

M. Duane Horton, President of Mega, and David R. Hall, Vice President of Mega reaffirm the understanding that H. Tracy Hall will receive 2% royalty on all polycrystalline diamond products and also continue to pay the \$1500.00 fixed royalty until Cogema begins to pay a 5% royalty on their sales. Mega keep 3/5ths and Hall will receive 2/5ths of this royalty.

Copy of David Hall's journal page 38, January 16, 1984 indicating this is attached.

Duane + I agreed to pay dad on all of the poly-  
 repletin products as we are required to under the  
 royalty agreement til ~ 1990. We will also  
 continue to pay the \$1500/month until the French  
 start paying us the 5% royalty at which time we  
 pay him the 2% until 1990 on French sales  
 of PCD products. The 2% on PCD products  
 would be ~ 4,000/mo. + 1500 = \$5,500/mo. He will  
 make more from royalties than I make in salary.

If we are able to merge with a larger company  
 who will use the products in high volume the royalties  
 should increase. I believe his royalties will be  
 a growing amount + may be as high as \$25,000/mo.  
 by 1990.

Toussie Boss finished our tax return & as planned we  
 had no tax liability and considerable credit left to  
 offset all of our tax liability that is shown on our  
 balance sheet. There is more than \$500,000 in  
 tax liability that needs to be reversed + it should  
 help us end up at about \$500,000 of bottom line  
 profit. We will end up at ~ \$600,000 of R+D  
 again and ~ 500,000 of interest expense which  
 should yield a good operating profit also.

Charlie Hartwell came today and met with Bruce  
 on generating a market for serrated gage part for  
 stabilizers. He will get the discount and will re-  
 sell to others outside of the main 5 tool companies.

