

March 4, 1982

Memo to: H. Tracy Hall Jr.
From: M. Duane Horton

Since our discussion last month, I have considered your proposal that your contract with Megadiamond be amended to permit you to do low-pressure crystal growth research at your own expense and for your own benefit. Also, I have consulted with other management personnel relative to your proposal and we have generated a counter-proposal.

We propose that the research you describe would be carried out as part of your regular duties on company time and at company expense. You would be authorized to spend up to 33% of your time on this project and you would be granted a first year budget of \$10,000 for equipment and supplies. In addition, we would make a special contract modification whereby we purchase your rights from you in exchange for a 1% royalty on all sales of products manufactured by the low-pressure processes you invent.

This arrangement would accomplish the following:

- 1 It would make it possible for you to pursue your "first love" as a part of your employment which should be the status for any professional employee.
- 2 It would avoid a conflict of interest between yourself, Megadiamond, related companies and the various owners.
- 3 It would permanently resolve this issue which I know has been very troublesome for you.