

Hoyland versus Beam Ray corp!.  
Monday June 12th 1939.

Attorneys

Comprey, Beam Ray  
Sapiro. Hoyland.

Judge Edward Kelly presiding.  
Superior Court 6.

Comprey, attorney for Beam Ray opens preceedings., by raising objection to the effect that case should be thrown out of court for following reasons. Only a stock holder can bring such action but Hoyland has declared that the issuance of all stock including his own is void, therefore he can not be a stock holder. Also the suit is brought by Hoyland on his own. We have the affidavits of other stockholders objecting to the action. Judge Kelley denied the motion. Sapiro set forth Hoylands demands saying that H asks that present holders of office as directors be removed. That a new board of directors be appointed and that it be established by court order that the present directors cannot at any future time resume office. He asked also for full accounting of all Co business. Comprey claims that ~~all~~ only an officer of the Co can demand that. H claims that the stock was issued and or transferred fraudantly. S then declared that the status of Plaintiff is still that of a stockholder, that therefore he within his rights in bringing suit before the court. Judge Kelly then said that he considered H a stock holder, because the stock could not be declared void until a court of law so decreed. Comprey motion was therefore denied again by Judge Kelley. Comprey tried to prove that the case was not sound because a stockholder could bring an action on behalf of a corporation only when the corp could do so or when it could be proven that the corp had suffered harm. He cited several cases to this effect and put forth that the ByR Corp suffered no harm since the exchange or transfer of stock merely a private transaction.

Marion Blackton

Kelley denied this motion and called a recess.

Case resumed.

S, set forth that G, claims were based on laws existing before 1931. As the law now stands any stockholder can sue and corporation. He defined the action as a move to remove the officers because all failed to protect the corp from fraud.

S, claimed that Hutchinson withheld from the corp money collected on the sale of stock and that Hoyland asked the board of directors to protest this, that they refused and he therefore brought the suit himself.

Judge Kelley ordered the case to proceed.

S, then summerized the complaints. (referred to as complaints but regarded as a series of statements.)

- 1.. Hoyland holds ten percent of the stock.
- 2.. Corp was formed in San Diego. and all directors reside in that city. (there are five directors at present)
- 3.. Lists ~~names~~ former names of corp it is now known as Beam-Ray.
- 4.. That the number of directors was to be raised to nine.
- 5.. That after arranging that all stock was to be issued to Cullen, Hutch, and Olmstead. these three directors then added new directors to the board.
- 8.. That corp took over Rife machine and started to mfg and distribute same.
9. That in the transfer of stock Hutch insisted that the money went to the corp. but plaintiff declares that Hutch kept ~~xxl~~ \$500.00 of the money.
- 10.. On Aug ~~xx~~ 12. 1938. Hutch first brought before a meeting of the board the transactions complained of.

12. After plaintiff was advised by his attorney that he had signed an illeagle paper he protested.

15.. Hutch presented to the Co an illeagle suggestion regarding a Dr. Yale.

16.. Hoyland gave notice to the corp that the contracts regarding transfer of stock were all wrong.

17.. The affairs of the corp have become muddled and confused.

23.. Plaintiff has brought action in his own behalf and the interests of the corp.

26 .. General accusation against all directors. He asks that they all be removed from office.

Comprey then took the floor and pointed our that S. was in error when he said that Plaintiff did not know what was going on in the Co.

That ~~His~~ Hoyland attended all ~~meetings~~ meetings, read the minutes and was familiar with all the activities of all the directors S. called Edwards to the stand.

It was established that E, is sect. to B-n Corp., is member of board of directors and holds fifty shares of stock. He is also consodian of the records of the company.

Kelley called ~~xxxxx~~ noon recess.

Case resumed--

Edwards on stand again.

Ledgers were introduced and accepted as exhibits.

E, read the minutes of the meeting of the directors held june 1st 1937 dito June 25.

S. aimed to show by the introduction of these minutes that there was no record of certain activities of the three directors Hutch, Cullen, Olmstead.

Edwards explains his check for \$500.00 made out in Hutch favor. He was thoroughly sold of what the Rifle Machine would do and wanted to buy stock from Hutch but Hutch told him that the stock was not for sale. But he said, I can give it to you. Hutch explained that the stock was impounded, but that he could give him fifty shares if E. would give him five hundred dollars. E. agreed and made the check out to Hutch under the distance impression that the money would go to the corp. He said that he got a receipt from Hutch which he later returned to Hutch. He does not know where the receipt is now. Judge Kelley asked E., if he did not think it queer that Hutch would give him his own stock in exchange for money that was to go into the ~~xxxxix~~ corp for operating expenses. E. said no.. he did not think it queer at the time. S. asked when the money E. gave Hutch was paid over to the corp. Comprey objected and was sustained. (for once!!!) S. then handed the ledgers to E., and asked him to find a record of the when the money was paid into the corp. E., could find no record, but said that these particular records were not the original records. He then produced the old books, and showed that on July 31, Hutch turned in a note for \$500.00 payable to the corp. S. asked if this note was not over due. Comprey objected and was sustained. It was brought out here through direct questioning that Hutch does not have the receipt he got from Edwards and does not know where it is. S. then questioned E. regarding a meeting at which Williams said that the note was non negotiable. E did not remember. He said that Hutch paid back to the corp about 75 dollars on one occasion and fifty dollars which Hutch had him apply on the note about six months back. Nothing has been paid since the note became mature.

A notice to the corp signed by Hoyland dated Jan 13, 1939, was identified by E in which H demanded collection on the note by the corp. E said that the board of directions met and went over the H demand and immediately took steps to get legal advice, but that nothing was done was to collect the money from Hutch. E said that only one machine had been sold since Jan, ~~xxxxxxx~~ That one was sold to Dr. Wisny, a chiropractor. E said that H was discharged from the Co., in Jan. He said that six machines have been mfg by the Co.

Recess called.

Court resumed.

E, was excused and Reynolds was called to the stand.

R is a director of the B-R Co., and has stock in it. He testified that early in May of 1938 he talked with Hutch about acquiring stock in the B-R Co. And Hutch said that the stock was impounded and could not be sold, but that he could give some of the stock to R. Record of the transaction was admitted as exhibit 12.

R told of giving check for the stock that was to be released from poundage and of getting a receipt at the time, later this receipt was taken ~~by~~ up by Mr. Cullen who gave him a note for \$500.00 against B-R Corp., in place of the receipt. This transaction was made under the former name of the corp, that is, United Polytechnique Institute. R could not remember when he last attended the meeting of the board of directors of B-R Co.

He said that the B-R Co., was just barely able to keep its head above water. Compney cross examined R and asked R about a demand made upon Hutch for the return of the \$500.00 and show him a ~~document~~ document, to that effect. R could not remember who suggested drawing up this document or anything else about it.

He denied that he himself drew up the document and had no idea who it was who got him to sign it. It was established by Comperrey that A had decided that he wanted stock before he ever talked with Hutch. R said that he fully understood the deal and what it meant. Judge Kelley asked R why people would not buy the machine just because of the present litigation if the title of the machine is clear? R said he could not answer that very well. R was told by Henderson that when the stock was released he would get his shares. A did not know when the stock would be released and did not enquire. Hutch told R that he was transferring to him his own personal stock and R said that he thought Hutch said it had been impounded by Pickerson. Judge Kelley asked R if the document signed by him demanded that Hutch pay up set forth the truth. R thought it did. Kelley observed that R was not a very experienced business man. R was then excused.

Iola Ernstien was called to the stand.

She stated that she is a stock holder in the B-R Co., altho she has not yet seen the stock. She paid for it in May 1938. Her father also put up money for stock at the same time. Neither of them have yet received the stock. Checks were then presented to prove the transaction. Miss Ernstien delivered a check to Hutch and got a receipt which she later returned to him. About Sept 1, 1938 and for which she received a note drawn on the corp. A document was introduced by S which she declared was sent to her by S and which she signed because she thought that S, was to represent her and the other stockholders in their efforts to get their stock or have the money returned. Then she said I would not not have signed this had I known the truth.

She said that she understood fro Hutch that he could give her the stock and that it would later be released and that the \$500.00 was in payment for this stock. She told of complaining about not receiving this stock after seven months went by. She said that when she gave the money to Hutch he told her that it would be impounded until the corporation commissioner released the stock. She expected Fickerson to hold the money until the transaction could be completed. When she found that the stock was not forthcoming she felt sure that she would get her money back. Court was adjourned

Tuesday June 13. 1939. 10 A. M.

Miss Ernstein on the stand.

S showed her a check for \$2000.00 made over to Hutch and signed by her father, and she identified it. He testified that she was told she would get fifty shares of stock eventually for her \$500.00. He said the receipt she got for \$2500.00 representing her own and her fathers investment was signed by Henderson and Hutch, but she did not remember definitely how many shares were named. Judge Kelley questioned her. And she said that she thought that the receipt said that the money they paid was to be impounded and that they would receive two hundred and fifty shares of stock. S asked her when she first found out that she had made a loan to the corp. He said that when she found out that she could not get the stock until she gave Hutch her receipt she gave it to him and he gave her a note on the corp. Her father also got a note. Nothing has been paid on either. Comprey questioned her and she testified that Henderson told her that she could use some money, that she

then went down to the B-R Co., and said that she and her father would like to buy stock. Here she explained to the court that her interest in the project grew out of the fact that her father took treatments on the B-R machine and also knew Roy Rife its inventor well. She said that Hoyland was present during part of a conversation in which Hutch explained that he could give her some stock in return for money. Henderson was also present. Next day she and her father went ~~xxxxxxx~~ back to the B-R office and put up their check to be impounded in exchange for the B-R stock. Hutch himself said that the check was to be impounded until the stock could be delivered. Judge Kelley asked her directly "When you gave Mr. Hutcherson your check for \$500.00 did you understand that you were buying the stock." She replied, "Yes." Kelley said, "That is what I want to find out." And called a recess.

After recess.

Judge Kelley said, "That he would like to know what happened to all the receipts and why not one of them could be found. Comfrey said that his clients had never had them in their possession and suggested that he ask Mr. Hutcherson about that. Judge Kelley said, He did not think that he would ask that. (!!!!!!!)  
Henderson was called to the stand.

He said that he was a director in the Co., from sometime after they first organized, until July. He was also an officer in the corp., he wasn't sure but he thought he was Vice-Pres.

Discussion of document exculcated between U.P.I. and owners of Rife Ray machine, i.e., Rife, Hoyland and Hutch. Did he recognize it and know what it was all about. He did not know about it.



Hen said that his wife owns 500 shares of stock for which she received a receipt and for which she paid no money. The stock came from Hutch but the receipt was signed by Fickerson. Hen said that he put \$900.00 into a former business venture of Hutch. Hen said that he the receipt given to the Ernsteins and that he might have read it but he did not remember what it said. He testified that he knew nothing whatever about the books of the B-R Co., He showed a receipt from Hutch for \$900.00 cash he had given Hutch on a former deal. S asked if Mrs. Henderson had helped to put over the English deal for B-R. Hen replied with the following story. " His wife had been suffering from a malignant disease. They visited the Rife lab., and saw the Rife machine. She took the B-R treatment and was cured. After that they were both very keen about the Rife machine and when the English group were here they entertained them at their home. Mrs. Hen is still taking treatments, one a week.

Hen said he left the organization in July, because there was too much confusion in the company. He called the courts attention to the fact that he has never wanted any stock nor does he want any part of the english deal. Comp asked him about the discussions of the Co., Hen said these arguments were sometimes between Rife and Hoyland, or H and Hutch, or Hutch and Gouch, Cullen etc., etc. Hen said that they rowed about a large number of subjects.

Hen said that H was technical director for the B-R Co., that he serviced the machines and was in charge of the designing and mfg. Comprey asked him where the basic designs came from. And Hen said that those were Hoylands also. Compray asked Hen what is the substance of the conversation bet Hutch and the Ernsteins. Hen

• said he remembered it quite clearly. That Hutch said the stock was a gift but he did not recall his saying that the money would be impounded.

Recess. Noon.

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Tuesday afternoon June 13, 1939.

Henderson on the stand. Comperly interrrogating.

Henderson said that Hutch , Hoyland and perhaps Dr. Rife , made a pencil memorandum regarding the money was to be procured, through issuance of stock to finance the company. This arrangement was drawn up by Hutch. Henderson believed that Hoyland knew all about the arrangemtns for the corporation. Hoyland made no objection to that plan. Hend thinks that he told he told Miss Earnstein that the money was to be used to finance the making of the machines.

Gonin, Bluit and Parsons listed by Hend as representitives of the British group. All three were entertained at the Hen home where Mr. and Mrs. Hen talked to them about the rife machine and its effect upon Mrs. Hen disease.

Hen said that he had something to do with the fact of a contract between Hoyland and Rife, but he had no part in the drawing up of the contract. He was around when the contract between the owners of the machine and the corp was effected, but he has no definite recollection of the negociations. ( Comprey got Hen confused at this point and Hen would not say who represented the corp). Hen insisted that he represete no body during the transaction. Judge Kelley questioned Hen about the document that turned over too Mrs. Hen 500 shares of B-R stock. Hen said that nothing was paid for this stock and Judge Kelley wanted yo know why shuc a gift was made. Hen said that earlier Hoyland, Hutch and perhaps Rife, had decided that Mrs. Hen should have the stock inspite of Hen, saying that he didn't want any reward for any services he might of given. Judge Kelley then read aloud the document stating that Mr. Hen was granted the shares as a reward for her services, in helping to complete the deal with the copr and also the English deal.

Kelley wanted to know why the D-R stock was given away so frequency and generously for proactively nothing? Was there deception and on who was it practiced and why. Kelley said, he intended to find out all about this.

Hen testified that he received nothing for the Aero corp stock transaction. Hen excused.

Mr. Charles Winter called to the stand.

Winter identified as treas., and member of board of directors and a stock holder in B-R co., having five hundred shares of stock.

He could not remember when he was a director and couldn't name the month when he thought he was made one. He thinks he was a director for about ten months. He didn't know that the United Poliy. Ins.

became B-R corp in 1938. ( On May 2, 1938) He was not very active in the co. His employee Williams took over the job of treas., for the Co., about a year ago. Williams is on Winters payroll and has been for

years. He didn't remember when the corp was first organized, but he was one of the incorporators. He has 500 shares of stock and he paid Hutch five thousand dollars for them ( that is, for the old stock, five

or six years ago). He says the transaction was in cash and there is no record of it. It was strictly a gambling proposition on ~~Winters~~

Winters part. He figured he was making a donation to charity, he gave

no services to the co., and did not act as the real treas. Winters

said that he received the stock in return for the services of Williams

who attended tax a meeting each month. Winters also goes to the meetings .

Sapiro, demanded to know why Williams was considered to be giving services ~~when~~ to the co., when Winter attended the meetings anyhow in the capacity of director. ( Winters lost his temper).

At treas., Winters could not say how much money the corp has at this time, there was however, less than a hundred dollars in the treas., June 1st 1939. Asked by Sap what provision he was making to meet the 3500.00 overdue in notes. Winters said he was making none.

Sap. questioned Winters at length about the Nevada Corp., the ~~XXXX~~ Aero Reserve School. Winters said that that corp., never gave any thing to the U.P.Ins ., or to the B-N Co. Kelley examined the minutes of certain meetings of the board of the B-N Co., and inquired about a man named Kitchen. Nobody had ever heard of him. Kelley wanted to know who were the directors of the Co., and officers at present. Williams Vice-Pres., Winter Treas., Edwards sect., Reynolds and Miss Ernstain directors. Kelley asked Winters What about these notes that have fallen due for 35 hundred dollars. Winters replied that he didn't know what was going to be done ~~about it~~ about it. Sap asked Winters if he received a document from Hoyland asking him to take action ~~to protest the transfers of stock~~ to protest the transfers of stock. Winters said yes he received it but he did nothing about it. Kelley asked Winters what was wrong with the corp. Winters replied that there were too many bosses. Too much trying to maig too many machines without any money. The co., now has six machines but no demand for them . Winters said he and Edwards get along nobly if left alone but that the stock holders want to have as much to say in the running in the business as the directors. There are groups and cliques , the leaders have always been Hutch and Hoyland rivals, each trying to get everyone on his side . Winters has tried to keep neutral. He feels that his money is lost and he doesn't care who wins in the tustle. He doesn't know which group is the strongest, he has confidence in the machine, but not in the organization. He thinks that everyone should be removed from office but doens not think that a receiver should be appointed as this would hold up the entire business for too long a period . Asked how anyone could opperate the organization successfully he said that it could not be done untill everyone was put in his place. He gave a discription of the meetings and the c nfusion of bickering that took place. He does not think that the directors should be removed

but they seem to need more power. All are money hungry and greedy and by all he means everyone who has five cents invested in the organization. Asked by Kelley if he would be willing to continue on the board of directors if the stock holders stop their interference he said that he would. He believes the machine is a great thing. Litigation he said has held up all contracts and no money comes in.

Sap asked Winters to name the people whos greed for money makes the running of the organization so difficult. Winters would not mention any names. Sap named the directors in turn asking W if each of these or all of them were money greedy. W hedged and would accuse no one, He insisted that the directors and officers of the Co., were all fine people, but that it was the stock holders who were greedy. Sap wanted to know what stock holders attended the meetings. Winters did not know because he said he did not pay any attention to the business of the corp. Sap then demanded that Winters name some of these greedy people and Winters repeated everyone who has five cents in the co. Sap said that that must include Winters himself, as he had five thousand dollars in the corp. Affidavit showed that 500 shares of D-R stock had been trans.~~ferred~~ to Winters as a gift. Pressed by Sap, Winters admitted that there was no reason for Hutch and Olmstead to have given him this stock. Asked if B-<sup>11</sup> owed any money to Aero R.S. Winters could not remember nor could he remember any reason why they should any.

Recess.

Edwards back on the stand.

Edwards (cheshire grin) reported that he could not locate most of the documents he had been asked for on a previous day. Confusion over technical names of corp, financial statements etc.,

Sap asked Ed about the assets of the old corp and what happened to them. Ed said he did not know. Sap pointed out discrepancies in the books for May 1938, Jan 1939. But Ed declared that he is not a book keeper and could not explain it. Comp

Compeay then took the witness. He asked Ed what change there has been in the Co., financial condition since the beginning of the litigation.

Ed said that everything stopped. That all salesmen reported that they could not place the machines. It was brought out that the Co. leases

the machines over a period of ten years. Potential leasers say that

they have no guarantee that the corp will be in existence after the litigation is ended. Asked to tell the change in the co.,

income since the beginning of the litigation, he said that the

income has practically disappeared. He said that efforts were still

being made to place the machines. At present they are not trying to

place them outside of the state of Calif. Kelley wanted to know if

other cities besides S.D., know about this litigation. And Ed said

Yes, that they did. He said that the B-R co., has about seven machines

on hand ready for use but that they could not be disposed of because

of the litigation. Sap asked Ed if it isn't true that the reason

that the machines do not sell is because they are too expensive, Ed

agreed. Sap spoke of conversations to this effect between Ed and

himself to this effect and Ed remembered it. Judge Kelley

wanted to know who was trying to place the machines. Ed said the

directors were. Kelley thought that this was a little out of their line.

It was brought out that the prices for the machines were fixed when

Hoyland was on the board. Compeay then made a motion to discontinue

the trial on the grounds that the evidence fails to show that any wrong

was done the corporation. This motion was denied by Judge Kelley.

Through out the trial many objections were made by both sides in the case but Judge Kelley overruled them stating he would not consider technicalities now and wanted to get the story of each person .

Wednesday June 14th.

Edwards on the stand.

Sap asked Ed to look up asset of contract with old co., in amount forty-nine thousand nine hundred and seven. Ed located this and said that later in July 1935 this was increased to fifty-one thousand four hundred and nine dollars as recorded in the original books of the old corp.

Sap asked was that item ever changed during the following years. Ed said no, it had not been changed. Sap asked even though the whold project had been abandoned. Ed said that's true.

Comprey asked Ed to fine the entries in the books recording the payments into the corp of moneys given Hutch by Ed, Reynolds and the

Ernstains. While Ed studied the records Sap wanted to know if they were actually the original books. Ed said no, that he was using a new compliation taken from the old books but that he had the

original books with him. Sap showed old books. With following notation

May 9, 1939. Item C.R. Hutch \$2500.00 this was crossed out and beneath

it written the names of Viola Ernestine and her father. Another item

( did not get date) C.R. Hutch this was crossed out and beneath it written

the name Ray Reynolds. Sap demanded to see the bank book which

showed when these moneys were deposited in the bank. Ed produced it.

It showed deposit on May 4, of \$600.00 ., May 9, \$2500.00., May 24

\$ 275.00 and May 26 \$ 225.00., There were shown to be a descrepancy

between the deposit slips and the items in the bank book, but the money was all accounted for.

Hoyland called to stand.



Hoyland. was identified as one of the owners of the Rife Ray invention. He first became connected with the B-R corp., on May 1st 1938. as technical advisor . He remained so until date when he was discharged. ( did not get date). The corp., began m/fg the machines shortly after he joined the Co., . Compray inquiring.

Q. Did anyone beside yourself know what the frequencies were?

Ans. No. Q., As Rl Rife took no part of the mfg activities you were the only person taking part in them who knew how to adjust the machines?

Ans. Yes. Q. You construct and supervise the making the machines as tech advisor it was your duty to make plans for the constructions of the machines, and either personally put them together or supervise their construction, is that not so? Ans. I supervise the construction of the

machines, they were made under my ideas . Q., No one else could do so. Ans., Not at that time. Q., During the time that you were tech

advisor of the co., all the machines were built under your supervision weren't they? And., Yes. Q., after construction they had to be

adjusted in order to work properly and that adjustment had to be done by one who knew the precise working of the machine. Ans., I instructed

one person in this work, but I still supervised the adjustments as I wanted the machines to be absolutely correct. Q., Were any experimental

activities carried on in the lab. Sap., objected on tech grounds, Kelley overruled him, saying technacallities must not prevent the evidence

from being brought out. Ans. Yes ( from Hlyoand). Q., These changes were incorporated into the machines from time to time in an

effort to improve them. Ans., Yes. Q., Before you became tech dir for the co., was there a contract between the co., and the owners of

B-Ray? Ans., No, that was at a later date, after I had worked for the co., for some time, it was made on June 1st., 1938.

Q., before this agreement was signed did the co., ~~not~~ mfg any R-Ray machines. Ans., They started to about the first of May. Dr. Haymer was sold one. Q., How many machines were build during May 1938?

Ans., there was one finished and delivered and I think we started on two others. Q., there was in the first place an agreement between

the three owners of the R-Ray machine as to the proportionate interest each was to have in the profits. Ans., Yes, or do you mean the original

two owners? ~~xxx~~ Comprey, No I mean the three owners. Hoyland, I don't know what contract you are talking about. Comprey, I mean the one

between Hife, Hoyland and Hutch. Comprey then brought out that this contract referred to the Co., but was not signed by the co. Hoyland still did not recall the contract. But Comprey showed it to him.

Hoyland read it and then recalled it, but did not remember whether or not it was signed by the co., ~~xxxxxx~~ he said there were so many

contracts. Compray, about that time were negotiations pending between the corp and the English group? Ans., the English were expected in

S.D., shortly after June 1st. Q., You knew that these three rep of the English group were looking for a licence to mfg and distribute the R-Ray machines in the British Empire. Ans., Yes. Q., during the months

between the time you began working for the co., and when the contract was signed were negotiations going on regarding the licence to mfg the machine. Ans., Yes, Hife, Hutch and I were the parties concerned,

the agreement with the B-R were signed just prior to the agreement with the British, a week or more elapsed between them. Q., How long

were the three Englishmen here? Ans., probably about two weeks.

Q., during that period you conferred with them in regard terms etc., etc?

Ans., I talked with them, Yes. Q., you were not willing that an

agreement be entered into unless it met with your approval. Ans., Yes, that is right.

Q., You kept yourself familiar with what the negotiations were leading to? Ans., Yes. Q., you checked over the final agreement?

Ans., I read it through. Q., it was redrafted several times and you checked it all over each time? Ans., Yes, I read them through.

Q., You read through the final draft before it was actually signed?

Ans., Yes, and I thought satisfactory at the time. Q., You made no objections. Ans., it seemed all right at the time. Q., You would not include Canada in the agreement and it was omitted? Ans., We all agreed that they should not have Canada. Q., the English group made certain payments at the time of the signing of the contract. Do you recall the amount? Ans., yes, ten thousand dollars, Later we got fifteen thousand dollars, I got twenty-nine hundred. Q., you kept this money, you didn't give it back to the three English men? Ans., No. Comprey brought out the fact that the first licence was for them personally to mfg and distribute the machines and that later another contract was made by which they agreed to organize an organization to carry on the work of mfg etc., Comprey showed a contract between B-R and the three Englishmen. Hoyland said this was the first written agreement with the English, it was dated June 4th 1938. Comprey then showed him another contract between the same parties dated June 5th and asked if it was the second contract. Hoyland read it and said Yes. Comprey brought out that the signing of the contracts was the result of a long series of conferences and that Hoyland had been familiar with what ~~xxx~~ went on at most of them.

Recess.

Hoyland back on stand. Comprey asks;-

Q., as far as you know the three Englishmen understood that these contracts that were signed correctly stated the entire deal?

Ans., I assume they did. Q., and you did not say that they were not correct? Ans., No. Q., you knew that the agreements sub-licensing

these three Englishmen were made by the B-R corp? Ans., yes, but the corp., was more or less acting as agents for the owners. Q., you understood that it was actually the corp., that signed the agreements.

Ans., yes. Q., it was your understanding that the three Englishmen were to be the only persons so licensed. Sap objected and Kelly sustained the objection. Then Judge Kelley asked Hoyland, if he fully understood the contract between the B-R co., and the English. Hoyland said no. Comprey called Hoyland's attention to the first paragraph

of the agreement setting forth that B-R holds exclusive licence to the Rife Ray machine and has agreed to grant the British the right to mfg and distribute etc., Comprey stressed exclusive. Q., do you deny

that the owners gave the B-R corp an exclusive licence. Ans., yes.

Q., then why did you not call this to the attention of the English before you accepted their money. Ans., that subject was brought up.

Q., you accepted the money under the terms of the contract I just read to you. Why didn't you call their attention to it? Ans., I didn't notice that section of the contract, it was pointed out to me later.

Q., you knew that the three Englishmen understood they were to receive an exclusive licence. Ans., I presume I understood it at that time.

Q., you knew also that the B-R could not grant this exclusive licence if they did not possess it themselves didn't you? Ans., I am afraid I never considered it. Q., have you ever stated to these three

Englishmen that you had not given B-R an exclusive licence? Ans., yes.

Q., when and how? Ans., I sent them a cable, on Dec 26, 1938.

Q., How much money had you received at that time from the English?

Ans., twenty-nine hundred dollars. Q., did you return this money?

Ans., yes, I sent them a cable. Q., will you produce it please?

Hoyland produced a cable and after reading it asked to be allowed to make a correction, I did not send the money, I offered to return it.

Comprey asked him if what he held was a copy of the cablegram and who

made the copy. Ans., Mr. Sinner made

Ans., Mr Pinner made the copy and it was sent on the advice of my attorney. Q., where was this copy made. Ans., in Dr. Rife's lab, from a long hand copy. Comprey, this copy of the cablegram refers to a

letter and proposed agreement received. Hoyland, Yes, a letter that the company received, the British wanted to make a new contract.

Comprey, previous to that date you and Mr. Hutch had gone to New York together and had made certain amendments to the contract. Hoyland,

yes. Q., were you at that time an officer or director of the company.

Ans., we had both handed in our resignations and we were both authorized as agents to act for the company. Q., you dealt with Gonin there and

made changes. Ans., yes, that is correct. Q., these changes were

reduced to writing in the form of a letter addressed to Dr Gonin and which he accepted? Ans., I don't remember in what form it was drawn

up. Q., how long did these conferences take? Ans., we started them

Wed at nine a m, we left him Thurs at 1 p m. Q., at that time did you to say ~~that~~ Dr Gonin that B-R did not hold an exclusive licence and that

therefore the English could not have one? Ans, yes. Comprey showed

Hoyland a two page document in the form of a letter to Dr Gonin, Hoyland read it and said that it was one of the amendments, dated Nov, 17, 1938.

( Hutch signed for Rife and himself, Hoyland signed as did Dr Gonin)

Comprey then showed another letter addressed to Gonin regarding to amendments which Hoyland and Hutch signed in the name of the B-R corp.

Hoyland identified this as the second amendment.

Recess.

June 15. Thursday.

Hoyland on stand. Comprey questions,

Hoyland testified that he received over nine hundred dollars from

B-R. Judge Kelley thought this unimportant. Compray established

that Hoyland got ninehundred and 60 dollars and showed check for that amount. Q., at about that time the British bought four of the B-R machines and they were made under your supervision, you also received royalties on these machines amounting to two hundred and 20 dollars, didn't you? Ans., yes. Q., at the time the British were here you

had one of the four machines completed didn't you? Ans., yes, we showed them one complete machine. Q., did not the co., offer that machine to them as one of the four for sale? Ans., no sir. Q., who

conducted the negotiations with the British for the four machines?

Ans., Hutch and myself. Q., wasn't the deal completed in Los Angeles between Henderson and yourself and the British. Ans., yes, but it

started in S.D. Q., what was the understanding with the British as

to when the machines would be delivered? Ans., one was to be delivered in New York before Parsons sailed, he kept in touch with us as to

sailing time and we got it to New York in time. Q., Was this machine a H-Ray or an assidograph. Ans., It was sent from S/D/ what we call

a master occiliator and an ampliyer which was capable of pulling out frequencies of the Rife machine. Q., the four machines bought by

the British were two so called laboratory types and two so-called

clinical types, what was the difference between the two? Ans., the

clinical type was ~~similar~~ <sup>similar</sup> in all respects ~~than~~ <sup>to</sup> the Rife machine excp

except that it did not have \_\_\_\_\_ of the \_\_\_\_\_ used on Mrs. Hen.

Q., when were the three remaining machines delivered to the British?

Ans., I couldn't tell you the exact date, I guess August. Q., but they

were ordered in June? Ans., I told the British that they would leave

on the first boat for London but that ship did not stop at S D, later

the machines were sent to Los Angeles. Q., when were they ready to ship

And., in a few days. Q., how was the price of these machines fixed,

Ans., the price was decided from the costs of what it cost to mfg the first machine that was sold to Dr Hamer. Q., how much was that?

Ans., I think it was four hundred dollars plus the royalty. Q., wasn't it five hundred dollars plus royalty on the clinical type and six plus royalty on the lab type? Ans., I don't remember.

Q., were not the British told that the machines were being sold to them practically at cost? Ans., yes, they bought them on that understanding. Q., were

they also told that this would be confirmed by sending them to them after the machines were built, a statement of what the cost had actually

been. Ans., no, there was a statement sent them of costs of parts and an estimate of the cost of labor. Q., when was that sent to them?

Ans., I can't answer that question without seeing a letter sent them at a later date which specifies the time at which that was sent. Q., you

saw the correspondence between B-R and the British after they returned

to England. Ans., some of it. Q., the British wrote to the co., and cabled the co., many times complaining of delays in receiving the machines

Ans., yes. Q., about how many times, would you say five or six?

Ans., I think three. Q., they also sent some letters complaining of failure to send them the information that was promised them.

Ans., they did not receive the information until after they had received the machines. Q., this was in the later part of Sept. Ans., I

should think so. Q., how soon after that was the information sent?

Ans., I would have to see that letter. Q., who sent them the information

Ans., I sent most of the tech information. Q., was it regarding the specifications of the machines? Ans., I sent them schematics.

Q., did you also send them a list of the different frequencies?

Ans., I sent them a code list of the bacteria. Q., what do you mean by that? Ans., the bacteria had to be given on alphabetical letters.

Q., after you sent them the list did you send them a list for the right frequencies for the bacteria.

Ans., the dial of the master oscillators have these same letters on them ( there followed a discription of how the machine was to be operated).

Q., the value of the information that you sent them depended upon the accuracy of the setting of the master oscillator. Ans., no they could still get it. Q., didn't they demand the actual numerical frequencies?

Ans., I explained to them how they could do this. Q., you understood did you not that the British proposed to build a large number of these machines and that therefore they would have to be able to adjust them after they built them in order to have them working properly. Ans., they

promised to send a man over here to be trained in all of this. Q., if you wanted to treat one with typhoid for instance wouldn't you have to set the machine so that it would be on a particular frequency? Ans. No,

the machines were made so that they varied over a band of frequencies.

Q., that band used for the treatment of each disease was different from other bands for other diseases wasn't it? Ans., the whole list of

bacteria that the machine was treating was divided into four bands.

Q., the only information that you sent the British as to frequencies consisted of the information that for certain particular bacteria they could set the dial at certain points. ( missed Hoylands actual reply but it amounted to an admission that this was so).

Q., did the dials on the master oscillator show in numerical frequencies what particular ray was being put out. Ans, yes. Q., did you see

that these machines were in working order and did you adjust them correctly and test them before they were shipped? Ans., yes I checked them personally. Q., were they shipped in an assembled condition.

Ans., they were partially disassembled. Q., they it would be necessary for the British to reassemble them again. Ans., yes. Q., and new

adjustment would be necessary. Ans., it should not have been.

Q., didn't you know that the British repeatedly wrote to the co., complaining that the machines were not in correct adjustment, that the



they differed from each other and that they could not determine from the machines what the frequencies should be, and they asked for a list of the frequencies?

Hoyland. They said in their letters that the machine had been damaged and that one was about %15 off, throughout its scale.

Q. That was a letter from Mr. Parsons? Ans. Yes, I say it and read it later. Q. Did you send them the correct frequencies? Ans., I

explained to them how to arrive at new figures through realibration.

Q. Did you not refuse to tell them what the frequencies were when they demanded them? Ans., most ~~infaxx~~ emphatically no. Q., What did you do with Parsons letter complaining about the machines being improperly calibrated. Ans., That letter was directed to me personally.

Q., Then you kept it, I suppose. I call your attention to a letter dated Oct., 18, 1938, isn't that the letter referred to just now? or

copy of the letter? Ans., (after reading letter) Yes I think so.

Q., Will you please produce the one you have.....

Hoyland produced a letter and Comprey checked it with the first letter.

Q., This letter is addressed to B-R Corp., but you retained it in your possession. Ans., Because I was technical director. Q., You

didn't leave it in the Co., records. Ans., No I didn't, I wasn't

supposed to. Q., Who told you you could retain such correspondence.

Ans., It was just understood. Q., Then your answer is no one told you.

Ans., We had discussions about it many times. Q., Showing Hoyland

the letter, Parsons says here, The calibration of your machine was %15 out and without a promised list of figures they could not adjust or work the machines, he complains here also that the coded list

did not agree with the dials, and that they are still waiting for --

No., 1, detailed costs of parts and labor, No 2., specification

of coil transformers. No., 3, frequencies in figures

were the plugs(?) not before machines were shipped, What information did you send? Ans., I think I wrote them asking them to send out a man to get familiar with the machine. Q., But you did not send the

information they asked for. Ans., I sent them the specification and gave the checks and the transformer to Dr. Conin in New York, I explained to him how to arrive at the frequencies even if the machines were off. Q., In this same letter it says that the other lab., instrument was off by about 5% Did you tell them how these instruments could be made correct, seeing that they differed from each other.

Ans., No. Q., He asked for the frequencies again? Ans., The letters around the dial and the figures would have given them the frequencies.

Judge Kelley wanted to know, why Hoyland did not give them this information they asked for. Ans., They were afraid that if the

frequencies were lost somehow, someone could have figured it out and built the machines. Kelley--Q., I can't see why you didn't

send them the information they wanted. Did you work it out fully for them and give the information in code? Ans., I told them the complete range while they were over here. Kelley--Q., Does he mean in this

letter that the figures on the dial or your information in code was off 15%? Ans., I suppose that the machines had moved and shifted in being shipped and had gotten out of place, I mean the calibration had shifted. Kelley--Q., Is he mistaken when he says he (Parsons)

needs the code frequencies in figures. Ans., He was absolutely. He could have adjusted it just as we did. Kelley--Q., Did you know

that this could have been done in England. Ans., It was not so difficult, any good radio man could have done it, if he had had experience in that line. Recess.

Hoyland resumed the stand after 11a.m. recess.

Hoyland suggested that he would like to make a diagram of how the coded information he sent the British could be applied. Large paper was

tacked up on the black board. And Hoyland drew a diagram.

Comprey -- This coded information consisted more of telling the

British what particular disease was cured at a particular point on the dial? Ans., No, starting from zero, etc., (he listed diseases)

Q., This is not the only letter from the British addressed to B-R corp.,

that is in your possession, is it? Ans., I don't know which letters

are directed to me or to the B-R. Q., Will you just look for and

produce any letters, telegrams, or cablegrams, that are directed to

the B-R by the ~~British~~ British.

Hoyland produces a number of them.

Q., I show you a letter directed to B-R signed by Mr. Parsons, dated

Sept., 20, 1938, Has this been in your possession ever since it was received in the office of the company? Ans., It says attention Mr.

Hoyland. Q., This letter calls attention to the fact that there is a

great discrepancy in the machines and says that they can do nothing

with ~~them~~ it until they get the other machines out of the customs,

they ask for more information which they promise will be kept

confidential. Did you send any reply to that letter? Ans., yes.

Q., here are a number of cablegrams which you have produced. One

dated Oct., 10th and addressed to B-R, quote, Four machines received

two inoperable, all four require extensive overhaul, this and

previous delays make our position extremely difficult, still awaiting

information promised, Hoyland letter July 18th. Did they get this

information? Ans., I would have to find out what I promised them on

that date. Q., I will read from a cable dated Oct. 31., distressed

no reply to our recent cable, can you send representative authorized

to ~~act~~ act to meet Gonin New York Nov 17. Reply

Reply. You have had that every since it was received haven't you?

Ans., Yes. Q., Another one of Nov, 3rd, 1938., addressed to Hutch ,

All convinced you do not get our cables or letters, could you meet me New York, Nov, 17, with power of attorney to discuss situation,

fear losing funds offered us, signed Conin. Didn't you get that cable at the office at the B-R company? Ans., I don't think so,

Mr. Hutch gave it to me before we went to New York. Q., Didn't you

know that the situation was such that the British sent their correspondence in duplicate, one going to Mr. Hutch ? Ans., Yes. Q., Did

you show these letters or ~~cables~~ cables to the board of directors after receiving them? Ans., No, I kept them, because it was

all technical. Q., Did you think that the board of directors should not know that the British wanted this information? Ans., They all knew it in the office, and I knew Hutch was receiving copies. Judge

Kelley -- Q., Did anyone reply to any of these letters? Ans., I replied to some but I thought the company should reply to others.

Kelley-- Q., Who was secretary to the company at that time. Ans.,

Mrs. Willman. Kelley -- Q., Is she here? Comprey -- No she can be

called. Q., calling your attention to this letter from Mr. Blewett

Did you know that he was making such complaints at that time? Ans.,

I have never seen this letter before. Comprey then asked Hoyland to read the letter through. Court recessed until two P.M.

Afternoon session. Hoyland read the Blewell letter.

Q., You knew such complaints were being made by them over a period of a good many weeks? Ans., I had seen the cables, Yes. Q., Including

the one saying they were convinced that you did not get their cables?

Ans., Yes. Q., During this period did not the officers and the

directory of the copp. request you to send the information asked for,

Didn't George Edwards or Mr. Hutch ask you to do this? Ans., I don't

remember that any of them did. I am sure the Mr. Edwards never asked

me  
 to. Q., When did you send them the list of what the letters on  
 the dial stood for? Ans., I think that was in Aug. Q., What was  
 promised them in San Diego? Ans., (pointing to diagram) this was.

Compeay read more of the complaints from the English letters in which  
 they asked repeatedly why they were not sent the numerical frequencies.

Q., What was your reason for withholding these. Ans., (Hoyland), they  
 were to get them this way (pointing to diagram). Q., In a ~~number~~

number of letters the British asked for a statement of the costs of  
 the machine. Had you sent them these figures? Ans., Yes. Q.,

Did you tell them that trained men could assemble the parts in one day?

Ans., Yes I did. Q., Do you recall the cost for parts for one machine?

Ans., I think it was about two hundred and forty five dollars. Q., You

charged them five hundred dollars plus a hundred and fifty dollars  
 royalty for clinical machines and \$600.00 plus \$150.00 for lab.,

machines. Now, what did this difference represent? Ans., When you  
 are starting you can't make machines as cheaply as when you are in

production. Q., What were the men paid? Ans., Five Dollars. Q., That

would mean then that it took one man fifty five days to put the machine

together. Ans., I had three men working on them at that time, they knew

that we were making the machines especially for the British in England.

Q., Did you explain the difference in price. Ans., I didn't write

them any explanation. Q., In reply to these two cables asking for a

representative to meet Dr. Monin in New York, you and Mr. Hutch were

the authorized agents of the corp., and dealt with the British? Ans., Yes.

Q., When you met Dr. Monin, didn't he present you with this letter

along with two memorandums explaining the points upon which the ~~amendments~~  
 amendments were to be made.

Sapero objected to the line taken by Compeay and Judge Kelley said  
 he was confused himself. as to what Compeay was leading up to.

Compeay consulted the allegations in the pleading and quoted from one

of the amended complaints. "The corp., has made certain contracts with British representatives and that said British have cabled threats to the corp., stating their intention to start suit".

We propose to show that the directors of the corp., took all the action that they could ~~take~~ take. Sap insisted that the corp., knew all about the complaints by the English, but Judge Kelley felt that perhaps Hutch and Hoyland had both conspired to keep the information from the corp. (Compeay put the blame for the failure to give the British the information they desired entirely on Hoyland and Judge Kelley ruled that he might be allowed to so prove if he could. ( ~~by xxxxxx~~ Sap started to remove marks on a document, Compeay caught him doing it and a tussle ensued, Judge Kelley told Sap very firmly that he was not to make marks on any document, then reprimanded him, finally told both attorneys to sit down and behave themselves). Sap then inspected the document. Judge Kelley asked him why he had put the marks there in the first place? Sap evaded the question mumbling that he did so in Dec., Kelley said, that what the court is especially interested in right now is, what is the status of the people who hold the stock and if the stock which they received is void by reason of the ruling of the corporation commission, what is the status of the directors? He continued -- ( quote) -- " There is evidence here of rather strange transactions. Mr. Hutch said that he could give away stock, but he could not sell it, and people were paying money to him for stock which they expected to receive later. Can this be done legally? Or were these merely gifts from the people. "id Mr. Hutch ever intend that the money should get to the corp? How much of all this was known to the directory of the corp., and what had they done about it? "his issue seems more important at the time than the British suit.

Compray resumed cross examination. Q., At that conference you negotiated these two amendments? Ans., Yes. Q., And after Mr. Gonin returned to London he sent this cable dated Dec., 10th., Ans., That's

right. Q.-- The cablegram says among other things, "sending new agreement". Now when you were first on the stand you produced a type written copy of a cable gram, sent by yourself to Dr. Gonin in response to <sup>proposed</sup> contract sent by British, In this cable, you say, ~~xxxxx~~ letter and proposed agreement received, your letter misstates fact regarding specification also that B-R has basic rights,

this not correct, all basic rights remain with original owners, you have breached contract by failing to send payments. Now do you mean to say that B-R holds no exclusive licence to the Rife machine? Ans.,

Yes, I mean that. Q., you say also in this cable " your proposed new contract comprehends <sup>a</sup> wrong first party ". Who did you mean would be the right party? Yourself, Rife and Hutch? Ans., yes. Q., So

by your statement you meant that the corp did not have the authority to give such a licence as this proposed contract would give to the British and such authority would have to be obtained from the owners?

Ans., That's right. Q., After you sent this cable to Dr., Gonin in which you informed him that the corp., did not have the right to make such contract did you inform the corp? Ans., I told Edwards, he saw the cable before I sent it. Judge Kelley-- Q., Was Mr. Edwards

the only director you showed the cable? Ans., I think so. ax

Q., Compeay) -- You explained to him the meaning of it as you have expalined it here so that he would understand what it means. Ans., Yes

I made it clear to Edwards. Q., In reply to that cable Dr. Gonin sent this cable, dated Sept. 30., did he not? Ans., Yes. Judge

Kelley after reading Gonin cable -- Q., When did you reach the conclusion that the corp., did not have the exclusive licence? Ans., I took my papers to my attorney in Los Angeles. Kelley, Q., You examined the

the contract with the British didn't you? Ans., I 'm not a lawyer, Hutch was appointed to take of our interests. Judge Kelley-- Q., is Hutch a lawyer? Ans., he always said he was as good as any lawyer.

Kelley-- We'll find that out when we get him on the stand. Did you receive any money after you had learned that the contract was wrong.

Ans., No. Kelley -- when did you get this information from your attorney

Ans., before I sent this cable. Q-- Kelley\*- Did neither you nor the company have a legal counsel other than Mr. Hutch before you consulted

your attorney in Los Angeles? Ans., The first contract with the British was drawn up in the office of Mr. Fickerson and I was relying on Mr. Hutch to set Dr. Rife and myself right. Comprey -- Q -- wasn't Steiner ?

the agreement submitted to Mr. ~~Sinaxx~~ Ans., No, he was the attorney for the English. Comprey -- Did he come to the company's office?

Ans., I didn't see him there . Q., Did you intend this licence to the British should be exclusive? Ans., yes. Q., Why the change in December? Ans., My attorney pointed this out to me at that time.

Q., When you showed your cable to Edwards did you tell him what you proposed to do if B-R tried to go ahead with the contract? Ans., We discussed it , Mr. Edwards, Mr. Sap and myself,. There was a directors meeting which Mr. Sap attended and a cable was sent to the British.

Q., I show you a cable addressed to B-R corp., dated Jan 5th 1939. How did it get into your possession? Ans., That was delivered to the B-R offices , I took it down to ~~the~~ Mr. Edwards and he gave me a copy and I kept the original. Q., Do you think that this refers only to technical

matters that concerns you and ot the company. Ans., No, the owners and the company were both interested. Judge Kelley--Q-- You say you took the cablegram to Edwards and he made a copy and gave you the

original, what did you do with ~~the~~ it? Ans., I put it among my papers . Edwards had a copy of it.

Recess.



Compray, Quoting from Cable sent to the B-N ca., by the attorreyys for the British, to the affect that B-N had broken the original agreement, had ignored requests by British, that the British were willing to return the machines and expected to get their money back.

Q., you say in your complaint that the rights of rthe corp., have been chalanged, do you mean your own challenge, saying that the corp., does not have an exclusive licence and therefore could not deal with the British? Ans., Yes, that is what I mean. Q., I show you here a copy

of a notification you served on the directoros of the corp. You say, " wherefore I demand that you release and surrender your agreement with the owners and all rights ." You complain that the directors should have adjusted with the owners this difference about the rights of the corp.,. Is that your idea of adjusting the matter? Sap

insisted that the entire exhibit be shown to the court and not just the ~~separte~~ section quoted by Comprey. Hoylwnad re ad the entire document and answered, "If they couldn't adjust them this is the answer. We ask for a new contract." Q., On your own terms? Ans., Yes.

Q., What was your occupation before you started your work on the Rife machine . Ans., Radio business. Q., you conducted a little radio

repair shop . Ans., Yes. Q., when did you do your first work on the Rife machine? Ans., Aug, 1934 . Q., what was the first work you did?

Ans., repairing Dr. Rifes machine. Q., when did you begin to devote your whole time to the work on the Rife Ray machine. Ans., from Aug, 1934 I was almost continually in touch with Dr. Johnson in Pasadena.

Later I was given an order to build a machine,. I took the first machine to Pasadena and later to Los Angeles where we ran a clinic, from Oct 1935 to June 1936. I worked three days a week with Dr.

Johnson and then I came to San Diego for three months and was here continuously devoting my full time to the Rife machines. I went back in Sept of 1936. We ran a clinic in Pasadena at the old Folks Home

three mornings a week. Q., During this period you were working only part time on the Rife machine weren't you? Ans., I was trying to run my business at the same time. Q., That made it a struggle didn't it

to keep going on that time? Ans., The clinic interfered with business and I lost business. Q., during this period your income was not very

much? Ans., It wasn't as much as when I started. Q., Now in May of 1937, did you get down to devoting full time to Rife Ray machines?

Ans., From then on I did, I quit my business. Q., From then on until your contract with the B-R was severed you devoted yourself to work on Dr. Rife's machines. Ans., We did other things at the lab.

Q., Have you received any dividends as a stock holder of B-R? Ans., no

sir. Q., But you have received some money and some royalties on machines released in the U.S., and on the British deal? Ans., There

have been eleven or twelve machines sold. Q., From May 1937 to June

1938, how were you supporting yourself? Ans., I had money in the bank and lived on my savings account, and continued to support myself on

that money after I joined B-R. Q., While you were technical director for B-R you received additional compensation, one and one half %

of each machine didn't you? Ans., One half percent, the one percent

was to be paid when the machines were all paid for. Q., You received about \$2900.00 from the British contract and \$220.00 royalty on four

machines sold to the British, you received some thirtyfive hundred dollars from B-R.? Ans., approximately that. Q., Did you ever

pay back that amount to the B-R.? Ans., No but I offered to. Q., When

you offered it did you show them the money, did you have it in cash?

Ans., No. Q., In Jan 13, you served a demand upon the board of directors of B-R signed by you and you thereby demand that the directors do

certain things, Number of which is that they take steps to collect back from certain persons including yourself all moneys paid in connection

with the British deal. If you didn't have the money why did you want to do this? Ans., I had property, real estate and a house near Arrow

Head Lake. Q., A mountain cabin? Ans., I said a house. Q., A cabin

is a house. Ans., Yes, but a house isn't always a cabin. Q., I understood you to say that the first machine build by B-R was built in the month of May 1938, and the money withwhich to buy the parts for that machine came from money paid in by Edwards and Reynolds.

Ans., I suppose so. I know we got some money somewhere and bought parts for that machine. The machine was sold to Dr. Hamer (?). Q., When

was that machine started? Ans., I can't remember. Q., You had met Mr. Hutch before you became connected with B-R ~~hadn't you?~~ hadn't you?

Ans., Yes. Q., On about the fifteenth of April Mr. Cullen, Mr. Hen and yourself went to the office and about four days after you were again at the U.P. I., office in the Broadway building? Ans., Yes.

Q., On these occasions there was discussion to the effect of having Mr. Hutch take over the job. Ans., Yes. Q., You knew that the British

were on their way to make a deal and you were hoping to be able to licence them to ~~ma~~ mfg in England, and you wanted a corp., withwhich to deal with them? Ans., Yes. Q., And the U.P.I., was the corp.,

to do that? Ans., Yes. Q., At that time you had no stock in U.P.I?

Ans., There was a promise that Dr. Rife and I would receive %30 of th the stock. Q., You received a written assignment of %55 of the stock

from Dr. Rife didn't you? Ans., Yes. Q., was this before or after you discussed business with Mr. Hutch? Ans., I think that it was put in writing after. Q., Do you recall a converstaion at which yourself

and Rife and Mr. Gordon Gray were present which took poace at Rifes Lab., at which you demanded that an interest in the invention be

assigned to you? Ans., No, that was from the other side. Q., At that time

did Mr. Gray suggest that you receive %20 interest?

Ans , No sir. Dr Rife and I had always had the understanding that we share evenly, as I had done all the development work. Q., What do you mean by that? Ans., I had done all of the building and designing of the machines other than the one original machine that he had in his laboratory. I had brought that to a state where it could be carried

around. Q., Did Rife then say that he would give you %55 ? Ans., No, he said %60, and that was reduced to 55. Q., Did you suggest that reduction? Ans., I told him that I would accept %55. Q., He then put that in writing didn't he? Ans., Yes.

Q., If you have that written document will you produce it please? Hoyland did so ~~xxx~~ and the document was identified. Sap., In whose handwriting ~~xx~~ is that written? Ans., Dr. Rifes. (N. B. Copy was substituted for original Rife letter for court exhibit).

Q., When did Mr. Hutch receive the assign~~ment~~ of an interest of the invention. Ans., I think about the same time ( Dr Rife wrote it). Judge Kelley -- Q -- What interest was Hutch given? Ans., one third. Kelley -- How could that be?

Ans., Originally there was just Rife and myself. %55 and %45, that was later divided, thirty to Rife , thirty three and a third to Hutch and thrity six and two thirds to me. Q -- by Compaay -- I show you a document hadd written , is that the one? by which Hutch one third was conveyed to him? Ans., Yes. ( N.B . a copy was substituted for the original of this exhibit).

Q., At that date April 30th had you yet reached a definite agreement with regard to licensing B-R to Mfg machines? Ans., I forget whether that was at that date or not, but we understood that Mr. Hutch would be manager and a company would be formed or the U.P.I., would be used as that company and we would receive stock in that co., . Q., On a previous day were you at the

office of the U.P.I., working over some rough drafts for contracts proposed to be entered into with companies who mfg and distribute Rife machines? Ans., I don't remember when we started to make drafts.

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Q., When you did made an agreement you understood that the work would be divided. Dr. Rife to do lab., work, you to supervise the making of the machines and Hutch to do the business end, including sales?

Ans., Yes. Q., At that time there was no money on hand with which to start the business? Ans., there was none, it was Mr. Hutch business to get the money.

Q., Did you have Carson, the man who came in to work with you, agree that he would not tell anyone the secrets of the machine? Ans., I gave him in confidence, the workings of the machines

and I made him promise not to divulge them to anyone. Q., Carson remained as long as you remained technical director. Ans., Yes.

Q., You know that Carson refused to give the ~~xxxx~~ Co., any information concerning of the making of the machine. Ans., Yes. Judge Kelley--

Q-- Is this machine patented? Ans., It's impossible to patent it. You have to be very careful who you give information to. Q.,-- Compray--

you said that Mr. Steiner was attorney for the British. Ans, that's my understanding. Q., Wasn't he also attorney for the corp, or for yourself. Ans., No.

Q., Where was the agreement between the three owners and the corp prepared? Qz Ans., Mrs. Willman typed it out.

Kelley -- Did she construct it also? Ans., No, I don't know who constructed it. Q., Compray -- You yourself made some changes in it.

Ans., I made some suggestions, but I don't know whether it was changed after that or not. Q., Didn't you know that most of the final draft

was prepared in the office of Sloan and Steiner? Ans., No, I was in the shop most of that time, not in the office. Q., You read that

contract before you signed it? Ans., I presume I did. Mr. Hutch was supposed to be taking care of all the contracts at that time.

Q., I show you this contract, do you see the names Sloan and Steiner on this paper, does that refresh your memory? Ans., No it doesn't.

Q., Every body and the cook had a hand in drawing up that contract. Ans., probably.

Q., during the time that the negotiations went on between you and Rife and H., for the taking over of the mig end of this thing by the corp., you were informed were you not of how the stock in the corp., was to be divided. Ans., I was informed that dr Rife and were to receive %30 between us. Q., You were informed of other stock arraignements. Ans., He wrote it down and then distroyed it. Q., You knew who they were and what proportion of stock they were to get. Ans., I didn't know who they were, I merely heard the names.

Recess.

Friday June 15. 1939. 10 A.M. Hoyland on the stand. Sap explained that he had cases to handle in San Francisco and would have to be absent from July 19 to July 26. Judge Kelley said, that he was determined to go thoroughly into the case and to give plenty of time to it. He said he was puzzled as to what was the effect of the issuance of the stock, and he said that the case would have to be continued from Noon Friday 15, until the 27th. Compray withdrew Hoyland and put Olmstead on the stand.

Q., What is your occupation? Ans., I practise law. Q., Were you one of the original corperators of the B-R? Ans., I was. Q., Are you still a share holder in that corp? Ans., I am. Q., On June 1st 1937 were you then a share holder. Ans., I was. Q., Were you also at that time a director of the corp? Ans., I was. Q., On June 1st did the stock holders hold a special meeting and if so where? Ans., Yes in Fickersons Law office, in Los Angeles. Q., were directors meetings also ~~xx~~ held on that day? Ans., Yes. Question, were you present at both meetings?, and can you tell us what took place? Ans., Yes, I was told by Fickerson to be in his office by ten. A meeting of the board of directors was called then. The minutes of that meeting I presume had been prepared in advance by Mr. Fickerson. Q., At that meeting what business was trasacted by the directors?

Ans., An offer was presented from Mr. Cullen to transfer to the corp., a contract which was held by Cullen at that time, in relation to services for a correspondence school in avation. The corp., accepted the contract from Mr. Cullen. Q., What did he ask in return for this contract.

Ans., The issuance of four thousand and nine hundred and ninety seven shares of stock. Q., At this meeting was Mr. Cullens offer discussed

by the directors and did they take any action? Ans., They passed a resolution accepting it. Q., What did they do regarding the matter

of making an application to the corp., commissioner for a ~~perxxxx~~ permit

Ans., A resolution was passed authorizing Fickerson to prepare an applicatio for a permit to issue shares to Cullen, Hutch, and Olmstead.

Q., Was any further acti n taken by the directors prior to the closte of the meeting? Ans. No. Q., On that same day was there a stock

holders meeting held? Ans., Yes, after the other meeting. Q., Who were the holders of all the issued stock of the corp., that day?

Ans., Cullen, Hutch and myself. Q., At the stock holders meeting wha t

business was taken up. Ans., A resolution made to increase the number of the board of directors from three to nine. Q., After the share hoders

voted on this matter did they make any provision as to how the six additional places on the board were to be filled? Ans., I explained

that I could not be in S.D., reguararly so they decided to fill at least three of the places in S.D., in order to have a forum without

my presence. Q., was there any other business? Ans., three new members were elected to the board. Q., "oing back to the first directors

meeting held on that day, after the Cullens offer or contract in

exchange for stock was there a copy made of that resolution? Ans., yes a copy was made by the sect. Q., Do you know if an application was

made to the corp., commissioner for a permit. Ans., Yes, to Mr.

Fickerson. Compray showed him a copy of the application and he identified it.

Olmstead on stand)

Q -- Compray -- What was done with the original? Ans., I expect it was sent to the corp commissioner. Sap --Q-- Did you prepare that application or sign it? Ans., I did not. Sap-- Q--- Weren't there some exhibits attached to the application? Ans., I don't know. Sap -- Q-- "Will you read it and see if it doesn't refer to some exhibits. Ans., Yes. Sap tried to keep document out of exhibits but Judge Kelley ruled it could be admitted. Comprey -- Q-- Did the corp., issue the 4997 shares of stock in accordance with the permit? Ans., Yes, they were issued to Cullen, H'tch, and myself. Kelley-- Q-- How many to each? Ans., I received 600 shares, I don't know about the other three. Compray -showed the court how the issuance of the 5000 shares stood after this meeting. Q-- Compray-- On Aug., 28, 1938, was there a special meeting of the stock holders of B-R in Fresno and were you present? Ans., Yes. Q., were the other two there. Ans., Yes. Q., Were you three the only stock holders in the corp., Ans., Yes. Q., At that meeting were the minutes of previous directors and stock holders meetings read? Ans., Yes, we read all of the minutes of the meetings of the corp., from its inception. Q., Was any resolution made regarding actions taken previously? Ans., Yes, minutes were all validated, a unanimous vote passed this resolution. Compray then showed Olmstead the minutes of this meeting and Olmstead identified the resolution as one taken at that time. Q., I show you a document which purports to be an application for permission to transfer stock to various persons including Dr. Rife, Mrs. Henderson, etc., etc. Do you recall this document and did you sign the original of it? Ans., Yes I did. Q., I call your attention to page four which shows the transfers which you propose to make, one from yourself to Mrs. Willman, another to Edwards (?) Did you do this? Ans., Yes. Q., Did you receive any



payment for so doing? Ans., I did not. Q., You have one hundred shares left in your own name after making that transfer. Ans., That's right. Morning recess called.

Court resumed, Sap takes the witness.

Sap -- I show you minutes of the meeting of June 1, 1937. Will you

look at the top right hand corner and read the figures that are there

and state what is under the figures. Ans., It says 22 in a circle,

and under it CRH. Those are Hutch initials. Q., Is that his hand

writing? Ans., I couldn't say. Olmstead then read from the top of

the pages of 22 to 27 all initialed by Hutch. Q., Does it say in

line five of the first paragraph that that meeting took place at 10 A.M.

June 1st, 1937. Ans., Yes. Q., Was there a written notice sent out

for that meeting? Ans., I was called personally by Dickerson.

Q., Were all the minutes of the meetings prepared in advance? Ans., Yes.

Q., Did you advise this? Ans., I had nothing to do with it at all.

Sap then produced minutes, referring to the fact that the meeting was

called at 11 A.M. Q., Is there anything in the minutes that says

anything about the meeting adjourning and then reconvening? Ans., No.

Q., Did you read these minutes? You signed this affidavit that you

had read all of the minutes and that they were correct. Ans., Yes.

Q., You were present at both meetings that is, the stock holders and

the board of directors. Ans., Yes. Q., This affidavit was filed

after the complaint in this action. Had you read the complaint?

Ans., I read parts of it, not all. Q., You knew that it referred to

meetings of stock holders etc., etc. Ans., Yes. Q., You knew that

this portion of your affidavit was definitely aimed at something that

the plaintiff was trying to prove? Ans., Yes. Q., Were the minutes

of the meeting on Aug, 28, in Fresno prepared ahead. Ans., I presume

so. Q., Who was present at that meeting. Ans., Hutch, Cullen and myself.

Q., And you signed the minutes of that meeting stating that they were correct. Ans., Yes. Q., When you signed the affidavit you made no exceptions, you were present at all meetings? Ans., Yes. Sap then tried to point out that Olmstead claimed that he read the minutes carefully but that his testimony does not agree with the minutes. Olmstead replied heatedly that he merely said that the minutes reflected the procedure of the meetings. Q., Did Hutch ever tell you about certain shares of stock that would be given to Mr. Winter? Ans., Not that I recall. Q., Did Mr. Hutch say anything about having received any money from Mr. Winter? Ans., Not that I recall. Q., Did you ever ask why 500 shares were being given to Winters? Ans., I don't recall that I ever asked that. Q., Did you ever try to find out about it? Ans., I recall that Mr. Winter was supposed to have given help to Mr. Hutch. Q., Was anything said about Mr. Winter having given Mr. Hutch money for the stock? Ans., No. Q., Did you ask anything at all about the various names on that list of people who were supposed to get stock? Ans., No. Q., You took Mr. Hutch's word that the money was merely a loan. Ans., Yes. Q., Is it a fact that the list of proposed transferrals were sent out in full at this meeting at Fresno. Ans., Yes as I recall it. Q., Did you make any inquiry about these people at all. Ans., No. Q., Did you ask when Mr. Hutch had received money from Mr. Edwards. Ans., No, it was generally understood that these people had rendered services, I didn't know what particular service had been given by any of them. Q., Didn't it occur to you that some people were getting fifty shares, some were getting 500, didn't that seem strange? Ans., No. Q., You were not curious about the distinctions. Ans., No. Q., Did Mr. Hutch say anything about these people? Ans., No, I released some of my shares and I think that some of them went to Winters.

Q., Was this at Mr. Hutch suggestion? Ans., Yes. Q., Did you know that most of these people had given Hutch money in varying amounts?

Ans., No. Q., You didn't even make an investigation, in other words

all you did was to sign the minutes that were put before you. Ans., No that is not right. Q., Did you make any changes? Ans., No. Q., You

knew that Mrs. Willman was not present at this meeting, yet you signed the minutes so saying. Ans., Yes, but inadvertently. Q., What

inquiries did you make about the financial state of the corp. Ans., I

don't recall that I ever raised any. Q., But you are a director aren't you? Ans., I looked over the statements. Sap then showed Olmstead

an item listed among the assets of the co., of approx \$51,000.00.

Q., In the application which you signed following this meeting in Fresno there is a statement to the effect that the airplane courses were

abandoned. Ans., They were discontinued not abandoned. Q., Did you as

a director not question the financial statement that set out as an asset that \$51,000.00 when you knew that the courses had been discontinued.

Ans., We still considered it an asset. Q., Did you know that there

was another corp., U.A Schools in Nevada, set up by Hutch and Cullen?

Ans., No, but that didn't affect this organization. Q., Did you know

anything about it at that meeting? Ans., No. Q., Didn't you as a

director inquire what the liabilities were? Ans., No. Q., You just

signed the minutes as they were given to you. Ans., No, I didn't that's

not right. Q., Yet you don't know what this liability to UAS was for?

Ans., No., I know nothing about it at all. Q., Did you do anything

about the ~~notes~~ notes from Hutch. Ans., We accepted his notice. Q., Do

you remember any of the details at all? Ans., No. Q., Where did you

get information about these notes? Ans., From Ficherson and from Hutch.

Q., You didn't get any information from Mr. Edwards? Ans., I have never

met Mr. Edwards except in court. Q., Did you know Mr. Van Wart? Ans., No

Q., Did he hold an office in the corp., at that time? Ans., No.

Q., Didn't you introduce a resolution which included a ~~xxx~~ reference here stated ( showing him minutes) . Ans., Yes. Q., How much of the

minutes were read out loud at that meeting? Ans., We read all of them.

Q., Who did the reading? Ans., I did. Q., You and not Mrs. Willman?

Ans., Not Mrs. Willman. Q., How fast did you read them? Ans., I read

very fast. Q., Did you read them so that every body present could hear

them? Ans., I think so. Sap then asked Olmstead to read a page of

the minutes aloud so that he could time him. Olmstead do and was

checked at two minutes fifty seconds a page. Q., Before we go on I

want you to count the number of pages so that we can compute the time

it took to read these minutes . I want to know how much other business

besides the reading of the minutes was taken up and how much time was

given to it. Ans., very little business was taken up, and scarcely

any time was given to other business . Q., Yet it says here that each

item was fully discussed. Ans., Yes. Q., How much discussion was

there on any of these other resolutions ? Ans., ( shouting) I couldn't

tell you . Sap, now Mr. Olmstead , you wouldn't want me to shout at

you would you? Olmstead , I can take it. Q., All right , just show

me one resolution on which there was some discussion. Ans ., Olmstead

pointed out and referred to the matter of Hutch promisory note.

Q., Well , how much time was devoted to discussion during the meeting?

Ans., I couldn't tell you. Q., Would you say one hour in the aggregate

Ans., Yes, there was, I would say more than that. Q., You adjourned

the meeting at two. Ans., I don't know how long , whether it was two

three, or four hours. Q., You are therefore changing your testimony

( the discussion between Sap and Olmstead was waxing hot when Judge

Kelley interrupted the court to inform them that the case would have

to be discontinued until Monday , June 27.

Monring session of June 27th.

A telegram from O'mstead saying that he was delayed but would be in court for the afternoon session, was read. Hoyland took the stand.

Compray interrogating. Compray showed a paper which had been in Hoyland's possession, it was Hendersons resignation. Q., Mr. Hoyland

how did you get this paper? Ans., It was put into my hands. Q., Do you consider this a technical matter? Ans., No answer. Q., Now

I call your attention to a letter dated Sept 5th 1938, addressed to B-R signed by H.S. Parsons. I quote, " I take it that you do not

have the actual frequencies used other than the markings on the dial of the oscillator. If you would ckeck your frequencies with a resometer

you could have kept them in code and sent them to me in code and thus we could have checked the instrument. If you do have the actual

frequencies I should like to have them, or we will have to do much difficult work etc. " Q., Now at that time, you knew the actual

frequencies for the various diseases which could be treated with this instrument. Ans., I did not know all of them, as they were only on

the dial of the master oscillator. Q., Let me see if I understand you, at that time you did not know all of the frequencies? Ans., I say that

I did not know the numerical frequencies, they were all on the dial. Q., Who prepared these dials and calabratings? Ans., I did. Q., Who

did you get the information from in order to calabrate these dials?

Ans., They were taken off the last machine that was built by Dr. Rife, I transferred them from one machine to another. Q., You didn't write

them down? Ans., No. Q., Prior to shipping these machines to the

British you made some notes on these frequencies. Ans., We had two machines here, one was my own personal property and I own most of

the material in the other, they were in the shop. Q., Therefore, by

just going to the dials of the machine in the shop you could have procured the actual frequencies needed by the English ( pointing to

Parsons letter) Did you ever reply to this. Ans., "without looking at all the letters I wrote them I couldn't say. Q., I call your attention to another document produced from your custody, being a cable

gram from Blewett in London, addressed to Hutch. It says, "Refer your letter July 18, no letter received, require ~~xxxxx~~ circuit diagrams and parts." Message continued to effect that this delay was holding things up and making it very difficult for the English group. How did you get this cablegram? Ans., It was turned over to me by the office.

Q., By whom in the office? Ans., by Hutch. Q., There is a date written on this, who wrote it. Ans., I did, it is the date of the cablegram. Q., In reply to this did you send them the circuit

diagrams and the list of frequencies? Ans., I sent them the diagrams.

Q., When? Ans., I would have to look at my letters again. Q., Will you do so please. Hoyland found a letter and showed it to Compray.

Q., You have produced here a carbon copy of a letter addressed to Mr. Blewett. Is it a carbon copy of the original written by yourself?

Ans., I don't remember whether I typed it or if Mr. Lyle did. Q., Was it typed at your dictation and was the original letter sent by you to Mr. Blewett? Ans., Yes. Compray quoted from letter, as follows, "

your cable addressed to C.R. Hutch received, Mr. Hutch being out of town at the time I opened it, presuming it to be company business, this latter also states, "regarding frequencies of the machine you

will remember me telling you that the frequencies used are not the same as the ones on the Rife machine, they were in the upper bands

I am sending you schematics etc., (NB. the rest of the letter was

read so rapidly that I could not take it down, but it referred to the ~~xxxx~~ code and there were vague and secretive references to what I told

you etc., etc.) Q., That letter contained all the information you ever sent to the British and when you state that you sent them certain information concerning the frequencies you were referring to this letter

letter were't you? Ans., Yes. Q., During this period of the late summer and the fall of 1938 were you devoting your full time to your work as technical adviser to the company. Ans., During that period I was supervising the building of the machines, I was taking care of the buying of the parts and helping to sell the machines. Q., You were on duty with the company for your whole time. Ans., Yes, it was a full time job. Q., That work was done here in S.D., except for a few trips to Los Angeles? Ans., Yes, and except for a trip or two to Omaha, Nebraska. Q., I call your attention to another letter which you produced in court this morning dated, Oct 25, 1938, addressed to B-4 signed H.S. Parsons. I will quote you a few bits from this, " Referring to my letter to you of last week I have not been able to do much more in straightening out various items I covered in that letter. I have been expecting a letter from Hoyland which would help us to use the one lab machine which seems to work, but we need further information before we get I can give the treatment machine operating. There follows a reference to a short circuit and that the original lab machine was quite useless" it continues, " how may we hope to duplicate these machines unless we have the specifications. It looks as though Mr. Hoyland is the only one to write from B-4 and he seems to be away so much, it is hard to get answers to letters or cablegrams. " Did you reply to that letter Mr. Hoyland? Ans., I replied to parts of it. Q., How did you get this letter. Ans., It was among the letters I got before I went to N.Y., to represent the company in the meeting with Dr. Gonin. Q., you never returned them to the company later. Ans., I put them away in my file and they remained there. Judge Kelley -- Q-- Do you know if any other members of the organization say this letter from Mr. Parsons? Ans., Yes, it was given to me but the sect., of the co., of the company -- Q-- You

Said you believed you had a copy of your letter in reply to certain portions of this letter of Mr. Parsons, will you produce it? Hoyland was not able to find the letter. Q., Here is another cablegram addressed to B-R which was also in your possession dated Jan 16, 1939, it states in effect, "confirm letters and cables//, You broke agreements,

all machines we e purchased

outright." How did this cable come into your possession? Ans., It was turned over to me by Mr. Edwards. Q., When. Ans., About the time it

came. Q., At that time did Mr. Edwards say to you that all the directors wished to sign the pending agreements with the English?

Ans., It had been talked over between Mr. Edwards, Mr. Sap, and myself.

We looked over the new ammended contract and decided that it should not be signed. Mr. Sap talked it over with us and suggested it best

that it be brought at the directors meeting, which it was. Q., Didn't you say to Mr. Edwards that you would not permit the signing of this agreement of this agreement by the company? Ans., Yes. Q., Until

you made this statement to Mr. Edwards he had stated that he was in favor of signing it up to that time. Ans., I don't think that he ever said he was willing to sign it, there was quite a lot of ~~xxxx~~

~~txkx~~ ~~xxxx~~ talk between us regarding that contract. Q., Didn't he state definitely that the contract should be signed. Ans., No, I

pointed out some points that I didn't think were right. Q., Didn't

he still think that it should be signes? Ans., No. Q., Are you

positive? Ans., As positive as I can be. Q., your refusal to sign

was on advice from Mr. Sap? Ans., Yes. Q., I'll show you another

cable among those produced by yourself, this is dated Nov 24th, 1938 addresses Hutch, B-R signed by Gonin. "Without prejudice must not

pay checks since payment under original contract is to company not individuals". How did this come into your possession? Ans., Mr.



Hutch gave it to me in his office. Q., This opening statement about checks, were these checks referred to given to you at the time the ammendment was negociated in New York? Ans., Yes. Q., An additional payment was made at the time of the new agreement, and certain of these checks were made payable to yourself and to each of the other owners? Ans., One to Mr. Hutch, one to myself, and the balance to the company. Q., Payment was later stopped on these checks and a new payment was made for the same total amount through the company?

Ans., Yes. Q., You did however, get your payment finally? Ans., Yes.

Recess until two P.M.

Afternoon cession June 27th 1939. Judge Kelley asked to have Olmsæad on the stand for cross examination by Sap.

Sap--Q-- I show the minutes of the meeting of stock holders of Aug 28, 1938. When did you sign these? Ans., I signed <sup>them</sup> in~~the~~ the P.M., and left Fresno about six P.M. Q., according to these minutes there were two transfers to be made out of your stock, 447 shares to Beth

Willman and 53 shares to Charles Winter, What consideration did you receive from Beth Willman? Ans., None. Q., Did Mr. Hutch speak to you about this transfer? Ans., Yes. Q., Was there any consideration

from anyone. Ans., No. Q., And you did all this at the request of Mr. Hutch? Ans., Yes. Q., You had one hundred and one shares left

after the transfer? Ans., Yes. Q., Werr you present at a meeting of the board of directoras May 7, 1938? Ans., I am not sure, I would like to refresh my memory ( after checking the minutes) No I was not

present. Q., When did you sign these minutes? Ans., I can't tell you that, I made a waiver and then signed than, I can't remember we~~ere~~ I signed them, possibly in L.A. Q., Would the colour of the

ink help you to remember? Ans., No. I use brown ink most of the time in my own fountain pen. San then pointed out that Olmsæat

used his brown ink to sign all of the minutes. Comprey then took

the witness. Q., Did you sign the minutes of some of the meetings at the office of Mr. Fickerson? in L.A? Ans., Yes. Judge Kelley--

Q-- You had six hundred share Mr. Olmstead and you transfered 499

Ans., I guess so, I have 101 now, I transferred 447 to Beth Willman and the balance to Winters. Kelley--Q-- Did you understand that

either of these parties would put up some money in return for the stock?

Ans., Not that I recall, I had confidence in Mr. Hutch, I was traveling

in the nothern part of the state and was not in touch with the

organization, I had to depend on Hutch and Fickerson, then

realizing that I couldn't be of any service I resigned. Kelley--Q--

Had these people rendered some service to the corp., at the time

you made the transfer? Ans., That was my understanding. Kelley--

Q-- Did you have conversation with anyone before this transfer took

place? Ans., Yes, Mr. Hutch told me about what they had been doing.

Kelley-- Q-- When you received your shares did you understand that you were receiving them for services rendered? Ans., Yes. Kelley--

did you know that others had received stock and then were then

transferring it out to others who were giving services, was this the

plan of the organization? Ans., Yes. Kelley-- Q-- Was there any

conversation by the members of the board of directors regarding

these transfers at any time? Ans., Yes, there were discussions

about it. Kelley-- Did you examine the permit from the corp., com.,

at that time? Ans., I don't believe I did. Kelley\*-- Q-- Was there

anything said by Mr. Hutch as to the limitations by the corp., com.,

as regards the transfer of stock, was there anything said about

the fact that you could not sell the stock but that you could give it away? Ans., that was the understanding at the time. Kelley --

Q-- How did you arrive at that conclusion? Ans., I don't know, I

think I just arrived at it. Kelley-- when was the last stock holders

meeting held? Ans., I'd have to see the books. Kelley -- well about

how long , a year ago or more? Ans., I think it was in Aug., last year. Kelley -- There has been no meeting since then? Ans., Not that I know of. Olmstead was excused by Judge Kelley, and Hoyland took the stand.

Compray questions Hoyland Q., I notice on these cablegrams saying that if the English conditions are agreed upon etc., there is a penciled note saying terms acceptable. Ans., Mr. Hutch and I discussed this, and decided to send an answer saying that the terms were

acceptable. Q., When you say we", whom do you mean? Who sent the cable? Ans., Mr. Hutch and I. Q., Have you a copy of it? Ans., No.

Q., When you built the first Rife Ray machine were you informed by Dr. Rife of the frequency<sup>y</sup> ~~xxx~~ range that the machine was required to cover? Ans., He talked to me about that and what his machine covered.

Q., He informed you about it from high to low? Ans., No, he didn't.

Q., That first machine that you built under your agreement with the University of Southern California was built by you under Dr. Rife's supervision? Ans., That's the way the contract read. Q., Did you

violate the contract? Ans., I was left to build the machine my own way. Q., In June of 1935 was when you made an agreement with the

medical research to build a Rife Ray machine, you did build it soon after that? Ans., Yes. Q., You had an agreement with

them that all work was to be done under Dr. Rife's direction. Ans., That's what the contract called for. Q., Did you do this work without getting the frequencies from Dr. Rife? Ans., I recalibrated the

machine according to the bacteria. Q., What specifically did you do that constituted this recalibration? Ans., I used a standard oscillator against his machine to see what frequencies he was using.

Q., He set his machine and you measured his frequencies? Ans., Yes.

Q., Did you make any memorandum of these particularly frequencies?

Ans., Yes, I gave Dr. Johnson and Dr. Rife a list of them. Q., Did you ever furnish a list of any of these frequencies to the B-R corp., or any of its officers? Ans., No. Q., You refused to do this?

Ans., Yes, I refused, but Mr. Edwards had a sealed letter containing them for some months. Q., You had not shown Mr. Edwards that the

frequencies were in the envelope, you sealed the paper without showing them to him? Ans., He asked me to give them to him sealed and I did so.

Q., When Edwards was talking to you about signing the redraft of the agreement with the British, I call your attention to the fact that the contract has a place for certain sk to be filled in with the frequencies and the design of the machine. When you were discussing this didn't Mr. Edwards then say that he wanted you to give the corp., the necessary information to send on to the English? Ans., No he did not. Q., Are you positive of that? Ans., Yes I am positive.

Q., This letter in which you say you have the frequencies was sealed by you without being shown to any of the officers of the company?

Ans., Yes. Q., You told Edwards that he was not to open that envelope during your life time? Ans., That was the understanding, that if

anything happened to me he could open it. Q., Didn't you tell Edwards that in the event of your death the envelope should be delivered to your attorney and that he would then give him the frequencies? Ans.,

No, I had two papers. Q., Was your attorney Mr. Sap at that time?

Ans., No not at that time. Q., I understood you to say that the frequencies used in the machines put out by the corp., were not set to the same frequencies as Dr. Rife's machine. Ans., that is correct.

Q., Did you inform the board of directors of B-R that the machine you built was not the same as Dr. Rife's? Ans., I had spoken to them

about it. Q., Who did you tell about this? Ans., Mr. Hutch, on our

way to N.Y. Q., Who else did you explain it to? Ans., To Mr. Edwards.

Q., When and where. Ans., At his house, one evening. Q., When, what evening? Ans., I can't remember when. Q., About that time were you still a member of the board of directors? Ans., Yes. Q., When did you become a director of B-R Inc? Ans., In Sept of 1938, I believe. Q., You resigned when? Ans., In Nov 1938, Just before I went to N.Y. Q., Then it was during that period between Sept and Nov that you told Edwards at his home that the machines you were building were not putting out the same frequencies as Dr. Rife's machines. Ans., Yes. Q., How did you explain that? Ans., In the summer of 1936 I designed a new machine or rather I checked it there at the lab., I had designed it in Pasadena, and we tested it out then and the frequencies were not the same as on Dr. Rife's machine. Q., Did you tell him how great the difference was? Ans., I explained that there was quite a fundamental difference. Q., Who else on the board of directors did you explain this to? Ans., Mr. Henderson, in the late summer of 1938. Q., Any one else? Ans., I don't think so. Q., When were you first informed that the members of this British group were coming to S.D., to discuss a contract? Ans., When Dr. Couch returned from England in the spring of 1938, about a month before the British arrived. Q., During the period from that time until the British arrived there was considerable discussion was there not regarding the desirability of having a corporation to deal with them? Ans., We were looking for a man to manage the affairs. Q., And that lead to Mr. Hutch being procured for that purpose. Ans., Yes. Q., Wasn't there also talk about forming a corp., ? Ans., Yes. Q., And that mfg rights would be given? Ans., They were to be given a licence to do that. Q., You were not selling the invention. Ans., No. Q., It was decided that the corp., would make the final deal with the British whereby they would receive the licence to mfg, isn't that so? Ans., That went through the company, Yes.

( then he said) but that is not correct, the company had to have unanimous consent of the owners. Q., Did you <sup>read</sup> ~~sign~~ either of the original two contracts with the British those of June 4th or 5th?

Ans., No sir, I did not. Q., You were one of the ~~xx~~ owners at that time were you not? Ans., I was. Q., I believe you said that you read the contracts before they were finally executed and you say that these contracts were signed only by the B-R corp., and the British.

Ans., Yes. Q., Wasn't it the understanding that you had prior to that time that the corp., would be the one that would sign the contract after it had been agree upon finally? Ans., that they would sign it, Yes, but that the owners had to agree to the contract.

Q., Did you understand that the corp., could not convey to the British any greater rights than the corp., already had? Ans., That's right.

Q., You said that you realized at the time that the British wanted an exclusive licence to mfg and distribute the machines with certain territorial rights? Ans., Yes. Q., But you yourself signed no

contract with the British in June 1938. Ans., No. Q., None of the other owners of the Rife Ray machine signed what did they? Ans., No.

Q., Before the negotiations with the British began, negotiations were underway between the owners and the B-R corp., regarding what kind of licence was to be given the corp., weren't they? Ans., Yes.

Q., Who took part in these discussions? Ans., Hutch, and I and Dr.

Rife, sometimes. Q., Anyone one else. Ans., I think Mr. Henderson.

Q., Did't Mr. Willman, the sect., type out several agreements?

Ans., I don't think several. Q., How many then? Ans., I don't think more than two were made. Q., She typed these? Ans., I couldn't say

whether she did or she didn't. Q., Are you sure there were only

two primary drafts before it was signed? Ans., I can't remember any

more. Q., The final one was written in the office in ~~xxxx~~ of Steiner

and after you read this weren't certain changes made and weren't these

changes rewritten? by Mrs. Willman? Ans., I don't remember.

Compray showed Hoyland the document referred to, but Hoyland did not remember it. Q., There were a number of talks about the terms of the

licence that was to be given to the corp., Ans., Yes. Q., Was it not states that the licence should be an exclusive one. Ans., No sir.

Q., That was not discussed at any of these conferences? Ans., That was ~~never~~ never discussed at any time. Q., You mean that at none of

those discussions among you, Rife and Hutch was there never any talk of B-H corp., receiving an exclusive licence? Ans., There never was. Q., Was that discussed when Hen and Mrs. Willman took part.

Ans., No. Q., At the time of the discussions of terms you knew that

Hutch was a member of the board of directors of the company and you knew that he had a double position in the talks as one of the three owners and also one of the directors of the company? Ans., I t seems

that I realized it. Q., Was anything said among the owners to the effect that the company should be given not an exclusive but that it should be merely one of many companies given a licence. Ans., Mr.

Hutch and I discussed this, Yes. Q., Who else? Ans., Just the two of us. Kelley--Q-- Did you intend that the corp., should advertise

the machine widely and did you understand that if other corporations were formed to mfg th se machines they would get the advantage of the advertizing of this corp?. Ans., I don't think we ever thought of that.

Compray- Q-- Weren't you leaving it largely up to Mr. Hutch to take care of the details of licencing. Ans., Yes, he was the manager for

the ~~xx~~ owners. Q., Then it was your intention that other companies would be licenced to compete with the B-H company in the mfg of this machine? Ans., That is correct. Q., Did you inform Dr. Rife that

you meant to licence others? Ans., I don't know. Q., You did however, tell Mr. Hutch that that was your intention. Ans., he brought it up the first time himself. We spoke of it often

Q., Were these discussions prior to the final signing of the contract with the B-R corp. Ans., Yes. Q., Did you inform any other officers of the corp., that you intended to licence others to compete with the

B-R. Ans., I don't remember. Q., Did you say that you understood fully that the only one signing the agreement with the British granting them a licence was the company and you also understood that the British was to receive an exclusive licence. Ans., Yes. Q., Yet you also

understand that B-R could not give this licence to the British because

they didn't have an exclusive licence themselves? Ans., They were acting for the owners and given a share in what we got out of the

British. Q., Will you read the question again please. Kelley-- Q-- Did you understand that the corp., was acting as an agent? Ans., Yes.

Kelley--Q-- Did Dr. Rife authorize the corp., to act as his agent?

Ans., he authorized Hutch to act for him. Kelley-- Did you understand

when the British signed that contract that they thought they were getting an exclusive licence? Ans., Yes, getting it through the

owners. Compray--Q-- When you read the agreement between B-R and the British you say that it doesn't say a word about the corp., making an agreement acting for the owners? Ans., No it doesn't specify it.

Q., In Nov when you signed a letter changing earlier agreements you and Mr. Hutch signed as authorized representatives of B-R corp., you were acting under authority you got from the corp.,? Ans., Yes.

Q., You understood that you needed that written authorization from the corp., in order to change the contract? Ans., We took it but we never used it. Q., If Gonin had wanted to see that written authorization

you would have shown it to him? Ans., Yes. Q., You have that paper from the corp., in your possession now? Ans., If I had it it

would be in those letters I gave to you today. Compray said it was not among those papers. Q., You understood anyway, that you were

acting under that authorization? Ans., Yes. Q., I show you here



a copy of a resolution of the board of directors dated Nov., 11, 1938.

This was the authorization for Hutch and Hoyland to rep., the co.,

in N.Y. (Hoyland identified the document.) Q., Kelley-- Q-- Who

were the owners at the time this was signed? Ans., The same three,

Rife, Hutch and myself. Kelley --Q-- did you understand that you were

acting as an agent for the corp., and on behalf of yourself. Ans.,

Yes Sir. Kelley-- Was there ever any authorization of any agent by

Dr. Rife? Ans., I talked the matter over with Dr. Rife the day before

we left for N.Y., and he said anything you and Mr. Hutch decide will

be agreeable to me. Kelley -- however, there was no written authorization

from Rife. Ans., No. Sap -- I think there is one, it hasn't been

introduced yet. Judge Kelley insisted that he wanted to see any written

authorization from Dr. Rife. Compray showed a paper signed by Rife

giving Hutch and ~~Hoyland~~ full authority to act in the owners

behalf. Judge Kelley declared that this paper did not go so far as to

authorize the dealings with the British group. Compray puts a question

Q., Mr. Hoyland -- you became associated with B-R while it was still

U.P.I., around the first part of May 1938. Ans., Yes, April or the

first part of May. Q., You went at frequent intervals to the companies

offices. Ans., Yes, I went every day. Q., You attended directors

meetings before you became a member of the board? Ans., Yes, xxx

Q., They were held around once or twice a month and you attended

practically all the meetings until you went to N.Y. A., Yes. Q., You

continued to attend these meetings until sometime in Jan of this year?

Ans., I was at one meeting in Dec, to discuss expense accounts for the

N.Y. trip. Q., You were also at one directors meeting in Jan. Ans., No

sir. Q., Not any directors meeting in Jan? Ans., No. Q., You read

the minute book of the corp. Ans., Not until I became a director.

Q., Are you sure of this. Ans., Yes, I was never allowed to get at it.

Q., And you desired to see it. Ans., It was always carefully kept out

of my way. After I was a director I only read the minutes of the meetings as they took place. Qw, you read and signed them in a good many instances? Ans., I think I signed one. Q., Did you read the

minutes of meetings held prior to your becoming a member of the board. Ans., No sir. Q., You were present at the directors meeting

at which you were elected? Ans., After I had been elected, Yes.

Q., After this you made a motion to create a position of sales manager?

Ans., I know that the position was created, but I am not sure that I

made the motion. Company showed him the minutes of that meeting calling his attention to the fact that Eullen called the meeting to order and reference to items including Hoyland making the motion

to create the position of sales manager. Ans., Yes, somebody had to make the motion so I made it. Q., When was the first time that you

ever saw the minutes of any meeting of the board of directors prior to the meeting at which you were elected? Ans., In Jan of this year.

Q., Not before? Ans., No sir. Q., When you saw the minutes of the meetings which you had attended as a director were they in the minute

book. Ans., I am not sure, I think sure. Q., Why didn't you look

back at some of the minutes of the former meetings. Ans., They were just handed to me to sign and I signed them. Q., You were in the office

of the company many times, didn't you ask to see these minutes. Ans., No.

Q., You had no curiosity as to what was in them? Ans., No. Q., You

state in your complaint that the rights of the corp., under its contract with the owners have been challenged. By that you mean the companies

claim that it has an exclusive licence to mfg these machines? Ans., Yes.

Q., This refers also to the company having conferred an exclusive licence to the British doesn't it? Ans., Thats right. Q., You are

aware that you are the only one of the three owners who has challenged the company. Sap objected but Judge Kelley overruled him. Ans., This

was talked over with Dr. Rife in his lab, the end of Dec. He was in

accord with what I was doing at that time, as regards this particular item. Compray said, that is all at this time.

Sapiro took the witness. Q., Do you recall how long a time you

and any others worked in making these four machines for the British?

Ans., We started on the 14 of June and they were shipped in Aug., we

worked about six weeks. Q., Were the clinical machines the same as

were made for Dr. Hamer? Ans., Yes. Q., Was that the same as the

machine used on Mrs. Henderson? Ans., No, but the same type. Q., Was

it the same as the machine the British saw when they were here.

Ans., Yes. Q., You said that an expert could wire the machines in one

day, what did you mean by that? Ans., That referred to if we were

doing mass production. Sap then questioned Hoyland about the actual

making of the machines and tried to show that Hoyland made the price

of production up and that Hutch agreed with this figure. Sap showed

Hoyland a paper dated July 22, 1938, and asked him if he had seen the

paper before. It was a copy of a letter to Dr. Gonin, signed by Hutch.

Hoyland recognized it. Q., Was Hutch then manager for the company?

Ans., Yes. Judge Kelley read the letter over Compray's objection

and admitted as evidence. Q., Sap-- Q -- The figure you gave the

British for the cost of the four machines was a fair figure based

on actual costs of producing these machines. Ans., Yes. Sap then

read the minutes of a meeting of the board resolving that Hoyland

should draw up a letter in reply to a letter from the British. Q., Did

you write such a letter? Ans., Yes. Q., I show you a copy of the

letter, is this the letter and was the original signed by you?

Ans., Yes. Sap then read from the letter to the effect that code

frequencies had been sent to the British. Q., Did you present

copies of this letter to members of the board? Ans., Yes. Q., Did

they all approve it? Ans., they all agreed that it was a good letter.

Q , Did anyone complain about the contents of other letters ? Ans. , No.

Q , Did you have a lot of correspondence with the British ? Ans. , I sent quite a lot of letters to them. Sap called upon Hoyland to identify copies of letters sent by Hoyland to the British. He did so and these were then admitted as evidence. One of these letters referred to an inclosure showing Parsons how to operate a Rife Ray machine, another letter referred to the fact that all the friction had been smoothed out in the company and they were doing a fine business, that Lyle had taken over Hutch place after his resignation and that everything was going along beautifully. Judge Kelley remarked , " They were a little bit overly optimistic weren't they." Another letter referred to a list of schematics and changes in the personal of the company.

Court adjourned until Wed. 10. A.M.

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Wed. Jund 28. 1939. Hoyland on the stand.

Sapiro introduced more letters written by Hoyland to the British.

These had to do with equipment and technical matters. One dated Aug

18, contained a list of parts shipped, and Aug 27, letter from H <sup>number</sup>  
to Blewitt that referred to changes in frequencies eliminating number

five plug. Letter of Sept 9, referred to Seventh Day Adventists.

Letter Sept 23, General remarks about business. Letter 24, to Parsons,

explanation of frequencies. Letter Aug 29, to Hutch, Hoyland, and

Beth Willman, signed by Dr. Couch. Compray objected on grounds that

Dr Couch letter was heresay, and Judge Kelley sustained the objection.

Sapiro tried to introduce a letter to Dr. Couch from Hutch. Compray

objected again on the same grounds and was sustained by Kelley, who

declared that he did not consider Dr. Couch a part of the litigation.

A letter from Blewitt was admitted in which he said that he was

delighted to hear that Hoyland was holding a controlling interest, as  
he was worried when he got letters from people he didn't know. Q., Did

you know Mr. Blewitt when he was here with the British group? Ans., Yes.

Q., Was anyone besides you writing to Dr. Blewitt? Ans., Yes, Hutch,

Mrs. Willman and Dr. Rife. Q., How did you know this? Ans., They

told me. Q., Dr. Rife was not a party to the action so we must eliminate

him. Did the others tell you that they were writing to Mr. Blewitt?

Ans., Yes, they did. Q., The original of the document of assignment

of interest to Hutch dated April 30, 1938 -- you said that it was in

your hand writing, was that copied by you from something and if so

from what? Ans., from a typewritten sheet that had been prepared

by Mr. Hutch. Q., Did you make any change in the document when you

copied it? Ans., Yes, I changed one line. Q., What was that line?

Compray objected and was sustained but Judge Kelley allowed Hoyland

to point out the line, but said, that he could not read it aloud.

Sap said, that he was trying to show that Hutch attempted to dominate

the other two owners. (Hoyland and Rife). But Kelley did not consider this line of evidence relevant and would not admit it.

Q., you met Dr. Gonin in N.Y., about Nov., 17, did you discuss with him at that time all the other matters that he had been inquiring about? Ans., I discussed all the questions that he brought up about

technical things. Q., Was Mr. Hutch present at these meetings? Ans., Yes.

Q., Was Dr. Gonin satisfied with the information and did he say so

in the presence of Mr. Hutch? Ans., Yes. Q., Was the new contract

that was sent over to the British a restatement of the old contract

or did it differ in one particular from the others? Comptay objected

and was sustained. Q., Did you discuss this agreement with Mr.

Edwards? Ans., Yes. Q., At that time did either of you speak of

any objections to that agreement? Ans., Yes, we decided to have

one of the payments put off until they could get their machines in

working order. Q., Were the British in default at that time, and

if so how much? Ans., Yes, they were, about five thousand dollars.

Sap then brought out that the British were in default of another

payment later and that Edwards and Hoyland discussed the matter.

Q., Were any conclusions expressed by you or Edwards at that time

as to what was to be done. Ans., Yes, we both made suggestions.

Q., Do you remember any made by Edwards? Ans., We decided to send

the British a cable saying that a new contract should be drawn up

and the payments that had already been made by them should be credited

to them on the new contract. Q., Did Mr. Edwards prepare such a

cablegram? Ans., Yes, he did. Q., Who sent it? Ans., He asked me to,

and I did. Judge Kelley -- Q. -- Did you ever get a financial report

on the British group? Ans., No sir. Kelley -- Did you know of anything

being done along that line by the officers or directors of the company?

Ans., No sir. Morning recess was called.

Capior -- Q -- You testified today that Hutch had said that you and Rife would get about 30% of the stock of B-R. Ans., Yes Sir.

Q., Was this an inducement to you to sign up with B-R? Ans., Yes.

Q., In references to licences to other corporations did Mr. Hutch mention where these would be given? Ans., He said there would be

one on the east coast, one in the middle west, and so on. Q., Did he say anything about B-R in connection with these other licences?

Ans., No. Compray--Q -- At your talk in N.Y. with Gonin you say

that Gonin raised certain technical questions that he wanted answered relating to the design of the machines and the frequencies.

Ans., Not in respect to the frequencies as frequencies but in

references to the calibrations on his dials. Q., And you say that

he was fully satisfied with your answers before he left? Ans., Yes.

Q., Did he say that Blewett and Parsons were also satisfied?

Ans., He didn't mention them. Q., And this all took place in the presence of Mr. Hutch. Ans., Yes sir. A., At that conference

didn't Gonin complain that they still had not been able to get from

you the correct statement of the frequencies and that the royalty

was far too high compared to the true cost of the machine? Ans., No,

we came to an agreement on the royalty. Q., Didn't he state that

you had misrepresented the price of the price of the machines to him/ based on what the parts actually cost? Ans., No, he said that the

machines could be built in England for one hundred and twenty five

dollars. Q., I show you a letter from Mr. Blewett to yourself,

You also produced in court plaintiffs exhibits no., 24 to 32 inclusive

many of which were letters signed B-R by various persons, how did it happen that the company correspondence was in your possession?

Ans., what letters were those, may I see them? Compray secured the

letters. Q., I show you exhibit 25 signed for B-R, also ex 30

and 31 signed yours very truly B-R Inc., 33, 34, 37, How does it

happen that all these company letters have been kept in your possession? Ans., These are letters that I send to Dr. Parsons. Q., You stated that some of them were not signed by you. Ans., some are signed by Mr. Lyle, he gave them to me. Q., Didn't you think that the co., should have these letters? Ans., The co., had the copy of some of them. Q., you said that the reason why you didn't send the numerical frequencies to the British was that the understanding was that they were not to get them. Ans., That's

right. Q., Here is a letter signed by you saying, we have the exact frequencies and you can get them on the dial quite easily, if you can't do this let me know and I will send them to you."

Here is another letter dated Nov., 10, signed by Mr. Blewett and delivered personally by Dr. Gonin in N.Y., you <sup>saw</sup> say that during the conferences in N.Y., . . . Ans., Yes, I remember now having read that in N.Y. Q., I call your attention to the following in this letter, " I told you in my last letter how disappointed we all were at the delays in receiving the machines and when they came they needed a complete overhaul, many joints were not soldered, then we could not check them properly. The two laboratory machines do not agree, one must be wrong. Which is wrong? In spite of many letters etc., you people have refused to send the frequencies. We can not use the machines. You promised us the frequencies in " . . . ne but we are still waiting in Aug." What reply did you make to this, Mr. Hoyland? Ans., I don't remember. Q., As a matter of fact didn't you keep very silent about it? Judge Kelley--Q-- What was your position with reference with these demands, did you feel that they were entitled to them through the contract,

Ans., I gave them what they had a right to have, I sent them the code long before this letter was received. Compray - Q-- In this letter here, Mr. Blewett complains that they had been assured that



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*Handwritten notes on the right side of the page, including the phrase "The frequency of electrical light" and other illegible text.*

It should be brought out that England did not  
tell me that England made a fundamental change  
in building his machine and that he did not tell me that  
fundamental change. It Rife discovered that there was  
a fundamental difference in England's machine when  
he tested one out recently at his lab in Pt. Loma.

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six hundred dollars was the net cost for the clinical machines and that he had found that they were made almost entirely in standard parts and that these parts could be bought for much less in the U.S., wasn't Mr. Gonin still complaining that the correct cost figures had never been given him? Ans., I don't know.

Compray then read from the letter in which Plewett said that even in England they could buy the parts and assemble them for only a small part of what the B-R charged them and that they were terribly

misinformed", wasn't it discussed at the conference with Gonin in N.Y.? Ans., No, he merely said that they could mfg them for that price. Compray reading again from letter, "Why inspite of

repeated requests have we not had the figures on the cost of machines?" Ans., They were sent to them. Q., Wasn't that discussed in your N.Y., conference? Ans., I don't think it was.

Compray then read further, quoting the English to the effect that in spite of having spend thousands of dollars they still didn't get the frequencies and the machines still did not operate properly. Hoyland dodged the issue by going into a rambling monologue in which he said that they had discussed royalties and had lowered

the figures to about ten dollars a machine as the British guranteed to do mass production of them. Noon recess called.

Afternoon session June 28. Dr. Rife called to stand

Compray interrrogating. Witness identified, as one of the owners of the Rife Ray invention and one of the share holders in B-R.

Q., Has the plaintiff ever informed you that the machines that he designed and built for the B-R were not operating on the same frequencies as your own? Ans., They were supposed to be operating

on the same with harmonics. Q., Did he ever tell you that there was a fundamental difference? Ans., He said on one or two occasions

that there was a difference in harmonics. Q., At the time the deal

*Rife*

*Q. Should I  
be worried  
about the  
fundamentals*

owners  
 was pending for an agreement by which the owners were to  
 licence B-R to mfg and lease Rife Ray machines, did you talk  
 take part in some of these talks as to what the terms of the  
 agreement were to be? Ans., Very little, I signed contracts  
 that I presumed to be correct, it was my idea to leave the  
 business part of it to the others as I had confidence in them.  
 Q., Who took part in these discussions? Ans., Mr. Hoyland,  
 Mr. Hutch, I think Mr. Henderson and possible one of two others  
 whom I do not recall. Q., Was anything said about other companies  
 being granted licences later? Ans., I do not recall anything.  
 Q., What was your understanding of the licence given to B-R. were  
 many other companies were to be licened or was B-R to get an  
 exclusive? Ans., I don't recall that any other company was to  
 have it except the British. Judge Kelley--Q-- Did you understand  
 that the B-R was to get an exclusive licence? Ans., That was my  
 understanding. Compray --Q-- You understood that B-R was going  
 to give a sub-licence to the British having already a licence  
 from the owners? Ans., Yes. Q., Was it your understanding that  
 the licence given to B-R by the owners was a world ~~widex~~ wide  
 exclusive licence? Ans., I can not recall that there was any  
 actual statement made to that effect, but I understood it to be so.  
 Q., Was that understanding based on conversations wx had with  
 others concerning the granting of the licence? Ans., Yes it was.  
 Sapiro then took the witness-- Q., Do you recall when you first  
 started negotiations with anybody representing BOR? Ans., I  
 think about April or May of last year. Q., Did you ever give  
 an option to Mr. Cullen. Ans., I did not. Kx Q., I show you  
 a signed copy of an agreement made in N.Y., on Nov., 17th when  
 Hutch and Hoyland went east to deal with the British. You will  
 see that it is signed by Hutch for Hoyland and Rife, was this

document ever presented to you for your approval since Nov. 17th.

Ans., After reading it through carefully, it seems as though I have seen it before, the only time that I can recall that I might have seen it is when they came back from N. Y., after the dealings with Dr. Gorin. Q., Do you recall giving written approval to

that document? Ans., I do not. Q., You say that the devices that were being built in the early part of 1938, the one that went to Dr. Couch and two that were in the lab were built on new

harmonics. Ans., They were built on a different principal, we have a given wave length and it can be produced in different ways, but it should be the same no matter how it is produced.

Q., You knew that these three machines were ~~being~~ being built with that machine. Ans., Yes. Judge Kelley--Q-- What is your

profession? Ans., I am a scientist engaged in research work, pathological and bacteriological science. Dr. Rife then gave a

history of his studies and work. Kelley--Q-- Have you had any business experience at all? Ans., No. Kelley-- You don't kxx

like business at all? Ans., No. Kelley--Q-- What is the difference frequency and harmonics? Ans., Frequency is an actual wave length

(said something about harmonics that I didn't get) Kelley--When you constructed this B-R machine you had a dial representing the

frequencies or harmonics? Ans., We had many dials on the original machines. Kelley -- Is that the machine Mr. Hoyland got the

frequencies from? Ans., Yes, he took them off that old machine.

(Notes because Marian could not follow in all detail). Some

questioning by Judge Kelley concerned with the scientific side of the case. Dr. Rife explained how the machine changed in

design from the original to the most recent type. Kelley wanted to know whether Hoyland told Dr. Rife about the changes he was making and Rife said, that he did. Kelley then asked about the frequencies

and Dr. Rife explained. Q-- Kelley-- Did you examine the machines built by Hoyland for the British. Ans., No. Q., You didn't know if they differed from the earlier machine. Ans., I did not. Kelley -- When you perfected this instrument you thought about an organization to mfg and distribute these machines. Ans., I wanted to get them out to the public, as many as I could. Q., How did you happen to get in touch with Mr. Hutch? Ans., Mr. Cullen had him over at the laboratory just on a social call. Q., Mr. Hutch was introduced to you by Mr. Cullen then? Ans., Yes. Q., Is Mr. Cullen a business man? Ans., He is an engineer. Q., When did you first meet Hoyland? Ans., Dr. Milbank Johnson brought him to the lab as an electrical engineer. Q., Did you discuss the production of this instrument with Hutch and Hoyland, together I mean. Ans., To some extent. Q., You had confidence in them. Ans., Yes. Q., You assigned certain of your interests to others, Ans., To Hoyland and Hutch for the purpose of carrying on the work. Q., Did they outline their plans for distributing the instrument. Ans., Yes to some extent. Q., What was their plan. ~~To~~ Ans., To start on a small scale and increase production, and that the British would take it over for England, that is, the British Empire. Q., When you assigned your interest to these gentlemen were there any others concerned with the machine? Ans., No. Q., You associated yourself with them to save yourself the fatigue of the business end of the work. Ans., Yes. Q., Did you ever receive any information from anybody as to the British instruments being effective in any manner. Ans., I had one letter from Mr. Brewitt, saying the instruments were not working and that he did not know if it was because they had been damaged

in transit. Q., When you got this letter did you discuss this matter with anyone? Ans., Yes, with Mr. Hoyland, and he said that he had checked the machines carefully. Q., Did he tell you of

any changes made in the machines before he shipped them? Ans., He did not. Q., Would these machines be easily injured in shipment?

Ans., They might be. Q., Did you supervise the packing or

shipping of these instruments. Ans., No. Q., Who did. Ans., I

think Mr. Hoyland did. Q., Who advised about making an organization.

Ans., I think that was when Hutch and Henderson came into the

discussions. Q., What was said about exclusive rights to the machines? Ans., As I understand it the three owners, Hutch,

Hoyland and myself gave to this organization the rights to mfg

these machines and I thought that it was an exclusive right.

Q., Was anything ever said about the owners reserving any rights

to be given to any other corp? Ans., I don't think so. Q., What

about foreign countries? Ans., I don't know what arrangements

were to be made in that respect. Q., Did you understand that this

licence was to be given by B-R or by the owners? Ans., By B-R.

Q., You understood that B-R had exclusive rights to give a licence

and that the owners had reserved nothing except royalties?

Ans., Yes. Q., I suppose you avoided business discussions as much

as possible? Ans., Yes I did. Kelley, a very fortunate man.

Sap iro takes the witness. Sap quoted from a document to the

effect that the owners of the Rife Ray machine must approve the

price of the machines and the distributions of profits, is that

correct Mr. Rife? Ans., Yes that's right. Q., Mr. Hoyland had

been working for you for sometime before you met Mr. Hutch? Ans., Yes.

Q., Did Hen and Hutch discuss with you the forming of a new corp?

Ans., I understood that there was already a corp., that would be

shifted over into the B-R in order to save expenses.

Q., Did they say they would give you some stock in this corp., if you made an agreement with them? Ans., I am not sure that they did. Q., Did you receive a certificate saying you were the owner of some stock? Ans., I received a small paper from Mr. Fickerson. Q., Was this in return for giving up certain rights to the B-R machine? Ans., I don't think so. Q., Why do you think you received it? Ans., It was supposed to be given to me. Q., Given for what? Ans., That I don't remember, it was merely that I was to receive certain stock, I don't think I have looked at it since. Q., Did you expect to receive it? Ans., It didn't enter my mind, I never gave it any thought. Kelley interrupting --Q-- I don't believe there was any thought in the Doctors mind as to money or stock. I don't think he cared what he got, or whether he got anything, he seems to have been interested only in the production of his machine and of getting them out where they could do some good. Sapiro takes the witness, Was there any arrangement under which someone was to send you some shares of stock or receipt for some. Ans., No arrangement, only what might have been said. Q., By whom? Ans., By the group, possibly Mr. Hutch. Q., Do you recall what was said, anything at all? Ans., I do not. Q., I show you a copy of an application for transfer of shares subject to escrow, do you recall signing that Dr. Rife? Ans., Well I signed several where I had a line up similar to that. Q., Do you recall this particular one? Ans., (After reading it through very deliberately) the only thing that is at all familiar is this (pointing to signatures on document). Q., Do you recall anyone bringing such a document to you to sign? Ans., This I recall was signed in Mr. Hutch office, I was called in to sign it and I did. Dr. Rife was excused from stand.

Edwards was called to the stand. Wed June 28. Afternoon session.

Compray -- Q-- Did Mr. Hoyland telly you at any time in the fall of last year that the machines he was mfg for the B-R co., operated

on a principal fundamental different from Dr. Rifes machine. Ans., No

Mr. Hoyland told me at one time that Dr. Rife thought that he had the frequencies but he didn't have them. Q., Do you recall last

December when the corp., received from the solicitors for the

British group a draft for a contract licencing the British to mfg

the machines? Ans., Yes. Q., at that time you were sect., of the

corp., and you and Mr. Winters had been made the executive committee

for the co? Ans., Yes. Q., Did you discuss with Mr. Hoyland the

question of whether the contract should be signed and sent back to

the British? Ans., Yes, when I received it I called Hutch and

Hoyland and told them that it had arrived. They both had access

to this paper. I gave a copy to Mr. Hutch. Q., Did the ~~exec~~

exec., com., have in their possession a ~~description~~ description of

the principals of the Rife Ray machine, or did they know the

frequencies at which the machine should be set? Ans., No. Q., You

had no way of finding out through Mr. Hoyland. Ans., Yes I asked

Mr. Hoyland if we shouldn't sign this and send it back, but Mr.

Hoyland would not approve of it because the British wanted to have

the frequencies. At this time the British owed \$5000.00 ( five )

Q., Did you try to get Mr. Hutch <sup>refused</sup> to give the frequencies to the

British? Ans., Yes, I did, but he said that they already had them,

and he wasn't going to give them to them again. I said if they

have them what harm is there in giving them to them again.

Judge Kelley--Q-- Did you know for a certainty that the British

had the frequencies? Ans., Only that Mr. Hoyland told me so.

Compray --Q-- Did you know that there had been considerable



correspondance from the British concerning their wish to have the frequencies and that Mr. Hoyland had these letters in his possession? Ans., Yes. Q., Following that discussion with Hoyland was there a cable sent to the British in regards to the proposed contract which you have there in your hand? Ans., Yes. Q., Who drafted that cable? ~~Mrx~~ Ans., Mr. Sapiro. Q., Have you a copy of it? Ans., Yes, I think I have a proposed draft (he produced it). Q., You yourself didn't choose the working of this? Ans., It was drafted following the meeting of the board of directors which Mr. Sapiro attended. There was a resolution to the effect that it should be sent in that form. Compray consulted the minutes and found a record of the resolution in minutes of Jan 10th 1939. Compray showed cablegram from Gonin to B-R to the effect that Hoyland cabled had been received but that the British would recognise the corp., only in their dealings. He quoted from another cable // Jan 15, 1939, "You have broked original agreement, refust to sign revised agreement and have ignored Gonin's cable". It went on to say that the machines would be returned and that the British would expect to have their money refunded. Compray showed a cable sent in answer to this one which Edwards said he got from Hoyland, to the effect that it was the British who had broken the agreement etc., -- Q-- From whom did you get this information? ~~xxxxxxx Sapiroxxx~~ Ans., From Mr. Sapiro. Q., Did you know at that time that the British had never been sent the actual numerical frequencies? Ans., No, Mr. Hoyland had told me in many differenc conversations that they did have them. Q., Did the directors ever ask Mr. Hoyland to provide the corp., with a list of the frequencies? Ans., Yes. Q., What reply did he make? Ans., We asked him several times and he refused, I even asked Mr. Hetch if he would give them to us,



could be done about the machines? Ans., That's right. Judge Kelley--Q-- Is this machine patented? Ans., No., Sapiro--Q-- Your Honor the machines cannot be patented as the theory has been known too long. Kelley to Edwards-- Can the frequencies be patented? Ans., No. Kelley-- Then anyone could mfg the machine and make it work. Ans., Yes if they knew the frequencies. Recess called. Afternoon recess. Edwards resumed the stand. Sapiro cross ex. Sap -- Q-- I show you plaintiffs exhibit 25. Have you ever seen it before? Ans., No. Q., Were you present at a meeting of the board of directors Dec., 3. Ans., Yes. Q., You remember a resolution which required Mr. Hyland to write this letter. Ans., Yes. Q., Isn't that the letter which was submitted to the directors in accordance with the resolution? Ans., I don't remember reading that letter. Q., Did you ever inquire as to whether or not that letter had been written and sent? Ans., I don't remember. Q., Were the minutes of that meeting read at the next meeting? Ans., Yes. Q., Did n't you ask if this ~~ma~~ letter had been written? Ans., I presumed that Mr. Hoyland would ~~wri~~ write it, I honestly do not remember reading the letter. Q., Will you read it and see if it refreshes your memory. Ans., After reading letter, I still do not remember reading it. Q., And you mean that you never inquired about the letter? Ans., I don't think I did, at that time Mr. Hyland and myself were on very friendly terms, and I had no reason to question him about it. Q., You say you have not seen that letter. Ans., I don't remember seeing it. Q., Will you look in your records and see if there is not a copy of that same letter with certain initials on it, including your own. Ans., Shall I look now? Q., No later. Didn't you turn over to Mr. Hyland the letter and the cable from the British and ask him to take the mat

matter up . Ans., Ans., Yes. Q., And didn't you and Mr. Hoyland and I go over the matter in your court room, and wern't we all in accord that the British were trying to stall for time? Ans., Yes

Q., Did you also turn over to Mr. Hoyland the wires that you received in Dec., . Ans., Most of them were telephoned down to me, and then Mr. Hoyland picked them up at the telegraph office .

Q., Didn't you make copies? Ans., Yes, I saw that Mr. Hutch got one and I gave one to you. Q., Didn't we have a free and full

discussion of matters regarding the corp., and the British at our meeting, and didn't you ask me to draw up a cablegram to the British? Ans., Yes we agreed on that. Q., Wasn't there accord

on that board to the effect that what we put in the cablegram was correct and should be sent to the British? Ans., after Mr. Sap came down and taked to us about this we felt that we had complied.

We had not had any legal advice until then. Q., Didn't everyone of us feel that the corp., had complied? Ans., Yes, at that time

we did. Q., Didn't everyone there say that the corp., had complied

up to date? Ans., I don't recall <sup>anyone</sup> ~~any~~ making abjection. Q., Do you remember my asking if anyone present knew of any breach of

contract and that no one said anything? Ans., Yes, but there was the matter of the frequencies. Q., That didn't occur in my

presence did it? Ans., I don't know. Q., You knew that you could get the frequencies from Dr. Rife didn't you? Ans., Well, I assumed that Dr. Rife had them, but I never asked them for them.

Q., You knew that he had worked them out for his machine ? Ans., I assumed that he had, and found out since that he did. Q., You

say that you had two envelopes from Mr. Hoyland, one for the lawyer and one with the frequencies. Ans., Yes. Q., Was there a lawyers

name on one. Ans., Yes, Mr. Clen ~~xxxxxxx~~ (?) QQ., You

wouldn't want to indicate that it was my name. Ans., No. Q., How did you find out that the assilograph was owned half by Hoyland and half by the corp? Ans., There was a note about it. Q., Did

you ever ask Mr. Hoyland about that assilograph? Ans., No, I don't think I did. Q., At the meeting of Jan 10, of this year

was there a plan presented for trying to get everyone together?

Ans., Yes. Q., Did all of them favor the plan. Ans., We expressed

yourseves in favor of presenting the plan. Q., What is the location

of the corp., officers. Ans., Between Washington and University

on 5th St. Q., Is that both the factory and headquarters? Ans., Yes.

Q., Has there been any changed in the officers. Ans., No.

Compray took the witness -- Q-- Going back to the meeting of Jan 10,

From what did you get the idea that the company had complied with

the wishes of the British, was it from what Mr. Sapiro told you?

Ans., Yes. Q., Who presented the plan to avoid litigation? Ans.,

Mr. Sapiro. Q., Of what did the plan consist, was it a plan whereby

Mr. Hutch was told that he would have to give up his interest in the

company? Ans., Yes, I believe that he was left out in that plan.

Q., Was it further suggested that if he did not agree that a

number of law suits would be started against him? Ans., Yes, Mr.

Sapiro suggested that. Q., And what was said about that? Ans., The

plan was that I should file a suit and the Ernsteins should file

one, and Mr. Reynolds should have an investigation of the corp.,

set up and Mr. Hoyland was going to file a law suit himself. Q., And

what else? Ans., I think that was all. Q., And by means of all

of these law suits you were going to avoid litigation? Ans., I guess

so. Q., Wasn't Mr. Hutch expected to give up his interest in the

Rife Ray machine? Ans., Yes, that has been the whole trouble.

Judge Kelley--Q-- Mr. Compray have the English received the

frequencies or have they not? Compray ans., They have not.

Kelley -- How do you expect that? Ans., Mr. Hoylands admits that in one letter he said that he gave them to them but that he never actually did. Kelley -- Have you gotten the correspondence files of the British group? Ans., I have not been able to get them. Kelley -- I would like to know what there is in the corp., that is worth fighting over, since the machines could not be patented. Compray-- well the frequencies are still secret. Sapiro then said -- that the machines coming from Dr. Rife would have very great value because of the doctor's reputation and his long record of work. Kelley -- Assuming that this machine is a great boom to humanity what actually has the corp., got? I am not talking about the instrument. I want to know what good will exist. It doesn't look to me as if there is any. You say that the British could build the machines and that you couldn't stop them. Sapiro -- That's right, we couldn't stop them. Compray -- I think they could be stopped. Kelley -- I am wondering why we should have such a tremendous law suit here, there seems to be no basis for it, well go on, finish it, you started it. Compray-- Q-- I show you Mr. Edwards, a document headed , proposal to C.R. Hutch. Jan 11, 1939. That he surrender all his interest in the corp., and in the machine. Is that the plan that was presented at that time? Ans., Yes. Q., Who drew up that plan? Ans., I think this was drawn up by Mr. Sapiro, in Mr. Gordon Gray's office. Q., I note that the first thing stipulated is that he surrender to the corp., all his rights in the machine as owner or otherwise, also that he surrender all rights in the stock in B-R no matter in whos name the stock may stand. Did Mr. Hutch agree to be so frozen out of the co. Ans., No. Q., So then the plan didn't prevent litigation? Ans., No.

Q , When this plan was discussed did they specify and expect that this would intimidate . Ans. , Yes. Q , What was said and by whom. Ans. , As I remember it Mr. Sapiro said that if Mr. Hutch

got all of these law suits slapped on him at about the same time that he would just want to run. Q. , Now going back to your

assumption that Dr. Rife knew the frequencies, had Mr. Hoyland ever told you that Dr. Rife knew them? Ans. , No, he told me that Dr. Rife only thought he had them. Q. , What did you think that

means? Ans. , Well, Mr Hoyland told me about that time, that Dr Rife measured the frequencies only by the length of the wire

and that he did not take other factors into consideration. Q. , Were were the letters from the British mailed to the shop? Ans. , Yes, after Mr. Hoyland left we had a post-office box. Q. , Why?

Ans. , So that the board of directors could get all of the mail.

Q. , Before this had you found it hard to get the mail? Ans. , Yes, it was taken up to the shop and we wouldn't know what was going on.

Sapiro then took the witness. --- Q--- I show you plaintiff's exhibit 11 and I ask you if there was anything said about litigation that was not sent to all the members later? Ans. , I think there

were some things said. Q. , Were you certain in saying that I suggested that by bringing all these suits I expected litigation?

Compray objected and Kelley sustained him. Sapiro -- Q-- Did you say that I said so? Ans. , I didn't say that , I was referring

to the proposal to Hutch. Q. , Did you and the board think that

this was the right think to do? Ans. , At that time I did. Q. , Was

it not planned at that meeting that Mr. Gray should see Mr Hutch and offer him a cash settlement in return for his rights? Ans. , Yes,

there was supposed to be a consideration . Q. , Was Mr. Williams present at that meeting . Ans. , Yes. Q. , Do you recall that he

was very favorable to Mr. Hutch? Ans., Yes. Q., Do you remember any statement to the effect of what would happen

if the suits were started against Hutch? Ans., No. Q., Was

there anything that I suggested with which you were in disagreement?

Ans., No, at that time we were perfectly in accord all the way

down the line. Q., You state that you based your opinion of the

British question on what I said? Ans., Yes, as soon as I knew

the British had the frequencies I felt that the company had

complied with the terms of the contract. Q., In answer to the

suit filed against the corp., by the British has your board of

directors taken any action to authorize counsel what to do?

Ans., No. Q., Did they authorize counsel to file action against

Hoyland as a cross complaint against the suit brought by the

British. Compray objected, there was much bickering and Judge

Kelly adjourned until Thursday.



Thursday, June Morning session. Hutchison on the stand.

Compray interrogating -- Q-- What is your occupation? Ans., For the past ~~or~~ six or eight months I have been making an investigation into the conditions of the D-R corp. Q., Were you one of the original incorporators of the company which is now known as B-R?

Ans., I was. Q., Trace the changes in the name of the corp. Then Hutch commenced involved exclamation which Compray interrupted.

Q-- Can you just trace the development of the company into B-R in your own words. Ans., About Oct of 1935 Mr. Cullen came to me with a contract for the organization of a correspondence school of aeronautics, and asked me to either join him or advise him how he could put over and operate this school. At that time I was associated with Roscoe Turner in connection with an Aero device. I was also associated with Amelia Earhardt. I discussed this with them after many meetings. Mr. Cullen stated that he was willing to go along as our legal advisor if I would accept the active management. We closed a contract for five Western states for sales rights. We formed a California corp., through Dickerson of L.A., He was our attorney and handled the legal details. The organization consisted of Olmstead, Cullen and myself. That corp. was known as Aero Reserve School Western division. The necessary permits were taken out and I made a trip east and contacted the then Virginia corp., Aero Reserve School officers. I secured for Cullen, an additional contract showing and advising the Virginia corp., officials that it was to the best interest of all that the sales organization from the west coast if divided up would be better, if the additional 6 western states were included. They gave such a contract

Before I go any further your Honor, and in order

to establish a vital point I am waiving my constitutional rights, and offer my evidence without reservation. In order that I may set right for your Honors benefit things that have been brought out in this court I would like to have exhibit "Z" of the defendants and the minutes books of the corp., to refer to certain items that will verify statements that I will make.

Q., I show you exhibit "Z" which is an application for a permit to transfer stock and I show the minute book of the corp.

Ans., Under exhibit Z acting under authority of the meeting of Aug. 21, 1936, in application for the permit on Page 4, quotes

Par 9, reads as follows, "/ he ~~xxxxx~~ to effect that, " Hutch paid all fees etc., . Referring to the meeting of the board of the Aero Corp., Nov 2, 1936, Par 5., "The sect presented the itemized count of Fickerson and Richardson, attorneys for the co., coverings legal costs of the organization and franchise taxes for 1935 and 1936 as follows, in account with Fickerson and Richardson to services \$150.00, to cost sect of state filing articles \$ 29.18, State treasurer franchise tax \$25.00, Minutes book \$5.00, sale \$ 5.50, county clerk \$1.00 commission corp application \$15.00, State treas franchise tax 1936 \$27.45, title \$ 258.13, credits Nov 26, by check \$120.00, Aug, 19, \$110.65, Sept 4th by check \$27.45, total credits

\$250.00. On motion duly made and seconded this account was approved and the sect., was instructed to set this amount to the credit of C. R. Hutch., on the books of the corp., to be paid when funds are available. In my statements to follow I will refer ~~xxxxxx~~ to these as they arffer particularly to the set up of the corporate securities charter. Kelley--Q--  
Dr. Rife was not interested in any of this Aero copr., he designed a machine and he assigned certain interests in it to

certain people . How was this divided? Ans. , One third to me, one third to Hoyland , one third to Dr. Rife. Kelley--Q-- And the forming of the corp., followed? Ans. , Yes. Sapiro ~~xxxx~~ the corporation was in existence and the name was changed. Kelley--Q-- When you incorporated you first had a permit from the corp. , comm. , to issue three shares of stock , one each to Cullen Olmstead and Hutch. Ans. , Yes. Kelley --Q-- when you procured a permit for the issuance of ~~xxxx~~ 4496 of stock which brought it to 5000 shares <sup>all</sup> ~~altogether~~ and these were issued to whom? and in what proportion? Ans. , I prefer to consult the minute book to be accurate. Sapiro had the division of stock and Hutch confirmed it by the minutes. Kelley--Q-- Let me see the defence exhibit Z. Compray --Q-- Were you three , Olmstead, Cullen, and yourself holders of all stock in the corp? Ans. , We were. Q. , There were no other stock holders. / Ans. , No. Kelley--Q-- was there ever any modification to this permit or is this the last permit issued exactly as it now stands? Ans. , Yes. Kelley-- Where is it. Compray -- Do you refer to the permit to transfer shares to various other persons from you three original stock holders? Ans. , Yes. Compray-Q-- I show you an application to transfer shares subject to escrow. Kelley --Q-- I am not concerned about the application, what I want to know is what the corporation commission did ( to Sapiro, do you admit that the application was granted ? ) . Sapiro. , Oh, Yes. Kelley-- Have you a copy or the original permit that was issued in response to this application? Compray produced one , it was a modification of the document asked for. Kelley-- Now I think we have a record of the permits of the corp. commission. Compray--Q-- I show you defendants exhibit being an order of commission for transfer of shares Hutch -- In the original application there is a

request included in it for the transfer from me to R.C. Bertol, of 100 shares. He was Pres., of the organization. Before the transfer could be filed he died and the corp commissioner on presentation of that statement to him by our attorney, allowed it to stay in my name for the affairs of the estate. That was not transferred to them but belonged to the estate of Dr. Bertol.

Kelley--Q--- What did you understand that you own when Dr. Rife conveyed to you? Ans., We had the rights to a machine reported

to be used for the benefit of sick people. It was not patented. It was worked out by Dr. Rife in his laboratory, over a long period of years. He had been able to find frequencies which he

states will give relief in various diseases. Kelley--Q-- The important part of this research was the discovery of these

frequencies. Ans., He has microscopes which have gone far beyond any others. Kelley--Q-- Did you have an interest in the microscopes?

Ans., No. Kelley--Q-- Was Dr. Rife working for you? Ans., No.

Kelley-- What did you have? Ans., The possession of the frequencies through Dr. Rife and Hoyland. Kelley-- Did they give them to you?

Ans., They promised to give them to the company. Kelley-- I am talking about you. What did you think you were buying? Ans., Nothing.

Kelley--Q-- But you thought you had something valuable? Ans., Yes.

Kelley-- It wasn't exclusive or protected in any way. Ans., No.

Kelley-- But whatever ~~xxxx~~ it was you had you transferred to the corp? Ans., Yes. Kelley-- But you don't know what it is. Ans., No,

I wish I did. Compray --Q-- An application was made for a permit to transfer shares to various persons named in application.

Edwards, Hoylands etc., and you got the order authorizing it.

Were these transfers made? Ans., They were. Q., They charge that the contract was transferred from B-R to this Nevada corp,

and you received consideration, did this happen. Ans , No.

Q. , How did the corp , and the Rife Ray invention get together?

Ans , About April 1st 1938, Mr Cullen came to me and told me about

the extensive work being done by Dr Rife with the machine and wanted us to take it over and put it on the market. I declined.

He made an appointment with Dr. Rife , took me to the Lab , and Cullen (?)

we discussed it with Rife. I suggested to him that this machine

be put on the market and that I organize a group to put it over.

Dr Rife, at that time, said that if Cullen would benefit by it as a friend of 25 years standing he would be glad to do it.

About a week later Mr Henderson brought Hoyland to the office.

Hen said that the machine was very valuable to humanity . He

insisted as one of our Aero School group , that it be taken on

as a part of our activities. I refused . Henderson told of the

benefit received from the machine by his wife and I agreed to go to the lab again with them, and with the balance of our

associates and give them the benefit of such experience as I

had previous ly had in order that they might put it over. A few

days later Hen and H'yland advised me that there would be a meeting

at Rifes lab that evening to discuss this ~~px~~ plan, or any plan

that I might propose or suggest to them. Present at that meeting

were Dr. Rife, Hoyland, Dr. Couch, Mr. Winter, Mr. Cullen possibly

one or two others and myself. After much talk about the machine

itself I was asked how it could be put on the market and also

if I would be interested in the organization of a group to do it.

I positively stated at that meeting that I was not interested

in this promotion. Compray --Q-- I think we are taking too much

time for these details . After some of these meetings did you

finally agree to work with them? Ans , At that meeting I outlines

the ideas of the corp , which we now have and I suggested that they

an Angel  
that they get ~~xxxxxxxxxxxx~~ to provide finance for their organization.

Kelley --Q-- I see. So they went out and started looking for

Angels? Compray--Q-- Your Honor no doubt understands the theatrical

term Angel? ~~xxxxx~~ Kelley-- Oh, yes, I know all about Angels,  
spiritual and otherwise. Court is now recessed. *June 29*

*XX* Court resumed. Judge Kelley-- Q-- Gentlemen, is it your understanding

that anyone with a knowledge of science could take this finished  
product, this instrument that Dr. Rife designed, and by ex-

amination and tests, without any information, supply could ~~xxxxxx~~  
ascertain these frequencies. Do you know whether this could be done

Mr. Sapiro, you'r pretty wise? Sapiro --Ans., I seem to detect

a bar in that remark, my interest in this is naturally for Mr.

Hoyland. He says that anyone who reads the numbers on that dial

and then sees the band and the code letters can tell these

specific frequencies. Kelley--Q-- But suppose someone should  
break a band, would there be anyway that a scientist could

figure out these frequencies. Sapiro, I don't understand.

Kelley--Q-- Could anyone without the dial and the code discover

the frequencies of the machine. Hoyland --Ans., they could

discover what the frequencies of that machine were, the whole  
secret of the machines was the frequencies. Kelley-- Q-- Was

the great secret the frequencies that would heal a certain disease.

Compray --Ans., Yes. Hoyland--Ans., Each disease has its own

particular frequency. Kelley--Q-- Then what was it that these

people wanted to guard so fiercely? Sapiro --Ans., then explained

rather vaguely about the bands of frequencies. Kelley -- Could

anyone do it? Sapiro -- No, a person who has not the key to these

dials and bands could not make the machine work properly.

Kelley -- but anyone could duplicate the machine itself?

Compray -- Yes. Kelley-- The corp., had no exclusive right to

make these machines. Sapiro -- No. Kelley -- The only secrecy then, was regarding the frequencies, since anyone could have copied the machine. Compray -- Anyone copying it would have to experiment until they found the right frequencies. Kelley -- Apparently several people have and know these frequencies, Hoyland Rife, Carson, and how many of the English have it? Sapiro -- at least three, Parsons, Gonin, and Blewett. Kelley-- It doesn't look to me as if we are fighting over very much here, but go ahead, get on with it. Compray -- Q-- There is nothing over except that the plaintiff asked the receivership to do this, to cancel the old contract with the owners and to negotiate for some new contract with the English. Kelley-- You understand that the receiver would have the right to demand and receive the code for the frequencies? Compray -- Would the receiver have a greater right than the company. Sapiro -- Yes, they certainly would. Kelley-- Then the receiver would have the secret. Well go on, if you want to litigate it proceed, but I have 've been sitting here trying to find out what this is all about, apparently the only secret is what the frequencies are. I want to know if any test can be given the machine that will reveal the secret. It seems to me, you might as well try to sell the moonlight to lovers, or an earthquake to destroy your enemies. I must find out the importance of the produce to the stockholders. I can understand that a trade name has values but it does not seem to have gone that far. Sapiro-- Dr. Rife's name is valuable. Kelley-- Well, all you would have to do is dig up another fellow named Rife. Sapiro -- I think that could be stopped. Hutchinson -- I think I can clarify this question. Kelley -- I am not at all sure that you can, but go

*Key - note your position.  
Also note what Kelley is trying to find out*

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ahead, you have my permission to try. Hutch -- There are about 40 frequencies discovered by Dr. Rife that have not yet been released to the public, and have not been included in the machine. Even if there are other machines the company would still have a tremendous advantage in that they have research to prove that Dr. Rife is still bringing out new frequencies. Kelley-- Do you think the company has a claim on all further discoveries of Dr. Rife along this line? Ans., Hutch--- I think our contract with Dr. Rife says so. Kelley-- Let me see that contract ( after reading it ) I don't see that you have any claim on the ingenious Dr. Rife's future experiments and discoveries. Compray -- ~~at~~ Q-- At that conference at the lab, you said that you gave those present there some explanation of a plan to market the machine. Ans., Hutch, Yes, I suggested that Dr. Rife and those he desired to give an interest to have an agreement among themselves and secure a group interested in putting this instrument on the market, and that they form a California corp., similar to the corp., that we had used, that is, the U.P.I. And that figure out the proportional parts that each of the group would be entitled to and make an application to the corp., and operate under that plan and that they secure in their group or through it someone that would secure the money to make it possible to build the necessary machines to operate a small business. I offered to give them the benefit of our organizing experience in getting it in motion and any advice that I could give. Kelley -- Did you understand that Dr. Rife bound himself to keep the frequencies secret from anyone? Ans., I understood him well enough to know that when he said he would put this information in the hands of the right people he would do so. Kelley-- You knew that he was interested

*Kelley wants to know what value the Co. has on what the machine has that the Co. can get its teeth into. (So far it has nothing)*

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primarily in humanity and the benefit his machines could give to the sick and that if he felt that humanity needed it he would give the information to anyone who would help him in his good work.

Hutch-- I guess so Compray -- Q-- Was the decision finally reached to take over the U.P.I. Corp., to be used as a corp., to release the machines? Ans., Later, when Mr. Gordon Gray, rep., of Mr. Rife, this was decided upon. Q., What was the final agreement in this regard? Ans., When Rife, Hoyland, Henderson and one or two others came into the office and they asked me to organize they stated that speed was necessary, because the English group were expecting soon. Within a few weeks. And that quick action was wanted, and that none of them had had any experience in organization or any business ability. They asked what was the quickest way we could get the machines on the market and be prepared to deal with the British and get the million dollars that the British were supposed to pay. Kelley-- Where did you hear about the million dollars. Hutch -- From Hoyland and Dr. Couch. Kelley-- Did you see any correspondence to this effect? Hutch -- No, but I saw a letter saying they had ten thousand pounds to be put into the machine. Dr. Couch had sold them on the value of the machine. Compray -- Well, how did you come to use the U.P.I., corp? Ans., I suggested that as the contract that we had was for eleven western states for the school, and as I doubted if we could deliver the course, and I had formed a Nevada corp., based upon this new contract, and which contract and corp., expected to offer to me a contract similar to the contract held from the Aero Reserve School, that for the sake of speed in the organization of their group we drop all ideas of carrying on the school and form among ourselves, a group to operate the organization and own and control the same.

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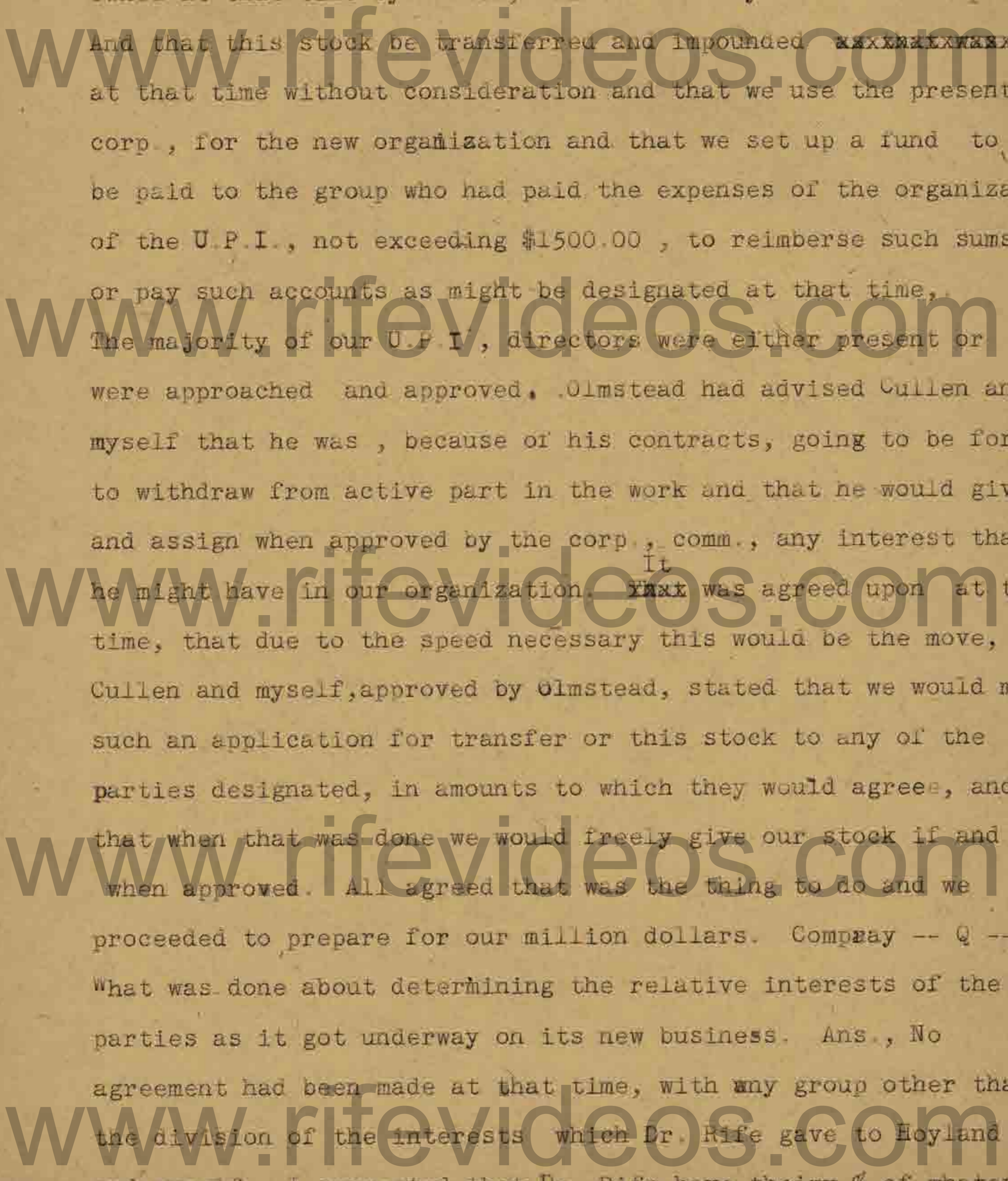
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*This is terrible but it's the way Hutch said it - Only to me!*

*millions*

That was to put this machine on the market and deal with the British and that we applied to the corp., comm., to transfer stock owned at that time by Cullen, Olmstead and myself to these parties. And that this stock be transferred and impounded ~~xxxxxxxxxxxx~~ at that time without consideration and that we use the present corp., for the new organization and that we set up a fund to be paid to the group who had paid the expenses of the organization of the U.P.I., not exceeding \$1500.00, to reimburse such sums or pay such accounts as might be designated at that time. The majority of our U.P.I., directors were either present or were approached and approved. Olmstead had advised Cullen and myself that he was, because of his contracts, going to be foreed to withdraw from active part in the work and that he would give and assign when approved by the corp., comm., any interest that he might have in our organization. <sup>It</sup> ~~That~~ was agreed upon at that time, that due to the speed necessary this would be the move, and Cullen and myself, approved by Olmstead, stated that we would make such an application for transfer of this stock to any of the parties designated, in amounts to which they would agree, and that when that was done we would freely give our stock if and when approved. All agreed that was the thing to do and we proceeded to prepare for our million dollars. Compay -- Q -- What was done about determining the relative interests of the parties as it got underway on its new business. Ans., No agreement had been made at that time, with any group other than the division of the interests which Dr. Rife gave to Hoyland and myself. I suggested that Dr. Rife have theiry % of whatever the corp., would be and his statement and that of H, yland to me at the time, was that because of the fact that Dr. Couch had made



the contact with the British he was entitled to divide with them. The statement was made that Hoyland, Couch and Rife would receive ~~fix~~ \$5000.00 of the \$50,000.00 and that the others would receive ~~proportionally~~ proportionally small amounts. Hoyland objected to Couch receiving \$5000.00 and suggested that it should be \$6000.00 to Rife, \$6000.00 to Hoyland and \$3000.00 to Couch. The other divisions were made accordingly. It finally ~~ex~~ ended up that Mr. Hoyland asked for and received \$7500.00 or 15% of the entire stock. Sapiro -- Has this witness been talking about money or stock? Kelley -- I don't know, perhaps I am not supposed to know. Sapiro -- Are they talking about two different things, that is the witness and the counsel? Hutch -- They were to get these sums in stock, not money. At the time, the permit was applied for the application was made out, there was considerable dissension in the organization, and Mr. Cullen and Mr. Lyle, dealing with Hoyland, Henderson and their associates set up and presented amounts in which they wanted this stock delivered. That list was made out as shown and presented to their attorney, Mr. Glenn who approved it. It was forwarded to Richerson and the application was filed. recess called until 2 p.m.

Afternoon session. Compray -- Q -- Hutch on stand.

Q, Who is Larry Beiger mentioned during this trial, is he a stock holder in the B-R corp? Ans, I know him and he is not.

Q, Did you contemplate giving him some stock? Ans, I did.

Q, What were the dealings? Ans, Beiger wanted to hold some stock and I told him that I would give him 20 shares of my stock if I could get permission so to do. Q, Did he pay any money

to you or the corp., for the stock? Ans, No sir. Q, Did he

ever get this stock? Ans, No. Q, Why not? Ans, Mr. Van Wort

agreed to buy that from me if I would agree, subject to the agreement

*Note from Hoyland*

*Kelley*

of the corp., comm.,. Q., Did Mr. Van Wort ever tell you that he had obtained from Belger whatever ~~ix~~ rights Belger might have to the stock? Ans., He did. Q., I show you here a letter addressed to yourself, signed Larry E. Belger. Did he send or deliver that letter to you telling you that the stock should be given to Van Wort instead of to himself? Ans., Yes, he did.

Q., Exhibit 00, an order from corp., comm., consenting to the transfer of stock in escrow from C.R. Hutch to certain persons, including 20 shares to Van Wort, were these 20 shares that were to ~~have~~ gone to Belger? Ans., They are. Q., I call your attention to the fact that this letter, exhibit pp., says, "I want you to acknowledge receipt of diamond ring etc., together with any and all claims Mr. Van Wort might have against me. Did either

the ring or the money come to you? Ans., No sir. Q., Calling your attention once more, to the statement made in the application to the corp., comm., that you had agreed to furnish corp., ~~xxxx~~ ~~axxxxx~~ a loan with money on which to get started on production, you did furnish some money did you not. Ans., I did. Q., When

the corp., changed its business to the mfg of Life Ray machines was it your plan then to furnish the company as a loan, money with which to get under way? Ans., Not personally. Q., How?

Ans., Will you explain what you mean by How? Q., With regard to the money that was paid by Ernststein, Reynolds, and Edwards, what was to be done with it? Ans., That money was to be put in as a loan, strictly to be used for the building of machines and to be repaid before any salaries or dividends were paid.

Q., Did you so state to these parties prior to the time they gave you the money? Ans., I did. Q., A total of \$ 3500.00, was paid by these three, what was done with that money? Ans., ~~xxxxx~~ \$3000.00

of it was turned into the company. \$500.00 I kept for my own use with the approval of the company. Q., Why did you keep this money?

Ans., Because I could not handle this deal with the British or the business for America unless I was financed. It was charged to expenses. Q., Were these expenses in connection with the British.

Ans., Part of them. Q., That's the same \$500.00 for which you gave the corp., a promisory note and your assignement of your royalties?

Ans., It is. Q., I call your attention to plaintiffs exhibits

3 and 4. Pages of the minute book of the corp., dealing with stock holders and board of director meetings June 7th, 1937, held in Los Angeles. At the time of these meetings were you a stock

holder and a member of the board of directors? Ans., I was.

Q., Will you examine these minutes, particularly those of the meeting of the board of directors exhibit 4, now in connection with these have you discovered that there is an inaccuracy, in your statements and will you explain it? Ans., The minutes reflect

what was done at the two meetings, they are combined under one

meeting as shown by the minutes. Q., Were you present at all three

meetings? Ans., I was. The first was a meeting of the board of directors and offer of Mr. Cullen was made, the offer was accepted, and a resolution adopted to make an application for a permit

to transfer the 4799 shares of stock for Mr. Cullen. ~~Such~~ such a motion was seconded and passed. Q., What was done after that?

Ans., The meeting was adjourned and the stock holders meeting

followed. Q., What did you do at the second meeting of the

board of directors? Ans., We elected additional members to

the board of directors. Q., Besides yourself and Olmstead who

was present at these three meetings? Ans., Cullen, Fickerson and

Mrs. Willman. Q., Who prepared the application for the permit?

Ans., Mr. Fickerson. Q., Among the shares that were transferred in

escrow after the company became B-R were some shares to Mr. Blewett.

Did he pay for these shares? Ans., No he did not. Q., Did he

pay the copr., or Olmstead or Cullen anything for them? Ans., He

did not. Q., If the transfer of one hundred shares to Dr. Bettol

had been made how many shares would you have had left of the corp.,

stock? Ans., One. Q., This order authorizing transfer of shares

in escrow says that you can transfer to Winter 47 99, Did he buy

these from you? Ans., No. Q., Did Edith Henderson buy her shares?

Ans., She did not. Q., Did Beth Willman buy hers? Ans., She did

not. Judge Kelley--Q-- Where are all these shares? Ans., Mr.

Fickerson has records of the fact that these people own stock, but

the people mentioned do not have the stock. Kelley-- Have any of

these shares ever passed out of escrow? Ans., No. Compray --Q--

Did Dr. Bertol pay anything for these shares? Ans., He did not.

Q., Did Dr. Rife, or Hoyland, or Edwards, or Reynolds buy any?

Ans., No. Q., Or did Ernstein or Miss Ernstein buy any? Ans.,

They did not. Judge Kelley--- Q-- What did these various people

do to deserve the gift of these shares of stock, they all testify

that they did nothing. Ans., Mr. Winters allowed us to use his

name for credit. He was reported as treasurer. Kelley -- You

gave him a block of stock for that small favor? Ans., It was other

things that he could do. Kelley-- What did Mr. Henderson do?

Ans., Nothing. Kelley-- What did Mr. Hen do? Ans., He was out

boosting the company. Kelley-- Miss Ernstein put up money didn't

she. Ans., Yes. Kelley-- And others also put up money! Ans., Yes.

Kelley-- Did you consider it fair to issue stock to some wax people

who did not put any money? Ans., At that time we did not think

about it. Kelley-- Did you have a lawyer then? Ans., Mr. Fickerson

handled it, and Mr. Glenn represented the other people. Kelley--

Did you personally ever have any experience with the corp., securities

act? Ans., Some. Compray-- Q-- The application to transfer etc., was drawn up in Aug 1938! Was that the matter that was brought to Mr. Fickerson? Ans., Yes. Q., The money paid by Reynolds

and the Ernsteins was paid the previous May. Ans., Yes. Q., Referring to the transfer to Hutch from Rife and Hoyland of one third interest in the Rife Ray machine saying "We appoint you to act as ~~us~~ our manager and to act in our behalf in all matters", Did you ever receive a document supposed to cancel this authority? Ans., Yes.

Q., I show you a letter dated Nov 4, 1938, attached to which is an envelope addressed to yourself, bearing the return address of Hoyland, being P1st Marked Jan 10, 1939. Have you seen these

before. Ans., I have. Q., Did you receive that letter? Ans., Yes, I received it on that date or the following day. Q., This letter

which ~~purports to cancel your authority to act as manager~~ purports to cancel your authority to act as manager is dated Nov 4th. Did you see that, before you received it in Jan of this year? Ans., (didn't get ans)

Q., About when did you and Hoyland leave for N.Y. to meet Dr. Conin?

Ans., Nov 11, 1938. Q., That would be a week after this letter had been written. Ans., Yes. Q., Did Hoyland tell you that he

and Dr. Rife had taken steps to cancel your authority to act as their manager? Ans., He did not. Q., --consider defendants

exhibit x, One of the modifications of the contract with the English, This letter refers to Hutch's authority to act for Rife and Hoyland saying that he, Hutch, approved of the ~~amendments~~ amendments. That is signed by Hutch and Hoyland. Did you show

that letter to Hoyland before you signed it and did you discuss the contents with him? Ans., I did. Q., Did it have to do with the reduction of the royalties? Ans., Yes. Q., Did you go over that letter with Hoyland and did he read it, and did he make any objection to the terms? Ans., Yes. Q., Did he say that you had

no authority any longer to act as business manager or did he tell Gonin such a thing? Ans., No he did not. Q., After Hoyland

joined the company as technical director did you ever ask him to give the company the design of the machines or the frequencies?

Ans., Yes, many times, but he always refused. Q., At the time of the deal between the owners and the company regarding the licence to B-R corp., did you take part in these negotiations? Ans., I did.

Q., Was anything said as to whether the licence was to be exclusive?

Ans., They said that the group were to organize and put over the sale of the machines and that we would have the right to sell where ever we saw fit. Q., Mr. Hoyland said that it was expressly

discussed that there would be other companies licensed in the U.S., and Canada, did this take place in your presence. Ans., No.

Q., Did Dr. Rife or Mr. Hoyland say that he proposed to permit other companies to compete with B-R in the mfg of the machines?

Ans., No. Q., Was it your intention that the licence was to be

an exclusive one and that the owners were not to give licences to other companies to compete with B-R? Ans., Yes. Q., Was

that the understanding of the other owners? Ans., I thought it was.

Q., Did you know that the language used in the agreement between the owners and the corp., was not sufficient in itself to confer an exclusive licence. Sapiro objected and was sustained. Q.,

At the time you signed this was it your understanding that you were conferring an exclusive licence to B-R at that time? Ans., It was.

Q., That was your intention. Ans., Absolutely. Q., Did Hoyland

at any time during the negotiations state to you that he did not intend to make ~~an~~ this an exclusive licence? Ans., He did not.

Q., Did you take part in the deal with the British regarding their licence? Ans., I did. Q., Did Hoyland sit in on these

~~conferences~~ conferences? Ans., He did.



Q , Was anything said as to whether the licence that the British were to receive should be an exclusive one within the territory it covered? Ans , Yes, it was agreed that they should get an exclusive

one. Q , Was this agreed in Mr. Hoyland's presence? Ans , It was,

Q , Did Hoyland object to this in any way? Ans , He did not.

Q , I call the courts attention to the agreement between B-R Inc. , and the three Englishmen. This instrument fails to say that the

licence is exclusive. Kelley-- Does it say anywhere in the

contract that the licence is not exclusive. Ans , No. Kelley--

Who drew up the contract. Compray -- It was drawn up in the office of Steiner but everybody and his dog had a hand in it. That was

the trouble. Kelley-- I was wondering with whom that first

licence first originated. Didn't the licence to the corp. ,

precede the deal with the British group? Compray -- A paper

dated the first day of June 1938 sets out the division of interests in the machine, wife 33, Hoyland 36 and 2/3 , H. tch 33 and 1/3.

That is not signed however, by the corp. , it does not use the

word licence, it says that the company agrees not to sell the

machine but to lease it and that any improvements will belong

to the owners. Sapiro -- I think the law is fixed on matters of

patents, that they are not exclusive unless so stated, or unless it so states it is not. Kelley-- We will have to consider the

circumstances, I think that they imply an exclusive right in

this agreement between the owners. Compray -- The term licence,

is not used in that paper, but the agreement between the B-R and

owners and bet B-R and the British uses the word licence. Kelley--

You say both of these documents were finally drafted in the

offices of Sloan and Steiner. Have you checked with these

attorneys as to any conversation concerning this? Compray --

I checked with Mr. Willman, who told me that she typed a number of drafts and that after that they took it to the office of the attorneys and even after that they had to make changes on the last three pages. It was a matter of unskilled labor, I would say. I will call your attention to defendant's exhibit E. A contract between B-R and the British, it says, "Whereas the B-R corp., holds an exclusive licence etc.," Ex Compray ~~xxxx~~ goes on questioning Hutch -- Did Mr. Hoyland object to that language and did he read it? Ans., He read it and he did not object. Q., When you and Hoyland went to N.Y., and dealt with Gonin did Moybnad then say the B-R had no authority to grant an exclusive licence to the British? Ans., He did not. Q., Did he say that B-R did not have an exclusive licence. Ans., No. Q., At that conference with Gonin did Gonin then deliver a letter and two memorandums from him complaining that the British had not received what they bargained for? Ans., Yes, he did. Q., You and Mr. Hoyland took part in these conferences with Gonin? Ans., We did. Q., I call your attention to cablegrams signed by Dr. Gonin and addressed to yourself, dated Oct, 31, 1938., "Distressed no reply to our cables, can you sent representative etc.," and another saying "All convinced you do not get our cables and letters etc.," -- Did Gonin refer to these matters that he mentioned there. Ans., Yes he did. Q., Did Mr. Hoyland give him any explanation as to why the company had not gotten these cables, Did he say, I have that correcespondence? Sapiro objected and was sustained. Compray rephrased the question. Ans., No he did not. Q., I call your attention to a letter addressed to yourself from Plewett, Did Dr. Gonin deliver that letter to you in N.Y.? Ans., He did. Q., I call your attention to Hoylands testimony, he said he had seen the letter at that time -- This letter complains about the condition

Did Hoyland give any explanation in reply to these complaints when he read the letter? Ans., Only about the frequencies., he told them that they had them in code. Q., Did he say to whom he had given them in code. Ans., I can't say. Q., Did Hoyland say anything as to giving them any further information about the frequencies. Ans., he ~~sax~~ stated that he had given them the frequencies in code, and that by using the instructions they had they should be able to figure it out, but Dr Conin asked for the frequencies in figures, and Hoyland said again no, I gave them to you in code. Kelley-- Did Conin deny that he got them in code? Ans., No, he denied that he could read the code. Compray--Q-- During the time of the trip in Nov., had it been brought to your attention that the British were complaining? Ans., Yes, many times. Q., Did you take this up with Hoyland? Ans., Yes, and he always replied, "I gave it to them in code". Q., Did you ask him to send them the frequencies. Ans., Yes, many times. Q., What did Hoyland reply, Ans., "I gave it to them in code". Sapiro took the witness-- Q-- Will you find the minutes of Nov 2nd, 1936 regarding the expenses of the corp., will you show me the list. Hutch did so. Q., You paid this money to Wickerson and Richardson, yourself? Ans., I did. Q., This contains an item, minute book five dollars. Ans., Yes, I see it does. Kelley-- Is that the minute book you bought. Ans., It is. Sapiro --Q-- You signed this affidavit. Ans., Yes. Q., Did you file this, knowing what the issues in this case were? Ans., I thought I did. Sapiro showed him the item regarding the minute book of the corp., and showed that the book was an old one used to save expenses. Q - now turn to the minutes of the meeting of June 1st, in the upper right hand corner is a number in your hand writing, what does that say? Ans., No 22, that is a series of numbers that I put

on the pages to see that there were no changes made in the minutes after I left the organization. Q., What time does it say that that meeting took place. Ans., June 1st at ten o' clock. Sapiro then took him through several pages, getting Hutch to read the headings, bringing out that the minutes were not accurate, the minutes imply that there was only one meeting, but it was actually broken up into two meetings. Q-- Now Mr. Hutch when you said in your affidavit that you had carefully studied the minutes did you mean it? Ans., I did. Q., Did you ever get paid \$ 258.00. Ans., Yes, from a new group moving through the corp. Q., How much did the organization collect in tuition? Ans., I would say perhaps \$225.00. Q., Is there a record of that? Ans., I presume so, in the records of the corp. Q., I would like to see that. Compray -- I don't see the materiality of this anyway. Sapiro -- suppose I am just disproving the creditability of the witness. Kelley-- called recess, saying, lets see what the sect., can do during the recess.

After recess Sapiro questioning. Hutch on witness stand.

I show you a book that has been delivered to us from Mr. Edwards.

Is this <sup>the</sup> first book of accounts of the old corporation. Ans., No, Its

my personal ledger. Q-- Is it in your handwriting? Ans-- No.

Q-- Can you tell from that book what amounts were paid as tuition fees?

into the organization? Ans-- This book has no connection with those accounts, it is my personal ledger taken from my personal files without

my consent. Q-- Don't blame me, it was given to me by Edwards.

Compray tried to have this book kept out of evidence, and Kelley sustained

his objection. Q-- Sap -- Did you receive \$4300.00 in cash from

Mr. Winters May 25 1937? Ans-- If I may have my personal ledger so

that I can ~~xxxxxxx~~ check up, I will see. Compray wanted to have the ledger returned to Hutch, but Judge Kelley ruled otherwise. Ans., Hutch--

I received as a personal gift some money but I ordered it set up in my

personal ledger, it was a loan from Winter, some \$5300.00 Kelley--

Were these shares of stock given to Winter in return for that money?

Ans-- Absolutely not. Kelley-- Was that money used in the corp, for

anything? Ans-- No. Sapiro--Q-- Will you look at the top of the next

page, does it show a loan to Mr. J.W. Finch? Did he give you that

money for a personal consideration? Ans-- He didn't give me the money.

Q-- To whom then? Ans-- To Mr. Cullen. Q-- Was he promised 50 shares

of stock for that money. Ans-- No. Q-- Was the ~~xxx~~ \$500.00

returned to Finch six months ago. Ans-- It was, in June, by myself.

Q-- Why did you do this, what were the circumstances? Ans-- He

presented a note signed by Mr. Cullen and indorced by me. I have it

with me. Q-- May I see it? Ans-- (giving it to him) You may.

Q-- Your item here states that the loan was made April 7th 1937, but

the note is dated April 3rd 1938. Was there a personal thing which

Finch had done which caused hi to give him this note? Ans-- As

I remember it , it was a renewal of the previous note from Mr. Cullen, he asked for an indorsement of the note. Q-- Who put up the money

to pay him? Ans-- It was the five hundred dollars charged on the books of the corp., as part of the repayment of \$1500.00 Q-- Wasn't it set up as an account of the Aero school? Ans-- Yes, I had advanced

money for the school. Q-- When did you organize U.A.S., ? Ans-- Feb of 1938. Q-- For what purpose? Ans-- The promotion of a correcon-

dence school in aviation, and the protection of myself against other contracts. Q-- Did it teach the same course as the U.P.I., was supposed

to teach? Ans-- It was supposed to, it hasn't started yet. Q -- Did you receive money from Henderson in connection with the Nevada corp?

Ans., Yes. Q -- Is Van Wort's name on that list? Ans-- It is.

Q -- Did he put money up for the expenses of the corporations. Ans., Yes. Q -- Isn't that what you said you did? Ans -- He paid attorneys fees

and expenses to trips to Reno, about \$1014.00, I am doing this from memory. Q-- Did he ever get it back? Ans-- He

hasn't yet. Q-- How many shares of U.Aero stock did he get for this money? Ans-- I am not sure. Q-- Of the stockholders mentioned in this

list the following were likewise connected with the Nevada Corp, Winter, Henderson, Van Wort, Cullen and yourself, from the time that

corp., was set up to the time B-n took over the corp., was anything done to get these courses going? Ans-- I couldn't say. Q -- Could

there have been activities of the corp., that you would not have known about? Ans-- There most certainly could. Q-- How could have

this have been? ( This testimony was too fast to get) Hutch just

alibied that he didn't know what was being done by the others. SAp--Q-- At that time that ( Winter , or Williams) made these loans

or gifts , did he indicate any reason for this generosity? Ans -- No, I asked him for money. Q-- Was it due to his interests in the youth of

the country. Ans-- Yes. Q - What was that interest? Ans-- All I can

state is heresay. Q-- Did he say that these gifts were to enable you to give Aero courses to the youth of S.D., etc. Ans-- Yes. Q-- How many students did you have at that time? Ans-- At that time we

didn't have any. Q-- I will show you the books, will you look in them and see if you can find out how much the co., received for tuition?

Kelley-- I want this ledger that Mr. Hutch says is his personal property to be left in the hands of the court, but not entered as evidence.

Ans--Hutch-- ( After looking through books) I don't find any record of any payments of tuition. These books start with the organization

of the Life Ray machine. Sap--Q-- The book I hold in my hands starts much sooner. Will you look at page eleven of exhibit 38 for identification.

Can you tell at what time and in what amount Mr. Bertol made you a

loan. Ans-- July 26 1937 for \$300.00. Q-- Have you ever paid him.

Q-- Did you ever pay him? Ans-- No. Q-- Was he on the list of

persons who were to receive stock in B-R corp. Ans-- Yes. Judge

Kelley ( after looking at the book in question) ----calling your

attention to page 1, Mr. Hutch, These entries are not in your hand

writing, is that right? Ans-- That's right. Kelley-- You did not

supervise these entries, and they have nothing to do with B-R?

Ans-- That's right. Kelley-- Do you know who wrote the items on page

1? Ans-- No I can't say. Kelley-- Were any of these items made

under your supervision? Ans-- It looks to me as if its been copies from

something else, its looks like a copy of my personal ledger.

Kelley-- Do you know how this book got into the possession of Mr. Edwards?

Ans-- No. Kelley-- Have you ever ween this book before? Ans-- No.

Kelley-- Is that a true copy of your accounts? Ans-- I would say it

reflects the accounts that I owe. Kelley-- You received how much

money from Winters? Ans-- \$5500.00. Kelley-- Did you know Mr. Winter

before the first of these loans was made? Ans-- Yes. Kelley-- How

long had you known him prior to that time? Ans-- I don't recall, about a year at the most. Kelley-- Had you been in any business with him?

Ans-- No. Kelley-- It was more social matter, was it casual or close?

Ans-- it was not social, but it was close. Kelley-- In what way were you associated, through clubs or anything like that? Ans-- I knew

him in a business way. Kelley-- Did you know him well enough to call

him by his first name? Ans-- Yes. Kelley-- Did you give him any

security for these loans, or did he ask for any? Ans-- No. Kelley--

Did you sign anything, any promisory notes. Ans-- No. Kelley--How

much were you worth when you borrowed this money, what were your assets, give yourself all the best of it? Ans-- The liquid assets were

nothing, the ownership in rights would run into money, many thousands of dollars, I owned an interest in an item called "Nofog", it was

used Amelia Earhart in S.F., for the purpose of fighting fog, I also had the assurance of an interest in B-R. Kelley-- in writing?

Ans-- No. Kelley-- What else did you own? Ans-- I had an ownership

in a device for lowering aeroplanes by parachute, I own stock in that.

Kelley-- How much stock did you own in that? Ans-- I think about 7 or

8 thousand dollars worth. Kelley-- Did this stock have any market

value? Ans-- No. Kelley-- Did you tell Winters what your assets

were. Ans-- He knew. Kelley-- Do you mean to say you went to this

man and ~~borrowed~~ borrowed \$5500.00 without a scratch of the pen, or

any agreement between you? Ans Yes, he gave me the money in cash.

Kelley-- Did you tell him when you would pay it back? Ans-- No.

Kelley-- What did you want the money for? Ans-- to go back east and

get additional rights in the Aero corp. Kelley-- Did you give him to

understand that he would have an interest in what you acquired?

Ans-- I don't believe I did. Kelley-- Are you sure about that?

Ans-- I can't say, its so long ago. Kelley-- When you saw to it that

Mr. Winters got shares of stock in the B-R corp., you had in mind that



you owed him money didn't you? Ans-- No. Kelley-- Were you ~~xxxx~~ attempting to pay your debts in any instance, when you made these transfers of stock in B-R? Ans-- No, I still owe the money. Kelley-- And these people gave it to you, without any security. Ans-- That's right. Kelley-- And some people say money is tight!

Saplor--Q-- Just what did you mean when you said that you considered this money you got from Winters as a gift. Ans-- Because that was our understanding. Q-- Aren't these pages that I show you written in your own handwriting? Ans, --they are. Q-- Then of course, you have seen that book before, although you just testified that you hadn't?

Ans-- I hadn't gone that far in it. Q-- You received some money from Reynolds on May 7th 1938, didn't you? Ans-- Yes I think it was about that date. Q-- You accepted this check? Ans-- I did, under protest. Q-- When did you deposit that check? Ans--I think about the next day.

Q-- May I show you the deposit slips and let you refresh your memory, they show the depositing of the \$500.00 represented ~~xxxx~~ by the Reynolds check. Compray objected and was sustained, and Sapiro went about it in another way. Sap-Q-- What date did you receive \$500.00 from Edwards? Ans-- About one week after that. Q--Will you look at

the book and show when that amount of money was credited to the corp? Ans-- That book don't mean anything to me. Q--I'm showing you the

account of Edwards in the book of the B-R corp. Ans--If my memory is correct, the two deposit slips you showed me are the transfers from Edwards account. Q-- Look in the Bank book for the record of that

deposit. Ans-- It wasn't deposited, I used it. Sapiro then showed him a book in which Hutch ~~xxxx~~ <sup>name</sup> had been written over Edwards.

Ans-- I don't set up these books, I am not sure they are accurate.

Q-- When you took Reynolds check did he get any receipt for it?

Ans-- No. Q--Did Edwards get a receipt? Ans--No. (dito Ernstein ditto C.W. Ernstein) Ans-- Not that I recall.

Q-- Did you put into this book the item of \$500.00 which was the money from Reynolds? Ans-- No. Q-- That money was taken from these people early in May of 1938. There was a meeting of the board of directors on May 11, 1938. Will you look at the minutes of that meeting and tell me if there is anything stated in there about your receiving these monies? Compray objected and was sustained. Q-- Sap---- (showing the minute book) Did you report the taking of these checks to the directors at that meeting. Ans-- I did not. Q-- There was another meeting of the directors on May 25, did you report it at that time? Ans-- (after studying minutes) It isn't in there if I did. Sapiro named dates of later meetings of June and July. Did you report it then? Ans-- No.

Q-- When did you finally report it? Ans-- I think it was at the first meeting after the return from the east, sometime in Aug. Q-- You were present at a meeting on July 12, it is so recorded in the minutes, would you believe the minutes? Ans-- Certainly I was there. Sapiro then showed that Hutch was present at all the meetings and signed the minutes.

Q-- At the Aug 12 meeting you received authority to issue some notes for these amounts. Ans-- That's right. Q-- Did you present these notes to the various people yourself? Ans-- No. Q-- Did you at any time ask for a return of the receipt from Edwards in place of the note? Ans-- The paper returned from Edwards was not a receipt. Q-- What was it? Ans-- A letter addressed to Edwards stating that I was the owner of so many shares of stock impounded by Fickerson, and that this stock could not be transferred or sold without the permission of the corp., comm.

Kelley-- Was anything said about money that you got from him? Ans-- No. Kelley-- Did you purpose leave it out of the letter? Ans-- No sir. Court adjourned for the day.

Ans-- No sir. Court adjourned for the day.

Ans-- No sir. Court adjourned for the day.

Ans-- No sir. Court adjourned for the day.

Ans-- No sir. Court adjourned for the day.

Ans-- No sir. Court adjourned for the day.

Ans-- No sir. Court adjourned for the day.

Friday June 30. Morning session. Compray informed the court that he was anxious to finish the suit this day as Judge Kelley would be absent for the month of July. Also that if the fight went on there would be nothing left of fight over. He said that the innocent stockholders had to suffer through the actions of Joyland and ~~Hutch~~ Hutch. He said further that if Hutch was guilty of any criminal action as regards stock manipulations that was a matter for the district attorney. Judge Kelley declared that he wanted to know just which of stock holders were innocent. Sapiro said that he thought he was entitled to complete the case. Judge Kelley said, that it certainly would be completed and that Sapiro would be given every opportunity to cross examine the witness fully. Hutch then took the stand. And Sapiro started cross examination.

Sap--Q-- You have just stated that while you have not given a receipt to Reynolds and other people you had given a letter. Ans-- That's right. Q-- Was the same letter given to all of them? Ans-- Yes.

Q-- Will you please repeat the contents of that letter. Ans-- As near as I can remember, it stated that it was impounded with a representative of the corp., co., ., a saa a certain number of shares of stock in my name and that these would be given to them as a gift, if and when the permission of the corp., \$comm, was secured.

Q-- Have you got these letters? Ans-- No. Q-- Do these letters make any mention of the fact that you received money from these people. Ans-- Not that I remember. Q-- Did it mention the number of shares? Ans-- Yes. Q-- Was the number computed at the value of the stock. Ans-- Yes. Q-- Who signed these notes. Ans-- I did.

Q-- Then they did not have any signed by the corp., from the date when they gave you the money in May until Aug? Ans-- Nothing that I recall. Judge Kelley-- I understand that these shares were gifts yet it seems that with regard to the Arnsteins the number of shares

shares ~~was~~ was proportionate to the amount of money they put in, was that accidental? Ans-- I would say that it was. Q-- Sap-- Do

you have in mind what Mr. Reynolds had on his check where it was

indorsed, and said for fifty shares of stock. Ans-- I do. Q-- Now regarding application no., 6, do you recall what that is? Ans-- No

I do not. Q-- That's my mistake., Its exhibit DD, in this application

how many shares are allotted to Mr. Winter? Ans-- 500. Q-- And he

had paid you \$5500.00. Ans-- No \$6250.00 (\$6250.00). He made

me a loan. Q-- Well, it went to you personally. Q-- I received it

personally. Q-- Did you put any of it in the treasurer of the corp.?

Ans-- Only indirectly. Q-- Have you put it in indirectly? Ans-- I was

doing work for the organization, traveling around the country trying

to arrange for the courses. Q-- At the time Winters gave you the money

did the corp., own any courses? Ans-- No. Q-- No contracts was

turned over to that corp., until the first of June, 1937, is that

correct? Ans-- I can't say until I see the contract. Q-- Out of

your own memory you can't say that. Ans-- No. Q-- Just when did

the directors authorize you to keep the 500.00 you held out. Ans-- Well

it was sometime prior to accepting the money, sometime prior to May, as

individuals. Q-- I mean the directors as a board, and you know very well

what I mean. Ans-- officially at the Aug meeting, I should say.

Q-- You said that they said that was to enable you to entertain the

British. Ans-- Yes. Q-- but the British had already left the country

over two months ago, when did you leave for your vacation? Ans-- some

time toward the middle of June. Q-- But they left before you did

didn't they? Ans-- Oh, they went visiting around. Q-- You knew

they were not here where you could entertain them. Ans-- That's right.

Q-- When did you get your note? Ans-- I think that was the note

that was approved by the board of directors. Q-- Who drew up the

application you have before you? Ans-- Mr. Dickerson.

Q-- Under instructions from you. Ans-- No, at the request of Mr. Glenn.

Q-- Did you give him the data. Ans-- Part of it. Q-- You mentioned

Mr. Henderson, who to act as Vice Pres, so you allocated some stock

to his wife for this reason. Ans-- No, that was not the reason.

Q-- You said that you could not get any lessons from the Virginia Aero

corp, and you had to drop it. Ans-- No, we got them from the other

series. Q-- You say that you didn't testify that you didn't drop these

Virginia lessons. Ans-- I said that we dropped <sup>P</sup> trying to get the course

Q-- You never got any Virginia fees for lessons did you? Ans-- We

received some signed contracts and some deposits which were either all

returned or waived. Q-- You spoke of money advanced by you to Mr.

Fickerson, weren't you to be paid from tuition fees when received?

Ans-- I don't remember that. Q-- according to the little book the

Finch loan was made to whom. Ans-- Mr. Cullen. Q-- Was that the item

as I read it, marked here \$437.27 cash D.R.H., initials), a loan made

by Finch \$500.00, is that correct? Ans-- Yes, with this explanation,

I had endorsed the note and assumed the obligation. Q-- Why was the

note made to Cullen and not to you? Ans-- Because I was in Kansas

City waiting for Cullen to join me to go back to Virginia to try

and secure the additional territory we wanted and some money was

needed for personal expenses, money that he had for the trip, he

paid part of the bills. Q-- How much did you get of this money?

Ans-- None. Q-- So that where it says that in the book that's not

correct? Ans-- I didn't set up that item in the books, I did not

receive cash, and I accepted in its place the responsibility of

the obligation. Q-- You testified regarding the transaction on

the Belger stock, in connection with that, I show you a letter

addressed to Mr. Van Wart, and I ask you if that is your signature

on that letter. Ans-- Yes. Q-- What interest in stock had you

conveyed to Mr. Belger, or rather, you had made an agreement to give

certain stock to Belger. Ans-- I did. Q-- Did you know that Mr. Belger was selling that stock to Mr. Van Wort? Ans-- No, ~~xxxx~~ <sup>he was</sup> transferr~~ing~~, subject to the conditions under which it had been given to him, any rights that he might have had. Q-- I show you this letter, is that your signature? Ans-- Yes. Q-- In this letter there is a portion

signed by Hutch, I now show you a check payable to you in the amount of \$20.00 endorsed by you, signed by Van Wort, have you seen that before?

Ans-- Yes. Sapiro--Q-- To the court -- We are showing the court that Hutch did get some money through those transactions, Now Mr. Hutch, would you look at the application to transfer stock that mentions

Mr. Van Wort. How many shares to be transferred by you? Ans-- 20.

Q-- Did Mr. Van Wort lend you any money after that? Ans-- No.

Q-- Did he lend any to the U.P.I.? Ans-- I don't think so. Q-- I show you a receipt received Van Wort, \$200.00 ~~xxx~~ U.P.I. San Diego Calif, Jan 28, 1937, signed by C.A. Hutch, is that your signature. Ans-- Yes.

Q-- Isn't that date wrong, shouldn't it be 1938? Ans-- It has been changed. ~~xxxx~~ Sapiro then showed a check made out to Hutch for \$200.00 signed by Van Wort and indorced by Hutch. Q-- Yesterday morning you

said you made a mistake in your affidavit, when did you find this out?

Ans-- When my attention was called to the minutes of the June first meeting.

Q-- Who did this and when? Ans-- I am not sure but I believe Mr.

Compray did, after reading parts of the original complaint. Q-- When did this happen? Ans-- Sometime after I had filed my affidavit.

Q-- When? Ans-- Between the date of filing and the time Mr. Olmstead Cullen, Rickerson and myself went to Mr. Compray's office to see the minutes in trying to find out what had caused the error. Q-- Are you sure that it wasn't after the testimony of Mr. Olmstead?

Ans-- Positive. Q-- What was your mistake? Ans-- When I said that the minutes were absolute correct, the first error was the ~~mention~~ mention of the time of the stock holders meeting on June 1, together

with the statement of the prepared minutes, of the Aug meeting in Fresno. Q-- Was one of the errors that all of the pages were wrong?

Ans-- What do you mean. Q-- Never mind. Q-- You stated that

Beth Willman was at the meeting of June 1st, was that an error?

Ans-- She was present of course, Q-- Then Olmstead was wrong,

he said that she wasn't there. Look in the book please, and see if

there is any record of the presence of Miss Willman. Ans-- After

looking in the book, there is nothing in the minutes. Q-- You

signed the minutes didn't you. Ans-- Yes. Q-- And you never noticed

these errors until it became an issue in the court room. Ans-- I

never thought of it. Q-- You heard them read in Fresno, and heard

that there were vital mistakes in them. Ans-- It was the content of

the minutes themselves as near as I could remember them, I didn't go

back and figure out any of these meetings, or try to remember how they

were held. Q-- Wouldn't you have noticed the presence of Miss Willman

at the second meeting if she had really been elected at the first?

Ans-- Not necessarily. Q-- As sect., you were responsible for the minutes

Ans-- Yes. Q-- Then shouldn't you have done that, shouldn't you

have seen that they were right? Ans-- Not necessarily. Q-- Who read

the minutes of the Fresno meeting. Ans-- Mr. Olmstead. Q-- Yet

you signed the minutes, saying that Miss Willman read them, didn't

you ever suggest that they correct these minutes. Ans-- I didn't

~~notice~~ notice the difference. Q-- You knew that that meeting of June

1st, was a matter concerning this case when you made your affidavit.

Ans-- Yes. Q-- You spoke of costs that had been advanced in the

amount of \$1500.00. Ans-- Estimated. Q-- There is an item in the

minutes about \$1500.00 owed to the U.A.S. Inc, was that for organization?

Ans-- That was for an agreement of the group that were going to take

it over to assume any obligations to that amount that might be presented.

Q-- You had already set up Aero school in Nevada? Ans-- Right.

Q-- Didn't Mr. Van Wort pay over a thousand dollars into that, and also Mr. Henderson? Ans - Yes, we needed money for advertising etc.

Q-- ~~Was~~ Y.A.S. was owned merely by you personally wasn't it?

Ans-- Yes. Q-- Did you draw money out of this account for yourself personally? Ans-- No, for the organization. Morning recess called Recess.

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Friday June 30. Hutch on the stand. Sapiro cross examining.

Sap--Q-- It was about Feb., of 1938 that you had your Aero schools inc., in Nevada? Ans-- That's right. Q-- At that time the U.P.I.,

was carrying on its books assets to the amount of \$5100.00?

Ans-- I can't say ~~xxxxxxx~~ what the amount was at that time.

Q-- Showing record book which contained pay revealing value of contracts at \$ 49970.00, were these the contracts with the Virginia Aero

School. Ans-- Yes. Q-- When these were B-R's did you change your

listing of assets? Ans-- The contract was never abandoned.

Q-- (after reading from record of application to corp., comm., stating that the corp., was no longer enrolling students and that Hutch was

resigning from the company to attend to other business) Does't

that indicate that there must have been an abandonment of the Aero

school venture. Ans-- Not necessarily. Q-- You say that Cullen

told you about the Rife machine and wanted you to take it over, and you refused, what is the approximate date of that first refusal?

Ans-- Sometime between the first and fifteenth. Q-- Then you went

to the lab a week later and again refused, when would be? Ans-- I

would say around the 6th and 7th. Q-- And then you went again with

a larger group and refused again, when was that? Ans-- That was

about the 15th or 16th. Q-- Then you finally yielded between the 16th

and the 30th, is that correct? Ans-- Somewhere about that time.

Q-- And then Dr. Rife and Hoyland signed an assignment to you on

April 30th, is that correct? Ans-- Right. Q-- What time did the

British get there? Ans-- About the 23rd of May. Q-- You stated that

it was important to operate very fast, because the British were coming, and speed was ~~xxxxxxxx~~ essential, and it was therefore necessary to

get together with the corp. First you suggested anew corp., and later

~~xxx~~ because quick action was necessary you made an arrangement under

which they were to get some contract done, \$30 to go to Rife, Couch

was to get something , and Hoyland also. You said that there was a discussion ending with Rife getting \$6000.00 , H'yland \$6000.00 and Couch \$3000.00, what did Couch get? Ans-- Nothing, he was

supposed to get it but he didn't . Q-- Was he supposed to get anything out of the American Company. Ans-- He was supposed to get something

in accordance to the division agree upon between Rife, H'yland and hi self. Q-- How did you know that? Ans-- Because they told me so

themselves. Q-- What was the next step in r'ference to your conntection with the company . Ans-- Well, we called a series of conferences in

which Hoyland and I were acting principals and Mr. Henderson , Cullen and Mrs. Willman sat in. It finally came to a contract in June

of 1938. Q-- The owners then came to an agreement with U.P.I?

Ans-- Yes, after they had come to an agreement among themselves.

Q-- You were a part owner since the 15th. Ans-- Yes. Q-- There had

been no disposition of the rights of the owners between April 30th and

June 1st. Ans-- No, except , by mutual understanding. Q-- Is this

part of the affidavit which was signed by you, Feb 20th, 1939. Ans--Yes.

Q-- Does it say that Cullen had been given an option to arrange for

the mfg and distribution of the machines, and that Cullen on May

2nd gave to the corp., these rights under his contract for the mfg

and distribution and that said defendant corp., accepted these rights,

is that true? Ans-- before I answer I will look at the minutes of

that meeting. Q-- We are not asking about the minutes we are asking

if the statement in the affidavit is true? Ans-- ( after reading it)

To the best of my belief it is true with the exception that it should

be owner instead of owners. Q-- Do you think that one owner could

give this option. Ans-- At the time that Mr. Rife spoke of this to

Mr. Cullen in my presence he was the sole owner. Q-- about three days

before that Dr Rife had given you and Hoyland and interest in the

machine hadn't he. Ans-- Yes. Q-- So on April first Rife gave

an oral promise to Cullen. Mr. Rife denied on the stand that he ever gave this option to Cullen. Ans-- I heard him say it. Q-- You wrote out the first form of the assignment that Rife and Hoyland signed later? Ans-- I did not. Q-- You read it didn't you? Ans-- Yes. Q-- You didn't mention the fact that you had heard Rife give this oral promise to Cullen? Ans-- No. Q-- You were present at one meeting of the board of directors of the U.P.I., on May 2nd 1938, and you signed the minutes as present? Ans-- Yes. Q-- Who was the chairman of that meeting? Ans-- I was. Q-- I will read a portion of the minutes, "The chairman then advised that a proposition had been stated by Cullen that he held an option on the B-R machines and wanted to give the corp., the rights to this option in further payment, for his stock in the corp. A vote of thanks and acceptance was extended to Cullen" -- You pronounced ~~the~~ these minutes correct didn't you? Ans-- Yes. Q-- Didn't Mr. Cullen state at that meeting that he had an option with Hoyland and Rife and Hutch? Ans-- Yes. Q-- Did you correct him, and tell him that he only had an option with Rife? Ans-- No. Q-- Did you just ~~so~~ casually deceive the directors? Ans-- I didn't deceive them at all. Kelley-- Well which is true. Ans-- Both, your Honor. Sqp-- Q-- But at that time you had a written agreement with these men under which you would ~~not~~ have the right to deal with the corp? Ans-- Yes. Q-- You knew that you had that in writing and that no one else had it? Ans-- Yes. Q-- Yet you told the board of directors that Cullen had this right, while all the time you knew only you had the right, is that correct? Ans-- It would seem so. Q-- What was the agreement. Ans-- What agreement? Q-- The one was turning over to you? Ans-- He agreed to release the statement of Dr Rife's that he could have the option. Q-- He gave it up then. Ans-- He agreed to give it up to the corp., in lieu of a contract we had. Q--

Q-- The corp., didn't have a contract with the owners then. (Sap then read from the minutes regarding Cullen's release of the option) Wasn't this record of the minutes prepared much later than the date stated?

Ans-- No. Q-- You were present at a meeting on May 11, 1938? Ans-- Yes

Q-- Were you chairman of the meeting. Ans-- I was. Sapiro then quoted from the minutes to the effect that the fact., said, that Hutch had negotiated a valuable contract with the owners of the Rife Ray, for the corp., to lease the machines. Is that correct? Ans-- Yes.

Q-- What did you do about the Cullen meeting? Ans-- Nothing, apparently

Q-- Well, he gave over his option in return for any additional payment for the issuance of stock, what did you do about that? Ans-- My thought was that Cullen had given us this right and I was instructed to get a written contract with the owners. Q-- Instructed by Cullen? Ans-- I

don't remember. Q-- What did Cullen say were the terms of his option from Rife, Hoyland and Hutch. Ans-- He didn't mention the terms.

Q-- Did you advise the board of directors what the terms of that option were? Ans-- Only indefinitely, that he had the right we took over.

Q-- You didn't state any terms. Ans-- No. Q-- Did you know what the value of that right was. Ans-- No, I still ~~don't~~ don't.

Noon recess

Afternoon session June 30. Hutch on stand. Sap., questioning.

Q-- You testified that you went to N.Y., with Hoyland where you dealt with Dr. Gonin. Ans-- I did. Q-- You likewise identified a letter from the British containing complaints, and you testified that these things were gone over with Gonin. Ans-- That's right. Q-- After

that you executed two contracts with Dr. Gonin, are these papers I show you here copies of those contracts? Ans-- They are. Q-- These were reached after consideration of the complaints? Ans-- Yes.

Q-- Do these contracts mention frequencies. Ans-- No sir.

Q-- Did Dr. Gonin insist upon putting into the agreement anything regarding frequencies? Ans-- No sir. Q-- Did he pay you seven hundred and odd dollars in payment of balance due on British lab machines, and in addition did he give you checks totaling \$10,000.00, which was over due, and later on was that check canceled, and did he substitute another check. Ans-- Yes. Q-- Who prepared the minutes of the meeting of Aug~~31~~ 28, 1938? Ans-- They were prepared in Fickerson's home in Los Angeles, after a conversation between Cullen, Mr. Willman, myself and Fickerson. Q-- And you signed them? Ans-- I did. Q-- Contained in those minutes there is a resolution by Olmstead in ten parts, some of them are as follows, That the board make a demand upon Rife, H<sup>y</sup>land, and Hutch for full and complete information concerning design and frequencies of Rife Ray machine, and that they take action to insure the secrecy of the frequencies?~~xxxxxxx~~

Ans-- I recall that. Q-- Hoyland was not present at that meeting? Ans-- No. Q-- You were? Ans-- Yes. Q-- You were present at the next meeting as general manager? Ans-- I don't think I was, I am not sure. Q-- What did you do to carry out that resolution, did you ever make a demand upon Rife for the frequencies? Ans-- I didn't. Q-- You said that he had them, and forty more that he did not reveal? Ans-- He only said he had them. Q-- We credit Dr. Rife's word here, you signed one of these contracts in N.Y., as agent for the owners. Ans-- That's correct. Q-- Did you show this contract to Dr. Rife when you returned? Ans-- Yes sir. Q-- Did he approve of it. Ans-- He didn't object. Kelley-- What did he say when you showed it to him? Ans-- He didn't say anything, he just nodded his head. Q-- Sap-- When did you show it to him? Ans-- About the first week in Sept. Q-- Did you ever tell him what you had done about approving what Cullen had done. Ans-- No. Q-- The agreement said that the two shall have the right to over rule you in the decision, didn't you tell them of each

decision as you made it? Ans-- I don't think I did. Q-- I'll show you minutes of a meeting of Dec, 6th, in which you make a motion to make Hoyland technical advisor. At any time after he was separated from the corp., did you demand the frequencies from Dr. Rife? Ans-- I asked hi to ~~xxxx~~ teach them to some one so that we could dorrectly care for the machines that were now outstanding? Q-- Did he give them to the corp? Ans-- Not to my knowledge. Q-- How much did you get from the British contracts as a whole. Ans-- About \$2960.00, in % of payments , and royalties of \$200.00 on the four machines. Q-- Did you get other royalties as one of the owners. Ans-- Yes, \$50.00 a machine. Q-- Then how other many other loans or other acquisitions were there made, which you received fr m May 1938 to Nov. Ans-- I wouldn't be able to answer that without checking up. Q-- What has been your occupation . Ans-- For the past four or ~~ax~~ five years I have ~~xxxx~~ been trying to get this Aero school in operation. Q-- As a promoter? Ans-- It's always promotional until its in operation. Q-- What did you do before this ? Ans-- In 36 I spent my time in trying to get under way, waiting for correspondence from the east , making a trip east to get the proper contracts for the school. Q-- Your work in the last 4 or 5 years has been primorially promotional? Ans-- Yes. Sapiro-- That's all.

Compray took the witness.

Q-- I call your attention to the \$200.00 receipt given to Mr. Van Wort which is dated Jan 28, 1937, and the \$200.00 check from Mr. Glenn. Do these two represent one and the same transaction? Ans-- I think they are different. Q-- The receipt then was not given for the check or money paid when the check was cashed? Ans-- It was not. Q-- Here is paaaintiffs exhibit 25, a letter sent from theB-R to the British Oct, 4, 1938, and which begins with a paragraph , ~~xxxxxx~~ " At least certain letters seemed to have been sent to them on certain

dates," Was the matter of these letters discussed with Gonin in N.Y.?

Ans-- These were a good many letters or lack of letters discussed, mainly to the effect that we promised to do things and to send information which we didn't do. Aompray-- Q-- That's all.

Kelley-- You say that these people who put out the money Ernsteins and others, did not receive a receipt, but a form letter. How many of these letters in all did you issue? Ans-- Five. Kelley-- Were

these letters uniform in content. Ans-- Yes, one was copied from the

other. Kelley-- Was the form suggested by an attorney, or did you

consult the lawyer about them at all? Ans-- No. Kelley-- Will you tell me your best recollection of the form of these several letters?

Ans-- I am the holder of blank number of shares in U.P.I., a Calif corp., this stock is impounded by order of state crop., comm., state of Calif, with Mr. Fickerson, if and when it is approved by the crop., comm., I will order the transfer to you of blank shares of stock as a personal gift from me etc., Kelley-- Now you have left blank

the amount of stock that you own and the amount to be conveyed, were the blanks filled in in each letter, and you signed the letter, and was each letter delivered to the address of these people following the payments of moneys to you? Ans-- I can't say. Kelley-- You did not

deliver any of these letters before you got the money? Ans-- I don't think so. Q-- Kelley-- Did you give any other documents to each of these

parties or any memorandum. Ans-- Not at that time, No. Q-- Kelley--

Later these four letters were surrendered to you? Ans-- They were surren-

ded to the office, to the stenographer. Kelley -- When they were

delivered to the office who received them, and into whos hands did they come? Ans-- All I have is heresay. They were delivered there and put

into the files of the office. Kelley-- Have you ever looked for them?

Ans-- No. Kelley-- Did you ever see them in the files? Ans-- Yes,

about three weeks after they were delivered.

Kelley-- Were they delivered there on demand of anyone , I mean , did they come to the office because of a telephone call or letter?

Ans-- I was away , all I have is heresay. Kelley-- Did you ever

hear anyone say that they were not in the files? Ans-- No. Kelley-- Did the corp., ~~any~~ commissioner ask for them when he investigated?

Ans-- As far as I know he has made no official investigation. Kelley-- As

far as you know they are still in the files? Ans-- Yes. Kelley-- Have

you been questioned about them by the corp., comm? Ans-- No sir.

Kelley-- Have you read the corp., cerurities act? Ans-- No sir.

Kelley-- Were you advised by any lawyer in this transaction. Ans-- No.

Kelley-- Did you ever make a statement to anyone that while you could

not sell them stock you could give it away? Ans-- I said that it

could be sold , but that I could make an application to the corp.,

comm., for a transfer. Kelley-- Were you told by anyone that you could

take money from people on the representation that they in some event might get some stock, and when you took the money from the Ernsteins

and Reynolds, you represented to each of them that when and if that

was permitted certain stock would be assigned to them. Were you told

by anyone that you could do that? Ans-- No. Q-- You had no legal advice

on it, but weren't you consulting some attorney as you went along with this transaction. Ans-- Not in regard to this, I was in a position

where speed was necessary, the British were coming. We had to have

money from somebody to build the machines. My personal opinion was

that as none of the stock had been divided that each was giving

given something for what he did, and that what had been awarded to me

I could turn over to anyone who would assist me or the group in making a success of the organization. Kelley-- Mr. Oimstead testified that

this stock was assigned to you to be held by you and transferred by you

to those who might render service to the vopr. Ans-- That was not my

understanding of it. Kelley-- Did you understand that this stock was



issued to you to be used for the good of the organization? Ans-- No.

Kelley-- You thought you could use it as you wished, subjected to

escrow restrictions? Ans-- Yes. Kelley-- Why were you impelled to give

this stock away to these people? Ans-- I felt that I would receive my share or more from royalties if the machine was marketed properly

and that the others deserved it for what they were doing, and if there

had been a success with the English group I would be more than repayed

and I wanted to get back to the school. Sapiro--Q-- The receipt which

was shown to you was actually signed by you on Jan 28, 1938 was it not?

Ans-- I can't say, Mr. Van Wort said he gave me cash. Sap--Q-- What

was the other \$200.00 for? Ans-- I think that was advance money that

he was putting up for attorneys fees for forming the Nevada corp.

Q-- And he made it payable to you? Ans-- There was no one else to make

it payable to. Q-- Why did you form a corp., in Nevada. Ans-- On

~~advice~~ advice of our attorney. Q-- Didn't you tell Mr. Van Wort that

you were doing it so that you could get the stock issued to certain

people in Nevada where you couldn't get it done in Calif.? Ans-- No.

Kelley-- During all the time that you were issuing these letters

to the parties that had given you the money you were general manager

of the corp., were you? Ans-- Yes sir. Hutch was excused and

Fickerson took the stand.

Fickerson was identified as an attorney of law in L.A., had been an

attorney for 25 years & was deputy commissioner of corp, 4 years.

Compray question -- Did you have anything to do with the working of

the draft of the initial corp., securities act ( Fickersons answer was

rather involved, but it brought out the fact that he had helped in this

work). Q-- When the Aero ~~xxx~~ reserve school western division, was

first incorporated , did y u have anything to do with it? Ans-- I

supervised the incorporation of the company and prepared the by-laws.

Q-- I show you the permit for the sale and issuance of three shares of this stock, to Cullen, Olmstead and Hutch, for cash. Did you prepare the application for that permit? Ans-- I did. Q-- Do you

know if the three shares thus called for were issued? Ans-- I can't say that they were. Q-- I call your attention to the meetings of

stockholders and directors of the A.R.S., held June 1, 1937 in L.

A., whos office was it? Ans-- My own. Q-- Were such meetings held

there, that particular day and were you present? Ans-- Yes. Q-- How

many meetings were held on that day? Ans-- Three, the directors

meeting was held first, then the stockholders meeting was held, and

then a second directors meeting. Q-- What was done at the first

directors meeting. Ans-- Two contracts which had been ~~xxxx~~ executed

between A.R.S., and Cullen were presented together with an offer from

Cullen to transfer or assign these two contracts to the corp., in

exchange for all unissued shares of stock, 4997 shares. The offer

was made, read and accepted by a resolution which was addepted.

Olmstead and Hutch were to get this stock along with Cullen.

Q-- Did that acceptance of contracts and resolutions to ask permission

to issue stock take place prior to the share holders meeting?

Ans-- It was the first thing that was done when the officers of the corp., arrived at my office. Q-- Now I show you an application

for a suplimental permit, who prepared it? Ans-- I had it prepared

before the directors and stockholders arrived at my office. Q-- When

did they sign that application? Ans-- Within an hour of the time

they arrived at my office. Q-- Was it prior to the share holders

meeting at which an increase of the board of directors was made.

Ans-- It was. Q-- I call your attention to the application and ask

you to look it over, is there anything in there which further clears

this in your memory? Sapiro objected and was denied. Q-- Look at

the paragraph beginning on Page one, with names and addresses of

officers, Cullen, Olmstead and Hutcherson, then the paragraph includes, " The board of directors is to be increased from three to nine members , but before this is done their names will be submitted etc." Sapiro objected and was sustained. Compray again question-- Where did you get the information you put in there? Ans-- From Hutch in the later part of May. He gave me information concerning what he wanted to have done as to the meetings to be held in my offices on June 1st. 1937.

Q-- Did you send in to the corp., comm., the original of the application for a <sup>pple</sup>substantial permit . Ans-- I did. Q-- I show you here a

carbon copy of a letter, you signed it? Ans-- I did. Q-- The names of six new members of the board are given in this letter with their addresses, after that, what next took place? Ans-- The stockholders meeting took place. Q-- And after that what ? Ans-- A directors

meeting was held. Q-- What was done then? Ans-- Three persons were

voted to replace ( didn't get what was muttered). Kelley-- Are you reading from the minutes? Ans-- Yes, but I recollect it perfectly.

Kelley-- but why go by the minutes? Compray-- we are trying to show

that the minutes are not correct. Kelley-- You prepared the minutes

before the meeting. Ans-- Yes, your Honor, I only expected one meeting.

Compray -- I call your attention to the following page, you will note the difference in the typewriting on the two pages. Ans-- These minutes on page 23 were not written in my office or on my typewriter.

They were written later, not on that day. Q-- Going back to the minutes

of the stockholders meeting , on the last page, notice the last

sentence on that page, " No further business coming before the meeting

it was adjourned". Ans-- That sentence was not typed in my office.

Sapiro -- I move for the exclusion of the testimony in the difference

of typewriters. You say that Mr. Hutch spoke to you and told you

what to prepare for these minutes, so that you knew they would be an

increase in the board of directors and at the same time you knew that there would be a \_\_\_\_\_ to take the stock for the three.

Ans-- Yes I knew that. Q-- You prepared the minutes for a meeting

of directors at 11 and for a meeting of stock holders at 10. Ans-- The information that I had had was that a meeting was to be held for the

purpose of having stock gotten from Cullen, and for increasing the number of directors from three to nine but the names of the new

directors were not given to me. Q-- I asked you if you prepared these

with stockholders at ten and directors at 11. Ans-- No. Q-- That's the way ~~xxxx~~ it is in the book. Ans-- If I ever knew anything about

corp., I wouldn't do it, my dictation to my stenog., was that the directors meeting should be held at ten and that the stockholders

at 11. I didn't know any new members were to be added to the board of directors, except as for Mr. Willman. I advised them to put a new

caption here showing that there were two separate meetings and that the time should be corrected, I never noticed that there was this

mistake until I read the complaint. Mr. Compray asked me to explain it but I could not do so, except that there had been a mistake made by my

stenog. Q-- You said that that application was signed after the

first directors meeting. Ans-- Yes. Q-- Weren't you called in to pull them out of this hole because they are in a position that makes

it look as if you made a mistake? Compray objected and was sustained.

Q-- Sapiro-- Is the issue of stock invalid if this transaction was carried through as it is set forth in the minutes. Compray objected

and was sustained. Kelley-- What is motivating your testimony Mr

Fickerson? Ans-- To show clearly how this mistake was made. Sapiro--

Q-- Where were the minutes of the meeting of the stock holders signed?

Ans-- I don't know, not in my office. Question-- If they were not signed

in your office then Mr. Ulmstead testified wrongly. Compray objected

and was sustained. Fickerson excused. Afternoon recess called

After the recess. Compray ---- The defendents will rest, as I do not see any point in prolonging this, we could keep going for another week. Sapiro -- I would like to put Mr. Van Wort on the stand.

Kelley-- Go ahead.

Mr. Van Wort takes the stand. Sapiro-- Please I don't think I am yelling at the witness. He is quite deaf. Sapiro questions --

Give your name and address. Did you know Hutch before Aug 1937?

And-- No sir. Q-- I show you a receipt, will you state to the court

when you got it from Mr. Hutch. Ans-- I received ~~fr~~ it from Mrs

Willman on Jan 28, 1938 and not in 1937. Q-- Did you know Hutch in

Jan 1937. Ans-- No. Q-- At the time you got that receipt had you

turned over \$200.00 to Hutch? Ans-- I had. Q-- The \$200.00 that you

gave and for which you got a receipt was that in cash. Ans-- Yes. Q-

Q-- Then this check is for a difference item? Ans-- Yes. Qxxx

Compray --Q-- You didn't ask for ~~the~~ receipt for the check.

Ans-- No, the check itself was a receipt. Van Wort excused.

Kelley-- Do you think you can finish the argument before five.

Sapiro -- I don't think so. It will be an argument of fact as well

as law, I couldn't finish my argument before five. Kelley-- This

department will be dark for a month and I will be busy for a month.

It will be impossible to hear you further until the month of Aug, so

that we will have to continue this meeting until the ~~month~~ 7th of

Aug. ~~Compray~~ Compray -- then asked to have it put off until the 14th

of Aug., and this was agreed upon.

Kelley- I want to hear ~~xxxxxx~~ counsel marshal the evidence

and I want to know the effect upon a court of equity upon a corp.,

acting through its agents and these agents acting in a manner that

is inequitable. And I want to hear what your views are as to the

importance of the assets of the corp. I want to know what you think

what this corp., owns. It doesn't seem to me at the moment, that it owns anything. It doesn't seem to have a claim on Dr. Rife, ~~whom~~ ~~xxxxxx~~ ~~xxxxxx~~ Who owns the 40 or more frequencies that Dr. Rife has. What has the corporation other than the licence to mfg these machines. And what is the value of that licence, if any. Frankly, the court believes that Mr. Hoyland could have given the British group more of what they asked for and that he showed too ~~great~~ great a reluctance to give them this information. On the other hand the court is inclined to believe that when money was raised by Hutch and when he issued these letters to the people who put that money up, he was issuing securities and selling int rests in certain stock in escrow and collecting money for them. What effect did that have on the issues here if he was violating the corp., securities act? The important objective of the act is to protect any money in the possession of the victims, not so much with the issuance of stock. It seems to the court that a representative of a corp., goes out and gives a promise of delivery of stock for money, and if the corp., acting through its general manager has come into court of equity without clean hands and the plaintiff has done the same, what should the court do. But primorily the question of the innocent people who put their money up and stand to lose it comes first. I want these people protected at any event. People have come here before the court, who were without guilt, and who parted with their money, thinking they were to have an interest in an instrument of great value. I don't know wether it has value or not. It appears to be something that cannot be patented. The assignment was made to the corp., but that means nothing, because the instrument is not subject to patent. Perhaps it was a valuable assignment, in spite of that. I want your views on it. I am not personally impressed with Mr. Hutch or Mr. Hoyland, but I am impressed with the victims who have put up their money and got nothing for it.

I will be inclined to protect them in any way that I can. Now, if you can convince me that I am wrong in anything that I have ~~said~~ said, my opinions are subject to change.

Compray -- I think we understand the issues.

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Monday Aug 14th 1939. Arguments.

Judge Kelley-- I would like to pay attention to the evidence that has been produced, and I would also like to be reminded of the facts of the case. ( This is a summing up by M.B. of this particular part). Sapiro brought out the fact that Hutch dominated the corp., that he spoke so frequently of how often he did this and that, it was obviously a Hutch promotion from the start. Olmsteads testimony bore this out and showed also that Olmstead payed no attention to the affairs of the corp. Sapiro then made an issue of the meetings of June 1st 1937 when Cullen offered to sell out his course for practically all the stock of the corp. After having done this they elected their new director . If the meetings were held improperly ~~thru~~ as they seem to have been , everything that took place was invalid. He referred to the fact that the markings in the books implied that the order of the pages were fixed deliberately to make it look as if the meetings took place properly. Sapiro -- They tried to prove that the meetings took place in proper order by putting Olmstead on the stand, and they hope in this way to validate the applications for the issuance of stock" . No word is found of the meeting having been split , but the ptypwritten changes that occur on the last page. ( Narrative again) Sapiro referred to Olmsteads testimony pointing out that when Sapiro showed him his affidavit saying that he had carefully read the minutes and that they were correct, he then denied that the minutes were correct. He changed his statement under oath because he saw that his stock was invalidated. Wickersons testimony disagreed with Olmstead in many respects . Hutch then said on the stand that he ~~was~~ examined the minutes and that they were correct. ( still Sapiro) No, he said that in his affidavit. but he changed his statement on the stand-- Just as Olmstead did. At the Fresno meeting the defendants say that they approved all the



minutes as they were read at that meeting. They therefore knew that the meetings came in a different order than that showing in the minutes. This it would seem should discredit the witnessed. Sapiro wondered why Cullen and Mrs. Willman did not appear to testify. He considered that the court should rule that the meetings took place as the minutes state. He pointed out that Hutch's very strange manipulations of stock in regard to the Nevada corp., and the A.S.C. courses should be considered, and that Hutch had taken most of the stock for himself and had sold it to various people, even though the corp., had abandoned the idea of carrying on the courses. Later the corp., set about to get control of the Life Ray machine. Hutch fixed himself firmly in contract with Hoyland and Rife and with the British, and used his defunct corp., in the negotiations. Hutch then set about to get money. He had ~~been~~ borrowing from people, to use his own phrase, and as the book showed. He got in touch with Edwards, Reynolds and the Ernsteins and sold them some stock using all his tricks as a promoter. (His own testimony proved that all his work was in the capacity of a promoter) and knowing what is in the law he told Viola ErNSTEIN (and I believe she was completely innocent as was her father) that he could not sell her the stock but that he could give it to her. She gave him \$500.00 and he gave her a receipt. Later he said he could not find a receipt, but when your Honor quised him about it he quoted it perfectly, "almost word for word. This action of Hutch of taking the money before the stock was released from the corp., comm., was criminal. Reynolds gave him a check which says, "received for 500 shares of stock U.P.I. etc., " and was signed by Hutch. Hutch disregarded the ~~ax~~ law in reference to these three people (It is my contention that this money should be returned to them by Hutch). I call your attention to the fact that no ~~money~~ <sup>mention</sup> is ever made at the meetings.

that followed that Hutch got this money from these people. Later at the meeting of Aug 12 these transactions are referred to as loans. Then Hutch asked for receipts saying that they could not receive the stock until they surrendered them. In return for the receipts thus surrendered he gave them notes, they all thought that they were buying stocks. Hutch ascion was a criminal violation of the corp., securities act, which was designed to protect the innocent victims of such transactions. I think the very slickness of the manner in which <sup>he</sup> did all this manipulations proved him a criminal, and that he knew what he was doing. Hutch held out the money he got from Edwards in May, and in Aug he gave a note for it. We say that the corp., had no right to issue these notes to these people to protect Hutch who had done a crooked piece of work. Edwards knows the law. He knew about the things that Hutch was trying to do, and I think he may have been in pari delicto with Hutch. Reynolds is naive. I think he was in good faith. I think that only Edwards may have been a guilty party to the transactions, that is for your Honor to decide. Fickerson fixed everything up for them by ratifying all the criminal actions. Stock that had been considered privately owned by Hutch Cullen and Olmstead became a matter of corp., business. You have a whole series of transactions with Hutch showing that he collected money here and there in exchange for these gifts of stock. Beth Willman was getting a salary for her services to the corp., but she gets over seven hundred shares of this stock. The records do not show that Arnstein, Reynolds and Edwards paid for their shares. It says merely that they received the stock for services rendered to the corp. The money ~~can~~ changed hands in every case, long before the stock ~~did~~ moved into the corp. When you asked them what services they had rendered none could recall any. It is quite obvious that all of this was one complete fraud. That Hutch sold ~~stock~~ stock in the corp., and

received a lot of money. Some of which was put into the corp., but most of which Hutch kept. They all failed to tell the truth about the transaction which nullified the application. The plaintiff did not know that all this was criminal action until I so advised him. We alleged that the books are very irregular, particularly as regards the Nevada corp., and the A.R.S., assets. The complaint tells that Hoyland served notice on the board of directors, that all of the transactions, stock issues, etc., were illegal. And that the contracts were improper, ~~and~~ Nothing was done. Hoyland told them that they must change the British contract. ~~He said~~ He says that he did what was required to do, for the British, and that the British contracts say nothing about frequencies. We showed in court Hoyland's letters to the British telling of what he had sent the British, but they were not paying the money they owed. They kept complaining, it was a stall to delay the payments. At the meeting in N.Y., of Hoyland, Hutch and the British, two new agreements were made, with no reference to the frequencies. But with all items concerning the financial side of the question. Quite obviously the British were satisfied, since they paid what was in arrears and put up ten thousand dollars ~~more~~ <sup>more.</sup> Soon they were ~~\$50000~~ \$5000.00 over due and so they started to yell again, and to kick about Hoyland. As a stock holder Hoyland tried to get the corp., to take steps against the British who were still trying to get out of paying out of what they owed. There was certainly cause for them to revise the contracts with the British.

Noon recess.

Afternoon session. Sapiro summing up.

Sapiro. The directors of the corp., did nothing in accordance with the plaintiff's demand and hence this action. We think that this shows that the directors failed to take the proper action to protect the corp. We therefore ask that the 4779 shares of corp., stock

be declared void and that all activities of the corp., be declared void. Also, the notes to Edwards, Reynolds, and Ernestines. ~~xxx~~ That an examination of all the ~~xxxxx~~ accounts of the corp take place.

That a receiver be appointed to collect amounts from Hutch -- that permits be ~~xxx~~ considered to decide which are valid -- that the

owners of the Rife Ray machine be considered to eliminate Hutch as an owner. -- and that Hoyland and Rife as owners make a new arrangement with the British -- that the Ernestines become creditors of the corp., also Reynolds and Edwards if the court thinks this is ~~xxxx~~ fair.

That it be decided who has exclusive rights to the Rife Ray machine.

Sapiro then ~~xxxxxxx~~ cited a number of cases and read law applying to this case. He pointed out that by law Hutch was guilty of a felony in acting against the requirements of the corp., sec., act. Judge Kelley interrupted to say -- that he thought the law had been violated flagrantly by Hutch. Sapiro then outlined the numerous frauds done by Hutch. -- that where stock has been issued without a proper permit it becomes null and void and that where the parties who took part in the transactions without knowing illegal should be provided for. Judge Kelley-- wanted to know what kind of relief could be offered them. Sapiro said, that the receiver would decide that. Kelley asked, if Sapiro held the corp., responsible for Hutch criminal actions. Sapiro said, Yes, decidedly. Sapiro said that he would answer Judge Kelley's direct question as to what are the assets of the corp. Kelley-- well what are the assets? Sapiro-- Outstanding contracts for machines out on lease, also, rights to collect funds from Hutch. Kelley-- Would the corp., collect anything from Hutch? Sapiro-- Yes, certainly. Compray -- Well, Hutch has nothing. Sapiro-- If it is possible to collect from him it should be done. To continue with the assets leaving aside the question of the void contract if

we thought that it conveyed rights , they could not be exclusive ones. But there are certain rights undoubtedly. The prestige of the machine would be valuable . I don't know what rights actually exist, but the contract between the owners and B-R must be straightened out. There is tremendous confusion in these contracts , your big assets here are Dr. Rifes name and experience. The receiver would have to make new arrangements with Dr. Rife and I think Dr. Rife would be gald to do this. I think also that the knowledge of the frequencies must not be divided. Judge Kelley-- I wonder if Dr. Rife retained any rights in this contract? Sapiro-- I don't think he did.

Afternoon recess. ( middle recess)

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Afternoon recess.

Sapiro still summing up.

Sapiro— Dr. Rife, Hoyland, the British and men working at the factory all know the frequencies, and could use them on other instruments. Your Honor asks how I interpret Hoyland's position. He is a stock holder of the corp. He was their technical advisor, he is an owner of the machine. He brings this action as a stock holder. Even if he had at fault there was no misconduct on his part as a stock holder. Hoyland had nothing to do with Hutch improper stock transactions. I doubt if he could have given any more information to the British than he did give. The Board could have certainly made him give it. The fact that the British were completely silent during the N.Y., meetings as regard frequencies proves that he did what he should do for the British. He might have given more information, I don't know all that he knows. I think that the value of a going contract with Rife's name attached to it can be made important. I think the Hutch actions are a criminal infraction of the corp., sec., act., and that the corp., is definitely guilty along with Hutch and that all the things done regarding the application for transfer of stock are done equally by the corp. I think the meeting of June first is completely void as the actions authorized this meeting were illegal and therefore void. I don't believe that all the people who bought this stock are innocent, Edwards knew or should have known better. It is difficult for me to believe that he could have been deceived, Reynolds and the Ernsteins I think are totally without guilt, and were taken in completely by Hutch. I think Mr. Henderson and Mrs. Henderson are in a good class, they put some money into the Aero schools, but they were interested in the B-R machine, and I think they deserve some consideration. Winters should also get consideration, altho he said it was just a gamble with him.

I think he was persuaded to say this being rather fearful to talk in his defence. I think a wise receiver should adjust all of this though he would find it hard to get hold of any money. He might get an issue of stock that would be legal. Judge Kelley--- Has the court the power to declare certain victims as preferred stockholders?

Sapiro-- Yes, I think too, the stock in regard the owners is void and a new arrangement should be made of the shares held by the owners. I think Mr. Hutch should be out entirely, as he did many criminal

things, and that he has no place in the organization at all. He has exploited everybody. Judge Kelley-- Your are expecting a lot of work from the receiver.

Sapiro-- Yes, because I believe there is a great deal of profit to be got from the wise handling of this machine and of Dr. Rife's name. Sapiro finished on this note -- to the effect

that the receiver should be appointed to clear up the mess, and that Hutch is the villain of the piece and should be kicked out entirely.

Compray in his summing up for the corp., drew diagrams on the black-board by which he showed that B-n had ~~\$5000~~ \$5000.00 in stock. Three were sold for \$10.00 each to Olmstead, Hutch and Cullen. Then you

have a later transfer split up into three large blocks, then you have the last transfer, by which the large blocks were split up among the numerous stockholders. When a man is dangling over an abyss it makes

no difference whether you cut the rope above him or below him. Mr.

Hoyland says that the transfer to him was void, and incapable of ratification, and he therefore cuts the rope and lets himself drop. And

to make it a cleaner cut he cuts it again for good measure, thus and says he is not a stockholder. He has one more connection with

the corp., because there are three owners of an invention who have a contract with the corp. Mr. Hoyland says that this contract is

~~void~~ void, so he cuts that last connection with +

with the corp. Upon that basis he assumes to direct the course of the corp., and says that there shall be a receiver appointed, taking it out of the hands of the remaining valid stockholders, and that it shall be run according to his ideas. He never paid anything for the stock which he claims is void, ~~he~~ He was paid for his technical advice on a basis of commissions. Judge-Kelley--- It one who accepts shared through a transfer that was illegal enabled to bring such an action as this. Compray-- He is not. ( This was argued back and forth by Compray and Sapiro, the decision seemed to be a draw for the time being) Kelley wanted to know what was the status of Hoyland. They could not agree upon this. Compray pointed out that Hoyland was not fleeced out of anything and that he admits as much, but that if the transactions had been fraudulent only the Ernsteins, Reynolds or Edwards would have the right to sue since they gave their money and got nothing in return. Judge Kelley-- What would be their form of action against the corp? Compray-- I am not sure. Kelley-- They want to get the corp., out of the hands of the swindlers. Compray-- Hoyland is not in the position of the others, and he is not bringing this action on their behalf. His position is adverse to theirs. They have filed affidavits saying they are against his action. The only thing he ever gave the corp., is that contract that he says is void. We have here a particular type of action, a representative suit, but it is important to note who is represented. Hoyland must represent the corp., as he does not represent the other stockholders. Compray then ~~six~~ cited cases similar to the Hoyland versus B-R suit. Judge Kelley-- ~~It is~~ Isn't the corp., injured when agents acting for the corp., issue stock with an improper permit? Compray-- It depends upon the circumstances. Where every existing shareholder consents to the issuance of stock the corp., is not then considered to be injured. I think it should be



be kept in mind this adverse position of Hoyland on one side and all the others on another. I said at the first that Hoyland's desire is to break up the corp. Judge Kelley-- I still am waiting to find out whether a de facto stock holder can bring such an action. If he has not the right why do we go on with the action. Compray then read from some other cases and Sapiro contradicted him. Judge Kelley-- Can one holding void stock proceed against the corp., and ask for a removal of the officers of the company. Compray-- There seems to be <sup>Tuesday</sup> nothing very definite along these lines in the law. Court adjourned until ~~Thursday~~ <sup>Tuesday</sup> Aug. 15. Morning session.

Compray -- We have one fundamental point to consider first. Whether a man who by his own position in the case is not a stockholder never has been and never could be, is able to maintain this action. Judge Kelley-- Why cannot the innocent victims maintain such an action? Compray-- Their remedy would be a different thing. They would then be creditors, if the thing is so void that they can't be stockholders there only remedy would be bankruptcy. Judge Kelley-- It seems the victims do not want the thing finished. It appears they want to kick out the directors who swindled them and name other directors and keep the thing alive. Arguments followed along former lines by Compray and Sapiro. Judge Kelley said that he was determined to settle the point of Hoyland's right to bring the action. Sapiro maintained that Hoyland was not bringing the action just for himself but for the benefit of the corp. He merely sets the machinery of the court in motion. He opens the door to the court of Equity. It becomes a representative action in the name of the stockholders, who don't know how to protect themselves, for ~~them~~ those who won't do so, and for the corp., as a unit. Compray produced legal evidence that a person holding sheared of stock that are void is not a st

is not a stockholder and therefore cannot sue the corp. Kelley--  
 that that was  
 declared ~~the~~ the stock was issued upon its face value, though the  
 corp., comm., had not permitted it, and that the persons who received  
 the stock that was issued without fraud took it in good faith. It  
 seems that we must determine the right of Hoyland to proceed, it being  
 contended by the defendant that the stock issued to him, if void,  
 gives him no right to maintain this action. Under section 310 of the  
 civil code, if that contention is true then the innocent ~~victims~~  
 victims of fraudulent transferrals of stock and the victims of illegal  
 issue voided because not issued in accordance with the corp., ~~sec.~~  
 sec., act though apparently valid could not avail themselves of the  
 remedial provisions of sect., 310. It would seem unfair and unjust  
 to deprive such victims of such rights as they might otherwise have  
 under sect., 310. Because of the very fraud and the illegality of  
 a transaction by which they have been victimized it is not enough to  
 say they have another remedy. The law gives to share holders ~~xx~~  
 certain rights in addition to all other rights and victims should not  
 be deprived. Other rights might not be sufficient to protect them.  
 If they are innocent and some directors or officers of the corp., are  
 dishonest the innocent victims should not by reason thereof be  
 deprived of any part of their rights, whether or not there are other  
 remedies. There is a provision for such an action as is here brought.  
 He then quoted a statute saying that the ~~direct~~ directors could be  
 removed in case of fraud etc., and could be disbarred permanently.  
 A fraudulent or dishonest director whose fraud or dishonesty has made  
 the stock void should not be protected. Unquestionably, the innocent  
 victim of an illegal transfer of stock is a de facto shareholder,  
 altho it may appear that the stock is void. A statute is remedial,  
 it can't be denied. All innocent shareholders have the fullest rights  
 to proceed under no., 310, because of a violation of the corp., sec., act.

by an officer or officers of a corp., unless that very fraud which they  
 attact also excludes them from the remedy. I cannot conceive it to be  
 a principal of equity that a stockholder within the definition as I  
 have now announced it is under the circumstances which I have indicated.  
 A corp., can act only through its agents, the agents only produce  
 the dynamic ~~qua~~ consequences of the corp., and it can hardly be  
 conceived that a corp., could be more greatly injured and its very  
 rights to existence impaired to a greater extent than by the dishonesty  
 of its agents. That therefore an innocent party holding a share of stock  
 valid upon its face, essays to condemn that fraud and proceeds to  
 remove these officers. It would seem to the court that he or they  
 should have that right to the fullest extent. The court will hold at  
 this time that the word shareholder include an innocent transferee of  
 shares of stock valid on their face. Recess.

Compray-- The only persons who are in the positions of innocent victims  
 are those whom the action ~~sk~~ seeks to remove. The only ones who put  
 a copper cent into the company are Edwards, Reynolds, and the Ernsteins,  
 who are directors. If the stock were for some reason voided merely  
 the remedy would be simple. But if the thing is beyond "of reviving"  
 what then? Judge Kelley-- I am presuming that the plaintiff is  
 appearing on behalf of the corp. Compray-- I made the statement  
 that Hoyland's desire is to wreck the corp., and I think he has proven  
 this. We start out with a corp., under taking the business of the mfg  
 and distribution of Rife Ray machines. From the beginning Hoyland was  
 in the place of business of the company. He saw all that went on.  
 He says that certain directors stated that the purpose of the co.,  
 was to put over a course of aviation. The statement was simply a matter  
 of personal opinion. We come to the matter of the validity, or in-  
 validity of the stock. We have in the first place the valid issue of  
 three shares. Because the three shares

remained with Olmstead, Hutch, and Cullen. We have the June transaction here, that's the point in which the question comes up whether the number of directors was increased and the vacancies left unfilled, and then the resolution passed for application to issue additional shares, or whether original board of directors before the increase voted the increase. I think it should be noted in this that the corp., internal difficulties are due to action taken without legal guidance. But at this particular time they had the advice of Mr. Fickerson.

And he would not permit it to go astray upon a point so easily recognizable as that. The application for a subliminal permit shows that the increase of the board of directors was something yet to be done. It was so simple to do it the right way, nothing could be gained by doing it the other way. It seems reasonable to assume that it was done as Mr. Fickerson says it was. He would not be a party to such misrepresentation. Judge Kelley-- He may have been misadvised. Compray-- But this all took place in his office. The meeting was held there. He guided them through the action. The increase was made for the sole purpose of getting a quorum for the meetings. Noon recess.

Noon Recess.

Judge Kelley-- Do you consider that this stock was issued validly.

Compray-- Yes. There are two things to consider, the transfer and the issue. The issue was entirely valid. Kelley-- Do you consider

that these three hold the stock as agents of the corp.? Compray-- That was the testimony of Olmstead and we have against it the testimony of Hutch. Kelley-- Frankly, I prefer the testimony of Mr. Olmstead.

Compray-- I can well appreciate that position. Kelley-- In what way would the innocent investors be prejudiced by the appointment of a

receiver? Compray-- ~~xxxxxxx~~ In many ways. This company faces a \$50,000.00

law suit. I can't see how they can hope to win against the British. The corp., agent Hoyland, caused this suit to be brought. The British were duped into signing a new contract and they parted with \$1500.00. Hoyland says the receivers should negotiate a new contract with the British. The British will have nothing to do with any group in which Hoyland figures. Sapiro then called upon Compray to prove this. Kelley-- Are these people on the board capable of carrying on the business of the corp? Compray-- If they are left alone, certainly. Hoyland has decided that he would like to compete with this company by his own activities, and he will ask the British to pay much more for an exclusive licence which he claims they do not have. Kelley-- Were the receiver an honest man and skillful, do you think that could be accomplished by Hoyland? Compray-- What can a receiver do? We have a company that is just about broke, I have no doubt, that in his closing argument Mr. Sapiro will say that he will lend the company the money necessary to carry it on. Sapiro objected violently. Kelley-- laughed and said he thought that that was a good suggestion. Kelley-- Where would the receiver get his compensation? Compray-- I wonder! The corp., has some machines set up. Mr. Sapiro has said that the only assets that the corp., has is the use of Dr. Rifes name, but Hoyland has said that the design and the frequencies of the machine itself is not that of a Rife Ray machine, and that the machine is in fact different. The company must have these machines junked, must draw up new designs according to Dr. Rifes ideas, must have Dr. Rife OK these designs etc., I don't think that Dr. Rife would permit Hoyland to do this. Sapiro objected volubly. Compray-- The board of director cannot be changed just because the fly in the ointment doesn't happen to like them. The British situation resulted from Hoylands actions and his failure to cooperate with them. Kelley-- If the directors are just going to go to sleep and let Hutch or Hoyland run things how

far can they be expected to carry on the business of the company satisfactorily? Compray -- Where have these innocent victims been guilty of a fraud? Kelley-- I think they should all have prosecuted Hatch. Does he owe money to the corp. The suit should be vigorously pressed. Compray-- I agree, but where the money will come from for that I don't know. Kelley-- Maybe Mr. Sapiro will put it up. We don't often get a rich Los Angeles ~~law~~ attorney down here. Well, it isn't enough to have the board of directors honest. They must have ability. Take bank officials. Their responsibilities are tremendous. They have a great deal to consider and so have the directors of this organization. They must act, they must be dynamic. What have they done? Compray---- The corp., is broke, they are going to have to secure permission from the corp., comm., to finance themselves by some sale of ~~stock~~ stock for cash. It will take enough money to carry them through the activities that will put the real Rife Ray machines on the market. We will have to get a new engineer and start all over again.

Kelley-- Would anyone invest in a corp., about to be sued by the British group? Compray-- Worse of all, would they invest in a corp., that was in receivership? As regards the British suit we filed a cross complaint naming Hoyland as defendant. If the British can make any case against the corp we can make a case against Hoyland. I have told the British this, if they succeed in getting a judgment against us we will assign to them our judgment against Hoyland. Sapiro -- This is ~~knifing~~ knifing of the weirdest kind, I have ever heard about, Its outrageous. Compray-- Not at all, we say that the debt to the British shall be payed by the ~~xxx~~ one who did the wrong. If they don't get ~~xxxx~~ a judgment against us they won't get one against Hoyland. If that's conspiracy Mr. Sapiro you make the most of it, Now Mr. Hoyland is the only one who felt that he was free to licence other corporations. he knew that the B-R was getting an exclusive licence, everyone else

testified that they knew it. If there are to be any number of licences handed out we might as well close up shop. Mr. Hoyland waited until it suited him to decide that the licence was not exclusive. Dr. Rife is not going to be a party to a fraud, and if the machines we sell are not the true Rife machines they are a fraud. Judge Kelley-- How long will the directors carry on these plans you have outlined.

Compray-- We are ready to go as fast as we can. Compray called upon Mr. Williams who said that as far as he knows 85% of the directors have agreed to follow Compray's advice. Judge Kelley however, seemed to feel that the 15% was a definite consideration. Judge Kelley-- Do they all now appreciate the fact that a promoter is not a lawyer?

Compray-- they have had an expensive lesson. Kelley-- Most of these people seem to think that a promoter is a very clever man. Recess  
Afternoon recess.

Compray-- There are one or two other things that rate a reply. I cannot take time to go into detail unless you want to take another day?

Judge Kelley-- I would like to finish this today. I want to know what will be the consequences to the innocent investors. Compray-- We have those who put their money into the thing in order to make these machines according to Hoyland's design. These machines with which we are now stuck, because we can't use them. I think that Edwards, Reynolds and the Ernestines are most entitled to protection. I want to call the courts attention to the fact that this application for transfer of stock is also signed by Hoyland. He deserves any discredit, if there is any, along with the others. The directors were not guilty of any mismanagement. They put up their money and their work, and in spite of Hutch and Hoyland they have gone on as best they could. They have put the machines out, but these machines are not what we claim they are. Hoyland is not in a position of an innocent victim. He paid no money into the company. He was paid for his work. If a receivership is

appointed we are finished. We can take of the suit with the British. If the British win from us they will have to try to collect from Hoyland. By refusing to pay him his royalties as one of the owners of the machine, the one who did the damage can only be reached indirectly through the corp. Our people can't be harmed through the British suit, since they can't collect any other way, they will have to talk turkey with us. We have now the evidence of Mr. Olmstead as a clear guide to us in any steps that may be necessary to recover such stock as should go back there. We can return to the corp., treasury the shares that belong there. I think we can secure from the corp., comm., the return of these shares for which nothing of value was paid. Sapiro -- I think the validity of this June meeting should be discussed. Judge Kelley-- It seems it was most irregular. Sapiro -- I don't think there was any meeting. And the whole stock arrangement is void.

Compray produced papers proving that the application was dated June 1st. Sapiro -- I think that all of them realized that their affidavits were wrong. They realized the falsity of that June meeting and so they worked up a new story. All their testimony was contrary to their affidavits. The cross examination proved that. Kelley-- I think the whole thing is corrupt and polluted by the actions of Hutch. I believe that there are directors who are honest, but who know nothing about the organization or its running. Can they carry it on without the burden of a receiver? Sapiro-- I think they are not the proper persons to develop this machine. They've all known for months how things were going. They are decent men who as a group do not act. The corp., needs somebody who will act. This lack of activity might destroy the corp., entirely. They all were paralysed. Dr. Rife said that he knew there were changes made in his machine and that they were not changes that would make any difference. Dr. Rife is a genius but he didn't know how to put the machines in a form that could be used in officers of Drs.



Couch  
These machines are perfectly good, they are just the same as the Couch-  
machine and the one that gave Mrs. Henderson such relief. The receiver  
should re-negotiate contracts that will stand up and won't be exploiting  
innocent stockholders. We need a really good business man in here.  
The Ernsteins should be paid off first, then Reynolds, then Edwards.  
I think we have assets in spite of Mr. Compray's sneering remarks  
about the machines we have. A receiver could collect what money is  
owed on these machines or he could recoup the machines and resell them.  
Then make a new contract with the owners for B-R leaving Hutch out.  
Then make a new contract with the British. If they knew that it would  
be brought out that we know they were merely stalling for time when they  
talked so much about frequencies, they would compromise. The British  
are very clever at that, they can always have a Munich. Mr. Compray says  
everyone is against Hoyland, but they accuse Hutch of fraud also.  
Edwards, Reynolds and the Ernestines testified in such a way that they  
actually took sides with Hoyland. Hoyland doesn't ask for a judgment  
for himself, he wants the corp., to carry on properly. He hasn't  
a ghost of a chance if these people continued to run things. I think  
the contracts and the stock issued in fraud must be handled somehow  
by the court. Judge Kelley-- Can the corp., comm., validate the void  
document? Sapiro -- No. Kelley-- Can he authorize the issuance of  
stock to these people in lieu of the void stock they hold? Sapiro-- I  
think they might arrange some method under which through a new application  
a stock arrangement can be worked out, and a new contract might be  
worked out. These victims might prefer to be creditors. But for myself  
I would prefer to be a stockholder. It would rest with them. All of  
this would be worked out by a receiver, but I don't believe it could  
be done by the present directors. The receiver would have to arrange  
new contracts between the owners and the corp. The court should

decâare void all the agreements made , all stock issued ~~xxxxxx~~ etc.

The court should indicate what should be done about Hutch. It is some question now as to who are the legal directors, they were not elected by legal stock, but they are the de facto board. The directors should be put in contral of the vöting power of the corp. Outstanding contracts should be canceled by law , dito the void stock.

Compray-- The directors are now in contral of the voting power.

Kelley-- It seems that they were illegally elected. I have expereesed my views on Hutch heretofore. I don't quite know whether he did this deliberately or not. He may have bebieved that he had ~~that~~ thought out a plan to escape its effect by taking money from people on a promise of deliveing stock. There are always some people who think they can beat the law or circumvent it. It is hard to conceiw that anyone would be so ignorant as to believe that he could get away from the effect of the corp., sec., act by so doing. But he may be just that ignorant, in which case he certainly knew the object of the law and what it was invented for. It is apparent that Hutch was acting in violation of the law. Since I made some remarks as to my views of Hutch is has been reported to me that Mr. Van Worp has stated that Mr. Hutch came to him after this action was started and offered him a consideration for withholding certain checks and receipts which Mr. Van Wort later produced in court. If that is true it exposes fully Mr. Hutch as having a low impression of the law. I want this matter reported to the D.A's office. And it is my wish that the proper proceedure should be taken against Hutch. We have here an instrument designed by Dr. Rife, who seems to have no idea of business and not much regard for money or property. He is the type of an inventor who seekd to discover something that will benifit humanity , thoughtless of his own interests. He gave the impression on the witness

stand that he didn't care much what the financial transactions were. He may have produced an instrument of great value to the world. The court is not called upon to pass on the merits of this machine. But the people here before the court, have great confidence in its powers, both curative and money making. Now as to Mr. Hoyland I am not persuaded that he wholly ignored his own interest. I think he could have been more diligent in responding to the complaints of the British and is showing all of the correspondence that he received.

I am not at all sure that he is without blame. I am not convinced of his blameless character in these transactions as to find that he is in court with that degree of manual cleanliness that the court insists upon. He stands alone and opposed to the directors of the corp. The court has confidence in their honesty and integrity, including Mr. Edwards. I have had occasion to have frequent contact with him. He is not a suspicious man, his mind works slowly. I believe he had confidence in Hutch. A layman cannot understand things like the corp. sec., act. He had confidence in this machine. He evidently had confidence in the set-up of the corp. He even tried to sell some of these instruments. He is not a business man or a lawyer. I think all of these people thought they could take a short cut and do without the services of a lawyer to keep things going right. People think lawyers make their money easily, just grabbing off big fees and doing no work. People who tell others that they know as much as a lawyer are always saying that they are going to make millions without incurring much expense. They needed good advice and they didn't have it. I think the directors are honest, but are they guilty of willful, gross, misuse of authority. They did not fully understand the burdens and responsibilities of directors. They needed most of all a wise, careful, cautious counsel. Now should a receiver be appointed its customary

to let the machinery function as it may under the law. There's often more harm done by receiverships than good. They are all expensive.

I could name a receiver who I think has sound business ability and integrity, but such a man is expensive. He would have to be compensated for his time. Is there any possibility of the present directors working out a solution of the problem under careful legal guidance,

I would favor that method, in spite of all the irregularities. They were all mistakes as far as these people who invested money are concerned

There were criminal agencies at work. I can not exonerate Hutch, and apparently these directors haven't very much confidence in Mr. Hoyland.

There is no doubt that a minority of stockholders may protect themselves against a fraudulent majority. If the directors persist in gross

indiscretion Equity could interfere at once and take the meetings out of the hands of the directors. It isn't that picture I get. I see

them stumbling around trying to make good, being victimized. I think if it were presented to the corp., comm., in the light in which the

court sees it a solution could be worked out without too great an expense. These people are not on any black list. The court is inclined to refuse

to appoint a receiver and to throw the matter back into the hands of the directors. It may be that this enterprise is doomed. There is

this law suit against them. No one likes to put money into an organization that is in litigation and without assets unless it's some ~~foolish~~

foolish lawyer. That, I think, is the main object of the complaint.

The main desire of the complaint is denied. Now we have to do with the validity of contracts, and other things. I am ready to hear

the councils if they wish me to dispose of other issues. Compray--

What about the exclusive licence? Kelley-- I think the B-R has an

exclusive licence. It was a mutual mistake that it was not so drawn in the contract. Sapiro -- Does your Honor believe that the stock

is valid stock and that therefore the contract is good? I think the law on that is quite clear. Kelley-- What do you think about that

Mr. Compray? Compray -- I don't agree that the stock is void.

The stock in the hands of those who paid for it should be allowed to stand, also Dr. Rifes and perhaps Hoylands. Kelley-- I am denying

that plaintiff has clean hands, I am denying him the relief he demands because I don't believe he was ~~trying to get~~ above trying to get

an advantage for himself in every transaction. Sapiro-- There was

a false statement in the application and therefore the stock must be void and the contract is void in itself. Kelley-- The corp., comm.,

can work this out. Sapiro-- These cases cannot be revalidated by

the corp., comm. Kelley-- He can do it, if he is properly approached.

I am holding that the man who asked relief here is not in Equity with clean hands, and I say again I'll not give him relief. All these

points are so closely interconnected that I won't consider them differently. There are innocent people here and I am going to protect

them if I have to go to the extreme limits of Equity. All these

things can be handled properly through the corp., comm. The

accounts should be considered. Sapiro-- Considering the rest of what

is happening we will waive that, it would be foolish to ask for

an accounting. Kelley-- The plaintiff will not be allowed council

fees. Each side will bear its own costs. The contract is to be referred

as the court indicated. I think that is all.

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