

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM S-8  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

C3, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA

3800 GATEWAY BOULEVARD, SUITE 310  
MORRISVILLE, NORTH CAROLINA 27560

56-0308470

(State or other jurisdiction of  
incorporation or organization)

(Address of principal executive offices)

(I.R.S. Employer  
Identification Number)

1996 STOCK OPTION PLAN OF  
C3, INC.

1997 OMNIBUS STOCK PLAN OF  
C3, INC.

(Full title of the plans)

Jeff N. Hunter  
President  
C3, Inc.  
3800 Gateway Boulevard, Suite 310  
Morrisville, North Carolina 27560  
(919) 468-0399

(Name, address and telephone number, including area code,  
of agent for service)

CALCULATION OF REGISTRATION FEE

TITLE OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE(1)
Common Stock, no par value	1,377,045 shares	\$1.88-\$15.00	\$12,100,708	\$3,570

(1) Pursuant to Rule 457(c) and (h)(1), based on (i) the average option price (\$3.95) for shares available for issuance upon exercise of outstanding options granted pursuant to the 1996 Stock Option Plan of C3, Inc. (661,791 shares); (ii) the average option price (\$14.61) for shares available for issuance upon exercise of outstanding options granted pursuant to the 1997 Omnibus Stock Plan of C3, Inc. (477,000 shares); (iii) the average (\$12.1875) of the high (\$12.50) and low (\$11.875) sale prices of the registrant's common stock on December 29, 1997, as reported by the Nasdaq National Market, with respect to shares available for future issuance pursuant to the 1997 Omnibus Stock Plan of C3, Inc. (200,979 shares); and (iv) the average option price (\$1.88) for shares available for issuance upon exercise of outstanding options granted by the registrant to consultants performing services on behalf of the Company prior to the adoption of either the 1996 Stock Option Plan of C3, Inc. or the 1997 Omnibus Stock Plan of C3, Inc. (37,275 shares).

## PART II

## INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

## ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.

The following documents filed by C3, Inc. (the "Company") with the Securities and Exchange Commission (the "Commission") are incorporated herein by reference:

(a) The Company's Prospectus dated November 14, 1997, filed with the Commission on November 17, 1997.

(b) The description of the Company's Common Stock, no par value, contained in the Company's Registration Statement on Form 8-A, filed pursuant to Section 12(g) of the Securities Exchange Act of 1934 (the "Exchange Act") with the Commission on November 7, 1997, including any amendment or report filed for the purpose of updating such description.

(c) All other reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act since the end of the period referred to in (a), above.

All documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities remaining unsold shall be deemed to be incorporated by reference herein and to be a part hereof from the date of the filing of such documents.

## ITEM 4. DESCRIPTION OF SECURITIES.

Not applicable.

## ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

The legality of the securities offered hereby has been passed upon by the firm of Womble Carlyle Sandridge & Rice, PLLC, counsel to the Company. One of the members of Womble Carlyle Sandridge & Rice, PLLC holds 10,650 shares of Common Stock, which were purchased from the Company in May 1996 in a private placement transaction.

## ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Sections 55-8-50 through 55-8-58 of the North Carolina Business Corporation Act contains specific provisions relating to indemnification of directors and officers of North Carolina corporations. In general, such sections provide that (i) a corporation must indemnify a director or officer who is wholly successful in his defense of a proceeding to which he is a party because of his status as such, unless limited by the articles of incorporation, and (ii) a corporation may indemnify a director or officer if he is not wholly successful in such defense and it is determined as provided by statute that the director or officer meets a certain standard of conduct, but the corporation may not indemnify a director or officer if he is liable to the corporation or is adjudged liable on the basis that personal benefit was improperly received by him. A director or officer of a corporation who is a party to a proceeding may also apply to the courts for indemnification, and the court may order indemnification under certain circumstances set forth in the statute. A corporation may, in its articles of incorporation or bylaws or by contract or resolution, provide indemnification in addition to that provided by statute, subject to certain conditions.

The Company's bylaws provide for the indemnification of any director or officer of the Company against liabilities and litigation expenses arising out of his status as such, excluding (i) any liabilities or litigation expenses relating to activities which were at the time taken known or believed by such person to be clearly in conflict with the best interest of the Company and (ii) that portion of any liabilities or litigation expenses with respect to which such person is entitled to receive payment under any insurance policy.

The Company's articles of incorporation provide for the elimination of the personal liability of each director of the Company to the fullest extent permitted by law.

The Company has obtained directors' and officers' liability insurance, under which directors and officers of the Company may be insured or indemnified against certain liabilities which they may incur in their capacity as such.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

Not applicable.

ITEM 8. EXHIBITS.

The following exhibits are filed as a part of this Registration Statement:

NUMBER -----	DESCRIPTION -----
4.1	Amended and Restated Articles of Incorporation of C3, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-1 (File No. 333-36809)).
4.2	Amended and Restated Bylaws of C3, Inc. (incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-1 (File No. 333-36809)).
5	Opinion of Womble Carlyle Sandridge & Rice, PLLC, as to the legality of the Common Stock being registered.
23.1	Consent of Womble Carlyle Sandridge & Rice, PLLC (included in Exhibit 5).
23.2	Consent of Deloitte & Touche, LLP.
24	Power of Attorney (included in the signature page to this Registration Statement).
99.1	1996 Stock Option Plan of C3, Inc., as amended (incorporated by reference to Exhibit 10.15 of the Company's Registration Statement on Form S-1 (File No. 333-36809)).
99.2	1997 Omnibus Stock Plan of C3, Inc. (incorporated by reference to Exhibit 10.16 of the Company's Registration Statement on Form S-1 (File No. 333-36809)).
99.3	1997 Declaration of Amendment to 1997 Omnibus Stock Plan of C3, Inc.
99.4	Stock Option Agreement, dated May 25, 1996, between C3, Inc. and Robert C. Glass and Bronwen K. Nishikawa.
99.5	Stock Option Agreement, dated June 4, 1996, between C3, Inc. and Earl R. Hines and Jacqueline C. Hines.
99.6	Stock Option Agreement, dated June 6, 1996, between C3, Inc. and Douglas G. Waltz.

## ITEM 9. UNDERTAKINGS.

(a) The Company hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:
- (i) To include any prospectus required by Section 10(a)(3) of the Securities Act;
  - (ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;
  - (iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

PROVIDED, HOWEVER, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Company pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the Registration Statement.

- (2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The Company hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Company's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, C3, Inc. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Morrisville, State of North Carolina, on this 31st day of December, 1997.

C3, INC.

By: /s/ JEFF N. HUNTER

-----  
 Jeff N. Hunter  
 President and Chairman

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each person whose signature appears on the signature pages to this Registration Statement hereby constitutes and appoints Jeff N. Hunter and Mark W. Hahn, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for the undersigned, and in his name, place and stead, in any and all capacities to sign any and all amendments, including post-effective amendments, exhibits thereto and other documents in connection therewith, to this Registration Statement, to make such changes in the Registration Statement as such attorneys-in-fact deems appropriate, and to file the same, with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them, full power and authority to do so and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on December 31, 1997.

/s/ JEFF N. HUNTER

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 Jeff N. Hunter  
 PRESIDENT AND DIRECTOR  
 (PRINCIPAL EXECUTIVE OFFICER)

/s/ FREDERICK A. RUSS

-----  
 Frederick A. Russ  
 DIRECTOR

/s/ KURT LEUTZINGER

-----  
 Kurt Leutzinger  
 DIRECTOR

/s/ DAVID B. STEWART

-----  
 David B. Stewart  
 DIRECTOR

/s/ KURT NASSAU

-----  
 Kurt Nassau  
 DIRECTOR

/s/ OLLIN B. SYKES

-----  
 Ollin B. Sykes  
 DIRECTOR

/s/ HOWARD RUBIN

-----  
 Howard Rubin  
 DIRECTOR

/s/ MARK W. HAHN

-----  
 Mark W. Hahn  
 CHIEF FINANCIAL OFFICER  
 (PRINCIPAL FINANCIAL AND  
 ACCOUNTING OFFICER)

EXHIBIT INDEX  
TO  
REGISTRATION STATEMENT ON FORM S-8 OF  
C3, INC.

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December 31, 1997

C3, Inc.  
3800 Gateway Boulevard, Suite 310  
Morrisville, North Carolina 27560

Re: 1996 Stock Option Plan of C3, Inc. and  
1997 Omnibus Stock Plan of C3, Inc.

Ladies and Gentlemen:

We have served as counsel for C3, Inc. (the "Company") in connection with its registration under the Securities Act of 1933, as amended, of 1,377,045 shares of its common stock, no par value (the "Shares"), which are proposed to be offered and sold pursuant to the (1) 1996 Stock Option Plan of C3, Inc., as amended; (2) 1997 Omnibus Stock Option Plan of C3, Inc., as amended (individually, a "Plan" and collectively, the "Plans"); and (3) certain options issued to consultants performing services on behalf of the Company prior to adoption of the Plans pursuant to certain option agreements (the "Agreements"), and pursuant to the Company's Registration Statement on Form S-8 (the "Registration Statement") to be filed with the Securities and Exchange Commission (the "Commission") with respect to the Shares.

In rendering this opinion, we have relied upon, among other things, our examination of such records of the Company and certificates of its officers and of public officials as we have deemed necessary. We express no opinion as to matters under or involving the laws of any jurisdiction other than the corporate law of the State of North Carolina.

Based upon the foregoing, and having regard for such legal considerations as we have deemed relevant, we are of the opinion that the Shares have been duly authorized and, when issued and paid for in accordance with the terms of the respective Plan or Agreement, will be validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement.

WOMBLE CARLYLE SANDRIDGE & RICE  
A PROFESSIONAL LIMITED LIABILITY COMPANY

By: /s/ CYRUS M. JOHNSON, JR.  
-----  
Name: CYRUS M. JOHNSON, JR.  
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## INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of C3, Inc. on Form S-8 of our report dated March 11, 1997, except for Note 9, as to which the date is September 25, 1997, appearing in the Registration Statement of C3, Inc. on Form S-1 No. 333-36809 and the related Prospectus.

/s/ Deloitte & Touche, LLP

Raleigh, North Carolina  
December 31, 1997



C3, INC.  
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1997 DECLARATION OF AMENDMENT TO  
1997 OMNIBUS STOCK PLAN OF  
C3, INC.

THIS DECLARATION OF AMENDMENT, made this 11th day of December, 1997, by C3, INC., a North Carolina corporation (the "Corporation"), to the 1997 Omnibus Stock Plan of C3, Inc. (the "Plan").

R E C I T A L S:

WHEREAS, the Corporation has established the Plan, which Plan has been approved by the Board of Directors (the "Board" or the "Board of Directors") and the shareholders of the Corporation; and

WHEREAS, the Plan is intended to encourage selected employees, directors and independent contractors to increase their proprietary interest in the Corporation, in order to stimulate their efforts to enhance the efficiency, soundness, profitability, growth and shareholder value of the Corporation; and

WHEREAS, the Board has determined that certain amendments should be made to the Plan in order to accomplish such purposes and to clarify the interpretation of certain Plan provisions;

NOW, THEREFORE, IT IS DECLARED, that, effective as of the date hereof, the Plan shall be amended as follows:

1. The first sentence of Section 5(b) is hereby deleted and the following sentence is inserted in lieu thereof, with the remaining portion of Section 5(b) being unchanged:

"(b) With respect to the grant of an Incentive Option, the individual does not own, immediately before the time that the Incentive Option is granted, stock possessing more than ten percent of the total combined voting power of all classes of stock of the Corporation or a related corporation; provided, however, that an individual owning more than ten percent of the total combined voting power of all classes of stock of the Corporation or a related corporation may be granted an Incentive Option if the price at which such Option may be exercised is greater than or equal to 110 percent (110%) of the fair market value of the shares on the date the Option is granted and the period of the Option does not exceed five years."

2. All references in Section 6(c)(iii)(E) to the "Company" shall be deleted and the term "Corporation" shall be inserted in lieu thereof.

3. The first sentence of Section 6(c)(iv) shall be deleted and the following sentence shall be inserted in lieu thereof, with the remaining portion of Section 6(c)(iv) being unchanged:

"(iv) Unless an individual option agreement provides otherwise, an Option granted to a Participant who was an independent contractor or director of the Corporation or a related corporation at the time of grant (and who does not thereafter become an employee, in which case he shall be subject to the provisions of Section 6(c)(iii) herein) may be exercised only to the extent exercisable on the date of the Participant's termination of service to the Corporation or a related corporation (unless the termination was for cause), and must be exercised, if at all, prior to the first to occur of the following, as applicable: (X) the close of the period of 90 days next succeeding the termination date; or (Y) the close of the Option Period."

4. Section 7(d)(iii) shall be deleted in its entirety and the following shall be inserted in lieu thereof:

"(iii) No SAR may be exercised unless the Participant is, at the time of exercise, an eligible Participant, as described in Section 5, and has been a Participant continuously since the date the SAR was granted, subject to the provisions of Section 6(c)(iii) and (iv) herein."

5. The first sentence of Section 8(a) of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof, with the remainder of Section 8(a) being unchanged:

"(a) GRANT OF RESTRICTED AWARDS: Subject to the limitations of the Plan, the Committee may in its sole and absolute discretion grant Restricted Awards to such eligible individuals in such numbers, upon such terms and at such times as the Committee shall determine."

IN WITNESS WHEREOF, this Declaration of Amendment is executed on behalf of C3, Inc. as of the day and year first above written.

C3, INC.

By: \_\_\_\_\_  
Jeff N. Hunter  
President

ATTEST:  
  
-----  
Mark W. Hahn  
Secretary

[Corporate Seal]

## STOCK OPTION AGREEMENT

THIS AGREEMENT, made the 25th day of May, 1996, between C3, Inc., a North Carolina corporation (the "Company"), and Robert C. Glass and Bronwen K. Nishikawa, jointly with right of survivorship (the "Optionee").

## R E C I T A L S:

In consideration of One Dollar (\$1.00) and other good and valuable consideration paid to the Company by the Optionee, the receipt of which is acknowledged by the Company, the Company and the Optionee hereby agree as follows:

1. The Company hereby grants to the Optionee the right and option to purchase all or any part of an aggregate of Five Thousand (5,000) shares of the common stock of the Company (the "Shares") at the purchase price of Four Dollars (\$4.00) per share (the "Option"). The parties acknowledge that the fair market value of the Shares on the date of this agreement is equal to Four Dollars per share.

2. The period during which the Option may be exercised (the "Option Period") is five (5) years from the date hereof.

3. The Optionee may exercise the Option by giving written notice to the Company at the Company's principal office. That notice shall specify the number of Shares to be purchased and the purchase price to be paid therefor, and shall be accompanied by the payment of the purchase price in cash or by certified check. The notice shall be deemed to have been given either when delivered personally or when mailed, postage prepaid, to the Secretary of the Company at the principal office of the Company. The Company shall issue a certificate or certificates for the Shares purchased pursuant to the exercise of the Option as soon thereafter as practicable.

4. The Option shall not be transferable by the Optionee and may be exercised only by the Optionee during his lifetime.

5. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective executors, administrators, next-of-kin, successors or assigns. This paragraph shall not be construed to authorize any transfer in violation of paragraph 4.

6. Any controversy or claim arising out of or relating to the Agreement shall be settled by arbitration in Charlotte, North Carolina, in accordance with the rules of the American Arbitration Association.

7. The Option is granted on the condition that all Shares purchased hereunder shall be acquired for investment purposes only and not for the purpose of resale or distribution. If deemed necessary or appropriate in the opinion of legal counsel for the Company, certificates issued evidencing Shares acquired pursuant to the exercise of the Option shall bear a restrictive legend setting forth the provisions of this Section 7 in substantially the following form:

"The shares represented by this certificate have not been registered with the Securities and Exchange Commission or with any state agency and may not be transferred in the absence of an effective registration with respect thereto or an opinion of counsel satisfactory to the Company that such registration is not required."

8. If there is any change in the Shares subject to the Option through merger, consolidation or reorganization, or if the Company declares a stock split or a stock dividend to holders of Shares that is distributable in stock of the same class, or if there is an issuance to such holders of rights to subscribe to stock of the same class, or if there is a change in the capital structure of the Company, the Company shall make such adjustments with respect to the Option or any provisions of this Agreement as it deems equitable to prevent dilution or enlargement of the rights of the Optionee.

9. The Agreement may be modified or amended by written agreement of the parties hereto.

10. Except as otherwise provided herein, this Agreement shall be construed and enforced according to the laws of the State of North Carolina.

IN WITNESS WHEREOF, this Agreement has been executed in behalf of the Company and by the Optionee on the day and year first above written.

C3, INC.

By:

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President

Attest:

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Secretary

[Corporate Seal]

OPTIONEE

(SEAL)

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## STOCK OPTION AGREEMENT

THIS AGREEMENT, made the 4th day of June, 1996, between C3, Inc., a North Carolina corporation (the "Company"), and Earl R. Hines and Jacqueline C. Hines, jointly with right of survivorship (the "Optionee").

## R E C I T A L S:

In consideration of One Dollar (\$1.00) and other good and valuable consideration paid to the Company by the Optionee, the receipt of which is acknowledged by the Company, the Company and the Optionee hereby agree as follows:

1. The Company hereby grants to the Optionee the right and option to purchase all or any part of an aggregate of Two Thousand and Five Hundred (2,500) shares of the common stock of the Company (the "Shares") at the purchase price of Four Dollars (\$4.00) per share (the "Option"). The parties acknowledge that the fair market value of the Shares on the date of this agreement is equal to Four Dollars per share.

2. The period during which the Option may be exercised (the "Option Period") is five (5) years from the date hereof.

3. The Optionee may exercise the Option by giving written notice to the Company at the Company's principal office. That notice shall specify the number of Shares to be purchased and the purchase price to be paid therefor, and shall be accompanied by the payment of the purchase price in cash or by certified check. The notice shall be deemed to have been given either when delivered personally or when mailed, postage prepaid, to the Secretary of the Company at the principal office of the Company. The Company shall issue a certificate or certificates for the Shares purchased pursuant to the exercise of the Option as soon thereafter as practicable.

4. The Option shall not be transferable by the Optionee and may be exercised only by the Optionee during his lifetime.

5. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective executors, administrators, next-of-kin, successors or assigns.

6. Any controversy or claim arising out of or relating to the Agreement shall be settled by arbitration in Charlotte, North Carolina, in accordance with the rules of the American Arbitration Association.

7. The Option is granted on the condition that all Shares purchased hereunder shall be acquired for investment purposes only and not for the purpose of resale or distribution. If deemed necessary or appropriate in the opinion of legal counsel for the Company, certificates issued evidencing Shares acquired pursuant to the exercise of the Option shall bear a restrictive legend setting forth the provisions of this Section 7 in substantially the following form:

"The shares represented by this certificate have not been registered with the Securities and Exchange Commission or with any state agency and may not be transferred in the absence of an effective registration with respect thereto or an opinion of counsel satisfactory to the Company that such registration is not required."

8. If there is any change in the Shares subject to the Option through merger, consolidation or reorganization, or if the Company declares a stock split or a stock dividend to holders of Shares that is distributable in stock of the same class, or if there is an issuance to such holders of rights to subscribe to stock of the same class, or if there is a change in the capital structure of the Company, the Company shall make such adjustments with respect to the Option or any provisions of this Agreement as it deems equitable to prevent dilution or enlargement of the rights of the Optionee.

9. The Agreement may be modified or amended by written agreement of the parties hereto.

10. Except as otherwise provided herein, this Agreement shall be construed and enforced according to the laws of the State of North Carolina.

IN WITNESS WHEREOF, this Agreement has been executed in behalf of the Company and by the Optionee on the day and year first above written.

C3, INC.

By:

-----

President

Attest:

-----

Secretary

[Corporate Seal]

OPTIONEE

(SEAL)

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## STOCK OPTION AGREEMENT

THIS AGREEMENT, made the 6th day of June, 1996, between C3, Inc., a North Carolina corporation (the "Company"), and Douglas G. Waltz, (the "Optionee").

## R E C I T A L S :

In consideration of One Dollar (\$1.00) and other good and valuable consideration paid to the Company by the Optionee, the receipt of which is acknowledged by the Company, the Company and the Optionee hereby agree as follows:

1. The Company hereby grants to the Optionee the right and option to purchase all or any part of an aggregate of Ten Thousand (10,000) shares of the common stock of the Company (the "Shares") at the purchase price of Four Dollars (\$4.00) per share (the "Option"). The parties acknowledge that the fair market value of the Shares on the date of this agreement is equal to Four Dollars per share.

2. The period during which the Option may be exercised (the "Option Period") is five (5) years from the date hereof.

3. The Optionee may exercise the Option by giving written notice to the Company at the Company's principal office. That notice shall specify the number of Shares to be purchased and the purchase price to be paid therefor, and shall be accompanied by the payment of the purchase price in cash or by certified check. The notice shall be deemed to have been given either when delivered personally or when mailed, postage prepaid, to the Secretary of the Company at the principal office of the Company. The Company shall issue a certificate or certificates for the Shares purchased pursuant to the exercise of the Option as soon thereafter as practicable.

4. The Option shall not be transferable by the Optionee and may be exercised only by the Optionee during his lifetime.

5. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective executors, administrators, next-of-kin, successors or assigns.

6. Any controversy of claim arising out of or relating to the Agreement shall be settled by arbitration in Charlotte, North Carolina, in accordance with the rules of the American Arbitration Association.

7. The Option is granted on the condition that all Shares purchased hereunder shall be acquired for investment purposes only and not for the purpose of resale or distribution. If deemed necessary or appropriate in the opinion of legal counsel for the Company, certificates issued evidencing Shares acquired pursuant to the exercise of the Option shall bear a restrictive legend setting forth the provisions of this Section 7 in substantially the following form:

"The shares represented by this certificate have not been registered with the Securities and Exchange Commission or with any state agency and may not be transferred in the absence of an effective registration with respect thereto or an opinion of counsel satisfactory to the Company that such registration is not required."

8. If there is any change in the Shares subject to the Option through merger, consolidation or reorganization, or if the Company declares a stock split or a stock dividend to holders of Shares that is distributable on stock of the same class, or if there is an issuance to such holders of rights to subscribe to stock of the same class, or if there is a change in the capital structure of the Company, the Company shall make such adjustments with respect to the Option or any provisions of this Agreement as it deems equitable to prevent dilution or enlargement of the rights of the Optionee.

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10. Except as otherwise provided herein, this Agreement shall be construed and enforced according to the laws of the State of North Carolina.

IN WITNESS WHEREOF, this Agreement has been executed in behalf of the Company and by the Optionee on the day and year first above written.

C3, INC.

By: \_\_\_\_\_  
President

Attest:  
\_\_\_\_\_  
Secretary

[Corporate Seal]

OPTIONEE  
\_\_\_\_\_  
(SEAL)