



SMITH TOOL

Division of Smith International, Inc.

17871 Von Karman Ave.
P. O. Box C-19511
Irvine, California 92713-9511
Phone: (714) 660-5201 Telex 6-74575

Doug Rock
President

May 30, 1987

Ida Rose Hall
1711 N. Lambert Lane
Provo, Utah 84601

Subject: Smith International, Inc.
Agreement and Plan of Merger
(Megadiamond Industries, Inc.)

Dear Ida Rose Hall:

In accordance with the subject agreement, we are pleased to enclose a check for \$41,506.15 as your share of the major milestone payment under Section 3.2(ii)(a)(2). As indicated in the Smith International, Inc. letter to you dated February 11, 1987, the \$1,850,000 major milestone payment has been reduced for certain indemnity items spelled out in that letter and increased by interest earned on the indemnity funds. These adjustments resulted in a net payment for all shareholders of \$1,470,900.00.

Any question regarding the enclosed payment should be referred to Randy Stadel of Sii Megadiamond. Thank you for your cooperation and patience.

Very truly yours,

Sii SMITH TOOL

Doug Rock
President

not interested
proceeding saving
enter always -
\$100. 5%

Net Interest
4.75.
at end of month

6. mon 1.3 5.2
3.6 5.5
6.1 5.6
2.6 5.5 %
2.3 6.25
3.4 7.00
4.5 7.25

Phone (214) 680-2501 (Area 9 Area)
1. Area 9 Area 8 Area 9 Area
P. O. Box 548811
Dallas, Texas 75254

Division of Small Business
SMITH TOOL

Resident
Dana Book