

H. Tracy Hall
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LYNN. G. FOSTER
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Dear Lynn:

Enclosed is a draft of what Dr. Bill J. Pope would say if he were called to testify in the Hall/Mega Arbitration proceedings

Would you please look it over and make suggestions that would strengthen it?

Bill is definite in his knowledge that the intent of the so-called "Patent Sales Agreement" was to pay Hall a 2% royalty on any and all Sintered Diamond (PCD) products that Mega manufactures regardless of any other considerations; as for example, improvements invented by other Mega personnel, purchase of outside technology, or purchase of licenses (such as from GE).

I am also enclosing, for your convenience a copy of the Patent Sales Agreement.

Sincerely,

Tracy

H. Tracy Hall

Tracy Hall and David Hall came to see me in my USS office today. They stayed over an hour.

The subject they wished to discuss was: what I would say if I were called upon to testify in Tracy's arbitration hearing over royalties on sintered diamond. Tracy had called me on the subject about one month previously.

I told them that I would testify that Tracy was the originator of the sintered diamond technology to Mega, that neither Duane Horton nor I introduced the idea and that the intent of the contract was to give Tracy a 2% royalty on sintered diamond as he had developed it to that time and upon subsequent improvements ~~improvements~~ thereof.

In exchange for all rights to patent applications and technology pertaining to sintered diamond, Mega would pay for Tracy's out of pocket costs up to the time of the agreement, would complete the prosecution of patents and improvements thereon, would defend the patents against infringers and in addition, Mega would pay a 2% royalty on sales of ~~on~~ sintered diamond sold *by mega*.

At the time the agreement was made, Tracy was owner of approximately 51% of the stock and Duane and I were owners of 24.9% each. Tracy turned into the treasury one-half of his shares so that he could receive capital gains treatment on the royalty income. He made the change in his stock ownership on the basis that the royalty would continue for 20 years on sintered diamond sold by Mega.

Tracy told me that when diamond sintering technology was sold to Cogima in France that through oversight, Mega did not require Cogima to pay royalty to him and that Duane offered and payed for some time a payment to Tracy to compensate for this oversight. *omit*

It is my opinion that Tracy is an established historic and world-reknown pioneer in the field of scientific and commercial ultra-high pressure, high temperature equipment, synthesis and sintering. Almost all commercial processes in the field and most of the scientific high pressure laboratories descend from Tracy's invention and development of the belt apparatus or the multi-anvil presses such as the cubic press.

The dam will eventually break on the reservoir of ill will which Smith International is generating and the damage which will be done to SI's reputation may be extensive. SI should consider taking advantage of the position they would be in with Tracy's support rather than his bitter disappointment with the treatment he has received. With Smith's help Tracy could be their Nobel Lareate.