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MEETING WITH
DR. SEAMANS AND DR. CURRIE

Monday, April 26, 1976

12:30 P. M.

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE
WASHINGTON

G. F.

April 26, 1976

MEETING WITH DR. SEAMANS AND DR. CURRIE

Monday, April 26, 1976
12:30-12:45 p.m. (15 minutes)
The Oval Office

From: Jack Marsh



I. PURPOSE

To obtain from Bob Seamans of ERDA and Mal Currie of Defense their views and suggestions on the possible hydrogen converter invention brought to the President's attention by Senator Goldwater.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background

1. This meeting arises out of a phone conversation you had with Senator Goldwater who requested that an invention relating to the conversion of water to hydrogen be investigated by key persons in the Administration. This invention, if proven, would be an energy breakthrough of immense proportions, but the Senator also recognizes the opportunity for a gigantic hoax. The Senator specifically requested the involvement of Bob Seamans of ERDA and Mal Currie, Assistant Secretary of Defense for Research and Development. The Senator has spoken with both of these individuals on the same subject by phone.
2. This possible invention by Sam Leach is the subject of much interest, speculation and some controversy as to its validity. This is more fully described in the attached articles from Newsweek and the Wall Street Journal which describe the proposal and some of the controversy.

3. It is essential that you are aware of a caveat that urges considerable caution in how this subject is approached. This caveat relates to the current SEC interest in the Presley Company which is backing the development of the converter and the charge of stock manipulation which press accounts say has caused the SEC to suspend trading on the stock.
4. In addition to a discussion of the issue, the meeting should reach some conclusion as to how next to proceed. Because of the sensitivity of the matter, it is recommended that final steps be based on the guidance of legal counsel -- that Federal interest be very indirect with no disclosure of this high level discussion.

B. Participants

Dr. Robert C. Seamans, Jr., Administrator, Energy Research and Development Administration (ERDA)

Dr. Malcolm Currie, Assistant Secretary of Defense, Research and Development

Jack Marsh

Ed Schmults, Counsel's Office

C. Press Plan -- No announcement of meeting, no photo

III. TALKING POINTS

1. This meeting arises out of Senator Goldwater's call and you are not well informed as to the project he described.
2. You told the Senator you would meet with Seamans and Currie and you are aware they have also talked with Senator Goldwater but their knowledge is also somewhat limited.
3. You feel it is more likely to be an ERDA interest as opposed to Defense.

4. It is a sensitive matter in which the SEC is involved and, therefore, even if there is a recommendation to proceed, it must be done with great caution and with the advice of Counsel.
5. Ask Seamans and Currie to tell you what they know about the project and finally get their recommendation as to what they think should be done.
6. In closing request there not be a discussion of this meeting to avoid any speculation either as to the merits of the invention or to the stock.

Hydrogen Converter Hasn't Been Proven By Tests, Presley Says

By a WALL STREET JOURNAL Staff Reporter

NEWPORT BEACH, Calif. — Presley Cos. said initial tests of the so-called hydrogen converter, designed to produce hydrogen gas from water, didn't show the device would work as planned. Presley owns the license to employ the process for residential heating and cooking uses as a replacement for natural gas.

Presley also said it is "cooperating fully" with the Securities and Exchange Commission investigation of possible stock manipulation relating to the converter. The SEC suspended trading in Presley stock March 25 amid speculation about the tests, and the suspension was extended through today. A Presley spokesman wouldn't say if the company's three page announcement yesterday came at the SEC's request.

Presley, which primarily is a home builder, said there have been "many bullish and potentially misleading" news articles about the hydrogen converter, which if completely successful could have wide implications. Scientists contend that the process appears to violate the laws of thermodynamics.

The company said that Horace T. Mann, a technical consultant retained by Presley to review the hydrogen converter, interviewed the chief engineer of Approved Engineering Test Labs, Encino, Calif., regarding that laboratory's March 19 examination of the system. The interview established that "water was introduced into the machine and hydrogen was obtained," according to Presley. But the result could have been achieved "by several known processes." Thus, Mr. Mann concluded, it can't be determined that the converter "has any greater value" than current technology.

Specifically, Mr. Mann said the tests didn't prove "that the hydrogen which was produced could be produced on a self-sustaining basis without further input of energy." The value of the invention relates to its self-sustaining ability as it breaks down water into hydrogen and oxygen molecules, without a large infusion of energy.

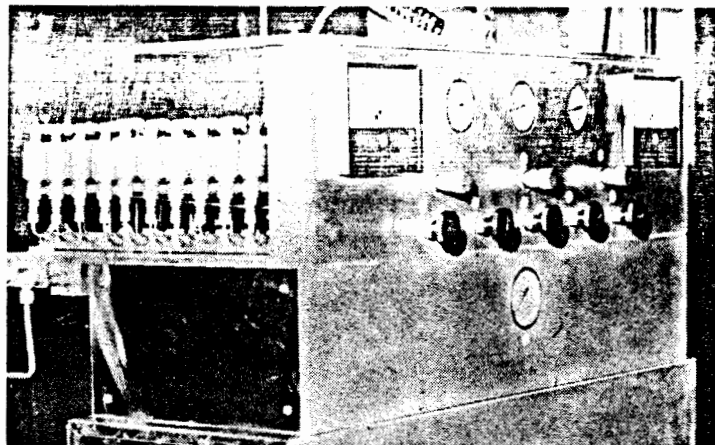
Presley said Mr. Mann told the company "that well-established thermochemical principles require that when hydrogen is produced from water, energy must be supplied to the process from an external source other than the water itself." It said that for all processes with which the consultant is familiar, "the amount of energy supplied must be larger than the energy released when the hydrogen is later burned in the presence of oxygen." Simple chemical methods for producing hydrogen from water vapor have existed for years, Mr. Mann said, but the processes require outside fuel and they end when the fuel is exhausted.

Presley said claims for the converter include that it doesn't "consume significant amounts of external energy nor does it exhaust some internal fuel supply." It added that "to the best of our knowledge, neither of these claims has been proven by any test results."

Presley said Mr. Mann plans to meet with researchers from Smith-Emery Co., a Los Angeles concern that also tested the converter but hasn't issued a final report.

The device's inventor, Sam Leach, hasn't provided Presley with a copy of the patent application or disclosed the chemistry of the process, Presley said. Under the licensing agreement, such data needn't be produced until an operating unit is delivered to Presley, according to the company.

Regarding the SEC's investigation of possible stock manipulation, Presley said it "has a keener interest than any other party" in detecting whether "individuals have been dealing with the stock of the company in a manner contrary to the law."



Photos from California Business News, Inc.

Mirkin and the mysterious machine: A boon to man or a violation of two laws of thermodynamics?

INVENTIONS:

Sam Leach's Box

"It's the greatest thing since sex," proclaims Patrick McDonald, vice president of MJM Hydrotech of Los Angeles. "There will be no reason to strip-mine for coal, no reason to run supertankers full of oil or build nuclear-power plants."

The object of McDonald's enthusiasm is a mysterious stainless-steel case, about the size of a steamer trunk, equipped on the outside with six dials and a gas jet. It was developed by an equally mysterious 61-year-old Los Angeles inventor named Sam Leach, who claims it will do nothing less than produce combustible hydrogen from tap water—without any continuous source of outside energy.

If Leach is telling the truth, his hydrogen generator would satisfy a dream that

scientists have had for decades: an unlimited supply of clean energy for homes, autos and industry at practically no cost. If he's not telling the truth, it could be the biggest business scam since hundreds were bilked by the promoter of the nonexistent Dale automobile.

Leach says his device is really quite simple. Inside the case is an unidentified reactant metal. Tap water is fed into the case and an electric charge is applied, turning the water to steam. The reactant soaks up the oxygen in the steam and the hydrogen thus released is sucked out of the chamber by a vacuum device. Leach says the device needs a small charge of outside power to begin the conversion process, but that after that it powers itself by using the heat produced by the chemical reaction.

Unlikely as all this sounds, Leach has some believers. Morris J. Mirkin, the founder and former head of Budget Rent-A-Car and now chairman of MJM, and Randall Presley, president of the Presley Cos., a California group of home-construction firms, have each paid Leach \$500,000 for "automotive" and "residen-

tial application rights," respectively, to the generator. When rumors of the device began to circulate, the stock in the Presley Cos. shot from \$4.25 a share last Dec. 23 to \$20.25 on March 25. At that point, the Securities and Exchange Commission stopped trading in Presley stock and launched an investigation into the possibility of stock manipulation and other violations of securities laws.

Leach commissioned two reputable laboratories to test the generator. In press releases prepared by MJM, both were quoted as saying the machine worked. But the testing laboratories themselves refuse to talk to reporters, saying they promised Leach they would not.

Skeptics: Leach also is not available to reporters, and he has little support among scientists. Most experts say his description of the process violates two laws of thermodynamics. "It's ridiculous," snapped a hydrogen expert from UCLA. "It sounds like a perpetual-motion machine." And so far, the U.S. Energy Research and Development Administration also is unimpressed. "It's possible to produce hydrogen that way," one top ERDA scientist said, "but we don't know what's in his box and he won't tell anybody. If I had to make a guess, I'd say it is a gimmick."

Whether it is indeed a gimmick or for real will presumably be known when the SEC completes its investigation—or when one of the 86 patents Leach has been issued in countries around the world is made public. That may happen early next month.

In the meantime, the Southern California Gas Co. of Los Angeles, one of the firms approached to use the Leach device to generate gas, is keeping an open mind. "It seems a little unusual, but [physical] laws have been broken in the past," says Southern vice president Ray Todd. But then, Todd is willing to consider some unconventional propositions. Not long ago, he was approached by an inventor with an idea for extracting methane gas—the chief ingredient in natural gas—from chicken droppings.

—TOM NICHOLSON with JANET HUCK in Los Angeles