

Company review

Mereo 4



Summary

Mereo 4 provides supply chain management support of weapon systems, aircraft and ground vehicles for U.S. Government and Foreign Allies: Kenya, India, Sri Lanka. It supplies equipment from Pratt & Whitney, General Electric, CFM, Boeing and Airbus for aircraft owners, operators, and maintenance facilities.

Funding

Mereo 4 has received \$1.59m in funding: \$1.34m from private investors over two rounds in June 2012 and April 2017 and a \$250k loan from the Small Business Administration.

Contracts

From 2013 to 2018 Mereo 4 has received six U.S. Government contracts for a total sum of \$29.5k from the Defense Logistics Agency and U.S. Navy as the prime contractor. For one of the contracts, funds were deobligated. Currently, Mereo 4 has the right to receive purchase orders under an IDIQ contract from the Navy for a total sum of \$10b for the period until 2029.

Conflict with AAR Corp

The company was founded in 2012 by former high-level executives of AAR Corp, a provider of aviation and expeditionary services to the commercial, government and defense aviation industries. The initiator was David Perri, ex-VP & General Manager of AAR Defense Systems and Logistics, who solicited his former boss James Clark and subordinate Edward De Waard, to join him. In 2010 Clark, who was 50 years old, was demoted from his position as Group VP and ultimately fired from AAR in 2011. He claimed that the reason for it was age discrimination, however at the time of his demotion the business segment, that he held P&L responsibility for, showed a decline in sales and operating income. Clark didn't receive severance payments and his stock options and restricted stock units which he had earned since becoming an officer of the company in 2000.

After incorporating Mereo 4 in February 2012, Clark filed a discrimination lawsuit against AAR. It was answered with a counterclaim, in which AAR accused him and his partner Perri of stealing employees and customers to form a direct competitor to AAR. Mereo 4 collectively employed 9 people who had previously worked at AAR, however, Clark denied that the two companies were competitors. The case was ultimately settled in December 2014 with AAR agreeing to pay Clark \$1.5m in compensations.

James Clark's other business venture

In 2011 Clark opened Blue Crane Imports, an importer of South African wines. Clark's wife Ilja and brother Jon also work at the company and Perri has been a partner in the business since 2012.

Description

Mereo 4 was founded in February 2012 by James Clark, David Perri, Edward De Waard and Robert Farina, former high-level executives of AAR Corp, a provider of aviation and expeditionary services to the commercial, government and defense aviation industries. For government clients, such as U.S. Army, Navy, Air Force and Foreign Allies: Kenya, India and Sri Lanka the company provides supply chain management support of weapon systems, such as aircraft and ground vehicles.

In the commercial aviation segment, Mereo 4 supplies aftermarket equipment for aircraft owners, operators, and maintenance facilities, as well as creates customized fleet management programs. Mereo sources equipment from Pratt & Whitney, General Electric, CFM, Boeing and Airbus.

The company supports non-profit organizations dedicated to scientific research, such as The Nature Conservancy, in food and equipment planning and procurement, air transportation for personnel and cargo, ocean freight, infrastructure development, inventory management, warehousing and distribution.

The conflict between AAR Corp and James Clark

In May 2010 Clark was demoted from the position of VP, Aviation Supply Chain, which he had held for 7 years. According to legal documents filed, it was Perri, who initially decided to form Mereo 4, a competitor to AAR, in January 2011 and later solicited De Waard and Clark to join him, in February and March respectively. Clark's employment with AAR had been wrongfully terminated in June of that year. Robert Farina, former VP, Finance for AAR, who left in 2011, was also invited to the meetings with the other three co-founders during that time.

Upon leaving AAR in October 2011, Perri signed a Severance agreement, which entitled him to receive his pay and insurance until April 2012, unless he accepted competitive employment during that period. Perri received compensation over \$100k and did not inform AAR of his involvement in Mereo 4, which was incorporated in February 2012.

That month Clark sued AAR for discrimination based on age that had led to his dismissal. In June 2014 the company filed a counterclaim against Clark and Perri, accusing them of competitive activity, stealing employees from AAR, as well as soliciting Otto Instrument Service, a potential purchaser of a business unit of AAR in Amsterdam, to invest in Mereo 4. Out of 20 known past and current employees of Mereo 4, 9 came from AAR. During his deposition, Clark denied that Mereo 4 and AAR were competitors. The parties of the lawsuit ultimately reached a settlement agreement at the end of 2014, under which AAR paid Clark \$1.5m, and the case was dismissed with prejudice in March 2015.

Partnerships & Conferences

In December 2015 M4 became a Cyber Reseller of PhishMe, a provider of phishing threat management solutions for defense, energy, financial services, healthcare, and manufacturing industries. In February 2018 the company changed its name to Cofense. In 2014-2019 David Perri attended the annual Chi-Stat conference, a networking event for Chicago-based aviation finance, marketing and consulting professionals.

Presumably, Ben Sandzer-Bell, VP, International BD at Mereo 4 attended The Galle Dialogue International Maritime Conference in 2019, organized by the Sri Lanka Navy, as Mereo4 has been assigned a liaison officer from the Navy, Ranga Kumarathilake.

Products

Government segment

- Kenya Air Force Huey II (helicopter);
- USAF E-8 Joint STARS (Surveillance Target Attack Radar System);
- USAF KC-10 Extender (refuelling plane);
- USN H46 and H53 Helicopters;
- USN H-60 Helicopters;
- USN F-18 Engines (F-18 - multirole combat jet, both a fighter and attack aircraft);
- USAF & USN Infrared Countermeasures & Targeting Pods;
- US Army FMTV (Family of Medium Tactical Vehicles);
- Global C-130 Support (military transport aircraft);
- USN P-3 Orion (warfare patrol aircraft).

Commercial segment

Pratt & Whitney JT8, JT9, PW2000 & PW4000;

General Electric CF6-50, -80A & -80C2;

CFMI-3, -5, -7;

Boeing 737, 747, 757, 767 & 777;

Airbus A300, -310, -320, -330, -340.

Founders

James John Clark (03.07.1960, TW, Li2) - co-founder and CEO. He received a Bachelor's Degree in Accounting from Bradley University in 1982 and later completed the CEO Perspectives Program at Northwestern University's Kellogg School of Management.

Career at AAR Corp. and wrongful termination, 1982 - 2015

In 1982 Clark became a staff accountant at AAR, where he continued to work for 28 years. In 1985 he performed graduate work at Hofstra University and completed half of an MBA program, before transferring to Europe.

In 1995 he received an overseas assignment as General Manager of AAR's Aircraft component services in Amsterdam, as of 2000, he resided at Singel 326, 1016 AE Amsterdam. In 2000 he was promoted to Group Vice President and was responsible for Component Repair and Services, and in 2002 - for Maintenance, Repair and Overhaul Services.

In 2005 he became VP of Aviation Supply Chain business unit, and by 2007 he was a candidate for the position of COO. According to AAR's annual report for the financial year ended in May 2010, operating income declined 12.2% compared with 2009 as a result of the reduction of sales and gross profit in the Aviation Supply Chain and Maintenance, Repair and Overhaul (MRO) segments, the first of which Clark held profit/loss responsibility for. Corresponding to the financial year's end in May 2010 AAR's President and CEO Timothy Romenesko informed Clark, who was 50 at the time, that he would be demoted to VP, Commercial Strategy and BD, his compensation reduced and his responsibilities, namely, annual reports to AAR's investor base, assigned to his younger subordinate of 33, John Holmes. Also, AAR forfeited his restricted stock awards

In his new position, Clark was responsible for: an airplane air purification system, identification of a purchaser for and closing of the sale of the Amsterdam business, managing supply chain support of KC-10 aircraft for Northrop Grumman and the U.S. Air Force, and development of AAR's Asian market. He was commended by David Storch, AAR's CEO, for his exemplary performance in the role. During this time Clark and Perri solicited Otto Instrument Service, a potential purchaser of AAR's Amsterdam business unit to invest in Mereo 4.

Clark claims that in October 2010 AAR began pressuring him to resign and in June 2011 he was fired, his stock awards and unexercised options worth ~\$890k were forfeited and the company refused to pay him any severance payments. In December 2011 he filed a Charge against AAR with the Equal Employment Opportunity Commission, which granted him the Right to Sue.

In his new position, Clark was responsible for: an airplane air purification system, identification of a purchaser for and closing of the sale of the Amsterdam business, managing supply chain support of KC-10 aircraft for Northrop Grumman and the U.S. Air Force, and development of AAR's Asian market. He was commended by David Storch, AAR's CEO, for his exemplary performance in the role. During this time Clark and Perri solicited Otto Instrument Service, a potential purchaser of AAR's Amsterdam business unit to invest in Mereo 4.

Clark claims that in October 2010 AAR began pressuring him to resign and in June 2011 he was fired, his stock awards and unexercised options worth ~\$890k were forfeited and the company refused to pay him any severance payments. In December 2011 he filed a Charge against AAR with the Equal Employment Opportunity Commission, which granted him the Right to Sue.

Managers

<u>James John Clark</u>	<u>Co-founder, CEO</u>	<u>TW</u>
<u>David Perri</u>	Co-founder, COO	<u>FB, TW, Inst,</u> <u>david.perri@live.com, skype:</u> <u>dperri7, live:david.perri,</u> <u>+18475506369</u>
<u>Amy (DuBeau) Somers</u>	VP, Business Development & Government Programs	<u>FB, Inst, TW,</u> <u>adubeauwood@gmail.com,</u> <u>skype:live: adubeauwood</u>
<u>Ben Sandzer-Bell (Li2, Li3)</u>	VP International Strategy & Business Development	<u>FB, FB2,</u> <u>ben.climateadaptationsolution</u> <u>s@gmail.com,</u> <u>bsandzerbell@mereo4.com,</u> <u>skype: ben.sandzer.bell,</u> <u>live:bsandzerbell</u>