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Meeting with J. Fulham

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Primary purpose of the meeting was to inform Jack of our negotiations with Sintermet and the Rackoffs - to get his thoughts and considerations in structuring a possible deal. I explained that it is likely that Sintermet will offer us a minority position in their firm. He cautioned that a minority position, unless structured properly, can be a difficult position to be in due to lack of control.

Sintermet being a private company, any minority interest we might have would be difficult to sell other than at a significant discount. This would affect our overall return on our investment, and should be considered in calculating any overall R.O.I.

Jack recommends that, in a minority interest of this sort, we should be looking for at least a 25 per cent return on our investment, annually. Perhaps even as high as a 40 per cent return, as this is what venture capitalists tend to look for in their investments. Beyond that, any deal should be structured so that we get our return on a priority basis, ahead of, say, ASKO Inc., or other stockholders. This could be done via a number of routes; one of which is to supply the funds on the basis of a subordinated debt, as opposed to buying common stock.

Depending on what Sintermet ultimately proposes to us, we should consider talking with Jack about the proposed deal; and beyond that, we might consider hiring him to assist in the negotiations, for the following reasons:

1. We are approaching this deal from the point of view of a friendly relationship between our two companies, and between the individuals involved. A third party, such as Jack, would be able to make some of the tough demands in structuring the deal that we might be reluctant to make, in the interest of our long-term relationship.

2. Jack has the experience and knowledge to structure a deal in such a way as to provide a favorable impact for Morgan.