

March 19, 1982

Memo to: M. Duane Horton
from: H. Tracy Hall, Jr

As I indicated in our meeting March 5, I sincerely appreciate your counter-offer to my request. In light of the many negative results achieved so far in the field, it is indeed a generous expression of confidence for the company to offer to finance my time and provide research funds at the level offered, and to be willing to purchase my unproven ideas, equipment, and rights with a royalty on sales which might well eventually result from a process not yet considered.

My dream has always been to have a great degree of control over my own enterprise, with as little obligation as possible to investors, and my interest in low-pressure diamond growth has been directed toward that end. Indeed, my prototype equipment has cost only a few hundred dollars to build, it is installed conveniently in my home, and I have high hopes of demonstrating feasibility with it.

To accept your offer at this time, although it would give me much more research time than I presently have available, would take much of the fun out of it, because of the inevitable expectations and obligations resulting. Right now I just really can't stand to part with my proprietorship, whatever it might be worth, nor do I feel comfortable about establishing a price for it at this time. Nevertheless, having lost my seed capital in my dental burr venture, I am resigned to the necessity of laboring for an "honest" living until this invention proves out.

There are several reasons I would like to stay with Mega : (a) I'm finally earning enough to make ends meet, (b) I think I have learned enough about high pressure processes to make an increasingly meaningful contribution, and (c) I have a personal and family interest as a shareholder.

I do agree that there is a potential of a conflict of interest here which needs to be resolved. Since I am hesitant, at this time, to sell my rights to Mega, I would like to offer, instead, to buy Mega's rights (and, if necessary, the rights of related companies: DDF, SICN, etc.) to the field.

In exchange for all rights to manufacture products by sub-equilibrium-pressure growth together with all information presently possessed or developed in the future by Megadiamond (and related companies, if Mega so desires), I would be willing to pay a one-percent royalty on sales of all products I make by such a process and be willing to guarantee Megadiamond the first right of refusal to any sale of the invention itself. I would continue to work full time on Mega's high pressure projects and continue my contractual obligations to Mega and SICN in this field, using my own time and funds for my private research.