Ida Rose 1128.73 per shr. 13279

Tracy
1389.78 c 10466+

Tracy Jr 1389.78 They pay 5400)
+ Kids (917.07)

Charlotte 5700 share
764.87
+ Kids 215.12
979.99

Nancy - 633.41
Child they pay 43.413
$ 776.823

David 2162.09
Karen 597.56
Kids 1195.11 They pay
$3944.57

Total for Tr. Jr. Daniel
I. Rose Nancy
Char. 7818.43

460,000

JONES, WALDO, HOLBROOK & McDONOUGH

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June 5, 1989

IN REPLY REFER TO:
Salt Lake City

Ida Rose Hall
1711 North Lambert Lane
Provo, UT 84601

Re: Joint Representation of Former Megadiamond Industries, Inc. Shareholders

Dear Ida:

This letter addresses aspects of this firm's joint representation of you and all other participating former Megadiamond Industries, Inc, ("Megadiamond") shareholders in your prosecution of an action against Smith International, Inc., ("Smiths") for claims arising out of the sale of Megadiamond to Smith.

While all of the participating former Megadiamond shareholders have asked this law firm to represent them in this matter, we have informed each of you that we cannot undertake this joint representation unless such representation is in accordance with the Utah Rules of Professional Conduct. Specifically, is our compliance with Rule 1.7 of the Utah Rules of Professional Conduct which, in pertinent part, states:

> (a) A lawyer shall not represent a client if the representation of that client will be directly adverse to another client, unless:
>
> (1) The lawyer reasonably believes the representation will not adversely

affect the relationship with the other client; and

(2) Each client consents after consultation.

(b) A lawyer shall not represent a client if the representation of that client may be materially limited by the lawyer's responsibilities to another client or to a third person or by the lawyer's own interests, unless:

(1) The lawyer reasonably believes the representation will not be adversely affected; and

(2) Each client consents after a consultation. When representation of multiple clients in a single matter is undertaken, the consultation shall include explanation to each client of the implications of the common representations and the advantages and risks involved.

Pursuant to Rule 1.7, we wish to explain to you the advantages and disadvantages involved in the joint representation of all former Megadiamond shareholders in the above-referenced matter. We believe that the advantages of joint representation will center on the ability to present a "united front" in this litigation, to have the lawyers of your choice, and to greatly reduce your legal fees and expenses.

The disadvantages of being jointly represented include the possibility of conflicts arising between any of the participating former shareholders. Yet, because each of the former shareholders' legal claims and factual objectives are virtually identical, we believe that no actual conflict of interest exists among you. It is conceivable, however, that at some point in the future, your interests may diverge. This might occur if, for example, you have conflicting desires as to how this lawsuit should be handled. If such a conflict should arise and a resolution of it cannot be reached, we may have to withdraw from representing all conflicting parties unless the conflicting parties can reach an agreement as to who we would continue to represent (and if proper under the Utah Rules of Professional Conduct). If we did withdraw from representing you or any of the participating former Megadiamond shareholders, you and/or they would have to bear the financial burden of hiring new counsel and familiarizing the new counsel with this matter.

Another aspect of joint representation relates to confidences. Under the Utah Rules of Professional Conduct, attorneys must hold in strict confidence all information relating to the representation of a client. (Rule 1.6) When one lawyer or law firm represents multiple parties in the same lawsuit, the sharing of information with the other clients is often necessary. This necessity will likely apply to the sharing of information we will obtain from and between participating Megadiamond shareholders in our efforts to provide efficient and thorough representation. Our representation of you will require an agreement to such an exchange.

Finally, as we have discussed earlier, an Oversight Committee has been created to function as the decision-making body throughout this matter. This committee is comprised of three or four participating shareholders with Duane Horton as chairperson. This committee will need to be authorized to act on your behalf for all matters arising from this matter.

Please understand that any concerns or interest you may have at any time may be communicated to this committee or either to Bill Bohling or Jeffrey Walker.

We recommend you discuss this letter with independent counsel. If you consent to our representation, please so indicate below and return this letter to our office in the enclosed self-addressed envelope. If you have any further questions or concerns regarding the content of this letter, please do not hesitate to call.

Very truly yours,

JONES, WALDO, HOLBROOK & McDONOUGH

By:________________________________
William B. Bohling

By:________________________________
Jeffrey N. Walker

CONSENT

I have read and I understand the foregoing discussion with respect to Jones, Waldo, Holbrook & McDonough's joint representation of all the former Megadiamond shareholders in the above-referenced matter.

I hereby consent to Jones, Waldo, Holbrook & McDonough's joint representation of all the former Megadiamond shareholders in the above-entitled lawsuit and to the sharing of confidences as well as the formation and function of the Oversight Committee as described above.

____

jnw 20/sa