

RETURN DATE: November 25, 2014 : SUPERIOR COURT
ZHAOYIN WANG : JUDICIAL DISTRICT OF NEW HAVEN
VS. : AT NEW HAVEN
BETA PHARMA, INC.,
DON ZHANG, and ZHEJIANG
BETA PHARMA CO., LTD. : October 27, 2014

COMPLAINT

FIRST COUNT: (Breach of Contract Against Defendant BP)

1. Beta Pharma, Inc., ("BP") is a privately owned Delaware corporation with a principal place of business in Branford, Connecticut as of the time of the transactions alleged herein and until January, 2013, engaged in research, development and marketing of pharmaceuticals; BP continues to do business in Branford, but represents that its principal place of business is now in New Jersey.

2. At the time of the transactions alleged herein Don Zhang ("Zhang") was a citizen and resident of the State of Connecticut who has done business in this state, made contracts to be performed here, and committed tortious acts in Connecticut that have injured plaintiff inside and outside Connecticut such that the court has jurisdiction over him pursuant to Connecticut General Statutes Sec. 52-59b ; he represents to the Connecticut Secretary of

State and the public that his current residence address is 5 Vaughn Drive, Suite 106, Princeton, N.J. 08540 .

3. At all relevant times, defendant Zhang has been the majority stockholder and President of BP.

4. In approximately 2002 and 2003 BP scientists invented, patented and synthesized Icotinib, a molecule which showed promise as a treatment for non-small cell lung cancer; BP's development work on Icotinib continued thereafter.

5. In approximately 2002 Beta Pharma joined with other investors to form a joint venture to develop, test and market Icotinib in the People's Republic of China ("China").

6. The joint venturers formed Zhejiang Beta Pharma Co. Ltd., ("ZBP"), a privately owned corporation organized under the laws of China.

7. BP contributed the patent rights to Icotinib to the joint venture and received in exchange a 45% interest in ZBP.

8. Defendant Zhang is and has been Vice-President of ZBP and a director thereof.

9. Plaintiff is a medicinal chemist who earned his Ph.D. at Yale and now resides in Quebec, Canada.

10. On March 26, 2010, when defendant BP's principal place of business was in Connecticut, it entered into a written partnership agreement with plaintiff, pursuant to which

plaintiff was to perform professional services for BP in Connecticut and elsewhere, and go into business with BP, and in exchange plaintiff was to receive valuable consideration including a salary of 850,000 Chinese RMB yuan per year (about U.S. \$140,000 per year), 2 million shares or about 2% of the stock in BP, and 3 million shares or 1% of the stock in ZBP. A copy of the "Partnership Offering to Dr. Zhaoyin Wang by Betapharma, Inc." signed by plaintiff and defendant Don Zhang is attached as Exhibit A (the "Partnership Agreement").

11. In reliance on the promises contained in the Partnership Agreement, and in performance of his obligations thereunder and pursuant thereto, plaintiff (a) formed Beta Pharma Canada, ("BPC") a Canadian corporation owned 51% by plaintiff and 49% by defendant Zhang; (b) invested approximately \$300,000 of his funds into setting up and operating the BPC laboratory; (c) worked for BPC full time for approximately 3 years , performing drug discovery research and developing new medicinal molecules for treatment of cancer and inflammatory disease; (d) applied for patents for the new molecules he discovered while working at BPC; (e) worked with BP to develop Icotinib and reinforce the Icotinib patent; and (f) performed other work and did other business to advance BP, BPC and Zhang.

12. Defendant BP breached the Partnership Agreement in one or more of the following respects: by failing to pay plaintiff his salary; by discontinuing funding for BPC; by failing to deliver promised shares of BP to plaintiff; by failing to register the shares of ZBP in

plaintiff's name on the records of ZBP in China so he could participate in the planned initial public offering of ZBP shares in China; and by failing to cause plaintiff to participate in the anticipated ZBP public offering in China.

13. As a result of defendant's breaches of contract as alleged, plaintiff has been damaged.

14. In the alternative, plaintiff seeks specific performance of the contract including payment of all unpaid salary and compensation, transfer to him of 2% of the stock of BP, and registration in his name as an official shareholder in China of shares equivalent to 1% of the total issued and outstanding stock of ZBP.

SECOND COUNT: (Breach of Contract Against Defendant Zhang)

1. – 9. The allegations of Paragraphs 1 through 9 of the First Count of the Complaint are incorporated herein by reference as if more fully alleged.

10. At all relevant times defendant Zhang exercised complete domination and control over the business and affairs of BP, and commingled the assets and business opportunities of BP with his own individual interests in disregard of the corporate form and for his personal benefit, such that the corporate form of BP should be disregarded.

11. On or about March 26, 2010, when defendant Zhang was a citizen and resident of Connecticut, purportedly acting on behalf of defendant BP, Zhang entered into a written

partnership agreement with plaintiff, pursuant to which plaintiff was to perform professional services for BP in Connecticut and elsewhere, and go into business with BP, and in exchange plaintiff was to receive valuable consideration including a salary of 850,000 RMB yuan per year (about U.S. \$140,000 per year), 2 million shares or about 2% of the stock in BP, and 3 million shares or 1% of the stock in ZBP. A copy of the "Partnership Offering to Dr. Zhaoyin Wang by Betapharma, Inc." signed by plaintiff and defendant Don Zhang is attached as Exhibit A (the "Partnership Agreement").

12. Although the language in the Partnership Agreement called for plaintiff to go into partnership with BP, in fact Don Zhang, individually, went into partnership with plaintiff, whereby the two men formed the Canadian corporation BPC, such that Zhang individually owned 49% of BPC and plaintiff owned 51%.

13. Zhang, individually assumed responsibility and liability for performing, or causing BP to perform, his and its obligations to plaintiff, which obligations were created by the Partnership Agreement.

14. In reliance on the promises contained in the Partnership Agreement, and in performance of his obligations thereunder and pursuant thereto, plaintiff turned down other opportunities to work elsewhere and (a) formed Beta Pharma Canada, ("BPC") a Canadian corporation owned 51% by plaintiff and 49% by defendant Zhang; (b) invested approximately

\$300,000 of his funds into setting up and operating the BPC laboratory; (c) worked for BPC full time for approximately 3 years , performing drug discovery research and developing new medicinal molecules for treatment of cancer and inflammatory disease; (d) applied for patents for the new molecules he discovered while working at BPC; (e) worked with BP to develop Icotinib and reinforce the Icotinib patent; and (f) performed other work and did other business to advance BP, BPC and Zhang. .

15. Defendant Zhang breached the Partnership Agreement in one or more of the following respects: by failing to pay plaintiff his salary; by discontinuing funding for BPC; by failing to deliver promised shares of BP to plaintiff; by failing to register the shares of ZBP in plaintiff's name on the records of ZBP in China so he could participate in the planned initial public offering of ZBP shares in China; by failing to cause plaintiff to participate in the anticipated ZBP public offering in China.

16. As a result of defendant's breaches of contract as alleged, plaintiff has been damaged.

17. In the alternative, plaintiff seeks specific performance of the contract including payment of all unpaid salary and compensation, transfer to him of 2% of the stock of BP, and registration in his name as an official shareholder in China of shares equivalent to 1% of the total issued and outstanding stock of ZBP.

THIRD COUNT: (Negligent Misrepresentation Against Defendant BP)

1.- 10. The allegations of Paragraphs 1 through and including 10 of the First Count of the Complaint are incorporated herein by reference as if fully realleged.

11. Defendant BP, acting by its chief executive Zhang, made the following representations to plaintiff:

- a. that it would pay plaintiff the stated 850,000 RMB yuan per year salary, a portion of which would be paid to plaintiff tax-free in China;
- b. that plaintiff would receive about 2% of BP stock;
- c. that plaintiff owned 1% of the stock in ZBP;
- d. that plaintiff's stock ownership in BP would increase annually;
- e. that plaintiff's shares in ZBP were worth \$4 million in about 2011;
- f. that plaintiff's shares in ZBP were worth about \$6 million in 2013; and
- g. that plaintiff would participate in the ZBP public offering in China.

12. Defendant BP's representations alleged in Paragraph 11 were negligently false and misleading, in that defendant BP knew or should have known the following facts:

- a. that it did not cause plaintiffs' share ownership in ZBP to be registered on the official records of ZBP;

b. that it would not or could not cause plaintiffs' share ownership to be registered on the official records of ZBP;

c. that it would not and did not pay plaintiff the promised salary, with the promised tax benefits;

d. that it did not deliver to him the promised shares of BP, both initially and as the company grew; and

e. that it would not and did not cause plaintiff to participate in the ZBP public offering;

f. that plaintiff's shares of ZBP were not transferrable or saleable to others; and

g. that unless Beta Pharma repurchased plaintiff's shares, there was no way for plaintiff to realize the cash value of his stockholding in ZBP.

13. In addition to the negligent misrepresentations alleged above, defendant BP negligently failed to disclose material facts and information to plaintiff, including

(a) material information concerning the financial condition of BP;

(b) material information concerning the financial condition of ZBP;

(c) material information concerning the transactions and relationship between BP and ZBP;

(d) material information concerning transactions in which BP sold or transferred ZBP shares to others for valuable consideration;

(e) BP's knowledge that ZBP would not permit the ZBP shares transferred to plaintiff by BP to be registered in China;

(f) BP's knowledge that the ZBP board had ordered BP to repurchase ZBP shares from investors at their current fair market value;

(g) BP's knowledge of the nature and extent of the market it made or was prepared to make for repurchase of ZBP shares so that investors could realize gain on their investments in ZBP;

(h) that BP had failed to provide to plaintiff material documentary information concerning BP and ZBP, including disclosure of financial and corporate governance matters, including information so that plaintiff could assess the risks of the transactions he was entering, and determine whether or not to acquire shares of BP and ZBP, including prospectuses, balance sheets, income statements, statements of profit and loss, accountant's compilations, tax returns, disclosures of material items which did or could affect the financial condition of BP or ZBP, and other documentation from which plaintiff could assess true condition and potential of BP and ZBP; and

(i) that BP and its controlling officer Zhang had failed to comply with Connecticut securities laws regulating their ability to sell unregistered securities in Connecticut, including C.G. S. Sec. 36b-4 and 36b-16.

14. In reliance on BP's negligent misrepresentations, and because he did not know the material information defendant negligently withheld, plaintiff (a) formed Beta Pharma Canada, ("BPC") a Canadian corporation owned 51% by plaintiff and 49% by defendant Zhang; (b) invested approximately \$300,000 of his funds into setting up and operating the BPC laboratory; (c) worked for BPC full time for approximately 3 years, performing drug discovery research and developing new medicinal molecules for treatment of cancer and inflammatory disease; (d) applied for patents for the new molecules he discovered while working at BPS; (e) worked with BP to develop Icotinib and reinforce the Icotinib patent; (f) performed other work and did other business to advance BP, BPC and Zhang; (g) turned down other opportunities to work elsewhere; and (h) continued to hold his ZBP shares with the expectation that he would be able to realize their value, and their increasing value; (i) continued to work for BPC, for the benefit of Zhang and BP; and (j) deferred taking legal action against defendants.

15. As a result of the negligence of the defendant BP as alleged, plaintiff has been damaged. Plaintiff has been damaged, in that he has lost salary, and been deprived of his promised ownership interest in BP, and in that he has lost his fair share of money paid or

payable to BP stockholders as a result of transactions in which BP sold its shares in ZBP to venture capitalists for large sums, and in that he has been deprived of the full use and enjoyment of his shares in ZBP, and deprived of any means of realizing any of the cash value of his shares of ZBP, and deprived of 1% of the share proceeds from the anticipated ZBP initial public offering, and that he has been delayed in the enforcement of his rights, and in that he has lost the money he could have earned by working elsewhere for part of the time that has elapsed, and he has been deprived of his invested startup capital and the profits of his labors for BPC, and in that he has lost the value of the use of his money. His damages are continuing to accrue.

FOURTH COUNT: (Fraudulent Misrepresentation Against Defendant BP)

1.- 10. The allegations of Paragraphs 1 through and including 10 of the First Count of the Complaint are incorporated herein by reference as if fully realleged.

11. Defendant BP, acting by its chief executive Zhang, made the following representations to plaintiff:

- a. that it would pay plaintiff the stated 850,000 RMB yuan per year salary, a portion of which would be paid to plaintiff tax-free in China;
- b. that plaintiff would receive about 2% of BP stock;
- c. that plaintiff owned 1% of the stock in ZBP;

- d. that plaintiff's stock ownership in BP would increase annually;
- e. that plaintiff's shares in ZBP were worth \$4 million in about 2011;
- f. that plaintiff's shares in ZBP were worth about \$6 million in 2013; and
- g. that plaintiff would participate in the ZBP public offering in China.

Some of these misrepresentations were made in writing on or around March 26, 2010 in Exhibit A attached hereto.

12. Defendant BP's representations alleged in Paragraph 11 were deliberately false, fraudulent and misleading, in that defendant BP knew or should have known the following facts:

- a. that it did not cause plaintiffs' share ownership in ZBP to be registered on the official records of ZBP;
- b. that it would not or could not cause plaintiffs' share ownership to be registered on the official records of ZBP;
- c. that it would not and did not pay plaintiff the promised salary, with the promised tax benefits;
- d. that it did not deliver to him the promised shares of BP, both initially and as the company grew; and

e. that it would not and did not cause plaintiff to participate in the ZBP public offering;

f. that plaintiff's shares of ZBP were not transferrable or saleable to others; and

g. that unless Beta Pharma repurchased plaintiff's shares, there was no way for plaintiff to realize the cash value of his stockholding in ZBP.

13. In addition to the fraudulent misrepresentations alleged above, defendant BP deliberately failed to disclose material facts and information to plaintiff, including

(a) material information concerning the financial condition of BP;

(b) material information concerning the financial condition of ZBP;

(c) material information concerning the transactions and relationship between BP and ZBP;

(d) material information concerning transactions in which BP sold or transferred ZBP shares to others for valuable consideration;

(e) BP's knowledge that ZBP would not permit the ZBP shares transferred to plaintiff by BP to be registered in China;

(f) BP's knowledge that the ZBP board had ordered BP to repurchase ZBP shares from investors at their current fair market value;

(g) BP's knowledge of the nature and extent of the market it made or was prepared to make for repurchase of ZBP shares so that investors could realize gain on their investments in ZBP;

(h) that BP had failed to provide to plaintiff material documentary information concerning BP and ZBP, including disclosure of financial and corporate governance matters, including information so that plaintiff could assess the risks of the transactions he was entering, and determine whether or not to acquire shares of BP and ZBP, including prospectuses, balance sheets, income statements, statements of profit and loss, accountant's compilations, tax returns, disclosures of material items which did or could affect the financial condition of BP or ZBP, and other documentation from which plaintiff could assess true condition and potential of BP and ZBP; and

(i) that BP and its controlling officer Zhang had failed to comply with Federal and Connecticut securities laws regulating their ability to sell unregistered securities in Connecticut, including C.G. S. Sec. 36b-4 and 36b-16.

14. In reliance on BP's fraudulent misrepresentations, and because he did not know the information that defendant fraudulently failed to disclose, plaintiff (a) formed Beta Pharma Canada, ("BPC") a Canadian corporation owned 51% by plaintiff and 49% by defendant Zhang; (b) invested approximately \$300,000 of his funds into setting up and operating the BPC

laboratory; (c) worked for BPC full time for approximately 3 years, performing drug discovery research and developing new medicinal molecules for treatment of cancer and inflammatory disease; (d) applied for patents for the new molecules he discovered while working at BPS; (e) worked with BP to develop Icotinib and reinforce the Icotinib patent; (f) performed other work and did other business to advance BP, BPC and Zhang; (g) turned down other opportunities to work elsewhere; and (h) continued to hold his ZBP shares with the expectation that he would be able to realize their value, and their increasing value; (i) continued to work for BPC, for the benefit of Zhang and BP; and (j) deferred taking legal action against defendants.

15. As a result of the fraudulent conduct of the defendant BP as alleged, plaintiff has been damaged. Plaintiff has been damaged, in that he has lost salary, and been deprived of his promised ownership interest in BP, and in that he has lost his fair share of money paid or payable to BP stockholders as a result of transactions in which BP sold its shares in ZBP to venture capitalists for large sums, and in that he has been deprived of the full use and enjoyment of his shares in ZBP, and deprived of any means of realizing any of the cash value of his shares of ZBP, and deprived of 1% of the share proceeds from the anticipated ZBP initial public offering, and that he has been delayed in the enforcement of his rights, and in that he has lost the money he could have earned by working elsewhere for part of the time that has elapsed, and he has been deprived of his invested startup capital and the profits of his labors

for BPC, and in that he has lost the value of the use of his money, and in that he has had to incur attorney's fees and costs of action to prosecute this case. His damages are continuing to accrue.

FIFTH COUNT: (Breach of Fiduciary Duty Against Defendant BP)

1.- 10. The allegations of Paragraphs 1 through and including 10 of the First Count of the Complaint are incorporated herein by reference as if fully realleged.

11. At all relevant times the defendant BP was a partner with plaintiff pursuant to the Partnership Agreement, and as such partner the defendant BP owed plaintiff a fiduciary duty, a duty of the utmost loyalty and good faith.

12. At all relevant times, defendant BP was a seller of unregistered securities to plaintiff, in that defendant sold plaintiff shares of BP and ZBP, and as such, defendant BP owed plaintiff fiduciary duties of the utmost loyalty, honesty and good faith.

13. Defendant BP breached its fiduciary duties to plaintiff in one or more of the following respects:

- (a) by failing to pay plaintiff's salary;
- (b) by failing to issue BP stock to plaintiff;
- (c) by failing to register plaintiff's ZBP shares on the official shareholder list of ZBP;

(d) by failing to cause plaintiff to participate in the anticipated ZBP public offering;

(e) by misrepresenting to plaintiff that it would finance plaintiff's work and investment in BPC, but failing to do so;

(f) by promising plaintiff that plaintiff's salary arrearage would be paid from the proceeds of BP's venture capital fundraising activities, but failing to pay him;

(g) by failing to disclose to plaintiff that the ZBP board of directors would not permit BP to transfer shares to plaintiff, and would not recognize BP's transfer of shares, and that it had ordered BP to cancel or unwind the transaction by paying plaintiff the fair market value of his interest in ZBP;

(h) by representing to plaintiff that plaintiff would receive the promised salary and participation in the ZBP public offering for the purpose of causing plaintiff to delay enforcement of his rights, but failing to perform on those promises;

(i) by failing to provide plaintiff with material financial information so that plaintiff could determine whether or not to acquire shares of BP and ZBP, including prospectuses, balance sheets, income statements, statements of profit and loss, accountant's compilations, tax returns, disclosures of material items which did or could affect the financial condition of BP or ZBP, and other documentation from which plaintiff could assess true condition and potential of BP and ZBP;

(j) by misrepresenting to plaintiff the value and marketability of plaintiff's ZBP shares;
and

(k) by failing to provide a market for plaintiff's ZBP shares such that he could exchange or sell them for cash equivalent to their fair market value; and

(l) by failing to provide plaintiff with full disclosure of all material information to which plaintiff was entitled pursuant to the securities laws of the State of Connecticut, including C.G. S. Sec. 36b-4 and 36b-16, thereby violating those laws.

14. As a result of defendant's breaches of fiduciary duties as alleged, plaintiff has been damaged. Plaintiff has been damaged, in that he has lost salary, and been deprived of his promised ownership interest in BP, and in that he has lost his fair share of money paid or payable to BP stockholders as a result of transactions in which BP sold its shares in ZBP to venture capitalists for large sums, and in that he has been deprived of the full use and enjoyment of his shares in ZBP, and deprived of any means of realizing any of the cash value of his shares of ZBP, and deprived of 1% of the share proceeds from the anticipated ZBP initial public offering, and that he has been delayed in the enforcement of his rights, and in that he has lost the money he could have earned by working elsewhere for part of the time that has elapsed, and he has been deprived of his invested startup capital and the profits of his labors for BPC, and in that he has lost the value of the use of his money, and in that he has had to

incur attorney's fees and costs of action to prosecute this case. His damages are continuing to accrue.

SIXTH COUNT: (Negligent Misrepresentation Against Defendant Zhang)

1.- 10. The allegations of Paragraphs 1 through and including 10 of the Second Count of the Complaint are incorporated herein by reference as if fully realleged.

11. Defendant Zhang decided that he wished to go into business with plaintiff to establish a drug discovery company in Canada, which company was to be supported by plaintiff's capital and expertise.

12. Defendant Zhang, made the following representations to plaintiff:

- a. that it would pay plaintiff the stated 850,000 RMB yuan per year salary, a portion of which would be paid to plaintiff tax-free in China;
- b. that plaintiff would receive about 2% of BP stock;
- c. that plaintiff owned 1% of the stock in ZBP;
- d. that plaintiff's stock ownership in BP would increase annually;
- e. that plaintiff's shares in ZBP were worth \$4 million in about 2011;
- f. that plaintiff's shares in ZBP were worth about \$6 million in 2013;
- g. that plaintiff would participate in the ZBP public offering in China;

h. that, Zhang, individually, would perform, or cause BP to perform, Zhang and BP's obligations to plaintiff; and

i. that ZBP was going to become a public company in China and that plaintiff would be able to convert his 1% interest in the privately held company ZBP to 1% of the shares of the ZBP initial public offering.

13. Defendant Zhang's representations alleged in Paragraph 12 were negligently false and misleading, in that defendant Zhang knew or should have known the following facts:

a. that he did not cause plaintiffs' share ownership in ZBP to be registered on the official records of ZBP;

b. that he would not or could not cause plaintiffs' share ownership to be registered on the official records of ZBP;

c. that he could not register plaintiff's shares on the official ZBP shareholder list in China without the consent of the other stockholders, officers and directors of ZBP;

d. that he had made no effort to obtain the consent of the ZBP stockholders, officers and directors before representing to plaintiff that he could participate in the ZBP initial public offering; and

e. that if he sought consent from the ZBP stockholders, officers and directors, they were not likely to consent; and

f. that he had no assurance from anyone in authority at ZBP that he could deliver the promised participation in the ZBP initial public offering;

g. that neither he nor BP had sufficient capital and cash flow, or expected sufficient capital and cash flow, to pay plaintiff the promised salary of 850,000 yuan per year;

h. that defendant failed to make payments to plaintiff from a tax-free source in China; and

i. that he would not and did not pay plaintiff the promised salary, with the promised tax benefits;

j. that he did not deliver to plaintiff the promised shares of BP, both initially and as the company grew;

k. that he would not and did not cause plaintiff to participate in the ZBP public offering;

l. that plaintiff's shares of ZBP were not transferrable or saleable to others; and

m. that unless Beta Pharma repurchased plaintiff's shares, there was no way for plaintiff to realize the cash value of his stockholding in ZBP.

14. In addition to the negligent misrepresentations alleged above, defendant Zhang negligently failed to disclose material facts and information to plaintiff, including

(a) material information concerning the financial condition of BP;

- (b) material information concerning the financial condition of ZBP;
- (c) material information concerning the transactions and relationship between BP and ZBP;
- (d) material information concerning transactions in which BP sold or transferred ZBP shares to others for valuable consideration;
- (e) his knowledge that ZBP would not permit the ZBP shares transferred to plaintiff by BP to be registered in China;
- (f) his knowledge that the ZBP board had ordered BP to repurchase ZBP shares from investors at their current fair market value;
- (g) his knowledge of the nature and extent of the market BP made or was prepared to make for repurchase of ZBP shares so that investors could realize gain on their investments in ZBP;
- (h) that he and BP had failed to provide to plaintiff material documentary information concerning BP and ZBP, including disclosure of financial and corporate governance matters, including information so that plaintiff could assess the risks of the transactions he was entering, and determine whether or not to acquire shares of BP and ZBP, including prospectuses, balance sheets, income statements, statements of profit and loss, accountant's compilations, tax returns, disclosures of material items which did or could affect the financial

condition of BP or ZBP, and other documentation from which plaintiff could assess true condition and potential of BP and ZBP; and

(i) that BP and its controlling officer Zhang had failed to comply with Federal and Connecticut securities laws regulating their ability to sell unregistered securities in Connecticut, including C.G. S. Sec. 36b-4 and 36b-16.

15. In reliance on Zhang's negligent misrepresentations, and because plaintiff did not know the material information defendant negligently withheld, plaintiff (a) formed Beta Pharma Canada, ("BPC") a Canadian corporation owned 51% by plaintiff and 49% by defendant Zhang; (b) invested approximately \$300,000 of his funds into setting up and operating the BPC laboratory; (c) worked for BPC full time for approximately 3 years, performing drug discovery research and developing new medicinal molecules for treatment of cancer and inflammatory disease; (d) applied for patents for the new molecules he discovered while working at BPS; (e) worked with BP to develop Icotinib and reinforce the Icotinib patent; (f) performed other work and did other business to advance BP, BPC and Zhang; (g) turned down other opportunities to work elsewhere; and (h) continued to hold his ZBP shares with the expectation that he would be able to realize their value, and their increasing value; (i) continued to work for BPC, for the benefit of Zhang and BP; and (j) deferred taking legal action against defendants.

16. ZBP has now told defendant Zhang that plaintiff was not and is not eligible to participate in the ZBP initial public offering and will not receive a 1% interest ZBP when it goes public in the near future, and plaintiff is now aware of that fact.

17. As a result of the negligence of the defendant Zhang as alleged, plaintiff has been damaged. As a result of defendant Zhang's breaches of fiduciary duty as alleged, plaintiff has been damaged, in that he has lost salary, and been deprived of his promised ownership interest in BP, and in that he has lost his fair share of money paid or payable to BP stockholders as a result of transactions in which BP sold its shares in ZBP to venture capitalists for large sums, and in that he has been deprived of the full use and enjoyment of his shares in ZBP, and deprived of 1% of the share proceeds from the anticipated ZBP initial public offering, and that he has been delayed in the enforcement of his rights, and in that he has lost the money he could have earned by working elsewhere for part of the time that has elapsed, and he has been deprived of his invested startup capital and the profits of his labors for BPC, and in that he has lost the value of the use of his money. His damages are continuing to accrue.

SEVENTH COUNT: (Fraudulent Misrepresentation Against Defendant Zhang)

1.- 12. The allegations of Paragraphs 1 through and including 12 of the Sixth Count of the Complaint are incorporated herein by reference as if fully realleged.

13. Defendant Zhang's representations alleged in Paragraph 12 were deliberately false and misleading, in that defendant Zhang knew the following facts:

a. that he did not cause plaintiffs' share ownership in ZBP to be registered on the official records of ZBP;

b. that he would not or could not cause plaintiffs' share ownership to be registered on the official records of ZBP;

c. that he could not register plaintiff's shares on the official ZBP shareholder list in China without the consent of the other stockholders, officers and directors of ZBP;

d. that he had made no effort to obtain the consent of the ZBP stockholders, officers and directors before representing to plaintiff that he could participate in the ZBP initial public offering; and

e. that if he sought consent from the ZBP stockholders, officers and directors, they were not likely to consent; and

f. that he had no assurance from anyone in authority at ZBP that he could deliver the promised participation in the ZBP initial public offering;

g. that neither he nor BP had sufficient capital and cash flow, or expected sufficient capital and cash flow, to pay plaintiff the promised salary of 850,000 yuan per year;

- h. that defendant failed to make payments to plaintiff from a tax-free source in China; and
- i. that he would not and did not pay plaintiff the promised salary, with the promised tax benefits;
- j. that he did not deliver to plaintiff the promised shares of BP, both initially and as the company grew;
- k. that he would not and did not cause plaintiff to participate in the ZBP public offering;
- l. that plaintiff's shares of ZBP were not transferrable or saleable to others; and
- m. that unless Beta Pharma repurchased plaintiff's shares, there was no way for plaintiff to realize the cash value of his stockholding in ZBP.

14. In addition to the fraudulent misrepresentations alleged above, defendant Zhang deliberately failed to disclose material facts and information to plaintiff, including

- (a) material information concerning the financial condition of BP;
- (b) material information concerning the financial condition of ZBP;
- (c) material information concerning the transactions and relationship between BP and ZBP;

(d) material information concerning transactions in which BP sold or transferred ZBP shares to others for valuable consideration;

(e) his knowledge that ZBP would not permit the ZBP shares transferred to plaintiff by BP to be registered in China;

(f) his knowledge that the ZBP board had ordered BP to repurchase ZBP shares from investors at their current fair market value;

(g) his knowledge of the nature and extent of the market BP made or was prepared to make for repurchase of ZBP shares so that investors could realize gain on their investments in ZBP;

(h) that he and BP had failed to provide to plaintiff material documentary information concerning BP and ZBP, including disclosure of financial and corporate governance matters, including information so that plaintiff could assess the risks of the transactions he was entering, and determine whether or not to acquire shares of BP and ZBP, including prospectuses, balance sheets, income statements, statements of profit and loss, accountant's compilations, tax returns, disclosures of material items which did or could affect the financial condition of BP or ZBP, and other documentation from which plaintiff could assess true condition and potential of BP and ZBP; and

(i) that BP and its controlling officer Zhang had failed to comply with Federal and Connecticut securities laws regulating their ability to sell unregistered securities in Connecticut, including C.G. S. Sec. 36b-4 and 36b-16.

15. In reliance on Zhang's fraudulent misrepresentations, and because plaintiff did not know the material information defendant withheld, plaintiff (a) formed Beta Pharma Canada, ("BPC") a Canadian corporation owned 51% by plaintiff and 49% by defendant Zhang; (b) invested approximately \$300,000 of his funds into setting up and operating the BPC laboratory; (c) worked for BPC full time for approximately 3 years, performing drug discovery research and developing new medicinal molecules for treatment of cancer and inflammatory disease; (d) applied for patents for the new molecules he discovered while working at BPS; (e) worked with BP to develop Icotinib and reinforce the Icotinib patent; (f) performed other work and did other business to advance BP, BPC and Zhang; (g) turned down other opportunities to work elsewhere; and (h) continued to hold his ZBP shares with the expectation that he would be able to realize their value, and their increasing value; (i) continued to work for BPC, for the benefit of Zhang and BP; and (j) deferred taking legal action against defendants.

16. ZBP has now told defendant Zhang that plaintiff was not and is not eligible to participate in the ZBP initial public offering and will not receive a 1% interest ZBP when it goes public in the near future.

17. As a result of the tortious conduct of the defendant Zhang as alleged, plaintiff has been damaged. He has lost salary, and been deprived of his promised ownership interest in BP, and in that he has lost his fair share of money paid or payable to BP stockholders as a result of transactions in which BP sold its shares in ZBP to venture capitalists for large sums, and in that he has been deprived of the full use and enjoyment of his shares in ZBP, and deprived of 1% of the share proceeds from the anticipated ZBP initial public offering, and that he has been delayed in the enforcement of his rights, and in that he has lost the money he could have earned by working elsewhere for part of the time that has elapsed, and he has been deprived of his invested startup capital and the profits of his labors for BPC, and in that he has lost the value of the use of his money, and in that he has had to expend attorney's fees and costs of action to bring this lawsuit. His damages are continuing to accrue.

EIGHTH COUNT: (Breach of Fiduciary Duty Against Defendant Zhang)

1.- 13. The allegations of Paragraphs 1 through and including 13 of the Second Count of the Complaint are incorporated herein by reference as if fully realleged.

14. At all relevant times the defendant Zhang was:

(a) a partner with plaintiff pursuant to the Partnership Agreement;

(b) a fellow officer, director and stockholder with plaintiff the closely held Canadian corporation BPC;

(c) an officer and director of ZBP, a closely held company in which Zhang had transferred one percent of the total shares to plaintiff; and

(d) a seller of unregistered securities to the plaintiff;

As a result of one or more of these business relationships with plaintiff, Zhang was plaintiff's fiduciary and owed plaintiff fiduciary duties of utmost loyalty, honesty, integrity and good faith.

14. Defendant Zhang breached his fiduciary duties to plaintiff in one or more of the following respects:

(a) by failing to pay plaintiff's salary;

(b) by failing to issue BP stock to plaintiff;

(c) by failing to register plaintiff's ZBP shares on the official shareholder list of ZBP;

(d) by failing to cause plaintiff to participate in the anticipated ZBP public offering;

(e) by misrepresenting to plaintiff that it would finance plaintiff's work and investment in BPC, but failing to do so;

(f) by promising plaintiff that plaintiff's salary arrearage would be paid from the proceeds of BP's venture capital fundraising activities, but failing to pay him;

(g) by failing to disclose to plaintiff that the ZBP board of directors would not permit BP to transfer shares to plaintiff, and would not recognize BP's transfer of shares, and that it had ordered BP and Zhang to cancel or unwind the transaction by paying plaintiff the fair market value of his interest in ZBP;

(h) by representing to plaintiff that plaintiff would receive the promised salary and participation in the ZBP public offering for the purpose of causing plaintiff to delay enforcement of his rights, but failing to perform on those promises;

(i) by failing to provide plaintiff with material financial information so that plaintiff could determine whether or not to acquire shares of BP and ZBP, including prospectuses, balance sheets, income statements, statements of profit and loss, accountant's compilations, tax returns, disclosures of material items which did or could affect the financial condition of BP or ZBP, and other documentation from which plaintiff could assess true condition and potential of BP and ZBP;

(j) by misrepresenting to plaintiff the value and marketability of plaintiff's ZBP shares;
and

(k) by failing to provide a market for plaintiff's ZBP shares such that he could exchange or sell them for cash equivalent to their fair market value; and

(l) by failing to disclose to plaintiff the risks of his investment by providing him with a full disclosure of all material information concerning BP and ZBP, as required by the securities regulation laws of the State of Connecticut, including C.G. S. Sec. 36b-4 and 36b-16, thereby violating those laws.

14. As a result of defendant's breaches of fiduciary duties as alleged, plaintiff has been damaged. Plaintiff has been damaged, in that he has lost salary, and been deprived of his promised ownership interest in BP, and in that he has lost his fair share of money paid or payable to BP stockholders as a result of transactions in which BP sold its shares in ZBP to venture capitalists for large sums, and in that he has been deprived of the full use and enjoyment of his shares in ZBP, and deprived of any means of realizing any of the cash value of his shares of ZBP, and deprived of 1% of the share proceeds from the anticipated ZBP initial public offering, and that he has been delayed in the enforcement of his rights, and in that he has lost the money he could have earned by working elsewhere for part of the time that has elapsed, and he has been deprived of his invested startup capital and the profits of his labors for BPC, and in that he has lost the value of the use of his money, and in that he has had to incur attorney's fees and costs of action to prosecute this case. His damages are continuing to accrue.

NINTH COUNT: (Declaratory Judgment against Zhejiang Beta Pharma Ltd. Co.)

1. Zhejiang Beta Pharma Co. Ltd., (“ZBP”) is a corporation incorporated under the laws of the People's Republic of China doing business in the State of Connecticut, engaged in research, development and marketing of prescription drugs. ZBP is a partially owned subsidiary of Beta Pharma, Inc., (“BP”) a Delaware corporation having a principal place of business in Branford, Connecticut at the time of the events set forth herein, and which now maintains a principal place of business in New Jersey. ZBP’s Chief Executive Officer and Chief Scientific Officer Yinxiang Wang is a resident of Cheshire, Connecticut. ZBP’s Vice President Don Zhang was a Connecticut resident at the time of the transactions giving rise to this lawsuit, and is President and majority shareholder of BP. ZBP has employed Connecticut scientists to do work for it in Connecticut and China. Its employees have traveled to Connecticut to transact ZBP business in this state. ZBP, acting by its Vice President, Don Zhang, has sold or transferred ZBP shares in Connecticut to Connecticut residents and others, including plaintiff.

2. On or about March 26, 2010, for valuable consideration, BP and ZBP, acting through their officer Don Zhang and pursuant to a written contract made in Connecticut, and to be performed in Connecticut, sold or transferred 1% of all issued and outstanding ZBP stock (represented by defendants’ officer Zhang to be 3 million shares) to plaintiff Zhaoyin Wang.

3. On or about March 26, 2010, Zhang represented to plaintiff, in writing, that “Your total ownership of Zhejiang Betapharma is one percent.”

4. Plaintiff continues to own and hold his shares.

5. Plaintiff demands a declaratory judgment against ZBP establishing plaintiff’s ownership of his shares and causing ZBP to list his shares and ownership on the official record of shareholders in the Peoples Republic of China, and requiring that ZBP grant him all other rights appurtenant to his status as a ZBP shareholder under the laws of China, including any and all rights to participate in the impending initial public offering of ZBP shares on the stock exchange in China, and as more fully set forth in the Claim for Relief attached hereto.

WHEREFORE, plaintiff claims relief as set forth in the Claim for Relief attached hereto.

THE PLAINTIFF,

By _____



Jonathan Katz
JACOBS & DOW, LLC
350 Orange Street
New Haven, CT 06511
Telephone: 203-772-3100
Fax: 203-772-1691
Juris No.: 432271
jkatz@jacobsllaw.com

RETURN DATE: November 25 , 2014 : SUPERIOR COURT
ZHAOYIN WANG : JUDICIAL DISTRICT OF NEW HAVEN
VS. : AT NEW HAVEN
BETA PHARMA, INC.,
DON ZHANG, and ZHEJIANG
BETA PHARMA LTD. CO. : October 27, 2014

CLAIM FOR RELIEF

The plaintiff claims relief as follows:

1. Damages in excess of \$15,000.00.
2. Exemplary and punitive damages for breach of fiduciary duty.
3. Exemplary and punitive damages for fraud.
4. Specific performance of the contractual promises made to plaintiff to pay salary, and deliver 2% of Beta Pharma shares and 1% of the total issued and outstanding shares of Zhejiang Beta Pharma.
5. A declaratory judgment declaring that plaintiff owns 1% of the issued and outstanding stock of Zhejiang Beta Pharma Co., Ltd.
6. A permanent injunction requiring defendant Zhejiang Beta Pharma Co., Ltd. to cause plaintiff's shares to be registered on the books of Zhejiang Beta Pharma Co., Ltd. in

China, and to grant to plaintiff full rights to participate in the initial public offering and all other rights appurtenant to his status as a shareholder.

7. Interest
8. Attorney's fees and costs of action.
9. Such other and further relief as law or equity may see fit to afford.

THE PLAINTIFF,

By



Jonathan Katz
JACOBS & DOW, LLC
350 Orange Street
New Haven, CT 06511
Telephone: 203-772-3100
Fax: 203-772-1691
Juris No.: 432271
jkatz@jacobsllaw.com

EXHIBIT A

Partnership Offering to Dr. Zhaoyin Wang by Betapharma, Inc.

Date: March 22nd, 2010

Name: Zhaoyin Wang, Ph. D.

Address: 72 Denault, Kirkland, Quebec H9J3X3, Canada

Dear Dr. Zhaoyin Wang,

Beta Pharma Inc. is very pleased to offer a partnership to you. We are very excited about the potential that you will bring to our organization!

As we discussed during your visiting and phone conversation, the partnership package is described as the followings:

-  1) You will be the CSO (Chief Scientific Office) of Beta Pharma (group) for our organization. You will be responsible for overall Research and Development efforts of whole Betapharma group including our joint venture with other organizations such as Zhejiang, Anhui, and Shanghai, and Betapharma USA; you will also be partially involved in company fund raising, in-license in and out-license out, business development, the preparation of business plan and research grant proposals
-  2) You will be awarded initially with 2 million shares (about 2 % of company value). Your total number shares will be increased annually as company gets better and grows due to your contribution and we will make adjustment from this starting point; A formal agreement on the stock ownership will be signed separately. The ownership of the stock will be increased annually at 10-25% rate based on company operation and financial situation;
-  3) You will be awarded with 3 million shares of current Zhejiang Betapharma stock (Zhejiang Beta total number of shares is 300 million). Your total ownership of Zhejiang Betapharma is one percent. Following Zhejiang Betapharma company rules and regulation, upon certain point such as company go public, the transaction will be executed following the detailed procedure that will be described in Zhejiang Betapharma stock ownership policy.
-  4) Your annual salary will be 850,000 RMB Yuan. And about 400,000 Yuan will be paid to you in the form of USA dollars from the US source, that is, \$60,000.00 ($60,000 \times 6.83 = 409,800$ yuan) annual salary paid from Betapharma USA; 450,000 Yuan will be paid to you in the form of Chinese RMB Yuan from the Chinese source, of which 350,000 Yuan is tax-free and the remaining 100,000 Yuan will be subjected as taxable income in China. Beta Pharma will guarantee 400,000 Yuan income from the Chinese source. The overall salary will be raised 5-15% annually based on company operation and financial situation.
-  5) You will be awarded with 12.8% of net profit for all generic drugs you brought to market;

(b) For your new patent ideas and so on, we will following the method described as the following in Yinxiang Wang's offer letter to you

根据你对一些项目的设想，你是拟订 1-4 个项目，专门为你注册个公司，你兼任该公司的 CEO。我们共同讨论后开始在现在的平台上实施，由公司投入。下面是一份对项目合作的初步设想：

BetaPharma - BP 与 Zhaoyin Wang - ZW 互：项目执行团队 - C 方

1. 为项目单独注册一公司（NEWCO），将该项目的知识产权等转入 NEWCO。项目的运作依然在原有框架上运行。
2. BP 将负责投资并将项目推进到在中国的临床批文为结点，其中包括完成在中国，美国以及在 PCT 的专利申请。作为回报，BP 拥有项目的全球权利的 65%，即拥有 NEWCO 65% 的股份。
3. ZW 将在合作初始负责提供项目，以及 ZW 拥有的与项目相关的所有能直接导致专利申请的信息与设计，并确保该专利申请的有效性 and 真实性。ZW 并将继续负责与项目相关的药物研发方面的研究与设计，包括在此期间的相关的技术支持。作为回报，ZW 拥有项目的全球权利的 20%；即拥有 NEWCO 20% 的股份；其它 15% 股份由执行项目的团队所有（暂由 C 方代持股，具体比例由 BP 董事会商定，分配依据执行团队的贡献）。
4. 在双方同意的情况下，双方可以找任意第三方投资，但是在拿到中国的临床批文前 ZW 和 C 方拥有的股份保持不变；且该项目申请的国家资助均由 NEWCO 所有。
5. 项目以在中国的临床批文为结点，在拿到中国的临床批文后，如果找到第三方投资，公司及项目的所有股份均应按比例同时稀释。如果转让出去的话，BP 有 65% 的利益，ZW 有 20% 的利益，C 方有 15% 的利益；如 BP 愿意保留该项目，则 BP 有优先权以同样价格获得 ZW 及 C 方的股份，而同时 ZW 及 C 方有权任意选择部分或全部套现。
6. 项目在拿到中国的临床批文后，在转让不出也无第三方介入的条件下，如果 BP 愿意继续追加投资在中国作临床试验，BP 将负责将项目推进到完成临床二期并拿到临床三期批文为第二个结点，作为回报，BP 拥有 NEWCO 72% 的股份；ZW 有 16% 的股份，C 方有 12% 的股份。
7. 如 BP 愿意继续追加投资在中国作临床试验，BP 将负责将项目推进到完成临床三期，直至获得新药证书和生产批文，作为回报，BP 拥有 NEWCO 78% 的股份；ZW 有 12% 的股份，C 方有 10% 的股份。
8. 如 BP 负责投资将项目推进在美国 FDA 拿到临床批文，或者以至于拿到新药证书，作为回报，在每个阶段，BP 所持股份将相应增加同等比例 8%。其他两方的股份则相应按比例稀释。（比如，如果拿到 FDA 的临床批文，BP 将拥有 70.2%，如果完成临床一期，BP 将拥有 75.8%，如果完成临床二期，BP 将拥有 81.86%，如果完成临床三期直至获得新药证书和生产批文，BP 将拥有 88.41%。）
9. 若 ZW 主动离职，或 BP 解除与 ZW 聘用关系，对于解除聘用关系前已实现的相关里程碑成果的奖励按以下约定方式处理：
9.1、对于 ZW 提出并作为主要负责人完成研发工作的新药，若处于临床前研究阶段，且未实质性支付的奖励应当是已实现的相关里程碑成果当时的净价值（双方应当在聘用关系结束前一个月内或里程碑成果净价值协商确认。此净价值应扣除里程碑成果的“生产成本”的 5%，且此奖励为终结性的。

Handwritten initials

2. 对于 ZW 方提出并作为主要负责人完成研发工作的新药，若处于临床研究阶段，则 ZW 有权选择下列一种受益方式中选择一种适用：

1) 根据已实现的相关里程碑成果当时的净价值（双方应当在聘用关系结束后三个月内完成里程碑成果净价值的确认。此净价值应扣除里程碑成果的产生成本），由 BP 一次性按照上述第五至八条款中的比例给予 ZW 相应金额，或

2) 在已实现的相关里程碑成果的未来净收益中享有确定比例（10%）的净收益奖励。

Handwritten initials

11. 双方都应严格遵守本协议；
双方在合作过程中如有任何争议，应本着相互信任、精诚合作的原则协商解决，如协商不成，则可通过聘用合同的约定及法律法规的规定，通过法律途径解决。

In the case of accidental death of ZW, the designated beneficiaries in his will shall be entitled to all of the above-listed profit sharing benefits including the 3 million shares of Zhejiang Betapharma current stock, 2 million shares of Betapharma Inc (US) stock, and all other awards/benefits described above in item 5 to 9. Their right to these awards/benefits shall be protected by both US and Chinese laws.

In accepting the terms and conditions, please sign your name below to certify your understanding. As company growing, we may make adjustment for your position, compensation, work time and all other terms.

We look forward to your arrival at our company and are confident that you will play a key role in our company's expansion into national and international markets. Please let me know if you have any questions or if I can do anything to make your arrival easier.

Sincerely,

Signature and date: Don Zhang, March 26/2010

By Don Zhang, Ph. D.

Representative OF

Beta Pharma, Inc.

(Signature and date)

Signature and date: Zhaoxin Wang, March 23, 2010

By Zhaoxin Wang, Ph. D.