

From: **DEAN MEILING** meiling@gbis.com
Subject: Re: Additional Consideration & Proposed DMS Employment Agreement
Date: **April 9, 2013 at 6:48 AM**
To: **D. Semas** dsemas@metalast.com



David,

Thank you for making this proposal. BTW, what sum is required to cover the payroll that was recently deferred?

On Apr 9, 2013, at 6:36 AM, D. Semas <dsemas@metalast.com> wrote:

Dean: In an effort to further address your concerns of METALAST International, LLC (MILLC) valuation even at the \$20 million level (\$5.00 per share), more than 50% below the current \$10.00 or \$44 million valuation I would propose the following. Considering that I have a ten (10%) equity ownership in MILLC per my Employment Agreement for effectively sustaining the business via loans and other guarantees, for all you have done for MILLC you should be entitled to the same thing. This type of consideration is entirely justified both ethically and legally as typical Limited Partnerships provide for a 15% to 25% equity position for the Managing Partner(s) especially those than have been at considerable financial risk.

In other words in addition to the adjusted \$5.00 share price for your \$3,000,000 equity investment for 600,000 MILLC shares or about a 11% equity position on a current diluted basis, you should also receive an additional ten (10%) equity ownership for the investment. From a business prospective the net affect of this would be something more akin to maybe a \$15 million valuation. As the future majority shareholder of the Manager (MII) your additional 10% equity ownership would effectively be defined as an undiluted equity position as referenced in my Employment Agreement (Paragraph 6c attached) and as follows:

DMS shall be entitled to receive a ten percent (10%) non-diluted equity ownership position in MILLC. This non-diluted equity ownership position shall entitle DMS to receive his prorata portion of MILLC annual net profits available for distribution as well as the same percentage of net profits upon sale, merger, IPO or liquidation when and if applicable. The term "net profits" is defined as net cash proceeds derived after deducting the cost of operations each year or at the time of sale or liquidation. This calculation includes the net cash received by MILLC after all deductions for costs associated with MILLC operations such as fixed and variable expenses, loan principal and interest repayments, Preferred Member distributions or redemption, payroll, taxes, insurance or other direct and indirect costs, including reasonable operating and replacement reserves related to the operation of MILLC. After offsetting all costs as defined herein, net profits would mean the cash actually remaining and available for distribution to the MILLC members and DMS as well as net proceeds generated from the sale, merger or liquidation of MILLC and all of its assets.

The new draft of my proposed Employment Agreement is attached below. The draft incorporates my suggested changes to the original Employment Agreement executed in April 2010. It alters my title from Chairman/CEO to President/CEO, substantially cuts my salary by nearly 35% from \$450,000 to \$300,000, reduces back wages by almost \$2 million from \$4.4 million to \$2.5 million with future accrued interest cut nearly in half at 8% versus 15%. The employment term is will be 2-years versus 7-years remaining under the old agreement and it greatly limits and restricts my signing authority and requires Board of approval for major decisions.

David

David M. Semas

Chairman/CEO | METALAST International Inc