlanta or after?

3 A Putting money into the charity?

4 Q Yeah -- well, first of all, the donation. Would you
5 have been okay just donating the money?

6 A When that was originally put on the table, I wasn't
7 opposed to it at all. I just, you know -- although,
8 counsel -- my counsel was sitting here. It's obvious when
9 you start talking about donations to charity, there's
10 probably some tax ramifications. I need to talk to, you
11 know, my tax guy to make sure that I'm on good solid
12 ground here. So at that point in Atlanta, I do not
13 believe that the Bobby Dobson Ministries had been called
14 out.

15 Q Okay. Looking back here at your notes, you just
16 reminded me, you talked about your tax guy, that note that
17 says, Needs to have Ed speak with something Curt -- Ed is
18 Ed Kidner?

19 A Speak to Curt.

20 Q Yes.

21 A Speak to Ed, it says.

22 Q Yeah.

23 A It also says at the top, Need to have Ed speak with
24 Curt.

25 Q Oh, yeah, so it's got Ed in that part. That's Ed

1 Kidner, right?

2 A That's Ed Kidner, that's correct.

3 Q And that's the tax guy you're talking about?

4 A Yes, it is.

5 Q Okay. Now, actually, you're talking about the Dobson
6 deal and the donation and all that, we're over on 4/15 leg
7 of the stool?

8 A Yes.

9 Q Tell me at that point, you had not -- these were
10 mechanisms for how money was going to go to Bob?

11 A Yes.

12 Q Okay. And that money was from what?

13 A The money was to come from the 7 1/2 percent of the
14 proceeds of the sale of Reeves.

15 Q Okay. If we look at this triangle, is your 7.5
16 percent over on the option side?

17 A Well, it's, actually, written in the termination
18 agreement, the 7 1/2 percent.

19 Q Okay. And then --

20 A Then the option is for 7 1/2 percent.

21 Q Okay. Then on the 4/15 side, is that Bob's 7 1/2
22 percent side?

23 A Yes.

24 Q So we're still -- coming out of Atlanta, you're still
25 7 1/2 for 7 1/2?

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1 A That's correct.

2 Q Okay. I think we said before that's the like for
3 like part of it?

4 A Yes.

5 Q Did you guy -- did you and Bob talk about options
6 after you left the Atlanta airport?

7 A We -- I don't know that I can site specifics, but I
8 would say yes, we probably did, telephone calls back and
9 forth talking about the options. Maybe Bob asking where
10 they were or I'm asking him those kind of things, general
11 discussions.

12 Q Okay.

13 MR. STILLWELL: Mandy, can you put up that
14 November 13 email real quick? 25.

15 P. J., you can pull it up there if you want to look
16 at it before she gets there.

17 Can you just give me the whole body?

18 BY MR. STILLWELL:

19 Q P. J., you talked about phone calls with Bob after
20 Atlanta talking about option. Right there in that first
21 line on November 13th, which is two weeks --

22 A Almost two weeks following the meeting in Atlanta,
23 yeah.

24 Q Did y'all have a discussion that morning of November
25 13th about a 7 1/2 percent option agreement?

1 A Yes.

2 Q Okay. And at that point, were y'all still talking --
3 had you heard anything other than 7 1/2 penny a share at
4 that point?

5 A No, I had not.

6 Q Okay. And do you recall anything specific how about
7 that conversation?

8 A I think this response here, there was a question with
9 our estate or Bob asked me if the language in the 2.2
10 would have anything to do with the --

11 Q Yeah, yeah, we looked at that a couple of times.

12 A And I said I needed to talk -- Billie and I had
13 engaged an estate planner because of what we knew was
14 coming.

15 Q Yeah.

16 A This is the -- we're about to realize the America
17 dream, we wanted to make certain that we had done
18 everything properly. We never had a need for any of that
19 before. So we just wanted to run that piece by, is this
20 worded properly and going through our estate and the Wills
21 and so forth.

22 Q So your estate planning guy, this is a different
23 lawyer, right? Let's just leave him nameless, but that's
24 a different lawyer?

25 A Yes.

1 Q And he's actually looking at those option agreements
2 that y'all are exchanging before Atlanta?

3 A Yes.

4 Q And we won't go into that any further. Right here at
5 the end, it says, Don't forget to sign the termination
6 agreement and return to me.

7 A Yes, it does.

8 Q Does that mean you didn't have it by then?

9 A Yes.

10 Q And let's flip, actually, to the termination
11 agreement and try to knock this out. We've probably about
12 talked it to death already.

13 MR. STILLWELL: Mandy, if you can just put up the
14 first page.

15 BY MR. STILLWELL:

16 Q Have you got the exhibit there, 22?

17 A I do.

18 Q All right. Let's knock this out. November 5, is
19 that when you send it to Bob?

20 A Yes.

21 Q November 13, you didn't have it back?

22 A That is correct.

23 Q Let's count days real quick, 5th, 6th, 7th, 8th, 9th,
24 10th, 11th, 12th, 13th. Did I mess that up? Nine days?
25 Eight or nine days?

1 A Yes.

2 Q And Bob had it eight or nine days?

3 A Yes.

4 Q Were you in any rush to get this?

5 A No.

6 Q Okay. Were you in a rush, generally, considering all
7 the things that were going on with DHS and whatnot and
8 your business, running your business regularly?

9 A Yeah, I'd say my general demeanor, I'm sure, wasn't
10 an easy-going guy to live with.

11 Q So you don't sit still that well, do you?

12 A No, it's difficult.

13 Q Okay. Let's flip to the second page, which is up
14 here on the board.

15 A Yes.

16 Q Okay. This is the part we've been talking about over
17 and over. These parts that I have outlined in red here
18 referencing the option, did you know those were in there?

19 A The bottom three lines?

20 Q Yeah, the bottom -- this part right here. I'm going
21 to --

22 A Yes, I did.

23 Q Right there. You knew those were in there?

24 A I mean, I know from looking at this document that
25 they were there.

1 Q Yeah. You heard -- we've heard Mr. Ellis talk about
2 we were going to terminate and then we were going to see
3 if we could agree on anything else. Was that ever
4 anything that you agreed to in your mind to do in Atlanta
5 or afterwards?

6 A No.

7 MR. ELLIS: Your Honor, I'll make the same objection,
8 I know we're doing some leading.

9 THE COURT: I appreciate that. I've given the two of
10 you so much leeway, at this point in time, I'm not going
11 to rain on either one of you.

12 MR. STILLWELL: Thank you, Your Honor.

13 BY MR. STILWELL:

14 Q P. J., would you have signed this agreement if it did
15 not have something showing your 7 1/2 percent interest in
16 it.

17 A No, I would not have.

18 Q Did you at one point -- at one point in time learn
19 from Bob that he was not happy with this agreement?

20 A Yes, I did.

21 Q And let me go back, was that later than when this --
22 around the time when this was signed?

23 A It was probably shortly after Bob signed it, he told
24 me that he had gotten, you know, a pretty stern talking to
25 from Curt about signing it.

1 Q Was Billie in the room during this conversation, was
2 that separate, how did that work?

3 A No, I think Bob had a separate conversation with
4 Billie about that, very similar to what Bob and I
5 discussed about the document.

6 Q And what did -- was it a phone conversation?

7 A Phone conversation?

8 Q Yeah, with Bob?

9 A Yes, it was.

10 Q Okay.

11 MR. STILLWELL: You can put that down, Mandy.

12 BY MR. STILLWELL:

13 Q Okay. I think we've probably seen that enough. If
14 we come back to that phone conversation?

15 A Yes.

16 Q Tell me, what did Bob actually say about what Curt
17 had said to him?

18 A I think -- well, as I remember, Bob said that Curt
19 walked into his office and I believe he threw this
20 document on his desk, or Bob's desk, and said what the
21 blank do you need me for if you're going to sign something
22 like this.

23 Q This was the termination agreement you're talking
24 about?

25 A Yes.

1 Q And Bob said yesterday he confronted Billie about it,
2 was that the tone of that conversation?

3 A No, it was not confrontational at all. Bob laughed,
4 he thought it was funny. He laughed to me, he laughed to
5 Billie on a separate time. No, there was no confrontation
6 at all.

7 Q Between the time of that conversation and Stax Omega,
8 which we'll get to eventually, did Bob ever say anything
9 about that agreement? Did he ever say let's fix it or
10 anything like that?

11 A No, he did not.

12 MR. STILLWELL: Mandy, can you turn to the
13 ratification agreement and remind me what number, you're
14 better than I am.

15 MANDY: 23.

16 BY MR. STILLWELL:

17 Q P. J., can you turn to 23?

18 A I have it.

19 Q P. J., I see there on 23 the ratification agreement
20 we have looked at before?

21 A Yes.

22 Q I see there's a blank there by your name?

23 A That's correct.

24 Q Had you ever seen this before this lawsuit started?

25 A No, I had never seen it before.

1 Q Okay. So Bob never told you that the termination
2 agreement that he was talking to you about at Stax had,
3 actually, been ratified by NARP?

4 A No, he never mentioned that at all.

5 Q Okay. Let me see if I get this stuff out if you'll
6 give me a second. It will probably save some time. Okay.
7 I think you said yesterday that that termination
8 agreement, you just stuck it in your drawer?

9 A That's correct.

10 Q Oh, that was this morning, my days are actually
11 running together. Okay. And that October 4 agreement
12 from Rod and Curt, that was always sitting in your drawer?

13 A Yes, it was.

14 Q Okay. After Atlanta, I want to kind of switch facts
15 on you. Talk about what you were doing on the DHS, okay?
16 Who was doing your computations and stuff on your DHS side
17 for you?

18 A Ed Kidner was the point guy on that.

19 Q Okay. Was he doing anything in that time after this
20 termination agreement had been signed with calculating
21 Bob's share of the Reeves proceeds?

22 A Well, yeah, we were looking at the various scenarios,
23 the various ways depending on the -- what the actual
24 purchase price of Reeves would be, what the tax
25 ramification would be for Billie and I on our federal

1 income tax.

2 Q Okay.

3 A As well as the new company and, you know -- they said
4 for a small transaction, this was very complex.

5 Q Let me look at one. Now, at this point in time, you
6 didn't have -- in December, for instance, before Reeves
7 sold -- Reeves sold when?

8 A We closed on the transaction on the 5th of January of
9 '05.

10 Q I think I actually ran onto another board here. I'm
11 going to put this up, it might help you a little bit from
12 this point forward. I promise you we'll move this board
13 faster. You need some water?

14 A No.

15 Q Okay.

16 A At my age, you don't drink a lot of water in these
17 situations.

18 Q All right. Let me see where we are. Sale of Reeves
19 in January?

20 A Yes, '05.

21 Q Let's look at --

22 MR. STILLWELL: Mandy, this is the January 26 email.
23 You got it? There you go.

24 BY MR. STILLWELL:

25 Q Exhibit 54, P. J. He's better with the numbers than

1 I am now.

2 MR. STILLWELL: Can you blow that up for us, Mandy?

3 BY MR. STILLWELL:

4 Q January 26, P.J., is that after -- that's after the
5 sale of Reeves has already been done, right?

6 A Yes, that's correct.

7 Q And this is you, Ed and Rick and you see Billie
8 there. What are these numbers that you're sending to Ed?

9 A This was in response to a call from Ed, if I can
10 gather the expenses associated with the Reeves
11 transaction.

12 Q So you're sending Ed the figures so he can do the
13 coding, right?

14 A That's correct.

15 Q Right down there at the bottom, it says, There are a
16 couple calculations you will be working on, i.e., our tax
17 exposure and the Castellani computation. What is the
18 Castellani computation?

19 A That would be the computation of what 7 1/2 percent
20 of the transaction was for Bob.

21 Q Okay.

22 MR. STILLWELL: And, Mandy, can you put up Exhibit 1
23 for just a millisecond?

24 BY MR. STILLWELL:

25 Q P.J., right, is that the Castellani computation?

1 A Yes, it is.

2 Q Who did that?

3 A That was done by Ed Kidner.

4 Q Was that done, at least, partly on the numbers you
5 sent him in that previous email?

6 A I would assume that was.

7 Q And that's what it came out to, the 415?

8 A Yes.

9 Q Did you ever hear anything back from them about
10 whether the 415 was the right number or anything, I'm
11 talking about Bob and Curt?

12 A I don't know that there was ever any disagreement on
13 the number.

14 Q Okay. And the Castellani -- the sharing rate of 7
15 1/2 percent, that's the .075 right there?

16 A Yes.

17 Q What is that Castellani share right there, the share
18 of the proceeds?

19 A That's the share -- that would be 7 1/2 percent of
20 the share of the sale. I assume those are the deductions
21 that would have been made.

22 Q I mean, in businessman terms, you are taking it off
23 the bottom line, not the top line, right?

24 A Correct.

25 Q You're not seeing any before tax money?

- 1 A Right.
- 2 Q Okay. All right. This money, this 415, still got
- 3 that money?
- 4 A Yes, I do.
- 5 Q Okay. Mr. Ellis asked you a term, did you ever
- 6 tender the money, which is a legal term. Did you ever
- 7 offer the cash to Bob Castellani?
- 8 A Yes, I did.
- 9 Q When was that?
- 10 A When it was becoming more and more obvious that we
- 11 were reaching -- that we had some problems, particularly,
- 12 with the Dobson Ministry donation. And I said it would
- 13 just seem to be a lot simpler to write you a check and
- 14 just pay you this.
- 15 Q What did Bob say?
- 16 A No, Bob was stuck on the idea that -- the only option
- 17 that he had given us that come from his side, first was
- 18 the charitable, then it was the Dobson Ministry. There
- 19 was never any other option that we had.
- 20 Q So you went from the -- I guess the first one was
- 21 just pay the money, then a charity, then a --
- 22 A Right.
- 23 Q Okay. How many lines did he drive in there?
- 24 A Three.
- 25 Q Okay. The Dobson deal, let's talk about that.