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# Senate Report

No. 216



IRAN-CONTRA INVESTIGATION  
APPENDIX B, VOLUME 17  
DEPOSITIONS

United States Congressional Serial Set

Serial Number 13758





Report of the Congressional Committees Investigating the

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# Iran-Contra Affair

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Appendix B: Volume 17  
Depositions

**Daniel K. Inouye**, *Chairman*,  
Senate Select Committee  
**Lee H. Hamilton**, *Chairman*,  
House Select Committee

U.S. Senate Select Committee  
On Secret Military Assistance to Iran  
And the Nicaraguan Opposition

U.S. House of Representatives  
Select Committee to Investigate  
Covert Arms Transactions with Iran

November 13, 1987.—Committed to the Committee of the Whole House  
on the State of the Union and ordered to be printed.

November 17, 1987.—Ordered to be printed.



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## United States Senate

SELECT COMMITTEE ON SECRET MILITARY  
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION  
WASHINGTON, DC 20510-6480

March 1, 1988

Honorable John C. Stennis  
President pro tempore  
United States Senate  
Washington, D.C.

Dear Mr. President:

We have the pleasure to transmit herewith, pursuant to Senate Resolution 23, Appendix B to the final Report of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition. We will submit such other volumes of Appendices to the Report as are authorized and as they become available.

Sincerely,

  
Daniel K. Inouye  
Chairman

  
Warren B. Rudman  
Vice Chairman



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## U.S. HOUSE OF REPRESENTATIVES

SELECT COMMITTEE TO INVESTIGATE  
COVERT ARMS TRANSACTIONS WITH IRAN  
UNITED STATES CAPITOL  
WASHINGTON, DC 20515  
(202) 225-7802

March 1, 1988

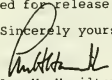
The Honorable Jim Wright  
Speaker of the House  
U. S. Capitol  
Washington, D. C. 20515

Dear Mr. Speaker:

Pursuant to the provisions of House Resolutions 12 and 330 and House Concurrent Resolution 195, 100th Congress, 1st Session, I transmit herewith Appendix B to the Report of the Congressional Committees Investigating the Iran-Contra Affair, House Report No. 100-433, 100th Congress, 1st Session.

Appendix B consists of the depositions taken by the Select Committees during the investigation. The contents of Appendix B have been declassified for release to the public.

Sincerely yours,

  
Lee H. Hamilton  
Chairman

## United States Senate

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**Transactions with Iran**

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# United States Senate

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Airline Proprietary Project Officer.  
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Arcos, Cresencio.

## Volume 2

Armitage, Richard.  
Artiano, Martin L.  
Associate DDO (CIA).  
Baker, James A., III.  
Barbules, Lt. Gen. Peter.  
Barnett, Ana.  
Bartlett, Linda June.  
Bastian, James H.  
Brady, Nicholas F.  
Brown, Arthur E., Jr.

## Volume 3

Byrne, Phyllis M.  
Calero, Adolfo.  
Castillo, Tomas ("W").  
Cave, George W.  
C/CATF.

## Volume 4

Channell, Carl R.  
Chapman, John R. (With Billy Ray Reyer).  
Chatham, Benjamin P.  
CIA Air Branch Chief.  
CIA Air Branch Deputy Chief.  
CIA Air Branch Subordinate.  
CIA Chief.  
CIA Communicator.  
CIA Identity "A".

---

## Volume 5

CIA Officer.  
Clagett, C. Thomas, Jr.  
Clark, Alfred (With Gregory Zink).  
Clarke, George.  
Clarridge, Dewey R.  
Cline, Ray S.  
C/NE.  
Cohen, Harold G.

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Collier, George E.  
Cole, Gary.  
Communications Officer Headquarters, CIA.  
Conrad, Daniel L.

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Cooper, Charles J.  
Coors, Joseph.  
Corbin, Joan.  
Corr, Edwin G.  
Coward, John C.  
Coy, Craig P.  
Crawford, Iain T.R.

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Crowe, Adm. William J.  
Currier, Kevin W.  
DCM, Country 15.  
DEA Agent 1.  
DEA Agent 2.  
DEA Agent 3.  
deGraffenreid, Kenneth.  
de la Torre, Hugo.  
Deputy Chief "DC".

## Volume 9

Duemling, Robert W.  
DIA Major.  
Dietel, J. Edwin.  
Dowling, Father Thomas.  
Dutton, Robert C.  
Earl, Robert.



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## Volume 10

Farber, Jacob.  
Feldman, Jeffrey.  
Fischer, David C.  
Floor, Emanuel A.  
Former CIA Officer.  
Fraser, Donald.  
Fraser, Edie.  
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Gadd, Richard.  
Gaffney, Henry.  
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Gantt, Florence.  
Garwood, Ellen Clayton.  
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Guillen, Adriana.

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Hakim, Albert.

## Volume 14

Hall, Wilma.  
Hasenfus, Eugene.  
Hirtle, Jonathan J.  
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---

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Ikle, Fred C.  
Jensen, D. Lowell.  
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Kagan, Robert W.  
Keel, Alton G.  
Kellner, Leon B.  
Kelly, John H.  
Kiszynski, George.

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Lawn, John C.  
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Lincoln, Col. James B.  
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Melton, Richard H.  
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Meo, Philip H.  
Miller, Arthur J.  
Miller, Henry S.  
Miller, Johnathan.

---

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Mulligan, David P.  
Nagy, Alex G.  
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Newington, Barbara.  
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Osborne, Duncan.  
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Pena, Richard.  
Pickering, Thomas.  
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## Volume 21

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Powell, Gen. Colin L.  
Price, Charles H., II.  
Proprietary Manager.  
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Rodriguez, Felix I.  
Roseman, David.

---

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Weld, William.  
Wickham, John.  
Zink, Gregory (See Alfred Clark).

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# Preface

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The House Select Committee to Investigate Covert Arms Transactions with Iran and the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, under authority contained in the resolutions establishing them (H. Res. 12 and S. Res. 23, respectively), deposed approximately 290 individuals over the course of their 10-month joint investigation.

The use of depositions enabled the Select Committees to take sworn responses to specific interrogatories, and thereby to obtain information under oath for the written record and develop lines of inquiry for the public hearings.

Select Committees Members and staff counsel, including House minority counsel, determined who would be deposed, then sought subpoenas from the Chairmen of the Select Committees, when appropriate, to compel the individuals to appear in nonpublic sessions for questioning under oath. Many deponents received separate subpoenas ordering them to produce certain written documents.

Members and staff traveled throughout the United States and abroad to meet with deponents. All depositions were stenographically reported or tape-recorded and later transcribed and duly authenticated. Deponents had the right to review their statements after transcription and to suggest factual and technical corrections to the Select Committees.

At the depositions, deponents could assert their fifth amendment privilege to avoid self-incrimination by refusing to answer specific questions. They were also entitled to legal representation. Most Federal Government deponents were represented by lawyers from their agency; the majority of private individuals retained their own counsel.

The Select Committees, after obtaining the requisite court orders, granted limited or "use" immunity to about 20 deponents. Such immunity means that, while a deposed individual could no longer invoke the fifth amendment to avoid answering a question, his or her compelled responses—or leads or collateral evidence based on those responses—could not be used in any subsequent criminal prosecution of that individual, except a prosecution for perjury, giving a false statement, or otherwise failing to comply with the court order.

An executive branch Declassification Committee, located in the White House, assisted the Committee by reviewing each page of deposition transcript and some exhibits and identifying classified matter relating to national security. Some depositions were not reviewed or could not be declassified for security reasons.

In addition, members of the House Select Committee staff corrected obvious typographical errors by hand and deleted personal and proprietary information not considered germane to the investigation.

In these *Depositions* volumes, some of the deposition transcripts are followed by exhibits. The exhibits—documentary evidence—were developed by Select Committees' staff in the course of the Select Committees' investigation or were provided by the deponent in response to a subpoena. In some cases, where the number of exhibits was very large, the House Select Committee staff chose for inclusion in the *Depositions* volumes selected documents. All of the original

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exhibits are stored with the rest of the Select Committees' documents with the National Archives and Records Administration and are available for public inspection subject to the respective rules of the House and Senate.

The 27 volumes of the *Depositions* appendix, totalling more than 30,000 pages, consist of photocopies of declassified, hand-corrected typewritten transcripts and declassified exhibits. Deponents appear in alphabetical order.

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## Publications of the Senate and House Select Committees

---

*Report of the Congressional Committees Investigating the Iran-Contra Affair*,  
1 volume, 1987.

Appendix A: *Source Documents*, 2 volumes, 1988.

Appendix B: *Depositions*, 27 volumes, 1988.

Appendix C: *Chronology of Events*, 1 volume, 1988.

Appendix D: *Testimonial Chronology*, 3 volumes, 1988.

All publications of the Select Committees are available from the U.S.  
Government Printing Office.





~~TOP SECRET CODEWORD~~

Stenographic Transcript of  
HSITS 130 /87

HEARINGS

Before the

ORIGINAL

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE  
TO IRAN AND THE NICARAGUAN OPPOSITION

# UNITED STATES SENATE

DEPOSITION OF JOHN N. MC MAHON

Monday, June 1, 1987

Washington, D.C.

~~UNCLASSIFIED CODEWORD~~

**AR**

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WASHINGTON, D. C. 20001

3990

Partially Declassified/Released on Oct 7, 1987  
under provisions of E.O. 12756  
by B. Rowe, National Security Council

*D/Rowe*



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## DEPOSITION OF JOHN N. McMAHON

Monday, June 1, 1987

United States Senate

Select Committee on Secret

Military Assistance to Iran

and the Nicaraguan Opposition

Washington, D. C.

Deposition of JOHN N. McMAHON, called as a witness by counsel for the Select Committee, at the offices of the Select Committee, Room SH-901, Hart Senate Office Building, Washington, D. C., commencing at 10:50 a.m., the witness having been duly sworn by MICHAL ANN SCHAFER, a Notary Public in and for the District of Columbia, and the testimony being taken down by Stenomask by MICHAL ANN SCHAFER and transcribed under her direction.

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**UNCLASSIFIED**

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## 1 APPEARANCES:

2 On behalf of the Senate Select Committee on Secret  
3 Military Assistance to Iran and the Nicaraguan  
4 Opposition:

5 PAUL BARBADORO, ESQ.

6 THOMAS POLGAR

7 On behalf of the House Select Committee to  
8 Investigate Covert Arms Transactions with Iran:

9 W. NEIL EGGLESTON, ESQ.

10 Deputy Chief Counsel

11 RICHARD J. LEON, ESQ.

12 Deputy Chief Minority Counsel

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3

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3		49
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1 P R O C E E D I N G S

2 Whereupon,

3 JOHN N. McMAHON,

4 called as a witness by counsel on behalf of the Senate  
5 Select Committee and having been duly sworn by the Notary  
6 Public, was examined and testified as follows:

7 EXAMINATION ON BEHALF OF THE SENATE COMMITTEE

8 BY MR. BARBADORO:

9 Q Could you state your name, please?

10 A John N. McMahon.

11 Q Mr. McMahon, when did you become Deputy  
12 Director of Central Intelligence?

13 A In June 1982.

14 Q And when did you retire from the Agency?

15 A March 29, 1986.

16 Q How long were you with the Central  
17 Intelligence Agency?

18 A About 34-1/2 years.

19 Q And I'm sure you've had a lot of assignments  
20 during that period, but could you give us a brief  
21 overview of your career with the Agency?

22 A Indeed. When I came down to Washington after  
23 college I went to Georgetown Law School and decided that  
24 I needed to eat, so I got a job working nights with CIA  
25 in their communications, what they called their Cable

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1        Secretariat. And I did that for a semester, lost 25  
2        pounds, and CIA asked me if I'd like to go overseas to

3        [REDACTED]  
4        And I said indeed I would. So I went  
5        overseas. I left school at the end of that semester and  
6        went into training in communications during the first  
7        part of '52, and then went overseas in June '52,  
8        initially in commo. I left that, joined the European  
9        Division, which was then the DDP, working in the Cable  
10       Secretariat, which I did up through about 1954.

11       I came back on home leave and then went back  
12       and worked briefly in admin.

13       Q        You mean administration?

14       A        Administration. And then a notable gentleman  
15       who was working with [REDACTED] decided to leave  
16       and return to Washington and his name was [REDACTED]  
17       and [REDACTED] needed someone to help him out, so I  
18       went down there and kind of became his aide. And  
19       [REDACTED] was soon replaced by [REDACTED] and I stayed  
20       on as [REDACTED] aide, which was basically reviewing all the  
21       correspondence, getting it ready for him, being his bag  
22       carrier when he traveled.

23       I came back from overseas and at that time I  
24       had two children and my draft deferment status continued  
25       from student to overseas with the Agency, and then with

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1 two kids, but I wanted to get my military obligation over  
2 with rather than have it hang over my head to the age 35.  
3 So I volunteered to be enlisted in the draft. The Army  
4 wouldn't take me because they figured I was trying to run  
5 away from my home obligations with two kids, but the  
6 Agency prevailed upon the draft board and they drafted  
7 me. And I served a little over six months with the Army  
8 and was given an honorable discharge to return back to  
9 the Agency.

10 I worked briefly in an organization known as  
11 Central Processing, which offered me the opportunity to  
12 have experience in administration, personnel, logistics,  
13 finance, and travel, and I did that for about nine months  
14 and was recruited for

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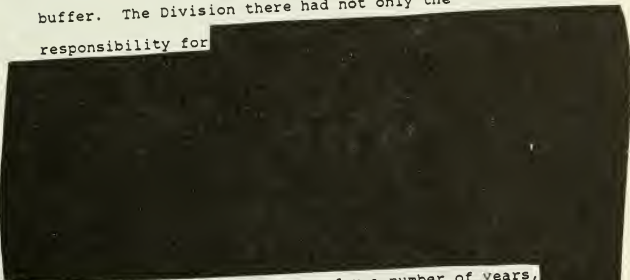
And then, after a little over a year of that,  
I was appointed the Executive Officer of the Division,

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1 and that was rather strange, because I was only then a  
 2 GS-13 and this would be the equivalent of a 15 or 16 job.  
 3 But I took that on principally because I have good  
 4 rapport throughout the organization and the two people  
 5 running that organization, the Chief and the Deputy, had  
 6 a communications problem. So I was put in kind of as a  
 7 buffer. The Division there had not only the  
 8 responsibility for



And I stayed there for a number of years,



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So I did that routine with the comptroller and trying to work with [REDACTED] for a while, and then a gentleman by the name of Bud Wheelon, Dr. Wheelon, who is now Chairman of the Board of Hughes, was appointed DDS&T and his job was to pull together all R&D activities in the United States.

Q What is DDS&T?

A Deputy Director for Science and Technology. And he was to pull together all of the research and development activities in the Agency, as well as do the analytical work associated with science [REDACTED]



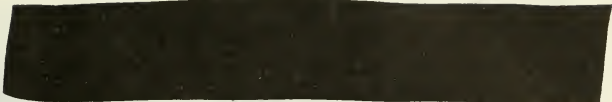
in 1970, I moved with that

office [REDACTED]

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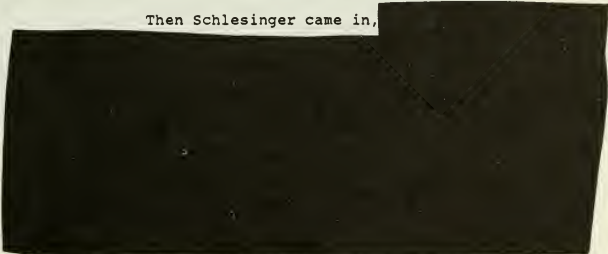
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We operated that and I became Director of that office,



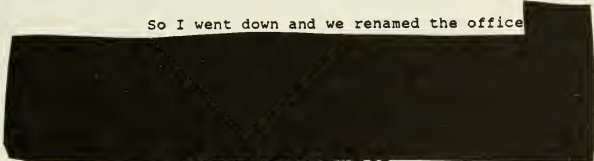
And I worked that job for three years.

Then Schlesinger came in,



Schlesinger asked that I go over and take over that office.

So I went down and we renamed the office


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1 this cat who knew nothing about either operations or  
2 their business was their boss.

3 That was a fantastic office.



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15 I had that job for maybe a year and a half,  
16 and Bill Colby, who was then Director, asked that I  
17 become the Associate Deputy Director of Administration,  
18 and I went over there and did that for a year or two, and  
19 then George Bush came in as Director, and he was given  
20 the charter under the Executive Order to prepare a  
21 consolidated budget for all intelligence activities.

22 Up to that point in time, the DCI had  
23 "responsibility for the intelligence community", such as  
24 the Defense Intelligence or NSA or what have you, but he  
25 had no clout because he didn't have budget authority.

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1 And Jerry Ford's Executive Order gave the DCI the  
2 responsibility for pulling it together, except it fell  
3 short. It gave him no authority. So we still had to go  
4 around and say pretty please, but I guess we did it in a  
5 sufficient manner that the various agencies told us what  
6 their budget was. But we still couldn't do anything  
7 about it.

8 But at least we published the first  
9 consolidated budget that the U.S. ever had on all its  
10 intelligence activities, national intelligence  
11 activities.

12 Then, as you know, with the election of Carter  
13 -- yes, Bush left and Stan Turner came in as Director:  
14 And Stan Turner was a four-star Admiral; my boss in the  
15 Intelligence Community Staff then was Dan Murphy, who was  
16 also a four-star Admiral. And it was deemed that we  
17 couldn't have two four-star Admirals in the same shop, so  
18 Murphy left in April and that would have been April '77.

19 And I stayed on in both jobs, as the Acting  
20 Deputy to the DCI for Intelligence Community and also as  
21 the Associate, and I held that job until January '78.  
22 Turner came to me, I guess in July or August, and wanted  
23 to know who would be a good DDO because he wanted to make  
24 a replacement there. And I gave him several names and he  
25 checked them out and finally -- I think it was in October

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1 -- he said he wanted me to be the DDO.

2 I told him that that would be a mistake, that  
3 the DDO had suffered immensely and I think to an  
4 appreciable degree wrongly under the Pike and Church  
5 Committee investigations, and that the worst thing Turner  
6 could do is to put a non-DDO in there, particularly since  
7 he had gained the reputation of being non-interested in  
8 HUMINT and was more technical, and to take someone who  
9 had basically S&T background and put him in as the DDO  
10 would be bad.

11 So I argued that for several months, and  
12 finally in December he told me that if I didn't take the  
13 job he was going outside the Agency for the DDO. So I  
14 took the job and I held the job as the Deputy Director  
15 for Operations until --

16 MR. EGGLESTON: December of which year?

17 THE WITNESS: I took it in January 1978 and I  
18 held it until 1981. And Casey asked me to take over what  
19 is now the DDI, Deputy Director for Intelligence. It was  
20 known at that time as the National Foreign Assessment  
21 Center, and that's where we do our basic intelligence  
22 analytical work and intelligence production.

23 I did that reluctantly. In fact, I suggested  
24 that it would be a good time for me to retire, since I  
25 was eligible for retirement under the Agency retirement

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1 program. And he asked me not to do that, that he felt  
2 that something was wrong in the DDI and he wanted me to  
3 go in and try and find out what it was. I told him he  
4 was talking to the wrong guy because I didn't know how an  
5 analyst thought or ticked.

6 But, at any rate, I went into the DDI and I  
7 was impressed. When I was the Deputy Director for  
8 Operations I read just about every piece of intelligence  
9 that the DDI produced because I wanted to see whether our  
10 appropriations were making an impact as well as being  
11 informed as to what was going on in the world.



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20 And when I went to the DDI I realized that the  
21 reason for that was that our analytical process was  
22 segmented. It was a functional organization. We had  
23 economists in one organization which would address  
24 worldwide things. We had political scientists that  
25 addressed the political things. We had military people.

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1           And as papers would come to me as DDI and I wanted to ask  
 2           a question on what was going on in [REDACTED] I would get  
 3           three or four inputs and I'd have to integrate what was  
 4           going on in [REDACTED] because I got a political view, an  
 5           economic view, and a military view.

6                        I thought that was all wrong, and I didn't  
 7           think that was my job, to do intelligence integration.  
 8           So to figure out how the organization ticked and how the  
 9           people worked -- are you interested in all this, by the  
 10          way?

11                       BY MR. BARBADORO: (Resuming)

12                      Q       I'm very interested in it, but if we hope to  
 13           do this deposition in three or four hours we probably  
 14           should focus a little more and just tell me what your  
 15           assignments were.

16                      A       Okay.

17                      MR. EGGLESTON: But that was so interesting we  
 18           didn't interrupt.

19                      THE WITNESS: At any rate, I decided to  
 20           reorganize. I reorganized regionally. I put all the  
 21           analysts on a specific country together, regardless of  
 22           what they were doing, and they could produce a finished  
 23           integrated process, and that mirrored how State  
 24           Department worked. It was regional in function as well.

25                      So that was how reorganization and a great

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1 trauma. But after a few months it began to take hold and  
2 the analysts thought it was a great idea.

3 Then Casey said to me that he was going to set  
4 up or put new life in a dormant position known as the  
5 Executive Director, and the Executive Director would be  
6 responsible for the day-to-day management of CIA and  
7 Bobby Inman, who was the Deputy Director of CI, would  
8 worry principally about the community and the outside.

9 So in January 1982 I assumed that position and  
10 held it to June '82, when I was made the DDCI.

11 BY MR. BARBADORO: (Resuming)

12 Q Other than your time as DDO did you have any  
13 other assignments in the Operations Directorate?

14 A One. For a few months after I got out of the  
15 Army I worked in [REDACTED] the European  
16 Division, but that was not substantive. We were trying  
17 to figure out how to bring automation to the handling of  
18 files.

19 Q And other than your time as DDI had you had  
20 any assignments in the Intelligence Directorate?

21 A No.

22 Q I'll ask you another question that might call  
23 for a long answer. I'll ask you to try to --

24 A Hold your hand up if it gets too long.

25 Q And I want to ask you to describe for me the

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1 job of DDCI when you were there.

2 A It covered all aspects of running CIA as well  
3 as running the community. Casey and I did not really  
4 divvy up the pie, so to speak, and we more or less  
5 prepared ourselves for meetings with duplicate books. If  
6 we were having a meeting, say with Bill Clark or  
7 McFarlane or Poindexter, the staff people would prepare  
8 two books, and we'd prepare that.

9 If there was an NSC meeting, two books would  
10 be prepared, and we'd both do it or both prepare for it,  
11 and either he'd go or I would go. So we were both kind  
12 of up to speed on everything that was going on.

13 We tried to give feedback to one another by  
14 just opening the door and walking in. Sometimes that  
15 worked and sometimes that didn't, but if something came  
16 up that I wasn't aware of it was very easy to go find  
17 someone who knew what was going on and fill in. And Bill  
18 Casey did a fair amount of travel, so that meant that  
19 there had to be a fair degree of continuity between both  
20 our jobs, and I felt that we had a very easy relationship  
21 and fairly good communications.

22 Q You've alluded to this. What was your  
23 relationship with the Director?

24 A Well, I didn't know him until he came in as  
25 Director, but it was kind of a no holds barred

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SECRET ROSEWORD

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1 arrangement. If I disagreed with something, I felt  
2 totally at ease to disagree with him. But I never felt  
3 that there was a strain at all between us, and he has a  
4 delightful sense of humor with a great deal of wisdom.  
5 He's a very smart guy. His stumbling and mumbling is very  
6 deceptive in that regard.

7 But he had a very fertile mind, was always  
8 thinking. He never saw an event in isolation. He would  
9 look at the ramifications. If there was an incident in  
10 some country, he would look to see where that might bulge  
11 out elsewhere in the world. So he always had a global  
12 outlook on things. He was constantly on top of trying to  
13 improve the analytical process, not only by bringing in  
14 more analysts into the Agency but encouraging the  
15 analysts to get outside the Agency and to talk to  
16 academicians and to talk to people, businessmen, who had  
17 experience in the countries and try and bring in all  
18 available scraps of information on any given issue or any  
19 given country.

20 And I think his forte, quite apart from his  
21 notoriety on covert actions, I think his forte was really  
22 in improving the analytical process and making everyone  
23 in that process feel like they were very much a part of  
24 that action.

25 Q Did you feel that you had the Director's

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SECRET ROSEWORD

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SECRET CONTROL

1 trust?

2 A Yes.

3 Q Were there operations that the Central  
4 Intelligence Agency was involved in that you were not  
5 briefed on?

6 A I don't think so.

7 Q When internal memoranda would come up through  
8 the executive registry to the DCI would you ordinarily  
9 see those documents?

10 A Normally I would get a copy of that, yes.

11 Q When cables would come up, DCI Eyes Only,  
12 would you see those cables?

13 A Not always. The way I worked in my office, I  
14 had an assistant that screened all the correspondence and  
15 all the traffic, and we would usually get together around  
16 6:00 at night and she would give me a brief on all the  
17 issues and events that came in during the day, and then  
18 if there were papers to sign I would sign them. So I  
19 used her as a screening process to cull out the things of  
20 interest or non-interest.

21 So I seldom saw cable traffic, but I was  
22 briefed on it. The only exception to that was what they  
23 called operational traffic in a privacy channel which the  
24 DDO or the DDO Division Chiefs would send out, and I  
25 would only get ahold of that if the DDO would tell me

**UNCLASSIFIED**  
SECRET CONTROL

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SECRET TO EYARD

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1 about it. And the routine I used was I would get in in  
2 the morning around 7:10 and I would go down to the DDO  
3 office and they would kind of give me a dump of what went  
4 on during the night from an operational standpoint.

5 Q So if there were privacy channel cables sent  
6 or received you wouldn't ordinarily see those unless you  
7 went down to the DDO and asked to see what was sent or  
8 received?

9 A That's right. And to me I think,  
10 parenthetically, that is a failure within the Agency.

11 Q Not to share privacy channel cables with the  
12 DDCI and the DCI?

13 A Yes. Not so much that. There is so much  
14 traffic that there's no way the DCI or DDCI can keep on  
15 top of everything going on, but what I recommended to Bob  
16 Gates as this thing began to unfold, that they assign the  
17 Inspector General to receive a copy of every piece of  
18 correspondence, no exception, in the Agency and have the  
19 Inspector General monitor what's going on. Because if  
20 you see a cable and then you don't see another one until  
21 next week, you lose that continuity of what was going on.

22 Q When the Director would have meetings with the  
23 National Security Advisor would you ordinarily go along  
24 to those meetings?

25 A I would go to the ones that we had scheduled

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SECRET TO EYARD

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1 on Thursdays. We usually had a meeting every Thursday  
2 around 5:00 or 6:00 with the National Security Advisor.  
3 We would have breakfast with the Secretary of Defense on  
4 Friday morning. We'd have lunch with the Secretary of  
5 State Friday afternoon.

6 In the last year or two, that was changed,  
7 when McFarlane decided to have what was called a family  
8 lunch, and he would get the two Secretaries, himself and  
9 Casey together, and at that point I would meet with, have  
10 lunch with, the Deputy Secretary of State, originally Ken  
11 Dam and then later John Whitehead.

12 Q So until the family luncheons started you  
13 would meet on a weekly basis with the DCI with the  
14 National Security Advisor and then separate meetings with  
15 the Secretary of Defense and Secretary of State?

16 A Right.

17 Q Once the family group meetings started you did  
18 not attend the family group meetings, and the people who  
19 attended those were the DCI, the National Security  
20 Advisor, the Secretary of State and the Secretary of  
21 Defense?

22 A Correct.

23 Q And the family group meetings were weekly  
24 meetings?

25 A Usually, yes.

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1 Q And instead of attending those meetings you  
2 would have lunch with the Deputy Secretary of Defense,  
3 Mr. Dam?

4 A No. I always had breakfast with Cap and he  
5 would bring in Taft, and if Weinberger wasn't there, then  
6 Casey and I would meet with Taft. So we always met, in  
7 spite of the family group. We always met with the  
8 Secretary of Defense or his Deputy.

9 Q So you continued to meet with them once a  
10 week?

11 A Right. But I didn't meet then with Shultz,  
12 but instead would met with Ken Dam or John Whitehead, and  
13 they would usually have the Director of INR and Mike  
14 Armacost with them.

15 Q Was there a reason why you and the Director  
16 stopped meeting on a weekly basis with the Secretary of  
17 State?

18 A I think it was because McFarlane assessed that  
19 he had to get better communication between the three of  
20 them and he decided that that would be a good way of  
21 doing it, without having lower level people around.

22 Q Was there tension between the Director of  
23 Central Intelligence and the Secretary of State?

24 A Not tension. There was disagreement at times  
25 over different events, but it wasn't -- I don't think it

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1 was an inhibiting factor, and certainly not a constant  
2 gnaw. They used to play golf together and socialize  
3 together. There were certain policies that Casey didn't  
4 agree with, and, you know, he would argue with Shultz on  
5 them, but there was no hostility involved or anything of  
6 that nature.

7 Q Were briefing books prepared for your weekly  
8 meetings with the Secretary of State, Secretary of  
9 Defense, and the National Security Advisor?

10 A Yes.

11 Q And you and Casey would get the same briefing  
12 book?

13 A Yes.

14 Q Was a briefing book prepared for the family  
15 meetings?

16 A I don't recall. I can't speak to that,  
17 because I was interested in the one I was getting for my  
18 meeting.

19 Q When you attended these meetings would you  
20 ordinarily prepare a memorandum for the record or summary  
21 of what went on in the meeting?

22 A Yes. I tried to be religious in doing that.

23 Q Did the Director prepare any such memoranda  
24 for the record, as far as you know?

25 A I don't think so.

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1 Q Did he customarily make notes at any of those  
2 meetings?

3 A Only if he was going to follow up on  
4 something, but he didn't make notes as to the entire  
5 conversation. What we'd do is literally go through those  
6 briefing books and just use them as talking aids, and if  
7 there was a particular paper on an intelligence situation  
8 we'd say, you know, here's an intelligence situation you  
9 ought to be aware of. And there was a good tie between  
10 all three books, so that we kind of made sure that the  
11 three principals were briefed on the same subject matter  
12 throughout.

13 Q There was somebody in the Central Intelligence  
14 Agency that had the responsibility of making sure that  
15 everyone was on the same line for meetings?

16 A Yes, that was Casey's special assistant, and  
17 later he wore the title as well as the Executive  
18 Secretary.

19 Q What kind of direct access to the President  
20 did Casey have when you were DDCI?

21 A I think he had the potential for direct access  
22 whenever he wanted it. He was usually very careful in  
23 making sure that the National Security Advisor knew what  
24 he was concerned with, and if he felt it important to go  
25 see the President he usually told the National Security

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**UNCLASSIFIED**  
The Secret Word

24

1           Advisor, and I guess sometimes he went with him, and  
2           sometimes he didn't.

3                        But I don't think there were, you know, that  
4           many occasions where Casey felt he had to use that  
5           channel. He had certainly the potential of doing it.

6           Q        If he felt he had to communicate directly with  
7           the President, how would he do it?

8           A        He would usually go down to see him.

9           Q        Did he ever call the President on the  
10          telephone?

11          A        I believe he did, yes.

12          Q        How frequently would that happen?

13          A        I don't think that often.

14          Q        Did he ever write letters to the President?

15          A        Yes, if there was an issue that he felt  
16          strongly about he would write the President and tell him  
17          what he thought.

18          Q        Would those letters go through the National  
19          Security Advisor or would they go directly to the  
20          President?

21          A        I don't know, but knowing Casey I think he  
22          would make sure that the National Security Advisor was  
23          aware of that.

24          Q        In general Casey tried to keep the National  
25          Security Advisor informed of what he was doing with the

**UNCLASSIFIED**  
The Secret Word

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1 President?

2 A Yes.

3 Q When did you first meet Colonel North?

4 A Gee, I don't know.

5 Q Did you know him before you became DDCI?

6 A The first time I met North was [REDACTED]  
7 [REDACTED] in a JCS war game, and we were meeting  
8 down in the situation room, and we had, I think,

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TOP SECRET CODEWORD

1 Q Can you give me a year on that?

2 A I don't know whether it was '81 or '82.

3 Q Okay. During the time that you were DDCI did  
4 North frequently visit the Director at headquarters?

5 A No.

6 Q What kind of relationship did North have with  
7 the DCI? I'll tell you that his records reflect, the  
8 DCI's records reflect, a number of meetings with Colonel  
9 North and a number of phone conversations with him. Is  
10 that consistent with your understanding of their  
11 relationship?

12 A No, not at all. I can't imagine why Casey  
13 would bother talking with North when he could talk with  
14 anyone else he wanted to. That may have happened either  
15 after I left or when we were opted out of Central America  
16 and Ollie was trying to drum up all kinds of support  
17 there. But I can't -- I don't recall North being around  
18 the Agency very much.

19 Q The Director had an office in the Old  
20 Executive Office Building. How much time did he spend  
21 there?

22 A I think he used it any time he was in downtown  
23 Washington and had either a gap between meetings down  
24 there or if he was going to meet some outside visitor he  
25 would often meet him down there.

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CONFIDENTIAL

27

1 Q To your knowledge did the Director ever meet  
 2 with Colonel North at the OEOB office?

3 A I would not know.

4 Q Do you know whether Colonel North would ever  
 5 see the Director at his home?

6 A No, I have no idea of that.

7 Q Did the Director ever speak to you about Ollie  
 8 North -- what he thought of him, what his relationship  
 9 with North was?

10 A No.

11 Q So as far as you knew, the relationship wasn't  
 12 particularly close and during the period of time you were  
 13 DDCI he didn't have much contact with you?

14 A Well, I took objection to the newspaper  
 15 reports which mentioned that North was working for Casey.  
 16 That just blew my mind. I had no indication that that  
 17 was the case whatsoever, and I don't think it's a fact.  
 18 I think Casey's malady drew a lot of attention.

19 Q You mean because he's not able to --

20 A Unwarranted because he couldn't defend  
 21 himself.

22 Q Because he can't defend himself, people are  
 23 assuming that he had a closer relationship with North  
 24 than he actually had?

25 A Right.

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1 Q To your knowledge, he didn't have a  
2 particularly close relationship with Colonel North?

3 A No, he did not, not to my knowledge.

4 Q How important was the contra program to the  
5 Director? If you could list his top four or five  
6 priorities, would the contra program fit within the  
7 Director's top four or five priorities?

8 A By all means.

9 Q Where would you rank it?

10 A I would rank it probably number one, if not a  
11 close second [REDACTED]

12 Q How much time would you say the Director spent  
13 on the contra issue?

14 A A lot of time. He was very interested in what  
15 was going on down there on a day-to-day basis.

16 Q Because the Director had it as a high priority  
17 and spent considerable time on it, did you also spend  
18 time on the contra program?

19 A Well, I thought it was in good hands. I was  
20 knowledgeable of what was going on down there. I  
21 believed in the contra program, but I had great  
22 reservations whether or not CIA could prosecute it. I  
23 predicted that we were going to be legislated out of  
24 Central America a year and a half or two before it  
25 happened. I could just see the uneasiness welling up in

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1 Congress, not so much that the need was there, but the  
2 fact that we were asking Congress to be a partner to a  
3 covert action that was only kept secret within CIA.

4 And the only one who put a secret stamp on it  
5 in conversation on contras was in CIA. It was just an  
6 open war and it had reached a dimension that I felt was  
7 just too much. In fact, I urged Casey to get the Agency  
8 out of it and turn it over to DOD because of the growing  
9 uneasiness in Congress. And it was that the Senators and  
10 Congressmen felt they couldn't look their constituents in  
11 the eye and go for this covert action program and try to  
12 sign up to something that is supposed to be secret when  
13 it is so public.

14 And if it was so important and everybody knew  
15 about it and the Congressmen were voting to give covert  
16 action funds, why didn't they give open funds and do it  
17 in an open fashion? And Casey finally agreed that I  
18 could talk to people about it and I talked to Bill Clark  
19 and said, you know, let's get DOD to take this over.  
20 It's reached a dimension that's too big for us and it's  
21 an embarrassment to the U.S. Government.

22 And Bill Clark said eventually, well, it's all  
23 right with me, if you can convince Shultz and Weinberger.  
24 I believe I mentioned it to Shultz, and I can't be sure  
25 of that, but I know I did mention it to Weinberger, and

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1 he just said no way. You know, he wasn't blind -- not  
2 with a ten-foot pole.

3 So, at any rate, we hung in there and, sure  
4 enough, down came the Boland Amendment and we were  
5 legislated out of it.

6 Q Who were the principal DO officers that Casey  
7 dealt with on the contra program during the period of  
8 time that you were DDCI?

9 A Dewey Clarridge and then [REDACTED] when  
10 Dewey --

11 Q Dewey Clarridge was [REDACTED] the Latin America  
12 Division, correct?

13 A Yes.

14 Q And [REDACTED] was Chief of the Central  
15 American Task Force. Why did Casey's principal officer  
16 on contras change from [REDACTED] the Latin America  
17 Division to the Chief of the Central American Task Force?

18 A It was because we all liked [REDACTED] He  
19 was a very sharp officer and I think a very precise guy,  
20 and I think we had a great deal of confidence in him.  
21 And when we made the whole move, we brought in [REDACTED]  
22 [REDACTED] to be Chief of Central America, and [REDACTED] being  
23 the guy that he was, I think he was the natural guy to  
24 run the program.

25 I think Dewey kind of assumed the role of

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1 [REDACTED] LA, but also Chief of the Central American Task  
2 Force.

3 Q Did Dewey Clarridge have frequently direct  
4 contact with the Director about the contra program?

5 A Yes.

6 Q How frequently would he be up there talking  
7 with the Director about it?

8 A Oh, I don't know, but I'm sure it was three or  
9 more times a week, and lots of telephone calls.

10 Q And later did [REDACTED] have similar contact  
11 with the Director?

12 A I don't know. I can't speak to that. I would  
13 say yes, but I think [REDACTED] was more prone to stay within  
14 channels than Dewey might be. So I would think [REDACTED]  
15 would, you know, talk to Clair George a lot easier than  
16 Dewey would talk to Clair George.

17 Q Let's talk about the period of time in 1984  
18 when you realized that the funding for the contras was  
19 going to run out and not be renewed for some time. When  
20 did you first realize that?

21 A Well, as I said, a year and a half or two I  
22 knew it was coming, and there was a lot of iterations, a  
23 lot of signs coming out of Congress suggesting a growing  
24 uneasiness to do that. It was certainly before it  
25 happened I knew that you know, it was going to happen,

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1 but I can't say when.

2 Q In view of the Director's commitment to the  
3 contra program, in view of your awareness, and that would  
4 have been certainly by the spring of 1984, that the U.S.  
5 Government money was going to run out, what efforts did  
6 you and the Director make to plan for how the contras  
7 could continue to be funded?

8 A The thrust of our activity was to get  
9 administrative support in Capitol Hill to turn that  
10 around. I felt we kind of dropped the ball in letting  
11 the Boland Amendment come in and take hold, that the  
12 Administration seemed to be content to let humanitarian  
13 assistance represent U.S. interest and hope that third  
14 countries would fill the vacuum.

15 My concern was twofold on that. I felt that  
16 we were letting Congress off easy. I felt that for the  
17 contras to be successful they had to have Congressional  
18 support. That was a given. And so I felt that there  
19 should have been more pressure placed on Capitol Hill to  
20 keep the contra program going.

21 Secondly, I thought it was a cop-out to rely  
22 on third countries and hope that they would provide  
23 support. But if the Administration let Congress get away  
24 with just giving military aid and if we were accepting  
25 the fact that that was the will and the intent of the

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1 Congress as a whole, then any third country that  
2 supported the contras Congress would soon learn about and  
3 they would put the squeeze on those countries by cutting  
4 off their foreign aid.

5 So all we were buying in letting the  
6 humanitarian assistance go through was maybe one year  
7 before the third countries would have to kowtow to  
8 pressure from Congress, just like the Administration was.

9 Q I understand that there were continuing  
10 efforts to turn the Congress around on this issue during  
11 the entire period of time that the Boland Amendment was  
12 in effect.

13 A Right.

14 Q But is it fair to say that by March or April  
15 of 1984 you realized that there was going to be a  
16 substantial period of time before Congress could be  
17 turned around on the issue?

18 A Yeah. Usually the only way to the board is  
19 through the authorization and appropriations, so you had  
20 to wait for that cycle.

21 Q So at the very least you knew there was going  
22 to be almost a year before new money could be voted.

23 A To get back to the board.

24 Q And you also knew that the contras were being  
25 funded almost entirely by United States Government funds;

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1 correct?

2 A Correct.

3 Q What planning went on at the CIA during the  
4 winter-spring of 1984 as to how the contras could  
5 continue to exist during that period of time when you  
6 knew there wouldn't be any U.S. Government funding?

7 A The whole planning that I was exposed to  
8 focused on lobbying Congress and bringing pressure to  
9 bear on Congress to turn itself around, and I know of no  
10 plan for anyone in the Agency or any effort on the Agency  
11 to get support out of other countries to replace the  
12 Boland or substitute for the Boland thing.

13 Now the Boland Amendment didn't hit till the  
14 fall of '84, I think.

15 Q Right. I'm going to show you a document in a  
16 second, but during the March-April 1984 time frame you  
17 are not aware of any efforts within the CIA to determine  
18 whether we could get some third countries to provide the  
19 support that the U.S. Government could no longer provide?

20 A Oh, there was efforts to get them to help out,  
21 but at that time period it was quite legal and  
22 permissible to do so. Originally we had hoped that [REDACTED]  
23 [REDACTED] might play a role there, but they had done so  
24 in the initial periods of the contra program and pulled  
25 out. But I'm privy to this exchange of cables [REDACTED]

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1 [REDACTED]  
 2 Q I want to get into that in a minute, but I  
 3 want to show you another document first, and why don't I  
 4 do that now? If we could mark this as McMahon Exhibit 1  
 5 and just for the record it's a 27 March 1984 memorandum  
 6 for Robert McFarlane from the DCI regarding assistance to  
 7 the Nicaraguan program.

8 (The document referred to was  
 9 marked McMahon Exhibit Number 1  
 10 for identification.)

11 Mr. McMahon, let me just make one more  
 12 identifying reference to this exhibit. The Committee  
 13 number is C-7490, and the CIA number is CIIN 3077.

14 Please take a look at that.

15 (Pause.)

16 A All right.

17 Q Have you seen that document before, Mr.  
 18 McMahon?

19 A I can't recall. I notice that is a time when  
 20 I was traveling, so I may not have seen it.

21 Q The document speaks in general terms about how  
 22 the contras could be supported, and it discusses several  
 23 different alternatives. I'd like to go over those  
 24 alternatives with you.

25 One alternative mentioned is the possibility

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1 of going to [REDACTED] to obtain assistance for the  
2 contras. What do you know about that?

3 A I don't know much, but I think it's a non-  
4 starter. [REDACTED]

5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 Q In the memorandum Director Casey says to Mr.  
12 McFarlane: "I am in full agreement that you should  
13 explore funding alternatives [REDACTED]  
14 [REDACTED] Were you aware that the Director and  
15 Mr. McFarlane were having discussions about going to [REDACTED]  
16 [REDACTED] to obtain funds for the  
17 contras?

18 A Not that I can recall. [REDACTED]  
19 [REDACTED]  
20 [REDACTED]

21 Q This was not something that was discussed at  
22 your weekly meetings with the Director and Mr. McFarlane  
23 as far as you can recall?

24 A Not that I can recall, but if it did chances  
25 are -- if we did discuss it, chances are it's in my

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1 memoranda.

2 Q Do you know whether [REDACTED] ever did give  
3 or provide any funding to the contras?

4 A I suspected they did, but I had no firsthand  
5 knowledge.

6 Q What led you to suspect that they did?

7 A Well, when the Boland Amendment came down I  
8 wondered what countries could possibly help out, and I  
9 figured that [REDACTED]

10 and [REDACTED]

11 [REDACTED]  
12 Q Why did you pick those countries as possible  
13 donors?

14 A Because they, I think, were well disposed  
15 towards the Administration and wanted to help the  
16 Administration.

17 Q Are they also countries that might have  
18 something to gain from the Administration by supporting a  
19 program like this?

20 A By all means.

21 Q The memorandum says, in the third paragraph:  
22 "The second alternative we" -- meaning the CIA -- "are  
23 exploring is the procurement of assistance from [REDACTED]"

24 [REDACTED] I've also shown you before the deposition a  
25 series of cables which we'll get into in a moment about

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1 that approach, but can you tell me from where did the  
 2 idea come to go to [REDACTED] to obtain aid for the  
 3 contras?

4 A I don't know. It's conceivable that when the  
 5 Agency learned that [REDACTED]

6 [REDACTED]  
 7 [REDACTED]  
 8 [REDACTED]  
 9 [REDACTED] But I don't

10 know who really originated it.

11 Q You don't know, but you would think that  
 12 Clarridge might have been the person?

13 A Right.

14 Q The final alternative mentioned is in  
 15 paragraph four and says: "Finally, after examining  
 16 legalities you might consider" -- and I can't read one of  
 17 the words -- "appropriate private U.S. citizen to  
 18 establish a foundation that can be a recipient of non-  
 19 government funds which could be dispersed to the FDN."

20 Did you ever discuss during this time period  
 21 with Director Casey the possibility of finding private  
 22 citizens to establish a foundation which could receive  
 23 non-government funds to support the FDN?

24 A No. And, knowing my contacts in the United  
 25 States, they don't have money to do that.

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1 Q Casey never talked to you, though, about that  
2 as a possible way of supporting the contras?

3 A No, I don't think he did.

4 Q Do you know where he came up with this idea  
5 that is mentioned in paragraph four of the memorandum?

6 A It could be his fertile mind, because he is  
7 always thinking of ways of figuring things out. And, of  
8 course, he knows the entire power and financial structure  
9 in the United States.

10 Q It was never something he discussed with you,  
11 however?

12 A No. I'm sure from his fundraising days for  
13 the Republican Party he had a pretty good fix on what  
14 people are prepared to help.

15 Q Let me mark as McMahon Exhibit 2 the series of  
16 cables concerning the attempt or the discussion about  
17 obtaining aid from [REDACTED] for the record,  
18 these cables run by the Committee numbers C-8933 through  
19 C-8945, and they run CIIN numbers 3871 through 3883.

20 (The document referred to was  
21 marked McMahon Exhibit Number 2  
22 for identification.)

23 Mr. McMahon, these are the cables that I  
24 showed you before the deposition, correct?

25 A Right.

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1 Q And in general terms they describe a proposed  
 2 trip, which did take place, where [REDACTED]  
 3 [REDACTED] went [REDACTED] to discuss the  
 4 possibility of obtaining aid [REDACTED] for the  
 5 contras. However, although the trip took place, the  
 6 actual attempt to solicit the aid did not take place. Is  
 7 that a fair summary?

8 A That's my recollection of it. I think we  
 9 turned him off of that.

10 Q Do you know how it happened that [REDACTED]  
 11 [REDACTED] came to go to [REDACTED]

12 A I don't know, you know, how that was spawned,  
 13 but from looking at this it's obvious that he went over  
 14 to discuss getting access [REDACTED]  
 15 [REDACTED] to use for the contra program.

16 Q Did Director Casey ever discuss this  
 17 possibility with you of obtaining aid from [REDACTED]

18 A Not in the beginning. I think from here it  
 19 notes that they caught up to me with this idea during a  
 20 trip.

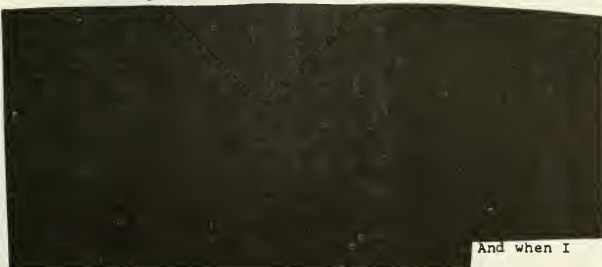
21 Q Weren't you making a trip to [REDACTED]  
 22 around that time?

23 A I was making a trip [REDACTED]  
 24 [REDACTED]  
 25 [REDACTED]

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And when I was asked to do this, I said all right, since I'm over there I will go

Q Who asked you to go to

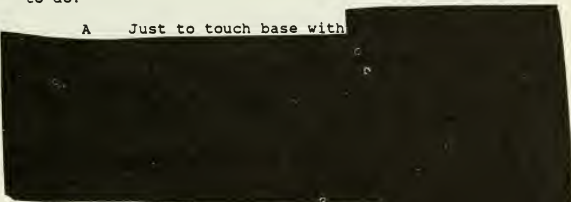
A Me.

Q You decided on your own?

A Right.

Q And what were you going to go to do?

A Just to touch base with



But the purpose of the trip

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Q Let me interrupt for a second. When you went to [REDACTED] did you have any intention of discussing the possibility of [REDACTED] giving either money or materiel to the contras?

A Not when I left, but I guess I got a cable to do that.

Q Who sent you that cable -- and if you need to take a moment to go through them, please.

A I guess the cable was sent out by -- it was sent out by Dewey Clarridge, saying that he had a meeting with the DCI on 23 March on the Nicaraguan project and he suggested that Dewey send the cable to me and have me raise it with [REDACTED] when I got over there.

Q What was your response?

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1 A I didn't respond, that I recall.

2 Q Did you raise it with [REDACTED]

3 [REDACTED]

4 A I don't think so [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED] And,

8 therefore, I don't think it was raised.

9 Q Did you have some reluctance about raising

10 that issue?

11 A Yes. I didn't think it was a good idea.

12 Q Why not?

13 A Because we had enough problems with Congress

14 on the Nicaraguan program [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 Q Apart from the problems with Congress are

19 there any policy reasons why you thought it might not be

20 a good idea to solicit aid [REDACTED] for the

21 contras?

22 A No.

23 Q When did you learn that [REDACTED]

24 [REDACTED] Dewey Clarridge, was planning to make a

25 trip [REDACTED] to ask for aid for the contras?

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1           A     Well, I think after I came back he was  
2     preparing to go.

3           Q     Do you know whether that trip had any other  
4     purpose other than to try to obtain aid for the contras?

5           A     I can't say.

6           Q     Did you have any discussions with Mr.  
7     Clarridge about the trip before he left?

8           A     Yes. 

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          Q     Had a decision been made by the time  
          Mr. Clarridge left as to whether he was going to ask for  
          aid for the contras?

          A     Yeah. I think that was turned off. I think  
          we knocked that off.

          Q     So you are saying that you think by the time  
          he left the decision had already been made for him not to  
          ask for aid to the contras?

          A     I believe that's the case, yes.

          Q     Okay. Let me try to go over this with you.  
          In one of the cables, Committee number C-8947, it's a

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1 cable dated 10 April '84, and if I can read this  
 2 correctly it's to IMMEDIATE [REDACTED] and it says:  
 3 Subject [REDACTED] Discussions with [REDACTED] DDCI  
 4 advises that there are some second thoughts around town  
 5 as to wisdom of involving [REDACTED] in already  
 6 complicated Central American equation. Request you hold  
 7 off on this aspect of your discussions until we can get  
 8 definitive word to you.

9 Let me show you that cable. Can you tell me  
 10 who this cable is being sent to?

11 A It's being sent to [REDACTED]  
 12 [REDACTED] and is being sent out by  
 13 [REDACTED] who at the time was  
 14 [REDACTED]  
 15 [REDACTED]  
 16 [REDACTED]

17 Q The cryptonym [REDACTED] that refers to a  
 18 [REDACTED]  
 19 [REDACTED]  
 20 [REDACTED]

21 Q What this message says basically is don't do  
 22 anything to pursue the Central American issue until we  
 23 can give you a definitive answer on what to do; is that  
 24 right?

25 A Right.

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1 Q The next cable in sequence, C-8948, is to  
 2 headquarters from [REDACTED] and it notes that [REDACTED]  
 3 arrives 13 April [REDACTED] Have I  
 4 read that right? Is that describing the arrival of Dewey  
 5 Clarridge in [REDACTED]

6 A That is correct.

7 Q And at the time of his arrival the decision on  
 8 what to do on aid to the contras is still unresolved;  
 9 isn't that right?

10 A That's right.

11 Q In fact, if the decision had been resolved [REDACTED]  
 12 [REDACTED]  
 13 [REDACTED]

14 wouldn't you have sent somebody other than [REDACTED]  
 15 [REDACTED]

16 A Right. When he went out, though, he had  
 17 instructions not to raise it. That was an issue that we  
 18 weren't going to put forth with [REDACTED]

19 Q Well, if you weren't going to raise that,  
 20 wouldn't you have sent someone other than [REDACTED]  
 21 [REDACTED]

22 A I can't answer why he went. There may have  
 23 been another reason that I don't know.

24 Q Well, let me then refer to the next cable I  
 25 have in sequence. It's a cable C-8949, dated 1 May 84,

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1 to headquarters from [REDACTED] It says: "Any word to  
2 pass [REDACTED] on recent reference discussions.  
3 Have been able by avoidance of personal meeting to delay  
4 response to date, but local circumstances now dictate  
5 need to see [REDACTED] soonest. If no decision yet  
6 reached, will temporize accordingly."

7 Do you know what he is referring to?

8 A No. I can't really answer that.

9 Q Isn't he referring to the decision on whether  
10 to ask for aid for the contra program?

11 A That would seem logical, in light of what went  
12 on before.

13 Q So isn't it the case that as of 1 May the  
14 decision on whether to solicit aid for the contra program  
15 had not yet been made?

16 A That's possible, yes.

17 Q And finally let me show you the cable C-8945.

18 It is a cable from [REDACTED] to [REDACTED]  
19 [REDACTED] and isn't it in this cable when the final  
20 decision is communicated to [REDACTED]

21 [REDACTED] that the -- strike that. Let me try to do it  
22 better.

23 Isn't it in this cable that the final decision  
24 is made on whether to solicit aid from [REDACTED] for  
25 the contras?

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1 A Yes. That would be a logical conclusion.

2 MR. LEON: What's the date on that, Paul?

3 MR. BARBADORO: It's dated 1 May 84.

4 BY MR. BARBADORO: (Resuming)

5 Q But it's your testimony that when Dewey  
6 Clarridge went to [REDACTED] he was under instructions  
7 not to raise the possibility of obtaining aid [REDACTED]

8 [REDACTED]  
9 A Yes.

10 Q Who gave him those instructions?

11 A Well, I think I was involved in that [REDACTED]

12 [REDACTED]  
13 [REDACTED]  
14 Q

15 A

16 Q

17 [REDACTED]  
18 A

19 Q

20 [REDACTED]  
21 A

22 Q I want to pursue this issue of third country  
23 funding with you a little bit further and I want to show  
24 you a memorandum for the record from General Counsel  
25 Sporkin, dated June 26, '84, and let's mark that as

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1 McMahan Exhibit 3. It's C-7808 and CIA number 3098.

2 (The document referred to was  
3 marked McMahan Exhibit Number 3  
4 for identification.)

5 Please take a look at that, Mr. McMahan.

6 (Pause.)

7 I don't imagine that -- well, you are on the  
8 distribution list for this memo. Do you recall getting  
9 it?

10 A The subject matter is certainly familiar with  
11 me.

12 Q Do you remember an NSPG meeting where the  
13 possibility of aid, soliciting aid from third countries,  
14 was discussed.

15 A No, I can't recall that, although it's not  
16 beyond the realm of consideration.

17 Q Did you ordinarily attend NSPG meetings?

18 A Either the Director or I. Infrequently both  
19 of us did. But usually it would be one or the other.

20 Q In this memorandum, which is dated June 26, it  
21 says: "The DCI explained that funds to support the  
22 current Nicaragua program were running out and that he  
23 wanted to discuss the legal limits of the options  
24 available to the government. The DCI mentioned that he  
25 was at a recent NSPG meeting where he had been requested

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1 to discuss the matter informally with the Attorney  
2 General. The DCI said one proposal being considered  
3 involved other nations in the region providing aid to the  
4 Nicaraguan contras."

5 It's your testimony that you can't recall an  
6 NSPG meeting where that was discussed but that it's  
7 possible that there was one?

8 A Yes.

9 Q Do you recall any discussions with the DCI  
10 during this period, June of 1984, about the possibility  
11 of obtaining funds from third countries?

12 A No. No, I can't recall any.

13 Q Do you recall the DCI mentioning that he had  
14 been asked to discuss the possibility of third country  
15 funding informally with the Attorney General?

16 A No.

17 Q Do you know whether any discussions like that  
18 took place?

19 A No, but it wouldn't surprise me. But I think  
20 it's beautiful evidence that Casey was trying to follow  
21 the law.

22 MR. BARBADORO: Let's go off the record a  
23 second.

24 (A discussion was held off the record.)

25 MR. BARBADORO: Back on the record.

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1 BY MR. BARBADORO: (Resuming)

2 Q The memorandum states that "after discussion  
3 the Attorney General stated that he saw no legal concern  
4 if the United States Government discussed this matter  
5 with other nations, so long as it was made clear that  
6 they would be using their own funds to support the  
7 contras and no U.S. appropriated funds would be used for  
8 this purpose."

9 During June of '84 was it your understanding  
10 that the law would have allowed you or other government  
11 officials to approach third countries to obtain aid?

12 A Definitely. As far as I was concerned, that  
13 paragraph -- and I'm not a lawyer, with all modesty --  
14 that paragraph would be applicable up to the time of the  
15 Boland Amendment, but once the Boland Amendment was in  
16 then we really couldn't play that role because the Agency  
17 under our ground rules can never ask someone to undertake  
18 an action that it can't legally do itself.

19 In other words, if we seek a surrogate, we  
20 must have the same authorization of what we want the  
21 surrogate to do.

22 Q As we go down the memo, it says: The Attorney  
23 General also said that any nation agreeing to supply aid  
24 could not look to the United States to repay that  
25 commitment in the future. I want to ask you a policy

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1 question here in relation to that. Is it a concern as a  
2 policy matter when the United States tries to seek aid  
3 from third countries for covert programs that those  
4 countries might expect something from the United States  
5 in the future?

6 A I don't think it's a quid pro quo. I think  
7 that you have to look to the overall general relationship  
8 between the countries. They obviously will do something  
9 to curry our favor, but it may not be anything specific  
10 at the time. They just want to stay in good terms, much  
11 as they would vote favorably for us at the U.N., knowing  
12 that that kind of incurs a debt of unspecificity in the  
13 future.

14 Q As a policy matter, though, does it concern  
15 you that there might be the possibility that if we asked  
16 [REDACTED] to give us aid for one of our covert  
17 programs that [REDACTED] would expect us to then  
18 provide them with [REDACTED] for something  
19 like that in the future?

20 A I don't think you can drive it to a specific  
21 return. I think you have to look upon it that are you  
22 our friends and, if so, why don't you help us out because  
23 we need help, because I don't think it's a one-for-one.

24 Q Do you think as a policy matter that the  
25 Congress, which is going to vote aid, foreign aid, for

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1 third countries should be informed of solicitations to  
2 those third countries for assistance in our covert  
3 programs?

4 A If CIA were doing that, I think we would  
5 inform them. In fact, it is my understanding that we  
6 usually do that. In fact, we have come upon a phrase in  
7 our covert action Findings, where we say "through third  
8 parties or third countries", whatever, and Congress says  
9 well, who are you going to use, and we usually tell them.

10 Q This memo is dated June 1984. In July 1984  
11 Adolfo Calero received his first \$1 million deposit from  
12 a country that Robert McFarlane has identified as [REDACTED]  
13 [REDACTED] During June of 1984 did you know of any attempts  
14 by anyone in the United States Government to obtain aid  
15 for the contra program from [REDACTED]

16 A No, I did not.

17 Q When did you first learn of the possibility  
18 that [REDACTED] had provided aid to the contras?

19 A When I read it in the newspaper. I suspected  
20 it, but I never had any firsthand knowledge.

21 Q Okay.

22 MR. LEON: Were you surprised that the  
23 Director would keep that from you?

24 THE WITNESS: Keep that from me?

25 MR. LEON: If he knew it.

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1 THE WITNESS: Yes, I would be surprised. I  
2 think Casey did not want to know because when we would  
3 come to Congress and we'd get around to this subject he'd  
4 often be asked well, who's helping out the contras. And  
5 I didn't want to know, and neither did Casey, because we  
6 would feel obliged then to tell Congress. Now we felt  
7 Congress would put the squeeze on those countries.

8 BY MR. BARBADORO: (Resuming)

9 Q By June of '84 did you know that Ollie North  
10 was the principal action officer for the contra program  
11 within the NSC?

12 A No.

13 Q Who did you think over at the NSC staff had  
14 principal responsibility for the contra program at that  
15 time?

16 A Well, I guess it would have to be Ollie, but,  
17 you know, I had never heard Ollie designated as that.

18 Q And you had no knowledge in June of 1984 that  
19 Ollie North had played any role in trying to obtain aid  
20 from any third country for the contras?

21 A No, I don't recall any of that.

22 Q And you had no knowledge of any discussions  
23 between the Director of Central Intelligence and either  
24 Robert McFarlane or Colonel North about the possibility  
25 of people on the NSC staff trying to obtain aid from

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1 third countries for the contras?

2 A No, other than the correspondence that you  
3 showed me.

4 Q Was it a conscious decision on your part not  
5 to know, not to seek to know about where the money was  
6 coming from for the contras?

7 A Definitely.

8 Q And could you explain why that was?

9 A Because if I was testifying on any given  
10 subject in Congress and the question was asked, I would  
11 tell them. And we operate, as any true intelligence  
12 officer knows, on a need to know, and when funds were cut  
13 off it was not my need to know where they were coming  
14 from, and I just wanted to stay away from it.

15 Q It was your understanding once the Boland  
16 Amendment was passed that no CIA official could be  
17 involved in soliciting aid from third countries; correct?

18 A Definitely, and we sent instructions to  
19 everyone to make sure that was the case.

20 Q And to your knowledge were any CIA officials,  
21 including the Director, involved in any way during the  
22 period of the Boland Amendment in trying to obtain funds  
23 from third countries for the contras?

24 A None that I am aware of.

25 Q You said you didn't know about the money

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1 coming from [REDACTED] for the contras until you read  
 2 about it in the papers recently, but you said you  
 3 suspected. I want to show you a document bearing the  
 4 Committee numbers C-2707 through 2716 and bearing the CIA  
 5 number CIIN 1323. And it concerns a meeting with the  
 6 Secretary and Deputy Secretary of Defense, 15 March 85.  
 7 Could we mark that as McMahon Exhibit 4?

8 (The document referred to was  
 9 marked McMahon Exhibit Number 4  
 10 for identification.)

11 Please take a look at this, and feel free to  
 12 read the whole thing. However, I intend to question you  
 13 only about the part that's highlighted.

14 (Pause.)

15 Mr. McMahon, this exhibit concerns a meeting  
 16 that you and Director Casey had with Secretary Weinberger  
 17 and his Deputy on March 15, 1985; correct?

18 A Right.

19 Q And part of this document is the summary that  
 20 you prepared of that meeting?

21 A Yes.

22 Q Under paragraph seven there's a discussion  
 23 about support for the contras. In that paragraph it  
 24 says: In closing, the Secretary stated that he had heard  
 25 that [REDACTED] had earmarked

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1 \$25 million for the contras in \$5 million increments.

2 Do you remember that meeting where Secretary  
3 Weinberger mentioned that he had heard that [REDACTED]  
4 had earmarked \$25 million for the contras?

5 A Yes.

6 Q What did he say in that meeting?

7 A Exactly what you said. It was like an offhand  
8 remark. In fact, he said it, if I'm not mistaken, when  
9 we were getting up to leave and we had discussed, you  
10 know, what can we do to get Congress to address this  
11 problem of aid to the contras and get off the non-lethal  
12 kick. And as we were breaking up -- and, as you can see,  
13 it is the last item in the note -- he said I've heard  
14 that [REDACTED]. So it's kind of in the hearsay  
15 context, and that was the extent of his comment.

16 Q He didn't say anything else about how he had  
17 learned, for example, about [REDACTED]

18 A No, not that I recall.

19 Q And he didn't say anything, as far as you can  
20 recall, about how the money had been obtained, who was  
21 involved in the solicitation?

22 A None whatsoever.

23 Q Did Director Casey say anything when Secretary  
24 Weinberger made this statement?

25 A No.

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1 Q Afterwards did you ask Director Casey if he  
2 knew anything about this solicitation -- excuse me, this  
3 assistance?

4 A No.

5 Q Can you explain to me why you wouldn't have  
6 said anything to Director Casey about this?

7 A Probably because, as I go back to the original  
8 thing, I really didn't want to know what anyone else was  
9 doing to the contras.

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15 Q As far as you knew, however, no one in CIA was  
16 involved at any time in approaching [redacted] to obtain  
17 aid for the contras?

18 A No, that I am aware of.

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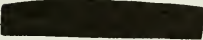
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24 Q Director Casey [redacted] at  
25 various times, didn't he?

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1 A Yes.

2 Q To your knowledge did he ever raise the contra  
3 issue with 

4 A Not that I'm aware of.



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7 Q Is it fair to say that you briefed Congress  
8 several times or you were present at Congressional  
9 briefings on the issue of the contras several times  
10 during '85 and '86?

11 A Yes. In fact, I was the one who went down to  
12 try and convince Congress to roll over the Boland  
13 Amendment by starting up the \$100 million program, and  
14 that was done through the intelligence authorization  
15 process which began in January-March time period in '86.  
16 But you may recall Congress began to turn themselves  
17 around in the tail end of '85. They gave us \$3 million  
18 for the contras to give them communications equipment and  
19 then in the authorization process we came back with a  
20 pitch for \$100 million, which was eventually approved.

21 Q During your briefings to Congress you were, on  
22 at least one occasion, probably more than one occasion,  
23 asked where the contras were getting their money from,  
24 right?

25 A Yes.

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1 Q And you told them you didn't know because you  
2 didn't know?

3 A Right.

4 Q Did you ever tell them you suspected money was  
5 coming from [REDACTED]

6 A I believe so, yes - [REDACTED]

7 [REDACTED]

8 Q Did you ever learn -- you mentioned that you  
9 didn't have any knowledge other than what we have just  
10 discussed of money coming from [REDACTED] Did you  
11 ever receive any information that the governments of  
12 either [REDACTED] had been approached by any  
13 U.S. Government official to obtain aid?

14 A No.

15 Q And apart from what you may have read in the  
16 papers do you have any information that they did, either  
17 of those governments did actually give money to the  
18 contras?

19 A No, I do not.

20 MR. BARBADORO: I think this may be a good  
21 time to break for lunch. Why don't we do that and  
22 reconvene after you have had something to eat?

23 (Whereupon, at 12:30 p.m., the taking of the  
24 instant deposition recessed, to reconvene at 1:15 p.m.  
25 the same day.)

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AFTERNOON SESSION

(1:15 p.m.)

Whereupon,

JOHN N. McMAHON,

the witness herein, having been previously duly sworn,  
was further examined and testified as follows:

EXAMINATION - Resumed

BY MR. BARBADORO:

Q Mr. McMahon, let's just finish up with the  
contras, and then move on to other areas. If you've been  
following our hearings at all or if you have read the  
Tower Report or any of the press reports on this matter  
you know that in early 1986 a contra resupply operation  
was commenced operating out of [REDACTED] and  
supplying the southern front forces in southern Nicaragua  
but also the FDN forces.

Are you familiar in general terms with the  
reporting that's occurred on that resupply operation?

A I can't say that I am.

Q You haven't been following it that closely?

A No. You mean the Hasenfus caper?

Q That's right. What knowledge did you have  
back in early 1986 before you left the Agency about how  
the contras were being supplied?

A I had none.

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1 Q Did you have any idea about how the southern  
2 front forces were getting their military supplies?

3 A No. I suspected air and possibly by boat.

4 Q Had you heard that there were private  
5 Americans, private patriotic Americans, private  
6 benefactors, Project Democracy -- any name you want to  
7 call it -- that there was a group of American citizens  
8 that were involved in an effort to resupply the contras?

9 A I know that Americans were, with no reference  
10 to any particular name or organization. But I know that  
11 there were a lot of people in the U.S. that were  
12 concerned about the contras and wanted to help, and there  
13 was a number of speeches made. I think Ollie North was a  
14 principal speechmaker in trying to drum up interest in  
15 the contra situation.

16 But who was doing the supplying and how it was  
17 carried out, I don't know.

18 Q You had no knowledge while you were at the  
19 Agency about any resupply operation based at [REDACTED]

20 [REDACTED]  
21 A No, other than that conducted by CIA when it  
22 was legal.

23 Q And you had no knowledge about Ollie North's  
24 direct involvement in any such resupply operation?

25 A No.

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1 Q Did you know that Richard Secord was in any  
2 way involved in supplying the contras, either in selling  
3 arms to them or in running any resupply operation?

4 A No. I didn't hear Secord's name involved  
5 until the Iran situation back in November, I guess it  
6 was.

7 Q Director Casey met with Mr. Secord, by Mr.  
8 Secord's testimony, I believe in November of '85 and  
9 February of 1986. Do you remember the Director meeting  
10 with Mr. Secord?

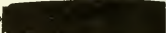
11 A No. I was unaware of that meeting.

12 Q And the Director never said anything to you  
13 about his meetings with Mr. Secord?

14 A Not that I recall.

15 Q The Director also met with General Singlaub at  
16 around that time. Did he ever tell you he was meeting  
17 with General Singlaub?

18 A No. I never heard of that until I read it.

19 Q Did you know about the construction of the air  
20 strip 

21 A No, I didn't. That was quite a surprise to  
22 me.

23 Q When did you find out that there was an air  
24 strip?

25 A In the process of this hearing.

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- 1 Q Do you know [REDACTED]
- 2 A No, I don't believe I do.
- 3 Q Wasn't he Director Casey's special assistant?
- 4 A Oh, yes, yes. Okay.
- 5 Q He was the Director's special assistant, and
- 6 I'm sorry I can't give you the starting date, but until
- 7 about the end of the year 1985, maybe into the first
- 8 couple of weeks of 1986. Does that sound right to you?
- 9 A That's about right.
- 10 Q We believe he started about September of '85
- 11 and was special assistant until about December or January
- 12 of '86.
- 13 A Right. You said '86. I don't think he was
- 14 there. I thought he left before I left.
- 15 Q Well, you left in --
- 16 A March '86.
- 17 Q What I meant was December '85-January '86 is
- 18 around the time he left; is that right?
- 19 A Yes, right.
- 20 Q [REDACTED] has told us that he left because
- 21 he wanted to go and try to raise money for the contras
- 22 from private sources. Did you have any knowledge that
- 23 that was why [REDACTED] was leaving the Agency?
- 24 A No, not raising money so much, but I felt he
- 25 left for a two-fold purpose. One, he was personally

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1 upset that the U. S. Government was not carrying out a  
2 program to support the contras, and that really bothered  
3 him. And he left to help out the contras. And I think  
4 in fact Casey even attempted to discourage him from doing  
5 that because I think Casey was pleased with what he was  
6 doing for him.

7 But [REDACTED] conviction, as far as I was  
8 concerned, was that the U.S. Government wasn't doing what  
9 they should and he was going to go out and see what he  
10 could do to help out.

11 Q Did he ever discuss with you exactly what he  
12 was going to do?

13 A No.

14 Q So you had no idea as to how he planned to  
15 help out the contras?

16 A No. In fact, the only conversation I had  
17 about his departure was a stand-up conversation in a  
18 doorway.

19 Q What did he say to you there?

20 A He just said I want to help the contras and we  
21 can't do it working here at CIA.

22 Q Did the Director ever tell you how [REDACTED]  
23 planned to help out with the contras?

24 A No.

25 Q Let's move on to a different topic, after

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1 spending three hours discussing the contras. I'd like to  
2 show you a document which has been introduced into  
3 evidence at our hearings in redacted form. It is our  
4 numbers N-7417 through N-7422 and it is a memorandum  
5 dated June 7, 1985, for Robert McFarlane from Oliver  
6 North regarding Status of Hostage Recovery Efforts.

7 If we could have that marked as McMahon 5.

8 (The document referred to was  
9 marked McMahon Exhibit Number 5  
10 for identification.)

11 I can maybe direct your attention to the parts  
12 of it that I am going to ask you about. I'm going to ask  
13 you about the part headed DEA Operation on the second  
14 page, running through page four. You might just take a  
15 look at that part of it.

16 (Pause.)

17 Mr. McMahon, the portion of Exhibit 5 that I  
18 showed you describes an operation involving DEA agents  
19 and certain DEA contacts in Lebanon which would be used  
20 to help gain the release of the hostages in Lebanon. Did  
21 you in 1985 have any knowledge of an operation that  
22 involved the use of DEA agents to gain the release of the  
23 hostages?

24 A No, I don't. In fact, that's quite a  
25 surprise.

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1 Q The operation described here talks about an  
2 effort to bribe, pay bribes to people to gain the release  
3 of the hostages. It talks about payments of \$1 million  
4 per hostage. It talks about \$200,000 being paid up front  
5 and involves the use of the DEA agents and their contacts  
6 in Lebanon. Is it your testimony that you knew  
7 absolutely nothing about this operation?

8 A That's correct. In fact, it ran contrary to  
9 the Agency's policy on trying to get the hostages  
10 released. We were constrained to provide funds only for  
11 intelligence collection, and the policy was then existent  
12 in the U.S. Government at that time that we would not  
13 provide bribes or ransom to seek release of the hostages.

14 Q In your opinion, if this operation that is  
15 described here had been conducted by the Central  
16 Intelligence Agency, would it have required a Finding?

17 A Definitely. Or else a recant by the President  
18 or Secretary of State of the policy not to provide  
19 ransom.

20 Q The operation described here is directly  
21 contrary to what the Administration's policy was?

22 A The way I read it, it is.

23 Q If you had been made aware of an operation  
24 such as the one described here, would you have been  
25 supportive of it?

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1           A     No, because I think that, as harsh as it may  
2 sound, I think the policy of not paying ransom is a valid  
3 one because the experience that U.S. business suffered in  
4 Central America showed that ransom doesn't pay, that when  
5 the local terrorist groups -- call them what you will; we  
6 call them terrorist groups now -- would run out of funds  
7 they would kidnap the nearest U.S. businessman, get a  
8 ransom and then they'd fill their coffers for a year.

9           When they needed more, they would ransom  
10 another one. So that policy doesn't work, and I think  
11 the policy we had was the proper one.

12           MR. EGGLESTON: Mr. Barbadoro just asked you  
13 if this activity had been undertaken by the CIA whether a  
14 Finding would have been required, and you answered yes,  
15 unless the policy had been recanted. I wasn't sure how  
16 those two halves fit together.

17           THE WITNESS: You are correct in correcting me  
18 on that. A change of policy does not require a Finding,  
19 but if CIA were involved in the passage of funds that  
20 would be for other than the collection of intelligence,  
21 therefore we would need a policy to use CIA funds to pay  
22 ransom. Thank you for the correction.

23           BY MR. BARBADORO: (Resuming)


24           Q     Are you aware of an effort that was made in  
25 the early months of 1985 to collect intelligence

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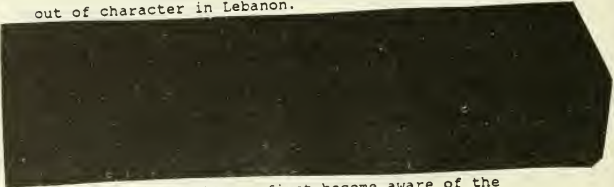
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information on 


A Yes. We went down every blind alley we could find.


Q Do you recall whether any DEA agents were involved in obtaining that information?

A No. The whole DEA angle is new to me. I just don't recall that at all and I would find that very much out of character in Lebanon.



Q When did you first become aware of the possibility that the government of Israel was selling U.S. arms to Iran?

A Selling is the wrong word, and I'm not sure that I can say that. Let me explain. 

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8           The whole thing fell dead there, but that gave  
9           me an awareness that the Israelis were up to something.  
10          And then a year or two later, as chance would have it,  
11          one of our officers told me that the Israelis must be  
12          fooling around with Iran because they contacted [REDACTED]  
13          [REDACTED] to see if they  
14          would carry some cargo to Iran.

15           Q     The Israeli government contacted [REDACTED]

16           A     Some Israelis. Whether it was the government  
17          or not, I don't know. But [REDACTED] turned it  
18          down. I said, well, that's a good thing because we  
19          wouldn't do that anyway. But that gave me still an  
20          awareness that the Israelis were up to something.

21                   Then I guess the next reference I had to  
22          Israeli involvement was in November of '85, and McFarlane  
23          and I had been -- the Director and I had been at our  
24          Thursday meeting with McFarlane, and we broke up and I  
25          walked out the door first. And Bud called the Director

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1 back and said something to the Director, and I was  
2 talking then to the secretaries out front. And when we  
3 were in the car driving back he said, did you hear what  
4 Bud said to me? And I said no. And he said that the  
5 Israelis either had or were proposing to, I thought he  
6 said, give arms to the Iranians.

7 I don't know if he used the term sell or not.  
8 I forget exactly.

9 Q That was on November 14?

10 A Yes, that would be in the right time period.

11 Q I want to get into that in a minute, but I  
12 have a few things I want to ask you about before that.  
13 When did you first hear the name Manucher Ghorbanifar?

14 A Well, I guess the best time I can refer to  
15 that is when the NSC was dealing with or attempting to  
16 set up an arrangement with the Iranians, and Poindexter  
17 was the principal person at the time, I believe, so that  
18 would have been --

19 Q This was after the November 14?

20 A That was after the November thing.

21 Q You'd never heard Ghorbanifar's name mentioned  
22 in any way prior to that?

23 A I don't recall it. Chances are I did, because  
24 he's kind of a ne'er do well and had been in and out of  
25 CIA burn lists. But I had no association with Iran

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1       dealings on anything until after that arms shipment. I  
2       think it was the first part of '86 that I came upon it.

3               Q     The reason I ask you is that from CIA  
4       documents that we have reviewed it appears that Mr.  
5       Ghorbanifar was involved in an earlier approach to obtain  
6       U.S. arms that involved the CIA in the summer of 1985,  
7       and a person named Cyrus Hashemi. Does that ring a bell  
8       with you at all?

9               A     The name Hashemi rings a bell, if it's the two  
10       brothers. There are two brothers involved, I think the  
11       Hashemi brothers.

12                       (A discussion was held off the record.)

13               MR. BARBADORO: Let's go back on the record.

14               BY MR. BARBADORO: (Resuming)

15               Q     Is it fair to say, Mr. McMahon, that you have  
16       no recollection of any approach that was made to the CIA  
17       by Mr. Ghorbanifar and Mr. Hashemi in the summer of 1985  
18       to sell or to obtain U.S. arms for Iran?

19               A     Not that I can recall.

20               Q     Earlier in your testimony you mentioned that  
21       ████████████████████████████████████████ was approached by  
22       Israelis to carry something to Iran and that ██████████  
23       ████████████████████████████████████████ turned them down. Why was that?

24               A     I don't know. It was a fait accompli when  
25       word got to me. I don't know whether it was a scheduling

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1           problem or what.

2           Q     If you had been approached about possibly  
3           having [REDACTED] used to ship things from Israel to  
4           Iran, would you have approved the use of [REDACTED]  
5           for that purpose?

6           A     No, because we had an embargo on things going  
7           to Iran.

8           Q     Our records show that [REDACTED]  
9           carried gunpowder and detonators to Iran on 12 August  
10          '85, I believe. Do you know anything about that?

11          A     No.

12          Q     Would you have approved of it?

13          A     No.

14          Q     Would that have required a Finding, in your  
15          view?

16          A     Definitely.

17          Q     Ordinarily in your job as Deputy Director of  
18          Central Intelligence would you receive [REDACTED] that  
19          was coming to the Agency?

20          A     Not all. Certain stuff. Usually [REDACTED] would  
21          flag [REDACTED] to me that they wanted me to see, so  
22          it would be addressed to John McMahon.

23          Q     Can you give me an idea of the kind of volume  
24          of [REDACTED] you would get on any given day? I mean,  
25          would there be two or three operations that you would be

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1 getting [REDACTED] for, or would it be --

2 A It would be once a month.

3 Q That you would receive something from [REDACTED]

4 A Yeah, maybe something like that.

5 Q In September of 1985 Charlie Allen was tasked

6 by Ollie North to begin collecting [REDACTED] on a

7 person named [REDACTED] and a person named [REDACTED] and

8 [REDACTED] began [REDACTED]

9 [REDACTED] showing it to Charlie Allen, and copies of

10 [REDACTED] were sent to Director Casey and to you,

11 among others. Do you recall getting that [REDACTED]

12 A Well, as I said, [REDACTED]

13 [REDACTED] would probably go to my assistant and she

14 would tell me about it. Occasionally I would read one.

15 Q Do you recall being told about that [REDACTED]

16 [REDACTED]

17 A Indeed. In fact, if I'm not mistaken, the

18 purpose of this was that the NSC was trying to develop

19 access to the hostages and they were working this, they

20 were working a number of avenues to achieve that.

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

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1                   You must remember that the context of this  
2 whole Iran operation was really the frustration which the  
3 NSC had over CIA's ability to rescue the hostages or  
4 provide good intelligence about it. And the government  
5 used every channel they could. [REDACTED]

6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10                   And I think in the frustration of not having  
11 good information on the hostages the NSC decided to try  
12 and work their own contacts.

13                   Q     Is it fair to say that in September of 1985  
14 that you were aware that the NSC had an effort to obtain  
15 information about the hostages and that that effort  
16 involved [REDACTED]

17 [REDACTED]  
18                   A     I believe -- I'm not sure of the date, but I'd  
19 have to say yes in the general context I was aware of  
20 that tasking.

21                   Q     How closely were you reading [REDACTED] when  
22 it came in?

23                   A     Not very closely.

24                   Q     Did you ever obtain briefings from Charlie  
25 Allen about what was going on?

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1 A Usually that was my source of information. He  
2 would come in periodically and tell me what was going on.

3 Q How frequently would he come in?

4 A Oh, I don't know -- once every week or so. My  
5 calendar would demonstrate that.

6 Q I'll represent to you that I have reviewed  
7 that [REDACTED] and if you need it I have summaries of  
8 it.

9 A I don't think I need [REDACTED]

10 Q [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

Do you recall either by  
or by discussions with Charlie Allen that there was an  
effort involving these people to obtain the release of  
U.S. hostages in exchange for U.S. weapons?

A Not specifically. I would say that the effort  
was to get the U.S. hostages. What means or how those  
means would be employed I wasn't that sure of.

Q Do you recall any discussion with Mr. Allen  
about the fact that they were [REDACTED]

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1 [REDACTED]  
2 A No, not the U.S. My context was through the  
3 Israelis, not the U.S. doing it.

4 Q So you thought the Israelis may be trading  
5 U.S. weapons?

6 A I thought the whole thrust was the Israelis  
7 were up front doing this in behalf of the U.S.

8 Q And what this was, you thought, was that  
9 trading U.S. weapons for these hostages?

10 A Or weapons that the Israelis had, yes. To me.  
11 it was a weapons-for-hostage deal.

12 Q And from [REDACTED]  
13 discussing with Mr. Allen in September and October of  
14 1985 you knew that this effort involved Israel trading  
15 arms in exchange for hostages?

16 A I can't say it's that crisp, but obviously  
17 there was a lot of dealings going on.

18 Q And it involved arms and it involved hostages?

19 A It involved arms and hostages. Hostages were  
20 foremost. What was involved to do that I'm not that  
21 clear on.

22 Q And did you also know that this was an NSC  
23 initiative?

24 A No. I felt that it was an Israeli initiative.

25 Q Did you know that the NSC was aware of and

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1 monitoring the Israeli initiative?

2 A Yes.

3 Q You must have, because North was the one that  
4 had asked Allen to [REDACTED]

5 A Right.

6 Q Did you discuss this initiative with Director  
7 Casey in September and October of 1985?

8 A Not that specific initiative. I think I  
9 discussed the whole issue of the hostage situation and I  
10 was uneasy with the arms-for-hostage connotation of it. .  
11 But if the Israelis were prepared to do that, and if the  
12 President was prepared to let the Israelis do it, then  
13 that was fine by me, as long as we weren't involved.

14 Q Did you know in September or October that the  
15 President was prepared to let the Israelis trade arms for  
16 hostages?

17 A No.

18 Q Did you assume that because you knew the NSC  
19 was aware of the fact that it was going on?

20 A Yes.

21 Q Benjamin Weir was released on September 15,  
22 1985. Did you have any idea at that time what had  
23 prompted his release?

24 A No. In fact, I felt that maybe one of the  
25 arrangements had come to fruition, but I wasn't sure. No

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1 one had ever said that this was a successful release and  
2 if you looked at Benjamin Weir's statements after he came  
3 out, I would say they were more beneficial to the  
4 Iranians than they were to the U.S. or the Israelis  
5 because he was very critical of the U.S. and Israeli  
6 relationship. So if Benjamin Weir was sought for, he was  
7 the wrong guy to get out.

8 But I was not specifically aware of a cause  
9 and effect.

10 Q Did Mr. Allen in his briefings ever attribute,  
11 Mr. Weir's release to this effort involving Israeli  
12 shipments of arms to Iran?

13 A Not that I recall.

14 Q Could we mark as McMahon 6 a copy of the  
15 proposed testimony of the DCI before the House  
16 Appropriations Committee dated 8 December 1986, Committee  
17 numbers C-5832 through 5849, and CIA number CIIN 2226A?

18 (The document referred to was  
19 marked McMahon Exhibit Number 6  
20 for identification.)

21 Mr. McMahon, I just want to show you one  
22 paragraph here that maybe you can clarify for me and  
23 maybe it's just as easy to read it. This is the  
24 Director's proposed testimony, which he never gave  
25 because of the problem with the brain tumor. He wasn't

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1 able to appear.

2 On the second page in the last paragraph on  
3 the page, it says: In the early fall of 1985 Bud  
4 McFarlane, after one of the weekly meetings which he and  
5 his deputy had with me and my deputy, asked me to stay  
6 behind. He told me about discussions he had had at the  
7 highest levels in Israel urging the desirability of  
8 discussions with officials in Iran and offering channels  
9 of access. He told me that for obvious reasons only a  
10 handful of people in the Israeli and American governments  
11 were told about this effort. I distinctly recall  
12 McFarlane emphasizing that the purpose of such  
13 discussions would be the future relationship with Iran  
14 and Iran's great importance in the east-west-Middle-East-  
15 Persian Gulf equation.

16 Were you present at any meeting in the early  
17 fall of 1985 with Bud McFarlane when this issue was  
18 discussed?

19 A The Director was possibly making reference to  
20 that meeting that we had on November 14 when he stayed  
21 afterwards with Bud and then the Director mentioned in  
22 the car what was going on.

23 Q It says the early fall, but the only meeting  
24 you can recall is November 14, '85; correct?

25 A Yes.

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1 Q Let me mark as McMahon 7 a series of documents  
2 concerning a 19 September 85 meeting with Robert  
3 McFarlane, Committee numbers C-2309 through 2329, CIIN  
4 number 1294.

5 (The document referred to was  
6 marked McMahon Exhibit Number 7  
7 for identification.)

8 I only want to ask you about the first page of  
9 the memorandum for the record dated September 23, 1985,  
10 if you would take a look at that.

11 (Pause.)

12 What I've just shown you is a memorandum you  
13 prepared; correct?

14 A Yes.

15 Q And it's of a meeting that occurred on 19  
16 September 1985 with you, the Director, and Mr. McFarlane;  
17 is that right?

18 A Yes.

19 Q In paragraph three of that memorandum you  
20 describe a reference that Mr. McFarlane made in which he  
21 said that he had heard reports that Benjamin Weir had  
22 been released because the U.S. had agreed at least  
23 indirectly to provide weapons to Iran or at least to wink  
24 at arms transferred from Israel or other countries to  
25 Iran.

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1 He said he hated to do it, but he called David  
2 Kimche, Director General of the Israeli Ministry of  
3 Foreign Affairs on the open line to assure him that that  
4 was not the case and that no deal had been struck for the  
5 release of Weir.

6 Do you recall Mr. McFarlane telling you that?

7 A Yes, I do.

8 Q Tell me what else he said about that.

9 A I think that's about it.

10 Q Is it fair to say that you knew at this point,  
11 [REDACTED]

12 that Israel apparently was involved in an initiative to  
13 help gain the release of the hostages by trading arms?

14 A I can't put a handle on the timing. I was  
15 under the impression or the suspicion, [REDACTED]

16 [REDACTED]  
17 the desire of the Israelis to get  
18 an airplane to send an airplane of supplies to Iran, that  
19 they were dealing in arms with Iran.

20 And I just felt that that was part of the deal  
21 that the Israelis had with the Iranians. And there was,  
22 you know, a lot of speculation on that. I know there was  
23 a lot of effort on the part of the NSC to get the  
24 hostages out.

25 Q Mr. McFarlane said he called David Kimche on

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1 an open line to assure him that there had been no deal  
2 struck for the release of the Weir. In your experience,  
3 if Mr. McFarlane had wanted to engage in a conversation  
4 about a proposed deal to gain the release of Weir with  
5 Mr. Kimche, would he have called him on an open line?

6 A Not with something of that nature, but it was  
7 obviously he was sensitive to that, because he made  
8 mention that he was afraid to do it, but he called him on  
9 an open line.

10 Q, Well, didn't Mr. McFarlane, to your knowledge,  
11 have the capacity to call an official of the government  
12 of Israel on the secure line?

13 A I don't know.

14 Q Well, let me ask it this way. Couldn't you  
15 draw from that conversation the inference that  
16 Mr. McFarlane wanted his conversation to be overheard  
17 and that's why he said he had called on an open line?

18 A That's a possible conclusion, but I couldn't  
19 arrive at that.

20 Q Did you draw that conclusion at the time you  
21 made this statement?

22 A I just took it for granted.

23 Q What did you make of the fact that he was  
24 telling you this and why did you think he was telling  
25 you?

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1 A He might not have been telling me.

2 Q I'm sorry. Why don't you explain that.

3 A I think he just made that comment. Now it's  
4 conceivable he wanted the record to reflect that this was  
5 not an arms for hostage arrangement with the Israelis. I  
6 don't know what his motivation was. I can't speak to it.

7 Q Did he just volunteer this? It wasn't in the  
8 course of any conversation about the hostages or anything  
9 else? It was just something he volunteered?

10 A Normally if it was in the context of something  
11 else you would see it in the memo. I just can't recall  
12 what prompted him to say that.

13 Q Did he say anything about the NSC initiative,  
14 which in fact involved Israel and the shipment of arms,  
15 we now know in retrospect?

16 A No. If he did, I would have reported it.

17 MR. BARBADORO: Off the record for a second.

18 (A discussion was held off the record.)

19 MR. BARBADORO: Let's go back on the record.

20 BY MR. BARBADORO: (Resuming)

21 Q Mr. McMahon, do you recall any discussion in  
22 this 19 September 85 meeting about the hostages other  
23 than what is set forth in paragraph three of this  
24 memorandum?

25 A No, I do not. It's like a dangling

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1 participate, but I just can't recall any more.

2 MR. LEON: We could ask for the record do you  
3 think Bud McFarlane knew that you would make a memorandum  
4 of that for the record?

5 THE WITNESS: No. I don't think so.

6 BY MR. BARBADORO: (Resuming)

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Q What did they tell you in the briefing?

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1           A     That I don't recall specifically, [REDACTED]  
2           [REDACTED] that they are involved in  
3     negotiations.

4           Q     Did they tell you about the negotiations?

5           A     No.

6           Q     Did you connect these negotiations in your  
7     mind with the Israeli initiative to trade arms for  
8     hostages?

9           A     With the NSC initiative, yes.

10          Q     And at that point, in October, what did you  
11     understand that initiative to be?

12          A     I wasn't sure of the specifics other than to  
13     get the hostages out.

14          Q     And were you also reasonably certain that it  
15     involved the transfer of arms from Israel to Iran?

16          A     In my mind it did.

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14 Q You've already mentioned a meeting that you  
15 had with Mr. McFarlane and Director Casey on November 14,  
16 '84. As of that date what did you know about this?

17 A Eighty-four?

18 Q Eighty-five. I'm sorry. As of that date what  
19 did you know about this initiative?

20 A I felt that the NSC was doing everything  
21 conceivable to get the hostages out, that they were not  
22 pleased with CIA efforts to get it through intelligence  
23 channels, so that they were working it through diplomatic  
24 and whatever contacts they could conjure up to cause that  
25 to happen.

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1 Q Well, you've already stated that you also knew  
2 that there was a specific effort involving Israel, didn't  
3 you?

4 A Israel for sure. I felt that the whole effort  
5 initiated with Israel as far as the Iran situation was  
6 concerned.

7 Q You also knew or believed that it involved  
8 shipments of weapons to Iran?

9 A I had a strong suspicion that that was the  
10 case.

11 Q What did Mr. McFarlane say to you at this  
12 meeting on November 14 that added to your understanding  
13 of this initiative?

14 A He said nothing. He said it to the Director  
15 after I had left.

16 Q I'm sorry. Why don't you tell me exactly what  
17 happened at the end of that meeting?

18 A We got up to leave. I went out of the room.  
19 McFarlane continued to talk to Casey. I didn't hear the  
20 conversation. When I got in the car with Casey, when we  
21 were driving back to the Agency, Casey said, did you hear  
22 what McFarlane said? And I said no. And he said that  
23 the Israelis either had or proposed to ship arms to  
24 Israel -- arms to Iran -- and that was the extent of it.

25 Q Did you then tell the Director what you knew

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1 about this initiative?

2 A He knew as much as I did.

3 Q How do you know that?

4 A Well, he was at the same meetings, had access  
5 to the same cables I did.

6 Q And you don't recall any additional discussion  
7 with the Director?

8 A No. You've got to bear in mind that this  
9 initiative or action, I should say, operation, was an NSC  
10 operation and, you know, our feedback was whatever they  
11 told us or whatever we saw [REDACTED]

12 [REDACTED] In fact, [REDACTED] were limited in  
13 distribution, and the NSC -- and I don't know which one,  
14 whether it was McFarlane, Poindexter or North -- directed  
15 [REDACTED] to limit the dissemination of those

16 [REDACTED]  
17 And, if I'm not mistaken, State was excluded  
18 and McFarlane assured [REDACTED] he would brief the  
19 Secretary of State directly.

20 Q Did that concern you, that the State  
21 Department was excluded?

22 A (Nods in the affirmative.) Any time a player  
23 in government is excluded you usually get in trouble.  
24 There is a check and balance in our bureaucratic system  
25 and when you avoid it things screw up.

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1 Q Did you express your concerns to anybody?

2 A I did with Casey, and also with [REDACTED]  
3 was very concerned about it, but nothing, you know, went  
4 beyond that.

5 Q You've described this both as an Israeli  
6 initiative and an NSC initiative. Which do you think it  
7 was and how do you put those two together?

8 A I think the arms for hostages with Iran was an  
9 Israeli initiative. When I speak of initiatives I think  
10 of the NSC beginning to play an active role in trying to  
11 release the hostages through foreign mechanisms, which  
12 NSC would normally do through either State or CIA, and it  
13 was the NSC itself doing it.

14 Q As far as you knew at the time, when did the  
15 NSC start this initiative?

16 A Oh, I can't recall, but I would say it has to  
17 be, you know, shortly after the hostages were taken and  
18 we couldn't do much about it.

19 Q I mean this particular initiative. I don't  
20 mean when did they start trying to find out where the  
21 hostages were and exploring alternatives to gain their  
22 release. I'm saying when did the NSC first start this  
23 initiative involving the shipment of arms from Israel to  
24 Iran to gain the release of the hostages.

25 A Well, if I look at the events of November '85,

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1 I'd say it would have to be November 23, 1985, or 22nd, I  
2 guess it was, when the shipment went.

3 Q So up until that point you saw the NSC's role  
4 as merely monitoring an ongoing Israeli effort?

5 A Yes. And the tie was, you know, Israelis to  
6 the NSC and NSC people with these contacts. There was no  
7 station or ambassador involvement that I was aware of.

8 MR. LEON: Were you familiar, Mr. McMahon,  
9 with the proposal that Bud McFarlane in the summer of '85  
10 had circulated to the Directors of Central Intelligence,  
11 Defense and State about an Iran initiative, opening up an  
12 initiative with Iran? Does that ring any bells to you?

13 THE WITNESS: No, it doesn't.

14 MR. LEON: Do you remember hearing anything  
15 from the Director about how he was in favor of  
16 McFarlane's proposal of opening up new doors with Iran  
17 and yet Weinberger and Shultz were not in favor of it?

18 THE WITNESS: That probably centers around a  
19 paper that was prepared by our National Intelligence  
20 Officer, Graham Fuller, that expressed his growing  
21 concern that the Iran situation with the U.S. had  
22 deteriorated to nothing and that as events transpired in  
23 Iran the Soviets are in a much stronger position there  
24 than we are, and therefore initiatives ought to be taken  
25 to try and bring Iran back into the western orbit.

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1 He felt that while the U.S. had no cards to  
2 play that maybe we could encourage the western Europeans  
3 to play a greater role with Iran in order to keep them  
4 away from the Soviets.

5 BY MR. BARBADORO: (Resuming)

6 Q I want to turn to that weekend in November now  
7 and I'll try to get through a couple of things relatively  
8 quickly. Your memorandum of December 7, 1985, summarizes  
9 your knowledge of what was going on that weekend, and it  
10 says that you first learned of it on Saturday, November  
11 23, when Ed Juchniewicz asked you if you were aware of  
12 the efforts transpiring to get the hostages out, and your  
13 answer was that you weren't aware of the specifics.

14 Is that the way you recall learning of what  
15 was going on that weekend?

16 A Now what he said wasn't the hostages. The way  
17 he phrased it, he said do you know what these guys are up  
18 to. And he handed me a cable which was addressed to the  
19 charge [REDACTED] and I think it was from the Deputy  
20 National Security Advisor. At any rate, it was the  
21 National Security Advisor or Deputy National Security  
22 Advisor, and it was kind of a cable that was bemoaning  
23 the fact that [REDACTED] would not help out on this  
24 humanitarian mission. And that was about the extent of  
25 it.

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1                   And I read it. It was one of those cables  
2 that had no distribution other than the division and the  
3 DDO. I gave it back to Ed, and I said, look, it's okay  
4 to send cables. We do that all the time for Secretary of  
5 State or Defense or what have you, use our channels  
6 because they are more secure. But I said make sure we  
7 don't get involved, and that was Saturday morning.

8                   And then Monday morning I came in and he said  
9 hey, do you know what those guys did? And I said what  
10 guys, and he said Secord. Now that's the name I heard.  
11 And I said what was that. And he said they used our  
12 proprietary to send over some oil supplies, and I said  
13 goddam it, I told you not to get involved.

14                   And he said, we're not involved. They came to  
15 us and we said no. And they asked if we knew the name of  
16 a secure airline and we gave them the name of our  
17 proprietary. I said, for Christ's sake, we can't do that  
18 without a Finding. So then I went back to my office and  
19 I punched a button and I said you get those guys together  
20 with Sporkin.

21                   And then I think that was the 7:30 time frame  
22 -- 7:15, 7:30 time frame. Then I went back down about  
23 9:00 and I went in. Clair George's door was closed, and  
24 I went into his office and he had a bunch of people in  
25 there, and Clair said I'm just finding out what's going

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1 on, because he was away for the weekend.

2 And [REDACTED] was there, who was running the  
3 [REDACTED] and I said to him make  
4 sure you guys get over to Sporkin and we get a Finding.  
5 And then during the day I called Sporkin several times  
6 and I told him that I wanted a Finding and I wanted it  
7 retroactive to cover that flight.

8 And he came over, I think it was that night --  
9 it may have been the next morning, but I think it was  
10 that night -- which would have been Monday, and this was  
11 after the [REDACTED] had briefed him, and he said well,  
12 we need a Finding, but I'm not so sure that we need a  
13 Finding for use of the proprietary. I said, what do you  
14 need the Finding for, and he said, well, they used our  
15 people overseas to contact government officials and they  
16 exerted influence on government officials.

17 I said okay, write the Finding. And I said be  
18 sure and make it retroactive, and he said I think I'll  
19 talk to the White House counsel and to Justice, and I  
20 said great. And he left and then, you know, the next day  
21 or so -- I can't tell you when -- I was standing at my  
22 table with several people around me and he came in and  
23 said here's this Finding.

24 It was a two-paragraph, very short Finding,  
25 and in that Finding it said, you know, we are directing

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1 you to provide everything you can think of, and I think  
2 it said, including munitions or something like that, and  
3 then the last paragraph was a kind of a quit claim that  
4 said, and this goes for any previous act any government  
5 official may have undertaken.

6 And I said perfect. I said get it to Casey  
7 and I said, get it down there.

8 Q Let me stop you there and ask you some  
9 questions about November 25. You were told on the 25th  
10 that Secord was involved?

11 A Yes.

12 Q Who told you that?

13 A Ed Juchniewicz.

14 Q And that was the first indication you had that  
15 Secord was in some way involved in this operation; right?

16 A Right.

17 Q What did he tell you Secord's role in the  
18 thing was?

19 A He didn't, and in fact it now seems rather  
20 incomplete, but I didn't even go into what was in the  
21 shipment. I accepted the fact it was oil equipment  
22 because, you know, the Iraqis had been pounding the hell  
23 out of Kharg Island.

24 Q Who told you it was oil-drilling equipment?

25 A Ed Juchniewicz.

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1 Q When?

2 A On that --

3 Q On the Monday?

4 A On the Monday.

5 Q Did you connect this shipment in your mind  
6 with the ongoing Israeli initiative that you had read  
7 about [REDACTED]

8 A Yeah, but I didn't connect it in an arms  
9 sense, just that the Israelis were doing things with the  
10 Iranians, because it was my understanding that that  
11 shipment was going to Israel, not to Iran.

12 Q Did you think that it was ultimately bound for  
13 Iran?

14 A Yeah. I figured they'd transship it on their  
15 own planes into Iran.

16 Q But, in any event, on the 25th you didn't  
17 question Juchiewicz' assertion that it was oil-drilling  
18 equipment?

19 A My focus, and you might say it's strange, my  
20 focus was that we had done something wrong, that we  
21 weren't authorized to do, and I didn't care what was on  
22 that airplane. We had used our airplane to do something  
23 that we didn't have a Finding to do. And that's why I  
24 insisted on a Finding.

25 Q In your view it was the fact that the airplane

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1 was used to carry cargo bound for Iran that would have  
2 required a Finding regardless of the nature of the cargo?

3 A No. That was used our airplane to go anyplace  
4 at the request of someone else.

5 Q Well, the proprietary flew flights, though,  
6 for private individuals all the time, didn't it?

7 A But not arranged by CIA headquarters. They do  
8 them directly. They are out scarfing up their own  
9 business, but when we direct them to do something, when  
10 CIA headquarters gets involved, then we have to have an  
11 authorization to do that.

12 Q So as far as you were concerned any use of a  
13 CIA proprietary airline at the direction of the CIA would  
14 have to be done pursuant to a Finding?

15 A Definitely, unless it's out on an intel  
16 collection mission, put cameras in it or something like  
17 that.

18 Q When you learned that the proprietary had been  
19 used, your reaction was to immediately contact  
20 Mr. Sporkin and tell him that you needed a Finding  
21 prepared?

22 A Right.

23 Q You also told him in that first conversation  
24 that it needed to apply retroactively?

25 A Right.

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1 Q Did you summarize what you knew about what had  
2 gone on that weekend for him?

3 A Nope. I just said I think our guys screwed up  
4 and you ought to take a look at it.

5 Q Did you think that the CIA was going to have  
6 to be involved on a continuing basis in this initiative,  
7 or did you think this was just a one-time occasion where  
8 over the weekend of the 23rd of November, one time, a  
9 proprietary plane was used?

10 A, I didn't focus on that. All I knew is that we  
11 needed a Finding to cover that event. If the NSC in its  
12 dealings needed continued support, then we'd need a  
13 Finding to provide that.

14 Q And the only thing that you told Mr. Sporkin  
15 was that it had to apply retroactively? You didn't give  
16 him any other idea as to what he should put in that  
17 Finding?

18 A No.

19 MR. LEON: Paul, could I ask one question?

20 In your capacity as the Deputy DCI would you  
21 deal with Sporkin one-on-one on a regular basis or just  
22 once in a while?

23 THE WITNESS: No. I think we had, you know, a  
24 frequent dialogue.

25 MR. LEON: Would he also have that kind of a

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1 relationship with the Director himself?

2 THE WITNESS: Oh, by all means, yes.

3 MR. LEON: They had been working together for  
4 years?

5 THE WITNESS: Yes. Sporkin was in the Agency  
6 because of the Director.

7 BY MR. BARBADORO: (Resuming)

8 Q In this meeting with Juchniewicz on the 25th  
9 what were you told about the NSC's involvement in the  
10 initiative?

11 A He didn't mention NSC. He referred to "those  
12 guys", which I assumed to be the NSC.

13 Q Did he mention Colonel North?

14 A No. But when I came back here, I guess in  
15 January or February -- I don't know when it was; I guess  
16 it was for the hearing with the Senate Select Committee--  
17 somebody told me that Juchniewicz said it wasn't Secord  
18 he mentioned; it was North. And I said to Ed, I said,  
19 don't you remember, you know, pounding your chest, and he  
20 said no, I didn't use the name Secord. I used North.

21 But, you know, I hadn't had any reason to say  
22 Secord unless he told me that. But, you know, it could  
23 be. I mean, could he have seen it from a cable from  
24 [REDACTED] where Secord was stranded and tied it in that way?  
25 I don't know.

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1                   At any rate, after that Monday deal I told  
2 Clair George to get together all the traffic and make  
3 sure that everything that had transpired on this, that we  
4 were in tip-top shape, and said stay on top of this.

5                   Q     Did you talk to Dewey Clarridge on the 25th at  
6 all?

7                   A     Late at night, late in the evening, let's say  
8 6:00-7:00, something like that, Dewey came in with a  
9 cable to go out, and he said the Ambassador's been  
10 calling and, trying to get ahold of Casey and he wanted to  
11 know if, you know, he should pursue with [REDACTED]  
12 to get their approval, and this cable said, you know, the  
13 Director is not here, but this was a National Security  
14 Council mission or operation and that he is not to pursue  
15 it further, and we signed it and sent it out.

16                  Q     Were you reading the cable traffic that was  
17 coming in and out that day on this issue?

18                  A     No.

19                  Q     On November 25 at [REDACTED] time a cable was  
20 sent to headquarters from [REDACTED] describing the operation  
21 and in the cable [REDACTED] notes that  
22 the pilot told the ground controllers [REDACTED] that he  
23 was carrying military equipment. Do you ever remember  
24 reading that cable?

25                  A     No.

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1 Q Did anybody tell you that there was an issue  
2 where the pilot had told the ground control at [REDACTED]  
3 that the plane was carrying military equipment?

4 A No. I'm not so sure that would surprise me,  
5 you know. What the plane was carrying was not my focus.

6 Q It didn't matter to you one way or the other?

7 A It didn't matter to me one way or the other.

8 Q When did you first come to doubt that there  
9 was oil-drilling equipment on the plane?

10 A I don't know. I've been asked that question  
11 before and I just can't put a time on it. If I was  
12 smart, I would have reacted where I saw the draft Finding  
13 that Sporkin had prepared because in there he had used  
14 the term "weapons" or "munitions" or something like that,  
15 but that just didn't focus on me at the time.

16 Q From the cable traffic it's apparent that  
17 planning for this operation continued well into December.  
18 Were you aware that planning was ongoing to continue this  
19 operation, to do additional flights into December?

20 A No. I just told our guys that they weren't  
21 going to do anything more until we got a Finding.

22 MR. EGGLESTON: There were two things that  
23 were in your memorandum of December 7 about November 25  
24 that I wanted to ask you about. There's a line -- and  
25 I'll be glad to show it to you -- there's a line that

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1 reports on apparently your conversation with Juchniewicz  
2 of that day which says: "When General Secord visited the  
3 Agency he tried to get leads on airlines that might be  
4 available to move equipment to the Near East in a secure  
5 fashion."

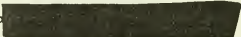
6 Do you recall Juchniewicz -- I mean, this is  
7 your memorandum I'm reading from.

8 THE WITNESS: No, I don't recall that, and I  
9 don't recall Secord coming to the Agency.

10 MR. EGGLESTON: That's why I was curious. Do  
11 you recall today that Juchniewicz had told you that he  
12 had actually come to the Agency to look for --

13 THE WITNESS: No.

14 MR. EGGLESTON: The other thing I wanted to  
15 ask you about was did you have any conversation with  
16 Dewey Clarridge about what might have been on the  
17 aircraft or was he telling you about the efforts?

18 THE WITNESS: No. The only contact I had with  
19 Dewey on this was when he came in that Monday night with  
20 the cable going out to 

21 MR. EGGLESTON: And it's clear to you that you  
22 didn't have any knowledge about the use or proposed use  
23 of the proprietary until November 25?

24 THE WITNESS: You bet your life. I did not  
25 know until after the fact.

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1 MR. EGGLESTON: One last one and then I'll let  
2 you take it on further. There's another line which says:  
3 "After repeated calls to NSC personnel on 27 November  
4 during the week of 2 December continuously receiving  
5 reassurances" -- well, forget it. It was the one before  
6 that, actually.

7 "The Finding was cleared with the Director,  
8 who called McFarlane and Don Regan to ascertain that  
9 indeed this had Presidential approval and to get  
10 assurances that a Finding would be so signed." I take it  
11 this memo is reporting on conversations that you had with  
12 the Director about it?

13 THE WITNESS: Right, and I also recall going  
14 in to the Director's office and he was on a phone to some  
15 unknown person. He was just saying we need a Finding.

16 MR. EGGLESTON: And he told you he had spoken  
17 to McFarlane and to Don Regan?

18 THE WITNESS: I believe that's where I got the  
19 information, yes.

20 BY MR. BARBADORO: (Resuming)

21 Q So into the end of November and early December  
22 did you have any knowledge that planning for this  
23 operation was continuing within the CIA?

24 A No. They were under instruction that we would  
25 do nothing until we had a Finding.

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1 Q When did you first read the Finding that  
2 Mr. Sporkin prepared in November?

3 A I think it was a day or two later. It was  
4 probably the next day. It must have been like Tuesday or  
5 something like that.

6 Q Who showed it to you?

7 A I believe it was Sporkin. As I said, I was  
8 standing at this table and I handed it back and said  
9 great. Yeah, it was Sporkin. I said go get the Director  
10 to shoot it, down.

11 Q And you were shown the Finding before it was  
12 sent off to the White House for signature?

13 A I was shown that draft Finding, and then I  
14 think that the Director took it down to Poindexter and  
15 McFarlane.

16 Q Let's mark the Finding, along with a cover  
17 memorandum, as Exhibit 9.

18 (The document referred to was  
19 marked McMahon Exhibit Number 9  
20 for identification.)

21 (Pause.)

22 A Yeah. I see "certain foreign material and  
23 munitions may be provided."

24 Q And you are quoting from the Finding now,  
25 correct?

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1           A     Yes. And that should have triggered me that,  
2     you know, munitions were very much a part of it, but it  
3     didn't.

4           Q     Is that the Finding you were shown?

5           A     The Finding was not structured as such. It  
6     merely had two paragraphs in it. It was written across.  
7     So I didn't see this formal Finding before it went; I  
8     just saw this draft part of it, and I looked at it, you  
9     know, and said fine.

10          Q     Is the content of this draft I have in front  
11     of you substantially similar to the draft that you were  
12     shown by Mr. Sporkin?

13          A     Yes, as I recall it.

14          Q     And to your knowledge this was sent to the  
15     White House when?

16          A     I think the very next day.

17          Q     The first page here is a cover memorandum  
18     dated November 26, 1985. Is that approximately when it  
19     was sent over?

20          A     Well, you can't tell from this, because the  
21     date is typed in as opposed to stamped in, but I would  
22     say normally you could assume that.

23          Q     Do you know how it got over to the White  
24     House?

25          A     No, I don't. I was under the impression the

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1 Director took it down, but I don't know.

2 Q What efforts did you make to determine whether  
3 this Finding was signed?

4 A Well, I called down. I know the Director  
5 called down. And during that time period Clair George  
6 had some meetings with Poindexter, and I said be sure to  
7 check and see if that Finding has been signed. And then  
8 I knew that Charlie Allen was in contact with North all  
9 the time, and I would ask him to check to see if the  
10 Finding was signed, and he would come back and report,  
11 you know, what was going on with Ghorbanifar or what have  
12 you.

13 I would say is the Finding signed. And at one  
14 point he said Ollie said the only copy of the Finding is  
15 signed and is in his safe. And I found out --

16 MR. LEON: Who told you that?

17 THE WITNESS: Charlie Allen. And I found out  
18 when I came back last, whatever year this was -- when I  
19 came back for the hearing with the Senate Select  
20 Committee I went in to the Agency to look at the Findings  
21 and Bernie Makowka was there and he said that he was down  
22 in the White House or the EOB building, whatever, when  
23 Ollie North said that, because he said, I heard that and  
24 that date was December 24, which surprises me.

25 But, at any rate, I can remember that I was

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1 not going to let anything happen in the CIA as far as  
2 movement of anything until that Finding was signed, and  
3 that's why I was constantly interested in whether it was  
4 signed or not. So Ollie made that statement on December  
5 24, according to Bernie Makowka.

6 BY MR. BARBADORO: (Resuming)

7 Q Isn't it contrary to normal practice for the  
8 CIA not to get a copy of a signed Finding?

9 A Well, this is the only occasion that I know.

10 Q Did that concern you, that you didn't get a  
11 signed copy?

12 A No, because if we now had that NSC running  
13 this "operation" and since the lives of the hostages were  
14 at stake I could rationalize very easily not passing that  
15 around. And in fact I think Casey in his covering memo  
16 says, you know, don't float this all below. Just go get  
17 it done.

18 And it is unusual. In fact, it's the only  
19 time that I can remember that we didn't get a copy of a  
20 Finding.

21 Q This Finding is a straight hostage rescue  
22 Finding. That's the only purpose for which the actions  
23 by the Agency are authorized; correct?

24 A That's correct, as I read it.

25 Q Were you aware of any other purpose for this

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1 NSC initiative on November 25-26 of 1985?

2 A No.

3 Q You weren't aware that it had as another goal  
4 the opening up of relations with Iran?

5 A No.

6 Q The Finding states that the activities  
7 authorized are the provision of assistance by the Central  
8 Intelligence Agency to private parties in their attempt  
9 to obtain the release of Americans held hostage in the  
10 Middle East. Who did you understand the private parties  
11 to be?

12 A Probably the Israelis and their contacts.

13 Q So you meant government of Israel and their  
14 contacts?

15 A Their go-betweens with the Iranians.

16 Q What did you understand Secord's role to be?

17 A I didn't know.

18 MR. LEON: Could I ask him something about  
19 that? Let me ask you this, Mr. McMahon. On the Finding,  
20 proposed Finding, which -- well, do you know if it was  
21 ever signed?

22 THE WITNESS: I know now it was not signed.

23 MR. LEON: As to this Finding here on the  
24 Finding itself, which is C-2864, there is some language I  
25 would direct your attention to that states: "Until such

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1 time as I may direct otherwise."

2 THE WITNESS: Yes.

3 MR. LEON: Now as I understand this language  
4 this provides in essence that the substance of this  
5 Finding will not be reported to Congress until such time  
6 as the President may direct.

7 THE WITNESS: That's correct.

8 MR. LEON: So, in other words, the initiative  
9 has to come at a later time from the President?

10 THE WITNESS: Yes.

11 MR. LEON: It's not the normal process that  
12 usually is embodied in Findings, is it?

13 THE WITNESS: That's correct.

14 MR. LEON: Did that catch your eye when that  
15 came to you?

16 THE WITNESS: Not, not specifically. But what  
17 I was content in doing was I didn't know how long this  
18 would transpire. Normally we would brief Congress and  
19 alert Congress as soon as we got the Finding. We'd call  
20 Congress and, I think, kind of the ground rules we had  
21 with Congress we'd do it within 48 hours.

22 But here if you had a number of hostages there  
23 is obviously an arrangement where the Iranians wouldn't  
24 let everything go in one fell swoop. So if you were  
25 going to do something to get one hostage out the security

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1 of the last hostage is as important as the first one. So  
2 it may take a time frame, and I just assumed that it was  
3 going to be done over a time period.

4 MR. LEON: So if I understand you correctly as  
5 to that clause you saw that as a clause to protect the  
6 ongoing hostage release project?

7 THE WITNESS: Yes. But you've got to remember  
8 I didn't see this clause in the Finding as I saw it. I  
9 only saw this part here (indicating).

10 MR. LEON: For the record, when you say "this,  
11 part here" you are talking about the description portion  
12 of this document?

13 THE WITNESS: Right, but this is kind of  
14 normal boilerplate except for that last statement.

15 MR. LEON: All right. Let me focus on that.  
16 Before that last phrase, which is unusual, by your own  
17 testimony --

18 THE WITNESS: Yes.

19 MR. LEON: -- was included here, were you told  
20 that it was going to be included?

21 THE WITNESS: Yes.

22 MR. LEON: Who told you?

23 THE WITNESS: I was told in this sense. The  
24 mystery person who advised me that the Finding was signed  
25 on December 5 said also that the President does not want

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1 you to advise Congress at this time.

2 MR. LEON: Who told you?

3 THE WITNESS: I don't know, and it is a  
4 crucial thing to this whole program and why I didn't know  
5 who told us that, I don't know. I don't know whether  
6 Casey told me that it had been signed. I don't know if  
7 Poindexter told me. And on the 5th of December at 7:30  
8 in the morning Poindexter called me, but whether or not  
9 he was the one that told me, I can't say, and it would be  
10 unfair to say that he was.

11 I do recall --

12 MR. LEON: Could I stop you there a second?  
13 Who would you say would be in the universe of possible  
14 people to have told you? Casey obviously is one.

15 THE WITNESS: Casey, McFarlane or Poindexter,  
16 or Sporkin.

17 MR. LEON: Okay. And you were aware that  
18 McFarlane was out of town at that point? He was out on  
19 the West Coast?

20 THE WITNESS: I didn't know that.

21 MR. LEON: But on the 5th of December someone  
22 relayed to you the fact that this was in it?

23 THE WITNESS: Right, or not to tell Congress  
24 at this time. Now an interesting thing. On the 5th of  
25 December I had a meeting in my office with some analysts

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1 and with [REDACTED] who was the Deputy Director of  
2 Europe at the time, Deputy to Dewey. And in my  
3 assistant's notes she had cryptically said [REDACTED] said the  
4 Finding is signed", or something like that. It was to  
5 that end.

6 And I called [REDACTED] when I was trying to remember  
7 who told me about it on the 5th. I said, you know, in  
8 the meeting there is this note that you said the Finding  
9 was signed. Who told you that? And he said, I never  
10 said that, I wouldn't know that.

11 And so I'm at a dead end. You would think  
12 that something that critical and crucial, that I would  
13 have known who the hell told us that, but it, you know,  
14 just went right over my head.

15 MR. LEON: The reason I ask is that I asked  
16 Bud McFarlane when he testified if he had ever seen that  
17 kind of clause before in one of these Findings, and he  
18 had said only one other occasion in his whole career.

19 THE WITNESS: And I wouldn't know what that  
20 was.

21 MR. LEON: Had you ever seen it before on any  
22 other occasion?

23 THE WITNESS: Not that I can recall. It might  
24 have been, if it were on the Iranian hostage rescue, it  
25 would have been before McFarlane's career.

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1 BY MR. BARBADORO: (Resuming)

2 Q You made a reference to a meeting on December  
3 5 with [REDACTED] Other people were present at that  
4 meeting as well, correct?

5 A Yes, a number of them.

6 Q Bob Gates was there?

7 A I believe so, and several analysts.

8 Q [REDACTED]

9 A Yes.

10 Q Ed Juchniewicz and [REDACTED]

11 A That sounds about right.

12 Q What was the purpose of that meeting?

13 A Probably to discuss where we were in the Iran  
14 situation, the Iran hostage situation. I can't recall  
15 the specifics of it.

16 Q There was to be a meeting with the President  
17 on December 7. Was this meeting on December 5 to help  
18 prepare for that meeting on the 7th?

19 A That would make sense, yes.

20 Q Let me mark as Exhibit 10 [REDACTED]  
21 reconstruction of that meeting from her notes, which  
22 bears the Committee numbers I-395 through I-398, and is  
23 CIIN number 11.

24 (The document referred to was  
25 marked McMahon Exhibit Number

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1 10 for identification.)

2 A Doesn't she make reference in there to [REDACTED]  
 3 Q Why don't you read that entire memorandum for  
 4 me?

5 (Pause.)

6 A This here suggests that the planning was still  
 7 down in the NSC, so plans were obviously continuing but  
 8 we weren't a part of that show.

9 Q You are referring to page two of the  
 10 memorandum and the last line under the first bullet,  
 11 saying Oliver North was lining up the planes, we don't  
 12 know how.

13 Let me ask you some general questions about  
 14 the memorandum first. The memorandum states that it's a  
 15 reconstruction of notes made by [REDACTED] of a meeting  
 16 attended by you [REDACTED] Bob Gates [REDACTED] Ed  
 17 Juchniewicz, [REDACTED] and [REDACTED] Is this  
 18 memorandum an accurate reconstruction of what went on at  
 19 that meeting, as far as you can remember?

20 A Yeah, it refreshes my memory on that.

21 Q Having read it, do you have any idea as to  
 22 what the purpose of the meeting was?

23 A I would submit that it was to get me pumped up  
 24 for a meeting with the President on Saturday morning.

25 Q The memorandum states that "the DDCI requested

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1 facts on the following: the political scene in Iran;  
 2 biography of [REDACTED]  
 3 verification of [REDACTED]  
 4 was it true that Iran was trying to get U.S. HAWK  
 5 missiles to knock out Soviet BEAR aircraft; the status of  
 6 the Iran-Iraq war."

7 I want to ask you first why were you  
 8 requesting a biography of [REDACTED]  
 9 [REDACTED]

10 A I would suspect -- and I can't recall for a  
 11 certainty -- that he was probably identified to the NSC  
 12 as one of those people that the Israelis had good contact  
 13 with, or that he is moderate and the Israelis wanted to  
 14 contact him.

15 Q Who would have mentioned that to you --  
 16 somebody at this meeting?

17 A No. I don't know, you know, how I came upon  
 18 that.

19 Q It says in the memorandum under things you  
 20 requested, "was it true that Iran was trying to get U.S.  
 21 HAWK missiles to knock out Soviet BEAR aircraft over Iran  
 22 or the Iran-Iraq border." Why were you asking a question  
 23 about the uses to which U.S. HAWK missiles could be put?

24 A I'm pretty fuzzy on this, but what I think  
 25 happened is that this came out of a prior meeting where

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1 these assertions or statements were made, and it could  
2 have been with Charlie Allen or with some of our  
3 intelligence analysts or ops people, and what I wanted to  
4 do was get the facts in back of those assertions.

5 Q Is it true that by this date, December 5, you  
6 had a pretty good idea that HAWK missiles were what were  
7 being shipped?

8 A No, I don't think I can conclude that.

9 Q Why were you asking questions about the uses  
10 to which Iran could put HAWK missiles?

11 A Because I recall the statement being made that  
12 the Iranians -- and I think this came from the Israelis  
13 through the NSC channel -- that the Israelis said the  
14 Iranians were upset with the Soviets coming down and  
15 overflying Iran, and they needed something to get them.  
16 But, you know, I'm reaching on that one. I don't know  
17 for sure.

18 Q In the second paragraph it says "DDCI noted he  
19 would be attending a meeting at 10 a.m. on Saturday,  
20 December 7, with the President regarding the expansion of  
21 the informal link between the Iranians and the Israelis.  
22 He", meaning you, "noted that a new 'private  
23 interlocutor' was working with Israeli Foreign Ministry  
24 official David Kimche."

25 Who is this "private interlocutor" that you

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1 are referring to?

2 A Probably Bud McFarlane.

3 Q You would have characterized Bud McFarlane as  
4 a private interlocutor?

5 A Yeah, I think so.

6 Q Why would you characterize him that way?

7 A Well, I don't think everybody in the room  
8 needed to know that Bud was now our mouthpiece to the  
9 Israelis on this Iran program.

10 Q Who was the old interlocutor?

11 A I don't know.

12 Q And who told you that Bud McFarlane was now  
13 working with David Kimche?

14 A I don't know. I really don't know. In fact,  
15 it's obvious that that may have been the subject of the  
16 Poindexter telephone call at 7:30 that morning, and that  
17 could have been a spinoff of that.

18 Q The second line in that paragraph says:  
19 "Noted that Iran wanted to get closer to the United  
20 States, and wondered (DDCI) whether this could be a ruse  
21 to get HAWK missiles." Were you wondering whether this  
22 whole initiative was simply a ruse to get HAWK missiles?  
23 Is that what that means?

24 A I think the whole initiative was a ruse to  
25 get, you know, U.S. weapons. But, you know, that's pure

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1 conjecture there.

2 Q But again there's a reference to HAWK missiles  
3 and your speculation that the whole thing might have been  
4 simply an attempt to get HAWK missiles. Didn't you know  
5 by December 5 that this initiative involved the shipment  
6 of HAWK missiles from Israel to Iran?

7 A I still have to say I don't recall. I should  
8 have, and chances are I did, but it goes back -- the  
9 Iranians really wanted everything. You know, they needed  
10 anything. They had HAWKs; we know that. And they were  
11 firing them, so they had to have replenishment. The only  
12 place you get them is from an American or a country  
13 supplied by America.

14 Q On the second page of the memorandum, under  
15 the bullet, [REDACTED] reviewed what had been done so  
16 far, there is the statement that President signed  
17 Finding. And beside it in handwriting: (I am not  
18 certain who at the meeting actually said this) [REDACTED]  
19 [REDACTED] initials and the date. Is it fair to say that  
20 you also recall somebody saying at the meeting that the  
21 President signed the Finding but you can't remember who  
22 it was?

23 A No, I can't say that. On the 5th I learned of  
24 the Finding being signed, but I can't say whether that  
25 meeting was the cause of it or not.

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1 MR. LEON: We should say "allegedly signed".

2 THE WITNESS: Allegedly signed, yes.

3 MR. LEON: Do you think you were being duped?

4 THE WITNESS: Me, being McMahon, or me, being  
5 CIA -- or both?

6 MR. LEON: Well, let's put it this way.

7 THE WITNESS: Do I act like I'm being duped?

8 MR. LEON: No. Let's put it this way.

9 Correct me if I'm wrong. You were the person at the  
10 Central Intelligence Agency who clearly was pushing to  
11 get it signed; correct?

12 THE WITNESS: Right.

13 MR. LEON: And did you ever think then or now  
14 that your being told it had been signed was an effort by  
15 someone, conscious effort, to get you off their back?

16 THE WITNESS: I would have to agree with that  
17 conclusion, since CIA was not going to do anything until  
18 it was signed.

19 MR. LEON: Did you think it back then or are  
20 you thinking that now?

21 THE WITNESS: Oh, no, that was then, right  
22 then and there. That's why I kept inquiring, because I  
23 knew we were not going to undertake any support without  
24 that finding being signed.

25 MR. LEON: And with Bud McFarlane leaving,

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1 resigning on December 4, effective the end of the month,  
2 and with John McMahon -- excuse me, John Poindexter going  
3 to succeed him, who did you view -- whose job did you  
4 view it to be to ride herd on getting that thing signed  
5 over at the NSC?

6 THE WITNESS: Poindexter.

7 MR. LEON: And did you speak with him  
8 personally at some point to ask him? I take that back.  
9 He could have been the one who told you.

10 THE WITNESS: Yes. But, you know, I can't  
11 say. One thing that was certain, though. I knew Casey  
12 was on board as far as needing a Finding, and he wanted  
13 that Finding signed. So there was no doubt in my mind  
14 that Casey would push for that Finding, and that's why I  
15 am content that nothing happened in CIA in support of  
16 this operation other than intelligence that Charlie Allen  
17 would wrap around in until that Finding was eventually  
18 signed.

19 And, if you recall, later on when it was  
20 signed on the 17th and they told me about it on like the  
21 24th or something like that, then we got involved in the  
22 next shipment.

23 MR. LEON: And did you think on December 5  
24 that Casey had also been told it had been signed?

25 THE WITNESS: Casey had to know that it was

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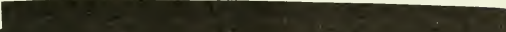
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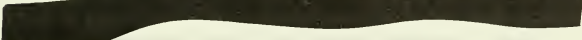
1 signed.

2 MR. LEON: Allegedly signed.

3 THE WITNESS: Allegedly signed, yes.

4 BY MR. BARBADORO: (Resuming)

5 Q The last thing I want to ask you about this  
6 memorandum is on the bullet: a review of recent Iranian  
7 reporting, noted the following, there is a statement  
8 "Weir released for one planeload, got nothing for second  
9 load, 

10   
11 Were you told in this meeting that Reverend  
12 Weir had been released in exchange for a planeload of  
13 something?


14 A Yes, but don't ask me who told me.

15 Q Who told you or what was in the plane?

16 A Yeah.

17 Q You don't know? You can't recall whether  
18 anybody said what was in the plane?

19 A No.

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1 Q Tell us what happened at the meeting on  
2 December 7 with the President.

3 A Present were the President, Secretary of  
4 State, Secretary of Defense, John Poindexter, Don Regan,  
5 and myself. The meeting opened with Bud McFarlane  
6 stating that David Kimche had been in touch with him and  
7 that the Israelis are in touch with a group of moderates  
8 in Iran that are pro-west, pro-U.S., and that the  
9 Israelis feel if we strengthen the moderates' hands by  
10 giving them arms that it will permit them to have a more  
11 favorable role in the Iranian government and open up  
12 initiatives with the Iranian government and possibly the  
13 Iranians will help us with the hostage situation.

14 And it was rather a long brief, but that in  
15 essence is what he said, as far as I'm concerned. I may  
16 not have done justice to it. I said that I was unaware  
17 of any moderates in Iran, that most of the moderates had  
18 been slaughtered by Khomeini, that whatever arms we give  
19 to these so-called moderates they will end up supporting  
20 the present Khomeini regime and they would go to the  
21 front and be used against the Iraqis and that would be  
22 bad.

23 Secretary Shultz opposed it from the sense  
24 that it looked like we were ransoming hostages, that he  
25 really didn't subscribe to the Israeli claim of the

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1 moderates in the western orbit. The Secretary of Defense  
2 spoke against it, thought it was a bad idea, also cited  
3 the present embargo that we have. The rest of the  
4 meeting, which took probably more than an hour, or at  
5 least an hour, was basically Shultz and Weinberger  
6 countering the President, who felt that the U.S. must  
7 make some efforts to open a dialogue with Iran.

8 And the whole thrust of the President's pitch  
9 was that we ought to pursue a policy of trying to win the  
10 Iranians back. And that was about the extent of the  
11 meeting, and there was no conclusion at the end of the  
12 meeting, as far as I was concerned. When the meeting  
13 broke up -- and it broke up because the President had to  
14 go to his 12:00 Saturday fireside chat, radio broadcast--  
15 I walked out of that room not knowing what to do.

16 And the President kind of commissioned well,  
17 why don't you folks talk more on this and see what ought  
18 to be done. And that's how it ended.

19 Q Did Don Regan say anything at the meeting?

20 A I don't think Don Regan said word one. If he  
21 did, it was very short. I recall Poindexter making some  
22 comment that I would say endorsed the thought of the  
23 initiative with Iran, but that was, you know, maybe a  
24 sentence or two and that was it.

25 Q Who was advocating continuing the initiative?

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1           A     Well, I came out of the meeting thinking that  
2     Bud McFarlane was the advocate, but the more I've thought  
3     of that, the more I feel that Bud was nothing more than a  
4     messenger. He was saying here is what the Israelis  
5     propose and in justice to him he didn't take a pro or  
6     con.

7           Q     Did he attempt to counter the negative  
8     arguments being made by Shultz and Weinberger?

9           A     No, I don't recall that.

10          Q     You mentioned that the President engaged in a  
11     rather lengthy interchange with Weinberger and Shultz.

12          A     Yes.

13          Q     Was the President an advocate for continuing  
14     with the initiative?

15          A     I think he was querying, challenging, trying  
16     to, like a devil's advocate in postulating things to both  
17     Weinberger and Shultz.

18          Q     He was taking the side of continuing with the  
19     initiative, but you couldn't determine whether those were  
20     his real feelings or whether he was simply trying to  
21     explore the pros and cons of the initiative?

22          A     I would say it was the latter. He did not  
23     come out and say I think we ought to do this or I think  
24     this is a good idea. He was simply trying to draw out  
25     the rationale and the merits of doing it.

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1           Q     And when he tried to draw out the rationale or  
2 merits of doing it, did he discuss the desirability of  
3 getting the hostages out, or were his discussions focused  
4 primarily on the desirability of improving the  
5 relationship between the United States and Iran?

6           A     I can't honestly answer that, and the reason  
7 is that I was convinced that all of this was an arms for  
8 hostage arrangement, no matter what you called it, and I  
9 felt that the effort by the Israelis with this proposal  
10 was giving us a cover for effecting a hostage release, .  
11 because they were well aware that, one, we couldn't pay  
12 ransom and all like this, and by doing it under the  
13 umbrella of, you know, wooing the Iranians back to .  
14 western orbit gave the President the secondary effect of  
15 getting the hostages released.

16                     And so, you know, intelligence officers aren't  
17 supposed to be biased, but I was biased in that sense, so  
18 whatever I heard I kept it in that context.

19           Q     Was there any discussion at the meeting about  
20 previous efforts that had gone on with Israel?

21           A     Not one, and that surprised me afterwards. It  
22 also surprised me that I didn't say, hey, Mr. President,  
23 you know, we've already given them this. But I didn't,  
24 and why I didn't, I don't know.

25           Q     Did the subject of the Finding that you had

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1 found out just two days before had presumably been  
2 signed, did that come up in the meeting?

3 A It never came up, and the reason being is  
4 that, as I try to figure that out, is this was more of a  
5 direct U.S. involvement than really kind of letting the  
6 Israelis do things.

7 Q What did McFarlane say about how this  
8 initiative was supposed to work?

9 A He didn't say. I don't recall it at that  
10 meeting anyway.

11 Q Was there any discussion about whether the  
12 arms were to be shipped from Israeli stocks to Iran?

13 A I don't recall the mechanics were discussed at  
14 all. I think it was the policy issue that was the focus.

15 Q Well, then what caused you to say that this  
16 was different from the previous initiative because it  
17 involved more direct U.S. involvement?

18 A Because we now had the U.S. agreeing as a  
19 policy that this is what we do, that we would permit the  
20 Israelis to do this or resupply their arms or what have  
21 you, but I don't recall the mechanics being discussed.

22 MR. LEON: Did McFarlane report on his trip to  
23 London in the sense that he had met Ghorbanifar and was  
24 personally --

25 MR. EGGLESTON: He hadn't had it yet.

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1 MR. LEON: That's worth noting. I'll change  
2 my question. Did you know that McFarlane was going the  
3 next day to London to meet with Ghorbanifar and others?

4 THE WITNESS: No, I did not.

5 MR. LEON: Did that come up at the meeting at  
6 all?

7 THE WITNESS: No, it did not, not that I  
8 recall.

9 BY MR. BARBADORO: (Resuming)

10 Q Did you clear your position on this issue with  
11 Director Casey before you attended the meeting?

12 A No, but I thought Casey and I were in synch on  
13 this all along, you know. I don't know at what point in  
14 time he said this, but he made a comment. He said, I  
15 think this whole Iranian thing is crazy, and I don't  
16 know, you know, whether he said that after we were  
17 involved with the November flight or not. I just don't  
18 know at what point in time.

19 But I felt I was representing his and the  
20 Agency's position.

21 Q So you understood Director Casey, at least at  
22 this time, to be opposed to continuing the initiative?

23 A For the reasons cited, yes. I think the  
24 thought of moderates in Iran and all of that. I believed  
25 Casey would agree that it would be a good idea to have

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1 Iran in the western orbit, but I don't think we thought  
2 it was possible at that time.

3 MR. LEON: Let me follow that point up there.  
4 There's a notion, Mr. McMahon, that's out there that Bill  
5 Casey wanted all of this to happen because he was hell-  
6 bent to get back, at an earlier point he was hell-bent to  
7 get back Mr. Buckley. Did you have any sense that Casey  
8 was so distraught over Buckley's kidnapping and so  
9 desirous to get Buckley back that he was behind pushing  
10 all of this?

11 THE WITNESS: No, I don't think that that was  
12 the case at all. And I saw no evidence of that. We were  
13 concerned for Buckley. We were anxious to get him out.  
14 But that never really entered the equation. Buckley  
15 didn't enter the equation any more than any other  
16 hostage.

17 MR. EGGLESTON: Could I just ask you could you  
18 elaborate on what Weinberger said at the December 7  
19 meeting? You said he mentioned the arms embargo.

20 THE WITNESS: I think Weinberger took it in  
21 the context we have, you know, asked other nations not to  
22 ship arms to Iran, and, you know, we shouldn't do that.  
23 He just thought it was a bad idea.

24 MR. EGGLESTON: Did he say that there were  
25 various legal restrictions on shipping arms to Iran?

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1 THE WITNESS: He referred to the embargo act  
2 or something like that.

3 MR. EGGLESTON: Do you recall if the President  
4 reacted to that, to that suggestion?

5 THE WITNESS: No.

6 MR. EGGLESTON: Could I just ask a question  
7 that's probably stupid but I never quite understood? How  
8 was it that we were going to get -- and maybe you don't  
9 know the answer to this, but how was it that we were  
10 going to ship arms just to moderates? What was going on?

11 MR. LEON: That's a good question.

12 THE WITNESS: That is a good point, and I made  
13 that point, saying that if you give to these so-called  
14 moderates it will be to the Khomeini regime. But I think  
15 the context in which it was offered was that if the  
16 moderates can get the arms, they can say, see, boss,  
17 we've got the leverage and that would enhance their  
18 position in the Iranian government, so that they might be  
19 able to modulate what the Iranians do vis-a-vis the  
20 Americans or, you know, the western world.

21 So I think it's in that context.

22 MR. EGGLESTON: But the boss would be  
23 Khomeini, presumably?

24 THE WITNESS: Oh, the boss is Khomeini, but  
25 everybody was -- like now, we were waiting for him to die

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1 for years.

2 MR. EGGLESTON: But it's clear that the  
3 government is going to use these arms.

4 THE WITNESS: You bet your life. It was not a  
5 separate action on the side. The arms were for Iran  
6 against the Iraqis, and that's what the Israelis want.

7 MR. EGGLESTON: Did you articulate -- I just  
8 don't remember if you said this -- a view on behalf of  
9 the Agency at this meeting? Did you say what your view  
10 of the initiative was?

11 THE WITNESS: Who's initiative?

12 MR. EGGLESTON: This December 7 meeting, did  
13 you say anything?

14 THE WITNESS: Yes. I spoke against the fact  
15 that there were moderates in Iran. I said, you know, all  
16 the moderates were killed and that whatever arms we did  
17 send would end up on the front line against the Iraqis,  
18 and that was bad.

19 MR. EGGLESTON: Would it be fair to say that  
20 your general advice, then, was not to go ahead?

21 THE WITNESS: Was negative, but an  
22 intelligence officer doesn't comment on policy, only the  
23 pros and cons from an intelligence standpoint of it. I  
24 couldn't say that it was a good idea or a bad idea.

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BY MR. BARBADORO: (Resuming)

Q Did Director Casey brief you on his meeting with the President and others on December 10?

A I don't recall that. He may have. You know, I don't know.

Q Well, let's mark this and I'll show it to you as Exhibit 11. It's a 10 December 85 memorandum for the Deputy Director of Central Intelligence from the DCI concerning a meeting with the DCI, the President and others on December 10.

(The document referred to was

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1 marked McMahon Exhibit Number  
2 11 for identification.)

3 (A brief recess was taken.)

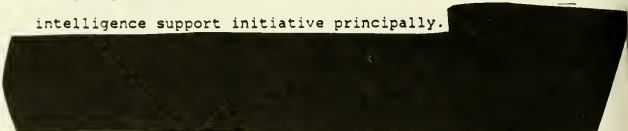
4 BY MR. BARBADORO: (Resuming)

5 Q Do you remember getting this memo, McMahon  
6 Exhibit 11?

7 A I don't, but it doesn't surprise me. The  
8 overall subject matter is familiar and it looks like what  
9 the Director did is provide me with a following chapter  
10 to the meeting that I had on the 7th.

11 Q What was your understanding as to what was  
12 happening with this initiative between December 5 --  
13 excuse me, December 7 and January 16, what happened to  
14 the initiative during that period?

15 A I think it was held to basically discussions  
16 and probing and seeing what was possible, keeping the  
17 door open until the Administration really decided what it  
18 was going to do, and that the Agency was involved in an  
19 intelligence support initiative principally.



20  
21  
22  
23 Q Is this reference in McMahon 11, in the  
24 December 10 '85 memo, to Ghorbanifar the first idea that  
25 you had that this guy Ghorbanifar was involved in this

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1 initiative?

2 A I can't say. I do know that we had told the  
3 NSC that we had burn notices out on Ghorbanifar, that he  
4 was not trustworthy. In fact, if I'm not mistaken, I  
5 sent a memo down to the NSC which was prepared by the  
6 Near East Division, and I'm not sure what date it was,  
7 but Ghorbanifar to CIA was not someone that you wanted to  
8 hang your trust in.

9 Q At some point the CIA was asked to do a  
10 polygraph of Ghorbanifar, weren't they?

11 A That was much later on, yes.

12 Q Not until January.

13 A Yes, January or after that.

14 Q Wasn't there discussion in December about  
15 polygraphing Ghorbanifar?

16 A I don't recall. Anyway, we didn't think  
17 Ghorbanifar was the shining example that the NSC ought to  
18 be in touch with.

19 MR. EGGLESTON: Was there any discussion of  
20 Ghorbanifar specifically at the December 7 meeting?

21 THE WITNESS: I don't recall his name or any  
22 other name being mentioned. I think David Kimche was the  
23 only person that McFarlane referred to.

24 MR. LEON: Did Mr. Casey comment to you at any  
25 time that Bud McFarlane's reaction to talking to

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1 Ghorbanifar in essence was that he was personally  
2 ~~r~~epulsed by him and by the idea that he basically wanted  
3 to swap hostages for arms? Did you ever get that from  
4 Casey?

5 THE WITNESS: No, other than the comment that  
6 Bud made following this 10 December visit.

7 BY MR. BARBADORO: (Resuming)

8 Q So as far as you know, between December 7 and  
9 January 17 the initiative was never shut down; it wasn't  
10 acted on, they were just continuing discussions about  
11 what to do with the initiative -- whether to continue it  
12 and, if so, how? Is that your sense of what went on  
13 during that time period?

14 A Yeah. My sense is that the NSC had the ball  
15 to sort this out and I was content that the Agency was  
16 not involved in doing anything, because I never saw any,  
17 you know, action coming forth for us to move arms or  
18 anything like that.

19 Q Are you aware that Mr. Sporkin was involved in  
20 doing additional drafts of the Finding?

21 A It was quite surprised to learn that there was  
22 a Finding prepared, I believe dated the 6th of January,  
23 by Sporkin and the Director at the White House. I don't  
24 recall being privy to that.

25 Q Well, I'll also tell you that we have drafts

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1 obtained from CIA files of the Finding dated January 2.

2 A That's the second. That's the date.

3 Q January 3, January 6, and then the Finding  
4 that was signed on the 17th. Are you aware of any of  
5 those Findings? Were you aware at the time of any of  
6 those Findings being worked on?

7 A I was not aware of the 2nd, the 3rd, or the  
8 6th. The next Finding that I saw, other than our  
9 proposed draft back in November, was the one that  
10 Poindexter showed me on the 24th, I believe, of January,  
11 1986, and that Finding was dated 17 January.

12 Q So you had no idea that Sporkin was meeting  
13 with Oliver North and working on drafts of the Finding in  
14 early January?

15 A No, not that I recall.

16 Q And you had no idea on the 17th that a Finding  
17 was presented to the President?

18 A No.

19 Q Signed by the President?

20 A No.

21 Q You didn't even know that a Finding had been  
22 signed by the President in January until the 24th; is  
23 that right?

24 A That's correct.

25 Q How did you learn that?

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1           A     Poindexter called me down to his office and he  
2 showed me the Finding dated the 17th of January, and I  
3 read it quickly, noted the President's signature.  
4 Poindexter said that it had been cleared with the  
5 Attorney General. And the new wrinkle in it, as far as I  
6 was concerned, was that we were to provide intelligence  
7 to the Iranians on Iraq, and I objected to that. I felt  
8 that that was really swinging the balance of the war to  
9 give the Iranians intelligence that we had.

10           If I can recall accurately, the way Poindexter  
11 phrased it was that we were to supply TOW missiles with  
12 some intelligence to the Iranians in a series of  
13 tranches, and after the first tranche then we were to get  
14 a hostage out, and then we'd do a second one and get  
15 another one. And he said if they don't come through,  
16 then all you've lost is a little intelligence.

17           And I went back. What they wanted was  
18 intelligence on the battlefield area on the front, and I  
19 think that meeting was on a Thursday or so. I don't know  
20 what the 24th was. At any rate, on, I believe it was,  
21 Saturday, the 25th, Ollie North came over to get the  
22 intelligence.

23           Q     Let me stop you because I'll get to the 25th.

24                     (Pause.)

25           A     Whose calendar is this?

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1 MR. LEON: Ollie.

2 THE WITNESS: Ollie wasn't there. On the 26th  
3 does he say --

4 MR. LEON: On the 26th?

5 THE WITNESS: The 25th.

6 MR. LEON: The 25th is a Saturday. His  
7 calendar doesn't indicate it.

8 THE WITNESS: Okay. Well, the 24th is what  
9 date -- the Friday. Okay. Then it was the next day he  
10 came over. ,

11 BY MR. BARBADORO: (Resuming)

12 Q So the record is clear, you were referring to  
13 North's calendar for that period of time just then,  
14 weren't you?

15 A Yes. But what I was really after was what day  
16 the 24th was.

17 MR. LEON: Ollie came to the CIA?

18 THE WITNESS: I believe it was Saturday the  
19 25th.

20 MR. LEON: For what purpose?

21 THE WITNESS: To get the intelligence that the  
22 finding had directed us to provide.

23 MR. LEON: What kind of intelligence was it?

24 THE WITNESS: On the Iran-Iraq front, military  
25 intelligence.

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1 BY MR. BARBADORO: (Resuming)

2 Q Between December 7 and January 17 did anybody  
3 discuss with you the specifics of any proposal to ship  
4 U.S. arms to Iran to gain the release of the hostages?

5 A Well, at some point during that time period I  
6 think the emphasis on arms began to center around TOWs,  
7 but I don't recall anything other than they were thinking  
8 of sending TOWs.

9 Q And who would you discuss this proposal with?

10 A Oh, I'd pick it up in the hall if someone ran.  
11 into me or something like that. But I was content that  
12 CIA was not involved in what I would call any active  
13 operation to provide any weapons. I just don't recall us  
14 being tasked to do that.

15 Q Up until December 1985 the arms had come from  
16 Israel. When did you learn that proposals were under  
17 consideration to ship arms from the U.S. to Israel and  
18 then to Iran?

19 A I don't know.

20 Q Was it before you learned of the January 17  
21 Finding or after?

22 A Oh, it was before the Finding, yes. In fact,  
23 it had to be December, at the December 7 meeting.

24 Q Did you discuss at the December 7 meeting  
25 specifically what kind of U.S. arms you would be

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1 shipping?

2 A No. And in fact, if I remember right, at that  
3 time it wasn't certain that we would send the arms  
4 directly or we would have the Israelis do it and we would  
5 replenish it. I think that was, you know, still an  
6 uncertainty at the time.

7 (A discussion was held off the record.)

8 MR. BARBADORO: Let's go back on the record.

9 BY MR. BARBADORO: (Resuming)

10 Q Mr. McMahon, is it fair to say that you were  
11 unaware that Mr. Sporkin was working on drafts of the  
12 Iran Finding between January 1 and January 17?

13 A I think that's a fair representation. I don't  
14 recall any knowledge of his involvement there, and I was  
15 unaware of Findings being prepared at that time.

16 Q And you also were unaware that the President  
17 actually signed a Finding on the 17th? You were unaware  
18 of that when he did it?

19 A That's correct.

20 Q And you didn't learn that the President had  
21 signed the Finding on the 17th until sometime on or about  
22 the 24th or 25th of January, when you were called down to  
23 the White House by Mr. Poindexter and informed of the  
24 Finding?

25 A On the 24th of January, '86.

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1 Q Is it also fair to say that between your  
2 December 7 meeting with the President and the January 24  
3 meeting with Admiral Poindexter that you were aware that  
4 there were ongoing discussions at the NSC as to what form  
5 the initiative should take but that you were not made  
6 aware of any specific plans as to how the initiative  
7 would be conducted?

8 A I think that's a fair representation. Our  
9 involvement, as far as my recollection, was in the  
10 provision of intelligence, of an intelligence collection  
11 nature, not in an operative way.

12 Q What do you mean by that?

13 A That we weren't involved in executing an  
14 action in behalf of the NSC on this initiative. We would  
15 collect intelligence. We would vet names of people that  
16 they asked us. So we were in an intelligence supportive  
17 role from the sense of production of intelligence or the  
18 collection of intelligence, but not in the role of  
19 carrying out or furthering a covert action.

20 Q Were you personally involved in any planning  
21 sessions as to what form this covert action should take?

22 A No.

23 Q To your knowledge did anyone else at CIA  
24 participate in any planning sessions as to what form this  
25 covert action should take between December 7 and January

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1 17?

2 A People may have been involved, but they were  
3 involved as intelligence representatives, not as covert  
4 action representatives.

5 Q When Admiral Poindexter showed you the January  
6 17 Finding on January 24, what did he tell you about the  
7 covert action?

8 A He said that the President had approved the  
9 provision of TOWs to the Iranians and that we were also  
10 to provide them intelligence. In fact, the Finding was a  
11 very broad one as far as what we could do in this  
12 program. I objected to the provision of intelligence,  
13 feeling that it would give the Iranians a strategic edge,  
14 and he said that we would not risk that much, that we  
15 would provide some TOWs and some intelligence and we  
16 would get a hostage, and then we would do another one.

17 And if the Iranians didn't come through, then  
18 all we lost was a little intelligence.

19 Q Did he tell you how many TOWs were going to be  
20 sold?

21 A I thought the total was 4,000 TOWs.

22 Q Did he tell you whether these TOWs were going  
23 to be sent all in one shipment or were they going to be  
24 sent in different shipments?

25 A They would be in separate tranches. The exact

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1 number in each tranche was never mentioned.

2 Q Who was going to be involved in shipping these  
3 TOWs to Iran?

4 A That wasn't specified at the time of our  
5 meeting, but I assumed that we were going to be the  
6 mechanism for getting the TOWs from DOD and shipping them  
7 over, and whether they were going to go to Iran directly  
8 or to Israel I don't think I knew at the time.

9 Q What was Israel's role to be in this covert  
10 action?

11 A Well, I think -- and I'm not sure of the time  
12 phasing here -- originally I thought we would replace  
13 TOWs that the Israelis had, but I think that proved to be  
14 a difficulty and so we ended up sending them over there,  
15 and I had assumed that Israel would be used as a trans-  
16 shipping point.

17 Q In the meeting on January 24, 1986, did  
18 Admiral Poindexter explain to you what Israel's role was  
19 going to be in the transaction?

20 A No. I don't think so.

21 Q By that point did you know that Israel was  
22 only going to be a transshipping point as opposed to the  
23 entity actually providing the weapons to Iran?

24 A No. It was unclear at the time. I just  
25 didn't focus on that.

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1 Q Did Admiral Poindexter tell you at this  
2 January 24 meeting what, if any, role General Secord was  
3 going to play in the transaction?

4 A Secord's name never came up.

5 Q Did you think that any private parties were  
6 going to play any role in this transaction as it was  
7 described to you on January 24?

8 A No, not at that time. If someone mentioned to  
9 me private parties, I would look upon them as the  
10 facilitators with the Iranians to get the shipment in if  
11 we were getting the TOWs and moving them over there. I  
12 didn't see the role for anyone else.

13 Q CIA was perfectly capable, through the use of  
14 its proprietaries, of shipping the arms directly to Iran  
15 itself, wasn't it?

16 A I believe so, yes.

17 Q Did you see any purpose for using private  
18 parties in this transaction at all?

19 A Well, other than the point that the NSC had  
20 constructed this operation. You must bear in mind that  
21 this was an NSC operation and that CIA was in a you  
22 call/we haul type mode, that we weren't doing the  
23 planning or anything like that, and the NSC had all the  
24 contacts. They had the wiring mechanisms through their  
25 go-betweens, the Iranian go-betweens, the Israelis.

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1                   And so I think I would be content to not  
2 rebuild that, that if that mechanism was there to, you  
3 know, make use of that. But if someone came to CIA and  
4 said take this planeload of TOWs and deliver it to the  
5 Tehran airport on such and such a date and we have that  
6 wired, we could do that.

7                   MR. EGGLESTON: In fact, in November it had  
8 been your proprietary.

9                   THE WITNESS: Yes. The thing that I would  
10 bear in mind on this score is the fact that it's  
11 conceivable both governments -- and by both governments I  
12 mean the Iranians as well as the United States and the  
13 Israelis, whatever role they wanted -- wanted to have  
14 private parties involved as cutouts so that you didn't  
15 have an official government-to-government relationship.

16                   BY MR. BARBADORO: (Resuming)

17                   Q     When did you learn that cutouts were to be  
18 involved?

19                   A     I don't think I learned. I think it didn't  
20 bother me. It wasn't something I worried about.

21                   Q     If cutouts had not been involved in this  
22 operation who would have set the price that Iran would  
23 have paid for the TOWs?

24                   A     I think we would have asked them to pay  
25 whatever it cost the U.S. Government, plus the

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1 transportation fees.

2 Q If the CIA were involved and no private  
3 intermediaries were involved and a markup were charged,  
4 what would have happened to that markup?

5 A Any funds in excess of what it cost us, plus  
6 expenses, legitimate expenses, would have reverted to the  
7 Treasury, the U.S. Treasury.

8 Q Let me ask you again, so that I'm sure of  
9 this, when did you learn that cutouts were going to be  
10 involved in this operation?

11 A Well, I guess I learned that they were used  
12 when I watched the hearings. You know, that seems like  
13 an asinine answer, but how that transpired wasn't of  
14 interest to me, you know. It was just low noise. The  
15 point was, we were taking arms and we were getting them  
16 over to Iran, and hopefully some hostages would get out.

17 Q So up until the time you left the CIA you had  
18 no idea that there were in fact cutouts used in this  
19 operation?

20 A Oh, I knew that there had to be. Who, I  
21 didn't care. I do know that we set up a Swiss bank  
22 account for the NSC to use, and if cutouts were involved,  
23 I don't think they really needed CIA. Anybody, you know,  
24 can get a bank account.

25 Q At any time when you were with the CIA did you

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1 know that General Secord was being used as the cutout in  
2 this operation?

3 A No, not as we know it today, only the  
4 reference that I have in my 7 December 85 memo.

5 Q And that's the only knowledge you had at any  
6 time while you were with the CIA that Secord was involved  
7 in any way with this operation?

8 A I'm nodding yes. I'm trying to recall. I  
9 have no specific knowledge, really, and it wouldn't have  
10 mattered if I did or didn't.

11 Q Do you know who made the decision to employ  
12 cutouts in this operation?

13 A I assume the NSC did. It wasn't CIA.

14 Q I'd like to mark as the next exhibit, McMahon  
15 12, a cable dated 25 January 86, Committee number I-566,  
16 and it doesn't have a CIIN number.

17 (The document referred to was  
18 marked McMahon Exhibit Number  
19 12 for identification.)

20 (Pause.)

21 Have you had a chance to look at that exhibit?

22 A Yes. That is my cable which I sent to the  
23 Director.

24 Q What prompted you to send that cable?

25 A One, to advise him that a Finding was signed;

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1 two, that we were to provide intelligence; I guess,  
2 three, that I didn't like it and I wanted to make sure  
3 that he was aware of what was happening and I wanted  
4 confirmation of his knowledge. And that's why I asked  
5 that this cable be, delivery be confirmed. I did not get  
6 confirmation and the Director had moved on to [REDACTED]  
7 [REDACTED]

8 So I sent it again to [REDACTED] and asked  
9 that they please confirm the Director has read this, and  
10 then I got confirmation that the Director had read it.  
11 But to me this was big enough for his personal attention.

12 Q Why did you object to providing intelligence  
13 information to Iran?

14 A Because I felt it could give the Iranians an  
15 edge against the Iraqis and that would work to the  
16 detriment of the United States and the whole balance in  
17 the Mideast.

18 Q It's fair to say your objections were  
19 overruled?

20 A That's a fair assumption.

21 Q The proposal also involved the shipment of  
22 4,000 TOWs to Iran. In your judgment, what kind of  
23 effect on the balance of power could 4,000 TOWs have on  
24 the war?

25 A If they are good shooters, it would be 4,000

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1 tanks.

2 Q Is it fair to say that could have a  
3 significant effect on the balance of power?

4 A Yes. I think it could. It could have a  
5 significant effect in any given battle if they could  
6 muster that kind of firepower, but I'm not a military  
7 mind and I can't really say.

8 Q Did you ever discuss this cable with the  
9 Director?

10 A Not per se. When he came back I told him I  
11 thought it was a lousy idea to give intelligence, and  
12 that kind of leads into Ollie North coming over, I  
13 believe it was the next Saturday, the 25th.

14 Q The cable is dated the 25th of January. Let  
15 me first ask you, though, what was the Director's  
16 reaction when you discussed your concerns with him?

17 A Well, I think he was content to see how it  
18 played out. I felt that -- and I may be wrong -- but I  
19 felt that the Director and I were somewhat of the same  
20 mind when it came to Iran. One, we believed it was very  
21 important, but where we may have differed is on timing,  
22 and I didn't think the time was right at the moment to  
23 move forward to opening an initiative -- but who does.

24 And I think he was prepared to give it a try.  
25 And, you know, who is to judge who was right?

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1 Q Tell us about your meeting with Colonel North  
2 on the 25th.

3 A Well, I say then the 25th, and I assume,  
4 because I think it was a Saturday, that North came over  
5 and his purpose was to get the intelligence that we would  
6 offer them. He was, I understand, going over, or some  
7 emissary was going over, to meet with Iranians and they  
8 wanted to show our bona fides and say here's the kind of,  
9 you know, intelligence we can provide you.

10 And they wanted [REDACTED].  
11 [REDACTED] and I raised my concerns, as did  
12 Bob Gates, with North and we finally convinced him to  
13 accept intelligence which, one, was indeed of the battle  
14 front but not in an area that was that important.  
15 Additionally, in order to establish bona fides you had to  
16 give them information that they already knew was valid,  
17 so with our analysts we picked a section of the border --  
18 I believe it was to the north of the fighting -- where we  
19 were content they had knowledge of what was going on, and  
20 we showed them the Iraqi emplacements and what have you.

21 And North agreed then to limit it to that, and  
22 that's what he took. And, if I'm not mistaken, [REDACTED]  
23 [REDACTED] We gave them artist's drawings  
24 [REDACTED] that were annotated, and I may be  
25 wrong here, because we had a debate whether or not to

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1 give them [REDACTED]  
2 [REDACTED] artist's drawings that were annotated. And I think  
3 we ended up giving them artist's drawings, but I can't be  
4 sure.

5 Q Did you think it was a mistake to use  
6 Ghorbanifar as an intermediary in this transaction?

7 A Yes, I do. I said that personally to  
8 Poindexter. We discussed that at a meeting with Casey.  
9 And I believe we also sent him a memo at some point in  
10 time saying that we didn't trust Ghorbanifar, that we had  
11 sent out several burn notices on him throughout the  
12 intelligence community, and I thought it was a bad idea.

13 Q Do you know why they continued to use  
14 Ghorbanifar over your objections and the objections of  
15 the other people in the Agency?

16 A I have no idea. Maybe he was a viable contact  
17 because of the nature of his business. Whether he was  
18 good, bad or indifferent, he had channels and maybe the  
19 Israelis were saying that he was all right. I don't  
20 know.

21 Q Charlie Allen became in effect the case  
22 officer for Ghorbanifar. Do you know why that happened  
23 and why it wasn't a DO official that took charge of the  
24 matter?

25 A I'm not sure I would characterize him as

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1 Ghorbanifar's case officer. What we were interested in  
2 doing in introducing Charlie Allen into the NSC loop as  
3 the point of contact for CIA was, one, get it out of the  
4 operational channels so that we didn't get sucked into an  
5 operation and keep it where it would be in an  
6 intelligence and analytical sense. So Charlie was used  
7 to provide intelligence background, to vet names and what  
8 have you and to help establish the bona fides of the  
9 people that the NSC was dealing with.

10 Q Charlie Allen, though, was Ghorbanifar's point  
11 of contact with the Agency, wasn't he?

12 A You surprise me by asking that. Charlie Allen  
13 was Ollie North's and Poindexter's eyes and ears to  
14 intelligence and they would often, when they would have  
15 meetings with Ghorbanifar, they would get information  
16 from Charlie and Charlie traveled overseas in a  
17 supporting role, but I don't think that Charlie was ever  
18 in a direct mode except Charlie received some photographs  
19 at one point in time, and I'm not sure whether it was  
20 from Ghorbanifar or someone else.

21 Q Didn't he have extensive debriefing sessions  
22 with Ghorbanifar and didn't he also have numerous  
23 telephone conversations with Ghorbanifar?

24 A I can't say.

25 Q I'll represent to you that he did, but as far

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1 as you know Charlie Allen was not involved in an  
2 operational role with Ghorbanifar?

3 A He should not have been.

4 MR. BARBADORO: I don't have anything else, if  
5 you guys want to go.

6 MR. EGGLESTON: I don't think I have anything.  
7 I have been asking as I have been going along.

8 MR. LEON: I don't think I have much because I  
9 have been doing the same thing.

10 ; EXAMINATION .

11 BY MR. LEON:

12 Q Let me just go back to that one thing that I  
13 asked you about before because I know this is something I  
14 just want to make sure I've covered adequately for my own  
15 mind, and that relates to the impact of Buckley on Casey  
16 to the extent that you observed it.

17 He was kidnapped in March, I guess it was,  
18 '84, right, and there had been very shortly after that  
19 North was dispatched to start efforts to try to locate  
20 Buckley and to get him out of that. For example, were  
21 you aware that North was dispatched to try to raise money  
22 to ransom Buckley?

23 A I don't believe that. No, I'm not aware of  
24 that.

25 Q Did Buckley come up in conversations

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1 frequently between you and the Director?

2 A Buckley was very much on the forefront of our  
3 minds in the sense that, you know, what are they going to  
4 do with him, what do they want to get out of Buckley.

5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]

9 But we didn't -- we didn't agonize over the  
10 Buckley situation. I think that was taken with the  
11 thought of, you know, that's part of the game of being  
12 over there. And Buckley knew what he was going up  
13 against. So we felt that that was part of the service  
14 and why we would do everything that we could to get him  
15 out. We didn't agonize any more over him than we would  
16 over any other hostage.

17 And I have heard the reports that Casey was  
18 upset and really in anguish over that, and I say that I  
19 never saw any instance where that was the case. He was  
20 concerned, but he was concerned in a human sense and a  
21 loyal sense but not to the point that he would say the  
22 hell with the law, we're going to do this or we're going  
23 to do that.

24 You mentioned North and money. Does that  
25 refer to the DEA thing?

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1 Q No, this is a separate thing I'm referring to  
2 -- North being dispatched to arrange for ransom money  
3 from Ross Perot, the industrialist.

4 A I see. Well, that's private funds and we  
5 wouldn't get involved in Ross Perot.

6  
7  
8  
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12  
13

I think

14 that where we threw some caution to the wind was that we  
15 were prepared to pay money to anybody that would tell us  
16 anything about the hostages. But we did have specific  
17 ground rules that we held true to, and they would be  
18 reflected in cables going out.

19 Under no circumstances can we pay any funds  
20 for ransom. We'll pay money for intelligence, but we  
21 can't pay any money for ransom. And that was a pretty  
22 solid policy that we all agreed with.

23  
24  
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1 [REDACTED]  
2 [REDACTED]  
3 Q Let's move over to the contra side for a  
4 second. There's a couple of things I wanted to ask you  
5 about that. In the fall of '85 [REDACTED] had  
6 information with respect to an air strip being put  
7 together [REDACTED] and there is some evidence to  
8 indicate that he was aware that [REDACTED]  
9 [REDACTED] was involved in assisting, let's say, with  
10 that air strip. [REDACTED]

11 Were you aware of that going on?

12 A No. No, I was not.

13 Q He would have been reporting that, or should  
14 he not have been reporting that to the chief of the Latin  
15 American desk?

16 A No, he shouldn't have reported it. He should  
17 have relieved [REDACTED] on the spot because that was  
18 contrary to our instructions.

19 Q Okay. [REDACTED] has testified to receiving a  
20 KL-43 cryptographic communication device in January of  
21 '86 with an eye towards using it to assist in the  
22 coordination of information, intelligence information,  
23 that was being provided for the supplying of munitions  
24 and other supplies to the contras.

25 Were you aware of that in January of '86?

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1           A     No. But I think you have to look at, if I can  
2 recall right, in the end of '35 we were given \$3 million  
3 by Congress to provide communications to provide  
4 intelligence to the contras, and if I'm not mistaken at  
5 that same time [REDACTED]  
6 [REDACTED] but there were strict  
7 ground rules that this could be used only for  
8 intelligence or for advice that was not battle advice.  
9 We couldn't give them, you know, here's how you ought to  
10 fight the war routine.

11           Q     Well, these devices were being used for a  
12 private communication network between the private  
13 benefactors, who were making supply runs to the contra  
14 forces on the southern front, between [REDACTED] and them  
15 and their people and Ollie North. And that was the  
16 purpose of having this machine.

17           A     Now we're probably talking about two different  
18 things. What I'm talking about is what CIA was  
19 authorized to supply through government channels. I have  
20 learned through the course of these hearings that [REDACTED]  
21 provided North some encryption devices which he gave out  
22 to favorite contacts. He gave one to Charlie Allen so he  
23 could talk to Charlie Allen at home. He gave one, I  
24 guess, to [REDACTED]

25           Q     [REDACTED] had one and a guy named Chi-Chi

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1 Quintero had one down there, and it was being used as a  
2 communications device.

3 A Well, I'm unaware of that.

4 Q If [REDACTED] was aware of that as early as that,  
5 the first few months of '86, should he have reported that  
6 to the Latin American desk? [REDACTED] wasn't the head of  
7 that at that time, I don't think.

8 A If [REDACTED] was aware of that, he should have  
9 asked the question why because a CIA person was involved  
10 in communications that was outside of the CIA loop. He  
11 ought to have known the reason for that. And, knowing  
12 [REDACTED] I have total confident in [REDACTED] and if he was  
13 aware of that and didn't do something about it, if he  
14 knew that they were doing it to go around the law, I'm  
15 confident he would have blown the whistle.

16 MR. POLGAR: Off the record, please.

17 (A discussion was held off the record.)

18 MR. LEON: I think that's all I'm going to go  
19 into right now. If I come up with anything else, I'll  
20 call or something.

21 BY MR. BARBADORO: (Resuming)

22 Q A couple of questions that Mr. Polgar is  
23 interested in. Do you know why Colonel North went to  
24 Charlie Allen [REDACTED] on [REDACTED] and [REDACTED] as  
25 opposed to going directly to [REDACTED]

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1           A    No. In fact, I had thought he went to [REDACTED]  
2 because I thought that when [REDACTED] asked me about that down  
3 at the IC Staff one day, he said do you know that NSC has  
4 tasked us to provide information on these cats, and I  
5 said yeah, they are running an operation and I guess  
6 that's a legitimate thing to do.

7                   And I suspect that was late in 1985.

8           Q    Do you know why Colonel North chose to involve  
9 Charlie Allen in this initiative?

10          A    'No, except I think we picked Allen, but we  
11 picked him for a reason, that, one, he was an intel guy,  
12 but, two, that we knew he was compatible with Ollie  
13 North.

14          Q    When you say "we", who do you mean?

15          A    CIA, DDO, myself and the Director and what  
16 have you.

17          Q    Do you recall some meeting where it was  
18 determined that Charlie Allen should work with Colonel  
19 North on this initiative?

20          A    No, other than the name came up and we said  
21 yeah, that's a good idea. Get it out of ops. And it was  
22 not put to me that North thought of it. I think that it  
23 was just thought that Charlie was the NIO for terrorism  
24 and therefore the hostage situations fall under the NIO  
25 for terrorism and he'd be the right guy to provide that

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1 kind of intelligence.

2 Q Do you remember when that meeting was?

3 A No. It had to be like November or December  
4 '85.

5 Q Well, Charlie Allen was collecting [REDACTED]  
6 and briefing you [REDACTED] as early as September '85.

7 A Yeah, that may be, but I'm not sure -- well,  
8 okay. But he could have been. I see what you're saying.  
9 I'm not sure that there was a cause and effect from Ollie  
10 North and this operation as opposed to guys who had  
11 information on terrorists or other dealings. It probably  
12 goes back before that, though.

13 MR. BARBADORO: I have nothing else.

14 MR. EGGLESTON: Actually, now that I've sat  
15 here for a minute I just have a couple.

## EXAMINATION

16 BY MR. EGGLESTON:

17 Q When you indicated that in the November  
18 meeting you had what was called the mini-Finding and  
19 there was the instruction not to notify Congress, you  
20 indicated in response to Mr. Leon about the hostages and  
21 various reasons. Did you have your own sort of mental  
22 time frame about how long you thought the delay of  
23 notification would last?  
24

25 A No. I think I figured it would have to last

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1 through the hostage negotiation until we got the hostages  
2 out. But, you know, someone accused me in the press of  
3 writing a CYA memo, and in a sense it looks like a CYA  
4 memo. The purpose really in my mind was that if there's  
5 a delay in notifying Congress somebody we'd have to  
6 notify them and I would like to have that as a mental  
7 jogger of what happened, whether it was a month away or  
8 two months away.

9 And I wanted to have that on the record,  
10 because I felt in spite of counsel or whatever that we  
11 had violated the law, and if I didn't get the Finding  
12 signed then I'd have to tell Congress we violated the law  
13 anyway. And with the Finding signed I was quite content  
14 to hold off until it played out.

15 Q Was there any discussion between, I guess,  
16 November or December 5 of '85 and the time you left the  
17 Agency that maybe the time has come to notify Congress,  
18 for example, maybe after the February shipments when no  
19 hostages came out?

20 A No. That wasn't in the forefront of my mind  
21 as I was leaving. The hostages were still, you know,  
22 under wraps, and as far as I knew that operation was  
23 still pattering along.

24 Q Let me ask you a question in a different area  
25 that will be my last question. In your experience, was

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1 this a greater NSC involvement in an operation than you  
2 had seen in your experience?

3 A It was the only NSC involvement in an  
4 operation that I witnessed of this magnitude. Now the  
5 NSC has been involved before in what I would call  
6 diplomatic initiatives on their own quite apart from the  
7 State Department initiatives, but usually when the NSC  
8 undertook something they were trespassing on State  
9 Department turf, not CIA's turf.

10 Q ;But in terms of chartering an aircraft and  
11 moving people around and stuff?

12 A I've never heard of that.

13 Q Did you at the time suggest that it was a  
14 prescription for disaster?

15 A Privately, in my own mind, yes. Again, you  
16 have to come back, and I had no recourse. I did not  
17 think that the Agency was serving the President well with  
18 intelligence on the hostages. Damned if we didn't try,  
19 but I knew that the President was very upset over the  
20 hostage situation and the hostage families would come in  
21 and they'd cry in the Oval Office and they'd pound on his  
22 desk, saying what are you doing for my uncle, cousin,  
23 brother, what have you.

24 And he was also well aware that President  
25 Carter kind of went through this same thing, so he felt

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1 very frustrated that he wasn't accomplishing anything,  
2 and he would look to CIA to help solve this, and we  
3 weren't solving it, and I could see why, you know, the  
4 old saying, somebody do something, and I think State was  
5 energized. They worked the diplomatic loop very heavily.

6 [REDACTED]  
7 [REDACTED] and I think the NSC finally  
8 grabbed the ball and said well, those guys out at the  
9 Agency can't hack it, so we'll do it ourselves.

10 Q One more, and that's to an outside observer it  
11 looks as if there was a meeting on December 10 of '85  
12 where things pretty well seemed to be closed down [REDACTED]

13 [REDACTED]  
14 [REDACTED] but in terms of actually dealing with the  
15 initiative through Ghorbanifar and weapons and everything  
16 it looks pretty dead.

17 I know this is us two years later looking  
18 back. By January 2 there are CIA lawyers drafting  
19 Findings again. And I at least have been unable to come  
20 up with an event that I thought justified the sort of  
21 getting things back on track.

22 A Sure, I'll tell you.

23 Q Was there an event?

24 A No, it's known as the Christmas vacation.

25 People start going away around the 15th of December for

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1 Christmas leave, so you have Christmas and New Year's  
2 off, and then people come back to work. So I think you  
3 had a hiatus in government. You know, the President's  
4 out at the ranch and all like that, so I think it was the  
5 down time over the vacation that looks like no one was  
6 interested.

7 Q So then we get to the New Year and it's time  
8 to get the hostages out?

9 A Yeah, so we're back up. What's first on the  
10 agenda?

11 BY MR. LEON: (Resuming)

12 Q Just a couple quick things that just occur to  
13 me. One is that Neil made the point about and was  
14 discussing with you that the hostages were in crying and  
15 pounding on the desk and whatever you pointed out.

16 Did Mr. Casey ever tell you or did anyone else  
17 ever tell you that there were people suggesting to the  
18 President that he might be better off in making his  
19 decisions on these matters if he didn't get so close to  
20 the families of the hostages so that the emotional  
21 overflow might influence him?

22 A No. Not if I gauge the President and those  
23 who know him. He is very personal and loyal in that  
24 sense, and he does take a great compassion with people  
25 and that's evident just anytime a serviceman is killed,

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1 you know. The President wants to go to their funeral.  
2 You know, he is very moved by that.

3 Q Did you get any sense from Mr. Casey that he  
4 thought the President should distance himself a little  
5 bit emotionally from the families?

6 A No.

7 Q The other thing is this that I'd like to ask  
8 you about, Mr. McMahon. There's an impression out that  
9 that some people have that there is a group of people as  
10 part of a RIG made up of North, [REDACTED] and --

11 A Abrams?

12 Q Yes -- it just slipped out of my mind -- and  
13 that [REDACTED] as the CIA representative on this RIG, was --  
14 that the three of them were acting together to avoid --  
15 going around certain restrictions. This is an impression  
16 that's out there, and that [REDACTED] role in it was to serve  
17 in that capacity in such a way to handle the CIA  
18 dimension of it, vis-a-vis [REDACTED] for example, and  
19 perhaps in other ways.

20 Did you see any evidence to indicate that  
21 [REDACTED] in conducting his position while you were  
22 there, would deal directly with Mr. Casey on the  
23 Nicaraguan-related matters and go around all the levels  
24 between himself and Mr. Casey at CIA in order to act  
25 secretly only with the knowledge of Mr. Casey?

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1           A    No. I think that would be contrary to [REDACTED]  
2           makeup, and I would be surprised if that was the case.  
3           As I said, I had great confidence in [REDACTED] and in  
4           fact was relieved when he took over the Central American  
5           Task Force, because I had a feeling that he would take a  
6           burden off watchdogging that activity.

7                   And it's not because, you know, anyone else  
8           would be dishonest; it's just that when you're running a  
9           paramilitary program or fighting a war and you get caught  
10          up in the momentum of things and you're not always  
11          turning around reading the regs or what have you, but  
12          [REDACTED] is sharp enough to, you know, stay on top of things  
13          like that.

14                   And the RIG is not new. The RIG went back, if  
15          I remember right, Enders was the first one that composed  
16          a meeting of that nature, where he would have the Central  
17          American people and later the DDO. And then that was  
18          followed by Motley, who had the same thing. And they  
19          would at time get <sup>g</sup> action oriented.

20                   And I recall one point in time when I learned  
21          that we had [REDACTED]  
22          [REDACTED] and all those folks coming in there.  
23          And Dewey at the time was representing on the RIG or  
24          whatever they called it before then. And that caught me  
25          by surprise, so I went in to Casey and said, hey, did you

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1 authorize this. And he said no. So I had Dewey up and  
 2 we had some pillow talk together and it turned out that  
 3 the RIG, you know, thought it was a good idea and it was  
 4 permissible within the law for us to do it, but I felt  
 5 that whenever we decide [REDACTED] that  
 6 I'd like to know it.

7 And so we had a fireside chat.

8 Q When would that have been, roughly?

9 A Oh, '83, '84 -- something like that.

10 Q You saw no evidence of Casey dealing directly.  
 11 with [REDACTED] on these matters?

12 A No. Bill worked a lot with Dewey. They were  
 13 very compatible because Casey put a lot of energy into  
 14 the Central American program, but, you know, if I could  
 15 characterize [REDACTED] he tended to stay in channels.  
 16 I think he would have gone more to --

17 Q You mean chain of command?

18 A I think he would have gone more to Clair  
 19 George. Now he certainly had meetings a lot with Casey  
 20 because Casey would call him in, and I have walked into  
 21 the room when [REDACTED] was in there, but there was always  
 22 Clair George or Juchniewicz there. And, as I said, you  
 23 know, I think [REDACTED] a super guy and I had great  
 24 confidence in him.

25 Q And you had no knowledge of meetings between

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1 just Casey, North and [REDACTED] just the three of them  
 2 meeting -- weekends, weeknights?

3 A No.

4 MR. LEON: Thank you, Mr. McMahon.

5 THE WITNESS: Thank you, gentlemen.

6 (Whereupon, at 4:34 p.m., the taking of the  
 7 instant deposition ceased.)

8 \_\_\_\_\_  
 9 Signature of the Witness

10 Subscribed and Sworn to before me this \_\_\_\_\_ day  
 11 of \_\_\_\_\_, 1987.

12 \_\_\_\_\_  
 13 Notary Public

14 My Commission expires: \_\_\_\_\_

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CERTIFICATE OF REPORTER

I, Michal A. Schafer, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by ME; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Michal Ann Schafer  
 NOTARY PUBLIC

My Commission expires: 2/28/90

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DEPOSITION OF JOHN MCMAHON

Wednesday, September 2, 1987

J.S. House of Representatives,  
Select Committee to Investigate Covert  
Arms Transactions with Iran,  
Washington, D.C.

Partially Declassified / Released on 9 Oct 87  
under provisions of E.O. 12356  
by R. Rager, National Security Council

**Committee Hearings**  
of the

**U.S. HOUSE OF REPRESENTATIVES**



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DEPOSITION OF JOHN MCMAHON

5

6

Wednesday, September 2, 1987

7

8

U.S. House of Representatives,

9

Select Committee to Investigate Covert

10

Arms Transactions with Iran,

11

Washington, D.C.

12

13

The Committee met, pursuant to call at 8:30 a.m., in

14

Room 2203, Rayburn House Office Building, with Richard

15

Leon, House Select Committee, presiding.

16

Present: On behalf of House Select Committee:

17

Richard Leon, Diane Dornan, and Pat Carom.<sup>o</sup>

18

On behalf of Senate Select Committee: Paul Barbadoro

19

and Tom Polgar.

20

21

22

23

24

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1 Whereupon,

2 JOHN MCMAHON

3 having been first duly sworn, was called as a witness  
4 herein, and was examined and testified as follows:

5 MR. LEON: Let's go on the record, and we will  
6 introduce everyone for the record. We have our deponent  
7 here, John McMahon. My name is Richard Leon. I am the  
8 Deputy Chief Minority Counsel. Seated to my right, Diane  
9 Dornan, Associate Staff Member for the Minority House Committee

10 Why don't you guys introduce yourself for the  
11 record?

12 MR. BARBARDORO: Paul Barbadoro, Deputy Chief  
13 Counsel of the Senate Select Committee, with me is Tom  
14 Polgar, one of our investigators.

15 MR. LEON: Mr. McMahon, just for the formalities,  
16 let me hand you the subpoena for your appearance today,  
17 and let me note for the record how much we appreciate  
18 your willingness to shuffle your busy schedule to come  
19 across the country and take part in this continuation of  
20 your prior deposition.

21 You have been sworn in as the record, I am sure,  
22 has noted, and we have called you back to follow-up in  
23 some areas of inquiry that had initially been posed to you  
24 during your initial deposition and some new areas of  
25 inquiry that have arisen as a result of the testimony

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1 during the course of the public hearings, some of which  
2 you may have watched on T.V. or heard about or read about  
3 or what have you.

4 THE WITNESS: Right.

5 EXAMINATION ON BEHALF OF HOUSE SELECT COMMITTEE

6 BY MR. LEON:

7 Q I would like to follow up on some of those areas  
8 and amplify on some others. With that introduction,  
9 let me start off with one area that I don't believe we  
10 have ever had an opportunity to discuss with you, and it  
11 did arise during the course of the hearings, and you may  
12 have read about or even heard.

13 That relates to the testimony of Colonel North.  
14 At one point in his testimony, he talked about discussions  
15 between himself and Director Casey with respect to the  
16 possibility of having what I think he referred to as off-the-  
17 shelf covert operations capacities. He described what  
18 they were thinking about in terms of an operation that  
19 would be funded by non-government sources, non U.S.  
20 government sources, and would have the capacity to  
21 selectively conduct covert operations on behalf of the  
22 United States.

23 Did you happen to hear about that testimony  
24 or witness it on T.V. or read about it?

25 A I think I have heard news clips of that, and I also

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1 read accounts of it in the newspaper, but during my tenure  
 2 I saw no evidence of any such arrangement, nor am I  
 3 familiar with any discussions.

4 Casey was very anxious to build a capability  
 5 outside [REDACTED] and what have  
 6 you, but done through [REDACTED] mechanism, but all  
 7 part of the Central Intelligence Agency, nothing on the  
 8 shelf or as described by Colonel North.

9 Q And when you say he had this desire to set up  
 10 that kind of organization, let's say, was it your  
 11 understanding that that would have been an organization  
 12 consistent with the law?

13 A Oh, definitely. The agency for years has what  
 14 I will describe, dabbled, [REDACTED] principally  
 15 because we never had extremely effective mechanism for  
 16 working a [REDACTED] arrangement, though we have tried  
 17 a number of times over it. But under Casey's tenure, he  
 18 began to put some teeth in that.

19 The purpose of this was to have operatives in  
 20 countries when available [REDACTED]

21 [REDACTED]  
 22 [REDACTED]  
 23 [REDACTED] so it was very different re-establishing  
 24 [REDACTED] in a place that we didn't have a mechanism  
 25 already existing there.

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1 Q Now, would the need for something like that or  
2 the perceived need for something like that, Mr. McMahon,  
3 been security-related, [REDACTED]

4 [REDACTED] Would that be --

5 A Yes.

6 Q -- motivated by a need for heightened security  
7 let's say.

8 A Well, I won't say heightened security. The need  
9 was to have available a mechanism to acquire intelligence.

10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED] So we are trying to  
15 always start from scratch to reestablish some intelligence  
16 collection mechanism.

17 Q So in a sense it is sort of a desire not to put  
18 all your eggs in one basket from an intelligence point  
19 of view in a given country.

20 A Correct.

21 Q Would you say that the Director's desire along  
22 those lines, the former Director's desire along those lines  
23 was a reaction or response in part to [REDACTED]  
24 [REDACTED]

25 A I would say so, yes. Definitely.

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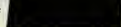


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1 Q Now, I believe that Colonel North in his testimony  
2 relating to this area made reference to the Mossad and this  
3 idea, this proposed idea that he and Casey were supposedly  
4 discussing we have no independent corroboration of it --  
5 was an outgrowth of discussions with and experience with  
6 Mossad.

7 Were you familiar with the Mossad organization  
8 having similar type of operations in any way?

9 A 

10  
11  
12  
13  
14 Q Did you have any knowledge of   
15  having systems by which they could  
16 obtain money, methods by which they would obtain money  
17 aside from their government appropriations   
18 to fund their own covert programs?

19 A 

20 Q Because the explanation, as Colonel North, as  
21 I recall as Colonel North testified to, the idea was the  
22 idea of getting the funds ~~from~~ the sale of the arms to  
23 Iran, and then the residue or the profits from it, using  
24 that to fund covert programs.

25 A Yes. I was not familiar with any mechanism such

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bap

1 as that.

2 Q With respect to the time you were there as the  
3 Deputy Director at the agency, did you see any need

4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED] for a special type of separate, covert

7 action program to assist there?

8 A No.

9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]

18 Q Did you have any reason to think that Director  
19 Casey was frustrated or felt frustrated in any way [REDACTED]  
20 [REDACTED] with legal restrictions  
21 or financial restrictions that Congress was putting on the  
22 agency?

23 A He may have been frustrated at times, but I don't  
24 think over [REDACTED]

25 Q Certainly not enough to warrant the desire to

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1 have some kind of special program with special funding,  
2 for instance?

3 A No, not at all. I didn't think that was necessary.

4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 Q How about [REDACTED] during the  
10 time period you were deputy director. Did you see any  
11 evidence to indicate Director Casey might want to have  
12 some special operations program [REDACTED]  
13 [REDACTED]

14 A We tried to deal [REDACTED] very much up front.  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]

20 Q As I stated before, I don't believe we have  
21 any corroborative evidence of Colonel North's testimony  
22 on this particular point, and what he did relate were  
23 conversations that he had and discussions he had with the  
24 Director apparently one on one in this area.

25 A Casey never related that or even gave a hint to

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1 me that anything like that was fermenting in his mind.

2 Q I guess you have pretty much answered the question  
3 I would ask you, which is does that sound like the kind of  
4 program or programs that he would be interested in trying  
5 to initiate from your experience in dealing with him  
6 now? Granted you didn't have any evidence from him  
7 directly or any conduct that indicated that.

8 A No. I saw no evidence of that, Richard.

9 Q Let me move to a little bit different area here;  
10 that is, spend a little bit of time on your relationship  
11 when you were the Deputy Director, your relationship  
12 with the Director and what you perceived to be the  
13 relationship of other people with Director Casey during  
14 this time.

15 First of all, with respect to the conducting  
16 of your office as the Deputy Director, was your working  
17 relationship with the Director such that you were in  
18 regular contact with him on almost a daily basis?

19 A Definitely.

20 Q Would you say you had almost had free access to  
21 see him whenever you had needed to see him?

22 A We had just a single door separating our office  
23 and that swung in both directions many times during the  
24 course of a day.

25 Q And in divying up your responsibilities between

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1 yourself and him, was your scope of jurisdiction, for lack  
2 of a better word, agency-wide or was it restricted to  
3 certain component parts of the agency?

4 A Agency-wide and community-wide.

5 Q And community-wide. Okay. Were there any, during  
6 your tenure there as Deputy Director, were there any  
7 sections or projects under the umbrella of the agency  
8 that the Director took on for himself alone to deal with  
9 exclusively?

10 A I would say one stands out. He didn't do it  
11 exclusively. I was certainly knowledgeable what he was  
12 doing, but he tried to work

13 [REDACTED]  
14 and we assigned an officer specifically to work  
15 that account.  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]

19 Q For intelligence-gathering purposes?

20 A For intelligence collection purposes. And when  
21 Casey got this role in and it looked like there was  
22 something to it, we then took that officer and assigned  
23 him under the [REDACTED] office in the agency so  
24 that there was adequate day-to-day supervision. It was  
25 kind of Casey throwing out the possible opportunities, and

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1 then this officer following up on them. And then it was  
2 tucked into the fold. But since Casey had [REDACTED]  
3 you know, I was useless. So Casey worked that himself.

4 Q Would he from time to time discuss with you new  
5 possibilities in that area?

6 A No. But often when he would talk to the officer  
7 involved, I would sit in on it.

8 Q I see.

9 A So he wasn't trying to exclude me. It was just  
10 that I wasn't very helpful in working on it. I can't think  
11 of any other project where I would say it was really  
12 Casey's to the exclusion of me. I just don't think it  
13 existed.

14 Q Were there any areas substantively that there  
15 was an unofficial understanding between the two of you  
16 that he would pursue, besides the one you have just  
17 described, that he would pursue without checking with  
18 you or bringing you up to date on but would deal directly  
19 with the personnel in the agency at a lower level than you?

20 A He did that all the time. Often he would call  
21 an officer or an analyst directly, but it wasn't an  
22 exclusion. It was just that he wanted an answer or  
23 wanted to find out what was going on.

24 Q Short circuit the chain of command so to speak.

25 A Sure.

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1 Q It wasn't uncommon for him to, if he was interested  
2 in something, to go right to, for example [REDACTED] in  
3 the Central American area?

4 A Right or talk to an analyst or talk to an NIO,  
5 or, you know, to go get an answer.

6 Q Now, with regard to, let's say, Central America  
7 in general and the Latin American Division, there, was  
8 it your experience that you were being kept up to date on  
9 the developments in those areas vis-a-vis the Latin  
10 American Division, the Central American Task Force?

11 A I think so. If I wasn't up to date, it was my  
12 deficiency, not the mechanism's deficiency.

13 Q Did you have any instances that you can recall  
14 where new projects were being undertaken or new policies  
15 were being initiated in those areas at the direction of  
16 or suggestion of Director Casey and you were not being  
17 informed about it or you were not being told about?

18 A No. The only occasion of that nature that I  
19 recall was [REDACTED]  
20 which was permissible. It was legal.

21 Q Roughly when would that have been?

22 A Oh, I would probably say it was in the 1983-1984  
23 time frame. And the direction for that came out of what you  
24 now know is the RIG, the Central American Interagency Group.

25 Q Was [REDACTED] sitting on that at the time?

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13

bap-  
1           A    No. Dewey Clarridge was sitting on that. I went  
2 in and asked Casey if he was aware of that, and he said  
3 no. So I called Dewey up and sort of alluded to him  
4 that RIG wasn't running CIA; that Casey  
5 and I were -- that [REDACTED]  
6 unless we knew about it.

7           Q    Did that get straightened out?

8           A    I think so.

9           Q    There were no instances of that that you know of?

10          A    Not that I am aware of.

11          Q    When you brought that to the Director's attention  
12 did he back you completely on that?

13          A    Oh, yes. The Director never challenged me if  
14 I went to him and said I don't think we ought to do that,  
15 or we are missing the boat here. He was always very very  
16 supportive.

17          Q    Was he supportive of the idea of chain of  
18 command within the agency as a general rule?

19          A    I don't think he was a disciple of the chain of  
20 command. He went to where the answer was and he relied on  
21 the person that he was talking to to make sure that the  
22 chain of command was duly informed.

23          Q    But in terms of getting the proper authorizations,  
24 he was in favor of the senior level people who were  
25 empowered to make those decisions to actually make them.

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1           A     He wouldn't exclude them, no. But I mean again  
2 if he wanted an answer or wanted to cause something to  
3 happen, he would go to where the action was to cause that  
4 to happen.

5           Q     How about the other way around? Would he  
6 expect--if he wasn't the initiator of the action, let's  
7 say, would he expect those below him to follow the chain  
8 of command to insure those above them, who had the  
9 authority, actually exercised it?

10          A     I would think so, but I wouldn't say that was  
11 very high on his list of things that he ought to worry  
12 about.

13          Q     You were more concerned with that as the Deputy  
14 Director?

15          A     Indeed I was.

16          Q     In those instances where you thought the chain  
17 wasn't being complied with and brought it to his attention,  
18 he backed you on that?

19          A     I don't think I ever approached it in that  
20 context. I always made sure that if I knew something that  
21 the individual involved, like a deputy director, would  
22 know about it. But it wasn't a big deal.

23          Q     It wasn't a big deal. Now, how about with  
24 respect to covert actions in general? I believe you have  
25 testified -- and correct me if I am wrong -- that you

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1 might personally not have been as inclined toward covert  
2 action as other people might have been in the agency  
3 and indeed, maybe even the Director, himself. Would that  
4 be a fair statement?

5 A I think that is a fair statement, but I think  
6 you have to appreciate where I was coming from on covert  
7 actions. I felt that the agency activities had to be  
8 complementary or supplemental to a policy. It had to work  
9 within that policy. You just couldn't have it hanging  
10 off to the side by itself.

11 Further, that there is a limit to what the  
12 agency could do, and I did not want to undertake covert  
13 actions for the sake of covert actions to give the feeling  
14 that you are doing something. If it didn't have a chance  
15 for success, then I didn't think it was worth a candle.  
16 And in the case of Central America, which is probably  
17 where a lot of folks would say I was wimpish, I felt that  
18 the South, the Central American covert action got too big  
19 for us. It began to exceed what I felt was our control of  
20 the situation, and it was also so open that I felt if  
21 this is the U.S. policy, and we are supporting it, then  
22 let's go in and do it right.

23 Don't try to do it through contras or anything  
24 else.

25 Q Did you sense that your desire to curtail covert

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1 action by the agency in Central America created a  
2 friction between yourself and the Director as to the  
3 conducting of the --

4 A Not a friction, but once he asked me to go [REDACTED]  
5 [REDACTED] with him just so I could see first  
6 hand the threats down there, which I did. But I didn't  
7 come away, you know, changing my mind as to what ought to  
8 be done down there. I think the U.S. has to take action in  
9 Central America. We can't let Nicaragua proceed the way  
10 it is proceeding.

11 But I don't think the answer is try to hang a  
12 monkey on CIA and say go solve this with some contras.

13 Q Did you find any instances where your desire  
14 to curtail covert action resulted in the Director's  
15 sponsoring or initiation of covert action behind your  
16 back without your knowledge?

17 A No. I never saw any evidence of that.

18 Q Did you find or have any experience or find any  
19 evidence to indicate that your differences of opinions with  
20 regard to the need for and the use of covert action resulted  
21 in him dealing directly more frequently with, let's say,  
22 Clair George, let's say, for example, with regard to covert  
23 action, cutting you out so to speak?

24 A No. I never felt cut out of anything. If I wasn't  
25 into something up to my arm pits, it is because I decided

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17

1 not to lay into it.

2 Q With regard to the dealings between -- to the  
3 extent we know about them -- dealings between Colonel  
4 North and Director Casey there has been lots of testimony --  
5 you might have read about some, heard some other on the  
6 T.V., radio, of meetings, regular meetings between  
7 Director Casey and Colonel North.

8 I believe you even testified in your last  
9 deposition that you aren't aware that they were having  
10 any kind of regular meetings whatsoever.

11 A That is right.

12 Q Assuming that they were having these kinds of  
13 meetings, and since you weren't aware of them, is there  
14 any explanation you can think of as to why it would be  
15 that the Director would have not brought you up to speed  
16 on that or kept you informed of his meetings with Colonel  
17 North?

18 A My opinion, having learned what I have read in  
19 the papers and the testimony, is that the Director was  
20 not operating as Director of Central Intelligence, but he  
21 was operating as an individual who knew where the power  
22 and money was in the United States.

23 Q When he dealt with Colonel North?

24 A When he dealt with Colonel North and where  
25 Colonel North, in his efforts to raise money for the

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bap-18

18

1       contras privately could go to hit these people up. Casey  
2       knew, you know, everybody in the United States. He was a  
3       source of knowledge. And I would say that if he had all  
4       these meetings that it was probably in that context. It  
5       was not as an official of CIA, but as a guy who knows where  
6       money is in the United States.

7               Q     Now, what you just stated is assumption on your  
8       part.

9               A     That is right.

10              Q     It is not based on any knowledge that you have  
11       per se.

12              A     No, no. In fact, if I can recall right,  
13       Richard, I only remember seeing North's name on the  
14       Director's schedule once in the four years that I was there  
15       as deputy director. And if he did have those meetings,  
16       he had them when he was down EOB. They were not on his  
17       schedule. He walked in and dropped in on him.

18              Q     How about Saturday meetings? Were there some  
19       Saturdays that you were in the office and the Director was  
20       also in his office?

21              A     Yes, but Colonel North wasn't there.

22              Q     Okay.

23              A     No. It could be very easy for the Director to  
24       see North because the Director had an office in EOB.

25       All he had to do was walk down the hall.

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1 Q Exactly. So it would be your expectation or  
2 surmise that when Casey was dealing with North it was not  
3 with his Director's hat on, but more of a private citizen  
4 type hat on?

5 A I believe so.

6 Q How would you think Director Casey would  
7 rectify his desire to scrupulously abide by the law, the  
8 Boland Amendment and other laws that may apply in his  
9 dealing with Colonel North with regard to Nicaragua?

10 Do you think he would be uneasy about that?

11 A I don't know how to answer that. I do have  
12 total confidence that Casey was a very shrewd lawyer, and  
13 he would never put himself in the position where he  
14 would be cross-wise with the law. He might nudge it and  
15 push it and stretch it as far as he could --

16 Q Without <sup>e</sup>breaking it?

17 A But not break it.

18 Q Was it always your sense in dealing with him  
19 that he wanted the agency at all times to stay within the  
20 boundaries of the law?

21 A I never saw any indication that he wanted  
22 anything else but that.

23 Q Now, there has been, if I could move to a different  
24 topic area, there has been some testimony, there have been  
25 some stories, suggesting that the agency at different points

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1 in time under Director Casey's tenure as Director and  
2 under tenure as Deputy Director, was engaged in cooking  
3 up intelligence is one way to put it. That is kind of  
4 a slang way of putting it. Another way would be modifying  
5 or adjusting intelligence information in order to achieve  
6 certain results. These accusations come up in terms of  
7 modifying intelligence in order to fit policy objectives.

8 I wanted to ask you a few questions in that  
9 area with respect to your experience at the agency in  
10 evaluating the intelligence work of those under you.

11 First of all, during your term as Deputy Director, did  
12 you have occasion to learn that intelligence produced  
13 by those under you was in any way misstated in order to  
14 accomplish some form of a policy objective?

15 A None whatsoever, and I just don't see that  
16 happening in CIA. If one appreciates how an analyst works,  
17 there is a certain arrogance and pride in their analysis  
18 and they are very independent people. They will argue  
19 with each other as to their position. They would argue  
20 with Casey. They would argue with anyone that disagreed  
21 with them. And if you look at the intelligence process  
22 and how finished intelligence is ground out, there is  
23 never a uniform agreement that, boy, this is the perfect  
24 way to say that.

25 A lot of it is a compromise analysis.

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1 Q It is rarely black and white.

2 A It is rarely black and white, and that is the  
3 beauty of an analysis, because if you had all the facts,  
4 then you wouldn't need the analysis. And there were some  
5 notable cases that I think demonstrate the problem.

6 One came from [REDACTED] National intelligence  
7 estimate. You must remember that this is all members of  
8 the intelligence community, not just CIA.

9 Q Would you state for the record some of the  
10 other members of the intelligence community?

11 A Sure. Intelligence community is composed of  
12 INR from the Department of State, DIA from Defense,  
13 the Army, Navy, Air Force intelligence organization.

14 Q [REDACTED]

15 A [REDACTED] the FBI and  
16 the intelligence part of the Department of Energy, the  
17 Department of Commerce and they sit and deliberate on  
18 drafts that have been pulled together by the National  
19 Intelligence Officer with representatives from all of  
20 those organizations contributing to the piece or passing  
21 upon the drafts.

22 In the case of [REDACTED] draft, the NIO who  
23 left the agency apparently in somewhat disagreement, went  
24 public and made a statement that Casey was cooking a  
25 [REDACTED] estimate. And the House Permanent Select Committee

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1 decided to look at that, and--

2 Q Intelligence Committee?

3 A Right, Intelligence Committee. And they came  
4 in and they looked at the fact that we had -- there were  
5 five drafts within the NIO process before it even got  
6 to Casey and myself. So there was great disagreement  
7 within the community to start with. Then when we went to  
8 the National Foreign Intelligence Board where all the  
9 principals of those agencies I cited earlier were  
10 located, there was disagreement there and we had what is  
11 a very rare occasion, two meetings of the board on that one  
12 subject.

13 So there was still disagreement on it and finally  
14 it was published, and everyone agreed to the publication.  
15 And the HPSCI said as far as they were concerned this  
16 was clean as a hound's tooth as far as trying to cook  
17 the intelligence. So I just think that was a bum rap.  
18 I also took some umbrage at George Shultz' comments on  
19 intelligence.

20 The agency just doesn't cook intelligence.  
21 Now Casey may have his own opinions, and he is very forceful  
22 in challenging analysts on that, but you have to remember  
23 that opinion didn't necessarily come from policy. It  
24 came from friends and people who have knowledge in those  
25 countries, who operate in those countries, businessmen

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1 who write Casey personal letters and say, "Hey, Bill,  
2 you ought to look into what is happening here." So  
3 he generated a lot of ideas out of this personal flow  
4 of mail coming into him.

5 Q So in a sense, correct me if I am wrong, when  
6 the Director would read an analytical evaluation of  
7 intelligence, when he would read it, he would be passing  
8 it through the prism of his own experiences and his  
9 special sources of intelligence --

10 A Right.

11 Q --that he would bring to bear to it and that  
12 might result in him having a conflicting analysis of the  
13 same facts.

14 A Right, right.

15 Q In those instances where that would happen,  
16 however, would he force or direct them to change their  
17 analysis of those facts?

18 A No. What we would do is put in the famous  
19 footnotes that you see in the National Intelligence  
20 Estimates or we would put it some feel -- others say or  
21 on the other hand this is a possibility, so that people  
22 reading the intelligence estimate realized that there  
23 isn't a single viewpoint; that others have some disagreement  
24 or another opinion.

25 Q Were there any instances that you can think back

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1 to, Mr. McMahon, where Director Casey's feelings or  
2 analysis of facts were so well known ahead of time that  
3 the intelligence analysts there were tailoring their  
4 opinions in order to please their boss, so to speak?

5 A No, I don't think so. I think there was  
6 enough discussion and arguments that would suggest that no  
7 one was intimidated by Casey's opinion.

8 Q And he welcomed the free flow?

9 A He welcomed it. He loved it. He was like a  
10 fire horse going hearing the bell. He liked to have a good,  
11 animated discussion.

12 Q So there was a free flow of ideas with regard  
13 to an analysis of intelligence while you were there under  
14 him?

15 A Yes, definitely. And we wouldn't have it any  
16 other way. I think I would be derelict in my duty if I let  
17 it happen any other way.

18 Q It certainly is in the Jesuitical tradition, isn't  
19 it?

20 A Correct.

21 Q Let me be a little more specific on this, having  
22 talked about it in general now. With regard to Iran  
23 intelligence, there has been some suggestion in the  
24 testimony of some, perhaps Secretary Shultz, one would  
25 say, and others, that the agency's intelligence reports

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1 with regard to Iran that were being provided to the NSC,  
2 the President, were being skewed or misstated in some way  
3 in order to encourage the arms initiative with Iran or to  
4 bolster the arms initiative with Iran, which Director  
5 Casey was in favor of as opposed to Secretaries Shultz  
6 and Weinberger. Did you see any evidence to indicate  
7 that the agency's intelligence with regard to Iran  
8 during that time period, '85 and early '86, was being  
9 tailored in any way in order to support the arms  
10 initiative?

11 A No, and I don't think the record will substantiate  
12 that statement. I think we knew Iran for what it was.  
13 We knew that they were terrorists. Casey made speeches  
14 in '85 and '86 about Iran as a terrorist organization,  
15 public speeches how they were sponsoring terrorism as  
16 a country. I think the thought of moderates in Iran  
17 probably was prompted by the Israelies and not by us.

18 If there were any in the agency who thought they  
19 were moderates, it was because they adopted that INTEL  
20 coming in. But I don't think many people in the agency  
21 thought Iran was anything but trouble, and I certainly  
22 spoke to that fact, and I thought I was representing Casey  
23 as well as the agency. The document that causes the biggest  
24 trouble was kind of a think piece that Graham Fuller put  
25 out.

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1 Q Was that in '85?


2 A That was in '85. And he was expressing concern  
3 about the U.S. having no leverage in Iran whatsoever  
4 and he felt with the passing of Khomeini the only influence  
5 in Iran would come from the Soviets; that they were  
6 in far better position than certainly we were. But he  
7 also thought that it would be different for the U.S.  
8 to do anything there and suggested that we encourage our  
9 Western allies to try and develop a dialogue  
10 with Iran.

11 That was typical of Graham. He would kind of  
12 reach out trying to think of things that were really  
13 the unthinkable. I thought that he was ahead of his time  
14 with it. What probably caused the trouble is Casey was  
15 enamored with this thought and floated it down to the  
16 NSC and to State and I hope that is what George Shultz  
17 was talking about, because I can't think of anything  
18 else that would skew it.

19 Q How about with regard to the Iran/Iraq war?  
20 Were you aware of any instances where the status of the  
21 war between those two countries as to who was winning or  
22 who was in a more favorable position was being shaded in  
23 any way in order to influence how we would deal with Iran?

24 A No.

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Q And certainly there was no evidence to indicate that we were misstating our intelligence or shading our analysis.

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A It wouldn't happen. That is just so god-damn outrageous I can't stand it. That is just so damn false and I think George Shultz got away with murder on that one. In fact, I asked the Director why the hell he didn't challenge Shultz on that. He said --

21

Q Director Webster?

22

23

24

A Yes. He said he asked Shultz to point out where is the case of this happening. And I guess he hasn't heard from Shultz yet.

25

Q Well, we will all be looking forward to hearing

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1 the response, I'm sure. How about shifting to the other  
2 point in the globe that this committee has been focusing  
3 on in the area of Nicaragua, Central America? Were there  
4 instances, if you can recall any, during your tenure as  
5 Deputy Director where you were concerned about the  
6 accuracies and the fairness of the intelligence analysis  
7 that was being provided by the agency to the NSC and the  
8 President about events down in Nicaragua and Central  
9 America?

end bap

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otson/drg  
ake #2  
:30 a.m.

1 THE WITNESS: No, because I don't think it mattered what was  
2 going on there. There was enough acquired through the  
3 embassy and people who traveled there that events in  
4 Nicaragua, you know, weren't very much of a secret, and  
5 whether the contras were doing things or not doing things  
6 didn't matter.

7 What did matter was the fact we knew the Soviets  
8 were sending in a great deal of supplies through East  
9 European countries and through the Cubans, and that we knew  
10 for sure. And we could see the hardware end up on the  
11 ground. So the fact the Soviets were building up in  
12 Nicaragua was no big secret. And the political nuances,  
13 saying what to whom in Nicaragua, really didn't matter.

14 BY MR. LEON:

15 Q You weren't aware of any instances where we  
16 falsified any intelligence or purposely skewed our intelli-  
17 gence in order to get greater congressional support, let's  
18 say, for funding for the contras or anything along those  
19 lines?

20 A No. In fact, there was so much debate on both sides,  
21 we had a hard enough time competing with the flow of news on  
22 the evils of what the contras were doing. We were putting  
23 out brush fires, saying the contras weren't murdering little  
24 children and things like that. There was a war going on,  
25 and obviously you have events you wouldn't be proud of.

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drg-2

1 There was not a policy, there was not an intent to the  
2 contras movement.

3 Q There have been allegations with regard to  
4 intelligence misstatements regarding troop strength. Were  
5 you aware of any instances while you were there where the  
6 troop strength of the Sandinistas were being exaggerated  
7 or vice versa, the contras were being exaggerated, in order  
8 to get more funding out of Congress or for any other objec-  
9 tive to support the policy of the administration?

10 A No. I think we had a pretty good handle on those  
11 under arms in active military in Nicaragua, and we always  
12 pegged that around [REDACTED] category. Where the numbers  
13 might have been a little softer is in the militia, which we  
14 also said was around [REDACTED]

15 But there was never any intent to cook the numbers  
16 at all. We didn't have to. We didn't have to. We were  
17 dealing with really, in the initial times, a handful of  
18 contras.

19 Q Part of the reason I ask about these things is  
20 because there are impressions people form out there, and the  
21 accuracy of them is important to debunk them if they are not  
22 accurate, that the people in the agency serving under  
23 Director Casey in the lower levels in the intelligence  
24 gathering and analysis area knew he felt strongly to be in  
25 favor of the contra movement and policies of the

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drg-3

1 administration to support the contras, and there is this  
2 theory in some quarters out there, because they knew that  
3 they adjusted or tailored their intelligence analysis and  
4 intelligence reporting in order to give him the ammunition,  
5 so to speak, to work the administration's will on Capitol  
6 Hill; and if I understand you correctly, you are saying there  
7 was no evidence you are aware of?

8 A There is no way. In fact, if you held a lot of  
9 those analysts up by the heels, I bet you would find more of  
10 them against the contra program than for it. There is no  
11 way they are going to serve Casey something on a platter for  
12 him to use that way.

13 And also you must bear in mind we prepared a number  
14 of national intelligence estimates and special estimates on  
15 Central America, and that included community participation,  
16 including the Department of State. So if there is any  
17 cooking involved, I think you have to lay it at everyone's  
18 door-steps, not Casey's or CIA's. It included the Department  
19 of State.

20 Q Let me move to a different area, if I could, that  
21 relates to the much-discussed and sometimes much mythified  
22 area of mining of the harbors in Nicaragua and the degree to  
23 which the agency notified the appropriate committees in  
24 Congress with regard to that mining of those harbors.

25 There has been testimony during the hearings that

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drg-4

1 you may be familiar with, you may have observed, regarding  
2 this notice question, and some questions have arisen with  
3 regard to it, and I wanted to ask you some questions in that  
4 area. You were Deputy Director, were you not, during that  
5 time period --

6 A Indeed.

7 Q -- prior to and during the incidents in question?

8 A Right.

9 Q During the questioning of Mr. McFarlane, I believe,  
10 there was some reference by Congressman Hyde to the state-  
11 ments reported in the papers of various members of the com-  
12 mittees with regard to the degree to which they were noti-  
13 fied.

14 I would like to point a few of those out to you  
15 and get your reaction to them, if I could.

16 A Okay.

17 Q There was a, apparently there were meetings on  
18 March 8 and March 13 of 1985, prior to the mining of the  
19 harbors -- 1984, excuse me, 1984 -- with the Intelligence  
20 Committees, and there was some dispute as to the extent to  
21 which the Senators and Congressmen felt they had been  
22 notified adequately.

23 Patrick Leahy of Vermont at one point, for example,  
24 contended that he was fully informed with regard to the  
25 mining of the harbors. He said that many others were also

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1 fully informed and that they voted for the covert aid in the  
2 Senate, but because of the public outcry against the mining,  
3 switched their position later on.

4 By contrast, Senator Moynihan claimed that he  
5 hadn't been adequately notified with regard to the mining of  
6 the harbors, that the references to that as a proposed covert  
7 action were minimal during the time period. Senator Biden,  
8 who was present during the various briefings, as was pointed  
9 out in an article in the Washington Post, stated that he had  
10 his committee staff on April 3 look for further information,  
11 and his staff gave him a lengthy briefing with regard to the  
12 CIA initiative.

13 Chairman Boland, Chairman of the House Intelligence  
14 Committee, was reported as saying the CIA had informed his  
15 group on January 31 about the mining, and he had no complaints  
16 about the CIA requirements even though he opposes the covert  
17 aid. There has been a difference of opinion reported as to  
18 the extent to which there is adequate notice.

19 Let me ask you, as someone who was involved in  
20 the notice process, can you give us a little background on  
21 it?

22 A I was not personally involved in any of the hearings  
23 where this was discussed, but we did brief the HPSCI on  
24 the 31st of January. We tried to get to the Senate, but  
25 for some reason the Select Committee couldn't meet right

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drg-6

1 away. I think it was on the 16th of February we mentioned  
 2 that we wanted to brief the Senate, and they picked February  
 3 20 as a date for us to come down and brief them. They then  
 4 changed that to the 28th, because they wanted to bring  
 5 Shultz in and have him discuss Central American policy so  
 6 that the [REDACTED]

7 [REDACTED]  
 8 Then at the last minute, Shultz couldn't make it,  
 9 and so March 8 was then picked as the date, and on March 8,  
 10 Casey and Shultz went down. Casey gave kind of an order of  
 11 battle, here is what is going on in Nicaragua, [REDACTED]  
 12 [REDACTED] mining the harbors at Puerto Cabezas,  
 13 Punto Huete, and one other one, I forget. If I am not mis-  
 14 taken, a notice was also issued by the FDN to all mariners,  
 15 it is a public notice, saying we mine these harbors. I can't  
 16 attest to that, but I was told the FDN did that.

17 Pat Leahy said, "I don't like this mining, I want  
 18 to hear more about it." So some of our [REDACTED] people went  
 19 down and briefed Senator Leahy [REDACTED]

20 [REDACTED]  
 21 [REDACTED]  
 22 [REDACTED]  
 23 [REDACTED] No one thought they could actually  
 24 sink a ship.

25 On March 11, we heard from the Appropriations

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35

1 Committee in the Senate saying our colleagues tell us [REDACTED]  
 2 [REDACTED] come tell us about it. So the agency  
 3 sent some information down to brief the Appropriations  
 4 Committee, and, if I am not mistaken, if my memory serves  
 5 me right, there were 13 Senators of the Appropriations Com-  
 6 mittee at that briefing, and that took place on the 12th.

7 On the 13th, Casey was back to the Senate Select  
 8 Committee and said --

9 Q On Intelligence?

10 A Intelligence. -- and said "I want to remind you  
 11 [REDACTED] mining the harbors", and went through that again.  
 12 Still not a word. We then, on March 28, got a letter from  
 13 Senator Pell in Foreign Relations saying, "Tell me about this  
 14 mining", so we prepared a written response, sent it to  
 15 Senator Pell through Barry Goldwater, who was then Chairman  
 16 of the Senate Select Committee on Intelligence. Not much  
 17 happened until the latter part of the first week, in April,  
 18 when there was a great deal of furor in the press, which  
 19 generated in Europe, about the mining of the harbors, was  
 20 picked up by the Post and Times here and a lot of noise,  
 21 and suddenly amnesia struck Capitol Hill, no one remembered  
 22 hearing about the mining.

23 Barry Goldwater sent a letter to Casey telling  
 24 him he was pissed. When I got this letter, I went in to  
 25 Casey and said, "What the hell is he talking about, where

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1 has he been for the last two months?" So we called down to  
2 see Barry Goldwater, and he had left to go to Taiwan.

3 So we went down to see Pat Moynihan, who was  
4 then Vice Chairman. It was a Friday afternoon, we had a  
5 meeting, I think, scheduled at 6:15. We got in there, and  
6 we were held up, we were told Pat had press in his office.  
7 So after about 15 minutes, they left, and we went in. We  
8 said to Pat, you know, "We are just amazed about this letter  
9 from Barry Goldwater." He said, "Well, you know, that's  
10 how it goes," and he spoke about trust, and we talked about  
11 everything else.

12 We found out on Sunday that while we sat outside  
13 Pat Moynihan's office is when he had the press in to  
14 resign as Vice Chairman, because he hadn't heard about the  
15 mining.

16 Q He didn't tell you that when you came in right  
17 afterwards?

18 A No.

19 Q Did he --

20 A Then when Barry Goldwater came back, Casey con-  
21 fronted him at a hearing, and Barry -- and Casey showed him  
22 then the transcript from the hearings on the 8th and on the  
23 13th of March, and Barry said, "You know, I don't know, I  
24 just don't remember." And it's my understanding that Barry  
25 wanted to send a letter of apology to the agency but was

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1 urged not to do so -- because the Senate apologizes to no  
2 one.

3 Q So as far as you know, based on your first-hand  
4 experience and based on your studying of the records as you  
5 had them back then, the House and the Senate were both in-  
6 formed before any mining took place and while it was taking  
7 place.

8 A You said a key word. I can't say if it was before,  
9 but our intent was to notify them as soon as [REDACTED]

10 [REDACTED] When the mines first hit the water and when we  
11 got around talking to the Senate, I just don't recall.

12 Q But certainly contemporaneous with it.

13 A Right. The intent was to tell them, and so, you  
14 know, it wasn't an issue as far as we were concerned until  
15 all the noise happened.

16 MS. DORNAN: Do you have any complaints from the  
17 House side about not being informed?

18 THE WITNESS: None whatsoever. The House kind of  
19 chided the Senate a bit, and I think that exacerbated the  
20 situation somewhat.

21 I will give you another piece of hearsay. You are  
22 probably in a better position to check the record than I.  
23 But I understand during the first week in April the Senate  
24 Select Committee on Intelligence was asked to vote upon a  
25 resolution or a proposal introduced by a Senator regarding

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1 Central America, and they voted against it 14 to 1, and the  
2 one who voted for it, or against it, and I don't know how  
3 the resolution was phrased, it is like those voting state-  
4 ments, the one who voted against it was Pat Leahy, because  
5 he said he didn't like the mining.

6 So the rest of the committee voted for it in spite  
7 of the fact they knew about the mining. That's hearsay.  
8 You will have to check that yourselves.

9 But as far as I am concerned, there was no intent  
10 by the agency to keep the mining of the harbors from the com-  
11 mittees. We did everything we possibly could to tell them  
12 about it and tell them about it in a timely fashion.

13 BY MR. LEON:

14 Q In fact, you did tell them about it.

15 A In fact, we did tell them about it.

16 Q Both House and Senate?

17 A Right.

18 Q And the Director was personally involved in doing  
19 it.

20 A The Director personally was involved.

21 Q When you went in to see Senator Moynihan after the  
22 press left that day in early April, did he criticize you  
23 personally -- not you personally, but the agency?

24 A No. The only word I remember him saying -- now,  
25 in retrospect, we should have followed up on it -- he said,

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1 "It's always an element of trust" or "There's always a great  
2 deal of trust involved", something like that. But he gave  
3 us no indication that he was resigning or that he was  
4 particularly ticked off about anything.

5 Q It is interesting to note that on April 17, 1984,  
6 the Washington Post ran an editorial relating to Senator  
7 Moynihan's announced resigning ~~from~~ the Intelligence Com-  
8 mittee in which it discussed his doing that, and I will  
9 read a portion of that to you here. "When a month ago the  
10 Central Intelligence Agency briefed the Senate Select Com-  
11 mittee on harboring mining operations in Nicaragua, Senator  
12 Daniel Patrick Moynihan was snoozing or otherwise occupied,  
13 and the significance of the briefing sped past him unobserved.  
14 Now, in a characteristic piece of stagecraft, the Senator  
15 has resigned as Vice Chairman of the Committee to make a  
16 point, as he puts it. What point? That during briefings on  
17 important espionage operations, members of the Select Com-  
18 mittee on Intelligence ought to stay awake? No, this is  
19 not Senator Moynihan's point exactly. His point is that the  
20 Committee was not properly briefed.

21 "If that is so, shall we examine the facts then?  
22 Let's. CIA Director William Casey met with the Committee  
23 last month, on March 8 and 13, to be precise. At both  
24 meetings transcripts show Mr. Casey mentioned the harbor  
25 mining operation. 'Yes', complained Senator Moynihan, 'but

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1 Mr. Casey was too brief, ' encapsulating the mining operation  
 2 in a single sentence of only 27 words. All right, Mr.  
 3 Casey might have been more expansive, but then Mr. Moynihan  
 4 might have been more inquisitive, as inquisitive as Senator  
 5 Biden, Jr., the Delaware Democrat.

6 "Intrigued, Senator Biden asked his staff committee  
 7 to find out what was going on. The staff, brought up to  
 8 speed by the CIA, briefed Senator Biden in detail. Senator  
 9 Biden shared this information with other Senators, though  
 10 not for some reason with Senator Moynihan.

11 "We put it to you: Does this suggest the CIA was  
 12 holding back information? Or does it suggest instead that  
 13 Senator Moynihan, entrusted with oversight of the CIA,  
 14 performed this important duty indifferently, missed out on a  
 15 telling disclosure, found himself looking rather foolish,  
 16 and so resigned his semi-exalted office to save face?"

17 That is an editorial from the Washington Post about  
 18 the CIA's involvement there.

19 A I thought we were very straightforward with them.

20 Q I bring that up because this is one of those myths  
 21 that continues to endure.

22 A Yes.

23 Q And you were one of the people during that very  
 24 time period who was privy to what was going on, and it is  
 25 important that the record reflects what accurately took place

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1 and what the agency's intent and desire and actions were to  
2 ensure that Congress was properly notified.

3 A Right.

4 Q Is there anything else on that subject you would  
5 want to add at this point before I move on to something  
6 else?

7 A No, I think that wraps it up as far as I know.

8 MR. BARBADORO: Before you go on, I want to put on  
9 the record, I don't intend to ask Mr. McMahon any questions  
10 about this area, but I would like, and I am sure you wouldn't  
11 object since this portion of the questioning tends to be  
12 critical of Senator Moynihan, particularly the reading of  
13 that editorial, that I would like, after the deposition is  
14 transcribed, to make this portion of it available to Senator  
15 Moynihan and give him an opportunity to respond if he so  
16 desires before we make public use of the deposition.

17 MR. LEON: I have no control over that, Paul.

18 MR. BARBADORO: You wouldn't object if I did that?

19 MR. LEON: I would have to refer you to whatever  
20 the rules are of the House Committee, because I am not even  
21 certain what they are.

22 MR. BARBADORO: Assuming that the rules don't  
23 prohibit it, that is what I intend to do.

24 MR. LEON: Yes, assuming the rules don't prohibit  
25 it, I would have no problem. I would note for the record

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1 that which I read just now is an excerpt from the printed  
 2 records of our hearings, and it was read into the record  
 3 during the hearings, the public sessions of the questioning  
 4 of Mr. McFarlane.

5 MR. BARBADORO: I understand. I am not suggesting  
 6 you made it up. I want to give Senator Moynihan an opportuni-  
 7 ty to respond to something that tends to be critical of him  
 8 before we disclose the deposition to the public.

9 MR. LEON: When would he respond? Not in a deposi-  
 10 tion.

11 MR. BARBADORO: I will leave it at that.

12 MR. LEON: Like I say, I am prepared to abide by  
 13 whatever the rules are. I have no control over that. If  
 14 the rules of the committee permit him to see a deposition of  
 15 this committee that is classified, code word, whatever, and  
 16 the committee so votes that he is entitled to do so, then  
 17 that is the will of the committee.

18 BY MR. LEON:

19 Q One last topic I would like to ask you a few  
 20 questions on, Mr. McMahon, before I turn it over to my  
 21 colleague, Ms. Dornan, is the area of [REDACTED] I  
 22 just wanted to follow up on a few things there with regard  
 23 to the trip that you -- you took one trip I believe, one  
 24 trip [REDACTED] during this timeframe, and there was  
 25 also a trip by Mr. Clarridge [REDACTED] I wanted to

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1 ask you a few questions in that area with regard to those.

2 First of all, with regard to your own testimony,  
3 you have previously testified, I believe, that while on a  
4 trip [REDACTED] or you were about to make a trip [REDACTED]  
5 [REDACTED] it was suggested to you that perhaps you should  
6 suggest to [REDACTED] that certain weapons that they  
7 had in their possession and control might be sent to,  
8 provided to the Nicaraguan Opposition. Do you recall that?

9 A Yes.

10 Q Now, that suggestion was coming to you from who  
11 at the agency?

12 A Well, it came from Headquarters. I think I was  
13 overseas when the cable came over. I was in [REDACTED]

14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 I planned to go [REDACTED]. I think I  
19 was [REDACTED] when I received a cable, I didn't recall this  
20 until I read it in a cable a few weeks ago, asking me to  
21 raise the issue of availability of arms with [REDACTED]

22 [REDACTED]  
23 As it turned out, he wasn't available for a meeting,  
24 and so nothing transpired. But when I came home in, or looked  
25 into that a little further, I found out that there was some

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1 generation of interest in the agency to have [REDACTED]  
 2 [REDACTED] arms [REDACTED] to the  
 3 contras, and I thought that was a non-starter --

4 Q What do you mean by that?

5 A I just didn't think it was a good idea.

6 Q Why?

7 A Because [REDACTED]

8 [REDACTED]  
 9 [REDACTED]  
 10 [REDACTED]  
 11 [REDACTED] And  
 12 I talked to the Director about it, and he agreed. So he  
 13 backed off of the thought of doing that.

14 [REDACTED]  
 15 [REDACTED]  
 16 [REDACTED] Dewey Clarridge, I think, had planned a trip  
 17 to go over to talk about the Nicaraguan situation, and I  
 18 told him to stay away from talking [REDACTED]

19 [REDACTED]  
 20 Nothing ever came of that, I don't think the  
 21 [REDACTED] were really keen on getting involved [REDACTED]

22 [REDACTED]  
 23 Q Just to be clear about this, with regard to Mr.  
 24 Clarridge, when he made his trip, you had directed him spe-  
 25 cifically to avoid requesting that those arms be sent or

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1 that any money be solicited from them for the benefit of the  
2 contras?

3 A Yes. Money was never an issue. We never even  
4 talked about it.

5 Q So during your tenure as Deputy Director, you were  
6 unaware of any solicitations of money from [REDACTED] to  
7 support the contras as well as any requests by the agency  
8 or agency personnel to [REDACTED] to give munitions  
9 and weapons to the contras?

10 A Right.

11 Q And if either of those happened, it was without  
12 your knowledge and without your blessing.

13 A Right.

14 Q Let me finish, and then I will turn it over to  
15 Ms. Dornan, with one last question, not a specific factual  
16 question, but a more general type of question here. I  
17 don't know if you have read [REDACTED] unclassified testi-  
18 mony yet.

19 A No, I didn't. I stopped by the agency last night  
20 to see if anyone said anything untoward about me, but I  
21 didn't find anything.

22 Q Let me --

23 A I heard that he kind of came unglued a bit.

24 Q Let me point out one small aspect of something he  
25 said and see if you want to comment on it, or whatever.

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1 I am kind of putting it in shorthand terms, but I will  
2 expand on it if it is not clear to you what he was saying.  
3 At different points [REDACTED] testified about being in a  
4 situation he characterized as a nutcracker situation where  
5 he was caught in a no-win situation; in essence, the agency  
6 itself also, not just himself personally, caught between an  
7 administration and Congress that had diametrically opposed  
8 intentions with regard to Central America, and the agency was  
9 kind of in the middle, so to speak, and he was sort of in the  
10 middle in trying to assist the contras under the restrictions,  
11 problems that the Boland Amendment provided with regard to  
12 supporting and assisting the contras, it made for great  
13 friction in difficult situations. Do you have any comment  
14 about that?

15 A He may feel that way, but that's the nature of the  
16 beast; we are called upon by the administration to perform a  
17 covert action, we get a finding, we carry it out, the  
18 Congress doesn't like it, they change it or legislate changes  
19 and we are caught bound by law, but an administration that  
20 still wants to move forward but, you know, that happens all  
21 the time.

22 I think that's life in CIA. And it's like being a  
23 fireman and saying you don't like to go to fires. We get  
24 caught in those things all the time. So I could see why he  
25 might feel, being a very conscientious officer, here he is

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1 trying to run a program and people start yanking his chain a  
2 bit and say "You can't do this and can't do that".

3 We then build up, you know, our lobbying efforts  
4 and get Congress to change their mind a little bit or all  
5 the way, but that is life.

6 Q Did you find him to be an officer who was trying  
7 to abide by the law?

8 A You bet your life. I have the highest confidence  
9 in [REDACTED]

10 Q You never had any evidence to indicate he was  
11 trying to skirt the law in any way?

12 A No. I had a lot of evidence that he was a well-  
13 regarded professional officer, and I doubt if [REDACTED] would do  
14 anything to violate the law.

15 Q One last thing that has just occurred to me I  
16 would like to ask you about is that November, 1985 finding  
17 that you sent over, the agency sent over to the new NSC  
18 Adviser, Admiral Poindexter. It just occurred to me I wanted  
19 to ask you something about that. As I recall your testimony  
20 the last time, you had sent him over the draft finding of  
21 Mr. Sporkin, the General Counsel of the CIA's Office had  
22 put together, and I remember you testifying you were  
23 constantly keeping in touch with him to find out if it had  
24 been signed by the President, and finally in early December,  
25 he notified you it had been signed by the President. Is that

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1 accurate so far?

2 A Almost. I think McFarlane was still the National  
3 Security Adviser up to December 4.

4 Q Right.

5 A So when the finding went down, McFarlane was still  
6 there.

7 Q Okay.

8 A But I believe the Director took it down to Poin-  
9 dexter, that is my understanding of how it got down there.

10 Q Prior to December 4?

11 A It was like the 26th, 27th, something like that.

12 Q Right.

13 A And both the Director and I followed up trying to  
14 get a status report on the finding, because we hadn't heard,  
15 didn't get a copy back. And finally on December 5, I recall  
16 in this 7 December memo where I said we were advised, and  
17 unfortunately I wasn't clever enough to say how we were  
18 advised. It could have been the Director told me, it could  
19 have been Poindexter told me at 7:30 on the 5th and gave  
20 me a telephone call, or it could have come up in a meeting  
21 that I had with a number of analysts and operations people on  
22 Iran.

23 But how and who informed us, I just don't know  
24 except that we were informed. I was still a little uneasy  
25 because we didn't get a copy back. And all during December,

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1 I would talk to Claire George, and I would say, when he was  
2 going down to have a meeting with Poindexter on any given  
3 subject, "Find out where the finding is".

4 I also asked --

5 Q That is what I wanted to ask you about. How about  
6 getting a copy of that finding?

7 A Right.

8 Q You never got a copy.

9 A We never got a copy.

10 Q Of the signed finding.

11 A Of the signed finding, and when I came back here  
12 for I think the first session I had with the Senate Select  
13 Committee, after the Iran situation became public, they had  
14 a hearing, and I came back for that, I stopped by our  
15 General Counsel's office in Headquarters, and they informed  
16 me then that that finding was never signed. Although Charlie  
17 Allen told me that North told him that the only copy, the  
18 only copy of the signed finding was in his safe.

19 Q His, being North?

20 A He being North. I think Bernie McCufka, a lawyer,  
21 overheard that conversation when North told Allen that. I  
22 was of the opinion from the General Counsel that it was never  
23 signed afterwards, and I was quite surprised to hear  
24 Poindexter say it was signed and that he shredded it.

25 Q So when you were being told it hadn't been signed,

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1 you were being told that by people who wouldn't necessarily  
2 have known whether that was true or not?

3 A That is right.

4 Q All they knew was they never received a copy of  
5 the finding after it had been signed.

6 A Correct.

7 Q That was unusual, as I recall you testifying that  
8 had never in your experience happened before?

9 A I don't recall another instance.

10 Q Throughout December of 1985, you were constantly  
11 attempting to get the NSC to give you a xeroxed copy of the  
12 finding that was signed.

13 A Right. Or at least get confirmation that it was  
14 signed.

15 Q Did it ever reach the point you talked to Poindexter  
16 again and said, "How about a xeroxed copy of that finding?"

17 A No. In retrospect, I have asked why didn't I, and  
18 the only conclusion I can come to is we went into the  
19 Christmas Holiday season, and everything stood down for a  
20 few weeks, then the next thing you know we are into January.

21 Q Do you recall ever getting a response to these  
22 inquiries about getting a xeroxed copy of the finding  
23 signed, do you recall ever getting a response along the lines  
24 of, well, we are not happy with the condition it is in now,  
25 we are going to redraft it?

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1           A    No. The only inference that -- I can't recall the  
2 specifics, but the only feeling I have is that the NSC was  
3 so up tight over the security of the hostage situation that  
4 they were holding this very close.

5           Q    And, therefore, you have no recollection of ever  
6 being informed that there was a desire to have that November  
7 25 finding that you sent down to be signed redrafted to  
8 different language that would more fully encapsulate the  
9 policies that underlie the stance in that shipment from Israel  
10 to Iran?

11           A    Nothing whatsoever. In fact, I was -- used is the  
12 wrong word -- maybe perplexed by Admiral Poindexter's  
13 testimony when he kept saying he didn't like the finding,  
14 and he was asked, "Why did you have the President sign it?"  
15 He said, "Because McFarlane kept pestering me." It wasn't  
16 my pestering. The finding reflected a historical event, the  
17 event of that whole situation turned out to be arms for  
18 hostages. It wasn't couched in any other way.

19                   What we were doing, we were writing history after  
20 the fact.

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21                   Now, at the time I had never focused on the arms  
22 angle of it, even though there were indications of arms,  
23 the Israelis' dealings with arms before that, going back  
24 into August-September. But my focus on that finding and the  
25 need for it was, I felt, the agency was in violation of the  
law, they did so at the request of the NSC, and I wanted

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1 the President to fix it.

2 Q That was your perspective.

3 A I didn't care whether it was baby carriages or  
4 what was in the airplane, the fact is they used our airplane,  
5 and we didn't have a finding to use it. If they had done it  
6 on their own without our knowledge, no sweat. But once they  
7 got Headquarters involved and then started using our people  
8 overseas, then we needed a finding.

9 Q And Sporokin as General Counsel to the Agency had  
10 advised you, the Deputy Director, that legally you needed  
11 to have some kind of finding.

12 A Right. He said he didn't think it was necessarily  
13 so for the proprietary, but for the use of our people and  
14 influencing foreigners overseas, and that was a new angle to  
15 me. But I didn't care what the reason was as long as he got  
16 a finding. And I told him to make it retroactive.

17 He came back to me and said, "Yes, we need a find-  
18 ing, but not necessarily for the use of the proprietary."  
19 And I said, "Okay, make it retroactive." He said, "I am  
20 going down and talk to the White House Counsel and to  
21 Justice." I said, "Great". He went away and came back with  
22 two paragraphs on a piece of paper which constituted the  
23 basic finding. It didn't have all the other boiler plate  
24 that goes on a finding.

25 Q That was the one you ultimately sent down?

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1           A     That was the basis of the one I had sent down.  
2 I never saw the finished product going down, but I did note  
3 it had that one paragraph, or a few lines, that forgave all  
4 original sin in CIA.

5           Q     So the bottom line to you was you needed a finding,  
6 and you sent it down to get it signed.

7           A     Right.

8           Q     And you were told early in December by either  
9 Casey or Poindexter it had been signed?

10          A     Right. And it was confirmed to me later by Charlie  
11 Allen, later in December.

12                   MR. LEON: Off the record a second.

13                   (Discussion off the record.)

14                   (Recess.)

15                   BY MS. DORNAN:

16           Q     Let's start up again where we left off, which was  
17 on the retroactive findings, the November, 1985 shipment.  
18 There has been a lot of focus on this particular time period,  
19 sometimes I wonder why, but I think largely because an  
20 illegality may have been involved, perhaps technical, perhaps  
21 unintentional, and, secondly, because that fact has led to  
22 suspicion there was a conspiracy to cover it up.

23                   But what strikes me in all this testimony is every-  
24 body has a different idea of what the illegality may have  
25 been between that time and this time as well. It appears to

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1 me from your prior deposition and your comments today that  
 2 you thought it may have been illegal simply because of use  
 3 of the aircraft. You said Mr. Sporkin thought it was illegal  
 4 because of use of CIA personnel. Mr. Clarridge, in his  
 5 testimony, said he did not distinguish between the cargo,  
 6 oil drilling or arms, because he thought the issue was the  
 7 embargo, if there was an issue, and oil drilling equipment  
 8 was embargoed as well, so there was really no distinction  
 9 in legal terms. Mr. Juchniewicz and [REDACTED] thought there  
 10 was no illegality involved at all, so they approved the  
 11 flight.

12 My first question to you is: Was there any thought  
 13 in your mind regarding the Arms Export Control Act?

14 A No. In fact, I can't say when I knew arms or Hawks  
 15 were involved. Juchniewicz told me it was oil drilling  
 16 equipment. In looking back, that makes a hell of a lot of  
 17 sense, because the Iraqis were pounding Kharg Island, the  
 18 Iranians could only prosecute the war through the sale of  
 19 oil. Therefore, oil drilling equipment was as much of a  
 20 war machine as weapons.

21 It just didn't faze me. Even when Sporkin gave  
 22 me that finding, that draft finding, where he mentioned  
 23 either the words "munition" or "weapons", or whatever it was,  
 24 "military equipment", that didn't register with me, I don't  
 25 know why, but my focus was getting the finding. The fact

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1 of weapons or the weapons being more of a violation than the  
2 use of a proprietary just didn't come across my scope. I  
3 felt we had done something wrong, we had to fix it.

4 Q Another point in focus in the hearings has been  
5 when did CIA find out that arms were involved? Now, you  
6 said M. Juchniewicz told you that it was oil drilling equip-  
7 ment, and this was November 25. Is that correct?

8 A Right.

9 Q You also said in your prior deposition that you  
10 asked Clair/ George to collect together all the cable traffic  
11 involved in the operation.

12 A Right.

13 Q Did he show that traffic to you?

14 A Yes, he did. He came back with a packet of papers,  
15 and he said, "I don't think there is anything else in here  
16 you have to worry about", something to that effect. If I  
17 am not mistaken, he may have left them with me, but I never  
18 went through and read all the things. I just flicked  
19 through, and it all centered around getting landing rights and  
20 things like that.

21 But I don't think there was any cable that men-  
22 tioned military weapons or arms.

23 Q When he brought those in, he never said anything  
24 about arms being involved in the shipment?

25 A No.

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drg-28

1 Q Because this has become an issue because there is a  
2 missing cable. Have you heard about that?

3 A I have heard about that. In fact, missing two  
4 cables from the same source. Just one cable? Okay.

5 Q One of them was a cable from [REDACTED]

6 [REDACTED]  
7 A [REDACTED]

8 Q That is right. Which related a conversation with  
9 Secord, who said the shipment actually involved Hawk spares.  
10 So, to your knowledge, until very recently, such a cable had  
11 not existed; therefore, if it was lost, presumably it was  
12 lost before Clair George brought those cables in to you?

13 A Yes. I can't testify that that cable wasn't there  
14 or not, because I didn't go through it.

15 Q Apparently from what Clair George told you, he  
16 had flipped through this, and he hadn't seen such a cable,  
17 is that correct?

18 A That is correct.

19 Q In your experience in CIA, how would such a cable  
20 get lost?

21 A I don't think it would get lost in CIA if it were  
22 sent. But the trouble with that cable and the trouble with  
23 that whole channel is it has limited distribution to the  
24 Chief of the Division and the DDO. I just don't see some-  
25 thing like that getting lost. The DDO ought to have it if

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1 it is not in the Division files. But it doesn't get the  
2 normal dissemination in CIA.

3 Q Well, the people in the DDO's office have said  
4 they never saw it. Dewey Clarridge has said that he does not  
5 recall it, and he has said that he collected all the cables,  
6 saved all the cables, and that he never destroyed any of  
7 them. Of course, people suspect he destroyed it, but the  
8 problem is here there was another copy he would have had to  
9 destroy and, secondly, apparently he would have had to  
10 destroy it immediately and realize the legal implications.

11 A Yes. And that is what I don't think makes any  
12 sense. The focus in CIA for me, because I was the noisiest,  
13 centered around the use of a proprietary, and I don't think  
14 anyone in CIA was going to discriminate what was in that box;  
15 whether it was an arm, a baby carriage or oil drilling equip-  
16 ment, that wasn't the issue at the time. The issue was if  
17 we did something wrong, we would have to fix it. I doubt  
18 if there is anyone at CIA other than the lawyers who would  
19 talk about an Arms Control Act.

20 Q You never had any discussion with Mr. Clarridge  
21 in the one meeting you had with him afterwards about the  
22 content of the shipment?

23 A No. And you can't say it was a meeting. When I  
24 came back, after that morning, that Monday morning,  
25 Juchniewicz told me about the use of the proprietary, I said

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drg-30

1 a few words to him, and then, if I remember right, I buzzed  
2 him on my direct line and told him to get Sporkin briefed  
3 on it.

4 MR. CAROM: <sup>E</sup> When you say "him", Juchniewicz?

5 THE WITNESS: Right. I went back down to the  
6 DDO around 9:00 o'clock. When I went back to the DDO at  
7 9:00 o'clock, Clair/ George was in his office, had the door  
8 shut, and there was a bunch of people in there. I opened  
9 the door, and he said, "I am just trying to find out what  
10 went on." I said, "You make sure you get some guys over to  
11 brief Sporkin on what happened", and I walked out.

12 And then I think it was later I told him, "Hey, -  
13 you pull together all the cables and see what the hell is  
14 involved here."

15 BY MS. DORNAN:

16 Q Just one other question on that particular issue.  
17 You mentioned briefly today that you thought that this was  
18 simply an arms-for-hostage deal, it wasn't a strategic  
19 thing in your mind, at least at that time. In your prior  
20 deposition you also stated that the hostage issue was  
21 through which you interpreted this, because you had settled  
22 that early in your mind. Whatever the fact may have been,  
23 that is the way you interpreted it. Up to this point, had  
24 you had any full briefings on the extent of this program?

25 A No.

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1 Q So it was all kind of by word of mouth, I gather?

2 A If I had anything, it was snippets of comments.

3 But, again, you have to go back to why I was pre-conditioned  
4 for arms for hostages, and it came from our inability to  
5 get the hostages out of Lebanon, and our failure to even  
6 come up with good intelligence, and the NSC began to move  
7 into a vacuum. [REDACTED]

8 [REDACTED]  
9 [REDACTED] So the NSC was sitting there, I am sure, with  
10 a President who was genuinely concerned over the hostages and  
11 the NSC couldn't get anyone to help them out, so they began  
12 to improvise and do things on their own.

13 Q But you didn't have any real firm evidence this  
14 was solely a hostage --

15 A No. It was just because our whole thrust was  
16 get the hostages out. No one ever came to us and said, "Hey,  
17 we ought to look for ways to open relationships with the  
18 Iranians." That was never a dialogue at all.

19 Q When Sporkin then wrote this retroactive finding  
20 and made it solely a hostage thing, did he have access to  
21 people who were the real policy makers at that time, who  
22 had a full vision of it? Did you give him a direction on  
23 how to couch that?

24 A No. I simply called him up and said that I thought  
25 we had screwed up, and we needed a finding. Then he got

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drg-32

1 briefed. Apparently, as I understand now, the two guys who  
2 went over told him there were arms involved, but he never  
3 came back to me and said "There are arms involved", although  
4 the finding does cover that contingency.

Dotson/drg 5

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McGinn fols. 6

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Q But he never talked to anybody at the White House first, or anybody who was actually making the policy?

A I don't know. Not that I know of.

Q Let's go to a different area then. I would like to talk about Israel's role.

A Who?

Q Israel.

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[REDACTED]

Q To your knowledge, did Casey have any personal involvement [REDACTED]

A No, more than anyone else. Casey was a sought after individual by everybody, heads of state and intelligence organizations alike, but I don't think he gave more deference to the Israeli question than anyone else. Usually when he would take a trip he would make sure he touched base with all of the organizations of the heads of the state he was visiting.

Q In your prior deposition it indicated to me you indicated considerable suspicion about the Israelis in this whole operation and about their intentions. Let me cite a few examples.

[REDACTED]

[REDACTED] You felt that this Iran initiative was an Israeli initiative actually, and that Israel actually wanted a sale of arms so they could be used against Iraq. And finally, Israel was using the ruse of a strategic relationship to lure the Americans into this arms sale and,

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jm 3

1 in fact, an arms hostage deal.

2           Could you expand on this? What do you think Israel's  
3 motives were?

4           A     Principally to have one of their lifetime enemies  
5 lose. The Iraqis are an enemy of Israel.



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21           So I thought it served the Israeli national policy  
22 to have the Iranians put the squeeze on the Iraqis, and if  
23 you could bring the United States into it, that makes it all  
24 the better, particularly when most of the arms that the Israelis  
25 have come from the United States.

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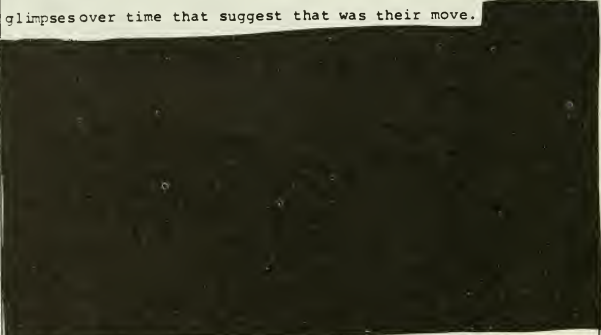
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jm 4


1 Now, they do generate and produce weapons of their  
2 own, but what better way to get the liberty and the license  
3 to ship U.S. arms into Iran than to get the U.S. involved in  
4 an arms deal with the Iranians.

5 I have no fact to that, but what I do have is  
6 glimpses over time that suggest that was their move.



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16 Q The current Iranian regime, however, is very anti-  
17 Israel, I would say, as much as Iraq, probably?

18 A Maybe -- you don't know that. You are aware of  
19 theatrics and statements, but whether or not deep down that is  
20 the case, I don't know.

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Q You said previously you think it was Israel that sold us on the idea there were, in fact, moderates within Iran?

A More than that, I think it is a fact. When Bud McFarlane began his briefing to the President on 7 December, 1985, for the Iranian initiative, he began with the words, "David Kimche says." So, it started that way. So I didn't have to interpret that.

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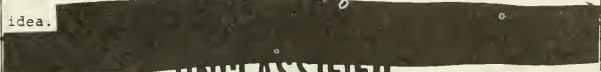
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Q There has also been a lot of wonder about this view that was given to the President by Admiral Poindexter that Iran was actually the one that was gradually loosing the Iran-Iraq war, even though, as you pointed out previously, all the intelligence estimates said the opposite from the United States.

Do you think the Israelis were the ones that sold Admiral Poindexter or others on that?

A I don't know, and I don't know where he got that idea.



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jm 9

1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 Q Let's go to another area now. There has been a lot  
5 of wonderment over several things. One, over use of why  
6 Ghorbanifar was used when he was considered to be a liar  
7 by the agency, and secondly, why the agency put up with, so  
8 to speak, letting North take over this operation rather than  
9 insisting they should be doing it themselves.

10 Now in reading your prior deposition, it appears  
11 to me that the agency was -- at least some people within the  
12 agency, including yourself, were more than happy to stay out  
13 of this, in fact, didn't want to be operationally involved.

14 We have a lot of evidence that [REDACTED] and  
15 Clair/George, people from the DDO, didn't want to have  
16 anything to do with Ghorbanifar, didn't want to have anything  
17 to do with an operation involving Ghorbanifar.

18 You, yourself, said in your prior deposition,  
19 for instance, that you didn't want any DDO people involved  
20 and that was one of the reasons why Charlie Allen was put  
21 in so that the agency wouldn't be in an operational role;  
22 is that correct?

23 A Right.

24 Q So is it possible then that if Casey supported this  
25 operation he, in fact, was forced to go outside the agency,

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jm 10

1 that in effect, the agency didn't want to do it. The people  
2 below him in the agency didn't want to do it, and he didn't  
3 feel they would prosecute it enthusiastically if he ordered  
4 them to do it, so he felt he had to let the NSC take the  
5 operation?

6 A Yeah. I think you have to start  
7 with the fact that this was an NSC operation from the very  
8 beginning.

9 Q But you were happy to leave it that way?

10 A We were happy to leave it that way, and then when  
11 North ran into trouble and needed some help, then he turned to  
12 the agency for that area.

13 You have got to remember he had Secord all lined up  
14 on his own, and I think if Secord could have gone through  
15 with it, you know, we would have never been involved. And  
16 as far as I am concerned, that would have been great.

17 Where the trouble started is when they started  
18 using us, and I was somewhat depressed to think that our  
19 national security mechanism didn't appreciate the limitations  
20 of CIA's involvement. It is not a question of willingness  
21 to be involved; it is a question of legality to be involved.

22 I was dumbstruck that the National Security Adviser  
23 didn't realize that when you call upon CIA to conduct something,  
24 that you need a finding to do it. And most people in CIA will,  
25 you know, salute and go do something because that is the

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jm 11

1 nature of the beast, especially when it comes from the NSC.  
2 But we were very -- we were reluctant dragons in this, and people  
3 say that you know Casey was very much in the forefront.

4 I think the way I assess it, Casey didn't disagree  
5 with anything I said or felt even about assessment about  
6 Iran until the President said, I want to do this, and then  
7 Casey saluted and it was a legal act then because we had  
8 a signed finding.

9 Now, if Casey got involved in saying it was a  
10 great idea, he was only saying it from a support from the  
11 President, not from an intelligence standpoint. And maybe  
12 with Secretary Shultz concerned about intelligence, it was not  
13 intelligence that was his real concern, because if it is, he  
14 is absolutely wrong.

15 What he may be concerned about is what Casey may  
16 have been saying personally, saying, yeah, boss, this  
17 is a great idea. But it wasn't the institution of CIA or the  
18 intelligence community that was saying it was a good idea.

19 Q But, in effect, after December, let's say in December  
20 and January, when the possibility of a new finding and  
21 action being continued and U.S. taking over rather than using  
22 Israel as an intermediary, in effect, they had to rely on NSC  
23 and the Second operation to do it because the agency was  
24 really unwilling; isn't that correct?

25 A No. We are not unwilling if we have a legal

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jm 12

1 instrument that says it is okay.

2 Q Didn't [REDACTED] and Mr. George go to Casey and  
3 say DDO is absolutely unwilling to become involved in any  
4 operation dealing with Ghorbanifar?

5 A That's absolutely right. That's Ghorbanifar.  
6 In fact, we advised both McMillen and Poindexter that Ghorbanifar  
7 was a nogoodnik. But our role was basically one of support.  
8 If they wanted something, you know, you call, we go.

9 Q Going to a somewhat different aspect of that problem,  
10 let me look at it a little more broadly. Sometimes in your  
11 career you have been looked upon as kind of a protector of the  
12 agency. You have been there for what, 36 years?

13 A Thirty four and a half.

14 Q Thirty four, you were?

15 You went up through the ranks, and you had dedication  
16 to it as an institution, protecting it. You weathered the  
17 Church and Pike years, and all the criticism. You didn't  
18 want to have to go through that again. Do you feel that  
19 Casey felt the same way about the agency, or do you feel he  
20 was a little more reckless with it, if you want to put it that  
21 way?

22 A I would say Casey by nature is forward leaning, but  
23 I don't think he's dumb enough to do anything that's against  
24 the law and I don't think he would ask the agency to do anything  
25 that was against the law.

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jm 13

1 Q Do you think Casey sought to avoid

2 CIA?

3 A It's hard to say. Being Bill Casey, you know, you don't change that tiger's stripes. I don't see  
4 you know, you don't change that tiger's stripes. I don't see  
5 no evidence of it. In fact, he used to proclaim quite  
6 proudly that he took a view of political chastity when he  
7 was sworn in as the DCI.

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So I just don't see evidence. And you have to really  
work with the analysts to realize that you don't lead those  
sheep around at all. They are independent cats, and they take  
great pride in what they produce.

There are very few yes men out at CIA, and if there  
are, I have yet to meet them.

Q What I'm getting at in a round about way is kind of

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jm 14

1 an alternative interpretation. The interpretation I gave you  
2 previously was that perhaps Mr. Casey felt he couldn't use the  
3 agency in the Iran thing.

4           What I am getting at now is perhaps a motivation of  
5 his was that he wanted to keep the agency clean also, not only  
6 in the Iran thing, but let's consider the contra thing also.  
7 Let's assume, if he was involved personally in advocating those  
8 actions, as Mr. North has said, perhaps he wanted to protect  
9 CIA as an institution, protect its reputation, therefore  
10 he was more than happy to go with NSC as an executor in the  
11 Iran operation and perhaps he also was more than happy to  
12 have Ollie North spearhead the effort to keep the contras  
13 alive and keep the agency out of it.

14           Now, maybe you would want to comment on that in  
15 general, but I would also like to focus you on one or two  
16 allegations or suspicions that have been raised in this  
17 connection.

18           One is that Casey actually kept the agency out of  
19 the contra business officially during the Boland Amendment, but  
20 that he may have gone and personally tapped people such as [REDACTED]  
21 [REDACTED] whom he knew would be  
22 supportive of the contras, and perhaps even gave them personal  
23 directions that they could do what they wanted despite the  
24 official agency policy?

25           A    I don't subscribe to that. I don't subscribe to it

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jm 15

1 as far as [REDACTED] is concerned, and [REDACTED] I think,  
2 had directions in writing which proscribed him from being  
3 involved.

4 Q Do you think Casey would have done that, would have  
5 picked specific people?

6 A No. I know that's a very popular belief that  
7 you know he kind of set up his own network, and it's obvious  
8 that he worked easier with some than others, but I don't think  
9 he would use the agency at all. I think he knew that the agency  
10 wouldn't do stuff like that.

11 He wouldn't ask the agency so do it, nor would the  
12 agency do it if he did. So I just don't buy that.

13 Q Okay, good.

14 I wanted to cover that because you knew him  
15 and you were involved there.

16 Then let's skip to another area now. The issue  
17 of leaks has been a prominent one in these hearings, and you  
18 have already raised them at least tangentially  
19 a few times yourself in your prior deposition and also  
20 again today.

21 You kind of indicated that the fact that this had  
22 become not just such a big program, but that there were so  
23 many leaks on the Central American situation and the contras  
24 that you felt the CIA could not be running such a program;  
25 it had become so open.

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jm 16

1                   Secondly, on the Nicaraguan mining issue we discussed  
 2 today, you already indicated that although the Intelligence  
 3 Oversight Committees were briefed, and they probably had  
 4 the jurisdiction over CIA covert actions, that before you  
 5 knew it, both the Foreign Affairs Committee and the  
 6 Appropriations committee on the Senate Side had been told,  
 7 apparently by members of the Intelligence Committee.

8                   Finally, also in your prior deposition you indicated  
 9 that the signed retroactive finding was not circulated, but  
 10 you did not find that surprising, although it was unusual;  
 11 you did not question it because you felt it might have leaked  
 12 otherwise. So you, yourself, have indicated that there  
 13 are problems with leaks. It appears to have been, from Mr.  
 14 Poindexter's testimony, a major factor in the White House's  
 15 withholding of information from the Executive and Legislative  
 16 Branches on this issue.

17                   Do you think that a permissive culture about leaks  
 18 has developed which undermines the policy process and consulta-  
 19 tion with Congress?

20                   A     If not in fact, at least perceived, and the end  
 21 result is the same. I never felt uneasy about advising Congress  
 22 of any intelligence activity, no more so than I would the  
 23 Executive. While there have been some leaks out of Congress,  
 24 my experience has been that Congress has been very protective  
 25 of the information that we gave them. I would say that if you

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jm 17

1 really look at the lit<sup>a</sup>ny of leaks that we are concerned about,  
2 most of them come not from Congress. I can see the  
3 Administration being concerned about the lives of the hostages  
4 and, therefore, didn't want to have the 5 December finding  
5 shipped around and also didn't want us to tell Congress, and  
6 I accepted that.

7           What I don't accept is the same Administration  
8 willing to deal on that matter with a guy like Ghorbanifar  
9 and not tell our elected representatives.

10           Q     You, however, said previously that -- in your  
11 first deposition -- that you were not concerned -- you did  
12 leave in March '86, and you were more concerned with the  
13 departure preparations at that time. But although several  
14 months had elapsed since the January finding, you were not  
15 concerned about not having yet told Congress. Why was  
16 that?

17           A     Because the House had just gone out and I was quite  
18 concerned that it would be a drawn out affair, that the Iranians  
19 would piecemeal it so they could get as much out of exploiting  
20 the U.S. arms as possible and that we had to give the same  
21 protection to the last of the hostages that we gave to  
22 the first.

23           Q     Didn't you feel there would be some political price  
24 to pay for having withheld it so long?

25           A     Not if we got them out. I think all of Congress

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jm 18

1 would have been quite happy.

2 Q So you think they would have been heroes instead?

3 A Yes.

4 Q You said whether or not it is true that Congress  
5 leaks a lot, there is a perception that it does. How do  
6 you think we can reestablish the trust between Congress  
7 and the Executive?

8 A Twofold, and it has to work from both sides, and  
9 both sides have not worked it very well. I think that Congress  
10 has to discipline itself from not intruding upon the Presidential  
11 prerogatives, that Congress should not become the Secretary  
12 of State, which it often likes to do by sending Senators,  
13 Congressmen, Committees overseas to enter into agreements  
14 or assurances with foreign governments. I think that's  
15 a matter that the Secretary of State ought to worry about.  
16 By the same token, Congress should not be blindsighted  
17 by policy, and therefore, should be brought into the policy  
18 deliberative process early on so that Congress can get a  
19 sense of where the Administration is going with a given  
20 country on a given issue so that there are no surprises and that  
21 there's a full communication. And basically, I think it's  
22 a question of the White House personally and the Secretary  
23 of State sitting down and talking to Members of Congress,  
24 and Congress appreciating the fact that the information  
25 has to be maintained in a confidential manner.

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jm 19

1           You can't conduct all foreign policy on the front  
2 pages of the papers. Foreign governments don't like that. No  
3 one likes it.

4           Q     That leads into another issue which is the legislation  
5 presently being considered to tighten the reporting requirements  
6 and oversight over the agencies, intelligence agencies.  
7 These have included provisions for notification within  
8 at maximum 48 hours of a finding, notification of private  
9 individuals being involved, and so on. Do you have any  
10 comments on our wisdom of that?

11          A     Yes, I sure do. I believe that oversight committees  
12 ought to be advised immediately upon the signing of a finding,  
13 and if there is a concern about certain sensitivity of  
14 the finding, given the timeliness, to maybe delay that no  
15 more than 48 hours, but after 48 hours, advise the committees  
16 if it's so sensitive there is an existing mechanism where we  
17 can advise the chairman and vice chairman of both committees,  
18 and the Speaker of the House, and the Leader of the Senate.  
19 And that should suffice.

end jm

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BY MS. DORNAN:

Q There have been only two incidents in which Congress was notified, isn't that correct?

A Yes.

Q Both involved the hostages?

A Right.

Any administration has to remember that CIA has to live with its oversight committees, and the way you live best is to develop an element of trust with one another. The only way you can do that is making sure the committees aren't sand-bagged and that you go down and tell them what is going on so they can appreciate what is happening. It is very difficult, I think, we're asking too much of our Representatives and Senators if we come down and ask them for money to support certain programs and then the next day don't tell them something because we don't trust them. It is just not in the cards.

I think if we are going to have proper oversight and if we are going to have a good cooperative effort with Congress, we ought to keep them advised. And if there is a problem of leaks, then let Congress discipline itself.

Q Following up on that a bit, on the private individual's part, which you did not address, do you think it is -- in your prior deposition, you indicated that the use of private individuals, such as Secord, I believe was the

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1 context in which this was raised, did not bother you and that  
2 it was a good way to disguise this was a government-to-  
3 government operation, so philosophically it didn't really  
4 bother you, although you had problems with Ghorbanifar, as  
5 you stated today.

6 In his own deposition, Mr. Gates attacked the  
7 practice, and he said it was totally unnecessary, that CIA  
8 could have taken care of the operations such as these that  
9 involve a distrusted party and involved transfer of money.  
10 He said there are established procedures, and you didn't  
11 need a middle man to raise bridge money for this sort of  
12 thing. In general, he attacked the whole thing.

13 Could you comment on that?

14 A He is absolutely right. That is, if the CIA had  
15 the program to start with. But when we got into it with the  
16 signed finding transfers already an existing mechanism,  
17 albeit shaky, shady and everything else, it was there. And  
18 I saw no need to try and take over that program and run that.  
19 We could have easily have done that. But it was there, they  
20 had the contacts, they had the mechanism. All they needed  
21 was our help, and we gave it.

22 Q Do you have a problem with reporting the use of  
23 private individuals to Congress?

24 A Only if they are in an agent sense of a clandestine  
25 agent. But if we were going to use a New York businessman,

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1 or something like that, I would see no problem in telling  
2 the Congress that we are using a New York businessman. It  
3 is a strange way to do it, but it can be done.  
4

5  
6  
7  
8 MR. BARBADORO: In addition, you can report the  
9 program to Congress without identifying the individual in-  
10 volved. ;

11 THE WITNESS: Sure.

12 BY MS. DORNAN:

13 Q Let's get to another one of Mr. Shultz's concerns,  
14 in addition to charging the CIA with having slanted intelli-  
15 gence, he also attacked the NSC staff itself. He said it  
16 was too big, it should be cut back, and he basically said  
17 all that should be his business anyway, and the NSC was far  
18 too strong.

19 It is striking, if you go back in the press  
20 articles, until this issue broke, the NSC consistently was  
21 portrayed as weak, the NSC staff was. And it appears that  
22 this was perhaps an exception to that rule. Would you agree  
23 with that, or do you think the NSC was a strong staff under  
24 this administration? Do you think -- what do you think the  
25 proper role of the NSC staff is?

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1           A     It is not operational. I don't think the NSC  
2 should be involved in any operation, that they should use  
3 the mechanisms that exist in government to perform the  
4 functions that are needed. But the NSC is a reflection of  
5 the President's personality and how he wants to go about  
6 conducting his business and should be built in the image and  
7 likeness of the President and how he wants to conduct his  
8 national security matters. If he wants a staff to package  
9 that for him, then, fine. I cannot criticize the size of  
10 the NSC staff when one looks at the tremendous interest that  
11 the U.S. has worldwide on any given issue and the responsi-  
12 bility that the President has to coordinate all the organs of  
13 government on those issues.

14                     And NSC staff was a perfect mechanism for causing  
15 that coordination and permitting an assessment of differing  
16 views to be registered with the President. If it's left to  
17 any one department, whether it is Commerce or State or Defense,  
18 to package it for the President, then he may not be getting  
19 the benefit of his full Cabinet.

20                     So I think the NSC is a necessary organ, and it  
21 should be designed the way the President likes to do business.  
22 If he wants to pick a Cabinet and let them run everything,  
23 then he can do it that way. I wouldn't comment -- they should  
24 not be involved in operations, they should be a coordinating  
25 function and a facility function of getting policies

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1 promulgated throughout the government.

2 Q In conclusion, I would just like to go back to the  
3 question of Senate Intelligence, I know Dick has already  
4 discussed this with you to a great extent, I want to go over  
5 a few more general points and add a few specific ones, as  
6 well.

7 In general, on the issue of commenting upon  
8 intelligence draft, estimate drafts that come to him, what  
9 is the proper role of the DCI? In the papers sometimes you  
10 think they come at it from the point of view the DCI should  
11 accept whatever is given to him and should never ask for any  
12 re-look at it or anything. Otherwise he is slanting  
13 intelligence. What is the proper role?

14 A The DCI is the principal intelligence adviser to  
15 the President, and the national intelligence estimates are a  
16 means by which he passes that intelligence to not only the  
17 President but others in the National Security Council. They  
18 are his personal advice, though, to the President, and  
19 therefore they should certainly bear his signature. He would  
20 be very foolish to not accept advice and counsel of others,  
21 and he does that through footnotes.

22 But the intelligence, when it comes to the Director  
23 in draft, has been well coordinated through the entire  
24 intelligence community at a working level. And it repre-  
25 sents the best working level throughout, all the Intelligence

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1 Community can offer the DCI and the National Foreign In-  
2 telligence Board on that estimate. The Director then has a  
3 board meeting with all the principal players of the  
4 Intelligence Community, and they give them, the Director,  
5 their advice as to the worthiness of that estimate, and then  
6 the Director approves it, accepts it as is, or changes it.  
7 If he wants to change it, he changes it in the dialogue, in  
8 the discussion with others. And if someone really objects  
9 to how the Director is going to end up writing that report,  
10 so to speak, for that estimate, they get a footnote.  
11 He says, "Fine, put your footnote in." So it is a very open  
12 function.

13 Q What you are saying, there are institutional safe-  
14 guards built in so intelligence can't be slanted.

15 A Definitely. And there isn't an intelligence  
16 officer I know that would let a false estimate be put out  
17 where there's differences of opinion, you know, we can all  
18 differ, but usually those differences show up in the report  
19 or in the estimate.

20 Q It was striking in reading your previous deposi-  
21 tion, in fact, you said one of the things you feel Mr. Casey  
22 really contributed to the intelligence community was a  
23 considerable analytical process, and it is ironic he is now  
24 being criticized for having destroyed the analytical process.

25 A Yes. And in that analytical process, he brought in

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1 he caused seminars to be had, he brought in and encouraged our  
2 estimates to be given out to college professors to get their  
3 views, and if you look back, and probably [REDACTED] can  
4 get this for you, the number of seminars we had on the Near  
5 East and what is going on there, where all views of all of the  
6 U.S. experts from academia participate. Shultz just did an  
7 outrageous thing when he criticized the intelligence as being  
8 covert. Casey's opinion may have been covert, but only  
9 Casey and Shultz know that. The intelligence was pretty  
10 straightforward, and I think it can speak for itself.

11 Q In fact, I think you said today that Mr. Casey  
12 liked to vociferously sometimes -- well, very strongly pre-  
13 sent his opinions. When I was out at CIA interviewing other  
14 people, including Graham Fuller and some people in the DDO,  
15 they said that as well, and they said sometimes he would  
16 stick to his opinions, but he always accepted them when the  
17 intelligence community came back and said "We have considered  
18 your views, and these are still our views." He accepted  
19 that. He just wanted to be sure his views were considered  
20 in the process.

21 A Like Brandon<sup>ca</sup> Sullivan, he is not a potted plant.

22 Q The Near East Division also said you could always  
23 tell when he went away for the weekend, he had all his sources,  
24 and he would come back with these great ideas and send them  
25 off investigating everything in the world. Apparently,

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1 that is what led him to initiate in CIA a process whereby  
 2 everybody would have exposure outside the agency as well  
 3 into other opinions.

4 Was he concerned the agency or analysts themselves  
 5 could be bound and take a view and ~~e~~ver change it even though  
 6 events changed?

7 A It takes a very good analyst who, with sketchy  
 8 information, comes up with an analysis and then as other  
 9 information comes in will change that analysis. It takes a  
 10 lot of guts to do that. Your opinions are now being  
 11 assailed. You have to make sure there is enough dialogue  
 12 people don't look into a certain rigid decision and then  
 13 anything else that happens is viewed against that earlier  
 14 decision.

15 Q Isn't that what in fact happened on the [REDACTED]  
 16 estimate? Some people view it that way at least [REDACTED]  
 17 never changed his views, in essence, he insisted on sticking  
 18 by his original views, and others began to question them,  
 19 and he said, "No, I am right."

20 A That is probably the case. I am not sure I can  
 21 speak for what prompted [REDACTED] to do what he did or  
 22 [REDACTED] is a difficult estimate, at best,  
 23 as [REDACTED] It is a  
 24 tough situation.

25 Q Another aspect of this has been the issue of whether

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1 the CIA becomes politicized if the DCI has Cabinet rank. I  
2 believe the first time he has had Cabinet rank is under this  
3 administration, is that correct?

4 A Yes.

5 Q So there is an issue here of whether intelligence  
6 and policy should be completely separated and whether that  
7 will, in fact, separate them. In the past we have had DCIs  
8 who have been influential in policy, even though they haven't  
9 had Cabinet rank. Do you agree with Shultz's recommendation?

10 A No. I think there is merit in having the DCI a  
11 Cabinet member. Intelligence by itself is useless. It is  
12 only useful if it is used by our government, and the best  
13 way to do that is to understand what the policy makers are  
14 driving at or where they are going. In that way, you can  
15 make the intelligence relevant. There is no sense writing  
16 something about Iran if the policy maker is looking at another  
17 aspect of Iran. You want to write about what they are  
18 concerned about.

19 The only way you can really do that is have a good  
20 dialogue, and the best way to do that is through the Cabinet  
21 situation. The NIOs are often accused of becoming co-opted  
22 by the policy makers because of their constant iteration of  
23 the policy makers, and while it is a concern, I think it's  
24 a necessary dialogue and one that you just have to keep an  
25 eye on.

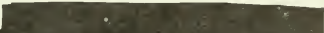

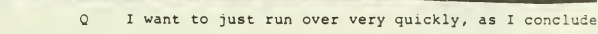
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1           By having the Director Cabinet rank, then intelli-  
 2           gence doesn't become subservient to any department. While  
 3           Shultz may want to make sure that intelligence reflects the  
 4           best policy, I don't think that is a good idea. I think you  
 5           want to have a strong independent intelligence organization.

6           Q     Mr. Shultz also stated specifically that he felt  
 7           the Director of Operations had had excessive influence on  
 8           estimates and had been biased in this way. I believe he  
 9           cited specifically the Iran case and terrorism. Have you  
 10          had, getting it down to those specifics, have you seen any  
 11          indication of that?

12          A     None whatsoever.   
 13            
 14          

15          Q     I want to just run over very quickly, as I conclude  
 16          here, a couple of the specific cases in which there has been  
 17          an allegation of biased intelligence. One of them, I gave  
 18          you this article before we started that appeared in the New  
 19          York Times on August 31. In there it was cited Mr. Casey  
 20          urged his analysts to, when there was a danger of Congression-  
 21          al cutoff of funding in Central America to help the contras,  
 22          to make more stark the view that the contras would be  
 23          eliminated by this cutoff.

24                 I don't know whether this occurred or not, you  
 25          might speak to that, but in addition I would like to know:

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1 Did the analysts disagree with the view that the contras  
2 would, in fact, die if there was a funding cutoff, or did  
3 they, in fact, agree with this and Casey simply wanted them  
4 to state it more clearly?

5 A I don't know if there is one opinion on that or  
6 not. It is obvious that if you looked at how the Nicaraguans  
7 handled their propaganda here in the United States, they were  
8 constantly striving to have a hiatus in support to the contras  
9 in hope that they could dry up, and it's very difficult to,  
10 you know, get the gang going again once they have dispersed  
11 or gone back to the farm, what have you.

12 Q I was wondering, because the people I had talked  
13 to had said subsequently they had under-estimated the  
14 contras' staying capability. So I thought maybe it seemed  
15 that most of them thought they would die.

16 A I think you have to put it in the context of the  
17 time. I don't know if we were sizing the financial flow to  
18 the contras to the degree that it was, and we would probably  
19 if there is any under-estimating, it was the fact that the  
20 contras would get support from outside. And maybe that is,  
21 you know, the result of Ollie North and all his speeches.

22 But we looked on it, what happens when we pull  
23 away, and I thought we saw a vacuum there, and everyone said  
24 it is going to dry up.

25 Q To clarify the record, the New York Times article

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1 was August 31, 1987. Another issue related to Central  
 2 America, another issue is whether there were any directions  
 3 to withhold from the House Intelligence Committee some cable  
 4 traffic related to contra affairs. In this respect, Richard  
 5 Giza of the House Intelligence Committee was getting this,  
 6 and it turned out after this investigation began, we found  
 7 out there were some pieces he did not get. [REDACTED] said  
 8 this was just a slip-up, and it had not been directed. Do  
 9 you have any knowledge of that?

10 A No.

11 Q All right.

12 A That would be fool-hardy to do something like that.

13 MR. POLGAR: It was long after you left.

14 MR. LEON: But from experience, is [REDACTED] the kind  
 15 of person who would intentionally do something like that?

16 THE WITNESS: No way.

17 BY MS. DORNAN:

18 Q Another area is Angola. Although the Secretary of  
 19 State did not mention this, there have been allegations in  
 20 the paper by un-named State Department officials CIA slanted  
 21 the intelligence on Angola to show there was more of a  
 22 threat of an offensive than there really was in order to get  
 23 the Congress to rescind the Clarke Amendment. Do you have  
 24 any comment on that?

25 A No. I think the various intelligence showed as

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1 proof Angola can cause trouble when they want to. I really  
2 can't comment on that other than to say I don't think it is  
3 true.

4 Q Just briefly, another one was Mozambique, that was  
5 mentioned in this August 31 article, and it stated in a  
6 similar fashion, the CIA had over-stated the prospects for  
7 Renamo, the resistance to the Communist Government there,  
8 because Casey hoped to get U.S. aid for Renamo. Was this  
9 true in your experience?

10 A No. You must bear in mind that again CIA doesn't  
11 exist in a vacuum, it exists in the Intelligence Community  
12 of which the Department of State is a leading part. And if  
13 you look at the process of our intelligence, the President's  
14 daily brief, the National Intelligence Daily that is put out,  
15 most of the articles in that come from political reporting  
16 originated by the Department of State.

17 Q There are estimates, however, not National  
18 Intelligence estimates, but other publications, that are put  
19 out by the agency itself, in coordination with other agencies.  
20 Have you ever seen any slanting of those by the DCI?

21 A No. But I would not be privy necessarily if Casey  
22 wanted to write the President a letter and said, "Dear Mr.  
23 President, you ought to worry about something". But that is  
24 not an intelligence estimate, and that's not slanting  
25 intelligence, it's Casey's personal opinion.

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1           Q     The last thing I would like to ask you about is  
2 something which appeared in the Tower Commission, and it  
3 stated the NSC had had excessive influence over the CIA,  
4 and particularly with regard to the Fuller memorandum. We  
5 interviewed Graham Fuller, and he rejected this and said  
6 that, in fact the Tower Commission had not understood the  
7 role of a NIO. He also said that he didn't usually agree  
8 with Howard Teicher, but in this particular case it just  
9 so happened they agree, and he had to get feedback from the  
10 policy makers on areas of their interests and so on.

11                     Could you comment on the Tower Commission's report  
12 in this respect?

13           A     I will say that I don't think Graham Fuller was  
14 impressed by anyone, that that paper that Graham prepared is  
15 a typical Graham Fuller, he, you know, thinks beyond and out-  
16 side of things, and I think that's very healthy in trying to  
17 stimulate thought, and if you read that document carefully,  
18 he just finished saying "what if" sort of thing, he is not  
19 saying this is the way it is; it is something you ought to  
20 worry about to get people to think, are we prepared for a  
21 change of government, and if so, are we prepared to move in  
22 there or are the Soviets going to case us out?

23                     If that is the case, what ought to be done to  
24 mitigate against that? And to me, that is a very legitimate  
25 worthwhile responsibility of the NIO is to make the policy

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1 makers think of possible contingencies. It is not  
2 intelligence, he is just lighting a fuse.

3 While I didn't necessarily agree with what Graham  
4 said, I didn't have any reason to really argue with him.  
5 And I don't think anyone else did either. In hindsight now,  
6 it looks like he was serving up soft balls for the NSC to  
7 have a rationale for their initiative, but I don't think  
8 that was the case.

9 Q Mr. Fuller wasn't informed of the Iran Initiative.  
10 I think it, was sort of a sore spot with him afterwards. In  
11 fact, it is ironic since he was the NIO in that area, and  
12 subsequently there were charges the intelligence was slanted,  
13 that he never even knew about it, even though he was putting  
14 out all the intelligence subsequently.

15 A Yes.

16 Q Do you think one of the reasons Casey did not  
17 inform him was because he wanted to keep the intelligence  
18 estimates pure, so to speak?

19 A No. I just don't think Casey thought about it in  
20 that context.

21 Q He just kept it within a small circle for security  
22 reasons?

23 A Well, I don't think Casey kept it any place. It  
24 was a NSC OP, and they called us they needed us. I don't  
25 think Casey made a conscious decision. I think he just

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1      tried to keep it quiet for the security of the hostages. I  
 2      don't think anyone said "Don't tell Graham Fuller", I just  
 3      don't think it came across his desk.

4                   MR. POLGAR: Off the record.

5                   (Discussion off the record.)

6      son/drg  
 7      end  
 8      Binn fols.

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McGinn 11:30

## EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

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Take 5 1

BY MR. BARBADORO

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Q Mr. Carom<sup>e</sup> is going to ask you questions about the  
 3 November, December, January time frame, so I won't ask you  
 4 any questions about that.

5 I want to focus on just a couple of areas that  
 6 have been raised previously in questions today.

7 At the beginning of the deposition, you testified  
 8 that Mr. Casey wanted to increase the use of [REDACTED]  
 9 [REDACTED] by the agency. Is it fair to say that there is a big  
 10 difference between [REDACTED] as that term is used in  
 11 the agency, and the kind of full service, off-the-shelf,  
 12 private covert action entity described by Colonel North  
 13 in his testimony?

14 A Definitely. I should have made that point clearer,  
 15 Paul. [REDACTED]

16 [REDACTED]  
 17 [REDACTED]  
 18 [REDACTED]  
 19 [REDACTED]  
 20 [REDACTED] it  
 21 is quite separate and apart from this off-the-shelf whatever.  
 22 [REDACTED]  
 23 [REDACTED]  
 24 [REDACTED]  
 25 [REDACTED]

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[REDACTED]

Q Another difference is that operations [REDACTED] [REDACTED] are funded with appropriated funds, whereas the entity Colonel North described would get its money from unappropriated funds; is that right.

A As I understand what Colonel North had in mind.

Q And finally, another major difference is that operations [REDACTED] still comply with the U.S. laws regarding the requirement of Presidential findings and notification to Congress, whereas Colonel North's entity as he described it, would not necessarily involve Presidential findings and notification to Congress.

A You are correct.

[REDACTED]

MR. BARBADORO: I think you answered these questions with Mr. Leon, but let me just make sure I understand your answers.

BY MR. BARBADORO:

Q Setting aside this issue of Director Casey's desire to expand [REDACTED] did the Director ever discuss with you the possibility of funding

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1 covert operations out of private funds, non-appropriated  
2 funds, rather than appropriated funds?

3 A No. If he did, I think I would have reacted.

4 Q And did the Director ever discuss the possibility  
5 of conducting covert operations without complying with U.S.  
6 laws regarding the requirement of Presidential findings and  
7 notification to Congress?

8 A Never.

9 Q I assume if he had discussed those with you, you  
10 would have objected to those discussions?

11 A Indeed, indeed.

12 Q The last area I want to touch on, because there  
13 have been so many questions asked about it is this issue  
14 of the slanting of intelligence. I want to focus not on the  
15 question of slanting the intelligence produced by the  
16 analysts, but rather on the possibility that the intelligence  
17 could be slanted in the way that is communicated to the policy-  
18 maker. Let me ask you a general question first.

19 Do you see any potential problems if the people that  
20 are responsible for communicating intelligence to the President  
21 are also people involved in making policies?

22 A Often they are one in the same. If the Secretary  
23 of State discusses a proposed policy with the President, he  
24 usually has to set the stage of why the policy and why he wants  
25 to do it that way, that that suggests a briefing which provides

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jm 4 1 or sets the stage, and that stage setting we call intelligence,  
2 or information, or background, or what have you.

3 Q Is there a danger though that a person who has  
4 a particular policy to advocate will slant the reporting of  
5 intelligence to support the policy that he's advocating?

6 A I guess it depends on how much integrity he has, but  
7 this is a key issue with Casey. Casey was a great believer in  
8 pushing intelligence out.

9 We went from the production of like 9 to 12  
10 national intelligence estimates a year, to over 80. In fact,  
11 I think this past year it was probably over a hundred.  
12 And his whole philosophy was get the intelligence out on the  
13 table and force the policymaker to kick it aside before he  
14 makes the policy.

15 But he says the policy that you give to a policymaker  
16 or the intelligence you give to a policymaker the day after  
17 he made policy is useless. So he wanted to push, and push, and  
18 push, and he did very well at that.

19 So his desire was put intelligence out. And I don't  
20 think we ever got in the business of writing report cards on  
21 why certain policy was great because this intelligence  
22 now supports it. He just pushed it out.

23 Q The point I am getting at though is Director Casey  
24 served as the President's principal intelligence adviser.  
25 He also served as a person who he had make policy and who  
advocated policy.

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1           In your view, isn't there a danger when the person who  
2 is the President's principal intelligence adviser also becomes  
3 an advocate of policies?

4           A     I don't think it's really a danger. In a way it  
5 may be a delightful benefit because you are having a well-  
6 informed policy being created. It's far better that policy  
7 be borne amid good intelligence than in the absence therefore.

8           I guess it comes back to the question of the integrity  
9 of the person. Is he advocating a policy because he knows  
10 what's happening, or does he just like to have a certain  
11 policy and then tries to make the intelligence support it.

12          Q     The Central Intelligence Agency separates the func-  
13 tions of analyzing intelligence from the function of carrying  
14 out operations even where -- even to the point where people in  
15 the intelligence side of the agency are providing intelligence  
16 directly related to operations that are being conducted by  
17 the operations directorate. What is the reason for that  
18 separation of intelligence from operations within the agency?

19          A     I think the principle of separation is historical  
20 in nature, prompted by the compartmentation that's desirable  
21 around agent operations. You want to limit the knowledge of  
22 the agent operations. It also goes to the nature of the people  
23 involved in the finished product.

24          A good analyst does not necessarily make a good  
25 operations officer and adviser and vice versa.

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jm 6

1 Q Isn't another reason the fact that there is concern  
2 that a person running an operation might not be able to do the  
3 kind of objective analysis of the operation that a good  
4 independent intelligence analyst would?

5 A It would be hard to argue with the wisdom of what  
6 you say, but I don't think it's necessarily so. I would like  
7 to think that our intelligence operatives conduct their  
8 business with the best of intelligence very much by their  
9 side.

10 I don't think you need that separation of church and  
11 state in the intelligence business.

12 Q And on the level of the Director of Central  
13 Intelligence I take it then you also feel there's no particular  
14 problem with having the DCI also be a policy adviser to the  
15 President?

16 A No, I don't, so long as his policy is based on  
17 honest and adequate intelligence and not a semblance of  
18 intelligence. Again, it goes back to the integrity of the  
19 individual.

20 MR. BARBADORO: Let me mark this document as McMahon  
21 Exhibit A.

22 It's a January 17, 1986 memorandum for the President  
23 from John Poindexter. The document number is N 10046, I guess,  
24 to N 10048.

25 (Exhibit No. JM-1 was marked for identification.)

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jm 7

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BY MR. BARBADORO:

Q Take a look at the exhibit and tell me if you have seen it before?

A Other than last night in a stack of papers that I saw at CIA, I can't say that I recall seeing it. Nothing here is knew to me, but I can't say that I saw this document.

Q You certainly don't remember seeing it at or around the time it was produced? Is that fair to say?

A I just don't know.

Q Mr. McMahon, this memorandum, according to the notation on the bottom and according to, I believe, Admiral Poindexter's testimony, was used to brief the President when he signed the January 17 Iran finding.

I want to ask you---

A I am not aware of that in that context.

Q Okay.

What it says -- let me just read you this handwritten note. It says at the bottom: "President was briefed verbally from this paper, VP to be, Don Regan and Don Fortier were present." And it has Poindexter's initials on it.

In any event, let me represent to you that this document was apparently used to brief the President when he signed the January 17 finding. Let me ask you some questions about it.

In the first paragraph of the memorandum it states in the middle, "The Israelis are very concerned that Iran's

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jm 8

1 deteriorating position in the war with Iraq, the potential  
2 for further radicalization in Iran and the possibility of  
3 enhanced Soviet influence in the Gulf, all poses significant  
4 threats to the security of Israel."

5 Mr. Gates has testified that the statement that  
6 implies that Iran's position in the war with Iraq was  
7 deteriorating on January 17, 1986, was not consistent with  
8 U.S. intelligence reporting about Iran's position in the war.  
9 Would you agree with that statement by Mr. Gates?

10 A Definitely.

11 May I go off the record?

12 (Discussion off the record.)

13 BY MR. BARBADORO:

14 Q At the beginning of the second paragraph in the  
15 memorandum states, "The Israeli plan is premised on the  
16 assumption that moderate elements in Iran can come to  
17 power if these factions demonstrate their credibility in  
18 defending Iran against Iraq and in deterring Soviet intervention."

19 Mr. Gates testified that it was the position of the  
20 U.S. intelligence analysts at the time that there were no  
21 moderate elements in Iran. Would you agree with Mr. Gates'  
22 statement?

23 A Not only would I agree to it, but that's what I  
24 told the President, and I was quite upset when George Shultz  
25 began his testimony.

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jm 9

1 MR. LEON: When did you tell the President?

2 THE WITNESS: On 7 December, 1985 -- when George  
3 Shultz said in his testimony before the committee that the  
4 President, you know, was getting secured information, he also  
5 commented that he thought I was rather passive at the meeting.  
6 He remembered that I informed the President that we had no  
7 knowledge of any moderates, that they were all slaughtered  
8 by Khomeini when he came in, and that any weapons given to  
9 any so-called moderates would end up at the front line support-  
10 ing the Khomeini Government.

11 He remembered I said that, then I guess the rest of  
12 his testimony about the President not getting good intelligence  
13 or advice to the contrary would go by the boards.

14 BY MR. BARBADORO:

15 Q Let me focus on this memorandum and what the  
16 President had before him on January 17. This memorandum  
17 does not contain any reference to the position of U.S.  
18 intelligence at the time that there were no moderate elements  
19 in Iran, nor does it contain any reference to the position of  
20 U.S. intelligence that at this time Iran was not losing the war  
21 with Iraq, but, in fact, if anything, had the upper hand  
22 in the war with Iraq.

23 Based on the absence of any reference to the U.S.  
24 intelligence position on those issues, would you agree that  
25 this memorandum is, in fact, an instance of slanting of

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jm 10

1 intelligence reporting to the President?

2 A I won't say it's slanting intelligence reporting.  
3 It's misinforming the President, but it's not intelligence  
4 derived from the U.S. intelligence organization.

5 MR. LEON: Would you say it's failing to report  
6 U.S. intelligence?

7 THE WITNESS: It's an absence of the U.S. intelligence.

8 BY MR. BARBADORO:

9 Q Is it also misleading because of the absence of the  
10 reporting? :

11 A It's definitely misleading and that was not our  
12 position at that time, as Mr. Gates reflected.

13 Q That's all I have.

14 MR. LEON: Could I follow that up for a second.

15 MR. BARBADORO: Sure.

16 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

17 BY MR. LEON:

18 Q It just occurred to me tht when Mr. Barbadoro was  
19 asking you about the President's being made aware of the  
20 intelligence community's product that something we hadn't  
21 asked you about was the President gets daily briefings from  
22 the CIA, does he not?

23 A He gets a daily brief that usually the National  
24 Security Adviser brings into him. Whether the President reads  
25 all of it by himself or whether the National Security Adviser

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jm 11

1 briefs the President from it, I don't know.

2 Q So who controls---

3 A The National Security Adviser---

4 Q ---what it is the President gets?

5 A The National Security Adviser.

6 Q Does the agency send over to the National Security  
7 Adviser on a daily basis intelligence information on various  
8 subjects?

9 A Indeed.

10 Q And he then, the National Security Adviser then in  
11 turn decides which portions of that, if any, to give to the  
12 President?

13 A Right. We prepare a daily Presidential brief.  
14 We bring it down. The courier brings it down, gives it  
15 to the National Security Adviser who takes it to the President.

16 Q You keep those? Those are on file with the CIA?

17 A Yes.

18 Q They are in writing?

19 A Yes. I think that the committee is also on dis-  
20 tribution of all our finished intelligence, the national  
21 intelligence daily, and stuff like that, and the committee  
22 would be well aware if suddenly we started producing  
23 intelligence that suggested different things in Iran than  
24 what we had been saying before.

25 MR. BARBADORO: I have no further questions.

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jm 12

1 Could we go off the record just a second?

2 MR. CAROM<sup>E</sup>: Why don't we see how quickly we can  
3 rap this up.

4 Just for the record, my name is Patrick Carom<sup>E</sup>. I  
5 am one of the lawyers on the House Committee.

6 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

7 BY MR. CAROM<sup>E</sup>:

8 Q Let me show you a copy of your December 7, 1985  
9 memorandum.

10 For the record, it's already been made an exhibit.  
11 We don't need to mark it again.

12 In the beginning of the third paragraph, you refer  
13 to the fact that "I immediately informed our general counsel  
14 after confirming with Dewey Clarridge our involvement." This  
15 was referring to the activity over the November 24, 25 weekend.  
16 Do you recall speaking to Clarridge on November 25 prior  
17 to Sporkin?

18 A No. I'm not -- I can't follow the turn of events.

19 Q Do you think you may have spoken to him and you  
20 can't recall or do you think you probably didn't speak to  
21 him at all prior to speaking to Sporkin?

22 A What I probably did was call Clarridge after  
23 I came back from seeing Juchniewicz, which would have been  
24 in the -- you know, after 7:30 in the morning.

25 Q So it would have been early in the morning on the  
25th.

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jm 13

1

A 25, right.

2

Q Do you recall what was said in that conversation?

3

A No. Just I guess -- no, I can't. The only thing

4

that really sticks in my mind on Clarridge is in the night when

5

he came in around 6:30, 7 o'clock at night, with a cable going

6

out [REDACTED] turning off [REDACTED] over there.

7

Q Now just so it's clear, you think you may have

8

spoken to Clarridge in the morning, but you can't recall

9

the substance of the conversation?

10

A I can't recall, no.

11

Q ---if it occurred; is that right?

12

A Right.

13

MR. LEON: Just for the record, the exhibit you

14

have been referring to here is marked [REDACTED] No. 6, in the upper

15

right-hand corner?

16

MR. CAROM<sup>E</sup><sub>A</sub>: Yes.

17

It was made an exhibit to the [REDACTED]

18

deposition that was taken some time ago.

19

MR. LEON: How do you spell his last name?

20

MR. CAROM<sup>E</sup><sub>A</sub>: I believe it's [REDACTED]

21

MR. LEON: It's dated 6, 19, '87.

22

THE WITNESS: What probably happened, Pat, is

23

Juchniewicz told me that Dewey called him or something

24

like that, and so after I got through to Juchniewicz I probably

25

went back and called Dewey. But the context of the conversation,

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jm 14

1 I can't remember.

2 MR. CAROM<sup>E</sup>: Let me have this document please  
3 marked as an exhibit.

4 (Exhibit No. JM-2 was marked for identification.)

5 BY MR. CAROM<sup>E</sup>:

6 Q Mr. McMahon, I show you what has just been  
7 marked Exhibit No. 2 to this deposition. I imagine you have  
8 probably not seen this exhibit before. I will represent  
9 to you that it is a page our of Oliver North's notebooks,  
10 which the committees have received. At the top it's dated,  
11 October 26 or 25. We can tell from the place that it occurs  
12 in North's books, however, that it's actually November 26,  
13 was the date of the document. At the very top there is an  
14 entry that appears to have the -- the time is 0005. That  
15 would be five minutes after midnight.

16 It reads: "Call Clarridge." This would be a call  
17 from Clarridge to North at five minutes after midnight on  
18 November 26. Then it says in quotes, "This is criminal."

19 My question to you is did you some time on November  
20 25, prior to this phone call, together with Clair~~f~~ George,  
21 summon Dewey Clarridge into a meeting of some sort?

22 A No. I think Clair~~f~~ may have done that with the  
23 whole group of people at that 9 o'clock meeting that I  
24 referred to.

25 Q The quote here, "This is criminal," is that something

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jm 15

1 that you said to Clarridge on the 25th of November,  
2 referring perhaps to the activity that had happened that weekend  
3 and the involvement of the air proprietary?

4 A I don't recall saying it, though it wouldn't  
5 surprise me if I did. I just don't recall meeting with  
6 Clarridge except when he came in with that cable on the evening  
7 of the 25th.

8 MR. LEON: If you said it, would there have  
9 been a question mark after the word "criminal"?

10 THE WITNESS: I question mark?

11 MR. LEON: Would you know?

12 THE WITNESS: I felt -- there was no question in  
13 my mind that I thought we had violated the law. There was  
14 no doubt about that.

15 MR. LEON: But a criminal law?

16 THE WITNESS: No.

17 MR. LEON: It isn't a criminal violation?

18 THE WITNESS: I don't know.

19 BY MR. CAROM<sup>E</sup>:

20 Q But it would not have been out of tenor with the  
21 way you felt at the time; is that correct?

22 A Right.

23 But if I used the word, "criminal" it would be  
24 criminal in a political sense, not a technical, legal sense.

25 Q But specifically you do not recall a conversation

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jm 16

1 later in the evening on November 25, perhaps after Sporkin had  
2 received his briefing from the [REDACTED] people;  
3 is that right? You don't recall speaking to Clarridge again?

4 A No. Clarridge came in my office around 6:30,  
5 7 o'clock, but it was just on a cable going out [REDACTED]  
6 telling [REDACTED] to back off, that this is was a  
7 National Security Council operation and there was no need  
8 to re-raise it [REDACTED]

9 Q Do you recall whether when you had that conversation  
10 that you do recall with Clarridge whether that was before or  
11 after you had heard word back from Sporkin after the -- he  
12 had been briefed by the operations people?

13 A No.

14 You've got to come back to me again on that. When  
15 I saw Clarridge at 6:30, 7 o'clock on the night of the 25th,  
16 was that after Sporkin talked to me?

17 Q That's my question. I believe that that was probably  
18 about simultaneous with the time Sporkin was being  
19 briefed by the operations people. I am wondering if you  
20 may have spoken to Clarridge again after that conversation  
21 about the State Department people?

22 A No.

23 Q You have no recollection of that?

24 A No.

25 MR. LEON: Pat, this exhibit that says October at

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jm 17

1 the top?

2 MR. CAROM:<sup>E</sup> I have already covered that. From the  
3 notes it's obvious it is a November 26 entry.

4 MR. LEON: Did North testify to that by any chance?

5 MR. CAROM:<sup>E</sup> I'm not sure.

6 THE WITNESS: In fact, Pat, after I released that  
7 cable, I went home because Dewey caught me, I was packing  
8 up at my desk. I was standing up. I read the cable, saw  
9 it was a turn off, and sent it out. That was it. Then I  
10 went home.

11 BY MR. CAROM:<sup>E</sup>

12 Q Did you express any anger to Clarridge at that time?

13 A No, more dismay than anger. I think the only one I  
14 really vented with was Juchniewicz.

15 Q And that was in the morning?

16 A That was in the morning.

17 But I also told him that day nobody was going to  
18 do a God damn thing until we got a finding.

19 Q You told that to Clarridge?

20 A I told that to everybody in that room, and I told  
21 Clair/ George to make sure everybody at the DEO knew it.

22 Q And you are referring to the 9 o'clock, or so, a.m.  
23 meeting; is that right?

24 A Around there, yes. I saw Clarridge several times  
25 that day.

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jm 18

1 . Q Did you speak to anyone else at the agency other than  
2 Clarridge and Mr. George after that 9 o'clock briefing about  
3 this?  
4  
5

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2:00 p.m.

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THE WITNESS: I spoke to Sporkin several times.

2

BY MR. CAROM<sup>E</sup>:

3

Q Anyone else?

4

A Well, certainly my assistant, [REDACTED]

5

but I don't recall talking to -- none of the officers in

6

DEC or anything like that.

7

Q Do you know why the briefing of Sporkin would have been delayed or would not have taken place until after the end of the working day?

10

A No. That surprised me, other than Sporkin's availability. I thought I had left word for those fellows to get over there right away, but why the delay, I don't know.

14

Q You may have been asked this before. When did it first dawn on you that the cargo on [REDACTED] aircraft was weapons?

17

A To this day, I can't tell you. I don't know whether it was the 26th, the 27th, the 5th, the 7th, or when. I just can't pin that down. But you have to remember that didn't mean anything to me, I didn't care what was in that cargo. I just felt we had violated the law, and it didn't matter what was in it. Even if I knew it was weapons at the time, they wouldn't have rang a different bell to me than oil drilling equipment.

25

You missed out, I think, on my comment, to me,

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drg-2

1 oil drilling equipment is probably far more important to  
2 Iranians than weapons. Because they live and prosecute the  
3 war by their oil.

4 MR. POLGAR: Off the record.

5 (Discussion off the record.)

6 MR. CAROM: Back on the record.

7 BY MR. CAROM:

8 Q Did you know the communications that were going on  
9 over the weekend that CIA personnel were participating in  
10 had to do with problems with landing clearances for aircraft?

11 A The only communication I saw was on the previous  
12 Saturday, Juchniewicz showed me a cable, and I think it was  
13 going from the Deputy National Security Adviser to the  
14 Charge. It spoke of, it was more or less what I have  
15 described as bemoaning the fact [REDACTED] didn't help  
16 out. I told Juchniewicz, I said, "Okay, it is okay to send  
17 cables, but don't get involved." And we often sent cables  
18 for Secretary of State, Secretary of Defense, anybody, you  
19 know, and so to me that was a mechanism of using CIA security  
20 to go from the White House to the Charge. We were just a  
21 conduit to do that.

22 Q Did it surprise you this sort of high-level crisis  
23 involving landing rights --

24 A I don't think the cable spoke of landing rights.  
25 All this cable spoke of was [REDACTED] not willing to

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1 help out. It didn't describe, if I remember right, it didn't  
2 describe anything else.

3 Q There is another entry in North's notebook, I don't  
4 have it here with me, dated November 26, 1985, in which it  
5 appears that North is being told by Poindexter that the  
6 President has directed that the operation proceed.

7 Did you have any indication, or did you receive  
8 any word at any time in that timeframe that there had been  
9 some direction from the President for the operation to go  
10 forward?

11 A None whatsoever. In fact, the ground rules I  
12 left is we weren't going to do anything without a finding.

13 MR. LEON: Did the Director back you up on that?

14 THE WITNESS: Yes. In fact, I recall, I can't get,  
15 I don't recall the point in time, but I can remember walking  
16 in the Director's office, and he was on the phone, and he  
17 said, "Well, we need a finding", and he hung up, and we  
18 talked about something else. I don't know who he was talk-  
19 ing to.

20 BY MR. CAROM:<sup>E</sup>

21 Q In the period November 25-26, that week, did you  
22 have any discussions with Charlie Allen about the activity  
23 over that weekend, the [REDACTED] plane and the hostage  
24 release operation?

25 A I don't recall, but it wouldn't surprise me if I

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1 did. Wait a minute now, Charlie wasn't in that group at  
2 that time. I just don't recall. There is no reason why I  
3 should, but at some point we made Charlie the point of con-  
4 tact for North in supporting this operation, and I think  
5 that was later in December.

6 Q All right.

7 General Counsel Sporkin and Oliver North met at  
8 North's office in the evening of December 9, 1985. Sporkin  
9 has testified that it is his recollection that that was  
10 originally to be a meeting among himself, North and you and  
11 that the purpose of the meeting was for you to talk to North  
12 about getting the agency out of the Hostage-Iran Initiative.  
13 Does that conform at all to your recollection?

14 A No. But I do recall being scheduled to go to a  
15 meeting with Sporkin, I don't think it was just with North,  
16 but it was down at the White House, and for some reason I  
17 couldn't make it, and Sporkin went down by himself. There  
18 was no, you know, big deal about it. It was just that I  
19 was tied up, and I couldn't go. And I don't think it was a  
20 question to get us out of it. I just don't know.

21 Q What was the purpose of the meeting?

22 A I don't know. I just don't recall that.

23 Q That would have been just two days after the  
24 meeting with the President that you attended. Do you recall  
25 if it was connected with the Iran operation?

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1           A     I would suspect that it was, but I just don't  
2 recall.

3           Q     And you can't recollect what the purpose of that  
4 meeting would have been?

5           A     No. Nor can I recollect why I didn't go.

6           Q     But you do not believe it was a question of getting  
7 the agency out of the operation at that point, is that  
8 right?

9                     (No response.)

10          ,MR. LEON: It could have been?

11                 THE WITNESS: It could have been. I just don't  
12 know, Patrick. You know, one thing that you must bear in  
13 mind, and I have probably said this before, but when you  
14 put focus on Iran, everything lays out and looks like you  
15 have a continuous stream, but in our daily life, this is  
16 like a four millisecond burst, and then you are on to 16  
17 million other things, and then four days later something else  
18 happens. When you put it together, it looks like it is a  
19 big deal going about, but it really didn't come across our  
20 screen that often.

21                     BY MR. CAROM<sup>E</sup>:

22           Q     Did you prepare your December 7, 1985 memorandum  
23 for the record before or after the meeting with the President  
24 do you recall?

25           A     It had to be before. The reason I say that is

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drg-6

1 two-fold. I think if I did it afterwards, I would have made  
2 some comment or note to that effect in this. But I had my  
3 assistant check with my secretary, who prepared that, and  
4 she said that that was prepared on a Saturday morning, and  
5 she left the agency or signed out the agency around 1:00  
6 o'clock. We didn't break up with the President until about  
7 12:00, and I doubt if I would have dashed back and dictated  
8 that and have her type it before she checked out.

9 To me, I probably dictated that on a Friday even-  
10 ing, and she typed it Saturday morning, or I could have gone  
11 and dictated it to her Saturday morning, and she typed it  
12 up. But that was done before the 7 December meeting with the  
13 President.

14 Q Why did you do this memorandum at that period?

15 A Because I knew at some point in time in the future  
16 we would have to get honest with Congress in advising them  
17 of the finding, and what I wanted to do was make a note of  
18 what happened so that when they got excited about not being  
19 advised, at least I could walk them through what transpired.

20 MR. LEON: I just want to stop you there a second.  
21 You said get honest with Congress.

22 THE WITNESS: Correct the record.

23 MR. LEON: Is that a poor choice of words?

24 THE WITNESS: It is a poor choice of words.

25 Eventually we would have to advise Congress.

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1 MR. LEON: There hadn't been any dishonesty on the  
2 part of the CIA?

3 THE WITNESS: No. It is just we didn't advise  
4 them in our normal timeframe.

5 MR. LEON: Pursuant to the finding.

6 THE WITNESS: We eventually have to do that.  
7 Good point, good point.

8 MR. LEON: We don't want some report coming out  
9 the CIA was being dishonest if it wasn't.

10 THE WITNESS: Thank you for the correction.

11 BY MR. CAROM:<sup>E</sup>

12 Q Do you recall whether or not the Hawk shipment  
13 over the November 24-25 weekend was discussed at the December  
14 7 meeting?

15 A Not at all.

16 Q You don't recall, or are you saying it wasn't  
17 discussed?

18 A No, it was not discussed. I have no memory of  
19 that being mentioned at all. It was just this new initiative  
20 which David <sup>Kimche</sup> ~~Kimche~~ had talked to McFarlane about.

21 Q How about the finding, was that discussed?

22 A That was not discussed.

23 Q Didn't that strike you as extraordinary?

24 A Why? No, not at all.

25 Q Wasn't this a continuation of -- wasn't the

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1 discussion on December 7 focused on continuing precisely the  
2 initiative that had been going on before?

3 A No. It centered around a rationale of developing  
4 a dialogue with moderates in Iran, and that was kind of the  
5 foundation for the whole discussion.

6 MR. LEON: Who was claiming there were moderates  
7 at that meeting?

8 THE WITNESS: McFarlane was relating what I believe  
9 he got from the Israelis, assuming it was David <sup>Kimche</sup> ~~Kimche~~,  
10 since he mentioned David <sup>Kimche</sup> ~~Kimche~~ to start with.

11 BY MR. CAROM:<sup>E</sup>

12 Q I believe earlier when Mr. Leon was questioning  
13 you, you said that Sporkin had said something to you about  
14 going down to talk to the White House Counsel and the Justice  
15 Department about the finding. Could you expand on that?

16 A No. That's the extent of it. He was standing in  
17 the doorway of my office when he said that.

18 Q What time was that? Was this on the 25th?

19 A I don't know when. I would say it was probably the  
20 25th, evening, or the morning of the 26th.

21 Q And what did he say?

22 A And he came back and said, "You need a finding, but  
23 not necessarily for the eyes of the proprietary." I said,  
24 "What are you talking about?" He said, "Well, for the  
25 influence that our overseas personnel had." I said, "You

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1 mean like getting landing rights and things like that?"  
2 And he said, "Yes." I said, "Okay, then prepare a finding,  
3 and I want it made retroactive." He said that he was going  
4 down and talk to the White House Counsel and Justice. And  
5 I said, "Great", and he walked away.

6 Q Did you think he was about to immediately go down-  
7 town to do that?

8 A I don't know. That didn't register one way or  
9 the other.

10 Q Did you ever find out whether he had in fact talked  
11 to the White House Counsel or someone at Justice about the  
12 finding?

13 A No, the next I saw Sporkin, I was standing around  
14 the table in my office with a number of people, and we were  
15 looking at something, I forget what it was, and Sporkin  
16 came to the door and showed me a finding, two paragraphs on  
17 a piece of paper, it wasn't a finding, just two paragraphs,  
18 I read it, I said, "Great, get it to Casey, get it down  
19 there."

20 Q Did you on November 25 say anything to Sporkin  
21 about what you thought had been carried on the plane?

22 A No. If I remember correctly, I simply said the  
23 DDO screwed up, and we needed a finding, or I thought we  
24 needed a finding, and I was sending some guys over. He  
25 said "Fine." In his testimony, he mentioned words like

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1 I said a super-sensitive deal and stuff like that. That is  
2 not my nature. I wouldn't say that. We were very straight-  
3 forward. We screwed up, and we needed a finding.

4 Q Did you tell anything to Sporkin about the fact  
5 agency personnel had been involved in communicating and  
6 trying to get clearances?

7 A No.

8 Q When was the first time that you had any hint  
9 about the possible involvement or the involvement of the CIA  
10 proprietary in this November 24-25 operation?

11 A At 7:15 to 7:20 in the morning of the 25th.

12 Q You received no hint of that on the 23rd, is that  
13 right?

14 A None whatsoever.

15 Q Referring again to your December 7 memorandum,  
16 the last sentence of the second paragraph says, "General  
17 Secord then took it from there and made arrangements for a  
18 flight on a strictly commercial basis."

19 What did you mean when you wrote "strictly com-  
20 mercial basis"?

21 A That was part of Juchniewicz's response to me,  
22 when he told me they had used the proprietary, I said,  
23 "God damn it, I told you not to get involved." He said,  
24 "It wasn't us, they came to us, and we said no, and they asked  
25 for the name of a secure airline, and we gave them the name

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drg-11

1 of our proprietary, and they made the commercial arrangement  
2 between them and the proprietary."

3 Q But, in fact, I mean, this was a flight closely  
4 monitored from agency Headquarters, it wasn't really handled  
5 in a normal commercial manner, was it?

6 A I don't know. I don't think we monitored it. I  
7 am not sure what you mean by monitored.

8 Q You knew that the Chief of [REDACTED] and the  
9 Liaison between the agency and [REDACTED] were closely in-  
10 volved in the operation of that flight over that weekend,  
11 didn't you?

12 A No, I didn't know that at all until I was informed  
13 about it on the 25th.

14 Q But by the time you were writing this memorandum,  
15 you knew that.

16 A Oh, yes. It was open knowledge then.

17 Q And while [REDACTED] sometimes does flights that  
18 are commercial, it is not the norm on those commercial flights  
19 for agency Headquarters to be involved in the monitoring of  
20 flights?

21 A No, where I was concerned was that Headquarters CIA  
22 got involved in this. If North or Secord or anyone called up  
23 [REDACTED] and said, "Hey, we got a shipment to go" and we  
24 weren't involved, then no sweat. But once they involved us,  
25 we needed a finding. So I thought.

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drg-12

1 MR. LEON: That was Sporkin's opinion, too, wasn't  
2 it?

3 THE WITNESS: No, Sporkin said he didn't think it  
4 was necessarily for use of the proprietary but for the  
5 influence our people used overseas to get landing rights.

6 BY MR. CAROM:<sup>E</sup>

7 Q You said a little earlier this morning that  
8 Clair/ George had collected all of the cables at your  
9 request related to the activities over the weekend and had  
10 said he saw no problem with anything that he saw in the  
11 cables. Is that right?

12 A Well, no problem in that there wasn't anything else  
13 other than this event.

14 Q And you did not look yourself through the cables,  
15 is that right, at that time?

16 A I think I gave it the executive scan, as we call  
17 it. I didn't sit down and read all the cables, no, I did  
18 not.

19 Q On the question of whether a cable was lost, you  
20 certainly don't know one way or the other whether a cable  
21 was missing at that point, is that right?

22 A No, I have no knowledge of that other than CIA  
23 Headquarters feels it didn't exist, and that<sup>#</sup> is just not  
24 Dewey Clarridge saying that, it is all the people that  
25 hunted for it.

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- 1 Q You don't know if a cable was lost when it might  
2 have been lost, is that right?
- 3 A No.
- 4 Q You don't know whether it was lost in 1985 or 1986,  
5 is that right?
- 6 A No.
- 7 Q Did --
- 8 A If it existed.
- 9 Q If it existed, certainly.
- 10 MR. POLGAR: Off the record a moment.  
11 (Discussion off the record.)
- 12 BY MR. CAROM<sup>E</sup>:
- 13 Q Back on the record.  
14 One of the cables that does exist was a cable from  
15 [REDACTED] to Headquarters reporting the [REDACTED]  
16 pilot had said to ground [REDACTED]  
17 [REDACTED] that he was carrying armaments of some sort, I don't  
18 know if it was missiles, but it was military equipment.  
19 Did you know of that cable at the time? Did Mr. George  
20 point that out to you?
- 21 A No. What cable was that?
- 22 Q That cable would have been received by the agency  
23 early in the morning, maybe 4:00 or 5:00 a.m. on November  
24 25.
- 25 A No, I wasn't aware of that.

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drg-14

1 Q Jumping ahead -- well, let me ask you one more  
2 question on the November time period. Did you connect in  
3 your own mind the activity that went on over the November  
4 23 through 25 period with the meeting that you and Mr. Casey  
5 had had, I guess with Mr. McFarlane on the 14th of November  
6 when Mr. McFarlane had mentioned there was an operation, at  
7 least under discussion, at that point involving the shipment  
8 of arms for hostages?

9 A No, I didn't connect it, and the reason is that  
10 McFarlane's comment dealt with the Israelis shipping arms to  
11 Iran and not the United States. The two didn't come together  
12 for me. Now you look at it, and you say, "Gee, why didn't  
13 that ring a bell?" It didn't ring a bell because he was  
14 talking about the Israelis doing something, and our operation  
15 was on oil drilling equipment, so I just didn't connect the  
16 two.

17 Q When did you become aware that Secord was playing  
18 a role in the NSC operation?

19 A Well, I thought when I -- on the 25th that  
20 Juchniewicz used the term "Secord". Since then he said, "No,  
21 I didn't say Secord, I told you it was North." I just wouldn't  
22 have picked Secord's name out of a hat. I felt he had to say  
23 it since I wrote it there, and I just don't know.

24 Q By, say, late January, what was your understanding  
25 of Secord's involvement in the operation? Late January, 1986.

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drg-15

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1 A One as kind of the expediter, so to speak.

2 Q Did you perceive him playing any other role?

3 A No.

4 Q Did you have any knowledge in January, 1986 that  
5 a bank account under Secord's control was being used in  
6 connection with the transfer of money as payment for the  
7 missiles?

8 A I don't think we got around to bank accounts until  
9 February when we were asked to set up a Swiss bank account,  
10 and [REDACTED] the Director of Administration, came  
11 in to me and said, "Hey, the Director has asked us to set  
12 up a Swiss bank account to support the NSC operation." I  
13 said, "Well, we have a finding, so we can do that." And I  
14 think that was in the first part of February.

15 Q But as to a bank account under Secord's control,  
16 you are saying you don't have any knowledge of that?

17 A No, heavens no. [REDACTED]

18

19

20

21

22

23

24

25

Q Were you aware in the January, 1986 time period  
of discussions going on between Oliver North and Mr. Nix

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1 from Israel regarding joint covert operations to be run  
2 jointly by the United States and Israel?

3 A No.

4 Q Did you ever prior to these hearings learn any-  
5 thing about that?

6 A No.

7

8

9

10

11

But, no, I was not

12

involved in the North-Nir arrangement.

13

Q And you didn't hear anything about it? Is that  
14 right?

15

A If I did, I don't remember it. It just doesn't  
16 register with me.

17

Q I have a last few questions on the December 7  
18 meeting that you attended in the White House residence. You  
19 have already testified that one of the positions you ad-  
20 vanced is that there were no moderates left in Iran. Were  
21 there any other arguments that you made against proceeding  
22 with the initiative?

23

A Yes. That whatever arms we supplied would end  
24 up in the front lines against the Iraqis, and that would be  
25 to the detriment of Iran arms balance.

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drg-17

1 Q Was there any discussion at that meeting about  
2 Ghorbanifar?

3 A Not that I recall.

4 Q I believe that Mr. Allen has testified that you  
5 told him later in December that you had advanced the position  
6 of the December 7 meeting that Ghorbanifar was not reliable  
7 and that that was another --

8 A I advanced that position, but I don't recall it  
9 being the 7th. I know I told Poindexter and McFarlane he  
10 was no good. But I don't recall it being brought out at  
11 the December 7 meeting.

12 do' n/drg  
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#7

bap-1

1

BY MS. CAROM:<sup>E</sup>

2

Q When was the earliest you would have told that

3

Ghorbanifar was unreliable to either McFarlane or Poindexter?

4

A I can't put a time on it. It had to be when they

5

talked to us about using Ghorbanifar. They started name

6

tracing people that they met or were involved in with us

7

and our nearest division came up with the fact that

8

they had burned those out on this individual, and he was

9

not reliable and I can remember telling Poindexter and

10

McFarlane that. But I don't think I mentioned that at the

11

7 December meeting.

12

Q You have no recollection of Ghorbanifar coming up

13

at that meeting, is that right?

14

A No.

15

Q What was the outcome as you recall of the December 7

16

meeting? What was decided? What was the next step?

17

A There was no decision. In fact -- no evident

18

decision. The President left, and he was rushed out to

19

make his 12 noon Saturday broadcast. He kind of said,

20

"Well, why don't you just keep talking about it," and I

21

think someone commented, either Shultz or Weinberger,

22

"Well, what is there to say? We don't think this is a good

23

idea." And we then got in the elevator and went down

24

and I got out first and walked away, and Shultz was in

25

back of me and Weinberger walked separately in back of him.

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bap-2

1                   That was kind of the end of it. And I was  
2 quite surprised to find out that McFarlane left the  
3 next day to go to London.

4           Q       That was not discussed at the meeting that you  
5 recall?

6           A       Nope. I didn't learn about it until these  
7 hearings.

8           Q       Do you have a firm recollection that that didn't  
9 come up?

10          A       No, I don't know. But --

11          Q       That is your best recollection?

12          A       Best recollection.

13          Q       What did you --

14          A       It could not have come up because that would --  
15 it would have been suggestive that the proposition was  
16 going forward and at that point in time Shultz and Weinberger  
17 had laid down across the tracks and they just, you know,  
18 were arguing this was a dumb idea and that is why when the  
19 President left he said, "You keep kind of discussing it."

20                   But as far as they were concerned, I am convinced  
21 that it was going no place; that there was no decision.  
22 And I am sure they walked away with the same feeling.

23          Q       When was the next point in time where you had some  
24 inkling that the operation was in fact proceeding after  
25 the December 7 meeting?

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bap-3

1           A     Well, the most concrete one was on the 24th of  
2 January when Poindexter called me down and showed me the  
3 new signed finding.

4           Q     Had you not been aware prior to the 24th of a  
5 finding being in the works?

6           A     No. There were two other drafts I now understand,  
7 but I was not aware of them.

8           MR. LEON: Did you happen to turn to him at that  
9 point, Mr. McMahon, and say, "How about that November one?  
10 Can I take a look at that one while I am here and see if  
11 that one is signed?"

12          A     Well, this one was very expansive, you know.  
13 The November was very tight, and this one was kind of  
14 give them the whole nine yards, including intelligence  
15 and everything else.

16          MR. LEON: Did he say to you this is the way  
17 I wanted the other one to be?

18          THE WITNESS: No, never mentioned it.

19          MR. LEON: The November 25 one never came up?

20          THE WITNESS: It never came up. But I tried to  
21 talk him out of the intelligence part, but he wouldn't  
22 listen, and he felt that we didn't have that much to lose.  
23 Give some TOWs, and again there it shows you as arms for  
24 hostages, because he said, "You know, all we would lose if  
25 they don't come through is a thousand TOWs and some

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1 intelligence and coming through was getting the hostage.  
2 You know, you give them something, you get something."

3 It was going in tranches.

4 BY MR. LEON:

5 Q You were trying to convince him to keep the  
6 exchange of intelligence out of the January 17 finding?

7 A Right, right.

8 Q But it was signed by then at that point when you  
9 saw it.

10 A Right.

11 BY MR. CAROM<sup>R</sup><sub>E</sub>:

12 Q Did you perceive any differences in the operation  
13 laid out by Poindexter on January 24 and the operation that  
14 was being discussed at the meeting with the President  
15 on the 7th, putting aside the decision of providing  
16 intelligence to the Iranians?

17 A No. It was a little more specific and more  
18 encompassing. The discussion on the 7th centered around  
19 let's open a dialogue with Iran and try and get them into  
20 the Western orbit kind of thing. That was the whole context  
21 of that.

22 Q Do you recall what position Admiral Poindexter  
23 took at the December 7 meeting?

24 A I recall that he said very little. He made  
25 some supportive comments, but they were, you know, very  
short in transmission. He said very much.

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bap-5

1 It was basically Bud McFarlane laying this all out, and  
2 then Shultz and Weinberger arguing and the President then  
3 took over the conversation, and you know, he kept  
4 postulating various possibilities of improving relations  
5 and what might come of that, and Shultz and Weinberger  
6 just challenging him.

7 Q Was McFarlane advocating going forward?

8 A I thought he was an advocate until this all  
9 happened, and when I look back on it, I think I am  
10 accurate in saying that he was a messenger. He was saying,  
11 "Mr. President, here is an opportunity." But I don't think  
12 he had his heart in it when I look back on it. And  
13 that is a late perception.

14 Early on I thought that he was very much in  
15 back of it. But I am not sure that is the case now.

16 BY MR. LEON:

17 Q Did you report that meeting to Director Casey,  
18 what happened at it?

19 A Oh, yes.

20 Q When would that have been?

21 A In fact, probably the 10th, 7, 8 -- the 9th,  
22 whenever he got back in town. I think he may have been in  
23 New York, and that is why he didn't make the meeting, but  
24 whenever he came back. Then he went to kind of a follow-up  
25 meeting on the 10th.

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bap-6

1

BY MR. CAROM<sup>F</sup>:

2

Q That would have been after McFarlane returned?

3

A Had gone.

4

Q Returned from London and was providing the

5

President with a briefing on what went on.

6

A I think he said that McFarlane, if I remember a

7

memo which I have seen recently -- McFarlane said, "Look,

8

we are not going to ask you guys to do anything other

9

than provide intelligence right now." So it was like it

10

was all on hold.

11

MR. CAROM<sup>F</sup>: I don't have any further questions.

12

MR. LEON: Just one follow-up on one thing

13

that you just raised, Pat.

14

BY MR. LEON:

15

Q When you saw the January 17 finding on January 24,

16

I think you said --

17

A Right.

18

Q -- were you aware at that point that Director

19

Casey had known about it the January 17 finding prior to

20

that?

21

A No.

22

Q Now, having learned about it on the 24th, you

23

were empowered with a sense or clear in a sense to discuss

24

it with him, were you not?

25

A Sure. I sent him a cable.

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bap-7

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1 Q So did you share with him after the 24th of  
2 January, did you share with him your analysis or evaluation  
3 of it about the giving of intelligence over?

4 A Yes. I sent him a cable, I believe it was the  
5 24th, when I came back from the meeting with Poindexter.  
6 He was [REDACTED] I told him there was a new dimension  
7 on this; that they wanted us to provide intelligence,  
8 etcetera, etcetera, and I explained how I objected to  
9 Poindexter on this, giving the Iranians a military edge,  
10 tactical edge, and that was all bad.

11 Q Did he respond along the lines of, well, I  
12 had known this before hand, and I had okayed it. I had  
13 blessed it?

14 A No. In fact, I had asked it be confirmed that  
15 he had seen it because I thought this was a whole new  
16 dimension of dramatic proportions, and I wanted the Director  
17 to have the opportunity to weigh in on it. That is why  
18 I sent him the cable. He didn't respond. He had moved  
19 on then, the next day when I learned he didn't answer me  
20 or didn't acknowledge receipt.

21 I then sent it [REDACTED] He had moved  
22 on [REDACTED] and then I got confirmation back the  
23 Director had seen it.

24 Q Had seen the January 17 finding?

25 A Had seen my cable. Then I was content if he

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bap-8

1 wanted to weigh in he had the opportunity to do so.

2 <sup>R</sup> M<sup>S</sup>. CAROM<sup>E</sup>: Did you ever have a subsequent  
3 conversation with Director Casey about your objection to  
4 the providing of intelligence?

5 THE WITNESS: I think I talked to him quite a  
6 bit. I thought I told him it was a lousy ide-.

7 <sup>R</sup> M<sup>S</sup>. CAROM<sup>E</sup>: What did he say?

8 THE WITNESS: Well, I don't know at that time,  
9 but at some point in time, and I think it was in the  
10 December/January time frame, he said, "I think this is .  
11 crazy." He used those terms.

12 <sup>R</sup> M<sup>S</sup>. CAROM<sup>E</sup>: What was he referring to being  
13 crazy?

14 THE WITNESS: The sending arms to Iran.

15 BY MR. LEON:

16 Q The whole initiative idea?

17 A The whole thing, yes, sir.

18 Q After the December 7 meeting?

19 A I don't know. I can't put it in a time frame,  
20 Richard. It was in the January/December time frame.

21 <sup>R</sup> M<sup>S</sup>. CAROM<sup>E</sup>: How about specifically about the  
22 providing of intelligence? Did Director Casey say  
23 anything about that to you?

24 THE WITNESS: No. The analysts, Gates and myself,  
25 were kind of depressed on that, but we had a specific

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bap-9

1 Presidential directive, and we went ahead and did it.  
2 We were able to mitigate it somewhat with Ollie North  
3 by providing intelligence, with his concurrence, that  
4 would have limited military value. It would be such that  
5 the Iranians could establish our bona fides by having  
6 knowledge of the Iraqi positions, but it would not be  
7 enough information which would permit a major breakout  
8 on the border.

9 And North went along with that, at least for  
10 openers.

11 Q The reason why I asked those questions at the  
12 end, Mr. McMahon, is because here you were learning  
13 about something on the 24th that the Director knew about  
14 before hand, and he learned on, I guess what you could  
15 characterize as a need-to-know basis because the group  
16 of people who knew about that initiative was extremely  
17 small, correct?

18 A Right.

19 Q So you were being brought into that very small  
20 group on the 24th for the first time.

21 A Right. In fact, I was quite surprised that the  
22 findings in the first week of January took place, and I  
23 didn't know about it. I wondered if I was traveling or  
24 something like that, but I don't think I was.

25 Q In your service as Deputy Director, was that a

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bap-10

1 rather uncommon experience that something was so highly  
2 classified that the Director knew about it and you didn't  
3 know about it at all and learned about it at a later time?

4 A That was the only instance that I can recall.

5 MR. LEON: I don't think we have any further  
6 questions. I would like to conclude this by, again, on  
7 behalf of the Senate and on behalf of the House Committees  
8 and their staffs thank you very much for being  
9 extremely cooperative and giving so freely of your time  
10 under, I know, a very, very busy schedule that you have,  
11 at Lockheed and your cooperation and your staff back  
12 at the office have been very helpful to all of us.

13 We just can't thank you enough for fitting us  
14 in as you have so generously in your schedule. Thank  
15 you again, Mr. McMahon.

16 THE WITNESS: Thank you. I wouldn't want it  
17 any other way. Appreciate it.

18 (Whereupon, at 12:45 p.m., the deposition was  
19 concluded.)

20

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The Director of Central Intelligence  
UNCLASSIFIED

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27 March 1984

MEMORANDUM

The Honorable Robert C. McFarlane  
Assistant to the President for  
National Security Affairs

C 7490

SUBJECT: **C** Suppl Assistance to Nicaragua Program

1. In view of possible difficulties in obtaining supplemental appropriations to carry out the Nicaraguan covert action project through the remainder of this year, I am in full agreement that you should explore funding alternatives. I believe your thought of putting one of your staff in touch with the appropriate project should promptly be pursued. You will recall that the Nicaraguan project runs out of funds in mid-May. Although additional moneys are indeed required to continue the project in the current fiscal year, equipment and materiel made available from other sources might in part substitute for some funding. We are therefore currently exploring two such alternatives. Please note, however, that we are unlikely to receive materiel assistance from these sources by mid-May.

2. The first of these alternatives is

3. The second alternative we are exploring is the procurement of assistance from

4. Finally, after examining legalities, you might consider appropriate private US citizen to establish a foundation that recipient of nongovernmental funds which could be disbursed to FOM.

Declassified/Released on 31 Aug 87  
under provisions of E.O. 12358  
by P. Roger, National Security Council

William

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CIN 3077

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Executive Registry 1512

CL BY 008074  
RVW OADR

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ACTION

04 357387

PAGE 001

TOR: 06 MAR 84

SECRET MAR 84 STAFF

CITE

TO: PRIORITY

SUBJECT VISIT

REF:

1. AT SAME DINNER AT HIS RESIDENCE MENTIONED REF. RAISED WITH POSSIBILITY OF YOUR VISIT AND THAT W

ADVANCE NOTICE IF YOU ARE INTERESTED. ON PER MENTIONED THAT REQUEST IF COMES HERE. THIS VISIT WOULD ONLY BE HANDLED

BEAR THAT IN MIND, IN WHATEVER COORDINATION PROCESS YOU HAVE IN MIND. GIVEN CURRENT SENSITIVITIES, MIGHT BE BE STALL FOR A BIT ON THIS ONE.

2. NO FILE. DECL OADR DRV SECRET.

END OF MESSAGE SECRET

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Partially Declassified/Released on 17 AUG 1997 under provisions of E.O. 12356 by J. Reger, National Security Council

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SECRET

A

REVIEWED FOR RELEASE DATE 15 MAY 1987 HSC+SSC

CIIN 3871

SECRET

OUTGOING

04 3590

NSR

PAGE 001

TOT: 09 MAR 84

DIRECTOR 866848

SECRET  
STAFF OFF  
TO:

DIRECTOR (331)

SUBJECT: VISITS TO

REF:

I SHARED REF WITH [REDACTED] WHO WOULD BE HAPPY TO VISIT [REDACTED]  
 I THINK HOWEVER BEFORE WE PLAN SUCH A TRIP THAT YOU SHOULD  
 POKE A [REDACTED] TO GET A BETTER IDEA OF THE HOMEWORK TO DO FROM  
 UNDER WHAT CONDITIONS, ETC. [REDACTED] ALSO HAS TO BE PREPARED TO PROVIDE.  
 THIS END BEFORE HE COULD ACCEPT SUCH AN OFFER. PLS LET US KNOW WHAT  
 YOU CAN FIND OUT. DEEL OADR DRV HUM 4-82. SECRET >

END OF MESSAGE

SECRET

OUTGOING MESSAGE

OUTGOING MESSAGE

OUTGOING MESSAGE

Partially Declassified/Released on 17 AUG 1987  
 under provisions of E.O. 12356  
 by 3. Reger, National Security Council

3961

[REDACTED] [REDACTED] A

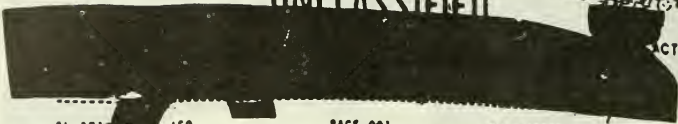
REVIEWED FOR RELEASE  
DATE 18 MAY 1987

HSC + SSC

CJIN 3872

SECRET  
UNCLASSIFIED

UNCLASSIFIED



ACTION

84 3718 ASO PAGE 001 TOR: 2 MAR 84 IN 171987

SECRET MAR 84 STAFF

CITE

TO: IMMEDIATE DIRECTOR.

SUBJECT: ASSISTANCE TO NICARAGUA

REF: DIRECTOR 883762

1. SPOKE TO [REDACTED] A FEW DAYS AGO REGARDING CENTRAL AMERICAN/NICARAGUAN SITUATION. [REDACTED] BELIEVES SOME INDEPENDENT HELP FROM THE MILITARY HERE IS POSSIBLE BOTH IN TRAINING AND EQUIPMENT. [REDACTED] FORESEES THESE BEING [REDACTED] ON DIRECT BASIS BETWEEN [REDACTED] AND [REDACTED] OFFERING BEHIND THE SCENES ADVICE ON WHERE TO PLOG IN AND WHAT ASSISTANCE WOULD BE TRULY USEFUL. HOWEVER, [REDACTED] REMAINS OPEN TO SUGGESTIONS FOR OTHER APPROACHES.

2. [REDACTED] BELIEVE BEST HANDLED BY A VISIT FROM YOU WHICH WOULD BE MOST WELCOME ANY TIME, BUT WILL DISCUSS WITH [REDACTED] AND [REDACTED] UPON THEIR ARRIVAL. [REDACTED] URGES THIS APPROACH, AND WILL NO DOUBT USE YOUR TRAVEL AND MEETINGS HERE TO NAIL DOWN FINAL APPROVAL FOR SUCH SUPPORT.

3. DELAY IN ADDRESSING ISSUE WAS CAUSED BY VERY HECTIC [REDACTED] BELIEVE ONCE COURSE OF COOPERATION AGREED UPON, WE CAN EXPECT EFFICIENT AND RAPID REACTION FROM THEM.

4. FILE: DEFER. OACL OADR ORY HUM A-82. ALL SECRET.  
END OF MESSAGE SECRET

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3962



REVIEWED FOR RELEASE DATE 15 MAY 1987 HSC+SSC

UIN 3873

SECRET UNCLASSIFIED

~~UNCLASSIFIED~~

OUTGOING

04 3713 ASO PAGE 001  
TOT: 23 MAR 84 DIRECTOR 863762

SECRET  
STAFF 23 DIRECTOR 863762  
TO: IMMEDIATE

SUBJECT: ASSISTANCE TO NICARAGUAN PROJECT

REFS: A.  
B. DIRECTOR 866849

FROM:

1. DURING A MEETING WITH [REDACTED] ON 23 MARCH ON THE NICARAGUAN PROJECT, I MENTIONED TO HIM [REDACTED] COMMENTS TO YOU IN REF A. HE SUGGESTED [REDACTED] ASKING HIM, TO MEET WITH [REDACTED] IF I SEND A CABLE TO [REDACTED] WITHIN POSSIBLE SUPPORT.

2. I LEARNED FROM [REDACTED] THAT [REDACTED] NOT BE [REDACTED] DURING [REDACTED] VISIT AND THE PENULTIMATE SENTENCE IN REF A SEEMS TO [REDACTED] HAS [REDACTED] PROBABLY [REDACTED] DID NOT RAISE THE MATTER WITH [REDACTED] PLEASE ADVISE [REDACTED] MY IMPRESSION IS CORRECT OR NOT AND WHETHER YOU HAVE HAD [REDACTED] ANY ASSISTANCE TO SOUND OUT [REDACTED] ON WHAT HE IS PREPARED TO DO IN THE WAY [REDACTED] ASSISTANCE PER REF B. DECL OADR DRV HUM 4-82. ALL SECRET.

ORIG: [REDACTED] CLARRIDGE [REDACTED]; REL: [REDACTED] CL [REDACTED]

END OF MESSAGE SECRET

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by B. Roger, National Security Council

3963

[REDACTED]

A

CIIN 3874

~~SECRET~~  
~~UNCLASSIFIED~~

REVIEWED FOR RELEASE  
DATE 15 MAY 1987  
HSC+SSC

~~UNCLASSIFIED~~

ACTION

84 380372 ASO

PAGE 001  
TOR: 02 APR 84

IN 380372

SECRET 703 PR 31 STAFF

CITE

TO: IMMEDIATE DIRECTOR

SUBJECT: ASSISTANCE TO NICARAGUAN PROJECT

REF: DIRECTOR 894326

FROM

OUT OF TOWN. SHOULD BE ABLE TO  
CONTACT TOMORROW MORNING. WILL ADVISE.  
DECL OADR DRV HUM 4-82. ALL SECRET.

END OF MESSAGE

SECRET

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by B. Regez, National Security Council

3964

A

UNCLASSIFIED

SECRET

CIIN 3875

REVIEWED FOR RELEASE

DATE 13 MAY 1987

HSC + SSC



UNCLASSIFIED

ACTION

84 3812 ASO PAGE 001 TOR: 04 APR 84

SECRETARY OF STATE STAFF  
CITY  
TO: IMMEDIATE REPLY

SUBJECT: ASSISTANCE TO NICARAGUAN PROJECT  
REFS: A.  
B. DIRECTOR 854324

1. WELCOMES VISIT AND OPINES THAT HE SHOULD BE ABLE TO COME UP WITH A "MODEST BUT REASONABLE AMOUNT OF EQUIPMENT" PLUS A GOOD BILATERAL TRAINING PROGRAM IN SHORT ORDER.

2. APPOINTMENT FOR 17 APRIL AT 10 AM WITH LUNCH TO FOLLOW. ALL OTHER ADDITIONAL MEETINGS WILL BE NEEDED AND ASKS THAT SPEND AT LEAST 17 AND 18 APRIL.

3. RECOMMEND TAKE RESIDENCE SUGGEST NEED TO GET RIGHT DOWN TO BUSINESS SHORTLY AFTER ARRIVAL THAT HE UPGRADE CLASS OF TRAVEL IF POSSIBLE.

4. REQUEST SPECIFIC GUIDANCE AS TO WHETHER SHOULD BE APPRISED OF ABOVE VISIT, AND IF SO, WHAT IF ANYTHING SHOULD BE TOLD TO HIM REGARDING NATURE AND PURPOSE CLAIMS THAT ENTIRE MATTER CLOSELY HELD FOR CONSIDER ABOVE ARRANGEMENTS ACCEPTABLE REQUEST.

5. NO FILE, DECL OADR DRV HUM 4-82. ALL SECRET.  
END OF MESSAGE SECRET

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by B. Reger, National Security Council

3965

A

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DATE 15 MAY 1987  
HSC + SSC

CIN 3876

UNCLASSIFIED

SECRET

INCOMING

04 1810 A50

PAGE 001  
TOR: 05 APR 84

11 182200Z

SECRET  
APR 84 STAFF

CITE

TO: IMMEDIATE PRIORITY

SUBJECT: TRAVEL

REF: DIRECTOR 897713

1. [REDACTED] WOULD NOW LIKE TO MOVE MEETING UP TO

[REDACTED] IF [REDACTED] UNABLE TO MOVE TRAVEL MEETING WILL  
HAVE TO BE SOMETIME AFTER 23RD POSSIBLY [REDACTED]

2. PLEASE ADVISE SOONEST PREFERABLY [REDACTED] CASE OF BUSINESS  
HERE [REDACTED] SINCE [REDACTED] WOULD LIKE TO FIRM UP  
ARRANGEMENTS SOONEST IN VIEW OF TIGHT TIME FRAME.

3. IS TO CONTACT [REDACTED]

DECL DATA DRV HUB [REDACTED] 2. ALL SECRET.

COO COMMENT: [REDACTED] SUGGESTS DISSEM TO [REDACTED]

END OF MESSAGE

SECRET

Partially Declassified/Released on 17 Aug 1997  
under provisions of E.O. 12356  
by S. Regar, National Security Council

3966

A

REVIEWED FOR RELEASE  
DATE 13 MAY 1987

HSC+SSC

CIN 3877

SECRET

~~SECRET~~

UNCLASSIFIED

INCOMING

[REDACTED]

84 3827500 ASO

PAGE 001  
TOR: 05 APR 84

IN 1833501

SECRET  
APR 84 STAFF

CITE

TO: IMMEDIATE DIRECTOR

SUBJECT: IDENTITY

REF:

IDEM:

DECL OADR DRV NUM 4-02. ALL SECRET.

END OF MESSAGE

SECRET

Classification 17 AUG 1987  
Under provisions of E.O. 12356  
J. Reger, National Security Council

3967

UNCLASSIFIED

SECRET

A

REVIEWED FOR RELEASE  
DATE 15 MAY 1987

HSC + SSC

CIIN 3878

~~UNCLASSIFIED~~

OUTGOING

OUTGOING MESSAGE

84 3810

ASO

PAGE 001  
TOT: 05 APR 84

DIRECTOR 897713

SECRET  
STAFF OFFICE DIRECTOR 135-3  
TO: IMMEDIATE

SUBJECT: TRAVEL

REF:

1. APPRECIATE REF. WILL DEPART FOR [REDACTED] ON 15 APRIL AND WILL REMAIN FOR AS LONG AS NECESSARY.

2. RE PARA 4 REF, WILL ADVISE ON THIS ISSUE AS SOON AS POSSIBLE. DECL OADR DRV HUM 4-82. ALL SECRET.  
ORIG: [REDACTED] CLARRIDGE [REDACTED] REL: [REDACTED]

END OF MESSAGE

Partially Declassified/Released on 17 Aug 1997  
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by B. Regor, National Security Council

3968

A

REVIEWED FOR RELEASE  
DATE 13 MAY 1987  
HSC + SSC

CIN 3879

UNCLASSIFIED

~~SECRET~~

OUTGOING

84 3825

ASO

PAGE 001

TOT: 05 APR 84

DIRECTOR BRASIS

STAFF OFFICE DIRECTOR (131) 6  
TO: IMMEDIATE

SUBJECT: TRAVEL

REF:

WILL ARRIVE

10 APRIL

DECL OADR DRY HUM 6-82. ALL SECRET. >

ORIG: (CLEARING)

; REL: CL B

END OF MESSAGE

SECRET

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by B. Reger, National Security Council

3969

A

REVIEWED FOR RELEASE  
DATE 15 MAY 1987

HSC+SSC

CIIN 3880

~~SECRET~~  
UNCLASSIFIED

~~SECRET~~

ACTION

04 385-114 ASO

PAGE 001  
TOR: 05 APR 84

IN MESSAGE

09 APR 84 STAFF

CIT

TO: IMMEDIATE DIRECTOR INF

SUBJECT: VISIT

PLEASE PROVIDE RESPONSE ON HOW TO HANDLE VISIT RETURNS  
WITH BY OPENING OF BUSINESS TUESDAY, APRIL 10.  
TO FROM (MID-DAY TUESDAY) FROM THIS VANTAGE  
POINT SUGGEST PRESENTATION AS FOLLOW-UP ON PROMISE AT  
JANUARY DISCUSSIONS TO PROVIDE "INSIDE" BRIEFING ON DEVELOPMENTS  
IN CENTRAL AMERICA WOULD SUFFICE. WOULD IN ADDITION EXPLAIN THAT  
SUDDENNESS OF VISIT RESULT OF UNEXPECTED WINDOW IN SCHEDULE AND  
AVAILABILITY OF APPROPRIATE WOULD TAILOR FURTHER  
BRIEFINGS IN MORE MEASURED MANNER DEPENDS ON RESULTS  
DISCUSSIONS AT A LATER DATE. DECL OADR DRY HUM 4-82. ALL SECRET.

END OF MESSAGE

96-17

Partially Declassified / Released on 17 AUG 1987  
under provisions of E.O. 12958  
by B. Reger, National Security Council

3970

A

UNCLASSIFIED  
~~SECRET~~

REVIEWED FOR RELEASE  
DATE 15 MAY 1987  
HSC+SSC

CIN 3881

~~SECRET~~

ACTION

84 404103 ASO PAGE 001  
TOR: 01 MAY 84 IN 421082

MAY 84 STAFF

CITE

TO: IMMEDIATE

SUBJECT: DISCUSSIONS WITH

REF:

1. SHORTLY AFTER REF SENT MEETING TO DISCUSS STEPS TO IMPLEMENT REF DISCUSSIONS. IMPLICIT WAS WILLINGNESS TO PROCEED FORTHWITH. NOW NEED REF REPLY BY CLOSE OF BUSINESS TOMORROW.

2. NO FILE. DECL OADR DRV HUM 4-82. ~~SECRET~~  
END OF MESSAGE

Partially Declassified/Released 17 AUG 1987  
under provisions of E.O. 11652  
by 3. Reger, National Security Council

3971

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~~SECRET~~

CIIN 3982

A

REVIEWED FOR RELEASE  
DATE 15 MAY 1987  
HSC + SSC

SECRET

OUTGOING

BA 404722

PAGE 001  
TOT: 0 MAY 84 DIRECTOR 928788

STAFF DIRECTOR 928788  
TO: IMMEDIATE

SUBJECT: DISCUSSIONS WITH  
REF:  
FROM:

1. CURRENT FUROR HERE OVER THE NICARAGUAN PROJECT URGES THAT WE POSTPONE TAKING UP ON THEIR OFFER OF ASSISTANCE. PLEASE EXPRESS TO MY DEEP REGRET THAT WE MUST DO THIS, AT LEAST FOR THE TIME BEING AND I FULLY REALIZE THAT HE CANNOT CRANK UP ASSISTANCE ON A MOMENT'S NOTICE, SHOULD WE DECIDE TO GO FORWARD IN THE FUTURE.

- file

DECL OADR DRV HUM 4-82. ALL SECRET. >  
ORIG: CA (CLARRIDGE X) REL: C

END OF MESSAGE

Partially Declassified/Released on 17 AUG 1987  
under provisions of E.O. 12356  
by B. Reger, National Security Council

3972

A

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DATE 15 MAY 1987  
HSC + SSC

CIIN 3983

SECRET  
UNCLASSIFIED



**SECRET**

OUTGOING

84 385006 ASO

PAGE 00  
TOT: 08 APR 64

DIRECTOR 002801

STAFF OFFICE DIRECTOR 00101  
TO: IMMEDIATE

SUBJECT: VISIT OF

REF:

1. IN ABSENCE OF [REDACTED] WAS BRIEFED ON 8 APRIL RE  
REF TRIP. HE ASKS THAT [REDACTED] BE BRIEFED, STRESSING BILATERAL-  
NATURE OF ANY SUCH COOPERATION  
WITH OWN RULES LIMITED TO THAT OF HONEST BROKER. SECSTATE HAS BEEN  
BRIEFED ON THE INITIATIVE AND APPROVES. ALL MESSAGES ON THIS  
SUBJECT SHOULD BE CONFINED TO THIS CHANNEL.

2. NO FILE DECL OADR DRY HUM 4-21-64 SECRET  
ORIG [REDACTED] AUTHN [REDACTED] REL [REDACTED] L BY [REDACTED]  
END OF MESSAGE

Declassified/Released on 17 AUG 1987  
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by [REDACTED] National Archives and Records Administration

3973

A

3884

**SECRET**  
**UNCLASSIFIED**

REVIEWED FOR RELEASE  
DATE 15 MAY 1987

HSC + SSC

OUTGOING MESSAGE

SECRET

OUTGOING

84 387

100

PAGE 001

TOT 10 APR 84

DIRECTOR 90451A

STAFF 10 DIRECTOR 90451A  
TO: 1A

MIACT

SUBJECT: DISCUSSIONS WITH

1. DCI ADVISES THAT THERE ARE SOME SECOND THOUGHTS AROUND  
TOWN AS TO WISDOM OF INVOLVING IN ALREADY  
COMPLICATED CENTRAL AMERICAN EDUCATION. REQUEST YOU HOLD OFF ON  
THIS ASPECT OF YOUR DISCUSSIONS UNTIL WE CAN GET DEFINITIVE  
WORD TO YOU.

2.

3. WILL ADVISE SOONEST. NO FILE. OADR DRV HUM 4-82.>  
CRIGI REL CL DE

END OF MESSAGE

999

17 AUG 1987

3974

A

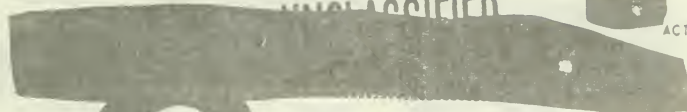
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DATE 15 MAY 1987  
HSC + SSC

CIN 3885

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UNCLASSIFIED

~~SECRET~~  
UNCLASSIFIED

ACTIC



84 38 0000 ASO

PAGE 001  
TOR: 12 APR 84 IN 189067

12 APR 84 STAFF

CIT

TO: 1224000000 SECTION

SUBJECT: ARRIVAL

ARRIVES NATIONAL AIRPORT 13 APRIL LOCAL.  
PLS ADVISE OFFICE AND WIFE. DECL OADR DRV ALL SECRET.

END OF MESSAGE

SECRET



17 AUG 1987  
J. Regar, National Security Council

3975



REVIEWED FOR RELEASE  
DATE 13 MAY 1987

HSC+SSC

CIN 3886

~~SECRET~~  
UNCLASSIFIED

CONFIDENTIAL

ACTION

04 4038535

PAGE 001

IN 4038535

TOR: 06 MAY 84

MAY 84 STAFF

CIT

TO: IMMEDIATE

SUBJECT: REF DISCUSSIONS WITH

REF:

1. ANY WORD TO PASS [REDACTED] ON RECENT REF DISCUSSIONS. [REDACTED] HAVE BEEN ABLE BY AVOIDANCE OF PERSONAL MEETING TO DELAY RESPONSE TO DATE, BUT LOCAL CIRCUMSTANCES NOW DICTATE NEED TO SE [REDACTED] SOONEST. IF NO DECISION YET REACHED, WILL TEMPORIZE ACCORDINGLY.

2. NO FILE. DECL OADR DRV HUM 4-82. ~~SECRET~~

END OF MESSAGE

Classified/Released on 17 AUG 1987  
under provisions of E.O. 12356  
by 3 [REDACTED], National Security Council

3976

[REDACTED]

CIN 3887

SECRET  
UNCLASSIFIED

REVIEWED FOR RELEASE  
DATE 15 MAY 1987  
HSC+SSC

UNCLASSIFIED 26 June 1984

McMahon Ex # -  
2/1/87 m/ks

MEMORANDUM FOR THE RECORD  
FROM Stanley Sporkin  
General Counsel  
SUBJECT: Nicaragua

0007808

On [redacted] hours today, the Director and I attended a meeting with Attorney General Smith, D. Lowell Jensen and Mary Lawton concerning Nicaragua. The DCI explained that the funds to support the current Nicaragua program were running out and that he wanted to discuss the legal limits of the options available to the government. The DCI mentioned that he was at a recent NSPG meeting where he had been requested to discuss the matter informally with the Attorney General. The DCI said one proposal being considered involved other nations in the region providing aid to the Nicaraguan Contras. After a discussion with the Attorney General stated that he saw no legal concern with the United States Government discussing this matter with other nations so long as it was made clear that they would be using their own funds to support the Contras and no appropriated funds would be used for this purpose. The Attorney General also said that any nation agreeing to supply aid could not look to the United States to repay that aid in the future. The DCI made it clear that if there is a possibility this option might be used, he would advise the CIA oversight committees.

2. Mary Lawton suggested that a specific written statement might be developed to make clear to cooperating nations that any decision to provide further assistance to the resistance in Nicaragua would be made without any monetary promises or inducements from the United States Government which would expect them to take steps to assure that no U.S. appropriated funds would be involved in the program.

3. The DCI thanked the Attorney General and his staff for their assistance and said he welcomed their advice and their general views on this matter.

Partially  
Declassified/Released on 31 Aug 87  
under provisions of E.O. 13526  
by E. Rogers, National Security Council

3977

A

ALL PORTIONS SECRET

CL BY 986573  
DECL OADR  
DERIVED FROM ROOM 4-B2

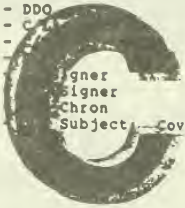
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CIIN 3099

Distribution: OGC-85-5006

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 Subject Covert Action

007809



3



C11N 309P **UNCLASSIFIED**

Executive Registry
47058

**UNCLASSIFIED**

~~TOP SECRET~~ 2707

(Security Classification)

15 Mar 85 Meeting w Sec and Dep  
Sec Defense

ROUTING			
TO	NAME AND ADDRESS	DATE	INITIALS
1			
2			
3			
4			
OPTION	DIRECT REPLY	PREPARE REPLY	
APPROVAL	DISPATCH	RECOMMENDATION	
COMMENT	FILE	RETURN	
CONCURRENCE	INFORMATION	SIGNATURE	
REMARKS			
FROM NAME ADDRESS AND PHONE NO			DATE

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*Handy*

McMahon Ex. #4  
4/1/87 mao

Handle Via

**COMINT**

Channels

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under provisions of E.O. 12356  
by P. Rogers, National Security Council



Warning Notice  
Intelligence Sources and Methods Involved  
**NATIONAL SECURITY INFORMATION**  
Unauthorized Disclosure Subject to Criminal Sanctions

3978

~~TOP SECRET~~

(Security Classification)

0110 1323

**UNCLASSIFIED**

**UNCLASSIFIED**

C 2708

## DISSEMINATION CONTROL ABBREVIATIONS

NOFORN-	Not Releasable to Foreign Nationals
NOCONTRACT-	Not Releasable to Contractors or Contractor/Consultants
PROPIN-	Caution-Proprietary Information Involved
USIBONLY-	USIB Departments Only
ORCON-	Dissemination and Extraction of Information Controlled by Originator
REL	This Information has been Authorized for Release to

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UNCLASSIFIED

C 2709

Acting W/Secretary and Deputy  
Secretary Defense 15 Mar 85  
471

3979

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by P. Reger, National Security Council

1323

UNCLASSIFIED

**UNCLASSIFIED**

65- 1088

C 2710

15 March 1985

MEMORANDUM FOR: THE RECORD

SUBJECT: Breakfast with Secretary and Deputy  
Secretary of Defense, 15 March 1985

3979

Partially Destroyed  
31 Aug 87  
[REDACTED]

**UNCLASSIFIED**

2618

1323

**UNCLASSIFIED**

C 2711

7. Question of the support to the Contras came up. The Director noted that we should have another meeting on it but following last week's meeting of the LSG we tended to be leaning towards non-lethal aid. I described the assignment given to Motley to develop different options which could be packaged and then played against Senators Lugar and Durenberger to see what combination of options in a single package might be acceptable to Congress. But I noted at the meeting that there was no agreement that we would be limited to non-lethal aid. The Director said that McFarlane was to meet with Lugar and Durenberger today. In closing the Secretary stated that he had heard that [REDACTED] had earmarked \$25 million for the Contras in \$5 million increments.

  
John N. McMahon

cc DDI  
DDO  
-EA/DDCI  
EA/DCI  
Exec. Sec.  
Exec. Registry

**UNCLASSIFIED**

26188

1323

5 P95

withheld in  
entirety

(C2712, C2713, C2714, C2715, C2716)

3980

George Ex #3  
**UNCLASSIFIED** National Security Council  
The White House

System # \_\_\_\_\_

Package # \_\_\_\_\_

N 7417

McMahon Ex #5  
6/1/87 ma

SEQUENCE TO HAS SEEN DISPOSITION

Paul Thompson	_____	_____	_____
Bob Kimmitt	_____	_____	_____
John Poindexter	1	J	_____
Tom Shull	_____	_____	_____
Wilma Hall	_____	_____	_____
Bud McFarlane	2	M	A
Bob Kimmitt	_____	_____	_____
NSC Secretaries	_____	_____	_____
Situation	3	4	_____

~~Excluded from automatic downgrading and declassification~~  
By B. Perry, National Security Council

Information  Action  Return  Dispatch  No Further Action

cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS Should be seen by: \_\_\_\_\_  
(Date/Time)

3951

Send.  
I have told Cline to plan to  
go over with [unclear]  
confirm when he calls me in the  
morning. Please call me after  
you have read this.

82-720 339

## ROUTING

To	Name and Address	Date	Initials
1	Robert McFarlane		
2			
3			
4			
5			
6			

**EYES ONLY**

X	ACTION	FILE
	APPROVAL	INFORMATION
	COMMENT	PREPARE REPLY
	CONCURRENCE	RECOMMENDATION
	DIRECT REPLY	RETURN
	DISPATCH	SIGNATURE

REMARKS  
cc: Oliver Holt (82 and)

~~TOP SECRET SENSITIVE~~  
**UNCLASSIFIED**

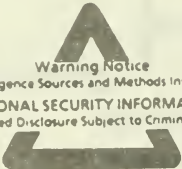
EYES ONLY

N 7418

NSC/ICS CONTROL NO 400587

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**EYES ONLY****NSC INTELLIGENCE  
DOCUMENT**  
Warning Notice

Intelligence Sources and Methods Involved

**NATIONAL SECURITY INFORMATION**

Unauthorized Disclosure Subject to Criminal Sanctions

**EYES ONLY**~~TOP SECRET~~  
**UNCLASSIFIED****TOP SECRET**REVIEW  
12/11/71

**UNCLASSIFIED**

MEMORANDUM

SYSTEM IV  
NSC/ICS-4005g

NATIONAL SECURITY COUNCIL

June 7, 1985

N 7419

~~TOP SECRET~~

ACTION

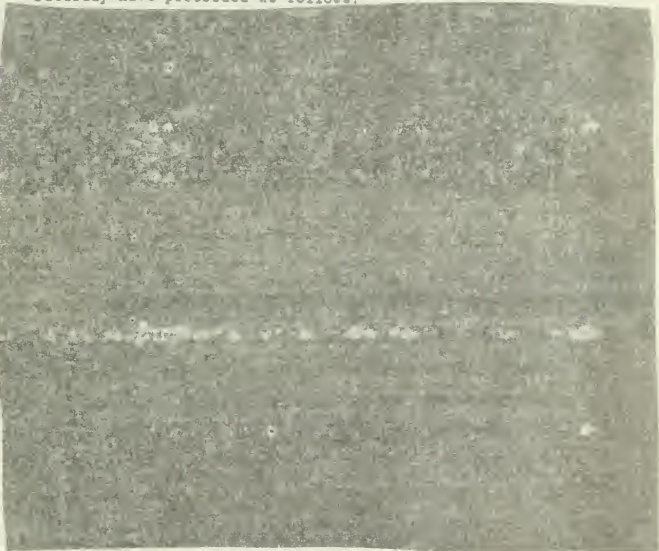
**EYES ONLY**

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: OLIVER L. NORTH

SUBJECT: Status of Hostage Recovery Efforts

The two independent hostage recovery activities briefed last Saturday have proceeded as follows:



6-12-85  
K

~~TOP SECRET~~  
Declassify: OADR

**UNCLASSIFIED**

~~TOP SECRET~~~~TOP SECRET~~  
~~UNCLASSIFIED~~ EYES ONLY

DEA operation. At the request of the two DEA officers who originated the contact in Lebanon, I met with their asset in Washington. Last week, their intermediary expressed concern with proceeding with the operation based on the instability inside Lebanon. In response to their urgings (the DEA officers were made aware of the possibility that the Dawa prisoners could be executed shortly after the end of Ramadan--June 19) and the death of one of his contacts inside Lebanon, he has now agreed to proceed as follows:

- He will depart Saturday, June 8, and meet [redacted] contact in Europe as well as a [redacted] who was the secondary contact inside Lebanon. He will urge [redacted] to return to Lebanon and arrange for a meeting on Cyprus [redacted] one DEA officer, [redacted] himself, and [redacted]
- Once contact has been established and a meeting arranged, the two DEA officers will depart for Cyprus via Vienna where they will deposit the \$200K and establish an account for the \$2M (\$500K of which will be available immediately in U.S. dollars cash for use in Lebanon). [redacted] will then proceed to the meeting indicated above.

~~TOP SECRET~~~~UNCLASSIFIED~~ EYES ONLY



~~TOP SECRET~~  
**UNCLASSIFIED** EYES ONLY

~~TOP SECRET~~

N 7421

- The primary DEA contact [REDACTED] believes that the hostages can be bribed free for \$1M a piece as follows:
- The \$200K will be sufficient to bribe [REDACTED] whose money will be passed [REDACTED]
  - [REDACTED] transport [REDACTED]
  - Transport [REDACTED] will cost in excess of \$250K apiece in order to bribe [REDACTED] believes that the \$200K in cash will be sufficient to establish bona fides to [REDACTED] to agree to passage of at least 2 hostages. Once the operation is underway and the hostages are through [REDACTED] will be provided with \$500K in cash.
  - [REDACTED] will turn the hostages over to [REDACTED] where they will be placed aboard a rented yacht for transport to Cyprus.
  - One of the DEA officers [REDACTED] will have proceeded to Cyprus to rent a safehouse as a temporary holding location in the event that all hostages are not recovered in the first attempt.
  - The remaining \$1.5M made available by the donor will be released from the account in Vienna as soon as the hostages are aboard the yacht and at sea [REDACTED] These funds will be used to pay [REDACTED]

It is assumed that the price cannot be negotiated down given the number of people requiring bribes. Both the DEA and [REDACTED] believe that this effort will produce two hostages and that additional hostages will be released for \$1M each. The safehouse will be used to harbor/treat the first two hostages while arrangements (both financial and operational) are being made for the remaining hostages. [REDACTED] believes that 72-96 hours would be required for a second round. This assumes that additional funding is available on a near real-time basis. The donor is aware that the price being asked is \$1M each. He is unaware that we are proceeding with a plan to release only two if the price does not come down.

~~TOP SECRET~~

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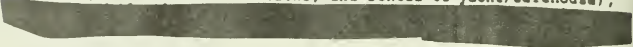
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The DEA officers are prepared to take leave as soon as they are contacted by [redacted]. Travel arrangements and operational costs are currently being financed from funds normally available to the Nicaraguan resistance. Our normal point-of-contact in the resistance for these matters is not yet aware.

Summary. As discussed with ADM Poindexter, it appears that both these plans can proceed simultaneously without undue concern for compromise or mutual jeopardy. Given that arrangements for the DEA operation will take considerable time (contacts inside Lebanon, financial transactions, and rental of yacht/safehouse),



RECOMMENDATIONS

1. That you approve proceeding with the plans outlined above.

Approve *RM* Disapprove \_\_\_\_\_

2. That you contact the Attorney General and ask that the two DEA officers [redacted] be placed on temporary detail to the NSC for a period of 30 days.

Approve *RM 4/9* Disapprove \_\_\_\_\_

*RM*  
*10th to 11th 4/6 JAG*

Attachments



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7 DECEMBER 1986 5332  
7:00 p.m.

DCI TESTIMONY BEFORE THE HOUSE APPROPRIATIONS COMMITTEE  
8 DECEMBER 1986

AS YOU KNOW, I TESTIFIED BEFORE OUR TWO CONGRESSIONAL  
OVERSIGHT COMMITTEES ON 21 NOVEMBER. IT WASN'T UNTIL THREE  
DAYS LATER AT THE END OF THE DAY ON MONDAY, THAT I LEARNED  
FROM THE PRESIDENT'S CHIEF OF STAFF THAT THE ATTORNEY GENERAL  
HAD UNCOVERED GOOD EVIDENCE THAT SOME OF THE IRANIAN FUNDS MADE  
AVAILABLE FOR ARMS PURCHASES MAY HAVE BEEN DIVERTED TO THE  
CONTRAS. AS YOU KNOW, ON THE NEXT DAY THE PRESIDENT ANNOUNCED  
THAT ADMIRAL POINDEXTER AND LIEUTENANT COLONEL NORTH HAD  
RESIGNED FROM THE NSC STAFF.

Handwritten notes and stamps on the right margin, including a vertical stamp and the number '37402 p.1'.

RIGHT NOW, MY INSPECTOR GENERAL IS PULLING TOGETHER A BROAD  
AND SYSTEMATIC REPORT ON CIA'S INVOLVEMENT IN THE IRANIAN  
OPERATION. BUT I CAN TELL YOU THAT THE TESTIMONY I GAVE OUR  
OVERSIGHT COMMITTEES ON 21 NOVEMBER REMAINS ACCURATE ON WHAT WE  
KNEW AT THAT TIME. I CAN ALSO TELL YOU THAT CIA WAS NOT  
INVOLVED IN ANY DIVERSION OF IRANIAN FUNDS.

BEFORE I GIVE YOU THE ESSENTIALS OF CIA'S INVOLVEMENT I  
LIKE TO SAY SOMETHING ABOUT THE RATIONALE BEHIND THE  
OPERATION. OVER THE LAST FIVE YEARS, MUCH THOUGHT AND EFFORT  
HAS BEEN DEVOTED TO HOW WE MIGHT DEVELOP CONTACTS AND  
RELATIONSHIPS WHICH WOULD PROVIDE A BETTER UNDERSTANDING OF

Large stylized letter 'A' stamp.

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WHAT WAS HAPPENING THERE AND HOW WE MIGHT ESTABLISH CONTACTS  
AND RELATIONSHIPS WHICH COULD LEAD TO IMPROVED RELATIONSHIPS  
LATER ON

5833

[REDACTED] SPEAKING TO [REDACTED]  
[REDACTED] ABOUT THE IMPORTANCE OF OUR  
IDENTIFYING AND ESTABLISHING CONTACT WITH LEADERS IN A FUTURE  
IRAN. [REDACTED] IN HIS  
MOST-DRAMATIC-MANNER, [REDACTED] SAID THAT WE DO NOT KNOW  
WHO WILL EMERGE TO LEAD IRAN IN THE FUTURE, BUT THAT WE MUST  
GATHER ALL THE STRANDS AND HOLD THEM IN OUR HANDS SO THAT WE  
WILL BE READY. THAT'S ABOUT WHAT [REDACTED] DID FOR SOME FOUR YEARS.

IN THE EARLY FALL OF 1985, B. [REDACTED] FARLANE, AFTER ONE OF THE  
WEEKLY MEETINGS WHICH HE AND HIS [REDACTED] HAD WITH ME AND MY  
DEPUTY, ASKED ME TO STAY BEHIND. [REDACTED] TOLD ME ABOUT DISCUSSIONS  
HE HAD HAD AT THE HIGHEST LEVELS [REDACTED] ISRAEL URGING THE  
DESIRABILITY OF DISCUSSIONS WITH OFFICIALS IN IRAN AND OFFERING  
CHANNELS OF ACCESS. HE TOLD ME THAT, FOR OBVIOUS REASONS, ONLY  
A HANDFUL OF PEOPLE IN THE ISRAELI AND AMERICAN GOVERNMENTS  
WERE TO BE TOLD ABOUT THIS EFFORT. I DISTINCTLY RECALL  
McFARLANE EMPHASIZING THAT THE PURPOSE OF SUCH DISCUSSIONS  
WOULD BE THE FUTURE RELATIONSHIPS WITH IRAN AND IRAN'S  
IMPORTANCE IN THE EAST-WEST AND MIDDLE-EAST-PERSIAN BALANCE  
EQUATION.

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CIA'S INVOLVEMENT IN THE OPERATION BEGAN ON FRIDAY, 22 NOVEMBER. AT THAT TIME LIEUTENANT COLONEL NORTH ASKED FOR HELP IN FINDING A SUITABLE COMMERCIAL CARRIER THAT COULD CARRY CARGO TO AN UNSPECIFIED MIDDLE EASTERN DESTINATION. HE WAS PROVIDED THE NAME OF A CIA AIR CARGO PROPRIETARY IN EUROPE THAT ROUTINELY ACCEPTS NORMAL COMMERCIAL BUSINESS. OUR OFFICERS WERE TOLD BY THE PROPRIETARY THAT THE CARGO WAS TO BE OIL FIELD DRILLING EQUIPMENT. OUR PROPRIETARY WAS SO INFORMED BY HEADQUARTERS.

OUR PROPRIETARY DID INDEED FLY TO TEL AVIV ON SATURDAY, 23 NOVEMBER. FROM THERE IT CARRIED A CARGO TO IRAN ON 24 NOVEMBER. TO THE BEST OF OUR KNOWLEDGE, NEITHER THE ISRAELIS NOR THE IRANIANS KNEW THEY WERE DEALING WITH A CIA PROPRIETARY. IT WAS NOT UNTIL AFTER DELIVERY OF THE CARGO THAT ANYONE IN CIA MANAGEMENT WAS AWARE THAT THE CARGO WAS ANYTHING OTHER THAN OIL DRILLING EQUIPMENT. THE AIRLINE WAS PAID AT THE NORMAL COMMERCIAL RATE WHICH AMOUNTED TO ABOUT \$127,700.

I WAS OUT OF THE COUNTRY AT THE TIME. THE ACTING DCI, JOHN McMAHON, DID NOT LEARN THAT A CIA PROPRIETARY FLIGHT FROM ISRAEL TO TEHRAN HAD OCCURRED UNTIL MONDAY MORNING, 25 NOVEMBER. HE THEN IMMEDIATELY INFORMED THE CIA COUNSEL AND DIRECTED THAT WE WOULD NOT FACILITATE FURTHER FLIGHTS INTO IRAN IN THE ABSENCE OF A PRESIDENTIAL ORDER.

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THE FOLLOWING DAY, 26 NOVEMBER, I RETURNED FROM OVERSEAS. A DRAFT FINDING PREPARED BY OUR GENERAL COUNSEL'S OFFICE AND I SENT TO THE WHITE HOUSE FOR CONSIDERATION AND APPROVAL.

THIS EPISODE TOOK PLACE OVER A WEEKEND AND UNDER SOMEWHAT UNUSUAL CIRCUMSTANCES. LTC NORTH HAD ALSO INFORMED US THAT AN IMPORTANT MEETING WAS UNDERWAY IN GENEVA THAT WEEKEND INVOLVING IRANIAN OFFICIALS AND THE POSSIBLE RELEASE OF AMERICAN HOSTAGES. HE MADE IT CLEAR THAT HIS REQUEST FOR FLIGHT ASSISTANCE WAS RELATED TO THIS MEETING. AT THE TIME, WE SAW NO REASON TO STOP WHAT CLEARLY WAS AN ONGOING, SENSITIVE NSC OPERATION BY DENYING THE USE OF OUR PROPRIETARY AIRLINE ON A COMMERCIAL BASIS.

THE DRAFT FINDING WE HAVE PROVIDED THE WHITE HOUSE WAS DISCUSSED AND REVISED OVER THE NEXT FEW WEEKS. THE PRESIDENTIAL FINDING FINALLY SIGNED ON 17 JANUARY 1986 DIRECTED THE CIA TO PROVIDE SUPPORT FOR A PROGRAM AIMED AT (1) ESTABLISHING A MORE MODERATE GOVERNMENT IN IRAN, (2) OBTAINING INTELLIGENCE TO DETERMINE THE CURRENT IRANIAN GOVERNMENT'S INTENTIONS WITH RESPECT TO ITS NEIGHBORS AND WITH RESPECT TO TERRORIST ACTS, AND (3) FURTHERING THE RELEASE OF AMERICAN HOSTAGES HELD IN BEIRUT AND PREVENTING FURTHER TERRORIST ACTS BY THESE GROUPS.

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IT WENT ON TO SAY THAT THE USG WOULD PROVIDE MODERATE ELEMENTS WITHIN AND WITHOUT THE GOVERNMENT OF IRAN WITH ARMS, EQUIPMENT AND MATERIEL IN ORDER TO ENHANCE CREDIBILITY OF THESE ELEMENTS IN THEIR EFFORTS TO ACHIEVE A MORE PRO-U.S. GOVERNMENT IN IRAN BY DEMONSTRATING THEIR ABILITY TO OBTAIN RESOURCES TO DEFEND THEIR COUNTRY. IT WAS PROVIDED THAT SUPPORT WOULD BE DISCONTINUED IF THE U.S. GOVERNMENT LEARNS THAT THESE ELEMENTS HAVE ABANDONED THEIR GOALS OF MODERATING THEIR GOVERNMENT AND APPROPRIATED THE MATERIEL FOR PURPOSES OTHER THAN THAT PROVIDED BY THIS FINDING.

IN THE FINDING, THE PRESIDENT DIRECTED THE CIA TO REFRAIN FROM REPORTING THE FINDING TO THE CONGRESS UNTIL OTHERWISE DIRECTED. THE FINDING WAS REVIEWED AND CONCURRED IN BY THE ATTORNEY GENERAL.

AT THE TIME THE PRESIDENTIAL FINDING WAS BEING DRAFTED, THE CIA'S OFFICE OF GENERAL COUNSEL PROVIDED THE LEGAL OPINION THAT THE PRESIDENT HAS THE AUTHORITY TO WITHHOLD PRIOR NOTICE OF OPERATIONS FROM THE CONGRESS. SECTION 501 OF THE NATIONAL SECURITY ACT EXPRESSLY PROVIDES THAT NOTIFICATION OF INTELLIGENCE ACTIVITIES TO THE CONGRESS SHALL BE PROVIDED TO THE EXTENT CONSISTENT WITH ALL APPLICABLE AUTHORITIES AND DUTIES, INCLUDING THOSE CONFERRED BY THE CONSTITUTION.

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THE ACT ALSO STATES THAT THE INTELLIGENCE COMMITTEES BE C 5837  
 INFORMED OF ACTIVITIES FOR WHICH NO PRIOR NOTICE WAS GIVEN AT  
 THE APPROVAL OF THE PRESIDENT. DETERMINED BY THE PRESIDENT.  
 INTELLIGENCE COMMUNITY LAWYERS HAVE ALWAYS HELD THAT  
 EXTRAORDINARY CIRCUMSTANCES COULD LEAD THE PRESIDENT TO  
 CONCLUDE THAT NOTICE OF AN OPERATION SHOULD BE WITHHELD, IN  
 WHOLE OR IN PART FOR A PERIOD DEPENDING ON THE CIRCUMSTANCES  
 DETERMINED BY THE PRESIDENT. IN THIS INSTANCE, THE PRESIDENT  
 DETERMINED THAT IF THE FACT OF THIS PROGRAM BECAME KNOWN, THOSE  
 CARRYING OUT THE DIALOGUE (BOTH U.S. AND IRANIAN) AND THE  
 AMERICAN HOSTAGES IN LEBANON WOULD BE PUT AT A GREATER RISK.

NOW LET ME GO OVER THE ACTIVITIES THAT WERE UNDERTAKEN BY  
 THE CIA IN CARRYING OUT THE DIRECTIVES CONTAINED IN THE FINDING  
 OF 17 JANUARY 1986. ON 5-7 FEBRUARY 1986 U.S. REPRESENTATIVES,  
 REPRESENTATIVES OF THE ISRAELI PRIME MINISTRY, AND A SENIOR-LEVEL IRANIAN  
 OFFICIAL MET IN GERMANY. AT THIS MEETING, THE U.S. SIDE EMPHASIZED ITS DESIRE TO ENTER  
 INTO A STRATEGIC DIALOGUE WITH THE IRANIAN SIDE. THE IRANIANS  
 RAISED THEIR DESIRE TO RECEIVE U.S. WEAPONS. THE U.S. AGREED  
 TO EXPLORE THIS POSSIBILITY. WORKING WITH THE ISRAELIS THE  
 FOLLOWING MECHANISM FOR TRANSFER OF THE WEAPONS WAS ESTABLISHED:

- THE IRANIAN INTERMEDIARY WOULD DEPOSIT FUNDS IN AN ISRAELI ACCOUNT.
- THE FUNDS WOULD THEN BE TRANSFERRED TO A U.S.-CONTROLLED ACCOUNT IN AN OVERSEAS BANK.

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-- USING THESE FUNDS, THE CIA WOULD WORK WITH THE ARMY LOGISTICS COMMAND TO OBTAIN THE MATERIEL. C 583A

-- IT WOULD THEN BE TRANSPORTED TO ISRAEL FOR

PREVIOUS ALLEGATIONS THAT IRANIAN MONEY PLACED IN CIA ACCOUNTS WERE DIVERTED TO OTHER COVERT ACTION PURPOSES ARE COMPLETELY FALSE. A TOTAL OF \$12.2 MILLION WAS DEPOSITED INTO CIA-CONTROLLED ACCOUNTS [REDACTED] BETWEEN FEBRUARY AND OCTOBER OF THIS YEAR. THE FIRST THREE DEPOSITS, TOTALING \$10.2 MILLION, WERE MADE INTO THE ACCOUNT [REDACTED]

-- ON 10 FEBRUARY, \$1.85 MILLION WAS DEPOSITED INTO THIS ACCOUNT.

-- AN IDENTICAL DEPOSIT WAS MADE ON 11 FEBRUARY.

-- ANOTHER DEPOSIT OF \$6.5 MILLION WAS MADE INTO THE ACCOUNT ON 15 MAY.

IN LATE JULY 1986 [REDACTED]

[REDACTED] WE CLOSED THE BANK ACCOUNT THAT HELD FUNDS FOR THE IRANIAN OPERATION [REDACTED]

[REDACTED] THIS SECOND ACCOUNT WAS ALSO NOW USED FOR THE [REDACTED]

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IRANIAN PAYMENTS. THE FINAL DEPOSIT OF \$2 MILLION INVOLVED IN <sup>6</sup> 5839  
 THE IRANIAN OPERATION WAS MADE INTO THE SECOND ACCOUNT ON  
 29 OCTOBER

ALL DEPOSITS INTO THE [REDACTED] ACCOUNTS WERE MADE VIA  
 ELECTRONIC FUNDS TRANSFER. THE AGENCY MERELY PROVIDED THE  
 ACCOUNT NUMBER TO THE NSC STAFF, WHICH THEN ARRANGED FOR  
 DEPOSITS INTO THE ACCOUNT. OUR REPRESENTATIVES [REDACTED]  
 WERE INFORMED WHEN A DEPOSIT WAS MADE, AND THIS INFORMATION,  
 TOGETHER WITH AUTHORITY TO SPEND THE FUNDS, WAS THEN  
 TRANSFERRED ELECTRICALLY TO CIA HEADQUARTERS. WE UNDERSTAND  
 FROM THE NSC STAFF THAT THE DEPOSIT WENT THROUGH SEVERAL  
 INTERMEDIARIES BEFORE REACHING OUR ACCOUNT [REDACTED]

THE DEPOSITS OF IRANIAN MONEY IN OUR [REDACTED] ACCOUNTS WERE  
 TIMED TO COVER THE ESTIMATED COSTS OF PREPARATION AND DELIVERY  
 OF A TOTAL OF 2,008 TOW MISSILES AND A VARIETY OF HAWK MISSILE  
 EQUIPMENT. ALL OF THIS WAS ACQUIRED FROM THE DEPARTMENT OF  
 DEFENSE. NONE OF THE WEAPONS CAME FROM CIA STOCKS.

-- ON 15 FEBRUARY, WE DELIVERED 1,000 TOW MISSILES TO  
 KELLY AIR FORCE BASE FOR SHIPMENT. THESE WEAPONS HAD  
 BEEN PICKED UP AT REDSTONE ARSENAL, TRUCKED  
 [REDACTED] FOR PACKING, THEN TRANSPORTED TO KELLY  
 WHERE WE SURRENDERED CONTROL. THIS SET OF WEAPONS  
 TOGETHER WITH CHARGES FOR GROUND TRANSPORTATION;

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GUARDS, THE SERVICES OF DEPARTMENT OF DEFENSE [REDACTED] C 5840

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[REDACTED] OFFICERS, AND PACKING -- IS ESTIMATED TO HAVE [REDACTED] ON.

ON 3 MAY, WE TRANSPORTED 508 TOW MISSILES AND HAWK MISSILE PARTS (INCLUDING A RADAR) TO KELLY AIR FORCE BASE FOR SHIPMENT. THESE WEAPONS HAD BEEN TRUCKED FROM [REDACTED] ARSENAL TO KELLY AIR FORCE BASE VIA [REDACTED] WHERE THEY WERE PREPARED FOR TRANSIT.

THIS SHIPMENT IS ESTIMATED TO COST \$6.1 MILLION, INCLUDING THE COST OF THE WEAPONS, GROUND TRANSPORTATION, THE SERVICES OF DEPARTMENT OF DEFENSE [REDACTED] OFFICERS, AND PACKING.

ON 6 NOVEMBER, WE PREPARED AND TRANSPORTED THE FINAL SHIPMENT OF 500 TOW MISSILES AND A SMALL AMOUNT OF MEDICAL SUPPLIES. AS WITH ALL OF THE OTHER SHIPMENTS, THE WEAPONS WERE TRANSPORTED FROM REDSTONE TO KELLY AIR FORCE BASE VIA CIA'S [REDACTED]. THE MEDICAL SUPPLIES WERE PURCHASED IN WASHINGTON AND [REDACTED] THEN PACKED FOR SHIPMENT FROM KELLY AIR FORCE BASE. THE ESTIMATED COST OF THIS SHIPMENT IS \$1.9 MILLION. IN THIS INSTANCE, AND IN THIS INSTANCE ONLY, THE ESTIMATED COST ALSO INCLUDES CHARGES FOR A U.S. AIR FORCE C-141 TO FLY THE SHIPMENT FROM KELLY AIR FORCE BASE TO [REDACTED] AND THE COSTS OF A PLANE OWNED BY A CIA PROPRIETARY, WHICH TOOK THE SHIPMENT FROM [REDACTED] ISRAEL.

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-- SPREAD ACROSS ALL OF THE SHIPMENTS ARE \$402,000 IN  
 OTHER COSTS TO PREPARE THE TOW MISSILES AND HAWK  
 ALL \$24,000 OF THESE ESTIMATED COSTS WERE  
 INCURRED BECAUSE U.S. ARMY REGULATIONS REQUIRE THAT TOW  
 MISSILES PRODUCED BEFORE A CERTAIN DATE MUST BE  
 REPROFITED BEFORE THEY CAN BE WITHDRAWN FROM STOCKS.  
 THE REPROFITING CHANGES WERE MADE AT AN ARMY DEPOT IN  
 ANNISTON, ALABAMA.

CIA OBTAINED QUOTES FOR THE COSTS OF THE TOW MISSILES AND  
 HAWK EQUIPMENT THROUGH THE DEPARTMENT OF DEFENSE [REDACTED]  
 SYSTEM. WE THEN ADDED ESTIMATES [REDACTED] OTHER ASSOCIATED  
 EXPENSES. TO DATE, WE HAVE ONLY [REDACTED] CIA'S COSTS FOR PREPARING  
 AND TRANSPORTING THE EQUIPMENT [REDACTED] REQUIRING THE MEDICAL  
 SUPPLIES (WHICH TOTAL AROUND \$50,000) AND A SINGLE BILLING FROM  
 DEPARTMENT OF DEFENSE FOR \$5.6 [REDACTED]. ALL OTHER BILLING FROM  
 DEPARTMENT OF DEFENSE IS STILL PENDING. IF OUR ESTIMATES ARE  
 ACCURATE, SOME \$350,000 OF THE IRANIAN FUNDS WILL REMAIN AFTER  
 ALL BILLS ASSOCIATED WITH THE OPERATION ARE PAID. WE CLOSED  
 [REDACTED] BANK ACCOUNT ASSOCIATED WITH THE IRANIAN OPERATION ON  
 25 NOVEMBER. AS OF THAT DATE, NO FUNDS ASSOCIATED WITH THE  
 IRANIAN OPERATION ARE HELD IN ANY CIA-CONTROLLED BANK ACCOUNT.

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IN ADDITION TO THE ACTIVITIES I JUST DESCRIBED, CIA ALSO  
 PROVIDED TO THE NSC INTELLIGENCE SUPPORT AND TRANSMISSION AND

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ANALYTICAL SUPPORT, INCLUDING A CIA ANNUITANT WHO WAS SECONDED TO THE NSC (PRO) OUR ANNUITANT AND ANOTHER OF OUR OFFICERS PARTICIPATED IN A NUMBER OF MEETINGS BETWEEN THE UNITED STATES AND THE INTERMEDIARIES, AND THE IRANIAN SIDE.

A TOTAL OF \$875,000 IN APPROPRIATED CIA FUNDS WERE USED IN SUPPORT OF THIS ACTIVITY.

- STAFF EXPENSES (CHIEFLY TRAVEL AND TDY COSTS) OF \$13,193.
  - INDEPENDENT CONTRACTOR COSTS OF \$23,085 (FOR TRAVEL AND TDY EXPENSES OF THE RETIRED ANNUITANT WHO WAS INVOLVED IN THE OPERATION).
  - OPERATIONAL SUPPORT COSTS OF \$11,015 FOR EXPENSES ASSOCIATED WITH MEETINGS IN EUROPE
- [REDACTED]
- USE OF AN AIRCRAFT OWNED BY A CIA PROPRIETARY (\$40,185) THAT CARRIED THE U.S. TEAM ON THE [REDACTED]-TO-ISRAEL LEG OF A TRIP TO IRAN.

SINCE ALL TRAVEL BY CIA OFFICIALS IS ROUTINELY CHARGED TO PERSONAL ACCOUNTS, TO DO OTHERWISE IN THE CASE OF THE TRIPS MADE DURING THIS PROGRAM WOULD HAVE COMPROMISED THE SECURITY OF THE ACTIVITIES.

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FINALLY, LET ME REITERATE THAT NONE OF THE IRANIAN MONEY DEPOSITED IN THE CIA ██████████ ACCOUNTS WAS DIVERTED TO ██████████ PURPOSE. IF ANY SUCH DIVERSIONS DID TAKE PLACE, THEY OCCURRED BEFORE THE IRANIAN MONEY REACHED US.

DURING ALMOST ALL OF THE PERIOD IN QUESTION TODAY, CONGRESS HAD PLACED STRICT RESTRAINTS ON CIA SUPPORT TO THE NICARAGUAN RESISTANCE. OUR PEOPLE HAVE BEEN INSTRUCTED TO GO OUT OF THEIR WAY TO AVOID CIRCUMSTANCES THAT COULD BE INTERPRETED AS PROVIDING UNAUTHORIZED ASSISTANCE.

AS SOON AS THE BOLAND AMENDMENT RESTRICTIONS WERE PUT INTO EFFECT IN 1984, INSTRUCTIONS WERE GIVEN TO OUR FIELD STATIONS, AND I QUOTE:

"FIELD STATIONS ARE TO CEASE AND DESIST FROM ACTIONS WHICH CAN BE CONSTRUED TO BE PROVIDING ANY TYPE OF SUPPORT, EITHER DIRECTLY OR INDIRECTLY, WITH WHOM WE DEALT UNDER THE NICARAGUAN PROGRAM. ALL FURTHER CONTACT WITH THESE ENTITIES, UNTIL FURTHER NOTICE, ARE TO BE SOLELY, REPEAT SOLELY, FOR THE PURPOSE OF COLLECTING POSITIVE AND COUNTERINTELLIGENCE INFORMATION OF INTEREST TO THE UNITED STATES."

THIS MESSAGE WAS PERIODICALLY AMPLIFIED AND REPEATED IN THE SPRING OF 1986, WHEN WE LEARNED OF A PRIVATE MANUFACTURER

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SUPPLY ACTIVITY BEING CONDUCTED OUT [REDACTED]

WE GAINED THE FOLLOWING INSTRUCTIONS TO [REDACTED]

THE DIRECTORS WISHES TO REAFFIRM GUIDELINES THAT NO, REPEAT NO, MATERIAL OR MONETARY SUPPORT CAN BE PROVIDED TO RESISTANCE ELEMENTS [REDACTED]

WE WERE WELL AWARE THAT THE NICARAGUAN RESISTANCE MUST HAVE BEEN RECEIVING FUNDS FROM A VARIETY OF SOURCES DURING THE PERIOD IN QUESTION, JUST AS ALL OF YOU WERE AWARE. BUT WE DID NOT KNOW ANYTHING ABOUT THE SOURCE OR THE MECHANICS OF SUCH FUNDING.

LET ME CONCLUDE BY TELLING YOU THAT WE DID BEGIN TO LEARN A FEW MONTHS AGO ABOUT POSSIBLE IRREGULARITIES IN THE OPERATION AND WHAT WE DID ABOUT IT. FIRST, IT IS IMPORTANT TO UNDERSTAND THAT THE NSC'S OPERATION HAD ENTERED A CRITICAL AND SENSITIVE PHASE BY THIS FALL. TWO OF OUR HOSTAGES ALREADY HAD BEEN RELEASED -- BENJAMIN WEIR IN SEPTEMBER 1985 AND FATHER JENCO IN JULY OF THIS YEAR. IN SEPTEMBER, THE NSC WAS ABLE TO ESTABLISH A NEW AND DIRECT CHANNEL TO MAJLES SPEAKER RAFSANJANI. SINCE WE HAD DECIDED THE CHANNEL WAS RELIABLE, THE NSC PROCEEDED TO HIGHLY SENSITIVE NEGOTIATIONS BOTH TO EXPAND OUR CONTACTS INSIDE IRAN AND TO TRY TO SECURE THE RELEASE OF AMERICAN HOSTAGES IN LEBANON.

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THE NSC'S FIRST MEETING WITH IRANIAN OFFICIALS INVOLVED IN THE NEW CHANNEL OCCURRED IN LATE SEPTEMBER. THE IRANIANS WERE INITIALLY [REDACTED] WHETHER THE U.S. WAS SERIOUS AND COULD BE TRUSTED. BY THE TIME THE TALKS WERE CONCLUDED, THE IRANIANS HAD PROPOSED AND NAMED THE FOUR IRANIAN MEMBERS OF A JOINT COMMITTEE TO EXPLORE [REDACTED] TO OPEN RELATIONS BETWEEN THE TWO COUNTRIES. THE AMERICAN HOSTAGES IN LEBANON WERE DISCUSSED AND THE SENIOR IRANIAN OFFICIAL ATTENDING THIS MEETING AGREED TO TRAVEL TO LEBANON TO ASSESS WHETHER ADDITIONAL AMERICAN HOSTAGES COULD BE FREED.

Partially Declassified Pursuant to E.O. 13526  
 Authority: [REDACTED]  
 Security Council

THE FIRST NEWSPAPER STORY ABOUT THE IRANIAN-U.S. MEETINGS AND TALKS APPEARED IN A LEBANESE NEWSPAPER ON 3 NOVEMBER. ON 4 NOVEMBER RAFSANJANI MADE A PUBLIC STATEMENT ABOUT McFARLANE'S VISIT TO TEHRAN. THAT VISIT WAS PART OF AN INTENSIVE EFFORT TAKING PLACE DURING THE LAST DAYS OF OCTOBER AND THE EARLY DAYS OF NOVEMBER TO GET TWO OR THREE THOUSAND AMERICAN HOSTAGES RELEASED. DAVID JACOBSEN, IN FACT, WAS RELEASED ON 2 NOVEMBER AS A RESULT OF THIS EFFORT [REDACTED]

[REDACTED] THE IRANIANS WERE MAKING STRENUOUS EFFORTS TO GET THE HIZBALLAH CAPTORS IN LEBANON TO RELEASE ADDITIONAL HOSTAGES.

IN THE MIDDLE OF ALL THIS, I RECEIVED A TELEPHONE CALL FROM ROY FURMARK ON 7 OCTOBER 1986. I HAD DONE SOME WORK FOR HIS COMPANY SOMETIME IN THE LATE 1970s AND I HAD [REDACTED] SEEN HIM.

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SINCE THEN, FURMARK SAID ON THE PHONE THAT HE HAD SOMETHING IMPORTANT TO TELL ME ABOUT. I HAD HIM COME DOWN TO WASHINGTON IMMEDIATELY. IT QUICKLY EMERGED THAT HE KNEW MORE ABOUT THE NSC PROJECT WITH IRAN THAN I DID. HE HAD BEEN INVOLVED WITH IT SINCE LATE 1985 OR EARLY 1986. HIS ROLE WAS THAT OF AN ADVISOR AND MEMBER OF THE STAFF OF ADNAN KHASHOGGI. HE HAD WORKED WITH BURBANIFAR ALMOST FROM THE INCEPTION OF THAT GENTLEMAN'S EFFORT TO DEVELOP AN AMERICAN-IRANIAN RELATIONSHIP. THE OCCASION OF HIS VISIT TO ME WAS HIS CONCERN THAT HE AND KHASHOGGI HAD BROUGHT TOGETHER CANADIAN INVESTORS TO PUT UP MILLIONS OF DOLLARS TO FINANCE THE OIL SALES BY THE U.S. AND IRAN. HE TOLD ME THAT THE CANADIAN INVESTORS WERE STILL OWED SOMETHING LIKE \$10 MILLION AND WERE DISTRAUBED BY THEIR INABILITY TO COLLECT THE MONEY THEY HAD ADVANCED. HE SAID THEY INTENDED TO BRING FORMAL LEGAL ACTION TO RECOVER THEIR MONEY. HE WAS CONCERNED THAT THIS WOULD DESTROY THE PROSPECTS OF GETTING ADDITIONAL HOSTAGES OUT. THIS WAS ALL ENTIRELY NEW TO ME. I THANKED HIM FOR THE INFORMATION AND SAID THAT I WOULD CHECK INTO THE SITUATION.

THAT SAME AFTERNOON, I CALLED ADMIRAL POINDEXTER AND REPORTED THIS ALARMING INFORMATION TO HIM. HE SEEMED SURPRISED AND CLEARLY CONCERNED. IT WAS, IN FACT, OBVIOUS TO BOTH OF US THAT THIS INFORMATION REPRESENTED A MAJOR RISK TO THE OPERATIONAL SECURITY OF THE NSC-IRANIAN INITIATIVE. ALTHOUGH NEITHER OF US AT THE TIME WAS SURE ABOUT THE ACCURACY OF THE

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 120 APR 1987  
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INFORMATION, I ADVISED HIM TO PREPARE A COMPREHENSIVE STATEMENT FULLY COVERING ALL ASPECTS OF THE IRANIAN INITIATIVE AND TO CONSULT WITH THE HOUSE LAWYERS ON HOW TO HANDLE IT.

I MET WITH DEPUTY DIRECTOR BOB GATES AND CHARLES ALLEN, CIA'S SPECIAL INTELLIGENCE OFFICER FOR COUNTERTERRORISM, WHO HAD PROVIDED INTELLIGENCE SUPPORT TO THE NSC'S IRAN INITIATIVE FROM THE BEGINNING. I ASKED ALLEN TO PREPARE A COMPREHENSIVE MEMORANDUM LAYING OUT OUR CONCERNS AT THAT POINT ABOUT THE IRAN PROGRAM AND ARRANGED FOR HIM TO GO UP TO NEW YORK TO INQUIRE FURTHER INTO THE LARGE AMOUNT OF INFORMATION WHICH FURMARK HAD ACCUMULATED. THE NEXT DAY I WROTE A MEMORANDUM TO THE DIRECTOR OF OUR NEAR EAST DIVISION REPORTING BRIEFLY THE INFORMATION RECEIVED FROM FURMARK.

ON 9 OCTOBER, THE DDCI AND I MET WITH LIEUTENANT COLONEL NORTH WHO HAD COME OUT TO BRIEF US ON RECENT PROJECTS. WE POINTEDLY ASKED COLONEL NORTH IF HE HAD ANY KNOWLEDGE OF CIA INVOLVEMENT IN THIRD PARTY SUPPORT EFFORTS TO THE CONTRAS. COLONEL NORTH REPLIED THAT, BASED ON HIS KNOWLEDGE OF THE PRIVATE FINANCIAL EFFORTS UNDERWAY, CIA WAS COMPLETELY CLEAN ON THE QUESTION OF ANY CONTACT WITH THOSE INVOLVED.

ON 15 OCTOBER, THE DDCI AND I MET WITH ADMIRAL DEBARGE IN HIS OFFICE. WE GAVE HIM THE MEMORANDUM I HAD ASKED ALLEN TO PREPARE AND SAT WITH HIM WHILE HE READ IT. WE

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Date 120 APR 1987

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REITERATED OUR CONCERN THAT THE NSC PROJECT WAS ABOUT TO SPIR  
OUT OF CONTROL. I SUGGESTED AGAIN THAT HE CONSULT WHITE HOUSE  
COUNSEL.

ADM [REDACTED] DINDEXTER EXPRESSED APPRECIATION AND AGREED TO  
CONSIDER [REDACTED] TO DO [REDACTED]. HE SAID THAT HE HAD CONSULTED HIS OWN NSC  
COUNSEL [REDACTED] ABOUT THE LEGAL ASPECTS OF THE MATTER.  
HE INDICATED [REDACTED] HE WANTED TO TAKE A LITTLE MORE TIME BEFORE  
FOLLOWING OUR RECOMMENDATIONS IN ORDER TO SEE WHETHER ONGOING  
DISCUSSIONS WITH THE IRANIANS COULD BE MAINTAINED AND  
PARTICULARLY WHETHER IT MIGHT BE POSSIBLE TO GET ONE OR TWO  
ADDITIONAL HOSTAGES OUT.

MEANWHILE, IN SUBSEQUENT CONVE[REDACTED]IONS WITH FURMARK, ON 16  
AND 22 OCTOBER, ALLEN HAD GOTTEN [REDACTED]ER DETAILS ON THE  
UNHAPPINESS OF THE INVESTORS AND [REDACTED]OLD THAT THE IRANIAN  
MIDDLEMAN GORBANIFAR BELIEVED THAT [REDACTED] \$15 MILLION RAISED BY  
THE INVESTORS HAD GONE TO THE CONTRAS. THIS WAS THE FIRST  
INDICATION I RECEIVED THAT IRANIAN PAYMENTS WERE BEING DIVERTED  
TO THE CONTRAS. THIS LATER INFORMATION FROM FURMARK WAS PASSED  
TO COLONEL NORTH BY ALLEN.

IN TRYING TO DECIDE HOW MUCH WEIGHT TO PLACE ON  
INFORMATION THAT BEGAN TO SURFACE IN OCTOBER, AND [REDACTED]  
TO DO ABOUT IT, WE HAD TO BALANCE A NUMBER OF FACT  
OF ALL, THE INFORMATION, WHILE DEEPLY DISTURBING [REDACTED] EXTREMELY  
DIFFICULT FOR US TO INTERPRET AND WEIGH -- ESPECIALLY SINCE WE

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120 APR 1987

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HAD NO KNOWLEDGE OF THE FINANCIAL MECHANICS OF THE NSC OPERATION. THE LIMITED NATURE OF THE INFORMATION FROM MR. FURMARKER CONSIDER THE IMPACT. BUT THE INFORMATION HE PASSED TO US ON DIVERSION OF FUNDS TO THE CONTRAS WAS STILL LITTLE MORE THAN SPECULATION HE HAD HEARD FROM THE IRANIAN MIDDLEMAN. WE DEEMED THE MOST APPROPRIATE THING TO DO WAS PASS THE INFORMATION TO THE AGENCIES WHICH WAS BETTER ABLE TO EVALUATE IT.

IN FACT, WE WERE TAKEN BY SURPRISE BY THE ATTORNEY GENERAL'S STATEMENT OF 25 NOVEMBER TO THE EFFECT THAT HE HAD UNCOVERED GOOD EVIDENCE THAT IRANIAN MONEY HAD BEEN DIVERTED. HIS STATEMENT MUST BE BASED ON INFORMATION THAT IS STILL UNAVAILABLE TO US.

IN CONCLUSION, I BELIEVE THAT I DID ALL THAT COULD RESPONSIBLY BE DONE GIVEN THE NATURE OF THE INFORMATION WITH WHICH WE WERE DEALING AND THE EXTREMELY CRITICAL PASS IN WHICH WE FOUND OURSELVES IN OUR EFFORTS TO FREE THE HOSTAGES.

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 Date 20 APR 1987

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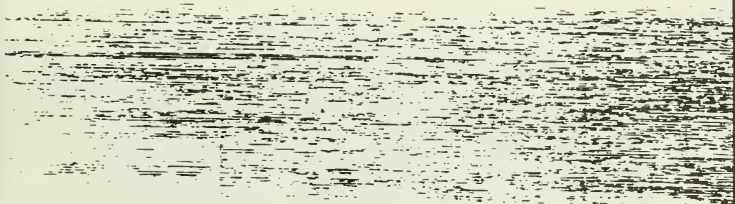
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C 2309

14 SEP 83 - MFG W/ROBERT McFARLANE #14



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EYES ONLY

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23 September 1985

MEMORANDUM FOR THE RECORD

SUBJECT: JCI/DDCI Meeting with Assistant to the President for National Security Affairs, 19 September 1985

1. Admiral Poindexter and Ken DeGraffenreid were also in attendance.

3. McFarlane noted to the DCI that the FBI had done extremely well done, and he thought the FBI had done very well. McFarlane said he had seen in FBI files that the CIA had been told that Weir had been released because the US had agreed to provide weapons to Iran or at least to Israel or other countries to Iran. McFarlane noted that he had called David Kische, Director General of the Ministry of Foreign Affairs, on the open line to assure him that that was not the case and that no deal had been struck for the release of Weir.

Partially Declassified/Released on 4 July 1997  
under provisions of E.O. 12356  
by B. Reger, National Security Council

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5 of 8 Ccc

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EYES ONLY  
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C 2310

23 September 1985

## MEMORANDUM FOR THE RECORD

SUBJECT: DCI/DDCI Meeting with Assistant to the President  
for National Security Affairs, 19 September 1985

1. Admiral Poindexter and Ken DeGraffenreid were also in attendance.

3. McFarlane noted to the DCI that the briefing had been extremely well done, and he thought that the President enjoyed it. McFarlane said he had seen an FBI source who had heard a story that Weir had been released because the US had agreed to help indirectly to provide weapons to Iran or at least to look at this possibility from Israel or other countries to Iran. He said he noted this but he called David Kimche, Director General of the Israeli Ministry of Foreign Affairs, on the open line to assure that that was not the case and that no deal had been struck for the release of Weir.

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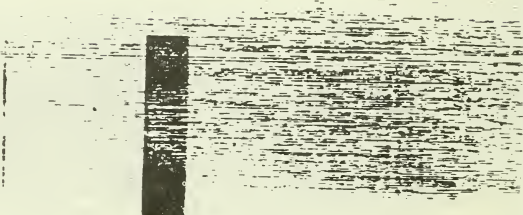
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C

*John W. McMahon*  
John W. McMahon

Distribution:  
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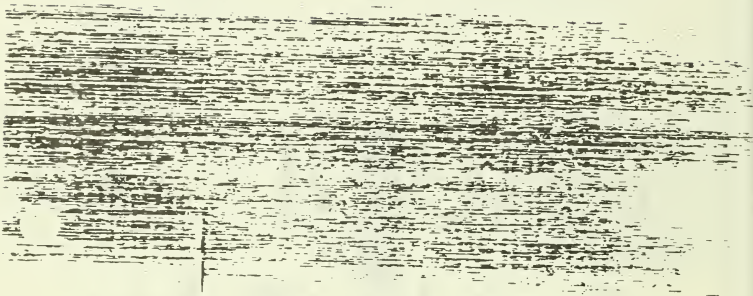


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Office of Central Intelligence  
Washington, D.C. 20505

86-40687M-

26 November 1985

1 0400

MEMORANDUM FOR: Vice Admiral John M. Poindexter, USN  
Deputy Assistant to the President  
for National Security Affairs

SUBJECT: Presidential Finding on Middle East

Pursuant to our conversation this should go to the President for his signature and should not be passed around in any hands below our level.

*W. Casey*  
William J. Casey

Attachment:  
As stated

*36 Aug 87*  
~~TOP SECRET~~

CL BY OOC8074  
RVW OADR

~~TOP SECRET~~ [Redacted]

McMahon Ex. #9  
6/1/87 mas

*3986*

**UNCLASSIFIED**

**UNCLASSIFIED DRAFT** 2864

Findings Pertaining to Section 662 of the Foreign Assistance Act of 1961, As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

I have been briefed on the efforts being made by private parties to obtain the release of Americans held hostage in the Middle East, and hereby find that the following operations in foreign countries (including all support necessary to such operations) are important to the national security of the United States. Because of the extreme sensitivity of these operations, in the exercise of the President's constitutional authorities, I direct the Director of Central Intelligence not to brief the Congress of the United States, as provided for in Section 501 of the National Security Act of 1947, as amended, until such time as I may direct otherwise.

SCOPE

Hostage Rescue -  
Middle East

DESCRIPTION

The provision of assistance by the Central Intelligence Agency to private parties in their attempt to obtain the release of Americans held hostage in the Middle East. Such assistance is to include the provision of transportation, communications, and other necessary support. As part of these efforts certain foreign material and munitions may be provided to the Government of Iran which is taking steps to facilitate the release of the American hostages.

All prior actions taken by U.S. Government officials in furtherance of this effort are hereby ratified.

The White House  
Washington, D.C.

Date:

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Executive Registry 32 369

**UNCLASSIFIED**

86-4068K

*Newsom*

CIIN NO. 11.

TITLE John McMahon's note pad reference to December 5, 1985, approval of Finding related to SC project.

DATE

DESCRIPTOR - TO/FROM

28 Nov 86

MFR



I 0395

McMahon Ex #10  
6/1/87 .mar

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Partially Declassified  
by [redacted]  
Security Council

31 Aug 87

**UNCLASSIFIED**

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**UNCLASSIFIED**

86-4068R

28 November 1986

1 0396

## MEMORANDUM FOR THE RECORD

The following is a reconstruction of cryptic notes that I have from a 5 December 1985 meeting in DDCI John V. McMahon's Office with then DDI, Bob Gates; O/NESA [redacted] then ADDO, Ed Juchniewicz; then C/NE Division [redacted] and I believe then DC/Europe.

- o The DDCI requested facts on the following by the next day:

- The political scene in Iran, including any possible dissension, unrest, etc;

- Biography of [redacted]

- Verification of [redacted]

- Was it true that Iran was trying to get U.S. Hawk missiles to knock out Soviet Bear aircraft over Iran or the Iran/Iraq border.

- The status of the Iran/Iraq war, including a prognosis of what each might do and a table reflecting an order of battle for each side.

- o DDCI noted that he would be attending a meeting at 10:00 AM on Saturday, 7 December, with the President regarding the expansion of the informal link between the Iranians and the Israelis;

- He noted that a new "private interlocutor" was working with Israeli Foreign Ministry Official David Kimche;

- Noted that Iran wanted to get closer to the United States and wondered (DDCI) whether this could be a ruse to get Hawk missiles.

- o DDCI noted that Saturday's meeting would take stock of the two-track program now underway: one to free the hostages and the other to expand our ties with Iran. Meetings were planned in Geneva between the United States and Iran in the short term.

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o [redacted] reviewed what had been done so far:

--One plane load had been sent to the Iranians on 24 November; we did not know if that included Hawk missiles;

--Oliver North was to get to London that weekend for discussions; the following week he was arranging up to five plane loads, including 747s;

--These would probably overfly [redacted] going from Israel [redacted] to Iran;

--President signed the finding; (I am not certain who at the meeting actually said this) [redacted]

--Oliver North was lining up the planes; we don't know now.

o In response to a question about a clearance for the landing rights, someone noted that [redacted] were standing by;

o A question was raised regarding a plane going to Iran from Jerusalem and possibly stopping in Texas;

[redacted] No further information was available.

o A review of recent Iranian reporting noted the following:

--No real opposition that we could capitalize on;

--Khomeini seemed to be in better health;

--The economic situation was deteriorating;

--The possibility of a new major offensive could stimulate opposition within Iran;

--Key players were Kinche and the private U.S. citizen--interlocutor.

--Weir released for one plane load; got nothing for second load. [redacted]

--DDCI requested that the source of this information be checked.

o DDCI also requested any intelligence coverage [redacted]

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○ CIA had so far spent [redacted] for a total [redacted] on  
the hostage issue. DDCI emphasized money spent to continue |  
the intelligence flow regarding the location of the  
hostages was permissible.

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6/1/87 mca

10 December 1985

MEMORANDUM FOR: Deputy Director of Central Intelligence

FROM: Director of Central Intelligence

Partially Declassified  
By: B. Reed, 10/1/88

1. At the 1030 meeting today, Bud reported on his discussions over the weekend with Gorbanifehr in London. He did not have a good impression of Gorbanifehr and recommended that we not pursue the proposed relationship with him.



2. Everybody supported this in our roundtable discussion. Other options which Bud had suggested were to let the Israelis go ahead doing what they would probably do anyway, and hope that we get some benefit.

The President argued mildly for letting the operation go ahead without commitments from us except that we should ultimately fill up the Israeli pipeline in any event, or the Congress will do it for us. He was afraid that letting the ongoing discussions, as Bud had speculated they might, could lead to early action against the hostages. The trend of the succession of this was that it was a little disingenuous and would still bear the onus of having traded with the captors and provide an incentive for them to do some more kidnapping, which was the main burden of the argument against going forward on the program. The President felt that any ongoing contact would be justified and any charges that might be made later could be met and justified as an effort to influence future events in Iran. I did point out that there was historical precedent for this and that was always the rationale the Israelis had given us for their providing arms to Iran.



3.

THE OUTCOME WAS

we would maintain contact with any of the Iranians who turned up in this affair who are willing to do business on the basis of exchanging information and looking for ways to collaborate with respect to Iran's future.

4. As the meeting broke up, I had the idea that the President had not entirely given up on encouraging the Israelis to carry on with the Iranians. I suspect he would be willing to run the risk and take the heat if the future if this will lead to springing the hostages. It appears that Bud has the action.

William J. Casey

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RVW OADR

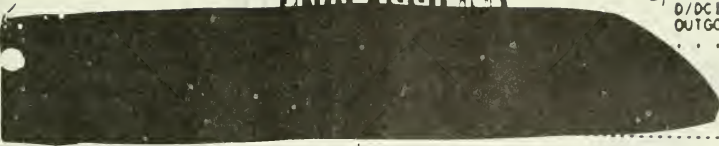
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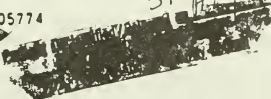
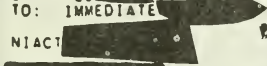
DIRECTOR 705774



STAFF 25 DIRECTOR 705774  
TO: IMMEDIATE

31 JAN 86

1 0566



McMahon Ex #12  
#1187 max

SUBJECT: PRESENT STATUS IN SAGA REGARDING THE MOVEMENT OF TOW MISSILES

PLEASE PASS TO DCI FROM DDCI EYES ONLY AT START OF HIS DAY AND PLEASE CONFIRM DELIVERY.

1. A NEW DIMENSION HAS BEEN ADDED TO THIS PROGRAM AS A RESULT MEETING HELD IN LONDON BETWEEN NORTH AND GHORBANIFAR. WE HAVE ASKED TO PROVIDE A MAP DEPICTING THE ORDER OF BATTLE ON THE IRAN/IRAQ BORDER SHOWING UNITS, TROOPS, TANKS, ELECTRONIC INSTALLATIONS, AND WHAT HAVE YOU. THE GAME PLAN IS FOR A SEGMENT OF THE MAP DEPICTING A PART OF THE FRONT TO BE PASSED TO SHOW OUR BONA FIDES AND THAT WILL START IN TRAIN A SERIES OF EVENTS. WHEN THE MOVEMENT OF THE MISSILES TAKES PLACE, THE REMAINDER OF THE MAP WILL BE PASSED AND THAT WILL PROMPT ALL THE RECIPROCAL ACTION ON THE PART OF THE IRANIANS. TIMING IS FOR THE FIRST SEGMENT OF THE MAP TO BE DELIVERED LEAVING HERE TOMORROW, SATURDAY, 25 JANUARY. THEN ON THE 9TH OF FEBRUARY, A THOUSAND TOWS WITH THE REMAINDER OF THE MAP AS THE FIRST TRANCHE OF A 4,000 COMMITMENT.

2. WE ARE TO GET THE TOWS FROM THE US ARMY AND ARRANGE TRANSPORT OVERSEAS.

3. EVERYONE HERE AT HEADQUARTERS ADVISES AGAINST THIS OPERATION NOT ONLY BECAUSE WE FEEL THE PRINCIPAL INVOLVED IS A LIAR AND HAS A RECORD OF DECEIT, BUT, SECONDLY, WE WOULD BE AIDING AND ABETTING THE WRONG PEOPLE. I MET WITH POINDEXTER THIS AFTERNOON TO APPEAL HIS DIRECTION THAT WE PROVIDE THIS INTELLIGENCE, POINTING OUT NOT ONLY THE FRAGILITY IN THE ABILITY OF THE PRINCIPAL TO DELIVER, BUT ALSO THE FACT THAT WE WERE TILTING IN A DIRECTION WHICH COULD CAUSE THE IRANIANS TO HAVE A SUCCESSFUL OFFENSE AGAINST THE IRAQIS WITH CATAclySMIC RESULTS. I NOTED THAT PROVIDING OFFENSIVE MISSILES WAS ONE THING BUT WHEN WE PROVIDE INTELLIGENCE THE ORDER OF BATTLE, WE ARE GIVING THE IRANIANS THE WHEREWITHAL

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PAGE 002  
TOT: 29 JAN 86

DIRECTOR 705774

FOR OFFENSIVE ACTION.

1 0567

4. POINDEXTER DID NOT DISPUTE OUR RATIONALE OR OUR ANALYSIS, BUT INSISTED THAT IT WAS AN OPPORTUNITY THAT SHOULD BE EXPLORED. HE FELT THAT BY DOING IT IN STEPS THE MOST WE COULD LOSE IF IT DID NOT REACH FULFILLMENT WOULD BE 1,000 TONS AND A MAP OF ORDER OF BATTLE WHICH IS PERISHABLE ANYWAY.

5. WE ARE NOW PROCEEDING TO PREPARE THAT MAP AND DELIVER IT TO NCRTH AT 1100 SATURDAY MORNING WASHINGTON TIME.

6. I HAVE READ THE SIGNED FINDING DATED 17 JANUARY 1986 WHICH GIVES US THE AUTHORITY TO DO WHAT THE NSC IS NOW ASKING. HENCE, IN SPITE OF OUR COUNSEL TO THE CONTRARY, WE ARE PROCEEDING TO FOLLOW OUT ORDERS AS SO AUTHORIZED IN THE FINDING.

7. NO FILE. DECL OADR DRV HUM-4-82. ALL TOP SECRET.

ORIG: ODCI (MCMANON 1:55).  
END OF MESSAGE

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~~TOP SECRET~~

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17 June 11/7/86  
#49

**UNCLASSIFIED**

THE WHITE HOUSE  
WASHINGTON

N 10046

January 17, 1986

TOP SECRET

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER *JM*

SUBJECT: Covert Action Finding Regarding Iran

Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which Israel, with limited assistance from the U.S., can create conditions to help bring about a more moderate government in Iran. The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pose significant threats to the security of Israel. They believe it is essential that they act to at least preserve a balance of power in the region.

The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention. To achieve the strategic goal of a more moderate Iranian government, the Israelis are prepared to unilaterally commence selling military materiel to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heretofore unobtainable penetration of the Iranian governing hierarchy. The Israelis are convinced that the Iranians are so desperate for military materiel, expertise and intelligence that the provision of these resources will result in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the exchange relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus allowing the provider(s) to coercively influence near-term events. Such an outcome is consistent with our policy objectives and would present significant advantages for U.S. national interests. As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replenishments for the stocks that they sell to Iran. We have researched the legal problems of Israel's selling U.S. manufactured arms to Iran. Because of the requirement in U.S. law for recipients of U.S. arms to notify the U.S. government of transfers to third countries, I do not recommend that you agree with the specific details of the Israeli plan. However, there is another possibility. Some time ago Attorney

TOP SECRET

Declassify on: OADR

Partially Declassified/Released on 4/19/87  
under provisions of E.O. 12356  
by [redacted] Director, National Security Council

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NOV 29 1986

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General William French Smith determined that under an appropriate finding you could authorize the CIA to sell arms to countries outside of the provisions of the laws and reporting requirements for foreign military sales. The objectives of the Israeli plan could be met if the CIA, using an authorized agent as necessary, purchased arms from the Department of Defense under the Economy Act and then transferred them to Iran directly after receiving appropriate payment from Iran.

The Covert Action Finding attached at Tab A provides the latitude for the transactions indicated above to proceed. The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold.

The Israeli's are also sensitive to a strong U.S. desire to free our Beirut hostages and have insisted that the Iranians demonstrate both influence and good intent by an early release of the five Americans. Both sides have agreed that the hostages will be immediately released upon commencement of this action. Prime Minister Peres had his emissary pointedly note that they well understand our position on not making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments than they are by direct approach. In that we have been unable to exercise any suasion over Hizballah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our only way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.

Therefore it is proposed that Israel make the necessary arrangements for the sale of 4000 TOW weapons to Iran. Sufficient funds to cover the sale would be transferred to an agent of the CIA. The CIA would then purchase the weapons from the Department of Defense and deliver the weapons to Iran through the agent. If all of the hostages are not released after the first shipment of 1000 weapons, further transfers would cease.

On the other hand, since hostage release is in some respects a byproduct of a larger effort to develop ties to potentially moderate forces in Iran, you may wish to redirect such transfers to other groups within the government at a later time.

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1/16/86



The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that conditions inside both Iran and Lebanon are highly volatile. The Israelis are cognizant that this entire operation will be terminated if the Iranians abandon their goal of moderating their government or allow further acts of terrorism. You have discussed the general outlines of the Israeli plan with Secretaries Shultz and Weinberger, Attorney General Meese and Director Casey. The Secretaries do not recommend you proceed with this plan. Attorney General Meese and Director Casey believe the short-term and long-term objectives of the plan warrant the policy risks involved and recommend you approve the attached Finding. Because of the extreme sensitivity of this project, it is recommended that you exercise your statutory prerogative to withhold notification of the Finding to the Congressional oversight committees until such time that you deem it to be appropriate.

Recommendation

OK   NO

RR  
for  
HP

— That you sign the attached Finding.

Prepared by:  
Oliver L. North

Attachment  
Tab A - Covert Action Finding

1000 17 Jan 86

*President was briefed verbally from this paper.  
VP, Don Regan and Don Fortin were present.*

*HP*

UNCLASSIFIED

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5457

Declassified/Released on 2/26/88  
 under provisions of E.O. 12356  
 by K. Johnson, National Security Council

**CLASSIFIED** 26 Oct '0 1553

0006 - Call from Clairidge

- Summoned in by Clair/Mohler
- "This is criminal"
- Told Agency was right forward  
by Deary
- JAF call to Beckman/Clair?
- Told of problem caused by  
Israelis

0197 - Call from Clairidge

0155 - Call from Schwimmer

- A/C took off for capital  
at 2345Z

- Told Greek & Jacob that  
~~they~~ They were not playing  
 anymore

- Greek thinks were right.  
 no more

**UNCLASSIFIED** JM Depo. Ex 2  
 09 2-87 14:41



# UNCLASSIFIED TRANSCRIPT OF PROCEEDINGS

C O N F I D E N T I A L

HSIC 94 /87

UNITED STATES SENATE

SELECT COMMITTEE ON

SECRET MILITARY ASSISTANCE TO

IRAN AND THE NICARAGUAN OPPOSITION

DEPOSITION OF STEPHEN M. McMAHON

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Washington, D. C.

Monday, April 13, 1987

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C O N F I D E N T I A L

UNITED STATES SENATE

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SECRET MILITARY ASSISTANCE TO

IRAN AND THE NICARAGUAN OPPOSITION

DEPOSITION OF STEPHEN M. McMAHON

Washington, D. C.

Monday, April 13, 1987

10 Deposition of STEPHEN M. McMAHON, called for examina-  
11 tion pursuant to notice of deposition, at the Hart Senate  
12 Office Building, Suite 901, at 1:45 p.m. before JOEL BREITNER,  
13 a Notary Public within and for the District of Columbia, when  
14 were present:

15 JAMES E. KAPLAN, ESQ.  
16 W. THOMAS MCGOUGH, JR., ESQ.  
United States Senate  
17 Select Committee on Secret  
Military Assistance to  
Iran and the Nicaraguan  
18 Opposition  
Suite 901  
Hart Senate Office Building  
Washington, D. C.

-- continued --

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## APPEARANCES (Continued):

THOMAS FRYMAN, ESQ.  
 KENNETH R. BUCK, ESQ.  
 Assistant Minority Counsel  
 United States House of  
 Representatives  
 Select Committee to  
 Investigate Covert  
 Arms Transactions with  
 Iran  
 H-419, The Capitol  
 Washington, D. C. 20515

ELAINE R. LUBIN, ESQ.  
 Swidler & Berlin  
 1000 Thomas Jefferson Street, N.W.  
 Washington, D. C. 20007  
 On behalf of the Deponent.

## ALSO PRESENT:

THOMAS CIEHANSKI  
 General Accounting Office  
 Special Agent, Investigations

LOUIS ZAWARDI

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## C O N T E N T S

### WITNESS

### EXAMINATION

Stephen M. McMahon	4
by Mr. Fryman	98
by Mr. Kaplan	122
by Mr. Buck	

## E X H I B I T S

### McMAHON EXHIBITS

### IDENTIFIED

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Whereupon,

STEPHEN M. MC MAHON

was called as a witness and, having first been duly sworn,  
was examined and testified as follows:

EXAMINATION

BY MR. FRYMAN:

Q Would you state your name for the record, please?

A Stephen M. McMahon.

Q Where are you employed, Mr. McMahon?

A I'm self-employed and do much of my work for the  
Channell organizations.

Q Have you always been self-employed?

A No. I went out on my own in about the summer of  
1984.

Q And what did you do before that?

A I have been in the field of accounting;  
approximately 9 to 10 years.

Q Were you employed by a firm before the summer of  
'84?

A Yes.

Q Which firm?

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- 1           A     I have worked for Price Waterhouse, Alexander &  
2 Alexander, and United Mine Workers.
- 3           Q     Which PW office were you employed at?  
4           A     Baltimore.
- 5           Q     When were you employed there?  
6           A     That was when I first came out of school, and that  
7 would have been 1978 through 1980, '81, somewhere around  
8 there.
- 9           Q     Now, since 1984 you have been self-employed?  
10          A     Yes, sir.
- 11          Q     How much of your professional time has been  
12 devoted to work for Mr. Channell or organizations affiliated  
13 with Mr. Channell since the summer of 1984?  
14          A     It was variable. I would say, around the -- late  
15 in 1985, early '86 is when the majority of my time has been  
16 devoted to his organizations.
- 17          Q     Well, let's focus, then, on '85, the period  
18 January through July, 1985.
- 19          A     Okay.
- 20          Q     Approximately what percent of your time was  
21 devoted to Mr. Channell and his organizations?  
22          A     Oh, I would say somewhere in the nature of 60 to

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1 70 percent.

2 Q And from August through December 1985?

3 A It steadily grew until, I would say, about 90, 95  
4 percent.

5 Q What about in 1986?

6 A About 115 percent. (Laughing.)

7 Q And has that continued in 1987?

8 A Yes.

9 Q You have basically been full time with  
10 Mr. Channell?

11 A Yes. I would -- I concentrate most of my time for  
12 him. I have a few small business clients that I continue to  
13 do work for, but they don't take up a good deal of my time.

14 Q How are you compensated by Mr. Channell?

15 A I get paid a flat fee each month.

16 Q Is that fee negotiated?

17 A Well, we started out on an hourly basis, and as  
18 more and more hours were getting put in on the organizations,  
19 I didn't think it was quite -- it seemed too expensive to be  
20 paying me that way, and we changed it over to a flat fee. It  
21 has stayed on that basis, and I think it has been raised once  
22 -- twice -- maybe three times.

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1 Q What is the present monthly fee that you receive?

2 A Right now it's \$6000 per month; and that's divided  
3 across the various organizations. We try to break it down as  
4 to how much time I spend on each one.

5 Q When was that monthly fee raised to \$6000?

6 A Well, I was being paid \$4500 and then in March, I  
7 think it was, of '86, when we started doing the work with  
8 Western Goals, it was agreed that I would get paid \$1500 per  
9 month for the Western Goals efforts and the additional work.

10 I didn't actually get paid that Western Goals  
11 thing until, I think maybe August, I got my first payment.  
12 And then I got a lump for all the back months in around, oh,  
13 October and November. Somewhere around there. And it has  
14 been at that steady \$6000 since then.

15 Q And for what period of time were you paid \$4500 a  
16 month?

17 A I think, I'm not positive on this, but I think it  
18 was around April or May of '85 up until the Western Goals  
19 change in March of '86.

20 Q Now, where do you maintain an office?

21 A In my home.

22 Q Where is that?

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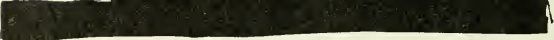
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1 A The address?

2 Q Yes.

3 A 4   
5 Q Have you lived at that same address since the  
6 summer of 1984?

7 A Yes, I have.

8 Q Do you also maintain a working area in the offices  
9 of Mr. Channell's organizations?10 A I have a desk there, which has only been since we  
11 moved over to the new offices.

12 Q Where are the new offices located?

13 A 1331 Pennsylvania Avenue.

14 Q When did that move occur?

15 A August 4th of '86.

16 Q So, since that time, you have had a desk at the  
17 Channell office?18 A Yes. There's a desk there that I can work at.  
19 Sure.20 Q And did you have a desk at the office before  
21 August of 1986?

22 A Not as such.

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1 Q In the old office?

2 A Not as such.

3 Q How much of your time since August of 1986 would  
4 you estimate that you spend working in the Channell offices?

5 A In their environment?

6 Q Yes. In their offices.

7 A Oh, well, that depends on the different timing,  
8 but I would say overall it's probably less than half of my  
9 time. I do most of my work at home for them.

10 Q But on overall approximation, it would be 50  
11 percent of your time in the Channell offices?

12 A I would say maybe a little bit less than that.

13 Q 40 to 50 percent?

14 A Yes, that would be --

15 Q Was the percentage of time that you spent in the  
16 offices of the organizations essentially the same before the  
17 move to 1331 Pennsylvania Avenue?

18 A No. There was no place to work at the other  
19 offices.

20 Q So approximately how much time did you spend in  
21 the offices there?

22 A Very little.

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- 1 Q 25 percent?
- 2 A Less.
- 3 Q Less than 25 percent?
- 4 A Yes. Most of the time I would need to go and pick  
5 up the books and the records and the documents and take them  
6 back home and work on them at home, because there was just no  
7 place to sit and actually have a table to even write on. We  
8 were rather cramped.
- 9 Q Would you estimate you spent more than 10 percent  
10 of your time physically in the Channell offices before the  
11 move to Pennsylvania Avenue?
- 12 A I would say yes. 10 percent, that would be safe  
13 to say.
- 14 Q Between 10 and 25?
- 15 A 10 to 20.
- 16 Q Do you have an undergraduate degree in accounting?
- 17 A Yes, sir.
- 18 Q Where did you receive that degree?
- 19 A The University of Maryland.
- 20 Q Do you have any graduate training?
- 21 A I have my CPA certification.
- 22 Q What state?

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1 A Maryland.

2 Q When were you licensed as a CPA in Maryland?

3 A I believe it was 1979.

4 Q Are you a member of the AICPA?

5 A God, I don't know. I know I am of my state  
6 board. I don't know if I am for the national.

7 Q The state board being Maryland?

8 A Yes.

9 Q Do you have a license in any other jurisdiction  
10 than Maryland?

11 A No, sir.

12 Q Were you ever a member of the AICPA?

13 A I believe I was when I was with Price Waterhouse.  
14 In fact, I'm pretty certain I was. And I know I went out,  
15 when I went into Alexander & Alexander, which is a private  
16 corporation, I didn't maintain my AICPA involvement.

17 I remember looking into it a year or so ago, and I  
18 don't know if I actually did it or not.

19 Q So you are not sure if you are presently a member?

20 A No, I don't think I am, because I would probably  
21 be getting lots of mail from them if I was, and I don't, so I  
22 probably am not.

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1 Q Have you ever been the subject of any disciplinary  
2 proceeding by the state board in Maryland?

3 A Oh, no.

4 Q You are aware that several subpoenas have been  
5 served by the House Select Committee and the Senate Select  
6 Committee on you personally and also on various organizations  
7 associated with Mr. Channell, are you not?

8 A Well, I was made aware that they actually existed  
9 today. I have never seen them.

10 Q Did you have any role in collecting documents to  
11 produce in response to those subpoenas?

12 A I don't know how I'd answer that.

13 MS. LUBIN: I had a role in collecting documents,  
14 but we started collecting them before your subpoenas were  
15 served, because other subpoenas had preceded them. He  
16 collected a whole mess of documents. We'll start with that.

17 BY MR. FRYMAN:

18 Q What did you do in the way of collecting documents  
19 in the response to any subpoena that has been served?

20 A Basically we gave the subpoenas to Elaine's firm,  
21 Swidler & Berlin, and they took it from this to help us get  
22 this, help us get that. They came and took a sweep of the

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1 office to see what was there.

2 Basically our effort has been to turn over the  
3 documents to them for their review and production.

4 Q Well, what have you done to make sure that all  
5 documents called for in any subpoena have been produced?

6 A We've given -- I have given everything that I know  
7 exists to Elaine's firm.

8 Q Are you talking about documents in your own  
9 particular area?

10 A Yes. Because I'm not familiar enough with the  
11 rest of the organization to know.

12 Q Have you had any role in collecting documents in  
13 other parts of the organization, other than the accounting  
14 area?

15 A No. Not -- no. Except to just show these guys  
16 where the file cabinets were.

17 MS. LUBIN: That's true. The first weekend he was  
18 the only person there, and he showed us where drawers were.  
19 Showed us where the cookies were, too.

20 BY MR. FRYMAN:

21 Q You said that you began to work for Mr. Channell's  
22 organizations, I believe, in 1984; is that correct?

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1 A Yes.

2 Q Do you know the reason that Mr. Channell retained  
3 you?

4 A Well, not specifically. I had advertised in local  
5 newspapers, and I got a call from Wilber <sup>Roy</sup> Beehler, who was the  
6 treasurer for Mr. Channell, Channell Corporation at the time.

7 Q Could you spell the name?

8 A B-e-e-h-l-e-r. He contacted me, we met for lunch,  
9 and we discussed my background and my knowledge and things  
10 like that, and he offered the position to me at the time. It  
11 was very much a part-time thing then. Roy had a full-time  
12 corporate position himself and was doing accounting work for  
13 Mr. Channell part-time, like on Saturdays and things like  
14 that, and it had grown beyond those needs -- had grown beyond  
15 that.

16 At that time I came in, worked there maybe one  
17 day, two days a week, something like that.

18 Q Had you known Mr. Channell or had you ever met him  
19 before placing this advertisement?

20 A No, sir.

21 Q Where was the advertisement placed? What  
22 publication?

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1           A     I think I ran one ~~in the Post and there was~~ a  
2 local business guide. I had several ones out there at the  
3 time. I think one of the local neighborhood papers.

4           Q     You were interviewed first by Mr. Beehler?

5           A     Beehler.

6           Q     At what point did you meet Mr. Channell?

7           A     It was at least several weeks after I started  
8 doing work there.

9           Q     Who hired you?

10          A     Mr. Beehler did.

11          Q     You have indicated that you continued to do a  
12 substantial portion of your work for the Channell  
13 organizations at your home; is that correct?

14          A     Yes, sir.

15          Q     Do you maintain at your home records relating to  
16 the Channell organizations?

17          A     Not as such. Once we moved into the Pennsylvania  
18 offices, there was plenty of filing space that I could move  
19 those things back to their offices.

20          Q     How do you work at home if you don't have any  
21 records there?

22          A     I have my computer at home.

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1 Q And you have computer disks there or some sort of  
2 data source there, a journal?

3 A Yes, I can carry the diskettes back and forth with  
4 me.

5 Q And you keep a duplicate set at your home, of  
6 disks?

7 A I had some diskettes, yes, at home, that were  
8 duplicates of what was there. They have all been turned  
9 over.

10 Q Anything other than disks?

11 A I have a hard memory drive on the computer, and  
12 all of that has been printed out and turned over as well.

13 Q So your search for documents in response to  
14 subpoenas included any materials that were in your home as  
15 well as the office?

16 A Oh, absolutely.

17 MS. LURIN: We sent a memo to all employees asking  
18 for all documents -- all employees and consultants.

19 BY MR. FRYMAN:

20 Q Would you say your responsibilities with respect  
21 to the Channell organizations -- and by the Channell  
22 organizations, I mean the National Endowment for the

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1 Preservation of Liberty as well as other organizations that  
2 are associated with Mr. Channell -- that's a meaningful  
3 phrase to you, is it not? The Channell organizations?

4 A Yes. Yes.

5 Q You said that you began to do work for the  
6 Channell organizations in the summer of 1984.

7 A Yes.

8 Q Have your responsibilities basically been the same  
9 from the summer of 1984 to the present?

10 A No. In the summer of '84 and most of '85, I had  
11 to actually do the accounts payable log and the receivables,  
12 prepare the financial statements, the bank reconciliations,  
13 things like that.

14 By early '86 the volume of that work had gotten  
15 just way out of hand for one person, and we hired someone to  
16 take over and do the receivables/payables kind of thing. I  
17 think it was in February of '86, I continued to do the review  
18 of it, the bank recs, payroll, tax filing, all of those --  
19 everything else.

20 Q So is it fair to say that you have had general  
21 responsibility for the day-to-day accounting functions of the  
22 organizations, but in the later period you have performed

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1 those responsibilities in more of a supervisory capacity than  
2 in a direct entry-making capacity?

3 A Yes. To the best I could. I mean, there still  
4 isn't adequate staff to handle it, I don't think. So my  
5 supervisory efforts were limited. But, yes, you could say  
6 that I was sort of in charge of that.

7 Q You say you were sort of in charge, Mr. McMahon.  
8 Were you the person in charge of the accounting side?

9 A Right but what I don't want to construe is that I  
10 was in a day-to-day review capacity. Time didn't allow me to  
11 do that. That's, you know, what I'm trying to get out. But,  
12 yes, I was in charge of the staff person that assisted with  
13 the accounting efforts.

14 Q And you did it as best you could?

15 A Yes, sir.

16 Q Now, you say in February of 1986 a staff person  
17 was hired to work --

18 A Yes, sir.

19 Q -- under you or for you?

20 A Yes, sir.

21 Q Was that person an employee of the Channel  
22 organizations?

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1           A     Yes.

2           Q     Who was that person?

3           A     Philip Meo.

4           Q     Did you hire Mr. Meo?

5           A     Yes.

6           Q     Had you known him previously?

7           A     Yes.

8           Q     What led you to conclude that he was the person  
9     that you needed as your assistant?

10          A     Well, I knew -- I needed someone as quickly as I  
11     could get at the time. We were just inundated with the  
12     work. And I knew that Philip was looking for work, and I  
13     thought at the time that the job could be handled by a clerk  
14     type.

15                     I later discovered around May, not many months  
16     later, that the position was far -- far and above his level  
17     of experience and knowledge.

18          Q     So what happened then?

19          A     We began pursuit, then, to get resumes and  
20     interview to have someone else take over the position.

21          Q     Did you hire someone else?

22          A     Yes, we did.

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1 Q Who did you hire?

2 A Becky Pritchett.

3 Q When did you hire her?

4 A I think she began on August 11th. We had gone  
5 through the process and selected a candidate, made an offer  
6 to him. By that time, by the time we got around, like two  
7 weeks later to finally give him a firm offer, he had already  
8 accepted another position, so we were back at square one to  
9 start over again with the whole process. That's why it took  
10 three to four months to finally get someone in there.

11 Q When did Mr. Meo leave the employ of the Channell  
12 organizations?

13 A In mid-August.

14 Q Have there been any other employees in the  
15 accounting area, other than Mr. Meo and Ms. Pritchett?

16 A There is now. Becky is -- she's quit. She left  
17 in February. And Michael Barnes has taken over her position.

18 Q What was Mr. Barnes doing before February of 1987?

19 A He worked for a custom carpet firm, the Design  
20 Center. And prior to that he was in the economics field.

21 Q He had no prior association with the Channell  
22 organizations before February?

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1           A     I knew Michael. In fact, he lives in the unit  
2     that is in my house. We have been friends for several  
3     years.

4                     In December he was like my right arm in helping me  
5     with all the year-end work for the Channell companies. When  
6     Becky decided that she was leaving, I asked Michael if he  
7     would be interested in stepping into her position, especially  
8     because he was so familiar with it by that point, and I asked  
9     Dan if that would, you know, if that was okay, at least on a  
10    temporary basis. And he said, you know, it's fine with me,  
11    but of course we have to discuss it with Spitz and see if he  
12    wants -- if he agrees.

13                    That finally took place late in March.

14           Q     Does Mr. Barnes have a CPA?

15           A     No, he doesn't.

16           Q     Does he have a degree in accounting?

17           A     I don't believe so.

18           Q     You believe that Mr. Meo was -- did not have  
19    adequate training to fulfill the duties --

20           A     Right. That was more demonstrated after he began  
21    to work in the position and the same kinds of errors and  
22    problems continued to happen over and over and over again.

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1 Q Well, does Mr. Barnes have any training that  
2 Mr. Meo did not have in the accounting area?

3 A I -- he has told me that he's worked in the area  
4 of finance and economics for many years, earlier on. And,  
5 with working with him day to day, on a day-to-day basis from  
6 early December through January, he demonstrated to me by  
7 those efforts that he was grasping what I needed him to and  
8 it was working out quite well.

9 I'll have to tell you, I was very hesitant to even  
10 offer any kind of a position to him, especially in light of  
11 what had happened with Phil, you know, a friend of mine. But  
12 he had demonstrated the skills necessary to do the job and he  
13 is doing a very good job.

14 Q You had, I take it from your position, extensive  
15 contact with Mr. Meo while he was an employee there and with  
16 Ms. Pritchett while she was an employee there, did you not?

17 A Yes.

18 Q Ms. Pritchett was still an employee at the end of  
19 1986; is that correct?

20 A Yes, sir.

21 Q In December 1986.

22 A Yes, sir.

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1 Q Yet I believe you indicated that you relied  
2 extensively on Mr. Barnes in that period to assist you?

3 A Well, yes.

4 Mr. Channell closed the offices down in December  
5 -- I don't know the exact date, but it was mid-December,  
6 12th? 13th? 15th? Somewhere around that time frame.

7 Q What was the reason for that?

8 A Well, the reporters kept coming into the office  
9 constantly. We were quite visible in the press, and he just  
10 felt it was best to shut the offices down and for us to go  
11 home for Christmas.

12 Q But Becky Pritchett stayed on the payroll at this  
13 period, did she not?

14 A Oh, everyone did, yes. But Becky -- she was on  
15 home and on leave as everyone else was, but Michael, as I was  
16 telling you, he lived in the house with me and I asked him  
17 for his help and he said, sure, I'll do what I can for you.  
18 So he was my right arm through those last two weeks of  
19 December in trying to finish out the year-end work and  
20 prepare the financial statements and get ready for payroll  
21 filings and W-2s and all of that stuff.

22 I mean, for me -- for an accountant to shut down

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1 on December 15th is ludicrous -- I mean you can't. You just  
2 can't. That's not the time of year to take a vacation in  
3 that area.

4 Q Why didn't you ask Ms. Pritchett to report to work  
5 at your house?

6 A I asked her if she would be available.

7 Q What did she say?

8 A She said yes, that she would be. But in light of  
9 the whole circumstances going on, I just felt it was best to  
10 not involve her with any of this stuff.

11 Q What do you mean by that, in light of the whole  
12 circumstances going --

13 A Well we kept reading things in the papers I was --  
14 trying to associate Mr. Channell's operations with the Iran  
15 affair. She was very nervous about that, asking have we done  
16 things wrong? I said I don't know.

17 She was very uneasy about it.

18 Q Was Mr. Barnes uneasy?

19 A No.

20 Q Did you ever discuss with anyone else in the  
21 Channell organization using Mr. Barnes and not Ms. Pritchett  
22 for the work during this period?

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1           A     I think that I passed it by Dan or Spitz, at least  
2     that they were aware that Michael was assisting me.

3           Q     Did you also tell them that in substance  
4     Ms. Pritchett was very nervous and it would be better not to  
5     have her involved?

6           A     I did have discussions with Dan on that exact  
7     issue. But this was probably early January, as I didn't  
8     realize the extent of how bothered by it that she was until  
9     we got back from the holiday when she said -- that was when  
10    she informed me that she was resigning.

11                     It was kind of a shock to me, to say the least.

12          Q     In the -- in 1986, when you were spending 115  
13    percent of your time in the --

14          A     I would say that's probably late '86 and  
15    definitely '87.

16          Q     -- in work for the Channell organizations, and you  
17    were spending, in 1986, a substantial amount of your time  
18    actually in the Channell offices at your desk, I take it you  
19    had, basically, daily contact with Mr. Meo, while he was  
20    there, and Ms. Pritchett, while she was there?

21          A     Yes. I would say for the most part, yes.

22          Q     Now, how frequent was your contact with

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1 Mr. Channell? Did you have daily contact with him?

2 A No.

3 Q Did you speak with him --

4 A Weeks could go by and I wouldn't speak to him.

5 Q Well, in the average month, say during 1986, how  
6 many times a month would you speak with him?

7 A Once, maybe twice.

8 Q Would he send you written notes from time to time?

9 A Not written as such. Sometimes -- I mean -- well,  
10 I can think of a couple, maybe. When he would give someone a  
11 raise he'd put a note in there to me: Steve, you know, raise  
12 Angela's salary. Things like that. But I didn't get written  
13 memos from him as such.

14 Q But you had occasion to see written notes from him  
15 from time to time, be it notations on forms or --

16 A Yes. Yes.

17 Q Did you become familiar with his handwriting from  
18 seeing these notes?

19 A Oh, yes.

20 Q So you consider yourself familiar with the way he  
21 writes?

22 A Yes.

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- 1 Q Okay. What about your contact with Mr. Conrad?  
2 How frequently did you meet with him in 1986?
- 3 A That would have been much more frequently, because  
4 Dan was in the offices most of the time. I would say  
5 routinely.
- 6 Q Would you see him every day, on the average?  
7 A No, not necessarily.
- 8 Q Approximately three or four times a week?  
9 A Yes. Yes.
- 10 Q Would you have discussions with him about various  
11 financial or accounting questions?
- 12 A Yes.
- 13 Q Is he the principal person in the organization  
14 that you would report to on financial or accounting matters?
- 15 A Yes.
- 16 Q Did you receive notes or messages from him from  
17 time to time?
- 18 A Yes.
- 19 Q Are you familiar with his handwriting?  
20 A Yes.
- 21 Q Did you have contact with Mr. Smith?  
22 A Yes.

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1 Q How frequently in 1986 would you meet with  
2 Mr. Smith on the average, in any week?

3 A It's like Mr. Conrad, two or three times a week.  
4 They weren't like meetings as you'd think of meetings.

5 If I had a quick question I'd pick up the  
6 interoffice and ask him, you know, that kind of thing.

7 Q Did you consider that you reported in any way to  
8 Mr. Smith?

9 A No.

10 Q What was the reason for the contact or meetings  
11 with Mr. Smith?

12 A Well, he and Dan would be generally in, at least I  
13 thought anyway, in discussion with Spitz on day-to-day  
14 business and operations. If I had a question I figured that  
15 Cliff or Dan would be the one -- would have the knowledge to  
16 answer it. So that's why ~~I~~<sup>I</sup> would go to them.

17 Q Did you, from time to time, receive written  
18 messages from Mr. Smith?

19 A Yes.

20 Q Did you become familiar with his handwriting?

21 A Yes.

22 Q Did you, during 1986, ever have any face-to-face

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1 meetings with Mr. Littledale?

2 A Not meetings. He would stop into our area and  
3 chat. But not meetings, no.

4 Q Would these contacts be infrequent? These  
5 face-to-face contacts?

6 A Yes.

7 Q Would they, on average, be more than once a week?

8 A No. It was no more than just idle, you know,  
9 office workers passing by: "How are you doing today?"  
10 "Fine."

11 That kind of thing.

12 Q So you generally didn't have any substantive  
13 discussions about the operations of the organization with  
14 Mr. Littledale; is that correct?

15 A Yes. That's correct.

16 Q Did you ever receive any written messages from  
17 Mr. Littledale in your work?

18 A No. Not that I'm aware of.

19 Q Do you believe you would recognize  
20 Mr. Littledale's handwriting?

21 A Not necessarily, no.

22 Q What about Ms. McLaughlin?

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1 A I'm not sure I would recognize Jane's either.

2 Q Did you have much contact with her?

3 A Just the same with Kris. With the rest of the  
4 workers, it was on a normal office, "Hi, how are you today?"  
5 That kind of thing.

6 Q When was the last time you spoke with Mr. Meo?

7 A August -- I'm trying to give you the last date,  
8 but the last day he was there, <sup>in</sup> the office ~~was~~ working.

9 Q You haven't spoken with him by phone since then?

10 A No, sir, I haven't.

11 MR. FRYMAN: I ask the reporter to mark this  
12 document as McMahon Deposition Exhibit 1 for identification.

13 (McMahon Deposition Exhibit 1 identified.)

14 BY MR. FRYMAN:

15 Q Mr. McMahon, I show you McMahon Deposition Exhibit  
16 1 for identification, which is an article in The Washington  
17 Post of March 12, 1987, appearing on page A-26, headed "Donor  
18 Intended to Buy Contras Arms." Have you seen that article  
19 before?

20 A Yes, sir. I have read it.

21 Q Are you aware that there is a statement in that  
22 article that Mr. Meo attributes to you?

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1 A Yes, sir.

2 Q And that article indicates that the reporter  
3 contacted you and you declined to comment. Is it correct  
4 that you declined comment?

5 A He called and asked me if I wanted to talk about  
6 the Channell organizations, and I declined to.

7 Q Mr. McMahon, I would like to ask you some general  
8 questions about the bookkeeping for the Channell  
9 organization, if I might.

10 A Okay.

11 Q What were the sources of funds for the Channell  
12 organizations?

13 A Well, all individual people.

14 Q Basically contributions?

15 A Yes, sir.

16 Q And was there any other source of funds? Was  
17 there any interest income or any dividends?

18 A Slight. Slight. But not -- it was not a major  
19 part of our financial revenues.

20 Q So the major -- by far the major portion of the  
21 revenues was donor contributions?

22 A Yes, sir.

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1 Q If you could just lead me through an example of  
2 how the bookkeeping would work on a contribution? Just  
3 assume that, in August of 1986, an individual donated  
4 \$100,000 to NEPL.

5 A Okay.

6 Q What would be each specific bookkeeping step after  
7 the check arrived at the office?

8 A Once the check arrived, typically the mail would  
9 be opened by Angela, at which time she would enter -- she  
10 kept a logbook, handwritten logbook. She entered the  
11 contributor's name and the date, the amount of the check and  
12 which organization it was for, and I believe at that point in  
13 time she was also trying to maintain a log of what project it  
14 was raised for and which solicitor raised the money.

15 She would then make a photocopy of the check for  
16 her files; a photocopy of the check and send it -- and mark  
17 -- she would sometimes mark on there what project and who the  
18 solicitor was. Because we, in the accounting area, we didn't  
19 know that information. We had no way of knowing it.

20 Q You had no way of knowing the solicitor?

21 A Right. By that point in time, I mean certain  
22 names we knew, that maybe they were Cliff's person, or

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1 certain ones were Jane's, things like that. But generally  
2 speaking, we would wait to get the indication from Angela.  
3 And if she didn't know, she would ask the various  
4 fundraisers. And she would generally try to indicate on  
5 there what project it was or, when she carried the check copy  
6 back to accounting along with the check, she would verbally  
7 indicate to Phil, this is Clift and it's for food. And then  
8 they would handwrite on there what it was.

9 Q All right.

10 A Then it would be deposited into the bank,  
11 appropriate bank account. And then -- well, when it -- back  
12 up a minute.

13 When it would come into the accounting area, Phil  
14 also kept a manual log and indicated the same kinds of things  
15 that Angela had.

16 The manual log was intended to be phased out,  
17 because we had set up a screen on the computer to log this  
18 information in. I didn't phase the logbook out, though,  
19 while Philip was there, because he never managed to get much  
20 hang of the computer. It was riddled with errors.

21 Q The computer was riddled with errors?

22 A Yes.

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1 Q The logbook continued in operation for how long?

2 A I continued it all the way through 1986. And that  
3 started <sup>shortly after</sup> ~~when~~ Phil came on.

4 Prior to that, the only information we had in  
5 accounting for a contributor was on the check stub itself  
6 with the deposit, and that was a year-end task, to pull  
7 together the complete listing.

8 Q How would you have a check stub on a deposit?

9 A Check stub in the checkbook. Like in your  
10 checkbook where you write the deposit.

11 Q You would fill in the deposit?

12 A Yes. We put the person's name. go next

13 Q On the logbook that was maintained from February  
14 1986 through the end of 1986 by, I assume, first Mr. Meo and  
15 then--

16 A Then Becky.

17 Q -- then Ms. Pritchett; is that logbook still in  
18 existence?

19 A Yes.

20 Q Has that been produced?

21 A Yes. I think.

22 (Discussion off the record.)

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- 1 THE WITNESS: It's the handwritten one?
- 2 MS. LURIN: Has it got a blue back and see-through
- 3 cover?
- 4 THE WITNESS: Yes.
- 5 MS. LURIN: Yes, it has been produced. Yours
- 6 wouldn't have a blue back and a see-through cover, though.
- 7 BY MR. FRYMAN:
- 8 Q The check would come from the fundraiser to
- 9 accounting, as I understand what you said.
- 10 A Well, from Angela it would --
- 11 Q Or from Mr. Channell's secretary, Angela Davis, it
- 12 would come --
- 13 A Right.
- 14 Q -- to the accounting department?
- 15 A Right.
- 16 Q And what, generally, what she have noted on the
- 17 check? What sort of information?
- 18 A She would generally try to discern who was the
- 19 solicitor, who raised the money, and what project it was
- 20 for. I don't know really how she did that, except by asking
- 21 fundraisers, I guess. I don't really know.
- 22 Q And then Mr. Meo and later Ms. Pritchett would

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1 make entries in the logbook.

2 A Yes.

3 Q And the check would be deposited to a bank  
4 account?

5 A Yes, sir.

6 Q Who decided which bank account it would be  
7 deposited to?

8 A Again, that would generally be written on the  
9 check, if it was to go into any particular one. And I don't  
10 know, again, who made that decision. I don't know if it was  
11 -- I don't know.

12 Q Suppose it wasn't written on the check. Would you  
13 make the decision?

14 A If it wasn't written and Phil asked me, where do I  
15 put this, I would generally have to make the judgment call.  
16 Put it in special 1. Or put it in regular. And that was  
17 generally dependent on where the other deposits had been  
18 going for that time frame.

19 Q You mention that during the period Mr. Meo was  
20 there, there were a lot of problems with entry of data into  
21 the computer.

22 A Yes, sir.

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1 Q When was that material corrected, if ever?

2 A In December, when I was doing the year-end  
3 reconciliations. It was a nightmare.

4 (Discussion off the record.)

5 BY MR. FRYMAN:

6 Q You have spoken of the logbook that was  
7 maintained, and you have said that that had various types of  
8 information on the log.

9 A Yes.

10 Q Were there also entries made that would be the  
11 traditional accounting journal entries? A debit and a credit  
12 to reflect --

13 A On that log? No.

14 Q Or someplace else?

15 A Eventually. At month end we had a general journal  
16 where journal entries would be made. But I did that.

17 Q You did that yourself?

18 A Yes.

19 Q And on the example I've given of \$100,000  
20 contribution, the debit entry for the journal entry for such  
21 a contribution, would that be a debit entry to a particular  
22 bank account?

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1 A Yes, sir.

2 Q Such as the Palmer regular account?

3 A Palmer regular, Palmer special 1 -- yes.

4 Q And the credit entry on a contribution such as  
5 that, what would be an example of a credit entry?

6 A It would go to contribution income on the income  
7 statement and the logbook and the computer -- which was  
8 supposed to be a matched picture of the logbook -- was the  
9 supporting journal, subsidiary ledger that supported the  
10 contributions for that month, who it came from and how much.

11 Q You referred to project designation.

12 A Yes.

13 Q Would the credit entry in the journal reflect a  
14 project designation in any way?

15 A No. No. In the subsidiary ledger we tried to  
16 track project information, but not in the general journal and  
17 the actual journal entry. That was on a very summarized  
18 basis.

19 Q The logbook that you referred to, you indicated, I  
20 believe, listed the solicitor and the project?

21 A Yes.

22 Q Was the information in that logbook also entered

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1 into a computer data base of some sort? And specifically the  
2 information about the project and the solicitor --

3 A The logbook that we kept in accounts? Yes. That  
4 was the Lotus spread sheet that we had developed that was  
5 supposed to be the mirror image of the handwritten one, which  
6 we found was not the case.

7 Q All right. All right.

8 Now, turning from revenue items to expense items,  
9 if you could lead me through the accounting steps when a  
10 check or payment of some sort was made by the Channell  
11 organization?

12 A Okay.

13 Q Take a specific example, suppose there was a check  
14 for \$100,000 to International Business Communications.

15 A Okay.

16 Q What would be the different steps of processing  
17 that transaction?

18 A On the checks that went to IRC, we were given  
19 verbal instruction from either Spitz, Cliff or Dan to make a  
20 check out to IRC for \$100,000, and we would generally have to  
21 ask them, did they want from a specific bank account, and if  
22 they said yes, special 1 or special 2 or something, then we

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1 would draw it from that account. If they didn't, you know,  
2 give any indication, we would look and see which bank account  
3 had, you know, the funds in it. And draw it from that. And  
4 we'd log that in.

5 The way the financials keep the project  
6 expenditures is by the various project vendors. It is not  
7 until after year end, preparing tax returns, that we go back  
8 and try to establish what projects specifically, what  
9 programs were worked on, to develop the 990 information.

10 It is tracked strictly by vendor, project vendors,  
11 during the course of the year.

12 Q So you would -- in the example I gave, you would  
13 receive a direction from Mr. Channell to pay \$100,000 to IBC.

14 A Right. Him or Dan --

15 Q Or someone.

16 A Yes.

17 Q And they might or might not specify the account  
18 that that was to come from.

19 A Right.

20 Q Would you draw the check?

21 A Me write it personally?

22 Q Yes. Would you prepare the check?

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1           A     Sometimes I might have. Or Becky may have, or  
2     Phil may have.

3           Q     All right. There would be an entry made in the  
4     check stub at the time you drew the check --

5           A     Right, right.

6           Q     -- as to the payee?

7           A     Right. And then we had a cash disbursements book,  
8     ledger, where the check numbers would be logged in, the  
9     payee, the dollar amount. And then what general expense  
10    heading it went under.

11           A     IBC would go under project expenditures.

12           Q     Right. At the end of the month, did you go  
13    through the checkbooks and make more formal journal entries  
14    with a debit to a particular project and a credit to a  
15    particular bank account? Or what was the process?

16           A     Well, it would get posted into the cash  
17    disbursements ledger and we generally had -- we would do all  
18    the regular bank accounts, all those checks, spread them out  
19    to the various expense accounts, the next page might be the  
20    special ones, and the bottom line from that would be what  
21    would develop the general entry, debit and credits, <sup>credit</sup>~~debit~~ the  
22    cash, and <sup>debit</sup> the various expenses that occurred.

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1 Project expenses, like I told you, they were only  
2 tracked by the particular vendor in any particular month.

3 Q All right.

4 A So that month it might show "Projects: IHC,  
5 Robert Goodman Agency," things like that. We don't have an  
6 automated system. We were getting one, but we didn't have  
7 one at the time that gave us a nice detailed breakdown,  
8 tracking system for all the different projects. That's a  
9 manual task that we still have yet to do.

10 Q Okay. Now, going back to the discussion about the  
11 specific example, what would happen if Mr. Channell or  
12 Mr. Conrad would tell you to draw a check out of a particular  
13 bank account and there were inadequate funds in that account  
14 to cover that check?

15 A We would usually have to make the judgment call  
16 and transfer monies in from one of the other NEPL accounts.

17 I think Spitz had a concept of project accounting  
18 via bank accounts, but that's not how it worked. I mean the  
19 monies moved between the bank accounts of NEPL as they were  
20 needed. The general, NEPL regular, was for paying bills. If  
21 there wasn't money in that account, then it would get  
22 transferred from whichever <sup>NEPL</sup> bank account had money in it.

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1 Q Okay. And you said that during the period at year  
2 end 1986, you spent a substantial amount of time correcting  
3 some of the computer data base; is that correct?

4 A Yes. Yes.

5 MR. FRYMAN: Why don't we recess for about five  
6 minutes.

7 (Recess.)

8 BY MR. FRYMAN:

9 Q Mr. McMahon, before we commenced this afternoon,  
10 we had a brief discussion about various subpoenas that had  
11 been served by the House Committee and the Senate Committee.

12 Specifically, you have been served, have you not,  
13 with a deposition subpoena from both the House Select  
14 Committee and the Senate Select Committee directing --

15 MS. LUBIN: I think they were served for him.

16 BY MR. FRYMAN:

17 Q Is it correct your counsel accepted service on  
18 your behalf?

19 MS. LUBIN: We'll stipulate to that.

20 THE WITNESS: Yes.

21 BY MR. FRYMAN:

22 Q And you understand that you are appearing and

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1       testifying here today pursuant to subpoena?

2             A     Yes, sir.

3             Q     And you are testifying under oath?

4             A     Yes, sir.

5             Q     And that the various criminal, federal criminal  
6       provisions relating to perjury would be applicable to any  
7       testimony in this proceeding; you understand that?

8             A     Yes, sir. Yes, sir.

9             Q     With respect to your work for Mr. Channell, which  
10       began in mid-1984, did you ever have a formal engagement  
11       letter with the Channell organizations?

12            A     No, sir.

13            Q     Before we broke, we were talking about information  
14       that was entered on a logbook and was also entered into a  
15       computer data base. Do you recall that discussion?

16            A     Yes, sir.

17            Q     Now, the information in the data base was then  
18       used, was it not, to prepare various financial reports for  
19       the Channell organization and for various Channell employees?

20            A     Yes.

21            Q     Is that correct?

22            A     Yes.

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1 MR. FRYMAN: I ask the reporter to mark as McMahon  
2 Deposition Exhibit 2 for identification, pages 27583 through  
3 27586, which have been produced by counsel for the Channell  
4 organizations.

5 (McMahon Deposition Exhibit 2 identified.)

6 BY MR. FRYMAN:

7 Q Mr. McMahon, would you look at the four pages  
8 which comprise McMahon Deposition Exhibit 2 for  
9 identification, and tell me what those pages are?

10 A Okay. They look to be the April '86  
11 contributions. Each page is sorted by a different  
12 identifier.

13 Q Which is the first page?

14 A The first one I'm looking at is sorted by date,  
15 original entry.

16 Q And the second?

17 A By project.

18 Q And the third?

19 A By solicitor, and finally by bank account.

20 Q Was this exhibit prepared from the computer data  
21 base that we have been discussing?

22 A Yes, sir.

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1 Q Can you tell approximately the time that it was  
2 prepared?

3 A No.

4 Q This is a report for the month of April, is it  
5 not?

6 A Right. But I don't know whether this version of  
7 it that is in front of me is one done back in April or if  
8 it's the reconciled one at year end. I don't know.

9 MR. FRYMAN: I ask the reporter to mark as McMahon  
10 Deposition Exhibit 3 for identification the following pages,  
11 which have been produced by counsel for the Channell  
12 organization: Pages numbered 16143, 16148, 16152 and 16153.

13 (McMahon Deposition Exhibit 3 identified.)

14 BY MR. FRYMAN:

15 Q Would you look at those four sheets, Mr. McMahon,  
16 and identify those sheets?

17 A They look to be sorts of the contribution data  
18 base by the individual fundraisers, certain of them. And  
19 they look to be from a period January '86 through sometime in  
20 August. It looks -- I see one here, August 28th, so that  
21 would be all the way through August of '86.

22 Q Were these printouts prepared from the same data

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1 base that we have been discussing?

2 A Yes, sir. But, again, that data base is -- it's  
3 on a diskette and it's constantly worked on and updated, so I  
4 can't tell you what version this is of that.

5 Q But this material came from what was the data base  
6 at some point of the Channell organization?

7 A Yes, sir. Yes, sir.

8 Q Is that correct?

9 A Yes.

10 Q And these are reports of contributions for Chris.  
11 Spitz, Cliff, and Jane, are they not?

12 A Yes, sir. Yes, sir.

13 Q Separate sheets for each of those individuals?

14 A Yes, sir.

15 MR. FRYMAN: I ask the reporter to mark as McMahon  
16 Exhibit 4 for identification, pages numbered 16126 and 16125,  
17 produced by counsel for the Channell organizations.

18 (McMahon Deposition Exhibit 4 identified.)

19 BY MR. FRYMAN:

20 Q Would you identify those sheets, Mr. McMahon?

21 A Again, they look to be from the contribution data  
22 base diskette, and they appear to be the NEPL contributions

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1 from January '86 through at least August 28 of '86. Probably  
2 prepared at that point in time, the data that was on the  
3 diskette, probably August, September.

4 Q And I take it from your answer that these were  
5 prepared from the NEPL data base at that time?

6 A Yes, sir.

7 Q Now, I direct your attention to McMahon Exhibits  
8 2, 3, and 4, and I ask you to look in those exhibits at a  
9 contribution from Mr. O'Boyle, in the amount of \$130,000 on  
10 the 1st of April.

11 A Yes, sir.

12 Q Do you see that contribution?

13 A Yes.

14 Q What is the project that is identified in those  
15 exhibits for that contribution?

16 A It's called "Toys" on Deposition 2.

17 Q Does it also appear on 3?

18 A Yes. Under -- it's on Jane's page, on Deposition  
19 3.

20 Q And what is the project?

21 A It's indicated "Toys" on that one as well.

22 Q Would you look at Exhibit 4.

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1           A     And, again, it is on the first page of Exhibit 4,  
2     the very first entry. The project is called "Toys" there as  
3     well.

4           Q     Would you look in those three exhibits again and  
5     locate a contribution on April 9, from a Mr. Giddens?

6           MS. LURIN: Giddens?

7           BY MR. FRYMAN:

8           Q     Mr. Giddens for \$32,500?

9           A     Okay. I found that one.

10          Q     What is the project identification for that  
11     contribution?

12          A     It's also indicated as Toys.

13          Q     Does that appear in each of those three exhibits?

14          A     Yes. For deposition 3 under "Kris." And yes, on  
15     Deposition 4, page 1.

16          Q     I direct your attention, again, to Exhibits 2, 3  
17     and 4, to a contribution from "Garwood" in the amount of  
18     \$470,000 on April 16.

19          A     Yes, sir.

20          Q     What is the project identification in those  
21     exhibits for that contribution?

22          A     "Toys" on Deposition 2; "Toys" on Deposition 3;

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1 and "Toys" on number 4.

2 Q I again direct your attention to those three  
3 exhibits, to a contribution in January 1986 by Mr. Claggett  
4 for \$20,000. I ask you what is the project identification  
5 for that contribution?

6 A "Toys" on number 3; "Toys" on number 4.

7 Q And is it "Toys" on number 2 as well?

8 A It doesn't appear on number 2. That's just  
9 April.

10 Q Now I direct your attention to a contribution on  
11 May 20, by Garwood, of \$350,000, and I ask you to identify  
12 the project?

13 A "Toys" on number 3; and "Toys" on number 4.

14 Q And I direct your attention with respect to those  
15 exhibits for a contribution on May 29 by one Hooper for  
16 \$100,000 and I ask if there is a project identification for  
17 that contribution?

18 A "Toys" on number 3 and "Toys" on number 4.

19 MR. FRYMAN: I ask the reporter to mark as McMahon  
20 Deposition Exhibit 5 for identification, pages produced by  
21 counsel for the Channell organizations numbered 28659 through  
22 28662.

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1 (McMahon Deposition Exhibit 5 identified.)

2 BY MR. FRYMAN:

3 Q Would you identify McMahon Exhibit 5 for  
4 identification?

5 A This is cash receipts -- I think it says through  
6 10/31/86.

7 Q Is that 1986 cash receipts?

8 A Yes.

9 Q Was that prepared at some point from the computer  
10 data base of the Channell organizations?

11 A Yes.

12 Q Was that prepared at your direction?

13 A How do you mean, printed out?

14 Q Yes. Did you ask to have this schedule prepared?  
15 Or printed?

16 A No. I probably printed it.

17 Q You probably printed it. Would this be on your  
18 computer at home?

19 A No.

20 Q Where would it be?

21 A Probably at work.

22 Q All right. Now, in this schedule, Mr. McMahon, T

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1 direct your attention to the same transactions that I've  
2 asked you about on the other schedules, and particularly a  
3 \$130,000 contribution by O'Boyle on April 1.

4 What is the project referred to for that  
5 contribution in McMahon Deposition Exhibit 5 for  
6 identification?

7 A It is called "TV ads."

8 Q And I direct your attention in this Exhibit 5 to a  
9 contribution on April 9 by Giddens for \$32,500. I ask you  
10 what is the project identification for that contribution in  
11 this exhibit?

12 A It's also "TV ads" on this one as well.

13 Q I also direct your attention to the April 16  
14 contribution by Garwood for \$470,000.

15 A That says "TV ads," also.

16 Q And the same question with respect to the  
17 contribution by Claggett for \$20,000 in January 1986?

18 A It says, "TV ads."

19 Q And the same question with respect to the  
20 contribution by Garwood for \$350,000 on May 20?

21 A "TV ads."

22 Q And the same question for the contribution by

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1 Hooper on May 29, for \$100,000?

2 A "TV ads."

3 Q Now, for each of those contributions the project

4 designation has been changed from "Toys" to "TV ads." Is

5 that correct?

6 A Yes, sir.

7 Q Did you direct one of your subordinates to make

8 that change in your computer data base?

9 A Yes.

10 Q Did you direct Becky Pritchett to do that?

11 A Yes, she assisted me in helping doing it as well.

12 Q And why did you tell her to do that?

13 A Because Spitz or Dan, I don't recall which one,

14 asked me to do it.

15 Q Did they tell you why they asked you to do it?

16 A To the best of my knowledge it was because they

17 didn't feel that "Toys" was a good name for the project and

18 to that same extent, for our program, expenditures and tax

19 return preparation, we consolidate everything that is the

20 Central American Freedom Program and report it as one main

21 effort, and it was along those lines that they said to change

22 all the "Toys" indications to "CAFP."

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1 Q You had told Philip Meo, had you not, that "Toys"  
2 was a designation for weapons?

3 A I have testified to this in the grand jury. What  
4 I recall of it, I do recall jokingly saying to him that I  
5 doubted if "Toys" was the kind of thing you buy in a toy  
6 store. And I may have said guns and ammunitions. I don't  
7 recall if I did or not. But all of that is really my own  
8 assumption. I don't have anything that I have seen, heard,  
9 been told that tells me that. I don't know.

10 Q You said -- you also told Becky Pritchett, did you  
11 not, that "Toys" was a designation for a weapons account?

12 A I probably did, because my curiosities were such  
13 that it was my own assumption.

14 Q Well, I don't understand how your curiosities were  
15 such that it was your own assumption that "Toys" represented  
16 weapons.

17 Could you explain that?

18 A Well, I just didn't think that that kind of money  
19 was being raised to buy Toys, as you would think of in a toy  
20 store. It just seemed like too much money for playing toys.

21 Q You were aware, were you not, that code names were  
22 used in the Channell headquarters?

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- 1           A    I didn't know that until it came out in the news.
- 2           Q    You were not aware that "Green" was a code name  
3 used for Mr. North?
- 4           A    No, sir.
- 5           Q    Isn't it true, Mr. McMahon, that you were told  
6 that "Toys" was a code name for a certain project?
- 7           A    I don't know what the certain project was. That's  
8 what I mean.
- 9           Q    But were you not told that "Toys" was a code name?
- 10          A    No. All I knew was that monies that were coming  
11 in at that time, we called them "Toys," as far as our project  
12 indications.
- 13          Q    And what was the reason, again, that you  
14 understood you were told to change this at the end of the  
15 year?
- 16          A    Basically that they didn't -- the name "Toys"  
17 could open up a bag of worms, so to speak, as to what it  
18 meant. That's the best I know.
- 19          Q    Who told you it could open up a bag of worms?
- 20          A    That's what my interpretation of the conversation  
21 is.
- 22          Q    Who, again, told you to make the changes?

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1           A     I don't recall if it was Dan or Spitz. One of the  
2 two of them.

3           Q     When were you told to make this change?

4           A     I think it was in early December.

5           Q     Of 1986?

6           A     Yes, sir.

7           Q     And you were told by either Channell or Conrad?

8           A     Yes, sir.

9           Q     And was this at the same time that the offices  
10 were being closed down?

11          A     Right about then, yes.

12          Q     Was one of the reasons that the offices were being  
13 closed was to make various changes in the accounting records?

14          A     No, sir.

15          Q     Did you ask Mr. Channell or Mr. Conrad the reason  
16 for the changing of this "Toys" designation?

17          A     Not specifically. I didn't really want to know.

18          Q     Why not?

19          A     I just didn't. I already had my curiosities, and  
20 I just didn't want to know.

21          Q     You had been joking on -- as you phrased it -- on  
22 several occasions during the year with Mr. Meo, and

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1 separately with Ms. Pritchett, that "Toys" was a designation  
2 for a weapons account. Correct?

3 A Yes, sir.

4 Q You made those comments to them, independently  
5 spread over a period of time?

6 A Yes.

7 Q Same joke?

8 A Yes.

9 Q Isn't it true, Mr. McMahon, that you also had a  
10 conversation with Mr. Littledale about the meaning of the  
11 "Toys" account?

12 A People have asked me this question before. I  
13 don't recall a specific conversation with Mr. Littledale. I  
14 believe that he may have been the one to jokingly come up  
15 with that project name back in the early part of '86, but I  
16 do not know that for sure.

17 Q Well, why do you believe he may have come up with  
18 that designation?

19 A I have a vague remembrance of it and that's all I  
20 have of it.

21 Q Did you discuss the "Toys" designation with Jane  
22 McLaughlin?

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1           A     I don't know if I did or not. I wouldn't have  
2 reason to, but I don't know if I did. That's just the point,  
3 I don't know what the "Toys" designation really is, anyway.

4           Q     Prior to this decision in December of 1986, with  
5 Mr. Channell or Mr. Conrad, about changing your computer data  
6 base, had you ever had a discussion with either of them about  
7 the meaning of the project designation "Toys"?

8           A     I don't recall specific conversations.

9           Q     Well, I'm asking for your best recollection. Do  
10 you recall any discussion at all with either of them about  
11 the designation "Toys" prior to December 1986?

12          A     The only conversation that I recall at all, and it  
13 is vague, is the one we've talked about before where Kris --  
14 it was in the evening in the offices. Kris was there, I was  
15 there, Spitz was there. I don't remember who else may have  
16 been there or not. And we were getting monies in at the time  
17 and it was going into the special 2 account and we were  
18 labeling it "Nic 2" at the time. I can remember asking, what  
19 should I call this? Is there anything -- any other name  
20 besides "Nic 2." And that's when "Toys" came up as the name  
21 to call it, but I don't know why and I don't know what it's  
22 for.

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1                   Again, all I have are my own assumptions and  
2                   curiosities on that.

3                   Q     Well, let's take them separately. What are your  
4                   own assumptions?

5                   A     Well, I didn't think that they were for toys and I  
6                   knew that we were supporting the Nicaraguan efforts, and I  
7                   guess I let my imagination wander about what "Toys" might  
8                   have meant.

9                   Q     What were your curiosities?

10                  A     Well, did it have anything to do with weapons and  
11                  military involvement?

12                  Q     Is it your understanding now that these  
13                  contributions that I have specified were used for TV ads?

14                  A     I don't know that for sure.

15                  Q     Well, I asked you what your understanding was.

16                  MS. LUBIN: I think he answered the question.

17                  THE WITNESS: I don't know for sure. Our system  
18                  doesn't tell us that kind of detail.

19                  BY MR. FRYMAN:

20                  Q     Have you had any discussions with anyone about  
21                  what they were used for?

22                  A     I've discussed, I think with Spitz, and was told

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1 it's all humanitarian aid.

2 Q Not TV ads?

3 A That's hard to say. We have done TV ads --

4 MS. LUBIN: Are you speaking about these  
5 specific?

6 MR. FRYMAN: Yes. Yes.

7 MS. LUBIN: The April 1 and April 9 and April  
8 17th.

9 MR. FRYMAN: Yes, the six contributions that I  
10 have specified in my questions were the project designation  
11 for each was changed from "Toys" to "TV ads."

12 THE WITNESS: I can't be certain of that. All I  
13 can tell you is I can be certain of this CAPP indication, the  
14 final bottom line of how much got spent on TV ads wouldn't  
15 come from a donor's file. It would come from the project  
16 efforts, the expense side of it. I can't tell you this.  
17 This was for internal information purposes only. You don't  
18 track program income.

19 BY MR. FRYMAN:

20 Q Mr. McMahon, have you ever denied that the "Toys"  
21 account was a designation for weapons?

22 A I don't know.

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1 Q You have no recollection of telling anyone that  
2 that was not the case?

3 A I don't know if it's for weapons or not, so I  
4 don't know if I've denied it or affirmed it. I don't know.

5 Q Well my question is, apart from your knowing or  
6 not knowing, have you ever told anyone that the "Toys"  
7 account was not a name or a code or some sort of designation  
8 for funds to be used for weapons?

9 A I don't know.

10 Q You don't know if you ever said that to anyone; is  
11 that your testimony today?

12 A Right. Yes. Yes.

13 Q Can you determine Exhibits 2, 3, 4 and 5, which  
14 bank account the five contributions I have referred to were  
15 deposited into?

16 A They went into the Palmer special 2 account.

17 Q How can you tell that?

18 A By looking at the "Patton" under "bank account"  
19 column.

20 Q Which exhibit are you referring to?

21 A I'm looking at number 3. I saw the first one on  
22 number 2, O'Boyle. It's indicated under bank account as

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1 "Patton," but that's the same name as the special two account  
2 at Palmer. They are one and the same bank account.

3 Q Was Patton a code name for that account?

4 A Hardly a code name. It was the name of the first  
5 contributor.

6 Q The name of what?

7 A The first deposit that we opened the account up  
8 with was from Mr. Patton.

9 MR. FRYMAN: I'll ask the reporter to mark as  
10 McMahon Deposition Exhibit 6 for identification, seven pages  
11 of printouts headed, on the first page, "client/KP" and a  
12 final page with a handwritten sheet headed "NEPL  
13 contributions subsidiary by month 12/31/86."

14 (McMahon Deposition Exhibit 6 identified.)

15 MS. LUBIN: May I ask where you got these?

16 THE WITNESS: They look like they are ours --

17 MS. LUBIN: They don't have our numbers on them.

18 BY MR. FRYMAN:

19 Q Mr. McMahon, do you recognize the sheets that  
20 comprise McMahon Exhibit 6?

21 A For the most part, yes; they look like the year  
22 end printouts that we did <sup>for</sup> the auditors.

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- 1 Q These are materials you gave to Simmermacher &  
2 Felts?
- 3 A Yes, sir.
- 4 Q Were these prepared at your direction?
- 5 A Yes.
- 6 Q Now, if you would look at the same transactions  
7 that I had referred to in these sheets, particularly the  
8 April 1 O'Boyle contribution for \$130,000; the April 9  
9 Giddens contribution for \$32,500; the April 6 Garwood  
10 contribution for \$470,000; the January 1986 Claggett  
11 contribution for \$20,000; the May 20 Garwood contributions  
12 for \$350,000; and the May 29 Hooper contribution for  
13 \$100,000; if you would look at those contributions and tell  
14 me the project designation on each of those?
- 15 A CAFP TV.
- 16 Q That is different, is it not, from the project  
17 designation on McMahon Exhibit 5?
- 18 A Yes, sir.
- 19 Q And for each of those, on McMahon Exhibit 5, the  
20 designation is "TV ads"?
- 21 A Yes, sir.
- 22 Q Now, what was the reason for that change?

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1           A     Because when I tried to sort these things, I  
2     needed it to be the same indicator. Becky and I were both  
3     working on it making the ~~original~~ change of Toys over ~~to~~ TV, and  
4     some were putting "CAFP TV ads," some were putting "TV ads."  
5     So, to make them all the same indicator, I think, that's the  
6     best I can remember.

7           Q     When did you make this subsequent change?

8           A     Oh, when I was reconciling the stuff in late  
9     December.

10          Q     Did you make the change yourself in the computer  
11     data base?

12          A     Yes. From this to that. Yes. (Indicating.)

13          Q     The change that is reflected in Exhibit 5, you  
14     directed Becky Pritchett to make; is that correct?

15          A     She did some of them and I did some of them.

16          Q     But the change that is reflected in Exhibit 6, did  
17     you do all those yourself?

18          A     Yes, sir.

19          Q     Did you have any conversation with Mr. Channell or  
20     Mr. Conrad about that change?

21          A     No. ~~.....~~

22          Q     Anyone else?

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- 1           A    No.
- 2           Q    You just did that on your own?
- 3           A    I did that to help me sort my information.
- 4           Q    When did you say that the "Toys" project name was  
5 first given to you?
- 6           A    I think that it was in early '86; late '85, early  
7 '86.
- 8           Q    What did you understand was the reason for a new  
9 project name at that point?
- 10          A    They had established another bank account.
- 11          Q    What was the reason for establishing another bank  
12 account?
- 13          A    You'd have to ask Mr. Channell that. I don't  
14 know.
- 15          Q    You have indicated that projects and bank accounts  
16 were not necessarily synonymous. In other words, a project  
17 was not necessarily coextensive with a bank account?
- 18          A    Right.
- 19          Q    Is that correct?
- 20          A    Yes.
- 21          Q    So why would the opening of another bank account  
22 require the opening of a new project?

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1           A     That's to my -- to my knowledge, that's how  
2 Mr. Channell tended to think of it. But that's not in  
3 reality how it really worked.

4           Q     Going back to McMahon Deposition Exhibit 1 for  
5 identification, Mr. McMahon, in that article Mr. Meo is  
6 quoted as saying: "I was told that the special account was  
7 for weapons only. All of our accounts had names. NEPL  
8 Number 2 was for 'Toys,' that was ammunition and weapons.  
9 Steve McMahon told me that."

10                     Do you dispute in any way that press report of  
11 Mr. Meo's account of his conversation with you?

12           A     Yes.

13           Q     In what way?

14           A     I don't believe I specifically said to him it was  
15 for weapons only, because I don't know that and I didn't know  
16 that at the time. "All of our accounts had names. Number 2  
17 was for Toys" -- that is probably correct because anything  
18 and everything that Phil deposited into number 2 he called  
19 "Toys."

20                     Whether I said it was for ammunitions and weapons.  
21 I don't know, as I told you before.

22           Q     I believe you have indicated that you were not

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1 denying that you told him it was for ammunitions and weapons.

2 A I indicated that I jokingly said that I didn't  
3 think they were the kind of toys you buy in a toy store.  
4 Whether I said ammunition and weapons, I don't recall that  
5 specifically. In a joking way I may have. I have no basis  
6 for that. I do dispute one further thing that he says up  
7 above, where he says, "Meo, former bookkeeper: a select few  
8 contributors were solicited specifically for the 'Toys  
9 account.'"

10 Q I don't believe that is specifically attributed to  
11 you.

12 A No, but it says, according to Philip Howard Meo,  
13 -- what I'm establishing here is he would have no way of  
14 knowing. That he was not involved with the fundraisers.  
15 What I'm trying to point out further is his involvement was  
16 so limited --

17 Q The question, Mr. McMahon, is whether you are  
18 disputing any statement that Mr. Meo particularly attributes  
19 to you.

20 A Okay.

21 Q I don't believe that paragraph is particularly  
22 attributed to you.

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1           A     Okay.

2           Q     Was the Patton account or the special account 2,  
3 was that used for anything other than contributions to the  
4 "Toys" project?

5           A     Used -- do you mean how it was spent?

6           Q     No. Were there contributions deposited to that  
7 account that were designated for anything other than  
8 the "Toys" project?

9           A     I don't think so. Because I think the "Toys"  
10 project, as such, for a name, was default.

11                     If Phil got a check copy back that was marked  
12 Patton on it, or special 2, he would automatically call that  
13 "Toys."

14           Q     All right. Do you know if there were any  
15 transfers to this account known as the Patton account from  
16 other accounts?

17           A     Within the NEPL organization?

18           Q     Yes.

19           A     I would say yes. We transferred money in and out  
20 of all the different accounts regularly. That's why it was  
21 so frustrating to work with all of these different bank  
22 accounts.

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1           Q     While we are on the subject of bank accounts, can  
2 you quickly -- or not so quickly, for that matter, just  
3 identify all of the bank accounts that you are aware of, that  
4 were used by the Channell organization in any way?

5           A     Yes. I'll do it by organization.

6                 For NEPL the plain accounts were at the Palmer  
7 National Bank. We referred to them as the regular account,  
8 special 1, special 2, special -- no, there wasn't special 3.  
9 That was called "Future Freedom."

10                Special 4 and special 5.

11                There were also accounts at E.F. Hutton, regular,  
12 special 1, and special 2.

13                We have an account -- I guess you could call it an  
14 account -- somebody gave us a contribution to the Irving  
15 Trust Bank that sits there. We get the interest from that.

16                I don't think there are any more for NEPL.

17                We have a certificate of deposit at Palmer  
18 National. That's not a bank account as such. And for the  
19 American Conservative Trust, that's also at Palmer. There's  
20 only one for that. The American Conservative Trust state  
21 election fund. That account is also at Palmer National.  
22 Just one.

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1                   The Anti-Terrorists American Committee federal  
2                   account is at Madison National. Anti-Terrorist Committee,  
3                   state election fund, that's at Madison, Madison National; the  
4                   Channell Corps itself is at Riggs National.

5                   Sentinel is at Palmer National.

6                   Grow Washington is at Palmer National. I think  
7                   I've hit them all.

8                   Oh, Western Goals, at --

9                   MS. LURIN: Western Goals Foundation?

10                  THE WITNESS: Well, Western Goals Foundation --  
11                  Western Goals was at Sovran National; Western Goals Endowment  
12                  was at Sovran National.

13                  What we picked up as Western Goals Foundation, I  
14                  believe was at Riggs National. That was very unclear in  
15                  their records to us.

16                  BY MR. FRYMAN:

17                  Q     Let me stop you. Western Goals was at Sovran  
18                  National. Western Goals Endowment was at Sovran National.

19                  A     Right.

20                  Q     That's S-o-v-r-a-n?

21                  A     Right.

22                  Q     And the last one?

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- 1           A     Western Goals Foundation.
- 2           Q     And where was that?
- 3           A     That, I believe, was at Riggs, when we got the
- 4 books for them in May <sup>or</sup> -- April, May, that realm. This
- 5 account -- Western Goals, itself, no longer exists. Western
- 6 Goals Endowment and Western Goals Foundation, we have changed
- 7 their bank accounts, main accounts over to Palmer National.
- 8 And we are in the process of closing out the Sovran Bank's in
- 9 Virginia. And the Western Goals -- Western Goals Foundation
- 10 and Endowment also have an account at Hutton.
- 11                     ACF, that has an account at Palmer. Does it have
- 12 one -- I believe it has one at Hutton as well.
- 13           Q     The account referred to as the "Patton account"
- 14 you said was the special 2 at Palmer; is that correct?
- 15           A     Yes, sir.
- 16           Q     Was the special 2 account at Hutton also referred
- 17 to as the "Patton account"?
- 18           A     No.
- 19           Q     That's independent?
- 20           A     It's -- yes.
- 21           Q     It's a separate --
- 22           A     We called that "Hutton number 2."

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1 Q Hutlon number 2.

2 MR. FRYMAN: I'll ask the reporter to mark as  
3 McMahon Deposition Exhibit 7 for identification, a page  
4 numbered 23080, produced by counsel for the Channel  
5 organizations.

6 (McMahon Deposition Exhibit 7 identified.)

7 BY MR. FRYMAN:

8 Q Do you recognize that document, Mr. McMahon?

9 A Yes.

10 Q What is it?

11 A That looks like the full 12-month statement of  
12 operation for NEPL for 1986.

13 Q The YTD totals column, does that stand for year to  
14 date?

15 A Yes, sir.

16 Q That's for the full 12 months?

17 A Yes, sir.

18 Q What is the amount reflected for contributions?

19 A \$7,024,939.

20 Q Is that the amount that you understand was the  
21 total of the contributions received during 1986?

22 A Yes.

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1 Q Is that for NEPL?

2 A That's NEPL.

3 Q That report indicates -- it says, "total  
4 additions." What does "additions" mean in that line?

5 A That's a term you would typically use in fund  
6 accounting. "Additions to the fund balance." You start with  
7 your fund balance at the beginning of the year --

8 Q You would use that term in place of "income" which  
9 would be in a profitmaking --

10 A Because it has profit and loss and things in there  
11 as well.

12 Q Right. And the total additions is \$7,068,235.04;  
13 isn't that right?

14 A Yes, sir.

15 Q Beneath that total there are -- there is a list of  
16 disbursements, is there not?

17 A Yes.

18 Q And various projects; is that correct?

19 A They are project vendor names.

20 Q That's what you indicated earlier, project  
21 identifications were carried by vendor on your internal  
22 records?

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- 1           A     Yes.
- 2           Q     What does the amount \$3,533,458.79 on the line
- 3     "IBC" represent?
- 4           A     That would be the total that NEPL disbursed to
- 5     International Business Communications for 1986.
- 6           Q     Were you involved in the preparation of those
- 7     checks or money transfers?
- 8           A     How do you mean "involved"?
- 9           Q     Well, did you draw the checks?
- 10          A     I would have occasion to, if I was told to, yes.
- 11          Q     Or you would tell somebody else to who was working
- 12     for you?
- 13          A     No, <sup>not usually</sup> Generally if I wasn't there, Dan or Spitz
- 14     would tell Becky directly or Phil directly.
- 15          Q     Do you recall drawing checks to IBC?
- 16          A     Yes.
- 17          Q     Do you recall making any wire transfers to IBC?
- 18          A     Yes.
- 19          Q     At whose direction did you do this?
- 20          A     Again, that's always either Dan, Cliff or Spitz.
- 21          Q     Did you have any invoices to support these
- 22     disbursements that you were making?

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1           A     On occasion we had invoices from TBC but generally  
2 speaking, no.

3           Q     They just said transfer a certain amount of money  
4 and you did it?

5           A     Yes, sir.

6           Q     Did you ask any questions?

7           A     Not really; no.

8           Q     What did you understand those funds were being  
9 used for?

10          A     I thought they were part of our Central America  
11 Freedom Program effort.

12          Q     Did you understand they were being used at least  
13 in part to buy weapons?

14          A     No, I didn't.

15          Q     The next total is \$838,018.67 for Goodman.

16          A     Yes, sir.

17          Q     What does that represent?

18          A     That would be the monies that NEPL spent with the  
19 Robert Goodman Agency.

20          Q     And what is the Robert Goodman Agency?

21          A     They are an advertising firm that helped us in the  
22 production of our various television media campaigns. I

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- 1 believe they actually may have produced the videotapes.
- 2 Q Were checks drawn to that vendor supported by
- 3 invoices?
- 4 A Yes, sir.
- 5 Q Always?
- 6 A Yes, sir. Not always up front. We may be
- 7 instructed to send a wire to them in order to place the TV
- 8 media buy. But they -- it was followed up with invoices.
- 9 Q But there was no such follow-up with respect to
- 10 IRC?
- 11 A No. Not that I'm aware of.
- 12 Q The next line indicates \$90,190.07 to Prodemca.
- 13 A Yes.
- 14 Q What does that represent?
- 15 A I don't know.
- 16 Q Do you know what Prodemca is?
- 17 A Not really.
- 18 Q Were you involved in drawing any checks to
- 19 Prodemca?
- 20 A Not that I recall.
- 21 Q Any other sort of money transfers? Any other wire
- 22 transfers? Were you involved in preparation of any wire

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1 transfers to Prodemca?

2 A It's possible. I don't know.

3 Q Are you saying you've never heard of Prodemca?

4 A No. I have heard of them. I know we spent --  
5 sent money to them.

6 Q But you don't know what they are?

7 A No. I know they are not one of our typical  
8 administrative vendors so they, by default, go into project.

9 Q The next line is \$22,500 to Edelman. What does  
10 that represent?

11 A Edelman is -- I don't recall what kind of firm  
12 they are. I remember they did work for us. What it was I  
13 don't know. I don't remember.

14 Q The next line is -- I may have misread the last  
15 line. The Edelman expenditure was \$92,324.38. After that  
16 there is an indication of \$22,500 to Blackwell.

17 What does that expenditure represent?

18 A That could be -- they were an advertising agency.  
19 They were helping us develop some of the TV campaigns, ads.

20 Q The next line indicates \$6000 paid to Cameron.  
21 What does that represent?

22 A That's Bruce Cameron. That's all I know about

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1 that.

2 Q What does he do?

3 A I don't know.

4 Q The next line indicates \$202,906.27 to "Other."  
5 What does that represent?

6 A In each month when I would make the journal entry  
7 if there were other insignificant amounts to what I thought  
8 -- considered a project vendor, they would go under this line  
9 item. So that's made up of various and sundry different  
10 project vendors and I'm sorry but I haven't had time to  
11 prepare a subsidiary supporting schedule of that for anyone.  
12 That's on my "to do" list.

13 Q The next line indicates \$100,000 to Patricia  
14 Beck. What is that expenditure?

15 A She had given roughly \$100,000; I guess \$101,000  
16 something or other -- during the tail<sup>end</sup> of '85, as a project  
17 effort. I believe they were going to have a speaker --  
18 meetings, things like that. And the project was never kicked  
19 off and the money was refunded back to her.

20 Q The next line indicates \$84,900 to Blakemore &  
21 Kiewlow. What does that represent?

22 A They were an ad agency as well and helped with the

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1 TV ads.

2 Q The next line shows \$450,000 to  
3 "Intel-Cooperation." What does that represent?

4 A That was the other firm like IBC. I thought they  
5 were one and the same thing when we were told to write checks  
6 to them.

7 Q Did you have any invoices supporting those checks?

8 A No, sir.

9 Q And what was the reason you drew checks to that  
10 corporation?

11 A We were instructed to by the executives and Spitz  
12 or Dan or Cliff.

13 Q \$114,900 to Finkelstein is on the next line. What  
14 do those expenditures represent?

15 A Finkelstein -- it was like a marketing research  
16 project, I believe.

17 Q Is that a polling organization?

18 A I don't know, really.

19 Q All right. The next line shows \$14,810 to  
20 Kuykendall. What does that represent?

21 A He was a consultant for project efforts.

22 Q The next line shows \$40,000 payable to Nofziger.

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1 What does that represent?

2 A He was also a consultant.

3 Q For what?

4 A General consulting, I guess. I don't know. I  
5 never attended any meetings with him. I don't even know who  
6 the man is.

7 Q Finally, the last disbursement for projects is  
8 \$3153.28 for Public Affairs. What does that represent?

9 A There was -- I think it was a demonstration that  
10 they staged the late -- latter part of '86 and they were the  
11 expenses of that.

12 MR. MC GOUGH: Let's go off the record for a  
13 second. I'm Tom McGough, I work with Jamie Kaplan.

14 (Discussion off the record.)

15 MR. FRYMAN: I'll ask the reporter to mark as  
16 McMahon Deposition Exhibit B, a document headed "National  
17 Endowment for the Preservation of Liberty, Statement of Net  
18 Assets, December 31, 1985." The document is composed of  
19 pages 27812 through 27818; produced by counsel for the  
20 Channell organizations.

21 (McMahon Deposition Exhibit B identified.)

22 MR. FRYMAN: I'll ask the reporter to mark as

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1 McMahon Deposition Exhibit 9 for identification, a document  
2 headed, "National Endowment for the Preservation of Liberty,  
3 Statement of Net Assets, January 31, 1986," which is composed  
4 of pages 29197 through 29199, produced by counsel for the  
5 Channell organizations.

6 (McMahon Deposition Exhibit 9 identified.)

7 MR. FRYMAN: I ask the reporter to mark as McMahon  
8 Exhibit 10 for identification, document headed "National  
9 Endowment for the Preservation of Liberty, Statement of Net  
10 Assets, April 30, 1986," which is composed of pages 29125  
11 through 29130.

12 (McMahon Deposition Exhibit 10 identified.)

13 MR. FRYMAN: I'll ask the reporter to mark as  
14 McMahon Deposition Exhibit 11 for identification, document  
15 headed "National Endowment for the Preservation of Liberty,  
16 Statement of Net Assets, November 30, 1986," which is  
17 composed of pages 16550 through 16559, produced by counsel  
18 for the Channell organizations.

19 (McMahon Deposition Exhibit 11 identified.)

20 MR. FRYMAN: I'll ask the reporter to mark as  
21 McMahon Deposition Exhibit 12 for identification, a document  
22 headed "The National Endowment for the Preservation of

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1 Liberty, Statement of Net Assets, November 30, 1986," which  
2 is composed of pages 27820 through 27827, produced by counsel  
3 for the Channell organizations.

4 (McMahon Deposition Exhibit 12 identified.)

5 MR. FRYMAN: I ask the reporter to mark as McMahon  
6 Deposition Exhibit 13 for identification, a document headed  
7 "Anti-Terrorism American Committee Federal Election Fund,  
8 December 31, 1986," which is composed of pages 26628 through  
9 26635, produced by counsel for the Channell organizations.

10 (McMahon Deposition Exhibit 13 identified.)

11 MR. FRYMAN: I ask the reporter to mark as McMahon  
12 Deposition Exhibit 14 for identification, a document headed  
13 "American Conservative Trust, Federal Election Fund, December  
14 31, 1986," which is composed of pages 26615 through 26627  
15 produced by counsel for the Channell organizations.

16 (McMahon Deposition Exhibit 14 identified.)

17 BY MR. FRYMAN:

18 Q Mr. McMahon, I ask you to examine Exhibits 8, 9,  
19 10, 11, 12, 13 and 14 and tell me if those exhibits were  
20 prepared under your supervision?

21 A Yes.

22 Q Do they represent the financial status of the

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1 particular organizations that they purport to represent as of  
2 the date indicated on each exhibit?

3 A Yes, sir.

4 Q Directing your attention to Exhibit 8,  
5 Mr. McMahon, when we were discussing Exhibit 7 we reviewed  
6 the particular project disbursements. Where does the  
7 comparable information appear in Exhibit 8?

8 A It wasn't broken down at the end of 1985 that same  
9 way, but it would be under a line called -- do you see  
10 "disbursements"?

11 Q Yes.

12 A Going down, the line called "Contributions." That  
13 line item as well as, if you go to the next page on there  
14 where it has July through December, there's an additional  
15 line item there called "Promotional Advertising."

16 Q The total for contributions is \$1,600,032.  
17 Withdrawn.

18 \$1,632,644.10; is it not?

19 A Yes, sir.

20 Q Can you determine how much of that represented  
21 transfers to IRC?

22 A For the months of August and September,

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1 specifically for IRC -- prior to August -- in the footnotes  
2 you may want to follow along -- prior to August the category  
3 included all persons, trusts and organizations that received  
4 funds from NEPI.

5 After, I would say August, September on through  
6 the end of 1985, that category would have been strictly IRC.

7 Q Did you receive any invoices or any other  
8 documentation from IRC?

9 A Not to my knowledge. I don't think so.

10 We would occasionally get an invoice for  
11 consulting fees, things like that. But not the major money  
12 that went to them.

13 MS. LUBIN: That's it for those?

14 MR. FRYMAN: I'd ask the reporter to mark as  
15 McMahon Deposition Exhibit 15 for identification, a file  
16 relating to Eric Olson, pages 57152 through 57163 of the  
17 documents produced by counsel for the Channell organizations.

18 (McMahon Deposition Exhibit 15 identified.)

19 BY MR. FRYMAN:

20 Q If you'll examine Exhibit 15, Mr. McMahon, you  
21 will note that page 57158 is what appears to be an invoice  
22 dated October 8, 1986 for consulting services for \$10,000

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1 during October. The next page, 57159 is what appears to be  
2 another invoice for consulting services rendered during  
3 November 1986 for \$7500. Page 57160 appears to be an invoice  
4 dated December 19 for consulting services during December for  
5 \$10,000.

6 Page 57161 appears to be an invoice for consulting  
7 services rendered in January 1987 for \$10,000. Page 57162  
8 appears to be an invoice for consulting services rendered  
9 during February 1987 for \$5000. And page 57163 appears to be  
10 an invoice for consulting services rendered during February  
11 1987, again for \$5000.

12 Can you tell me what the consulting services were  
13 that Mr. Olson rendered to the Channell organizations?

14 A He did some help with us, as far as our allocation  
15 system for the accounting efforts are concerned. But as to  
16 the nature of the remainder of his consulting services, you'd  
17 have to ask Mr. Channell because I am not aware of what that  
18 was.

19 Q So these invoices indicate he was paid  
20 approximately \$40,000, do they not?

21 A Yes.

22 Q And the only thing you are aware of that he did

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1 was some work on what you describe as allocation of  
2 accounting services?

3 A No. An allocation system.

4 Q What do you mean by that?

5 A Well, with all of our organizations we have to  
6 allocate our administrative expenses and costs to the various  
7 organizations that they appropriately belong to. And he  
8 helped us in the discussions on that and occasionally <sup>Eric</sup> ~~Ed~~  
9 would go over financial information with me.

10 Q Did he maintain an office at the Channell  
11 organizations at any time?

12 A No, sir.

13 Q The address on this invoice is [REDACTED]

14 [REDACTED]; do you know if that's Mr. Olson's home?

15 A I believe it is, yes.

16 Q Does Mr. Channell also live there?

17 A Yes.

18 Q Do Mr. Olson and Mr. Channell share a house?

19 A It's a condominium building.

20 Q They share a condominium?

21 A I think they have -- I think Eric's address is

22 [REDACTED] and Channell's is [REDACTED]

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- 1 Q Do the condominiums adjoin?
- 2 A I think they do.
- 3 Q There is also in here, at pages 57156 and 57157,
- 4 what appear to be bills or a bill for lamps, mirrors, et
- 5 cetera, for \$1915, from something called Olson Furniture.
- 6 A Yes, sir.
- 7 Q What is Olson Furniture?
- 8 A These were things that ~~we~~<sup>NEPL</sup> bought from
- 9 Mr. Olson when we went into our new offices to furnish our
- 10 lobby and some of the other areas around us.
- 11 Q Does he have a furniture business?
- 12 A No, sir. <sup>I assumed</sup> These were used items that we bought
- 13 from him.
- 14 Q What is it you understand Mr. Olson's occupation
- 15 to be?
- 16 A I think that he's a management consultant.
- 17 MS. LUBIN: Can we have a short break?
- 18 (Discussion off the record.)
- 19 MR. FRYMAN: I ask the reporter to mark as McMahon
- 20 Deposition Exhibit 16 for identification, a check dated
- 21 January 7, 1986 from the National Endowment for the
- 22 Preservation of Liberty, payable to Shank, Irwin and Conant.

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1 for \$237,500.

2 (McMahon Deposition Exhibit 16 identified.)

3 MR. FRYMAN: This check is reflected on page 1001b  
4 of the materials produced by counsel for the Channell  
5 organizations.

6 I also ask the reporter to mark as McMahon  
7 Deposition Exhibit 17 for identification, a group of checks  
8 which appear on page 16657 of the documents produced by the  
9 Channell organizations, including a cashier's check purchased  
10 by Shank, Irwin and Conant for \$237,000 payable to the  
11 National Endowment for the Preservation of Liberty dated  
12 March 17, 1986.

13 (McMahon Deposition Exhibit 17 identified.)

14 BY MR. FRYMAN:

15 Q Now, Mr. McMahon, what was the purpose of the  
16 January 7, 1986 check payable to Shank, Irwin and Conant  
17 which is Exhibit 16?

18 A Okay. To my knowledge, back in '85 we were given  
19 a contribution through this attorney firm, Shank, Irwin and  
20 Conant, and it was in the ball park of around \$500,000.

21 Shortly after we received it they notified us that  
22 half of that amount, the \$237,500, they weren't going to

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1 contribute to us, they were going to actually make a loan to  
2 us of that much and I believe that it was Spitz and Dan's  
3 decision that they said: No, we don't want your loan. If  
4 you are not going to give it to us, forget it.

5 Referring back to Deposition Number 8 --

6 MS. LUBIN: 18?

7 THE WITNESS: 8. Statement of net estates for  
8 December 31, '85. This item here called "Note Payable." It  
9 says "Office Equipment" there. I believe it's an error on my  
10 template. It should say just plain "note payable" for the  
11 \$237,500, that's the liability ~~Neville~~<sup>NEPL</sup> had at the end of '85  
12 to pay that back to them.

13 As you see in early January we, in fact, did send  
14 that money back to them.

15 BY MR. FRYMAN:

16 Q You say the contribution was made by this law firm  
17 on behalf of someone.

18 A Yes.

19 Q On whose behalf was it made?

20 A I believe it was Bunker Hunt.

21 Q Do you have -- do you know why he didn't make the  
22 contribution in his own name?

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1           A     No, I really don't.

2           Q     Well, did anyone ever say anything to you about  
3 why he didn't make it in his own name?

4           A     No.

5           Q     Would you examine Exhibit 17 for identification,  
6 which contains the cashier's check payable to NEPL for  
7 \$237,000.

8           Q     What do you know about that transaction?

9           A     Again, I think it came from Mr. Hunt through his  
10 attorneys that he used. And I really don't know why -- we  
11 paid it back to him and then he turned around and gave it  
12 back to us. I don't know.

13          Q     So you understand that that \$237,000 was a  
14 contribution?

15          A     Yes, sir.

16          Q     Going back to Exhibit 16 for identification, you  
17 will notice that the explanation on the check says "repayment  
18 of note." You have referred to the note payable entry on  
19 Exhibit 8 for identification.

20          A     Right.

21          Q     As I understand your testimony, Mr. Channell was  
22 rejecting the idea of there being any money or any note with

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1 regard to this amount but was just returning the  
2 contribution.

3 A Yes.

4 Q Do you know why there was both the entry  
5 "repayment of note" on the check and "note payable" on the  
6 statement of net assets which is Exhibit 8?

7 A Really it's just a matter of terminology. It is  
8 possible -- I mean -- it could be argued that it should be,  
9 maybe, under "Contribution Refund." We put it on there as a  
10 liability, though.

11 MR. FRYMAN: I ask the reporter to mark as McMahon  
12 Deposition Exhibit 18 for identification, various handwritten  
13 notes produced by counsel for the Channell organizations.  
14 Specifically this exhibit includes pages 20567, 20591, 27631,  
15 27632, 27633, 27634, 27635, 27636, 27704, 27705, 27671,  
16 27672, 27406 and 27406-A.

17 (McMahon Deposition Exhibit 18 identified.)

18 BY MR. FRYMAN:

19 Q Mr. McMahon, I will direct your attention to the  
20 first page of that exhibit, 20567. Is that Mr. Channell's  
21 handwriting?

22 A No. I don't think so.

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- 1 Q Whose handwriting is it?
- 2 A It looks more to me like Mr. Conrad's.
- 3 Q I direct your attention to the next page, 20591.
- 4 Whose handwriting is that?
- 5 A This also looks like Mr. Conrad's.
- 6 Q I direct your attention to 27631, whose
- 7 handwriting is that?
- 8 A I don't know. I don't know.
- 9 Q Same question with respect to page 27632?
- 10 A Again, I don't know.
- 11 Q Same question with respect to page 27633?
- 12 A I don't know.
- 13 Q Same question with respect to 27634?
- 14 A I don't know on that either.
- 15 Q Same question with respect to 27635?
- 16 A This looks similar to Mr. Conrad's.
- 17 Q I direct your attention to page 27704. Whose
- 18 handwriting is that?
- 19 A I don't know.
- 20 Q Is that Mr. Channell's handwriting?
- 21 A It doesn't look like it.
- 22 Q Is it Mr. Conrad's?

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- 1           A    I don't know. I don't know whose it is.
- 2           Q    Would you look at page 27705. Whose handwriting
- 3   is that?
- 4           A    Same person as the other page but I, again, I
- 5   don't know.
- 6           Q    Returning to page 27704, that is dated 1/8/86, is
- 7   it not?
- 8           A    Yes, sir.
- 9           Q    And there is a reference at the top to "Bunker's
- 10 237.5 on Monday"?
- 11          A    Right.
- 12          Q    Underlined, "January 20-February 5."
- 13                Do you recall any discussion of a contribution or
- 14 funds in that amount from Mr. Hunt about that time?
- 15          A    No. I think his ultimate monies came in in March.
- 16          Q    There's also a reference to "Green's 400 K on
- 17 Tuesday"?
- 18          A    I'm not familiar with that.
- 19          Q    Turning to page 27671, do you recognize that
- 20 handwriting?
- 21          A    This looks like Dan's, I think. Dan Conrad.
- 22          Q    Turning to the next page, 27672?

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1           A     I'm not sure.

2           Q     Turning to page 27406?

3           A     This looks like Dan's again.

4           Q     Do you see the reference to "Green shopping

5 list."

6           A     Yes.

7           Q     Did you ever hear any reference to a "Green

8 shopping list"?

9           A     No, sir.

10          Q     Turning to 27406-A, whose handwriting is that?

11          A     I don't know. It looks a little like Dan's but

12 I'm not sure on that.

13          Q     You see the reference at the top "60 K to Ollie

14 ASAP"?

15          A     Yes.

16          Q     Are you aware of any sort of transfer of money to

17 Oliver North?

18          A     No, sir.

19          Q     You were never aware of any transfer of money?

20          A     I didn't even learn ~~as~~ that Ollie North had any

21 involvement with us until after things came out in the

22 newspapers.

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1 Q So the answer to my question is no?

2 A No.

3 MR. FRYMAN: I ask the reporter to mark as McMahon  
4 Deposition Exhibit 19 for identification, a group of  
5 handwritten notes which appear on pages 23009 through 23018  
6 in the materials produced by counsel for the Channell  
7 organizations.

8 (McMahon Deposition Exhibit 19 identified.)

9 BY MR. FRYMAN:

10 Q Mr. McMahon, would you look at Exhibit 19 for  
11 identification and tell me whose handwriting appears on those  
12 pages?

13 A This looks like mine. This is mine.

14 Q Is it yours on every page?

15 A Yes, sir.

16 MR. FRYMAN: I'll ask the reporter to mark as  
17 McMahon Deposition Exhibit 20 for identification, a document  
18 dated October 14, 1985 which is composed of pages 20014  
19 through 20025 of the materials produced by counsel for the  
20 Channell organizations.

21 (McMahon Deposition Exhibit 20 identified.)

22

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1 BY MR. FRYMAN:

2 Q If you would look as Exhibit 20, Mr. McMahon, have  
3 you seen that document or that type of document before?

4 A No.

5 Q Were you aware that extensive outlines or "to do"  
6 lists were prepared on a periodic basis within the Channell  
7 organization?

8 A No. I had heard reference to Dan's "to do" lists  
9 but I didn't know what they were or ever see them.

10 Q When you say "Dan's 'to do' lists" what do you  
11 mean by that?

12 A Mr. Conrad, you know, if like he and I had a  
13 discussion he might say: Well, I'll put it on my "to do"  
14 list. I didn't think much of it.

15 Q But the "to do" lists were not circulated to you  
16 or the outlines?

17 A Oh, no. Oh, no.

18 Q Would you look at this exhibit and the handwriting  
19 and tell me if you can identify the handwriting on this  
20 exhibit?

21 A It appears to be Mr. Conrad's.

22 MR. FRYMAN: I ask the reporter to mark as McMahon

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1 Deposition Exhibit 21 for identification, pages 15572 through  
2 15574 produced by counsel for the Channell organizations.

3 (McMahon Deposition Exhibit 21 identified.)

4 BY MR. FRYMAN:

5 Q Would you examine Exhibit 21 for identification,  
6 Mr. McMahon, and tell me if you recognize those pages?

7 A Yes. It looks like the logbook that Angela keeps  
8 of the checks that come in.

9 Q Do you believe that those entries were made by  
10 Angela Davis?

11 A Yes. I think they are.

12 MR. FRYMAN: Mr. McMahon, I have no further  
13 questions at this time. I believe, however, that the  
14 document production by the Channell organization is not yet  
15 complete.

16 MS. LUBIN: That's correct.

17 MR. FRYMAN: I want to reserve the right to raise  
18 further questions that might relate to further documents to  
19 be produced so I have no further questions at this time. But  
20 I say that with the reservation that I may have further  
21 questions after I look at the further documents.

22 THE WITNESS: I understand.

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1 MS. LUBIN: Are we to assume that further  
2 questions relate only to further documents?

3 MR. KAPLAN: Not on my part.

4 As everyone here knows we had approximately 20-,  
5 25,000 pages worth of documents produced on Wednesday or  
6 Thursday. In fact I think we are all too familiar with  
7 that. So, to the extent that I reserve a right for further  
8 questioning at the end of my questioning today, I don't want  
9 to limit myself just to documents that haven't been produced  
10 prior to this time.

11 MS. LUBIN: How about informally, do you mostly  
12 think you have covered most of what you have?

13 MR. KAPLAN: I will attempt to do so.

14 EXAMINATION

15 BY MR. KAPLAN:

16 Q Mr. McMahon, as you know my name is Jamie Kaplan,  
17 I'm an associate counsel with the Senate Select Committee  
18 that is investigating the Iran and Contra affair. I will ask  
19 you a few questions and will try not to duplicate what  
20 Mr. Fryman has asked you already this afternoon, although I  
21 certainly may touch on some areas that Mr. Fryman has  
22 covered.

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1           If you have any questions that I ask you, that you  
2 don't understand, please feel free to stop me and ask me to  
3 be a bit more clear.

4           A     Okay.

5           (Discussion off the record.)

6           BY MR. KAPLAN:

7           Q     Mr. McMahon, I'm going to take you back to a  
8 document that has been marked as McMahon Exhibit 4; which I  
9 believe is a listing entitled "NEPL 1986 Contributors."

10          A     Okay. Got it.

11          Q     It covers the particular time that looks to run  
12 from January of '86 --

13          A     Through August.

14          Q     Through August, I guess. Although they are not  
15 all in their right order.

16          Can you tell me what the CAPP project was?

17          A     The initials there stand for ~~the~~ "Central America  
18 Freedom Program."

19          Q     Do you have any idea what that project is?

20          A     To my understanding it was humanitarian efforts  
21 for the Nicaraguan -- Contra fighters there.

22          Q     Working down a little ways on the page, can you

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1 tell me what the "food" project was?

2 A That was, from what I understand, they were  
3 raising money to try and buy and purchase food for the  
4 fighters in the gap before the money from Congress got to  
5 them to help them.

6 Q A little further down the page, what about REF  
7 Omaha TV?

8 A That was a refund from the Robert Goodman Agency  
9 for a time buy that we had placed in Omaha.

10 Q Two down there there, can you tell me what the  
11 "radio project" was?

12 A That was the project that Western Goals embarked  
13 on.

14 Q And, can you tell me moving down the page, what  
15 Nic 1 was? What was that project?

16 A I don't know any further distinction from that as  
17 opposed to CAFP. Generally speaking Nic 1 is what it was  
18 called if it was deposited in special account 1.

19 Q So your general understanding is that CAFP and Nic  
20 1 stood for the same project?

21 A Basically, yes.

22 Q Let's work to page 2 of McMahon Exhibit 1 --

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- 1 MS. LUBIN: Number 4?
- 2 MR. KAPLAN: I'm sorry. Number 4.
- 3 BY MR. KAPLAN:
- 4 Q The second from the bottom under the project
- 5 heading says "SDI." Do you know what the SDI project was?
- 6 A That stands for the "Strategic Defense
- 7 Initiative."
- 8 Q What did that project entail?
- 9 A I believe that they were hoping to raise monies to
- 10 educate the public through the media on what SDI was.
- 11 Q So I take it you had an understanding as to what
- 12 each of these projects that we just went through stood for
- 13 and what activities fell under the rubric of each project
- 14 title?
- 15 A <sup>Only</sup>~~Very~~ generally, yes.
- 16 Q Yet you testified a little earlier today that you
- 17 didn't have any understanding as to what the "Toys" project
- 18 was?
- 19 A I don't. And I don't know exactly how the food
- 20 project, either, ended up getting into the Nicaraguan
- 21 people. I just don't know.
- 22 Q I'm not talking about how the food project made

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1 its way to Nicaragua. But you just described for me a moment  
2 ago that the food project was designed to provide food for  
3 the Nicaraguan rebels; is that correct?

4 A Yes.

5 Q And you also told me, similarly, what the CAFP  
6 project was -- money for that project was to be used for?

7 A I said that was Central America Freedom Program.

8 Q Right.

9 A What that encompasses, I'm not real sure of.

10 Q But you gave us a bit of an explanation and the  
11 same for radio, the same for SDI; is that correct?

12 A Yes.

13 Q And your testimony earlier today is that you could  
14 not even come up with the same general explanation of what  
15 the "Toys" project stood for?

16 A No. And I still can't.

17 Q Okay. You testified earlier today that you didn't  
18 want to know, in December 1986, why you were instructed to  
19 change the designation of the "Toys" project; is that  
20 correct?

21 A Right.

22 Q Did you think you were doing something wrong?

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1 A It occurred to me.

2 Q Why did that occur to you?

3 A Well, I didn't see any -- I didn't know of any  
4 reason to need to change "Toys" to CAFP.

5 Q If you thought you were doing something wrong, why  
6 wouldn't you have wanted to know that you were doing  
7 something wrong?

8 A I just didn't.

9 Q If someone asked you to go steal a car on the  
10 street would you ask why?

11 MS. LUBIN: I'm going to object. I'm going to  
12 object to that, Jamie.

13 BY MR. KAPLAN:

14 Q Would you please answer the question. The  
15 objection has been noted.

16 A What was the question, again?

17 Q If someone asked you to steal an automobile, would  
18 you ask why?

19 A No, I'd probably tell them no.

20 Q If someone asked you to engage in an obstruction  
21 of justice, would you ask why?

22 A If I knew that's what was going on, probably yes.

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1 Q And if you had an intuition as to what was going  
2 on, or that something wrong -- to use your language -- was  
3 going on, would you generally ask why? Or for what purpose?

4 A I don't know. I suppose I would.

5 Q But your testimony is that in this instance you  
6 didn't?

7 A No.

8 Q And can you tell us why you didn't?

9 A I said before, I didn't want to know.

10 Q You testified a little earlier that the "Toys"  
11 designation prompted the thought of guns and ammunition; is  
12 that correct?

13 A Yes.

14 Q Why did the phrase "Toys" prompt, in your mind,  
15 the image of guns and ammunition?

16 A Because my image of Nicaragua at the time was that  
17 there was a war going on there.

18 Q How did you know that the "Toys" project related  
19 to any of the activities conducted by NEPL relating to  
20 Nicaragua?

21 A As I said before that's only my assumption, my  
22 curiosity. I don't have any basis for it, *except it was*  
*originally called Nic = 2 and ultimately called CAPP.*

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1 MS. LUBIN: That it related to Nicaragua?

2 THE WITNESS: No, that it related to guns and  
3 weapons.

4 BY MR. KAPLAN:

5 Q But why did you even assume that the "Toys"  
6 project related to Nicaragua at all?

7 A Why do you all question me as to what "Toys" is?  
8 You are under the same assumption. That's -- I mean that  
9 would seem clear to me.

10 Q We have had the benefit --

11 MS. LUBIN: They get to ask the questions.

12 THE WITNESS: I'm sorry. My curiosity --

13 BY MR. KAPLAN:

14 Q I'll answer this. My curiosity is piqued by press  
15 media reports over the course of the last four months.

16 Your curiosity arose at sometime prior to any of  
17 the media reports about the affair that we are in the process  
18 of investigating. And I'm asking you: Why did you even  
19 suspect that the "Toys" project was related to efforts on  
20 behalf of the Nicaraguan rebels?

21 A Drawing on what you have just said, when you first  
22 read about "Toys" in the newspaper, along with many other

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1 people, their assumption jumped and their imagination jumped  
2 to what Toys might be, i.e. weapons, ammunition, et cetera.  
3 My curiosity did the same thing to me back then when the Toys  
4 terminology first came about.

5 Q When someone says "toys" to me, I don't think  
6 about guns and ammunition.

7 A Do you think about spending millions on toys? I  
8 don't.

9 Q So then I take it that your testimony is that the  
10 reason why "Toys" prompted the image of guns and ammunitions  
11 purchase in your mind is because of the amount of money that  
12 was being spent on that project?

13 A As well as that there was a war going on in  
14 Nicaragua.

15 Q Okay. So it was both the amount of money that was  
16 being spent on the project, and the fact that there was a war  
17 going on in Nicaragua, that led you to imagine that the Toys  
18 project was a designation for guns and ammunition?

19 A Yes, sir.

20 Q Didn't Kris Littledale show you a magazine in  
21 which guns and ammunition were featured and tell you that the  
22 Toys project was raising funds for that purpose?

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1           A     I don't recall that.

2           Q     Did you see anything around the office that would  
3 have led you to believe that the Toys project was raising  
4 funds for guns and ammunition?

5           A     No, I didn't.

6           Q     With respect to the Shank, Irwin & Conant checks  
7 that Mr. Fryman showed you a little earlier, I believe that  
8 they have been marked McMahon Exhibits 16 and 17, was there  
9 ever a note that evidenced the so-called repayment check that  
10 constitutes Exhibit 16?

11           MS. LUBIN: A note that evidenced the repayment?

12           THE WITNESS: I don't know what you mean.

13           BY MR. KAPLAN:

14           Q     Was there ever a note that existed that required  
15 the repayment that is evidenced by Exhibit 16?

16           A     I recall something like that. I haven't looked at  
17 it in a long time but I do recall something along those  
18 lines.

19           Q     Along what lines?

20           A     That we owed this money back to them. I can't  
21 tell you for sure.

22           Q     Isn't it true that under generally accepted

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1       accounting principles, that a note would be required in order  
2       for you to reflect it as a repayment such as is reflected on  
3       McMahon Deposition Exhibit 8?

4               A       You would hope to have a note to support it, yes.  
5       But even if you didn't, you would show your liability if you  
6       knew it to exist.

7               Q       Would you show your liability under the rubric of  
8       "note" or "repayment of note"?

9               A       Yes. It would be a liability of the company which  
10       offsets its fund balance, and it wouldn't be a part of your  
11       operations as such.

12              Q       And that would be consistent with generally  
13       accepted accounting principles?

14              A       I would say so.

15              Q       Are you aware of the retention by NEPL of a  
16       company to sweep the telephones of a Barbara Newington in  
17       Greenwich, Connecticut, in an effort to check for electronic  
18       recording devices?

19              A       Yes, sir.

20              Q       What can you tell me about that retention and  
21       sweeping activity?

22              A       We got an invoice in from a company called

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1 Interpass and I asked what it was for? They, I think Cliff  
2 or Dan, told me that they went up to Barbara Newington's home  
3 and checked it for surveillance devices.

4 Q Did they tell you why they checked it for  
5 surveillance devices?

6 A No, sir.

7 Q Did you ask?

8 A No.

9 Q Did you think you were doing something wrong?

10 A No.

11 Q You described a little earlier today how deposits  
12 of NEPL income were designated and made to the various bank  
13 accounts. Were all deposits into NEPL bank accounts  
14 attributable to private contributions?

15 A To my knowledge they were. We had a couple, a  
16 handful that would have been from a corporate<sup>tion</sup> or foundation,  
17 but it was generally solicited through an individual.

18 Q Are you aware of any deposits that were not  
19 attributable to contributions?

20 A No. I'm not sure I know what you mean.

21 Q Were there any deposits made into any of those  
22 accounts that came from a source other than a contributor to

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1 NEPL?

2 A No.

3 Q Did you ever see a deposit on a monthly statement  
4 or otherwise that you didn't recognize as having been made  
5 either by you or one of your assistants?6 A No. That is what I meant by the year end to  
7 reconcile it. And all of those are on the financials.8 Q I take it you paid close attention to the monthly  
9 statements from financial institutions?

10 A Yes. I had to.

11 Q Do you pride yourself on having your books check  
12 out?

13 A Yes.

14 Q Was there ever a time when you were under the  
15 employ or retention of NEPL in which your books didn't check  
16 out?

17 A No.

18 Q Did anyone ever write checks from any NEPL  
19 financial institution, or make wire transfers, other than you  
20 or any of your assistants?21 A Yes. Dan or Cliff or Mr. ~~Conrad~~<sup>Chanell</sup> would. In the  
22 very early stages Roger may have been instructed to write

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1 something out.

2 Q Did Mr. Channell also write checks out of those  
3 accounts?

4 A Yes.

5 Q How would you account for those checks by way of  
6 check ledger? Let me back up a minute.

7 Did you compile and maintain a check ledger with  
8 respect to the various financial accounts?

9 A Yes. They would be listed in check number  
10 sequence.

11 Q Right.

12 A If I -- if one were missing, that would be an  
13 immediate flag: What is this? But I don't -- that situation  
14 hasn't occurred.

15 Q If a variety of people were writing checks out of  
16 a variety of accounts, how would you stay on top of the check  
17 ledger to make sure that each check was recorded and the  
18 purpose of each check was written down and so on?

19 A That was difficult. But each month we were to --  
20 I would do the bank reconciliations and account for all the  
21 checks that came -- you know, that came back in the bank  
22 statement. Basically do a bank reconciliation like any of us

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1 would do on our own accounts. And account for every penny  
2 that went in or out of those things.

3 Sometimes the descriptions of what went out were,  
4 you know, not very descriptive.

5 Q What would you do if you got a description that  
6 you didn't feel was adequate for your purposes?

7 A I would try to go back and ask the person who  
8 wrote the check if they remembered what it was for. If that  
9 wasn't helpful enough, I'd try to get an explanation from Dan  
10 or Spitz. Sometimes I still didn't get a real clear  
11 understanding what it was for and, like IBC, for example, I  
12 don't really know what that money went for and it got tracked  
13 as IBC.

14 That's something that at year end we have to go  
15 back and try to evaluate.

16 Q Did most checks get mailed when they were paid?

17 A Some got mailed. Some were hand-carried. Some  
18 went out Federal Express.

19 Q What checks were hand-carried that you recall?

20 A Sometimes the ones to IBC would be hand-carried.  
21 Sometimes the consulting fee to Mr. Kuykendall might get  
22 hand-carried if Spitz or Dan were going to have a meeting

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1 with him that day; they may take the check along with them.

2 Q Was there ever an urgency as to a check that was  
3 issued, either to IBC or to Intel Cooperation or IC Inc.?

4 A There always seemed to be.

5 Q There was always an urgency with respect to those  
6 checks?

7 A Yes.

8 Q How would that urgency be expressed to you?

9 A "Need a check immediately." That was like the  
10 language.

11 Q What would you do? You described a bit earlier  
12 that if you didn't have money in a given account to cover a  
13 check requested to IBC, that you then transferred money from  
14 accounts to get into the account from which you were writing  
15 the check.

16 A Right.

17 Q Is that correct?

18 A Yes.

19 Q How would you get a check immediately if you had  
20 an account that just simply wasn't going to cover that check?

21 A Well, we were on a first-name basis with the  
22 people at Palmer National. If we needed to do a wire

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1 transfer, we'd call them up and they would do one for us  
2 immediately.

3 It was between internal accounts of NEPL there at  
4 their bank, so for them I guess it was a paper entry.

5 Q So wire transfers could be handled by telephone?

6 A Yes. Yes. And ~~you~~ probably -- internal, <sup>ally</sup> between  
7 the NEPL account~~s~~, the bank doesn't even call them wire  
8 transfers because they are not to somebody on the external  
9 outside world. They were within that same organization.

10 Q Do you recall a check that was written to IG<sup>✓</sup> in  
11 May 1986 for \$1.25 million?

12 A Yes.

13 Q Can you tell me what you recall about that check?

14 A That was rather large, but then again the  
15 contributions that had come in at that time frame were also  
16 relatively large as well. That's about it.

17 Q Did anyone explain to you why the contributions  
18 that had come in around that time frame were relatively  
19 large?

20 A No.

21 Q Did anyone explain to you why a check for \$1.25  
22 million was needed?

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1 A No.

2 Q Was the need for the \$1.25 million check to IRC  
3 expressed with some urgency?

4 A I don't know. I wasn't the one who did it.

5 Q Why didn't you do that check?

6 A Because I was working at my office at home at that  
7 period in time. There was no place to work over --8 Q Did someone call you and ask you about that  
9 check? Or notify about that check?10 A Not as part of that transaction that day. I don't  
11 recall that. I learned of it, I think, after the fact --  
12 wow, that's a lot of money. (Gesturing.)13 I do -- I should back up. Because on that check I  
14 do remember that once I found out that Phil had done the  
15 check out, there wasn't adequate monies in that account he  
16 wrote it on, and it was kind of crazy getting the monies into  
17 that right account. I can remember being a little bit teed  
18 off at him for having written it. Casually saying, oh, we  
19 wrote a check for \$1.2 million.20 On what account? There's not that much money in  
21 any one of those accounts.

22 I do remember that part of it.

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1 Q What did you do to rectify that problem?

2 A We had to do the transfers to get the money in the  
3 right place to cover it.

4 Q And the transfers came from which other accounts,  
5 do you recall?

6 A Offhand, no. It would have been whatever had the  
7 money in at the time. Offhand I don't know.

8 Q Would the transfer have come from a number of  
9 other accounts?

10 A It could have. Special 1, I think, had been  
11 active around that time; the Hutton accounts had also been  
12 active.

13 Q Did you ever have any contact with a Richard  
14 Miller during your time at NEPL?

15 A No. I've seen him.

16 Q You never talked to him?

17 A Just to say hello.

18 Q What about Frank Gomez? Did you ever have any  
19 contact with Mr. Gomez?

20 A I don't know who he is.

21 Q What about David Fischer? Did you ever have any  
22 contact with David Fischer?

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- 1           A     I never met him.
- 2           Q     Were you ever aware of a telephone conversation  
3 that Mr. Channell had with President Reagan?
- 4           A     I heard that he had talked to the president on the  
5 telephone.
- 6           Q     Do you recall when that occurred?
- 7           A     No.
- 8           Q     Who told you?
- 9           A     I think it was the general buzz in the office,  
10 because it was something that doesn't happen to everybody all  
11 the time.
- 12          Q     How long was he on the phone with the president?
- 13          A     Oh, I don't know. I have no idea.
- 14          Q     Do you recall any other phone conversations that  
15 Mr. Channell might have had with the president?
- 16          A     No. I remembered that -- that one, around that  
17 time, whatever -- oh, Spitz got a call from the president.  
18 That's all I know on that.
- 19          Q     Did you ever know Fawn Hall?
- 20          A     Never met her.
- 21          Q     Was her name familiar to you?
- 22          A     No.  
MR. KAPLAN: I have no further questions. Thank

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1 you. You have been very cooperative.

2 Mr. BUCK may have a few questions. As I stated  
3 earlier, I, too, reserve the right to recall you to ask  
4 questions relating to documents, either that our weary eyes  
5 haven't quite yet been able to consume or that will be  
6 produced by your counsel in the very near future.

7 THE WITNESS: I would just like to ask or state,  
8 if you all could wait until after April 15th, I would  
9 appreciate it a great deal.

10 MR. KAPLAN: Okay, I understand. Today is the  
11 13th. I think we are all going to go home and --

12 THE WITNESS: I think I'll be up all night for the  
13 next couple of days.

14 MR. KAPLAN: I appreciate your cooperation in  
15 coming in during this period.

16 THE WITNESS: Thank you.

17 MR. KAPLAN: It was a request -- and a demand --  
18 that worked out with your counsel made on my behalf. I  
19 realize the difficult season for you as an accountant, and  
20 that's the other reason why I appreciate your showing up here  
21 tonight.

22 MR. BUCK: Could we go off the record.

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1 (Discussion off the record.)

2 MR. KAPLAN: I'm going to go back on the record.  
3 I have two further questions provided to me by Mr. Zanardi.

4 BY MR. KAPLAN:

5 Q What was the reason for sending funds directly to  
6 IC Inc., rather than sending them to IBC, if you know?

7 A I don't know.

8 Q Did you ever ask why a check went to IBC as  
9 opposed to IC, Inc., or vice versa?

10 A I might have, and I think the only answer I got  
11 was that we were instructed by IBC to make it out to the  
12 Intel Co-op.

13 Q I see. Do you ever recall making out checks,  
14 either to Palmer National Bank or to cash, in any substantial  
15 amount, say more than \$500?

16 A Yes.

17 Q Let's talk about Palmer National Bank, first.

18 Why would you have made out any checks to Palmer  
19 National Bank?

20 A Well, some get paid out to Palmer National Bank  
21 for the federal withholding deposits. They are generally  
22 substantial.

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1                   The others, we should probably have other ones in  
2 there for Palmer National, because we have a loan for our  
3 office furniture. That would probably be it--to Palmer  
4 National.

5                   There was an occasion, I think, they bought some  
6 travelers checks. Maybe they went to Palmer National. I'm  
7 not sure of that.

8           Q     Do you recall the amount of travelers checks that  
9 were purchased?

10          A     It was \$10,000, maybe \$12,000. Somewhere in that  
11 ballpark.

12          Q     What was the purpose of those travelers check?

13          A     They, ~~were~~ Spitz and Dan and all the fundraisers  
14 were traveling to Europe, I believe Germany, in the initial  
15 efforts of the Torch project that they are working on now.

16          Q     When would that traveler check purchase have been  
17 made? Was it in November of '86?

18          A     I would say late October, early November.  
19 Probably sometime before Thanksgiving, early November.  
20 Somewhere around there.

21          Q     Were checks ever made out to Palmer National Bank  
22 in order to derive cash from the check?

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1           A    No.  If they wanted cash it was generally made out  
2 to cash.

3           Q    Do you recall making out any checks to cash in  
4 amounts of more than \$500?

5           A    Yes.  When they would do traveling, travel  
6 advances would get made out for cash and sometimes they could  
7 be more than that.  If a group of them was going, generally  
8 Dan would get the cash and he would distribute it to the  
9 various people as necessary on the trip.

10                    Like, okay, here's your \$25 for dinner tonight.  
11 That's how they handled it.  Not the best approach, but  
12 that's how they did it.

13           Q    What was the largest cash check you recall making  
14 out?

15           A    I was going to say \$10,000 maybe.  I don't think  
16 it was over that.

17           Q    Was that check in connection with travel?

18           A    With travel, yes.

19                    MR. KAPLAN:  Now I really don't have any more  
20 questions for the time being.  And I'll turn the floor over  
21 to Mr. Buck.

22

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1 EXAMINATION

2 BY MR. BUCK:

3 Q Mr. McMahon, my name is Ken Buck, I'm assistant  
4 minority counsel with the House Committee. First let me  
5 thank you for showing up today and spending your time with  
6 us.

7 I want to go back to a part of the early - early  
8 part of the deposition in which you said that you were told  
9 to change the name of the "Toys" account because it didn't  
10 clearly reflect the project? Is that a fair summary of what  
11 you said?

12 A Yes.

13 Q And the name was changed to "TV ads"?

14 A CAFP TV, or "TV ads." Becky and I were both  
15 working on the file. It's a huge file. Both of us were  
16 working on putting those changes in.

17 Q My question is, does "TV ads" or "CAFP TV ads"  
18 more clearly reflect what that project was?

19 A I don't -- I can't answer that. The detail  
20 wouldn't necessarily tell me that.

21 TV in there right now helps me to identify what  
22 used to be "Toys." But I don't know if that's a good

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1 terminology for what that was. Probably should just say  
2 CAPP, I guess.

3 Q What I don't understand is whether the project  
4 itself changed along with the name, or whether there was just  
5 a name change and the basic project continued as it was  
6 before?

7 A I would say it was just a name change.

8 Q So Toys led you to think of guns and ammunition  
9 before; but TV doesn't lead you to think of guns and  
10 ammunition any more?

11 A Right.

12 Q But the project remained the same?

13 A Yes. Whatever the money was raised and spent on  
14 remained the same.

15 Q Who determines project names?

16 A I don't really know. I think Spitz.

17 Q Has Spitz told you any project names directly?

18 A Well, the discussion that went on when Toys came  
19 up -- but I don't know that it was him that said that. I  
20 think Kris did.

21 Q Any other projects?

22 A Food, SDI I think was his terminology.

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- 1 Q Spitz told you directly that this project should  
2 be called SDI?
- 3 A Yes. And we set up another bank account for SDI.
- 4 Q Mr. McMahon, are you familiar with 501(c)(3)  
5 corporations?
- 6 A Yes.
- 7 Q How many 501(c)(3) corporations are set up with  
8 the Channell organizations?
- 9 A Two, three.
- 10 Q Could you name them, please?
- 11 A National Endowment --
- 12 Q That would be NEPL?
- 13 A NEPL, Western Goals Foundation, and the American  
14 Conservative Foundation.
- 15 Q Okay. Would you describe -- has money that has  
16 gone into the NEPL foundation ever been used to sponsor  
17 television advertising?
- 18 A Yes.
- 19 Q Has it ever been used to sponsor partisan  
20 television advertising? That is, television advertising  
21 involved in an election campaign?
- 22 A I don't think I have an answer for that for you

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1 because I'm -- I don't -- I don't know the true nature of all  
2 of those ads.

3 Q Okay. It has been used to pay the Robert Goodman  
4 Advertising Agency?

5 A Yes, sir. And to my knowledge, Mr. Channell made  
6 a great deal of effort to have attorneys help him in deciding  
7 what kind and nature of these ads were and which organization  
8 should sponsor them and pay for them. And made every effort  
9 to see to it that that <sup>appropriate</sup> company did pay for them.

10 Q Were all the Robert Goodman Advertising Agency ads  
11 paid for by 501(c)(3) corporation?

12 A No.

13 Q Some were paid for by another corporation?

14 A Yes.

15 Q Could you tell me what other corporation?

16 A Some of them were paid for by Sentinel, which is a  
17 501(c)(4). Some of them were paid for by a political action  
18 committee.

19 Q Would you help me now, which ones were paid for by  
20 a political action committee and which ones were paid for, if  
21 you know, by a 501(c)(3). Or do you know why they were paid  
22 for separately?

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1           A     They were, to my knowledge, they were paid for  
2     separately because the nature of the ad belonged with that  
3     type of organization. I.e., like a nonprofit can't run ads  
4     that would be political. So that's, to my knowledge, that's  
5     how they are broken down.

6           Q     So you ran nonpolitical television advertising  
7     also?

8           A     Yes.

9           Q     And you ran political television advertising?

10          A     Yes.

11                 MR. BUCK: I'm going to ask the court reporter to  
12     mark this as McMahon Deposition Exhibit 22.

13                         (McMahon Deposition Exhibit 22 identified.)

14                 THE WITNESS: Roy, that one has gotten around.

15                 BY MR. BUCK:

16           Q     Mr. McMahon, I'm going to ask you to look at  
17     McMahon Deposition Exhibit 22. Can you identify what it is?

18           A     Yes. It's a list of top 25 contributors for the  
19     National Endowment. It is dated April 3, '86.

20           Q     Did you prepare this?

21           A     Yes.

22           Q     One more question. Do you know of any instances

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*There were also transferred to pay for administrative expenses  
like rent - where the lease might be in the name of one  
company but the ~~other companies would~~ understanding was  
the other companies would share in those expenses.*

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1 in which 501(c)(3) corporation, the three corporations that  
2 you mentioned, made campaign contributions or paid for  
3 political -- what we distinguished as political television  
4 advertising?

5 A Not to my knowledge.

6 MR. BUCK: Thank you very much, Mr. McMahon.

7 (Discussion off the record.)

8 BY MR. BUCK:

9 Q Mr. McMahon, I'm the cleanup hitter here.

10 You mentioned that there were transfers between  
11 NEPL accounts.

12 A Yes, sir.

13 Q Were there transfers between different NEPL  
14 organizations -- different Channell organizations, such as  
15 NEPL and Sentinel?

16 A Yes. From time to time we had transfers between  
17 NEPL and Western Goals, which was another nonprofit. There  
18 was a transfer from NEPL into Sentinel, when Mrs. Newington  
19 gave stock to NEPL and she intended it to be for Sentinel, so  
20 we had to put that money over there. *to a*

21 I think I transferred money from NEPL to a PAC  
22 early in '85, to pay some -- there was a very small payroll

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1 tax, \$700 or something -- I didn't know that NEPL couldn't do  
2 that, and I did it. <sup>now know I</sup> I shouldn't have but I did it anyway.

3 But other than that, no. We didn't generally just  
4 transfer money back and forth across the board. There was  
5 generally a specific reason why.

6 Q So it's fair to say that you were careful in not  
7 transferring money from a nonprofit organization to a  
8 political action committee --

9 A Yes. Yes.

10 Q -- or a "for ~~property~~" organization? <sup>(so profit)</sup>

11 A Yes. ~~profit~~

12 Q And who gave you the instructions that made you  
13 careful in that regard? Or did anybody give you those  
14 instructions?

15 A Spitz was adamant about that.

16 Q Directly to you?

17 A Yes. Yes. And there were times, in fact, if we  
18 wrote checks out on the wrong company, he would void them and  
19 send them back and say, no. This is a NEPL bill. Or this is  
20 a Sentinel bill.

21 He was very careful in looking at that.

22 MR. BUCK: I don't think I have any more

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1 questions, Mr. McMahon. Thank you very much for your time.

2 MR. FRYMAN: I have no further questions at this  
3 time. We'll adjourn the deposition. In case there's any  
4 ambiguity in my earlier statement, I am reserving the right  
5 to question further on the same basis as Mr. Kaplan.

6 MS. LUBIN: I'll reserve any questions on my  
7 behalf.

8 (Whereupon, at 5:50 p.m., the deposition was  
9 adjourned.)

10

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I, JOEL BREITNER, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.



Notary Public in and for the  
District of Columbia

My Commission Expires 8/14/90

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DEPOSITION OF FRANK MC NEIL

5

6

Wednesday, June 24, 1987

7

8

U.S. House of Representatives,

9

Select Committee to Investigate Covert

10

Arms Transactions with Iran,

11

Washington, D.C.

12

13

The committee met, pursuant to call, at 10:10 a.m.,

14

in Room H-128, the Capitol, Timothy E. Traylor (Investigator,

15

House Select Committee) presiding.

16

Present:

17

On behalf of the House Select Committee: Timothy E.

18

Traylor, Investigator.

19

On behalf of the Senate Select Committee: Terry

20

Smiljanich, Associate Counsel.

21

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under provisions of E.O. 12356  
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1 Whereupon,

2 FRANK MC NEIL,

3 was called as a witness by the House Select Committee and,  
4 having been duly sworn, was examined and testified as  
5 follows:

6 EXAMINATION BY COUNSEL FOR THE HOUSE SELECT  
7 COMMITTEE

8 BY MR. TRAYLOR:

9 Q Mr. McNeil, my name is Tim Traylor. I am with the  
10 House Select Committee, and at my side is Terry Smiljanich.  
11 As you know, he is with the Senate Committee.

12 Could you state your name for the record, please?

13 A Francis Mc Neil.

14 Q And your current employment?

15 A I am retired.

16 Q The mandate of both the House and the Senate Com-  
17 mittees, which have just recently concluded the first phase  
18 of the joint hearings to investigate the circumstances  
19 surrounding primarily the Iran affair, but also the United  
20 States Government involvement with the contras, this investi-  
21 gation is being conducted pursuant to resolutions and various  
22 enacting rules under which both committees were established,  
23 and if you want copies of either for any reason, we will  
24 certainly be glad to provide them to you.

25 Just let me ask you at the outset to tell us a

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3

1 little bit about your background if you could.

2 A All right. Beginning with the Foreign Service,  
3 military?

4 Q If you could start with providing your schooling.

5 A I graduated from the University of Florida in 1954  
6 in Gainesville, Florida in political sciences; I went into  
7 the Army for two years, and when I came out of the Army, I  
8 had already passed the Foreign Service exam, and I started  
9 within a month into the Foreign Service in September, 1956.

10 I was sent to FSI to study Spanish and then sent  
11 to Tokyo.

12 Q Sounds like something the Bureau would do.

13 A Where I spent three years as a consular officer,  
14 returned to Washington in 1961 and in 1959, late 1959,  
15 served for two years as the junior adviser on our delegation  
16 to the Organization of American States.

17 Then I went to Guatemala as a political officer in  
18 the embassy in Guatemala for three years, returned to Japan  
19 in 1964 to study Japanese for two years at the Foreign  
20 Service Institute's Yokohama Japanese Language and Area  
21 Studies Center.

22 I then served in the embassy for a year as  
23 political officer and then went to Nagoya as principal  
24 officer in the American Consulate in Nagoya. I returned  
25 to the embassy in '67 to serve three years as Chief of the

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1 Internal Branch of the Political Section of the American  
2 Embassy in Tokyo.

3 I then went to Stanford for a year on a sabbatical  
4 at the Institute of Political Studies at the Hoover  
5 Institution.

6 From thence we went to Washington where I served as  
7 Alternate Representative and then as Acting Deputy  
8 Representative of the United States before the Organization  
9 of American States. I left that post in 1975 to go to  
10 Madrid as Political Consular of the American Embassy in  
11 Spain.

12 I returned to Washington in 1977 as Deputy  
13 Assistant Secretary for Inter-American Affairs covering  
14 South America. I served in that position for a year, and  
15 then in late 1978 became an inspector, senior inspector  
16 running inspections of missions abroad, which I did for about  
17 a year-and-a-half except that it was interrupted by several  
18 months' service as Deputy Assistant Secretary for East  
19 Asian Affairs under Richard Holbrook, what we called the  
20 rent-a-deputy program. He borrowed me on an airplane because  
21 he had run out of deputies.

22 From then -- after one more inspection in the Far  
23 East I went, I was nominated by President Carter to be  
24 Ambassador to Costa Rica. I received confirmation from the  
25 Senate in late June, as I recall, of 1980 and arrived in

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~~TOP SECRET~~  
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1 Costa Rica in 1980, in July, I think it was July 5, 1980.  
2 I left Costa Rica after three years as Ambassador on July 3,  
3 1983.

4 I then went to -- after doing some public diplomacy  
5 appearances trying to explain Central America and Peru to  
6 Europeans, six countries in Europe, I began a year -- nine  
7 months really -- as Ambassador in residence teaching and  
8 writing, teaching a little bit, writing at the Fletcher  
9 School of Law and Diplomacy in Boston, and that service,  
10 that sabbatical was interrupted by service as the President's  
11 Special Emissary to the leaders of the Caribbean States in  
12 the Grenada mission. I went down to Grenada and -- I went  
13 down to Barbados on a very urgent call from Washington.  
14 I was asked to come down and bring my tropicals, and I  
15 brought my tropicals, and I was told that I should go down  
16 and talk to the leaders of the Caribbean States on behalf of  
17 the President to assess their request for American inter-  
18 vention and to assess the security situation of the students.

19 I took General George Crist of the American  
20 Corps with me on a special mission airplane. After lengthy  
21 discussion with the leaders of the Caribbean States, who  
22 had made the request, and assessed considerable time spent  
23 assessing the situation of the students on the Island, I  
24 recommended we send in the troops.

25 Subsequently, I was asked by Lawrence Eagleburger

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1 if I would become Senior Deputy Assistant Secretary in the  
2 Bureau of Intelligence and Research, and I accepted that post  
3 and began work in June of 1984, and which job I held until  
4 February 3, 1987, when I retired on a point of principle.

5 Q I must say a very impressive Foreign Service  
6 career.

7 A Well, it was fun anyway. All but some of the most  
8 recent parts.

9 Q I would like to start the interview today by asking  
10 you some questions about your knowledge of the Iran arms  
11 initiative. The first area that I want to discuss is your,  
12 what indication, if any, that you had that certain segments  
13 of the administration wanted to develop a new policy toward  
14 Iran.

15 A Well, at the time certain segments seemed to be,  
16 Graham Fuller and the Director of Central Intelligence,  
17 because the memo -- I have a terrible memory for dates and  
18 do not have documents.

19 Q May, 1985, I think.

20 A That is right.

21 When that memo was given to us, we thought it was  
22 kind of crazy. That is the Bureau of Intelligence and  
23 Research, that it postulated a larger Soviet threat than  
24 existed and that the notion that there was anything we  
25 could reach out to in Khomeini-era Iran was not -- didn't

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1 seem tenable.

2 I guess we didn't have the wit to say it, but Art  
3 Buckwald's phrase applies, we thought in retrospect that  
4 an Iranian moderate was an Iranian who had run out of  
5 ammunition.

6 No one argued the importance of Iran, but it just  
7 seemed to us, and it seemed, as I understood it, to most  
8 people in the Central Intelligence Agency, and certainly  
9 to the Bureau of Near Eastern and South Asian Affairs in  
10 the Department of State that you couldn't talk about doing  
11 anything in Iran as long as Khomeini was so firmly in  
12 saddle, nor did we believe the rumors of Khomeini's impending  
13 death nor that the, that Iran was about to fall apart.

14 Q I see.

15 A I would say that that was a fairly consensual  
16 view within the Intelligence Committee except, of course,  
17 that the DCI I think shared Mr. Fuller's views, and obviously  
18 that document we now know or now surmise played a role in the  
19 development of this so-called initiative.

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1 Q You stated, and I wanted to ask you about this,  
2 about the DCI -- he shared Fuller's views. Why do you think  
3 he agreed with the memo?

4 A Because of two things:

5 One, because, as I understood, he subsequently  
6 understood, he pushed it forward to the President in some  
7 fashion.

8 And secondly, because at the same time we were  
9 hearing stories -- this sort of, it is not on the street, it  
10 is in the corridors, as it were, that the Central  
11 Intelligence Agency was very concerned, understandably  
12 concerned, by the former station chief, the late William  
13 Buckley's situation, and were looking for some way to get a  
14 handle on the Iranians in order to get them to exercise their  
15 influence over the Hizballah, <sup>who</sup> were presumably holding  
16 Buckley, by the intelligence we had at the time.

17 Q You say this was corridor gossip. Is there anyone  
18 that you could take this back to at the agency -- the rumor?

19 A I mean, the concern in the agency was very real.  
20 It was expressed to me, when Hugh Montgomery -- it was Mort  
21 Bramowitz, who was Assistant Director, and now Assistant  
22 Secretary of the Bureau of Intelligence and Research,  
23 attended the weekly lunches when they were not in town, or  
24 otherwise unavailable, so I knew of Mr. Casey's concern about  
25 Mr. Buckley.

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1 I know Clair George was concerned. In fact we  
2 were all concerned. We had a American official in the hands  
3 of these people who seem to have later killed him.

4 I recall talking about it to Bob Oakley on one  
5 occasion, but I don't recall that -- we were expressing some  
6 concern to each other about the fact that perhaps the agency  
7 might be willing to break the no-deal policy on hostages for  
8 Mr. Buckley. Please note that I did not say the no-  
9 negotiations policy, because that I think is a popular  
10 misunderstanding. We obviously tried to negotiate with people  
11 who are in cockpits to get them to release people, but what  
12 you don't do is you don't make concessions, you don't pay  
13 ransom for hostages.

14 Q Aside from yourself and I&R, who else at the State  
15 Department, as you know it, was involved in the review of  
16 this memo?

17 A Well, the Secretary saw it and I think -- this is  
18 recollection, it may fail me -- I think we probably did an  
19 exegesis on the memo for the Secretary, saying we didn't  
20 agree with it. We thought it was overstated for all the  
21 reasons I have expressed to you. And I know those views  
22 were shared by the people in the Bureau of Near Eastern  
23 and South Asian Affairs, who saw it, which would not have  
24 been a large number.

25 It was a fairly restricted memo but our senior

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1 experts, for example, looked at it and I am sure, you know,  
2 the appropriate senior officers of the Bureau of Near Eastern  
3 and South Asian Affairs would have also done what we call the  
4 NEA, if I may use the acronym.

5 Q Can you briefly explain to me why the memo like  
6 the Fuller memo would be sent to the State Department?

7 A Well, we are part of the intelligence community  
8 and it was purported to be an intelligence analysis.

9 We also, frankly, took exception to it, because it was  
10 a policy paper in our view. It was an -- intelligence  
11 community doctrine requires that intelligence agencies not  
12 make policy recommendations. Now, clearly, if you analyze  
13 rainfall in the Gobi Desert, that is of no use to policy-  
14 makers. So if what you do is of any good to them, it will  
15 be policy relevant and conclusions may be drawn from that  
16 memo that may lead people to change their minds about policy.  
17 It is a fine line to walk, but it seemed to us that Graham  
18 had gone way over the line in sort of frankly, urging a  
19 policy change, and of course, it seemed to us as well that  
20 his analysis was exaggerated.

21 Q Now, were you also familiar with the June 1985  
22 NSDD that I believe came out of the NSC?

23 A I am not sure that I was. I may have been, but I  
24 don't recall this removed. I really don't. Which one was  
25 that? Was that the one drafted by State or --

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1 Q I think it was drafted by NSC and that --

2 A Because there were two. I know that now from  
3 looking at the Tower Commission Report.

4 Q The State Department and the Secretary opposed  
5 it.

6 A I probably heard something about it, but I may not  
7 have seen it. Mort Abramowitz may have seen it. In the  
8 course of these kinds of sensitive discussions on various  
9 parts of the world, if you didn't see something in my  
10 position, I normally heard about it on NSDDs. It was the  
11 practice of the Near Eastern Bureau, I think generally, to at  
12 least bring in our intelligence, senior intelligence people  
13 like George Harris, our Director of Near Eastern Analysis  
14 and ask him sort of informally what he thought about the  
15 analytic lines in it.

16 But I honestly don't remember whether I saw that  
17 particular piece of paper or not.

18 Q Were you familiar --

19 A I remember that --

20 Q Were you --

21 A The Fuller memo produced considerable argument  
22 and there was an effort to make sure that -- there was an  
23 effort in State to make sure that this, what we thought  
24 was erroneous analysis, did not become policy.

25 Q Mr. McNeil, were you aware of any arms transfers,  
that is, of course contemporaneous knowledge at the time?

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1 A In 1985, yes.

2 Q And can you describe that in detail as to how you  
3 obtained that knowledge and exactly what you knew?

4 A Well, to the best of my ability, because there is  
5 still some confusion, I have talked to one of my colleagues  
6 the other day, we still have some discrepancy on whether it  
7 was the September or the November shipment or both, that we  
8 knew about.

9 My recollection is that I learned about the  
10 September shipment, and I think I probably learned about it  
11 from Bob Oakley, and Mort Abramowitz may have been out of  
12 the country. The story I was told at the time was the one  
13 that is in the Tower Commission Report according to North,  
14 which is that he bumped into a plane [REDACTED] In hindsight  
15 that may have been a cover story. Bumped into an Israeli  
16 plane.

17 But there was discussion in that fall period of  
18 '85 about this on a very restricted basis. I did not  
19 personally participate in any discussions of it with the  
20 Secretary, but I did, as I recall, discuss the horrifying  
21 potential of it not only with Oakley but with Mike Armacost,  
22 and, of course, Mort Abramowitz, who became aware at the  
23 same time I did or shortly thereafter, or shortly beforehand,  
24 as I say.

25 And I actually -- it is an aside -- but I think

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1 that there were probably not a large number of people, but  
 2 maybe as many as ten or fifteen people in the Department of  
 3 State, who must have known about this flight, because some  
 4 of our analysts stumbled on I believe the November flight --  
 5 two of our analysts -- [REDACTED]

6 [REDACTED]

7 Q Who were they, the analysts? Do you recall their  
 8 names?

9 A Probably Wayne White, and maybe Steve Grumman, who  
 10 no longer works for us, but works for the NSCT, the old  
 11 Oakley and now Bremmer office.

12 You know, we got [REDACTED]  
 13 [REDACTED] and we st<sup>ar</sup>ted peaking around and suddenly  
 14 a veil was dropped over the intelligence [REDACTED] told us to  
 15 not -- that they were not going to give us any more on this.

16 Q When did that occur?

17 A I think in the fall of 1985. Another deputy  
 18 assistant secretary in the department, Richard, Dick Clark,  
 19 probably has a better memory of the timing and certainly  
 20 Wayne White, who was the analyst who first looked at this,  
 21 would have a better memory of the precise timing, [REDACTED]

22 [REDACTED]  
 23 [REDACTED]

24 Q We have [REDACTED]

25 A But I just don't remember the time of it. It  
 smelled.

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1 Q When this occurred, I mean, this was unusual [REDACTED]  
2 [REDACTED] literally cut you out of --  
3 A [REDACTED] I better be careful. It could have been  
4 the CIA cut us out of further information [REDACTED]

5 [REDACTED]  
6 [REDACTED]  
7 MR. SMILJANICH: That is true. That is all right.  
8 THE WITNESS: I think [REDACTED] but Dick Clark  
9 has a better memory and White will have the best memory on  
10 this. I just remember the incident.

11 BY MR. TRAYLOR:

12 Q What I am driving at is what did you do when  
13 suddenly you were cut out of this intelligence?  
14 [REDACTED]  
15 [REDACTED]

16 Q Is that the first time anything like this had  
17 happened?

18 A Well, you never know what you don't know.

19 Q Well, let me ask you this way --

20 A In retrospect, given the behavior in this whole  
21 affair, it is not clear to me that some other things were not  
22 withheld from us on other occasions.

23 Q Who cut you out, as you understand?

24 A Was it the White House? No, I don't know.

25 Q Who instructed? [REDACTED]

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1 [REDACTED]  
2 There is another part of this story where I did  
3 but not on this aspect.

4 At that time, and I think it is well to sort of  
5 understand that clearly the Secretary knew about this and I  
6 was aware that he was opposed to it, although I did not speak  
7 to him directly. There may have been a meeting in which  
8 asides were passed from those of us who knew what we were  
9 talking about, about concerning North's adherence to terrorism  
10 policy or something like that.

11 I think there was at one of the weekly -- the  
12 almost daily security meetings that the Secretary chaired  
13 dealing with embassy security and terrorism in general, I think  
14 there may have seen some asides at that. Most of the people  
15 in the room were not privy to the existence of this flight,  
16 which I think was the September flight. It is the one I think  
17 I remember.

18 But we were told -- Oakley told me, and I think,  
19 and Mort had heard also, from Armacost, I presume, that it  
20 had been turned off, this, you know, in the late fall, that  
21 the President had decided that -- I say late fall. If one  
22 looks at the Tower Commission Report, it would look like an  
23 early December time frame when this, what people thought was  
24 a tentative decision to turn it off took place as McFarlane  
25 was leaving.

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1                   But that was the extent of the knowledge that we  
2 had, that we had protested, that the President decided not to  
3 do this sort of thing again, and that was where that knowledge  
4 of a flight stops as far as I am concerned.

5                   Q       Let me back up. I believe you said you learned  
6 it from Oakley or possibly Abramowitz?

7                   A       I think I learned it from Bob first.

8                   Q       Is the flight what he told you about?

9                   A       Yes. The [REDACTED] story.

10                  Q       What did he tell you exactly?

11                  A       That Ollie had apparently okayed -- this is all  
12 vague.

13                  Q       Sure, I understand.

14                  A       And I assume you will check these things with  
15 Oakley in whom I have considerable -- for whom I have respect  
16 and his memory. He certainly knows more about this than I,  
17 and I trust his memory is better than mine on this. But my  
18 recollection is that Bob and perhaps Arnie Raphael, at the  
19 same time in the same conversation, but Bob certainly said  
20 that Ollie had -- he had learned that Ollie had okayed an  
21 Israeli flight and the implications, of course, were the  
22 United States okaying arms for hostages, and everybody started  
23 moving, and the Secretary obviously was opposed to it from the  
24 instant he found out about it.

25                  Q       Once he told you this, what did you do with that

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1           A       Well, I may have spoken to Abramowitz about it --  
2 I certainly did speak to Abramowitz about it, but whether  
3 Abramowitz knew first or I knew -- in a sense the Secretary  
4 was ceased with the issue. The Department mustered its  
5 forces at the Secretary's level to try to stop this thing.  
6 We thought it was stopped, and that was the last word that I  
7 had.

8                       I have to add that I smelled rats later.

9           Q       Did you talk to anyone at the NSC?

10          A       No, I had very little -- the only person -- I  
11 occasionally went to NSC meetings, but normally Mort did if  
12 someone from I&R were to be present. There was really the CPPGs  
13 which Armacost would go to. That Iran caper was never under  
14 discussion at the few meetings I went to over there. I  
15 occasionally had contact with Ollie North -- very occasionally  
16 by choice.

17          Q       For what purpose would you be in contact with  
18 North?

19          A       Well, my first contact came with North, the first  
20 time I met him, was at the time of the Grenada intervention  
21 and he was present at the meeting where I was briefed and  
22 went over my instructions for that. That is where I met him.  
23 I don't recall him saying anything at that meeting.

24                    I guess the second time was in late 1984 when I  
25 went over to a meeting on what could we declassify about --

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1 I went over with Otto <sup>Reich</sup>~~Bright~~ to a meeting at the NSC -- what  
2 could we declassify about Nicaraguan assistance to the  
3 Salvadoran insurgents? This was before the congressional --  
4 before the Presidential elections and Ollie started off by  
5 saying, I think, I suppose we all realize our purpose for being  
6 there is to get the President reelected.

7 And I guess I probably demurred mildly, sort of  
8 suggested we were there to help the President's policy and do  
9 what we could to get this information properly declassified,  
10 because I remember he asked me afterwards, who are you?  
11 Took my name, rank and serial number.

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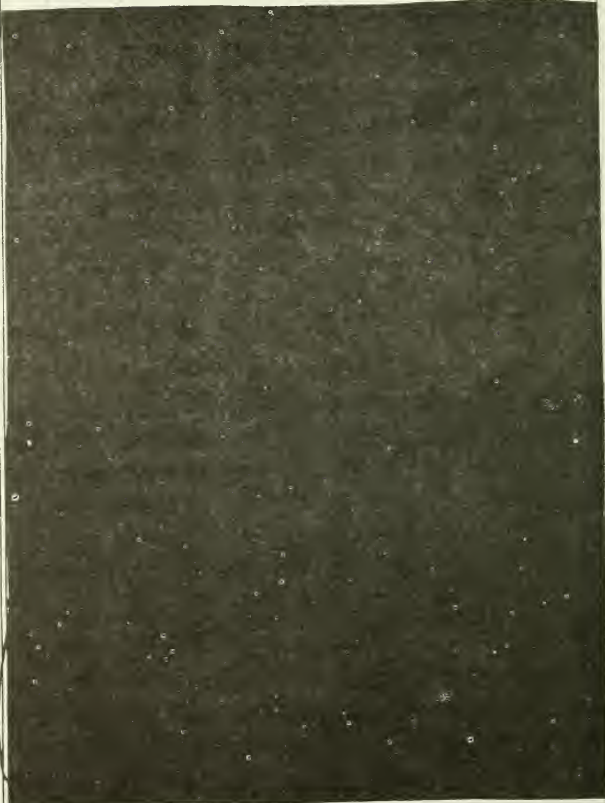
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Q     Aside from your knowledge of the one arms transaction, which you have described to us, do you have any

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1 knowledge first or second hand, of any of the other arms  
2 transactions?

3 A No. Not until the stuff came out, you know.

4 I wondered when Father Jenko came out what was  
5 going on, but since we had been obviously cut out of everything  
6 which I could get to in a moment, we didn't know what we  
7 didn't know, and so I must question how did he get out, you  
8 know, that arose in my mind.

9 Q Was there any corridor gossip? We have talked,  
10 Terry and I have talked to several people at the State  
11 Department and we know that there was some rumors that Ollie  
12 is up to something. They would hear something and they would  
13 hear it would be off, on, and off again.

14 A You see generally the thing was that we didn't  
15 get any hostages out to speak of. Consequently, you know,  
16 what we looked at now as we come to see it on the record, is  
17 an exercise in enormous futility. A couple of hostages out  
18 and a couple of hostages taken.

19 If you are using your analytic mind on this, it  
20 doesn't look like anything is going on. Maybe for some reason  
21 or other they decided to get rid of a priest because there is  
22 so much international interest in a man of the cloth.

23 At the time Jacobsen went out, which is just  
24 before the Shar'a article, there was a lot of -- at that time  
25 there was corridor speculation, and I remember I was in

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1 charge of the Bureau and when Abramowitz came back, I said  
 2 I think something is going on on the hostages. I am not sure  
 3 what it is and I have chosen not to inquire because we just  
 4 don't know what is going on. But there is something going on  
 5 and you ought to know that.

6 That is the only time I really had a suspicion,  
 7 not really personally, at the Jenco time, because it seemed  
 8 tied to his status as a religious figure.

9 Off the record for a second.

10 (Discussion off the record)

11 MR. TRAYLOR: Back on the record. Why don't  
 12 you go ahead?

13 THE WITNESS: After the story broke, of course,  
 14 we found out that we had been cut off from [REDACTED]  
 15 [REDACTED] all that stuff  
 16 that was going on.

17 I should add parenthetically, if you have a  
 18 situation in which most of the Executive Branch charged with  
 19 dealing with sensitive actions, the Congress and the American  
 20 people are all frozen out of it, but you know that every  
 21 [REDACTED] knew  
 22 exactly what was going on, and you know that every sleazy  
 23 arms dealer in Western Europe knew that somebody was trying  
 24 to make a killing on the Iranians with the U.S.'s blessing,  
 25 you know, it is a very sad commentary.

You know the reason they cut everybody off was

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1 they knew people would object to it. That is essentially --  
2 and that if enough people were witnessing the noise would  
3 become too loud for this stupid initiative to bear. That is  
4 essentially I think why.

5 But we found that out, and I then called [REDACTED]

6 [REDACTED]  
7 [REDACTED] and I said, look, I want  
8 to get this stuff. The Secretary needs it. There is no  
9 reason now, it is on the street. We want to see all the  
10 stuff you have and we would like to get a package of it right  
11 away.

12 He said, you know, Frank, I understand what you  
13 are telling me, and I think you are right, but I can't do it  
14 without checking with Poindexter, who was still NSC Advisor  
15 at that time.

16 I said, all right, I understand that.

17 He called me back, say, 24 hours later [REDACTED]  
18 [REDACTED] to say he had spoken with Poindexter, who said  
19 I am still in charge and they can't have it.

20 Poindexter then left office about two days later  
21 and we then made arrangements in fact, not to take the stuff  
22 into the building, but in fact to have our Director of the  
23 Office of Terrorism, Jerry Sutton, go over and take extensive  
24 notes on it and bring back a precis for the use of the  
25 Secretary and Armacost and Whitehead, and that is what we did.

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1                   Jerry spent I think two days over there being  
2 briefed, or you know, a full day or two half days, getting  
3 briefed, and we did an extensive memo summarizing the  
4 principal points.

5                   The thing that stood out obviously from this was  
6 that it seemed to be an arms for hostage deal. Occasionally,  
7 the Americans would raise something about wider relationships,  
8 and Iranians would keep talking -- Ghorbanifar or whoever  
9 it was -- would keep talking about arms and hostages.

10                   BY MR. TRAYLOR:

11                   Q     You know, I am intrigued about that. You say the  
12 Secretary of State knew that the State Department had been  
13 cut off?

14                   A     We all knew at that time, because it was now on --

15                   Q     I am going back to the period of time when you  
16 were actually cut out.

17                   A     Did he? I don't know.

18                   Q     You are not aware of the Secretary of State being  
19 knowledgeable of --

20                   A     No, because none of this information was  
21 distributed to the department. Except for the PDB, the only  
22 vehicle for the distribution of sensitive intelligence, highly  
23 sensitive intelligence in the Department of State, that is,  
24 we handle and manage the distribution of highly sensitive  
25 intelligence [REDACTED]

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1 [REDACTED]  
2 Q Maybe I missed it. Let me cover it again. When  
3 you learned that you had been cut out [REDACTED]  
4 what did you do with that information -- the fact that the  
5 State Department wasn't being given this information?

6 A Oh, we told, you know, we told the department  
7 principals, but this was after the thing had blown now.

8 Q The revelations?

9 A I don't remember how we knew, we may have --

10 Q After the November revelations?

11 A That is right. We may have surmised and I may hav  
12 in fact queried [REDACTED]

13 [REDACTED]  
14 [REDACTED]  
15 I personally may have initiated a query on this.

16 Q You didn't know contemporaneously that you were  
17 not being given [REDACTED]

18 A No.

19 Q I am sorry. I misunderstood.

20 A If I said that, I would have to go over it, but  
21 no, I did not. Only [REDACTED] and the arms dealers knew  
22 at the time.

23 MR. TRAYLOR: Terry?

24 BY MR. SMILJANICH:

25 Q Let me jump in and cover some matters concerning

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1 the Central American part of this whole story.

2 THE WITNESS: Is it possible for me to get a drink  
3 of water?

4 MR. TRAYLOR: Sure.

5 Off the record.

6 end mh1 (Discussion off the record.)  
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mas 1 THE WITNESS: Could I return to the question of  
2 Jacobsen for a second.

3 MR. TRAYLOR: Yes, let's go on the record then.

4 THE WITNESS: As I said, you know, there was  
5 skuttlebut it seems to me at that time that there was  
6 not only Jacobsen but something was going on in the  
7 hostages in general and that is what I now think inspired  
8 me to sort of say they must -- are they resurrecting this  
9 sort of arms deal because that was the one time I was  
10 really suspicious. It wasn't just one hostage, it sounded  
11 like there were more coming out.

12 MR. TRAYLOR: Did you talk to anybody about it.  
13 Did you tell anybody about it?

14 THE WITNESS: As I said, I don't remember where  
15 I heard it. One talks with people in SCT and NEA which  
16 is where I would have heard it and I told Mort as soon as  
17 he got back and I said I have not inquired but there is  
18 something going on in the hostages and I don't know what it  
19 is, but it raises questions.

20 And he said, Mort said that may be right and  
21 he was going to go check into it but I think the whole  
22 thing just blew then. It seems to me within -- the  
23 Shaar'a article was within a day of Mort's getting back  
24 if I recollect these things correctly.

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The other thing I was going to say is that in returning to the thing where, a handful of people at least knew something about it, you know, what were you going to do about that? As far as I was concerned at least when we heard that we had won -- thought we had won -- and this wasn't going to happen again I think everybody breathed a sigh of relief. It was clear that if anybody said anything in a way that got out, it seemed we might be endangering the lives of the hostages, so I think that is the reason why I assume other people felt the same way, I certainly felt that way.

You knew it was wrong, it raised questions about not only policy but it raised potential legal questions as far as I was concerned and as one who knows about the Arms Export Control Act and the requirements for FMS material and third country transfers.

MR. TRAYLOR: Okay.

BY MR. SMILJANICH:

Q Let me go back to your starting tenure as Ambassador to Costa Rica.

A Yes.

Q During that time period Thomas Enders was the Assistant Secretary for Inter-American Affairs, is that right?

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A That is right, Too Tall Tom.

Q When did Tony Motley come back?

A Tom and Dean Hinton and I all left at the same time in July '83. And Tony became Assistant Secretary -- well he was nominated when the announcement of Enders going to Madrid, leaving ARA and going to Madrid and Motley becoming Assistant Secretary, it was made at the same time.

Q While you were Ambassador to Costa Rica and Enders was Assistant Secretary, was there a restricted interagency group in existence dealing with Central American affairs?

A Probably, whether it was called by that name or not there was certainly some kind of restricted group.

Q Were you aware of it? Did you deal with it?

A No, not in any -- I may have gotten instructions emanating from its discussions but there was a small group of people who were dealing with the Central American contra program and that included in State Tom Enders, Craig Johnstown, and Steve Bosworth, who was Deputy for a long period of time before moving over to Policy and Planning; and Tony Gillespie was then the Ambassador to Colombia. But it was Special Assistant to Enders at that time and later became Deputy Assistant Secretary of State.

Q When you came back to Washington from Costa

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m4 1 Rica and became Senior Deputy Assistant Secretary INF --

2 A After a year's interval.

3 Q After a year's interval, tell me what you saw  
4 with regard to any RIG that was in place under Mr. Motley  
5 or how it worked.

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19 And there were and had been meetings I guess at  
20 one stage of the game throughout with all the regional  
21 bureaus, not necessarily RIGs but meetings in which a  
22 senior officer from I&R, usually the office director,  
23 would meet with, say, the principal deputy of a regional  
24 bureau and one of the senior people from the Central  
25 Intelligence Agency to discuss on a periodic basis. This

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m5 1 didn't uniformly work but that was the theory and it  
2 was honored more in the observance than in the breach.

3 That was not in effect as I understand during  
4 the Enders period as I now -- as I understood during the  
5 Enders period or the early Motley period. With the Secre-  
6 tary's instruction Tony invited I&R to the RIGs and my  
7 predecessor Herman Cohen went to some RIGs. When I got  
8 there I guess I went to a RIG or two and I found a lot  
9 of the stuff being discussed was not really within the  
10 perview of I&R and we worked up a separate meeting which  
11 I, as I set forth in my letter to the two chairmen, which  
12 we have in effect in some other bureaus for discussing  
13 covert sensitive intelligence matters which was I think  
14 sort of chaired by Gillespie, John Wiant from our bureau  
15 went and someone from CIA's DDO, Latin American Operations  
16 would go, and they met fairly frequently.

17 Q This was a separate meeting from the RIG?

18 A It was in lieu of going to the RIG which I  
19 frankly didn't want to. I went to a couple and as I  
20 say my predecessor went to some and I tried to get  
21 Tony Motley to permit John Wiant to go but Motley pointed  
22 out as was his right, that he was perfectly prepared to have  
23 me go but he wanted no one lower because he didn't want  
24 that room filled with people of lesser rank from Defense  
25 Department and other places. He wanted senior representation

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and if he broke it for me he would never be, broke it for I&R he would never be able to hold the line with other agencies who were present in this RIG which I must add is a fairly large group.

So we set up to fulfill the Secretary's instructions as a separate meeting which I thought worked rather well.

Q Although you didn't attend --

A I attended some, maybe a couple.

Q Although you didn't --

A But I had a standing invitation from Motley to go.

Q That was what I was going to ask. What was his attitude up to the time he left concerning your presence at a RIG meeting if you wanted to attend a RIG meeting?

A He was always open to us to go, having worked out these other arrangements. It was not necessary to go, however, to fulfill the Secretary's desires but I did as I say, my predecessor went and I went to a couple of them.

Q Did you --

A I may have gone to some special RIG after these arrangements were on, the one that we had a particular interest in, but I can't remember, I certainly didn't go to more than 3 or 4 RIGs during that period personally.

Q Did you know when a RIG meeting was going to

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1 take place? You or your bureau?

2 A I think we did.

3 Q Now, did that standing situation change when  
4 Elliott Abrams became Assistant Secretary?

5 A Yes.

6 Q How did that happen?

7 A Well, I don't know how it happened but I do  
8 know what happened. At the time of the announcement we  
9 offered to sort of brief him on how covert, particularly  
10 covert programs and coordination of clandestine intelligence  
11 were handled, the rules for handling it. He never took us  
12 up on that offer.

13 Later he was to designate after Mort Abramowitz  
14 talked with him a couple of times, he was to designate his  
15 special assistant, Mr. Kagan, as his representative but  
16 we never saw anything of him, either. It was a stone wall  
17 frankly and we never -- until much later after admonitions  
18 from Armacost that I&R had to be brought into the process,  
19 the Senior Deputy Assistant Secretary in the ARA, my  
20 counterpart, Mr. Michel, tried to institute the old arrange-  
21 ments under Motley, but with the caveat that Central America  
22 would not be discussed and we ran immediately into  
23 problems in even doing that with the Central Intelligence  
24 Agency whose people by then were aware of, shall we say,  
25 the difficulties in the relationship between the ARA and

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1 I&R and didn't want to get in the middle, and the  
2 senior fellow of the Central American Task Force guy  
3 obviously [REDACTED] didn't want anything to do with us.  
4 So there were some meetings held, rather desultory and  
5 others were useful really because of dealing with events  
6 outside Central America.

7 Mr. Wiant went to them and if you were  
8 interested you could talk to him about that. But  
9 essentially we were frozen out during the entire period  
10 despite protests from I&R.

11 Q Approximately when was this that Jim Michel  
12 started to start some other type of process excluding  
13 Central America?

14 A I don't remember but it was say six months out  
15 after an admonition from Armacost. I could find out  
16 the date or you could ask John Wiant or Mort Abramowitz  
17 who have the files and could tell you.

18 Q Was it sometime in 1986?

19 A I believe that to be the case. That seems right  
20 to me. Probably the spring of '86 but I am not sure.  
21 My memory on dates is very bad without files to refresh  
22 myself and I have not refreshed myself.

23 Q Now, it seems that when it comes to covert  
24 activity --

25 A There weren't very many of those by the way,

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either, of those meetings.

Q When it comes to covert activity in Latin America the action if I can use that word really is in Central America. Were you told why Central America was excluded from this subsequent process?

A Well, we were given to understand that Mr. Abrams didn't want us in and he particularly didn't want me in.

Q Were you ever told why? Did you ever have any indication as to what the problem specifically was?

A No, but it is in the context of Mr. Abrams complaining to the 7th floor, that is to Mr. Armacost, and Mr. Whitehead, that the Bureau of Intelligence and Research and Frank McNeil in particular were seeking to undercut policy by its analysis and in the context, after all, of this bizarre exchange of memos that we had at the end of the year, at the beginning of 1986 in which Mr. Abrams sent a memo to Ambassador Abramowitz saying, three-page memo attacking one sentence in a one-page analysis by one of our analysts of the situation, political internal opposition situation. The one sentence said, sort in the context of what would happen if the contras won, and the sentence said, we don't know anything about the political attitudes of the contra military leaders.

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That was the sentence he attacked.

The things I remember he said were that it was neither intelligence nor research analysis. It was sort of indistinguishable from that of the critics and that the CIA knew all there was to know about contra military political attitudes.

And there were a number of other pleasantries in the three pages, all sort of pointing at the notion that I&R was not part of the team, it was out there sabotaging the President's policy and anyway didn't know what it was talking about.

Q Was this an analysis by Evangeline Monroe?

A Yes.

Q Going back to when Abrams first became Assistant Secretary --

A Let me add one thing about that. I replied in equally pleasant terms to Mr. Abrams because Ambassador Abramowitz was out of the country and our analysts drew up the reply and I went over it and signed it out to him, and we had in fact checked with the CIA, both the DDO and analysts, and they really didn't know anything about the political attitude of the military leadership and subsequent to this exchange of pleasantries between Elliott and myself, subsequently the Bureau of Inter-American Affairs spent six weeks in response to congressional

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m11 1 requests seeking to answer something about the composition  
2 of the contra military commanders. Evangeline Monroe  
3 assisted Mr. Inodi's office in preparation of this to some  
4 extent and it was a very good and accurate listing of  
5 their origins, that is were they ex-Sandinistas, were  
6 they next Somoza National Guard, were they peasants,  
7 teachers, but it didn't say anything about their  
8 political attitudes. They may have been, you know,  
9 devotees of the Federalist Papers but I don't think we  
10 still know.

11 Q When Abrams first became Assistant Secretary  
12 though I am still trying to pinpoint what changes; in  
13 other words, for example, did you know as you used to  
14 know under Assistant Secretary Motley when a RIG meeting  
15 was going to take place?

16 A No.

17 Q You meaning I&R?

18 A No, and if we did know we were not invited. It  
19 was made clear we were not invited to RIGs and the old  
20 statute arrangement which worked perfectly well was  
21 discontinued upon his arrival, not to be resurrected,  
22 and then only in very limited form by Jim Michel much  
23 later.

24 Q Can you be any more specific as to how it was  
25 conveyed to you that you were no longer invited?

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A We kept --

Q Did they tell you?

A For a while we got what might be called the silent treatment I suppose. We kept asking, John Wiant in particular, I instructed him to check with Jim and Walker and for a while there was no answer, and then Mort spoke to Abrams, Mort Abramowitz spoke to Abrams once or twice and Abrams said he would consider it and then he designated Kagan but Kagan never showed up.

We finally were able to convince them of the -- we had one kind of security problem involved because there are very special arrangements, what the White House calls available material. They were not observing those arrangements because they didn't know about them.

The new bureau, there were a number of changes. It took us as I recall some months to get them to finally handle the paperwork better and there were still times when they didn't. That was part of the problem they brought on themselves by not in fact observing the arrangements because we were actually there among other things to insure that the rules are kept and if we got documents we would get revised findings from the NSC, of course, and we handled them under the rules applicable to available material, but if they were getting things on the side from [REDACTED] we had no assurance of how those

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1 were being handled.

2 Finally we arranged a list of available cleared  
3 people in that bureau which they should have had from the  
4 beginning but did not have.

5 Q How was --

6 A It was very sloppy.

7 Q How was I&R's relationship with other regional  
8 bureaus?

9 A Good. We would just have fights over analysis  
10 but people might cast doubts upon our intelligence, our  
11 brains on some of the things we were saying and sometimes  
12 they were right and sometimes they were wrong, but it was  
13 collegial. It was a collegial relationship.

14 Q How would you compare the relationship with other  
15 bureaus to the relationship with ARA?

16 A Like night and day. The other bureaus -- ARA,  
17 it is ARA under Abrams we are talking about. We had the  
18 same kind of collegial relationship with Tony Motley and  
19 Tony is not a shy man. He has a rather rich vocabulary and  
20 he would pick up the secure phone and occasionally call  
21 me and use that rich vocabulary on my asking why we had  
22 done something stupid and occasionally I would agree  
23 with him and sometimes I would convince him that actually  
24 we were right.

25 But it was a collegial relationship dealing with

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1 very sensitive issues that brought about contention and  
2 sometimes that contention was heated. But no one else in  
3 the Department of State ever thought that we were disloyal  
4 or seeking to undercut policy, and I include Tony Motley  
5 in that with whom I worked rather closely on a number of  
6 sensitive matters.

7 Q Were you ever aware that, or did you ever have  
8 any indication that there was in addition to the rather  
9 large RIG in place at ARA under Abrams' tenure, that  
10 there was anything known as the mini RIG?

11 A Well, I don't know if it had a name, sub RIG  
12 or mini RIG. Depends on what they called it. I'm aware  
13 of course that [REDACTED] and North and Abrams met  
14 frequently. I had thought that Nester Sanchez was part of  
15 those meetings. I gather from the record of the hearings  
16 so far that that may not be the case, but at least the  
17 three of them got together quite frequently.

18 Q According to the record developed so far it  
19 looks like the three of them may have gotten together in  
20 addition to William Walker, who was another frequent parti-  
21 cipant with them.

22 A Yes.

23 Q Talking about contemporaneous with these events  
24 now, you had a perception there was a smaller group, what-  
25 ever they called themselves or however official it was, a

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1 smaller group of these people meeting to discuss matters  
 2 in connection with Central America.

3 A Oh, yes, well there was nothing secret about it.  
 4 The people came over, it was well known. I don't think  
 5 there was anything secret about the fact that these  
 6 people met very frequently in a small group. Whether they  
 7 called it a sub RIG or mini RIG or if that is a tag somebody  
 8 else put onto it because people liked to make up acronyms  
 9 or what have you, maybe they did call it a sub RIG but  
 10 I don't know what they called it but they had a small group  
 11 meeting.

12 Q Did you ever have any discussions [REDACTED]  
 13 [REDACTED] about his activities in Costa  
 14 Rica concerning the secret air field or resupply of the  
 15 contras?

16 A Not about the secret air field, but in 1985  
 17 when I made my trip to Central America for the first time  
 18 since I had come back from San Jose Lou Tams was just  
 19 coming in and [REDACTED] of course had been there for some time  
 20 by that time, [REDACTED] had not worked for me [REDACTED]  
 21 [REDACTED] I  
 22 think it was something to do with the fable of the contras'  
 23 new uniforms. [REDACTED]  
 24 So I met [REDACTED] for the first time. I had about an hour-and-a-  
 25 half discussion with him on Costa Rica in general, and we

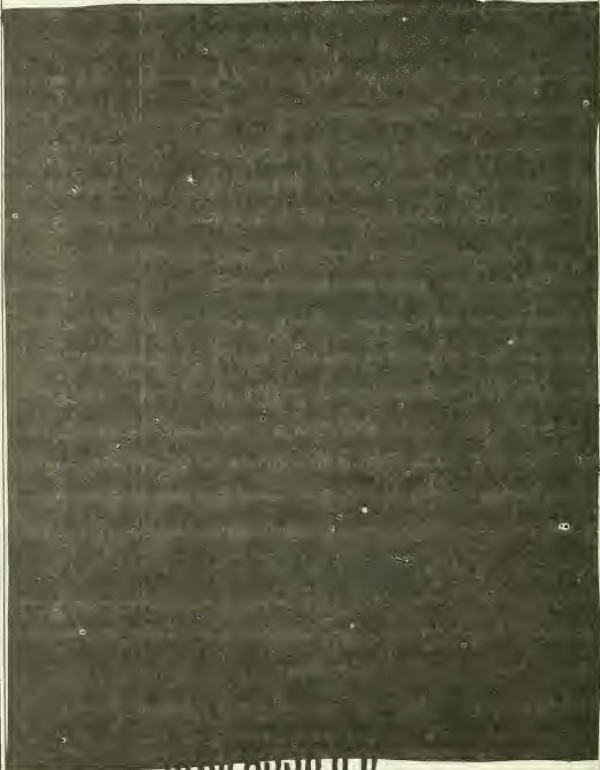
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talked about the southern front. As I talked with Lou  
 Tams also. But it was sort of in the context when the  
 funding comes or that was my understanding of it. And I  
 remember saying to -- let's deal with [redacted] first.



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And he also remarked to me that the Cuban Americans, hindsight is very interesting, Cuban Americans were going to be a very big problem, and that was the substance of the discussion with him.

Q Tell us about the discussion with Ambassador Tams<sup>b</sup>.

A It was somewhat similar with Tams<sup>b</sup> saying, you know, this place, the fight is inside -- as he said on the stand -- the war is in Nicaragua, it is not in Costa Rica and they have to be in there if they are going to do anything and the tenor of the discussions as I recall them was quite similar.

Q Did you --

A Except it was in more detail with [REDACTED] who had been there so we were comparing notes from my time and all that sort of stuff.

Q Did you talk to Ambassador Tams<sup>b</sup> before he went down to Costa Rica?

A No, I talked to him in Costa Rica. I guess I had met Lou before but actually the time I had the longest session with him was we probably had two conversations in August or late July of '85 on that trip. We had lunch once and we had a conversation another time.

Q Did he tell you about instructions he had been

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given?

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A No, he did not.

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Q When he went down there?

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A No. Nor did either of them mention the air strip.

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Q Did [REDACTED] ever tell you at any time that he was concerned about his activities and the high risk nature of them?

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A Well, he expressed -- in a sense he was expressing concern about -- again I thought it was in the context of projected renewal of official U.S. funding. He did express concern about the risks in Costa Rica and he expressed concern about the activities of the Cuban Americans which might get, might either had or might get out of hand. I don't recall because he didn't give me any details.

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Q When did you first hear --

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A So in a sense I suppose the answer is yes, that he did express concern about the risks and the difficulties of a contra program in southern Nicaragua.

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Q When did you first hear about the air strip in Costa Rica?

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A I still keep scratching my head on that and I am not sure but it would have been, I think, when it became public. When there was this non-press conference in

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September, but it started leaking out right afterwards

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that there is something wrong with all the testimony in the

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sense that Minister Garron did not give that press

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conference but in fact, the Costa Ricans did announce

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their closure of the strip and that is not on the record

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and it ought to be on the record that despite the so-called

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threats levied against them, they went ahead and

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announced the closure. They delayed it but they announced

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it.

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Q What was your reaction when you saw the Tams cable relating the Singlaub-Pastora agreement?

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A I had two reactions. I must say I did have a reaction that I don't see anything -- it says the United

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States and how can he do that given the Boland Amendment. I don't see anything in that cable that makes clear that Tams in fact said you can't commit the United States. It didn't say it in the cable. I did have that reaction.

But the other reaction, one that I think Ambassador Abramowitz and John Wiant and I shared upon looking at that back channel was that isn't it nice that someone is actually reporting what is going on since there was very little reporting of -- no reporting of what we knew to be a "private", private in quotes now, what was supposedly a "private" support effort under way, and you knew that people knew more than they were reporting and it was hard to get a fix on what was going on without having better reporting. I mean it became in this time one of the most under reported, presumably critical foreign policy issues facing the United States, the whole sort of contra war question.

Q You mean the extent to which there was private U.S. involvement with that war?

A Yes, that is right. So I was actually sort of glad to see some reporting and quite frankly, quite surprised by the tenor of the response going back to Tams because I would have thought there were a couple of ways to do this and one was to pick up the phone and say, did you tell him, and if you did, would you please send a

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m21 1 supplementary cable and the second [redacted] was to send him a  
2 cable saying, what did you say to him? "Did you say" --  
3 instead of sort of assuming that he had somehow or other  
4 become part of the Singlaub effort which is what the  
5 assumption underlying of the return cable is as written.  
6 I didn't understand why and I must say I had a suspicion  
7 then which is now larger which was that it was a way of  
8 telling Tams not to report anything any more.

9 Q Okay.

10 A In which case I would think John Whitehead did  
11 not know that assumption.

12 Q Tell us about the situation that arose in the  
13 spring of 1986 concerning a reported incursion of a large  
14 number of Sandinista troops across the Honduran border.  
15 There was, I know, a flap that was created, another flap  
16 between I&R and ARA over the matter. Tell us what you  
17 recall about that?

18 A I set forth the bare facts in my letters to the  
19 two chairmen of the select committees.

20 Q Excuse me, for the record you are referring to  
21 a couple of letters you have just recently sent.

22 A I sent last week to them in response -- you have  
23 them?

24 MR. SMILJANICH: I haven't seen them.

25 MR. TRAYLOR: I haven't seen them.


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1 THE WITNESS: Here it is. I will now recount  
2 them for you. In the holy week of 1986 the Sandinistas sent  
3 a substantial number of troops into what is known here  
4 in the United States and the Community as the Las Vegas  
5 Sallient. It is sort of a bump in the map created by a bend  
6 in the river. It is really a rather small area. I don't  
7 remember the kilometers across but it is not very large,  
8 although it is sort of jungled and sharply hilly and lots of  
9 brush and trees.

10  the  
11 Sandinistas put in a large probe and force, something  
12 they had done once before on a fairly large scale. The  
13 initial intelligence as it always is in cases like this  
14 was skimpy, you had a feel, you knew from the intelligence  
15 that it was a sizeable incursion, you could not tell how  
16 many people had gone in. There is just no way of doing  
17 that. And you were actually in affairs like this generally  
18 getting a more precise fix later on which I think we may  
19 have.

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21 But at the time the Defense Intelligence Agency  
22 analysts and our analysts drawing on this fragmentary  
23 intelligence assumed a number of about 800. People I think  
24 in the analytic side of CIA were talking about 1500. The  
25 Central American Task Force,  in particular,

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1 pushed a considerably higher figure with North I gather  
2 pushing for, and Abrams as well pushing for it, over 2000,  
3 2400.

4 I got a call from the National Intelligence  
5 Officer for Latin America, Bob Vickers. This thing is  
6 going on, we are trying to get the Hondurans to announce  
7 the incursion since we have announced it up here but they  
8 have not announced it down there and I got a call from  
9 Vickers and in somewhat agitated state saying the NSC --  
10 as I recall I think he mentioned both Poindexter and  
11 Ollie North, but I may be wrong -- but he said the NSC  
12 wants us to get up a Community estimate. We have to get  
13 one right away. And either he or I said the natural thing,  
14 let's get a range which is what we, the Community  
15 traditionally does, how many Cuban advisers are there in  
16 Nicaragua, well the ranges vary but say it's [REDACTED]  
17 security and military advisers.

18 That range may be wrong as we are often finding  
19 out in the case of El Salvador where we found out the  
20 numbers of insurgents was smaller than originally thought.  
21 But it is an intellectually respectable intelligence tool  
22 for dealing with an issue that is not completely quantifiable.

23 So Vickers and I agreed with a range of 800 to  
24 1800. I thought the problem was over with but it wasn't.

25 Abrams sometime during this period had announced

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as I recall in the press 2400 coming in. Not only didn't we agree with it, but there was no way to put that precise a number on it.

At that time Armacost gets a call from Admiral Poindexter complaining about our analysis, complaining about our analysis and I think complaining that somehow or other it had found its way to the intelligence committees and I don't know how that happened or whether that in fact is a sin anyway. Normally one -- we didn't have a briefing of the intelligence committees so I really don't know, but in briefings before the committees intelligence agencies do disagree on matters of analytic nature and I called Vickers back and I said, what is going on? I said, I thought we had agreed on a range.

He said, well, it wasn't satisfactory to the NSC -- or words to that effect.

This thing sort of ground on and I think eventually we probably, the Community probably concluded that there might have been at one moment as many as 1500 inside Honduran territory. So our estimate was low but it illustrates the Vietnamization of the intelligence process in a very big way that now we have to have politically taylored intelligence to suit our national needs. You know, there were other examples but this one just stands out as a bad way to do business.

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BY MR. SMILJANICH:

Q Well, for example, when this problem comes up, when there is a situation involving some type of incursion whether it be small or large, wouldn't it be normal for the Inter-American Bureau to actively involve I&R and have meetings and discuss these matters. Wouldn't that be the normal process? Was that done in this case?

A Not to my knowledge. It was not done to my knowledge. I am sure there were a few thunderbolts hurled or views which differed from theirs. I would have to say in all fairness that the geographic bureaus have as much expertise on any given subject, perhaps as the Bureau of Intelligence and Research, and the purpose of the Bureau of Intelligence and Research is what you might call an institutional second opinion. So I have no difficulty with a geographic bureau holding a different view from the State Department's member of the Intelligence Community.

What I have a difficulty with obviously is the attempt to tailor, to cook to taste the analysis, short order intelligence in this case in order to impress the Hill I suspect with the gravity of the incursion.

It's also kind of stupid because no one disagreed that there was a sizeable incursion in Nicaragua. It was unnecessary. All one had to do was give a reasonable

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1 range and it would have been accurate and reasonably  
2 accurate and quite clear that there had been a sizeable  
3 Nicaraguan invasion -- not invasion, incursion, so why  
4 they did this remains a mystery to me.

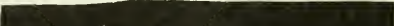
5 Q Was there any follow-up to that or is that it?

6 A I think that was the end of that one, yes.

7 Q Well, in summary is it fair to say in addition  
8 to the problem with as you term it "cooked intelligence",  
9 the fact is that during 1985 and 1986 when you were at  
10 I&R and Elliott Abrams was Assistant Secretary, that the  
11 process of using I&R as a resource for expertise on  
12 covert matters as a resource for a second opinion in connec-  
13 tion with intelligence matters was in fact something that  
14 wasn't used by Inter-American Affairs?

15 A I think to split the two things of I&R. I&R  
16 has two functions after all, one is analysis and the  
17 other is coordination of sensitive intelligence activities.  
18 In respect of coordination of sensitive intelligence  
19 activity we were not used.

20 Q Okay.

21 A Except with in certain things with respect to  
22 South America and 



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1 But aside from that we were not used on Central  
2 America in the coordinating role prescribed by the  
3 Secretary.

4 Now as far as analysis was concerned, as far as  
5 I said earlier Abrams spent a great deal of time attempting  
6 to discredit our analysis and our motives for producing it  
7 and our analysis in some said that the contras -- the  
8 point of contention was how well are the contras doing, and  
9 we were saying that for both political and economic  
10 reasons, political and military reasons they were not doing  
11 very well, and that projections of the repeated projections  
12 being given to the committees, give me six months  
13 and another 100 million, you know, and things will be a  
14 lot better, were not justified by the intelligence on the  
15 ground of what was actually going on, and there was enough  
16 of that for us to be able to make those judgments and the  
17 events of course have proved us to be correct.

18 What happens next I don't know, but during this  
19 period our estimates were correct and the optimistic  
20 Polyanna estimates were not.

21 But I do have to say, and it is very important  
22 that when Abrams went to Whitehead, John Whitehead and  
23 Mike Armacost on a couple of occasions and I guess sent  
24 one memo saying, at least one saying the same thing, in the  
25 fall of 1985, they told him to take their complaint, to

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take his complaints to us and they never told us to trim our intelligence analysis and so far as I know, the Secretary and Armacost in particular read it all with considerable interest.

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So we did serve as an institutional second opinion for the 7th floor of the Department of State. They never told us to trim our <sup>i</sup>sales.

end boyum  
11:30 am

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STEIN 1 BY MR. SMILJANICH:

11:35 2 Q Okay. Tell us about the occasions in which you  
CAS-1 3 were -- you and your Department were made the subject of  
4 leak investigations pursuant to complaints by Elliott Abrams'  
5 bureau?

6 A The first occasion happens right after I returned  
7 from my trip to Central America. I don't write very much.  
8 The job was more operational management of the Bureau  
9 from Ambassador Abramowitz. I don't write very much,  
10 but I took a trip and saw some things that I thought weren't  
11 out there.

12 I went to Panama, Costa Rica, Guatemala and  
13 Nicaragua, and I spent four or five days in Nicaragua and  
14 travelled around the countryside, as well, near the  
15 fighting, as a matter of fact. There was heavy fighting  
16 going on at that time.

17 I didn't get into it, but close to it. I came back and  
18 I wrote a trip report for the Secretary, some of it highly  
19 perishable, but there were two things I really wanted to  
20 write about.

21 First was Guatemala, although I spent less  
22 pages on it, to point out that after lengthy discussions  
23 with Guatemalan military officials I had the feeling that  
24 the Guatemalan military would permit free election and  
25 accept Cerezo if he won, which he did, and they did.

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[REDACTED]

The other part, the more lengthy part of this memo that bears telling was about Nicaragua and the contras. I pointed out Nicaragua was in economic ruins, that these people didn't seem to be able to manage themselves, and that their military effort, however, was growing and the contras didn't seem to be able to respond.

[REDACTED]

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I heard afterwards that the Secretary, when  
Abrams was, I guess, giving some kind of an optimistic  
estimate after the Secretary had received my paper, the  
Secretary said you are saying things are going fine, but  
Frank has just come back and is taking a different view.  
I gather that didn't please Elliott too much.

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CAS-4 1                    Shortly thereafter, after this, I think it was  
2                    in early September, I have given you copies of my files  
3                    so you know the date, but it was something like September 2nd  
4                    I received a visit from two security investigators -- no,  
5                    sorry -- prior to that an article appeared in the Washington  
6                    Post quoting a document which the authors, the Post  
7                    correspondents, obviously had, of a memo for Abrams for a  
8                    chief-of-mission meeting.

9                    The memo was a draft written by someone named  
10                   Lamay, who worked in the Bureau of Interamerican Affairs.  
11                   I remember I called both Jim Michel and Rick Melton, who  
12                   by then had become the office director for Central American  
13                   Affairs, and asked them why I had to read their damned  
14                   memos in the Washington Post.

15                   Wouldn't it be useful for them to share these  
16                   memos with us as a means of providing an ambience in which  
17                   we can do better analysis.

18                   Both of them kind of fobbed it off and that  
19                   was the end of that until I received what was an urgent  
20                   visit -- I got a call at, say, 1:30 from security officers,  
21                   Annette -- I can't remember her last name, it is down  
22                   there -- and another fellow whose name I don't remember,  
23                   saying they had to see me right away.

24                   They came in and they said we are told that you  
25                   may have been the person who leaked this memo. And I got

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CAS-5 1 kind of upset because it wasn't -- it was clear to me it  
2 wasn't a normal leak investigation. The way they had  
3 started was "have you had access to this document". They  
4 were told that I may have leaked this memo, suggested that I  
5 leaked this memo, and I pointed out to them that I  
6 hadn't seen the memo until I read it in the Post, and moreover  
7 I didn't know either of the two correspondents.

8 I sort of almost lost my temper and said who did  
9 this, that sort of stuff, which they couldn't tell me.

10 They then went on to say that they understood that  
11 I had a relationship with someone by the name of Larry B<sup>U</sup>rn<sup>U</sup>s,  
12 who has an outfit called Council on Hemispheric Affairs,  
13 and they were told that I had leaked information to him about  
14 Otto Reich, who was a candidate for the embassy in  
15 Caracas, for use in the Venezuelan press.

16 I pointed out that I hadn't seen B<sup>U</sup>rn<sup>U</sup>s since I was  
17 in Boston and that he and I didn't like each other and I had  
18 a rather heated argument with him at a seminar at Dartmouth.  
19 This says that someone is accusing me of giving information  
20 to use against Reich in Venezuela so I can get the job, and  
21 that is a serious allegation.

22 You will note in that file that is a flat  
23 statement to that effect, he leaked information about Reich  
24 to Mr. B<sup>U</sup>rn<sup>U</sup>s. I then spent the fall attempting to  
25 force people to a conclusion on this part of the investigation

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CAS-6 1 and, in fact, I was able to do so in the first part of 1986.

2 As the file will note, the chief investigator  
3 says I was not at fault in this matter -- without fault or  
4 not at fault in this matter.

5 Which takes me, of course, to a question that  
6 Abrams got before the Senate Foreign Relations Committee  
7 in which I think Senator Sarbanes asked him did he not  
8 know that security had not developed any evidence against  
9 me, and he said yes, he had heard that, but then they  
10 never catch anyone, sort of implying that if they had looked  
11 harder they would have found me.

12 So that was that leak investigation.

13 I finally got to my files, really under Freedom of  
14 Information, eventually with -- in October, I think, after  
15 I had written my letter to the Secretary on the resignation.

16 But that -- the head of security knew, Mr. Schwartz,  
17 who sent me my files, when I spoke to him to thank him for  
18 calling, he said, look, Frank, you understand I can't say  
19 anything about the details of this, but I now understand  
20 why you were so angry.

21 So that is the one leak question.

22 The second leak question, of course, is the  
23 memos which were discussed with Mr. Abrams and I don't know  
24 what you would like me -- there is one thing, the author --  
25 I never met the author of the Miami Herald article,

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CAS-7 1 Mr. Chardy, I had not met or spoken with him until about a  
2 month ago, when Congressman Gephardt's staff people put  
3 together a lunch so that Chardy could meet his putative  
4 source.

5 Chardy has told me with the authorization of his  
6 editors that no one in the Bureau of Intelligence and Research  
7 was a source for that story.

8 Q Okay. That is all I needed to get on that issue.  
9 One last matter I would like to touch on.

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Q Okay. That is the information I wanted to get on the record.

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Tim, any questions?

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MR. TRAYLOR: No questions.

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MR. SMILJANICH: Okay. That will conclude --

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BY MR. SMILJANICH:

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Q Is there anything you wanted to add before we go off the record about any of the matters we have discussed?

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A It seems to me that the Tower Commission's observations about the failure of the process, and they made it, with respect to the Iran initiative, also apply to the Central American program. Expediency sort of took over.

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The Sandinistas are a great problem for the United States or at least to their neighbors and we don't need Soviet and Cuban troops in Central America or Soviet bases or a Soviet presence.

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But I just have the sense that what happened essentially is that people who didn't know much about the reason, who were driven to please the President at all cost, began to tell him what he wanted to do here, much as happened in Lyndon Johnson's day, and that any sort of critical examination of the program fell by the wayside at

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CAS-21 1 the same time clearly as the sort of bars expressed in the  
2 Boland Amendment were sort of ignored by some of these  
3 people. It is very unfortunate.

4 We are probably fortunate that it is a small area  
5 of the world, because had this happened to us in an area  
6 where hostilities could have resulted from this sort of  
7 incompetence, large numbers of Americans might have died.  
8 We really need to do our business in a more professional  
9 and sensible way.

10 MR. SMILJANICH: Thank you very much.

11 That will complete the deposition and we appreciate  
12 your making yourself available to both committees and appreciate  
13 the information.

14 (Whereupon, at 12:12 p.m. the deposition was  
15 adjourned.)  
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DEPOSITION OF BERNARD MAKOWKA

Friday, May 15, 1987

United States Senate

Select Committee on Secret

Military Assistance to Iran

and the Nicaraguan Opposition

Washington, D. C.

Deposition of BERNARD MAKOWKA, called as a witness by counsel for the Select Committee, at the offices of the Select Committee, Room SH-901, Hart Senate Office Building, Washington, D. C., commencing at 2:20 p.m., the witness having been duly sworn by RAYMOND R. HEER, III, a Notary Public in and for the District of Columbia, and the testimony being taken down by Stenomask by RAYMOND R. HEER, III and transcribed under his direction.

Declassified/Release on 21 Dec 87  
under provision of E.O. 12958  
~~TOP SECRET~~ National Security Council  
K. JOHNSON

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## 1 APPEARANCES:

2 On behalf of the Senate Select Committee on Secret  
3 Military Assistance to Iran and the Nicaraguan  
4 Opposition:

5 TIMOTHY WOODCOCK, ESQ.

6 On behalf of the Central Intelligence Agency:

7 R. BRADFORD STILES, ESQ.

8 RHONDA M. HUGHES, ESQ.

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1	C O N T E N T S		
2		EXAMINATION ON BEHALF OF	
3	WITNESS	SENATE	HOUSE
4	Bernard Makowka		
5	By Mr. Woodcock	4	
6	E X H I B I T S		
7	MAKOWKA EXHIBIT NUMBER	FOR IDENTIFICATION	
8	1	24	
9	2	24	

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1 PROCEEDINGS

2 Whereupon,

3 BERNARD MAKOWKA,

4 called as a witness by counsel on behalf of the Senate  
5 Select Committee and having been duly sworn by the Notary  
6 Public, was examined and testified as follows:

7 EXAMINATION

8 BY MR. WOODCOCK:

9 Q , First let me put on the record who I am. I am  
10 Tim Woodcock. I'm an Associate Counsel with the Senate  
11 Select Committee on Secret Military Assistance to Iran  
12 and the Nicaraguan Opposition. And this is a deposition  
13 pursuant to the authority of the Committee. Accordingly,  
14 this is considered part of the official inquiry of the  
15 Committee.16 Why don't we begin by having you state your  
17 name and spell it for the record, please?18 A My name is Bernard Makowka -- M-a-k-o-w-k-a.  
19 I am Associate Deputy General Counsel for Intelligence  
20 Law and Special Studies in the Office of General Counsel  
21 in CIA.22 Q I would note for the record that Mr. Makowka  
23 is the only one that has a title that even approaches the  
24 length of the name of our Committee.

25 Mr. Makowka, if you would, would you just

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1 briefly outline your professional life with the CIA?

2 A Okay. I joined the Agency in 1967 and got my  
3 law degree at Georgetown in the evenings and moved over  
4 to the Office of General Counsel in 1975, where I've been  
5 ever since that time. My particular area of expertise  
6 within the office lies with providing guidance to our  
7 operational components. I'm responsible for  
8 interpretation of the President's Executive Order guiding  
9 intelligence activities.

10 Q Is that 12333?

11 A That is correct, and CIA's implementing  
12 procedures. I deal with the sort of stuff like  
13 [REDACTED] getting the necessary approvals.

14 Q That is assorted stuff rather than sorted  
15 stuff?

16 A Assorted.

17 (Laughter.)

18 Consistent with the intelligence order [REDACTED]  
19 [REDACTED]

20 Q And you now have the title of Associate Deputy  
21 General Counsel for Intelligence Law and Special Studies;  
22 is that correct?

23 A Yes.

24 Q How long have you had that title?

25 A It is about a year since our office has been

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1 reorganized, but essentially I've had this position for  
2 several years.

3 Q So there was no real substantive change in  
4 your position when you acquired this new title?

5 A No.

6 Q Your immediate superior then would be who?

7 A Dave Doherty.

8 Q Dave Doherty is now General Counsel?

9 A General Counsel.

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18 Q Let me turn now, if I may, to the fall of  
19 1985. At that time you became involved in drafting a  
20 proposed Finding for President Reagan; is that correct?

21 A Yes.

22 Q I'm going to show you what I will have marked  
23 as Exhibits 1 and 2.

24 (The documents referred to were  
25 marked Makowka Exhibit Numbers

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1 1 and 2 for identification.)

2 Let me direct your attention to what has been  
3 marked as Makowka Exhibit 1. Have you ever seen that  
4 before?

5 A I never have.

6 Q Does the date, November 26, 1985, place that  
7 in the time period where you would expect to find such a  
8 cover sheet?

9 A Yes, it does.

10 Q Let me ask you to then direct your attention  
11 to what has been marked as Makowka Exhibit Number 2. Do  
12 you recognize that?

13 A Yes, I do.

14 Q What is that?

15 A That is a draft Finding related to the Iran  
16 matter that I was asked to draft.

17 Q Let me then turn to the development of that  
18 Finding. When did you first become involved in drafting  
19 what is marked as Exhibit 2?

20 A I was called in to a meeting by the General  
21 Counsel at the time, Stan Sporkin, as well as a couple of  
22 colleagues within the office -- Ed Dietel and George  
23 Clarke.

24 Q Where was that held?

25 A In the General Counsel's office.

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1 Q And when you came in to this meeting what  
2 happened?

3 A Stan described that the Agency -- or not the  
4 Agency but somebody was contemplating making several  
5 shipments, as best I can recall, of missiles and related  
6 matters from Israel to Iran and the number four or five  
7 seems to stick in my mind, and that one of those  
8 shipments had already taken place the previous weekend.

9 Q Let me back you up to just clarify for the  
10 record. Your reference to four or five refers to  
11 airplane flights or shipments, is that correct, and not  
12 to missiles?

13 A Right, to shipments. And I'm not sure. It  
14 probably was flights, but I can't be sure of that, but  
15 certainly shipments.

16 Q Of some mode of transportation?

17 A Yes.

18 Q So who is providing the information on this  
19 activity?

20 A Stan Sporkin, the General Counsel. He said he  
21 had been asked by the Acting DCI, John McMahon, to look  
22 into this matter and to see if there were any legal  
23 problems with doing so.

24 Q Now did you receive any understanding from Mr.  
25 Sporkin as to whether any of these shipments had already

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1 occurred?

2 A Yes. One had occurred the previous weekend.

3 Q Did he give you any information on the  
4 particulars of that shipment?

5 A NOT other than apparently it had been a  
6 proprietary of ours, the CIA's, had been involved in  
7 that, so our people had been involved in that in some  
8 way, transporting it, and it was very clear that it was  
9 military equipment or missiles that was on that  
10 particular shipment as well as the others that were  
11 contemplated.

12 Q This is Mr. Sporkin that is conveying this to  
13 you; is that right?

14 A Correct.

15 Q You say Mr. Clarke and Mr. Jamison were also  
16 present?

17 A Not Jamison -- Dietel.

18 Q Excuse me. Dietel.

19 A He's the Deputy General Counsel.

20 Q And are they participating in this as well?

21 A Well, he gathered all of us to raise the  
22 question of what should be done, not just me.

23 Q So advice is coming from all three of you; is  
24 that correct?

25 A Well, we discussed it. George Clarke is

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1 responsible for covert action within the office, and so I  
2 think it was obviously why he was there. And Ed Dietel,  
3 the Deputy General Counsel. Stan mentioned that he had  
4 been briefed or was about to be briefed by some people at  
5 McMahon's request from our proprietary or the unit that  
6 manages our proprietary, and I do remember that it was  
7 considered better if they would be briefed on the facts  
8 and we were not. And so we never talked to individuals  
9 directly and so the facts came from John McMahon plus  
10 these individuals that briefed Stan.

11 Q I see. And your recollection isn't clear on  
12 whether at the time you met with Mr. Sporkin he has  
13 already been briefed by the people from [REDACTED] or  
14 not?

15 A Yes. My initial impression was that it  
16 occurred before we met. But I have seen evidence that it  
17 may have occurred right after.

18 Q After your meeting?

19 A Right.

20 Q Do you recall whether this meeting that you  
21 had with Mr. Sporkin is the day following the weekend?

22 A I do recall that the last flight was over a  
23 weekend, but I can't pin it down as to the Monday,  
24 although the 26th is the Monday. That would be logical  
25 that that would be the day.

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1 Q Your best recollection is that the 25th is a  
2 Monday; is that correct?

3 A I think so.

4 Q At any rate, let me approach it this way.  
5 Your meeting with Mr. Sporkin, do you understand that to  
6 have been on a Monday or a Tuesday? Can you pinpoint it  
7 that closely?

8 A I think so.

9 Q Which do you think -- Monday or Tuesday?

10 A I really can't pinpoint it. I believe from  
11 looking over the facts that it took place on the 26th.

12 Q Maybe we can approach it a different way.  
13 From your testimony, you participated in the drafting of  
14 Exhibit 2; is that correct?

15 A Yes, correct.

16 Q And Exhibit 1 is dated November 26 and is a  
17 cover sheet for Exhibit 2; is that right?

18 A Yes.

19 Q Now when you drafted this Exhibit 2, was that  
20 done on the same day that you spoke to Mr. Sporkin?

21 A It was, but it wasn't finalized until the next  
22 day, it is my recollection. I believe, in fact, there  
23 were two meetings on it. There was the meeting at which  
24 we discussed what we needed to do, and there was also one  
25 to review the draft.

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1 Q So the second meeting would have occurred the  
2 following day; is that correct?

3 A Yes.

4 Q Now if it is correct that Exhibit 1 is the  
5 cover sheet for Exhibit 2, and Exhibit 2 is the final  
6 Finding, then it would appear that the final Finding was  
7 prepared for conveyance on November 26; is that correct?

8 A As a matter of fact, I'm a little confused as  
9 to this cover sheet, because it is signed by Casey and at  
10 the time the meeting went on my recollection is that  
11 McMahon was the one in charge. So it must have been  
12 before the 26th.

13 Q That is, your having drafted the final version  
14 of the Finding must have been before the 26th; is that  
15 correct?

16 A Yes. I really can't recall the date. I have  
17 no way of verifying when it was.

18 Q Well, with that understanding why don't we  
19 then --

20 A Could I elaborate a little more on the  
21 meeting?

22 Q Certainly. Go ahead. That is what I was  
23 about to do, was return to the meeting. Now you are  
24 returning to the first meeting; is that correct?

25 A Right.

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1 Q Why don't you elaborate on that, if you would?

2 A My recollection was that Stan mentioned that  
3 there were these shipments that were contemplated, and  
4 the focus of the meeting was more on the ones that were  
5 going to come up rather than the one that had taken  
6 place. I think the feeling is the focus was on that.  
7 The feeling is that the one that had already taken place,  
8 that stood or fell on its merits. That was water under  
9 the bridge at that point.

10 But it was characterized as NSC was involved  
11 in some way. There were others involved in this in some  
12 way. And the only way in which the Agency would be  
13 involved would be in transport and was there a problem  
14 doing this, and a couple of additional things were  
15 discussed.

16 One, that it was necessary or advisable to get  
17 a Finding. Was our participation sufficient so as to  
18 require a Finding? And I recall that the group, after a  
19 lot of give and take, decided that we should not be  
20 involved in any more shipments without getting a Finding.  
21 And Stan agreed with that recommendation, and he was  
22 going to take it back to John McMahon or senior  
23 management and pass that on.

24 And my recollection is that he was not  
25 entirely sure how well that would be received.

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1 Q Why was that?

2 A Well, it elevated what arguably was just  
3 peripheral involvement in something to something that  
4 required approval by the President and implicates the  
5 CIA. It was making a Federal case out of it.

6 Q Did you get any understanding from Mr. Sporkin  
7 that Mr. McMahon himself might have suggested that a  
8 Finding was in order?

9 A Not during the meeting, no. But I do recall  
10 that he said sometime subsequent to the Finding having  
11 been prepared that management was enthusiastic about  
12 going the Finding route and thought that was a very good  
13 idea and was proceeding along those lines.

14 Q Now I gather in the course of a meeting you  
15 were called upon to do the actual initial draft of the  
16 Finding; is that correct?

17 A The way it sorted out is there was a  
18 discussion as to what should go into the Finding and in  
19 fact I have seen a document which we may have called the  
20 General Counsel's secretary in and dictated a rough  
21 Finding. The one I saw looked like Stan would have  
22 dictated it.

23 Then the meeting concluded and I was to take  
24 this draft and polish it up and turn it into Finding  
25 format, and we would reconvene, which I did, and I did

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1 stay late that evening and work on it.

2 Q Now the document that has been marked Exhibit  
3 2, I gather, is the final version of the Finding; is that  
4 correct?

5 A Yes.

6 Q The one that you stayed late and drafted is  
7 not identical to this; is that correct?

8 A That is correct.

9 Q Do you recognize ways in which your initial  
10 draft differs from Exhibit 2?

11 A For one thing, I had an option as to whether  
12 or not the oversight committees would be advised of this  
13 Finding. When I was in the process of drafting it, I  
14 just didn't know what was desired or what would be  
15 appropriate, and so I put it in an optional form. I was  
16 also a little more specific in terms of the description,  
17 and I do recall mentioning Israel.

18 Q And I do recall being a little more specific  
19 as to the nature of the arms.

20 Q In what way were you more specific?

21 A I believe that the original draft, which I  
22 don't have a copy of, probably said missiles or missile  
23 parts or something like that.

24 Q And your reference to missile parts would have  
25 been based upon your earlier conversation with Mr.

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1 Sporkin; is that correct?

2 A Right. Also, I can recall a third thing.

3 That is that there is a phrase concerning facilitating  
4 release of American hostages, and I don't believe I had  
5 that in the earlier drafts. So those three changes were  
6 made the next day or whenever we reconvened.

7 Q Why don't we then proceed to that meeting and  
8 discuss the atmosphere in which your draft Finding was  
9 discussed and when these changes were incorporated into  
10 it? When does the next meeting take place?

11 A I believe it is the next day.

12 Q Who was present?

13 A Stan Sporkin and George Clarke, and Ed Dietel  
14 was not at that meeting.

15 Q I gather, then, that you produced your night's  
16 efforts for their review; is that correct?

17 A That is correct.

18 Q What happened when you did that?

19 A Stan was a little surprised, and I'm surprised  
20 that he was surprised because I had converted it into  
21 Finding format and he was concerned that the original  
22 draft may have lost something in the translation. And so  
23 we really went through almost line by line what was in  
24 there.

25 Also, he made the changes I have just been

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1 talking about.

2 Q Why don't we direct our attention, then, to  
3 those changes? You originally had a reference to Israel  
4 in your draft Finding. How was that changed?

5 A I believe the language -- and it's curious,  
6 but the reference to private parties was substituted for  
7 Israel.

8 Q You say that that's curious. Does the curious  
9 element arise from "private parties" being a good deal  
10 more ambiguous when one is otherwise referring to foreign  
11 nations?

12 A Yes.

13 Q Did you have any understanding at the time  
14 that indeed there might have been private parties  
15 involved in some of these prospective shipments?

16 A I didn't know any particulars, but I did have  
17 the feeling that there were intermediaries involved  
18 somehow. In the course of my job I am familiar with  
19 other transactions in which there is always a whole host  
20 of intermediaries and hangers-on in commercial deals of  
21 this sort.

22 Q So you assumed that perhaps this broad term  
23 was intended to govern not only just foreign states like  
24 Israel but also these private parties?

25 A I didn't know. I took Stan at his word. I

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1 assumed this was the replacement for Israel, but I could  
2 see why it could be considered as broader.

3 Q You could see that at the time or you can see  
4 it now?

5 A I can see it now. I saw it at the time, too.

6 Q But I gather there was no discussion as to the  
7 broader term encompassing something more than simply the  
8 State of Israel; is that correct?

9 A Right.

10 Q Let me then direct your attention --

11 A If I could, in the previous meeting another  
12 issue besides the Finding issue that we discussed was  
13 whether or not such shipments would violate the export  
14 control laws.

15 Q What did you perceive the problem to be there?

16 A Well, I'm no expert in that particular area,  
17 but somebody mentioned that before a foreign state, such  
18 as Israel, could transfer military equipment the  
19 President had to make some sort of determination if that  
20 foreign country had obtained the military equipment from  
21 the U.S. or if it would be replenished from U.S. stocks.

22 And as I recall the discussion of that issue,  
23 on the one hand nobody seemed to have any knowledge that  
24 the U.S. was going to do either at that particular time,  
25 that it had originally come from U.S. stocks or that it

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1 would be replenished.

2 Q Was that left open to be determined?

3 A Well, the idea being to get more facts as this  
4 thing sorted out, but if that were the case, that would  
5 be helpful not being a legal problem.

6 Q Was there a way in which the Finding could  
7 have been tailored to address that or was that simply  
8 beyond the ambit of Finding authority?

9 A Well, the second theory that was discussed at  
10 the time, as I recall, is that if a Finding were obtained  
11 it would resolve this sort of problem. It would be  
12 superseded by the Finding process, and that would be the  
13 determination by the President. So there was a general  
14 comfort on those aspects.

15 Also, we knew that in the Finding process  
16 normally when you prepare a draft those things are sorted  
17 out as they are considered by the various parties and  
18 agencies, including the Department of Justice.

19 Q So in the ordinary course the Finding is going  
20 to go through some other agencies anyway and, therefore,  
21 these problems would be raised and vetted at that level  
22 as well; is that correct?

23 A Right. As a matter of fact, we came out of  
24 that meeting feeling very comfortable with ourselves  
25 because we're saying we've got to go get a Finding on

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1 this, and that's it, or we can't participate.

2 Q Let me direct your attention back to the  
3 wording of Exhibit 2. You said that your original draft  
4 had a reference to what you felt was either missiles or  
5 missile parts. That phrase is not present in Exhibit 2.  
6 What language supplants it?

7 A I believe it is "certain foreign materiel and  
8 munitions".

9 Q Now why was that change made; do you recall?

10 A I believe for a couple of reasons. Stan had  
11 whatever facts there were. He had better knowledge than  
12 we did. But I believe he wanted that change to be  
13 broader and more encompassing because he wasn't sure  
14 whether he had all the facts or what it would turn out to  
15 be, and he wanted to make sure that it was covered.

16 Q Now the use of the broader terminology, I  
17 gather, is really directed at the prospective shipments;  
18 is that correct?

19 A The way it is worded, but there is a fourth  
20 change, and I will get to that in a minute. As I said,  
21 the focus was on prospective shipments, certainly in  
22 terms of our discussion and my drafting of it, and the  
23 last phrase, the fourth change that Stan made, was adding  
24 the phrase "all prior actions taken by U.S. Government  
25 officials in furtherance of this effort are hereby

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1       ratified."

2               Q     And that is directed at the shipment that --

3               A     At the one that had already taken place.

4               Q     Fine. I want to get into that in just a  
5       minute, but let me go back, if I could, to this language  
6       on the foreign materiel and munitions as the supplanting  
7       language for missiles or missile parts.

8                       Now at the time you and Mr. Sporkin and Mr.  
9       Clarke are examining this on the second day at least one  
10      shipment has already occurred and you are aware of that;  
11      is that right?

12              A     Yes.

13              Q     Now presumably there is no need really to use  
14      broader language to encompass that, because that is an  
15      accomplished fact, and whatever was in it was in it; is  
16      that correct?

17              A     Yes, but I'm not certain how detailed a  
18      knowledge that Stan had. I mean, I believe and I've  
19      since checked with him that it indeed encompassed  
20      missiles, the first shipments. But as to the different  
21      types or whether there were also parts and that sort of  
22      thing, I'm not sure that he knew it in that detail, even  
23      with respect to the original.

24              Q     That is really what I was driving at, was the  
25      quality of your collective knowledge at that time as to

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1 the original shipment. And I gather from what you are  
2 telling me that the broader language was intended to  
3 apply to the earlier shipment because it wasn't crystal  
4 clear that in addition to missiles or missile parts that  
5 perhaps something else might have been on the plane; is  
6 that correct -- or in the shipment; is that correct?

7 A I agree with the facts, but I believe that  
8 this first paragraph was drafted before that next one  
9 was, and when that was originally put in -- well, I guess  
10 it was modified. Yes, that is correct. That does refer  
11 to the original as well.

12 Q Let me direct your attention, if I might, to  
13 the retroactive ratification provision. I gather that  
14 that was added by Mr. Sporkin himself; is that correct?

15 A Yes.

16 Q And I gather the theory was that this flight  
17 had already occurred and that there should be some  
18 provision for encompassing it within the Presidential  
19 Finding; is that correct?

20 A I think it's my recollection that we really  
21 didn't debate in our discussion whether that required a  
22 Finding or not, and we didn't really know all the facts  
23 at that particular time. But Stan I think put this in on  
24 the basis that it probably wouldn't hurt to put it in to  
25 get acknowledgement and Presidential blessing, not that

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1 he felt that it was necessary.

2 There was a little debate as to what the  
3 effect of such a thing would be, and I can recall George  
4 Clarke saying there's no precedent in his recollection  
5 for this sort of language, but also someone saying  
6 there's no precedent for not using it and it couldn't  
7 hurt. And so I think it was added on that basis.

8 Q Sort of the same theory that causes people to  
9 wear belts and suspenders simultaneously; is that  
10 correct?

11 A We have since looked into this and there is  
12 some justification for ratification in statutes and other  
13 places. We have a legal memo on that. And when I was in  
14 my factfinding phase with Stan he recollected this  
15 original Finding on the basis that it was the nunc pro  
16 tunc Finding. So his memory focused him on that last  
17 provision.

18 Q That is a concept that I'm sure he's applying  
19 now in his application of the speedy trial act.

20 (Laughter.)

21 I think there's plenty of judicial recourse to  
22 that policy under that Act.

23 Now let me direct your attention before  
24 leaving Exhibit 2 to your earlier reference to that  
25 portion of the Finding that refers to the release of

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1 Americans held hostage. I gather from what you testified  
2 to earlier in your draft that was not present; is that  
3 correct?

4 A Right. Stan added that.

5 Q What was the rationale there?

6 A Well, he believed -- and this is on the basis  
7 of whatever knowledge he had -- that these all related to  
8 the hostage negotiations, and I didn't know that coming  
9 out of our first meeting, that it was tied that much to  
10 it. So he knew more about it than I did.

11 And, secondly, he thought it would be more  
12 saleable or look better if it had "blood and guts", in  
13 his terminology, type issues apparent on its face rather  
14 than abstractions, a deal that would benefit our foreign  
15 policy or something like that.

16 Q Is that the language that was supplanted, that  
17 there was a reference of a rationale being that this  
18 would be of general benefit to our foreign policy or  
19 something along those lines?

20 A No, I don't think that was ever in there.

21 Q What was the rationale before the importing of  
22 "the release of Americans held hostage" phrase?

23 A Well, we knew there was some connection, or my  
24 original understanding was that there was some connection  
25 with the hostages. It was just the emphasis. Stan

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1 emphasized it more than I did.

2 Q Do you recall how it was that you phrased the  
3 rationale?

4 A I really can't.

5 Q Now after this Finding was redrafted were you  
6 given the task of going and putting the changes into it?

7 A I believe that it was given to the General  
8 Counsel's secretary.

9 Q And that was who?

10 A [REDACTED] But I was responsible for making  
11 sure that it was done properly for reviewing.

12 Q That's [REDACTED] is that right?

13 A Right. And I do recall looking at the typed  
14 version after it was typed.

15 Q I gather that your looking at it after it was  
16 typed was rather a proofing process; is that correct?

17 A Correct.

18 Q What happened then?

19 A That is the last I really knew about it. In  
20 fact, I must also relate the instruction to Stan was --  
21 from Stan was that I should not keep copies of any of my  
22 drafts or any other copies of this particular Finding,  
23 and I dutifully got rid of them. And that's one of the  
24 reasons why I can't claim more accurately what happened  
25 in my initial drafts of this Finding.

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1 Q You testified earlier, I think, that you saw  
2 not long ago something that approached the draft of this  
3 Finding; is that correct?

4 A No. You want me to get into how I discovered  
5 this Finding?

6 Q Well, I don't want to get into that, but as I  
7 recall your testimony --

8 A Oh, all right. Yes.

9 Q I gather that wasn't among your notes; is that  
10 correct?

11 A It wasn't among my notes. It was among [REDACTED]  
12 [REDACTED] dictation notes.

13 Q What are those -- shorthand or written out?  
14 What's the status of those?

15 A I think originally they were in shorthand, but  
16 they've since been written out.

17 MR. WOODCOCK: Let's go off the record.

18 (A discussion was held off the record.)

19 MR. WOODCOCK: Let's go back on the record.

20 BY MR. WOODCOCK: (Resuming)

21 Q Now did there come a point when this Finding  
22 was brought back to your attention -- and I'm thinking  
23 particularly in the December 1985 period?

24 A Yes. I went to a meeting with Lieutenant  
25 Colonel North and Charlie Allen down in his office in the

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1 Old Executive Office Building.

2 Q And that was Colonel North's office; is that  
3 correct?

4 A Yes.

5 Q How did this subject arise?

6 A Well, I had previously dealt with Charlie on a  
7 terrorism matter involving the Achille Lauro. In fact, I  
8 spent a lot of time assisting the Department of Justice  
9 in that incident, in which there were some people who  
10 were in France, I believe, or Italy, the terrorists, or  
11 potential extradition, and that sort of thing.

12 And after we had gone through that it was  
13 apparent to us that it ought to be easier to get these  
14 people back and prosecute them, if that was what the  
15 government wanted to do. And Stan had one of my  
16 subordinates, Gary Cole, who you have spoken to, work on  
17 what we call an enterprise theory of liability.

18 Q And that's analogous, I gather, to the  
19 Racketeer Influence to Corrupt Organizations Act; is that  
20 right?

21 A Yes. So the idea was to develop that  
22 rationale on the basis of existing law and, if necessary,  
23 perhaps propose some legislation comparable to RICO,  
24 which we informally referred to as TICO -- Terrorist,  
25 blah, blah, blah. And Gary did a very fine job of doing

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1 that, and Stan had wanted to bring this to Ollie North's  
2 attention.

3 And so there came an opportunity to make a  
4 proposal of this nature. We tried for some time to set  
5 up a meeting on this subject, and Ollie is a very busy  
6 guy, and we saw him on Christmas Eve, December 24, 1985.

7 Q Now this meeting occurs, I gather, in North's  
8 office; is that correct?

9 A Yes.

10 Q In the Old Executive Office Building?

11 A Yes.

12 Q Now what happens when you and Mr. Allen  
13 arrive?

14 A Well, we couldn't see North immediately  
15 because he had some surprise visitors, two individuals  
16 who walked in, and North's secretary advised us that our  
17 meeting with him had been delayed for a few minutes. It  
18 turned out to be about twenty minutes.

19 Q And that was Fawn Hall who advised you of  
20 that?

21 A Yes.

22 Q Did she tell you who these people were or what  
23 their status was?

24 A She mentioned that they were Israeli  
25 intelligence types, and from their appearances that fit.

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1 They were older individuals who knew Fawn Hall and had  
2 obviously been there before.

3 Q They were at North's office?

4 A Yes.

5 Q Now after these individuals left, what  
6 happened?

7 A Then we went in and had our meeting.

8 Q Just you and Charles Allen and Oliver North  
9 and no one else; is that correct?

10 A Nobody else. And we spoke for about an hour  
11 on the general subject.

12 Q That being the TICO legislation?

13 A Right, and terrorism in general and how to  
14 deal with it. And then in the course of that discussion  
15 or towards the end of that discussion North made  
16 reference to something that Stan, some document that Stan  
17 had prepared previously that North was very happy with,  
18 that he had taken this document to the President. The  
19 President had agreed and had signed the document.

20 Q Now who was he directing these remarks to --  
21 to you and Charlie Allen both or just you?

22 A I got the impression it was to me, which  
23 surprised me because I had never met the individual  
24 before.

25 Q Mr. North?

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1           A     Right. And I jumped to the conclusion that it  
2 was the Finding that I had previously worked on because I  
3 hadn't worked on other Findings at that time, and that  
4 would be the only thing that would be important enough to  
5 take to the President and have him sign.

6           North went on to say that I'm really concerned  
7 because I have the only copy and it's in my safe, and I  
8 could cross the street tomorrow and get run over by a  
9 truck and so no one would ever know. And so if anything  
10 ever happens to me, it's here. I want you to know that.

11          Q     Were you still under the impression he was  
12 talking to you directly; is that right?

13          A     Right. And I'm a little -- my thoughts at the  
14 time -- I mean, if I were alone I would say what are you  
15 talking about, but Charlie was there and sometimes if the  
16 other individual doesn't know anything about what's being  
17 talked about I didn't want to ask those kinds of  
18 questions. I don't think it would have been appropriate.  
19 But I was stuck by the fact that, one, North didn't know  
20 me, and, second, that even if he did he would be  
21 mentioning something as sensitive as that in this sort of  
22 context.

23          Q     And I gather at this point then you had no  
24 knowledge that Charlie Allen would have been aware of  
25 this Finding; is that correct?

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1 A I had no knowledge of that.

2 Q Did North give you any instructions of  
3 information to bring back to Mr. Sporkin?

4 A He asked that -- in fact, his note of  
5 appreciation to Stan, in fact, I did. When I got back  
6 from the meeting I advised Stan what he had said, and  
7 Stan sort of acknowledged that, but I didn't really  
8 pursue it with Stan at the time.

9 Q What do you recall saying to Mr. Sporkin?

10 A I think I said that Ollie had made reference  
11 to a document Stan had prepared. I may have said I think  
12 it's the Finding. He indicated his appreciation at that  
13 particular time. It was among a number of other things I  
14 was talking to him about. We were busy and he really  
15 didn't do anything other than acknowledge that he heard  
16 me on that particular point.

17 Later on in discussions with Stan I've asked  
18 him whether it could have been anything other than a  
19 Finding. Was he working on something else that I was  
20 unaware of that could have been the reference to, and  
21 Stan has told me that he could not recollect anything  
22 else that would be taken to the President.

23 Q Now this later conversation you are referring  
24 to would have occurred sometime after the revelations of  
25 November 1986; is that right?

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1 A Right.

2 Q When you left North's office I gather you  
3 didn't discuss the matter with Charles Allen at all; is  
4 that right?

5 A I don't believe I did.

6 Q In the post-exposure -- let me say post-  
7 revelation period in November of 1986 I gather, however,  
8 that you did have occasion to talk to Mr. Allen about the  
9 finding; is that right?

10 A Yes.

11 Q Why don't we proceed to that period in time?

12 MS. HUGHES: Could we take a break just for a  
13 few minutes?

14 MR. WOODCOCK: Sure.

15 (A brief recess was taken.)

16 BY MR. WOODCOCK: (Resuming)

17 Q In the post-revelation period -- why don't we  
18 call that the period of November 1986? -- I gather you  
19 were involved in developing for the Office of General  
20 Counsel the chronology of the involvement of the Office  
21 of General Counsel in the Iran initiative; is that right?

22 A I was helping and assisting that, yes.

23 Q Now why don't you just briefly describe what  
24 obligations were visited on you and discharging that  
25 responsibility?

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1           A    Well, first of all the primary responsibility  
2 developed on George Jamison. He's our counsel to the DO.

3           Q    And he, too, is a member of the Office of  
4 General Counsel?

5           A    Yes. And the reason is OGC did not know very  
6 much about the facts or details and Stan was no longer in  
7 the office. He had assumed a Federal judgeship. Casey  
8 was not around at that particular time. He was out of  
9 town. He was down in Latin America, I believe. And  
10 there weren't too many people left who knew much about  
11 any of this.

12                    So Jamison was tasked to start off and discuss  
13 things with Charlie. He referred to Charlie as being  
14 somebody who knew some facts in the Agency. Even within  
15 DO the knowledge wasn't extensive at the time.

16           Q    At the time that George Jamison was tasked  
17 were you aware that all this was afoot?

18           A    All what?

19           Q    Were you aware that there was an effort under  
20 way to begin to explain the Iran initiative?

21           A    Yes, indeed.

22           Q    So what happens thereafter? George Jamison  
23 was tasked.

24           A    I was called upon to assist in a couple of  
25 different ways.

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1 Q Let me stop you there. Who was directing  
2 this? Was this Dave Doherty who is directing George  
3 Jamison?

4 A Yes. The Agency, I believe, was trying to get  
5 at the facts of our involvement at a time under -- I  
6 think Bob Gates was really in charge and trying to pull  
7 things together, and the Office of General Counsel was  
8 involved. The IG was involved. DO was involved in  
9 trying to get at the facts.

10 Q Bob Gates at this time is the Director of  
11 Central Intelligence; is that right?

12 A Yes, and it's kind of awkward because Casey's  
13 out of town and my recollection is that they sent him a  
14 cable or asked questions and part of his response was to  
15 talk to Stan Sporkin because he knew an awful lot about  
16 this stuff. And since I had worked part of the Findings  
17 back then Doherty asked me to see what I could dig up  
18 from my files on the subject and also to go talk to Stan,  
19 which I did on three different occasions down at the  
20 courthouse.

21 Q And we're dealing with the period, I gather,  
22 immediately preceding the delivery of the Director's  
23 testimony before the House and Senate Intelligence  
24 Committees.

25 A Right. Actually my participation began when

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1 the Attorney General began his investigation and some  
2 time prior to that in which he ultimately came out with a  
3 press conference in which he talked about the contra  
4 connection. But prior to that one of his people, Chuck  
5 Cooper, did an investigation and talked to Ollie and he  
6 also came out to the Agency and talked to anybody who  
7 knew anything about the subject, including Charlie Allen  
8 and including me, including Dave Doherty.

9 Q Let me try and fit this in some kind of a time  
10 frame. We have the announcement of North's and  
11 Poindexter's departure on November 25, 1986. On the  
12 preceding Friday, November 21, the Director gives his  
13 testimony before the House and Senate Intelligence  
14 Committees. Where in respect to the Director's testimony  
15 do you believe that you become aware that or at least  
16 that you are tasked to begin to reconstruct the Iranian  
17 initiative?

18 A Well, in my records I note that on the 17th of  
19 November Dave Doherty and George Clarke and Ed Dietel and  
20 I went to an initial meeting with Stan about the Iranian  
21 matter. It was at least then and probably a little  
22 earlier than that.

23 Q Why don't we go to that meeting? I gather all  
24 four of you go down to visit.

25 A Well, before we get to that meeting I have

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1 searched the office at OGC to try to find whatever  
2 information I could, to search my records, and I had very  
3 little because I had destroyed it in connection with  
4 Stan's instructions -- my drafts and that sort of thing.

5 Q Now what are you looking for in your office?  
6 Are you just searching your files or OGC generally for  
7 anything?

8 A George Jamison was also searching OGC files  
9 and some of our files are down in the Directorate of  
10 Operations in his office, but at the main office I was  
11 searching for anything, any OGC involvement or any  
12 information <sup>about</sup> ~~would~~ our participation, OGC's involvement in  
13 any of this. And I started with my own records, and then  
14 I went to my calendars and I went to Stan's calendars and  
15 I talked to his secretary.

16 And we searched his files while he was General  
17 Counsel, and there was not very much available -- very  
18 little, virtually nothing.

19 Q Now when you say you spoke to his secretary,  
20 that is [REDACTED] is that correct?

21 A Yes, who had at that point left the office  
22 herself and went to another office.

23 Q And she's no longer with CIA at all?

24 A No. She is with CIA but another office, not  
25 OGC. And she mentioned to me one of the explanations may

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1 be that when Stan left she did a very thorough cleaning  
2 job of his files and she got rid of a lot of stuff back  
3 then.

4           Anyway, so we hadn't come up with very much.  
5 I knew that I had worked on the Finding, but there was no  
6 corroboration to that. So we went down and had this  
7 meeting and asked Stan what he recollected. And about  
8 the only substantive thing that I took down there to that  
9 meeting was his calendar dates and there are several  
10 references, primarily in January, but some in November,  
11 to meetings with Ollie and meetings at the White House.

12           And we went over with Stan to try to get his  
13 recollection as to what went on, and his memory was not  
14 very good on many of the points, but he did recall that  
15 there was "nunc pro tunc" Finding even before we had even  
16 mentioned anything earlier. So he had recalled that  
17 there was such a thing.

18           Q     And I gather that term rung familiar to you;  
19 is that correct?

20           A     Right.

21           Q     And did you and he both recognize that as  
22 being the Finding that you had worked on in late November  
23 of '85?

24           A     Right. It was then just a matter of trying to  
25 find it, and I came back from that meeting fairly

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1 desperate as to try to find some indication of this  
2 Finding. And eventually [REDACTED] suggested we look at her old  
3 mag cards which she had taken with her, half of which had  
4 been typed over on her new job, on the chance that it may  
5 still remain on the cards. And so another secretary in  
6 the office, [REDACTED] went through and put each of  
7 these cards in the machine and then we typed the  
8 beginnings of every memo.

9 This was a humongous job over a year's time,  
10 and eventually she found it. But before we get to that,  
11 I was sort of in a position of saying that there was this  
12 Finding. It's not a figment of my imagination.

13 Q Was there a group of people who were arguing  
14 that such a Finding never existed?

15 A Well, there was no other corroboration of that  
16 anywhere within the Agency, and in fact there was a  
17 meeting that I have heard secondhand or thirdhand in  
18 preparation for testimony at the White House to which  
19 Gates had gone at which a question was asked, I believe,  
20 of Poindexter and maybe directly of Ollie North, but  
21 maybe not, as to this Finding.

22 And the word was that there was no such  
23 Finding, there was no November Finding.

24 Q Now were you aware of the concern that perhaps  
25 there was no November Finding at the time you were trying

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1 to get it run off on these mag cards?

2 A Well, I got the word back from that meeting.  
3 I knew there was a Finding.

4 Q I understand that you were satisfied yourself  
5 that there was a Finding and you were satisfied from  
6 talking to Stan Sporkin that he understood there was a  
7 Finding, and yet you also felt the need to produce the  
8 Finding if you could. And therefore you asked [REDACTED]  
9 to help you in that regard.

10 A That's right.

11 Q However, I guess what I'm driving at to you is  
12 in the course of that search were you also cognizant that  
13 there was, that either the NSC or Poindexter or North or  
14 some combination thereof was disputing that there even  
15 had been such a Finding?

16 A Yes. As I just mentioned, someone told Gates  
17 directly that there was no such Finding. Also, I had a  
18 conversation with Charlie Allen at the time, and I  
19 remember calling him and without mentioning that there  
20 was a Finding, because I didn't want him predisposed to  
21 it, I said apart from the January 17 Finding were there  
22 any other Findings that you are aware of in connection  
23 with this, to which he rather surprisingly said, yes,  
24 there was the mini-Finding in November.

25 Q And that was the first time you had heard that

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1 term; is that correct?

2 A That was the first time I heard that term.  
3 Also that surprised me because I didn't know that he was  
4 even aware of it, and he obviously was. He mentioned  
5 that after that meeting with Gates that Ollie had called  
6 him, Charlie Allen, and said the subject came up and  
7 there is no Finding and made it very clear to Charlie  
8 that there was no Finding.

9 And Charlie's remark to me was well, we know  
10 there's a Finding but we can't prove it, and until we  
11 could find such a thing it is just our word against  
12 theirs.

13 Q Did he tell you how he had responded to North  
14 when North had asserted that there was no such thing?

15 A He didn't say specifically, but I did not get  
16 the impression that he quarreled with him about it. He  
17 just heard him out and let it go at that.

18 Q Now when this mag card process was completed I  
19 gather that the Finding was then produced; is that right?

20 A Yes.

21 Q Did you review it and determine it to be the  
22 same Finding you had worked on?

23 A Yes, I recognized it once I saw a copy of it.  
24 And in fact this was found and reported to me like noon  
25 and Dave Doherty was going over to attend a meeting of

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1 Gates' group pulling together all of the facts, and I  
2 stopped him and made him late for the meeting to make  
3 sure he had a copy of this and would take it to that  
4 meeting.

5 Q Now let me back up for a moment and go to the  
6 November 17 meeting that you had with Mr. Sporkin. You  
7 have already testified that you discussed the nunc pro  
8 tunc Finding at that meeting.

9 A Yes.

10 Q And you also went over his -- you and the  
11 others there went over his calendar for January 1986; is  
12 that right?

13 A Yes.

14 Q Now was there any discussion that you can  
15 recall about his involvement in the subsequent Findings  
16 that ultimately resulted in what we now know to be the  
17 January 17 Finding?

18 A There was some discussion. As a matter of  
19 fact, I did find within the office a couple of documents  
20 on a different typewriter on two draft Findings of the  
21 2nd and 3rd of January. And I was not -- in late  
22 December '85 I went on leave and then I had to take sick  
23 leave and I was out of the office virtually the entire  
24 month of January, and so it was surprising to me that  
25 there would be anything on my typewriter, but I was

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1 searching everything, and I surfaced two drafts and they  
2 turned out to be drafts of Iran Findings that were  
3 prepared by my staff in my absence -- Dave Roseman, my  
4 deputy, and one of my subordinates, Gary Cole -- and we  
5 did indeed take those drafts down and discussed them with  
6 Stan.

7 One of those drafts also had a cover sheet on  
8 it saying hand-carried by Stan Sporkin to Ollie North, I  
9 believe on 3 January.

10 Q So by the time of your meeting with Mr.  
11 Sporkin on the 17th of November you have already  
12 uncovered the January 2 and 3 versions; is that right?

13 A Right.

14 Q Was that the first you had heard of those?

15 A Yes. I had not heard that there was a January  
16 17 Finding.

17 Q Was there any discussion about a meeting that  
18 Mr. Sporkin had had with Colonel North and others in  
19 approximately mid-January to discuss the January 17  
20 Finding?

21 A I recall that Stan mentioned there was a  
22 meeting. I guess Ollie was at the meeting. But it was a  
23 fairly significant meeting at which the Attorney General  
24 was present and Poindexter was present, and I'm not sure  
25 who else -- Ollie, Stan. The Secretary of Defense was

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1 not present, but they were to float, to discuss the  
2 Finding. They were to float it at that meeting.

3 Q Did you discuss his participation the meeting  
4 in which Richard Secord was present?

5 A No.

6 Q And that would be true of your November 17  
7 meeting?

8 A If Secord had been present at that meeting, I  
9 didn't know it at the time. There was no mention of  
10 that.

11 Q Do you recall or have you discussed with any  
12 member of your staff their participation in any of these  
13 meetings in January that Mr. Sporkin was at?

14 A Certainly it wasn't Dave Roseman or Gary Cole  
15 or myself. The only other possibility is if there were  
16 others in our office. Aside from Stan would be George  
17 Clarke or George Jamison.

18 Q Let me --

19 A I do know that they were involved in much of  
20 the January work on the January 17 Finding.

21 Q So either George Jamison or George Clarke?

22 A Yes.

23 Q Let me put the same question to you in a  
24 little different fashion. The testimony of Richard  
25 Secord is that sometime shortly before January 17 he went

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1 to a meeting, and I believe he places at the meeting  
2 Clair George and Stanley Sporkin and I think possibly [REDACTED]  
3 [REDACTED] and he also places, in addition to Stan Sporkin,  
4 a person whom he believed to be a CIA lawyer from  
5 Sporkin's staff. Other than George Jamison or George  
6 Clarke, do you have any idea who that might be?

7 A No. If I could amplify on that answer there,  
8 there is a unit in the Directorate of Operations [REDACTED]  
9 [REDACTED] who interfaces frequently between our  
10 office and DO components. And some of their personnel  
11 have legal experience, so that's another possibility.

12 Q Who's in charge of that office?

13 A Right now it's [REDACTED]

14 Q Do you recall who would have been the head of  
15 that division back in January 1986?

16 MS. HUGHES: Off the record.

17 (A discussion was held off the record.)

18 BY MR. WOODCOCK: (Resuming)

19 Q Do you recall who would have been the head of  
20 that office in January of 1986?

21 A I believe it was [REDACTED] Sometimes  
22 personnel from that office are mistaken for OGC  
23 personnel.

24 Q Let me turn now, if I might, to what I think  
25 and what you probably hope will be the last area that we

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1 cover today. There was a point, I gather, in the ongoing  
2 engagement with Mr. Ghorbanifar where Charles Allen found  
3 the need to seek authorization for the tape recordings  
4 that he was making of Mr. Ghorbanifar; is that correct?

5 A That is correct.

6 Q And I gather that you yourself were not  
7 personally involved in giving him that authorization; is  
8 that right?

9 A I don't believe I was. I do know that Gary  
10 Cole, who worked for me, was.

11 Q Could you tell us what you know of the request  
12 for authorization and the granting of authorization, as  
13 you know it from your standpoint as Mr. Cole's superior?

14 A I believe that sometime, I believe in July of  
15 '86, Charlie came to our unit and talked to Gary Cole,  
16 and said that he had wanted to -- was contemplated or was  
17 involved in conversations regarding the release of the  
18 hostages on his office phone and he asked whether there  
19 was any problem, legal problem, in doing so.

20 And he wanted to make a record of these  
21 conversations and record them so he could go back and  
22 verify exactly what was said. Cole advised him that such  
23 recordings would be legal under the relevant statutes,  
24 that they would be consensual, one party's consent being  
25 sufficient, but that there was an Agency regulation that

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1 required that before any such recordings were made on  
2 Agency phones that approval would have to be obtained  
3 from an appropriate Deputy Director and it had to be done  
4 for legitimate operational or security purposes.

5           So Gary suggested that Charlie obtain such  
6 approval and in fact drafted a request for such approval,  
7 which Charlie obtained.

8           Q     That is Gary Cole drafted the proposed  
9 approval?

10          A     Right -- the request, which embodied the  
11 approval and it was approved by the DDO at the time.

12          Q     Now that, I gather, did not extend to any  
13 phone calls that had been taped prior to that time; is  
14 that correct?

15          A     Well, I have looked at the form and it doesn't  
16 speak in terms of being purely prospective. That really  
17 doesn't have a time element in it, but I understand from  
18 Gary that his impression was that these were calls that  
19 would be made in the future and he had no knowledge at  
20 the time the request was made of any prior telephone  
21 calls that had been recorded.

22          Q     Let me put the question a little differently.  
23 The Agency has a regulation that prohibits this kind of  
24 telephone taping without prior approval; is that correct?

25          A     Yes.

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1 Q Where that taping does occur without prior  
2 approval, is there not a mechanism for providing  
3 retroactive ratification in a sense for it?

4 A Not really. The way we handled that  
5 regulation in the past is once it was discovered or once  
6 there had been such tapings going on, the thing to do was  
7 to get approval for any future tapings, and that has  
8 generally been considered the end of it. If in fact such  
9 approval was worth commenting on, there had been other  
10 tapings not involving [redacted] where they were terminated  
11 because senior management did not wish to approve such  
12 tapings.

13 And I do know that this regulation is  
14 knowledgeable to some people but to many people it's  
15 buried away in Agency regulations. The DDO is very  
16 familiar with it because they have occasion to make these  
17 sorts of recordings, whereas Charlie Allen was not really  
18 in the DDO.

19 Q He's not an operational officer; is that  
20 right?

21 A That's right.

22 Q However, let me put a hypothetical to you and  
23 if you can field it go ahead. Let's assume that  
24 unauthorized taping has occurred. However, it has  
25 occurred in circumstances where the tapes have maintained

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1 a value, an intelligence value; therefore, it becomes  
2 important to gain some kind of legal standing for these  
3 unauthorized tapings. Isn't there a way to gain some  
4 kind of legal standing for them?

5 A Do you mean something like a retroactive  
6 approval?

7 Q Right.

8 A Well, one would think, without researching the  
9 matter, that -- was the case, but I know in researching  
10 Title III, the legislative history which specifically  
11 argues against retroactively validating a consensual  
12 recording --

13 Q This kind of recording is not a Title III  
14 problem, really, is it?

15 A No, it's not. But there is a sense of  
16 retroactivity in that.

17 Q The reason I asked this is that when I  
18 interviewed Gary Cole he suggested that there was some  
19 kind of a process whereby you notified the Intelligence  
20 Oversight Board.

21 A Whenever there is -- if we violate anything,  
22 an Executive Order or procedures or regulations of this  
23 nature, and it is considered sufficiently serious we will  
24 notify the Intelligence Oversight Board via a regular  
25 report that the General Counsel makes to that particular

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1 Board. And, as a matter of fact, the extent of our  
2 obligation to that Board goes beyond violations.  
3 Anything that raises questions. It's a much broader  
4 standard than the one we have with respect, for instance,  
5 to our oversight intelligence committees.

6 So something like this we would normally  
7 advise the IOB about either in a report or orally,  
8 something like that, and with the admonition that we have  
9 looked into it and we have taken care of it. We either  
10 obtained proper approval so we can continue it or stopped  
11 it. That is our practice in those kinds of cases.

12 Q I see. Now this is maybe a walk into real  
13 esoterica, but if you have a tape that has been made in  
14 this kind of a manner and yet it remains a valuable thing  
15 in your intelligence construct, what does it status  
16 become? Are you prohibited from using it or can you  
17 still use it, or how does that work?

18 A Well, generally if this were a non-consensual  
19 problem and there was no consent and this was arguably a  
20 Fourth Amendment type problem, what we would do it  
21 basically constructively destroy it. We would impound it  
22 and we would not permit intelligence use to be made out  
23 of it. We would not physically destroy it because then  
24 questions might be raised as to why we destroyed it.

25 So we would seal it, put it away, and if

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1 anybody raised questions it would always be there. But  
2 that is our general way to proceed. In this particular  
3 case I don't believe we had any knowledge at that time  
4 that there had been prior recordings.

5 Q Well, I think that concludes my questioning,  
6 unless you have any random thoughts you want to put down  
7 on the record.

8 A I do have a couple.

9 Q Why don't you go ahead?

10 A One is that when I went through the meetings  
11 with Stan, when we were getting all the facts, Dave  
12 Doherty asked me on the 20th of November -- and this is  
13 the day before Director Casey's testimony -- to go back  
14 and check one fact with Stan, and that had to do with  
15 whether there were missiles or arms on the first or  
16 original shipment.

17 And I had mentioned to Dave that I had already  
18 gone over that with Stan and that was his opinion, but he  
19 nevertheless wanted me to do it one more time to make  
20 absolutely clear on that point. And the reason was, I  
21 think, in part because the testimony -- and I hadn't seen  
22 it personally -- that the draft testimony had said  
23 something to the effect that nobody knew about arms  
24 deliveries until January. And if we knew about them in  
25 November that would be an incorrect statement.

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1                    Now this is at the time -- well, I went back.  
2                    I went back to Stan and discussed the matter with him and  
3                    he was very vehement in saying yes, it was arms and we  
4                    can't be saying anything other than that. And you've got  
5                    to go back and have him change this thing. If you can't  
6                    do it, tell me about it and I will call Casey up and it  
7                    will be changed. It's got to be changed.

8                    And so I returned that evening, late that  
9                    evening -- it was like 9:00 -- before the testimony the  
10                   next day and mentioned this, brought this to the  
11                   attention of Dave Doherty and he immediately called Casey  
12                   and said Stan says this and he's absolutely clear on it,  
13                   and so Casey said we've got to change it.

14                   And he advised Dave to get in touch with a guy  
15                   named McCullough.

16                   Q     Jim McCullough?

17                   A     Right, and get that done. I think that is  
18                   helpful in several respects. It shows that we were doing  
19                   our best to make an accurate record.

20                   Q     Under difficult circumstances.

21                   A     Under difficult circumstances, and we had no  
22                   problem doing so when it came time to do it.

23                   Q     I gather, then, that you would dispute the  
24                   now-famous story that the correction was really made at  
25                   the behest of the State Department.

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1           A     Well, I don't know whether I would dispute  
2     that. I have no knowledge to dispute it, but there may  
3     have been another reason why it was changed or it might  
4     have been simultaneous or something like that.

5           Q     At any rate, from your perspective,  
6     irrespective of the involvement of the State Department,  
7     the CIA had already started the process, the means by  
8     which that statement was going to be corrected; is that  
9     right?

10          A     Right. And I recall in my conversation with  
11     Stan that the earlier draft Finding, that doesn't say  
12     missiles but it certainly talks about munitions, military  
13     equipment, that sort of thing, and that is sort of  
14     contemporaneous confirmation of that.

15                 There was an idea, to be fair, we didn't have  
16     all the facts and there were a lot of rumors -- not  
17     rumors, but there was a lot of speculation, sort of  
18     suggested things, and I know that the Agency tried to  
19     just make assertions on that on which there was some firm  
20     foundation for speculating on a number of different  
21     things.

22          Q     Wait a minute. You're losing me in time here.  
23     Are we back in November of '85?

24          A     No. We're back in '86 when we're trying to  
25     reconstruct the record. And there is some evidence of

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1 this and some evidence of that and try to limit. I know  
2 an effort was made to try to limit that testimony to what  
3 we knew about. The problem with that is that we knew  
4 very little. And if you limited it to what we had firm  
5 knowledge on, we weren't saying much about anything.

6 Q Then you are liable to the charge that you are  
7 not revealing things.

8 A Also, Casey was out of the country again.  
9 Basically the Gates group got together and then in  
10 frustration I think they cabled him and said come back  
11 early because we're having trouble getting this all  
12 together.

13 Q Now who has really got the knowledge in  
14 advising, in the absence of Casey, what is happening or  
15 what has happened in this Iranian initiative?

16 A Within the Agency?

17 Q Right.

18 A Well, the person probably with the most  
19 knowledge is Charlie Allen.

20 Q And where is George Cave? Is he involved with  
21 this?

22 A Well, he's around.

23 Q Is he helping, though, to your knowledge in  
24 providing information on this?

25 A As far as I know, but Charlie is the

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1 knowledgeable person, plus John McMahon, who is no longer  
2 around. He's out on the west coast, and there were  
3 efforts made to talk with him long distance and  
4 eventually he did come back.

5 Q Now do you know whether McMahon was ever  
6 questioned on the point of what this cargo was?

7 A I seem to recall that he did not recall it as  
8 military equipment. I think he thought it was oil-  
9 drilling equipment.

10 Q Now is that in your discussions with him or is  
11 that through someone else?

12 A Well, I've seen some documentation also. I  
13 mean, there is some indication that he would have thought  
14 a Finding necessary even if there had been oil-drilling  
15 equipment.

16 One thing also I recall on the nature of that  
17 first shipment, there are a number of different versions  
18 of what precisely went on and who approved what at what  
19 time. I was involved in another aspect a little bit  
20 later and I helped the IG in getting their chrono  
21 together as to these events, and so I participated in  
22 trying to reconcile these various versions as to what  
23 went on that one weekend of that shipment.

24 Q I see. So you assisted the IG, even following  
25 the delivery of Director Casey's testimony on the 21st of

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1 November?

2 A Right. We had developed in house in our  
3 office, in OGC, a chronology which is very sparse, but it  
4 is what we knew at the time. The Director ordered the DO  
5 and IG and Charlie Allen and OGC to get together and come  
6 up with a complete chronology.

7 Q Were you involved at all in getting the  
8 information from [REDACTED] as to  
9 what his involvement was in getting landing rights and so  
10 forth?

11 A No, but I did see some contemporaneous cable  
12 traffic relating to that.

13 Q That portion of the IG's investigation, I will  
14 tell you for your information and I will ask you to  
15 comment on this if it rings a bell, contains a reference  
16 from [REDACTED] to the effect that on  
17 November 23 he had a meeting with General Secord [REDACTED]  
18 [REDACTED] and that General Secord advised him both  
19 of the purpose of the mission and of the contents of the  
20 airplane that was involved, which he said was HAWK  
21 missiles.

22 According to [REDACTED] he set that  
23 information down in a cable and cabled it back, cabled it  
24 back to CIA. Do you recall coming across any information  
25 like that?

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1           A    No. But I do recall there is information that  
2 the pilot of the plane described it as military equipment  
3 somewhere along the route, and you are probably aware of  
4 that.

5           Q    Right. That's a cable that was generated  
6 while he was over [REDACTED]. Rhonda is still  
7 looking for the cable, I hope, from [REDACTED]

8           A    It seemed to me -- and I don't know if I saw  
9 documents but I heard from somebody along the way that  
10 the pilot had seen the cargo and that it was missiles. I  
11 guess that is when it was being loaded.

12          Q    Yes, but it had to be unloaded from a 747 and  
13 onto a 707.

14          A    Well, they had -- there was a U.S. flag  
15 carrier -- I mean an aircraft.

16          Q    U.S.-registered aircraft?

17          A    Right. And when he found out where he was  
18 going and what he was taking he figured that wasn't the  
19 most sensible thing to do, to be shot out of the sky  
20 regardless of the nature of the cargo. But then they  
21 transferred it onto a non-U.S.-registered aircraft.

22                   That's all I have.

23           MR. WOODCOCK: Well, we appreciate your time  
24 and patience and we will have an opportunity for you to  
25 take a look at the transcript and review it and make sure

~~TOP SECRET CODEWORD~~

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1 that it is accurate as you feel you have given your  
2 testimony. We appreciate your time.

3 THE WITNESS: Thank you.

4 (Whereupon, at 4:25 p.m., the taking of the  
5 instant deposition ceased.)

6 \_\_\_\_\_  
7 Signature of the Witness

8 Subscribed and Sworn to before me this \_\_\_\_\_ day of  
9 \_\_\_\_\_, 1987.

10 \_\_\_\_\_  
11 , Notary Public

12 My Commission Expires: \_\_\_\_\_

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## CERTIFICATE OF REPORTER

I, Raymond R. Heer III, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Raymond R. Heer III

NOTARY PUBLIC  
DISTRICT OF COLUMBIA

My Commission expires: May 31, 1989

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**UNCLASSIFIED**  
Department of Central Intelligence  
November 26, 1985

11/26/85  
26 Nov 85

26 November 1985

MEMORANDUM FOR: Vice Admiral John M. Poindexter, USN  
Deputy Assistant to the President  
for National Security Affairs

SUBJECT: Presidential Finding on Middle East

Pursuant to our conversation this should go to the President for his signature and should not be passed around in any hands below our level.

*W. J. Casey*  
William J. Casey

Attachment:  
As stated

Exempt from automatic  
downgrading and  
declassification  
by B. R. [unclear] [unclear] [unclear]

Declassify on: 26 Jul 87  
under provision: E.O. 12356

CL BY 0008074  
RVW OADR

~~TOP SECRET~~



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Finding Pursuant to Section 662 of the Foreign Assistance Act of 1961, As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

I have been briefed on the efforts being made by private parties to obtain the release of Americans held hostage in the Middle East, and hereby find that the following operations in foreign countries (including all support necessary to such operations) are important to the national security of the United States. Because of the extreme sensitivity of these operations, in the exercise of the President's constitutional authorities, I direct the Director of Central Intelligence not to brief the Congress of the United States, as provided for in Section 501 of the National Security Act of 1947, as amended, until such time as I may direct otherwise.

SCOPE	DESCRIPTION
Hostage Rescue - Middle East	The provision of assistance by the Central Intelligence Agency to private parties in their attempt to obtain the release of Americans held hostage in the Middle East. Such assistance is to include the provision of transportation, communications, and other necessary support. As part of these efforts certain foreign materiel and munitions may be provided to the Government of Iran which is taking steps to facilitate the release of the American hostages.
	All prior actions taken by U.S. Government officials in furtherance of this effort are hereby ratified.

The White House  
Washington, D.C.

Date:

Classified Declassify Authority: 26 1197  
Under Provision: E.O. 12356  
By: B. Rusk, Director, Central Intelligence

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1

SENATE SELECT COMMITTEE  
ON SECRET MILITARY ASSISTANCE  
TO IRAN AND THE NICARAGUAN OPPOSITION

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-----x

In the Matter of the Orsl :

Deposition of :

Don Marostica :

-----x

Washington, D.C.

Wednesday, May 20, 1987

ORAL DEPOSITION OF

DON MAROSTICA

was called for examination by the Associate Counsel for the Senate Select Committee on Military Assistance to Iran and the Nicaraguan Opposition, pursuant to agreement, in room 901, Hart Senate Office Building, Washington, D.C., commencing at 2:15 p.m., when were present:

4173

Partially Declassified/Released on 1-11-88  
under provisions of E.O. 12356  
by N. Menan, National Security Council

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2

1     APPENDIX B

## 2     U.S. House Select Committee:

3     H. ROBERTSON, Chairman  
4     U.S. House of Representatives  
5     Committee on Secret Military  
6     Operations and the Nicaraguan7     Contra  
8     1000 Main Building  
9     Washington, D.C.

## 10     U.S. House Select Committee:

11     ROBERT M. D'AMICO, Chairman  
12     U.S. House of Representatives  
13     Committee to Investigate  
14     Covered Transactions with Iran  
15     Cannon Room, Office Building  
16     Washington, D.C.

## 17     On behalf of the Sponsor:

18     C. Gordon Dickinson, Esq.  
19     C. Gordon Dickinson & Associate  
20     P.O. Box 100  
21     So. Franklin and Ash  
22     Sterling, CO 80751

23     ALSO PRESENT:

24     SENATOR PAUL DOYBLE

25  
26  
27     234-4100 NEAL R. GROSS & CO., INC. 232-6600  
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3

## C O N T E N T S

### EXAMINATION

	<u>YOUR DIRE</u>	<u>DIRECT</u>	<u>CROSS</u>
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ISS-

TARGET	52	6	53
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### EXHIBITS

R

### FOR IDENTIFICATION

10	1	(AA Inc handwritten notes)	12
11	2	(2-page memo)	31
12	3	(Credit Suisse Debit device)	32
13	4	(Structure diag)	36
14	5	(Multi-colored brochure)	37
15	6-A	(AA Inc Bus. Plan)	38
16	6-B	(AAI ER II w/App A-D)	38
17	6-C	(AAI ER III w/E-G)	38
17	6-B 1	(Photo in App 6B)	41
18	7	(File w/mult pgs)	44
19	7-A	(Collec of doc)	48
19	7-A 1	(Appl for exp RM Equip Inc)	48
20	7-B	(handwritten notes on Quad Mount)	84
20	7-C	(note on back of phone note)	93
21	8	(File w/mult pgs)	44

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1	<u>EXHIBITS</u> (Continued)	
2	<u>NUMBER</u>	<u>FOR IDENTIFICATION</u>
3	9 (Holding Co. file)	50
	9-A (Sec of holding co. file)	57
4	9-A-1(Ltr)	58
	9-A-2(Diagram org cht)	58
5	9-A-3(Diagram)	58
	9-A-4(Handwritten notes)	66
6	9-A-5(notes, 7-29-86)	68
	9-A-6(notes, 7-30-86)	70
7	9-A-7(notes, 7-31-86)	71
	9-A-8(notes, 8-5-86)	73
8	9-A-9(notes, 8-10-86)	74
	9-A-10(notes, 8-12-86)	76
9	9-A-11(notes on conversation re sig cards)	77
	9-A-12( " " " " " " )	77
10	9-A-13(notes, 8-23-86)	78
	9-A-13-A(Ltr, 9-4-86)	80
11	9-A-14(Waiver & Term Agmt)	81
	9-A-14-A(Ltr, 9-10-86)	82
12	9-A-15(Fed Ex trans slip)	83
	9-B (Fin Rec/Ptship)	86
13	9-B-1(Handwritten notes DM/PT TRI-AA)	86
	9-B-2(cys 2 \$30,000 chks, AAI & Elec Met)	87
14	9-B-3(cy chk \$25,000 9-16-86)	90
	9-B-4(cy stop pymt req)	96
15	9-C (Tri AA file)	97
	9-D (Section of Tri AA file)	97
16	9-D-1(Ltr, 12-29-86)	97
	9-E-(file, actg out docu)	99
17	9-E-1(handwritten actg out doc)	99
18	10 (\$200,000 Albin Val Suisse)	91
19	11 (phone note)	94
20	12 (Tri Red Cedar Assoc file)	106
21	13 (CERETECH Int. file)	107
22		

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	<u>EXHIBITS</u> (Continued)	
	<u>NUMBER</u>	<u>FOR IDENTIFICATION</u>
1		
2		
3	14 (Bio-Fine file)	110
4	15 (ltr)	124
5	16 (Memo re mtg 1-12-87)	125
6	17 (handwritten chron)	138
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PROCEEDING

(2:15 p.m)

Whereupon,

DON MAROSTICA

was called as a witness and, having first been duly sworn, was examined and testified as follows:

## DIRECT EXAMINATION

BY MR. HOLMES:

Q Would you please state your name?

A Yes, Don Marostica.

Q Mr. Marostica, this is a deposition taken on behalf of the U. S. Senate Select Committee and the House Select Committee with regard to the Iranian - Nicaraguan Covert Arms dealing. And we are particularly inquiring about General Richard Secord and Albert Hakim.

Are you familiar with either of those individuals?

A Yes, I am familiar with both of those individuals.

Q I wonder if you could tell me as a background matter what your general business is, the place in which

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1 you engage in that business?

2 A Yes, I have -- wear two hats, I am a securities  
3 investment broker, independent contractor with Integrated  
4 Resources Equity Corporation out of New York. Any my  
5 other hat is a private investor and entrepreneur, located  
6 in Sterling, Colorado.

7 Q Is that where you make your residence?

8 A Yes, I live in Sterling, Colorado.

9 Q How did you meet Richard Secord, for the first  
10 time?

11 A I was introduced to Richard Secord by way of  
12 Larry Royer, on approximately -- the end of April 1986.  
13 Larry Royer was a business partner in another venture  
14 that I was involved with in Sterling, Colorado, a  
15 commercial fish food manufacturing business.

16 Q And it was sometime after that that you were  
17 contacted by an investigator from the House, a  
18 Mr. Remstein?

19 A Yes, Mr. Remstein contacted me about two weeks  
20 ago.

21 Q And you indicated at that time that you would  
22 be willing to appear here without subpoena, is that

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1 correct?

2 A Yes, I am appearing voluntarily and  
3 volunteering all the records that I have.

4 Q The records that we have are the sum total of  
5 the records --

6 A Yes, there are no other records, besides what  
7 we have here today.

8 Q That is any records with regard to either  
9 Secord or Hakim?

10 A Yes, all records regarding Secord and Hakim are  
11 here.

12 Q What was the business that you had with  
13 Mr. Larry Hoyer?

14 A Originally, Larry Hoyer was a partner, about a  
15 6 percent stockholder in a company in Sterling, that  
16 manufactured commercial fish food products from local  
17 grain products.

18 Q What was the name of that business?

19 A First American Sterling Mills.

20 Q And your role in the business?

21 A Chairman of the Board, and I owned  
22 approximately 12 percent of the stock in that business.

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1 Q And what was the period of time that you were  
2 involved with Larry Royer in that business?

3 A Well, Larry Royer still is on the board of  
4 directors of that business. First American Sterling  
5 Mills is a Colorado corporation.

6 Q And you are no longer associated with it?

7 A Well, I am still associated with the  
8 corporation, we have sold most of our equipment. The  
9 corporation is still in place, but we have sold the  
10 equipment to another concern in Colorado, and they are  
11 going on with the manufacturing process.

12 Q When they sold the equipment, does that mean  
13 that they distributed the assets of the corporation?

14 A All of the assets of the corporation were  
15 distributed and the loans paid back to the Sterling Urban  
16 Renewal Authority, and that sort of thing.

17 Q So, the fish food business is --

18 A Is no longer in existence, right.

19 Q When did it cease its operation?

20 A Approximately, March -- I'm sorry, August of  
21 1986.

22 Q How was it that you came to first meet Richard

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1       Second?

2               A     The State Commerce Department received a  
3     package from American First -- Bill Goff, Senior and  
4     Junior, were looking to relocate their manufacturing  
5     plant to Colorado. And the State Commerce Department  
6     sent the business package to our local Chamber of  
7     Commerce and the local chamber contacted me, and asked me  
8     to look at the proposal, see if there was a way that we  
9     could bring that manufacturing plant to Sterling,  
10    Colorado.

11               So, I looked it over, went back to Salt Lake,  
12    visited with the Goffs, and brought back all of their  
13    business plans and pictures, and some of their contacts  
14    they had -- arms dealers throughout the West. And met  
15    Larry Royer the next day, he was in town doing business  
16    with the First American Sterling Mills. And I showed him  
17    the package, and Larry Royer said that he had a friend  
18    that would be very interested in it.

19               Q     And when was this?

20               A     That was probably around the first week of  
21    April, or so.

22               Q     Of 1986?

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1 A Of 1986, correct.

2 Q And he named his friend to you as Richard  
3 Secord?

4 A No, I didn't know who the friend -- he didn't  
5 give me a name at that time. Then approximately the  
6 third week in April, on a Tuesday or Wednesday, Larry  
7 called me and said that he was in Salt Lake with a  
8 Richard Secord, wanted to meet me at the airport, at the  
9 Clarion, in Denver, to discuss the American arms  
10 proposal.

11 And I met them then that day at 7:00 o'clock in  
12 the morning.

13 Q Who was present at that meeting?

14 A Larry Royer, Richard Secord and myself.

15 Q And that was in Denver?

16 A That was in Denver.

17 Q Did you bring with you the documents that you  
18 had obtained from the Goffs?

19 A I had my file that day, I don't know what  
20 exactly was in it at that time, I think probably business  
21 plans, some brochures and that type of thing, was brought  
22 to that meeting, yes.

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1 Q Do you have a document here with you today  
2 that reflect the conversation at that meeting?

3 A There is a document that was brought to the  
4 meeting and we used that as an outline to discuss  
5 American arms.

6 MR. HOLMES: I'm going to mark in red on these  
7 documents so that the jury will indicate whether or not  
8 that is the original. And I am going to hand you what is  
9 marked and ask you if you can identify that document?

10 THE WITNESS: (Examining document) Yes, this is  
11 the document that was brought to the meeting, either by  
12 Larry Royer, or Richard Isard, and we used this as our  
13 basis for discussion for that meeting.

14 (Whereupon, the document was  
15 marked for identification as  
16 Exhibit No. 1)

17 BY MR. HOLMES:

18 Q And this was a meeting in a motel room?

19 A No, it was in the Clarion -- we have a Clarion  
20 suite for business meetings, there at the Clarion Hotel.

21 Q How long did the meeting take?

22 A We were in there most of the morning, I think

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that Larry and Dick -- Richard Secord had a flight out right after lunch, so we were in that meeting the entire time, from 7:00 o'clock.

Q And was this document No. 1 the primary source of discussion there at that meeting?

A Well, primarily we discussed manufacturing 4,000 receivers as collector's items, we spent a lot of time on that, to break that down and the profitability. Actually, it was in two phases, that was phase one, to get the receivers manufactured prior to the signing by the President, that no longer allowed the sale of automatic firearms to private citizens. So, we were trying to beat a deadline, so we probably talked about that phase one, being the government deadline at that meeting.

Q Now, this document No. 1 is a handwritten document, titled American Arms Project, is that correct?

A That's correct.

Q And I don't believe that you answered me directly when I asked if this was the document that served as the discussion basis for that meeting?

A Yes, that is the document for the basis of that

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1 discussion that morning.

2 Q And the numbers that you have just mentioned to  
3 us, the 4,000 arms before a government deadline, is  
4 referred to in this document under Phsse One on page 1?

5 A That's correct, on page 1.

6 Q And the document goes on to delineate a per  
7 unit price --

8 A Of \$1800 for 4,000 units.

9 Q Of \$1800 for 4,000 units, and that is the  
10 selling price, is that correct?

11 A Correct.

12 Q For a total gross income of \$7.2 million?

13 A That's correct.

14 Q The document goes on to refer to a cost per  
15 unit of \$250 times 4,000 units, for a total cost of \$1  
16 million?

17 A That's correct.

18 Q Was the figure of a million dollars discussed  
19 as to where it was to come from?

20 A Basically, I understood at that meeting that it  
21 was going to come from Richard Secord himself.

22 Q Did you understand that from Mr. Secord?

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1           A    Yes, the intent of that meeting -- I knew that  
2 it wasn't going to come from Larry Meyer, so that it was  
3 going to come by access of Richard Secord, yes.

4           Q    And was the figure \$1 million the determinant  
5 of how many units were going to be made?

6           A    Yes. In other words, if the cost per unit was  
7 \$250, a thousand times that \$250 is \$1 million figure.

8           Q    What I am getting at, you were reasoning  
9 backward from the availability of \$1 million, instead of  
10 forwards from the desirability of having the 4,000 --

11          A    Exactly. In other words, we needed \$1 million  
12 in order to produce 4,000 completed units.

13          Q    You had a million, so that is what you were  
14 going to --

15          A    That's correct.

16          Q    The document on page one continues to show a  
17 margin of \$6.2 million, that would have been the margin  
18 of profit?

19          A    That's correct.

20          Q    And then there is a reference to payback,  
21 \$200,000 and that number is subtracted from \$6.2 million  
22 to get \$6 million, correct?

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1           A     Yes, that is correct, that is what the document  
2           Q     You don't recall the \$200,000 payback, what that is  
3           A     No.

4           Q     All right. Then there is a notation of 30  
5           percent to American Arms --

6           A     Right, of that --

7           Q     -- and the calculation as \$1.8 million?

8           A     That's correct, that would be the 30 percent of  
9           \$6.

10          Q     And this figure to the left of \$4.2 million,  
11          that is the remainder of the process of subtracting \$1.8  
12          million from the \$6 million?

13          A     That's correct.

14          Q     And the notation above the \$4.2 million figure  
15          is Don, Pichard, Larry?

16          A     That's split --

17          Q     That is you, Richard Secord and Larry Royer?

18          A     That's correct.

19          Q     Referring now to page 2 of Exhibit No. 1, there  
20          is a notation "Dick, Capital"?

21          A     What we are doing there, you will see above it  
22          says "assignments", and the partnership -- we have broken

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1 the partnership down to everybody's assignment. My  
2 assignment was to negotiate and start into process Phase  
3 One and Two of manufacturing the collectors firearms and  
4 also moving American Arms to Colorado.

5 It has "Dick", which refers to Richard Secord  
6 as furnishing the capital for this venture, and Larry  
7 needed to get the extra 2,000 receivers made before the  
8 deadline. There was a rush for him to find manufacturing  
9 plants to get that finished.

10 Q The balance of page 2 refers to the second  
11 phase of the operation, is that correct?

12 A Correct.

13 Q And that is the topic of particular interest to  
14 you, in that it involved moving the site to Northeastern  
15 Colorado, where you were engaged in industrial  
16 development?

17 A Correct.

18 Q The last page of Exhibit No. 1 refers to  
19 projection of sales, first year, correct?

20 A Correct.

21 Q It says "No domestic sales predicted", and on  
22 the next line "1,000 to 1500 Saudi and Gulf State", and

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1 "4,000 Contra". My question is when was the first time  
2 you discussed sales to the Contras?

3 A Well, basically at that meeting -- we didn't  
4 spend very much time on this phase and projections, but I  
5 see it on the graph at that meeting. And they basically  
6 -- the notes here, that was going to be the efforts of  
7 Stanford Technology, was to begin to sell the M-180 units  
8 off-shore, rather than in the United States.

9 I was primarily concerned with the collectors  
10 items.

11 Q The M-180 --

12 A That is the basically, patented firearm,  
13 correct.

14 Q And the collector item is distinguished from  
15 that by gold or --

16 A Yes, special woods, inlays, that kind of  
17 thing.

18 Q So it was discussed there that Stanford  
19 Technology was going to handle the off-shore sale of the  
20 production line model?

21 A Yes, we didn't talk about that at that time,  
22 the off-shore, that came at a later meeting, when they

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1 talked about manufacturing off shore. What they were  
2 talking about was setting up the corporation off-shore,  
3 tax advantages in doing that. Having them manufacture  
4 them in the U.S., but the corporation off-shore.

5 Q Now, there is a notation on this last page that  
6 says, "Don, Larry, Rich and Albert".

7 A Right.

8 Q I gather that that is you, Royce, Second, and  
9 who is Albert?

10 A Well, it must be Albert Hakim, but he was never  
11 brought up in the first meeting. We didn't get this far  
12 in talking about the different businesses. I didn't know  
13 that Albert was even involved, until a later meeting.

14 Q Did you discuss attacking the Philippines? It  
15 says "attack Philippines".

16 A Well, I discussed with Larry, before this --  
17 Larry was saying that he had a market for farm equipment  
18 and in our area there were a number of equipment dealers  
19 going out of business and you could purchase John Deere  
20 farm equipment, in some cases 30 cents on the dollar.  
21 And I had mentioned that to Larry before.

22 But we didn't talk about that at this first

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1 meeting. In fact, this was the only time -- this was  
2 never brought up again, using the fair equipment. And  
3 they wanted to complete the plants, but I don't know what  
4 "attack Philippines" is, what they are talking about.

5 Q Philippine market?

6 A The Philippine market for the equipment,  
7 exactly. Richard must have had a contact for that, we  
8 didn't talk about in that first meeting.

9 Q So the reference to the John Deere equipment  
10 and attacking the Philippines was something that had  
11 previously been discussed on the telephone, or --

12 A Well, Larry and I had talked about contacts  
13 that Larry had himself, selling John Deere equipment  
14 outside the U.S.

15 Q I see, very well.

16 MR. TRIBBLE: Counsel, may I ask a question  
17 regarding that document?

18 MR. HOLMES: Would you like to --

19 MR. TRIBBLE: Yes, please. Do you know who  
20 prepared Document A, or Document No. 1?

21 THE WITNESS: No, that was brought to our  
22 meeting.

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1 MR. TRIBBLE: And that was brought by whom?

2 THE WITNESS: I am not sure who brought that to  
3 the meeting, I think that Larry brought the document in,  
4 because Dick was on the telephone -- it was a little late  
5 and it seems like I was reviewing that, before Richard  
6 came into the meeting.

7 MR. TRIBBLE: But this is the working paper  
8 used by Secord, Royer and yourself, during the course of  
9 that first meeting?

10 THE WITNESS: That's correct.

11 MR. TRIBBLE: And each of you referred to this  
12 document, and it was on the basis of this document that  
13 --

14 THE WITNESS: We were sitting around the coffee  
15 table, and that was in the middle of the table and we  
16 were going down through those phases and discussing that  
17 document.

18 MR. TRIBBLE: You indicated that you understood  
19 the \$1 million would come from Secord. Was that  
20 understanding based on a conversation that you had with  
21 Secord and Royer that day?

22 THE WITNESS: Really, that day, and also

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1 previous to that, when Larry called me a couple days  
2 before and said that his friend would be able to furnish  
3 the million dollars for this American Arms project.

4 MR. TRIBBLE: And that earlier conversation was  
5 confirmed by your subsequent conversations at this  
6 meeting with Mr. Secord?

7 THE WITNESS: Sure, because you can see on that  
8 document, Senator, that in order to produce those units,  
9 you had to have that much money.

10 MR. TRIBBLE: The starting assumption, as  
11 counsel pointed out, was the million dollars in hand?

12 THE WITNESS: That's correct.

13 MR. TRIBBLE: For this enterprise?

14 THE WITNESS: That's correct.

15 MR. TRIBBLE: And Dick's contribution to this  
16 enterprise, again, as underscored by the notation on page  
17 2 of this Exhibit 1, which says "capital"?

18 THE WITNESS: Yes, under the assignments there  
19 it says "Dick-Capital".

20 MR. TRIBBLE: Now, tell me what kind of arms  
21 are contemplated by this enterprise. What kind of guns  
22 are we talking about?

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1 THE WITNESS: Well, basically, the first 5,000  
2 units were going to be all collectors items, which  
3 consisted of semi-automatic and automatic firearms. And  
4 they were going to be collectors items based upon the  
5 bill that was going to be signed by President Reagan.

6 MR. TRIBBLE: Now, that bill would make it  
7 illegal to possess these items in the United States?

8 THE WITNESS: Well, no, it wouldn't be illegal  
9 to possess them, but you couldn't manufacture anymore for  
10 private citizens use, is the way I understood that.

11 (Discussion off the record)

12 MR. TRIBBLE: Back on the record.

13 BY MR. HOLMES:

14 Q So, these are, again, automatic and  
15 semi-automatic firearms. To what purpose were these  
16 firearms put?

17 A Would you ask that question another way?

18 Q Yes, what is the use of these firearms?

19 A Well, basically an automatic --

20 Q I mean, these don't look like the kind of  
21 firearms that one sees in their hands.

22 Q Basically, the units that had been sold prior

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1 to that, a lot of them were collectors items, gun dealers  
2 in the U.S. were selling them to individuals who had a  
3 license to own an automatic, and they had been sold  
4 numerous -- 10,000 units had been sold to police  
5 departments in the United States, prisons. They had been  
6 manufacturing these for many years.

7 MR. HOLMES: Off the record.

8 (Discussion off the record)

9 BY MR. HOLMES:

10 Q Okay, after this meeting of April 1986, did you  
11 have further contact with Mr. Hakim at anytime?

12 A I originally met Albert Hakim in Virginia, and  
13 that was in June of 1986. We met at the Sheraton Inn at  
14 Tysons Corner, with Richard Secord, Albert Hakim, Larry  
15 Royer. That was an evening meeting, I flew in late in  
16 the afternoon, left very early the next morning.

17 Q What day was that in June?

18 A June 23rd.

19 Q And at that meeting did you discuss the  
20 progress of the Tri-American --

21 A Well, at that meeting I was introduced to  
22 Albert Hakim, and what Albert asked me to do -- they

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1 brought in a blackboard into the room and asked me to  
2 explain the businesses that I had presented to Larry  
3 Royer and Richard Secord.

4 So, we started with the American Arms, then  
5 moved into CENXTECH International and the Seattle Wood  
6 Project, and we also talked about the pharmaceutical  
7 thing.

8 Q So by this time there were several deals?

9 A There were a number of presentations and  
10 business plans that I reviewed. I had actually reviewed  
11 numerous more plans, and I was throwing most of them out  
12 because they didn't seem like good business plans, and I  
13 got down to these four.

14 Q And at whose request had you reviewed other  
15 business plans?

16 A Larry Royer said to me that through their  
17 investors, and contacts that they had around the world,  
18 that they would be interested in looking at other  
19 American ventures.

20 Q Who is the "they" that he was referring to?

21 A He was talking about European investors and  
22 Middle Eastern investors.

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Q When you say "through their investors", was it Peyer or --

A No, I don't think it was Royer's investors, I think he was talking about Richard Secord's investors. And then at this June 23rd meeting, I realized that maybe Albert Hakim was also part of his investors, but I didn't know him before that time.

Q I see. And by that time you had culled out various business opportunities?

A That's correct.

Q What business opportunities had you examined, but did not survive your scrutiny?

A Well, there were a number of business enterprises that the Chamber of Commerce was presenting, if I remember, there was a camper manufacturing business. We looked at a company that makes trash containers, I just don't recall some of the other ones, but there were numerous -- our Chamber was receiving every day people out there with some low interest money were sending these projects to our Chamber.

Q Just as a matter of background on the state of your Chamber of Commerce at that time, I gather that

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1 there was low interest loan money in Northeastern  
2 Colorado at that time?

3 A Yes, Northeastern Colorado was in a very  
4 depressed state in 1984-85, and the state had  
5 appropriated certain amounts of monies to bring in  
6 industrial and manufacturing to put individuals to work.  
7 And they knew that I was interested in industrial  
8 development, and were forwarding all of those state  
9 packages to myself.

10 Q So there was low interest money available by  
11 government subsidies --

12 A Government subsidies, bonds -- industrial bond  
13 issues, numerous public monies.

14 Q I see. And by the June 23rd meeting, these had  
15 been reduced by you to four potential projects?

16 A Well, basically, the wood situation wasn't a  
17 project that I reviewed very much, it was one that was  
18 brought to me through Richard -- I'm sorry, through Dick  
19 Fincke at CERETECH International.

20 And as we were talking about the business  
21 structure of CERETECH International, then that project  
22 didn't come through the Chamber, the rest of them had.

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1 Q All right, I am going to recap these project,  
2 if I might, and see if I am up to where we are. These  
3 projects as they shook out were the American Arms,  
4 Inc. project?

5 A Correct.

6 Q The CERTECH International, Inc. project?

7 A That's correct.

8 Q The Tri-Red Cedar Associates, Inc. project?

9 A Yes, and that is the same as Quinalt --

10 Q As the Quinalt Indian Reservation Wood Project?

11 A Correct.

12 Q And the Bio-Fine Pharmaceutical, Inc. project?

13 A That's correct.

14 Q Now, I am going to, for the sake of  
15 examination, move along one line at a time, so that we  
16 are not discussing all four projects at once as we go  
17 through time. And I am going to move forward along the  
18 American Arms, Inc. project line, all right?

19 A That's fine.

20 Q Now, did there come a time in July, when you  
21 met again with Albert Hakim?

22 A I think there -- yes, in July, but prior -- in

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1 early July, I met with Albert Hakim and Willard Zucker in  
2 Seattle, Washington, July 2nd and July 3rd.

3 Q All right, and who else was present at that  
4 meeting?

5 A Well, Richard Secord, Larry Royer, Willard  
6 Zucker, Albert Hakim were at that meeting, and then at  
7 various times, Dick Ficke from CERITECH International,  
8 and his group was there, as well as individuals that  
9 represented the "wood" projects.

10 Q So that was a general review of what projects  
11 were on the table?

12 A Yes, I was asked by Albert Hakim to review all  
13 of those projects in detail with Willard Zucker.

14 Q And did he introduce you to Willard Zucker at  
15 that time?

16 A Yes, I was introduced to Willard Zucker and  
17 Willard Zucker was -- he said that Willard Zucker was  
18 their legal representative.

19 Q Whose legal representative did he introduce him  
20 as?

21 A Albert Hakim and Richard Secord.

22 Q And what projects did you review for Willard

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1     Zucker?

2             A     The     American     Arms     project,     CERETECH  
3     International, the Quinalt Wood project, and also the  
4     pharmaceutical company.

5             Q     Bio-Fine?

6             A     Bio-Fine, yes.

7             Q     As to the American Arms project, what was the  
8     progress on that project at that time?

9             A     Well, we funded -- on May 16th we funded  
10     American Arms with \$60,000 as a loan, and by this meeting  
11     in July, we talked about how American Arms was going to  
12     pay the loan back to us.

13            Q     Did you meet again later on in July with  
14     Mr. Hakim?

15            A     Yes, we met in Washington, D. C. on July 17th,  
16     at Stanford Technology.

17            Q     And who was present at that meeting?

18            A     That meeting was Richard Secord, Albert Hakim,  
19     Larry Royer, and I also met Robert Sutton at that time.

20            Q     Dutton?

21            A     I'm sorry, Dutton.

22            Q     So, it was Secord, Dutton, Hakim, Royer and

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1 yourself?

2 A Yes, that is correct.

3 MR. HOLMES: For the record, I am using the  
4 original of this document, I have numbered it in red  
5 No. 2, pursuant to an agreement with counsel that all of  
6 the originals that we so mark will be copied and the  
7 originals will be given to you and the copies will be  
8 retained for our records.

9 (Whereupon, the document was  
10 marked for identification as  
11 Exhibit No. 2)

12 BY MR. HOLMES:

13 Q I am handing you what is marked as Exhibit  
14 No. 2 to this deposition, a document entitled Memorandum,  
15 two-pages. Could you tell me if you have ever seen that  
16 document before?

17 A (Perusing document) Yes, that memorandum was  
18 given to me by Albert Hakim.

19 Q At the July 17th meeting?

20 A That was at the July 17th meeting.

21 Q And does this memo recap again the four  
22 projects under discussion at that time?

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1 A Yes, it does.

2 Q Where is the reference here to an Arab  
3 Development Corporation, had you up until this time heard  
4 of the Arab Development Corporation?

5 A I heard of the Arab Development Corporation  
6 back when the original \$150,000 was wired to the  
7 Tri-American Arms partnership, and then this was the  
8 second time that I heard that name.

9 Q All right. How did you come to hear of the  
10 Arab Development Arms Corporation in connection with the  
11 wiring of the original \$150,000?

12 A The bank officer that was dealing with the  
13 incoming wire spoke with their correspondent bank, and  
14 told me that it was coming by way of Arab Development  
15 Corporation.

16 (Whereupon, the document was  
17 marked for identification as  
18 Exhibit No. 3)

19 BY MR. HOLMES:

20 Q I am handing you what has been marked as  
21 Exhibit No. 3 to this deposition, it is a Credit Suisse  
22 Debit device, debiting an account named Alvin Valves

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1 Corporation, referring Arab Development Corporation. I  
2 take it that you, yourself, haven't seen this document  
3 before?

4 A (Perusing document) That's correct, I haven't  
5 seen that document before.

6 Q But it would have been this date, May 16, 1986,  
7 that the \$150,000 was wired into your account?

8 A Yes, that is correct, May 16th.

9 Q And the account referenced on this document is  
10 the Commercial Bank of Sterling, Sterling, Colorado, with  
11 an account number, is that right?

12 A That's correct.

13 Q And is this the bank and the account number of  
14 your account at that time?

15 A No, that is the actual bank account number,  
16 that is not Tri-American Arms' bank account number.

17 Q Okay, this other number, 013250, is the  
18 Tri-American Arms --

19 A That is the Tri-American Arms account number.

20 Q The correspondent bank that you mentioned a  
21 moment ago, is that Morgan Guaranty Trust Company on  
22 Church Street, in New York?

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1           A     Well, it was the Morgan Guaranty Trust Company,  
2 I don't know their location, but it was New York, Morgan  
3 Guaranty Trust in New York.

4           Q     I see. Back to Exhibit No. 2, --

5           MR. HOLMES: And also for the record, you will  
6 have access to the transcript, which will include all of  
7 the exhibits to this deposition after it is prepared.

8           BY MR. HOLMES:

9           Q     Back to Exhibit No. 2, was the Arab Development  
10 Corporation introduced to you by explanation at any  
11 meeting up to, and including the July 17th meeting?

12          A     The Arab Development Corporation was never  
13 discussed.

14          Q     At anytime?

15          A     At anytime.

16          Q     What was your understanding of STGI at the  
17 July 17th, '80 meeting?

18          A     When I received business cards at that time  
19 from everybody, and I asked what STGI was, and they said  
20 it was set up as an exporting-import company. And that  
21 was the -- what I was told the purpose of STGI was.

22          Q     Do you know who the principals were, were you

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1 told who the principals were of STTGI?

2 A Well, on the business cards it had Albert Hakim  
3 as Chairman of the Board, and Richard Secord as the  
4 President, and then Robert Dutton, I think, Vice  
5 President -- I have those cards. I'm not sure --

6 Q This document No. 2, was it introduced at the  
7 meeting itself?

8 A No, that was handed to me at the same time, or  
9 about the same time that Robert Dutton gave me a  
10 structure of how our subsidiaries would be a part of  
11 STTGI.

12 Q And that was sometime shortly after the July  
13 17th meeting?

14 A That was at the July 17th meeting.

15 Q Oh, I see, so both memorandum No. 2 and the  
16 structure No. 4 were handed to you at the meeting, is  
17 that correct?

18 A That's correct. Actually, Robert Dutton wasn't  
19 in that meeting. Afterwards we were standing out front,  
20 and he walked up and Albert and I were talking, and he  
21 handed this to Albert and said, "This is kind of how I  
22 have structured everything" and Albert took a look at it

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1 and handed it to me.

(Whereupon, the document was  
2 marked for identification as  
3 Exhibit No. 4)  
4

5 BY MR. HOLMES:

6 Q So you got the memo --

7 A Actually, earlier that day in a meeting with  
8 Hakim, Secord and Royer.

9 Q And the memorandum No. 2, the contents were the  
10 focal point of the discussion at that meeting, the  
11 project progress on the four projects?

12 A That's correct, and --

13 Q And it was right after that meeting that you  
14 got No. 4 from Hakim, who had just received it in your  
15 presence from Dutton?

16 A Yea, just as I was leaving the premises, I was  
17 waiting for a taxi cab that I had called, and that was  
18 handed to me, just as I was getting ready to leave.

19 Q And this writing on the bottom of No. 4, it  
20 says "Thursdny, 17 July, P.M., Albert and Bob gave me  
21 this outline in Washington, D. C.", is that in your  
22 writing?

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1 A Yes, that is my writing.

2 Q So the balance of the document is what Hakim  
3 actually handed to you?

4 A Yes, that is correct.

5 (Whereupon, a document was  
6 marked for identification as  
7 Exhibit No. 5)

8 BY MR. HOLMES:

9 Q I am handing you what has been marked as  
10 Exhibit No. 5 to this deposition, a multi-colored  
11 brochure titled American 180, The Legend Grows. Is this  
12 an advertising brochure for the American 180 firearm that  
13 was under discussion at these meetings?

14 A That's correct.

15 Q And there are several models of firearm under  
16 discussion here, right?

17 A That's correct.

18 MR. HOLMES: Now I am going to hand you what I  
19 will mark as 6-A, 6-B, and 6-C, described as follows: 6-A  
20 is an American Arms, Inc. business plan, a multi-paged  
21 commercially prepared advertising and commercial  
22 solicitation, would that be a fair description?

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1 THE WITNESS: That's correct.

2 (Whereupon, the documents were  
3 marked for identification as  
4 Exhibits G-A, G-B and G-C)

5 BY MR. HOLMES:

6 Q G-B is American Arms, Inc. Book II, with  
7 appendices A through D, is that right?

8 A That's correct.

9 Q This is meant as an amplification No. G-A?

10 A That's correct.

11 Q And G-C is an American Arms, Inc. Book III,  
12 appendices E through G, a further amplification of the  
13 American Arms business, is that correct?

14 A That's correct.

15 Q Now, I will ask you to look at G-D, and turn to  
16 Appendix B-3.

17 A (Perusing document)

18 Q And on through B-9, and ask you to tell me what  
19 device it is that is being described in these pages, and  
20 what was the name of the American Arms lexicon?

21 A I believe this was called the Quad-Mount  
22 System.

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1 Q Did you have occasion to discuss specifically  
2 the Quad-Mount System with Richard Secord?

3 A At one point in time Larry Royer and the Goffs  
4 and Richard Secord were talking about having the  
5 U.S. military test this Quad-Mount System.

6 Q Where did this conversation take place?

7 A I don't recall that, when it took place, in  
8 fact, that may have been a telephone conversation, I  
9 don't remember whether that was in person, or by way of  
10 telephone.

11 I believe in our notes we have a reference to  
12 that via telephone call, that Richard should go ahead and  
13 pursue this matter, pushing this through and have it  
14 tested.

15 Q Okay, what was the project of having -- that  
16 Richard was going to be pushing through in those notes?

17 A Basically, to see if the U.S. military was  
18 interested in this system.

19 Q And did he represent to you that he had any  
20 particular ability to do that, or expertise at getting  
21 that done?

22 A That was represented, that he had the necessary

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1 contacts to get the Quad-Mount System tested, at least  
2 for manufacture.

3 Q Referring you back to Exhibit No. 2, there is a  
4 paragraph numbered one on the first page, Project A,  
5 American Arms, Inc. The second sentence of that says,  
6 "Through its subsidiary American Research Development  
7 Company, Inc., it is to develop the "Quad-Mount 180  
8 Weapons System" for various military and security uses.  
9 Is this the Quad-Mount System that is being referred to  
10 here?

11 A Yes, I believe so.

12 Q On the second page of Exhibit No. 2, in the  
13 paragraph numbered eight at the bottom it says, Richard  
14 Secord will be responsible for lobbying and the  
15 marketing?

16 A That's correct.

17 Q And was that discussed there at that meeting,  
18 is this the discussion you were referring to?

19 A Yes, that is an assignment of everybody  
20 involved.

21 Q And Albert Hnkim's notation says, "Albert Hakim  
22 will be responsible for establishment and supervision of

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1 the distributors (domestic and international)", and that  
2 was also discussed as his role?

3 A Correct.

4 Q I refer you to Exhibit 6-B again.

5 A (Perusing documents)

6 Q On a page that follows an Exhibit A, one page,  
7 which I will number separately as No. 6-B-1 for  
8 identification.

9 (Whereupon, the document was  
10 marked for identification as  
11 Exhibit 6-B-1)

12 BY MR. HOLMES:

13 Q I ask you what that is a photograph of?

14 A (Perusing photograph) It looks like the  
15 briefcase model that is in the brochure.

16 Q And I will get you the brochure in just a  
17 second. First, would you refer back to Exhibit No. 2,  
18 the memorandum, and I will read you from the same  
19 paragraph number one, Project A, the first sentence says,  
20 "American Arms, Inc. owns and manufactures American 180  
21 weapons system, the laser-lock sight, the security  
22 briefcase and several related products".

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1           Is this what is known as the security  
2 briefcase?

3           A     That's correct.

4           Q     And to make the reference complete, I will  
5 refer you back to No. 5, on the sixth page of this, is  
6 this the security briefcase, again, as it is explained  
7 here?

8           A     (Perusing document) That's correct.

9           Q     Now, after your meeting on July the 17th, was  
10 it your understanding that Albert Hakim wanted to proceed  
11 by way of a so-called holding company?

12          A     That's correct.

13          Q     Could you explain -- if you would like to use  
14 the diagram in Exhibit No. 4, or the text in Exhibit  
15 No. 2 to help you explain -- would you explain to me what  
16 is meant by the holding company concept, as explained to  
17 you by Albert Hakim in those conversations?

18          A     Well, basically, we have the STGI Holding  
19 Company as the primary company, and it has got Richard  
20 Secord, Larry Royer, Albert Hakim and myself there at the  
21 top, with Richard Secord having the domestic and  
22 international customers. Larry Royer involved with sales

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1 and marketing, Albert Hakim also responsible for domestic  
2 and international distributions, and myself as  
3 comptroller of these four concerns: American Arms,  
4 CERETECH International, Tri-Red Cedar Associates and  
5 Bio-Fine Pharmaceutical. Each one of those being a  
6 subsidiary of the holding company.

7 Q And Dutton Diagram, No. 4, labels the holding  
8 company as STTGI, is that correct?

9 A That's correct.

10 Q Now, there was a holding company of sorts  
11 formed, was there not?

12 A No, there was never a holding company formed,  
13 there was a partnership formed.

14 Q And that was Tri-American Arms?

15 A Tri-American Arms.

16 Q And among who were the partners?

17 A The Tri-American Arms was Richard Secord, Larry  
18 Royer and myself.

19 Q Did it function as a holding company, of sorts  
20 for the four ventures under discussion?

21 A That's correct.

22 Q So, but for the name difference, it would have

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1 Similar function to that outlined by Dutton?

2 A Yes, that is correct.

3 Q Now, let's start with the holding company -- I  
4 think probably before we go into the holding company, let  
5 us -- you have produced for us today two file folders  
6 relating to American Arms, is that correct?

7 A Correct.

8 MR. HOLMES: I am going to label them for the  
9 record as Exhibit No. 7, and Exhibit No. 8. Each of  
10 these exhibits consists of multiple pages, and embraces  
11 the folder together with all the pages therein.

12 (Whereupon, the documents were  
13 marked for identification as  
14 Exhibit Nos. 7 and 8)

15 BY MR. HOLMES:

16 Q Now, as to Exhibit No. 7, these documents are  
17 the business records for Tri-American Arms as they relate  
18 to American Arms, is that correct?

19 A That's correct.

20 Q These particular documents are the original  
21 documents?

22 A That's correct.

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1 Q And will be returned to you after numbering and  
2 copying today. Now, they happen to be in Xeroxed form,  
3 is that correct?

4 A That's correct.

5 Q Why is that?

6 A On July 24th of 1986, the Alcohol, Tobacco and  
7 Firearms Division out of Salt Lake City, came and  
8 confiscated all the original records, we made copies that  
9 day with the agent, and I have just copies of those  
10 original documents.

11 Q Where did the Alcohol, Tobacco and Firearms  
12 agent come to?

13 A He came to my office, in Loveland, Colorado.

14 Q And did they have a search warrant?

15 A The agent came in and said they were there to  
16 confiscate the files, I could either wait for a search  
17 warrant, or go ahead and give him a copy. I had nothing  
18 to hide, so I said there was no sense in getting a search  
19 warrant, I will provide you with everything I have  
20 concerning this matter.

21 Q And he allowed you to copy these documents that  
22 are in front of us today from the originals, and to keep

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1 these as copies?

2 A Correct.

3 Q Are these arranged in roughly chronological  
4 order?

5 A Yes, they are. Those on top are the most  
6 recent, and then back to the -- unless we have shuffled  
7 these.

8 Q With the exception of Exhibit No. 1, they are  
9 now in original order, is that correct?

10 A Yes, they are.

11 Q And Exhibit No. 1 was taken from this Exhibit  
12 No. 7?

13 A That's correct.

14 Q Now, as to Exhibit No. 8, these are original  
15 records of Tri-American Arms relating to American Arms?

16 A That's correct.

17 Q And these are original-original in form, is  
18 that right?

19 A These are records after my records were  
20 confiscated by the Alcohol, Tobacco and Firearms  
21 Division, then these were notes and records that I have  
22 kept since that time, in chronological order.

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1 Q Among these documents is a set of documents  
2 from the U.S. District Court, United States District  
3 Court for the District of Utah, Central Division, is that  
4 correct?

5 A That's correct, those records are for the  
6 confiscation of the receivers.

7 Q Did you notify Richard Secord of the  
8 confiscation of the receivers that is described in the  
9 documents?

10 A Yes, that's correct.

11 Q When did you do so?

12 A Let's see, that originally happened -- the  
13 confiscation of the receivers happened at the end of May  
14 and he was notified immediately of that confiscation of  
15 receivers. These documents came much later, the  
16 documents you were just talking about didn't come until  
17 December of 1986. But they were actually confiscated in  
18 May of 1986.

19 Q I understand. You notified him immediately  
20 after --

21 A He knew that they were confiscated.

22 Q How did you notify him?

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1 A By letter, and also by telephone conversation.

2 Q Are you able to find the letter by which you  
3 notified him, about Item No. 8?

4 A Let me see if it is in those letter -- but I  
5 believe those letters are in the holding company file.

6 Q Oh, very well. And that's an item that we  
7 haven't yet --

8 A We haven't looked at that yet. All  
9 correspondence there that we did with anybody in the  
10 holding company would have been in the holding company  
11 file. Those letters are primarily between the Goffs --

12 Q Okay. I would like to draw your attention to a  
13 particular series of items in Item No. 7 now.

14 MR. HOLMES: This is a collection of documents  
15 that I am going to separately item No. 7-A, in particular  
16 a page that I am going to number separately Item  
17 No. 7-A-1.

18 (Whereupon, the documents were  
19 marked for identification as  
20 Exhibit Nos. 7-A and 7-A-1)

21 BY MR. HOLMES:

22 Q First, as for Item No. 7-A, what is this

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1 collection of documents?

2 A At a meeting that I attended in Salt Lake City,  
3 the Goffs were talking about their ability to sell this  
4 American Arms M-120 throughout the world, and that they  
5 had visited numerous countries and had licensing  
6 agreements to take the firearm outside of the country.  
7 And I asked them what type of authority they had to do  
8 that.

9 And that's when they produced these documents  
10 that showed that they were currently approved by way of  
11 the -- as per an application of license for export of  
12 unclassified defense articles.

13 Q And who was present at this meeting in Salt  
14 Lake City?

15 A Bill Goff, Jr., and Bill Goff, Sr., and Larry  
16 Royer.

17 Q And yourself?

18 A And myself.

19 Q When did it take place?

20 A Probably sometime after the confiscation of the  
21 receivers, so I suppose in early June, or middle-June.

22 Q Now, I am drawing your attention to a document

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1 within 7-A, which I have numbered 7-A-1. This particular  
2 document is one of the applications for export in this  
3 collection, is that right?

4 A That's correct.

5 Q This particular one the applicant's name is  
6 R.M. Equipment, Inc. with an address of [REDACTED]  
7 [REDACTED] is that correct?

8 A Correct.

9 Q And the name, state and telephone number of the  
10 applicant is James L. McCoy, Florida?

11 A That's correct.

12 Q And it goes on to describe, as do all of this  
13 series, the American 180-M-2, 22 long rifle, laser site,  
14 extra magazines, et cetera, is that right?

15 A That's correct.

16 Q The source of manufacturer here is American  
17 Arms International, Inc., that is the company that you  
18 were dealing with?

19 A That is the company that we were dealing with  
20 through Tri-American Arms.

21 Q This particular application relates to the  
22 country of Haiti, correct?

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5)

1 A That's correct.

2 Q It is dated 12-9-85?

3 A That's correct.

4 Q Referring to these other applications, they  
5 refer to American Research and Development Company, Inc.,  
6 do you know who that entity was?

7 A Yes, that is a subsidiary of American Arms,  
8 Inc.

9 Q And do you know if they were controlled, also,  
10 by the Goffs?

11 A It was controlled by the Goffs.

12 Q And this first page -- first two pages, I  
13 believe, of Exhibit 7-A --

14 A I think they are copies, I think there is one  
15 page --

16 Q Are copies one of another, and there are 29  
17 countries in which the export --

18 A Currently approved for, it looks like.

19 Q -- as you understood it?

20 A That's correct.

21 Q The second one on this is Saudi Arabia, is that  
22 right?

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1 A Yes, that is correct.

2 Q Thank you.

3 MR. DICKINSON: Counsel, could I voir dire just  
4 a couple of questions with regard to the exhibits that  
5 you have been referring to?

6 MR. HOLMES: Sure.

7 VOIR DIRE EXAMINATION

8 BY MR. DICKINSON.

9 Q Mr. Marostica, there has been the use of the  
10 terns "holding company", and I think in two different  
11 contexts. Number one, the holding company STTGI, insofar  
12 as you are aware, is this file a part of an STTGI Holding  
13 Company?

14 A No, this file is a Tri-American Arms file.

15 Q So you are referring to holding company in the  
16 context of Tri-American Arms?

17 A When I speak of a holding company as  
18 Tri-American Arms, I had nothing to do with STTGI.

19 Q Okay. Number two, in regard to the  
20 applications for arms sales that you have just testified  
21 to, were those applications made during your involvement,  
22 or the partnership's involvement with Tri-American Arms?

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1                   A           No.

2                   Q           How did you come into possession of those?

3                   A           At some of the meetings -- I was questioning the  
4           ability of the Goffs to be able to manufacture and sell  
5           this farm outside the U.S. And they produced those  
6           documents as proof, having the ability to do that.

7                   Q           That was your only involvement with it?

8                   A           Yes, there was no other reason for those  
9           documents.10                  MR. ECKINSON:     Thank you.     No further  
11           questions.

12                                 DIRECT EXAMINATION (RESUMED)

13                                 BY MR. HOLMES:

14                  Q           You never looked into whether that was  
15           appropriate or necessary, or final, or anything like  
16           that?

17                  A           No, I simply asked the Goffs --

18                  Q           Whatever they said about those documents you  
19           took it to be what they represented it to be?20                  A           Correct, in fact, I just, out of the clear blue  
21           said, "Why don't you give me a copy of those?", and they  
22           did, but for no other reasons than to have them in my

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1 files.

2 Q Sure, okay. Now, we will pass on to what you  
3 referred to as the holding company file, and that is  
4 understood to mean Tri-American Arms, the partnership?

5 A That's correct.

6 Q The only time STGI came in as the holding  
7 company was Dutton's notional diagram, is that right?

8 A Exactly.

9 Q It was your understanding at that time that  
10 they, meaning Hakim, Secord and Dutton, wanted STGI to  
11 have a greater role over the four projects, but you  
12 resisted that?

13 A Exactly, it was as if we were just going to get  
14 rid of Tri-American Arms and bring this whole thing under  
15 their umbrella. And I resisted that.

16 Q That was something that they proposed in the  
17 July 17th meeting, but it never came to pass?

18 A It never came to pass.

19 Q And the reason it never came to pass is because  
20 you felt that it shouldn't come to pass?

21 A Exactly.

22 Q Could you go into a little more of why you

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1 didn't --

2 A Well, I didn't know who STGI was, I didn't  
3 know what their business was. I didn't know their  
4 business relationships, and I did know what Tri-American  
5 Arms was, so I, basically, wanted Tri-American Arms to  
6 handle any of the business to be handled with the  
7 projects.

8 Q I understand. Was there any stock purchase?

9 A There was never any stock, it wasn't a  
10 corporation, so there wasn't any stock to be purchased.

11 Q I understand that it never came to pass, but  
12 was there in the July 17th meeting some discussion that  
13 perhaps came to be mentioned in Exhibit 2, about stock --  
14 STGI stock in companies related to these four projects?

15 A Yes, we didn't really talk about that much  
16 because when I brought up, you know, if we are going to  
17 have stock, what are we going to use, a regular  
18 corporation or a Sub-S corporation. And no one could  
19 speak intelligently with me about that, so it was just  
20 dropped.

21 They said stock, but when I said what type  
22 entity are we going to have, authorized stock, preferred

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1 stock -- there was no one there who could speak to that,  
2 so then that was the end of that, talking about the  
3 stock.

4 Q Your concern was you were afraid you were going  
5 to lose control as an equal and open partner of  
6 Tri-American, if there was some kind of stock deal with  
7 STGI?

8 A That's exactly right.

9 Q Now we will go on to Exhibit No. 8 -- excuse  
10 me, Exhibit No. 9, which collectively is the so-called  
11 holding company file, that being the file of the internal  
12 workings of the partnership Tri-American Arms.

13 A Right.

14 (Whereupon, the document was  
15 marked for identification as  
16 Exhibit No. 9)

17 BY MR. HOLMES:

18 Q Now, you have been good enough to go through  
19 this file with us, and I would like to revisit certain  
20 portions of it because the central part of the  
21 partnership -- and this file is also in chronological  
22 order?

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1 A That's correct.

2 Q Starting from the bottom working up?

3 A Well, each one of these sections is in  
4 chronological order, one is documents that pertain to --  
5 some of them are the bank documents, so each one of these  
6 sections has its own chronological order.

7 Q Very well. Could you select out for me the  
8 first section as you organized it?

9 A Yes, that would be --

10 Q That is now marked as Exhibit No. 9-A.

11 (Whereupon, the documents were  
12 marked for identification as  
13 Exhibit 9-A)

14 BY MR. HOLMES:

15 Q And we will start 9-A from the bottom. And I  
16 am going to show you a document now marked as 9-A-1, a  
17 letter addressed to Albert Hakim at Stanford Technology  
18 Trading Group, Inc., written by yourself on June 24th,  
19 '86, is that correct?

20 A That's correct. I was asked by Albert at our  
21 June 23rd meeting to recap and send a brief description  
22 of all the companies that we spoke about for the first

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1     ... time here in Washington, D. C., and that's what I did,  
2     ... and that's what that letter is.

3                                           (Whereupon, the document was  
4                                           marked for identification as  
5                                           Exhibit 9-A-1)

6                 BY MR. HOLMES:

7                 Q     Now, this I assume would have been preparatory  
8     to the July 2nd and 3rd meeting in Seattle, is that  
9     correct?

10                A     That's correct.

11                Q     These same descriptions also come forward into  
12     Albert Hakim's memo, Exhibit No. 2, handed to you on July  
13     17th?

14                A     That's correct.

15                MR. HOLMES: Next we have 9-A-2 and 9-A-3,  
16     these are diagrams, speaking of diagrams and explanatory  
17     material, speaking of 9-A-2 first, this is an  
18     organizational chart, is that right?

19                THE WITNESS: Yes, those are notes of mine, as  
20     we were speaking about the structure of a holding  
21     company, those are notes that I was just doing for myself  
22     to kind of keep track.

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(Whereupon, the documents were  
marked for identification as  
Exhibits 9-A-2 and 9-A-3)

BY MR. HOLMES:

Q Who was present when you made these notes?

A Albert Hakim, Larry Royer and Richard Secord.

Q Is this your meeting in Seattle?

A That is the meeting -- yes, this is the meeting  
that was held in Seattle, so there would also have been  
Willard Zucker at that meeting.

Q Towards the top of the page in the center there  
is a box labeled DLAR.

A Correct.

Q What do those initials signify to you?

A That is Don, Larry, Albert and Richard.

Q Meaning yourself, Royer, Hakim and Secord?

A That's correct.

Q There are notations relating to China and  
Korea, what was the discussion surrounding those?

A Those countries were brought up as countries to  
export and market to, primarily, if I remember, China was  
the exporting of the CERETECH International Food Product,

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1 Korea was for the Wood Product, the Red Cedar.

2 Q Okay. There is a notional service company  
3 written over Korea, \$1,000 that's an example \$1,000 is  
4 that right?

5 A Yes.

6 Q And the \$1,000 is then split up in various  
7 portions, a 30 percent, 25 percent and 15 and 45 percent?

8 A I think the way that is set up, if we look here  
9 on a \$1,000 example, if Korea kept \$30, then with flow  
10 through to STGI, \$970; which would flow through to  
11 another company -- I don't recall right now what these  
12 figures -- it seems like on each one of these there is a  
13 percentage basis, based upon how each individual was  
14 involved with these particular areas.

15 If the comptroller, for example, if I remember,  
16 I would get 15 percent of the profits here, Larry would  
17 get 15 percent of the profits, Albert would 45 percent of  
18 the profits, and Dick or Richard Secord 25 percent of the  
19 profits, of anything sold through the Wood Project in  
20 Korea, based upon the amount of work that was actually  
21 done.

22 Q In the upper right-hand corner there is what

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1 looks like a division of labor: lobby, market, production  
2 and then there is --

3 A I think that is a log product.

4 Q This is the log products?

5 A Yes, I think they are talking about the wood  
6 products.

7 Q And these are notes that you took  
8 extemporaneously?

9 A Yes, I was just sitting there with a yellow pad  
10 and taking down notes as they were speaking, listening to  
11 the structure.

12 Q On the left-hand side at the top there is a box  
13 with STTGI and within that a box labeled CFF.

14 A Right.

15 Q What was the discussion surrounding those  
16 notations?

17 A CFF was mentioned, but I didn't tie it in to  
18 that conversation at all. I didn't know what CFF meant  
19 at the time.

20 Q And how was STTGI presented to you, in such a  
21 way that it became part of this chart?

22 A That they were going to be the primary holding

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1 company for everything involved, that everything that  
2 Tri-American Arms was involved in.

3 Q So this DIAR box was a stand-in for  
4 Tri-American Arms?

5 A Actually, a stand-in for Tri-American Arms,  
6 correct.

7 Q Thank you. There is a notation at the bottom  
8 saying "flow of cash, where does it go, and where can I  
9 tap it", that is your writing?

10 A That's correct.

11 Q Did you bring this concern up to --

12 A No, I didn't bring it up, but I wrote that in  
13 my notes, how was the cash going to flow throughout this  
14 whole entity, because in my mind I was questioning, you  
15 know, how were we going to be taxed, which entities were  
16 going to have tax ID numbers.

17 And so a concern to me was, you know, where was  
18 the cash going to flow, where does it go, and what part  
19 was I going to play. I had a feeling there that somehow  
20 I might get squeezed out of the whole thing, when I was  
21 sitting there in that meeting.

22 Q How many dollars are we talking about as a

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1 total investment necessary as you sat there in Seattle,  
2 with all of these projects?

3 A Well, if you add them up, we were going to use  
4 \$1 million for the American Arms project, and that was to  
5 complete the first 5,000 units. At that time we were in  
6 the middle of a contract with the Seattle Wood Project  
7 for approximately \$6.5 million, that was a leverage  
8 project. Still there was probably \$1.5 cash that was  
9 needed up front.

10 Q So there was \$1 million cash up front needed  
11 for American Arms --

12 A Approximately, somewhere between \$1 million  
13 and \$1.5. on the Wood Project; CERETECH International  
14 needed probably \$1 million, to \$1.5 million. And  
15 basically, that is what we are talking about at this  
16 point in time, because Bio-Fine, we were just doing the  
17 research and a study to see what that total cost was  
18 going to be.

19 Q Was there any discussion about the availability  
20 of these funds?

21 A Basically, we didn't discuss it much, because  
22 it never seemed to be a problem, it never seemed to be --

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1 the cash that was coming into the project wasn't a  
2 drastic problem.

3 Q During your meetings there in Seattle, did you  
4 have occasion to talk with Zucker about investments?

5 A Yes, I did.

6 Q What was that conversation?

7 A Willard Zucker and I spoke about my role as a  
8 securities broker, and he brought up the point that he  
9 had many investors in Europe and in the Middle East, that  
10 might be interested in purchasing securities products  
11 here in the U.S. And that was aside from these projects  
12 that we were talking about. He seemed to have a lot of  
13 contacts in the European countries.

14 Q By aside from you mean --

15 A Just in conversation between the two of us,  
16 outside the meeting --

17 Q This was additional money?

18 A Yes, that was additional money, that didn't  
19 have anything to do with this.

20 Q Did he tell you what amount of money he had  
21 available for investments in the United States?

22 A Basically, he didn't give me an amount, but

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1 that he had a large amount -- just from a number of very  
2 wealthy clients.

3 Q Did he say there was any limitation, or did he  
4 say that it was unlimited?

5 A It appened to me that it was an unlimited  
6 amount of money. In fact, I even asked at one point of  
7 time, you know, what are we looking at for funds from  
8 investors. And he said there is plenty of money, or  
9 there is a lot of money, or -- I got the feeling that  
10 there was unlimited.

11 Q Referring you now to Exhibit 9-A-3, these are  
12 additional notes taken at the Seattle meeting, is that  
13 correct?

14 A That's correct.

15 Q There is a reference here to Arab Oil Company,  
16 can you explain how that came to be on your notes?

17 A Yes, we talked about the Sterling manufacturing  
18 firm that we were going to use to make the American Arms  
19 180, was a company that made specialized oil tool  
20 equipment. And at that point in time, Albert said he had  
21 a contact with an oil company that would be interested in  
22 buying that equipment and that company in Sterling,

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1 Colorado.

2 Q I gather they were in need of equity funding at  
3 that --

4 A Yes, they needed equity funding, they had a  
5 very large loan with a local bank, and they needed  
6 capital, needed to sell their corporation.

7 Q So he was going to find a buyer for that  
8 company, that was an Arab oil company?

9 A That's correct.

10 Q I refer you now to 9-A-4.

11 (Whereupon, the document was  
12 marked for identification as  
13 Exhibit 9-A-4)

14 Q This is, again, in your handwriting, is it not?

15 A Correct.

16 Q Can you tell me how these notes were made and  
17 when?

18 A Yes, at the July 17th -- on July 17th, I went  
19 through with Larry Royer a list of points that I felt --  
20 the way I had met Richard Secord, and when I met him, et  
21 cetera, and he agreed to those 10 points.

22 Q So this was sort of a recapping of how it had

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1 gone?

2 A Yes.

3 Q What was the occasion for the recapping?

4 A Well, they were trying to break up the  
5 relations at that point, and Larry was saying to me that  
6 we didn't have a partnership. And I said, now, wait a  
7 minute, Larry, let me explain how this happened, and see  
8 if we -- if we don't have a partnership in writing, we  
9 have an applied partnership -- implied partnership.

10 Q Point No. 4 says that Dick and Larry went to  
11 Salt Lake to see Goffs, met with them one full day?

12 A Yes, prior to meeting them for the first time,  
13 meeting Richard in Denver, they were with the Goffs the  
14 day previous. So, Larry had taken -- before I even knew  
15 Richard --

16 Q Out to see the Goffs in Salt Lake?

17 A That's correct.

18 Q And it was after they had spoken to the Goffs  
19 separately, that Larry Royer invited you down to join the  
20 group?

21 A Well, he said the next day they were coming to  
22 the Denver airport, and he wanted me to meet with Secord

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1 that day.

2 Q Yes, I didn't mean to imply that he invited you  
3 to Salt Lake City.

4 A He invited me to Denver.

5 Q To sort of join the group that was already in  
6 the formative process, having met in Salt Lake City the  
7 day before?

8 A That's correct.

9 Q At this point in time, \$50,000 has already been  
10 invested in CERETECH, is that correct?

11 A Correct.

12 Q And how did that transaction take place?

13 A Well, by that time Albert Hakim met Richard  
14 Fincke, the president of CERETECH International, and they  
15 really didn't care for each other. And consequently,  
16 they were trying to figure out from this whole situation  
17 how they could back out of CERETECH International, and  
18 that is how the conversation came into play.

19 Q Page 9-A-5, dated 7-29-86.

20 (Whereupon, the document was  
21 marked for identification as  
22 Exhibit 9-A-5)

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1 Q This is after your 7-17 meeting, is that  
2 correct?

3 A Correct.

4 Q Again, your handwritten notes?

5 A That's correct.

6 Q What does this refer to?

7 A I had a conversation with Albert Hakim, and  
8 Albert was saying that they wanted the \$50,000 back from  
9 CERTECH International. Albert said in that conversation  
10 that his group -- and when I asked who his group was, he  
11 says Larry Royer, Richard Secord and Albert Hakim has  
12 lost trust in myself, because they were afraid they  
13 weren't going to get back their \$50,000.

14 And he was asking me at that time to send them  
15 \$50,000.

16 Q And what was your position on that?

17 A Basically, that that project was approved, it  
18 was approved by Larry Royer and Richard Secord, and I  
19 really didn't know what part Albert played in the  
20 \$50,000. I just simply said, I don't know, Albert, why  
21 you are asking for this back, because I never realized it  
22 was your money, I thought it was Richard Secord's.

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1 Q What is this reference down here to a \$2.4  
2 million letter of credit?

3 A Oh, there was a point in time where the  
4 Federal Land Bank, on the wood project, in lieu of cash,  
5 said they would take a \$2.4 million letter of credit.

6 Q Referring you to 9-A-6.

7 (Whereupon, the document was  
8 marked for identification as  
9 Exhibit 9-A-6)

10 This is dated 7-30-86, also phone notes in a  
11 conversation with Hakim?

12 A Yes, that is correct.

13 Q What is being discussed here?

14 A It looks like that day we discussed -- Albert,  
15 again, was trying to figure out how we were going to  
16 collect the \$50,000 from Dick Fincke and CERETECH  
17 International, he felt that Dick Fincke was trying to  
18 sell some of the license agreements to pay back the  
19 \$50,000; he thought that it couldn't be done. And he was  
20 going to give Dick Fincke exactly one month to produce  
21 that \$50,000.

22 He wanted Dick Fincke to produce some kind of

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1 goodwill, collateral, et cetera, he wanted Richard Fincke  
2 to put his own money in the account, basically that's it.

3 Q Okay, 9-A-7.

4 (Whereupon, the document was  
5 marked for identification as  
6 Exhibit 9-A-7)

7 This is your phone notes of 7-31-86, is that  
8 correct?

9 A That's correct. In those conversations on  
10 7-31, I had spoken to Larry, Larry said that Albert was  
11 really on him about this project, about the wood  
12 deal. And Albert was upset with me.

13 Q I would like to draw your attention to this  
14 line, it says, "Larry said Dick Secord said time to go  
15 after ATF".

16 A Yes.

17 Q These are your notes of a call with Larry  
18 Royer?

19 A Yes, exactly.

20 Q Was he telling you what Dick Secord told him?

21 A Yes, Dick Secord he said told him that it was  
22 time to go after the ATF at that point in time.

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1 Q And had you had other discussions with Dick  
2 Secord --

3 A In fact, at that time they mentioned a John  
4 Barr that was representing Richard Secord, and they were  
5 going to go after this Max Wheeler, with ATF.

6 Q Max Wheeler is an ATF employee?

7 A Actually, Max Wheeler is the attorney for the  
8 Goffs.

9 Q So, John Barr --

10 A In other words, he was going to try and find  
11 out -- John Barr was an attorney that was hired by  
12 Richard Secord, I believe, and Larry Royer, to go after  
13 the ATF.

14 Q What did Larry Royer tell you John Barr was  
15 going to do, when he was going after Max Wheeler?

16 A Well, they wanted the thing settled with ATF.

17 Q I see. Did you have other discussions about  
18 the ATF with Secord, himself?

19 A Yes, there were conversations with Richard and  
20 Albert Hakim concerning the ATF.

21 Q What Secord tell you, just generally, and --

22 A Well, he got very upset then, he thought that

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1 they were taking advantage of the Goffs. They had no  
2 case against the Goffs and the receivers, and thought  
3 they should be returned.

4 Q Did he solicit money from you to fund that  
5 lawsuit?

6 A Yes, once upon a time they asked that the  
7 partnership each put in \$7500 to hire an attorney, to sue  
8 the ATF.

9 Q Did you do that?

10 A I thought it very comical.

11 Q So you declined?

12 A I declined.

13 Q I am showing you 9-A-8.

14 (Whereupon, the document was  
15 marked for identification as  
16 Exhibit 9-A-8)

17 These are your handwritten notes of 12:20 p.m.,  
18 and I assume from this other document associated with it,  
19 it was approximately the 5th of August, or thereabouts?

20 A Yes, about that time.

21 Q Between the 1st and the 5th of August?

22 A Yes.

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1 Q Who is Ronnie Gale that is being mentioned in  
2 this?

3 A You know, I don't know, I wrote this on my  
4 notes, but at that time Larry said that he spoke with  
5 Ronnie Gale about a couple of the projects that we were  
6 in the middle of, he was going to send information on  
7 Bio-Fine, which was the pharmaceutical concern, and the  
8 wood project to Ronnie Gale. I don't know who that is.

9 Q 9-A-9 is your notes of August 10, '86, is that  
10 right?

11 A That's correct.

12 (Whereupon, the document was  
13 marked for identification as  
14 Exhibit 9-A-9)

15 Q Now, are these notes of a phone call with Dick  
16 Secord?

17 A No, those notes are conversation I had with  
18 Larry Royer.

19 Q- And he is reporting to you what Secord --

20 A He is reporting to me what Secord wants to do  
21 at that point in time.

22 Q During this period of time are you able, or

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1 have you attempted to communicate in writing with Secord?

2 A There were numerous occasions when I tried to  
3 write to Secord, but I wasn't getting any response by  
4 written correspondence.

5 Q He was not answering your letters?

6 A No, he was not answering my letters.

7 Q But he was willing to talk to you on the phone?

8 A Yes, I spoke to him on the telephone and Larry  
9 was on the telephone with him constantly.

10 Q Larry Royer?

11 A Larry Royer.

12 Q And what did Larry Royer report to you that  
13 Dick Secord told him as of August 10th?

14 A Dick Secord wants to do the wood deal, and Dick  
15 wants to know how we are going to get the \$50,000 back  
16 from CERETECH International. We needed to find an extra  
17 \$38,000 American Arms, and how we would do that.

18 There is a note here that Larry said the Saudi  
19 representatives and Dick Secord will be in Washington,  
20 D. C. tomorrow on the wood deal.

21 Q They were intending to sell the Red Cedar to  
22 Saudi Arabia?

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1           A     No, I don't think so. I never heard that, of  
2 the Saudi representatives before that, we had always  
3 talked about the Red Cedar to the Korean concerns.

4           Q     9-A-10, is your notes of August 12th?

5           A     That's correct.

6                                           (Whereupon, the document was  
7                                           marked for identification as  
8                                           Exhibit 9-A-10)

9           Q     And this is a continuation of round-robin  
10 discussions on the fate of the wood deal, is that right?

11          A     That's correct.

12          Q     And it says here that Richard Secord is going  
13 to Salt Lake --

14          A     Yea, Larry was telling me that Richard Secord  
15 was going to Salt Lake, and then on to Washington, D. C.

16          Q     They were trying to make the wood deal go?

17          A     Yes, that's correct.

18          Q     Referring to 9-A-11, does this refresh your  
19 recollection about any discussion with regard to the  
20 signature cards on the Tri-American bank account?

21          A     Yes, in a conversation with Dick Secord, on  
22 8-12, he asked me to go ahead and send the signature

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1 cards to Larry Royer, so that two names could be put on  
2 the Tri-American Arms partnership bank account.

3 Q So items No. 9-A-11 and 9-A-12 are two pages of  
4 the same thing?

5 A Yes, those are notes on that conversation.

6 (Whereupon, the document was  
7 marked for identification as  
8 Exhibit 9-A-11 and 9-A-12)

9 Q And were you ever able to get them to sign on  
10 the partnership bank account?

11 A At that point in time I just -- I made the  
12 decision that I was going to work on figuring out how to  
13 terminate the partnership. And I wasn't going to put  
14 anyone else -- I wanted to control that account, I didn't  
15 want any other signatures on that account.

16 Q Had you asked them to sign --

17 A Numerous times, both in writing and in  
18 telephone conversation.

19 Q- And had they done so?

20 A They had not responded. The first day that I  
21 opened the account I sent the necessary forms from the  
22 Commercial Bank in Sterling to Richard Secord and Larry

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1 Royer, and I never received those.

2 Q How did you end up on that account,  
3 financially, who ended up with the money from the  
4 account?

5 A Well, the total amount of the funds had been  
6 disbursed out of the accounts, and as per documents that  
7 we have -- a little bit later on I will show you the  
8 breakdown of that account and the monies and how it was  
9 disbursed.

10 Q Referring to 9-A-13, these are your notes of  
11 August 23rd, '86?

12 A That's correct.

13 (Whereupon, the document was  
14 marked for identification as  
15 Exhibit 9-A-13)

16 Q Now, there is a reference here to "Dick will  
17 put own money into deal".

18 A Yes, I was talking with Larry Royer, and they  
19 had a meeting in Seattle, they were working on this wood  
20 project. I asked him what happened in Seattle, and he  
21 said that the wood agreement was on its way to  
22 Spokane. They talked about the \$50,000 for CERETECH

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1 International that Albert's portion needed to be paid  
2 off. And I questioned that, I said, "Well, it is Richard  
3 Secord's, or Dick's money, and now all of a sudden why  
4 are you paying Albert Hakim some money?"

5 Because I still didn't understand the  
6 relationship in Tri-American Arms with Albert Hakim.

7 Q So it was your position that Albert Hakim not  
8 being a partner, had no interest in that money?

9 A Absolutely not, no interest in that money.

10 Q And it was your position that it was Dick's  
11 money -- Dick Secord's money that you put in all along?

12 A That's correct.

13 Q And they were then changing that?

14 A Yes, all of a sudden I was hearing that it  
15 wasn't Dick's and I was questioning that fact.

16 Q Did there come a time when you sent \$15,000  
17 from the partnership account to Larry Royer?

18 A Yes.

19 Q And on whose instructions did you do that?

20 A Those instructions were from Richard Secord and  
21 Larry Royer.

22 Q How did that happen?

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1           A     We had money sitting in the account that wasn't  
 2 being used, and we simply said instead of having money in  
 3 that account, we will send it back to the partners. And  
 4 so I had a cashier's check drawn in the name of the  
 5 partnership, Larry Royer as a partner.

6           Q     And did you then deliver that check, send it to  
 7 Larry Royer?

8           A     Yes, by certified receipt mail.

9           Q     I refer you to 9-A-13A, a letter dated  
 10 September 4, 1986, addressed to Richard Secord, at STTGI.

11                                 (Whereupon, the document was  
 12                                 marked for identification as  
 13                                 Exhibit 9-A-13A)

14          A     That was a letter that I sent to Richard  
 15 Secord, stating that Larry Royer had requested a refund  
 16 of a total of \$18,369 from our partnership banking  
 17 account, and that was returned from Erickson and  
 18 Barkshire, trust account. And I outlined why there were  
 19 some expenses involved, and that I wasn't willing to send  
 20 all that money back, until the expenses were taken care  
 21 of.

22          Q     You were in the process now of trying to

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1 extricate yourself from the partnership?

2 A Well, basically, we were -- yes, I was trying  
3 to terminate the partnership.

4 Q And did you eventually receive a letter on  
5 September the 10th, 1986 from Secord, which is now marked  
6 9-A-14?

7 (Whereupon, the document was  
8 marked for identification as  
9 Exhibit 9-A-14)

10 A Yes, I received a letter, based upon my  
11 original letter, of the \$18,000 refund. In that letter  
12 he said that we were prepared to pay for all necessary  
13 fees and goes on to say that "Although we agreed in  
14 principle to form the partnership, no actual agreement  
15 has actually been reached".

16 Q He is taking the position that there had been  
17 no partnership?

18 A Exactly.

19 Q And was there finally a dissolution of the  
20 partnership, signed by the three of you?

21 A Yes. A document -- there was a waiver and  
22 termination of agreement eventually that split whatever

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1 implied partnership there was -- it was broken.

2 Q I am showing you now what is marked as Exhibit  
3 9-A-14 to your deposition. Is this the waiver and  
4 termination of partnership agreement?

5 A Yes, that's correct.

6 (Whereupon, the document was  
7 marked for identification as  
8 Exhibit 9-A-14)

9 Q Is that signed by yourself?

10 A Yes, that is signed by myself, it is also  
11 signed by Larry Royer and Richard Sacord.

12 Q And is this the original-original?

13 A That is the original-original.

14 MR. HOLMES: Let's go off the record for a  
15 second.

16 (Off the record)

17 BY MR. HOLMES:

18 Q And were there a number of original-originals  
19 created so that each of the partners and probably counsel  
20 would get original-originals for their files?

21 A That's correct.

22 Q And this is one --

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1 A That is one of those documents that was signed.

2 Q I notice this document is dated this blank date  
3 of November 1986. But we have already passed that in the  
4 chronology. It wasn't signed in any blank date of  
5 November 1986, was it?

6 A Actually, I believe this document wasn't signed  
7 until January of 1987. It was originally prepared in  
8 November 1986, but we received from Stanford Technology  
9 Trading Group on 1-7-87, the actual document.

10 Q Okay. I show you a document 9-A-15, a Federal  
11 Express slip from R. V. Secord, at Stanford Technology  
12 Trading Group International, 8615 Westwood Center Drive,  
13 No. 262, Vienna, Virginia, is that correct?

14 A That's correct.

15 (Whereupon, the document was  
16 marked for identification as  
17 Exhibit 9-A-15)

18 Q And was it this Federal Express package that  
19 delivered the document that is now marked 9-A-14?

20 A That's correct, the termination of partnership  
21 agreement.

22 Q And it is dated 1-7-87, is that correct?

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1 A That's correct.

2 (Off the record)

3 BY MR. HOLMES:

4 Q Okay, Mr. Marostica, returning to the record, I  
5 would like to refer you back for a second to the  
6 Quad-Mount and I am going to hand you what is marked as  
7 Exhibit No. 7-B, and ask if that is in your handwriting?

8 A Yes, that is my handwriting.

9 (Whereupon, the document was  
10 marked for identification as  
11 Exhibit 7-B)

12 Q Approximately when and how would that have been  
13 created?

14 A That -- I don't have this dated, but it seems  
15 at one point in time, in dealing with American Arms, and  
16 this would have been after we had already funded them  
17 with the \$60,000 that we thought -- this was the method  
18 to go ahead and recoup our original loan by giving  
19 Richard Secord the right to push the proposal of the  
20 U.S. Army to develop the Quad-Mount.

21 Q This was something you were proposing to -- a  
22 right that you were proposing to distribute to Mr. Secord

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1 separately?

2 A I think that was just a thought, and I was  
3 talking with -- I think at the time Larry Royer, about  
4 what we could do to solve our problem of collecting our  
5 money from American Arms, and this was one thing that  
6 could be done.

7 Q And it makes a reference here for use in a  
8 variety of combat and security situations, and joint  
9 venture net profits?

10 A Yes, in other words, maybe we could joint  
11 venture that product, if we didn't have enough money with  
12 American Arms, maybe there was a possibility of joint  
13 venturing it with other firearms manufacturers to make  
14 that particular project.

15 Q With the idea being to split out the Quad-Mount  
16 product as a separately marketable product and try to  
17 make money separately marketing that?

18 A That's correct.

19 Q And you discussed that possibility with Secord?

20 A I don't recall. I did discuss it with Larry  
21 Royer, but I don't think I discussed it directly with  
22 Richard Secord.

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1 Q Did Royer tell you that he had discussed it  
2 with Secord?

3 A I was passing the information to Royer, so that  
4 he would discuss it with Richard Secord.

5 Q And did he come back to you with a response  
6 from Richard Secord?

7 A I don't believe so, I don't recall that.

8 Q Thank you. This is the next section of Item  
9 No. 9, this section is marked 9-B, and apparently  
10 consists of the financial records of the partnership, is  
11 that correct?

12 A That's correct.

13 (Whereupon, the documents were  
14 marked for identification as  
15 Exhibit 9-B)

16 Q We will go through these documents in  
17 chronological order, approximately. 9-B-1 is a  
18 handwritten note referring to remitter, DM/Partner  
19 TRI-AA?

20 A Yes.

21 - (Whereupon, the document was  
22 marked for identification as

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Exhibit 9-B-1)

Q Could you tell me how this document was created and what it signifies?

A Yes, when I went --it was agreed upon to send a \$15,000 check to Larry Royer, that was for the teller, instructions to make the cashier's check to Larry Royer, a partner for Tri-American Arms.

Q Okay. 9-B-2 is copies of \$30,000 checks to the order of American Arms, Inc., and Electronic Metal Products, Inc.?

A That's correct.

(Whereupon, the documents were marked for identification as Exhibit 9-B-2)

Q Who is Electronic Metal Products, Inc.?

A Electronic Metal Products, Inc. was the company that was manufacturing the receivers, 1,000 180 receivers for American Arms.

Q Where were they located?

A They were located in Denver, Colorado.

Q Were they a subsidiary of American Arms, or were --

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1           A    No, they were just a jobber, separate from  
2 them.

3           Q    Have you ever heard, prior to today of an  
4 organization known as Four Ways?

5           A    No, I haven't heard of that organization.

6           Q    Did you ever discuss with Secord, or Hakim, the  
7 possibility of their having the American Arms products  
8 manufactured through a separate manufacturer?

9           A    We discussed --not the American Arms product  
10 itself, but we discussed a laser unit, that they could  
11 manufacture somewhere else.

12          Q    And did they tell you where?

13          A    No, they didn't say where.

14          Q    Did they talk about the manufacturing in Korea  
15 at any time?

16          A    Yes, we spoke about -- at a meeting,  
17 manufacturing -- moving the whole operation to Korea,  
18 because laborwise it was cheaper to do that.

19          Q    Whose idea was that?

20          A    I believe that was Albert Hakim's idea.

21          Q    And in what meeting was that discussed?

22          A    That was at the meeting in Seattle, Washington,

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1 on July 2nd and 3rd.

2 Q Referring back to 9-B-2, the second check is  
3 made out to American Arms, Inc. and Advance  
4 Manufacturing. Is Advanced Manufacturing yet another  
5 jobber?

6 A Yes, that's correct.

7 Q Also located in Colorado?

8 A Yes, also located in Colorado, in Denver.

9 Q And they were to do a different part of the  
10 receiver?

11 A No, they were actually going to make 1,000  
12 receivers, there was too much job for just one  
13 manufacturer, and so they were going to do 1,000 and  
14 Electronic Metal Products was going to do 1,000.

15 Q I gather that the actual manufacturing process  
16 of these receivers is not a particularly difficult, or  
17 complex task then?

18 A I don't believe so.

19 Q So you were just approaching different jobbers,  
20 and --

21 A Well, the Goffs were, the Goffs were handling  
22 all of that. This was money that we were loaning to

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1 them, to manufacture the receivers.

2 Q Referring to Exhibit 9-B-3, it's a copy of a  
3 check for \$25,000 dated June 16, '86, to Erickson and  
4 Berkshire, P.S.?

5 A Right, that is a law firm in Seattle,  
6 Washington.

7 (Whereupon, the document was  
8 marked for identification as  
9 Exhibit 9-B-3)

10 Q It is noted "earnest money deposit, Quinault  
11 Timber Project", and signed by yourself, is that right?

12 A That's correct.

13 Q And it is on the partnership bank account?

14 A It is on the partnership bank account.

15 Q This being Commercial Bank of Sterling?

16 A Commercial Bank of Sterling.

17 Q What was the purpose of this particular  
18 payment?

19 A On June 16th, we sat down and gave an outline  
20 for a contract to the Federal Land Bank there in Seattle,  
21 Washington, to buy approximately 10,000 acres of wood,  
22 and San Erickson asked for an "earnest money deposit" to

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1 start doing that legal work, of \$25,000.

2 Q Had you discussed a contribution to the  
3 partnership equity with Hakim, or Secord, at around the  
4 same time as this check, independently of it?

5 A Could you ask that question again?

6 Q Why don't I just hand you Exhibit No. 10, like  
7 Exhibit No. 3, you wouldn't have had access to, but for  
8 the purpose of refreshing your recollection about the  
9 events, it notes a \$200,000 payment from Alvin Values,  
10 Corp. account at the Credit Suisse, in Switzerland into  
11 the Commercial Bank of Sterling, Sterling, Colorado.

12 (Whereupon, the document was  
13 marked for identification as  
14 Exhibit No. 10)

15 A (Perusing document)

16 Q This is in favor of TAA, I assume that TAA  
17 would be Tri-American Arms?

18 A Tri-American Arms, that's our account number.

19 Q And the account number of [REDACTED] is the account  
20 number?

21 A That's correct.

22 Q This is for the amount of \$200,000. First, let

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1 me ask you if the account ever received the \$200,000  
2 payment?

3 A No, that was not received in the account.

4 Q And did you have discussions with Hakim or  
5 Secord about this amount coming in?

6 A Yes, I did. I had a conversation with both of  
7 them.

8 Q And what was the conversation that you had,  
9 first with Secord about that?

10 A Well, I asked Dick Secord if the money was  
11 being sent in, because we had on the contract for the  
12 wood project, there was \$100,000 earnest money, and at  
13 the time we had only given \$25,000 to Sandy Erickson, we  
14 needed another \$75,000. We didn't have enough in the  
15 account for that contract.

16 So, on June 16th, I asked Dick about it, he  
17 said it was being sent by Federal Express, bank  
18 draft. And on the 16th of June.

19 Q Did you make a notation of that?

20 A Yes, I did, in my notes.

21 Q Let me hand you what is marked as Exhibit  
22 No. 7-C, a notation, apparently on the back of a phone

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1 note, on which it is written "Dick Secord said the money  
2 was being sent DHL above on Monday, 6-16 and it says '76,  
3 but I assume that is '86?

4 A '86, correct.

5 (Whereupon, the document was  
6 marked for identification as  
7 Exhibit 7-C)

8 Q Is that your handwriting?

9 A That is my handwriting.

10 Q And that is a phone note, after a call with  
11 Dick Secord?

12 A I believe so, that is on the back of a phone  
13 note, and typically, I -- once I return a call, I will  
14 just turn the phone note over and record the  
15 conversation.

16 Q And what was your understanding of DHL at that  
17 time?

18 A Well, I didn't know what DHL was, so I called  
19 Commercial Bank, Steve May, the bank officer, and asked  
20 him what DHL was, and he said it was Federal Express with  
21 immediate value bank draft.

22 Q So he explained to you that it was a way of

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1 transferring money?

2 A That's correct.

3 Q And did you discuss the precise method of the  
4 transfer with Albert Hakim at any time?

5 A Well, after this date, where I discussed it was  
6 going to arrive by DHL, then on 6-24 the money still  
7 hadn't come into the account. And I spoke with Albert  
8 Hakim about that, and he said that, yes, it had been  
9 transferred, and \$200,000 had been transferred and it  
10 came from Credit Suisse, Allied National by way of United  
11 Bank of Sterling, then to Commercial Bank.

12 In fact, we even had a "swift" number, but it  
13 never made the account.

14 Q Let me show you what is marked as Exhibit  
15 No. 11 to your deposition. Is this your handwriting?

16 A (Perusing document) That is my handwriting.

17 (Whereupon, the document was  
18 marked for identification as  
19 Exhibit No. 11)

20 Q And is that a phone conversation note, after a  
21 conversation or during a conversation with Albert Hakim?

22 A That's correct.

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1 Q And what did he tell you in that conversation?

2 A Well, in that conversation he told me the money  
3 should have been in our account a week ago.

4 Q Did you discuss with him later on why the money  
5 didn't reach your account?

6 A I don't believe I discussed it with Albert  
7 Rakim, but I discussed that with Larry Royer, why the  
8 money hadn't entered the account. And by that point in  
9 time, in July, they didn't want to talk about the  
10 \$200,000 anymore. They were going to handle the project  
11 themselves, and they said they would worry about the  
12 earnest money for the contracts on the wood project.

13 Q Well, could you tell me more particularly what  
14 Royer said? Had they just changed their mind in  
15 midstream, or what?

16 A Well, basically, I think about that time they  
17 were very unhappy with Richard Fincke about the loan that  
18 was made to CERETECH International, and they were trying  
19 to figure out how that money was going to be collected.  
20 They were unhappy --

21 Q Did Larry Royer tell you where the \$200,000  
22 went?

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1           A    No, it was never discussed where that money  
2 went, no.

3           Q    But he gave you to understand that a person  
4 went to Secord and Hakim, and the money wasn't coming  
5 into the partnership account?

6           A    Yes, the money wasn't coming into the  
7 partnership account.

8           Q    Let me show you what is marked as Exhibit  
9 9-B-4, a page of copies, including a stop payment  
10 request, and an advice of charge dated 6-19-86. Can you  
11 explain what these documents signify?

12          A    Yes, on June 16th of 1986, I wrote a check to  
13 CERETECH International, check No. 4 out of the  
14 Tri-American Arms account, for \$50,000. And on Monday,  
15 the 19th, I was contacted by telephone by Richard Fincke,  
16 and their bank wouldn't clear the check for 10 days and  
17 they needed the money right then.

18                    So he asked me if I would do a stop payment on  
19 that check and wire the money directly to their bank  
20 account in place of that check. And those are just  
21 advice of the charges, and the actual wire, or stop  
22 payment request.

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1 (Whereupon, the document was  
2 marked for identification as  
3 Exhibit 9-B-4)

4 And the amount of money that was sent to  
5 CERETECH International, \$49,990 because there was a \$10  
6 charge for wiring the money.

7 Q Did the substitution of this wire for the  
8 original check have the effect of breaking the account  
9 chain?

10 A Actually, it didn't break the account chain,  
11 but I don't have a copy of the check, which noted on it  
12 that it was actually a loan to CERETECH International.

13 Q So it divested you of the convenient ability to  
14 show that this was a loan, and not a mere payment --

15 A That's exactly right.

16 (Whereupon, the documents were  
17 marked for identification as  
18 Exhibit No. 9-C and 9-D.)

19 Q Now, what I've marked as 9-C and 9-D are the  
20 balance of your Tri American Arms file, is that correct?

21 A That's correct.

22 (Whereupon, the document was

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1 marked for identification as  
2 Exhibit No. 9-D-1.)

3 BY MR. HOLMES:

4 Q Referring you within 9-D to the letter dated  
5 December 29, 1986, which I have marked as 9-D-1, is this  
6 a letter that memorialized your understanding of the  
7 bottom line financially, with this partnership, from your  
8 lawyer to their lawyer?

9 A Yes, that's a letter from my lawyer to Malcolm  
10 Harris, the lawyer representing Richard Secord and Larry  
11 Royer, which is a part and portion of the final  
12 termination agreement. It's not actually a part and  
13 portion of that, it's just a letter of understanding from  
14 my attorney to their attorney.

15 Q And it covered a draft of the waiver and  
16 termination of the partnership agreement, is that right?

17 A That's correct.

18 Q That brings us to the final accounting of the  
19 partnership. I wonder if you could start at the  
20 beginning and tell us what monies went into the  
21 partnership and what monies went out and to whom,  
22 understanding that there is a \$200,000 amount that left

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1 Credit Suisse but never actually came under your control  
2 in the partnership.

3 A You have all those notes for the Tri American  
4 Arms file, the accounting.

5 Q That would be 9-B.

6 A No, there's another sheet on top unless it's  
7 been intermixed with something, that has the total  
8 accounting of all that.

9 (Off the record.)

10 (Whereupon, the document was  
11 marked for identification as  
12 Exhibit No. 9-E and 9-E-1.)

13 BY MR. HOLMES:

14 Q We are looking at a document from the Number 9  
15 and we'll refer to this collection of documents of you're  
16 accounting out as 9-E, all right?

17 A That's correct.

18 Q The first page of 9-E-1, which we will  
19 subdesignate 9-E-1, is a handwritten accounting of  
20 \$150,000, dated May 16, 1986, is that right?

21 A That's correct.

22 Q Could you explain this document for us, please?

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1           A    Yes.  What I've done is I've gone back through  
2 the bank statements and from the day that the money was  
3 wired into the account on 16 May 1986, and I've accounted  
4 for the full \$150,000.

5           Q    Could you run through it for us?

6           A    Yes.  On 16 May 1986, check number 1 was a  
7 \$30,000 check written to American Arms and Electronics  
8 Engineering in Denver, Colorado; 16 May, also same day,  
9 another check for \$30,000 was written to American Arms  
10 and another manufacturing company in Denver, Colorado to  
11 manufacture 1,000 receivers.

12                    On 16 June 1986 we wrote check number 3 for  
13 \$50,000 to CERETECR International.

14           Q    Now, let's go through these.  The first check  
15 and the second check, each for \$30,000, were expended by  
16 the payees, is that right, in their efforts to make  
17 receivers?

18           A    That's correct.

19           Q    And it was those receivers that were seized by  
20 ATF?

21           A    That's correct.

22           Q    So, that was a total loss to the partnership of

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1 \$60,000?

2 A Well, there's still a note owed by American  
3 Arms that doesn't have to be paid until no later than  
4 December, 1988.

5 Q And according to your dissolution agreement,  
6 what became of that note?

7 A That note now is owned by Richard Secord and  
8 Larry Royer.

9 Q So, that's an asset of Secord and Royer?

10 A That's an asset of Secord and Royer.

11 Q To the extent that it is collectible?

12 A To the extent that it is collectible.

13 Q And there is the \$50,000 check to CERETECH.  
14 What became to that money?

15 A Well, that's also a loan to CERETECH  
16 International. That check was originally written on 16  
17 June. Then the check was -- a stop put on the check --

18 MR. DICKINSON: Could we go off the record?

19 (Discussion off the record.)

20 BY MR. HOLMES:

21 Q Now, as to the \$50,000 amount, what became of  
22 that June 16 amount out to CERETECH?

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1           A     That was a loan to CERETECH International.  
2 Richard Fincke asked me to replace that with a wire  
3 transfer on Monday the 19th, and that check was  
4 cancelled.

5                     Then on the same day, 16 June, there was a  
6 check -- actually, chronologically, the check for \$25,000  
7 was written first. That should be check number 3, not  
8 check number 4.

9           Q     Well, in any event --

10          A     Okay. For \$25,000 --

11          Q     Sticking with the \$50,000 amount, it was, in  
12 fact, transferred eventually by wire, not by check, to  
13 CERETECH, correct?

14          A     That's correct.

15          Q     And became an asset of the partnership and the  
16 firm?

17          A     That's correct.

18          Q     And that is also now an asset of Secord and  
19 Royer personally, is that correct?

20          A     That's correct.

21          Q     Pursuant to your dissolution agreement?

22          A     That's correct.

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1 Q And your last conversation with Royer was that  
2 they were, in fact, pursuing the CERRETECH investment, is  
3 that correct?

4 A That's correct.

5 Q Now, there was, on June 16, a \$25,000 amount  
6 paid out to Ericson, and what was that for?

7 A That was an earnest money deposit for the  
8 Quinault Wood Project.

9 Q Have you spoken with Royer or Secord since your  
10 withdrawal from the partnership, about whether that  
11 project is going forward?

12 A I understand that they are pursuing that  
13 project.

14 Q And they are doing so without you, is that  
15 correct?

16 A Yes, as part of the termination agreement,  
17 they've taken on that project on their own.

18 Q And you have no further interest in the  
19 project?

20 A I have no further interest in the project.

21 Q Or in the \$25,000?

22 A Or in the \$25,000.

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1 Q Okay. Now, there is an August 15 cashier's  
2 check to Larry Royer and that is the \$15,000 amount that  
3 you have previously mentioned as having been requested by  
4 Royer and Secord?

5 A That's correct.

6 Q And do you know what that was for and where it  
7 went?

8 A They just simply wanted that -- the money from  
9 the partnership returned to Larry, as a partner of Tri  
10 American Arms.

11 Q Why was the \$15,000 amount selected?

12 A Well, that's what was left in the account at  
13 that point in time. If we add up 30, 30, 50 and 25,  
14 there was \$15,000 left over.

15 Q And you transferred that by check?

16 A Yes, by cashier's check.

17 Q Now, on October 3rd, \$18,369.74 was transferred  
18 into the account?

19 A That's correct.

20 Q And what was the purpose of that transfer?

21 A That was funds that after Sandy Ericson  
22 subtracted his legal fees from the 16 June check of

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1 \$25,000, that's what was left over in his trust account.

2 Q So, this is money coming back from the Quinault  
3 deposit?

4 A That's correct.

5 Q And on 16 December, that money was transferred  
6 to your attorney?

7 A To my attorney's trust account, that's correct.

8 Q And then in January, that was paid to Royer and  
9 Secord through their law firm, by your attorney, in a  
10 trust account, the trust account check, is that correct?

11 A That's correct.

12 Q With the exception of \$3,000 which was  
13 reserved?

14 A That's correct, as per the termination  
15 agreement.

16 Q And that's the amount, \$3,454.99 that your  
17 accounting ends with?

18 A I believe so. I think we subtracted \$180 for  
19 legal fees from that, but that's what the accounting ends  
20 with, yes.

21 Q And the \$3,000, approximately, amount was  
22 pursuant to your dissolution agreement and that is to

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1 protect you against grand jury and other expenses in  
2 relation to the seizure of the receivers?

3 A That's correct.

4 MR. DICKINSON: I'd say against any legal  
5 expenses -- that's how it's worded -- but not just grand  
6 jury -- and other entities. I worded that one broad  
7 enough, too.

8 BY MR. HOLMES:

9 Q So, the bottom line is that with the exception  
10 of a thin margin of insurance against your likely high  
11 cost of the investigation and everything, you have not a  
12 nickel to show for these ventures?

13 A No, that's exactly right.

14 Q And all of the money that remains and all of  
15 the assets that were produced by the money that ever went  
16 into that account are now the personal assets of Royer  
17 and Secord?

18 A That's correct.

19 Q Now we have the Tri Red Cedar Associates file,  
20 with the one document that I selected from it, which we  
21 will simply identify as number 12.

22 (Whereupon, the document was

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1 marked for identification as  
2 Exhibit No. 12.)

3 BY MR. HOLMES:

4 Q Item number 12 is your complete Tri Red Cedar  
5 Associates file in its original form?

6 A That's correct.

7 Q And it reflects the various business  
8 arrangements, agreements and contacts that you had from  
9 the cedar -- so-called Quinault Indian Reservation  
10 agreement?

11 A That's correct.

12 Q Much of which we have previously discussed and  
13 we won't rediscuss. And we have the CERETECH  
14 International, Inc. file, which has been copied and is  
15 now marked as Exhibit 13 in its entirety.

16 (Whereupon, the document was  
17 marked for identification as  
18 Exhibit No. 13.)

19 BY MR. HOLMES:

20 Q Now, does Exhibit 13 consist of the entire  
21 business correspondence, agreements and documents  
22 relating to the CERETECH International, Inc. venture?

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1           A     That's correct.

2           Q     Could you briefly explain the business of  
3 CERETECH International, just a thumbnail sketch for the  
4 record?

5           A     Yes. That was a wood project that was  
6 introduced by Dick Fincke from CERETECH International and  
7 -- I'm sorry -- CERETECH International was introduced to  
8 me by way of the Chamber of Commerce in Sterling,  
9 Colorado and the President of that company being Dick  
10 Fincke.

11          Q     And within that?

12          A     That was company that we'd loaned \$50,000 to  
13 and, basically, they were to make a human consumption,  
14 high protein wheat supplement and product for use  
15 domestically and internationally, and it was an interest  
16 to the partnership because of contacts that Albert Hakim  
17 had with World Food Bank.

18          Q     So, if I understand the chronology correctly,  
19 you had been put together with Richard Secord through  
20 Larry Royer after you had contacted Royer in relation to  
21 the American Arms opportunity, is that correct?

22          A     That's correct.

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1 Q And then after meeting with Royer and learning  
2 that he had access to venture capital in the person of  
3 Richard Secord, you commenced to screen other business  
4 opportunities that you either had heard of in the past or  
5 were coming to your attention as time went on?

6 A That's correct.

7 Q And this particular opportunity came to your  
8 attention through the Chamber of Commerce in your area  
9 because the Chamber of Commerce was aggressively looking  
10 for business opportunities that might help develop  
11 industry in northeast Colorado?

12 A That's correct.

13 Q And so you brought this one back to Royer and  
14 Secord and ultimately to Hakim for their assessment as a  
15 possible moneymaking venture for the partnership to  
16 engage in?

17 A That's correct.

18 Q And that's how it got on the agenda for the  
19 June letter that you wrote to Hakim and then the July  
20 meeting in Seattle and the mid-July meeting in  
21 Washington, D.C.?

22 A That's correct.

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1 Q And, eventually, they decided that it was  
2 something that they could make money at, that their  
3 contacts in the Middle East and abroad would allow them  
4 the opportunity to tap the possibilities of the market,  
5 and they authorized \$50,000 to go from Tri American Arms  
6 partnership to this venture, is that correct?

7 A That's correct.

8 Q Okay.

9 MR. REMSTEIN: You stated that very eloquently.

10 (Laughter.)

11 (Whereupon, the document was  
12 marked for identification as  
13 Exhibit No. 14.)

14 BY MR. HOLMES:

15 Q Okay. I'm handing you what is marked as  
16 Exhibit Number 14, and this is a copy of your Bio-Fine  
17 file, is that correct?

18 A That's correct.

19 Q Now, I wonder if you could describe for me, in  
20 similar fashion to the way we've just gone through  
21 CERETECH, what the business opportunity was and how you  
22 came to try to exploit it?

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1           A     Yes. Bio-Fine was a company that was also  
2 presented to myself as a company that could be relocated  
3 to our area, and it was a pharmaceutical company  
4 established to produce opium-derivative pharmaceutical  
5 materials for sale to pharmaceutical manufacturers. And  
6 I looked at their business plan and it was one of the  
7 projects I then presented to Richard Secord and Larry  
8 Royer.

9           Q     And how did you get onto the Bio-Fine  
10 opportunity? What brought it to your attention?

11          A     I believe that Bio-Fine originally was  
12 presented to myself by way of the state Commerce  
13 Department and by way of the Chamber of Commerce.

14          Q     Did you know any of the principals involved  
15 prior to it coming to you through those channels?

16          A     The principals of Bio-Fine?

17          Q     Right.

18          A     I've got a friend in Denver that eventually  
19 knew one of the principals, but prior to that time I  
20 didn't know the principals, no.

21          Q     Your friend in Denver was who?

22          A     Ronald Frino, a real estate brokerage agent.

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- 1 Q And who did he know?
- 2 A Mr. Jack Hack.
- 3 Q What was Mr. Hack's relationship to the firm?
- 4 A He was a scientist, research scientist.
- 5 Q I gather these notes, handwritten notes --
- 6 A Well, basically, those are notes on how to
- 7 finance Bio-Fine Pharmaceuticals. Those notes were
- 8 before I actually introduced it to Tri American Arms.
- 9 Q And when did you first introduce it to Tri
- 10 American Arms and through whom?
- 11 A Well, it had to be about the same time as the
- 12 rest of the projects, so, in May -- I suppose, May or
- 13 June of 1986.
- 14 Q Do you recall how you presented the opportunity
- 15 and who you presented it to?
- 16 A Yes. I gave the business plan -- I had two
- 17 business plans, and I gave the full business plan to
- 18 Larry Royer, and then it was pursued -- he talked to
- 19 Richard Secord about it, and that's why we began pursuing
- 20 the project.
- 21 Q So you weren't present when Royer presented it
- 22 to Secord?

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1 A No, I wasn't.

2 Q And you heard back from either Secord or Royer  
3 that it was one of the ones they wanted on the final  
4 list?

5 A That's correct.

6 Q Do you recall talking to Secord about it at  
7 anytime, personally?

8 A Yes. I -- at our meetings both -- you know --  
9 every meeting that we had, we talked about all the  
10 projects, and the meeting with Willard Zucker in Seattle,  
11 each one of these projects -- we spent two or three  
12 hours or more on each one, very detailed presentations.

13 Q And what was the presentation that you made  
14 there in Seattle, in financial terms, to Secord and  
15 Zucker?

16 A Well, basically, we were going to provide all  
17 the equipment, get the licensing for Bio-Fine, and  
18 continue to have an operating business with this business  
19 entity.

20 Q Financially, what was the capital necessary and  
21 how was it to be raised?

22 A There was approximately \$1.5 million in

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1 equipment, \$50- to \$100,000 in legal fees to pursue the  
2 license, and then operating expenses, I suppose, another  
3 \$500- to \$750,000 for the business. So, we spoke about  
4 approximately \$2.5 million for Bio-Fine.

5 Q Is this the \$2.4 million figure that we've seen  
6 elsewhere?

7 A I believe so, yes.

8 Q And that \$2.5 million, roughly, is money that  
9 was needed to be expended before any income was going to  
10 be seen?

11 A Yes, that's correct.

12 Q When you say there was \$1 million in equipment,  
13 you're talking about in purchases necessary to get the  
14 equipment?

15 A Yes, exactly. That also included real estate.

16 Q So, you were going to have to find a location,  
17 get a building, purchase equipment, and begin production  
18 all on equity capital?

19 A Yes. The location had already been approved in  
20 Las Vegas by the Drug Enforcement Agency. Dr. Smith and  
21 Dr. Hack as well as their third partner, Vince Gordecon,  
22 had been working on this project a couple of years before

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1 it was presented to me.

2 So, a lot of their preliminary work had been  
3 completed, and I think you'll see that in the business  
4 plan dated July 31, 1986.

5 Q And what was the source of funds going to be,  
6 as you discussed it there in the Seattle meeting in July?

7 A Again, this was going to come out of investors  
8 that Albert and Richard and Willard Zucker spoke about,  
9 as one of the entities, one of the businesses we were  
10 going to have here in the United States.

11 Q Was it your understanding that all of this  
12 money was coming out of the so-called Arab Development  
13 Corporation, or were separate groups of investors?

14 A You know, it seemed like there were separate  
15 groups of investors. There were a number of investors  
16 and each one of them might have a different interest in a  
17 different enterprise. I felt like that it necessarily  
18 wasn't one big pool, that maybe there were different  
19 contacts for different businesses.

20 Q And who had control of these monies?

21 A Well, it seemed like Albert Hakim had control,  
22 as well as Willard Zucker. Each one of them seemed to

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1 have their own control. And I didn't feel after our  
2 third meeting, that Richard Secord really had control of  
3 the monies. It seemed to be more Albert Hakim's and  
4 Willard Zucker's position to get monies raised for these  
5 projects.

6 Q When was the third meeting that you're  
7 referring to?

8 A That would have been the Seattle meeting where  
9 everybody was there, July 2nd and 3rd.

10 Q And that's when you were introduced to Zucker?

11 A Yes, that's correct.

12 Q And was that the first time you met Hakim as  
13 well?

14 A No, I met Hakim at the second meeting, that  
15 would have been in June. That was June 23rd that I  
16 originally met Hakim.

17 The third meeting -- well, the second meeting  
18 with Hakim then was July 2nd, and then the third time I  
19 met him personally was on July 17th.

20 Q So, you had been under the impression that it  
21 was Secord that you were dealing with?

22 A Originally, I was under the impression, up

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1 until the July 17th meeting, that it was actually Richard  
2 Secord that I was dealing with.

3 Q And it was his money?

4 A And it was his money.

5 Q And the July 17th time period you were given to  
6 believe that it was Hakim's money and that Zucker had  
7 advisory role with Hakim and Secord as their sort of  
8 financial advisor?

9 A That's how I envisioned it.

10 Q Whatever became of Bio-Fine, did you ever put  
11 money into Bio-Fine?

12 A No, Bio-Fine --I understand that Thl-Ryder  
13 (phonetic) has funded that project at this point in time,  
14 but that is just hearsay, I am no longer pursuing that  
15 project.

16 Q What was Bob Dutton's relationship to the  
17 Quinault Timber project, do you know?

18 A No, Bob Dutton never had anything to do with  
19 that project while I was working with it.

20 Q When you met with him in mid-July of 1986, July  
21 17th, was he introduced to you as somebody who had a  
22 financial stake in these ventures, or was he simply an

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1 STTGI employee who was there to give advice?

2 A Well, I didn't know whether he was an employee,  
3 or not, but he was simply introduced as a partner  
4 organization and I didn't spend over three or four  
5 minutes with him -- he handed me -- he had a chart of  
6 organizations, and Albert Hakim then handed it to me.

7 Q What do you know of an SRH Corporation?

8 A I don't know anything about that corporation.

9 Q Have you ever heard of it before today?

10 A I heard of that by way of questioning from Don  
11 Rematein, but I never heard it before that time.

12 Q I see, so other than what the House  
13 investigator asked you --

14 A I never heard of it.

15 Q Had you ever discussed with Secord or Hakim any  
16 venture, partnership involving Secord, Hakim and Royer,  
17 but not yourself?

18 A No.

19 Q Do you have a Telex in your office?

20 A No.

21 Q So you never communicated either backward or  
22 forward with Secord, or Royer, or Zucker by Telex?

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1           A     That's correct.

2           Q     Have you any knowledge of a Canadian Imperial  
3 Bank of Commerce account?

4           A     No, I don't.

5           Q     Was one ever discussed with you?

6           A     No.

7           Q     Was any bank account, other than the Credit  
8 Suisse bank account discussed with you by either Hakim or  
9 Secord, that is not located in the United States?

10          A     No.

11          Q     I gather from the paperwork in exhibit relating  
12 to the Quinsult Timber project, that there was discussion  
13 on the \$2 million minimum pre-sale. In other words, they  
14 wanted to know for sure that they could sell \$2 million  
15 worth of timber, before they made their --

16          A     That was discussed -- that was one of the  
17 contingencies that Albert Hakim wanted to put with Ed  
18 Herman, but I believe that is after -- I had gotten away  
19 from the -- they were dealing on that -- I heard that  
20 figure from Dick Fincke at a later date, the \$2 million.

21          Q     You are in touch with Dick Fincke because he is  
22 one of your local businessmen?

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1           A     No, Dick Fincke is from Seattle, but basically,  
2 I called him from time to time, just to see what Secord  
3 and Royer were still doing with the Quinault Wood  
4 project, and also CERETECH International. I have a very  
5 good relationship by telephone with Richard Fincke.

6           Q     Are you engaged in any other businesses with  
7 him, or --

8           A     No, I am not.

9           Q     Have you ever heard of an organization known as  
10 Hydra?

11          A     No.

12          Q     That is H-y-d-r-a.

13          A     No.

14          Q     You did talk about a separate manufacturing  
15 capability for laser sights with Albert Hakim?

16          A     They mentioned that they worked on -- that  
17 Hakim and Secord had worked on a laser device, previous  
18 to our involvement with Tri-American Arms.

19          Q     Was there a discussion of substituting their  
20 device for the so-called laser lock sight that was then  
21 being teamed with the American 180?

22          A     That's correct.

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1 Q And when did those discussions begin on that  
2 project?

3 A Well, those discussions were primarily with the  
4 Goffa. And, in fact, I believe the Goffa gave the laser  
5 locks to Albert Hakim to study and compare to the product  
6 that they were familiar with. But I didn't have anything  
7 to do with that, that was between the Goffa and Albert.  
8 I just knew that that was being transferred back and  
9 forth between them, the devices.

10 Q Well, whose property were the patents and  
11 licenses associated with product of the American 180  
12 laser sights?

13 A Those were -- the patents were a subsidiary of  
14 American Arms and the laser lock was a part of American  
15 Arms, a research and development company.

16 Q What was your understanding with regard to  
17 Tri-American Arm's right to produce that weapon,  
18 independently of American Arms?

19 A The memorandum of agreement was our contract to  
20 be able to manufacture that separately from American  
21 Arms.

22 Q You were receiving no rights to the patents?

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1 A No, there were no rights to the patents.  
2 Q So you were, if not a licensee, something like  
3 a licensee to produce the weapon?

4 A Actually, American Arms was producing the  
5 weapon, we were simply the marketing arm for them.

6 Q You were a financier in marketing?

7 A Exactly, exactly.

8 Q All right. If Hakim and Secord were  
9 contracting separately with another manufacturer to  
10 produce the American 180, would that have been a use of a  
11 partnership asset?

12 A I didn't know anything about that -- I guess  
13 ask your question in another way.

14 Q Well, I am sort of perplexed by your lack of  
15 knowledge in this area, because Hakim and Secord are your  
16 partners.

17 A Hakim was never a partner.

18 Q Well, excuse me, Secord was your partner and  
19 Hakim was an associate of Secord's. Let's just talk  
20 about Secord. If Secord were contracting through STGI  
21 to produce American 180s with another separate  
22 manufacturer, what right did Secord have to do so, that

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1 you know of?

2 A There wasn't any right to do that. If, in  
3 fact, he was doing that, I didn't know anything about  
4 that. And our partnership really -- we were contracting  
5 to do 5,000 units, and basically, that was what I was  
6 locked in on. I don't know whether they were trying to  
7 do something outside that partnership. I have no  
8 knowledge of that.

9 Q If he was doing that, he would have had to  
10 obtain the right to do that, independently from the  
11 Goffs, independently of your partnership?

12 A Yes, that's correct.

13 Q Now, you said earlier that you are not familiar  
14 with a Four Ways Industries, Inc.?

15 A That's correct.

16 Q Are you familiar with any discussions with  
17 Secord or Hakim of an organization in the United States  
18 that specializes in the manufacture of out-of-production  
19 military equipment parts?

20 A No.

21 Q Do you know the name Greg Zinc?

22 A No.

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- 1 Q Do you know the name Jacob Farber?
- 2 A No.
- 3 Q Have you ever been involved in any arms dealing  
4 at that, buying or selling in wholesale quantities, other  
5 than with American Arms?
- 6 A No.
- 7 Q Any defense-related industry?
- 8 A No.
- 9 Q Any industry outside the United States?
- 10 A No, I don't believe so, unless that includes  
11 mutual funds that invest in foreign companies. You are  
12 talking about manufacturing --
- 13 Q Yes. Let me show you what is now marked as  
14 Exhibit No. 15, a letter apparently sent to Mr. Albert  
15 Hakim, Stanford Technology Trading Group International  
16 but addressed to an organization known as SciTech Trading  
17 Group in Monrovia, Liberia, on the stationery of Four Way  
18 Industries, Inc. and signed by a Ronald C. Wade.
- 19 Do you know Mr. Ronald C. Wade?
- 20 A No, I don't.
- 21 (Whereupon, the document was  
22 marked for identification as

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Exhibit No. 15)

1  
2 Q This makes reference to an agreement, or an  
3 inquiry concerning interest in manufacturing a laser  
4 sight unit which you have developed. It is a product  
5 which we can manufacture and are very much interested to  
6 manufacture. And then it quotes manufacturing runs ad  
7 the unit price, all FOB Four Way, New Jersey, subject to  
8 obtaining the necessary export license.

9 Are you familiar with anything that would form  
10 the basis for such a letter to Mr. Hakim?

11 A No, I am not.

12 Q You never discussed the manufacture of those  
13 laser sights here in the United States with Mr. Hakim  
14 under the auspices of Tri-American Arms?

15 A No.

16 Q Let me show you a letter now marked as Exhibit  
17 No. 16 to this deposition, a memorandum actually to  
18 Mr. Secord from Mr. Dutton, memorializing a meeting of  
19 January 7th -- excuse me, January 12th, 1987.

20 (Whereupon, the document was  
21 marked for identification as  
22 Exhibit No. 16)

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1                   This is for a period of time after you had  
2 broken your association with Hekim and Secord, is that  
3 correct?

4                   A     That's correct.

5                   Q     All right, are you familiar with any discussion  
6 that would have formed the basis for such a memorandum?

7                   A     No, I am not.

8                   Q     So this memorialized meeting among  
9 representatives of Four Way, STGI and Mr. Goff, Jr. is  
10 something that is entirely out of your knowledge, up  
11 until this moment?

12                  A     That's correct.

13                  MR. DICKINSON: Could we go off the record here  
14 for a second?

15                  MR. HOLMES: Sure.

16                  (Discussion off the record)

17                  BY MR. HOLMES:

18                  Q     Are you familiar with the name Frank Lucero?

19                  A     I have heard that name from Larry Royer, as one  
20 of the individuals now involved with Bio-Fine  
21 Pharmaceuticals, yes.

22                  Q     Do you know from those conversations, were you

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1 told what role Lucero had in the Bio-Fine venture?

2 A It seems that he is involved with the capital  
3 phrasing for that venture.

4 Q Do you know anything more about Mr. Lucero?

5 A No, I don't.

6 Q Where he is from, anything like that?

7 A I have no idea.

8 Q As for Mr. Royer, I gather that your own cereal  
9 related business is no longer operational?

10 A No.

11 Q Do you have any other business relationship  
12 with Mr. Royer?

13 A No, no other business relationships.

14 Q Do you know anything about any businesses that  
15 he now has?

16 A No, I don't, except that they are pursuing  
17 Bio-Fine Pharmaceuticals, and from what I understand,  
18 they continue to pursue the wood project, but I don't  
19 know of any other businesses, besides those.

20 Q And you don't know what the current state of  
21 CERETECH?

22 A I don't know.

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1 Q Other than what you have told us today, do you  
2 have any knowledge at all about Richard Secord?

3 A No, I don't have any other knowledge about him,  
4 except what we have talked about today.

5 Q There are no business opportunities, or  
6 financial transactions of any kind that he has discussed  
7 with you, or in your presence, other than the ones that  
8 we have talked about today?

9 A No, he has not.

10 Q Could I ask you the same questions with regard  
11 to Mr. Hakim?

12 A Yes, he hasn't discussed anything with me.

13 Q Did either Secord, or Hakim discuss with you  
14 any other arms dealing that they have ever done?

15 A No.

16 Q Did they ever give you to believe that they  
17 have contacts through which they could sell arms?

18 A Yes, I thought that they could sell arms. I  
19 had the feeling that they had the contacts to sell arms  
20 internationally.

21 Q Did they go into any details at all in that  
22 regard?

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1           A    No, simply that they had international  
2 contacts, and had used different countries that they had  
3 access to. Primarily, when we spoke about the different  
4 countries that the Goffs already had licenses for, they  
5 felt like they had contacts in some of those countries.

6           Q    Was Saudi Arabia mentioned specifically?

7           A    No, I think it was the Middle East, but not  
8 specifically Saudi Arabia.

9           Q    And other than what you have told us about  
10 Mr. Zucker, the same question?

11          A    Yes, I don't have any dealings, or any further  
12 dealings with Mr. Zucker.

13          Q    Other than the discussions that we have talked  
14 about with regard to the Contras, were they ever brought  
15 up in your discussions?

16          A    No.

17          Q    Did Secord ever tell you that he was supplying  
18 arms to the Contras, or getting money from the supply of  
19 arms to the Contras?

20          A    No, he never mentioned the Contras at all.

21          Q    Did he ever mention -- well, I gather that he  
22 did mention close ties with the U.S. government, in terms

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1 of the Quad-Mount?

2 A When we talked about the Quad-Mount system, he  
3 had close ties with the U.S. government. In fact, in the  
4 study that you have with the M-180 and the United States  
5 government, I believe that Secord mentioned that he  
6 contacted the officer, or had someone contact the officer  
7 that did the study at Fort Benning.

8 Q Why did he do that, did he say?

9 A Simply to see how good the firearm was.

10 Q What did he report to you?

11 A That they had some problems at that time with  
12 the weapon locking up, and a couple other things about --  
13 I don't recall the exact conversation. When I mentioned  
14 that to the Goffs, they said, well, those problems had  
15 been overcome, they didn't have those problems with that  
16 firearm anymore.

17 But it seems to me that Secord had actually  
18 contacted, or had someone contact the officer mentioned  
19 in that report.

20 Q The American 180 is strictly an anti-personnel  
21 type weapon, isn't it?

22 A Yes, as opposed to --

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- 1 Q Like an anti-tank gun?
- 2 A Yes, anti-personnel, exactly.
- 3 Q And in its automatic form it is not a sporting  
4 weapon by any stretch of the imagination?
- 5 A No.
- 6 Q In effect, it produces an extremely rapid  
7 stream of .22 caliber bullets, is that right?
- 8 A That's correct.
- 9 Q And that's 1800 rounds per minute cyclical rate  
10 per brochure?
- 11 A Yes, that is correct.
- 12 Q So, in a quad mount it's four receivers  
13 functioning together, in tandem, all at once?
- 14 A That's correct.
- 15 Q So that's -- whatever it is -- it would be 30  
16 rounds a second out of each gun, it is 1,200 rounds per  
17 second out of the quad mount?
- 18 A It would be 120 per second.
- 19 Q Right.
- 20 A Over 7,000 per minute, 7200 a minute.
- 21 Q - What is that suitable for?
- 22 A I don't think you are going to hunt Bembi with

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1 that.

2 Q Well, obviously it is not a sporting weapon,  
3 but its marketability would be for massive repulsion of  
4 hordes of people, is that the idea?

5 A I don't know. You know, it is like any  
6 automatic weapon, M-16, or anything else, machine gun,  
7 they have tremendous fire power.

8 Q It is a fairly short-range weapon, though,  
9 isn't it?

10 A I think the range would be more than some of  
11 the higher calibers, you can actually -- the range is  
12 farther.

13 Q But it would be like rain --

14 A Sure, exactly, the impact would be -- right.

15 Q The primary purpose is what I am getting at,  
16 was strictly military-type?

17 A It is military-type purpose.

18 Q And military and quasi-military, or weapon of  
19 last resort in prison riots, or --

20 A SWAT teams.

21 Q Or something like that, a military weapon.

22 A It is not something that is carried by the

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1 average citizen, no.

2 Q And the briefcase model that Hakim refers to  
3 would be further limited to clandestine type activity, I  
4 gather?

5 A I would think so.

6 Q It is basically an assassination weapon?

7 A Yes. And security, it is probably also could  
8 be used for security.

9 Q You could call it an anti-assassination weapon?

10 A Exactly.

11 Q I could envision two people shooting at each  
12 other with their briefcases --

13 MR. HOLMES: Do you have any questions?

14 MR. REMSTEIN: No.

15 MR. HOLMES: I have no further questions. If I  
16 can ask you a general question, is there anything that  
17 you would like to add to amplify, clarify any of your  
18 statements, now is an opportunity for you to do that, or  
19 if you would like to confer with your lawyer, and touch  
20 up anything that you feel you may have either missed, or  
21 inadvertently misstated, or --

22 Let's go off the record.

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1 (Discussion off the record)

2 BY MR. HOLMES:

3 Q Have you had any contact with Larry Royer  
4 recently?

5 A Yes, I spoke with Larry, actually the 18th,  
6 which was Monday, yes, Monday -- okay, on the 18th. And  
7 he said he was very upset about the -- he saw a blurb on  
8 CBS on some questions that CBS had asked me. And I said,  
9 yes, that I had answered their questions truthfully and  
10 factually.

11 And he said that Secord said that I was a  
12 fiduciary, and I should not be talking about his  
13 account. And that if I was in Switzerland, I would be  
14 in jail. And he mentioned that he heard \$1 million on  
15 the newscast, and I said, that's exactly correct, that is  
16 what we were going to -- the question posed to me by CBS  
17 was how much money was appropriated for American Arms,  
18 and I said \$1 million.

19 And that was the end of the conversation.

20 Q How did he end the conversation?

21 A Well, he just says -- asked me if I had been  
22 subpoenaed to come to Washington, D. C., and I said, no,

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1 that I hadn't been subpoenaed, but that I was going to  
2 Washington, D. C. to tell what I knew.

3 Q How did he respond to that?

4 A His response was "Well, that's all you can do",  
5 or something very curt. "That's all you can do", I don't  
6 remember exactly.

7 I had another call coming in from New York, and  
8 I said, "I've got another call coming in, and I need to  
9 go".

10 Q What was his general tone of voice?

11 A Very hostile in the beginning, he was very  
12 nervous and upset about this press coverage.

13 Q And did he tell you how he knew that Secord had  
14 said that you were a fiduciary, and for that reason  
15 shouldn't be talking?

16 A No, he just said that Secord said that I was  
17 the fiduciary for that account and I should not be  
18 talking about the account.

19 Q He didn't tell you when he had that  
20 conversation with Secord, or how he knew that Secord felt  
21 that way?

22 A No.

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1 Q And prior to that conversation, when did you  
2 talk to Larry Royer last?

3 A It has been a couple of weeks. Well, he called  
4 my office and I was out of the office last week, and I  
5 didn't return his call. But I suppose it has been a  
6 couple of weeks since I talked to him, I don't have it on  
7 these notes.

8 But he has called my office a number of times.  
9 I have been working on an oil exploration project, and I  
10 haven't been in my office very much for the last two  
11 weeks.

12 Q Have you ever previous discussed with Royer the  
13 fact that Secord was mentioned prominently in these  
14 various investigations?

15 A Oh, yes, when Secord first came out in the  
16 newspapers, in the investigations, I asked Larry what it  
17 was all about, and he just said, oh, it is nothing, that  
18 everything will be fine, it will all work itself out --  
19 like it was no concern. He seemed to be a lot more  
20 concerned yesterday.

21 Q Did you discuss the investigation with Secord,  
22 meaning --

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1           A     I haven't spoken with Secord since, I don't  
2 know, September, October 1986.

3           Q     Had his name come out in the press at that  
4 time?

5           A     Yes, previous to that -- well, let's see, the  
6 last time I spoke with him was on returning the money,  
7 whenever that was. And I don't know when his name first  
8 began coming out in the press. It seems like it was  
9 towards the end of '86, wasn't it, November, December.  
10 So it would have been previous to that.

11                     Since his name started coming out in the press,  
12 I have never spoken to him.

13           Q     And have you spoken with Hakim since?

14           A     No, I have not.

15           Q     Have you spoken with any of the other people  
16 that you have talked about today, about the investigative  
17 end of this, putting aside the ATF investigation?

18           A     No, except for my attorney.

19           Q     I would like to make your chronology an  
20 exhibit, if I could, would that be all right with you?

21           A     That's fine.

22           Q     This is something that you have been referring

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1 to during your testimony, and I gather that you have  
2 confirmed these various dates through your records?

3 A That's correct.

4 MR. HOLMES: This will be Exhibit No. 17.

5 And like the other ones, we will have the original back  
6 to you.

7 (Whereupon, the document was  
8 marked for identification as  
9 Exhibit No. 17)

10 MR. HOLMES: Well, I have no further  
11 questions.

12 The committee rules prohibit our dissemination  
13 of the transcript, so the only way you can review the  
14 transcript, in order to verify it, is here at the  
15 committee offices. And it will be made available in  
16 short order.

17 And I suppose I can make an attempt to make a  
18 copy available to you in Colorado, but in the past our  
19 policy has been that they don't leave the committee room,  
20 period, for the reason that the news media and everything  
21 are likely to get bits and pieces of it, if we let them  
22 go out to witnesses.

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1           And I tell you that as preparatory to the  
2 normal question of whether you want to review it, or not,  
3 prior to its becoming record?

4           MR. DICKINSON: I think it would be helpful to  
5 review it, just from the documentary and accuracy -- but  
6 I assume you would get a voucher for Don to come back and  
7 review it in D. C.?

8           MR. HOLMES: I can't tell you that, I don't  
9 know.

10          MR. DICKINSON: Of course, accuracy is the aim  
11 of the committee, I'm sure.

12          MR. HOLMES: You are absolutely right on that,  
13 but so is economy. In any event, we can try and work  
14 that out.

15          MR. DICKINSON: Let's see what we can do on  
16 that.

17                I would like to put into the record that, once  
18 again, my client has appeared voluntarily, at your  
19 request, but he has appeared with all of the  
20 documentation he has on the matter, that that  
21 documentation has been reviewed, prior to the formal  
22 deposition by the committee personnel. And that there is

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1 nothing outstanding that he has at this time, absent  
2 something that might be brought to our attention later,  
3 which we certainly have no idea of now.

4 MR. HOLMES: I wonder if you would exceed to a  
5 general request that if anything comes to your attention,  
6 that you would let us know?

7 MR. DICKINSON: I have no problem with that at  
8 all.

9 MR. HOLMES: Fine, rather than the normal  
10 standing subpoena method. And I am happy to put on the  
11 record that I am indebted to you for not only coming  
12 voluntarily and without immunity, or anything like that,  
13 but for coming very rapidly at our request, so that we  
14 can get rapidly to the bottom of this thing.

15 And with that, we will go off the record.  
16 Thank you.

17 (Signature not waived)

18 (Whereupon, the taking of the deposition of  
19 Mr. Don Maroatica was concluded at 6:00 p.m.)

20  
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1 DEPOSITION OF JOHN O. MARSH, JR.

2 Thursday, July 23, 1987

3 United States Senate

4 Select Committee on Secret

5 Military Assistance to Iran

6 and the Nicaraguan Opposition

7 Washington, D. C.

8 Deposition of JOHN O. MARSH, JR., called as a  
 9 witness by counsel for the Select Committee, at the  
 10 offices of the Witness, The Pentagon, Washington, D. C.,  
 11 commencing at 2:10 p.m., the witness having been duly  
 12 sworn by MICHAL ANN SCHAFFER, a Notary Public in and for  
 13 the District of Columbia, and the testimony being taken  
 14 down by Stenomask by MICHAL ANN SCHAFFER and transcribed  
 15 under her direction.  
 16

Partially Declassified/Released on 22 Jan 1988  
 under provisions of E.O. 12356  
 by N. Menan, National Security Council

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2

## 1 APPEARANCES:

2 On behalf of the Senate Select Committee on Secret  
3 Military Assistance to Iran and the Nicaraguan  
4 Opposition:

5 JOHN SAXON, ESQ.

6 C. H. ALBRIGHT, ESQ.

7 On behalf of the House Select Committee to  
8 Investigate Covert Arms Transactions with Iran:

9 JOSEPH SABA, ESQ.

10 ROBERT W. GENZMAN, ESQ.

11 ROGER KREUZER

12 On behalf of the Department of Defense:

13 ED SHAPIRO, ESQ.

14 THOMAS TAYLOR, ESQ.

15 Office of General Counsel

16 COLONEL JOHN WALLACE

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1	C O N T E N T S		
2	EXAMINATION ON BEHALF OF		
3	WITNESS	SENATE	HOUSE
4	John O. Marsh, Jr.		
5	By Mr. Saxon	4	
6	By Mr. Saba		28
7	By Mr. Saxon	31	
8	By Mr. Saba		66
9	By Mr. Saxon	67	
10	By Mr. Albright	76	
11	By Mr. Saxon	77	

12	E X H I B I T S	
13	MARSH EXHIBIT NUMBER	FOR IDENTIFICATION
14	1	6
15	2	12
16	3	38
17	4	40
18	5	49
19	6	51
20	7	53
21	8	62
22	9	64
23	10	71

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## 1 PROCEEDINGS

2 Whereupon,

3 JOHN O. MARSH, JR.,

4 called as a witness by counsel on behalf of the Senate  
5 Select Committee and having been duly sworn by the Notary  
6 Public, was examined and testified as follows:

## 7 EXAMINATION

8 BY MR. SAXON:

9 Q Would you state your name, please, sir?

10 A John O. Marsh, Jr.

11 Q And, Mr. Marsh, what is your position?

12 A Secretary of the United States Army.

13 Q I believe you've been Secretary since February  
14 of 1981; is that correct?

15 A Actually since probably 29 January 81.

16 Q And previously you served four terms in the  
17 United States Congress from Virginia's Seventh District;  
18 is that correct?

19 A That's correct.

20 Q And you were Assistant Secretary of Defense  
21 for Legislative Affairs?

22 A That's correct.

23 Q And you served as the National Security  
24 Advisor to Vice President Gerald Ford?

25 A That's correct.

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1 Q And after that you served in the Ford White  
2 House when Mr. Ford was present as Counsellor to the  
3 President; is that correct?

4 A Exactly right, with Cabinet rank.

5 Q At the White House you chaired the President's  
6 Intelligence Coordination Group; is that correct, sir?

7 A That's correct.

8 Q Mr. Marsh, as you know, the matters that bring  
9 us here involve the arms sales to Iran and possible  
10 diversion of any proceeds from those arms sales to the  
11 contras. But before getting to those matters  
12 specifically I want to ask about a few process matters  
13 involving how the Army provides equipment and materiel to  
14 the Central Intelligence Agency, the process that's used,  
15 specifically the [REDACTED] the coordination  
16 with DOD, et cetera.

17 And to do that I want to start with some  
18 background. Let me introduce the first exhibit. I'll  
19 certainly give you time to read this because you probably  
20 haven't seen it in a while. This is a memorandum that  
21 you sent to Defense Secretary Weinberger on 9 May 83  
22 dealing with sensitive DOD support to CIA special  
23 activities.

24 Let me just give you a minute to read that,  
25 sir.

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1 (The document referred to was  
2 marked Marsh Exhibit Number 1  
3 for identification.)

4 (Pause.)

5 A I believe Del Spurlock wrote this memo. He  
6 was General Counsel then. He's still here as the  
7 Assistant Secretary for Manpower. It seems to me he got  
8 a response to this.


9 Q Yes, sir, and that will be Exhibit 2. Have  
10 you read it?

11 A Yes. I've gone over it enough that I have a  
12 general familiarity.


13 Q ~~Do you recognize this and can you verify that~~  
14 this is a memorandum you sent to Secretary Weinberger?

15 A That's correct. I did.

16 Q In a general sense, before any specific  
17 questions, is there anything in particular that triggered  
18 this or anything noteworthy that you remember that caused  
19 you to send it?

20 A I think what was happening at the time, Mr.  
21 Saxon, is that this was occurring at a time when we were  
22 having some significant problems 

23   
24 Q 

25 A 

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[REDACTED]

Mr. Weinberger was aware of this and was very helpful in that regard. And so this was an attendant type of problem that was producing some of the problems that you are getting at [REDACTED]

[REDACTED] So I wanted to surface it with him and this memo was drafted for me by the General Counsel of the Department of the Army, who put a good deal of time and study into it, whose name was Delbert Spurlock.

Q Is it fair to say that this memo captured and represented to Secretary Weinberger some of your concerns about these type of activities?

A It did, and that's why I signed it and sent it up there, because the concerns that are expressed here were not just mine in the Army. The General Counsel had raised it with me. In fact, he drafted the memo. But I would say to you that there were others in the Department

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1 of the Army, both military and civilian, who shared these  
2 concerns, because the Army ends up in many of these  
3 operations being a very key operating agency in carrying  
4 these things out.

5 So we may carry a greater load than others.  
6 I'm not sure of that because I don't know the scope of  
7 the Navy or the Air Force, but I do know that we are  
8 frequently called on to engage in these type of  
9 endeavors.

10 Q All right, sir. Let me, while the memorandum  
11 will be an attachment to the deposition, let me highlight  
12 a couple of things that are in it to set the course of  
13 the next few minutes of the discussion.

14 You indicate, and I quote: "With increasing  
15 frequency, due largely to the Presidential Findings  
16 relating to Central America, the CIA has been requesting  
17 DOD support which should be considered significant and  
18 raises some difficult policy and legal questions." You  
19 indicate there are three examples that you have attached  
20 at Tab A that evidence this point.

21 You continue in the second paragraph: "The  
22 purpose of this memorandum is to raise several issues  
23 regarding the manner in which CIA requests for DOD  
24 support are reviewed within the appropriate agencies of  
25 the Executive branch and are reported to Congress, if

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1 necessary. These types of issues have taken on special  
2 significance in light of the increased Congressional and  
3 media interest in this area."

4 Further, in the next paragraph you state:  
5 "CIA requests for DOD support are reviewed within DOD to  
6 determine whether DOD is willing to and capable of  
7 providing the requested support. There are, however, at  
8 least four important issues which may not be receiving  
9 sufficient attention in the review process either within  
10 or outside DOD."

11 You go on to talk about those, and let me  
12 highlight a couple of them. In the second paragraph of  
13 page two, halfway down, the memo states: "The CIA, DOD  
14 and the Department of Justice have agreed that  
15 foreseeable and significant DOD support to be determined  
16 pursuant to a reasonable litmus test will be noticed  
17 explicitly within the Presidential Finding and that all  
18 other support will be set forth in the supporting material which  
19 accompanies the Finding."

20 The next paragraph begins: "The second major  
21 issue relates to the breadth of Presidential Findings and  
22 the question of whether DOD support which is requested is  
23 consistent with and authorized by the Finding."

24 You continue with a particular example in  
25 which you signed off and stated: "Thus, while I executed

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1 the approval memorandum, I conditioned my approval upon a  
2 priority notification to Congress of the exact nature of  
3 the operation. For this and various other reasons, the  
4 Army raised objections to the support requested and it  
5 was eventually withdrawn by the CIA."

6 To continue with a couple other highlights, at  
7 the top of the next page: "Additionally, and perhaps  
8 most importantly, requests for sensitive DOD support must  
9 be reviewed for compliance with the statutory  
10 requirements relating to Congressional oversight of  
11 special activities. The CIA must, of course, inform the  
12 Congressional intelligence oversight committees of all  
13 special activities."

14 In the next paragraph you state: "Finally,  
15 with regard to Central America requests for support must  
16 also be reviewed to determine compliance with the Boland  
17 Amendment."

18 In the last paragraph on that page: "The  
19 problem which I perceive relating to these issues is the  
20 absence of a system or process by which they are  
21 addressed. Unlike the more formal process by which  
22 Presidential Findings are reviewed within the NSPG, the  
23 above issues relating to CIA requests for DOD support are  
24 reviewed for legality, if at all, in an ad hoc manner  
25 both within and outside DOD. Finally, within DOD I do

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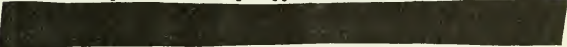


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1 not believe that the Deputy Under Secretary of Defense  
2 for Policy routinely solicits the review of the Office of  
3 General Counsel.

4 Because of the subtle but volatile legal aspects of  
5 the issues discussed above, I believe it is important  
6 that all significant requests for sensitive DOD support  
7 be reviewed in a consistent and systematic manner, to  
8 include an appropriate role for the Agency's legal  
9 advisor within and among all affected agencies."

10 In the next paragraph: "Within the Army I am  
11 pleased with the review system which has been established  
12 and all requests for Army support are submitted by the  
13 

14 Finally: "Based upon the foregoing, I believe  
15 it is important that you encourage the establishment of  
16 formal intra and interagency procedures, including the  
17 participation of the Department of Justice, relating to  
18 the review of requests to support CIA special  
19 activities."

20 What I tried to do with those sections that I  
21 quoted was to capture the essence of what you put  
22 forward. Before asking you some broader questions  
23 probably I should give you Secretary Weinberger's  
24 response, which was dated 13 June 83, memorandum for the  
25 Secretary of the Army. I'll have this marked as

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1 Exhibit 2.

2 (The document referred to was  
3 marked Marsh Exhibit Number 2  
4 for identification.)

5 (Pause.)

6 You've had a chance to review that, sir?

7 A Yes. I have reviewed it and I remember having  
8 received it.

9 Q All right, sir. For the record, let me read a  
10 couple of relevant sentences into the record from  
11 Secretary Weinberger's response to you. He begins with,  
12 "Your 9 May memorandum on management of DOD support to  
13 CIA special activities raises significant points."

14 In paragraph three he states: "Your point  
15 concerning notification to the Congressional committees  
16 is well taken. The Deputy Under Secretary of Defense for  
17 Policy is responsible for action on these notifications  
18 after appropriate coordination with the DOD General  
19 Counsel, DOD Legislative Liaison, CIA, the Joint Staff,  
20 DIA, and the military departments. We must comply fully  
21 with all statutory and Presidential direction on such  
22 reporting.

23 "Beyond these requirements, I wish to be as  
24 diligent in informing the appropriate Congressional  
25 Committees as good management and division of authority

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1 between the Legislative and Executive Branches permit.  
2 However, I must recognize the primary responsibility of  
3 the DCI concerning decisions on reporting special  
4 activities to the Congress."

5 At the top of the next page: "Our current DOD  
6 process for staffing CIA requests for operational support  
7 through the special [REDACTED] is proper."

8 In paragraph three: "Legal counsel is readily  
9 available to all participants in this process. All  
10 proposals and requests for action in these areas referred  
11 to OSD are handled by the DUSD(P). The latter staff is  
12 especially experienced in and attuned to policy,  
13 procedural constraints and general legal issues pertinent  
14 to these activities. In addition, in order to ensure  
15 that a complete legal review is carried out all such  
16 requests will be referred to the Office of the DOD  
17 General Counsel for evaluation. In view of the  
18 institutionalized legal review, the establishment of  
19 additional intraagency or interagency review procedures  
20 to evaluate and advise outside the current interagency  
21 coordination process is not necessary."

22 I take it from that Secretary Weinberger felt  
23 satisfied with the system that was in place, and having  
24 that in the record let me ask you, without addressing  
25 specifically Project SNOWBALL, which was the Army's term

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1 for the TOW missiles which ultimately found their way to  
2 Iran, or Project CROCUS, the HAWK repair parts, are you  
3 happy with the system that was put in place, the [REDACTED]  
4 [REDACTED] system, the [REDACTED] the  
5 understandings between the Department of the Army and DOD  
6 and the Department of the Army and CIA for normally  
7 handling such transfers?

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[REDACTED]

That would provide an even greater impetus to  
institute a change and reform and oversight and control

[REDACTED]

And these matters  
and problems were all reported to the Secretary of  
Defense, and I would say to you that Mr. Weinberger took  
a very keen interest in that.

He held meetings at his level in his office in

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1           which he personally participated in support of the Army's  
2           efforts to make very substantial changes, and he advised  
3           me on the phone, I can recall, one time in reference to  
4           that to do whatever was necessary to be done to get it  
5           straightened out. He was very concerned about it. Get  
6           it straightened out. That he would call or see whomever  
7           it was necessary in order to ensure that.

8                         But we would then institute the Army program  
9           that would become better known and which you know as [REDACTED]  
10          [REDACTED] which has proved to be a very effective system for  
11          the management, for the approval and management of  
12          intelligence type programs.

13                        Q       This exchange of memoranda would suggest a  
14          great amount of sensitivity on your part to the issue of  
15          Congressional notification, the need for proper legal  
16          review. Secretary Weinberger's response would seem  
17          likewise to share those same concerns. And what you've  
18          just told us of subsequent events in light of the  
19          [REDACTED] SEA SPRAY-YELLOW FRUIT problems means that you  
20          even went further and improved and tightened up the  
21          system.

22                        In your opinion, to go from the generic system  
23          and institutional structure in place for handling these  
24          transfers to the specific matters that our Committees are  
25          concerned with, would you say that the [REDACTED]

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1 was utilized or bypassed with regard to SNOWBALL and  
2 CROCUS?

3 A It was utilized in part. And there's one  
4 point I would like to go to and mention before that  
5 because you talked in terms of sensitivity to what was  
6 occurring here. And the point I'd like to make is that  
7 when you saw this exchange of correspondence in May [REDACTED]  
8 [REDACTED] and we thought we had adopted a system  
9 that would handle any of the problems, handle all of our  
10 programs, this was done unaware that there was existing  
11 in the Army [REDACTED]

12 I would say to you that [REDACTED]

13 [REDACTED]  
14 [REDACTED] I was not briefed on those two, nor were  
15 other senior civilian leaders, and in fact some very  
16 senior military people were not aware of its scope -- and  
17 by "senior" I mean most senior military people were not  
18 aware of its total scope.

19 I want to make that point because it  
20 demonstrates how difficult at times it is to construct a  
21 system and be certain that you have within that system  
22 the programs that are either in being or that someone  
23 might conceive.

24 Now in reference to the [REDACTED] I  
25 think it's important that the record be made that the

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1 [REDACTED] does not relate solely between the  
 2 Department of Defense and the CIA. The [REDACTED]  
 3 [REDACTED] is intended to be a system that will be used for  
 4 sensitive types of activities and operations that might  
 5 involve Treasury, Customs, Justice, NSA, some other  
 6 organization in government, and to provide a means  
 7 whereby they can avail themselves of certain resources in  
 8 a way that it does not become public knowledge.

9 The [REDACTED] in the SNOWBALL  
 10 operation you might say was used on the back side,  
 11 meaning execution and delivery, but it was not used as  
 12 far as the Army was concerned on the front side of  
 13 processing for review, legal review, and approval. So it  
 14 was not wholly exercised.

15 Q In your experience as Secretary since the time

16 [REDACTED]  
 17 [REDACTED] and YELLOW FRUIT, are you aware of  
 18 any other sensitive transfers to the CIA which have gone  
 19 forward from the Department of the Army which have not  
 20 gone through the full [REDACTED]

21 A The only two I know would be the ones you've  
 22 mentioned, which would be SNOWBALL and the one involving  
 23 HAWK, CROCUS, did not, but a portion of CROCUS did and  
 24 was caught by [REDACTED]

25 Q By which you mean the follow-on request for

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1 additional HAWK parts?

2 A Right. That was captured. The system had by  
3 now become good enough that it was able to capture that  
4 follow-on request and indeed it disclosed that the big  
5 request hadn't gone through the system.

6 Q I appreciate your correcting the impression  
7 that I left on the record that the [REDACTED]  
8 exists solely to service the CIA, but as a practical  
9 matter my understanding is that in excess of [REDACTED] percent  
10 of the business that goes through the [REDACTED]  
11 would be for the Agency; is that correct?

12 A I don't know a percentage figure, [REDACTED]  
13 [REDACTED] As far as we're concerned,  
14 [REDACTED] relates to the  
15 Agency, although we have processed requests for agencies  
16 other than the Central Intelligence Agency.

17 Q Mr. Secretary, before we go into any further  
18 discussion on the particulars of these HAWK and TOW  
19 transfers, let me ask you, if you would, to simply hold  
20 forth for a moment or two on the issue of Congressional  
21 notification and let us have your views on that on the  
22 record.

23 You've been on that end of town and you've  
24 been in-between at the White House. You've had some very  
25 important responsibilities in the Congress, at the White

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1 House, and here, and, as you know, there's a lot of  
2 disagreement over need for secrecy in covert policy, the  
3 need for notifying the Congress, et cetera. If you would  
4 share with us your views on these subjects.

5 A I lean very strongly toward and in support of  
6 Congressional notification and indeed Congressional  
7 liaison as you do these things because I recognize that  
8 ultimately to proceed with them without it will  
9 eventually, in my view, lead to their downfall because  
10 they will become disclosed for some reason or another.

11 My own experience with the leaking of  
12 information, I'm certain that leaks have occurred on the  
13 Hill, but I also know that leaks occur in the Executive  
14 branch of our government. My own experience in dealing  
15 with the Congress on sensitive matters has been very  
16 good. I have no problems. I have not encountered  
17 problems with Members or Committees with whom I've dealt  
18 on sensitive matters, and I've been doing that for a long  
19 period of time.

20 I did it on behalf -- I handled a great number  
21 of the notifications for the President when Mr. Ford was  
22 President, and I have great confidence in the Congress's  
23 ability to handle these. I do think the danger that  
24 occurs on the legislative side is the proliferation of  
25 numbers of people, which is a danger that you get also on

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1 the Executive side. And so to the extent that you can  
2 limit the number of persons to whom you make your  
3 disclosures you are actually, I think, providing a  
4 safeguard.

5 There has been a suggestion -- we went through  
6 this, these issues in 1975, and at that time, I think I'm  
7 quoting him correctly, Senator Mansfield, the Majority  
8 Leader of the Senate, met with the President, and Senator  
9 Mansfield advocated a single joint committee not unlike  
10 the Atomic Committee, and he felt that that would be one  
11 of the most effective ways to handle it.

12 There is a problem in the Executive branch  
13 when you have so many different bases to touch. One of  
14 those problems, I can tell you, in times of crisis -- and  
15 I've had to do this in times of crisis -- is time, being  
16 able to get to a number of Members and also being able to  
17 convey messages to them on highly sensitive matters in a  
18 secure fashion, particularly when they are beyond the  
19 Washington environs. And I have had to do that even when  
20 the Members were in foreign countries on matters that  
21 were of considerable national urgency. So the reduction  
22 of the membership would be helpful.

23 I can tell you there is an area that I would  
24 hope the Congress would look at because there is an area  
25 of ambiguity on the reporting and who has the duty to

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1 report. In a general way your current statute places the  
2 duty to report on the Director of Central Intelligence,  
3 the Secretary of State, the Secretary of Defense, and  
4 heads of other agencies engaged in intelligence  
5 activities.

6 There is a difference of view on that issue.  
7 The broad view is that that would mean the Secretary of  
8 the Army, because of the intelligence activities under  
9 the Department of the Army, and the narrow view is it  
10 would be the Secretary of Defense. We take the view that  
11 the burden or obligation is on the Secretary of Defense,  
12 and I think that's a very sound approach.

13 But it's one that is of concern. I think that  
14 we must be frank as we look at the question of  
15 notification. Is it secrecy? Is that what we are  
16 concerned about? Or is it a concern that those to whom  
17 we have consultation do not agree with what we seek to  
18 do? Now that's a different issue, and I don't think you  
19 can use secrecy to screen differences of view on policy.

20 There's a tendency, Mr. Saxon, I find looking  
21 back over a long period of time in dealing with matters  
22 that are sensitive, regardless of whether it's up at my  
23 level or down at a very low level, at the squad level, if  
24 it's secret it's legal. Now that should not be stated as  
25 a declaration. It should be stated as a question. If

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1 it's secret, is it legal?

2 Now if we were to approach that in that way  
3 and answer that question first, then it will make all of  
4 our efforts much more simple. But when you take the view  
5 that if it's secret it's legal, then all existing  
6 regulations and laws and norms and customs very  
7 frequently fall by the wayside, and people go forward  
8 with this objective because it's secret and therefore  
9 it's legal.

10 Q You indicated that one of the concerns about  
11 Congressional notification is that you perhaps get too  
12 many people involved. The flip side of that is that if  
13 you are concerned about the need to keep something secret  
14 you might have too few people involved. Do you have a  
15 sense that that was part of what created our problems in  
16 these current matters, that there was a concern about  
17 letting too many people know and, therefore, too few  
18 people knew and we didn't use the systems we have in  
19 place to staff out things that should be staffed out or  
20 to debate policies that should be openly debated?

21 A I'm not sure of that. I see the point you are  
22 trying to make and I really can't argue with it. I don't  
23 know whether it was applicable here. I think in the  
24 present case those who were engaged in it felt that a few  
25 people who were actually running the program could make

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1 the final determination and bring about its final  
2 conclusion in a successful way and that to involve  
3 others, both in the Congress and the Executive branch,  
4 would invite frustration and perhaps failure.

5 Q Well, let me ask you about one particular  
6 individual who some Members of Congress at least believe  
7 should have been involved in this decision, and that's  
8 the Chairman of the Joint Chiefs of Staff. I can tell  
9 you from the fact that several of us in this room have  
10 interviewed and met with and deposed Admiral Crowe that  
11 he did not know we were in the business of sending arms  
12 to Iran until late June or early July of 1986 and that he  
13 found out more or less by accident. I don't think that's  
14 an unfair way to characterize it from what he's told us.

15 I don't know exactly who made the decision  
16 that the Chairman of the Joint Chiefs not be included,  
17 and I'm not asking you to be put in an awkward position  
18 of reflecting negatively on whoever that individual was,  
19 but I would simply ask you in a broad general sense,  
20 knowing what you know about the Iran initiative and the  
21 arms sales, is that the kind of thing that should have  
22 included at least the knowledge of, if not the input  
23 from, the Chairman of the Joint Chiefs?

24 A To look at the operation, I would have assumed  
25 that he had at least had knowledge, and the reason that I

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1 would have assumed that is that there were those in the  
2 Army at a high level who at least had some knowledge of  
3 the operation or transfer as it was occurring, although  
4 they did not know to whom the transfer was being made,  
5 because the Army had to execute that.

6 Therefore, I just would have assumed and did  
7 assume that he at least had the awareness that I had of  
8 the matter.

9 Q And would you also think as a matter of policy  
10 or practice if we go through this exercise again that the  
11 Chairman of the Joint Chiefs should be involved in such  
12 decisions?

13 A I would suspect that he probably would be the  
14 next time.

15 Q I guess the question is should he be?

16 A Yes, I think so. And I might mention a point  
17 of law that has occurred by virtue of the Reorganization  
18 Act. Under the Reorganization Act now the responsibility  
19 for the conduct of intelligence operations in the  
20 Department of the Army is the responsibility of the  
21 Secretary of the Army pursuant to the direction of the  
22 Secretary of Defense. You have an addition in the law  
23 there that relates to it, and then in the Reorganization  
24 Act there is also a provision that requires the Chief of  
25 Staff to advise the service secretary of actions that are

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1 taken in the JCS that impact on his service.

2 I mention those two points because they do  
3 have bearing now.

4 Q Let me go back to a point you alluded to a few  
5 minutes ago. In 1975 I think you said that Majority  
6 Leader Mansfield proposed or suggested the creation of a  
7 joint intelligence committee. That is certainly  
8 something that has been talked about in the course of our  
9 hearings. We will reach a point when we complete the  
10 hearings and write a report the two Committees will make  
11 recommendations. And while this is the kind of question  
12 we might normally ask you toward the end of this session  
13 it kind of flows from what we are talking about now.

14 Would it be your recommendation that our  
15 Committees should recommend to the Congress the creation  
16 of a joint intelligence committee?

17 A Yes. I would recommend that. I think that  
18 would be the effective way to go. And apropos my views  
19 about the Congress, in dealing with the Congress  
20 involving sensitive information the responsibility for  
21 the management and control and handling of that  
22 information by a Member is the responsibility of the  
23 Congress. And they must establish a system that they  
24 impose that discipline, because there is no other way to  
25 achieve an effective system.

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1                   You may recall back in '75, at that time one  
2                   of the difficulties was a rule in the House which I think  
3                   was called Rule 11(b), and in effect under Rule 11(b) any  
4                   information that's made available to any Member of  
5                   Congress, Member of the House, can be made, if he demands  
6                   it, available to any other Member of the House. That was  
7                   a very troublesome situation and there was an incident,  
8                   as I recall, a serious one, where that particular rule  
9                   was availed by a Member and proved decidedly unhelpful.

10                   The only reason I cite the rule is that the  
11                   Congress must structure its own mechanism within its own  
12                   rules that handles those situations and accepts the  
13                   position and takes a position that Members know and  
14                   recognize that they must conform to certain standards in  
15                   handling classified information. And only the Congress  
16                   can discipline itself. So there must be a system  
17                   developed to do that in the system.

18                   Q     One more general question of a policy nature.  
19                   Is it your sense that if used as intended the [REDACTED]  
20                   [REDACTED] works?

21                   A     Yes. And to those that say you cannot conduct  
22                   special operations and highly sensitive operations, I can  
23                   tell you that we have a track record now for really  
24                   several years of programs and projects that are currently  
25                   being conducted, highly sensitive, and they are being

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1 effectively carried out. There was an approval  
 2 mechanism. There is an oversight mechanism. And, very  
 3 importantly, there are funding control systems. And it  
 4 can be done, and we can show that it's being done.

5 Q If any critics were to say, but wait a minute;  
 6 you're talking especially sensitive matters<sup>s</sup> here and maybe  
 7 you need to handle sensitive matters differently. I take  
 8 it from what you are saying that we are currently  
 9 handling some very sensitive transfers from the Army to  
 10 the CIA through the [REDACTED]

11 A We are handling extremely sensitive transfers  
 12 and we are handling extremely sensitive matters [REDACTED]

13 [REDACTED]  
 14 [REDACTED]  
 15 and they are being done in, I think, a way that's  
 16 consistent with what the Congress wants done.

17 Q And is it fair to say that the [REDACTED]  
 18 [REDACTED] was designed as the exclusive means to handle  
 19 those transfers?

20 A Yes, it was. That was the reason it was set  
 21 up.

22 Q Before I go into any particular matters maybe  
 23 I should just stop and see if my colleagues have some  
 24 questions of a general policy nature so we don't break  
 25 the continuity.

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1 BY MR. SABA:

2 Q In regard, sir, to the [REDACTED] we  
3 have had some testimony in our hearings that the system  
4 does not respond in a timely manner. There were examples  
5 alluded to, but it was not very specific in the  
6 testimony. The implication, however, in response to  
7 questions asked about why those procedures were bypassed  
8 in the case that we are concerned about was that these  
9 procedures were cumbersome and difficult. Specifically,  
10 as I recall, Colonel North said that former General  
11 Secord had been complaining vociferously about the  
12 procedures.

13 Without reference to their comments in  
14 particular, is it your opinion that the [REDACTED]  
15 [REDACTED] is capable of responding in a timely manner and,  
16 from what you do know of the particular transfers of TOWs  
17 in this case, I would like to hear your opinion as to  
18 whether had the system been used it could have responded  
19 within the time frame of the request that was made.

20 A The system can respond very, very rapidly.  
21 The system is structured in such a way involving the  
22 major issues where I may have to make the approval and  
23 the Chief of Staff have to make the approval that we can  
24 do that turnaround time. We had one I can recall [REDACTED]

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[REDACTED]

We can show you an inventory of issues that have been rapidly handled and turned around. But sometimes things get slowed down because you ask the questions and people don't have the answers, and that's the reason for the system. And the system is not intended to be an expedient. It's intended to be an approval mechanism to ensure the integrity of the operation and that it's sound and that people have got their act together when they send it up here.

And very frequently -- very frequently -- delays in the system do not originate in [REDACTED]. They originate in the agency that's creating it themselves and at the last moment they send us a request over here that they have been sitting on internally sometimes for weeks and expect us to turn it around in [REDACTED] when they have had it for a long period of time.

In the particular case here I think had you used [REDACTED] it would have been helpful. One of the problems that you get when you start bypassing systems that are set up, you get dislocations and other attendant and indirect and collateral problems that people never foresee. You must remember that we're dealing with an organization here that is a very

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1 institutional one with certain bureaucracies and that 95,  
2 98 percent of what we do are done in the open with  
3 established norms and hand receipts and accountability  
4 that's drilled into the private soldier and the officer  
5 who lives with it all his life and can conform with it.

6 Now suddenly you move him into the sensitive  
7 world where you don't follow a lot of those procedures.  
8 When you begin to do a lot of these things orally and  
9 start transferring large quantities of materiel, you  
10 begin to lose any of the necessary history that you have  
11 to have for audit. And one of the problems that you've  
12 got with this system with this particular operation is  
13 going back and restructuring it as to who did what.

14 You see, if you have a sensitive system for  
15 handling the transfer of property, this means that there  
16 are ways that it can be tracked by your auditors.  
17 There's <sup>se</sup> ways that the person who has to move it out of  
18 his warehouse knows that that's a legitimate request, so  
19 that when somebody comes along and takes an inventory he  
20 can refer him to an auditor or somebody else that  
21 accounts for the fact that that is okay and certifies it.

22 And when you move into the system and start  
23 doing things orally and there are no written records you  
24 have no accountability to which you can go back and  
25 structure an inventory, and then you end up with what did

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1 we send and a whole lot of other attendant questions.

2 BY MR. SAXON: (Resuming)

3 Q Just so the record is clear, [REDACTED]  
4 [REDACTED] includes a number of processes and, if I  
5 understand it -- and correct me if I'm wrong -- there are  
6 three different legal reviews, one that takes place [REDACTED]  
7 [REDACTED] and then it goes to the Army  
8 General Counsel. There's a readiness review. What you  
9 are saying is, notwithstanding that there are all of  
10 these checks and processes built in, it can still work  
11 very quickly.

12 A It can work very quickly and has, and we can  
13 demonstrate where it has. We can show you where it does  
14 not move as quickly as some would like, but in some of  
15 those instances the things that needed to be done or  
16 questions that needed to be answered are not answered,  
17 and sometimes they relate to cost, sometimes they relate  
18 to authority.

19 MR. KREUZER: Mr. Secretary, a little while  
20 ago you were talking about security problems that are  
21 encountered when this sort of thing occurs and people on  
22 the Hill get involved and staffs get into highly  
23 sensitive information and numbers grow and there is a  
24 large number of people that know things. And then the  
25 membership gets in. Sometimes Members say things maybe

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1 that they shouldn't say.

2 Has there ever been any kind of an official  
3 recognition on the Hill of this problem? Has this been  
4 discussed from time to time about what are we going to do  
5 about security up here when we get into very sensitive  
6 areas? Do you recall being involved in anything like  
7 that when you were there? Can you kind of give a little  
8 background on that and where the Hill is in that regard  
9 in solving those problems?

10 THE WITNESS: In my view, those Members to  
11 whom classified information was made available by virtue  
12 of their position or committee assignment I think there  
13 is a very good track record. I think, however, as a  
14 general rule in the intelligence field that proliferation  
15 of information beyond what might be termed a need-to-know  
16 basis is not a healthy thing for the intelligence  
17 community because you are increasing the risk of  
18 disclosure. It's just inevitable with the more people  
19 that you tell.

20 What I'm saying is that I have no problem with  
21 making classified information available to Members of  
22 Congress who have to know it, provided it is clearly  
23 pointed out to the Member in advance that there is  
24 certain of this information that is sensitive and it must  
25 be held on a close-hold basis.

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1 I have breakfasts where I bring Members of  
2 Congress over here and we give them briefings, some parts  
3 of which are sensitive. I have been doing this for  
4 years. I have never yet been embarrassed by any Member  
5 of Congress -- and I can tell you the number is very  
6 close to 400 who have come over here -- by anything that  
7 was disclosed in this office. But I think it is a matter  
8 of management and handling.

9 One of the problems -- and I'm going back now  
10 12 years -- I would say to you that one of the problems,  
11 and I'm sure that somebody will raise the same question  
12 with the [REDACTED] here, is you break down  
13 compartmentalization. There are safeguards in  
14 compartmenting intelligence data, as you know, and if you  
15 can maintain your compartmentalization it's very good.

16 There is a concern and we had a concern when I  
17 was on the House side. I handled the Intelligence  
18 Committee, the Select Committee headed by Mr. Pike and  
19 the one headed by Senator Church, and I worked with them  
20 for the President. One of our concerns was the  
21 accumulation of such a wide, broad variety of intelligence  
22 information in one place because we were breaking down  
23 compartmentalization and I would say to you in  
24 structuring something for the Congress you must think  
25 about compartmentalization.

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1 I think regardless of the amount of  
2 intelligence information that I know it is still  
3 compartmentalized for me and is done intentionally.

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9 And the maintenance of compartmentalization is  
10 very important to me. Proliferation runs the risk of  
11 breaking down compartmentalization. Now this is just  
12 getting over on the intelligence side.

13 MR. SAXON: But those are all very important  
14 points for us to hear about because they all are part of  
15 an undercurrent to these hearings and to the matters that  
16 we are looking at.

17 MR. KREUZER: Can you think of any instances  
18 where there has been a bitter experience, where we've had  
19 a situation perhaps something like what we're going  
20 through now, the Iran-contra, or even a situation where  
21 resulting revelations to the press by a Member have  
22 caused more problems, where a leak has been made?

23 THE WITNESS: I really don't want to deal with  
24 the press because I prefer not to get out of the field.  
25 But I can tell you that if you go back and look in the

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1 [REDACTED]  
2 you will find, I think, that certain classified  
3 information was moved from one Member to another and was  
4 disclosed, and I would say to you that I don't think it  
5 was a violation of any rule of the House that did it. I  
6 think it was a part of what I have referred to as the  
7 Rule 11(b).

8 And I think the House took certain steps to  
9 remedy that, or at least in part, when they established  
10 the Select Committee on Intelligence. But there were  
11 some examples. I could historically pull them out and  
12 get it to you. I don't want to mention names in this  
13 sort of thing because I want to be sure of my facts, but  
14 I'm not far off.

15 MR. KREUZER: Have you seen anything come out  
16 of this episode that has been damaging?

17 THE WITNESS: I can't think of anything on the  
18 Joint Committee that you have now. I think the members  
19 have been pretty well disciplined or have exercised a  
20 certain discipline in it.

21 I can tell you as an aside that not just  
22 Members of Congress but any individual who is the center  
23 [REDACTED] -- who is a center  
24 of interest and goes into a Congressional Committee and  
25 then walks out of that committee and is faced with a bevy

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1 of television cameras and reporters and is asked  
2 questions finds himself in an extremely difficult  
3 position in trying to make responses that are helpful as  
4 far as himself and avoids making disclosures.

5 That's a difficult position for a Member to be  
6 in, to come out of one of those hearings and be asked  
7 questions. That's a hard thing to do. But I think  
8 they've done it quite well myself. That's not easy.

9 MR. KREUZER: There's been some talk among  
10 some of the membership on the Hill about a smaller  
11 professional combined intelligence House and Senate  
12 staff. Did you ever get involved in discussing those  
13 ideas?

14 THE WITNESS: Well, the model that was  
15 suggested up there and was suggested by Senator Mansfield  
16 -- incidentally, the Mansfield view was shared by a  
17 number of people and I think I could tell you that  
18 President Ford, as I recall, supported the Mansfield view  
19 -- was to pattern something after the Atomic Energy  
20 Committee, where you have a small combined committee  
21 utilizing a highly professional small staff.

22 And I think that has a lot of merit, a lot of  
23 merit.

24 BY MR. SAXON: (Resuming)

25 Q Mr. Secretary, if my colleagues don't have

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1 anything further in this general policy area I'd like to  
2 move on to a couple of different matters. The first has  
3 to do with the HAWK and TOW transfers from Israel to Iran  
4 in late '85. They precede the involvement of the  
5 Department of the Army in SNOWBALL and CROCUS.

6 But I think they may be of some concern to you  
7 if you've not been made aware of some of the particular  
8 things that were being discussed, so I want to focus on  
9 that. Let me ask you first at what point you became  
10 aware that the Israelis had shipped TOW missiles to Iran  
11 in the latter half of 1985.

12 A I can't recall being made aware of it anywhere  
13 near that time frame myself. I'd really have to say that  
14 I don't think I became fully aware of it until the recent  
15 disclosure of the last six or eight months.

16 Q The same question, I guess the same answer,  
17 but with regard to the Israelis' shipment of what was  
18 intended to be 120 HAWKS to Iran and wound up actually  
19 being 18 HAWKS in November of 1985. When do you think  
20 you became aware of that?

21 A The same response. I was just simply not  
22 aware that that was going on.

23 Q There was an effort to, as I say, send 120  
24 HAWKS to Iran and likewise there was discussion at one  
25 point of sending 3,300 I-TOW missiles to Iran from Israel

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1 with ultimate replenishment by the United States. I want  
2 to have you look at something which I will have  
3 introduced as Exhibit 3 and give you a moment to read  
4 that.

5 What you are looking at is a PROF memo from  
6 Colonel North to Admiral Poindexter. In the upper  
7 righthand corner you can see it's dated 11/20/85. I'll  
8 give you a moment to read that.

9 (The document referred to was  
10 marked Marsh Exhibit Number 3  
11 for identification.)

12 (Pause.)

13 A Okay.

14 Q First of all, sir, for the record I would  
15 assume you have never seen this memorandum until today.

16 A No.

17 Q You weren't on Colonel North's distribution  
18 list for his PROF memos.

19 A No, I certainly wasn't.

20 Q Let me highlight just a couple of items that  
21 are in this memorandum. The first sentence states: "The  
22 Israelis will deliver 80 MOD HAWKS [REDACTED] at noon on  
23 Friday, 22 November." The first sentence of the next  
24 full paragraph: "There is a requirement for 40  
25 additional weaps" -- abbreviation for "weapons" -- "of

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1 the same nomenclature, for a total requirement of 120."

2 The first sentence of the next paragraph:

3 "Replenishment arrangements are being made through the  
4 MOD purchasing office in NYC." And the MOD is Ministry  
5 of Defense for Israel.

6 The next-to-the-last paragraph: "As soon as  
7 we have the release confirmed we need to move quickly  
8 with Defense to provide the 120 missiles the Israelis  
9 want to buy. They are very concerned that they are  
10 degrading their defense capability." -- the "they" there  
11 making reference to Israel.

12 Two questions, Mr. Secretary. Number one,  
13 were you ever made aware prior to these matters becoming  
14 public that we would need to replenish Israeli stocks for  
15 any HAWKs that were sent?

16 A No, I can't recall if we did, certainly not in  
17 this context. Whether or not there might have been some  
18 request in here for some foreign military sales for  
19 Israel that did not disclose this, I don't know. But I  
20 cannot recall that there was.

21 Q The second question, Mr. Secretary. I  
22 recognize that this may be hitting you cold and this is  
23 the kind of thing that would be staffed out, but do you  
24 have a sense right now that if we were to be asked to  
25 provide 120 HAWKs from Army inventories whether that

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1 would have any impact on readiness?

2 A That would be an evaluation that would be made  
3 by the Deputy Chief of Staff for Operations. I would  
4 tell you that that number would be sufficient that they  
5 would have to review that and come back with a  
6 recommendation whether it would or would not. I really  
7 can't say because I don't have that much of a grasp on  
8 inventory.

9 Q I can help you with my next exhibit, which I  
10 will ask be marked as Exhibit 4. I'll give you a moment  
11 to read it, but let me tell you what you are looking at.  
12 You are looking at something that we have come to call  
13 the TOW paper. This is a one-page memorandum or talking  
14 paper worked up at the request of Assistant Secretary  
15 Armitage by Mr. Glenn Rudd, the Deputy Director of DSAA  
16 in the late November-early December '85 time frame. And  
17 the top half deals with I-HAWKS, if in fact we were to  
18 consent to the Israeli transfer of 120 I-HAWKS to Iran,  
19 and the bottom half deals with I-TOWs, given that they  
20 were talking about 3,300 I-TOWs.

21 Let me give you a moment to read this.

22 (The document referred to was  
23 marked Marsh Exhibit Number 4  
24 for identification.)

25 (Pause.)

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1 A Okay.

2 Q Let me direct your attention to the I-TOW  
3 discussion. We know from this document and from PROF  
4 memos from Colonel North to Admiral Poindexter which have  
5 been made exhibits in our hearings that there was  
6 discussion of sending 3,300 I-TOWs to Iran by Israel,  
7 which we would then replenish. You can see the numbers  
8 there. If this information Mr. Rudd provide<sup>d</sup> Secretary  
9 Armitage is correct, in the continental United States  
10 depot stocks we had [REDACTED] I-TOWs.

11 It says: "Based on the numbers, the impact on  
12 the Army of shipping 3,300 I-TOWs immediately would be  
13 serious but not intolerable. No missiles would have to  
14 be taken from troops. Based on the seriousness of the  
15 requirement and keeping in mind that the Army would  
16 receive TOW-II replacement missiles, it is likely that  
17 the Army would reluctantly acquiesce to immediate  
18 shipment of the entire quantity."

19 Let me ask you first for the record were you  
20 aware that there was any discussion in late '85 of 3,300  
21 I-TOWs?

22 A No. I was not.

23 Q Second, Mr. Secretary, again this is the kind  
24 of thing you might want to properly staff out and have  
25 kicked around, but do you have a judgment today as to

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1 whether if we had [REDACTED] I-TOWs in our continental depot  
2 stocks, whether providing 3,300 would adversely impact  
3 readiness?

4 A Just based on my experience and reading this  
5 memo, the assessment here made by Mr. Rudd, it would be  
6 serious but not intolerable, I would suspect that the  
7 DCS/OPS would oppose that transfer.

8 Q On the grounds of readiness?

9 A Yes, because it says that they would be  
10 replaced with TOW-IIIs, but there would be -- I think  
11 there would be some time before you would get your TOW-  
12 IIIs and generally speaking the DCS/OPS takes a pretty  
13 tough position on the readiness, and he should take a  
14 tough position on it.

15 And from time to time I have overridden or the  
16 Chief of Staff has overridden that recommendation because  
17 we make a decision that the other interests override that  
18 particular issue. I would be glad to staff it out and  
19 find out, though.

20 (Pause.)

21 Q Mr. Secretary, for the record, let me ask if  
22 you've ever seen Exhibit 4 before today, and that's the  
23 TOW paper Mr. Rudd worked up?

24 A No, I have not. I can never recall having  
25 seen it. I'm not sure who Mr. Rudd is.

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1           Q     He's the Deputy Director of the Defense  
2 Security Assistance Agency.

3           A     Oh.

4           Q     Let me move from 1985 and the '85 shipments to  
5 the ones you've got a little more familiarity with, and  
6 that's the 1986 shipments in which the Army directly to  
7 the CIA provided 2,008 TOW missiles and a couple HAWK  
8 repair parts. Let me ask you first, sir, if you could  
9 tell us when you first learned that the Army had been  
10 tasked with providing TOW missiles to the Agency.

11          A     First I would say to you that some months ago  
12 when this first came up I was confused as to when I first  
13 learned it, but I have concluded that my impression of  
14 when I knew it was wrong and that of General Wickham was  
15 correct, and I will explain it this way.

16                     The activities that related to the shipment  
17 and what might be called an alert or warning order that  
18 the Army was going to be tasked to do this occurred on  
19 the weekend of roughly 17, 18, 19 January. That Monday  
20 was a Federal holiday, January 20. I thought I learned  
21 it Tuesday morning after that holiday, which was the  
22 weekend of the event, from Max Thurman, the Vice Chief of  
23 Staff of the Army.

24                     But I did not learn at that time because I was  
25 in Germany over that weekend with Army units, and I came

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1 back on Monday and before I came back Max Thurman left  
2 for Germany, so there was no way that Max could have told  
3 me. Max came back the following weekend and, as I  
4 recall, he came into my office and mentioned to me --  
5 told my Executive Officer he had to speak to me alone and  
6 indicated to me that he had received this request,  
7 warning order, that he had taken steps to implement it.

8 But John Wickham, the Chief of Staff of the  
9 Army, he was also out of the country and he'd come back  
10 in on the weekend. Max had briefed him before he, Max,  
11 left for Germany, and John Wickham had a little pencil'  
12 note or his secretary did that John had stopped over here  
13 on Tuesday afternoon, which would be the 21st, and had  
14 mentioned to me that he'd gotten a heads-up that there  
15 was going to be a shipment of some missiles.

16 John did not make much of it and did not  
17 discuss it in great detail. He just said it was a  
18 shipment of, I think, TOWs, and did not know where they  
19 were going but we were turning them over. The manner in  
20 which John brought it to my attention really I didn't  
21 focus on it too much because I thought John was just  
22 telling me a JCS action or something like that occurred.  
23 When Max came in, I did focus on it because Max then said  
24 I've got this high priority order, nothing in writing.  
25 The knowledge that it's going to be done is very limited.

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1 I really didn't even associate that with the same thing  
2 that John Wickham had given me five or six days before.

3 So my first awareness of it was really the  
4 21st, from General Wickham, but focusing on it as a more  
5 significant action the following Monday probably when  
6 General Thurman came in and told me about it.

7 Q All right, sir. For the record, I'm correct  
8 in saying that you never knew the missiles were intended  
9 for Iran?

10 A No. In fact, later on one time John Wickham  
11 and I mentioned and debated where did we think they were  
12 going, and he had one country and I had another, and we  
13 both were wrong.

14 Q And in fact if we except General Colin Powell,  
15 who though he wears an Army uniform was serving at the  
16 time as the Senior Military Assistant to the Secretary of  
17 Defense, there was nobody anywhere in the Army who knew  
18 these were headed for Iran, correct?

19 A To my knowledge I know of no one in the Army  
20 that knew it, either military or civilian, unless there  
21 was somebody over on the NSC staff that was detailed over  
22 there.

23 Q Before I get to some of the chronological  
24 treatment of the TOW shipments, let me ask you in terms  
25 of a couple of broader issues to your knowledge was there

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1 ever any pressure put on the Department of Army or any of  
2 its civilian or military personnel to come up with a low  
3 price on the TOW missiles in order to create some  
4 residuals, as Colonel North would describe them?

5 A No, there was not.

6 Q Second -- this question goes just to the TOWs  
7 now -- we have, I believe Admiral Crowe told me, [REDACTED]  
8 basic TOWs in our inventory. If that figure is correct,  
9 would there have been any readiness impact, adverse  
10 readiness impact to us providing the 2,008 TOWs that we  
11 actually provided or, for that matter, if we had provided  
12 the full 4,508 that were initially requested?

13 A I don't think there would have been of the  
14 basic plain vanilla TOW.

15 Q After you found out about this requirement,  
16 what happened next from your personal standpoint? What  
17 was the next event that came to your attention or  
18 required your involvement?

19 A A couple of days, maybe a couple of weeks,  
20 maybe ten days or two weeks, went by. Maybe I'm  
21 confused. Either Vince Rusco came by here to indicate  
22 some concerns about this transfer and I talked to him,  
23 maybe with my Exec, General Carmen Kavessa, with me,  
24 about it.

25 Q We should say for the record that was then

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1 Major General Vincent Russo, who was the Assistant Deputy  
2 Chief of Staff for Logistics.

3 A I can't recall whether he came by and talked  
4 with me about it personally, but I think really what  
5 happened is that Vince's concerns were shared, I have  
6 since learned, by Major Simpson, who was assisting him,  
7 and it's my understanding and I've been told that Simpson  
8 went down to our General Counsel's office. I think he  
9 talked with Tom.

10 Q That would be Tom Taylor?

11 A Tom Taylor. And the matter was discussed with  
12 General Counsel and she sent me a memo raising some  
13 questions about whether we were involved in Congressional  
14 notification. And I sent a note back to Susan indicating  
15 what's the next step. What do we do? And so they came  
16 up here. We had a meeting in this office right where you  
17 are now, and Russo joined that meeting.

18 And the transfer and all was discussed and my  
19 concerns were you have the ~~1/2~~ million statute.

20 Q This would be the 1986 Intelligence  
21 Authorization Act?

22 A True we did not know that it was going out of  
23 the country, but nevertheless that transfer of that  
24 significance over in this intelligence area raised  
25 questions in our mind of Congressional interest or

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1 activity or awareness and also what Russo had interpreted  
2 as being somewhat of a restriction on making notes of it.

3 I suggested to Vince that in this transaction  
4 and because of his obvious concerns that he had about the  
5 matter that he begin to start making memcons of meetings  
6 he had -- and I think it was good that he did -- and that  
7 also ensure that those with whom he was dealing were  
8 aware that there was concern in Army about the  
9 Congressional role and knowledge, and as a part of that I  
10 believe General Brown sent a memo to General Powell that  
11 raised some of these very questions.

12 So I would say to you that the principal  
13 concern that was raised here was is there a Congressional  
14 role and need to know. If it is, who is going to respond  
15 to it. Word came back, Army, that will be handled by  
16 others than Army.

17 Q Mr. Secretary, you've alluded to several  
18 documents or memoranda and I am going to get them on the  
19 record as Exhibits in a moment. But to make sure we  
20 understand, to the best of your recollection who was at  
21 the meeting? You indicated yourself, Mrs. Crawford,  
22 General Counsel, and General Russo. Who else was there?

23 A I believe it would not have been unlikely that  
24 General Kavessa, the military executive for this office,  
25 would have been there and Tom. Were you there, Tom?

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1 Q Was General Suiter there?

2 A We got the JAG. We got a representative from  
3 the JAG's office. General Suiter was there.

4 Q Anyone else that you can recall?

5 A No. I think it was a pretty small meeting.  
6 We were keeping a very close hold.

7 Q All right, sir. Let me show you and have this  
8 marked as Exhibit 5 a couple of documents that may be a  
9 little more familiar than Colonel North's PROF notes.

10 (The document referred to was  
11 marked Marsh Exhibit Number 5  
12 for identification.)

13 (Pause.)

14 A This is the memo that I referred to that Mrs.  
15 Crawford sent me. I sent her back -- Susan, next step.  
16 And then it says "completed". That handwriting is my  
17 military exec. And the next step was a meeting with  
18 Suiter and Russo and Crawford with instructions. Russo,  
19 one, start making memcons. Two, go down and establish  
20 this point, make this point.

21 Q All right, sir. For the record, let me  
22 formalize what you have just said. The cover sheet in  
23 Exhibit 5 is a handwritten note from Tom Taylor in Mrs.  
24 Crawford's office, the Office of Army General Counsel, to  
25 Major General Russo. It says: "Concerning our

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1 conversation last week, we decided to ensure that  
2 Secretary Marsh was aware of the provision you and I  
3 discussed. Hence, the attached was delivered today."

4 And there is General Russo's handwritten note  
5 that he has seen that. Then Mr. Taylor attached to it  
6 Mrs. Crawford's memorandum of 13 February 86, as you have  
7 just said, that specifically referenced this statute that  
8 had the \$1 million reporting threshold and talked about  
9 the concerns of notification to the Congress.

10 Now I have included two copies of that memo  
11 because there are marginal notes from different people:  
12 The first copy has a marginal note from General Russo  
13 dated 13 February 86 in which he says: "In discussion  
14 with Mrs. Crawford today she advised that whers we  
15 support another agency they, not we, are responsible to  
16 make the necessary notifications."

17 Then the copy which you recall having seen of  
18 her memorandum has, as you said, your handwritten note:  
19 "Susan, next step." And then General Kavessa's note:  
20 "Completed" ✓ And there's the name of Tom T. up there, so  
21 I assume that would be Mr. Taylor.

22 Anything else we need to say about this  
23 document?

24 A No. I think that this would also precipitate  
25 a memorandum that General Brown sent.

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1 Q We will get to both the Brown memorandum and  
2 the Russo memorandum next. I'll ask this be marked as  
3 the next exhibit.

4 (The document referred to was  
5 marked Marsh Exhibit Number 6  
6 for identification.)

7 (Pause.)

8 Mr. Secretary, you indicated a moment ago when  
9 the meeting was held in your office you either suggested  
10 or directed that General Russo begin to keep some record,  
11 some notes as to what was transpiring.

12 A I believe he kept more than this, just this.

13 Q And you indicated that he was asked to put  
14 down on paper memorandum for record of this requirement.  
15 Now I would ask you if this appears to be at least one of  
16 the memoranda he wrote.

17 A Yes, it is.

18 Q It's dated 25 February 86, and let me just  
19 highlight one or two things that are in it. He begins by  
20 indicating that on 18 January the Army received this  
21 tasking. In paragraph four he talks about the  
22 Congressional notification requirement in the new  
23 legislation, and he states: "With regard to  
24 Congressional notification, this was determined to be the  
25 responsibility of the receiver, not the Secretary of the

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1 Army."

2 The final paragraph indicates that he has been  
3 assured that that responsibility does not rest with the  
4 Department of the Army but that it rests with the  
5 recipient agency, the transferring agency, and that those  
6 individuals have been made aware of that responsibility.  
7 And then there's a handwritten note at the bottom in  
8 which General Russo writes: "Coordinate with General  
9 Powell on 5 March 86."

10 Do you recall General Russo telling you that,  
11 when he checked with General Powell, General Powell told  
12 him you are right? You guys don't have to notify the  
13 Congress; that's the CIA's responsibility and they are  
14 aware of it.

15 A I think Vince did report back on that meeting.  
16 That's my recollection. I think that he did. I can't  
17 vividly recall his coming down here and telling me that,  
18 but I think I got the word, and I think it got it from  
19 Vince. He may have told my military exec and my military  
20 exec would have told me. Or he may have told Susan and  
21 Susan told me. But I understood that this was the end  
22 result.

23 Q All right, sir. You mentioned a memorandum  
24 that you asked General Brown to draft, and I think you  
25 said it was also for the purpose of flagging this issue

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1 of Congressional notification; is that correct?

2 A I'm not sure that I specifically asked Art to  
3 do it, but he learned that I had suggested this practice  
4 and whether he did that at my request or on his own  
5 initiative I don't know. I think maybe he might have  
6 done it at his own initiative because by this time this  
7 was beginning to get difficult. Please note the date of  
8 the statute. You have a significant statute intervening  
9 in a very short time after this action was initiated and  
10 our lawyers picked that up.

11 Q Mr. Secretary, let me have marked and show you  
12 what will be Marsh Deposition Exhibit 7, and that is the  
13 memorandum that General Brown drafted, along with the  
14 cover memo that General Colin Powell put on it when he  
15 sent it forward to Admiral Poindexter. I will give you a  
16 moment to read all of that.

17 (The document referred to was  
18 marked Marsh Exhibit Number 7  
19 for identification.)

20 (Pause.)

21 A It's a very pointed memo.

22 Q Mr. Secretary, let me start at the back of the  
23 exhibit with the memorandum from General Brown and simply  
24 highlight one or two points and see if this is consistent  
25 with your understanding. This is General Art Brown, at

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1 the time the Director of the Army Staff, writing on 7  
2 March 86 to General Colin Powell, Secretary Weinberger's  
3 military assistant.

4 In the first paragraph he talks about the  
5 requirements under SNOWBALL. In the second paragraph he  
6 states: "This request for support circumvented the  
7 normal [REDACTED] for reasons of security. Yet  
8 the support exceeded the \$1 million threshold established  
9 in the FY 86 Intelligence Authorization bill for  
10 reporting to Congress as a 'significant intelligence  
11 activity'."

12 In the third paragraph he says: "DOD support  
13 to CIA special activities establishes responsibility for  
14 notification of Congress of DOD support to the Agency  
15 with the Deputy Under Secretary of Defense for Policy.  
16 It also confirms the primary responsibility resides with  
17 the Director of Central Intelligence." And there he is  
18 specifically referencing the memorandum from Secretary  
19 Weinberger of 13 June 83, which was introduced as Exhibit  
20 2, the response to your earlier memorandum.

21 And then he concludes with: "This memo is to  
22 assure understanding of statutory requirements should  
23 this issue be raised by one of the Congressional  
24 intelligence committees in the future<sup>W</sup> which we know has  
25 been done.

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1                   General Powell put his cover memo on this,  
2                   dated 12 March 86, and sent it to Admiral Poindexter, in  
3                   which he stated: "The attached memorandum reflects the  
4                   unease of the Army General Counsel's office over the  
5                   transfer of items with which you are familiar." And then  
6                   he goes on to talk, to reference that the Army has not  
7                   been told -- excuse me, that the Army has been told that  
8                   they had no responsibility for Congressional notification  
9                   and that whatever notice does take place will be made at  
10                  the appropriate time by the appropriate agency and simply  
11                  that Secretary Weinberger had asked that he, General  
12                  Powell, make Admiral Poindexter aware of the Army's  
13                  concerns in the event that he wants to advise Director  
14                  Casey or Mr. Meese.

15                  We can see from the top page that Admiral  
16                  Poindexter saw fit to give this to Commander Thompson and  
17                  have it put with the Finding, which for the record was in  
18                  the safe, and apparently no Congressional notification  
19                  took place.

20                  But this is the Brown memorandum; correct,  
21                  sir?

22                  A        Is the what?

23                  Q        The Brown memorandum.

24                  A        That's right. That's the memorandum that I  
25                  referred to written by General Brown, who was the

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1 Director of the Army Staff.

2 Q And I think it's fair to say that this  
3 activity -- Mrs. Crawford's memorandum, General Russo's  
4 memorandum, and General Brown's memorandum -- clearly  
5 reflect the sensitivity of the Department of the Army to  
6 the need to notify the Congress. Is that a fair  
7 statement?

8 A Yes. I think it shows a concern that we had  
9 here on the need to keep the Congress informed, or that  
10 someone keep the Congress informed.

11 Q I think for a complete record we should  
12 probably establish whether anyone within the Department  
13 of the Army knew of the existence at the time these  
14 memoranda were generated of a Presidential Finding, which  
15 we know to have been signed by President Reagan on  
16 January 17, pursuant to which these transfers went  
17 forward, which expressly said that the Congress would not  
18 be notified.

19 So my question is, to your knowledge did  
20 anyone within the Department of the Army know that that  
21 Finding had been signed and that no notice was to take  
22 place?

23 A I did not know it. To my knowledge, none  
24 stationed here in the senior levels of the Department,  
25 military or civilian, knew it, and I say that because in

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1 dealing with General Thurman, dealing with General  
2 Wickham, the Under Secretary, Jim Ambrose, there was no  
3 indication by them of an awareness of it, because they  
4 had the same lack of knowledge that I had.

5 Q Mr. Secretary, I have no further questions on  
6 the TOW transfers. Maybe my colleagues do before we  
7 proceed to something else.

8 MR. SABA: No. I think you've covered the  
9 TOWs.

10 BY MR. SAXON: (Resuming)

11 Q Let me proceed to Project CROCUS, which was  
12 the name Major Simpson gave to the HAWK repair part  
13 transfers, since at the time that came forward the  
14 crocuses were pushing their heads up through the ground.

15 I ask you when you became aware that the Army  
16 had been tasked with the requirement to ship HAWK repair  
17 parts to the CIA which we now know were destined for  
18 Iran.

19 A My first knowledge of that would occur --  
20 because I've kind of gone back and looked at the dates --  
21 as I recall, probably in May, and again this was a case  
22 where John Wickham, General Wickham, the Chief of Staff  
23 of the Army -- and I would add that General Wickham was  
24 very solicitous in ensuring that I was informed of things  
25 that had transpired in the JCS -- and he came down and

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1 told me that he had gotten a request relayed to him. I  
2 think it was relayed to him while he was down in the  
3 tank.

4 Q Did he indicate who he got the request from?

5 A I believe he mentioned -- I happen to know  
6 that it came from Taft, but I think John told me that it  
7 came from Taft, ~~Deputy Secretary of Defense~~ Taft. And  
8 John said that this request had come through for HAWKs.  
9 He didn't know where they were going, as I recall, but we  
10 were asked to provide them and that we would do it,  
11 which, as I recall, was the case.

12 Q Was it your understanding at the time that  
13 this was in any way connected to or a ~~follow-on~~ connected  
14 with or a follow-on to the earlier TOW project?

15 A No. I had no knowledge. I had no idea that  
16 there was a relationship, nor, to the best of my  
17 knowledge, did he. And I think John would have told me  
18 if he did. I forget the quantities and the numbers, but  
19 he and I did not discuss it at any great length or  
20 anything. It was one of these things he'd been told to  
21 do it and do it.

22 Do you want to go on to how it did surface?

23 Q Why don't I simply ask you to tell us, after  
24 having found out, what the next event was that came to  
25 your attention or that involved you in any way?

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1           A     The matter then came back up later, as I  
 2 recall, in the summer or probably in September because  
 3 there were some additional parts that were related to the  
 4 shipment, and it came in through [REDACTED]

5           Q     A subsequent request from the CIA?

6           A     Yes. And when it hit [REDACTED] they  
 7 couldn't relate it to anything because they didn't know  
 8 of the earlier shipment that had been requested in May --  
 9 that is [REDACTED] others working the staff action  
 10 in the Department of the Army -- and when it came up to  
 11 me in my office and to Wickham's office we didn't relate  
 12 them because we didn't know where they were going.

13                     So it became a difficult thing to get it  
 14 approved because it was outside the system and [REDACTED]  
 15 was trying to trace it and find out where it was coming  
 16 from. And apparently it was never supposed to have been  
 17 put, must not have been supposed to have been put in the  
 18 system, I don't know. But eventually to resolve it,  
 19 because here we were, sitting on a request from the  
 20 Agency and they needed a response, we finally decided  
 21 there's only one way to do this.

22                     And that's to take the request and go to  
 23 SecDef. And what happened [REDACTED] I believe Mr. Weinberger was  
 24 gone, so my military exec --

25           Q     General Kavessa.

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1           A     The two of us walked. I got on Taft's  
2     calendar and walked down to see him, and laid this out.  
3     And then I could tell that Will knew something about this  
4     I didn't know, because it seemed to make some sense to  
5     him. And he had, I think, his military exec in there and  
6     where it was left was let me take this. I'll get into  
7     this and he was going to raise it with the Agency. That  
8     was the last I heard of it. That was in October. And I  
9     still didn't know where it was or where it was going, but  
10    I commented to General Kavessa coming down the hall I  
11    believe that Mr. Taft knows something more about this  
12    than we do.

13           Q     Mr. Secretary, I'll come back to this follow-  
14    on on the HAWK repair parts in a moment. I want to go  
15    back, though, to the earlier request and ask you a  
16    question about readiness. The request which came from  
17    CIA was for 234 HAWK repair parts, and as the requirement  
18    was worked, with Major Simpson being the primary action  
19    officer reporting to General Russo, they ultimately  
20    determined that there would be certain parts that would  
21    have a zero balance in the inventory if they fully met  
22    the requirement.

23                   I can give you those numbers, but I don't know  
24    that it's relevant in one sense, in that there was no  
25    ultimate determination of readiness being adverse to all

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1 of them that had any depletion. But Major Simpson and  
 2 General Russo ultimately concluded that a half dozen or  
 3 so, six to eight, I think Major Simpson puts it at, items  
 4 which would have been totally depleted if we had met this  
 5 requirement were [REDACTED] that they would  
 6 not provide them to the CIA.

7 There was what Major Simpson characterizes as  
 8 some back and forth with his counterpart at the Agency  
 9 and in essence the CIA overruled the Army and said you've  
 10 got to provide them, and that's what happened. Was that  
 11 ever brought to your attention?

12 A I can't say that it wasn't. I can't recall  
 13 it. You see, what happens in these kind of requests,  
 14 literally hundreds of transfers and transactions, I'm  
 15 sure you realize, go through this office. This request  
 16 for HAWK parts or for particular armaments is not unusual  
 17 to come in and it's hard to focus on them and relate back  
 18 to them. That would be Vince Russo's job to do that, and  
 19 obviously he did it.

20 I could tell you by looking at [REDACTED] staff  
 21 papers that came up with the HAWK parts request, because  
 22 that would have had a readiness finding or readiness  
 23 recommendation by the Army, and I'm sure it may have been  
 24 brought to my attention in a staff finding -- I'm not  
 25 sure -- but I don't know.

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1 Q On the same readiness question let me move  
 2 forward then to the follow-on request and get to the  
 3 readiness impact there as determined by the system when  
 4 it did [REDACTED] Let me give you the next exhibit  
 5 and have this marked as Number 8.

6 (The document referred to was  
 7 marked Marsh Exhibit Number 8  
 8 for identification.)

9 A I haven't even read it, but I would say the  
 10 system said that impacts adversely on readiness.

11 Q That's correct, sir. This is a memorandum for  
 12 you done by Mrs. Crawford.

13 A And this is in the October time frame.

14 Q On 10 October dealing with that follow-on  
 15 request. I'll give you a moment to read that.

16 (Pause.)

17 A Yes.

18 Q All right, sir. If you notice, in the last  
 19 full paragraph on page one of Mrs. Crawford's memorandum  
 20 she indicates with regard to this follow-on request for  
 21 HAWK parts: "The request, if supported, will result in  
 22 an inventory zero balance on three items and impact on  
 23 the Army's air defense capability. Both DOD Directive  
 24 5210.36 and the DASP set forth the policy of providing  
 25 support to non-DOD agencies if it will not interfere with

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1 or impede the performance of missions and functions  
2 assigned to DOD."

3 At various points in the memo she discusses  
4 the procedure that would normally be followed with [REDACTED]  
5 [REDACTED] and some of the things that that review covers. Is  
6 it fair to say that in this case, because we went through  
7 the [REDACTED] and [REDACTED] with this part of  
8 the HAWK repair request that it was staffed out more  
9 along the lines of what it should have been?

10 A Yes. This type of response reflects that kind  
11 of review. But what was making it difficult, it didn't  
12 fit in and that's why eventually to resolve it I went  
13 down to OSD because people [REDACTED]  
14 [REDACTED] could not figure where's  
15 this coming from and what does it support.

16 Q All right, sir. Let me ask you to look at  
17 another exhibit that is not directly related to SNOWBALL  
18 and CROCUS, and I want to make that clear so there's no  
19 confusion. It addresses the more general need for the  
20 [REDACTED] and the need to go through it. And  
21 that's a memorandum from General Vuono, then Lieutenant  
22 General, the DCS/OPS, and now I believe the Chief of  
23 Staff of the Army, on 18 April 86, and it was to the  
24 Director of the Joint Staff.

25 (The document referred to was

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1 marked Marsh Exhibit Number 1  
2 for identification.)

3 (Pause.)

4 Have you read that, sir?

5 A Um-hum.

6 Q I just want to ask you if you agree with the  
7 statements that are in the first and third paragraphs.  
8 In the first paragraph General Vuono states: "The [REDACTED]  
9 [REDACTED] provides a single channel for requests for  
10 support from the Central Intelligence Agency to the  
11 Department of Defense." Would you agree that it is the  
12 single channel or the exclusive channel for such  
13 transfers?

14 A Yes. That's by directive.

15 Q And then he further states: "The system  
16 protects extremely sensitive information from both  
17 inadvertent and deliberate disclosure, allows for covert  
18 support to Agency operations worldwide and ensures  
19 adequate service review of the request." Does that seem  
20 to be a fair statement?

21 A That's a very good statement.

22 Q In the final paragraph he states: "Requests  
23 which bypass the [REDACTED] would receive less  
24 service and no joint staff scrutiny that may impact on  
25 the services' warfighting capabilities. The Secretary of

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1 Defense should be made aware that using ad hoc channels  
2 to support the CIA may degrade security overall and  
3 impair national security."

4 Now admittedly that's opinion. If you don't  
5 agree with that, you are welcome to say so. But I would  
6 just like to know if that in general --

7 A I share that view. --

8 Q All right, sir. Do you happen to know, by the  
9 way, what triggered General Vuono's memorandum to the  
10 Director of the Joint Staff?

11 A No, I don't know what it is. I'd be  
12 interested. But something came up where he wanted to go  
13 on record, it's obvious, and my guess would be the Chief  
14 of Staff of the Army told him to do that. Do you know?

15 Q I think I've been told, but I don't recall and  
16 I simply wondered if you knew and we could get it on the  
17 record in case a Member asks us what that was all about.

18 ~~He~~ thought maybe you knew. I don't know, but  
19 that was Carl's concern, which I'm confident he shared  
20 with the Chief of Staff, and the Chief said, Carl, I  
21 think this is the way we want to have it. This is the  
22 new Chief of Staff.

23 COLONEL WALLACE: Let's go off the record.

24 (A discussion was held off the record.)

25 MR. SAXON: Let's go back on the record.

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1 BY MR. SABA: (Resuming)

2 Q Sir, we understand that the TOW transfers to  
3 Iran in 1986 and, for the most part, the HAWK spare  
4 transfer bypassed [REDACTED] Can you offer your  
5 opinion as to, one, how that happened and, two, why?

6 A No. I would just have to say to you that [REDACTED]  
7 [REDACTED] is one that's internal to the Army and the  
8 decision to do this was made at a much higher level where  
9 I recognize that people who are in superior positions  
10 have a right to override that and overrule it.

11 Q Do you know, sir, was it decided at a higher  
12 level to bypass the system?

13 A I don't know if the President felt that way.  
14 The order came down from the National Command Authority  
15 to execute the mission. I can see where there may be  
16 things of such national concern or, indeed, emergency  
17 that it would be that the National Command Authority may  
18 want them executed in this way. This is an internal  
19 administrative procedure which works, we think can work,  
20 very effectively.

21 Your other safeguard, if you bypass the  
22 system, the other safeguard is advising the Congress.  
23 Then the fact that you have bypassed it is no problem,  
24 you see. And I think the people that are senior can go  
25 past the system so long as you touch the other base. And

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1 had you touched the other base here it really would not  
2 have been a problem.

3 BY MR. SAXON: (Resuming)

4 Q Well, I think that question, though, is  
5 directed at -- and you may not know the answer to this,  
6 but I'll give you two possibilities -- is what happened  
7 here an example of a requirement coming in that's very  
8 sensitive, very close <sup>by E</sup> hold, and people just worked it  
9 knowing it was sensitive and <sup>E</sup> close hold and it happened  
10 that in working it inadvertently they bypassed the [REDACTED]  
11 [REDACTED] maybe not even being aware that there was a  
12 [REDACTED] at the level above General Russo?

13 Or is it that somebody consciously said, well,  
14 we've got this system and there are a lot of people  
15 involved in it, there are a lot of different checks, we  
16 don't want to go that route and they consciously said  
17 we'll do it another way?



18 A It could have been. It could have been the  
19 fact that we know, to speculate, that Mr. Weinberger had  
20 raised great concerns about it. Indeed, I believe in the  
21 Tower report North complains about making Defense move  
22 fast on this, and so it may have been ~~don't~~ have another  
23 opportunity to review and debate an issue that we've  
24 already decided on, which I say you could do that, so  
25 long as you tell those people sitting over there on

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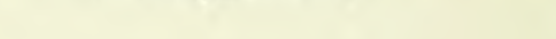
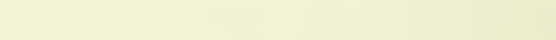
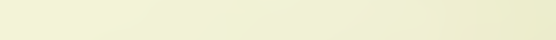
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1 Capitol Hill.

2 But I really don't know. I can't answer it  
3 because I don't know.

4 Q Mr. Secretary, we're ready to move to another  
5 of these fun topics, and that's YELLOW FRUIT. You  
6 alluded earlier in the deposition to   
7  as I  
8 understand it, for what has become known as YELLOW FRUIT.  
9 There is a lot that we have that the Department of the  
10 Army has made available with regard to YELLOW FRUIT and,  
11 by the way, everyone's been very helpful in helping us  
12 piece together the record and see if it does directly or  
13 even indirectly connect up to the matters we are looking  
14 at. So we're not here this afternoon to get the full  
15 YELLOW FRUIT story.

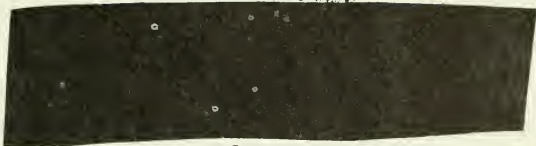
16 But we do have a few questions for you. Let  
17 me ask first if in some brief or summary form you can  
18 tell us what it was and what its genesis was and simply  
19 how it sort of played out.

20 A YELLOW FRUIT was a sort of component of   
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Q You said earlier that it was your understanding that it was created without your knowledge or approval at the time and, to some extent, without the knowledge, approval or at least full understanding of the Army's military leadership; is that a fair statement?

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A My observation is that a number of the senior military leaders did not receive a full disclosure as to the purpose and intent of the organization.

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Q Now I guess it's important to note that the system worked in exposing YELLOW FRUIT and fully investigating it and ultimately shutting it down. I think you have told us in previous sessions when we have interviewed you that there is still some ongoing investigation into these matters, one, to look at the money trail and see if all the dollars can be accounted for and, two, in light of something I'll come to shortly about Swiss bank accounts, there has been a worldwide check or audit of the use of bank accounts in covert activities, if I'm correct.

24  
25

Can you update us on what has happened more recently with YELLOW FRUIT and the investigations by the

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1 Army?

2 A I'm going to have to refer to it more in [REDACTED]  
3 [REDACTED] because there are elements that were  
4 very troublesome that went well beyond YELLOW FRUIT and  
5 went into SEA SPRAY.

6 Q SEA SPRAY was the [REDACTED]

7 A It was the [REDACTED]

8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]

16 There is ongoing what we call a 15-6  
17 investigation that covers the entire universe of [REDACTED]  
18 [REDACTED] operations, which is really in its final  
19 stages. As you know, there were criminal prosecutions.  
20 There was one in the United States Federal Court that  
21 resulted in a conviction of an officer. There were  
22 prosecutions through court martial procedures held at Ft.  
23 Myer of others that were involved, which resulted in  
24 convictions, and both, in the Federal and in the courts  
25 martial, are on appeal. You know that.

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1                   The question of the Swiss accounts, it  
2 appears, based on investigation -- I think some of your  
3 people took part in an investigation that we made --  
4 involving principally an individual named Golden, that  
5 there was not a Swiss account.

6                   Q     Is that a final determination or is that what  
7 it looks like right now?

8                   A     I'm not willing to say that that's a final  
9 determination. I am not comfortable saying that. There  
10 is an area in that area which I'm not fully satisfied  
11 yet. I don't think it relates to this, the precise item  
12 you are thinking of on the Iran matter, but I would be  
13 glad to discuss it with you in other questioning, but not  
14 as a part of this record, if you would agree.

15                  Q     All right, sir. Let me introduce as an  
16 exhibit in this deposition the sworn statement that Mr.  
17 Golden, and that's William T. Golden, provided to the  
18 Department of the Army on 2 April 87.

19                                 (The document referred to was  
20 marked Marsh Exhibit Number 10  
21 for identification.)

22                  There are a couple of questions I want to ask  
23 you after you have had a chance to look at it.

24                                 (Pause.)

25                  A     Okay.

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1           Q     Mr. Secretary, I don't want to go through all  
2 of this. I simply was going to ask you if there had been  
3 any evidence to corroborate two points that Mr. Golden  
4 makes. One of them you have already addressed, and that  
5 was the Swiss bank account question, and I won't repeat  
6 what's in here. The document speaks for itself in terms  
7 of what Mr. Golden recalls might have happened in that  
8 regard, and I think you've addressed that adequately.

9           The second point he makes does more directly  
10 relate to supporting the contraes in possible violation of  
11 the Boland Amendment, and that is -- and I won't read it  
12 verbatim -- Mr. Golden says he recalls that in the time  
13 frame of late August or early September he saw a  
14 concept paper that talked about FMS sales [REDACTED] in  
15 which there would be an inflated list of items that  
16 [REDACTED] government wanted under foreign military  
17 sales with the express intent that they would not need  
18 all of them and some of them would go to the contraes.  
19 And he says further in here that that was done more or  
20 less in contemplation of the Boland Amendment.

21           Let me simply ask you if either the earlier or  
22 more recent investigation of the [REDACTED]  
23 and, in particular, YELLOW FRUIT shows any evidence of  
24 attempts to violate the Boland Amendment through these  
25 particular covert operations.

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1           A    No. The matters that you raised there [REDACTED]  
2           [REDACTED] all are new to me. I assume that you all  
3           have gone through and asked for production of any files  
4           or materials on FMS records.

5           Q    Yes, sir. In fact, there were no FMS sales,  
6           [REDACTED] in those years. I think that's  
7           correct. But DSAA has provided us that, yes, sir.

8           A    The only thing that comes to mind that falls  
9           into that same period of time would be [REDACTED]  
10          as to whether or not that was caught in the Boland  
11          Amendment application.

12          Q    And that's going to be the last matter I'll  
13          get to. Let me say that that's all I want to ask about  
14          YELLOW FRUIT. Now if anybody else has a question on  
15          that, they can ask it. If not, we'll move on.

16          MR. SABA: No, John.

17          BY MR. SAXON: (Resuming)

18          Q    Mr. Secretary, you mentioned [REDACTED]  
19          Let me ask you first of all, like I did with YELLOW  
20          FRUIT, if you can give us simply a capsule of what you  
21          understood [REDACTED] and what ultimately you  
22          understood to have happened with that request.

23          A    Well, to go back, you recall in one of your  
24          earlier interviews when you concluded your last question  
25          it was, was there some other operation that I might be

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1 aware of that in my own mind I did not know whether or  
2 not it would have come without the application of the  
3 Boland Amendment, and I responded I could only think of  
4 one, which might have been [REDACTED]

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13 That was one that became a source of  
14 considerable concern as to how to handle it. By this  
15 time now [REDACTED] was beginning  
16 to work. And again there were questions raised about who  
17 tells Congress. We took a view that there was an  
18 obligation to do that. That view was not shared by  
19 others, but I think that perhaps the review and the study  
20 of that that occurred, coupled with other legislative  
21 actions that involved the Boland or Boland-type  
22 amendment, would mean that it was not fully implemented.

23 I think some portions of [REDACTED]  
24 [REDACTED] some parts of it were. There were some items of  
25 Army material which were furnished, and we have made an

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1 effort to identify those and will identify them for the  
2 record, those that we think were transferred.

3 Q Mr. Secretary, correct me if this is not a  
4 fair characterization. Is it accurate to suggest [REDACTED]  
5 [REDACTED] was an effort by the CIA to stockpile  
6 materials in anticipation of an cutoff which resulted  
7 from the Boland Amendment? It's been characterized that  
8 way. If that's not a correct characterization, correct  
9 me.

10 A I would tell you frankly I had not thought of  
11 it in those terms myself. I just assumed it was an  
12 effort to move equipment on down there, and if you look  
13 at that period of time, in the fall of '83, if you look  
14 at that time frame, there was considerable uncertainty as  
15 to what is the application of the Boland Amendment and  
16 does it apply. I think that, very validly, lawyers over  
17 here at this time -- Tom and I have talked about it since  
18 -- did not feel that the Boland Amendment would have been  
19 a limiting factor.

20 I think there are others who would disagree  
21 with that. But the other argument that has been made on  
22 that is [REDACTED] was being developed in  
23 anticipation of a more relaxed, lenient Boland Amendment,  
24 so that when it was to be shipped it would be in  
25 conformance with the statute. Some of the items went on

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1 down anyway, which is the reason I had not thought too  
2 much about it being a stockpile against the Boland  
3 Amendment.

4 Q Mr. Secretary, Mr. Albright, who is the  
5 [REDACTED] on the Senate staff, may have some  
6 questions.

7 BY MR. ALBRIGHT:

8 Q I think I just have one. Is it fair to  
9 characterize [REDACTED] as an example of when [REDACTED]  
10 [REDACTED] worked and shut down a project?

11 A I think it is one of the things that  
12 contributed to it. I think it played a major role in  
13 getting that reviewed at very senior policy levels.

14 Q The main problem or the main area that shut  
15 that down was the funding problem, is that correct --  
16 whether or not it was going to be paid for out of Army  
17 funds or CIA funds?

18 A The Army kept drawing the issue. The Army  
19 kept approving the thing approved subject to notification  
20 of Congress, and I think that became a rather formidable  
21 challenge to the project. And even though we were  
22 ultimately overruled, that we were wrong, nevertheless  
23 raising that Congressional issue I think contributed to  
24 it, because, you see, [REDACTED]

25 [REDACTED] raised the question of [REDACTED]

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1 proper notification of Congress, and that was a great big  
2 piece of that action.

3 I think you are right.

4 BY MR. SAXON: (Resuming)

5 Q Mr. Secretary, I've only got one or two more  
6 questions. They are of a general and broad nature.

7 MR. TAYLOR: Could we go off the record for a  
8 second?

9 (A discussion was held off the record.)

10 BY MR. SAXON: (Resuming)

11 Q Mr. Secretary, a few minutes ago, in response  
12 to Mr. Albright's question you were talking about that  
13 the system worked because [REDACTED]

14 [REDACTED] Mr. Taylor has correctly pointed out that [REDACTED]  
15 [REDACTED] as an office wasn't created until the fall of  
16 1984, so I think that it's correct to say the forces that  
17 were in place within the building and within the  
18 Department of the Army that led to the creation of [REDACTED]  
19 the staffing, the legal checks, the review of covert  
20 operations -- it's those forces that led to the shutdown  
21 of [REDACTED] Is that a correct statement?

22 A That's correct, because there was being  
23 developed at that period of time the staffing and other  
24 review procedures that would ultimately find their final  
25 expression in [REDACTED]

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1           Q     I only have two final areas of inquiry. One  
2           is to look at what you described to us in an earlier  
3           session were some of the broad problems with YELLOW  
4           FRUIT, and that is you had some things taking place that  
5           were outside of the normal review system, that certain  
6           people who should have known about those operations  
7           didn't in terms of approval and understanding and  
8           monitoring, that there were some aircraft perhaps  
9           purchased outside of the system, there was some money  
10          that wasn't as accountable as it should have been.

11                     I don't want to connect up something that  
12          shouldn't be connected, but you may have heard in recent  
13          testimony from Colonel North that he and Director Casey  
14          had discussions about creating an off-the-shelf, outside-  
15          of-the-system covert capability that would be outside of  
16          the CIA that would have rapid response capability, that  
17          would have a pool of funds that would obviate the need to  
18          go to Congress, et cetera.

19                     If I have described those two things  
20          accurately, do you see any connection between the two?  
21          Do you think, given what we knew about the CIA role  
22          involving Colonel Longhofer and Mr. Enders and so forth  
23          with YELLOW FRUIT, is there any connection at all between  
24          what Director Casey and Colonel North wanted to create  
25          and what happened with YELLOW FRUIT?

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79

1           A     I can't prove that there is, but there are  
2           certain off-line dimensions that are associated with some  
3           of these activities that never fully got under way in the  
4           Army that are disturbing and troublesome because it is  
5           contradictory. It subverts the system and the  
6           institution, and those activities are well known and  
7           identified.

8                     Acquisition of major items of equipment  
9           without using the normal Congressional processes is an  
10          example of what I'm talking about, and I think there are  
11          some other examples that are associated with those things  
12          that can be cited that are causes for concern. But I  
13          cannot prove that they are connected.

14          Q     My final area of questioning is to ask you to  
15          wax philosophical for a couple of minutes. Given that  
16          you have served in the Congress and have served in the  
17          White House in various senior positions, as you indicated  
18          with Cabinet rank, and you have now been Secretary of the  
19          Army for six-plus years, and you've been in other sub-  
20          Cabinet positions in the Department of Defense, let me  
21          ask you two things.

22                     One, what lessons you draw from the Iran-  
23          contra affair that would be valuable to our Committees,  
24          and, second, what recommendations you would have for us  
25          beyond what we talked about earlier about possibly a

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80

1 joint intelligence committee. First, what lessons should  
2 we learn from all of this?

3 A Well, I think the first lesson, it seems to  
4 me, that we see from the Iran thing is really one that  
5 gets into the very basic checks and balances and the role  
6 of the Congress. As members of the Committee have said  
7 themselves, you are not going to be able to carry out a  
8 successful policy without Congressional support because  
9 Congressional support represents your public support, and  
10 you must have it.

11 The other point is that in the world in which  
12 we live intelligence operations are vitally important.  
13 They are vitally important. And they are more difficult  
14 to structure at times in a free and open society, but  
15 they can be done. But if you short-circuit that system  
16 because it's difficult to establish those operations you  
17 are courting disaster to do it, and we see that.

18 On the other hand, if you structure them  
19 within our system of government where they are properly  
20 run, they can be effectively conducted, notwithstanding  
21 what people say. They can be. We are quite capable --  
22 "we" being the country -- are quite capable of doing  
23 this, and there are many examples of it.

24 If you were to bottom-line it, there must be,  
25 one, a system to review for approval at the outset. In

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81

1 addition to a review procedure there must be a system for  
2 financial controls. There must be. Even if you approve  
3 a good system, if you do not have a financial control  
4 system I guarantee you it will get in trouble. It will  
5 get in trouble. And then, third, there must be a system  
6 of continuing oversight to ensure that you are complying  
7 with the original ground rules for approval.

8 And, finally, there must be a system to  
9 terminate and disband and stand down when, one, it's  
10 mission is accomplished, the purpose for which it was  
11 organized is no longer applicable, meaning they have been  
12 successful, or it has to be terminated for reasons of  
13 operational impossibility or some other problem of  
14 disclosure.

15 You've got to have those four things. Now if  
16 you go at it with that attitude and then decide that you  
17 are going to make the Congress your partner, I think you  
18 can structure some very successful programs to do it. I  
19 see -- you know, I hear some of these witnesses talking  
20 about well, nobody knows how to run these black  
21 operations. I have seen some of the black operations  
22 that these witnesses have been running, and they haven't  
23 been running them very well and they have caused us some  
24 enormous problems and a great deal of national  
25 embarrassment which could have been avoided.

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82

1                   Let me say something to you that I learned in  
2                   '75 when I started working with the intelligence  
3                   community in response to disclosure of information.  
4                   There is in the Federal system a natural institutional  
5                   resistance to disclosure, in any bureaucracy, whether  
6                   it's Defense or over at Health and Human Services or  
7                   Agriculture. My experience was you are going into an  
8                   area of operation and you want to pull out information  
9                   and there is resistance to that, and that's  
10                  understandable.

11                  This normal resistance, this human resistance  
12                  that you get when you move into the national security  
13                  field becomes extraordinarily difficult because you are  
14                  dealing with careerists who, for five, ten, fifteen,  
15                  twenty years, whatever their career life has been, have  
16                  been trained not to disclose. Let me give you a little  
17                  example I could give you off the record.

18                  (A discussion was held off the record.)

19                  THE WITNESS: When you are dealing with the  
20                  national security field you are dealing with people who  
21                  by the very nature of their occupation and by their  
22                  training do not want to make disclosures of information,  
23                  and Congress must recognize that. And that failure at  
24                  what they think sometimes to be forthcoming is based on  
25                  institutional training of people who do not think that

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83

1 those things should be made public, not to a Member of  
2 Congress, not to somebody who is even in the same agency  
3 but that is not compartmented for it.

4 They have the same resistance. So this  
5 application of security is a status thing. It's a big  
6 status thing, a lot of it. And we have a great tendency  
7 to overclassify too many items, and we make the  
8 classification too broad and apply it to too many people,  
9 and we ought to do less of both, in my view.

10 MR. SAXON: Mr. Secretary, that's all I've  
11 got. Let me see if anybody else has anything.

12 MR. SABA: I have nothing, sir.

13 MR. ALBRIGHT: Just to thank you.

14 THE WITNESS: I don't know if I've helped you  
15 or not.

16 MR. SAXON: You have. Let me say for the  
17 record before we shut down you have been very helpful,  
18 not just this afternoon but on previous occasions. For  
19 that matter, Mr. Winchester, Colonel Wallace, Ms.  
20 Crawford, everybody with whom we've dealt in the  
21 Department of the Army has been professional and as  
22 helpful as they can be, and it's made it much easier for  
23 our two Committees and we thank you.

24 THE WITNESS: Thank you.

25 (Whereupon, at 4:38 p.m., the taking of the

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1 instant deposition ceased.)

2 \_\_\_\_\_

3

Signature of the Witness

4

Subscribed and sworn to before me this \_\_\_\_\_ day of

5

\_\_\_\_\_, 1987.

6

7

\_\_\_\_\_  
Notary Public

8

My Commission Expires: \_\_\_\_\_

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TOP SECRET CODEWORD



9 May 83  
2808

**UNCLASSIFIED**  
SECRETARY OF THE ARMY  
WASHINGTON

9 May 1983

Marsh  
Ex. #1  
7/23/87 mac

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Sensitive DOD Support to CIA Special Activities (S)

(S) As you are aware, the Department of Defense (DOD) provides sensitive operational and logistic support to the Central Intelligence Agency (CIA). CIA requests for DOD support are often in furtherance of CIA special activities (covert action), as reviewed by the National Security Planning Group (NSPG) and approved by the President. With increasing frequency, due largely to the Presidential Findings relating to Central America, the CIA has been requesting DOD support which should be considered significant and raises some difficult policy and legal questions. Three examples of significant and sensitive DOD support which have been requested by the CIA in connection with its activities in Central America are set forth in Tab A.

(S) The purpose of this memorandum is to raise several issues regarding the manner in which CIA requests for DOD support are reviewed within the appropriate agencies of the Executive Branch and are reported to Congress, if necessary. These types of issues have taken on special significance in light of the increased Congressional and media interest in this area. This memorandum is not intended to challenge the validity or utility of covert action as a tool of foreign policy or to call into question the process by which Presidential Findings are reviewed and approved.

(S) CIA requests for DOD support are reviewed within DOD to determine whether DOD is willing to and capable of providing the requested support. Presumably, before such requests are made of DOD, they are reviewed within the CIA and other appropriate agencies, and determined to be legal and proper. There are, however, at least four important issues which may not be receiving sufficient attention in the review process, either within or outside DOD.

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by K. Johnson, National Security Council

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(S) First, there is a question regarding the underlying authority by which DOD provides support to CIA special activities. There is, of course, no explicit statutory authority for the CIA to conduct or the DOD to support special activities. Rather, the National Security Act, the inherent powers of the President, a Presidential Executive Order, and the Congressional authorization and appropriation process are used to authorize special activities in general. The Economy Act is usually cited as the authority by which DOD supports CIA special activities.

(S) Rarely has authorization or recognition of the need for DOD support been acknowledged in the Presidential Finding supporting the special activity. Recently, however, in the context of the [redacted] charter, the Attorney General requested that DOD support to CIA special activities be authorized by the President. The CIA, DOD, and the Department of Justice have agreed that foreseeable and significant DOD support (to be determined pursuant to a reasonableness test), will be noticed explicitly within the Presidential Finding and that all other support will be set forth in the scope paper which accompanies the Finding. While not as definitive as explicit statutory authority, such an arrangement will substantially solidify the authority by which DOD provides support to the CIA on a case by case basis.

(TS) The second major issue relates to the breadth of Presidential Findings and the question of whether DOD support which is requested is consistent with and authorized by the Finding. Presidential Findings, by necessity and nature, are broad in scope, though by no means limitless. Also, Findings are often operative for a number of years. Support requests must be reviewed to determine whether they are within the legal parameters of the Finding which the request seeks to implement. For example, I was concerned that the support requested pursuant to project [redacted] (described in Tab A) was beyond the scope and intent of the underlying Finding which related to [redacted].

Thus, while I executed the approval memorandum, I conditioned my approval upon an a priori notification to Congress of the exact nature of the operation given conflicting mission statements in the transmittal memoranda between the participating agencies. For this, and various other reasons, the Army raised objections to the support request and it was eventually withdrawn by the CIA.

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(S) Additionally, and perhaps most importantly, requests for sensitive DOD support must be reviewed for compliance with the statutory requirements relating to Congressional oversight of special activities (50 U.S.C. § 413; 22 U.S.C. § 2422) and the War Powers Resolution (50 U.S.C. §§ 1541-1548). The CIA must, of course, inform the Congressional Intelligence Oversight Committees of all special activities. Similarly, the President must consult with and report to Congress whenever armed forces are introduced into situations involving the imminent threat of hostilities. Although the CIA is a civilian agency and is thus not governed by the War Powers Resolution, it is conceivable that a CIA special activity involving DOD support could invoke the reporting requirements of both 50 U.S.C. § 413 (with regard to the CIA special activity) and the War Powers Resolution (with regard to the involvement of U.S. armed forces). Moreover, even if the requested DOD support does not invoke the War Powers Resolution, it may invoke the 50 U.S.C. § 413 and Executive Order 12333 requirements to report to the Congressional Intelligence Oversight Committees.

(S) Finally, with regard to Central America, requests for support must also be reviewed to determine compliance with the Boland Amendment. That amendment was attached to the DOD Appropriation Act and prohibits the CIA or DOD from expending funds for the purposes of overthrowing Nicaragua or provoking a military exchange between Nicaragua and Honduras.

(S) The problem which I perceive relating to these issues is the absence of a system or process by which they are addressed. Unlike the more formal process by which Presidential Findings are reviewed within the NSPG, the above issues relating to CIA requests for DOD support are reviewed for legality, if at all, in an ad hoc manner, both within and outside DOD. It appears that support requests are reviewed by the Office of the General Counsel of the CIA only if the operational component believes that the request raises a legal issue. At the State Department, the Office of the Legal Adviser reviews all significant support requests; however, requests relating to Central America are reviewed exclusively by the Central American Management Core Group. Finally, within DOD, I do not believe that the Deputy Under Secretary of Defense (Policy) routinely solicits the review of the Office of the General Counsel. Because of the subtle, but volatile legal aspects of the issues discussed above, I

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believe it is important that all significant requests for sensitive DOD support be reviewed in a consistent and systematic manner, to include an appropriate role for the agencies' legal adviser, within and among all affected agencies. Also, such a system guarantees that the heads of each agency are aware of the scope of the agency's involvement in special activities.

(S) Within the Army, I am pleased with the review system which has been established. All requests for Army support are submitted by the [REDACTED]

[REDACTED] if the request is for major end items of military equipment; the initiation of or change to any specialized, unique, or sensitive service; the initiation of or change to programs involving substantial expenditures of money; or requests which require an exception to policy, I personally review and approve the request. [REDACTED]

[REDACTED] In light of the guidance I receive, I determine whether the Army should provide the requested support.

(S) Based upon the foregoing, I believe it is important that you encourage the establishment of formal intra and inter-agency procedures, including the participation of the Department of Justice, relating to the review of requests to support CIA special activities. In addition, because of the significance of the issues involved, the Army will continue to scrutinize for legality and propriety all arguably significant requests for military support implicating the issues noted above.

(U) If I can be of any further assistance, please feel free to contact me.

*John O. Marsh, Jr.*  
John O. Marsh, Jr.

Attachment

**UNCLASSIFIED**

**UNCLASSIFIED**

UNCLASSIFIED Significant CIA Requests for Support

**UNCLASSIFIED**

12 JUN 83

**UNCLASSIFIED**

THE SECRETARY OF DEFENSE

D 2884

WASHINGTON THE DISTRICT OF COLUMBIA



Marsh  
Ex. # 2  
17/23/87 man

13 JUN 1983

MEMORANDUM FOR THE SECRETARY OF THE ARMY

SUBJECT: DoD Support to CIA Special Activities (S)

(S) Your 9 May memorandum on management of DoD support to CIA special activities raises significant points.

(S) I agree that the procedure whereby foreseeable and significant DoD support will henceforth be noted in the Presidential Finding, with other DoD support requirements to be cited in the scope paper, provides a solid authority for our support.

(S) Your point concerning notification to the Congressional committees is well taken. The Deputy Under Secretary of Defense for Policy (DUSD(P)) is responsible for action on these notifications after appropriate coordination with the DoD General Counsel, DoD Legislative Liaison, CIA, the Joint Staff, DIA, and the Military Departments. Our current project -- in which your representatives are participating -- to identify significant and sensitive activities to be reported to me and, if necessary, to the Congress, should assist in decisions on matters in this area. We must comply fully with all statutory and Presidential direction on such reporting. Beyond these requirements, I wish to be as diligent in informing the appropriate Congressional committees as good management and division of authority between the Legislative and Executive Branches permit. However, we must recognize the primary responsibility of the DCI concerning decisions on reporting special activities to the Congress.

(S) Internal CIA review of CIA requests for DoD support I see as a matter for the DCIA. DUSD(P) recently discussed this and related concerns with senior personnel of that Agency and was assured that CIA would review its internal coordination to ensure proper consideration of legal issues before such requests are made to DoD.

Partially Declassified/Released on 10 FEB 88  
under provisions of E.O. 12356  
by K. Johnson, National Security Council

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Downgrade to SECRET  
Upon Removal of Tab A

Classified by: SecDef  
Declassify on: OADR

PH [Signature]  
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See Def Cont Br. X259  
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(S) Our current DoD process for staffing CIA requests for operational support through the special [redacted] is proper. All such requests should be handled through the [redacted] pursuant to DepSecDef letter, subject: Provision of DoD Cover, Operational and Logistic Support (U), 20 December 1979.

(S) In this connection, OSD and Joint Staff records indicate that the three examples you cited were properly handled by those offices; further details are at Tab A.

(S) Legal counsel is readily available to all participants in this process. All proposals and requests for action in these areas referred to OSD are handled by the DUSD(P). The latter's staff is especially experienced in and attuned to policy, procedural constraints, and general legal issues pertinent to these activities. In addition, in order to ensure that a complete legal review is carried out, all such requests will be referred to the Office of the DoD General Counsel for evaluation. In view of the institutionalized legal review, the establishment of additional intra-agency or interagency review procedures to evaluate and advise outside the current interagency coordination process is not necessary. An additional review process, independent of the department heads' regular policy and operations process, would be inefficient, and undermine agency heads' normal management and control.

(S) DUSD(P), with the Joint Staff, is working on a proposed DoD-CIA Memorandum of Understanding (MOU) on [redacted] and Other Support to CIA. This MOU will be coordinated with DIA and the Military Departments. The DUSD(P) will ensure that DoD implementation instructions accompanying the MOU emphasize the need for appropriate legal counsel at each level of decision.

(S) Your memorandum raises a question about the nature and extent of CIA direct exploratory discussions with elements of the Military Services concerning possible support before the matter is referred to the Joint Staff and OSD [redacted]. I have instructed the DUSD(P) [redacted] to evaluate this process to determine if he should undertake an increased role in the early stages of the process.

*Sip*

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20 Nov 85  
1200 2A-2

From NSC/NM - 11720A  
To NSC/NM - 11720A

Date and time 11/20/85 21 27 39

Reply to note of 08/31/85 23 26

**UNCLASSIFIED**

Marsh  
Ex # 3  
7/23/84 mas

1100

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NOTE FROM: OLIVER NORTH  
Subject: PRIVATE BLANK CHECK  
Wrap Up as of 2030 EDT.

The Israelis will deliver 80 Mod MAWKs [redacted] at noon on Friday 22 Nov. These 80 will be loaded aboard three chartered aircraft, owned by a proprietary which will take off at two hour intervals for Tabriz. The aircraft will file for overflight through the [redacted] enroute to Tabriz from [redacted]. Appropriate arrangements have been made with the proper [redacted] air control personnel. Once the aircraft have been launched, their departure will be confirmed by [redacted] who will call [redacted] who will call [redacted] who will direct [redacted] in Beirut to collect the five left five Amcits from Hizballah and deliver them to the U.S. Embassy. There is also the possibility that they will hand over the French hostage who is very ill.

There is a requirement for 40 additional weaps of the same nomenclature for a total requirement of 120. \$18M in payment for the first 80 has been deposited in the appropriate account. No acft will land in Tabriz until the AMCITS have been delivered to the embassy. The Iranians have also asked to order additional items in the future and have been told that they will be considered after this activity has succeeded. All transfer arrangements have been made by Dick Secord, who deserves a medal for his extraordinary short notice efforts.

Replenishment arrangements are being made through the MOD purchasing office in NYC. There is, to say the least, considerable anxiety that we will somehow delay on their plan to purchase 120 of these weapons in the next few days. IAW your instructions I have told their agent that we will sell them 120 items at a price that they can meet. I have further told them that we will make no effort to move on their purchase LOA request until we have all five AMCITS safely delivered. In short, the pressure is on them.

Tomorrow we will dispatch a covert hostage debrief team to Wiesbaden, under cover of an exercise.

[redacted] EUCOM will be told to prepare a C-141 for four-hour alert to pick up any hostages who may be released over the weekend. All of the parties above will be told that we have info (from the same source which advised us of Wier's release) that some, if not all, AMCIT hostages will be turned over [redacted] between now and Sunday.

As soon as we have the release confirmed, we need to move quickly with Defense to provide the 120 missiles the Israelis want to buy. They are very concerned that they are degrading their defense capability, and in view of the Syrian shoot-down yesterday the PM has placed considerable pressure on both Rabin and Kimche for very prompt replacement. Both called several times today.

There is the distinct possibility that at the end of the week we will have five Americans home and the promise of no future hostage takings in exchange for selling the Israelis 120 Mod MAWKs. Despite the difficulty of making all this fit inside a 96-hour window, it isn't that bad a deal --  
Very regards.

Recommend pass to RCM after review North

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under provisions of E.O. 12958  
by K. Johnson, National Security Council

Originally Declassified/Released on 23 June 1987  
 under provisions of E.O. 12356  
 by S. Regier, National Security Council

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NO DATE

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Marsh  
 Ex #4  
 7/23/87 mas

**PROSPECTS FOR IMMEDIATE SHIPMENT OF I-BANK and I-TOW MISSILES**

**I-BANK**

- There are 164 missiles available at Red River Arsenal--75 intended for OAS and 84 for Korea. The missiles have not yet been lot acceptance tested, but there is a very low risk of failure. The missiles will be at Red River until about April 1986 for testing.
- There would be no impact on the OAS if we ship their 75 missiles. The program has slipped in other ways, and can be accommodated within the normal production lead time for replacement missiles.
- Korea would have to be consulted to ascertain the impact on their program, if it is necessary to ship any missiles in addition to the 75 mentioned above. Procurement lead time to replace Korea's missiles would be about 33 months.
- To the best of our knowledge, all of U.S. Army I-BANKs are with units and should not be considered from diversion.
- Unit replacement price of BANK missiles is about \$437.7K; total package price for 50 would approximate \$22.3M; for 100 about \$45M. Package prices include FMS surcharges.

**I-TOW**

- Army has about [REDACTED] TOWs (including 40,000 I-TOW) on hand, against a distribution requirement of about [REDACTED]. About 12,900 I-TOW missiles are available in COMUS depot stocks.
- Based on the numbers, the impact on Army of shipping 3,300 I-TOWs immediately would be serious but not intolerable. No missiles would have to be taken from troops. Based on the seriousness of the requirement, and keeping in mind that the Army would receive TOW-II replacement missiles, it is likely that the Army would reluctantly acquiesce to immediate shipment of the entire quantity.
- Unit price of the replacement TOW-II missile is about \$12,200; total package price would approximate \$42M, with FMS surcharges.
- Delivery from production of TOW-II pay back missiles to the Army would occur about the beginning of CY 1988. If necessary--though this is not recommended--approximately 2,000 unallocated TOW-II missiles could be delivered from SPAF to Army in second quarter CY 1987.

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EXHIBIT  
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13 Feb 56

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Marsh  
EX. 5  
17/22/87 mao

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DEPARTMENT OF THE ARMY  
OFFICE OF THE GENERAL COUNSEL  
WASHINGTON

13 Feb

MG Russo *Desyob.*  
*has seen - provide to*  
Concerning our *may* *sent*  
conversation last week, *will*

we decided to ensure  
that Secretary Marsh  
was aware of the  
provision you and I  
discussed. Hence, the  
attached was delivered today.

Tom Tang  
x 50502

Declassified/Released on 11F6588  
under provisions of E.O. 12336  
in K. Johnson National Security Council

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DEPARTMENT OF THE ARMY  
OFFICE OF THE GENERAL COUNSEL  
WASHINGTON, DC 20310



ONLY TO  
ATTENTION OF

13 FEB 1986

**MEMORANDUM FOR THE SECRETARY OF THE ARMY****SUBJECT: Support to Intelligence Operations**

During a recent review of an issue in our office, we noted a significant provision in the Intelligence Authorization Act for Fiscal Year 1986 that we wanted to call to your attention.

During Fiscal Year 1986, the transfer of defense articles or services exceeding one million dollars by an intelligence agency to a recipient outside that agency is considered a significant anticipated intelligence activity for the purpose of reporting to Congressional intelligence oversight committees. In addition, an intelligence agency may not transfer any defense articles or services outside the agency in conjunction with any intelligence or intelligence-related activity for which funds were denied by the Congress.

These provisions appear to reinforce our view of the importance of Congressional notifications in connection with support to intelligence operations.

Declassified/Released on 11 FEB 88  
under provisions of E.O. 12356  
Johnston, National Security Council

*Susan J. Crawford*  
Susan J. Crawford  
General Counsel

*N.B. In discussion with Mrs Crawford today, she advised that where we support another agency, they -- not we -- are responsible to make the necessary notifications.*  
Machaso  
13 Feb 86

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OFFICE OF THE ATTORNEY GENERAL

# UNCLASSIFIED

DEPARTMENT OF THE ARMY  
OFFICE OF THE GENERAL COUNSEL  
WASHINGTON, DC 20310

*Handwritten notes:*  
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SJS -  
Next  
Step  
Completed

13 FEB 1986

MEMORANDUM FOR THE SECRETARY OF THE ARMY

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Declassified/Released on 11 FEB 88  
under provisions of E.O. 12356  
by K Johnson, National Security Council  
24 K...

*Susan J Crawford*  
Susan J. Crawford  
General Counsel

APPROVED BY  
SECRETARY OF THE ARMY

*Samuel Lewis*  
Samuel Lewis  
Army

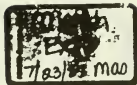
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DEPARTMENT OF THE ARMY  
OFFICE OF THE DEPUTY CHIEF OF STAFF FOR LOGISTICS  
WASHINGTON, DC 20310-05

25 Feb 86



DALO-ZB

25 Feb 86

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under provisions of E.O. 12356  
by K. Johnson, National Security Council

## MEMORANDUM FOR RECORD

SUBJECT: Support for Intelligence Activities (U)

1. (S) On 18 January 1986, The Army was tasked to provide support in terms of 3504 (later increased to 4509) missiles. The task was to turn these items over to the receiver at Redstone Airfield. Use and destination was unknown. The task would be executed upon receipt of certification of funds by the receiving agency.
2. (S) The first phase of the task, delivering 1000 missiles, was not executed until 13-14 Feb 86, due to initial delay in certification of funds by the receiving agency.
3. (C) During the course of coordination with OSD (MG Powell) and OSAGC, questions were asked as to the responsibility for end item usage. This was identified as a responsibility of the receiver.
4. (C) On 7 Feb 86, the new law (The Intelligence Authorization Act for Fiscal Year 1986) which required Congressional notification, in certain circumstances, became known. Coordination was accomplished with the Office of the Army General Counsel (OSAGC) as to the Secretary of the Army's responsibility. This was determined to be a responsibility of the receiver, not the Secretary of the Army. This position was later confirmed by the Army General Counsel.
5. (S) The notification requirement, while clearly to be satisfied by the receiver, places the Army in a difficult position. We believe the notification must occur, and as the provider, believe the receiver must be advised that notification is the responsibility of the receiver, and must be accomplished. I have discussed this with the Office of the Secretary of Defense; they have assured me--and asked that the Secretary of the Army be assured--that the receiver is fully aware of its reporting responsibility.

Coord with  
Gen. Powell on 5 Mar 86  
1/26/86  
5 Mar 86

*Vincent M. Russo*  
VINCENT M. RUSSO  
Major General, GS  
Assistant Deputy Chief of  
Staff for Logistics

5437

# UNCLASSIFIED

29 Nov 86

11/10/87

max

**UNCLASSIFIED**

Marsh  
Ex. #7  
7/23/87 max

N 9897

Paul,  
Put this with the  
finding  
J

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IA (HQ) Label 602  
1 Feb 83

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OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON DC 20301

N 9899

12 March 1986

*John*

MEMORANDUM FOR VICE ADMIRAL POINDEXTER

The attached memorandum from the Director of the Army Staff is self-explanatory. It reflects the unease of the Army General Counsel's office over the transfer of items with which you are familiar. As you know, we have been handling this program on a very close hold basis, and the Army has been told nothing with respect to destination. Per guidance received from NSC, the Army has been told that they have no responsibility for Congressional notification. The Army has also been told that whatever notifications are to be made will be taken care of at the appropriate time by the appropriate agency and that the Attorney General has provided an opinion that supports this position.

The Secretary asked that I make you aware of the Army's concerns in the event you wish to advise the DCI or the Attorney General.



Colin L. Powell  
Major General, USA  
Senior Military Assistant  
to the Secretary of Defense

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under provisions of E.O. 12396  
by K Johnson, National Security Council

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 DEPARTMENT OF THE ARMY  
 OFFICE OF THE CHIEF OF STAFF  
 WASHINGTON DC 20310

N 9900

7 MAR 1983

DACS-ZD

*Colin*

MEMORANDUM FOR THE MILITARY ASSISTANT TO THE SECRETARY OF DEFENSE  
 SUBJECT: Congressional Notification of Significant Intelligence Activities (U)

1. (TS/NOFORN) On 18 January 1986, the Army responded to a verbal tasking from your office to provide 1,000 TOW missiles to the Central Intelligence Agency with a contingency for 3,509 more at a later date. The first 1,000 missiles were delivered on 14 February 1986 to the CIA.
2. (TS/NOFORN) This request for support circumvented the normal [redacted] System for reasons of security, yet the support exceeded the \$1 million threshold established in the FY86 Intelligence Authorization Bill for reporting to Congress as a "significant intelligence activity." Funds in excess of \$3.5 million were provided by the CIA to reimburse the Army for the first 1,000 missiles. Billing and payment will occur within 60 days, or when all missiles are delivered, whichever is shorter. The Agency expects to complete the project within 60 days.
3. (TS/NOFORN) SECDEF memorandum of 13 June 1983, subject: DoD Support [redacted] (S), establishes responsibility for notification of Congress of DoD support to the Agency with the Deputy Under Secretary of Defense for Policy. It also confirms that primary responsibility resides with the Director, Central Intelligence. In the case of the TOW missiles, the Army understanding on responsibilities for notification conforms with your June 1983 memorandum.
4. (TS/NOFORN) This memo is to assure understanding of statutory requirements should this issue be raised by one of the Congressional intelligence committees in the future.

Partially Declassified/Released on 11 FEB 88  
 under provisions of E.O. 12336  
 by K. Johnson, National Security Council

*Art*  
 ARTHUR E. BROWN, JR.  
 Lieutenant General, GS  
 Director of the Army Staff

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*TR 102-76*

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**TOP SECRET NOFORN**

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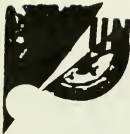
AGENT'S INVESTIGATION REPORT <small>CID Regulation 195-1</small>		NOI NUMBER 0012-87-CID001
		PAGE <u>1</u> OF <u>1</u> PAGES
<p><b>DETAILS</b>  <b>BASIS FOR INVESTIGATION:</b> About 0815, 6 Apr 87, this office received a request for assistance from Mr. George PLIRCE, Office of the Army General Counsel, Pentagon, Washington, DC 20310. The request was to re-interview Mr. William T. GOLDEN and ask him questions which were generated by a review of his statement to CID on 2 Apr 87. The concern is whether GOLDEN, while working for Business Security International (BSI), knew and had dealings with LTC Oliver NORTH or any other individuals at the National Security Council (NSC).</p> <p><b>NARRATIVE:</b></p> <p>1. Interview of Witness</p> <p>1.1 Between 1520 and 1534, 6 Apr 87, GOLDEN was telephonically interviewed by SA CANTRELL via secure communications. GOLDEN related the following. He did not recall being introduced to NORTH and doesn't think they ever formally met. He went on to say that during the November/December 1983 period he participated in a meeting with a number of other individuals that NORTH also attended. He was not aware at the time who NORTH was or for whom he worked. He said this meeting occurred after he left BSI and the meeting had nothing to do with the "Contra supply issue". He also said that while at YELLOW FRUIT (U) he had no contact with NSC personnel. However, subsequent to his assignment at BSI he had dealings with two NSC staffers. He identified them as John GRIMES and Tim DEGRAFFENRED. His contact with them was not related to the "Contra supply issue". He did not have first hand knowledge of any contact by BSI or YELLOW FRUIT (U) with the NSC or NORTH.-----LAST ENTRY-----</p>		
<p>Declassified/Released on <u>11 Feb 88</u>  under provisions of E.O. 12336  by K. Johnson, National Security Council</p> <p style="text-align: right;">5438</p>		
TYPED AGENT'S NAME AND SEQUENCE NUMBER		ORGANIZATION
SA JOHN S. CANTRELL, 0186		HQUSACIDC., Task Force Catalyst Maker
SIGNATURE	DATE	EXHIBIT
<i>John S. Cantrell</i>	7 Apr 87	

HI FORM 94  
1 FEB 77

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DEPARTMENT OF THE ARMY  
OFFICE OF THE GENERAL COUNSEL  
WASHINGTON, DC 20315-6100

10 OCT 1988

*100 dtes*

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Marsh  
Ex. #8  
7/23/87 m

MEMORANDUM FOR THE SECRETARY OF THE ARMY

SUBJECT: Additional Support of Project Crocus (U)

(U) The action memorandum to you of September 8, 1986, SAB, concerns additional support for this project beyond that already provided in May 1986. The Chief, TMO provided me with the action memorandum and supporting documentation because the original request was not processed through the prescribed [redacted] and did not receive the legal reviews required by the DASP(U). The action memorandum on additional support also omits TMO, OTJAG, and my office.

(S) I have not been provided with sufficient information on this project to permit a complete legal review or concurrence, but the available information (or lack thereof) does raise serious legal and policy concerns that should be resolved prior to your action on this request. Specifically:

a. (S) Since the ultimate purpose of this request and destination for the materiel have not been disclosed, I cannot address statutory or other restrictions that might apply, or the approval authority required under DOD Directive 5210.36. Review by the DUSD(P) is required if this request involves substantial risk of embarrassment to the United States or DOD, or, if in your judgment, it involves questions of policy or propriety.

b. (S) The request, if supported, will result in an inventory zero balance on three items and impact on the Army's air defense capability. Both DOD Directive 5210.36 and the DASP set forth a policy of providing support to non-DOO agencies if it will not interfere with, or impede, the performance of the missions and functions assigned to DOO. Thus, the impact of this requested support on the Army should be carefully evaluated.

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by K. Johnson, National Security Council

c. (S) It is not clear from the supporting memoranda whether Roam Stock still contemplates transferring radar systems that were previously identified as Iranian assets pending settlement of claims by the U.S. - Iranian Claims Tribunal. Any such proposed transfer should be reviewed by OSD. This would be treated as a separate request for end items, rather than repair parts.

(U) I am concerned that it was deemed necessary to handle both the original and additional requests through other than the established [redacted] System and to exclude both OTJAG and my office from the review process. Due to his attendance at the JAG Conference, MG Overholt has not yet had an opportunity to review this matter, but I am confident that he would concur in my view that sensitive programs should be given proper legal review before the Army leadership is committed to their support.

*Susan J. Crawford*  
Susan J. Crawford  
General Counsel

SECRET

---

18 APR 86

March  
Ex: #9  
7/20/87 moa

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DEPARTMENT OF THE ARMY

OFFICE OF THE DEPUTY CHIEF OF STAFF FOR OPERATIONS AND PLANS  
WASHINGTON, DC 20316



REPORT TO  
ATTENTION OF

DAMO-ZA

18 APR 1986

MEMORANDUM FOR DIRECTOR, JOINT STAFF

SUBJECT: [REDACTED] System (U)

1. (S) The [REDACTED] System provides a single channel for requests for support from the Central Intelligence Agency to the Department of Defense. The system protects extremely sensitive information from both inadvertent and deliberate disclosure, allows for covert support to Agency operations worldwide, and insures adequate Service review of the requests.
2. (S) Recently, a number of requests involving transfer of high technology weapons, large quantities of limited, sophisticated missiles, and/or spares for low density weapons have bypassed the [REDACTED] System. These requests have been made by members of the Office of the Secretary of Defense directly to Service officials. [REDACTED] has either not participated or has done so after the fact.
3. (S) Requests which bypass the [REDACTED] System receive less Service and no Joint Staff scrutiny, yet may impact on the Service's warfighting capabilities. The Secretary of Defense should be made aware that using ad hoc channels to support the CIA may degrade security overall and impair national security.

CARL E. VUONO  
Lieutenant General, GS  
Deputy Chief of Staff for  
Operations and Plans

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under provisions of E.O. 12356  
by K. Johnson, National Security Council

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2 AFK 87

SWORN STATEMENT		
For use of this form, see AR 190-45; the proponent agency is Office of The Deputy Chief of Staff for Personnel.		
LOCATION Army Human Resources Station, VA	DATE 1 Jul 87	TIME 10:00
LAST NAME, FIRST NAME, MIDDLE NAME William Thomas	SOCIAL SECURITY NUMBER	GRADE/STATUS GM14/Civilian
ORGANIZATION OR ADDRESS		

1764 William T. GOLDEN WANTS TO MAKE THE FOLLOWING STATEMENT UNDER OATH

Q. We understand that you've been contacted by CBS news regarding Swiss bank accounts that you are a signatory to. Is this true and can you explain their inquiry to you?

A. I was contacted about a week ago by a Mr. ROSENBERG of CBS news who wanted to know if there were any connections between Business Security International (BSI) and the National Security Council. I refused to comment on that and referred him to the Army Public Affairs Office. ROSENBERG contacted me again during the morning of 11-17 April and during that conversation advised me that he had confirmed through a source in Europe that I was a signatory to a Swiss bank account. He also claimed that Oliver NORTH, Richard SECORD, Robert OWEN and Joel PATTERSON were signatories to the same account. I again refused to comment and referred him to the Army Public Affairs Office.

Q. Are you a signatory to a Swiss Bank account?

A. I don't know.

Q. Were Swiss bank accounts established when you worked at BSI?

A. Not to my knowledge.

Q. Were you involved in establishing any bank accounts at BSI?

Marsh  
EX #10  
7/23/87 mas

[REDACTED] described in a concept paper and was a plan to supply the Nicaraguan Contras if their funding was stopped. There were various aspects of the plan, of which I only recall two. The first had to do with supplying the Contras through [REDACTED]. The plan was to have [REDACTED] come in to the US Government through the Foreign Military Sales and/or the Foreign Military Assistance programs with requests for support, material, etc. It was to be pre-arranged that [REDACTED] would inflate their requests over and above what they really wanted, with the understanding that [REDACTED] would transfer those excess supplies, materials, etc., to the Contras.

EXHIBIT	INITIALS OF PERSON MAKING STATEMENT WTF	PAGE 1 OF 3 PAGES
---------	--------------------------------------------	-------------------

ADDITIONAL PAGES MUST CONTAIN THE HEADING "STATEMENT OF [REDACTED] TAKEN AT [REDACTED] DATED [REDACTED] CONTINUED" ; BOTTOM OF EACH ADDITIONAL PAGE MUST BEAR THE INITIALS OF THE PERSON MAKING THE STATEMENT AND BE INITIALED AS "PAGE [REDACTED] OF [REDACTED] PAGES" WHEN ADDITIONAL PAGES ARE UTILIZED, THE BACK OF PAGE 1 WILL BE LINED OUT, AND THE STATEMENT WILL BE CONCLUDED ON THE REVERSE SIDE OF ANOTHER COPY OF THIS FORM.

DA FORM 2823

SUPERSEDES DA FORM 2823, 1 JUL 73

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"Statement of William T. GOLDEN taken at Arlington Hall Station, VA. dated 2 Apr 87.  
Continued."

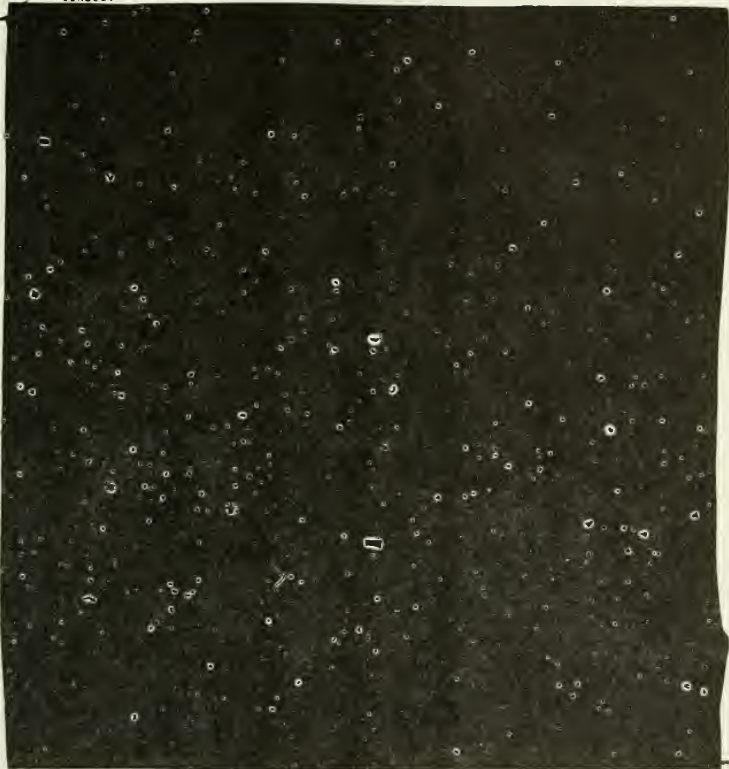


EXHIBIT \_\_\_\_\_

INITIALS OF PERSON MAKING STATEMENT

PAGE 2 OF 3 PAGES*1-12*  
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STATEMENT (Continued)

Q. Given all the attention regarding this subject in the media. Why wasn't this subject surfaced before now?

A. Because I didn't really connect it all until CBS inquired about the Swiss bank accounts and further because the focus in all of the actions related to BSI has or was always on DUNCAN.

Q. Is there anything that you wish to add to or delete from this statement?

A. DUNCAN made the policy of reimbursing Sign-in Bank Accounts. See STATEMENT 01/76

SECRET

AFFIDAVIT

I, William T. GOLDEN HAVE READ OR HAVE HAD READ TO ME THIS STATEMENT WHICH BEGINS ON PAGE 1 AND ENDS ON PAGE 3. I FULLY UNDERSTAND THE CONTENTS OF THE ENTIRE STATEMENT MADE BY ME. THE STATEMENT IS TRUE. I HAVE INITIALED ALL CORRECTIONS AND HAVE INITIALED THE BOTTOM OF EACH PAGE CONTAINING THE STATEMENT. I HAVE MADE THIS STATEMENT FREELY WITHOUT HOPE OF BENEFIT OR REWARD, WITHOUT THREAT OF PUNISHMENT, AND WITHOUT COERCION, UNLAWFUL INFLUENCE, OR UNLAWFUL INDUCEMENT.

William T. Golden  
(Signature of Person Making Statement)

WITNESSES:  
[Signature]  
SA Craig C. MALMFELDT  
HQ. USACIDC, Task Force Catalyst Maker  
ORGANIZATION OR ADDRESS

Subscribed and sworn to before me, a person authorized by me to administer oaths, this 7 day of April, 1987  
at Arlington Hall Station, VA  
Michael J. Keith  
(Signature of Person Administering Oath)

SA Michael J. Keith, 2193  
(Typed Name of Person Administering Oath)  
Reg. 136 (b) (4) UCMJ  
(Authority To Administer Oaths)

ORGANIZATION OR ADDRESS

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INITIALS OF PERSON MAKING STATEMENT 1/15/87

PAGE 3 OF 3 PAGES

NAME: HIR033002

PAGE 1

1 RPTS BOYUM  
2 DCMN DONOCK

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3  
4 DEPOSITION OF ROBERT H. MASON

5  
6 Monday, February 2, 1987

COPIES NO. 1 OF 2 COPIES

7  
8 House of Representatives,  
9 Select Committee to Investigate  
10 Covert Arms Transactions with  
11 Iran,  
12 Washington, D.C.

13  
14 The select committee met, pursuant to call, at 11:05 a.m.,  
15 at Headquarters, Southern Air Transport, Venadades Building,  
16 6th Floor, Miami International Airport, Miami, Florida,  
17 Charles Tiefer, Special Deputy Chief Counsel to the Select  
18 Committee, presiding.

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under provisions of E.O. 12356  
by D. Sirko, National Security Council

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NAME: HIR033002

PAGE 2

19 . MR. TIEFER: My name is Charles Tiefer, I am Special  
 20 Deputy Chief Counsel to the House Select Committee to  
 21 Investigate Covert Arms Transactions with Iran, pursuant to  
 22 House Resolution 12, 100th Congress, First Session.

23 . With me is George Van Cleve, if you would introduce  
 24 yourself.

25 . MR. VAN CLEVE: I am Deputy Republican Counsel of  
 26 the Select Committee to Investigate Covert Arms Transactions  
 27 with Iran.

28 . MR. TIEFER: As an observation from the parallel  
 29 Senate Committee, we have Terry Smiljanich.

30 . MR. SMILJANICH: Right, Associate Counsel with the  
 31 Senate Select Committee investigating these matters.

32 . MR. TIEFER: Mr. Smiljanich is here with the consent  
 33 of Southern Air Transport, which is seeking to have as much  
 34 as possible coordinated and simultaneous House and Senate  
 35 inquiries.

36 . Mr. Mason, will you take the oath now?

37 . [Witness sworn.]

38 . BY MR. TIEFER:

39 . Q Will you state your name and address for the record?

40 . A My name is Robert M. Mason. My address is [REDACTED]

41 [REDACTED] Miami, Florida, 33157.

42 . MR. TIEFER: We will go off the record now.

43 . [Discussion off the record.]

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NAME: M1R033002

PAGE 3

44 . MR. TIEFER: After a tour through Southern Air  
45 Transport facilities, we are resuming the deposition of Mr.  
46 Mason, and if the witness' counsel could also identify  
47 himself for the record?

48 . MR. KIRSTEIN: David Kirstein, from the law firm of  
49 Beckman & Kirstein, representing Southern Air Transport.

50 . MR. TIEFER: You have received for the witness a  
51 copy of the Rules of the Committee?

52 . MR. KIRSTEIN: Yes.

53 . BY MR. TIEFER:

54 . Q Mr. Mason, if you would start just by telling us  
55 your background, what you did in a very general way before  
56 coming to the company?

57 . A Okay. I joined the company in August of 1985. I  
58 came--I joined this as Controller, and was promoted to Senior  
59 Vice President in March of 1986. I came to the company from  
60 Evergreen International Airlines in Oregon. I had been with  
61 them for approximately seven and a half years.

62 . I had joined them in Arizona when I lived in  
63 Arizona, and when the headquarters were moved to Oregon, I  
64 moved up there. At the time I left Evergreen, I was Vice  
65 President of Finance for that organization.

66 . I had worked with Bill Langton up there, and it was  
67 through that connection that I was offered the job at  
68 Southern. Prior to that time, I had my own accounting

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NAME: HIRO33002

PAGE 4

69 | practice in Tucson for a period of about eight years.  
70 | . I don't know whether you want me to go back further  
71 | than that.  
72 | . Q State your college education.  
73 | . A Okay. I received an undergraduata degree from  
74 | Cornell University in 1957, major was agricultural  
75 | economics. I received a BMA degree from the University of  
76 | Arizona in, I think it was 1971, with no particular major.  
77 | It was kind of a general degree that was granted down there.  
78 | . Q And after graduating from Cornell, what was your--  
79 | . A After graduating from Cornell, I spent a little bit  
80 | of time in the Navy. I ran a dairy farm for a number of  
81 | years. I worked in a family business which was a kind of a  
82 | general variety store, in upstate New York.  
83 | . I worked for a very short period of time selling--  
84 | MR. TIEFER: Off the record.  
85 | [Discussion off the record.]  
86 | BY MR. TIEFER:  
87 | . Q If you could pick up from the dairy farm and take it  
88 | up to the eight years in accounting in Tucson.  
89 | . A Okay.  
90 | . I worked for a couple of years in a family business  
91 | which was a variety store, I sold insurance for a short  
92 | period of time, and want to work for a farm co-op as a  
93 | retail store manager.

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NAME: MIRO33002

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94 . At that point in time, I spent two years doing that;  
95 at that point in time, I moved to Arizona and went to  
96 school, started my business, worked for probably six months  
97 for the City of Tucson, documenting their accounting system  
98 and writing procedures for them.

99 . Q How did you come to go to work for Evergreen?

100 . A Answered an ad in the newspaper.

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NAME: HIRO33002

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126 . Q Not specifically in connection with that question,  
127 but just in connection with all questions, I do this at the  
128 beginning of a deposition, you recall you were sworn at the  
129 beginning of this deposition before we adjourned?

130 . A Correct.

131 . Q Do you understand the significance of the oath that  
132 you have taken?

133 . A I do.

134 . Q I show you now a document numbered SAT-001798. From  
135 now on, when I refer to documents, I will simply refer to  
136 the digits rather than the SAT numbers at the beginning, but  
137 all documents referred to by number will be prefaced with  
138 SAT.

139 . A Okay.

140 . Q I ask you if you recognize it?

141 . A Yes, I do.

142 . Q What is it?

143 . A This is the organizational designation of the

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NAME: HIRO33002

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PAGE 7

144 Executive Department at Evergreen, showing or going through  
145 the--

146 . MR. KIRSTEIN: You mean Southern Air.

147 . THE WITNESS: Sorry, Southern Air. You got me back  
148 on the Evergreen track here--showing the senior management of  
149 the company, from Mr. Bastian, the Chairman, through Mr.  
150 Langton, the President, down to the three senior VP  
151 positions.

152 . I might say that this is outmoded at the present  
153 time.

154 . BY MR. TIEFER:

155 . Q What would have to be changed with respect to it?

156 . A There is a fourth Senior Vice President who has come  
157 on board within the last month, who is Senior Vice President  
158 for Sales and Services

159 . Q What is his name?

160 . A Eric Korth. K-o-r-t-h.

161 . Q Let's work our way down from the top and actually,  
162 the Board of Directors is not shown on this chart, but let's  
163 start with the Board of Directors. Who is on the Board of  
164 Directors for Southern Air Transport?

165 . A On the Board of Directors for Southern Air Transport  
166 are James Bastian, William Langton, Vernon Eason, Hugh  
167 Grundy, and Stan Williams.

168 . Q Do you know how long Mr. Williams has been on the

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NAME: HIRO33002

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169 Board of Directors?

170 . A I really don't. My assumption would be, if I can  
171 use assumptions on this, that he has been on the Board of  
172 Directors since 1979, because that is the point in time at  
173 which Mr. Bastian bought the company from Mr. Williams.

174 . Q How long has Mr. Eason been on the Board?

175 . A I really have no good feeling for that one. Mr.  
176 Eason was a former insurance broker for the company. I am  
177 not sure when he retired from business. I think when he--my  
178 assumption would be when he stopped being active in the  
179 insurance field as the active broker for the company, he was  
180 appointed to the Board, but I don't know when that was.

181 . MR. KIRSTEIN: Bob has only been here since August  
182 of 1985 himself.

183 . THE WITNESS: Yes, a year or year and a half. But  
184 he was on the Board at the time I came, as was Mr. Grundy,  
185 and I cannot tell you how long he was on the Board.

186 . BY MR. TIEFER:

187 . Q You have no idea how long Mr. Grundy was on the  
188 Board?

189 . A No.

190 . Q Do you talk with the members of the Board who are  
191 not in-house, the three members of the Board who are not  
192 corporate officers?

193 . A I talk very often with Mr. Eason, who still

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NAME: MIRO33002

PAGE 9

194 maintains some relationships with the insurance company,

195 Alexander and Alexander, who is our prime carrier, and I do

196 run things by him, or I do run problems that I am having by

197 him, so I do have an ongoing dialogue with him.

198 . Mr. Williams, I may talk to a couple of times a

199 year.

200 . Q And Mr. Grundy?

201 . A Mr. Grundy, I have had no contact with other than

202 having met him at last year's Board meeting.

203 . Q Besides talking to these people, do you have written

204 communications with them? By these people, I mean the three

205 outside directors on the Board.

206 . A The only person that I have had written

207 communication with in the last year would be Mr. Williams,

208 and that had to do with some payments that we are still

209 making to him out of the purchase of the company, and I

210 think that was on one occasion.

211 . Q Are you familiar with the arrangements that were

212 made for the purchase of the company?

213 . A I am really not. I don't really feel qualified to

214 talk about that. It is a question that probably would be

215 best directed to Mr. Bastian.

216 . Q This will arise several times, while there may be

217 somebody else in the company who is better qualified, if I

218 ask you if you know anything about something, you can answer

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NAME: N1R033002

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219 I don't know, or you can say what you know.

220 . A We pay X number of dollars each month to Mr.

221 Williams out of that purchase contract.

222 . Q By check?

223 . A By check.

224 . Q I may frequently refer--I simply need a label that we

225 will understand--if I were to refer to a matter of

226 transporting Iran arms and to a matter of assisting a group

227 in Central America that was resupplying the contras, and if

228 I used the shorthand, the Iran-contras matter, would that

229 have any meaning to you, so if I ask a question such as,

230 have you discussed the Iran-contras matter with so and so,

231 would you understand what I was asking?

232 . A I would understand what you were asking.

233 . Q So, for the record, and I am not asking you to

234 define the problem, which is a difficult problem to define,

235 when I ask that question, what does it signify to you?

236 . A What it signifies to me is that there was or

237 apparently was a movement of arms from the U.S. to Iran via

238 Israel. There was a movement of arms from [REDACTED] to

239 Central America.

240 . And there was a group that was resupplying the

241 contras in Central America [REDACTED] if you will. I

242 guess the question, or the statement I need to make with

243 you, and this may be--ought to be made off the record, then

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244 you can decide after I have made it whether you want it on  
245 the record or not.

246 . MR. TIEFER: Off the record.

247 . [Discussion off the record.]

248 . MR. TIEFER: Back on the record.

249 . BY MR. TIEFER:

250 . Q If at any time one of my questions is difficult for  
251 you to understand, Mr. Mason, by all means ask me, if  
252 possible tell me what is difficult to understand about it or  
253 just say generally, I don't understand.

254 . With the explanation that you have just given of  
255 what the Iran-contra matter means to you, have you disussed  
256 the Iran-contra matter with any of the three outside  
257 directors on the Board of Directors?

258 . A Yes. I have.

259 . Q Which ones?

260 . A With Mr. Eason.

261 . Q When?

262 . A On several occasions, the most recent one was last  
263 Friday of last week.

264 . Q And can you recite the substance of the various  
265 conversations you have had with Mr. Eason about this matter?

266 . A The substance basically has been that Southern was  
267 involved in these--yes, it was recognized that we were  
268 involved in these. I don't think we have from day one, have

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269 said we were not involved.

270 . The discussions have probably been more around the  
271 treatment that we have received from the press and from  
272 various Members of Congress in doing a job that we felt we  
273 were asked to do by the government, and the fact that we  
274 felt we were getting short shrift in the press and really  
275 being tarred and feathered for stepping forward when  
276 somebody needed to step forward and do a job.

277 . Q What did Mr. Eason say to you?

278 . A Basically, it was a back-and-forth dialogue. I  
279 think we both have the same feeling on it. He relayed a  
280 converse call that he received from a reporter by virtue of  
281 being on the Board of Directors, and I don't recall the  
282 paper he was from, I think he was from out of Detroit within  
283 the last week, and in which he relayed much the same type of  
284 conversation to the report, you know, here is a company, it  
285 is a fine company, this is a small portion of business they  
286 have engaged in in the last year, and I am not going to say  
287 or do anything that you can construe in any manner to use  
288 against them.

289 . Q Can you tell from your conversations with Mr. Eason  
290 or from any other source whether he previously knew, prior  
291 to the press inquiries, of whatever Southern Air Transport  
292 had done in connection with the Iran-contra matter?

293 . A He knew, again, because I have an ongoing dialogue

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294 with him, that we were having flights into Central America,  
295 because I needed to have an ongoing dialogue with my  
296 insurance carrier about those.

297 . Central America was included within the last year as  
298 an area that was excluded from normal insurance coverage,  
299 okay? I have to buy war risk if I go down there.  
300 Therefore, I need to go to the insurance company before I  
301 make a trip, and be sure they are willing to cover my  
302 aircraft.

303 . I am not going to fly down there without insurance.  
304 We had some problems in getting timely responses out of  
305 Lloyd, that I had discussed with Mr. Eason over the last  
306 year. So he was aware we were doing down there.

307 . As far as the Iran connection goes, I was not aware  
308 of that. I can tell you, you know, I knew that we had the  
309 trips on the 707 from Kelly to Tel Aviv, and I knew that  
310 there was activity beyond that point.

311 . I can tell you what I thought we were doing, but I  
312 never asked the question of anybody, because I didn't figure  
313 it was proper. I thought we were flying trips into  
314 [REDACTED] to help those people.

315 . It wasn't until this whole thing broke that I  
316 understood what was happening, and I think you will find  
317 that with the people within the company. I think Bill and  
318 Jim--by Bill and Jim I mean Mr. Bastian and Mr. Langton and

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319 | perhaps Paul Gilchrist had the whole picture, but beyond  
320 | that, I think the rest of us did not know, nor should we  
321 | have known.

322 | . Q Could you tell when you had your conversations with  
323 | Mr. Eason whether other people, Jim or the chairman of the  
324 | board or anyone else had been briefing him on the Central  
325 | American flights or Iran flights or anything like that?

326 | . A I really can't answer that question. If I took the  
327 | time and thought back over it, maybe I could give it a good  
328 | answer, but nothing that is--

329 | . Q When you talked to Mr. Eason or other outside  
330 | directors, do you make any notes of your conversations or  
331 | other record?

332 | . A Generally not.

333 | . Q Did you, in these specific instances when you talked  
334 | with Mr. Eason?

335 | . A If I did, it would be just a quick note on how to  
336 | perhaps handle a particular insurance problem, and once  
337 | done, I would have no reason to retain the notes if this is  
338 | the question you are leading up to, you know, there might be  
339 | one or two of those around, but it would--you know, there is  
340 | no volume of things in this particular area.

341 | . Q Have you talked with either of the other two outside  
342 | directors besides Mr. Eason about the Iran-contra matter?

343 | . A As I have said, I have not talked with Mr. Grundy at

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344 all. I did have occasion to talk with Mr. Williams just  
345 before the end of the year, and in passing, we mentioned it,  
346 but again, it was along the same lines as we talked with,  
347 with Mr. Williams.

348 . Again, not being happy with the way Southern is  
349 being treated.

350 . Q Did you have any sense from this conversation  
351 whether he had previously known of this matter or had been  
352 briefed on it?

353 . A I had no sense out of that conversation that he had  
354 known or been briefed on it.

355 . Q By the way, for the three outside directors,  
356 physically where are they, just what cities?

357 . A One is in Miami, who is Mr. Eason; Mr. Williams  
358 lives in Daytona Beach; and I am not sure where Mr. Grundy  
359 lives. It is not in Miami. At least I don't believe it is  
360 in Miami.

361 . Q Is it in the United States?

362 . A It is in the United States. You know, it could be  
363 the Keys, it could be northern Florida.

364 . Q Do you think it is somewhere in Florida?

365 . A I don't even know that--I--

366 . Q Fine.

367 . Continuing down the chart, or actually first coming  
368 on to the chart that you previously recognized, you have a

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369 listing for the Chairman of the Board and the Chief  
370 Executive Officer. Who is that?

371 . A That is James Bastian.

372 . Q Do you know how long Mr. Bastian has been Chairman  
373 of the Board?

374 . A Mr. Bastian bought the company in 1979. My  
375 assumption is that he has been Chairman of the Board from  
376 the day he bought the company. It is a wholly owned  
377 company. He owns 100 percent of the stock.

378 . Q Have you talked with Mr. Bastian about the Iran-  
379 contra matter?

380 . A We have talked about it, yes.

381 . Q How many times?

382 . A It has been an ongoing subject of discussion--you  
383 know, when you say the Iran-contra matter--

384 . Q Yes?

385 . A --let me say that in my mind, that dates from early  
386 October, when the C-123 was shot down in Nicaragua.

387 . Q Well, prior to then, had you talked with Mr. Bastian  
388 about, say, the operations in Central America?

389 . A We had had some conversations on what was happening,  
390 but more with--more involving our participation as a  
391 maintenance base.

392 . Q What else?

393 . A What the nature of the payments were, were we

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394 getting paid on a timely basis, and this type of thing. Up  
395 to that--up to early October, it was really nothing in our  
396 mind, in my mind it was nothing more than the type of job we  
397 would do for a third party.

398 . We were performing a third party maintenance  
399 service. There was "no problem," as you say.

400 . Q Well, with respect to the Central American side of  
401 it, how often would you say before October of 1986 you spoke  
402 to Mr. Bastian?

403 . A I am sure that one way or another, we probably  
404 touched on it at least weekly.

405 . Q Now, I am not going to go in full length at this  
406 point into your own knowledge, but it may help in this  
407 particular line of questioning.

408 . Some aspects of flights to Central America preceded  
409 your coming into the company, no?

410 . A Yes. I understand.

411 . Q There were flights in January--

412 . A I understand there were flights in January and  
413 February of 1985.

414 . Q How soon after you came into the company did you  
415 become aware of any such activity in terms of supplying arms  
416 or shipping arms in Central America?

417 . A I would have to say it would be early 1986, and I am  
418 not--you know, even at that point in time, I am not sure that

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419 I could have told you it was arms that we were shipping. I  
420 knew it was hazardous material.

421 . You are telling me it is arms, I am not--you know, I  
422 wasn't on board the airplane and didn't see the manifest.

423 You didn't--maybe you have seen the manifest; I am not sure  
424 what it said. We are making the assumption that both of us  
425 probably think is correct, but neither of us is really sure.

426 . Q We will refer to it as hazardous material.

427 . A Okay.

428 . Q How soon after your first becoming aware of the  
429 matter of shipping hazardous material would you have been  
430 discussing it with Mr. Bastian?

431 . A If you are referring to the flights from [REDACTED] to  
432 Central America, I am not sure that Jim and I ever discussed  
433 those.

434 . Q Then what was the first subject concerning flights  
435 to Central America that you discussed with Mr. Bastian?

436 . A Probably was something out of having the C-123, and  
437 one of the Caribous, were on our ramp for maintenance prior  
438 to the time they went to Central America, and it could have  
439 been something out of that particular activity.

440 . Q By that, you mean performing maintenance activities  
441 on the C-123s and the Caribous?

442 . A Right.

443 . Q Do you have any recollection of what the

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444 conversation would have been between you and Mr. Bastian on  
445 that date?

446 . A Specifically, no.

447 . Q What other--

448 . A You know, if the question you are really asking me  
449 is did we talk about the fact that the Caribou was going to  
450 go down there, or the C-123 was going to go down there and  
451 run arms to the contras--no, we never had that type of  
452 conversation.

453 . We did in that same time frame run some flights for  
454 MHAO.

455 . Q By which you mean the Micaragua Humanitarian  
456 Assistance Office?

457 . A Yes.

458 . Q Okay.

459 . A Did we talk about what may have been carried on  
460 those flights? No.

461 . Q Do you know who you talk about?

462 . A It would have been specifics about what we were  
463 doing in the way of third-party maintenance, and what kind  
464 of costs we were getting involved in in doing that type of  
465 thing.

466 . You know, it would have been related to insurance  
467 coverage for our Merc aircraft that was flying the MHAO  
468 flights down there.

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469 . Q Would you have referred in these conversations--or  
470 have we referred to who your customer was on these matters?

471 . A I don't think we ever did. I don't know if it was  
472 ever specifically stated who the customer was, other than  
473 the implication was that it was at the direction or at the  
474 request of the government that we were undertaking these  
475 activities.

476 . Q Including the maintenance of the C-123s and the  
477 Caribous?

478 . A Yes. You know, this is our area of expertise. We  
479 maintain aircraft, we operate aircraft, we are in Miami,  
480 which as a proximity to the area that they were--wanted to  
481 operated in; we are very efficient at it, so why not come to  
482 Southern and ask them to do that?

483 . Q What is there in the nature of your conversations  
484 with Mr. Bastian that would have carried the implication  
485 that it was for the government you were going this, rather  
486 than, say, for some private people?

487 . A I think that--I am jumping off from Mr. Bastian--I  
488 think the implication that it was for the government  
489 probably came more from Mr. Langton than from Mr. Bastian,  
490 at least back in the early stages.

491 . The other thing I could draw conclusions from was  
492 that in the early stages, EAST, Inc. and Dick Gedd were  
493 involved, and my predecessor when I came in, told me a few

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494 things that he suspected about EAST, Inc. and their  
495 governmental connections.

496 . Q Let's take all that up for a complete explanation.  
497 Who was your predecessor?

498 . A Tom Kearney.

499 . Q How long was he with the company, to your knowledge?  
500 . A He was with the company, I think about two or two  
501 and a half years.

502 . Q Do you know where he is now?  
503 . A Yes. He is in Brooksville, Florida.  
504 . Q Do you know what he does now?  
505 . A He is retired.

506 . Q What do you recall him telling you about EAST, Inc.  
507 and Gadd?

508 . A Nothing particularly about Gadd other than Gadd is  
509 EAST, Inc.

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519 . Q Did he tell you anything more about EAST, Inc. and  
520 Gadd than that?

521 . A No, other than we had some contracts with them, that  
522 we did do work for them, and--

523 . Q And to go back to where we were, in your  
524 conversations with Mr. Bastian, which there was the  
525 implication that maintenance on the C-123s and Caribous was  
526 being done in some sense for the government--

527 . A Let's not say that.

528 . Q Correct me.

529 . A Let's not say that that came from Mr. Bastian. Let  
530 me say that that was in my own mind, more in conversations  
531 from Mr. Langton.

532 . Q In your own mind. I will come back to Mr. Bastian,  
533 not especially to come back to him, but to complete things  
534 in a fashion.

535 . MR. KIRSTEIN: Can we go off the record?

536 . MR. TIEFER: Off the record--I am willing to go off  
537 the record, but I will tell the reporter to go off the  
538 record.

539 . [Discussion off the record.]

540 . BY MR. TIEFER:

541 . Q Let's proceed to Mr. Langton. Have you had  
542 conversations with Mr. Langton about the Iran and contras  
543 matters?

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544 . A Yes.

545 . Q Can you remember when they began? Would it have  
546 been soon after you came into the company or not for a  
547 while?

548 . A I need to go back to the time I first got involved  
549 in this, in order to answer that, okay? I need to go back  
550 because this all ties into it. I need to go back to  
551 November of 1985, at which time Mr. Langton asked me to go  
552 to Panama and set up a corporation.

553 . We may be getting way ahead of our story at this  
554 particular point in time. It may not be where you want to  
555 go.

556 . At that particular point in time, I knew nothing  
557 about contras, I knew nothing about Iran, I knew nothing  
558 about 'the problem.' But that was my first conversation  
559 with Mr. Langton that had a bearing on this.

560 . MR. TIEFER: This is a fortuitous break, lunch is  
561 here.

562 . [Discussion off the record.]

563 . [Whereupon, at 1:10 p.m., the select committee  
564 recessed, to reconvene at 1:40 p.m., the same day.]

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565 DCMK DOMOCK  
566 1:40 p.m.  
567 AFTERNOON SESSION  
568 . BY MR. TIEFER:  
569 . Q Resuming the deposition, Mr. Mason, perhaps I will  
570 simply ask the shorter question with respect to the Iran-  
571 contraf matters, did you have a number of conversations with  
572 Mr. Langton?  
573 . A Yes.  
574 . Q Let's continue down the chart. You have a listing  
575 for a VP of Government Affairs, who is that?  
576 . A That is Mr. Bastian's wife.  
577 . Q And do you have an idea how long she has been with  
578 the company?  
579 . A I don't know.  
580 . Q What does she do in that post?  
581 . A She is responsible for legal matters having to do  
582 with the government.  
583 . Q She is an attorney?  
584 . A She is an attorney. She is a former labor attorney.  
585 . MR. SMILJANICH: I am sorry?  
586 . THE WITNESS: Former labor attorney.  
587 . BY MR. TIEFER:  
588 . Q Have you had discussions with her about the Iran-  
589 contraf matter?

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590 . A No.

591 . Q There is a box that is labeled vacant attorney, can  
592 you describe that position?

593 . MR. SMILJANICH: He is here.

594 . THE WITNESS: I will attempt it. We have in our  
595 organizational structure made provisions for an in-house  
596 attorney. We have not as yet hired anybody for that, nor  
597 has anybody filled that position.

598 . BY MR. TIEFER:

599 . Q You have a position of Executive Secretary. Who is  
600 that?

601 . A That is Daphne Bentley.

602 . Q Do you have an idea <sup>how long</sup> Ms. Bentley has been with the  
603 company?

604 . A She has been around about 20 years.

605 . Q And do you know what she does in that position?

606 . A She is the secretary to Mr. Langton and Mr. Bestian.  
607 She would do the duties normally of a secretary, typing,  
608 filing, answering the phone.

609 . Q Would she arrange appointments for them?

610 . A She doesn't work directly for me.

611 . Q If you wanted to make an appointment with one of  
612 them, might you get in touch with her?

613 . A If I wanted to make an appointment with one of them,  
614 I would probably just walk in and go into their office. The

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615 | company is not that big. If they were busy, I might say to  
616 | Daphne, when they are free, let me know.

617 | . Q Have you ever discussed with Ms. Bentley any Iran-  
618 | contra/ matters?

619 | . A No.

620 | . Q Proceeding to the level of the Senior Vice  
621 | Presidents, you have a Senior Vice President for Operations,  
622 | who is he?

623 | . A David Mulligan.

624 | . Q Do you have an idea how long he has been with the  
625 | company?

626 | . A David has been with the company three and a half  
627 | years.

628 | . Q Do you know where he worked before then?

629 | . A Air Florida.

630 | . Q Generally, what does he do?

631 | . A He has responsibility for the operations and  
632 | maintenance departments, which would include flight  
633 | operations, flight control, crews, and all the various  
634 | maintenance functions, as well as the recordkeeping in the  
635 | maintenance area.

636 | . Q Have you spoken with him about the Iran-contra/  
637 | matters?

638 | . A Yes.

639 | . Q You have a Senior Vice President for Marketing and

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640 Administration.

641 . A Yes.

642 . Q Okay.

643 . A Charles Carson.

644 . Q And do you know how long he has been with the

645 company?

646 . A He has been with the company about two and a half

647 years.

648 . Q Do you know where he was previously?

649 . A He was with Emory Air Freight.

650 . Q What are his responsibilities?

651 . A He has recently moved to that position. Before

652 that, he had charge of marketing and sales. As I told you

653 previously, that sales slot was broken out, and another

654 Senior Vice President was added.

655 . A At the present time, he is responsible for

656 administration, which is contract administration, building

657 administration, leases, that type of thing, data processing,

658 personnel, and also marketing, which has to do with costing

659 and strategic planning, that type of thing.

660 . Q Have you had discussions with him about the Iran-

661 contra matter?

662 . A Yes.

663 . Q Have you had many such conversations?

664 . A It has particularly--particularly since October, it

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665 has been an ongoing topic of conversation on a daily basis  
666 within the company.

667 . Q Prior to October, did you have conversations with  
668 him?

669 . A Yes. But they were very limited. In the overall  
670 scheme of things, Charlie was probably the one person that  
671 really had no idea of what was going on, other than a very  
672 general way.

673 . Q Now, this chart does not show it, but you have said  
674 there is a--besides yourself and two previous ones we have  
675 discussed, a fourth Senior Vice President.

676 . A Yes.

677 . Q Who is he?

678 . A Eric Korth, Senior Vice President of Sales and  
679 Services.

680 . Q And how long has he been with the company?

681 . A He has been with the company less than a month.

682 . Q And what is his responsibility?

683 . A He is responsible--his responsibilities include the  
684 sales function, selling of contract, and ad hoc charters,  
685 and service, which in Southern Air Transport includes the  
686 ground services that we do for some of our customers, i.e.,  
687 loading aircraft, unloading aircraft, that type of thing, as  
688 well as the load masters that we carry on the L-100  
689 aircraft.

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690 . Q Would you make any other changes in this chert to  
691 bring it up to date?  
692 . A No.  
693 . MR. TIEFER: If the reporter would mark this as  
694 Exhibit 1 to the deposition.  
695 . [The following document was marked as Exhibit RHM-1  
696 for identification:]  
697  
698 \*\*\*\*\* INSERT 1A-1 \*\*\*\*\*

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699 . BY MR. TIEFER:

700 . Q I show you Document 1809 and ask you if you can  
701 identify it?

702 . A This is the organizational chart for the Finance  
703 Department.

704 . Q This is your Department?

705 . A Yes.

706 . Q Let's start with your responsibilities. What are  
707 your responsibilities?

708 . A Primary responsibilities lie in the area of bank  
709 relationships, insurance relationships and coverages for the  
710 company, as well as overseeing the accounting functions  
711 through a controller, the payroll function through a payroll  
712 manager, and the budgeting and reporting function through a  
713 manager of reports, and--I don't know what the exact title  
714 is--reports and analysis.

715 . Also, I have recently hired an internal auditor to  
716 work within this Department.

717 . Q That covers most of the chart entries. There was no  
718 previous internal auditor?

719 . A No. That is a new position.

720 . Q Was there an outside auditor?

721 . A We have an outside accounting firm that comes in  
722 once a year to certify our audit.

723 . Q Who is that?

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724 . A Arthur Anderson.

725 . Q Do you <sup>know</sup> how long they have been doing this?

726 . A I really don't know how long they have been doing

727 it. It has been four or five years, anyway.

728 . Q Can you describe this report that they certify,

729 since you are not a publicly-held company?

730 . A Well, the fact that we are not a publicly-held

731 company only means that we don't have to file a 10-K or what

732 have you, with the SEC. Our banks still require us to have

733 a certified audit done each year. It is part of our lending

734 relationships.

735 . So, they need to come in and do the same type of

736 audit here that they would do with a publicly-held company.

737 They need to--

738 . Q Does the annual report have a title, or annual

739 report have a title? Does it produce a document with a

740 name?

741 . A It doesn't produce--it produces what is called a

742 brown back, if you will, because it is in a brown binder,

743 which is a statement of our financial position, balance

744 sheet, profit and loss statement, statement of changes in

745 financial position, as well as notes to these particular

746 statements, which comes under a cover letter from them,

747 which hopefully if everything is right says that we have

748 kept our books properly, and there is no qualifications on

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749 their audit, which has been the case right along.

750 . Q Do you keep back copies of the brown binder?

751 . A Yes.

752 . Q Do you know how far back you keep them?

753 . A I know I go back to at least 1982.

754 . Q Does Arthur Anderson have a single person who

755 typically functions as your auditor, or is it a mixture of

756 people?

757 . A They send a team in. There is a partner who is in

758 charge of the audit, a partner of the firm, local firm.

759 . Q Has the same partner been involved several years in

760 a row?

761 . A Yes.

762 . Q Who is that?

763 . A His name is Peppy Garcia, I can't tell you his

764 first--real first name.

765 . Q What office or branch of Arthur Anderson?

766 . A There is only one branch in Miami. Under him, there

767 is a manager, and then under the manager, there is generally

768 a couple of seniors and then a couple of junior auditors.

769 . Q Do you talk to these people on an ongoing basis

770 through<sup>out</sup> the year or only when the team comes in?

771 . A I may have a couple of conversations with them

772 throughout the year. They come in and they do some

773 preliminary work in November, which they have done and of

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774 course, when they are here, I have conversations with them.  
775 . I have ongoing dialogue with them when they come in  
776 to do the actual audit, which will be in about two weeks,  
777 and then out of that, I have an ongoing dialogue with them  
778 until the final reports are published.  
779 . On the other side, there are the tax people at  
780 Arthur Anderson, who are also part--comes out of the audit,  
781 and these people I am more apt to have ongoing dialogue  
782 with.  
783 . Q Good. Let's back up and do that. Who is  
784 responsible for preparing the tax files?  
785 . A Tax returns are prepared by Arthur Anderson, they  
786 are not done in-house. Income tax returns.

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787 DCMN SPRADLING

788 . Q Who at Arthur Andersen handles your income tax

789 returns, who is the most senior?

790 . A Again there is a partner in charge of it. I have

791 never met him, the person that I deal with who is most

792 senior is a fellow by the name of Paul Prescott.

793 . Q And is he also in the Miami office?

794 . A Yes.

795 . Q What other type of tax returns do you file besides

796 income tax returns?

797 . A Personal property tax returns would be the big one;

798 sales tax returns for the State of Florida; excise tax

799 returns; payroll tax returns--there are probably some others

800 I cannot think of right off the top.

801 . Q Do you yourself review the tax returns before they

802 are filed with the Federal government?

803 . A Yes.

804 . Q And do you keep copies of them?

805 . A Yes.

806 . Q Do you know how far back copies are kept?

807 . A I go back at least to 1982 on those.

808 . Q Coming back through some of the slots that you

809 mentioned earlier, you have a manager of reports and

810 analysis.

811 . A Yes.

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812 . Q Who you mentioned does budgets.

813 . A He does budgets, he does the monthly management  
814 reports.

815 . Q Can you describe what is in the monthly management  
816 reports?

817 . A It is a, basically a profit and loss statement that  
818 is broken down by type of business and by type of aircraft.

819 . Q And the budget is an annual budget?

820 . A It is an annual budget.

821 . Q And what is contained in the budget?

822 . A It is a revenue projection, projection of the  
823 statistical base that we think is going to take place in the  
824 coming year, number of flight hours, number of block hours,  
825 number of miles, how many gallons of fuel we think we are  
826 going to use, number of landings, on and on; as well as what  
827 we think we are going to incur in the way of costs in  
828 servicing that business.

829 . Q Who is your subordinate in charge of that  
830 currently?

831 . A His name is Brian Daggett.

832 . Q How long has he been with the company?

833 . A He has been with the company since October of 1985.

834 . Q In order to do either the annual budget or the  
835 monthly statements, does he have to become familiar or not  
836 with particular projects which occur on an ad hoc basis?

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837 . A I would like to have you clarify that.

838 . Q Certainly. Suppose you had a particular charter or  
839 other activities which may generate revenue but are not  
840 smooth on the chart, does he learn about these things or  
841 does he not learn about these things?

842 . A He would have to have a fairly good idea of what  
843 our activities are, i.e., was this a contract flight or was  
844 this an ad hoc flight. He doesn't really need to know the  
845 nature of it as long as he knows what the classification is.

846 . Q Does he have to find out whether it is going--it is  
847 of a type of business that will be recurring or not?

848 . A Not necessarily. Anything that would recur that we  
849 have a contract for would be reported as a contract; I mean  
850 we have repetitive type of activity that is reported on an  
851 ad hoc basis.

852 . Q How does he receive information from the  
853 departments in the company?

854 . A He attends the morning operations meeting which we  
855 have every morning at 9 which reviews the prior day's  
856 activity; he receives copies of certain of the billings that  
857 we do for activity.

858 . Q That might make it a useful point to ask about  
859 meetings. What regular meetings of corporate management  
860 take place?

861 . A The only one that involves the entire company would

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862 be the morning operations meeting which takes place every  
863 morning at 9 o'clock and it is a review of what happened the  
864 prior day or prior evening.

865 . Q And--

866 . A Plane by plane, aircraft by aircraft, what delays  
867 we encountered, what other problems we may have encountered,  
868 any particular items or special needs that are coming up in  
869 the next day or the next week even that people need to be  
870 aware of.

871 . Q And about how many managers attend this meeting?

872 . A Depending upon how many are in town, it could be  
873 anywhere from 10 to 16 or 17.

874 . Q Is any paperwork prepared in advance or after these  
875 meetings?

876 . A There is a schedule that is put out on a daily  
877 basis which lists each aircraft and what its routing is and  
878 any notations of delays for that aircraft.

879 . Q And who prepares that?

880 . A It is prepared by flight operations department,  
881 dispatchers.

882 . Q Other than that, there are no recurring meetings of  
883 corporate management?

884 . A There are departmental meetings but there are  
885 not--one of the nice things about this company is there is  
886 not a succession of meetings that eat into your time, okay?

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887 You know, we have a monthly finance meeting where we look at  
888 what happened the prior month and go over the financials  
889 which will involve a total part of the company. There are  
890 various departmental meetings that are held and then there  
891 will be special meetings if we need to get together for any  
892 particular reason.

893 . Q Do you remember any such special meetings  
894 concerning the Iran-contra matter?

895 . A Not until after it became a problem.

896 . Q By which you mean after, say, it came into the  
897 press?

898 . A After it came into the press.

899 . Q Do you remember at any of the daily meetings  
900 subjects related to the Iran-contra matter coming up?

901 . A Not--

902 . Q If you want to explain your answer fully, go right  
903 ahead.

904 . A Not really in the context that you are asking. We  
905 would talk when we had, for instance, a 707 flight from  
906 Kelly to Tel Aviv, that would come up, we would know that we  
907 were making that movement.

908 . If we had a MNAO flight to [REDACTED] that would come up and  
909 we would know we were making that movement.

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910 DCMN STEVENS

911 . Q And would flights from [REDACTED] to Central America  
912 also come up?

913 . A It would be the same thing, yes. Because you are  
914 looking at--when you are looking at the daily schedule you  
915 have actually several days, you have what happened in the  
916 immediate past and what you are looking at maybe flowed out  
917 as much as a week in advance.

918 . MR. KIRSTEIN: If we have a moment, it might be  
919 helpful for you to go see the ops center because you can see  
920 how they do this, how they keep track of the flights, the  
921 ones from last week, next week, and the whole thing. Maybe  
922 at the end of the day.

923 . BY MR. TIEFER:

924 . Q I appreciate the offer.

925 . Let me see if I understand. Certain information  
926 within the company might be on a need-to-know basis, but  
927 what you are telling me is that the destinations of each  
928 flight, where it came from and where it went to is something  
929 that has not been concealed from the people in the company?

930 . A Let me answer your question this way. Let me  
931 answer it very emphatically, because I feel very strongly  
932 about this. There was never an attempt by Southern Air to  
933 hide destination or activity from people within the company.  
934 In other words, they knew, the people in the company knew

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935 that we were working on doing maintenance on 123 aircraft,  
 936 they knew they were going to Central America, they knew that  
 937 we had the 707 flights to Tel Aviv, they knew they came back  
 938 through Lisbon.

939 . That was all very open and above board. There was  
 940 not a covert activity by anyone in any way, shape or form.

941 . Q How in the context of such meetings would the fact  
 942 that flight crews were being used to complete the flights  
 943 through not on Southern Air Transport aircraft--I know I am  
 944 getting ahead of the story.

945 . A You are telling me something I have no first hand  
 946 knowledge of.

947 . Q No first hand knowledge of, okay. I will put  
 948 it--let me rephrase the question.

949 . A Okay.

950 . Q Did the subject ever come <sup>LC</sup>UP in meetings of the use  
 951 of Southern Air Transport flight crews to continue flights  
 952 from Israel to Iran?

953 . A No.

954 . Q Did the subject ever come up in meetings of the  
 955 continuation of flights from--that started in Miami or New  
 956 Orleans and went to [REDACTED] Did the subject ever come up  
 957 of continuation of these flights on from [REDACTED] to a  
 958 contra's base in Central America?

959 . A No.

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960 . Q To your knowledge, did these subjects come up in  
961 smaller meetings or groupings apart from the daily  
962 operations meeting?

963 . A I have to answer that yes, because as I told you  
964 earlier, I knew there was activity beyond Tel Aviv.

965 . Q And with respect to the continuation of flights  
966 from [REDACTED]

967 . A That one--there was a base in [REDACTED]  
968 [REDACTED] that I understood we went into periodically. But  
969 that was never--it was common knowledge and it wasn't.

970 . Q Can you explain that?

971 . A Well, if I went into dispatch and looked up on the  
972 board, I would see, I think I would see that stop.

973 . Q All right. That might suggest that it was common  
974 knowledge. How was it not common knowledge?

975 . A Well, I don't think it was ever talked about in the  
976 operations meetings.

977 . Q Can you explain to me the distinction between which  
978 matters are talked about in these meetings and which matters  
979 are not talked about in these meetings?

980 . A Well, if I fly an aircraft, take the Burlington  
981 aircraft that is sitting out on the ramp now, that will go  
982 to [REDACTED] from Miami to Atlanta to Fort Wayne and return, if  
983 that aircraft leaves here and goes through Atlanta without  
984 any problems, I will never see Atlanta on the summary

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985 tomorrow.

986 . The only way I will see it is if I have a problem.  
987 If I have a mechanic that holds me there, I will see the  
988 intermediate stops. When I have a long air flight that  
989 takes off from McClennan and heads east, I will see the  
990 origin and destination. It left McClennan and arrived at  
991 Warner Robbins, I won't see the intermediary stops at Hill  
992 and Tinker and so on, unless I have a problem.

993 . Q Do I understand your explanation to be that the  
994 reason the stopping of flights at contra bases or other  
995 locations like [REDACTED] did not come up was simply because  
996 they were intermediate stops?

997 . A That is what I am saying.

998 . MR. TIEFER: Let's mark document 1809 as Exhibit

999 2.

1000 . [The following document was marked as Exhibit RHM-2  
1001 for identification:]

1002

1003

\*\*\*\*\* INSERT 1c-1 \*\*\*\*\*

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1004 DCHM MILTON

1005

1006 . BY MR. TIEFER:

1007 . Q I show you a document numbered 1803 and ask if you  
1008 can identify it.

1009 . A This is the organizational chart for the Marketing  
1010 and Administration Department.

1011 . Q I am aware that this is not your department; it is  
1012 somebody else's department, and my questions will be  
1013 relatively general about it.

1014 What is Mr.--I see that you have a heading for a vice  
1015 president for military and administration. Who holds that  
1016 position?

1017 . A Ray Taranto.

1018 . Q How long has he been with the company?

1019 . A He joined the company in 1980, somewhere around  
1020 there.

1021 . Q And what does he do generally?

1022 . A He is a retired military officer and he works with  
1023 MAC headquarters on our contracts for LOG Air, Quik Trans,  
1024 short-range MAC international, this type of thing.

1025 Also, as administration, he has reporting to him people  
1026 that maintain the building and has responsibility for leases  
1027 and this type of thing.

1028 . Q In the event or on the occasions when Southern Air

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1029 Transport bids for Government contracts, the preparation for  
 1030 the bidding, does it come under his responsibility or  
 1031 somebody else's responsibility?

1032 . A Depends upon what the contract is.

1033 . Q All right.

1034 . A If it is for--let's say the MAC flights that we do  
 1035 out of Norfolk and Charleston, if it is those particular  
 1036 flights that it comes out of the marketing department as a  
 1037 costing, but generally there is a meeting of senior  
 1038 management to be sure we agree on the price that is being  
 1039 bid.

1040 . If it is the LOG Air and Quik Trans that comes out  
 1041 of my department. If you look at what has happened with the  
 1042 707s and any long-range international business that we may  
 1043 have on those, the rate is already fixed and we can either  
 1044 accept what they are willing to pay or not. It is more a  
 1045 function of availability of aircraft than anything.

1046 . Q If you charter planes from other  
 1047 companies--something that was done at least in the past, I  
 1048 would ask whether you still do it, but in general, who  
 1049 handles it and do you still do it on occasion?

1050 . A Yes, we still do it on occasion. We do it when we  
 1051 don't have availability or we have a mechanical <sup>problem</sup> that  
 1052 prevents us from flying a particular flight. This is the  
 1053 most prevalent reason for us doing it at the present time.

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1054 That is generally handled through either the sales or  
1055 marketing department.

1056 . Again, bear in mind that these two departments have  
1057 just been split apart so there is still a little bit of  
1058 overlap there as to who is going to do what.

1059 . Q Since the chart we have before us is before the  
1060 Marketing and Administration Department, who within  
1061 Marketing and Administration has primary responsibility for  
1062 chartering aircraft?

1063 . A It would be Asa Hemperly, who is no longer in this  
1064 particular--Asa or Charlie.

1065 . Q By Charlie, you mean Charles Carson?

1066 . A Charles Carson.

1067 . Q Now, when you perform charters, when other  
1068 companies charter your aircraft, that does occur?

1069 . A When other companies charter our aircraft?

1070 . Q Yes.

1071 . A Yes, that is what we are in business for.

1072 . Q Distinguishing the two types of charters, who  
1073 within the company handles those?

1074 . A It would--the call would come into the Sales  
1075 Department and they would price it based on certain  
1076 guidelines they have. They have a program that is set up in  
1077 their PC over there. They plug in the origin and  
1078 destination and it calculates what the costs would be. They

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1079 plug in a routing, I guess is what I am trying to say.

1080 . Q Is Mr. Hemperly primarily the person responsible

1081 for that?

1082 . A Mr. Hemperly would be--Eric Korth is the person that

1083 heads that department, but Mr. Hemperly or somebody within

1084 that department, depending on who was on duty.

1085 . Q Befora Mr. Korth came in, which I understand was in

1086 the last month, who was primarily responsible?

1087 . A It would have been either Mr. Hemperly or Mr.

1088 Carson.

1089 . Q Now, the chart shows vacancies for the director of

1090 personnel. Have you had a director of personnel in the

1091 past?

1092 . A Yes.

1093 . Q Who was that?

1094 . A His name was Carl Holeva, H-o-l-e-v-a.

1095 . Q And when did he leave?

1096 . A He left in late summer, August or September.

1097 . Q And did he retire or what?

1098 . A He was asked to leave.

1099 . Q Can you explain why?

1100 . A Since I was not a party to it, you know, I really

1101 don't know.

1102 . Q Do you have any knowledge of why he was asked to

1103 leave?

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1104 . A He was not doing his job.

1105 . Q Do you know where he is now?

1106 . A He is in Miami.

1107 . Q Is he--do you know of him working in a particular  
1108 job now?

1109 . A I am not--I have not had any conversations with or  
1110 about him since.

1111 . Q There is also a vacancy for the director of data  
1112 processing. Have you had a director of data processing in  
1113 the past?

1114 . A As such we have not had a director of data  
1115 processing.

1116 . Q Have you had someone who was primarily responsible?

1117 . A We have had a senior programmer who has been  
1118 responsible for the department.

1119 . Q Is he still here?

1120 . A Yes.

1121 . Q What is his name?

1122 . A Eric Huesh, H-u-e-s-h.

1123 . Q What is Bill Davis' position?

1124 . A Bill Davis is a manager of personnel.

1125 . Q And is that in a different department than the ones  
1126 shown on document 1803?

1127 . A In this particular scenario, which only goes down  
1128 to director level, I think probably he would be shown

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1129 further back, he would fall under Ray Taranto as part of  
1130 administration.

1131 . Q How long has he been with the company?  
1132 . A Twenty years.

1133 . Q What is his primary responsibility?  
1134 . A Right now his primary responsibility is personnel  
1135 since there is no director.

1136 . Q And there is a heading for a manager of interline.  
1137 . A Yes.

1138 . Q What is that?  
1139 . A That is a person who arranges flights for company  
1140 people, generally at a reduced basis because of interline  
1141 agreements we have with other airlines.

1142 . Q You were aware that there was a period when  
1143 Southern Air Transport maintenance men were in Central  
1144 America performing work?  
1145 . A Yes.

1146 . Q Would the manager of interline have had anything to  
1147 do with their travel during that time?  
1148 . A The manager of interline may have obtained tickets  
1149 for that travel.

1150 . Q Who in the company would have had--who in the  
1151 company would have the best records for the period such  
1152 people were down in Central America and their transport back  
1153 and forth, not specifically what they flew on but the dates

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1154 that they were down and the dates they came back?

1155 . A Probably the best record of that would come off the

1156 Eastern UATP billing, which is a billing from Eastern--we use

1157 an air travel card--and it is the billing they send us

1158 monthly for those tickets.

1159 . Q And who keeps those billings.

1160 . A Our accounting.

1161 . Q To revert to a previous exhibit, who in accounting

1162 keeps those?

1163 . A It would come under the controller.

1164 . Q And whose name is--

1165 . A Dave Willse.

1166 . Q How long has Dave Willse been with the company?

1167 . A He joined the company in July.

1168 . Q And your chief accountant is?

1169 . A Daisey Saures.

1170 . Q How long has she been with the company?

1171 . A About 20 years.

1172 . Q When the company acquires new aircraft, who in the

1173 company is responsible at the managerial level for

1174 acquisitions either by lease or purchase or any other

1175 method?

1176 . A Give me a specific aircraft.

1177 . Q When you bought your first Boeing 707.

1178 . A That particular contract was negotiated by Dave

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1179 Mulligan with Kuwait Airways.

1180 . Q And who would have done the paperwork on that?

1181 . A What do you mean by paperwork? The actual purchase

1182 contract itself?

1183 . Q Or the preparatory work.

1184 . A That was before my time. Most likely it was

1185 prepared in Kuwait by Kuwait Airlines with some guidance

1186 from people here as to what Dave should look for, but you

1187 know, that is a gain, I am volunteering something that I

1188 don't know.

1189 . Q In any event--

1190 . A If you want to ask me about the lease on the--

1191 . Q I will give you an example. You have leased more

1192 aircraft from Transamerica.

1193 . A Okay.

1194 . Q Who handles the paperwork on that?

1195 . A Those lease documents were worked out at

1196 Transamerica between Transamerica, Bill Langton and Jim

1197 Bastian.

1198 . Q And who at the managerial level, if anyone, had any

1199 involvement in that?

1200 . A As far as the terms are concerned, nobody really.

1201 . Q As far as any paperwork whatsoever is concerned?

1202 . A Beyond the lease document, I am not sure what you

1203 mean by paperwork.

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1204 . Q Maybe there is none. If you know of no one having  
1205 anything to do with it, then no one had anything to do with  
1206 it.

1207 . To go back to your responsibilities, you say you  
1208 handle insurance.

1209 . A Yes.

1210 . Q Who is your insurance carrier?

1211 . A Alexander and Alexander is the broker.

1212 . Q Is there a particular person there who you  
1213 customarily contact with?

1214 . A Yes.

1215 . Q Who is that?

1216 . A A person by the name of Allen Winters.

1217 . Q Where are they?

1218 . A He is out of the Dallas office.

1219 . Q You also handle bank relations?

1220 . A Yes.

1221 . Q I don't know whether you said lender relations or  
1222 bank relations generally. Do you handle all such bank  
1223 relations?

1224 . A Yes.

1225 . Q Who are the banks with whom you have important  
1226 relationships?

1227 . A We have two. Primary relationship is with Citizens  
1228 and Southern, in Atlanta. Then we do maintain a small

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1229 relationship with Southeast Bank here in Miami.

1230 . Q Who is the person you primarily work with at  
1231 Citizens and Southern?

1232 . A A person by the name of John Getz. G-e-t-z.

1233 . Q In the Atlanta office?

1234 . A He is in the Atlanta office, yes.

1235 . Q And the bank in Miami that you named?

1236 . A A person by the name of Delora Montegue.

1237 . Q Without getting too detailed, what generally are  
1238 the largest loans--if there are many or if there aren't  
1239 many--what are the loans being carried by the company?

1240 . THE WITNESS: Can I ask my counsel a question?  
1241 . Is this a question that I need to answer? That is  
1242 proprietary information that I don't see has any bearing on  
1243 it.

1244 . MR. KIRSTEIN: I am not exactly sure I see the  
1245 bearing, but they have said they will keep it confidential,  
1246 so go ahead.

1247 . THE WITNESS: Okay. We have a loan with Citizens  
1248 and Southern that presently has a principal balance of  
1249 something in the neighborhood of [REDACTED] that was  
1250 obtained to purchase [REDACTED] That is  
1251 the only loan that we have outstanding at the present time.

1252 . BY MR. TIEFER:  
1253 . Q Okay. I believe you said Jim Getz was--

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1254 . A John Getz.

1255 . Q John Getz. That loan preceded your time.

1256 . A Yes. Well, a portion of it did, yes. It was set  
1257 up before I came. A portion of it, at the time I arrived on  
1258 the scene, they had taken delivery of one aircraft. So I  
1259 guess what I am saying is part of it was funded after I came  
1260 here and it was a contingent loan for the third aircraft  
1261 that came after I came here.

1262 . Q Do you know why the loan was obtained from Citizens  
1263 and Southern?

1264 . A Yup.

1265 . Q Why?

1266 . A Southern Air Transport had been doing business with  
1267 First Chicago for a number of years and had approached First  
1268 Chicago on financing the 707s. First Chicago at the time  
1269 had some problems of their own internally and were trying to  
1270 cut back on their commitments and they would not finance the  
1271 aircraft for Southern.

1272 . In searching about, we did get a line on, my  
1273 predecessor Tom Crumney, got a line on Citizens and  
1274 Southern, and they looked favorably upon it and put together  
1275 the loan package.

1276 .- Q How often do you have to make payments--does the  
1277 company have to make payments to Citizen and Southern?

1278 . A Monthly.

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1279 . Q And has it been Keeping current in its payments?  
1280 . A Yes.  
1281 . Q with regard to correspondence, mail that goes out  
1282 of, say, your department to any other, is there any fixed  
1283 pattern or format, such as in some operations there is a  
1284 chronological file kept by which all the letters that go out  
1285 regardless of their topic are kept in a stack?  
1286 . A No.  
1287 . Q Is there any format whatsoever or does each officer  
1288 send what letters he sees fit?  
1289 . A When you say each officer, are you asking about the  
1290 others?  
1291 . Q First I will speak within the Finance Department.  
1292 . A Each person within the Finance Department can keep  
1293 what he feels he needs to keep in any manner he feels he  
1294 needs to keep it in.  
1295 . Q Do you have any policies as far as reviewing  
1296 letters at higher levels or can anyone write letters?  
1297 . A Most letters that go out of the department are seen  
1298 by either Dave Willse or myself, are signed by either Dave  
1299 Willse or myself.  
1300 . Q Do you keep a set of, copies of all the letters  
1301 that you sign?  
1302 . A Certain things I keep, certain things I don't.  
1303 . Q Does Dave Willse keep a copy of the letters he

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1304 signs?

1305 . A I don't know. You would have to ask Dave that

1306 question.

1307 . Q Has it happened that you have ever asked him to see

1308 a copy of a letter that he sent out and he says I don't have

1309 any copies?

1310 . A I don't ever recall ever asking him for that.

1311 . Q Do you have any knowledge of how correspondence

1312 goes out of other departments of the company?

1313 . A Inner-company or outside the company?

1314 . Q Let's start with outside the company.

1315 . A I really don't know. I would have to say no.

1316 . Q And within the company--why don't we start with your

1317 communications within the company. Do you send memos from

1318 your department to others or other correspondence from your

1319 department to other parts of the company?

1320 . A There is some that goes out but most of it is not

1321 written. Most of it is verbal.

1322 . Again, we are a very small company. It is not like

1323 I have got to deal with somebody several floors or miles

1324 away.

1325 . Q Do you keep copies of the memos that are sent from

1326 your department to other departments?

1327 . A Certain of them. It depends upon what the

1328 relevancy is. If it is a one-time thing, there is no sense

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1329 cluttering up the files with dead paper.

1330 . Q Do you keep them in any way other than in the

1331 particular subject files that the matter would pertain to?

1332 Do you keep any central file of the memoranda you have sent

1333 to other departments?

1334 . A No, not really.

1335 . Q Do you receive correspondence from, memoranda or

1336 the nature of that from people higher up?

1337 . A Yes.

1338 . Q Can you describe what kinds of things you receive?

1339 . A Well--

1340 . Q Do you receive a lot or a little?

1341 . A There is not a lot of written memos that go back

1342 and forth within the company. Let me answer your question

1343 that way.

1344 . Q Does the company have facilities for sending

1345 telexes?

1346 . A Yes.

1347 . Q And who is responsible for that?

1348 . A Each department generally takes care of sending

1349 their own.

1350 . Q Is there more than one telex machine?

1351 . A Yes.

1352 . Q How many telex machines are there?

1353 . A I am not sure. There are four or five.

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1354 . Q Who within your department handles your telex?

1355 . A I generally give them to a young lady called

1356 Claudette Anders to send.

1357 . Q Do either you or she keep copies of all the

1358 telexes that go out or come in?

1359 . A She does not. I am sure she does not keep any. I

1360 keep certain of them. If I am taking care of a matter that

1361 is disposed of by the telex or disposed of shortly

1362 afterwards, I am not going to keep a file of what I send.

1363 . Q Do you keep any file, any central file of the

1364 telexes you send or does it go into whatever the file

1365 subject is?

1366 . A It would go into the subject file.

1367 . Q You may not know the details of exactly how many

1368 telexes there are elsewhere, but what generally do you know

1369 of who has the other telexes in the company?

1370 . A They are in two places. There is one telex machine

1371 in the copy room here; the balance are over in the

1372 operations center. There are specific telexes that tie into

1373 the LOG Air and Quik Trans networks so those are separate

1374 units.

1375 . Q But there is only one in corporate headquarters, is

1376 that what you are saying?

1377 . A There is only one over here.

1378 . Q By over here you mean in the corporate headquarters

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1379 building?

1380 . A Yes, sir.

1381 . Q Is that the one that, the one you previously named?

1382 . A It will only receive. It is not a sending unit.

1383 So we need to go across the street to send. It is a problem

1384 that has not been resolved yet and probably won't until

1385 those people move over here.

1386 . Q Now, when did you move into this building?

1387 . A November 15.

1388 . Q Before you moved into this building, were all the

1389 telex--were you in the building across the street?

1390 . A Yes.

1391 . Q So you were with all the telexes that are over

1392 there.

1393 . A Yes.

1394 . Q With regard to the telexes over there which there

1395 were several, perhaps three or four?

1396 . A Say three.

1397 . Q Do you know who had those three telexes, who

1398 managed them or whose department they were in or can you

1399 describe them in any way?

1400 . A They really were the responsibility of Ray Taranto

1401 in administration but I think they were more likely managed

1402 by the operational people because they were right next to

1403 them.

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1404 . Q Were the telexes to your knowledge used for coded  
1405 messages or in any way secure communications?

1406 . A To the best of my knowledge, no. I will give you  
1407 one exception to that, because I am not--define what you mean  
1408 by coded messages.

1409 . Q Messages that a person with a regular knowledge of  
1410 English language would not understand.

1411 . A No. Let me tell you what it is so I don't cast  
1412 suspicion on why I am hedging on that.

1413 . Q Okay.

1414 . A As part of the ACE account, there was a bank  
1415 account in Panama, and I would originate transfers by telex  
1416 from here and there was a coded authorization that went on  
1417 that telex that they used to authenticate the validity of  
1418 the telex.

1419 . Q That is a helpful clarification.

1420 . To your knowledge, that is the only coded  
1421 authorization or other coded matters on the telexes?

1422 . A I have never--I don't sit down and watch the telex  
1423 machine--

1424 . Q I understand that.

1425 . A --crank away, so I never had anything I needed to  
1426 answer or--

1427 . Q Nor originated any?

1428 . A Nor originate any.

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1429 . Q Apart from--I went right to telexes--what are the  
1430 communications facilities of the company generally?

1431 . A Telephone, panafax, telex--I guess that would be, I  
1432 guess the spoken word, written communications.

1433 . Q Does the company communicate by radio?

1434 . A Radio, yes, between--generally, though, between the  
1435 aircraft and ramp control.

1436 . MR. KIRSTEIM: Only when they are in the area?

1437 . THE WITNESS: If somebody is out working on an  
1438 airplane that is remote, and Miami is not a good place to  
1439 look at it. Fort Wayne would be a better place where you  
1440 are probably half a mile from the aircraft.

1441 . BY MR. TIEFER:

1442 . Q I understand.

1443 . A If you are in the maintenance office there and you  
1444 have a mechanic out there working on the aircraft, they use  
1445 radios to talk back and forth. If you need a part, you  
1446 don't want to have to run a half mile in and half mile back.  
1447 You call in and tell somebody what you need and they can  
1448 bring it out to you.

1449 . MR. KIRSTEIM: If the plane is in the area, can't  
1450 they, within a certain range, talk to them in the area right  
1451 from the base here?

1452 . THE WITNESS: I think they can, but it is a fairly  
1453 short range.

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1454 . MR. KIRSTEIN: Fifteen miles or something.

1455 . THE WITNESS: We are on final approach and we expect

1456 to be on the ramp in ten minutes. That type of thing.

1457 . BY MR. TIEFER:

1458 . Q Does the company have equipment for making its

1459 telephone communications secure?

1460 . A No.

1461 . Q Do you know of any occasions when any officers of

1462 the company have had such equipment for making telephone

1463 communications secure?

1464 . A Yes.

1465 . Q On how many such occasions have there been?

1466 . A I believe Mr. Langton had such a device.

1467 . Q Do you know when he had it?

1468 . A Latter half of 1986.

1469 . Q And other than that, you know of no other occasion

1470 when anyone within the company has had equipment for making

1471 secure a telephone communication?

1472 . A No.

1473 . Q Are there a large number of phone lines to

1474 telephone into the company or is there one central phone

1475 number through which all calls come in?

1476 . A There is one central number but there are several

1477 trunk lines associated with it. I should say there is one

1478 Miami number and there are several WATTS lines that come in.

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1479 There is probably three numbers but maybe 15 or 16 trunk  
1480 lines associated with those numbers.

1481 Q If people on the outside are calling different  
1482 corporate officers, how many different phone numbers would  
1483 they have to call those corporate officers?

1484 A At this particular point in time--and there was a  
1485 change when we moved across the street--at this particular  
1486 point in time, taking me as an example, you could reach me  
1487 through the main switchboard, main Miami number. You could  
1488 reach me on the incoming WATTS line. You could reach me by  
1489 another number which bypasses the switchboard and comes  
1490 directly to my office.

1491 Q You have a personal number?

1492 A I have a direct line into my office.

1493 Q Do a number of officers have direct lines?

1494 A Yes.

1495 MR. KIRSTEIN: Did you have those prior to moving  
1496 over here?

1497 THE WITNESS: No, we did not have them across--when  
1498 we were across the street, it had to be either by the WATTS  
1499 line or through the Miami number.

1500 BY MR. TIEFER:

1501 Q And who within the company handles phone bills,  
1502 bills from the various telephone companies, whether long-  
1503 distance or special carrier or local?

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1504 . A Ray Taranto, with one exception.

1505 . Q And that exception is?

1506 . A That is credit cards, credit card calls.

1507 . Q Who handles credit card calls?

1508 . A Those particular bills are distributed by Jose

1509 Martin, assistant treasurer, for approval. They go back to

1510 the individual.

1511 . Q Have you ever known a corporate officer to send

1512 telegrams?

1513 . A Telegrams? No.

1514 . Q And I don't suppose phone messages when they are

1515 taken are kept in any central place?

1516 . A No.

1517 . Q Are copies, carbon copies kept of phone messages

1518 when they are taken?

1519 . A I don't know what happens in other departments but

1520 in my department, no, they are not.

1521 . Q You mentioned that there was data processing in the

1522 company. I show you document 1745. Do you want to do that?

1523 . MR. TIEFER: Let's number the previous Exhibit No.

1524 3.

1525 . [The following document was marked as Exhibit RHM-1

1526 for identification:]

1527 \*\*\*\*\* [ INSERT 2-1 ] \*\*\*\*\*

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1528 . BY MR. TIEFER:

1529 . Q Can you identify the document?

1530 . A This is a copy of a journal entry.

1531 . Q Can you explain further who creates this document?

1532 . A This particular one came out of payroll, created by  
1533 Isabel Garrandes.

1534 . Q I see there is a series of letters and numbers in  
1535 the upper right corner.

1536 . This is document 1745, four zero, MISBL, PR, et  
1537 cetera. Can you go column by column and identify what they  
1538 mean?

1539 . A I will identify the ones I can. I cannot tell you  
1540 what the 40 is. That actually was on the form.

1541 . The next one, SAT is the company.

1542 . I can't tell you what the M stands for.

1543 . ISBL is short for Isabel.

1544 . PR indicates it is a payroll entry. That is the  
1545 journal reference number.

1546 . Q What is the journal reference number?

1547 . A The ISBL PR. Each journal entry each month needs  
1548 to have an identifier on it. So if we look we know where to  
1549 go back and find the amplifying information for it.

1550 . Q Okay.

1551 . A And the--

1552 . Q There is a box checked "yes."

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1553 . A I can't--without--I don't work with these so I am not  
1554 really that sure of the format. Without seeing a clearer  
1555 copy, I can't tell you what it is.

1556 . Q Then there appears to be a date, 19-86.

1557 . A 10-86, that is the date that it was put on the  
1558 journal entry, 10-31-86.

1559 . Q And there is another date which seems to have the  
1560 words above it transaction date.

1561 . A That is what I said, 10-31-86, that is the date  
1562 that--that is the transaction date. Period is the month that  
1563 it applies to, month and year. Then the transaction date is  
1564 the date that--it may not have gone in on 10-31-86 but that  
1565 is the date that--

1566 . Q This particular form has the handwritten words on  
1567 it. Can you read them?

1568 . A Yes. Bastian's help, not ACE.

1569 . Q Can you explain that?

1570 . A Yes. Mr. Bastian had a gardner and a maid at his  
1571 house that are paid through the company's books that he  
1572 reimburses us for. And the account number [REDACTED] is the  
1573 pass-through account.

1574 . Q Meaning?

1575 . A It is an account that we would code this to and  
1576 then in turn bill it out to him so that he can reimburse us  
1577 for our costs associated with doing that for him.

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1578 . Q Now, why does it say, not ACE.

1579 . A Because if you go to this document--

1580 . Q A document not yet put in but will be.

1581 . A Okay. And you look in October, you are going to

1582 see it in the ACE column, which is why the handwritten code

1583 at the bottom says "miscoded."

1584 . Q You are pointing to a handwritten word in the lower

1585 left corner with underlining that says "miscoded."

1586 . A Yes.

1587 . Q Okay. That does not seem very sinister.

1588 . A Let me say, if I can, let me just digress for a

1589 second and say, I don't want to go through a long story, but

1590 on the 20th of October, I got hospitalized and I was

1591 hospitalized for about six weeks. During this time, I

1592 should have been looking at this on a monthly basis and

1593 cleaning up that type of stuff. When David and Bob Beckman

1594 came down and said, You know, we need all these documents,

1595 this was in the ACE column on that sheet. What do I do? Do

1596 I not give you the document? No, I am going to give you the

1597 document, but I am going to tell you what it is and tell you

1598 it doesn't belong in that column and it shouldn't have been

1599 charged that way and it has since been corrected.

1600 . Q In the left column, there is a heading, account

1601 number. Various digits appear under that. Can you explain

1602 what that signifies?

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1603 . A Those are the general ledger account numbers that  
1604 these particular amounts have been charged to.

1605 . Q Are there many such general ledger account numbers?  
1606 . A Probably with all the various combinations, there  
1607 is probably two now.

1608 . Q Is there a listing somewhere of what each account  
1609 number signifies?

1610 . A Yes.

1611 . Q Who has that list?

1612 . A It would be available in the Finance Department.

1613 . Q Who maintains it as a regular matter?

1614 . A Daisey Saures.

1615 . Q And can you tell me the significance of the  
1616 particular account number that was on the line which had the  
1617 handwritten notation, Bastian's help?

1618 . A It is a pass-through account. It is a place to  
1619 accumulate charges that are not part of our expense which  
1620 are going to be charged to a third party. Again, if I go  
1621 back to this particular document, we pass through to  
1622 Burlington Northern; we pass through to ACE, we pass through  
1623 to others. And what I am saying is, again, that got put in  
1624 the wrong column on that particular sheet.

1625 . Q What I may do at this point is identify this  
1626 document, but put it aside as an exhibit, take a break and  
1627 then when we come back, start with this document. I think

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1628 | that will make the clearest sense.

1629 | .                   Let's take a break and first this will be

1630 | identified as Exhibit 4.

1631 | .                   [The following document was marked as Exhibit RHM-1

1632 | for identification:]

1633 |                   \*\*\*\*\* [ INSERT 2-2 ] \*\*\*\*\*

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1634 . [Recess.]

1635 . MR. TIEFER: Back on the record.

1636 . BY MR. TIEFER:

1637 . Q Going back to document 1745, we looked--you

1638 explained the significance of the account numbers. The next

1639 set of headings is what?

1640 . A This is the dollar amount.

1641 . Q And there is something like a two letter--

1642 . A To show whether it is a debit or a credit.

1643 . Q Now, you searched a number of documents including

1644 when you were providing documents to us. Did you pull all

1645 the sheets that had the [REDACTED] number on them or only

1646 some?

1647 . A In searching for these we went through the sheets

1648 that are being copied and pulled those documents that

1649 related to entries on that particular sheet.

1650 . Q What would be a convenient thing to call this, a

1651 computer ledger sheet? What would you refer to it as?

1652 . A It is a journal entry.

1653 . Q Journal entry.

1654 . A Yes.

1655 . Q But it is a particular type of journal entry or

1656 just a journal entry.

1657 . A Well, if you look--I wish we had it here--

1658 . Q Let's wait.

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1659 . A Let's wait, because I think it is easier.

1660 . Q If we refer to these as journal entries but in a  
1661 data processing format, did you pull all the journal entries  
1662 in data processing formats for which you had that particular  
1663 code number? Or did you only pull some of them?

1664 . A We only pulled the journal entries that had to do  
1665 with items that were on that sheet in the ACE column. In  
1666 other words, if it was Burlington Northern or something that  
1667 was in others, we didn't pull it because it had no bearing  
1668 on what we were doing.

1669 . Q Did you pull all the ones that had ACE's--there were  
1670 in ACE's column?

1671 . A All that we could locate. I think we located all  
1672 of them.

1673 . Q Now, you said this handwritten notation of  
1674 Bastian's help was made after?

1675 . A This was made after--this was made after it was  
1676 pulled. What I had them do was go through, make copies of  
1677 these and tell me what it applied to, because you can't  
1678 tell--

1679 . Q Do you remember any other documents that were  
1680 produced that you made notations on or after they were being  
1681 produced, or changes after they were pulled for production,  
1682 so to speak?

1683 . A I really don't.

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1684 . Q To the best of your recollection, this is the only  
1685 one?

1686 . A While all of the--yes, you have a collection of  
1687 journal entries and all of them or most of them probably  
1688 will have a notation on there as to what the charge was for.  
1689 And that notation was made after the fact.

1690 . Q So each of the journal entries that has a  
1691 handwritten notation, that notation was made after the fact?

1692 . A If there is something out in the description  
1693 column, it probably was made after the fact, as was any note  
1694 that was made at the bottom.

1695 . Q Such as the 'miscoded' word?

1696 . A Yes, the 'miscoded.'

1697 . Q I will go on to ACE, but when we receive the copies  
1698 of the ledger sheets, we will stop with ACE and come back to  
1699 ledger sheets.

1700 . I show you a document that has the number 1442 and  
1701 I will also show you a document that has--and I also show you  
1702 a document that has a 963. I will ask you if you can  
1703 identify these.

1704 . A Yes.

1705 . Q Can you identify the 963?

1706 . A 963 is a handwritten recap of the Banco de  
1707 Iberoamerica account in Panama that I prepared. In the  
1708 upper corner, I can't see the date it was done. Just

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1709 looking at it--

1710 . Q In the lower left corner, I draw your attention to

1711 W/T.

1712 . A Right.

1713 . Q After that in the next column there is a date 6-26-

1714 86.

1715 . A Right.

1716 . Q Does that refresh your recollection?

1717 . A It would have had to have been prepared either in

1718 late June or the first part of July.

1719 . Q Did you prepare it?

1720 . A Yes.

1721 . Q And just so we get the distinction, what is

1722 document 1442?

1723 . A 1442 should be a continuation of the same document

1724 brought up through December 19 which is the date I prepared

1725 that one.

1726 . Q Before we go on, let's mark document 963 as Exhibit

1727 5.

1728 . [The following document was marked as Exhibit RHM-1

1729 for identification:]

1730 \*\*\*\*\* [ INSERT 2-3 ] \*\*\*\*\*

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1731 . MR. TIEFER: And mark 1442 as Exhibit 6.  
1732 . [The following document was marked as Exhibit RHM-1  
1733 for identification:]  
1734 \*\*\*\*\* [ INSERT 2-4 ] \*\*\*\*\*

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1735 . BY MR. TIEFER:

1736 . Q You prepared them both?

1737 . A Yes.

1738 . Q Can you explain why you prepared Exhibit 5, which

1739 is the June, 1986 report?

1740 . A This was a--if you will, this is a one-page summary

1741 of the bank account in Panama over which I had control.

1742 . Q Why did you prepare a summary at that time?

1743 . A It was an ongoing recap.

1744 . Q Can you--

1745 . A It just happened that my assumption is if you look

1746 at 1442, you can see that after the 26th, particularly on

1747 the bottom, after the 26th of June there was practically no

1748 activity until well into the fall.

1749 . MR. TIEFER: Now that we have had this document

1750 reduced, let's make multiple copies so we can have the usual

1751 three copies, if we can. We could get by; I can look at

1752 this while the witness looks at that.

1753 . MR. KIRSTEIN: All right. Will you still want

1754 copies of this, you know, because we are going to keep that.

1755 . MR. TIEFER: I will return to you the large sheets.

1756 We will use the small sheets as our exhibits.

1757 . MR. KIRSTEIN: We can try and get that copied later

1758 in large sizes.

1759 . MR. VAN CLEVE: At a later point, if we could have

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1760 a section copied of this package.

1761 . BY MR. TIEFER:

1762 . Q I show you documents which have the number 402 at  
1763 the bottom and then as you see on successive pages continue  
1764 through 418. I ask if you can identify them.

1765 . A Yes, this is an internal working document from the  
1766 Accounting Department which analyzes month by month the  
1767 dollars that are put in the 14202 accounts which is a pass-  
1768 through account.

1769 . Q Who keeps this document?

1770 . A Daisey Saures.

1771 . Q And what does she use as her basic material from  
1772 which to make the entries?

1773 . A Comes out of the general ledger.

1774 . Q And the general ledger is what?

1775 . A General ledger is the historical record of all the  
1776 transactions that take place within the company.

1777 . Q Perhaps you could explain to me, and pick any entry  
1778 here that would be a simple one, from the moment that the  
1779 charge comes into the company, how it arrives through the  
1780 paperwork at an entry here.

1781 . A Let's take the first three because they are journal  
1782 entries.

1783 . Q Are you referring to the one at the very top that  
1784 says, AZN-AR?

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1785 . A Right.

1786 . Drop down about ten entries, you see an entry that

1787 says Chevron, USA.

1788 . Q Yes.

1789 . A For jet fuel.

1790 . Q Yes.

1791 . A For 27 and 2640.

1792 . Q Yes.

1793 . A Or 90, I can't tell. Looks like it changes from

1794 column to column there. 2726 is the dollar amount, anyway.

1795 . Q This is the one where on the far right, where there

1796 are numbers, it is number 11?

1797 . A I'm sorry. We can talk about either one of those.

1798 they are both the same.

1799 . Q Let's use 11.

1800 . A Okay. We would get an invoice in from Chevron for

1801 2726.90, and in passing that through our review process,

1802 which basically is sending it back over to the flight

1803 operations and having them take a look at it and approve it,

1804 they said to us that this is not a fuel charge for Southern

1805 Air, this is a fuel charge for Burlington; either we had a

1806 mix-up in fuelers, we were using our aircraft and they saw

1807 Southern Air Transport on the aircraft, and so they

1808 automatically charge it to us rather than Burlington

1809 Northern, which happens, or we were refueling out of here

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1810 and they fueled on our ramp and charged it to us. For  
1811 whatever reasons, the fuel was charged to us rather than to  
1812 Burlington Northern where it should have been charged.  
1813 . Therefore, we need to pass that billing through to  
1814 Burlington Northern so it is coded into the 14202 account,  
1815 which is a pass-through account; therefore, it doesn't hit  
1816 expense on our books, and from that we can cut an invoice to  
1817 Burlington for that particular charge and get reimbursed.  
1818 We would go ahead and process the invoice as if it were a  
1819 normal payable in our system.

1820 . Q Now, in terms of the succeeding paperwork stages,  
1821 the voucher comes in from Chevron, the voucher goes to  
1822 flight operations, do they prepare any paperwork there?  
1823 . A No, there is a stamp that goes on it and they  
1824 indicate their approval and also they indicate that it is a  
1825 pass-through item.

1826 . Q They don't--  
1827 . A To Chevron.  
1828 . Q They don't put an account number on it, though?  
1829 . A No, that is done by the people in accounting.  
1830 . Q It goes from them in flight operations to  
1831 accounting?  
1832 . A To accounting.  
1833 . Q What do the people in accounting do?  
1834 . A They look at it. They can see that it is a pass-

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1835 through item. They know that if it is a pass-through item,  
1836 it needs to go into this particular account; that is the  
1837 account number that is put on it.

1838 . Q They write the account number on the voucher?  
1839 . A On the invoice.  
1840 . Q On the invoice, excuse me.  
1841 . A On the invoice itself.

1842 . It is then key-punched into the computer and two  
1843 things happen: number one, it gets posted to the general  
1844 ledger in this particular account, 14202; the second thing  
1845 that happens is a check is cut to Chevron for that amount.

1846 . Q To back up and take that in stages now, the first  
1847 thing that happens is it is key-punched into the computer.  
1848 . A Yes.

1849 . Q And I show you again Exhibit 4 and ask if that fits  
1850 into the sequence, and if so, where?  
1851 . A This would--a journal entry is handled differently  
1852 in that there is not a, for the most part, not a specific  
1853 invoice to back it up.

1854 . This is coming off of a payroll summary report and  
1855 it is not, for instance, if you look at the second line  
1856 item, which is 67330010L, which is sales people being  
1857 charged to the Lockheed ad hoc program.

1858 . Q All right. Let's back up. Among the--this is  
1859 supposed to be described as a data processing sheet.

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1860 . A Okay.

1861 . Q You pulled a number of data processing sheets to  
1862 produce.

1863 . A Yes.

1864 . Q Were some of them ones which were based on vouchers  
1865 such as the ones shown on 402?

1866 . A They all had to be--anything that you see in this  
1867 right-hand column that doesn't have a specific name that has  
1868 a code like this, like the first three--

1869 . Q By "code" you mean?

1870 . A ACH-AR.

1871 . Q Yes.

1872 . A Is coming off a journal entry form like this.

1873 . Q By "like this," you mean in data processing  
1874 sheet.

1875 . A Data processing sheet, if that is what you want to  
1876 call it.

1877 . Q Okay.

1878 . A So anything that came in this way I could not  
1879 produce a document as I could on these others.

1880 . Q Anything which has a coded name in the column in  
1881 402?

1882 . A Right.

1883 . Q So is the first step when you receive a voucher  
1884 that one of the data processing sheets which you--what is the

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1885 first step when you receive a voucher that has come over  
1886 with--from flight operations over to accounting?

1887 . A This has nothing to do with invoices per se, okay.

1888 . Q So let's put Exhibit 4 to one side and not get it  
1889 in the process at all. Let's not talk about Exhibit 4.

1890 . A All right.

1891 . Q Let's only talk about, you mentioned when invoices  
1892 come over from flight operations to accounting, accounting  
1893 puts an account number on them. Then they are entered into  
1894 the computer.

1895 . A Right.

1896 . Q What form is used to enter them into the computer?

1897 . A It is taken right off the invoice. You take a  
1898 batch of invoices like so and they are put, input is  
1899 directly off the invoice.

1900 . Q Okay. And then where do the invoices then go after  
1901 they have been used to--after the information has been taken  
1902 off and entered into the computer?

1903 . A They are put in a pending file. When the checks  
1904 are run, the invoices are matched up with the checks or the  
1905 checks with the invoices, depending on which way you want to  
1906 go with it, and they are stapled together as part of an  
1907 invoice package. The checks are signed, released, and the  
1908 invoice package is filed.

1909 . Q Now, is that checks before they are sent out or

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1910 <sup>1</sup> canceled checks after they come back in?

1911 . A That is before they are sent out.

1912 . Q And then after a check has been compared with the

1913 invoice and the check is being sent out, then where does the

1914 invoice go?

1915 . A It stays stapled to that particular--there are two

1916 copies; there is a copy of the check that always stays with

1917 the invoice package, and that goes into the accounts payable

1918 file.

1919 . Q And is this a checking account that the company has

1920 with Citizens and Southern?

1921 . A Could be Citizens and Southern. It could be

1922 Southeast.

1923 . Q It is with one or the other?

1924 . A Yes.

1925 . Q Do you have multiple accounts or only one checking

1926 account with each bank?

1927 . A We have multiple accounts.

1928 . Q How many?

1929 . A We have--

1930 . Q Roughly?

1931 . A Well--

1932 . Q Ten, a hundred?

1933 . A No. Let's say seven. Each one serves a different

1934 purpose.

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1935 . Q I will leave it at that for now.

1936 . Returning to 402, you were explaining the

1937 difference between regular names and letter codes such as

1938 AZH-AR and the letter codes are for what reason?

1939 . A They are items that come in by journal entry. They

1940 could arise from several reasons. One reason that you see

1941 them in there is payroll. Each individual's salary is

1942 not--does not go in as an individual item. They are

1943 summarized by department or labor distribution category or

1944 whatever you want to say, and then they go in as a lump sum

1945 dollar amount for that particular line item.

1946 . Q Not to go into a lot of detail, but just to take a

1947 couple examples from here, what is AZH-AR?

1948 . A AZH-AR is an accounts receivable entry.

1949 . Q What does AZH mean?

1950 . A That is the person that put it in.

1951 . Q Would that be--

1952 . A That is Arlene Hernandez.

1953 . Q What is DZYM15?

1954 . A That is an entry that was put in by Daisey.

1955 Without seeing it, I can't tell you what M15 is, though.

1956 Looking at it, I wouldn't even want to venture a guess. It

1957 could be coming in from--the only checks that run

1958 automatically through the accounts payable system are the C

1959 and S checks, which is our primary disbursing account. If

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1960 We pay something out of Southeast Bank where we also have a  
1961 disbursing account, that could go in by journal entry--that  
1962 does go in by journal entry. That could be where that is  
1963 coming from.

1964 . Q What is it here that signifies that it has gone  
1965 through automatically?

1966 . A I don't follow your question.

1967 . Q That is because I couldn't understand your previous  
1968 answer, which I am sure was technically correct, but over my  
1969 head.

1970 . A Well, where you see a name, okay, look at the James  
1971 Bedgurl, below that, that went through the regular accounts  
1972 payable system. There was a check cut on C and S Bank and  
1973 the distribution was made automatically through the  
1974 computer.

1975 . If you go up above that to where it says DZYM15,  
1976 that is coming from--let me just give you an example. I am  
1977 not sure it is true for this one. But say it is coming from  
1978 checks written on Southeast Bank, which are all manual  
1979 checks, they don't go through the computer, where a summary  
1980 is made at the end of each month and they are distributed by  
1981 account, but if I wrote five checks during the month that  
1982 went into the same account, then instead of having five  
1983 entries, only have one.

1984 . Q So you are saying some of these coded entries would

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1985 reflect multiple salary expenditures?

1986 . A Multiple expenditures or multiple transactions,

1987 yes.

1988 . Q Looking down the page opposite the right--in the

1989 right-hand column that has numbering from 1 through 50 for

1990 each line.

1991 . A I don't have it on mine, but that is okay. I can

1992 tell you about where I am--oh, I see, you are on the right.

1993 . Q At number 17 there is a DAZYAR, or YAK.

1994 . A Yes.

1995 . Q Do you know what that signifies?

1996 . A That says, see invoice 8631, but I can tell you

1997 that it refers only to the Burlington program because that

1998 is the column that is distributed in.

1999 . Q Does the DAZ mean something?

2000 . A DAZ is Daisey.

2001 . Q So it simply signifies by the coding that it is

2002 something Daisey put in?

2003 . A Daisey put in and the YAK--maybe it is YAR, I think

2004 it is YAR, would indicate to me that it is an accounts

2005 receivable related entry. The fact that it has an invoice

2006 to it also indicates that.

2007 . Q On line 41 there is a CHTLCR. Can you explain what

2008 that is?

2009 . A The first part of it is an abbreviation for

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2010 Shantel, who is also a clerk in the department. And I think  
2011 it is probably supposed to be AR rather than CR.

2012 . Q The one below it is AR.

2013 . A AR?

2014 . Q And that means accounts receivable?

2015 . A Receivable, yes. It is a credit entry that came  
2016 in.

2017 . Q Excuse me for going back, but at what point in the  
2018 process at which the invoice moves through, is this sheet  
2019 prepared?

2020 . A This is done after the fact, after we have closed  
2021 our books for the month and we have a general ledger total  
2022 for the account, for the dollar amount in 14202. We need to  
2023 go through then and determine what the components of that  
2024 are so it--

2025 . Q By general ledger account, you mean on the data  
2026 processing, on the computer system they provided you with  
2027 general ledger totals?

2028 . A The financial statement would have this account,  
2029 14202 on it, on the balance sheet, and it would say there is  
2030 \$100,000 in there. I need to know what the components of  
2031 that \$100,000 are so that we can properly handle them.

2032 . Q And so at the end of the month, sheets such as this  
2033 are manually prepared?

2034 . A Yes. Not only on this account but on several other

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2035 accounts in the general ledger.

2036 . Q But not on all accounts?

2037 . A No.

2038 . Q Why on this particular one?

2039 . A Well, because you have got a possibility of putting

2040 three or more different items in the same account. You have

2041 got to be able to separate them so that they are properly--if

2042 I get a receipt in against one of these, I just can't, I can

2043 put it in this account but I got to know which one of these

2044 particular items it goes to or if I am billing out

2045 something, I need to know which I need to bill. If I billed

2046 Burlington Northern for something that really belonged to

2047 ACE, I don't think they would be very happy.

2048 . Q Do you have other pass-through accounts besides

2049 14202000?

2050 . A No. This particular account is really kind of a

2051 holding account until you can cut an invoice and get it into

2052 the accounts receivable. It is part of the receivable

2053 section per se, but it is a way to avoid having to cut a

2054 small invoice.

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2055 DCMN ROSS

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2056

2057 . Q Looking at line 3 of DZYM-15, the \$78,000 and  
2058 change appears to have been allocated between B.N. and ACE.

2059 . A Allocation--well, go ahead. I am sorry.

2060 . Q Can you describe it better than that?

2061 . A Well, 'allocation' is not the word to use  
2062 because--

2063 . Q What was done with the \$78,000 compared to those  
2064 two columns?

2065 . A The \$78,000 was made up of various items. I am  
2066 taking this stance on that one, that it was the Southern  
2067 Bank account, and there was out of that \$66,000 worth of  
2068 checks that were reimbursable to Southern written against  
2069 Burlington, and there was \$12,290.51 written which were  
2070 reimbursable by ACE. So, it is not an allocation per se.  
2071 It is not an arbitrary number. It is a finite number that  
2072 you can tell by looking at the various transactions that  
2073 make up the \$78,000 number.

2074 . Q And do you know who determined which of the  
2075 particular items belong in each column from the code? Is  
2076 that what the code tells you? That is, Daisey, since her  
2077 initials are in there, is the one who would have looked at  
2078 the underlying five checks or any number of checks, which  
2079 belonged to B.N., and which belonged to ACE?

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2080 . A Yes.

2081 . Q Is there any way, without going to the underlying

2082 checks, to know what the bills were that the invoices were

2083 that were--that went to the ACE column, and which ones went

2084 to the B.N. column?

2085 . A No.

2086 . Q Do you have a word for describing, if

2087 ''allocation'' is not the word, ''distribution''?

2088 . A ''Distribution'' is more the word.

2089 . Q At the time that a distribution is made--that is,

2090 that the notation is determined to put \$66,000 in one column

2091 and \$12,000 in another--is any corresponding notation made on

2092 the checks or on any other paperwork, or is it only output?

2093 . A The check itself--I can't say that about Southeast

2094 because there is not a duplicate. The invoice that makes up

2095 that package that was written on Southeast would have the

2096 notation that this is Southeast decs number 1234, and this

2097 is who it gets charged to. So there is an invoice that

2098 backs it up. It just doesn't reflect as it does with those

2099 that go through C and S on an individual basis.

2100 . Q You have mentioned East, Inc. Did you have pass-

2101 through invoices for East?

2102 . A I can't say for sure we did. It certainly was

2103 not--if we did, there only would have been a couple.

2104 . Q I wish to phrase this question in a way that is

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2105 most understandable to you, but what I want to know is  
2106 whether any of the other corporate entities which have  
2107 considerable interest in this matter were in pass-through  
2108 accounts?  
2109 . A No.  
2110 . Q Okay.  
2111 . A If I passed a bill through to--or an invoice through  
2112 to--ACE or to East, it might be something that we had paid  
2113 for one of their employees when they were down here; that  
2114 type of thing. But I just really don't recall.  
2115 . Q Now, before we go back to Exhibits 5 and 6, the ACE  
2116 sheets, many times when we were discussing the ACE recaps  
2117 you wanted to point to the ledger. Is there anything else  
2118 you would like to explain from the ledger before we return  
2119 to ACE?  
2120 . A I don't think so.  
2121 . MR. TIEFER: If the reporter will mark this Exhibit  
2122 7.  
2123 . So the record is clear, we were originally supplied  
2124 sheets 402 through 418 in a format that is twice as wide as  
2125 normal long paper. These sheets have been reduced, but  
2126 without any change in the content for use as exhibits.  
2127 . [The following document was marked Exhibit RHM-7  
2128 for identification:]  
2129 .

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2130

\*\*\*\*\* INSERT 3-1 \*\*\*\*\*

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2131 . BY MR. TIEFER:

2132 . Q Looking at Exhibits 5 and 6, documents 963 and  
2133 1442, at this point I don't really want to go through a full  
2134 story of the history of ACE, but I wish to identify  
2135 documents and corresponding documents.

2136 . The top part of the recap has a heading for  
2137 deposits. What does this signify?

2138 . A These are monies that were put into the ACE B  
2139 account in Panama.

2140 . Q And what did you use as your underlying  
2141 documentation for making the entries on this recap sheet?

2142 . A Wire transfer forms.

2143 . Q Did you use the wire transfers that the bank  
2144 received or some sheet that the bank gave you? Do you  
2145 understand that question?

2146 . A I'm not sure I understand the question.

2147 . Q All right.

2148 . Did you produce to us the documentation that  
2149 underlies the entries on this recap sheet?

2150 . A Yes.

2151 . Q Do you happen to know what its number was?

2152 . A No.

2153 . Q I show you--

2154 . A May I look through your documents?

2155 . Q You may certainly look through them.

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2156 . I show you documents 981 through 1035 and ask you  
2157 if you can identify them? Actually, let's make that through  
2158 document 1036.

2159 . A Okay. 981 through 1035 appear to be transfer  
2160 documents, both in-coming and out-going, plus statements for  
2161 the ACE B account at Banco de Iberoamerica.

2162 . Document 1036--

2163 . Q If you will, let's pull 1036 and not include it in  
2164 this exhibit.

2165 . A That is not--I don't know where that one came from.

2166 . Q It is in Spanish, anyway.

2167 . The documents 981 through 1035, are these the  
2168 underlying documents from which the ACE recap--that are  
2169 documents 963 and 1442--was prepared?

2170 . A Yes.

2171 . Q And, to repeat the question I just asked you, but  
2172 in another form, did you use these documents, 981 through  
2173 1035, to prepare that recap?

2174 . A Yes.

2175 . Q I am not going to go through them one-by-one at  
2176 this point, but to take 981, can you explain how you took  
2177 information from 981 and entered it on the recaps?

2178 . A 981 is an in-coming wire transfer for \$450,000, and  
2179 it is shown on line 3 of 1442.

2180 . Q As \$450,000?

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2181 . A As \$450,000.

2182 . Q What is the date shown on document 981?

2183 . A The 14th day of November, 1985.

2184 . Q Is the same day shown on documents 1442 and 963?

2185 . A Yes.

2186 . Q Now, I believe that at the time that we went off of

2187 Exhibits 5 and 6 and went on to some other exhibits, you

2188 were going to explain why it was that at those particular

2189 times, June 1986 and December 1986, you prepared these

2190 recaps.

2191 . A The June 1986 recap is the one that was available

2192 when Mr. Kirstein and Mr. Beckman came down. If I recall,

2193 it was right almost the 1st or 2nd of December. As I

2194 explained before, I went in the hospital the 20th of

2195 October. I came back to work the 29th day of November. I

2196 worked through that weekend, because I knew they were

2197 coming, trying to get stuff together.

2198 . One of the things I did not do was update this.

2199 This was not done. 1442 was not updated until the 19th of

2200 December. So, this--when they first came down, they were

2201 given this as the activity in the ACE B account.

2202 . Q You mean the June sheet?

2203 . A Yes, the June sheet. I updated that particular--

2204 . Q You did the December sheet as an update?

2205 . A Yes, I did the December sheet as an update to bring

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2206 it up through the 17th of December.

2207 . Q Were you asked to, or was this something that just

2208 occurred to you to do as a way of--

2209 . A A little of both. I mean, it needed to be done. I

2210 was sure somebody would ask.

2211 . Q And the June sheet, why was the June 1986 sheet,

2212 the recap, prepared?

2213 . A Just as a general recap of where we were.

2214 . Q No one asked you to do that?

2215 . A Nobody asked me to do that.

2216 . Q Who did you show it to after you did it?

2217 . A I don't think I really showed it to anybody.

2218 . Q Did you use it as a basis for telling anybody

2219 anything? For example, did someone ask you for a total, or

2220 did you use it as a basis for giving the figure of

2221 \$1,395,022.03 that had been wired in?

2222 . A No.

2223 . Q Did you use it for any purpose?

2224 . A I think it was for my own information, to--

2225 . Q Did you make use of the information after you had

2226 thereby arranged it?

2227 . A Only to the extent that I was comfortable that I

2228 had captured everything that had happened in that account.

2229 . MR. TIEFER: Before we lose track of them, let's

2230 mark documents 981 through 1035. We will not staple them,

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2231 | but we will clip them. Mark them as Exhibit 8.  
2232 | . [The following document was marked Exhibit RHM-8  
2233 | for identification:]  
2234 | .  
2235 | . \*\*\*\*\* INSERT 3-2 \*\*\*\*\*

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2236 . BY MR. TIEFER:

2237 . Q Looking at the lower end of the recaps, there is a  
2238 column headed "'Disbursements.'" Can you signify what those  
2239 are?

2240 . A Those are payments that were made out of this same  
2241 account.

2242 . Q And what were you using for the underlying  
2243 documentation to prepare that?

2244 . A With the exception of the first two items--I will  
2245 take that back. With the exception of the second item,  
2246 which was a check that was written, it is the bank transfer  
2247 documents that were labeled Exhibit 8.

2248 . Q That came from Banco de Iberoamerica?

2249 . A Right.

2250 . Q You excepted one item. Which item did you except?

2251 . A The second item, which was a check that was written  
2252 to Intertrust.

2253 . Q What bank account was that written on?

2254 . A It was written on the Banco de Iberoamerica.

2255 . Q Was there some reason that was not reflected in  
2256 records you received from Banco de Iberoamerica?

2257 . A It was. It shows on the bank statement on document  
2258 1034. And there is a copy of it on 1035. There is a copy  
2259 of the check, and there is the bank statement showing it  
2260 being charged off.

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2261 . Q Do you have some recollection of some or all of  
2262 these transactions, the wire transfers that are reflected on  
2263 the recap sheets?

2264 . A Yes.

2265 . Q Let me ask you: Under "'Disbursements,'" on  
2266 January 21, 1986 there is a wire transfer to [REDACTED] of  
2267 \$20,037.50.

2268 . A Yes.

2269 . Q Do you recollect the circumstances under which that  
2270 wire transfer was made?

2271 . A That wire transfer was made as a result of a phone  
2272 call from Dick Gadd asking me to transfer from this  
2273 particular account operating funds to a bank in [REDACTED]  
2274 [REDACTED]

2275 . Q Did he say this was for the benefit of some  
2276 particular person?

2277 . A If you go back to the underlying wire transfer, you  
2278 will see a name on it.

2279 . Q I have.

2280 . Is Edward DeGaray the name?

2281 . A That is the name.

2282 . Q Why was a transfer being made for Mr. DeGaray's  
2283 benefit to [REDACTED]

2284 . A That, I can't tell you.

2285 . Q The wire transfers in the "'Disbursements'"--no, I

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2286 won't go one-by-one. We may very well come back to this  
2287 recap sheet. It would not surprise me.

2288 . I show you documents which have numbers between 452  
2289 and 475. I am not certain--yes.

2290 . Can you identify them?

2291 . A These are cash receipt forms that we use internally  
2292 to distribute daily cash receipts or wire transfers. Going  
2293 through here, there are two types of wire transfers that I  
2294 see. There are some that relate to the pass-through  
2295 account, 14202, which are monias that came in to pay for  
2296 maintenance work that we did on these aircraft.

2297 . Q By "these aircraft," you mean--

2298 . A The Caribou and the C-123.

2299 . In the back of the package, you start to get into  
2300 some flight revenues that pertain to the Tel Aviv flights.

2301 . Q There is one document in this stack, which is  
2302 document 464, which I would like you to look at. Actually,  
2303 I don't mean to imply it is the only one. There is at least  
2304 one document in this stack which does not follow the format  
2305 of a cash receipt. Let's pull that out separately and make  
2306 that--look at that separately.

2307 . Either from looking at it or from your own  
2308 recollection of a perhaps clearer original from which this  
2309 copy was made, can you explain what document 464 is?

2310 . A This was a note that I gave to Daisey telling her

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2311 that I had--that we had received in C and S Bank a wire for  
2312 \$242,000, and this was the distribution that needed to be  
2313 made. Part of it went to flight revenue, and part of it  
2314 went to the pass-through account.

2315 . Q Does that mean there is a ledger sheet on which the  
2316 distribution you just described is reflected?

2317 . A I'm not sure I follow your question.

2318 . Q All right. You previously explained, in  
2319 identifying certain Southern Air Transport documents, that  
2320 they include distributions of amounts between ACE and other  
2321 entities.

2322 . I am asking whether there is a similar sheet that  
2323 would have this distribution?

2324 . A If you went back to the outside page and looked in  
2325 the month of June of 1986, you would find a credit to the  
2326 14202 account of \$150,000, because that is where that was  
2327 booked. The \$92,000 would have gone to flight revenue, and  
2328 it would have gone against a particular invoice, 5899-A.

2329 . Q I think perhaps I have failed to lay a proper  
2330 predicata.

2331 . Do you keep ledger sheets concerning in-coming  
2332 amounts? The previous ledger sheets concerned invoices, out-  
2333 going amounts. Do you keep ledger sheets for in-coming  
2334 amounts?

2335 . A The previous--the handwritten ledger sheets is what

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2336 you are talking about?

2337 . Q Yes.

2338 . A That has a combination. If you look--remember, we

2339 looked at Shantel A.R. That would reflect in-coming

2340 amounts.

2341 . Q So they are combined on that sheet.

2342 . A So they are combined on that.

2343 . When you go back to this to get the underlying

2344 detail, you see that.

2345 . Q So there would be an entry on one of those sheets

2346 corresponding to it.

2347 . A Can we go back to it?

2348 . Q By all means.

2349 . A I think this may help you to understand. I may

2350 need yours, David.

2351 . MR. KIRSTEIN: Sure.

2352 . THE WITNESS: I think I can do it.

2353 . MR. KIRSTEIN: You can see it much better here on

2354 406. If you look in the month of June, on line 43, there is

2355 \$175,000 credit.

2356 . MR. TIEFER: Which sheet number is that? Is that

2357 the top sheet?

2358 . MR. KIRSTEIN: 406.

2359 . BY MR. TIEFER:

2360 . Q We are going back to Exhibit 7, page 406.

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2361 . A Right.

2362 . Q You are saying which line?

2363 . A 43.

2364 . MR. KIRSTEIM: 43.

2365 . THE WITNESS: There is a credit of \$175,000. It is  
2366 bracketed.

2367 . BY MR. TIEFER:

2368 . Q Yes, CHT. It reads across CHT, LCR, cash receipt,  
2369 and a bracketed \$175,000.

2370 . A That is made up of two items. It is made up of  
2371 this \$150,000--

2372 . Q Slow down so the record will be clear.

2373 . When you say the \$175,000 is made of two items, you  
2374 are going back to the cash receipts that is document 463.  
2375 So let me get document 463.

2376 . You are saying that that \$175,000--

2377 . A Is a combination of the \$150,000 on 463, and  
2378 \$25,000 on 461, both of which came in in the month of June.

2379 . Q Why were the two cash receipts combined into one  
2380 ledger entry?

2381 . A Because that is the way we do it. I mean, this is  
2382 the detail day by day, and we don't post day by day. We  
2383 only post once a month. So everything that they have that  
2384 goes into 14202 gets rolled into one entry and posted.

2385 . Q Were these cash receipts the underlying

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2386 documentation used to prepare the ledger sheets?

2387 . A Yes.

2388 . Q So to make a parallel, as we use vouchers to

2389 prepare the ledger entries for disbursements, you use cash

2390 receipts to prepare the ledger entries for money received?

2391 . A Yes. And if--we don't use vouchers, but if we did

2392 they would be backed up by an advice.

2393 . Q An advice.

2394 . A These are backed up by a wire transfer advice.

2395 . Q You are pointing to page 462, which is a credit

2396 advice. Do you receive these credit advices from the bank?

2397 . A Yes.

2398 . Q And when you receive the credit advices, you then

2399 prepare the cash receipt forms in-house?

2400 . A Right.

2401 . Q And then you use the cash receipt forms to make the

2402 ledger entries?

2403 . A Right.

2404 . Q And do they also go into the computer, the general

2405 ledgers that you keep on the computer?

2406 . A The summary would.

2407 . Q The summary would.

2408 . A In other words, the CH, whatever it is, Shantel,

2409 A.R., is a journal entry that would go into the machine.

2410 . MR. TIEFER: Before we go further, let's mark pages

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2411 452 through 475 as one exhibit, and that does not include  
2412 pages--

2413 . THE WITNESS: 464 and 474.

2414 . [The following document was marked Exhibit RHM-9  
2415 for identification:]

2416 .

2417 . \*\*\*\*\* INSERT 3-3 \*\*\*\*\*

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2418 . BY MR. TIEFER:

2419 . Q Now, to go back to 464, the handwritten note we

2420 were talking about, you were saying that this represented a

2421 communication by you about a distribution of funds?

2422 . A Yes.

2423 . Q Would you explain again what the amount--the amount

2424 being distributed, what was that?

2425 . A The amount being distributed was \$242,000, and

2426 \$150,000 of it went to the pass-through account; \$92,000 of

2427 it went to the flight revenue account.

2428 . Q Now, if we can look at page 465, which should be in

2429 Exhibit 9, can you identify page 465.

2430 . A 465 is a wire transfer advice from the Citizens and

2431 Southern Bank.

2432 . Q Does it reflect the transfer, one transfer or

2433 multiple transfers? It is not a trick question.

2434 . A I am having trouble reading it, but it is one

2435 transfer. It is \$242,000.

2436 . Q Is that related to the handwritten notation that is

2437 document 464?

2438 . A Yes.

2439 . Q What is the relation?

2440 . A It is the exact same transfer.

2441 . Now, let me carry that just a step further, if I

2442 may. I would call the bank every morning and get my

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2443 activity and in-coming wire transfers for the prior day, and  
2444 so forth. This advice would not come through--might not come  
2445 through for a week, so this was my way of saying this is  
2446 what is in there; this is how it needs to be distributed.  
2447 And then this would show up, and we would make out the  
2448 underlying receipt form.

2449 . Q When Citizens and Southern speaks to you on the  
2450 phone, is it the person who normally handles your account,  
2451 or is it some other operations officer?

2452 . A It is an operations person.

2453 . Q Do you recall the circumstances surrounding this  
2454 \$242,000 transfer, and why you made the notation that it is  
2455 to be distributed into two amounts?

2456 . A My recollection of it is that we had \$242,000 hit  
2457 our account, and I asked Bill Langton if he knew what it was  
2458 for, because it was an odd amount.

2459 . Q What did he say to you?

2460 . A And he said the balance was as it was; the \$92,000  
2461 was the balance on a Tel Aviv flight, and the \$150,000 was  
2462 towards maintenance and parts support that we were  
2463 providing.

2464 . Q To whom?

2465 . A To the C-123 and the Caribou, for ACE, Udall,  
2466 Corporate Air; call it anything you want.

2467 . MR. TIEFER: The record should reflect at this

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2468 | point that I am proceeding with counsel, Mr. Van Cleve, on  
2469 | this complicated accounting.

2470 | .           BY MR. TIEFER:

2471 | .    Q    But you are saying that, as you understood it, this  
2472 | one wire transfer covered both payments that were made,  
2473 | transfers that were made into your account, concerning the  
2474 | Tel Aviv flights and concerning the Central American  
2475 | activity?

2476 | .    A    That is true.

2477 | .    Q    We will probably come back more on this when we  
2478 | take these matters chronologically, step by step.

2479 | .           MR. TIEFER: Let's mark this Exhibit 10, document  
2480 | 464, the handwritten notations on the Robert Mason pad as  
2481 | Exhibit 10.

2482 | .           [The following document was marked Exhibit RHM-10  
2483 | for identification:]

2484 | .

2485 | .           \*\*\*\*\* INSERT 3-4 \*\*\*\*\*

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2486 . BY MR. TIEFER:

2487 . Q Looking at document 474, can you identify that?

2488 . A This is an invoice that we cut for the February 15

2489 Tel Aviv flight.

2490 . Q And who were you charging?

2491 . A The invoice was cut to East, Inc.

2492 . Q Do you want to give some explanation as to that

2493 invoice?

2494 . A Could you explain your question?

2495 . Q Well, let's go about it differently. Are there

2496 many invoices in your files to East, Inc.?

2497 . A All of the MHAO flights were billed through East,

2498 Inc.

2499 . Q Other than the MHAO flights?

2500 . A There is very few.

2501 . Q Was there another way you had of receiving payments

2502 from East, Inc. besides sending invoices to it?

2503 . A Any time I invoiced East, Inc. directly, I was paid

2504 by check. Okay? This particular invoice was cut to East,

2505 Inc., and I am not sure it was ever sent to East, Inc. The

2506 money for this flight came in by wire transfer, and I would

2507 want to go back and check the dates, but my recollection is

2508 that the funds came in prior to or shortly after we

2509 performed the service. And the reason for cutting the

2510 invoice was more for our internal revenue control than it

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2511 was to bill a particular customer.

2512 . . . . . If you look at the botton, you can see a revenue

2513 distribution on this, 32072. That tells me where that is

2514 booked--to charter revenue, ad hoc revenue, and the Boeing

2515 aircraft.

2516 . . . . . Q Now, there are a number of other occasions

2517 reflected in the cash receipts when you received wire

2518 transfers from East, Inc. Are there invoices for those

2519 other occasions on which you received wire transfers?

2520 . . . . . A I would want to look at the specific items.

2521 . . . . . Q You mean, to your recollection, there were some

2522 occasions when you received wire transfers when there might

2523 have been vouchers?

2524 . . . . . A I don't ever recall receiving a wire transfer from

2525 East, Inc. The fact that--I guess the thing I need to say

2526 is, in this whole scheme of things, what-have-you, we

2527 probably were not careful enough to distinguish between

2528 East, Inc. and Udall and Corporate Air, and, you know, who

2529 in the hell is the customer.

2530 . . . . . Q And--

2531 . . . . . A And, you know, maybe we had a generic term. That

2532 was ACE that covered a lot of it. But I think a lot of it

2533 may have been improperly assigned to East.

2534 . . . . . Q Was there a particular reason this was assigned to

2535 East? That is, the invoice that is document 474?

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2536 . A I don't honestly remember. Do you want--

2537 . Q Do you want to explain? Go ahead.

2538 . A My recollection is that, in my mind, this may have

2539 come through Dick Gadd.

2540 . Q All right. But you are saying that, in general,

2541 for your accounting you had difficulty distinguishing what

2542 payments you were receiving from one of the--you just named a

2543 series of corporate entities, and you had trouble

2544 distinguishing on which behalf each particular wire transfer

2545 was received from?

2546 . A That is basically right.

2547 . Q Some of those wire transfers were on behalf of

2548 activity related to flights connected with Tel Aviv, and

2549 some of that activity was for payments in Central America.

2550 But it was difficult to distinguish sometimes which payments

2551 were in which matter?

2552 . A No. We can distinguish which payment was for what.

2553 . Q Then, what was it that was difficult to

2554 distinguish?

2555 . A In the Accounting Department, I think it was

2556 difficult to distinguish who should we really charge that

2557 for. We got paid up front.

2558 . Q You received wire transfers.

2559 . A We received wire transfers. We were paid before,

2560 for the most part, before the flights took place, or before

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2561 the activity took place. I got the money. I don't really  
2562 need to send an invoice to anybody.

2563 . Q You were not always exactly sure who or what the  
2564 money was going to be for?

2565 . A No, I was always sure what the money was for, but I  
2566 wasn't really sure who was behind it.

2567 . MR. KIRSTEIN: Can we go off the record, and then I  
2568 can explain something.

2569 . MR. TIEFER: Let's go off the record.

2570 . [Discussion off the record.]

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2571 DCMN ROSS

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2572

2573 . MR. TIEFER: We are back on the record.

2574 . Let's mark document 474 as Exhibit 11.

2575 . [The following document was marked Exhibit RHM-11

2576 for identification:]

2577 .

2578 . \*\*\*\*\* INSERT 3a-1 \*\*\*\*\*

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2579 . BY MR. TIEFER:

2580 . Q I show you documents that are numbered 1687 to

2581 1692--excuse me. Make that 1687 to 1691. I ask you if you

2582 can identify these?

2583 . A These, again, are cash receipts with the underlying

2584 wire transfer advices that came in in May of 1986.

2585 . Q And what activity by Southern Air Transport were

2586 these related to?

2587 . A There are notes down in the bottom which indicate

2588 that one item was for some Jetstar trips--this is flight

2589 activity--and two were for invoices. I can't read the copy.

2590 I know we went back one time and tried to clarify that, but

2591 I don't remember what I found on the originals. It had to

2592 do with the May Tel Aviv trip.

2593 . Q Fine.

2594 . MR. TIEFER: Let's mark this as the next exhibit.

2595 . [The following document was marked Exhibit RHM-12

2596 for identification:]

2597 .

2598 . \*\*\*\*\* INSERT 3a-2 \*\*\*\*\*

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2599 . BY MR. TIEFER:

2600 . Q I show you a document numbered 1692, and ask you if  
2601 you can identify that.

2602 . A This is an invoice that was cut for the May Tel  
2603 Aviv flights with [REDACTED] return to [REDACTED]

2604 . Q Now, keeping in mind your description of the  
2605 previous invoice, to your knowledge is there a specific wire  
2606 transfer relating to particular amounts shown on this sheet?

2607 . A There is a wire transfer for--if you look where it  
2608 says 'less prepayment'--

2609 . Q Yes.

2610 . A --I think it is \$350,000. I think that wire was in  
2611 the prior package that we looked at. No, it is not.

2612 . MR. KIRSTEIN: 1789, I think, is the document.

2613 . THE WITNESS: Then it is right here, for \$410,000,  
2614 5/23, document 1688. It is part of the \$410,000 wire  
2615 transfer.

2616 . BY MR. TIEFER:

2617 . Q 1688 shows a wire transfer at the request of Hyde  
2618 Park Square Corporation. Is that correct?

2619 . A That is correct.

2620 . Q Can you explain the relation of the \$410,000 on  
2621 1688 to the figures on 1692?

2622 . A The \$410,000 came in, and again it was a  
2623 distribution. If you look at the invoice number, the

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2624 invoice number is 5899. If you look at the fifth line, you  
2625 can see invoice 5899 got \$350,000 applied to it. \$50,000  
2626 was applied to item number 3. And I apologize I can't read  
2627 that.

2628 . Q Could it be the word "Jetstar"?

2629 . A Jetstar, it does say. But what in relation to the  
2630 Jetstar, I don't know. It could have been Jetstar parts.  
2631 It could have been a Jetstar trip.

2632 . Q To clarify for the record, you are referring back  
2633 to page 1687, which is a cash receipt?

2634 . A Yes.

2635 . Q The name for the cash receipt is Udall?

2636 . A Right.

2637 . Q In the description column, it has "IMV 5899."

2638 . A That is correct.

2639 . Q Then, in the next column, it shows \$350,000.

2640 . A Yes.

2641 . Q And so you are saying that the \$350,000 for invoice  
2642 5899 for Udall corresponds to the \$350,000 shown--

2643 . A As the prepayment on 1692.

2644 . Q Okay. And does this amount, again--does this  
2645 distribution reflect the distribution that you were  
2646 instructed to make by somebody else?

2647 . A Yes.

2648 . Q And by whom?

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2649 . A It would be Mr. Langton.

2650 . MR. TIEFER: The best thing would be between today

2651 and tomorrow, if we can ascertain the last number--

2652 . MR. KIRSTEIM: We can give it some numbers, that

2653 two-page summary.

2654 . MR. TIEFER: Exactly.

2655 . MR. KIRSTEIM: You have the index.

2656 . MR. TIEFER: There might be another page or two

2657 after that index, because you have been producing pages one

2658 by one.

2659 . MR. KIRSTEIM: I think the last page was maybe

2660 1819.

2661 . MR. TIEFER: Why don't you number this and produce

2662 it to us. I am, by and large, not requesting production of

2663 additional documents during the deposition, because we can

2664 do that in an organized fashion. But since you have just

2665 prepared this, we will use it tomorrow.

2666 . MR. KIRSTEIM: The only two pages that need to be

2667 numbered are the first two. The other ones, you have.

2668 . MR. TIEFER: I think we--

2669 . MR. KIRSTEIM: Why don't we do it now? I have

2670 discovered that, in some cases, the same document has been

2671 produced twice because we have made so many productions, and

2672 Bob would look for things and he would send it to us, and we

2673 would list them as new documents when, in fact, we had

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2674 already produced them.

2675 . MR. VAN CLEVE: Could I ask a clarifying question?

2676 This purports to be essentially a sort of summary of a

2677 number of the transactions that we have been asking

2678 questions about?

2679 . MR. KIRSTEIN: This just chronologically summarizes

2680 the Tel Aviv and [REDACTED] flights, and I guess also the Tel

2681 Aviv-Iran flight group segments are in here.

2682 . What I have done--Bob didn't do this; we did it at

2683 our office--is write down here the document numbers of the

2684 documents you have, which represents the payments for these

2685 different flights. Then, what we did was wrote them down

2686 here on the sheets. When Bob produced this, he sent me

2687 these, but he didn't have the numbered ones so we went back

2688 through to get the correlation. So that is why they are

2689 written-in by hand.

2690 . MR. VAN CLEVE: Do they show the distributions?

2691 . MR. KIRSTEIN: For example, the one we were just

2692 talking about, that \$410,000, you see it says \$350,000

2693 applied to Tel Aviv flights. That doesn't have what the

2694 other \$50,000, whatever it was, is.

2695 . MR. SMILJANICH: \$60,000.

2696 . MR. TIEFER: \$50,000, with the notation of the

2697 Jetstar.

2698 . MR. KIRSTEIN: Right. That is not in here. All

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2699 | these two pages do is try to figure out where the funds came  
2700 | from to pay for these specific flights, the Kelly, Tel Aviv,

2701 | [REDACTED] And, like for here, for example, the October  
2702 | 1986 Tel Aviv to Tehran flight, they still owe us for that.  
2703 | It was never paid.

2704 | . MR. VAN CLEVE: Just to make sure I am clear, you  
2705 | are not trying to show the complete and internal flow of  
2706 | funds that you received from the bank?

2707 | . MR. KIRSTEIN: No. It just shows which cash  
2708 | receipt forms and wire transfers go with which payments  
2709 | here.

2710 | . MR. TIEFER: It is around the time when I should  
2711 | check--off the record.

2712 | . [Discussion off the record.]

2713 | . MR. TIEFER: Back on the record.

2714 | . Would you mark this Exhibit 13, document 1692?

2715 | . [The following document was marked Exhibit RHM-13  
2716 | for identification:]

2717 | .

2718 | . \*\*\*\*\* INSERT 3a-3 \*\*\*\*\*

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2719 . BY MR. TIEFER:

2720 . Q I show you a series of documents which have the  
2721 numbers on them 1758, 1759, 1773, 1774, 1775, 1776, 1777,  
2722 1778, 1779, 1780, 1781, 1782, and I ask you if you can  
2723 identify these?

2724 . A These are the documents that have to do with the  
2725 only flights.

2726 . Q Although the format is familiar, would you explain  
2727 what type of documents they are?

2728 . A These are cash receipts and wire transfer advices.

2729 . Q And--

2730 . A And they reflect the payments for a December 1985  
2731 and April 1986, a March 1986--February 1986, I guess it  
2732 really was--and a flight, flights, from to Central  
2733 America, and a portion of the crew-only Tel Aviv to Iran  
2734 flight that took place in August of 1986.

2735 . MR. TIEFER: Would you mark them as the next  
2736 exhibit?

2737 . [The following document was marked Exhibit RHM-14  
2738 for identification:]

2739 .

2740 . \*\*\*\*\* INSERT 3a-4 \*\*\*\*\*

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2741 . BY MR. TIEFER:

2742 . Q Before you joined the company, but as we previously

2743 alluded to, there were flights from [REDACTED] to Central

2744 America in January, early 1985, January 1985.

2745 . A I'm not sure. I don't know what the routing of

2746 those flights were. I know there were two flights before I

2747 joined the company.

2748 . Q Have you at some point pulled underlying

2749 documentation showing payment for those?

2750 . A Yes, we have done that. We have already gone by

2751 it.

2752 . Q Fine.

2753 . MR. KIRSTEIN: I saw them sitting right up here for

2754 a second.

2755 . THE WITNESS: Yes.

2756 . MR. KIRSTEIN: They have Arrow written on the top

2757 of them.

2758 . BY MR. TIEFER:

2759 . Q Documents 1785 through 1795, I hand those to you.

2760 . A Yes.

2761 . Q Would you explain the letter that is written on

2762 top, and then the underlying documents?

2763 . A Okay. The letter that is written on top came as a

2764 response to the request from the FBI that I ask Citizens and

2765 Southern Bank to give us any additional information they had

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2766 on the underlying wire transfers, particularly the bank of  
2767 origin and, if possible, the account or customer for whom  
2768 those wire transfers were originated.

2769 . This is the reply that came back from John Goetz at  
2770 Citizens and Southern, and the basic conclusion, or the  
2771 basic piece of information that he was able to provide from  
2772 their wire transfer department was the origin of the wire  
2773 transfers at Credit Suisse. But no additional information  
2774 is available from their wire transfer department as to who  
2775 may have originated those.

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2776 DCMN GLASSMAP

2777

2778 . Q Did you have any of the documents, 1786 through  
2779 1795 in Southeastern Air Transport files prior to this  
2780 request?

2781 . A The documents came from Southern Air's file. These  
2782 were furnished to him, and he was asked to go back and give  
2783 us any additional information that they had on it.

2784 . Q Then if I can understand the sequence, let's go  
2785 through the sequence in general. When Southern Air  
2786 Transport receives through Citizens & Southern Bank a  
2787 payment by wire transfer, you previously said the first you  
2788 would know of it is a phone call with the bank in which you  
2789 daily discuss what has come in.

2790 . A You want to talk wire transfers in general, or you  
2791 want to talk these in specific?

2792 . Q Let's talk wire transfers in general.

2793 . A Okay. For the most part, I am aware before I  
2794 receive it that a wire is on its way. A customer, we sold  
2795 an ad hoc charter, and it is going to be paid by wire  
2796 transfer, and the sales department says be on the lookout  
2797 for this wire and this amount because it is coming in.

2798 . For instance, my log air contract, the money is  
2799 wire transferred every Friday.

2800 . Q This is the log air contract, you mean the United

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2801 States Government contract?

2802 . A A United States Government contract.

2803 . Q For Air Force services?

2804 . A For Air Force services. That money is wire

2805 transferred every Friday to my account. I know on Monday or

2806 Tuesday how much is coming. With these particular items, I

2807 would generally be told ahead of time that "'X'" number of

2808 dollars is being transferred and be on the lookout for it.

2809 . Q Besides the United States Government paying for log

2810 air and quick trans--

2811 . A Okay.

2812 . Q Am I wrong?

2813 . A Those are not originated by the government. Those

2814 wire transfers are originated by a representative that we

2815 have at Warner Robins--or in Dayton, Ohio, who prepares the

2816 vouchers, picks up the checks, deposits it in the bank up

2817 there, and the next day wire transfers to us.

2818 . Q So the payment by the Federal Government is by

2819 check.

2820 . A It is by check.

2821 . Q And it is simply transferred on--

2822 . A Wire transferred to get it down here faster.

2823 . Q Is a bank used to change the check into a wire

2824 transfer? How is the check made into a wire transfer?

2825 . A The check is made out to Southern Air. We maintain

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2826 | an account at the First National Bank of Dayton. It is  
2827 | deposited in that account, and this representative has the  
2828 | authority from us to wire transfer the funds the following  
2829 | day to us.

2830 | . Q I asked you earlier where you had bank accounts in  
2831 | addition to Citizens & Southern and one here in Miami, you  
2832 | also have one in Dayton.

2833 | . A I have one in Dayton, which is nothing more than,  
2834 | it is a holding account overnight for--I could tell you, I  
2835 | also have an account in Fort Wayne which is a small  
2836 | operating account. I have an account in California.

2837 | . Q Slow down. The one in Dayton is at what bank?  
2838 | . A First National Bank of Dayton.

2839 | . Q The one in Fort Wayne is at what bank?  
2840 | . A I can't tell you. Fort Wayne National Bank, or  
2841 | something like that. It is an impressed account.

2842 | . Q And where else besides Dayton and Fort Wayne?  
2843 | . A I have one with the Bank of America in California  
2844 | that is used by the West Coast people for small purchases.

2845 | . Q All right.

2846 | . A These are all very tightly controlled accounts for  
2847 | which, I mean, if you are looking at where receipts--  
2848 | . Q For specialized purposes, is that how you are  
2849 | describing it?  
2850 | . A Yes.

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2851 . Q Are there any others besides Dayton, Fort Wayne and  
2852 Bank of America in California?

2853 . A I have one recently set up in London because we set  
2854 up a London sales office.

2855 . Q When was that set up?

2856 . A I think it was in December.

2857 . Q Do you have any overseas bank accounts? Does  
2858 Southern Air Transport have any overseas bank accounts?

2859 . A The only overseas bank account we have is the one  
2860 in London which was just recently set up.

2861 . MR. KIRSTEIN: How about ACE?

2862 . THE WITNESS: ACE is not a Southern Air entity.

2863 . BY MR. TIEFER:

2864 . Q The Bank of America account in California, Bank of  
2865 America has a lot of branches in California. What city is  
2866 this branch in?

2867 . A Sacramento.

2868 . Q I am going to ask this question in a way that will  
2869 be comfortable to you. Were any of these specialized  
2870 accounts used for transactions relevant in some way to the  
2871 Iran and Contra matters?

2872 . A No. The only two accounts--and I will make this  
2873 statement very emphatically--the only two accounts through  
2874 which those monies flowed were the CES account, which you  
2875 have here, or the Banco de Iberoamerica account in Panama.

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2876 Nothing else was used.

2877 . Q Okay.

2878 . A With one--

2879 . Q Go ahead.

2880 . A With one exception.

2881 . Q That exception is?

2882 . A There was one check for the \$475,000 which ran

2883 through Southeast Bank for the purchase of a cashier's check

2884 for the purchase of a C-123, and that was because some wire

2885 transfers got fouled up.

2886 . Q Since you made a distinction between there being no

2887 overseas accounts for Southern Air Transport, and the

2888 overseas account that was maintained for ACE, I am now

2889 looking for generic description, how would you describe the

2890 overseas ACE account in relation to you, so I can ask you

2891 whether there were any others like it overseas?

2892 . A ACE was not, in my mind, was not a Southern Air

2893 company.

2894 . Q What was it in relation to Southern Air? Could I

2895 call it a related company? Would you prefer it to be called

2896 a customer?

2897 . A I would prefer to have it called a customer.

2898 . Q Okay. Do you maintain any other, or has Southern

2899 Air Transport had bank accounts for any other customers

2900 overseas?

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2901 . A To the best of my knowledge, no. I can only go  
2902 back to August of 1985.

2903 . Q Has Southern Air Transport had any bank account for  
2904 customers in the United States?

2905 . A No.

2906 . Q I was starting to ask earlier about wire transfers,  
2907 and then you clarified the wire transfers you received from  
2908 Dayton are not really from the Federal Government. You  
2909 received payment from East and similar companies by wire  
2910 transfer?

2911 . A No. I received a wire transfer from East. That is  
2912 a very strong distinction. I made that before.

2913 . Q Okay. Let's put it the other way around, which  
2914 customers have you received--which customers of Southern Air  
2915 Transport have paid by wire transfer?

2916 . A In relation to what we are talking about?

2917 . Q No, in general.

2918 . A In general?

2919 . Q Yes.

2920 . A For the most part, any ad hoc charter that we do,  
2921 where we don't know the customer or we don't have good  
2922 credit history with the customer, they have paid by wire  
2923 transfer. In other words, you pay us first before we  
2924 perform the service.

2925 . We have a [REDACTED] contract that is

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2926 administered by the Office of Aircraft Services out of Boise  
2927 that pays by wire transfer.

2928 . Q You mean the Federal Government pays you by wire  
2929 transfer in that instance?

2930 . A In that instance. We have an aircraft that flies  
2931 for a company called the International Aircraft Services out  
2932 of Ireland where we are paid by wire transfer.

2933 . Q This is IAS.

2934 . A IAS. It is log air we talked about, which does,  
2935 Quicktrans comes by check, MAK comes by check, JAL comes by  
2936 check.

2937 . Q JAL is Japan Airlines?

2938 . A Yes.

2939 . Other than the activity that is the subject of this  
2940 particular--

2941 . Q I understand your answer.

2942 . Apart from companies related in some way to the  
2943 Iran and Contraf matter, the only other customers that you  
2944 can recall paying by wire transfers are companies, customers  
2945 connected with ad hoc charters [REDACTED] and  
2946 IAS?

2947 . A I think that is correct.

2948 . Q Now in the case of ad hoc charters, are these wire  
2949 transfers always from domestic banks, or do you sometimes  
2950 receive wire transfers from overseas?

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2951 . A Almost without exception they are from domestic  
2952 banks.

2953 . Q Your answer implies there might be some--

2954 . A There might be, you know, right off the top of my  
2955 head, I can't think of any that have come from overseas, but  
2956 that is a possibility.

2957 . Q Would you have received any wire transfers from  
2958 overseas other than through C&S bank?

2959 . A One of the transfers that related to a Tel Aviv  
2960 flight was received through First National Bank of Chicago,  
2961 and that had to do with somebody having some old information  
2962 and transferring it to our account at First Chicago. It  
2963 took us several days to figure out what happened on that  
2964 one.

2965 . Q We may get to that through the chronological  
2966 account, but why don't you explain that? We may come back  
2967 to that in a chronological sequence, but why don't you  
2968 explain that wire transfer through Chicago?

2969 . A Let me check the date on it. It had to do with a  
2970 February 17 transfer for \$270,000 against the February 1986  
2971 Tel Aviv flight, and it did go to the First National Bank of  
2972 Chicago.

2973 . Q Do you know why it went to the First National Bank  
2974 of Chicago?

2975 . A Well--

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2976 . Q Who had the old information you were just talking  
2977 about?

2978 . A Whoever originated it. I am not sure who  
2979 originated it. The name that I have on the wire transfer  
2980 means nothing to me.

2981 . Q Do you have any basis at all for any understanding  
2982 whatsoever as to why a wire transfer of that sum would have  
2983 gone to the Chicago bank?

2984 . A The only explanation I can give you is that  
2985 whoever--Langton--was talking to up north had, did not have  
2986 the C&S Bank information or had gone back to some old  
2987 information that they had used--let me just go back. In  
2988 December, 1985, the transfers came through very nicely to  
2989 C&S, Citizens & Southern. So they had the current bank  
2990 information. If you go back to the March, 1985, there was a  
2991 wire transfer for that particular one that went to First  
2992 Chicago. The only thing that I can come up with out of this  
2993 is that somebody went back to that First Chicago information  
2994 and made the transfer the same as they had at that  
2995 particular time.

2996 . Q Did you discuss with Mr. Langton at the time that  
2997 money had come in to Chicago for you?

2998 . A I was looking for it. I was looking for \$270,000  
2999 which they insisted had been sent to us, and we couldn't  
3000 find it. Finally, somebody said, check First Chicago.

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3001 . Q Who said that?

3002 . A That may have been, may have come out of our side,  
3003 may have come out of the accounting department.

3004 . Q You don't remember who was--

3005 . A I don't remember specifically who came up with  
3006 that. But we spent several days telling C&S that, they tell  
3007 us the money has been sent, why can't you guys come up with  
3008 it? That was not unusual if a transfer was coming from  
3009 overseas for it to get lost in C&S for three or four days  
3010 and us to find out well after the fact.

3011 . Q Did you, once the money was found, did you discuss  
3012 with Mr. Langton the fact that you determined the money had  
3013 come in through Chicago?

3014 . A I told them that is where it was, and he moved it  
3015 to C&S.

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3016 RPTS BOYUM

3017 DCMN PARKER

3018 . Q Did he say anything in response?

3019 . A I think his response was probably something like,

3020 "'Good.'" Nobody likes to have \$270,000 loss in the banking  
3021 system.3022 . Q So to return, other than that particular Chicago  
3023 transfer, all overseas wire transfers to Southern Air  
3024 Transport during your time here have come in through  
3025 Citizens and Southern?3026 . A My loan agreement with C&S Bank stipulates that all  
3027 incoming funds will go through C&S.3028 . Q And conversely, if one knows from C&S all the wire  
3029 transfers that have come in for Southern Air Transport, one  
3030 has a complete list of all the wire transfers over all that  
3031 have come into Southern Air Transport?

3032 . A That is correct.

3033 . Q Including ad hoc charters--your answer is, yes?

3034 . A Yes.

3035 . Q And since you have said that there was only one  
3036 time you maintained an overseas account for a customer, that  
3037 ACE was the single time you maintained an overseas account,  
3038 then there is, apart from whatever wire transfer went into  
3039 the ACE account, there would be no other wire transfers made  
3040 into the account of a customer in the instance inasmuch as**UNCLASSIFIED**

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3041 | you were maintaining bank accounts for customers?  
3042 | . A That is correct.  
3043 | . Q Without going over the wire transfers one by one,  
3044 | they may be uniform in certain respects in the uniformities  
3045 | that you know about; some of these wire transfers clearly  
3046 | came from Credit Suisse.  
3047 | . Q Do you have knowledge whether all of them came from  
3048 | Credit Suisse?  
3049 | . A Into the C&S account?  
3050 | . Q Yes.  
3051 | . A No, some of them came from Banco de Iberoamerica.  
3052 | . Q Did they all come either from Credit Suisse or  
3053 | Banco de Iberoamerica?  
3054 | . A There are certain transfers that I can't answer  
3055 | that on. For instance, the last exhibit we were looking at  
3056 | has one that came through Republic Bank in New York City,  
3057 | and evidently C&S could not tell the origin of that, and I  
3058 | don't know the origin of it. There is not enough  
3059 | information there to tell it.  
3060 | . Q There was another instance in which a wire transfer  
3061 | came into City Bank; is that it?  
3062 | . A Came through City Bank.  
3063 | . Q Through City Bank.  
3064 | . A Distinguish between through and in. On foreign  
3065 | transfers they generally will come through one of the bigger

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3066 banks.

3067 . Q In the case of the City Bank transfer, you are  
3068 saying because it came through City Bank, you knew where it  
3069 had originated?

3070 . A No, I am not saying that.

3071 . Q Okay.

3072 . A Where is the City Bank transfer?

3073 . Here. It is here. 1792 is that one.

3074 . Q Looking at Page 1792, which is the exhibit we are  
3075 currently examining, which has not yet been numbered, as far  
3076 as the money received by Citizens and Southern, what was the  
3077 bank that was wiring this to Citizens and Southern?

3078 . A It doesn't say. It was--the only thing that you can  
3079 tell from this is that it was originated by Hide Park Square  
3080 Corporation, and it came through City Bank New York City.  
3081 Whether City bank was the originator or whether it came from  
3082 some place else, you can't tell from this, nor did Citizens  
3083 and Southern have that information.

3084 . Q Looking at 1786--

3085 . A 1786?

3086 . Q 1786. You just made reference to a transfer from  
3087 Republican Bank. Is this the transfer you were referring  
3088 to?

3089 . A This is the one, and what I am saying is that I  
3090 don't really know the origin of this. It could have come

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3091 | through Republic Bank. It could have been originated by  
3092 | Republic Bank. Citizens and Southern does not have that  
3093 | information.  
3094 | . Q Do you recall off hand, apart from the Republic  
3095 | Bank--let me rephrase that.  
3096 | . Most of the wire transfers appear to have come from  
3097 | Credit Suisse; is that correct?  
3098 | . A That is correct.  
3099 | . Q One came from Republic that you have looked at and  
3100 | one came from City Bank that we have looked at. Do you know  
3101 | of any others that came other than from Credit Suisse, and  
3102 | those two that we have just or that you have just named?  
3103 | . By transfers I don't just mean the ones on  
3104 | documents 1785 to 1795. I mean all wire transfers received  
3105 | in your Citizens and Southern account.  
3106 | . A All transfers or all transfers related to this?  
3107 | . Q Well, I will go back and explain why I asked the  
3108 | question. You previously stated that--scratch that.  
3109 | . You previously stated that all the wire transfers  
3110 | received by Southern Air Transport come from the C&S Bank  
3111 | with the exception of the one Chicago oddity, leaving the  
3112 | Chicago one out of the picture, though, that you received  
3113 | few, if any, overseas wire transfers from any customers,  
3114 | except possibly some from ad hoc charters.  
3115 | . A Right.

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3116 . Q Okay.

3117 . A And IAS.

3118 . Q And IAS.

3119 . By the way, where does IAS wire from?

3120 . A They wire--this is a good example--they wire out of

3121 City Bank, London and the advice, when it comes in, will

3122 just say through City Bank New York City.

3123 . Q All right.

3124 . Then leaving aside the ad hoc charters, all the

3125 other overseas wire transfers that you receive, you receive

3126 at C&S, and you received them related to the Iran-contra~~f~~

3127 matter.

3128 . A I can't think of an exception to that.

3129 . Q All right.

3130 . A I have not gone back and looked at every single

3131 wire transfer.

3132 . Q And of the wire transfers received related to the

3133 Iran-contra~~f~~ matter, you can't recall any except the ones

3134 that came from Credit Suisse, Republic, and City Bank, and

3135 Banco de Ibero~~a~~merica.

3136 . A Again, I have not gone back and looked at them

3137 individually, but that seems to be my recollection.

3138 . Q Thank you.

3139 . MR. TIEFER: Let's mark this as Exhibit 15, pages

3140 1785 through 1795.

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3141 . [The following document was marked as Exhibit RHM-  
3142 15 for identification:]  
3143  
3144 \*\*\*\*\* INSERT 4-1 \*\*\*\*\*/

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3145 . BY MR. TIEFER:

3146 . Q Now, I show you documents numbered D-964 through  
3147 980.

3148 . A Okay.

3149 . Q And I ask you if you can identify that.

3150 . A Yes, I can.

3151 . Q What are they?

3152 . A These are telexes that I originated to Banco de  
3153 Iberoamerica, to originate outgoing wires for various  
3154 aircraft purchases or services.

3155 . Q And these all went out through telex here at  
3156 Southern Air Transport?

3157 . A Yes. That is identified by the Southern Air Miami  
3158 at the top of each of them.

3159 . Q You mentioned previously that there was an  
3160 authorization code or some such matter in such telexes.

3161 . A Yes.

3162 . Q Can you show me on 964 to what you were referring?

3163 . A It says almost at the bottom the authorization code  
3164 is 12913.

3165 . Q On the following page, 965, is there a similar  
3166 notation?

3167 . A Authorization code is 18725.

3168 . Q These are different numbers.

3169 . A Yes.

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3170 . Q Can you explain why the authorization code is  
3171 different in different telexes?

3172 . A Are you familiar with the banking laws of Panama?

3173 . Q Why don't you answer the question, and if I don't  
3174 understand your answer, I will ask another question.

3175 . A All right. The banking laws of Panama provide for  
3176 a unique coding system for each client that is based on  
3177 Number 1, a personal identification number; a designation  
3178 for the day of the week, a unique number that you, as the  
3179 customer assign; a designation for the currency involved--I  
3180 am trying to think of the variables on that--a designation  
3181 for the month--

3182 . Q Rather than forcing you to recall what is obviously  
3183 an intricate calculation, did you tell people in sending  
3184 this telex what authorization code to put down?

3185 . A Yes.

3186 . Q And what did you use as a basis for that?

3187 . A I would go through this--

3188 . Q Did you have written instructions that you went  
3189 through?

3190 . A There is a written form that was filled out at the  
3191 time the bank account was set up.

3192 . That assigned various numbers to parts of this.

3193 Parts of it are fixed such as the dollar amount in  
3194 thousandths, the month of the year and so forth, and you

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3195 | told those up.

3196 | . Q I understand. Do you still have the written sheet  
3197 | that you are referring to?

3198 | . A Yes, I do.

3199 | . Q Page 980, that is not signed R.H. Mason. Would you  
3200 | explain what page 980 is?

3201 | . A 980 is an incoming telex in response to a request  
3202 | or an inquiry that we sent to the bank inquiring about an  
3203 | outgoing wire transfer that had not been received and  
3204 | wanting some information to allow us to track it through the  
3205 | system.

3206 | . Q And what do you understand the reply to signify?

3207 | . A Well, what they are saying is that on the 8th day  
3208 | of July I had sent them a telex inquiring about a request  
3209 | for payment for 10,963.60, and they are telling me that they  
3210 | had sent this pay order on June 27, 1986 through Irving  
3211 | Trust Company in New York City, and that was the reference  
3212 | number.

3213 | . Q Now, do you know who you--go ahead.

3214 | . A If you go back to 978, you will find the request.

3215 | . Q Do you have an understanding as to if you requested  
3216 | them to send money to the Banc Nacionale of Canada that it  
3217 | went through Irving Trust Company in New York?

3218 | . A Because that is who their correspondent was. That  
3219 | was the way they routed their funds.

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3220 . Q Do you mean the correspondent of Banco  
3221 Iberoamerica?

3222 . A Yes. They had a relationship with Irving Trust.  
3223 Again that is why you are seeing these other names on the  
3224 incoming wire transfers, because I venture to say that when  
3225 they got their advice from Banc Nacionale of Canada would  
3226 see that--wouldn't see it came from Banco Iberoamerica. They  
3227 would see it came from Irving Trust.

3228 . Q Do you know for a fact that all wire transfers that  
3229 went out at your instructions from Banco Iberoamerica went  
3230 through Irving Trust?

3231 . A I don't know that for a fact.

3232 . Q Do you know--

3233 . A I would have no way of knowing that unless there  
3234 was a problem, and I needed to trace it.

3235 . MR. TIEFER: Let's mark as Exhibit 16, documents  
3236 964 through 980.

3237 . [The following document was marked as Exhibit RHM-  
3238 16 for identification:]

3239

3240 \*\*\*\*\* INSERT 4-2 \*\*\*\*\*/

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3241 . BY MR. TIEFER:

3242 . Q I show you a series of not sequentially numbered  
3243 documents that are numbers 493, 531, 458, 557, 595, 602,  
3244 622, 638, and 644. I could ask you straight out whether you  
3245 recognize all these pages as having something in common, or  
3246 I could refresh your recollection by showing the document  
3247 production log, which shows all numbers from 476 through 650  
3248 as ACE expense sheets.

3249 . In any event, I will ask you in that case, can you  
3250 identify 493 through 644, the particular numbers listed as  
3251 being a particular type of document.

3252 . A These are all documents either invoices or--I think  
3253 they are all invoices or requests that came into Southern  
3254 Air that were passed through to ACE. They were expenses  
3255 that we paid on behalf of ACE.

3256 . Q Looking at the top one, Number 493, can you explain  
3257 the significance of 493?

3258 . A 493 appears to be a check in the amount of \$7,500  
3259 that was issued to William Cooper for an expense advance and  
3260 by an expense advance my recollection of it was that he  
3261 needed money for the operation in [REDACTED] and this is  
3262 how it was provided to him.

3263 . Q What is the--did he receive cash?

3264 . A He received the check which he took to the bank and  
3265 exchanged for cash.

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3266 . Q What bank?

3267 . A My recollection--I would imagine Southeast because  
3268 that is what it was written on.

3269 . Q Did Southern Air Transport itself disburse cash to  
3270 people involved in the Central American operation?

3271 . A On occasion we would do that.

3272 . Q What documentation did you create when you  
3273 disbursed cash to such people?

3274 . A There would be a cash receipt acknowledgement, if  
3275 you would.

3276 . MR. TIEFER: Let's go off the record.  
3277 . [Off the record discussion.]

3278 . BY MR. TIEFER:

3279 . Q You were saying when cash was disbursed you  
3280 produced a particular document.

3281 . A That small cash receipts form that the person would  
3282 sign for. For the most part cash was not disbursed to these  
3283 people without my getting a pre-approval bill to do that.

3284 . Q Did you retain such cash receipt forms in your  
3285 records?

3286 . A There should be.

3287 . Q To your knowledge have they been pulled and  
3288 produced?

3289 . A I am not sure that they have been pulled and  
3290 produced as part of the--they would be back up to the journal

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3291 | entries that you have. But I am not sure that you have that  
3292 | back up. I don't know what I sent David at this point in  
3293 | time.  
3294 | . Q And by the journal entries you refer to the sheets  
3295 | which we went over that were shrunk in size?  
3296 | . A No, the computer sheets, okay? If they went--they  
3297 | wouldn't have gone through the normal channels. They would  
3298 | have gone in by journal entry. I don't recall what I sent  
3299 | you to back up the journal entries, whether I just sent the  
3300 | journal entries per se or whether I sent the backup, too.  
3301 | . Q So some backup for the journal entries has not been  
3302 | pulled.  
3303 | . A I am not saying that. I don't recall what I sent  
3304 | David.  
3305 | . Q Some backup for the journal entries may have not  
3306 | been pulled.  
3307 | . A May have not been.  
3308 | . Q And if one were seeking the backup, if one were  
3309 | seeking all disbursements related to the Central American  
3310 | operation, one would pull the backup for all journal  
3311 | entries--  
3312 | . A For all journal entries on the big sheet, because  
3313 | that is what was actually charged through to ACE.  
3314 | . Q Do you have any idea as to why in some instances  
3315 | men in the Central American operation would have been paid

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3316 cash directly by Southern Air Transport and in some  
3317 instances they would have been given a check drawn on  
3318 Southern East First National to to and cash there, or which  
3319 they could go and cash there?

3320 . A It most likely had to do with the amount of cash we  
3321 had on hand here.

3322 . Q Do you want to explain that further?

3323 . A Well, we don't keep in our petty cash--funds don't  
3324 keep large sums of cash on hand.

3325 . Q How much do you keep?

3326 . A Again, depending upon the activity, it could be  
3327 anywhere from 5 to--there have been times with certain  
3328 flights, ad hoc flights that we were undertaking where we  
3329 might need to by <sup>u</sup> fuel and so forth for a 707 that would  
3330 require 30,000, so we might go up to that, but it would go  
3331 out right away. But normally it is less than \$10,000 that we  
3332 keep on hand.

3333 . MR. TIEFER: Let's mark this as the next exhibit.

3334 . [The following document was marked as Exhibit RMM-  
3335 17 for identification:]

3336

3337 \*\*\*\*\* INSERT 4-3 \*\*\*\*\*/

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3338 . BY MR. TIEFER:

3339 . Q I wanted to ask one question relating to an earlier  
3340 line. You referred to a document that is produced on a  
3341 daily basis, used in the daily meetings that shows each  
3342 flight of each of the planes in the day before. Does that  
3343 sheet show anything about the cargos that have been on the  
3344 planes?

3345 . A No.

3346 . Q And is the cargo ever mentioned in the daily  
3347 meetings such as whether it was hazardous or not?

3348 . A I would have to say, no, to that. It is just  
3349 not--that is not the purpose of the meeting. It is an  
3350 operational meeting. Did we meet our time requirements--so  
3351 on, and so forth.

3352 . Q There is some remaining documentation to go  
3353 through, but it may be most useful to turn now to a more  
3354 chronological account and bring the remaining documentation  
3355 in as it relates to that.

3356 . Is there a place--you have several times attempted  
3357 to begin telling how you first became involved in this, and  
3358 it is possible if I simply asked you to start the account  
3359 that you would prefer to do it that way.

3360 . A Okay.

3361 . My first involvement came about in early November  
3362 of 1985 when I was asked by Bill Langton to go to Panama to

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3363 set up a corporation, open a bank account.

3364 . Q Do you recall where this conversation took place?

3365 . A Took place in his office. I think I had just

3366 returned from another trip.

3367 . Q You had just returned?

3368 . A Yes. I had been--I don't recall where I was. I

3369 think it was up in New York or something like that.

3370 . Q Was anyone else present?

3371 . A At the time he talked to me?

3372 . Q Yes.

3373 . A No.

3374 . Q Did he use any pieces of paper during this

3375 discussion, or was it purely oral?

3376 . A There was a--I think, a handwritten note giving me a

3377 company to contact and a basic format of the message that I

3378 needed to send to this company.

3379 . Q Did you keep that note?

3380 . A I don't think I have that note. If it didn't come

3381 out in the ACE material I don't think it is there.

3382 . Q As fully as you can, can you recite what it is that

3383 Mr. Langton said to you in that conversation?

3384 . A Basically that I was to contact this company; that

3385 this was the format of the message that I would send, was to

3386 send to him; that I was to go down there and buy a company

3387 that had been in existence six or eight months, but had had

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3388 no activity; and that I was to set up a bank account for  
3389 this particular company; that Dick Gadd would call me with  
3390 some further instructions, which he did--Dick and another  
3391 person.

3392 . Q Let's not rush into this.

3393 . A Okay.

3394 . Q You previously mentioned that your predecessor had  
3395 spoken to you about Dick Gadd.

3396 . A Yes.

3397 . Q And Mr. Langton previously had spoken to you about  
3398 Dick Gadd.

3399 . A No, I can't really--not in any detail. I know that  
3400 we had done some work with Dick, but I can't--as Southern  
3401 Air.

3402 . Q Did you get that from conversations or with Mr.  
3403 Langton?

3404 . A I knew it from some billings that we had originated  
3405 within the department that we had done a couple things with  
3406 East.

3407 . Q Did you know at that time of any other company  
3408 related to Dick Gadd that Southern Air Transport had done  
3409 work for?

3410 . A There was a predecessor company to East, and I  
3411 can't tell you the name of it.

3412 . Q Does the name Sunairco--

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3413 . A Sumairco is, I guess, what it was.

3414 . Q What did you know about Sumairco?

3415 . A Really nothing other than it was a predecessor to

3416 East.

3417 . Q And what did you know about East?

3418 . A Not a whole lot.

3419 . Q What did you know about Dick Gadd?

3420 . A And not a whole lot about Dick Gadd.

3421 . Q When Bill Langton said to you that you would be

3422 doing this for Dick Gadd--

3423 . A I don't think it was for Dick Gadd. It was with

3424 Dick Gadd.

3425 . Q With Dick Gadd. Did he explain why Dick Gadd's

3426 name was being mentioned since from what you said previously

3427 you and Mr. Langton had not had Dick Gadd's name between the

3428 two of you.

3429 . A No, he didn't.

3430 . Q Did he appear to assume that you would know who

3431 Dick Gadd was without being told?

3432 . A Yes, and Bill and I may have had a conversation on

3433 who Dick was. I honestly don't remember.

3434 . Q Well, from whatever source as of the date of that

3435 conversation with Bill Langton, what was your understanding

3436 about Dick Gadd?

3437 . A My understanding was that Dick Gadd was a contact

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3438 in Washington who was working for whoever it may be up there  
3439 who needed some help doing something.

3440 . Q And you earlier said you had some understanding  
3441 about Dick Gadd from what your predecessor said.

3442 . A My predecessor made an off-the-wall comment which I  
3443 passed on to you.

3444 . Q Was that part of your understanding of who Dick  
3445 Gadd was?

3446 . A I think I had a mental image that that may be where  
3447 this was coming from.

3448 . Q And what was that mental image that you had?

3449 . A That this was coming as part of an, if you will, a  
3450 CIA or government-related request.

3451 . Q Was there anything in your conversation with Bill  
3452 Langton that either confirmed or refuted the idea that this  
3453 was CIA or government-related?

3454 . A Absolutely nothing.

3455 . My understanding at the time was that, you know, I  
3456 was to go down and do this and we were doing it as an  
3457 accommodation to Dick.

3458 . Q Did he say that?

3459 . A No, I don't know that he really said it, but that  
3460 was kind of the implication.

3461 . Q But he didn't say that?

3462 . A No.

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3463 . Q Now, you had never set up a company under the  
3464 United States before, had you?

3465 . A No.

3466 . Q Did it seem to you at all unusual to have you do  
3467 this?

3468 . A Not particularly.

3469 . Q Why did it not seem unusual?

3470 . A Why? I guess I would have to turn it around and  
3471 say why would it be unusual? I don't know.

3472 . Q Then I will put it differently. It seems to you  
3473 ordinary in your line of work to set up companies under the  
3474 United States?

3475 . A It would not--when you are with an airline you tend  
3476 to think in global terms. Let me back up and say when I was  
3477 with Evergreen, and we ran scheduled passenger service into  
3478 the Caribbean, I worked very closely with the general sales  
3479 agency in the Dominican Republic and set up some things down  
3480 there.

3481 . It was not, in my mind, an unusual request to go  
3482 down and do something like this.

3483 . Q Did you set up companies under the United States  
3484 while you were at Evergreen?

3485 . A No.

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3495 . Q Did you relate to anybody else the conversation  
3496 that you had with Bill Langton?

3497 . A I don't believe I did.

3498 . Q Had he told you not to?

3499 . A No.

3500 . Q Was there a particular reason that you did not  
3501 relate it to anyone?

3502 . A I didn't see any reason to. There was another  
3503 person that accompanied me when I went, a fellow by the name  
3504 of Tom Hazlett who is fluent in Spanish.

3505 . Q How was it arranged for Tom Hazlett to go with you?

3506 . A Bill said Tom would go with me.

3507 . Q Do you remember anything else he said in this  
3508 conversation?

3509 . A I really don't, no, other than that Dick would call  
3510 me and give me more particulars on it.

3511 . Q He didn't discuss with you how much money might be  
3512 involved.

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3513 . A No.

3514 . Q How long the trip might be?

3515 . A That was pretty much left to me. What does it take

3516 to set up a bank account? At least a dollar, but probably a

3517 little bit more.

3518 . Q Was Mr. Langton's wife, who was the attorney, a

3519 corporate officer at that time?

3520 . A Mr. Langton's wife is not an attorney. Mr.

3521 Bastian's wife is an attorney.

3522 . Q Excuse me, I stand corrected. Mr. Bastian's wife

3523 was an attorney.

3524 . A Yes.

3525 . Q You didn't discuss this matter with her?

3526 . A No.

3527 . Q Did it occur to you that there might be any legal

3528 ramifications of setting up an off-shore company and an off-

3529 shore bank account?

3530 . A Honestly, no, it didn't.

3531 . Q How long went by before Dick Gadd called you?

3532 . A It seems to me that it took--the information that we

3533 had to contact the people I was supposed to contact down

3534 there was inaccurate, and it took a couple of days to make

3535 that contact.

3536 . Q Were you supposed to wait until Dick Gadd called

3537 before you made that contact?

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3538 . A No, no, no. We went ahead and made the contact and  
3539 once we made the contact, then they were expecting us. I  
3540 think Dick called me the night before I left.

3541 . Q I show you documents 1104 and 1105, and I ask you  
3542 if you can explain them going along with the account you  
3543 have just been giving.

3544 . A Okay, 1104 is the return telex that we received  
3545 when--to our telex to the company down there saying we would  
3546 like to come down and meet with you and obtain a company.  
3547 1105 is my return telex saying that we would be there on  
3548 November 8, and planned to meet with them that day.

3549 . Q Using these telexes to refresh your recollection as  
3550 much as possible, what do you reconstruct was the sequence?  
3551 You were given a piece of paper by Bill Langton. You talked  
3552 to Tom Hazlett before the telexes began going--correct.

3553 . A No, I don't think I really did. I think we tried to  
3554 make contact with the company.

3555 . Q You mean you tried to make contact.

3556 . A We tried to find a telex number for this particular  
3557 company so we could originate a telex indicating an interest  
3558 in going down and talking with them.

3559 . Q Was somebody helping you find that number?

3560 . A I think Bob Portion over in dispatch, who is the  
3561 director of operations, was giving me a hand trying to look  
3562 up through the telex directories to see if we could find

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3563 one.

3564 . Q Then once you had found a telex number then you  
3565 sent a telex?

3566 . A We sent the telex.

3567 . Q Now, the telex makes a reference to a Marvin Evans.

3568 . A This is the name, the reference name that I was  
3569 instructed to use in the telex that I sent down there.

3570 . Q Instructed meaning, was it on the sheet?

3571 . A It was on the sheet that bill had given me. And  
3572 basically it was that we would be referred to you by an  
3573 acquaintance of Marvin Evans.

3574 . Q Did you have any understanding of why the name,  
3575 Marvin Evans, was being used?

3576 . A No.

3577 . Q Did you have any idea whether it was a real name or  
3578 a fictitious name?

3579 . A I had no idea.

3580 . Q Did you ever use that name again?

3581 . A No.

3582 . Q In conversation with anybody?

3583 . A No.

3584 . Q So to this day, do you know whether there is or is  
3585 not a Marvin Evans?

3586 . A I have no idea whether there is a Marvin Evans.

3587 . Q Having received a telex, you then sent another

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3588    telax?

3589    .    A    Yes, which is 1105.

3590    .    Q    Had you talked to Dick Gadd by the time you sent

3591    the second telex?

3592    .    A    No.

3593    .    Q    Had you talked to Tom Hazlett?

3594    .    A    At this point in time I probably had, at least to

3595    tell him that--i think at that time he was aware of the fact

3596    that he was going with me.

3597    .    Q    Who made the arrangements for flying down there and

3598    for staying somewhere down there in Panama?

3599    .    A    I think we got the tickets through our interline

3600    department, and I think we had crew scheduling book the

3601    rooms at the Marriott Ceasar Park because we were using that

3602    for crews.

3603    .    Q    Would it have been mentioned at operations meetings

3604    at the time that you were going to be down in Panama?

3605    .    A    I doubt it.

3606    .    Q    Was it not customary to mention where senior

3607    management was going to be?

3608    .    A    Not necessarily.

3609    .    Q    Why would it not be mentioned in operations

3610    meetings?

3611    .    A    The other thing I will say is that at this point in

3612    time I was not senior management.

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3613 . Q You were comptroller at the time.

3614 . A I was comptroller at the time.

3615 . Q You attended operations meetings?

3616 . A Yes.

3617 . Q But it was not considered vital to know where you  
3618 were?

3619 . A No.

3620 . Q After you--you believe that your call from Dick Gadd  
3621 came after you sent the November 6 telex?

3622 . A Yes. We left--flights to Panama were strange in  
3623 that I think we left in the afternoon, and you arrived in  
3624 the evening. You couldn't go down and back in the same day.  
3625 You could get out of Miami in the afternoon, and you could  
3626 come back in the morning. You couldn't get out in the  
3627 morning and back in the same afternoon. So it seems to me  
3628 what I did was we left in the afternoon, on the afternoon of  
3629 the 7th and on the evening of the 6th I had a call from Dick  
3630 Gadd and whoever was with him, and I can't tell you who it  
3631 was at this particular point in time.

3632 . But I received a call at home from him telling me  
3633 basically what the requirements were.

3634 . Q Before we go into that, perhaps you have said, it  
3635 would not have come up in operations meetings. Would you  
3636 have told anyone in your department that you were going to  
3637 Panama?

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3638 . A I may have. Certainly there was no mandate or  
3639 directive from Bill not to tell people where I was going.  
3640 . Q Would you have told family or friends you were  
3641 going?  
3642 . A My wife knew where I was. That is for certain. I  
3643 may have or may not have told Daisey or Jose that that is  
3644 where I was going. Certainly, they would have known when I  
3645 came back because I would have filed an expense report.  
3646 . Q All right. So Dick Gadd called you at home and you  
3647 think there was somebody else with him, and I don't have any  
3648 recollection of whether they mentioned their name.  
3649 . I don't know who it was. I know it was nothing I  
3650 made a note of or anything like that.  
3651 . Q This other person was on the line as well or in the  
3652 background?  
3653 . A No, no, it was a three-way conversation.  
3654 . Q Even if you didn't know at the time, was it  
3655 something you may have heard of later on? Do you believe at  
3656 any point you later on dealt with this other person?  
3657 . A To the best of my knowledge, no.  
3658 . Q Do you know how Dick Gadd got your home phone  
3659 number?  
3660 . A I am sure that Bill gave it to him. In fact, I can  
3661 tell you I went in and when Bill had set this up Bill said,  
3662 "Dick, would ~~he~~ give you some further instructions on

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3663 it,' and it was getting late in the afternoon, and I was  
3664 ready to go home, and I went in and said to Bill, 'I  
3665 haven't heard anything from Gadd yet.'  
3666 . Q This is the second meeting with him.  
3667 . A Yes.  
3668 . Q No one else was present at that meeting.  
3669 . A Right. 'What is the story,' and I think he  
3670 called him, and he said I am ready to go, and he said I will  
3671 have to call him later today, and he gave him my home phone  
3672 number. I think it was 10:00 or 10:30 or so that it was  
3673 when he called me at home.  
3674 . Q Bill Langton said, 'I have to call Dick Gadd?'  
3675 . A Bill called Dick Gadd and said--Mason--was ready to  
3676 go, you know, 'Are you ready to talk to him?''  
3677 . Q How do you know that phone call took place?  
3678 . A I was there when he did it.  
3679 . Q It was made from the office?  
3680 . A It was made from Bill's offica, and Dick said, 'I  
3681 will have to call him later on.'  
3682 . Q At that point you heard your home phone number  
3683 being given?  
3684 . A I gave him my home phone number.  
3685 . Q When Bill Langton talked on the phone to Dick Gadd,  
3686 how did he address him? Did he use, 'Dick,' or did he use  
3687 a title, or did he use an Army term?

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3688 . A I think he probably said, 'My, Dick.' That is  
3689 the usual method of addressing Dick.

3690 . Q This was the first time you had ever witnessed  
3691 someone address Dick Gadd, or not? You had not yet ever  
3692 spoken to him; is that correct?

3693 . A To the best of my knowledge I had not spoken to  
3694 him.

3695 . Q You had not been present during any previous  
3696 conversations someone else had had with him?

3697 . A No.

3698 . Q Before we go anywhere then, let's mark 1104 and  
3699 1108 as Exhibit 18.

3700 . [The following document was marked as Exhibit @RM-  
3701 18 for identification.]

3702

3703 \*\*\*\*\* INSERT 4-4 \*\*\*\*\*/

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3704 . BY MR. TIEFER:

3705 . Q When Gadd called you, called you at home, what did  
3706 he say?

3707 . A Basically, the basic gist of the conversation was  
3708 that, somewhat as Bill related to me, they wanted a company  
3709 bought off the shelf that had been in existence for six to  
3710 eight months; no prior activity; that the people at  
3711 Intertrust would lead me through it, not to be concerned  
3712 because I had not done it before; that we needed to set up a  
3713 bank account; and basically just follow what--follow along  
3714 with them as they laid out the steps.

3715 . Q Did anything occur in that conversation with Dick  
3716 Gadd to either confirm or refute your previous impression  
3717 that he was with the CIA or similar agency?

3718 . A I don't really think so.

3719 . Q After that conversation did anything else of  
3720 significance happen before you arrived in Panama?

3721 . A No.

3722 . Q You went down with Tom Hazlett?

3723 . A Right.

3724 . Q The two of you went to where?

3725 . A We went to the hotel, got up the next morning, went  
3726 to the offices of Intertrust and met with Mrs. Dee  
3727 Rodriguez.

3728 . Q Had you heard the name Quigano in connection with

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3729 this at that point?

3730 . A No.

3731 . Q Had you been given Ms. Rodriguez' name--do you know

3732 whather sha is a Miss or Mrs.?

3733 . A I don't know.

3734 . Q Had you been given Ms. Rodriguez' name?

3735 . A Yes, that was the name I was given to contact at

3736 Intertrust.

3737 . Q When you and Tom Hazlett met her was the

3738 conversation in English or Spanish?

3739 . A English from my side and Spanish from Thomas' side.

3740 . Q What languages did Mrs. Rodriguez speak?

3741 . A She spoke both. But I think that here--I recognize

3742 enough Spanish so that it was informal--banter back and forth

3743 between the two of them.

3744 . Q And what did you say on your side, and what did she

3745 say on her side?

3746 . A Basically I said, I guess, one of the things that

3747 Dick said I could say, and because I had not done it before,

3748 it is the tact I took. I represent a group of investors who

3749 want to do some moving, and I need a company that meets

3750 these requirements and what do you have?

3751 . Q Dick Gadd had said that to you in the phone

3752 conversation?

3753 . A Yes.

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3754 . Q What you have just related.

3755 . A What I just relayed to you. I am not sure that was  
3756 necessary.

3757 . Q Was it a true statement? Did you represent such a  
3758 group of investors?

3759 . A No, I didn't.

3760 . Q Why did you believe that you should make a  
3761 statement that was not true about who you represented? I am  
3762 not criticizing you, but--

3763 . A Well, I--

3764 . Q I am just asking.

3765 . A I guess here I am trying to buy a company, and I  
3766 need a reason for buying it, and maybe it was to give a  
3767 little credence to it. I don't know. I don't have a good  
3768 answer for that.

3769 . Q Well, I want to know what your answer is whether it  
3770 is or not. Why did you feel you had to make a statement  
3771 that was not true?

3772 . A Basically--

3773 . Q Why did you not, for example, tell her the true  
3774 reasons you were down there, what you had been told to do,  
3775 for example, as an accommodation to a customer of Southern  
3776 Air Transport for buying a company off the shelf.

3777 . A Yes, I guess I could have.

3778 . Q You don't know?

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3779 . A No.

3780 . Q You don't see that you could have said you were  
3781 doing it as an accommodation for a customer of Southern Air  
3782 Transport to buy a company shelf?

3783 . A I might have been able to say that. I am not sure.  
3784 I don't have a good answer for you on that one.

3785 . Q You have no idea why I didn't just say to them, "I  
3786 am here as an accommodation to a customer of Southern Air  
3787 Transport?"

3788 . A If I didn't say that, it is probably because I felt  
3789 I shouldn't say that.

3790 . Q Why did you think you shouldn't say that?

3791 . A Again because of the connection with Dick Gadd.

3792 . Q And what connection was that?

3793 . A Which was the company connection.

3794 . Q Okay.

3795 . A Okay.

3796 . Q If you would spell that out.

3797 . A It seemed to me that there was a need, the way this  
3798 was set up, to--I don't want to say be secretive--but to hold  
3799 it close, you know, it is something that I know or Southern  
3800 knows or Langton and I knew in setting this up, but we  
3801 didn't need to broadcast it to the world, and we may not  
3802 have been doing that in talking to him because I am  
3803 convinced that Mrs. Dee Rodriguez knew from the day she got

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3804 my message what we were coming down to do.

3805 . Q But in other words you thought you should give her  
3806 that particular account because you had the impression that  
3807 Dick Gadd might be CIA-related?

3808 . A Well, basically, you know, they are telling me how  
3809 to go about doing this. I have never done it before.

3810 . Q 'They,' meaning?

3811 . A Dick and whoever was on the phone, and this is kind  
3812 of what they threw out. I can't say I said it with a whole  
3813 lot of credibility.

3814 . Q I don't want to put words in your mouth, but I  
3815 believe, and I will repeat my question, among the reasons  
3816 that you thought you should give was this account that you  
3817 were there buying a company off the shelf on behalf of a  
3818 group of investors, even though it was not true, and it was  
3819 because you thought that Dick Gadd might be related to the  
3820 CIA?

3821 . A Well, maybe I was there to buy it for a group of  
3822 investors. I don't know.

3823 . Q Well, I asked the question, and I would appreciate  
3824 a yes or no answer. Was one of the reasons that you gave  
3825 that account that you thought Dick Gadd might be CIA-  
3826 related?

3827 . A One of the reasons I gave that account was in  
3828 talking with Dick the night before, you know, this was the

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3829 way he said to go about it. 'Give them that reason.'  
3830 'Okay, I will give them that reason.'  
3831 . Q And it entered into this picture that you thought  
3832 he might be CIA-related?  
3833 . A I am sure it did.  
3834 . Q Okay. What did Ms. Rodriguez do after you said to  
3835 her what you were there to do?  
3836 . A She whipped out a sheet of paper that had companies  
3837 that were available that had been set up in various months,  
3838 and she said, 'Look through it and pick one that you  
3839 like.'  
3840 . Q Do you recall any of the other companies on the  
3841 list?  
3842 . A No, I really don't.  
3843 . Q How did you come to decide on the one you did?  
3844 . A Just looked good. It had been in existence for  
3845 about a year, had no activity. It was available. The name  
3846 looked better, I guess, than so and so importing company, or  
3847 XYZ enterprises.  
3848 . Q And what was the name that you picked?  
3849 . A Amalgamated Commercial Enterprises.  
3850 . Q After you had picked--shall we refer to it as ACE?  
3851 . A Yes, that's it.  
3852 . Q After you picked ACE, what happened?  
3853 . A She said, 'Okay, it is going to take a little

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3854 while to get the documents prepared.' I guess we went  
3855 through a few other questions. I don't remember  
3856 specifically what they were, but she was going to take a  
3857 couple hours to get the documents prepared. 'Can you come  
3858 back in a couple of hours.'

3859 . Q So you--

3860 . A So Tom and I left and prowled around for a couple  
3861 hours and came back.

3862 . Q Okay. And what happened when you came back?

3863 . A Came back and went through the document package  
3864 which you have.

3865 . Q Starting from 1037 forward, let's break this into a  
3866 number of exhibits. Why don't you peel the pages off and  
3867 explain from the top what each of them means. If several  
3868 pages go together, do several pages at once, but let's start  
3869 with each one.

3870 . A Yes. The top page, 1037 is a cover sheet which  
3871 relates to the documents that I picked up on that particular  
3872 day.

3873 . Q Now, the top sheet is addressed to Mr. Robert H.  
3874 Mason.

3875 . A Right.

3876 . Q And the telexes you had sent had been signed by  
3877 yourself.

3878 . A Right.

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3879 . Q So at all times--

3880 . A For all intents and purposes <sup>ACE</sup>~~ACE~~ was me. If that  
3881 is the question you are driving at.

3882 . Q That is what I am asking.

3883 . A Okay.

3884 . Q Did they hand you all these documents in a package  
3885 or were they in the process of assembling them, or how did  
3886 that work out?

3887 . A When I came back we went through these one by one.

3888 . Q And Ms. Rodriguez explained to you the significance  
3889 of each?

3890 . A Yes.

3891 . Q Did she say the cover letter had any significance?

3892 . A Not that I recall.

3893 . Q Okay, let's turn to 1038.

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3894 DCMN STEVENS

3895 . A Okay.

3896 . Q You were going to say about the second sheet, 1038.

3897 . A 1038 and 1039 are documents that came from Banco de

3898 Iberoamerica as a result of setting up the bank account.

3899 . 1040 is the letter of introduction that was given

3900 to us to take over to the bank.

3901 . Q 1041?

3902 . A 1041 is an invoice for the preparation of minutes

3903 of the board.

3904 . Q 1042?

3905 . A 1042 was the invoice that was actually paid for the

3906 purchase of the company, the preparation of documents, and

3907 so forth on the 8th of November.

3908 . Q How was that payment made?

3909 . A It was made in cash.

3910 . Q Panamanian or American?

3911 . A They are one and the same.

3912 . Q It was paid in American money?

3913 . A They are one and the same. American money.

3914 . Q It was money you had brought down from the United

3915 States?

3916 . A Panama uses the U.S. dollar.

3917 . Q Was it money you had brought down from the United

3918 States?

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3919 . A It was money I had brought down from the States.

3920 . Q How much cash had you taken?

3921 . A I took about \$7,000 down with me.

3922 . Q Who had told you about taking cash with you?

3923 . A I knew I had to take cash with me.

3924 . Q How did you know that?

3925 . A I know I had to fund a bank account. I knew that

3926 was going to take cash. My assumption was it was going to

3927 cost me money to set up the corporation although I didn't

3928 know how much.

3929 . Q Do you frequently travel with as much as \$7,000 in

3930 cash on you?

3931 . A No.

3932 . Q Have you ever traveled with that much cash on you?

3933 . A Yes.

3934 . Q When?

3935 . A I have traveled with that much cash on me at

3936 Evergreen when I was making a circuit of UPS stations that

3937 needed supplies and I wanted to buy them on the spot to get

3938 them set up. I don't think I have, since I have been at

3939 Southern, I don't think I have ever traveled with that much

3940 cash on me.

3941 . Q Do you obtain--how did you obtain the cash?

3942 . A I drew it from the petty cash fund here.

3943 . Q So that there would be underlying documentation

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3944 there?

3945 . A Right.

3946 . Q Including ledger entries for the 7,000 or did you  
3947 return some of the money when you got back?

3948 . I am going ahead of your story, but, what would be  
3949 the ledger entries?

3950 . A The ledger entry would be a charge to me for \$7500  
3951 that I need to account to the company for either through  
3952 expense reports or return of cash.

3953 . Q And who did it ultimately get billed to?

3954 . A Ultimately it got billed back to ACE. One of the  
3955 wire transfers that was made out of the ACE account was to  
3956 reimburse me--or, not me, but Southern, for what I expended  
3957 on that first trip.

3958 . Q Why did you use cash rather than, say, traveler's  
3959 checks or a cashier's check or any other, a letter of credit  
3960 or any other very negotiable instruments available?

3961 . A Depends on what is readily negotiable in Panama and  
3962 it is easier to use cash. Now, you can say maybe I should  
3963 have taken traveler's checks rather than cash, and that may  
3964 be a valid point, to get traveler's checks I would have had  
3965 to have gone to the bank and purchased them. Cash I could  
3966 draw right from here. From what we have here.

3967 . Q You are saying in no other instance when you have  
3968 travelled for Southern Air Transport have you drawn that

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3969 much cash.

3970 . A No. I mean, it depends on what you are setting off  
3971 to do.

3972 . Q Why don't we continue through the documents.

3973 . A Go ahead.

3974 . Q 1043.

3975 . A Again, that is the bill which I think 1043 was to  
3976 bill us for the acquisition of the company.

3977 . Q And 1044?

3978 . A Was the annual maintenance of the company.

3979 . Q Had they told you that there would be a continuing  
3980 cost for the company?

3981 . A Yes.

3982 . Q 1045 appears to start a document that continues for  
3983 some pages. Suppose we take as one document, correct me, if  
3984 I am wrong, in assuming it is one document, 1045 through  
3985 1054. Can you identify pages 1045 through 1054?

3986 . A This is the English translation of the charter of  
3987 the corporation.

3988 . Q I see it is dated November 7, 1984.

3989 . A That is correct.

3990 . Q Was this a date that came up in some other context?

3991 . A This is the date the corporation was established.

3992 . Q Now, if you look at page 1052 there is a listing  
3993 of--under the heading of tant, that the first officers or the

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3994 corporation shall be, and three names are given.

3995 . A Yes.

3996 . Q What do you know of the name, person who is the

3997 President?

3998 . A That was the person that we talked to at

3999 Intertrust, Ms. <sup>Dee</sup>~~de~~ Rodriguez.

4000 . Q Do you know anything about the name for the second

4001 person?

4002 . A I really don't.

4003 . Q The last name is Soto?

4004 . A No.

4005 . Q What about the third person? Yadel Bloise de

4006 Quinjano?

4007 . A No.

4008 . Q Have you ever heard the name Kihanosins then?

4009 . A No.

4010 . Q Did Ms. Rodriguez give you any explanation of how

4011 these companies worked or how you operated on their behalf

4012 or you made them work or anything of the nature of how such

4013 companies work?

4014 . A The one thing that she did which you have a copy of

4015 in here is that they issue a broad foreign power of attorney

4016 which was issued to me, which is what gave rise to the \$232

4017 and some cent check that was written on the account.

4018 . MR. KIRSTINE: I wonder if we could take a five

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4019 minute break so Charley Carson can ask Bob a question, then  
4020 we can talk about when we are going to quit for the day.  
4021 . MR. TIEFER: Okay. Sure.  
4022 . [Discussion off the record.]  
4023 . BY MR. TIEFER:  
4024 . Q Let's look at pages 1055 and 1056, can you identify  
4025 them?  
4026 . A These are the stock certificates for ACE.  
4027 . Q Where have these gone since you received them from  
4028 Ms. Rodriguez?  
4029 . A Where have they gone?  
4030 . Q Yes.  
4031 . A They are in a drawer in my desk.  
4032 . Q Did they come from Panama back to that draw?  
4033 . A Yes.  
4034 . Q And they have never gone anywhere since?  
4035 . A Nope.  
4036 . Q You still have them?  
4037 . A I still have them.  
4038 . Q Did anyone ever see them?  
4039 . A Bill Langton saw them and Jim Bastian saw them  
4040 because they went through the package.  
4041 . Q Were copies ever made of them other than the ones  
4042 to be produced to investigators?  
4043 . A To the best of my knowledge, no.

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4044 . Q Document 1057.

4045 . A That is the authorization to open the bank account

4046 with Banco de Iberoamerica and giving me signature

4047 authority.

4048 . Q You have no knowledge of the meeting of the board

4049 of directors described in this resolution, do you?

4050 . A No.

4051 . Q Okay. Document 1058, begins on 1058 and continues

4052 to page 6--excuse me--1063 in the SAT numbers, a six page

4053 document.

4054 . A Which number?

4055 . Q 1058 through 1063.

4056 . A Okay. This is a copy of the broad and general

4057 powers of administration that she was going to draw up for

4058 the corporation and I see there are no names on this.

4059 . Q This has a 1983 date on it.

4060 . A This was just a model.

4061 . Q A model, okay.

4062 . 1064.

4063 . A 1064 is a follow-up letter that contained it, I

4064 think, the broad foreign power of attorney and an English

4065 translation and the invoice for doing it.

4066 . Q Are the pages that follow this 1065 and so on, the

4067 documents that were forwarded to you under that cover

4068 letter?

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4069 . A Yes, 1065 is the Spanish translation, 1071 i--1072  
4070 is the invoice which relates back to the check.

4071 . Q Let me ask if possible there was some problem in  
4072 the copying of these documents. 1067, 1068 and 1069 are in  
4073 Spanish. They are numbered as sequential pages. They  
4074 appear to be one document.

4075 . However, 1070 is in English and it says it is page six of  
4076 a document. Is it possible that some document was  
4077 incompletely copied?

4078 . A It appears like something could have gotten out of  
4079 order on that.

4080 . Q Why don't we pass over that rather than working on  
4081 that now. I am sure clarification will be forthcoming at  
4082 some point.

4083 . 1071.

4084 . A Well--

4085 . Q Perhaps 1071 is part of the document we are still  
4086 seeking to clarify.

4087 . 1072, you previously identified as the invoice.

4088 . A Yes.

4089 . Q 1073.

4090 . A That is the transfer of the stock by one of the  
4091 original incorporators.

4092 . Q 1074 through 1078 appears to be a Spanish language  
4093 document dating to November 7, 1984.

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4094 . A This is the Spanish translation of one that we  
4095 looked at earlier.

4096 . Q 1079 is a cashier's check.

4097 . A That is really out of sequence in this whole  
4098 package.

4099 . Q Why don't we take 1079 out and put it aside for the  
4100 moment and do something with it later.

4101 . 1080 and 1080.

4102 . A They appear to be copies of stuff we have seen  
4103 earlier.

4104 . Q 1082.

4105 . A 1082 is the English translation of the power of  
4106 attorney to act. That goes through 1088, and it looks like  
4107 1089 becomes part of that, also.

4108 . Q The rest of the documents relate to the Banco de  
4109 Iberoamerica account opening.

4110 . A Yes.

4111 . Q Did you immediately go to the Banco Iberoamerica?

4112 . A Yes, we had about 10 prints to get over there  
4113 before they closed. She had called ahead and made  
4114 arrangements for them to wait for us.

4115 . Q What happened there?

4116 . A We presented our documents and told them we wanted  
4117 to set up an account.

4118 . 1090 shows the initial deposit that was put into

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4119 that account.

4120 . Q And the \$4,000 deposited was cash?

4121 . A That is correct.

4122 . Q 1091 is a form used in connection with the

4123 establishment of the account?

4124 . A It has to do with special instructions and it looks

4125 like--doesn't look like we used it.

4126 . Q 1092 is the letter of introduction which we have

4127 seen before.

4128 . Q 1093 is one you have seen before and 1094 you have

4129 seen before.

4130 . Q I am not sure about 1093.

4131 . A Yes, you have.

4132 . Q I will take your word for it, but if you would

4133 identify again what 1093 is.

4134 . A 1093 is the copy of the--I think the signature card

4135 which--I think these were prepared at Intertrust before we

4136 went over because I needed to sign. That relates back to,

4137 it is the same as 1039.

4138 . Q 1095 looks like another copy of--no, I won't say.

4139 . A This is the issuing of the stock certificates.

4140 . Q 1096 you previously--excuse me.

4141 . A 1096 is the first telex I sent.

4142 . Q Okay.

4143 . Q If it is agreeable, why don't we include 1096 as

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4144 part of the previous exhibit, which were the previous two  
4145 telexes in sequence. So 1096 becomes part of the previous  
4146 exhibit.

4147 . 1097 we have seen.

4148 . A You have seen that before. 1098 is the  
4149 resignation.

4150 . Q 99 and 1100 appear to be the same format. 1101?  
4151 . A It is the transfer of their interest in the  
4152 corporation.

4153 . Q Okay.

4154 . A 1102 you have seen before.

4155 . 1103 is the same as 1101, just a different person.  
4156 1106 you have seen before.

4157 . Q I believe that is true of--  
4158 . A 1107 and 1108.

4159 . Q All right.

4160 . A 1109, 1110.

4161 . Q That completes the documents in sequence.  
4162 . Now, did anything--did you receive any instructions  
4163 while you were at Banco de Iberoamerica of, for example, how  
4164 to wire money in and out, the code and so forth?

4165 . A How to wire money out?

4166 . Q Who gave you these instructions?

4167 . A There is a printed form that they give you and, as  
4168 I told you earlier, there are, I think, three variables to

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4169 which you assign numbers. You assign numbers to the day of  
4170 the week, you assign numbers to the currency, and we have a  
4171 personal identification number all of which get rolled  
4172 together with the month, the date of the month, and the  
4173 amount of the transfer in thousands to make up the  
4174 authorization number.

4175 . Q And did anything else happen at the bank?

4176 . A That was really about it.

4177 . Q Did you communicate back to the United States that  
4178 you had done anything or not?

4179 . A No.

4180 . Q Did you just return?

4181 . A Let's see. I am not sure whether we had to stay  
4182 over a second night or whether we got out the night of the  
4183 seventh. It seems to me we had, because we were behind the  
4184 flights. The flights left in the morning coming north, we  
4185 waited until we came back on the 9th.

4186 . Q All right. I think on your arrival back in the  
4187 United States--that is a good place to stop. We will mark  
4188 these documents starting with 1037, as Exhibit RHM-19.

4189 . [The following document was marked as Exhibit RHM-19  
4190 for identification:]

4191 .

4192 . \*\*\*\*\* INSERT 5-1 \*\*\*\*\*/

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4193 . MR. TIEFER: The deposition is adjourned until  
4194 tomorrow morning at a time to be discussed between myself  
4195 and your side.  
4196 . [Whereupon, at 6:40 p.m. the deposition was  
4197 recessed, to reconvene at a time to be determined.]

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## INDEX TO MASON DEPOSITION

- 1-6 Mason's background (including Evergreen Co., [redacted] with Langton).
- 6-16 SAT's Board of Directors, including Williams, [redacted]
- 16-20 Mason and SAT's Chairman, James Bastign<sup>a</sup>; they talked about contra resupply "weekly".
- 20-22 Mason's predecessor, Tom Crummie, told him Dick Gadd was CIA.
- 22-24 Mason and Langton.
- 24-29 Other SAT Management. Bastign<sup>a</sup>'s wife, their lawyer; Daphne Bentley, Langton's secretary; VP Mullegan; VP Corson; VP Korth;
- 30-42 Mason's own department, Finance. Their annual reports and Arthur Anderson. SAT has a daily morning "operations meeting", at which some Iran and contra matters came up.
- 43-54 VP Corson's administrative department, which handles government contracts, charters, SAT's personnel, data processing, travel for SAT personnel in Central America. Daisy Suarez = SAT's accountant for 20 years. Mason or Korson handle aircraft acquisition, insurance, bank relations. C&S in Atlanta has a big loan to them.
- 55-63 SAT communications - letters, telexes, telephone, Langton's scrambler.
- 64-71 Ledgers and journal entries. All "ACE" were pulled.
- 71-74 Banco Iberoamerica recap.
- 75-86 14202 ledger, of Daisy Suarez. Invoices, approved, go to accounting for "pass-thru" (of ACE), receive account numbers, and are entered into computer. They are posted to general ledgers and a check is cut. Ledger sheets prepared after books closed for the month.
- 87-91 "Distribution" of amounts among ACE and others.
- 91-98 ACE recap, from wire transfers, and cash receipt forms.
- 99 The split wire: \$242,000 goes to flight revenue and to pass-through account.
- 101-1

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99-103 Ledgers on in-coming amounts are based on cash receipts.

107-111 Invoices to EAST went directly and were paid by check.  
Mason often did not know who was behind.

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1

2 RPTS BOYUM

CONF NO 1 OF 2 CONF

3 DCMN DANIELS

4

5 DEPOSITION OF ROBERT H. MASON

6 (Continued)

7

8 Tuesday, February 3, 1987

9

10 House of Representatives,

11 Select Committee to Investigate

12 Covert Arms Transactions with

13 Iran,

14 Washington, D.C.

15

16 . The select committee met, pursuant to call, at 9:00  
 17 a.m., at Headquarters, Southern Air Transport, Venadades  
 18 Building, 6th Floor, Miami International Airport, Miami,  
 19 Florida. Charles Tiefer, Special Deputy Chief Counsel to the  
 20 Select Committee presiding.

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Partially Declassified/Released on JAN 21 1988  
 under provisions of E.O. 12355  
 by D. Sirko, National Security Council

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21 . Whereupon, ROBERT F. MASON, having previously been  
22 sworn, was called as a witness and resumed testifying as  
23 follows:

24 . MR. TIEFER: This is the resumption of the  
25 deposition that was adjourned yesterday of Robert Mason,  
26 pursuant to House Resolution 12, 100th Congress, first  
27 session.

28 . FURTHER EXAMINATION

29 . BY MR. TIEFER:

30 . Q Mr. Mason, you recall you were testifying under  
31 oath yesterday.

32 . A Yes.

33 . Q You understand that testimony under oath means that  
34 you are bound under penalty of perjury to speak the truth.

35 . A I understand that.

36 . Q Since we adjourned yesterday, have you spoken to  
37 anyone about the deposition except for David Kirstein or  
38 your family?

39 . A Just a quick comment to Bill Langton which was how  
40 did it go, and nothing about the particulars that we talked  
41 about.

42 . Q He said how did it go?

43 . A Yes.

44 . Q And did he say anything else?

45 . A No.

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46 . Q What did you say?

47 . A I said it went fairly well. I said I kept my cool,  
48 I didn't get upset with him although there were times when I  
49 felt like it. That is basically the gist of it. We did not  
50 discuss any of the details.

51 . Q And that was the only person you spoke with about  
52 it?

53 . A Yes.

54 . Q I am going to go through a list of people with you  
55 and ask you whether you know any of them, or have ever  
56 talked to any of them and you could answer yes from the  
57 press, but otherwise not, or not at all, or however you wish  
58 to answer.

59 . A Okay.

60 . Q Rafael Quintero.

61 . A No.

62 . Q Meaning you don't know of him, you have never  
63 spoken to him?

64 . A Correct.

65 . Q Ramon Medina.

66 . A No.

67 . Q Louis Posada Corralles.

68 . A No.

69 . Q Max Gomez.

70 . A No.

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71 . Q Felix Rodriguez.

72 . A No.

73 . Q Edward de Garay?

74 . A No.

75 . Q You have never--you have seen the name Edward de  
76 Garay?

77 . A I have seen the name. I have never spoken to him.

78 . Q In what context have you seen the name?

79 . A I have seen the name in the newspaper--actually, I  
80 ought to back up and tell you that some of these others you  
81 mentioned I have seen, I recognize from seeing them in the  
82 newspaper.

83 . Q I won't test you on who you remember from the  
84 newspaper. I understand that answer.

85 . A de Garay I recognize from the newspaper and also  
86 from having originated the wire transfer.

87 . Q Other than that wire transfer, you have never seen  
88 his name?

89 . A No.

90 . Q Lake Resources, Incorporated.

91 . A No.

92 . Q Corporate Air Services, Incorporated.

93 . A I recognize that name from the newspapers and from  
94 having made wire transfers to that particular account.

95 . Q Have you ever spoken to Edward de Garay?

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96 . A To the best of my knowladga, no.  
97 . Q Airmach, Inc.  
98 . A Airmach, Inc. I have heard of and Airmach was the  
99 company associated with East, I think, that worked the know-  
100 how flights to my understanding.  
101 . Q Stanford Technology Trading, Inc.  
102 . A Yes, from the newspapers and from having called  
103 Dick Gadd at that phone number on one occasion.  
104 . Q When was the occasion you called him there?  
105 . A I was returning one of his phona calls and they  
106 referred me to that particular firm and number. I honestly  
107 don't remember when that took place.  
108 . Q When you spoke to Mr.--to Dick Gadd, where did you  
109 usually call him if you called him somewhere?  
110 . A Generally at his office.  
111 . Q And how many times did that happen roughly? Many,  
112 few?  
113 . A Many end few are relative terms.  
114 . Q Ten, a hundrad?  
115 . A It was more than 10, but certainly much less than  
116 100. -  
117 . Q Albart Hakim.  
118 . A I racogniza that name from the prass.  
119 . Q Otherwisa than the prass?  
120 . A No.

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121 . Q Richard Secord.

122 . A I recognize that name from the press, and--

123 . Q To your knowledge, you have never spoken to him?

124 . A To my knowledge, I have never spoken to him.

125 . Q You have never seen his name on documents that you

126 have dealt with?

127 . A No.

128 . Q Robert Dutton.

129 . A I recognize the name. I have spoken to Bob on a

130 couple of occasions.

131 . Q Where?

132 . A In my office, on one occasion when he stopped by to

133 pick up some cash as he was heading for Central America. I

134 think if there was--I may have met him one other time when he

135 was through here. I don't recall. I never had occasion to

136 call him.

137 . Q You think that is the only time you recall talking

138 to him?

139 . A It is the only time I recall talking to him face to

140 face and I never recall talking to him over the telephone.

141 There was not some reason that I would regularly call him.

142 . Q Did you see his name on any documents?

143 . A No, not that I can recall.

144 . Q When he came by for cash, how did you know that he

145 was an appropriate person to give cash to?

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146 . A I knew, number one, that he was coming because Bill  
147 had told me he was. I did recognize the name because I had  
148 heard it in conversations with Bill.

149 . Q So you had heard his name?

150 . A I had heard his name.

151 . Q And what had Bill told you about him? By Bill, you  
152 mean William Langton?

153 . A Bill Langton, yes.

154 . I don't remember specifically what Bill might have  
155 said, other than he appeared to be the person that was  
156 trying to kind of coordinate the Central American activity  
157 after Dick Gadd looked like he had slipped out of the  
158 picture.

159 . Q Richard Secord's name didn't come up in this  
160 context?

161 . A No, not at all.

162 . Q And did you have any reason to believe other than  
163 that Robert Dutton was the man coordinating the Central  
164 American operation? Do you have any reason to believe there  
165 was someone above him?

166 . A Obviously there had to be.

167 . Q Did you have any concept of who that might be?

168 . A No. Again, you know, my impression was that this  
169 was being done at the request of the government and there  
170 obviously had to be somebody above him. I can't imagine--I

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171 am not going to make that statement because it is a  
172 supposition on my part. I am not answering your question.  
173 . Q I am asking your impression at the time, what was  
174 in your head at the time.  
175 . A I can't imagine a retired--I think he is a general --  
√ 176 who has spent that much time in the military going off and  
177 doing this on his own without having somebody with some  
178 amount of authority giving direction to him.  
179 . Q I understand.  
180 . Yesterday when we spoke about Dick Gadd and you  
181 recited what your predecessor had told you, your impression  
182 was that by Gadd being government connected, you mean you  
183 meant connected to the CIA? Is that also the impression you  
184 had in that time about Bob Dutton?  
185 . A I think by that time my impressions had changed  
186 maybe from a CIA operation to more of a general--I don't  
187 quite know how to phrase this--I still believe that this  
188 operation was being done at the bequest of the government,  
189 but perhaps not the CIA, perhaps it was coming more out of  
190 the White House or what have you.  
191 . Q Did the--go ahead.  
192 . A No. That is it.  
193 . Q I need to place in time, did the time when your  
194 impression that Gadd was coordinating it changed to your  
195 impression that Dutton was coordinating it? Was that June

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196 1986 or before or after?

197 . A It was--if you look at the ACE transfers, there was  
198 a marked difference in what happened in that account at the  
199 end of June and that is kind of when I recall the switchover  
200 taking place.

201 . Q And is that when--there was a change in your mind  
202 from it being perhaps CIA related to being government-  
203 related, but not necessarily CIA? Was that simultaneously  
204 with the switch from Gadd to Dutton?

205 . A I don't know that it was simultaneous. It happened  
206 over time.

207 . Q What caused the change? What occasions or hints  
208 caused the change?

209 . A You are asking me to go through a thought process  
210 that took place over two or three months. I am not sure  
211 there was any one thing. I think it was a collection of  
212 things over time.

213 . Q Can you name some of those things?

214 . A Specifically no, because I think it took place on a  
215 gradual basis as I watched what was happening back and  
216 forth. It did not--when I think of the CIA, I think of cost  
217 operations which are secretive and so forth. This certainly  
218 was out in the open while we maintained a sense of  
219 discretion around it. We didn't go out and talk about it on  
220 the street and so forth.

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221 . As I said yesterday, there certainly was no attempt  
222 within the company to disguise ACE or to--my God, man, when  
223 you park a camouflaged aircraft out on your ramp and work on  
224 it, you are not conducting a covert operation. You see the  
225 traffic that goes up and down 36th Street and around  
226 Perimeter Road.

227 . Q Was there anything in addition to the lack of  
228 secrecy in the matter that made you think that it had  
229 changed from, changed its nature?

230 . A You say changed its nature in my own mind?

231 . Q Yes, in your own mind.

232 . A Specifically, no. I can't pin it down to anything.

233 . Q You can't recall any conversations with any persons  
234 that gave you some information one way or the other?

235 . A No.

236 . Q To go back to people whose names you may, people  
237 you may know or whose names you may have heard in  
238 conversation or seen on company documents or other documents  
239 with which you dealt, Adnan Khashoggi?

240 . A I have seen his name in the newspaper very  
241 prevalently, but that is the only place I have seen it.

242 . Q Donald Fraser.

243 . A No.

244 . Q Earnest Miller.

245 . A No.

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246 . Q Vortex Finances.  
247 . A No.  
248 . Q Euro Commercial Finances.  
249 . A No.  
250 . Q Manucher Ghorbanifar.  
251 . A No. When I say no on these, I mean I may have in  
252 glancing through an article seen one of these, but they are  
253 not familiar to me. It is nothing that I would retain.  
254 . Q Apart from the press.  
255 . A Yes.  
256 . Q Jacob Mimrodi.  
257 . A No.  
258 . Q Al Schwimmer.  
259 . A No.  
260 . Q Amiram Mir.  
261 . A No.  
262 . Q David Kimche.  
263 . A No.  
264 . Q Michael Ledeen.  
265 . A No.  
266 . Q Robet McFarlane.  
267 . A Through the press. Again I have never--it is nobody  
268 I have ever talked to or met.  
269 . Q You have not seen his name or heard his name in  
270 connection with anything done by Southern Air Transport?

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271 . A Oh, sure, I have.

272 . Q Other than in the press, I mean?

273 . A Other than in the press, though, I have not seen

274 anything.

275 . Q John Poindexter.

276 . A Obviously, yes, and the same type of answer. I

277 mean, he has been connected to what you call the problem by

278 the press, but I have never seen anything within the company

279 or heard anything within the company that--

280 . Q Oliver North.

281 . A Same answer on that one.

282 . Q Charles Tyson.

283 . A No.

284 . Q Robert Lilac.

285 . A No.

286 . Q Cyrus Hashimi.

287 . A No.

288 . Q Willard Zucker.

289 . A No.

290 . Q Company DeServices Fiduciaries.

291 . A I have seen that name on a wire transfer that came

292 into the ACE account.

293 . Q And other than that?

294 . A Other than that, no.

295 . Q Shawn Desenoelaw.

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296 . A No.

297 . Q Sheik Musavi?

298 . A No.

299 . Q Udall Corporation.

300 . A Yes, through wire transfers, through a bill of sale

301 that I made out for a couple of Caribou aircraft.

302 . Q Have you ever had any knowledge of any persons

303 connected with Udall Corporation?

304 . A The only person that I can connect with Udall was

305 Dick Gadd because Dick was involved in the purchase of the

306 Caribou aircraft and that is who I sent the bill of sale to.

307 . Q Other than that, you know no other person who might

308 be an officer or an employee or even a clerical worker?

309 . A Anything beyond that would be supposition.

310 . Q Let's go back to Exhibit No. 7 from yesterday.

311 . Let me ask--

312 . MR. VAN CLEVE: Excuse me just a second. Do we

313 have a copy for the witness?

314 . Q MR. KIRSTEIN: Is that this big one?

315 . Q MR. TIEFER: Yes, it is.

316 . MR. VAN CLEVE: At some point this morning I would

317 like to have a couple of copies of this reduced-size

318 document. I thought we asked for that yesterday.

319 . Q MR. KIRSTEIN: But I didn't--I didn't get the thing

320 to get it copied.

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321 . BY MR. TIEFER:

322 . Q Let me ask if you can explain a little about the  
323 way money came in to pay for expenses connected with ACE.  
324 There were a number of wire transfers. Other than wire  
325 transfers, was there payment for ACE in any other way?

326 . A No.

327 . Q And how about East, Incorporated? Was there  
328 payment for East other than wire transfers?

329 . A I go back to what I said yesterday. Payment from  
330 East came only by check. I never recall getting a wire  
331 transfer from East. I thought I was pretty emphatic on that  
332 yesterday.

333 . Q For your benefit, so that you know I am not trying  
334 to lead you into contradictions on the second day of what  
335 you said on the first day, we have obviously not had a  
336 transcript from the first day.

337 . A Sure. I understand that, but we went over that  
338 three or four times yesterday and I thought that I had made  
339 that point.

340 . Q And appreciate your being clear in your own mind so  
341 that the same answer comes back each time.

342 . MR. TIEFER: Looking at Exhibit 7, page 402, the  
343 top page of Exhibit 7, in fact, since I will be referring to  
344 it as Exhibit 7, you might prefer to use the large print.  
345 We understand that Exhibit 7 and the large print that he is

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346 examining is identical.

347 . MR. KIRSTEIN: Right.

348 . BY MR. TIEFER:

349 . Q In the ACE column, one sees a number of figures  
350 that have brackets.

351 . A Yes.

352 . Q For example, on page 402--

353 . A Line 41.

354 . Q --line 41 which has the initial CHTLTR at the left  
355 and you have a bracketed figure.

356 . A Yes.

357 . Q What is that figure?

358 . A That shows an application of funds<sup>d</sup> or receipt of  
359 funds to that particular account.

360 . Q How did those funds come in?

361 . A On this particular one they came in by wire  
362 transfer. They came in, I can tell you exactly what they  
363 are. One was a \$53,000 wire transfer out of the ACE account  
364 in Panama, and the second was a \$11,000 wire transfer out of  
365 the ACE account in Panama.

366 . -They were to reimburse Southern Air Transport for the  
367 moneys that we expended in setting up ACE. It was to  
368 purchase some parts for the first Caribou. The big item in  
369 there was a R-2000 engine for that particular aircraft, and  
370 it was to reimburse us for some expenses that we incurred in

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371 that application.

372 . Q If I can refer to another exhibit, Exhibits 5 and 6  
373 which show disbursements from the ACE account in Panama, as  
374 you recapped them.

375 . Why don't you look at the other one, which is  
376 Exhibit 6.

377 . A Doesn't make any difference because it is going to  
378 be here. There was a wire transfer on the 4th of March for  
379 \$53,268.38, and an additional wire transfer on the 21st of  
380 March for \$11,079.43, which you are going to tell me  
381 doesn't--

382 . Q No, no--well, I am not going to tell you anything,  
383 but I am not interested in small differences.

384 . A There is a small difference, but that is basically  
385 the \$64,000 that is reflected here.

386 . Q By the way, just because I am not going to ask  
387 detailed questions about small differences, could there  
388 under some circumstances be a small difference in what kinds  
389 of things might create a small difference? Are there bank  
390 fees along the way?

391 . A There are bank fees that might enter into that.  
392 There are--obviously there are errors of transcription as I  
393 go from one to the other. If there are small differences,  
394 it is more apt to be bank fees that were taken out along the  
395 way.

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396 . Q Okay.

397 . Let's continue on in Exhibit 7 down the ACE column

398 looking for bracketed amounts.

399 . A Okay.

400 . Q On page 403, there are none.

401 . Correct me if I am wrong in any of these things I

402 am asking questions on.

403 . On page 404, the first bracketed amount appears to be on

404 line 12 opposite THCLCR.

405 . A For \$67,500.

406 . Q Can you explain where that money came from?

407 . A Yes. This had to do with the purchase of the first

408 C-123 and the second Caribou and what it is wire transfers,

409 one for \$475,000 which you see on line 7 of Exhibit 1442,

410 Exhibit 6.

411 . Q Exhibit 6, go ahead.

412 . A Strike the reference to 1442 because we are talking

413 C&S Bank here.

414 . It consisted of three wire transfers, one for

415 \$400,000 that went into C&S; one for \$75,000 that went into

416 C&S, and one for \$200,000 that went into C&S.

417 . Q Now, apart from where those--apart from cash

418 receipts or wire transfer notations, is there a schedule of

419 such transfers into C&S, a recap or any overall sheet that

420 you have produced concerning all such transfers into C&S?

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421 . A I don't know as we actually scheduled them out, but  
422 we do provide a packet of individual wire transfers and  
423 transactions which will trace back to these bracketed  
424 numbers.

425 . Q But to your knowledge have you at any time prepared  
426 an overall recap or overall schedule of wire transfers into  
427 CES related to ACE?

428 . A Again, as a memo-type entry for myself, I probably  
429 did, but I don't--

430 . Q Do you still have that?

431 . A I don't know whether I do or not. I would have to  
432 check. Obviously it wasn't produced in this package of  
433 documents if you don't have it.

434 . Q Well, you can't deduce from me. You don't recall  
435 producing that as part of document production?

436 . A We produced so many documents, I can't remember  
437 what we gave you and what we didn't.

438 . Q Where in your office would you be keeping memoranda  
439 such as the ACE recap and the recap you are referring to  
440 now, in a particular file, are they together or what?

441 . A They could be in a file in my desk.

442 . Q Does that file have a name on it?

443 . A It might say ACE on it.

444 . Q To your recollection, if you have a file with the  
445 name ACE on it such as you describe, have all the documents

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446 in that file been produced to us?

447 . A To the best of my knowledge, all those documents  
448 have been produced to you with--I am not going to say that  
449 because I am being absolute.

450 . Q We are talking now about a schedule which you think  
451 may be in that file, but may not have been produced to us.

452 . A There was--let me answer the question this way, if I  
453 may: This is what was actually charged through to ACE.

454 . Q And you are referring to--

455 . A To the pass through column.

456 . Q The ledger that begins with 402 and we have marked  
457 as Exhibit 7.

458 . A Right. This is what we actually charged ACE with.  
459 I capped a handwritten schedule of obligations, commitments,  
460 if you would, purchase orders and so forth, that I was told  
461 we were going on the maintenance side. It was not all  
462 inclusive, but it was a way of kind of tracking funds to be  
463 sure that we didn't get, that they dint' get ahead of us so  
464 we basically kept up with what was owed to us.

465 . Q Is this a lengthy thing?

466 . A Oh, it is a couple of pages.

467 . Q In your handwriting?

468 . A Yes, but I believe that was produced.

469 . MR. KIRSTEIN: If anything existed in Bob's  
470 handwriting like this, ACE sheet, I am sure we produced it

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471 if it still exists.

472 . MR. TIEFER: Let's continue on with the

473 description.

474 . BY MR. TIEFER:

475 . Q Where were you getting the information that you  
476 were entering by hand?

477 . A Off of purchase orders which had been--what we  
478 actually incurred and we may have issued a purchase  
479 order--bear in mind these are old--we may have issued a  
480 purchase order for a part that we couldn't get so it may not  
481 have ended up in our system and we may not have actually  
482 purchased it because we couldn't get it. We tried to and it  
483 was not available so to draw a correlation between one and  
484 the other is--

485 . Q Do you remember what else was in the file that you  
486 had in your desk marked ACE?

487 . A At one time most of the invoices that appear on  
488 here--

489 . Q Here is Exhibit 7.

490 . A --were in there. Those have since been pulled out  
491 and are segregated in one area because we needed to do that  
492 in order to produce them to you.

493 . Q Do you mean you kept a separate copy other than  
494 once that went through the regular channels for invoices in  
495 the company or did the original invoices in a sense go into

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496 the file you are talking about?

497 . A It would have been a copy because we had to go  
498 through our accounts payable files as such to pull the  
499 original invoices.

500 . Q So in the case of ACE, additional copies were made  
501 and you, of the invoices and you put them in your ACE file.

502 . A Yes.

503 . Q What else would have gone into the ACE file?

504 . MR. KIRSTEIN: Let me just say, that was in  
505 response to these documents request that we have been  
506 getting from the government since December. It wasn't done  
507 before that. I think you are getting confused.

508 . MR. TIEFER: Well, I appreciate the clarification.

509 . BY MR. TIEFER:

510 . Q Is that true, Mr. Mason, that you started putting  
511 those copies in your file late last year?

512 . A Let me answer the question this way.

513 . Q Sure.

514 . A I always maintained a file which had copies of  
515 purchase orders.

516 . Q For ACE?

517 . A For ACE.

518 . Q All along?

519 . A All along.

520 . Q And all along you were making copies of the

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521 originals, the originals were continuing to flow in the  
522 regular channel and you were making copies?  
523 . A No. The original would flow through the regular  
524 channels and I did not get copies of those until we started  
525 producing documents.  
526 . Q So the ACE file did not contain copies--  
527 . A Did not contain copies of invoices.

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528 DCMN GLASSMAP

529

530 . Q Okay. Prior to December of last year, what else  
531 would the ACE file contain?

532 . A It would have contained some of the documentation  
533 we have looked at as exhibits.

534 . Q Such as?

535 . Such as the incorporation papers out of Panama,  
536 such as the wire transfers for--requesting fund transfers,  
537 the bank statements, that type of thing.

538 . Q Anything else?

539 . A That would be pretty much it.

540 . Q Any other notes on your pad, such as notes on the  
541 Robert H. Mason stationery?

542 . A No, I mean, let me clarify.

543 . Q Sure.

544 . A You pulled out one yesterday. When I would call  
545 the bank and I needed to inform Daisey of what funds we had  
546 available, it was not unusual for me to give her a hand-  
547 written note saying "I received this transfer, and this is  
548 what it is from."

549 . Now, why one ended up in the file and the rest of  
550 them didn't, I don't know. I mean, the normal procedure  
551 would have been to have tossed it once it served its  
552 purpose, and once it got to her, it served its purpose.

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553 . Q Who usually threw that out, you or her?

554 . A Daisey. Once it leaves my desk, you know.

555 . Q Other than the things you have named, you don't

556 recall anything else going in the ACE file?

557 . A Specifically, no.

558 . Q Now, we started with a question about whether there

559 was a recap of the C&S wire transfers. You explained to me

560 that there was a listing that you kept by hand of the

561 maintenance charges. I may not have gotten that straight,

562 what I first started asking you about. Was there any recap

563 of the wire transfers into C&S?

564 . A Along side that, if I knew what I was spending or

565 what I was obligating myself to, I also had to kind of keep

566 track of what came in.

567 . Q So it is one the same list.

568 . A So it is on the same list.

569 . Q Did you keep that from the very beginning of the

570 creation of ACE?

571 . A No, I think I picked that up along in April,

572 because it was really, the first Caribou did not come to

573 Miami, so it was after the delivery of it, I guess the first

574 C-123, that we started to incur expense here.

575 . Q Did you ever make copies of it or show it to

576 anybody?

577 . A Yes.

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578 . Q Which?

579 . A I made copies of it, showed it to Bill Langton.

580 . Q You gave him a copy?

581 . A Sure.

582 . Q Did you give copies to anybody else?

583 . A I did not give copies to anybody else.

584 . Q Did you show it to anybody else?

585 . A I don't recall showing it to anybody else.

586 . Q What was the occasion when you gave copies to Bill

587 Langton?

588 . A My recollection is that it was at a time when a

589 question was asked of him as to what we had spent. We had

590 made a request for additional funds, and that was--he just

591 wanted kind of a recap of what had been spent. He came to

592 me and asked for it.

593 . Q And told you what you just said.

594 . A Yes.

595 . Q Do you remember about when that took place?

596 . A I would say June, but that is a real wag.

597 . Q Exhibit 5, which is the recap that comes up until

598 June--you also prepared this in June. Am I correct?

599 . A Yes. Let me say that it goes through June. I

600 cannot tell you when I started it because I don't have my

601 initials or a date on the top, as I do on 1442.

602 . Q You have no recollection of when you were doing it?

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603 . A I really don't.

604 . Q Do you recall why you created that in June or at  
605 some other time?

606 . A The obvious reason for creating this particular  
607 document would be to see where we were with the ACE account.  
608 I could look at a bank balance and say this is, "I got 'X'  
609 number of dollars in there," but what came in and what went  
610 out, you know, well--

611 . Q You were keeping the bank records in the ACE file?

612 . A Yes.

613 . Q And you kept this recap in the ACE file?

614 . A Yes.

615 . Q So it was in a way a more convenient reference  
616 paper than the loose bank records that you had in the ACE  
617 file?

618 . A Obviously.

619 . Q Okay. Now the list that you were describing, the  
620 handwritten list that had both the maintenance charges and  
621 the CES transfers, you said you made copies of that in  
622 response to Bill Langton's request. Is there any  
623 possibility that you received a request that caused you to  
624 create the document that is Exhibit 5?

625 . A That is possible, but I don't recall receiving such  
626 a request.

627 . Q It is possible you received such a request?

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628 . A I am saying it is possible, but I don't recall.

629 . Q Okay.

630 . A Let me just make a statement.

631 . Q Go ahead, sure.

632 . A This particular activity was a very small part of  
633 what went on last year at Southern Air Transport, and a very  
634 small part of the things that I needed to pay attention on a  
635 daily basis, and, you know, to ask me specifically when this  
636 took place, I couldn't tell you. You know, it is February  
637 now, and I can hardly remember what happened through the  
638 month of January.

639 . Q I can only ask you to try to recall what you can  
640 recall.

641 . A Well, it is--

642 . Q What other files besides the ACE file did you keep  
643 in your desk on an ongoing basis?

644 . A I got personnel files in there which had my notes  
645 and my evaluations of people in my department; I kept wire  
646 transfer forms, I kept check request forms, personnel status  
647 change forms. I may have kept certain contract files in  
648 there that we were dealing with on a daily basis, I probably  
649 kept my insurance file in there because I was dealing with  
650 that on a daily basis, I may have kept CES, kept the daily  
651 summary of investments that I make through CES, probably  
652 kept that file in there.

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653 . Q When you say you kept wire transfer in there, you  
654 mean domestic wire transfers?

655 . A No, wire transfer requests. When a wire transfer  
656 is originated here, there is a form that we fill out. I  
657 just don't pick up the phone and call the bank and say  
658 "Make this wire transfer."

659 . Q You mean when Southern Air Transport money is wired  
660 somewhere else?

661 . A Is wired out, it is just a blank request form that  
662 gives Daisey, if you will, the information that she needs in  
663 order to properly book the wire transfer and to tell her I  
664 have taken that money out of the account.

665 . Q What banks do you do your outgoing wire  
666 transferring out of?

667 . A They go out of C&S.

668 . Q Was there any other customer of Southern Air  
669 Transport besides ACE for which you kept a file in your  
670 desk?

671 . A Probably kept a file on the leased 707 that we had,  
672 which we had leased to LAC Airlines because that was  
673 something I tracked on a daily basis. I probably kept a  
674 file on International Aircraft Services because I tracked  
675 these payments fairly carefully. I kept a partial, which  
676 was a rotating file, on log air payments so I would know  
677 what was coming in on a weekly basis. I am sure there are

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678 others, but that is--

679 . Q You mentioned yesterday that IAS is in Ireland?

680 . A Yes.

681 . Q The principal offices. And they use a London bank?

682 . A Yes.

683 . Q Do they have people in the United States with whom

684 you deal, or are their people all overseas?

685 . A We deal--

686 . MR. KIRSTEIN: What is the relevance of IAS?

687 . THE WITNESS: I need to take a break.

688 . MR. KIRSTEIN: You are here two days, this is it

689 for Bob Mason. I think you ought to get through this

690 material, because I think you are wasting a hell of a lot of

691 time on things that are irrelevant. We produced virtually

692 everything. If there are other documents that might exist,

693 we are happy to look for them.

694 . But I don't think internal workings of Southern Air

695 is really what you are here for. You may think is it, and

696 you are welcome to pursue it, but he is not coming back for

697 another day of depositions.

698 . THE WITNESS: I would like to say something, but

699 off the record.

700 . MR. VAN CLEVE: What is the purpose for going off

701 the record? If you would like to say something, let's have

702 it on the record.

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703 . THE WITNESS: Okay. I am really fed up to here and  
704 more with these people, and I am not--I guess I am putting  
705 you in the same boat--coming out of Washington with  
706 preconceived ideas and thoughts that we are running a covert  
707 operation of some sort down here, looking for flies in the  
708 ointment. I am telling you, you ain't going to find it, and  
709 all you are doing is wasting our time, you are wasting your  
710 time.

711 . Where you really ought to be looking is in the  
712 banks of Panama, the banks of Switzerland to find the  
713 answers to your damn questions; and until you get that  
714 through your damn heads, you are just going to be spitting  
715 against the wind for distance.

716 . Now I need to take a break.

717 . MR. TIEFER: We can excuse the witness, but the  
718 record between the counsel has to be clarified. I don't  
719 mind the witness being excused for ten minutes.

720 . MR. KIRSTEIN: Why don't you go ahead. My point,  
721 in lighter terms than Bob, is that these guys are trying to  
722 run a company, they are trying to be helpful to the  
723 committee, we really have made an effort to be helpful to  
724 all the government agencies investigating, and the reason is  
725 because the company has not done anything wrong.

726 . We would like to be able to lead you to really the  
727 sources of what you are looking for, which I imagine are the

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728 Dick Se/cord and Dick Gadd and Oliver North and those  
729 people, but I think that to go through these documents in  
730 exoruciating detail--and I can appreciate your wanting to do  
731 examples here and there to understand how the documents  
732 work--but we do have to run a company. We just can't go on  
733 for weeks like this with people like Bob Mason. That is the  
734 point I am making.

735 . I just want you to know that after today, we really  
736 don't intend to bring him back for more depositions unless  
737 there is some real compelling reasons to do it.

738 . MR. TIEFER: Well, let me respond to several of  
739 those points. You have stated that we will have only two  
740 days for Robert Mason, and he is not coming back.

741 . I have, and no one for the House Committee has at  
742 any time suggested that there is an end point for the  
743 questioning of Robert Mason, and we have at no time made any  
744 agreements or representations that there is a limit of two  
745 days or an end point.

746 . MR. KIRSTEIN: I understand.

747 . MR. TIEFER: That is correct.

748 . MR. KIRSTEIN: That is correct.

749 . You have never set anything.

750 . MR. TIEFER: We can discuss on the record the  
751 reasons why there will not be an end point until we have  
752 completed our inquiries, but I just want the record to be

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753 real clear that this is the first suggestion that there  
754 should be some limit put on the need to pursue all relevant  
755 subjects with Robert Mason.

756 . MR. KIRSTEIM: Well, I have no problem with  
757 proceeding through relevant subjects, but we have spent a  
758 lot of time on things that are irrelevant that will really  
759 not lead anywhere, and it is not the company's business to  
760 participate in a broad ranging inquiry into every aspect of  
761 the company's business. That is not within the scope of the  
762 subpoena.

763 . Now, as I said, if there is some compelling reasons  
764 to go beyond this in terms of the deposition, we are happy  
765 to look at it. But if it is not, we will just have to take  
766 it up with the committee.

767 . MR. TIEFER: The second point I wanted to make was  
768 a particular point with respect to IAS, which is what I was  
769 asking about, that during the testimony yesterday, when I  
770 was asking about where overseas wire transfers had come  
771 from, they had come from very few sources, and IAS was one  
772 of them.

773 . Overseas wire transfers to Southern Air Transport  
774 are very relevant to this investigation. You may prefer to  
775 think that some are clearly irrelevant, but I believe that  
776 any overseas wire transfers to SAT is very essential to this  
777 investigation.

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778 . MR. KIRSTEIN: Well, I don't understand IAS to be  
779 involved at all in the scope of your investigation. I don't  
780 want to, I am not telling you not to answer the questions, I  
781 am not advising him not to answer them. I hope you  
782 appreciate that I have not told him not to answer anything.

783 . MR. TIEFER: I am well aware of the distinction  
784 between a counsel asking the relevance of a question and a  
785 counsel instructing the witness not to answer. You have  
786 asked the relevance of the question, you have not instructed  
787 the witness to refuse to answer.

788 . MR. KIRSTEIN: I am just saying that I just hope  
789 that you can try and focus the thing so we can get it done.  
790 That is really the point of my tirade here.

791 . MR. TIEFER: The third clarification is about  
792 whether the inquiry with Southern Air Transport will be  
793 narrowly focused or more broadly focused. When we were  
794 having a discussion yesterday with Mr. Bastian, Mr. Langton,  
795 and you were present and counsel for the House and Senate  
796 were present, he said some suggestions similar to what you  
797 are saying, namely that the company has a business to run,  
798 that they provided all the information we need.

799 . And at that time I advised him that Congressional  
800 investigations tend to go in depth in matters that are of  
801 particular interest, and Southern Air Transport is of  
802 particular interest. I understand the company's position

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803 that it wishes that the investigation would be narrow, the  
804 position of the House committee is that it is going to go  
805 into a great deal of detail with respect to Southern Air  
806 Transport.

807 . Do you have anything you want to add?

808 . MR. VAN CLEVE: No.

809 . MR. KIRSTEIN: Well, you know, that might be  
810 something we will have to take up with the co-chairmen of  
811 the committee.

812 . MR. TIEFER: Another possibility is that we might  
813 have an off-the-record discussion at some point, and I will  
814 be glad to go into detail, because I think you would prefer  
815 that we had a frank, off-the-record discussion as to why it  
816 is necessary to do this than for me to lay out on the record  
817 a great deal of why we consider it necessary to do that.

818 . MR. KIRSTEIN: I would like to do that because, as  
819 I say, if we can be helpful, we want to be helpful. If  
820 there are things that you are looking for that we can  
821 provide you, we want to provide them.

822 . MR. TIEFER: The particular point at which this  
823 whole discussion took place was where, as you know, we were  
824 discussing a possibility that there is a lengthy memorandum  
825 concerning ACE which was not produced. We will see whether  
826 it has been produced or not. I don't know at this point  
827 whether it was produced or not. I am making no accusations

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828 and have made no accusations yesterday or today about  
829 noncompliance.

830 . But it seems to me that it is inappropriate at the  
831 precise point when an important document kept by Robert  
832 Mason about ACE has been discovered that may not have been  
833 produced to complain about probing inquiries by the  
834 committee.

835 . MR. KIRSTEIM: I think you are taking it out of  
836 context. It was the question about IAS that prompted the  
837 outburst. As I say, we have attempted to produce all  
838 relevant documents. I said that in my letter. I said there  
839 may be other documents that have been missed or misfiled and  
840 that we would be happy to look for them and produce them. I  
841 can assure you if there is another ACE document, we will  
842 attempt to find it and produce it. There is no reason for  
843 us to produce all this and withhold the document he was  
844 discussing, so, you know, if it does exist, we will attempt  
845 to produce it.

846 . MR. TIEFER: And if copies of it were provided to  
847 Mr. Langton, you will produce those copies, too, I hope?

848 . MR. KIRSTEIM: To the best of my knowledge, we have  
849 produced every document that was in Mr. Langton's possession  
850 that is relevant, but we will look again.

851 . MR. TIEFER: You should understand I said I would  
852 hope it would be produced, I have not yet made supplementary

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853 document requests coming out of this deposition. You may  
854 fairly imagine that I would consider such a document covered  
855 by the previous subpoena.

856 . MR. KIRSTEIN: Well, I will--I will ask Bob to look  
857 for that document during the lunch break, because if it does  
858 exist, I think you might want to ask him about it today. I  
859 don't have any problem with that. I would rather not wait  
860 for supplemental requests if there is a relevant document  
861 that we can talk about today.

862 . MR. TIEFER: Good.

863 . MR. KIRSTEIN: I was just saying that if this  
864 document that you have been describing exists, I would like  
865 you to, when we take the lunch break, see if you can locate  
866 it so we can give it to them so if they have questions on  
867 it, they can ask them.

868 . THE WITNESS: Okay.

869 . MR. TIEFER: Are you ready to resume, Mr. Mason?

870 . THE WITNESS: Yes. I apologize for my outburst,  
871 but I mean every word of it.

872 . MR. TIEFER: Not every witness I have examined has  
873 loved me, Mr. Mason.

874 . THE WITNESS: I am sure that is true.

875 . MR. KIRSTEIN: I don't think there is frankly  
876 anything personal about it. I think what Bob is concerned  
877 about is just having the entire U.S. Government bother you

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878 | for two months gets to be a headache.

879 |           THE WITNESS: Yes. Plus the fact that it seems  
880 | like whatever we say shows up in the paper the next day.

881 |           MR. KIRSTEIN: That is not Charles' fault.

882 |           THE WITNESS: That is not him, no.

883 |           BY MR. TIEFER:

884 |           Q We were looking at Exhibit 7.

885 |           A Okay.

886 |           Q I might say that for each entry in the ACE column,  
887 | you were tracing it to some figures that don't obviously  
888 | link up, but when you showed the connections add up to that  
889 | figure. It seemed to me it was very useful to go through  
890 | that.

891 |           We had just done the \$675,000 figure on page 404.

892 |           MR. KIRSTEIN: I don't think we ever actually got  
893 | through explaining what the \$675,000 was for, maybe Bob  
894 | could finish that.

895 |           MR. TIEFER: By all means, go back and complete  
896 | that.

897 |           THE WITNESS: As I said, it is made up of three  
898 | elements, and it ties in on the Exhibit 1442 with a wire  
899 | transfer on April 10 of 1987, which is shown on line seven.  
900 | When the first--\$475,000--when the first C-123 was purchased,  
901 | we were asked to obtain a cashier's check to pay for it, and  
902 | funds were to be transferred into the C&S account. And at

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903 | the same time they were transferring funds for the second  
904 | Caribou.

905 | .           What ended up happening was the wire transfer that  
906 | should have gone to C&S ended up in ACE, and the one that  
907 | should have gone to ACE ended up in C&S, so we were \$75,000  
908 | short in C&S. So that is where the 400 came from, 75,000  
909 | was transferred out of the ACE account to C&S once that  
910 | transfer showed up, and that is shown on--I don't have the  
911 | line number here--but it is shown on 411-86 as a wire  
912 | transfer to SAT. Then the \$200,000 was a payment against  
913 | maintenance.

914 | .           BY MR. TIEFER:

915 | .    Q    And where is that \$200,000 wire transfer shown? It  
916 | is not shown on the ACE recap sheet.

917 | .    A    No, it wouldn't be, because we are talking C&S.

918 | .    Q    It may be useful at this point, I show you a  
919 | document numbered 1079 and ask you if you can identify that.

920 | .    A    Yes, that is the cashier's check that was drawn for  
921 | the purchase of the C-123.

922 | .    Q    The one you were just describing?

923 | .    A    Yes.

924 | .           MR. TIEFER: Let's mark this as the next exhibit.

925 | .           [The following document was marked RHM-20 for  
926 | identification.

927 | .

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929 DCMN QUINTERO

930 . THE WITNESS: I would like to make a further  
931 explanation on this cashiers check, because the remitter is  
932 shown as Udall Research Corporation/Southern Air. This was  
933 paid for with funds that came from C&S, which were wire  
934 transferred into Southeast in order to draw this check.

935 . At the time I obtained it because it was really not a  
936 Southern Air transaction--again, we were accommodating a  
937 customer, tried to get them to put just Udall Research on it  
938 as the remitter. They relented and said, we will put it on,  
939 but we also have to put Southern Air on, because you are the  
940 people that are presenting the check that this is drawn on.  
941 I think that is a very important distinction in this.

942 . BY MR. TIEFER:

943 . Q I don't intend to go over and over what you said at  
944 the FBI. I understand you made a complete explanation of  
945 that to the FBI, am I correct, or some explanation of that  
946 check?

947 . A My recollection of the FBI was they never asked me  
948 about this one.

949 . MR. KIRSTEIN: I don't know. I wasn't there.

950 . THE WITNESS: Oh, that is right.

951 . MR. TIEFER: I don't need to go into that.

952 . We will let the witness confer with his counsel.

953 . MR. KIRSTEIN: Bob is just asking if you would like

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954 us to go through this ACE account, and do like what we did  
955 for the FBI on those lists [REDACTED] and Tel Aviv flights, to  
956 explain what each one of these payments was for.

957 . MR. TIEFER: You understand I intend to make, or it  
958 is possible to make a supplementary document request. But  
959 if you wish to do that, you can see the way in which that  
960 would shorten the examinations.

961 I am not requesting, it but if you are providing it I can  
962 see it would be in your interest to provide it.

963 I am going to put Exhibit 7 aside for the time being.

964 . BY MR. TIEFER:

965 . Q Yesterday we received a document from Southern Air  
966 Transport No. 1821. I ask you if you recognize that?

967 . A Yes, I do.

968 . Q Can you identify?

969 . A Yes, it is a recap of [REDACTED] and Tel Aviv  
970 activity performed by Southern Air Transport. It was  
971 presented by myself on the 22nd day of January, 1987, in  
972 response to a request by the FBI.

973 . Q And what did you use as the underlying documentation  
974 for preparing it?

975 . A I used the cash receipt forms that we keep on a  
976 daily basis and the supporting documentation for those.

977 . MR. TIEFER: By the way, since I have only one copy  
978 of it and I want the witness to be able to use my copy, if I

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979 | could borrow a copy.

980 |           THE WITNESS: I have one here.

981 |           MR. TIEFER: Wonderful.

982 |           BY MR. TIEFER:

983 |           Q    If we could look at the entry on page 1822, number

984 | 8. That refers to figures of \$25,000 and \$50,000. Can

985 | you--I will show you the underlying document.

986 |           A    I am familiar with it.

987 |           Q    Can you explain that transaction.

988 |           A    This came about in August of 1986 and again in

989 | October, while we had no flights to Tel Aviv our crews did

990 | perform some live flights out of Tel Aviv.

991 |           We charged approximately \$25,000 for doing that.

992 |           In trying to pin that down when the FBI was here, I could

993 | not identify a specific wire transfer for that, but Bill

994 | Langton was in on the conversation, and we took a portion of

995 | this \$50,000 transfer that came in shortly thereafter and

996 | assumed that that was, a portion of it was for parts, and a

997 | portion of it was to pay us for that particular activity.

998 | It was not flight activity that would be booked as flight

999 | revenue.

1000 |           Q    So what was the underlying documentation for making

1001 | the division of \$50,000 into \$25,000?

1002 |           A    The underlying--I am not sure there was underlying

1003 | documentation.

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1004 . Q So that was the basis for making that?

1005 . A The basis was that--Bill's reaction was that he told  
1006 the customer that this particular activity was going to cost  
1007 \$25,000; and the money was wire transferred. I don't have a  
1008 transfer for \$25,000 within that time frame.

1009 . Q Where did the other \$25,000 go?

1010 . A It went into the--actually if you look at probably  
1011 the whole \$50,000 went into the ACE account in September.  
1012 It probably all shows up in there.

1013 . Q Perhaps I am missing something. What was the  
1014 distribution?

1015 Am I correct that you took \$50,000 and you are  
1016 distributing it between \$25,000 in one place, and \$25,000 in  
1017 another place?

1018 . A The question that was asked was, you know, where  
1019 does the \$25,000 that you received for this show up, and we  
1020 are saying it shows up in this wire transfer. Because there  
1021 was no flight activity it would be booked entirely--do you  
1022 understand what I mean by booked?

1023 . Q Not entirely.

1024 . A Okay.

1025 It would be put into our records, or recorded in our  
1026 records differently than any of the previous activity  
1027 because it was not our aircraft actually performing the  
1028 flight. It was really kind of like lease-a-crew, if you

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1029 will.

1030 . Q I understand it was a SAT crew, but not a SAT  
1031 aircraft?

1032 . A That is correct.

1033 So what we incurred was some travel expenses and some  
1034 hoteling expenses, and this type of thing connected with  
1035 that. And it would be handled entirely different.1036 . Q And the \$50,000 wire transfer contained \$25,000  
1037 other than for the crew. What was the other \$25,000 for?1038 . A For parts, for maintenance within the--for  
1039 maintenance that we are doing on the aircraft.1040 . Q And was it the aircraft that are in the Central  
1041 American program?

1042 . A Yes, yes.

1043 . MR. TIEFER: Let's mark this document that is SAT,  
1044 page 1921 and 1922 as the next exhibit.1045 [The following document was marked as Exhibit RHM-21 for  
1046 identification:]

1047

1048 \*\*\*\*\* INSERT 2 - 1 \*\*\*\*\*/

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1049           ex21.

1050           BY MR. TIEFER:

1051           Q    I am going to continue showing you some documents  
1052 that were provided to us that you may never have seen  
1053 before, and if you have never seen them before, just say so.

1054           I show you page 743 through 745 and ask you if you have  
1055 seen them before?

1056           I correct that; I believe I have included 746 in that.

1057           A    I don't recall seeing these before.

1058           Q    You can't identify them?

1059           A    No.

1060           Q    That is it for that document then.

1061           Let me show you documents that are pages 904, 937 and 959,  
1062 which may not be--which quite likely are not one document but  
1063 were part of one batch of documents, so the pages are quite  
1064 possibly separate documents.

1065           I would ask you to examine those.

1066           If you are asking whether those are selected pages from a  
1067 larger document, the answer is, yes, I did not copy the  
1068 entire production of SAT and bring it down.

1069           Shall we start with page 904. Can you identify it?

1070           A    This is a bill of sale that I prepared transferring  
1071 the first Caribou from ACE to Udall Corporation.

1072           Q    Can you describe the background that preceded your  
1073 preparing this bill of sale?

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1074 . A If I follow your question, I was asked by Bill  
1075 Langton to prepare a bill of sale for that aircraft to Udall  
1076 corporation and execute it.

1077 . Q Did you take part in the location of that aircraft  
1078 or the negotiations over its purchase?

1079 . A No; I had nothing to do with that.

1080 . Q Did Bill Langton just come to you one day and say  
1081 this, or was it a meeting, or just a little more detail, if  
1082 I might ask?

1083 . A I am thinking he came to me, or called me over to  
1084 his office one day and asked me to do it. I obviously knew  
1085 we had the aircraft. I had paid for it. It was paid for  
1086 out of the ACE account.

1087 . Q Let's back up, and if you might recount the story of  
1088 the purchase of that aircraft.

1089 . A Where do you want me to start?

1090 . MR. KIRSTEIN: To the extent of that you have  
1091 knowledge of it. Bob.

1092 . THE WITNESS: I knew that in November of 1985, that  
1093 we were attempting to locate some aircraft for this  
1094 particular project, obviously I would go down and set up the  
1095 account, and the company, and knew that we were attempting  
1096 to locate some aircraft.

1097 . We had tried two or three different places to obtain  
1098 aircraft. We had, I guess, people in Venezuela for quite a

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1099 while because we understood that there were some C-123s for  
1100 sale down there.

1101           Somehow or other, and I am not sure what the process was,  
1102 they located Caribou in Canada and found out that they were  
1103 for sale. And our people did go up and look at them,  
1104 inspect the records, and so forth, and make an offer on them  
1105 in the name of ACE, which was accepted.

1106           BY MR. TIEFER:

1107           Q    Let me back up; I think I might be able to connect  
1108 this since you place it closely in time with the beginning  
1109 of where you were accounting for yesterday.

1110           As he we left you yesterday, you had gone down to Panama,  
1111 purchased ACE, made the Banco de Iberoamerica account, and  
1112 had just come back to the United States?

1113           A    Yes.

1114           Q    You had intimated yesterday, at one point in that  
1115 discussion, that you showed the documents that you brought  
1116 back concerning ACE to Mr. Langton and Mr. Bastian?

1117           A    Yes.

1118           Q    If we pick up the account, you arrived back in the  
1119 United States; and then what happened?

1120           A    I am not sure I follow what you are asking.

1121           Q    Okay, when you came back to the United States, did  
1122 you--you brought the ACE documents to the firm?

1123           A    Yes.

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1124 . Q And then what happened?

1125 Did you let Mr. Langton know you were back?

1126 . A Yes.

1127 I got back, I think, on a Saturday, and I talked to him

1128 that evening, told him what I had set up. There seemed to

1129 be some urgency on the part of the customer to transfer

1130 funds.

1131 If you look at the Exhibit 5 or Exhibit 6, you will see

1132 that the first transfer went in shortly after I got back in

1133 November because they were again looking for aircraft that

1134 they could obtain quickly.

1135 . Q When you met with Mr. Langton, was Mr. Bastian

1136 present at that meeting; or were there several meetings or

1137 what?

1138 . A I talked with Mr. Langton by phone on Monday. When

1139 I came into the office I did show him the documents.

1140 I believe he passed them on to Mr. Bastian, so Mr. Bastian

1141 could look at them.

1142 . Q Were you present when Mr. Bastian got them?

1143 . A No.

1144 . Q Did you talk to Mr. Bastian at any point about it, I

1145 mean around that time?

1146 . A I don't recall having any specific discussions with

1147 him.

1148 . Q Did Mr. Langton tell you anything more about ACE at

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1149 | that point or what--

1150 | . A Told me to be on the lookout for a wire transfer and  
1151 | let him know when it hit.

1152 | . Q Anything further about what the customer was going  
1153 | to want to do with ACE?

1154 | . A No.

1155 | . Q And a wire transfer, the next thing you knew a wire  
1156 | transfer came in?

1157 | . A A wire transfer came in and, I think, we were aware  
1158 | that it was coming and had called the bank down there to  
1159 | verify that it was in.

1160 | . Q By this, do you mean you telephoned Banco de  
1161 | Iberoamerica?

1162 | . A Yes. Picked up the telephone and dialed the number  
1163 | and talked to the account rep down there.

1164 | . Q What next happened with ACE after you found out the  
1165 | money had been transferred?

1166 | . A Nothing, really. It really--again, I would want to  
1167 | go back and look at Exhibit 5 and 6--but it seems to me that  
1168 | it was dormant. There have been another--I guess there was  
1169 | another wire transfer into it at the end of November, but it  
1170 | really was dormant, I think, until right after the first of  
1171 | the year when a deposit was made on the first Caribou.

1172 | . Q Did you come to know at some point that you--you did  
1173 | not know when you went down to Panama that Dick Gadd would

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1174 want airplanes to be purchased for ACE, did you?

1175 . A Specifically I don't think I knew that, but that

1176 is--I don't recall knowing that. I may have.

1177 . Q When did you find out?

1178 . A Well, I think it was shortly after I got back

1179 because I knew that we had people out looking. Certainly in

1180 the month of December there was a lot of time spent in

1181 Venezuela trying to pick up C-123s.

1182 . Q And how did you know that the people who were

1183 looking for C-123s were doing it for ACE?

1184 . A We certainly didn't have any need for them in our

1185 fleet, so--

1186 . Q Did you have any discussions with anyone who said

1187 who this was being looked for?

1188 . A I may have; I just honestly don't recall.

1189 . Q Do you know who in the firm at this time knew of ACE

1190 besides you and Messrs. Langton and Bastian?

1191 . A Tom Hazlett, because he was with me. I am not sure

1192 who else there was, I don't know.

1193 . Q But the next thing you did besides--you became aware

1194 that people were looking, and you either surmised or were

1195 told that the party they were looking on behalf of was ACE?

1196 . A Well, if I have--I don't know what there was, I am

1197 guessing at a number, \$600,000--sum odd, sitting in the bank,

1198 and I have people out looking for aircraft that I don't need

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1199 in my fleet. It doesn't take a mental giant to figure out  
1200 what is happening.

1201 . Q Okay.,

1202 Just yesterday you made a remark that it was ACE--you  
1203 looked at the general power, and so forth--did you have any  
1204 particular feeling at that time that you were going to be  
1205 involved in the management of what is done with ACE?

1206 . A I didn't really feel I had anything to do really  
1207 with what was happening, and I need to make that  
1208 distinction. If it was ACE--I mean, the documents clearly  
1209 say it.

1210 It was not a SAT subsidiary in any way, shape, form or  
1211 manner. It was a separate company that was set up by an  
1212 individual who went down there to do it and I did it. And  
1213 you know I need to make that distinction very strongly,  
1214 because I don't want qualifications in my audit statement  
1215 saying this is a SAT subsidiary that you are not reporting  
1216 on.

1217 I think you can follow what I am saying.

1218 . Q The more you explain it the better the record is.

1219 . A I did it. If I was asked to do it again, I would do  
1220 it again. I have no regrets that I did it.

1221 You know, if, in fact, I did something wrong, so be it. I  
1222 don't know whether that is really what you are asking me  
1223 but--

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1224 . Q When you say you were ACE, did you consider yourself  
1225 to control the company?

1226 . A I was the only person who had signatory authority on  
1227 the banking account and the company funds.

1228 . Q Did you consider yourself to own the company since--

1229 . A No.

1230 . Q You had the bearer shares for the company in your  
1231 desk?

1232 . A Yes.

1233 . Q And since normally the owner of a company<sup>^</sup> is the  
1234 person who owns the stock, and the person--you can correct me  
1235 if you have different impression--the person who has bearer  
1236 shares is the person in possession of the stock.

1237 . Q Would you explain why you did not think you owned the  
1238 company?

1239 . A I guess if you look at it in that context--

1240 . Q I am not trying to persuade you, I am asking you  
1241 whether you thought you owned it, and if not, why you didn't  
1242 think so.

1243 . A If you look at the circumstances surrounding it, I  
1244 guess all the evidence would point to the fact that since I  
1245 had the share and everything in my possession, I had the  
1246 broad power of attorney, and so forth, that under the law I  
1247 was the owner. I never thought of myself as being the  
1248 owner.

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1249 . Q Okay.

1250 Who did you think of as the owner?

1251 . A I don't know as I every really--if that really

1252 entered my thought process. It really was almost a

1253 situation of ACE owning itself. It is hard to do, but--

1254 . Q You didn't think of Southern Air Transport as owning

1255 ACE?

1256 . A Definitely not.

1257 . Q Did you think of Dick Gadd owning ACE?

1258 . A No, I don't really think I--I don't think I thought

1259 of Dick Gadd as owning ACE.

1260 . Q Did you think of anyone higher than him or the

1261 United States Government owning ACE?

1262 . A Very honestly I don't know I ever went through that

1263 thought process, who owns, who really owns ACE.

1264 . Q Coming back to page 904, is that your signature?

1265 . A Yes, it is.

1266 . Q Where were you when you signed it?

1267 . A I was here.

1268 . Q Do you remember the circumstances after Bill Langton

1269 said would you prepare a bill of sale, did you prepare it

1270 and then sign it, or was there further meetings or

1271 discussions?

1272 . A I think I prepared it, showed it to him and then

1273 signed it.

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1274 . Q Did he tell you to sign it?

1275 . A No.

1276 . Q How did you know to put--how did you know--when you  
1277 prepared it you put a signature line for Robert Mason on at  
1278 the bottom?

1279 . A Yes.

1280 . Q How did you know to put a signature line for Robert  
1281 Mason at that time?

1282 . A I guess I would have to go back to say that he asked  
1283 me to prepare a bill of sale. To me that means prepare it  
1284 and sign it.

1285 . Q Had anyone ever explained to you that you would be  
1286 acting in this fashion on ACE's behalf, that is taking acts  
1287 such as buying airplanes?

1288 . A I think it was part of the--I don't know as anybody  
1289 explained it in conjunction with ACE, but it was part of the  
1290 general overall process.

1291 . Q Well, did you--

1292 . A What are you really asking, you know. I guess that  
1293 is--

1294 . Q- I am looking at a piece of paper that says you  
1295 bought an airplane for a company.

1296 . A No, it says I sold an airplane to a company.  
1297 I transferred an aircraft to a company.

1298 . Q Well, the same thing, that is true.

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1299 . A I was the intermediary. I think they furnished the  
1300 funds. I don't know what the wire transfer forms show. I  
1301 paid for it and I am giving it to them. It wasn't my money  
1302 that paid for it.

1303 . Q You mean, all right, it is a good distinction. You  
1304 sold the aircraft to Udall Corporation; is that what you  
1305 did?

1306 . A Or I transferred it. Let's use the word transfer  
1307 rather than sold because--

1308 . Q Fine.

1309 Had Mr. Langton told you anything about Udall Corporation?

1310 . A No.

1311 . Q How did you know to put that name down?

1312 . A Let me back up and say, I was told to sell it to  
1313 Udall. I would have to go back and look at transfers to see  
1314 if--I don't recall in my own mind when I became aware of  
1315 Udall Corporation.

1316 . Q Or how?

1317 . A Or how.

1318 I may have been aware of it at this particular point in  
1319 time.- I may not.

1320 . Q Do you have any idea how you became aware of Udall  
1321 Corporation?

1322 . A I really think it was through bank transfers. I  
1323 would have to go back and look at who paid for what.

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1324 . Q You mean you have seen their name on wire transfers?  
1325 . A On wire transfer forms.  
1326 . Q Did you have any idea what Udall Corporation was or  
1327 who as behind it?  
1328 . A Nothing other than what we have talked about before  
1329 and the general perceptions I had of the whole thing.  
1330 . Q Let's spell them out with respect to Udall  
1331 Corporation. What was your impression as to who was behind  
1332 it and what it was?  
1333 . A My perceptions for Udall was that it was an  
1334 outgrowth of Dick Gadd's operation.  
1335 . Q And from what did you get that impression?  
1336 . A Well, Dick was very much involved in--I shouldn't say  
1337 very much involved--but was involved in, I guess, in giving  
1338 maybe some direction, and so forth, on the purchase of the  
1339 Caribous.  
1340 . Q You had talked to him before you went down to  
1341 Panama, over the telephone?  
1342 . A Yes.  
1343 . Q Did you talk to him after you came back from  
1344 Panama?  
1345 . A I don't recall having frequent--and frequent is,  
1346 again, a relative word--because I did not talk to Dick  
1347 frequently, but I don't recall having periodic--let me use  
1348 that word--conversations with him until really after the

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1349 first aircraft had been delivered to Central America and  
1350 Dick would occasionally call me for, when he couldn't get a  
1351 hold of Bill, for some help in having our people locate some  
1352 parts, and so forth, for them that they needed.

1353 . 2 I will put the chronology aside and try to get more  
1354 documents in here.

1355 Let's make document 904 as the next exhibit.

1356 . [The following document was marked as Exhibit RHM-  
1357 22 for identification:]

1358

1359 \*\*\*\*\* INSERT 2 - 2 \*\*\*\*\*

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1360 . BY MR. TIEFER:

1361 . Q Looking at page 937, do you recognize that?

1362 . A Yes.

1363 . Q Can you identify it?

1364 . A This is the document we referred to earlier that

1365 said I kept a handwritten running account of where we were

1366 for maintenance and parts.

1367 . Q It says in the upper right corner that this is page

1368 1. To your knowledge were there more pages than that?

1369 . A There was about 4 pages, I believe.

1370 . Q And in speaking earlier you had said that there

1371 were--there might be wire transfers entered on this?

1372 . A I believe there was one of the pages that had

1373 payments coming in so I could--

1374 . Q A later page than page 1?

1375 . A Yes. So I could keep a running total of where we

1376 were. There were, I think, four or five pages in the

1377 package.

1378 . MR. KIRSTEIN: Seven pages?

1379 . THE WITNESS: Oh, there were seven pages.

1380 . MR. TIEFER: I did not bring with me copies of the

1381 pages after 937, as you see I made excerpts from this part

1382 of the file.

1383 . MR. KIRSTEIN: It starts on page 936.

1384 . THE WITNESS: And 936 is the page that I referenced

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1385 that has wire transfer information as opposed to, it is kind  
1386 of a summary page.

1387 . MR. TIEFER: It might well make a coherent record  
1388 if we put this aside and when you can, make copies of these  
1389 pages so we can put the whole document in. I can have him  
1390 identify the single page that I brought down. Let's put  
1391 that aside and do that a little latter.

1392 As you can see from the numbers it was in the middle of a  
1393 set of documents concerning purchase of this aircraft.

1394 . BY MR. TIEFER:

1395 . Q Looking at page 959, can you identify it?

1396 . A That is the delivery receipt for the second  
1397 Caribou.

1398 . Q It has Franklin Zerba's name. Can you describe how  
1399 Franklin Zerba's name came to be on this?

1400 . A Frank Zerba was kind of a, was hired as a manager  
1401 of the Fort Wayne hub for Burlington for us Burlington for  
1402 us but is retired, is a retired military person. And he was  
1403 sent up to Canada to accept delivery of the first and second  
1404 aircraft, and he was the person in position up there to sign  
1405 documents.

1406 . Q Did he have other things to do with ACE than this  
1407 particular purchase?

1408 . A No, the only thing he was involved in was the  
1409 purchase of the two aircraft.

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1410 . MR. TIEFER: Let's mark page 959 as the next  
1411 document.  
1412 [The following document was marked as Exhibit RHM-23 for  
1413 identification:]  
1414  
1415 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*/

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1416 DCMN SPRADLING

1417 . MR. KIRSTEIN: While we have a moment, the pages we  
1418 were looking at, the ledger sheets that we held off on, you  
1419 said they were in the middle of that file. Those are the  
1420 way we found them in Bob's files, we didn't shuffle anything  
1421 up. It was just, he just had thrown them in there that way  
1422 and that is how we produced them.

1423 . MR. TIEFER: I appreciate the clarification.

1424 . BY MR. TIEFER:

1425 . Q I show you pages 735 and 736 and ask if you can  
1426 identify them?

1427 . A These are not invoices that I have ever seen  
1428 before. I can identify a total at the bottom of 735, as  
1429 being the total of a wire transfer that was made to the ACE  
1430 account in Panama.

1431 . Q You are referring to the sum of \$102,000?

1432 . A \$102,411.57 plus or minus.

1433 . Q Let's stay with 735 and then we will go on to 736.  
1434 Does the--there is some handwriting in the lower left corner,  
1435 do you recognize that handwriting?

1436 . A No, I don't.

1437 . Q While you may never have seen this before, do you  
1438 have any knowledge of the creation of the document, of a  
1439 document such as this?

1440 . A No, other than I would be notified out of Dick

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1441 Gadd's office that a wire transfer was on its way to ACE to  
1442 pay for monthly operations, payroll, what have you, and I  
1443 should be looking for it and out of that I needed to  
1444 transfer money to, generally to Corporate Air in order for  
1445 them to pay.

1446 . Q Were there people in Dick Gadd's office other than  
1447 Dick Gadd that you talked to?

1448 . A The only other person I would talk to was Cindy  
1449 Dondlinger who was his controller.

1450 . Q Did you talk to her often?

1451 . A Periodically. By periodically maybe a couple times  
1452 a month. We had not necessarily in relation to this, we  
1453 would probably have one conversation a month in relation to  
1454 this, although we did run into some problems getting wire  
1455 transfers, getting reimbursed, and I might have more  
1456 conversations with her trying to trace the origins of wire  
1457 transfers so that we could find out what happened.

1458 . Some of these later transfers for operational  
1459 expenses would get hung up in the banking system or weren't  
1460 made for whatever the reason was, for as much as 3 and 4  
1461 weeks. This is one case in point which came in extremely  
1462 late. I think we chased this one for about three weeks.

1463 . The other thing that, the other conversation I had  
1464 had with Cindy is over the MHAO flights because we were  
1465 having trouble getting paid. I hate to use the word we were

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1466 being stiffed by the government, but that is really what was  
1467 happening.

1468 . Q Other than Cindy Dondlinger, either from talking to  
1469 Dick Gadd or from talking to her or from talking to anyone,  
1470 did you have any knowledge of anybody else who worked for  
1471 Dick Gadd or with Dick Gadd?

1472 . A I need clarification on the question. When you say  
1473 worked for or with Dick Gadd.

1474 . Q Cindy Dondlinger, you understand she worked for  
1475 Dick Gadd?

1476 . A In this office, yes.

1477 . Q Did you know of anyone else who worked in that  
1478 office?

1479 . A No.

1480 . Q Did Cindy Dondlinger answer the phone if you called  
1481 up there?

1482 . A No.

1483 . Q Who answered the phone?

1484 . A I don't recall. There was a receptionist of some  
1485 sort.

1486 . Q Other than Cindy, the receptionist and Dick Gadd,  
1487 did you ever hear a voice at that office when it called or  
1488 when you called or when it called you?

1489 . A Not that I can--Cindy and Dick, and whoever was  
1490 answering the phone, be it a receptionist or somebody else

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1491 are really the only people that I have ever talked to up  
1492 there.

1493 . Q Leaving aside the question of whether Dick Gadd  
1494 reported to people above him, or worked with people say  
1495 outside the United States, is it your sense that the office  
1496 that you were communicating with was a three-person office?

1497 . A No, I think there were more people than that. I  
1498 had no sense that it was only a three-person office that I  
1499 was talking to. I have never been there, so I don't know.

1500 . Q Why did you have a sense that there were more than  
1501 those three people there?

1502 . A Well, generally it seemed like when I called up  
1503 there I would get a receptionist and generally you don't  
1504 have a receptionist for a three-person office.

1505 . Q Other than that, did you have any reason to think  
1506 there were more than three people there?

1507 . A No.

1508 . Q Did you ever see any paper produced that suggested  
1509 there were any people there other than those three?

1510 . A There were--yes. But I am not talking office  
1511 employees now.

1512 . Q Okay.

1513 . A We had, Dick had a contract with the government  
1514 that required the use of a Hercules aircraft.

1515 . Q Do you know the MHAO or another contract?

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1516 . A Another one, okay, that was an on-call contract.

1517 . Q Can you explain what an on-call contract is?

1518 . A The government says we need your aircraft at such

1519 and such a time, and you show up with it.

1520 . Q Okay.

1521 . A And when that happened, Dick had his own crews on

1522 the aircraft. So from that standpoint I knew there were

1523 more people connected with his organization. We would use

1524 his crews when we were short and they had availability. We

1525 would hire them in on a contract basis. So, you know, I

1526 knew there was more than Dick and Cindy in his organization.

1527 . Q Okay.

1528 . I gather from what you are saying you didn't know

1529 who were in those crews. Is there someone at SAT--you can

1530 correct me if I am wrong--do you not know or is there someone

1531 at Southern Air Transport who would know who was in those

1532 crews?

1533 . A I can tell you who was in those crews.

1534 . Q Please do.

1535 . A Buzz Sawyer was one.

1536 . Q Thank you.

1537 . A I cannot think of what his first name was, Ellis

1538 von Haven.

1539 . Q Von Haven.

1540 . A My recollection is there were two crews. I don't

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1541 Know the other names.

1542 . Q Who at SAT would know who was in those crews?

1543 . A Dave Mulligan probably, if you want to talk to him.

1544 . Q That may well suffice, but who else besides Dave

1545 Mulligan?

1546 . A Probably the people over in dispatch. I know in

1547 accounting if I wanted to go back and dig out an old

1548 invoice, I can tell you who we were being charged for. I

1549 just don't recall the names.

1550 . Q Before I beat around the bush about this contract,

1551 is this contract of a sensitive nature performing for the

1552 military?

1553 . A Yes.

1554 . Q Then it would be better discussed when we were

1555 in--would you prefer discussing it--

1556 . A It no longer exists. Dick no longer has it. Let

1557 me put it that way.

1558 . Q Keeping in mind that this transcript is not

1559 classified and I do not want this to become a classified

1560 session, is there anything further you can say about that

1561 contract?

1562 . A No, there is nothing further I want to say about

1563 it.

1564 . Q Without describing the contract, can you identify

1565 the office and the military that one could go to for further

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1566 information about it?

1567 . A I could.

1568 . Q Would you do so?

1569 . THE WITNESS: Do I need to answer that? This is  
1570 really treading on some really sensitive ground.

1571 . MR. TIEFER: Let's back up.

1572 . MR. KIRSTEIN: I don't think he should answer that  
1573 on the record here. First of all again, I am not--

1574 . MR. VAN CLEVE: We appreciate your concern.

1575 . MR. TIEFER: I will withdraw the question. I  
1576 believe I showed that I was feeling my way around not to  
1577 create a classified transcript.

1578 . THE WITNESS: I probably have already said more  
1579 than I should on it.

1580 . MR. TIEFER: Let's go back to the invoices.

1581 . BY MR. TIEFER:

1582 . Q Did you ever prepare invoices like this?

1583 . A No.

1584 . Q You did?

1585 . A No.

1586 . Q No.

1587 . Do you know anyone who prepared invoices like this?

1588 . A If you are asking me if I have firsthand knowledge,  
1589 no. I can tell you who I think prepared them.

1590 . Q Sure.

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1591 . A I think Cindy Dondlinger prepared them.

1592 . Q Why do you think so?

1593 . A Simply because I would get a phone call from her

1594 telling me what the--what both sides of the equation were,

1595 what needed to be transferred and what was coming in.

1596 . Q Just so we have a clear record, looking at 736 as

1597 well as 735 that is also a document you have never seen

1598 before?

1599 . A No, no.

1600 . Q Let's mark 735 and 736 as Exhibit 23.

1601 . [The following documents were marked as Exhibit

1602 RHM-23 for identification:]

1603

1604 . \*\*\*\*\* INSERT 2A-1 \*\*\*\*\*

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1605 . MR. TIEFER: The witness has not identified them  
1606 but he has given some information of pertinence.

1607 . BY MR. TIEFER:

1608 . Q During the break, Mr. Kirstein has made for our  
1609 benefit a copy of pages 936 through 942, and I will ask Mr.  
1610 Mason, if you can identify them.

1611 . A These are the handwritten sheets that I referred to  
1612 earlier that I kept kind of tracked where we were, parts  
1613 purchases and repairs for ACE. If you look at 936 I told  
1614 you I had tracked receipts or had made a handwritten  
1615 notation and that is what you see in the lower part of the  
1616 page.

1617 . Q Can you read some of the figures on that?

1618 . A Well, it looks like it is 200,000, 150, 25, 200, I  
1619 cannot read the other one but it looks like it totals  
1620 \$700,000.

1621 . Q Did you do--go ahead.

1622 . A And that--the upper portion refers to expenditures  
1623 that we had obligated ourself to on their behalf.

1624 . Q Turning to a page that has all the column headings,  
1625 just so we can get the significance of each column heading,  
1626 page 939.

1627 . A Yes.

1628 . Q Would you explain column by column what each column  
1629 signifies?

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1630 . A The first column is the vendor, the second is an  
1631 invoice number if it had been invoiced, the third column is  
1632 the purchase order that was issued for that particular item,  
1633 the next column is the amount, and then at one point in  
1634 time, I am not sure I carried this all the way through, I  
1635 attempted to break it down as to whether it applied to the C-  
1636 123 or the Caribou.

1637 . Q Now, there are no dates on this sheet. Do you have  
1638 a sense as to--

1639 . A Yes, there is, if you will look at the cover sheet,  
1640 the cover sheet does not have a date at least that I can  
1641 see. If you look at 936 you can see a 937 you can see a  
1642 date of 6-3.

1643 . Q And the next thing is--

1644 . A That is my initials, RHM.

1645 . Q What does the date signify?

1646 . A That is the date that I prepared or at least  
1647 started it. It looks like, just looking at it, like there  
1648 was a continuation. I guess what I am saying is there were  
1649 entries made after 6-3 but that was the date the original  
1650 portion of the document was prepared.

1651 . Q Looking at 939, do you see a date in the upper  
1652 right corner?

1653 . A Yes, 6-3.

1654 . Q What does that mean, that you prepared all the

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1655 first three pages by that point?

1656 . A On the same day.

1657 . Q I see the same date on the 4th page.

1658 . A Right.

1659 . Q And I see the same date on page 942.

1660 . A That is correct.

1661 . Q I see 942 says page 2 on it. Earlier pages say

1662 page 4. Is it possible that--

1663 . A These are out of sequence.

1664 . Q Okay. I wonder, there are numbers on page 1, page

1665 3, page 4 and page 2. I wonder if you can tell from looking

1666 at them which page numbers the unnumbered pages are?

1667 . A Page 1 as you say is numbered. The following page

1668 which has no page on it follows--is a sequential page to page

1669 1. So from that standpoint it is in order.

1670 . Q Would it be fair to call it page 1A or something

1671 like that?

1672 . A You could call it 1A.

1673 . Q That is 938.

1674 . A Yes.

1675 . Q 939 says page 3.

1676 . A Right.

1677 . Q 930 says 4.

1678 . A Right.

1679 . Q 941?

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1680 . A 941 would be a continuation of page 4, so you could  
1681 call it page 5 or 4A.

1682 . Q 936, which is the first page in this sequence and  
1683 which has the receipts on it, you think of as a cover page?

1684 . A It is a summary at some point in time and I cannot  
1685 detail that. It actually is a summary as of--

1686 . MR. TIEFER: Off the record.

1687 . [Discussion off the record.]

1688 . MR. TIEFER: Back on the record.

1689 . MR. TIEFER: Let's just mark the document that  
1690 begins on page 936 and continues to 942 as the next exhibit.

1691 . [The following document was marked as Exhibit RHM-  
1692 24 for identification:]

1693

1694 . \*\*\*\*\* INSERT 2A-2 \*\*\*\*\*

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1695 . BY MR. TIEFER:

1696 . Q I show you a document that begins on page 725 and  
1697 continues through 734. My only question to which there  
1698 might be a quick answer is, have you ever seen it before?

1699 . A No.

1700 . Q Let me go to a document that you probably have  
1701 seen. I show you--I would like to continue with the  
1702 examination, your counsel can show you other documents  
1703 later--

1704 . THE WITNESS: Do you have that?

1705 . BY MR. TIEFER:

1706 . Q I show you document numbered 774 and ask you if you  
1707 have seen it before?

1708 . MR. VAN CLEVE: I want to be clear on the witness'  
1709 testimony. He testified he had not seen this document  
1710 previously?

1711 . THE WITNESS: No, I had not seen it. I have not  
1712 seen this one either.

1713 . BY MR. TIEFER:

1714 . Q What I am going to try to do because this document  
1715 has the Airmach head at the top, is try to figure out what  
1716 documentation in connection with Airmach you are familiar  
1717 with. So I am going to show you a series of documents until  
1718 we come up to one that you are familiar with.

1719 . A Okay.

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1720 . Q I show you 775.

1721 . A No.

1722 . Q I show you page 741 and 742.

1723 . A I have not seen that.

1724 . Q Pages 738, 739 and 740?

1725 . A I have not seen that.

1726 . Q Page 737.

1727 . A No.

1728 . Q Pages 714, 715 and 716?

1729 . A No.

1730 . Q 719 and 720?

1731 . A No.

1732 . Q 717 and 718?

1733 . A No.

1734 . Q 721?

1735 . A No.

1736 . Q Do you recognize the handwriting?

1737 . A No, I don't.

1738 . Q In looking at it do you have any idea who would

1739 have prepared that?

1740 . A I don't. I don't believe it was prepared in this

1741 office. It doesn't--it doesn't track with anything that--

1742 . Q Well, before we give that up do you have a sense as

1743 to where outside of this office it might have been prepared?

1744 . A My assumption is that it would have been prepared

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1745 in Dick Gadd's office.

1746 . Q What in the document--are there any indications that  
1747 would suggest that?

1748 . A That was who the MHAO contract was run, at least as  
1749 far as we were concerned.

1750 . Q Other than the subject? Is there anything about  
1751 the format?

1752 . A It is not a format that I have, it is not a format  
1753 that I have seen.

1754 . Q 711, 12 and 13?

1755 . A I don't recall seeing this particular letter but  
1756 the substance of the letter I do recall seeing some numbers  
1757 one.

1758 . Q Then this might be a useful place since we have  
1759 found the first flash of recognition to back up and say you  
1760 earlier indicated that you had some working relationship, at  
1761 least at the financial end with a contract connected with  
1762 Airmach and MHAO. Could you explain what you were doing and  
1763 how early that started?

1764 . A It started--I want to say it started in late March  
1765 or April of 1986 when we were attempting to reconcile what  
1766 we had done for MHAO and to obtain payment.

1767 . Q You had earlier said that although you wouldn't  
1768 want to use such terms, the contract involved someone being  
1769 stiffed by the government.

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1770 . A Yes.

1771 . Q Okay. How did it come about that you participated  
1772 in an effort to rectify that injustice?

1773 . A Because naturally it fell within my department to  
1774 collect funds that are due us. We had as I think I  
1775 testified yesterday, before going to Central America because  
1776 the area we were flying into was excluded under our  
1777 insurance policy as a war risk area, we needed to obtain  
1778 advance permission and pay an additional premium to fly into  
1779 that area. And this seemed to be causing some problems with  
1780 it.

1781 . We had a competitor who would fly without charging  
1782 an additional amount for war risk.

1783 . Q Who is that?

1784 . A Who is it?

1785 . Q Yes.

1786 . A I understand it was Mexk Air. I am giving you  
1787 third-hand information this and I want it to be recognized  
1788 as third-hand but we understand that they were flying down  
1789 there without war risk coverage because their coverage was  
1790 combined in Canada and the Continental United States. We  
1791 were not willing to do that. We were not willing to put our  
1792 asset on the line to fly into an area where we did not have  
1793 insurance coverage.

1794 . Q Do I gather that because you came into it only when

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1795 that issue arose, that the arrangements on the contracts  
1796 were being made in some other department?  
1797 . A Really I would not be involved in the contracting  
1798 arrangements.  
1799 . Q Whose department would be involved in it?  
1800 . A I think a lot of these were coordinated through  
1801 Bill Langton. My recollection is Bill would give us the  
1802 number that we needed to bill for that particular flight,  
1803 although I eventually learned the formula that it was based  
1804 on, given the number of hours of flying I could go ahead and  
1805 generate the billing.  
1806 . Q Would Dave Mulligan's department have been involved  
1807 in the contract?  
1808 . A No. To the best of my knowledge. I see no reason  
1809 why they would have been.  
1810 . Q Did you have an understanding as to what the  
1811 contractual relationship was, whether it was directly  
1812 between SAT and the government or was between the government  
1813 and Airmach and SAT was a subcontractor?  
1814 . A We were a subcontractor in the arrangement. That  
1815 was my understanding.  
1816 . Q And who did you have that understanding from?  
1817 . A I think it came out of conversations with Bill. I  
1818 knew I wasn't billing the government for them. I knew I was  
1819 billing East, Inc.

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1820 . A So that I understand clearly, when you earlier said  
1821 that someone was being stiffed by the government, was it  
1822 technically that the government was failing to pay Airmach  
1823 and how did it come about that you had an interest in that?  
1824 . A Airmach per my conversations was not being paid by  
1825 the government because they had these certain problems with  
1826 the contracts, i.e., insurance, there were a couple of  
1827 positioning charges that they were questioning and so forth.  
1828 Rather than paying the undisputed amount nothing was  
1829 happening. This led to my conversations with Cindy on it.

1830 . Q Did payments come from Airmach to Southern Air  
1831 Transport?  
1832 . A Actually they came from East to Southern Air  
1833 Transport in the form of checks.

1834 . Q Do you know what bank those checks were drawn on?  
1835 . A I don't.

1836 . Q They would be mailed to you?  
1837 . A They would be mailed to us.

1838 . Q And when this issue arose concerning war risk  
1839 insurance reimbursement, did this cause East to stop sending  
1840 you checks?  
1841 . A The issue actually arose after we had completed the  
1842 flights. We had performed the service. We were just not  
1843 getting paid for it.

1844 . Q And just how did East pay you? Was it paying you

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1845 in increments periodically and they stopped or was there an  
1846 expectation to get a lump sum payment?

1847 . A My recollection is a little fuzzy on this but my  
1848 recollection is we got a couple of payments early on, then  
1849 everything stopped until we finished the flights and then we  
1850 got one or two large checks through but very much after the  
1851 fact. Most of the service was performed in the month of  
1852 March and I think it was May when we finally got the first  
1853 sizeable payment on it.

1854 . Q A number of these letters as you see have the name  
1855 of the director of MHAO, Robert Duenling. Did you hear his  
1856 name mentioned in this?

1857 . A I heard his name mentioned once or twice.

1858 . Q Do you remember anything that was said about him or  
1859 anything he had said?

1860 . A No, I don't.

1861 . Q Now, the page that you recognize some figures on  
1862 was page 711. Without getting into the details of the  
1863 issue, could you generally describe what it is you  
1864 recognize?

1865 . A I recognized the fact that there was an unpaid  
1866 balance for insurance, I recognized the fact that there was  
1867 a positioning surcharge that we were not paid for. I am not  
1868 sure what the sortie surcharges are. Evidently another item  
1869 in relation to the February 19th and 20th flights. I

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1870 recognize that at least the first two are items that I was  
1871 aware of that were in disagreement.

1872 . Q Now, you previously said that you spoke to Cindy  
1873 Dondlinger in this connection and I am asking you again a  
1874 question I have asked you before, do you remember anyone  
1875 else at Airmach or Dick Gadd's office besides Cindy  
1876 Dondlinger?

1877 . A Cindy is the one I would have gone to. Cindy is  
1878 the one who would have tried to evolve it with NMAO.

1879 . Q So you don't recall anybody else?

1880 . A There was nobody else that I talked to.

1881 . MR. TIEFER: Let's mark pages 711, 12 and 13 as the  
1882 next exhibit, Exhibit 25.

1883 . [The following document was marked as Exhibit RHM-  
1884 25 for identification:]

1885

1886 . \*\*\*\*\* INSERT 2A-3 \*\*\*\*\*

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1887 . BY MR. TIEFER:

1888 . Q I show you page 710 and ask if you can identify it

1889 or if you have ever seen it before?

1890 . A No.

1891 . Q Page 708?

1892 . A No.

1893 . Q Do you recognize the handwriting?

1894 . A No.

1895 . Q 709?

1896 . A Looks like the same person that did 708 but I don't

1897 recognize it.

1898 . Q I show you some pages, 705 and 706, do you

1899 recognize those?

1900 . A I have seen this before.

1901 . Q Can you identify it?

1902 . A It is a telex that actually looks like it was sent

1903 in response to the last exhibit, Exhibit 25, when I said I

1904 recognized the numbers on there.

1905 . MR. TIEFER: Let's go off the record a second.

1906 . [Discussion off the record.]

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1907 RPTS BOYUM

1908 DCMN STABNER

1909

1910 . Q Examining the pages 705 and 706, can you explain  
1911 the background or how you came to be familiar with it?

1912 . A This was in response to, as I said, the prior  
1913 exhibit, I am familiar with what went into the insurance  
1914 portion of it because that was information that we went back  
1915 and obtained from our files or at least I reported to the  
1916 insurance company.

1917 . Q Who did you provide that information to?

1918 . A Mr. Langton.

1919 . Q Now, are you aware--were you aware that telexes were  
1920 sent between Southern Air Transport and Airnach?

1921 . A I sent, probably sent one myself which summarized  
1922 some block hour activity on these flights, so, yes, I am  
1923 aware that telexes were sent.

1924 . Q I see on the page 705, the second line has the  
1925 initials ANMC; do they have any significance to you?

1926 . A Yes.

1927 . Q Could you explain their significance?

1928 . A Yes. If you look at the first series of digits,  
1929 the 292848, is the telex number for Airnach, and ANMC UR is  
1930 what is called the answer-back which indicates that you,  
1931 when you file on that telex number that comes up and

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1932 | indicates that you have the right party. If you look at  
1933 | telexes we have sent, you will see the same type of thing on  
1934 | it.

1935 | . Q So it is of significance that you just remember  
1936 | using that particular set of letters for--

1937 | . A I don't remember what the telex number is for  
1938 | Airmach, but I am telling you that that is what that--that is  
1939 | the telex number and the answer-back which is a standard  
1940 | feature in any telex.

1941 | . Q Have you ever heard the name American National  
1942 | Management Corporation?

1943 | . A Yes.

1944 | . Q In what context?

1945 | . A I have to say that I think my awareness of that  
1946 | came out of a newspaper article in reference to Mr. Gadd and  
1947 | that being one of his companies. I am trying to think what  
1948 | EAST is an acronym for and I don't recall. I don't know  
1949 | whether that was it or whether it was something else.

1950 | . Q Other than through the press, did you--

1951 | . A No.

1952 | . Q Okay.

1953 | . MR. TIEFER: Let's mark that as the next exhibit.

1954 | . [The following document was marked as Exhibit RHM-  
1955 | 26 for identification.]

1956 |

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1957 \*\*\*\*\* INSERT \*\*\*\*\*

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1958 . BY MR. TIEFER:

1959 . Q I show you pages 703 and 704.

1960 . A No.

1961 . Q Do you recognize those?

1962 . A I have not seen them before.

1963 . Q I show you page 707.

1964 . A Yes.

1965 . Q Can you identify it?

1966 . A Yes, this is a--looks like a handwritten note that I

1967 prepared and it looks to be summarizing the expenditures

1968 that we had made to date. In fact, looking at it, I think

1969 it would probably tie back into one of the prior exhibits, I

1970 don't remember what I copied, David.

1971 . MR. KIRSTEIM: This one, exhibit 24.

1972 . THE WITNESS: Yes, let me take a look at this. I

1973 am going to take that back, it does not. It had to be

1974 sometime after that.

1975 . BY MR. TIEFER:

1976 . Q Well, if you--

1977 . A Anyway, it was a handwritten note that I gave to

1978 Mr. Langton at his request wanting to know what we had

1979 expended. I don't know what he has--he has a date of 6-30-86

1980 on it. That is not my handwriting.

1981 . Q When you say what you had expended in connection

1982 with what?

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1983 . A With Miami base maintenance or parts purchases for  
1984 support of the Central American aircraft.

1985 . Q Would all those expenditures have been ACE related  
1986 in your accounting system?

1987 . A Yes.

1988 . Q Okay.

1989 . A What we are really saying is we need some money,  
1990 guys, we are supporting your operation and that is not the  
1991 deal.

1992 . Q Do you remember why this came up or when this came  
1993 up or why it came up when it did?

1994 . A It probably came up because in passing Bill in the  
1995 hall, I had said in my own mind, we are getting close to the  
1996 wire or we are over it and we need some more money in order  
1997 to keep the funding up on this.

1998 . Q I think it didn't come down from above, it came up  
1999 from yourself?

2000 . A I think it may very well have come up from me.

2001 . Q Okay.

2002 . A As long as I owe you money, I am in a pretty good  
2003 position, or as long as I am working ahead of the game, I am  
2004 okay; but when I let you get ahead of me then I got a  
2005 problem.

2006 . That is what happened and at this point in time we  
2007 do have a problem because it never was cleared up. It

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2008 probably never will be cleared up.

2009 . MR. TIEFER: We are off the record.

2010 . [Discussion off the record.]

2011 . BY MR. TIEFER:

2012 . MR. TIEFER: Back on the record.

2013 . BY MR. TIEFER:

2014 . Q We are looking at page 707. I have asked you

2015 before, perhaps studying more now, you can have any sense at

2016 all as to whether you prepared this? I realize the date of

2017 June 30 you said is not in your handwriting, but as to

2018 whether this would have generally been prepared in or around

2019 June of '86?

2020 . A It was prepared in and around June of '86. It was

2021 prepared--going back to the prior exhibit, it was prepared

2022 after June 3 but sometime before the end of June.

2023 . Q Now, I don't want to--

2024 . A Not the last exhibit.

2025 . MR. KIRSTEIM: Exhibit 24.

2026 . MR. TIEFER: Documents 924 through 932.

2027 . THE WITNESS: Right.

2028 . BY MR. TIEFER:

2029 . Q And that you testified the date of June 3 on that

2030 had indicated that it was probably prepared by you June 3 or

2031 at least a number of the pages in it were prepared June 3?

2032 . A Well, yes.

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2033 . Q I am going to show you again exhibit 6, page 963.  
2034 I do not wish to redundantly question you. I have asked you  
2035 several times if you could place that as to why it was  
2036 prepared. I bring it up only because that has a date of  
2037 June 86 and we have looked at two other handwritten  
2038 documents that you prepared that seem both to have been June  
2039 86. Can you explain that in connection with these two  
2040 documents? Would there have been concerning creation of  
2041 these other two documents that would have lead you to create  
2042 that ACE Iberoamerica recap.

2043 . A It may have been in an outgrowth, and again, I am  
2044 speculating.

2045 . Q I am looking to refresh your recollection.

2046 . A It may have been in response to this which says  
2047 where are we on this side, maybe we ought to prepare  
2048 something on the Panamanian activity and just see where we  
2049 are in that and what has happened to recap it.

2050 . This particular document actually was never--

2051 . Q You mean the recap of Iberoamerica?

2052 . A Yes. That was never passed on to anybody.

2053 . Q If you look back at the same time at page 707, it  
2054 says received to date \$375,000.

2055 . A Right.

2056 . Q Would you have had any need to prepare the  
2057 Iberoamerica recap in order to know exactly how much you had

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2058 received?

2059 . A No. One excluded the other. They were two  
2060 separate.

2061 . Q You have testified that at some point a change  
2062 occurred between Dick Gadd seeming to be in charge and  
2063 Robert Dutton seeming to be in charge. Was that during this  
2064 period that these documents were prepared?

2065 . A I can only surmise by what I saw changing in what  
2066 happened, let's say, in Panama, and it seemed to be in June  
2067 that that change took place.

2068 . Q I am seeming to refresh your recollection. Is  
2069 there any possibilities that the changes you saw in Panama  
2070 were part of the reason that you caused you to determine to  
2071 check on whether there was a balance building up that they  
2072 owed you?

2073 . A No.

2074 . Q Those were completely unrelated?

2075 . A They were completely unrelated.

2076 . Q But you roughly contemplate use in the same month?

2077 . A Yes.

2078 . Q Okay.

2079 . MR. TIEFER: Let's mark page 707 as the next  
2080 exhibit.

2081 . [The following document was marked as Exhibit RHM-  
2082 707 for identification:]

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2083

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2084 . BY MR. TIEFER:

2085 . Q Let me ask a final question or two. Do you  
2086 recognize the handwriting in the lower left corner?

2087 . A Yes.

2088 . Q Whose is it?

2089 . A Mr. Langton's.

2090 . Q It says, what does it say?

2091 . A It says, looks to me like it says, "Pass to B.  
2092 Dutton on phone."

2093 . Q Did you have any knowledge at the time that the  
2094 figures you were preparing were being passed to Bob Dutton?

2095 . A I did not know specifically who they would be  
2096 passed to.

2097 . My assumption was that they would be passed to  
2098 somebody because we needed more money if we were to continue  
2099 to support the operation.

2100 . Q Do you know whether there was an outcome to this?  
2101 Did Mr. Langton tell you money would appear?

2102 . A I would have to go back and look but I am sure that  
2103 we would have received money because we did continue the  
2104 operation.

2105 . MR. TIEFER: This is a convenient stopping point.  
2106 Well, the deposition to clarify what will happen here, I  
2107 will turn over the examination for today after an  
2108 adjournment here to George Van Cleve. As far as the

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2109 examination that I wish to conduct is not completed at this  
2110 point, and may be continued at a later date subject to  
2111 further discussions. We will now break.  
2112 . [Luncheon recess.]

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2113 [12:15 p.m.]

2114 . A F T E R M O O N S E S S I O N

2115 . E X A M I N A T I O N B Y M R . V A N C L E V E

2116 . Q We are resuming the deposition of Robert Mason

2117 pursuant to subpoena under House Resolution 12.

2118 . By way of introduction, although we spent a fair  
2119 amount of time together the last couple of days, I am George  
2120 Van Cleve, the Deputy Republican Counsel for the House  
2121 Select Committee, and I believe you know my colleagues from  
2122 the House and Senate.

2123 . I have what I hope will be a short series of  
2124 questions for you based upon your testimony and the  
2125 documents you have previously produced. I am going to try  
2126 not to be repetitive. I am going to try and be brief so if  
2127 I am not as clear as I should be I hope you will ask what I  
2128 have in mind and if I skip around somewhat it is because I  
2129 am trying to tie up what seemed to me to be some loose ends  
2130 and make sure I understood some of your prior testimony. But  
2131 if I get to a point where I am jumping around too much, just  
2132 let me know and I will try and walk through things a little  
2133 more in detail.

2134 . I guess to begin with, I have just one, a couple of  
2135 brief biographical questions. We did talk about your  
2136 employment and educational background but just a couple of  
2137 things, partially out of curiosity. You mentioned that you

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2138 | served in the Navy?

2139 | . A Yes.

2140 | . Q What were your years of service?

2141 | . A 1957 and 58.

2142 | . Q Two years?

2143 | . A Yes.

2144 | . Q What sort of work did you do there?

2145 | . A I was on a destroyer.

2146 | . Q What were your duties?

2147 | . A CIC officer.

2148 | . Q Could you tell us what CIC means?

2149 | . A Combat Information Center.

2150 | . Q What sort of things--

2151 | . A This goes back a long time.

2152 | . Q Sure.

2153 | . A CIC was, I guess, kind of the <sup>new</sup> ~~newer~~ center of the

2154 | ship where all the radar information was displayed, plots

2155 | were displayed, track was kept of other vessels or other

2156 | aircraft that were in the area.

2157 | . Q The communications center?

2158 | . A Communications center is part of it.

2159 | . Q So did you have communications duties?

2160 | . A I am not sure what--

2161 | . A Basically what I am interested in knowing is

2162 | whether or not you had either access to or responsibility

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2163 | for intelligence information?

2164 | . A In the context I think that you are asking the

2165 | question, I was responsible for encoding and decoding it.

2166 | Messages that came in by cryptographic form.

2167 | . Q Thank you. If I understood your testimony

2168 | yesterday correctly, you mentioned that you had worked with

2169 | Bill Langton at Evergreen Airlines?

2170 | . A That is right.

2171 | . Q Is it airlines?

2172 | . A Evergreen International Airlines.

2173 | . Q How long had you flown Mr. Langton before that, all

2174 | told?

2175 | . A Eight or nine years.

2176 | . Q And would you describe your relationship as a

2177 | business relationship, personal friends, also, or what?

2178 | . A It's primarily a business relationship but we don't

2179 | get together socially if that is what you are asking.

2180 | . Q Okay. Fair enough.

2181 | . A Occasionally, but, no.

2182 | . Q Okay. Turning to a somewhat separate subject and

2183 | again so I sort of have this clearly in my mind, in November

2184 | 1985, you created a Panamanian company, November 8, known as

2185 | Amalgamated Commercial Enterprise. We will call it ACE for

2186 | short, if that is all right?

2187 | . A Yes.

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2188 . Q I want to phrase this in a way that you will  
2189 understand and try and be as clear as I can. I don't have  
2190 this question quite as clear in my mind as I might like.  
2191 Did ACE provide all of the funding for the Central American  
2192 operations that you were connected with in any way? In  
2193 other words, was there any other entity or any other  
2194 individual who provided funding other than ACE?

2195 . A That is--you are asking a very--what appears to be a  
2196 very simple question that has got a complex answer.

2197 . Q Help me out.

2198 . A I say that because ACE was created number one to be  
2199 a bank account.

2200 . Q Right.

2201 . A That was the reason for existence. ACE was created  
2202 initially to purchase aircraft and the first two caribou  
2203 aircraft that were purchased were purchased through funds  
2204 that came to ACE.

2205 . Q Right.

2206 . A ACE through the month of June did provide the  
2207 vehicle for operating funds for the Central American  
2208 operation. After June, where that came from, I don't know.  
2209 It didn't go through ACE, it didn't come through Southern.

2210 . Q I see. Let me just stop you there for a minute.  
2211 There are disbursements, I have in front of me exhibit 6,  
2212 which is the disbursement record for the ACE Banco

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2213 Iberoamerica account. There are disbursements amounting to  
2214 about \$14,000.

2215 . A Can I?  
2216 . Q Sure.

2217 . A There was a surplus in the ACE account in Panama.  
2218 There was a deficit--and we talked about deficits on the  
2219 maintenance account up here.

2220 . Q Right.  
2221 . A The natural thing is to transfer money from Panama  
2222 to Citizens and Southern to cover what is owed up here.

2223 . Q Okay. So if I understand--  
2224 . A That was done pretty much on conversations between  
2225 Bill Langton and myself. I have got this money down there,  
2226 you know, why don't I bring it up here and it will help  
2227 carry that operation.

2228 . Q Okay.  
2229 . A If you want me to talk about the \$45,000 which was  
2230 the last one, it is kind of strange because all of a sudden  
2231 I had a \$46,000 wire transfer show up in the ACE account  
2232 that we know nothing about. Didn't know why it was  
2233 received.

2234 . Q You are referring to--  
2235 . A We were not expecting it. The last one you see.  
2236 . Q October 22, that transfer?  
2237 . A Yes. I wasn't expecting it and Bill had ~~no~~ idea

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2238 | why we received it, but it appeared to be--that it should  
2239 | have been channeled to ACE.

2240 | . Q It does look at though from the recap that you did  
2241 | that it balanced out that account.

2242 | . A Yes.

2243 | . Q Okay. Just to recap briefly what I think you have  
2244 | just told me. ACE was a bank account, ACE provided the  
2245 | funding for the purchase of some aircraft, it did provide  
2246 | the funding for the operational support for the Contras  
2247 | through June '86. After that, you have ~~know~~ knowledge as to  
2248 | how the operational support funding was provided.

2249 | . A I have no knowledge of who was providing payroll  
2250 | dollars and that type of thing. We were through our petty  
2251 | cash account supplying some fuel money for them down there  
2252 | as people would go down, they would take an amount of cash  
2253 | with them.

2254 | . Q Some other entity was supporting them?

2255 | . A Some other entity was supporting it.

2256 | . Q It did not come through ACE?

2257 | . A It did not come through ACE.

2258 | . Q Did not come through Southern?

2259 | . A Not come through Southern. We continued to provide  
2260 | maintenance support.

2261 | . Q If we wanted to be confident that we knew about all  
2262 | of the funds that would come in that you then flowed through

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2263 to ACE or for ACE accounts, if we took the wire transfers  
2264 into Banco Ibero and the wire transfers into C&S and  
2265 combined them we would have all of the funds that came into  
2266 ACE.

2267 . A You would have more than came in because there were  
2268 some transfers from the Panamanian account to the CC&S  
2269 account. You mentioned the \$140,000. There was I think  
2270 another \$75,000 that went and then there was one for \$53,000  
2271 and one for \$11,000.

2272 . Q Okay.

2273 . A Which are going to be repetitive.

2274 . Q I follow you. So in other words, we can get a  
2275 rough sense of the amount of money that did come into ACE?

2276 . A Yes, exactly.

2277 . Q That represents, if I understand you correctly,  
2278 represents all of the funds that were paid through to your  
2279 organizations for the services it provided to the contras  
2280 both in terms of planes and in terms of maintenance?

2281 . A That is right.

2282 . Q You didn't receive payments from any other source?

2283 . A No.

2284 . Q For those operations?

2285 . A No, that is correct.

2286 . Q Thank you.

2287 . One thing that I have been sort of wondering about

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2288 and I confess to not, I am not an accountant, there is a lot  
2289 of this I don't understand, and I think, by the way, you  
2290 have been very helpful in explaining the documentation to  
2291 us.

2292 . I know that one of the cash receipts sheets that we  
2293 have talked about--and I can show it to you if you like, but  
2294 I think you can remember the transaction, the transfer in  
2295 one \$242,000, and a distribution was of \$150,000 to ACE?

2296 . A \$92,000.

2297 . Q \$92,000 to the flight account.

2298 . A To the flight account.

2299 . Q There does not appear to be a deposit of the  
2300 \$150,000 in the Banco Ibero account contemporaneous with  
2301 that. I was wondering why not?

2302 . A Because it went to C&S. That was a C&S  
2303 transaction. That was not a Banco Iberoamerica account.

2304 . Q But the funds don't show up in the ACE account.

2305 . A No.

2306 . Q That is because they went through Southern Air?

2307 . A They came directly to Southern Air.

2308 . Q That is what I thought. That would be the case  
2309 where if anything does not show up in the Banco Ibero  
2310 account that comes in through C&S it would show up on  
2311 Southern Air's books?

2312 . A Yes, right.

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2313 . Q Thank you.

2314 . I would like to go back just briefly if I could to  
2315 a couple of invoices that you were shown previously that  
2316 have now been marked as exhibit 23. These are Southern Air  
2317 documents, 735 and 736.

2318 . A Yes.

2319 . Q Why would invoices like this be created, to your  
2320 knowledge?

2321 . A These invoices say, ACE invoice to Udall research.  
2322 . You have all the stock in your possession. You  
2323 have the power of attorney. I have to assume that without  
2324 your direct authorization no one would be in a position to  
2325 send an ACE invoice to anyone else, is that correct, legally  
2326 speaking?

2327 . A Legally, that is correct.

2328 . Q So what is going on here? Surely you must have  
2329 some knowledge of this transaction.

2330 . A As I say, I can identify the final number.

2331 . Q I follow.

2332 . A And say that that number shows up in the ACE bank  
2333 account in Panama, okay, and just looking at it what it is  
2334 is the funds for the operation, payroll, what have you, that  
2335 were being--on my assumption it's being billed out of Dick  
2336 Gadd's office?

2337 . Q But this was created without your authorization?

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2338 . A That is right.

2339 . Q And without your knowledge.

2340 . A Without my knowledge.

2341 . Q Even though copies of these documents were produced

2342 from your company files?

2343 . A I did not--I have not seen these before.

2344 . Q I understand that but I am correct and Counsel can

2345 help us for the record here. These documents were produced

2346 from Southern Air's files, were they not?

2347 . A Yes.

2348 . MR. KIRSTEIN: Right.

2349 . BY MR. VAM CLEVE:

2350 . Q But you have not seen them, they were created

2351 without your authorization and without your knowledge? They

2352 purport to be ACE corporate invoices to another corporate

2353 entity, isn't that so?

2354 . A Yes.

2355 . Q And I am really looking for information here, why

2356 wouldn't someone want to create ACE invoices to another

2357 corporate entity? What would be the purpose of that?

2358 . A The purpose would be to transfer this amount of

2359 money to cover another outgoing wire transfer from the

2360 Panamanian account.

2361 . Q Okay. I noticed that there appears to be a

2362 substantial markup if one just looks at the invoice and

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2363 without regard to your knowledge of the invoice, it does  
2364 appear there is an entry that says G&A and profit and then  
2365 there is an amount, an O&M and hours and the net effect is  
2366 to, I think it is fair to say, and you would agree, that it  
2367 substantially increases the bottom line.

2368 . A I can't comment on that. Your comment is correct,  
2369 it does substantially increase the bottom line.

2370 . Q So it looks as though--correct me if I am wrong, we  
2371 are both looking at this, not that you crated it--but just to  
2372 someone who was looking at this document it looks as though  
2373 ACE is charging a very substantial markup on its services  
2374 before it is billing them to Udall research, is that  
2375 mistaken?

2376 . A Well, I think it can be a mistake. If you look at  
2377 some of the documents we looked at for maintenance here, you  
2378 are going to see that I have marked up parts and you are  
2379 going to see that I have marked up services.

2380 . Q Right.

2381 . A Okay. But what I have charged through, the dollar  
2382 amount that you see is the actual cost of that part. What  
2383 you don't see in there is the administrative services that  
2384 I, that go along with that.

2385 . Q I follow.

2386 . A The purchasing people I have tied up, the  
2387 accounting people I have tied up, the shipping people I have

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2388 tied up.

2389 . Q I understand precisely.

2390 . A And I can't, because I was not a party of creating

2391 that, I can't tell you how much of that in here--

2392 . Q I follow but let me just put it to you another way.

2393 . ACE was a bank account.

2394 . A Yes.

2395 . Q Normally speaking, we don't attribute large amounts

2396 of administrative overhead and services charges to bank

2397 accounts, do we?

2398 . A To bank accounts as you are saying it, no. To

2399 activity, yes.

2400 . Q Sure, but if it was anyone's activity here it would

2401 be your corporate activity, wouldn't it?

2402 . A Well,--

2403 . MR. KIRSTEIN: Do you mean by you, him personally

2404 or Southern Air?

2405 . MR. VAN CLEVE: Southern Air.

2406 . BY MR. VAN CLEVE:

2407 . Q I understand and I am not suggesting it is not

2408 entirely legitimate for a company to charge administrative

2409 overhead and so on. What I am confused about is here we

2410 have this Panamanian company, it is a shell, you know, using

2411 it as a bank account to run money through, all of a sudden

2412 we have an invoice that suggests it is not in fact a shell.

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2413 that it is an entity out there that has employees for which  
2414 they feel entitled to charge sort of a normal corporate  
2415 administrative overhead and service markup.

2416 . Q I just frankly am confused.

2417 . A Okay. Let's approach it this way. Let's say that,  
2418 say Corporate Air was the operating entity because that is  
2419 who I made the transfers to out of the account.

2420 . Q Okay.

2421 . A It would be proper for Corporate Air to invoice ACE  
2422 and ACE in turn to invoice, because this is the vehicle to  
2423 get it there.

2424 . Q And I think it would be. I am just sort of  
2425 confused that it is done the way it is.

2426 . A I can't answer that question.

2427 . Q Okay.

2428 . But to your knowledge, no one ever attempted to  
2429 suggest that part of the funds that came into the ACE  
2430 account should be diverted for purposes other than simply  
2431 paying legitimate expenses of this operation?

2432 . A To the best of my knowledge, that is true.

2433 . Q Thank you.

2434 . A If you look at--and I welcome you to go through all  
2435 the documents on that Panamanian account, every dollar that  
2436 came in there is accounted for either through supporting  
2437 documentation on outgoing wires or bank charges or it is

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2438 | there as the small balance that remained down there today.

2439 | . Q Now, I appreciate what you are saying and this just

2440 | really is confusing to me and I thought I would ask what you

2441 | knew about it.

2442 | . MR. KIRSTEIM: Can I just talk to him for a second?

2443 | . MR. VAN CLEVE: You bet.

2444 | . [Witness confers with his counsel.]

2445 | . MR. VAN CLEVE: Would you like to have your client

2446 | make a statement?

2447 | . MR. KIRSTEIM: I just thought it would help clarify

2448 | the answer.

2449 | . THE WITNESS: The ACE account in Panama was a pass-

2450 | through, the funds would be transferred into there and then

2451 | they would be disbursed as directed.

2452 | . BY MR. VAN CLEVE:

2453 | . Q That is how I understood your testimony and I

2454 | simply wanted to make sure it was consistent with the

2455 | documentation that we have.

2456 | . If I understood your testimony about that ACE

2457 | account correctly then, under no circumstances did ACE as an

2458 | entity ever receive profits?

2459 | . A That is correct.

2460 | . Q Did ACE ever have any other receipts other than

2461 | airplanes, such as real estate, other bank accounts?

2462 | . A No, no.

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2463 . Q All right.

2464 . A None.

2465 . Q The next couple of questions again are just to see  
2466 if you could help me out. I have never set up a Panamanian  
2467 company. Based on your testimony, is there anything that  
2468 you did with the ACE account that you could not have done  
2469 with a Delaware shell corporation?

2470 . A Probably not, but--

2471 . Q Okay.

2472 . A That is a--

2473 . Q You know, as I say, I have never set one of these  
2474 up. I am not an expert. You seem to be pretty familiar  
2475 with the Panamanian banking laws, during your testimony  
2476 yesterday. If you could have done all of these activities  
2477 with a Delaware shell, what was the purpose of setting up  
2478 the Panamanian company?

2479 . A The purpose was they wanted a offshore banking  
2480 arrangement.

2481 . Q Because?

2482 . A I don't know what their reason was.

2483 . Q Your testimony is that you do not know why they  
2484 chose a Panamanian company as opposed to a Delaware company,  
2485 for example?

2486 . A Well, the bank--they wanted the company set up  
2487 offshore, in other words, they didn't want to use a domestic

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2488 corporation to run this through.

2489 . Q What I am really trying to understand is why not?

2490 . A Why not?

2491 . Q Yes.

2492 . A I can tell you what my assumption is. My

2493 assumptions is that the Panamanian banking laws are very

2494 strict, they are perhaps more strict than the Swiss. And

2495 everything is done by numbered accounts.

2496 . Q So you think that the people who were providing the

2497 financing hoped to gain a greater degree of concealment for

2498 their activities than would have been possible under the

2499 domestic banking laws?

2500 . A I am not sure, 'concealment' is the word I would

2501 use but it is harder to, certainly harder to trace a

2502 transfer into or out of a Panamanian bank than it is out of

2503 a U.S. bank.

2504 . Q I see. thank you.

2505 . Any other reasons you think might have dictated

2506 that choice?

2507 . A The only other reason I can think of is that maybe

2508 Panama has some proximity to the area down there and if they

2509 were going to move operating funds it might be easier to

2510 move it out of a Panamanian bank to other central American

2511 countries than out of the U.S. There are some restrictions

2512 that you run into or obstacles that you run into in doing

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2513 that.

2514 . Q Thank you.

2515 . Along the same lines and out of ignorance on my

2516 part, what would be the point in having ACE take title to an

2517 airplane, for example, and immediately transfer title to

2518 another company? Why wouldn't it make as much sense for ACE

2519 to hold the title?

2520 . A ACE was not set up to hold receipts.

2521 . Q Okay.

2522 . There is nothing in the corporate charter that

2523 would have precluded it?

2524 . A No, the corporate charter is fairly broad.

2525 . Q I got that impression.

2526 . I think your testimony yesterday was that the

2527 company, Southern Air Transport, did not have any secure

2528 communications equipment, is that correct?

2529 . A That was my--that is the comment that I made.

2530 . Q May recollection is that you did acknowledge that

2531 at least at one time William Langton had equipment to allow

2532 secure telephone communications?

2533 . A Yes.

2534 . Q And you all hold contracts that require your

2535 employees to be cleared for classified information?

2536 . A Employees and officers.

2537 . Q Okay. Do you yourself have such a clearance?

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2538 . A Yes, I do.

2539 . Q How would you communicate with the necessary  
2540 officials concerning matters that are the subject of those  
2541 contracts without such equipment?

2542 . A Which?

2543 . Q If it's your testimony that you have no secure  
2544 communications equipment but you do hold contracts that  
2545 require security clearances for your employees, how do you  
2546 communicate with people?

2547 . A We have to have security clearance for say the log  
2548 air, out of the log air and quick trans contracts because we  
2549 have--

2550 . Q How do you make secure communications?

2551 . A There are separate telexes that go on the log air  
2552 and separate ones for the quick trans.

2553 . Q Those are secure communications facilities, or not?

2554 . A I wouldn't call them secure in the sense that I  
2555 think you are asking the question.

2556 . Q I see. so your testimony is, just again so I am  
2557 clear on it, that you have no other means of secure  
2558 communications?

2559 . A Maybe I ought to say to the best of my knowledge we  
2560 have no other. I am not in the operations side of things.  
2561 I am not aware of any.

2562 . Q Okay.

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2563 . Correct me if I am wrong about this but my  
2564 recollection is that the documents that your company has  
2565 supplied to us show that your approval is required for a  
2566 very broad range of corporate transactions, things as small  
2567 as deciding to whom a particular hotel bill for \$30 should  
2568 be assigned, how the accounting should be assigned. Yet at  
2569 the same time I think the documentation shows that you are  
2570 involved in arranging bank financing and similarly broad and  
2571 sort of general transactions. Is that normal for the  
2572 controller of a company to be involved in both ends of  
2573 things that way?

2574 . A I think I know where you are picking up my  
2575 signature on certain documents. Anything that had to do  
2576 with ACE again because I wanted to know what we were  
2577 incurring, and because we were required, for hotel bills  
2578 there is a mixture of types of personnel on them, we want to  
2579 know who is, who is staying there and who is being charged  
2580 so that's why you are seeing my signature on those.

2581 . Q But in other words, you are saying, your testimony  
2582 is that it is only in connection with ACE matters that your  
2583 approval is required for that?

2584 . A For normal matters, no, it is not.

2585 . Q That is the sole--

2586 . A That was the sole reason for getting into the  
2587 smaller dollar amounts.

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2588 . Q But that is the sole program within the company  
2589 where that would be the case?

2590 . A Yes, unless it had to do with my department.

2591 . Q Okay.

2592 . I think this is probably best left for Mr.  
2593 Mulligan's deposition but I will ask you, the company  
2594 produced a whole bunch of aircraft log sheets to us. I  
2595 can't make any sense out of them at all. I assume he can  
2596 explain them to us?

2597 . A I would hope he could.

2598 . Q Okay.

2599 . A He should be able to.

2600 . MR. VAN CLEVE: Those are all the questions I have.  
2601 At least in behalf of the members I represent I would like  
2602 to thank you for your time and attention and appreciate it.

2603 . THE WITNESS: Okay.

2604 . MR. VAN CLEVE: Counsel for Senate has a statement  
2605 for the record I believe.

2606 . MR. TIEFER: No questions.

2607 . MR. SMILJANICH: My name is Terry Smiljanich. I  
2608 have been appointed associate counsel for the Senate Select  
2609 Committee on Secret Military Assistance to Iran and the  
2610 Nicaraguan opposition. I have been here for the past day  
2611 and a half as an observer. I haven't asked any questions  
2612 and I want to make it clear that the Senate Committee

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2613 reserves the right to in connection with the investigation  
2614 to conduct whatever depositions it feels are necessary  
2615 including if it so desires the deposition of Mr. Mason.  
2616 . Having said that, let me add that I appreciate the  
2617 fact that Southern Air is a private company, and Mr. Mason  
2618 as a senior vice president has a full agenda for that  
2619 company, and we certainly don't intend to be unnecessarily  
2620 repetitive or re-plow the same ground in asking questions if  
2621 indeed we want to depose Mr. Mason.

2622 . I would request that if the deposition is  
2623 transcribed, if Mr. Tiefer would make a copy available to  
2624 the Senate Committee if that is possible. I don't know what  
2625 the ins and outs are but if possible we would like to get a  
2626 copy of the deposition.

2627 . That is all I have to say for the record.

2628 . MR. TIEFER: Then at this point, the deposition is  
2629 adjourned to the subject to the statements made on it.  
2630 Thank you.

2631 [Whereupon, at 12:50 p.m. the subcommittee was adjourned.]

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2632 I have read the foregoing deposition transcript, and it is  
2633 true and correct, except for noted changes, if any.  
2634  
2635  
2636 Robert H. Mason  
2637

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## CERTIFICATE OF NOTARY PUBLIC

STATE OF Florida )  
 COUNTY OF Dade ) ( To-Wit:

I, the undersigned, a Notary Public in and for the  
 County and State aforesaid, do hereby certify that the  
 witness, Rose H. Mason  
 (Name of Witness)

15400 S.W. 87<sup>th</sup> Ct , Miami  
 (Address) (City)

Florida 33157 , whose sworn  
 (State) (Zip)

testimony appears in the transcript of proceedings attached  
 hereto, was first duly sworn by me and placed under oath on  
 this 2nd day of February, 1987, and  
 has on this same date acknowledge the same before me in the  
 State and County aforesaid.

Given under my hand and seal in the City of  
Miami , and State of Florida  
 on this 2nd day of February, 1987.

Rose H. Mason  
 (Notary Public - signature)

Rose H. Mason  
 (Name printed)

PPS Fontainebleau Ave  
 (Address printed)

Miami Fla. 33172  
 (City, State, and Zip Code)

My commission expires:

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3  
4 DEPOSITION OF ROBERT H. MASON (RESUMED)  
5  
6 Wednesday, February 11, 1987  
7  
8 House of Representatives,  
9 Select Committee to Investigate  
10 Covert Arms Transactions with  
11 Iran,  
12 Washington, D.C.

13  
14 The select committee met, pursuant to call, at 10:00 a.m.,  
15 in Room B336, Cannon House Office Building.

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16 . MR. TIEFER: Let's go on.

17 . I am Charles Tiefer, Special Deputy Chief Counsel

18 for the House Select Committee to Investigate the Covert

19 Arms Transactions with Iran.

20 . The witness is Robert M. Mason, who is the witness

21 today, and if the other counsel will identify themselves for

22 the record.

23 MS. NAUGHTON: I am Pamela Naughton, from the same

24 <sup>Select C</sup>~~MS~~ committee.

25 . MR. BUCK: Kenneth Buck from the same Select

26 Committee.

27 . MR. KIRSTEIN: David Kirstein, from Beckman and

28 Kirstein, representing Southern Air Transport.

29 . MR. TIEFER: This is resumption of a deposition of

30 Mr. Mason taken on February 2 and February 3. Because that

31 was taken in a different state, I will ask the witness be

32 sworn again by this notary.

33 . Whereupon,

34

35 . ROBERT M. MASON [Resumed].

36 .

37 was called as a witness for the Select Committee and, having

38 been duly sworn by the Notary Public, was examined and

39 testified further as follows:

40 . EXAMINATION BY COUNSEL FOR THE SELECT COMMITTEE

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41 . BY MR. TIEFER:

42 . Q Mr. Mason, you have provided me today with a number  
43 of new schedules which I believe you have prepared since the  
44 last time we talked. Is that correct?

45 . A That is correct.

46 . Q Would you go through each one? I show you a  
47 document that is numbered SAT-1822. As with the previous  
48 deposition, where we give numbers, they are all SAT numbers,  
49 and ask you if you can identify it.

50 . A Yes. This is the first page of an analysis of the  
51 funds through Banco de Iberoamerica. The top portion shows  
52 funds that were transferred to the account. The bottom  
53 portion shows the outgoing funds.

54 . Q Is this page one of a two-page document?

55 . A It's page one of a two-page document. Page two is  
56 a continuation of the outflows from the account.

57 . MR. TIEFER: If the reporter would mark this as RHM  
58 Exhibit 27.

59 . [RHM Deposition Exhibit No. 27 was marked for  
60 identification.]

61

62 . \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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63 . BY MR. TIEFER:

64 . Q I show you a document that is numbered SAT-1825 and  
65 ask you if you can identify that.

66 . A Yes. This is a document I prepared to show the  
67 funds coming into Citizens & Southern, first for purchase,  
68 or a portion of the purchase of the Jet Star. The second  
69 part being a reflection of the C-123 transaction where the  
70 funds were passed through Southern.

71 . MR. TIEFER: If the reporter would mark that as the  
72 next exhibit.

73 . [RHM Deposition Exhibit No. 28 was marked for  
74 identification.]

75

76 . \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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77 . BY MR. TIEFER:

78 . Q Finally, you have produced a document 1824. Can  
79 you identify that?80 . A Yes. This is a document that shows fund inflows to  
81 Citizens & Southern Bank that were sent to Southern for  
82 maintenance and operational support of the Central American  
83 activity.84 . MR. TIEFER: If the reporter would mark that as the  
85 next exhibit.86 . [RHM Deposition Exhibit No. 29 was marked for  
87 identification.]

88

89 . \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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90 . BY MR. TIEFER:

91 . Q Mr. Mason, with respect to document 1824, Exhibit

92 29, can you clarify whether those wire transfers all concern

93 the maintenance, support of the Central American operation,

94 or whether some or all of them or parts of some of all of

95 them concern something else or were distributed for

96 something else?

97 . A The total amounts that you see listed on Exhibit

98 29, document 1824, are the amounts that applied to the

99 maintenance and support of the Central American activity.

100 They may have been part of a larger wire transfer. If I

101 could give you a "for instance". There is one that's

102 shown on 6-18-86, wire transfer from Hyde Park Square

103 Corporation for \$150,000. If my memory serves me right,

104 that was part of a \$242,000 wire transfer that came in.

105 . Q I am hopeful now with this we can see if we reached

106 a stage of completeness about the description of wire

107 transfers.

108 . Let me ask if we took together the exhibit you just

109 described, document 1824, concerning maintenance and support

110 operations for Central America, and Exhibit 21, pages 1821

111 and 1822, a recap of [REDACTED] and Tel Aviv activity that you

112 previously produced, could you tell me what the two of them

113 put together constitute? Do they constitute some complete

114 listing of something?

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115 . A In the context that you are asking the question,  
116 no. If I understand--maybe I ought to ask you what you are  
117 really asking me, because if the question is--

118 . Q I asked a series of questions earlier, the previous  
119 date, about whether we knew about and had a listing of all  
120 the wire transfers that one way or another had ultimately  
121 come to Southern Air Transport for the--what we now call the  
122 Iran matter and what we now call the Contra matter, and at  
123 the time clearly there was no schedule that would give all  
124 those wire transfers.

125 . A These two together do not. You have to take  
126 document 1825 into account also, because those were funds  
127 that came to Southern.

128 . Q All right. If we took--

129 . A If you took all three of these together, to the  
130 best of my knowledge, you have all funds that came into  
131 Southern.

132 . Q How would you describe all funds that came into  
133 Southern Air Transport, for what?

134 . A For--basically for four parts of the scenario. One  
135 was for the [REDACTED] Tel Aviv activity; secondly was for the  
136 ongoing maintenance and support operation; third was for the  
137 purchase of the Jet Star, or a portion of the purchase of  
138 the Jet Star; fourth was the funds that passed through  
139 Southern for the C-123 transaction.

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140 . MR. KIRSTEIN: I think we apparently have page  
141 1822. The one we marked this morning, the first page as 27,  
142 why don't we make that 1822(a)?  
143 . BY MR. TIEFER:  
144 . Q So the first page of Exhibit 27 is now 1822(a).  
145 . I am going to try to clarify in my own mind some  
146 preliminary matters. My ultimate goal today is to pick up  
147 chronology you started the last day and to try and take it  
148 all the way through the end. You had mentioned when you  
149 started with Southern Air Transport in August of 1985, you  
150 were the Controller, and Tom Crumney was Senior Vice  
151 President for Finance.  
152 . A That is correct.  
153 . Q When did he leave the company?  
154 . A He left approximately September 1.  
155 . Q And you did not become Vice President until March  
156 1986?  
157 . A That is correct.  
158 . Q What was the situation with respect to that post in  
159 the interim?  
160 . A Basically I did the job.  
161 . Q Were you Acting Vice President?  
162 . A My title still was Controller-Treasurer and  
163 Secretary of the company.  
164 . Q Could you give some background? Did it come about

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165 you started in August because his retirement was imminent?

166 Is that a coincidence?

167 . A It was a coincidence. There was no--at least when I  
168 interviewed for the job in June of '85, there was no  
169 indication at all that Tom Crumney had any intention of  
170 leaving. The day I arrived in Miami, I got a call from him  
171 saying "'Bill Langton and I would like to talk to you, why  
172 don't you come in?'"

173 . I came in, and at that point in time Bill told me  
174 that Tom had decided to leave the company, retire.

175 . Q Did that seem abrupt to you?

176 . A It came as a shock to me. Actually, the scenario  
177 that I envisioned was one that would have really helped the  
178 company at that time because they were undertaking a 707  
179 expansion, and by working in the area, knowing Tom was not  
180 strong, and Tom working the area of banking and sharing the  
181 relationships and that kind of thing where he had strings  
182 would have complemented each other.

183 . Q Did he stay on the job while you started for any  
184 period of overlap?

185 . A He was there for a month.

186 . Q When in August did you start?

187 . A I started the 5th of August.

188 . Q Did you ever get any more explanation for why he  
189 had decided to retire at that particular moment?

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190 . A The only explanation that I ever received was that  
191 he had been thinking about it for a while, and this seemed  
192 like a good opportunity for somebody coming in that had  
193 airline experience, that would step in and take over, and he  
194 wasn't leaving the company in a void.

195 . Q Did that mean that during the month of August you  
196 had some expectation that you would ultimately be taking his  
197 post rather than simply staying in the post which you had  
198 been hired?

199 . A I think that my expectation when I came to the  
200 company was that if Tom ever left, I would hope that I would  
201 be considered for the post.

202 . Q Last time you went through a considerable  
203 explanation, which was helpful, about how disbursements by  
204 the company are booked. I would like to review it to see if  
205 I have the steps straight.

206 . A Can I preface this--I have not seen the transcript,  
207 and I am really going to have a problem with things taken  
208 out of context from the last session and questions asked  
209 without being able to see where--I will go along as much as I  
210 can on it. If I come to a point where I am uncomfortable--

211 . Q I understand. I imagine you particularly would  
212 desire not to be asked why a certain quote you gave last  
213 time--

214 . A Exactly.

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215 . Q I don't have an expectation I am going to ask you  
216 questions like that.

217 . A Okay.

218 . Q I may ask myself why I asked a certain question  
219 last time.

220 . A I may ask myself why I gave a certain answer.

221 . Q If there is such a thing as the way a normal bill  
222 or invoice is handled by the company when it's received,  
223 does it go through this sequence? When the invoice is  
224 received, say it is an invoice concerning flight operations,  
225 it is given to Flight Operations for review, Flight  
226 Operations will stamp their approval, and then they will  
227 indicate what kind of an item it is where one possibility is  
228 it's a pass-through item. Is that a sequence that might  
229 happen for an invoice?

230 . A Basically, there are a couple points that are left  
231 out, but I don't think they're important in the scenario.  
232 All invoices are received in Accounting initially and are  
233 distributed out of their various departments.

234 . Q What is the other option besides being a pass-  
235 through item? What else might--a pass-through type of item,  
236 what type of--

237 . A It could be an expense, it could be a capital item  
238 that was going to be capitalized, basically the categories  
239 are going to fall into--the overwhelming majority of the

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240 items that come through are expenses.

241 . Q What is an expense as distinguished from a pass-  
242 through item?

243 . A Well, an expense is something that is going to go  
244 into the profit and loss statement of Southern Air  
245 Transport. A pass-through is a third-party charge or an  
246 agreement or a contract or what have you. We are paying  
247 somebody else, we will charge that through to them and be  
248 reimbursed.

249 . Q Once one of the departments has indicated whether  
250 it is a pass-through item, an expense or any of the other  
251 possibilities, it then goes to the Accounting Department  
252 which will put an account number on it?

253 . A The account number might be put on by the  
254 Accounting Department. It might be put on by the Routing  
255 Department. We are in the midst of a transition on that  
256 right now.

257 . Q Now, on some documents I have seen the digits  
258 14202, on some documents I have seen the digits 14202 with  
259 four zeros after them. Can you tell me--

260 . A They're one and the same. Somebody got lazy.

261 . Q If one speaks as 14202 for pass-through items, that  
262 would be correct?

263 . A It would be the same as 14202 with four zeros after  
264 it.

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265 . Q Once an account number is put by Accounting on the  
266 invoice, information from the invoice is then keypunched  
267 into the computer?

268 . A Yes.

269 . Q And the computer then posts the information to the  
270 general ledger?

271 . A Yes, sir.

272 . Q Does the general ledger exist as a written document  
273 other than in the computer? If you understand my question.

274 . A Yes.

275 . Q Can you explain where it is and what form it takes?

276 . A It takes the form of maybe a printout from the  
277 computer that exists in our office.

278 . Q How often is that printout made?

279 . A As a final document, once a month. There might be  
280 preliminary runs that are made as we are checking various  
281 accounts.

282 . Q Do you keep the monthly printouts?

283 . A Yes.

284 . Q Do you know how far back you keep them?

285 . A Years.

286 . Q Back before 1984?

287 . A Yes.

288 . Q Is there any other regular computer printout, such  
289 as parts of the general ledger?

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290 . A No.

291 . Let me take that back. Say there is an accounts

292 receivable section that is printed out in summary form,

293 which would be a portion--yes, a portion of the general

294 ledger. In other words, what is in there would also be in

295 the ledger, and it would be in more detail than perhaps is

296 in the ledger.

297 . Q Is there a printout or some other document by

298 account, named by account?

299 . A Yes, sir.

300 . Q What is that?

301 . A It would basically be the general ledger.

302 . Q So--Is that done regularly for all accounts or for

303 some accounts?

304 . A When you run the entire general ledger each month,

305 you get an account, a listing account by account of what

306 your account balances are.

307 . Q I understand. Do you do separate runs of

308 particular accounts?

309 . A No. Any analysis we do--I think maybe this is the

310 question you are asking me, and I probably shouldn't--David

311 is going to kick me. Remember the big document that we

312 couldn't--

313 . Q I recall.

314 . A That's an analysis that was done monthly of the

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315 | pass-through account. So we don't pull that off the  
316 | computer per se. We have no way of pulling it off the  
317 | computer. We have to go back in and break it out into its  
318 | various components.

319 | . Q When was that prepared?

320 | . A It was prepared on a month-by-month basis.

321 | . Q Was it being prepared for the pass-through account  
322 | contemporaneously?

323 | . A Yes. At the end of the month, you would go back,  
324 | and you would do January, when you close January's books,  
325 | you do February; when you close February, right on through  
326 | the year.

327 | . Q One of the columns on the document you are talking  
328 | about was for ACE.

329 | . A Yes.

330 | . Q Were you preparing such breakouts of the pass-  
331 | through account before there was an ACE?

332 | . A Yes. You needed to know what was in there.

333 | . Q And copies of that are also retained by the  
334 | company, a breakout of the pass-through account?

335 | . A Yes. I don't know how far back those go. Those  
336 | are working documents and may not go much more than a year  
337 | or two.

338 | . Q With the discussion of the general ledger, we may  
339 | have reached a convenient stopping point.

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340 . [Whereupon, at 10:50 a.m., the Select Committee

341 RPTS DOTSON

342 DCNM GLASSNAP

343 [12:30 p.m.]

344

345 . BY MR. TIEFER:

346 . Q Mr. Mason, you just described some aspects of the  
347 way disbursements are booked up to the posting and general  
348 ledger.

349 . Let me back up. I had asked you about how invoices  
350 are handled. If I understood correctly what you explained  
351 previously, there are certain matters, such as payroll  
352 summaries, for which there is no invoice. Could you take me  
353 through a similar process by which the paper work moves for  
354 those items?

355 . A The payroll is developed from two sources. There  
356 are two payrolls. One is a biweekly payroll which covers  
357 the hourly people. Generally that input comes in on a time  
358 card, it is calculated, put on an input form, and it is  
359 processed by an outside service bureau.

360 . There is also a semimonthly payroll which covers  
361 salaried personnel. That is updated twice a month and goes  
362 to the outside service bureau for processing.

363 . Out of that, out of the payroll journals that come  
364 back for the month, a journal entry is prepared that is used

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365 | to post the payroll entries to the general ledger. And when  
366 | I say a journal entry, basically what it is is distributing  
367 | it to the various departments and cost centers and so forth  
368 | that it belongs.

369 | . Q Who prepares the journal entries?

370 | . A It is prepared by the manager of payroll.

371 | . Q And are other items besides payroll handled by the  
372 | journal entry method?

373 | . A Sure.

374 | . There are--it could be prepared by anyone on the  
375 | Accounting staff, but generally it is the Chief Accountant  
376 | and the Assistant Treasurer who do the bulk of the journal  
377 | entries. We do not have our fixed assets on the computer.  
378 | Therefore, those are done manually, and the journal entry  
379 | has to be prepared on that. Any corrections that need to be  
380 | done have to go in my journal entry. Any accruals that  
381 | we're doing need to go in by journal entry.

382 | . The revenue summaries go in by journal entry. That  
383 | is an example. I am sure I haven't touched on everything  
384 | that goes in by journal entry.

385 | . Q Speaking about the Iran and Contras matter--and I am  
386 | not asking you to guess at what's in 2,000 pages of  
387 | documents, so I am not going to ask you for an answer that  
388 | covers everything--what kinds of things went in by journal  
389 | entry?

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390 . A If you are looking on the Iran side, what would  
391 have gone in my journal entry are the revenue summaries. In  
392 other words, you have the individual cash sheets. Those  
393 would have been summarized on a monthly basis and posted to  
394 flight revenue via journal entry.

395 . If we had things like--and I am still sticking to  
396 that side of it--if we had things like fuel charges, ground  
397 handling charges, maybe even certain maintenance charges  
398 that we feel did not come through as invoices in the month  
399 in which the activity took place, we would make an accrual  
400 for those and that accrual would have to go in through a  
401 journal entry. Whether that happened in any of those  
402 flights, I don't know.

403 . On the other side, you have a file of all the  
404 journal entries that went in, again on the big spread  
405 sheets, on the pass-through account. Anything that would be  
406 charged to that--I think that is the last page there--anything  
407 that would be charged to that would have gone in. We didn't  
408 have an invoice. It had to go in by journal entry.

409 . Q If you would examine your copy of Exhibit 7. What  
410 I understand you to be saying is that most of the items that  
411 appear on here came as invoices, but there may be a few that  
412 came by journal entry.

413 . A That is correct.

414 . Q Perhaps I should go through the process for--I am

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415 speaking about disbursements before, but you started to tell  
416 me about revenues as well, receipts as well. Perhaps it is  
417 a more orderly way if I ask you about the process by which  
418 revenues are booked, and if that--am I correct, some booking  
419 of revenues appears on Exhibit 7?

420 . A The offset to the revenue would appear on--is that--I  
421 guess it is Exhibit 7. In other words, there's two sides to  
422 any entry.

423 . Q Instead of my calling this Exhibit 7 all the time,  
424 what do you call it?

425 . A It is an account analysis of the pass-through  
426 account.

427 . Q I am not so much interested in the offset of  
428 revenues as actual revenues themselves. Let's--

429 . A You have the revenues on the daily cash receipt  
430 forms. Every entry has to have an equal offset or your  
431 books are out of balance. It has to go some place.

432 . Q Let's go in an orderly fashion. Suppose we take  
433 money that comes in by advice, a wire transfer. As I  
434 understood your previous explanation, often you know in  
435 advance, such as from the Sales Department, that money is  
436 going to be wired in a particular time. Is that correct?

437 .- A That is correct.

438 . Q And you call the bank each morning to find out what  
439 the incoming wire transfers were the previous day?

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440 . A That is correct.

441 . Q And you also mentioned you call the bank each day  
442 for the activity. That was a word in quotes. What is the  
443 activity?

444 . A Well, I want to know basically what wires have hit  
445 the next day, any charges the bank may have made directly to  
446 my account that I am still waiting for advice for. I want  
447 to know what checks have cleared my account. I want to know  
448 what my cash position is each day basically. That's what--

449 . Q Okay. But I would be correct to say the paper work  
450 for incoming money might be said not to start with this  
451 previous informal word you hear from the Sales Department of  
452 even your daily call to the bank, the paper work starts when  
453 the advice actually comes to the bank?

454 . A When the advice actually comes from the bank.

455 . Q Let's take it from there. When the advice comes  
456 into the bank, the bank sends you a copy of the advice?

457 . A Exactly.

458 . Q Then you prepare a cash receipt?

459 . A A cash receipt is prepared. In the case of--we are  
460 talking wire transfer, so let's talk wire transfers. It is  
461 dated as of the day it is posted to your account, and the  
462 cash receipts form is prepared.

463 . Q In the Accounting Department?

464 . A In the Accounting Department.

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465 . Q What is then done with the cash receipt form?

466 . A They are accumulated until the end of the month.

467 They are summarized on a worksheet which distributes them to

468 the various accounts. And there's only a very few accounts

469 that are--that it's going to go to. It is going to be flight

470 revenue, or it's going to be maintenance revenue, it's going

471 to be incidental revenue of some sort. It might be some

472 ground handling revenue. It might be a reimbursement of a

473 third party item. A journal entry is prepared to put that

474 into the ledger.

475 . Q Have I seen cash receipt worksheets?

476 . A I don't think so. I don't think there was any--

477 . Q Okay.

478 . A In the overall scheme of things, it was not

479 something that I felt was asked for.

480 . Q I understand. But you do keep them once they are

481 made?

482 . A They should back up the journal entry that posted

483 the revenue.

484 . Q When you keep past cash receipt worksheets, are

485 they kept in any particular order or fashion or by--how are

486 they kept?

487 . A Again, they should back up the journal entry.

488 There is a book that has all the journal entries for a month

489 in it, in a folder, and it should back up the cover page of

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490 the journal entry. If you go or if you were to look at the  
491 journal entries that you were furnished with, you saw a  
492 cover page, and in many instances I think there was a  
493 backup--I will take that back, there may or may not have been  
494 a backup page to it.

495 . Q If the question is where are the cash receipt  
496 worksheets, the answer is they're in a folder of journal  
497 entries? They are in a folder of journal entries filed  
498 month by month.

499 . Q Once the cash receipt worksheet is prepared, the  
500 monies on it are distributed. Who does that distribution?

501 . A It is generally done by the Chief Accountant or one  
502 of the clerks and reviewed by the Chief Accountant.

503 . Q Does that mean creating a new piece of paper or  
504 writing something on the cash receipt worksheet?

505 . A I am not sure I follow your question.

506 . Q You have a cash receipt worksheet. There is then  
507 an operation which amounts to distributing monies among  
508 different--

509 . A It is a piece of accounting paper that just has  
510 probably a series of dates that say, down the left-hand  
511 side, a series of accounts across the top and and the  
512 distribution of each day's receipts, which are totaled,  
513 those totals are taken to the journal entry form.

514 . Q How would you describe that form, the form with the

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515 dates and accounts across the top and so forth?

516 . A I describe it as a piece--as an analysis pad.

517 . Q Once the analysis pad is prepared, what is then

518 done with the analysis pad?

519 . A I have answered that question several times. It is

520 put behind the journal entry. It is nothing more than a

521 piece of paper like this that distributes the cash received

522 on a daily basis.

523 . Q You mean it's kept in the folder of journal

524 entries?

525 . A For the fourth time, it is kept behind the journal

526 entry in the folder of monthly journal entries.

527 . Q You previously told me a number of payments you

528 receive are not in the form of advices but checks, such as

529 East--

530 . A The processes--ask your question, I am sorry.

531 . Q If you would go through the process for checks.

532 . A The process for checks is no different than it is

533 for journal entries other than it is probably a day or two

534 ahead of--I am sorry, no different than it is for wire

535 transfers except it probably is a day or two ahead of the

536 wire transfers because the checks actually come in to us,

537 the wire transfers we have--what we know about them, we have

538 to wait for the advice from the bank. They are listed out

539 on a cash receipts form that summarizes it at the end of the

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540 month. That is part of the journal entry.

541 . Q Good. At this point I would like to start taking

542 you chronologically through events. We had started out with

543 respect to the trip to Panama and the creation of the

544 purchase of ACE and the creation of an ACE account at Banco

545 de Iberoamerica. If I am correct, when you returned from

546 Panama, Bill Langton told you to expect a large wire

547 transfer or some--I am simply coming to the point where I

548 would like you to start.

549 . Did Mr. Langton tell you something of that nature?

550 . A He told me to expect and verify the receipt of

551 funds into the account. I could look and tell you what

552 the--well, it is right here. In the amount of about

553 \$450,000.

554 . Q Did he tell you it would be in that amount?

555 . A Yes.

556 . Q What else did he say in that conversation?

557 . A That was pretty much the gist of it.

558 . Q You don't recall--

559 . A I don't recall him saying anything beyond that.

560 . MR. TIEFER: Let's go off the record.

561 . [Discussion off the record.]

562 . BY MR. TIEFER:

563 . Q Now you have said the company had, of course, given

564 you, meaning Southern Air Transport, had, of course,

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565 advanced you the cash needed for the Paname trip, and you  
566 then properly accounted for your expenses through the  
567 company.

568 . A Yes.

569 . Q Would it be correct to say you set up some  
570 accounting method for how you would then have the expenses  
571 handled, or did that come at a later time, or what steps did  
572 you take during this time period?

573 . A I am not sure I follow your question.

574 . Q What did you do with your expenses when you came  
575 back?

576 . A They show up in the ACE pass-through account.

577 . Q Had you talked with anyone on the subject of  
578 creating a pass-through arrangement for ACE expenses?

579 . A Obviously I needed to talk to my Chief Accountant  
580 and advise her of what was happening and that there would be  
581 expenses passing through this.

582 . Q Had you been told by either Bill Langton or Dick  
583 Gadd or anyone else what to do about expenses related to  
584 ACE?

585 . A I am sure, although I don't recall a specific  
586 conversation, I am sure that Bill told me that expenses in  
587 regard to my trip should be charged back to ACE.

588 . Q Would he have told you anything about what would  
589 happen once they were charged to ACE? For example, don't

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590 you under some circumstances, send down invoices when you  
591 have charges for companies?

592 . A We may, we may not.

593 . Q Did you get some indication from someone as to what  
594 you should do with expenses for ACE, such as whether to bill  
595 them or not?

596 . A For the most part, the ACE pass-through on Southern  
597 Air's books was always in a credit balance situation, which  
598 means we were always ahead of what was being charged.  
599 Therefore, we didn't--had I been asked to send out an invoice  
600 or had I wanted to send out an invoice, I probably would  
601 have had to ask, "Who do I send it to?" No, we did not  
602 invoice that account if that is what you're--

603 . Q No, my question is: How did you know what to do  
604 with those very first expenses?

605 . A They were set up and charged to ACE through a pass-  
606 through account which already existed.

607 . Q And how did you know--am I correct that at that  
608 point, when the first expenses were being turned in by you,  
609 that you were not in a credit posture with respect to ACE?

610 . A I was not in a credit posture in respect to ACE on  
611 Southern's books, but there were funds in Panama because the  
612 first fund transfer took place just three or four days after  
613 that account was set up. So there were funds down there  
614 that I could have drawn on had I chosen to clear those

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615 expenses. As a matter of practicality, it wasn't done until  
616 several months later.

617 Q And you recall no discussion with anyone about what  
618 you should do with the expenses that were being passed  
619 through by ACE?

620 A I really don't understand your question, Charles.  
621 It gets set up in a pass-through account, it was my  
622 understanding. That is the way I would have set it up. Had  
623 it been Eastern, had it been United, had it been the U.S.  
624 Government, if it is a reimbursable expense, this is where I  
625 put the expense, and I either am going to be reimbursed for  
626 it, bill for it, or do something to get that money back.  
627 It's not my expense.

628 Q I am backing up because previously you explained  
629 some very terse conversations with Dick Gadd and some very  
630 terse conversations with Bill Langton, namely you were going  
631 down to Panama and what you were to do in Panama. I am  
632 trying to figure out the process by which, when you came  
633 back, you knew to do something more than to go down to  
634 Panama, you knew to set up accounting, that is to do this by  
635 a pass-through, that there was going to be in your  
636 explanation third-party reimbursement. How did you know  
637 that?

638 A I don't recall exactly, but my assumption would be  
639 that Bill told me that we would be reimbursed. I think you

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640 | also recall at the same time we had people out looking for  
641 | aircraft, and that was a reimbursable expense to us.

642 | . Q Do you recall any discussion about how the expenses  
643 | of the people looking for aircraft would be handled?

644 | . A I really don't.

645 | . Q Would instructions on those matters, how the  
646 | expenses were to be handled, have come from Dick Gadd or  
647 | from Bill Langton or some person other than Dick Gadd or  
648 | Bill Langton?

649 | . A It could have come from me. It certainly was  
650 | within my power as head of the Finance Section to say these  
651 | expenses are not ours, they are incurred on behalf of  
652 | somebody else, and we need to accumulate them in this  
653 | account and bill them. And at the time I do it, I may not  
654 | know who I am going to bill them to.

655 | . Give you a case in point, okay? We're flying our  
656 | log air route, which is a government route, and one of  
657 | your--it is a bad example. Let me get into the commercial  
658 | side of things. We are flying a commercial flight, and one  
659 | of the loaders is using a forklift to load the aircraft, and  
660 | the customer that we're working for is responsible for the  
661 | loading, and he, through not paying attention, runs the  
662 | forklift into the aircraft and damages it. Okay. I know  
663 | that I have a problem there, I know that I need to start  
664 | accumulating expenses because it's not my expense, I'm going

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665 | to go back against somebody else for it.

666 | . I may not know who it is at that time, it may not  
667 | be the customer because he may have subcontracted that to  
668 | somebody else. So I am accumulating costs, and I am going  
669 | to bill to somebody else which at some time will get billed  
670 | to somebody else, but I may not know at that point in time  
671 | who they are going to get billed to.

672 | . It's not an unusual situation, and I guess this  
673 | is--you know, if you are trying to make it an unusual  
674 | situation, let me say that it's not.

675 | . Q Your answer is you don't recall anyone giving you  
676 | instructions on how expenses of ACE were to be treated, you  
677 | simply did it on your own motion or you had it--there was a  
678 | conversation--

679 | . A There was a conversation. I don't recall--I am sure  
680 | that when Bill asked me to go to Panama, he may very well  
681 | have said, 'Accumulate expenses, and they'll be charged  
682 | back.'

683 | . Q It's possible he said that?

684 | . A It's possible he said that. I don't recall.

685 | . Q And as you say, right around that period, by your  
686 | previous testimony, there were people out attempting to  
687 | locate a C-123, or in any event that's what they eventually  
688 | found out? No, they found--

689 | . Q What were they attempting to locate?

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690 . A - They were looking at C-123s, but they were not able  
691 to strike a deal on them. They ended up locating the  
692 Caribous.

693 . Q Do you recall any discussions about how the  
694 expenses of the people who were out seeking to locate that  
695 aircraft were to be handled?

696 . A I don't recall anything specific.

697 . Q If there were such directions, is Bill Langton the  
698 logical person to have given them, or is it possibly someone  
699 else? Did Jim Bastian give you such instructions?

700 . A It would not have come from Mr. Bastian, it would  
701 have come from Mr. Langton.

702 . Q According to the Banco de Iberoamerica recap you  
703 prepared, which is Exhibit 6--by all means, you may refer to  
704 it. The recap shows a wire transfer on November 14, 1985 of  
705 \$450,000. Can you describe to me the circumstances under  
706 which that occurred, who talked to you about it and so  
707 forth?

708 . A I thought we went through that just a few minutes  
709 ago, but I will go over it again. I was told by Mr. Langton  
710 to expect this amount into the bank and to confirm it in  
711 there.

712 . Q Did you call Banco de Iberoamerica?

713 . A Yes.

714 . Q Is that how you found out the transfer had been

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715 made?

716 . A Yes.

717 . Q Do you remember who you spoke to at the bank?

718 . A I talked to our account representative down there.

719 . Q I won't test you--is that in the papers that you

720 brought back from Panama, or is it in some other piece of

721 paper or do you remember the name?

722 . A I don't think it is. If you--are you--well--

723 . Q I wish to know the name.

724 . A You asked the question.

725 . Q Yes, I did. If you don't have the answer--

726 . A Eileen Fernandez, I think.

727 . Q To save a lot of repeats of the question, did you

728 deal with the same person every time you talked there, or

729 were there different people?

730 . A No, that was the person I dealt with in setting up

731 the account, and that is always who I called.

732 . Q Wonderful.

733 . According to your recap of [REDACTED] and Tel Aviv

734 activity, which is Exhibit 21--and I make no secret of the

735 procedure I am going to follow. I am going to go

736 chronologically. That will involve looking sometimes at

737 Banco de Iberoamerica, sometimes at [REDACTED] Tel Aviv, and

738 at whatever forms that occur in chronological fashion.

739 According to Exhibit 21, which is the [REDACTED]-Tel Aviv recap,

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740 | in December 1985 there was a flight from [REDACTED] which  
741 | there were some financial transactions. Did you receive  
742 | some prior notification in advance of these transactions  
743 | that they would occur?

744 | . A If I can take the liberty of commenting on this  
745 | activity in general, I think I can short-circuit about an  
746 | hour's worth of questioning.

747 | . Q A precious hour. Please go ahead.

748 | . A I am being facetious.

749 | . On flight activity, we know ahead of time what is  
750 | happening, and we know that funds either are forthcoming or  
751 | have already been received. So we would either be notified  
752 | by sales, or in the case of some of these by Mr. Langton,  
753 | that these funds were coming and we should be watching for  
754 | them. And the only follow-up I would do on them is if we  
755 | did not receive them, as in the case of the one that did go  
756 | through the First National Bank of Chicago.

757 | . Q Finally. We'll deal with that in order.

758 | . Starting with [REDACTED] like in December, 1985, did  
759 | you receive any information from Mr. Langton money in this  
760 | regard would be coming?

761 | . A I don't recall.

762 | . Q Do you recall receiving information from anyone  
763 | else that there might be money related to this flight  
764 | coming?

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765 . A Any funds that were received for flight revenue  
 766 would have come--advice of the transfer being made would have  
 767 come from within side the company, none of it ever came from  
 768 outside the company. We would have either received it ahead  
 769 of the flight or a portion of it ahead of the flight, or  
 770 Bill or Sales would have said something. If you want to go  
 771 down these one by one, I can tell you that my answer for  
 772 almost <sup>all</sup> of them is going to be I don't recall.  
 773 . ^ We get wire transfers almost on a daily basis.  
 774 When you go back and ask me to recall specific ones, you  
 775 know, unless there's something really unusual about it, I  
 776 can't tell you where the advice came from.

777 . Q Let me start with the December, 1985 [REDACTED]  
 778 because I haven't previously asked you about how [REDACTED]  
 779 flights were regarded by you or understood by you.

780 . Were you aware that--perhaps I don't wish to say  
 781 were you aware--did you understand [REDACTED] flights to be  
 782 related in any way to Dick Gadd?

783 . A No, I did not.

784 . Q Did you have any sense as to the [REDACTED] flights  
 785 being related to a particular customer of any kind?

786 . A Not that I can recall. Maybe I ought to back up  
 787 and qualify my first--

788 . Q By all means, by all means.

789 . A Perhaps some of these I might have related back to

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790 you arrangements with Dick Gadd.

791 . Q If I can understand where along the line and how  
792 that took place, you started work in August or September, it  
793 doesn't matter. Do you have an idea how once you started  
794 the company you came to understand the [REDACTED] flights might  
795 have involved Dick Gadd?

796 . A Without going back and looking at specifics on each  
797 one, I can't tell you. It may have been that some of these  
798 were billed internally to East.

799 . Q Let's look at--you would look in your pile at  
800 Exhibit 14, which is this. And if, using the SAT numbers on  
801 the sheet, you would look forward to 1773 and 1774, these  
802 are cash receipts and wire advices. 1773 shows a cash  
803 receipt in the amount of \$60,000 and a date of December 11,  
804 and the name in the far left column is Eastern Incorporated.  
805 1774 shows an advice from credit, and it has a handwritten  
806 notation 'East Incorporated' on it.

807 . Looking at these and refreshing your recollection,  
808 do you have a sense as to when you came into some idea of  
809 who the customer was on [REDACTED] flights, in the broadest  
810 sense of the term?

811 . A In the broadest sense of the term, looking at this,  
812 what I would say is that it would appear to me that at least  
813 in the Finance Department we attributed these flights to  
814 being set up, brokered, I don't know what term you want to

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815 use, by East.

816 . Q Would that understanding in the Accounting  
817 Department have come about through anyone talking to you?

818 Or do you have a sense it pre-existed your arriving the  
819 Finance Department? Do you have a sense Bill Langton talked  
820 to you or Dick Gadd talked to you, or who talked to you?

821 . A Dick Gadd did not talk to me, that I can tell you,  
822 at least in December.

823 . If anybody talked to me, it was Bill Langton, but I  
824 honestly don't recall on this particular one.

825 . Q What was your sense as to the relation, if any,  
826 between your customer on the [REDACTED] flight and your customer  
827 with respect to the setting up of the ACE account? And what  
828 I am getting at is, did you have a sense it is one customer  
829 and one operation or two customers and two operations?

830 . A My sense was that it was two customers and two  
831 operations.

832 . Q Can you explain the basis on which you would have  
833 had that sense?

834 . MR. KIRSTEIN: You are asking at that time.

835 . MR. TIEFER: At that time.

836 . THE WITNESS: At that time, which was December of  
837 '85, I just had--I did not have sufficient knowledge to tie  
838 the two together, if in fact they are tied together.

839 . BY MR. TIEFER:

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840 . Q At some point, though, you did have a sense that  
841 Dick Gadd was your customer or spoke for your customer on  
842 ACE matters, and Dick Gadd was your customer or spoke for  
843 your customer on [REDACTED] flight matters. Is that a  
844 correct description?

845 . A Until, say, early November of this year, when the  
846 'Iranian matter' came up, I never tied the two together.  
847 So the fact we were making Tel Aviv flights and return  
848 flights or ferry-over, live runs from [REDACTED] the fact that  
849 might be tied to anything else that had to do with ACE did  
850 not enter my mind.

851 . Q You did have a sense both of those matters were  
852 Dick Gadd matters, is that correct?

853 . A But Dick as a broker--okay?

854 . Q Okay. Can you explain in as much detail as you  
855 can?

856 . A Dick is located in the Washington area, obviously  
857 has contacts and obviously knows of movements that need to  
858 be made. And he knows that Southern can move them. So he  
859 would serve as a middle man between what our impression was,  
860 something coming out of the government, and Southern.

861 . Q Now, I believe I previously asked you last time  
862 about whether you thought Dick Gadd was acting for someone  
863 higher, and you said yes, because someone of his rank or his  
864 position usually doesn't act on his own, usually acts for

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865 | someone higher. I am not asking you a question about that.  
866 | I am just mentioning it because--okay? Is that a correct  
867 | statement of your sense about Dick Gadd?  
868 | . A That was not the person that you asked as the  
869 | question in relation to.  
870 | . Q Okay. Let's speak about Dick Gadd then.  
871 | . A Okay.  
872 | . Q With respect to ACE, did you have a sense as to  
873 | whether Dick Gadd was acting for someone higher, was  
874 | brokering on behalf of someone else or acting for himself?  
875 | . A I had the sense that he was a middle man on it.  
876 | . Q Did you have the sense that he was a middle man on  
877 | behalf of a government agency?  
878 | . A That was my impression.  
879 | . Q That is on ACE. As we turn to East, did you have a  
880 | sense as to whether he was a middle man--by East, I mean at  
881 | this point [REDACTED] flight. Did you have the sense he was  
882 | a middle man for someone?  
883 | . A I always thought Dick was a middle man. He was not  
884 | acting on his own on any of this.  
885 | . Q Did you have a sense as to who he was a middle man  
886 | on behalf of with the [REDACTED] flights?  
887 | . - A I really didn't.  
888 | . Q Continuing with Exhibit 14 and pages 1775 and 1776,  
889 | they show cash receipts and an advice in the amount of--dated

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890 December 18, in the amount of 58,500. Looking at the same  
891 time at the recap of [REDACTED] Tel Aviv activity for  
892 December, 1985, you have listed this wire transfer and this  
893 cash receipt as related to the same flight. Can you  
894 describe the surrounding communications you received or  
895 information that you received that would have caused these  
896 two wire transfers to be related to that flight?

897 . A The only thing I can tell you is basically what I  
898 said on the last one. We knew we had performed or were  
899 going to perform a flight, the revenue we should expect was  
900 118,500, and that added to the 60,000 came up to the  
901 118,500.

902 . Q Would you have talked with Bill Langton about the  
903 fact the money had come in on the [REDACTED] flight?

904 . A Probably did tell him that I had received the  
905 money. That's true of a lot of charters or a lot of  
906 activity that we have.

907 . Q You don't remember discussing anything else  
908 concerning this with him?

909 . A No.

910 . In my mind, I am going to make a statement on all  
911 [REDACTED] flights, and really on the Tel Aviv flights also.  
912 They were ad hoc charters that were performed by our 707,  
913 and we really had no reason to question any--anything about  
914 the customer or circumstances, or what have you. I mean, it

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915 was--

916 . Q Let me ask in that regard, because there were  
917 others in your company who in respect to other aspects of  
918 the Tel Aviv flight--I may be telling you something you know  
919 or don't know, we are under very strict instructions to  
920 treat it as a very secret matter. You had no sense the Tel  
921 Aviv flights were different than any other charter the  
922 company performs?

923 . A I believe I said last time that I was aware that  
924 beyond Tel Aviv there was activity. I did not know what it  
925 was, I did not know what the nature of it was. I did not  
926 ask questions because I felt that if I needed to know,  
927 somebody would have told me. My job is to track the  
928 dollars, it's not to track the flights.

929 . Q I know you would like to get past all these  
930 transactions in one answer, but your answer you just gave me  
931 shows some flights are not the same as other flights, and I  
932 must, therefore, ask about each flight so I get the full  
933 knowledge you had about each flight.

934 . Looking at 1773, 1774, 1775 and 1776, and looking  
935 particularly at the two advices, one of them being 1774 and  
936 the other being 1776, the first being the December 11 advice  
937 and the second being the December 18 advice, you see that  
938 they are not identical. Do you have any sense as to why one  
939 is one and the other is the other? I am really asking

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940 whether at that time you were aware money had come in in one  
941 instance from Switzerland and in the other instance from  
942 Republic Bank in New York.

943 . A I really can't answer your question on why they're  
944 different. We do receive both types of advices. It may  
945 have to do with whether it moves on a domestic wire or  
946 whether it moves on an international--comes into their  
947 International Department. This one, if you look at 1774,  
948 does say "International Department" on it.

949 . Q The Switzerland one?

950 . A The Switzerland one.

951 . The other one could equally as well have been a  
952 foreign remittance, but it came through Republic, New York  
953 City, and the last leg of it was domestic and, therefore,  
954 reported that way. That is not at all unusual.

955 . Q Looking at 1774, it has the handwritten words  
956 "East, Inc." on them. Do you have a sense as to who wrote  
957 the words "East, Inc." on them?

958 . A Yes.

959 . Q Who was that?

960 . A It was Daisey Saures, my Chief Accountant.

961 . Q Do you have a sense as to whether she did that on  
962 your information or on someone else's information?

963 . A I really don't. The normal--if I had been aware or  
964 I had been told that we were performing an ad hoc charter, I

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965 | would have said ''Be on the lookout for this amount of  
966 | money,'' and she may have come to me and said, ''We have  
967 | this'', or I may have gotten the advice of it by phone from  
968 | the bank and said, ''You've got this coming and this is  
969 | where it goes.''

970 | . Q Now, you previously explained at least at some  
971 | point you had a sense these were Dick Gadd matters. Since  
972 | Dick Gadd, as you have said, handled several different  
973 | matters with Southern Air Transport, how would either you or  
974 | Daisey have known to put East, Inc. on this credit advice?

975 | . A I am not sure I follow your question.

976 | . Q You at least at some point--go ahead.

977 | . A There may have been several things, but there  
978 | generally was only one thing open at a time. So if you  
979 | are--I will let you ask the questions.

980 | . Q Perhaps I should ask it this way. It may have been  
981 | that the Flight Operations Department knew that it was going  
982 | to perform this service for Dick Gadd, but they performed  
983 | many flights, perhaps, or at least several flights for Dick  
984 | Gadd. Is it from them that the knowledge comes that this is  
985 | an East, Inc. flight, or is it from some other source it  
986 | comes that this is an East, Inc. flight?

987 | . A We have a morning operations meeting every day  
988 | where we go over the activity of the previous night and any  
989 | unscheduled activity that may be taking place over the next

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990 day, week, two weeks. It's very possible that from that I  
991 came back to the Finance Department with the knowledge that  
992 we were performing this flight, and we were looking at it as  
993 an East flight. I honestly don't remember the circumstances  
994 around it.

995 . Q All right. I appreciate--when you would hold such a  
996 meeting and if the knowledge would come into that meeting  
997 from someone that you were doing it as an East, Inc. flight,  
998 who would bring such knowledge into the meeting?

999 . A It could come from the Operations Department, it  
1000 could come from the Sales Department, it could come from Mr.  
1001 Langton, it could--

1002 . Q So you are saying the Operations Department and the  
1003 Sales Department knew something about which Dick Gadd  
1004 operations were of an East, Inc. nature and which were of  
1005 some other nature? Or did only Bill Langton have that  
1006 knowledge?

1007 . A Again, I am unclear about what you are really  
1008 asking.

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1009 RPTS CANTOR

1010 DCHM GILE

1011

1012 [1:30 p.m.]

1013

1014 . Q I will go back to the question I asked, but the  
1015 information I am seeking is, who in Southern Air Transport  
1016 knows which of Dick Gadd's operations are of one kind and  
1017 which of another?

1018 . A I don't understand 'of one kind and are of  
1019 another.' That is the thing that is confusing.

1020 . MR. KIRSTEIN: I think he testified that Gadd  
1021 worked as a broker and that he doesn't know who the ultimate  
1022 customer was.

1023 . MR. TIEFER: I am asking from who came the  
1024 information to write the words, 'East, Inc.', and if you  
1025 are telling me--

1026 . MR. KIRSTEIN: It could have come from the sales  
1027 department and it could have come from another point.

1028 . THE WITNESS: The only thing I am saying is, as far  
1029 as I am concerned, in the financing department my concern is  
1030 that I get the dollars. Who it comes from is really  
1031 immaterial.

1032 . BY MR. TIEFER: It is material to this  
1033 investigation where the information came to write the words,

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1034 "East, Inc." on that form.

1035 . Could it have come from the sales department,

1036 because if the answer is yes, then there may be inquiries we

1037 need to pursue in the sales department.

1038 . A It may have come from the sales department. It may

1039 have come from the operations department. It may have come

1040 from Mr. Langton.

1041 . Q Now, if the information comes from another

1042 department such as sales or operations, is that likely to be

1043 because they have talked directly to Dick Gadd?

1044 . If you have any knowledge or because they have

1045 heard from Bill Langton, do you have a sense as to how

1046 knowledge comes into those departments about a subject like

1047 that?

1048 . A Any time there is a flight, operations has to be

1049 involved in it, particularly any time there is a flight out

1050 of the country you have over fly rights, you have various

1051 permits, permissions, what have you, that you have to get.

1052 . Q Do you have a sense that there was someone in

1053 operations who spoke to Dick Gadd?

1054 . A I am sure there was. I am not sure that I can tell

1055 you who it was.

1056 . Q Is it your sense that it is likely to be the top

1057 person more often or do people engineer down to such

1058 discussions? And if you have no sense, then you say you

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1059 have no sense.

1060 . A Depending upon the circumstances, it could have  
1061 been anyone from the top down through the dispatchers. It  
1062 depends upon what the question is.

1063 . Q That is operations. In sales, similarly, could it  
1064 be anyone in the sales department who spoke to Dick Gadd?

1065 . A Perhaps I should qualify that at this point in  
1066 time, and say the sales department is probably the least  
1067 likely place where that information would have come from,  
1068 although that is not true for charters in general.

1069 . Q And can you explain why the sales department is the  
1070 least likely department for that information to come from?

1071 . A I think, for the most part, Dick dealt with Bill  
1072 Langton, did not go through the sales department.

1073 . Q So to sum up, Dick Gadd may have dealt with the  
1074 operations department, and dealt with Bill Langton, and on  
1075 occasion dealt with you, and you have no particular sense  
1076 that he would have talked to anyone else in Southern Air  
1077 Transport.

1078 . Maybe I should add James Bastian into that list,  
1079 maybe not.

1080 . A That is probably a fair statement.

1081 . Q Is there anyone in particular you would add to  
1082 that?

1083 . A I was trying to think who I would include in

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1084 operations, which operations you look at would also include  
1085 the maintenance department.

1086 . Q This is a question I have asked and you have  
1087 answered, so you don't have to feel dragged through it  
1088 again.

1089 . In operations, you don't have any sense as to who  
1090 would have been speaking to Dick Gadd?

1091 . A It could have been any one of a number of people.

1092 . Q Fair enough.

1093 . Now, looking back at 1974, December 11, advice from  
1094 Credit Suisse, do you know of any other previous payments  
1095 that Southern Air Transport had received that had come from  
1096 Credit Suisse?

1097 Let me mention one point. As your recap shows, there had  
1098 been before you came into the company January and March  
1099 [REDACTED] flights. It is possible under some circumstances you  
1100 would have talked with your predecessor or someone else  
1101 about it. It is possible you didn't talk about it.

1102 . A I, to the best of my knowledge, was not aware of  
1103 any transfers that had come in from Credit Suisse.

1104 . Q Were you aware of previous transfers that had come  
1105 in from Swiss banks generally?

1106 . A Without going back and recapping all the flight  
1107 activity for the months prior to December of 1985 that I was  
1108 there, I can't answer that question.

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1109 . It is very possible that it happened. I mean, we  
1110 do business with people all over the world.

1111 . Q Moving on from the month of December to the month  
1112 of January, on Exhibit 6, the Banco America recap, there is  
1113 a series of activities, both deposits and disbursements,  
1114 shown in the month of January.

1115 . The disbursements--correct me if I am wrong on  
1116 this--apart from a small charge, it says two wire transfers  
1117 consist of one on January 12 and one on January 31. Are  
1118 those two disbursements and those two transfers all related  
1119 to one transaction that you could describe in a way?

1120 . A Basically, that is true. The first transfer of  
1121 \$230,000 allowed me to complete purchase of the first  
1122 Caribou. The second transfer of \$150,000 at the end of the  
1123 month allowed me to have funds to make deposits when  
1124 necessary on the second Caribou.

1125 . Q In connection with these financial arrangements for  
1126 the purchase of the Caribou, do you recall any conversations  
1127 such as discussions with Bill Langton?

1128 . A I do recall him requesting me to transfer the  
1129 deposit on the 15th of January, and I do--on the 371, I  
1130 really don't recall whether I had conversations with Bill.  
1131 At some point, I had to, because he would have instructed or  
1132 given me instructions that said when everything is okay,  
1133 they have accepted the aircraft, to go ahead and transfer

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1134 the funds.

1135 . Q Can you explain the sequence? As we last left you,  
1136 you knew that people in the company were out looking for an  
1137 airplane. Did someone tell you they had found an airplane?  
1138 Did someone tell you they had found an airplane? Did  
1139 someone tell you who they were then going to transfer to?  
1140 What do you recall the sequence?

1141 . A They had looked at around Christmas time to the end  
1142 of the year, looked at some C-123's in Venezuela. That deal  
1143 did not materialize.

1144 . Then I did understand that they were looking at  
1145 some Caribous in Canada. We had some people up there that  
1146 looked at the records and so forth.

1147 . Q And then what did anyone tell you with respect to  
1148 finance, and who told you, and what was the full  
1149 conversation? Did Bill Langton tell you some more about  
1150 this?

1151 . A He may have given me a copy of the purchase  
1152 contract. At some point in time, I knew that the purchase  
1153 price was something around \$530,000 on aircraft, that there  
1154 was to be a deposit made, and then when the aircraft was  
1155 ready and accepted, that the balance of the funds needed to  
1156 be transferred.

1157 . Q And did he say where these funds would come from?

1158 . A From the ACE account in Panama.

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1159 . Q He told you they would come from the ACE account in  
1160 Panama?

1161 . A I am not sure he told me that. I shouldn't say  
1162 that. I am sure he had to have said that, but it was my  
1163 understanding all along that is where they were coming from.

1164 . Q Now this had been a large--there had been a \$450,000  
1165 previous wire transfer. Did he tell you to be on the  
1166 lookout for more wire transfers?

1167 . A He told me--it may have happened one of two ways,  
1168 and I don't recall what the scenario would have been.

1169 . Out of the 450, I had sufficient funds to make the  
1170 initial payment, the deposit of \$159,000.

1171 . He may have said, they are going to get ready to  
1172 pick up, the aircraft will be ready in three or four days;  
1173 in that time you need to wire, transfer the balance. And I  
1174 may have said, well, I don't have enough money to do it, or  
1175 he could have said, there is another wire transfer on its  
1176 way.

1177 . I don't recall which way.

1178 . Q I don't know whether it will refresh your  
1179 recollection or not. I will draw your attention to the  
1180 documents provided that appear to be telexes to and from, or  
1181 mostly to Banco de Iberoamerica. That is Exhibit 16, page  
1182 976, which is a telex that says, "to make a transfer on  
1183 January 24 in the amount of \$371,000 to Bank National of

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1184 Canada.''

1185 . Do you recall being told by him to make this

1186 transfer?

1187 . A I don't know how to put it so that I could get you

1188 to understand. I just answered this question, I think,

1189 three or four times.

1190 . I was either told to make it or was told to expect

1191 a call from the person that was up there accepting the

1192 aircraft saying everything is okay, and you need to make a

1193 transfer to complete the transaction.

1194 . Q Do you remember whether Dick Gadd himself spoke to

1195 you in the time period of these transactions?

1196 . A I don't recall having any conversations with Dick

1197 Gadd in this time frame.

1198 . Q In the conversations that you may have had with

1199 Bill Langton, would Dick Gadd's name have been mentioned in

1200 connection with this aircraft?

1201 . A I don't recall Dick Gadd's name being mentioned in

1202 connection with it. It may very well have been, but I can't

1203 say with any certainty that it was.

1204 . Q We have spoken largely about Bill Langton. Would

1205 you have had conversations on the subject we have been

1206 talking about with James Bastian?

1207 . A No.

1208 . Q Or with either Stan Williams or Vernon East?

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1209 . A No.

1210 . Q Now, the Banco America recap, Exhibit 6, shows a

1211 wire transfer in a disbursement area on January 21 to San

1212 Salvador. Do you recall the conversations surrounding that

1213 wire transfer?

1214 . A Yes.

1215 . Q What were they?

1216 . A Okay. I received a call from Dick Gadd. This may

1217 have been the first time--

1218 . Q Spoke to him since you went down to Panama?

1219 . A Yes, requesting that I make this particular

1220 transfer for operating funds in Panama, or in [REDACTED]

1221 . Q As a matter of phone calls, does Dick Gadd either

1222 at this time or other times sometimes call you when you have

1223 to call him back, or is it always he catches you, if that is

1224 a question you understand.

1225 . A I understand the question very well. It could work

1226 either way. David can attest to that.

1227 . Q Would you have had to check, or do you recall

1228 checking with Bill Langton about the making of this

1229 transfer, or on Dick Gadd's phone call would you have acted

1230 directly?

1231 . A I don't recall. I probably would have mentioned it

1232 to Langton prior to doing it.

1233 . Q Do you have any sense what that conversation might

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1234 have been?

1235 . A Specifically, no. It would have been Dick asked me  
1236 to do this.

1237 . Q You had previously explained how natural it is when  
1238 there is a large amount of money in a bank account and you  
1239 have teams of people out looking for planes, that you come  
1240 to the conclusion that you are on behalf of a customer  
1241 looking for a plane.

1242 . Did it come as any shock that you were doing this  
1243 additional activity with ACE, namely wiring money [REDACTED]  
1244 [REDACTED]

1245 . A I was aware that the first Caribou had gone [REDACTED]  
1246 [REDACTED]

1247 . MR. TIEFER: Off the record.  
1248 [Off the record.]

1249 . MR. TIEFER: Back on the record.

1250 . BY MR. TIEFER: You had been saying that you were  
1251 aware that the plane had gone down to [REDACTED]

1252 . A It would not be unnatural to have to support it  
1253 once it got down there. You can't--I mean, you don't pull up  
1254 to the local gas station.

1255 . Q Go ahead.

1256 . A I am just saying it was--to me, it was not an  
1257 unusual request.

1258 . Q How did you understand your role, Southern Air

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1259 Transport's role, in the transaction, which at this point  
1260 did not involve the purchase of an aircraft, but involved  
1261 transferring money.

1262 . A I think we were middleman or facilitator.  
1263 . Let me qualify that. Let's say I was a  
1264 facilitator.

1265 . Q Do you perform comparably activity for anyone else?  
1266 . A We could.  
1267 . Q Do you?  
1268 . A Do I? As an individual, no.  
1269 . Q Did it seem to you unusual that you had now  
1270 embarked on an activity that you did not otherwise pursue?  
1271 . A It wasn't a whole lot different than other things  
1272 that we do, except that it was done outside the company.  
1273 For instance--and again, I get back to my past year account--I  
1274 regularly advance funds for airport landing fees for third  
1275 party customers.

1276 . Q I don't wish to argue with you.  
1277 . In that instance, because of the hypothetical you  
1278 picked, you know where the money is going and what use it is  
1279 being put to, and I understand you to say you have no idea  
1280 what this money was going to be put to.  
1281 . - A No, that is true.  
1282 . Q So did it come as some surprise that you were now  
1283 advancing money in situations where you had no idea what the

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1284 use it would be put to was?

1285 . A Not really in the natural flow of what was

1286 happening.

1287 . Q In our previous deposition, you stated that you had

1288 a belief that you might have been doing this for an ultimate

1289 customer which was the CIA. Would you have had that belief

1290 at this time?

1291 . A Yes, I think I might have.

1292 . Q Does it seem--would it have seemed to you--did it

1293 seem to you at the time natural that that might be who the

1294 ultimate customer was to do an activity such as this?

1295 . A I think it would, it might have been in keeping

1296 with that.

1297 . Q Good.

1298 . Now, also in January of 1986, Air Mach received its

1299 contract with the Nicaraguan Humanitarian Assistance Office,

1300 and had a chartering or other subcontracting relationship

1301 with Southern Air Transport.

1302 . I don't want to take us all over that again. Did

1303 you at this time period have a sense that this was another

1304 matter on behalf of Dick Gadd that Southern Air Transport

1305 was doing?

1306 . Did you now have a sense it was several Dick Gadd

1307 matters, or was it only later?

1308 . A Dick was the broker, and the business came through

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1309 him, and the checks came from him.

1310 . Q But I am trying to get the time frame. In January  
1311 of 1986, did you already know that you had this other Dick  
1312 Gadd business?

1313 . A The humanitarian relief?

1314 . Q Right.

1315 . A I think one or two flights in January, and I am not  
1316 sure that I made that connection. I think it was a little  
1317 further on, simply because I got more involved in trying to  
1318 resolve some dispute that were arising out of that.

1319 . Q That was your previous testimony.

1320 . Who in Southern Air Transport would have been  
1321 talking with Dick Gadd on that matter, on the MHAO matter?

1322 . A It could have been Bill. It could have been the  
1323 operations department.

1324 . Q And do you have any sense within the operations as  
1325 to who it might be?

1326 . A Again, it could have been--it could have been one of  
1327 several people.

1328 . Q On that matter, could it have been the sales  
1329 department as well that would talk to him?

1330 . A That is possible, but I am not--

1331 . Q And in sales, any sense as to who it would be?

1332 . A It could have been any one of a number of people  
1333 there.

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1334 . Q Now look at Exhibit 9.

1335 . A Which one is 9?

1336 . Q A good question.

1337 . I believe it is a set of cash receipts and wire

1338 advice. We will work from the exhibits. It will be

1339 confusing if we are working from different sets.

1340 . A We don't have copies of it, then.

1341 . Q It may well be you don't, because I am not finding

1342 mine. Let me look at a set that I have not taken apart.

1343 What I am referring to is this, the top page.

1344 . A I have that.

1345 . Q If you look at pages--start with page 475. These are

1346 apparently not in order. Oh, I see.

1347 . Off the record.

1348 . [Off the record.]

1349 . MR. TIEFER: Do you have 475? At the same time, if

1350 we look at the recap, Exhibit 21, which shows--maybe you

1351 should correct me. If I am looking for the appropriate

1352 recap, should I look at the one you produced today or should


1353 I look at this one?

1354 . A You should look at this one. I did not

1355 reproduce--you already had this. I didn't do that one over

1356 again.

1357 . Q I understand.

1358 . The recap shows in February 1986 a  flight.

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1359 I am trying to verify. I want to be looking at the same  
1360 time at the underlying cash receipts and wire transfers.  
1361 . A For what date?  
1362 . Q No, I don't want to be looking at [REDACTED]  
1363 flight. I want to be looking at number 6, the February 1986  
1364 Tel Aviv flight. Your recap shows that there were cash  
1365 receipts and wire transfers, and that these are--document 475  
1366 is a February 17 cash receipt, and that is the cash receipt  
1367 we are looking at.  
1368 . A Yes, sir.  
1369 . Q Can you describe transactions that took place and  
1370 the circumstances, the phone calls and the communications  
1371 that you remember surrounding the February 1985 Tel Aviv  
1372 flight?  
1373 . A I was aware of the fact--again, I am going to say  
1374 from the operations meeting, that we had a flight to Tel  
1375 Aviv. I believe I was aware of the fact that the price on  
1376 it was \$474,000, and we were looking for the money to hit  
1377 our account.  
1378 . This one, in particular, was a little bit strange,  
1379 because--and this is based on conversations with Mr.  
1380 Langton--the customer insisted the \$270,000 will be sent, and  
1381 we couldn't find it.  
1382 . Q You could tell that again. You have told it. I  
1383 won't make you tell the Chicago story again. At the time--at

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1384 that time--this is the first flight to Tel Aviv--were you  
1385 aware from this first flight that it was a matter that  
1386 continued on beyond Tel Aviv?

1387 . A Not at that point in time.

1388 . Q It would have been a later flight or a later time?

1389 . A It was after--I don't know what the time frame  
1390 was--it was after the flight took place and had returned. In  
1391 fact, it was after the crews had returned back to the states  
1392 that I was aware of the fact that there was activity beyond  
1393 Tel Aviv.

1394 . Q Now, the cash--there were two cash receipts,  
1395 February 17, which is 475, and February 26, which is 472.  
1396 Do you have any sense as to their being a series of payments  
1397 and any reason for this?

1398 . A I don't understand your question.

1399 . Q Were you told to look for a specific amount and the  
1400 wire transfer that came in was the specific amount you were  
1401 told to look for, or were you told to look for a specific  
1402 amount and the two added up together?

1403 . A No, on the 17, I think, verified I had 270. I  
1404 still knew I was owed 214 to complete the transaction.  
1405 Obviously, I had another invoice that was cut at the same  
1406 time for about 26,000. It looks to me like it was all put  
1407 to East and then it was subsequently distributed to two  
1408 particular invoices, 2627 and 2628.

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1409 . Q Do you have any recollection of where the  
1410 information or instructions about such a distribution would  
1411 have come from?

1412 . A It may not have come from anybody. They may have  
1413 been able to look at the amount that came in and decide  
1414 within the Department where it needed to go.

1415 . Q And is that because information on those two  
1416 invoices would have perhaps been what told you what to do?  
1417 Is that what you are saying?

1418 . A Well, what I am saying is, I may have had only two  
1419 open invoices from East, one which was the balance of 8627  
1420 for 214,000, and another one for 26,000.

1421 . Q I think you are describing something which is  
1422 obvious to you but not to me. In other wire transfers--we  
1423 are talking about invoice here. We are not talking  
1424 about--you are referring to invoice by Southern Air  
1425 Transport; in effect, Southern Air Transport's bills.

1426 . A Right.

1427 . Q To its customer. In other situations where you  
1428 received wire transfers, there were no invoices, because the  
1429 wire transfer came in in advance. In this situation there  
1430 is an invoice.

1431 . - A Yes.

1432 . Q Can you explain why?

1433 . A On flight activity we always out an invoice. It is

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1434 a way of checking at the end of the month to be sure that we  
1435 have booked all the revenue that we should have booked that  
1436 month.

1437 . Now, an invoice may not be sent, but there is  
1438 always one that is cut.

1439 . MR. KIRSTEIN: Just talk to him for a second?

1440 . MR. TIEFER: Sure.

1441 . [Counsel and witness conferred.]

1442 . MR. KIRSTEIN: We were just discussing the  
1443 possibility that this 26,000 allocation--and the reason it  
1444 dawns on me is because there is an invoice--is that it might  
1445 have been a no-help flight which, even though it was "Air  
1446 Mack", those were treated as East.

1447 . MR. TIEFER: That is a helpful clarification.

1448 . BY MR. TIEFER: Can you explain all that?

1449 . A Yes. East became, as Ace was, if you will, a  
1450 generic name for an activity.

1451 . Q And what did that activity include?

1452 . A Well, East obviously included the Tel Aviv flights,  
1453 the [REDACTED] flights, the know-how flights.

1454 . Q But not Ace?

1455 . A I wouldn't say with any degree of certainty that  
1456 there was that--I don't think there was, but Ace became the  
1457 whole Ace Udall Corporate Air side of things.

1458 . Q And so, as you have just ticked off some companies,

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1459 you have ticked off some types of activities which are East  
1460 activities and other types of activities which are Aca  
1461 activities?  
1462 . A Yes.  
1463 . Q In the accounting department, was there a general  
1464 sense that there were these two different types of  
1465 activities?  
1466 . A Yes.  
1467 . Q Do you receive information about that distinction  
1468 from Bill Langton or anyone else that there are some Dick  
1469 Gadd activities which are type-A and some which are of type-  
1470 B?  
1471 . A No, I think it grew over time.  
1472 . Q How?  
1473 . A Just from being involved in what was happening. If  
1474 I had a problem with know-how flights, I didn't go to  
1475 Langton, although I may have mentioned it to him. I would  
1476 go to Dick Gadd's controller, Cindy Donlinger, and raise the  
1477 question with her.  
1478 . Q Would you go to her on matters concerning [REDACTED]  
1479 Tel Aviv flights?  
1480 . A There was never a problem with the monies on those,  
1481 so there was no reason to go to her.  
1482 . Q I am seeking where the sense, where the information  
1483 comes from that puts [REDACTED] Tel Aviv, and MAMO in one

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1484 category. Does it come down from Bill Langton? Does it  
1485 come from the operations department? Do you have any idea  
1486 where it comes from?

1487 . A You are asking me to be specific about something  
1488 that, in my own mind, grew over a period of time, and since  
1489 it has probably been warped by everything that I have read  
1490 in the papers and what have you, to be able to specifically  
1491 answer that question, I am just not sure.

1492 . Q Looking at these cash receipts, who wrote the word  
1493 'East, Inc.' on each of them? I am referring to the  
1494 Chicago February 17 and the <sup>d</sup>CBS February 26.

1495 . A It looks like Daisy Suarres.

1496 . Q Do you have any sense who would have given her the  
1497 information to write 'East, Inc.' on it?

1498 . A If she didn't know automatically where it went--let  
1499 me back up for a second. This might help. There is a  
1500 billing instruction that is cut.

1501 . Q What is that?

1502 . A Which is a form that says, this is how you bill  
1503 this particular activity. Here is the customer, here is the  
1504 amount, here are the payment materials, so on and so forth.

1505 . And that billing instruction is necessary to--I am  
1506 not going to make it 100 percent, but generally is used to  
1507 type up the invoice, so she could have gone back to a  
1508 billing instruction.

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1509 . It could have been one way. I could have said,  
1510 this is the way this needs to be distributed, particularly  
1511 if the money comes in ahead of the flight activity, because  
1512 you don't have a billing instruction. And I could have  
1513 gotten it either from the operations meeting or a  
1514 conversation with Bill.

1515 . Q Who prepares the billing instruction?  
1516 . A It would generally come out of the sales  
1517 department, or in the case of certain types of military  
1518 activity, out of Ray Taranto's office.

1519 . Q Do you have a sense that there were billing  
1520 instructions in connection with [REDACTED] Tel Aviv  
1521 flights?  
1522 . A I think there probably were.

1523 . Q And who would have prepared those?  
1524 . A I think they may have come out of Ray Taranto's  
1525 office, but I am not sure.

1526 . Number one, I am not sure whether they existed; and  
1527 number two, I am not sure--if you are asking me if Bill  
1528 Langton would have prepared them, the answer is no. That  
1529 was not something he would have done.

1530 . Q Once they are prepared and used, are they then kept  
1531 somewhere?  
1532 . A For the most part, once they are used and the funds  
1533 are checked we have no further use for them, so there may be

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1534 a short-term file, but beyond that, I believe they are  
1535 discarded.

1536 . Q Am I correct that this is your testimony? There  
1537 may or may not have been billing instructions on the [REDACTED]  
1538 and Tel Aviv flights, and if there were any, they may have  
1539 been destroyed?

1540 . A That is correct.

1541 . Q Your recap shows--and I believe, naturally, from  
1542 what you have said, but I want to make the connection--that  
1543 for the wire transfer to, first, Chicago, there is no copy,  
1544 or at least it shows no SAT number.

1545 . Now, let me ask you, because you have explained the  
1546 Chicago transaction at considerable length. Given that you  
1547 no longer were a customer of Chicago, do you have a sense as  
1548 to what paperwork existed that brought, as the money that  
1549 you discovered in Chicago was brought to Southern Air?

1550 . A The other side of the transaction, and I don't see  
1551 it here, would be a cash receipt form for C&S, because the  
1552 money was immediately, once it was discovered in Chicago, it  
1553 was immediately wired to C&S.

1554 . I would want to go back and look at that before I  
1555 said that definitively, because, in essence, what we are  
1556 getting is a double booking of 270. By double booking, we  
1557 are counting it twice if I have two cash receipts, so maybe  
1558 I have a 270 wire transfer advice that is just hanging loose

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1559 someplace, and it was booked off of this particular cash  
1560 receipt form.

1561 . Q As you know, I have made no document requests. We  
1562 will do that in an organized fashion.

1563 . Is it fair to say at this point, though, we are  
1564 still looking for the underlying paperwork on the Chicago  
1565 wire transfer of \$270,000, the cash receipt and the wire  
1566 advice?

1567 . [Witness and counsel conferred.]

1568 . THE WITNESS: I recall going back and looking for  
1569 underlying documentation on this, and it was my thought that  
1570 I had produced it to David. David tells me that he doesn't  
1571 recall seeing it.

1572 . MR. KIRSTEIN: But if it was--

1573 . THE WITNESS: If it was, you have it.

1574 . MR. KIRSTEIN: It was given to you.

1575 . MR. TIEFER: The further description is accepted.

1576 My own sense is that we are looking for the paperwork on the  
1577 \$270,000.

1578 . THE WITNESS: If you will give me just a minute.

1579 . MR. TIEFER: I would rather put the question aside.  
1580 It is not a big one.

1581 . THE WITNESS: It is in my mind.

1582 . MR. KIRSTEIN: Charles, have you seen a document  
1583 like this?

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1584 . MR. TIEFER: You are showing me--

1585 . THE WITNESS: That may have just been off the bank

1586 statement, which was all I could find on it.

1587 . BY MR. TIEFER: You are showing me a form that has

1588 First Chicago letterhead, and perhaps you can describe to me

1589 what this form is.

1590 . A What it is showing--

1591 . Q This is a wire transfer, an advice?

1592 . A No. In essence, it is, because it is showing a

1593 wire transfer that came in on the 14th of--

1594 . Q February?

1595 . A --February, the week of the 14th of February, and

1596 this is the information that we had on it.

1597 . Q It came from Republic Bank.

1598 . A Through Republic Bank by order of C.S., Ltd.

1599 . Q Investment? Go ahead.

1600 . A For \$270,000. That is the same information that

1601 there is on the bottom of the exhibit.

1602 . Q I don't mean to argue with you, but perhaps what

1603 those words mean are CSF investments, and there is no 'F'

1604 on the recap.

1605 . A That is possible. I see that my description does

1606 not match.

1607 . Q We have an interest in CSF.

1608 . MR. KIRSTEIN: This may have been produced, because

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1609 there is a document number reference here 1793. If it  
1610 hasn't we will make copies and give it to you.

1611 . MR. TIEFER: I don't mind checking that. Before I  
1612 didn't, but when the letters 'CSF' appear, you get my  
1613 attention.

1614 . MR. KIRSTEIN: Did you find that?

1615 . MR. TIEFER: One of the exhibits--

1616 . MR. KIRSTEIN: Has it?

1617 . MR. TIEFER: Consists of the material that you gave  
1618 Citizen and Southern. It is Exhibit 15.

1619 . MR. TIEFER: It has on the top of it the letter  
1620 from John Getz of C&S. This is Exhibit 15, and we turn to  
1621 page--your form says '1793'.

1622 . MR. KIRSTEIN: It is not the same, but here is the  
1623 advice for 240,000.

1624 . MR. TIEFER: If Mr. Mason, the witness, could give  
1625 the explanation.

1626 . MR. KIRSTEIN: I am sorry?

1627 . MR. TIEFER: I will be happy to swear you in, Dave,  
1628 if you want to give some testimony.

1629 . THE WITNESS: What is the number?

1630 . MR. KIRSTEIN: 1793.

1631 . THE WITNESS: That is \$240,000. It is not 290.

1632 . BY MR. TIEFER: Yes, and that is my understanding,  
1633 that there was no paper. That is why there is no number

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1634 | under 270.

1635 | . A 475 is the only thing that I found going back  
1636 | through, which was just the cash receipt form.1637 | . Q We will discuss documents in the--I was just shown  
1638 | the Chicago transfer from CSF Investments on the case. It  
1639 | is a matter of interest.1640 | . Looking at what we do have, which was 473, 473 is a  
1641 | credit advice dated February 26. Do you recognize this?

1642 | . A Yes.

1643 | . Q Do you recall seeing the name of the entity that  
1644 | this was sent at the request of?1645 | . A I don't. I am not sure what language it is in, but  
1646 | it could be, just say something no more than at the request  
1647 | of one of our clients.

1648 | . Q Can you read what it says?

1649 | . A I don't--I am not--maybe you can enlighten me. Un de  
1650 | nos clients is what it says.1651 | . Q The reporter will take the spelling from the form.  
1652 | You are not being tested on different languages.1653 | . Was there ever a prior matter on which you recall  
1654 | Southern Air Transport receiving wire advice where there was  
1655 | no clear indication of who the entity providing the money  
1656 | was?1657 | . A There is a possibility. Again, without going back  
1658 | and looking through the wire transfer--again, we generally**UNCLASSIFIED**

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1659 know in any wire transfer what dollar amount we were looking  
1660 for.

1661 . Q But sometimes Southern Air doesn't know who is  
1662 going to send it the money.

1663 . A I don't know how to answer that one in the context  
1664 that I think you are asking it. It is not unusual for us to  
1665 perhaps contract for, say, an ad hoc charter and have the  
1666 funds come from a different party.

1667 . Q Do you understand that from this wire transfer you  
1668 don't know who is sending you the money? I don't want to  
1669 test you on foreign languages. You received this wire  
1670 advice. I am asking you now what you think. I am asking  
1671 you then what you knew.

1672 . A Obviously, at the time the wire hit, we had an  
1673 understanding of what it was for and how it was to be  
1674 distributed.

1675 . How I had that knowledge, I don't know.

1676 . Q What was your understanding at the time?

1677 . A If you go back to the prior page, you can see how  
1678 it was distributed on the cash receipts form.

1679 . Q Namely, East.

1680 . A Right.

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1681 DCMN MILTON

1682

1683 . Q You can't tell me how you had that understanding?  
1684 I am asking a separate question of you, if you still can't  
1685 tell me, is it in any way remarkable at Southern Air  
1686 Transport that you don't know the name of the entity giving  
1687 you the money for a flight?

1688 . A We obviously had, for whatever reason, invoiced the  
1689 flight to EAST, invoiced two flights to EAST, and received  
1690 funds that were to be credited to those flights. If EAST  
1691 was serving as a middleman, that would not be unusual. We  
1692 knew the distribution of the funds. Where it came from  
1693 really wasn't a concern. I don't really follow your--

1694 . Q I will ask the question a different way. You had  
1695 some belief that Dick Gadd might represent the U.S.  
1696 Government in some matters. Does the receipt of a wire  
1697 transfer from Switzerland for an anonymous party--

1698 . A Dick Gadd also, as I said earlier, was a broker.  
1699 He would represent anybody.

1700 . Q I am asking you whether your belief that he may  
1701 have represented the U.S. Government in these matters was  
1702 affected by your receiving a wire transfer from an anonymous  
1703 source in Switzerland?

1704 . A Let me answer your question this way. Number one,  
1705 I may or may not have seen the wire transfer advice. I

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1706 certainly would have known that we received the wire  
1707 transfer in the amount of \$214,000.

1708 . Q Would someone in your department have looked at  
1709 this advice when it came in?

1710 . A I'm sure that Daisey looked at it, but I'm also  
1711 sure that again if she knew the distribution of it, or she  
1712 had an idea of the distribution of it, what she was looking  
1713 for was the dollars, not where it came from.

1714 . Q So that whether it was you who looked at it or she  
1715 who looked at it, the fact that there was an anonymous  
1716 source for the money would not have drawn any attention in  
1717 Southern Air Transport?

1718 . A No.

1719 . Q A chronology that your company has produced  
1720 reflects the fact that there were two different sets of  
1721 flights in February to Tel Aviv, one in the middle of the  
1722 month, one at the end of the month. Did you have any  
1723 awareness of such a distinction, that there was more than  
1724 one flight to Tel Aviv?

1725 . A To Tel Aviv?

1726 . Q During this period.

1727 . A There were, my recollection is that there were two  
1728 aircraft that went, but they went at the same time.

1729 . MR. KIRSTEIN: You are confusing flights with  
1730 Israeli aircraft into Iran with the flights from Kelly to

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1731 Tel Aviv.

1732 . BY MR. TIEFER:

1733 . Q You were aware in any event of--were you aware at  
1734 the time of what you just said you were aware of?

1735 . A I was aware two 707s flew from Kelly Air Force Base  
1736 to Tel Aviv.

1737 . Q Looking at the recap for [REDACTED] and Tel Aviv  
1738 activity, Exhibit 21, we now come to item 4, a February  
1739 flight [REDACTED] for which wire transfers came in in March.  
1740 Do you recall the circumstances surrounding those financial  
1741 transactions?

1742 . A My very, very limited recollection, I would be  
1743 aware of course that we had an ad hoc flight going. I don't  
1744 recall any unusual circumstances surrounding it. As long as  
1745 I got paid for it--

1746 . Q Suppose we look at Exhibit 14.

1747 . A Is that this one?

1748 . Q Pages 17 and 79 towards the back, I am talking  
1749 about the last couple of pages, 1779, a cash receipt dated  
1750 March 21, credit advice 1780, 1781, a cash receipt dated  
1751 March 6. Start with March 6, one, and underneath the 1782,  
1752 a wire transfer. Looking at cash receipt 1781, March 6th,  
1753 do you recall the circumstances surrounding that?

1754 . A I really don't.

1755 . Q There is a handwritten statement on cash receipt

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1756 dated March 6. Do you recognize it?

1757 . A On March 6?

1758 . Q Cash receipt.

1759 . A Here?

1760 . Q Yes, that is exactly it. Can you read it?

1761 . A Yes. It says originals given to Bob 12-17-86.

1762 . Q Do you know who wrote that, what it means?

1763 . A Yes. What it means is that when we were collecting

1764 original documentation to be presented in this or related

1765 hearings, and I had my people go back and make copies of

1766 everything that was there, I had Daisey keep copies of

1767 these, and give me the originals, and that was a note she

1768 made on it, and evidently in recopying these, we got a copy

1769 of the copy. It has absolutely no significance to it.

1770 . [Counsel and witness confer.]

1771 . MR. TIEFER: Let's take a break now.

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1772 RPIS DOTSON  
1773 DCMN QUINTERO  
1774 . BY MR. TIEFER:  
1775 . Q Look at the Banco de Iberoamerica recap, exhibit 6.  
1776 In the disbursements side it shows on March 4, a pair of  
1777 wire transfers, \$19,000, to continue air services, \$35,000  
1778 to Southern Air Transport.  
1779 . Could you describe the circumstances of those transfers?  
1780 . A The first one, the \$19,000, was made at the request  
1781 of either Dick Gadd or Cindy Dondlinger, I am not sure which  
1782 one.  
1783 . Q That is Corporate Air Services?  
1784 . A The Corporate Air Services. And my understanding  
1785 was that it was for payroll and operating expenses for the  
1786 [REDACTED] operation.  
1787 . Q Before we go on to the other one, have you ever  
1788 heard of Corporate Air Services before they discussed this  
1789 with you?  
1790 . A No.  
1791 . Q You say it is possible that it was Cindy Dondlinger?  
1792 . A I am not sure on the first one whether it was Dick  
1793 or Cindy. Subsequent ones I think, were pretty much Cindy.  
1794 . Q Do you recall how Cindy came into the picture on ACE  
1795 matters?  
1796 . Did someone say to you, "Cindy, will be talking from now

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1797 on, ' or was there some other way she came in?

1798 . A I had some conversations with Cindy prior to this

1799 time. Well, at least in March, anyway, trying to resolve

1800 some, I think, some know-how matters, and I don't recall

1801 whether there was any formal statement of any sort that

1802 said, Cindy, we will be giving you a call or--Cindy was the

1803 person who worked up the figures in Dick's office.

1804 . Q Was there anyone else in Southern Air who would have

1805 talked to her besides you?

1806 . A Talked to Cindy?

1807 . Q Yes.

1808 . A Not that I am aware of.

1809 . Q Did anyone below you talk to Cindy, Daisy Saures,

1810 anybody?

1811 . A No, not to the best of my knowledge. I mean if

1812 there were problems with the East account, it is very

1813 possible Daisy could have called Cindy, but I was to aware <sup>be</sup>

1814 of it.

1815 . Q Now, on the previous flights we have been asking

1816 about up until now, [REDACTED] Tel Aviv, you have been

1817 empathetic, correct me if I am wrong, that you had not

1818 talked to Jim Bastian?

1819 . A Yes.

1820 . Q Did there come a time in connections with ACE,

1821 either at the time of this wire transfer or in the months

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1822 immediately before it, that you had talked to Jim Bastian  
 1823 about ACE?

1824 . A In my prior testimony, I believe I said that when I  
 1825 returned from Panama, Jim had looked at the ACE documents.

1826 . Q Right. Between then--

1827 . A Between then and there, no, most of my  
 1828 conversations, in fact, the majority of them, all of them,  
 1829 and I hate to use the term all, because it is very  
 1830 inclusive. Our conversations were with Bill.

1831 . Q And as for the time period of these March wire  
 1832 transfers, you still didn't talk to Jim Bastian about ACE  
 1833 matters?

1834 . A No.

1835 . Q Maybe it will save time so I know where to ask the  
 1836 question again. Do you have any idea how you have down the  
 1837 chronology you first began talking to Jim Bastian about ACE  
 1838 matters?

1839 . A That I can recall, and there again, I  
 1840 being--excluding a lot of time. It was after the whole thing<sup>9</sup>  
 1841 had kind of come to a screeching halt.

1842 . Q You mean after June or later than June 1986?

1843 . A Yes.

1844 . If I had had conversations with Jim<sup>h</sup> up to that point in  
 1845 time, it may have been along the lines of payments versus,  
 1846 within Southern--for maintenance and support payments versus

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1847 charges and so forth.

1848 . Q Do you recall when those conversations took place?

1849 . A I don't. I mean, it would have been over time, but  
1850 certainly the involvement for the maintenance and support  
1851 didn't start until April. So it would have been some time  
1852 after April.

1853 . Q Good. And as far as not only the fact of needing to  
1854 make a wire transfer to Corporate Air Services, but who to  
1855 wire it to, since you had not previously known in this  
1856 entity, what bank to use, and so forth, do you have any  
1857 sense as to where that information came from?

1858 . A The information came from Dick Gadd's office,  
1859 whether it was Dick or Cindy, and I think that the comment  
1860 that was made as doing it through the San Salvador Bank was  
1861 not working, and that they were going to do it that way.

1862 . Q I see. That is interesting.

1863 By not working, you mean you had previously, in January,  
1864 made a wire transfer [REDACTED]

1865 . A You had asked me about that one. Yes.

1866 . Q Was there any further interaction between the time  
1867 of that January wire transfer and the time of this March  
1868 wire transfer about the subject of money to Corporate Air  
1869 Services?

1870 . A NO.

1871 . Q The first time they said [REDACTED] and the second

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1872 time they gave you a domestic location?

1873 . A Right.

1874 . Q Did you have any sense as to what Corporate Air

1875 Services was?

1876 . A No.

1877 . Q You knew it was connected with Central America?

1878 . A I knew it was connected with Central America. I

1879 assumed it was connected with Central America.

1880 . Q What else?

1881 . A That is basically it.

1882 It maintained a bank account in Pennsylvania.

1883 . Q Mr. DeGaray's name had been on the [REDACTED]

1884 transfer in January?

1885 . A Right.

1886 . Q Do you know what his relationship was with Corporate

1887 Air Services?

1888 . A No, I didn't.

1889 . Q So as far as you knew at the time of the March 4,

1890 1986 wire transfer to Corporate Air Services, those might be

1891 two separate entities, Corporate Air Services and DeGaray?

1892 . A Yes. I had no sense of that until I started reading

1893 articles in the newspaper, well into the--well around the end

1894 of the year, whenever that--after October.

1895 . Q Now, looking at the disbursements, after the March

1896 4, 1986 wire transfer to Southern Air Transport there is

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1897 something that looks like a February 14, a 2-14. I don't  
1898 wish to make big things out of little things. Do you have a  
1899 sense as to--

1900 . A If you will hold on just a second, I think we can  
1901 clear that up. If I can find the right piece of paper.

1902 I am going to question the data, and say that on my sheet  
1903 that you given this morning, which is exhibit 27, that shows  
1904 as being made on 3-6.

1905 I would want to go back, I am sure we have the telex that  
1906 was sent on that, but the data, the 2-14 data is definitely--

1907 . Q Okay.

1908 . A Appears to be an error.

1909 . Q Let's put it aside as a matter to be clarified some  
1910 other time.

1911 . A The transfer was made, and it was half of the  
1912 deposit on the second Caribou.

1913 . Q Can we link that \$79,000 wire transfer shown on the  
1914 Banco de Iberoamerica recap with another wire transfer to  
1915 Prop Air, which is shown here as dated March 10?

1916 . A Yes.

1917 . Q Can you tell the circumstances surrounding that?

1918 . A Those are the--actually should relate to the deposit  
1919 that is shown on 1-15 of 86. They should total about that  
1920 amount. In other words, \$159,000 initial deposit on the  
1921 aircraft, the second aircraft.

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1922           The reason it was made in two stages is the second  
 1923 aircraft required more work than the first, and it was just  
 1924 kind of progressing deposits as the aircraft was being  
 1925 prepared to be delivered.

1926   .   Q   Who was giving you the information on this? Did you  
 1927 talk to Bill Langton?

1928   .   A   I talked to Bill on these, at least on the first  
 1929 one. I may have gone to him on the second one and indicated  
 1930 that it was--you know, based on my understanding of the  
 1931 arrangements, it was time to make the second one.

1932   .   Q   You would not have talked to Dick Gadd about this?

1933   .   A   I recall talking to Dick about that. It was  
 1934 conversations with Bill.

1935   .   Q   Now, let me give you a choice. At this point you  
 1936 have three different recaps. Which would you prefer to work  
 1937 on?

1938   .   A   On the Banco--

1939   .   Q   As we turn to a March 4, 1986--would prefer to work  
 1940 off of this or your original written recap of those?

1941   .   A   Any of them. It doesn't make any difference. My  
 1942 answer is going to be the same for--

1943   .   Q   Okay.

1944   .   A   You tell me the one that is easier for you.

1945   .   Q   The one that is the most detailed is the exhibit 27  
 1946 document, 1822A.

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1947 . A Okay.

1948 . Q The analysis of the Banco de Iberoamerica account.

1949 This shows outgoing wire transfers on March 4 and March 6,

1950 and March 10, and March 21; am I correct?

1951 . A Yes.

1952 . Q Can you describe the circumstances surrounding these

1953 wire transfers?

1954 . A The one on March 4, the first one, for--if you will

1955 look in column 9 for 1945828, we have already gone over.

1956 . Q That was the Prop Air one?

1957 . A No, that was the one to Corporate Air Services.

1958 . Q I am sorry, you are quite right.

1959 . A Okay?

1960 The next one--

1961 . Q March 6?

1962 . A No, 3-4, which totals 53,263.38 in column 9, was a

1963 reimbursement to Southern Air Transport for costs incurred

1964 in setting up ACE and aircraft acquisition and parts

1965 acquisition up to that point in time. It--and associated

1966 with each of these is the bank charge for the wire transfer.

1967 . Q Of course.

1968 . A The one on 3-6 to Prop Air is one that we have

1969 already talked about as a deposit.

1970 . Q Continuing on to page 2, is SAT 1923.

1971 . A Okay. On 3-10 is the second deposit that we talked

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1972 about.

1973 . Q Concerning Prop Air?

1974 . A Prop Air. On 3-21 was a further transfer to Southern

1975 Air for aircraft acquisition costs that we paid.

1976 . Q And then at the end of March 1986 occurred the matter

1977 which I think you previously described in some detail of the

1978 cashier's check for the C-123.

1979 . A Took place at the end of--in April.

1980 . Q In April?

1981 . A Yes.

1982 . Q All right. Why don't we turn to that.

1983 Can you describe the communications from outside,

1984 information on that?

1985 . A To the best of my recollection, our conversations on

1986 this were limited strictly to conversations with Bill, who

1987 said they needed the aircraft in a hurry and if necessary

1988 could we provide the funds, they were on there way. And my

1989 comment to him at that time was yes, we could do it.

1990 What happened in actuality was that the transfer got

1991 switched between ACE and Citizens and Southern, and the

1992 wrong amounts ended up in either bank. So that the \$75,000

1993 transfer made on it, I think it was made on the 11th of

1994 April, was to restore \$475,000 that came out of our C and S

1995 account.

1996 . Q Although they were in a hurry, they didn't talk.

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1997 they--do you know who they were? Did you know that meant  
 1998 Dick Gadd?  
 1999 . A It was Dick Gadd. Or Dick Gadd was involved in it,  
 2000 let me put it that way.  
 2001 . Q Did you have any clear sense of anyone else involved  
 2002 in it?  
 2003 . A The Udall Corporation--  
 2004 . Q Now, had you any previous interaction with Udall  
 2005 prior to this C-123 matter? I don't mean to test you. As I  
 2006 recall, you passed on, am I correct, one of the Caribous  
 2007 when they are purchased to Udall by the bill of sale?  
 2008 . A Yes, so I would have--  
 2009 . Q What was your sense of Udall at that time? Did you  
 2010 think of it as a Dick Gadd company?  
 2011 . A I didn't think of it as a Dick Gadd company. Again,  
 2012 I was looking at Dick as a middle man. Udall was the  
 2013 company that was funding, if you will.  
 2014 . Q Did you think of it as associated in an activity  
 2015 related to ACE or not?  
 2016 . A I would have to go back and look at wire transfers.  
 2017 But, yes, it was I think thought of as an activity  
 2018 associated with ACE, because I think there were some wire  
 2019 transfers that came in to either our bank, either C&S or  
 2020 into ACE--  
 2021 . Q Into Banco de Iberoamerica?

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2022 . A Yes. Or C&S, or I am not even sure that they didn't  
2023 fund some of the flight activity. Again, I would want to go  
2024 back and look at it.

2025 . Q And had Bill Langton talked to you about Udall?

2026 . A Obviously he had because I had drawn up some bill of  
2027 sales for Udall.

2028 . Q What information would--what would your conversations  
2029 apart from the details of drawing up the bills of sales  
2030 about Udall have been?

2031 . A I don't think--I don't recall any way us going into  
2032 any specifics on Udall, what it is, who it is.

2033 . Q He would have mentioned to you that it was related  
2034 to Dick Gadd?

2035 . A I don't honestly know whether he mentioned that or  
2036 whether I drew the inference.

2037 . Q Now, according to exhibit 28, your recap of the Jet  
2038 Star, C-123 transactions, there was a transaction in April  
2039 concerning the Jet Star? Can you describe that transaction  
2040 and communications surrounding it?

2041 . A That was a wire transfer that came in for \$150,000.  
2042 I do recall having a conversation with Bill Langton on that  
2043 one, where he indicated where he indicated the people that  
2044 were running the Central American operation wanted to share  
2045 in the cost of the Jet Star with us, so that they would have  
2046 to avail themselves to make trips as necessary, and that

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2047 they were sending \$150,000 to be used for that purpose.

2048 . Q So that in your mind was Jet Star associated with,

2049 what part of the world, their use of the Jet Star?

2050 . A It was with the Central American activities.

2051 . Q Now, this particular recap doesn't tell what

2052 documents are underlying what matters?

2053 . A 1667 underlies the first--

2054 . Q I suspect that those documents were not previously

2055 made exhibits. Because I don't remember you mentioning the

2056 Jet Star. Perhaps you did mention the Jet Star. In any

2057 event--

2058 . A With all due respect to the counsel, I did mention

2059 the Jet Star and we could go through it, and the 1667 is not

2060 a number I made up out of my head.

2061 . MR. KIRSTEIN: It may not have been made an exhibit,

2062 but it was certainly produced.

2063 . Mr. TIEFER: By definition.

2064 I thought maybe I attached another copy, but I think I ran

2065 out of time yesterday.

2066 . BY MR. TIEFER:

2067 . Q Let's pass over the Jet Star transaction.

2068 . A Go ahead.

2069 . Q And if I could draw your attention to the recap of

2070 [REDACTED] and Tel Aviv activity, exhibit 21, item 5, the April

2071 1986 [REDACTED] flight, and at the same time I could draw your

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2072 attention to exhibit 14, a series of cash receipts.

2073           Your recap shows on April 21 a cash receipt, document

2074 1758, and an associated wire transfer, looking at 1758, the

2075 cash receipt from and 1759 is a credit advice. Do you

2076 recall the circumstances surrounding the [REDACTED] flight and

2077 these two?

2078     A    Again, I would have to give you the same answer I

2079 gave before. I don't recall the specifics. I know that we

2080 did the flight, we were looking for the money, the money

2081 came in.

2082     Q    On 1758 there is some handwriting. Do you recognize

2083 it?

2084     A    I see it. I don't recognize who wrote that on

2085 there.

2086     Q    Not you and not Daisy Suaras?

2087     A    Well, it could be Daisy. I can't say with any

2088 certainty.

2089     Q    Now, the underlying cash--excuse me, the underlying

2090 cash transfer, 1759, shows this was made at the request of

2091 Udall Research, but there is written on the credit advice

2092 the words, "East, Inc.," Simply, the cash receipt shows

2093 East Inc. Do you know who wrote the words, "East, Inc.,"

2094 on-the credit advice?

2095     A    Daisy.

2096     Q    And the cash receipt form?

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2097 . A Daisy.

2098 . Q Do you know where she got the information to write

2099 East, Inc., on those?

2100 . A Probably off of invoices 8636.

2101 . Q I don't want you to speculate in the absence of a

2102 form I am not putting in front of you. Do I infer from your

2103 statement without looking at invoice 8636 you would not want

2104 to hazard a guess as to where--I don't mean hazard a

2105 guess--you would not want to say, you can not say?

2106 I will put it in the positive. Can you say who provided

2107 the information? If you answer is I would want to look at

2108 that invoice, I understand that answer.

2109 . A My answer would be I want to look at that invoice

2110 but more particularly I want to see if we still had the

2111 billing instructions that was behind that to get that

2112 information.

2113 . Q You have spoken previously of a sense that existed

2114 in your department as to which matters <sup>r</sup> was related. Does

2115 looking at these two forms give you an idea as to whether

2116 East was considered to cover the [redacted] flights, and Udall

2117 was considered to be related to [redacted] flights, or was

2118 there such a sense in your department?

2119 . - A East was the broker, if you will, on the [redacted]-Tel

2120 Aviv flights. Whether there was a sense in anybody else's

2121 mind that East was the same or was working through Udall or  
a

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2122 what have you, I don't know. In my own mind, there was.  
2123 . Q In your own mind obviously--  
2124 . A But Udall made wire transfers to us for maintenance  
2125 activity and support for Central America.  
2126 . Q So Udall was in your mind associated [REDACTED]  
2127 flights and associated with Central American activity and  
2128 was it associated with Tel Aviv activity?  
2129 . Q I don't recall getting any transfers from Udall for  
2130 Tel Aviv activity.  
2131 . Q Now, in the recap that you provided today, document  
2132 29, the recap of maintenance and support operations, there  
2133 is a wire transfer on April 18 from Udall Research for  
2134 \$200,000. Is that the first payment for maintenance and  
2135 support operations that Southern Air Transport had received,  
2136 or had it received previous payments?  
2137 . A That is the first direct payment that we received.  
2138 There were two prior transfers, but they were from the Banco  
2139 de Iberoamerica account that had originated.  
2140 . Q Can you tell the story as to your recollection and  
2141 how it came about that Southern Air Transport was performing  
2142 these maintenance and support activities, the ones  
2143 associated with these wire transfers, March 4, March 21 and  
2144 April 18?  
2145 . A March 4, March 21 were reimbursements of expenses  
2146 and funds that we had paid up to that point for parts.

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2147 . Q You mentioned that I didn't ask the question  
2148 professionally. Were those parts acquired simultaneous with  
2149 the plane or is it you acquired the plane and then you  
2150 started acquiring parts?

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2151 RPTS DOTSON

2152 DCHM LYNCH

2153 . Q A We acquired the aircraft and then there was a need  
2154 for additional spares.

2155 . Q Did you know at the time you acquire the airplane  
2156 you would be providing maintenance support for it?

2157 . A I didn't.

2158 . Q How did you first become aware you were providing  
2159 maintenance support?

2160 . A When we started, I guess when we started getting  
2161 requests to provide parts for the aircraft. Obviously  
2162 somebody talked to somebody at Southern and said, can you do  
2163 this for us.

2164 . Q Do you have any idea who talked to whom?

2165 . A I don't know. I can--I think probably Dick talked  
2166 to Bill. But that is strictly a supposition.

2167 . Q Was the maintenance and support activity being  
2168 discussed at daily operations meetings?

2169 . A Let me check one thing before I answer that. I  
2170 think that at the time this \$200,000 transfer was made the  
2171 first C-123 was on our ramp, and we had asked them to do  
2172 some work on it before we went to Central America. So the  
2173 answer is yes, we had agreed to do maintenance, at least on  
2174 that particular aircraft, at the time the \$200,000 was  
2175 transferred, or simultaneously with it.

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2176 . Q Okay. Do you recall Bill Langton talking with you  
2177 about that?

2178 . A Bill, I am sure, said, look, for \$200,000 to come  
2179 in.

2180 . Q Do you recall him explaining it was in connection  
2181 with the maintenance activity?

2182 . A Well, I am sure he did.

2183 . Q Now, you previously told me not to ask about Jim  
2184 Bastian until we came to the April maintenance and support  
2185 activity.

2186 . A I don't recall. To maybe get ahead of you, I don't  
2187 recall talking to Jim about it at this point in time.  
2188 Jim--if I can----

2189 . Q Sure.

2190 . A ----maybe clarify this. Jim really leaves much of  
2191 the ongoing operations, day to day, to Bill, and I am sure  
2192 that Jim and Bill talked back and forth. But Jim really  
2193 doesn't, other than perhaps ask questions from time to time,  
2194 become involved in the day to day operations.

2195 . Q Okay.

2196 . A He may tell you something differently, but----

2197 . Q You did talk to him about the maintenance in  
2198 connection with the maintenance and support activities,  
2199 didn't you, to Jim Bastian?

2200 . A To Jim?

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2201 . Q Yes.

2202 . A But not initially. And it had been going--as I say,  
2203 there may be a question raised. Are we being paid, how are  
2204 we tracking this? This type of thing.

2205 . Q You mean he might have----

2206 . A He might have asked this type of question.

2207 . Q He might have asked you questions about what?

2208 . A As I said, are we being paid, how are we tracking  
2209 it.

2210 . Q This wasn't initially in April is it your sense.  
2211 It was when?

2212 . A I would think it was after we got into it but I  
2213 couldn't tell you for sure when it started. But there were  
2214 never----

2215 . Q It would have been before June though?

2216 . A It may have been, it may not have been.

2217 . Q It might have been as late as June he started  
2218 talking to you?

2219 . A It might have been June.

2220 . Q Might it have been ~~after~~ after than June?

2221 . A It is possible. I just don't recall.

2222 . Q Once he began asking you these questions, did he  
2223 ask them rarely or with some frequency? What was the----

2224 . A Rarely and frequently?

2225 . Q I am asking you how frequently he asked you.

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2226 . A Maybe once a month, maybe once every six weeks. It  
2227 was not frequent.

2228 . Q Now, returning to the recap of [REDACTED] and Tel Aviv  
2229 activity--this is premature, and it is very useful to have as  
2230 chronological an account as we can. Staying with the Banco  
2231 de Iberoamerica recap, this shows on the disbursements  
2232 column, this is Exhibit 6, Document 1442, a May 1 wire  
2233 transfer to Corporate Air of \$36,000, and then a June 6  
2234 transfer to Corporate Air of \$58,000. Can you describe the  
2235 circumstances of these transfers to Corporate Air.

2236 . A These at that point in time were made in response  
2237 to a request from Cindy Dondlinger for payment of the  
2238 monthly operating salaries.

2239 . Q You had a sense by then of what this money was  
2240 being used for?

2241 . A I think I had a sense from, actually from March on  
2242 what it was being used for.

2243 . Q And your sense was?

2244 . A That it was apparently associated expenses.

2245 . Q And do you know who had told you that in March?

2246 . A I want to say it came out of conversation with the  
2247 person that requested the March 4 transfer, which I think  
2248 was probably Dick.

2249 . Q And had you known from the beginning that you would  
2250 be asked to make periodic payments, monthly payments, or is

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2251 that something you only learned as the second and the third  
2252 were made?

2253 . A I think that came along as the second and third  
2254 were requested.

2255 . Q About when do you think you began knowing you were  
2256 going to make periodic payments?

2257 . A I think after I was asked to make the second one.

2258 . Q Now, we can go to the recap of [redacted] and Tel Aviv  
2259 activity, and we take the May 1, 1986 Tel Aviv flight.  
2260 There are a large number, perhaps--you don't need to take my  
2261 characterization. There are several wire transfers referred  
2262 to in connection with the Tel Aviv flight. Would it be most  
2263 useful if we pulled them out and looked at them at the same  
2264 time, or do you have a recollection that you wish to deliver  
2265 without looking at them?

2266 . A It is going to be much along the lines of what I  
2267 have said earlier. I knew what we were getting for those  
2268 flights, \$642,000. That was an advanced payment of \$350,000  
2269 made, which was a portion of a larger wire transfer. Then  
2270 there was a subsequent transfer of \$200,000 and a subsequent  
2271 transfer of \$92,000, which was part of a \$242,000 wire  
2272 transfer.

2273 . Q If we look at Exhibit 12, which is the cash  
2274 receipts and underlying wire advises, and ignoring,  
2275 development ignoring IAS on the top line, I see in the left

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2276 column where the name is listed on the cash receipts form is  
2277 dated May 23, 1986, a series of East, Inc.'s and then one  
2278 crossed out, and the word Udall written in. Can you explain  
2279 who wrote those and why they were written?

2280 . A Those were written by Daisy and she probably was  
2281 just trying to share the wealth, if you will. The last one  
2282 was East, this one will be Udall. There is----There is no----

2283 . Q Why would she have crossed one out and put the  
2284 other one in? You could give me the answer, by the way, as  
2285 you have others, that there is an invoice number and you  
2286 would want to look at accompanying invoice but if you know  
2287 the answer----

2288 . A I would have to go back and look and see what--what  
2289 the reason is.

2290 . Q You don't have a sense as to information coming  
2291 down from Bill Langton or from any other source as to why,  
2292 to put in East or Udall at this point?

2293 . A There may have been an instruction to bill it to  
2294 Udall Corporation. I think we have in one of the documents,  
2295 and I don't think you have it here, we have that particular  
2296 invoice. I am not sure what the number is.

2297 . Q And is this another type of billing on which there  
2298 may be a billing instruction?

2299 . A Yes. There may be.

2300 . Q Now, looking at the underlying wire advices, they

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2301 | show a series of companies making the transfers. Page 16  
2302 | shows a May 23 wire advices from Albon Value Corporation.  
2303 | On page 1689 there are two more from Albon Value  
2304 | Corporation, and then finally on 1691 there is one from Hyde  
2305 | Park Square Corporation. Do you have any recollection of  
2306 | yourself or anyone else in your department having any  
2307 | knowledge about, or any reaction to these names?  
2308 | . A I really don't. Again, if you take the position  
2309 | that East was a broker and served as the middleman, my  
2310 | concern was we got the money for the activity that we did.  
2311 | . Q Were you aware that the money was being transferred  
2312 | from a series of entities? In one instance previously  
2313 | anonymous, in this case from a variety of entities, or were  
2314 | you unaware of that?  
2315 | . A I think I was really unaware of it until I started  
2316 | to put this all together. Then it almost looks like there  
2317 | was a corporation of the month that was handling it.  
2318 | . Q Do you have any reason to believe that someone under  
2319 | you, such as Daisy Saures, was aware or unaware?  
2320 | . A They would have no reason at all to question it or  
2321 | to even--again, as long as they were to find the money.  
2322 | . Q And the recap reflects that in the case of two of  
2323 | those wire transfers some money in the wire transfer was  
2324 | diverted, that is the \$410,000 wire transfer, part of it was  
2325 | applied to Tel Aviv flights and the \$242,000 transfer.

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2326 \$2,000 was applied. Were three conversations surrounding  
2327 those diversions?  
2328 . A I don't recall specific conversations surrounding  
2329 those, although obviously it would have to have  
2330 gotten--obtained the information somehow, particularly on the  
2331 first one for \$410, and my option is that I obtained it from  
2332 Bill Langton.  
2333 The second one pretty much speaks for itself.  
2334 The third one is not hard to figure out.  
2335 . Q When you say that, who would the information have  
2336 come from on the third one?  
2337 . A Well, if I knew that they owed me \$92,000 and I got  
2338 \$242, I may have been told to look for \$156,000 towards  
2339 maintenance and support.  
2340 . Q By whom? Told by whom?  
2341 . A By Bill.  
2342 . Q You don't have any belief that you were told by  
2343 Dick Gadd that the money was being applied in different  
2344 ways?  
2345 . A No, absolutely not.  
2346 . Q And is there anyone else other than Bill Langton  
2347 who you think would have been told about these matters?  
2348 . A No.  
2349 . Q But you don't have a specific recollection of him  
2350 telling you?

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2351 . A I don't have a specific recollection of him telling  
2352 me. A lot of times the way information passes is Bill  
2353 passes me in the hall and he will say, "there is \$150.00  
2354 coming for maintenance work. Let me know when it is here."  
2355 So it is a small--as I said before, it is a small company,  
2356 it is very informal, and as long as the funds hit the till,  
2357 that is my concern.

2358 . Q You said two there were types of Dick Gadd  
2359 companies, you know, one was the Ace type and the other was  
2360 another type. Am I incorrect?

2361 . A What I said was Dick Gadd was a broker and some  
2362 things may have passed through him and some things may have  
2363 bypassed him. I don't recall the specifics that are leading  
2364 up to our question. You know, it is kind of like going to  
2365 buy an airline ticket, you can pay with a credit card, you  
2366 can pay with cash, you can pay with a check, you could  
2367 charge it some other way. Maybe you just got a bunch of  
2368 blank tickets stock, can you run it off?

2369 One you get to the airline, they don't really care how  
2370 they got paid for it as long as they have got a paid ticket.  
2371 That is not the concern of the revenue accountant. His  
2372 concern is, do I have proper dollars on this ticket to allow  
2373 this guy to fly.

2374 . Q There was at least an early point where you  
2375 identified closely with Ace, leaving the thought at one

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2376 point of perhaps--your phrase was, 'I was Ace'-----  
2377 . A I still say that. Aca was not a subsidiary of  
2378 Southern Air Transport. It was the----  
2379 . Q What was it?  
2380 . A Ace was a bank account for all intents and  
2381 purposes. That was the one glaring error in the article  
2382 that was in the Herald after my last testimony.  
2383 . Q I am not familiar with the article. Though I would  
2384 be interested in reading it. When you say after your last  
2385 testimony, you mean there was an article in the Herald after  
2386 you gave a deposition?  
2387 . A Yes. Two days afterwards that pretty much covered  
2388 much of the ground that wa covered on Ace.  
2389 . Q Let's go off the record on this.  
2390 (Discussion off the record)

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2391 RPTS CANTOR

2392 DCMM MILTON

2393 [3:45]

2394

2395 . BY MR. TIEFER:

2396 . Q Continuing the examination of the May, 1986 Tel  
2397 Aviv flight, am I correct--correct me if I am wrong--that it  
2398 was at this point that you became aware, or was it even  
2399 later than this point that you became aware, that these  
2400 flights continued past Tel Aviv?

2401 . A You are asking me after the May flight?

2402 . Q Yes.

2403 . A No, it was after the February flight.

2404 . Q After the February flight. So by the time of the  
2405 May flight you knew that these flights continued past--

2406 . A I knew that there was activity beyond Tel Aviv.

2407 . MR. KIRSTEIN: You refer to the flights going  
2408 beyond Tel Aviv. I just wanted the record to be clear that  
2409 you don't mean that Southern Air airplanes went beyond Tel  
2410 Aviv.

2411 . MR. TIEFER: The witness's answer is pretty clear.

2412 . BY MR. TIEFER:

2413 . Q Do you want to explain what you mean by activity  
2414 beyond Department of Education?

2415 . A I realized that we had crews that were engaged in

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2416 some sort of flight activity not with our aircraft beyond  
2417 Tel Aviv, and maybe I shouldn't even say flight activity.  
2418 In some sort of activity, because they were flight crews,  
2419 the assumption is that it was flight activity.

2420 . Q You had learned that after the February flight?  
2421 . A Yes.

2422 . Q Did you know in advance of the May flight that  
2423 there would be such activity?  
2424 . A No.

2425 . Q Was it a matter that you again learned after the  
2426 flight of such activity?  
2427 . A Yes.

2428 . Q And how did you learn of such activity?  
2429 . A Because there was extra pay for these people.

2430 . Q And who discussed that with you?  
2431 . A Bill Langton brought me a list of the people and  
2432 the dollars amount that they were to be paid.

2433 . Q Did he tell you anything about why they were being  
2434 paid, or anything else in those terms?  
2435 . A He didn't really go into any great detail on it.

2436 . Q What did he say?  
2437 . A Basically he said that they had performed a  
2438 service. They had stayed over in Tel Aviv. I knew that  
2439 because I saw expense reports and so forth that came back,  
2440 and they had done something while they were there and they

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2441 were entitled to extra pay for doing it. It was not a great  
2442 amount. In fact, in retrospect, I think for what they were  
2443 asked to undertake, it was damned little.

2444 . Q Were you aware of [REDACTED] flight in connection  
2445 with the May Tel Aviv flight?

2446 . A Sure.

2447 . Q And what was your understanding?

2448 . A Well, my understanding was that we were flying  
2449 again from Kelly Air Force Base to Tel Aviv, that on the  
2450 return there was a back-haul out of [REDACTED]  
2451 Again I assume we were carrying hazardous material, I don't  
2452 know for sure what it was. I wasn't on the airplane. I  
2453 didn't see the manifest.

2454 . Q Now, your item 7, the May, 1986 Tel Aviv figures  
2455 and so forth do not separately break the Tel Aviv flight  
2456 from the [REDACTED] flight. Can you explain how financially the  
2457 two matters were being handled?

2458 . A It was one flight as far as we were concerned. It  
2459 was a ferry into Kelly from wherever the aircraft were  
2460 located.

2461 . I think one was in Phoenix and one was in Oakland.  
2462 I guess one was in Brownsville at that time. It was live  
2463 from Kelly to Tel Aviv, then a ferry back [REDACTED] live to  
2464 [REDACTED] and then ferry back into position.

2465 . Q Maybe because it was so obvious, it didn't occur.

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2466 Did you talk to anyone about the fact that it was to be  
2467 treated as one, or was it clear from the very beginning  
2468 without even discussing it with anybody that it was to be  
2469 treated as one?

2470 . A To the best of my recollection, it was one flight.  
2471 I mean it was one charge. The invoicing did not break it  
2472 out.

2473 . Q You didn't discuss with Bill Langton the fact that  
2474 it was one unified matter?

2475 . A Everything, every indication I had was that it was  
2476 just one particular item.

2477 . MR. TIEFER: This is a good place to stop.  
2478 . [Recess.]

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2479 RPTS DOTSON

2480 DCMN DANIELS

2481 . BY MR. TIEFER:

2482 . Q Mr. Mason, you described your conversations with

2483 Jim Bastian as being on the order of once every month or

2484 once every six weeks during the spring of 1986 and

2485 concerning aspects of maintenance work being performed for

2486 the C-123 and related plans.

2487 . Can you carry that forward in successor months as

2488 to what your conversations with him might have been on

2489 either in contra-related matters or in Iran-related matters?

2490 . A It is extremely difficult for me at this point in

2491 time to recall specifics of conversations I might have had

2492 with <sup>h</sup>him. Let me say that from June through probably at

2493 least the first part of September, maybe the middle of

2494 September, I worked with Jim very closely on some financial

2495 projections and some proposals to purchase some 0100

2496 aircraft, and there may have been occasions through that

2497 time when we did touch on, I don't think we ever discussed

2498 Iran, but perhaps discussed the maintenance contract or the

2499 ongoing support for the contras, but I can't recall any

2500 specifics that he and I might have talked about.

2501 - It certainly was not a lot of conversation between us on

2502 it.

2503 . Q Now, the Banco de Iberoamerica recap, Exhibit 6,

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2504 shows a June 26 wire transfer of \$10,000 with Prop Air  
2505 label, and this is in the disbursement column.

2506 . Q Do you recall the circumstances of that transfer?

2507 . A Yes, I do. Prop Air was--as part of the aircraft  
2508 purchase agreement, was to deliver the aircraft [REDACTED]

2509 [REDACTED] and I believe the second came through Miami before  
2510 it went South and we agreed--by 'we' I mean ACE--agreed to  
2511 reimburse them for their expenses connected with that. And  
2512 that was a final billing to clean up the purchase of those  
2513 Caribous.

2514 . Q Did you talk with <sup>Dick</sup>~~Bill~~ Gadd or Bill Langton about  
2515 that?

2516 . A I really think my conversations in that, other than  
2517 to tell Bill I was cleaning it up, were with Frank Serby.

2518 . Q Did he have an ongoing role with respect to ACE  
2519 matters?

2520 . A No, his role was limited strictly to the purchase  
2521 of the Caribous, but he had been the one who had gone to  
2522 Canada to sign the acceptance documents and he was the one  
2523 that had the relationship with the people at Prop Air, so it  
2524 was natural that that would move through him.

2525 . Q Would he have had to talk to either Bill Langton or  
2526 Dick Gadd to get his instructions about how to handle that?

2527 . A You are asking me to give a supposition--from my own  
2528 knowledge, I don't recall any specifics, but it is highly

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2529 unlikely that he would have completed the project without at  
2530 least talking to Bill, who had to have sent him off on it.  
2531 . Q Now, at this point I am not going to continue in  
2532 detail on each chronological matter, but to skip ahead to  
2533 the August 1986 recap of [REDACTED] and Tel Aviv activity. And  
2534 in the document which is Exhibit 9, but has lists--I believe  
2535 this is your copy. If you could turn to page 454 and 455,  
2536 454 being a cash receipt dated September 11 and 455 being a  
2537 credit advice.

2538 . Can you describe the circumstances surrounding  
2539 these flights and these financial transactions?

2540 . A This was a flight where we provided crews only and  
2541 I believe that Bill told me that the amount we were owed for  
2542 it was \$25,000 and, very honestly, this is the only transfer  
2543 that came in around that time that I could take \$25,000 from  
2544 and assign to that particular project. There wasn't a  
2545 separate \$25,000 transfer that came through.

2546 . So what I did was assign.

2547 . Q Did you know in advance of the use of the crews  
2548 that there was going to be this crew's service or did you  
2549 only find out after the fact?

2550 . A I may have been told a few days in advance that the  
2551 crew was going to be used. I don't recall. And it may have  
2552 been for the October flight that I was told in advance. For  
2553 one of those I knew in advance they were going.

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2554 . Q Now, the cash receipt, No. 454, has the word 'ACE'  
2555 on it. Do you know who wrote that?

2556 . A That would have been--it doesn't look like Daisy's.  
2557 It would have been whoever was doing the cash receipt forms  
2558 at that particular point in time.

2559 . Q One question and then we will confer.  
2560 . Do you have any idea where the information for that  
2561 person to write ACE on that cash receipt would have come  
2562 from?

2563 . A Again, I am going to give you the answer I have  
2564 before. I would assume that Bill told me to be on the  
2565 lookout for a transfer of \$50,000.

2566 . Q And he would have told you it was related to ACE.  
2567 Is that what you are saying?

2568 . A That was an implication. You know, because there  
2569 was no flight activity per se with Southern Aircraft, it  
2570 would not get charged to a flight account.

2571 . So it would not be unusual for him to, in  
2572 requesting funds, say we got the \$25,000 for what we did in  
2573 August for you and additionally we need another amount to  
2574 help with the maintenance and support.

2575 . Q Now, ACE has not previously appeared in connection  
2576 with the Tel Aviv flights. Can you explain why it appears--

2577 . A I think you are reading more into it than there is.  
2578 I don't think that has any significance at all other than

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2579 | an internal accounting pot that we are going to put it in.  
2580 | . Q But you think that the implication to use ACE came  
2581 | from Bill Langton?  
2582 | . A The implication to use ACE was one that said there  
2583 | is \$50,000 coming, be alert for it. The fact that I have  
2584 | said \$25,000 of this really should have been a reimbursement  
2585 | for the Tel Aviv flights in August really bears no  
2586 | significance to the fact that this says Ace.  
2587 | . If you are trying to tie the two together, it is--  
2588 | . Q I am asking where the information came from for a  
2589 | person to write the word 'ACE.' The word ACE has not been  
2590 | written on previous pieces of paper concerning Tel Aviv  
2591 | flights.  
2592 | . A Let me say that I told them to put it to ACE.  
2593 | . Q And you think you did it after speaking to Bill  
2594 | Langton?  
2595 | . A Well, Bill, I am sure, would have told me to be on  
2596 | the lookout for \$50,000. The split out of the \$25,000  
2597 | figure here came much after the fact, when we were looking  
2598 | with the FBI to try to figure out how we got paid for the 2,  
2599 | the August and the October flight.  
2600 | . The October flight, of course, we know we never got  
2601 | paid for.  
2602 | . Q Can you explain further what your relation with the  
2603 | FBI was that caused you to--you just alluded to a later

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2604 discussion or thought or search or whatever.

2605 . A Wall, as you may be aware, I was interviewed by the  
2606 FBI several weeks ago, and their questions centered on the  
2607 Tel Aviv [REDACTED] activity, and the question came up as to  
2608 where is the payment for the August flight? Because we knew  
2609 or the activity--not the flight; I shouldn't use the word  
2610 flight. The August activity.

2611 . Q Crew activity?

2612 . A Crew activity. And you know, looking through the  
2613 transfers that came in at that time, I think maybe the  
2614 answer to take it out of this may have come from Bill, who  
2615 was present at the time saying that that money was  
2616 transferred and it probably was a part of this transfer.  
2617 There is not a \$25,000 transfer per se isolated that came in  
2618 in this time frame.

2619 . Q Is there any other piece of paper that Southern Air  
2620 Transport has other than this recap which reflects the  
2621 distribution of that \$50,00?

2622 . A Absolutely not.

2623 . MR. TIEFER: Off the record.

2624 . [Discussion off the record.]

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2625 RPTS CANTOR

2626 DCMN MILTON

2627 [5:45]

2628

2629 . BY MR. TIEFER:

2630 . Q I am going to go back in the chronology to a point  
2631 I skipped over, June, 1986. You previously said at a time  
2632 we were going over this chronology that there came a time  
2633 that you felt that the operation was shifted from Dick Gadd  
2634 to Bob Dutton. Can you describe the circumstances  
2635 surrounding that shift, what communications you received,  
2636 who told you what?

2637 . A Well, I didn't receive a communication from Dick  
2638 Gadd's office to make a payroll transfer. The name of Bob  
2639 Dutton started to appear, and I don't remember just when I  
2640 first heard that, but it was somewhere along in there.

2641 . Q In June of 1986?

2642 . A I'm not saying it is June. It is June-July,  
2643 somewhere in there.

2644 . Q Was it mentioned to you by Bill Langton or in some  
2645 other context?

2646 . A It may have been, and I don't know what the timing  
2647 of this, it may have been, it may have come from Bill  
2648 Langton. It may have come from Bill Cooper, who was talking  
2649 about purchase of the second C-123, which we were not

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2650 involved in.

2651 . Q You spoke to Bill Cooper?

2652 . A Yes, sir.

2653 . Q Many times?

2654 . A Many is relative.

2655 . Q How many?

2656 . A Ten, eleven times maybe. When he was in the

2657 facility he would quite often stop by my office.

2658 . Q Did anyone else tend to be present during these

2659 conversations?

2660 . A Occasionally.

2661 . Q Who?

2662 . A It is hard for me to remember. Let's say a fellow

2663 by the name of Bryen Daggett, who is my management reports

2664 and analysis. Most of the time they tended to be just

2665 general bull sessions, if you will, not necessarily directed

2666 at what Bill was doing.

2667 . Q And it is possible you think it was Bill Cooper who

2668 mentioned it?

2669 . A It could have been Bill that mentioned it.

2670 . Q Did he talk to you about other matters concerning

2671 the operation down there in Central America?

2672 . A Had ongoing conversations about the shortage of

2673 funds to buy fuel.

2674 . Q Was this in the context of the cash that these

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2675 people would sometimes pick up

2676 . A Yes, my reluctance to give it to him if I didn't  
2677 feel I was far enough ahead of the game.

2678 . Q How had you received your instructions to give cash  
2679 out to these pilots or whoever?

2680 . A It generally would arise from somebody passing  
2681 through Miami and being requested to take some cash down  
2682 with them. My usual manner of responding to that would be  
2683 to go to Bill Langton and tell him we had this request, and  
2684 ask him if it had been prepared, and if we should do it.

2685 . Q Did you go to him on each such cash request, or on  
2686 most of them?

2687 . A On most of them.

2688 . Q And did he agree to all of them that you went to  
2689 him on, or did he ever say no?

2690 . A He never ever eventually said no. There were times  
2691 when he wanted to call his contact, and find out about  
2692 transfer of funds to see that we were covered.

2693 . Q Did he tell you how that contact was? Did you find  
2694 out one way or another who that contact was?

2695 . A I think, and again he never told me, but I think he  
2696 was talking to Bob Dutton.

2697 . Q And what was your basis for believing that he was  
2698 talking to Bob Dutton?

2699 . A He may have mentioned it. I don't recall

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2700 specifically.

2701 . Q Did the maintenance activity come to a sharpened or  
2702 a tapering end? It had been continuing for a period of time  
2703 on behalf of Southern Air Transport and then what happened?

2704 . A It came to a complete and sudden end when the C-123  
2705 was shot down in Nicaragua.

2706 . Q Backing up and looking at the months June, July,  
2707 August, September.

2708 . A There was an ongoing support service that was  
2709 performed.

2710 . Q During those months, correct me--excuse me. Am I  
2711 correct that the Banco de Iberoamerica account does not  
2712 reflect a great deal of activity in the latter part of the  
2713 period we have just alluded to?

2714 . A That's correct.

2715 . Q Today you have produced a recap of maintenance and  
2716 support operations, Citizens and Southern, which is Exhibit  
2717 29. Does this reflect a number of transfers to cover the  
2718 expense of this maintenance and support operation?

2719 . A It reflects 100 percent of the activity to cover  
2720 that particular activity.

2721 . Q I see--you may wish to refer to your own--you have  
2722 it. It refers to wire transfers in July, August, several in  
2723 September. Do you recall the circumstances surrounding each  
2724 of these wire transfers?

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2725 . A Again I am going to go back to what I said earlier.  
2726 I would be told that there was dollars coming for the  
2727 maintenance activity, and to be looking for them. On some  
2728 of those occasions, I may have even gotten to Bill and said,  
2729 We are getting short in the account and we need to ask for  
2730 more funding to continue the activity.

2731 . Q During this period you never talked to Dick Gadd or  
2732 Bob Dutton about such transfers of funds?

2733 . A No.

2734 . Q Your recap shows the transfers being made from a  
2735 variety of entities, Credit Suisse, ACE, Toyco. Did you  
2736 note at the time that it was coming from a variety of  
2737 entities?

2738 . A The only is--looking at your list there--the only  
2739 four that I knew or was aware of where they were coming from  
2740 are the four that I originated myself, which are the first  
2741 two on the list, in March, the September transaction of  
2742 95,000, and the December transaction of 45,000.

2743 . Q I see a December transaction of 45,000.

2744 . A Yes.

2745 . Q Can you tell me the circumstances of the December  
2746 transaction of 45,000?

2747 . A Yes. I got back to work--

2748 . Q From the operation?

2749 . A Yes, at the end of November, and in my pile of

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2750 incoming paperwork was--I take it back.

2751 . In the statement, the December statement which I  
2752 got two thirds of the way through, November was an advice of  
2753 transfer of \$46,000 and some change to the ACE account at  
2754 Banco de Iberoamerica that I had no knowledge as coming and  
2755 in asking Bill I had no knowledge was coming, although if  
2756 you look at it, the indications were it appears like that is  
2757 where it ought to have gone. Since we were running, since  
2758 we knew we were short on the maintenance cost, I transferred  
2759 45,000 of that on up to Southern to help them cover that  
2760 shortfall.

2761 . Q Did you have a conversation about this with anyone  
2762 except Bill Langton?

2763 . A Bill is the only one I talked to on it.

2764 . Q And what more was said in the conversation besides  
2765 I don't know and him saying I don't know either?

2766 . A I don't know, and I am sure whether he had talked  
2767 to anybody else to see if anybody else had any information  
2768 on it. I might say that from, oh, the first of June on, we  
2769 experienced a great deal of difficulty with transfers that  
2770 were going into Banco de Iberoamerica. We chased some for  
2771 as long as a month before we could verify that they were  
2772 there, and I don't know whether it was something that was  
2773 hung up in their system for a while or not, but suffice to  
2774 say the paperwork seemed to support the fact that it should

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2775 be there, but nobody knew who or when.

2776 . Q Is one possibility that the bank was being  
2777 uncooperative? Is that what you think is one possibility?  
2778 You are alluding to difficulties but not explaining to me  
2779 why you sensed difficulties.

2780 . A The problem as it was explained to me was that they  
2781 were not giving proper routing instructions when the wire  
2782 transfers were originated, so they were getting hung up in  
2783 New York.

2784 . Q Who explained this to you?

2785 . A This was Melana Fernandez.

2786 . Q And she thought the problem was routing  
2787 instructions in New York?

2788 . A Routing instructions at the originating bank.

2789 . Q And then the transfers were being hung up in New  
2790 York?

2791 . A Yes, because they did not know--they had incomplete  
2792 instructions. They knew that they needed to go to Banco de  
2793 Iberoamerica. One thing you need to realize is that  
2794 probably Banco de Iberoamerica maintained a corresponding  
2795 relationship with the New York bank, I think it was Irving  
2796 Trust, but I am not sure, and I say that because that is who  
2797 they asked me to route transactions through if I could, and  
2798 if it came from overseas through that bank, it could  
2799 immediately be put in their bank there. It didn't have to

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2800 physically be transferred and advice sent to Panama in order  
2801 to complete the transaction, and advice would have to be  
2802 sent at some point in time.

2803 . Q I am trying to understand whether the wire  
2804 transfers that were getting hung up were incoming or  
2805 outgoing.

2806 . A I had problems with both.

2807 . Q Was it your understanding that money, for example,  
2808 from--back up.

2809 . You knew that on many occasions in these matters,  
2810 money had come from Switzerland. You had credit advice. Is  
2811 it your understanding that money from Switzerland that goes  
2812 to Banco de Iberoamerica goes through its New York  
2813 correspondent bank?

2814 . A That, if I recall the advice I have seen, they did  
2815 go through a New York bank.

2816 . MR. KIRSTEIN: Do you want to mark that First  
2817 Chicago? We can give it a number and mark it if you want,  
2818 and then we will have it in the record.

2819 . MR. TIEFER: By all means.

2820 . MR. KIRSTEIN: Since it goes with this cash receipt,  
2821 which is 472, why don't I mark this as page 472-A-SAT, that  
2822 is capital A, and then I don't know what the next exhibit  
2823 number is.

2824 . MR. TIEFER: We will mark that RHM-30.

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2825 . [The following document was marked as Exhibit RHM-30

2826 for identification:]

2827

2828 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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2829 . BY MR. TIEFER:

2830 . Q Why don't I ask the witness to identify it.

2831 . I am showing you a document that has just been

2832 marked 472-A, and ask you if you can identify it.

2833 . A This is the weekly statement that we received from

2834 the First Chicago Bank which reflects a \$270,000 wire

2835 transfer incoming on the 14th of February.

2836 . Q And does it show who originated, what entity

2837 originated that transfer?

2838 . A It appears to have been originated by CS. It says,

2839 "Fine Vestments Limited."

2840 . Q Could that be CSF Investments?

2841 . A That would make it read better.

2842 . MR. KIRSTEIN: I will send this to you tomorrow and

2843 then you can give it to the reporter to include in the

2844 record.

2845 . MR. TIEFER: In the absence of a Xerox machine,

2846 that seems the appropriate thing to do.

2847 . BY MR. TIEFER:

2848 . Q On the matter we were discussing a few minutes ago,

2849 and I believe this has already been made part of a previous

2850 exhibit, I show you a document that is SAT-493 and it says

2851 "check request" at the top. It gives the date of July 10,

2852 1986 in the amount of \$7500 and the name William Cooper. I

2853 ask if you can explain what this form is.

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2854 . A This was a request from Bill Cooper for cash to go  
2855 to take to Central America. As you may or may not be aware,  
2856 there is a limit of \$10,000 that you can legally take out of  
2857 the country at any given time. I did not have sufficient  
2858 petty cash funds on hand to advance him that, and what I did  
2859 was issue him I think--I'm not sure of this, but I  
2860 think--\$2500 in cash and give him a check for \$7500 which he  
2861 took to the bank and converted.

2862 . Q You mentioned in the previous session that Bob  
2863 Dutton received on one occasion that you met him, received  
2864 cash. Do you know what form his receipt of cash took,  
2865 whether he received cash from you or a check?

2866 . A He received cash from me.

2867 . Q Is the same form used whether you give a check or  
2868 give cash, or are there different forms?

2869 . A It is almost like a receipt book that a person  
2870 signs if they receive cash.

2871 . Q And do you keep such receipt books?

2872 . A Yes.

2873 . Q How do you book such an expense as the giving out  
2874 of cash?

2875 . A This would be booked through a journal entry at the  
2876 end of the month, and it was booked into whatever this  
2877 exhibit is.

2878 . Q You are pointing to Exhibit 7, which is?

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2879 . A Which is the analysis of the pass-through account.  
2880 . Q How is that done? The receipt book no doubt would  
2881 contain--  
2882 . A It is basically done the same way as the revenue is  
2883 done. In other words, a spread sheet is made up. It is  
2884 booked in as a single line journal entry to each account.  
2885 You can give cash advancements for lots of things. If we  
2886 are going to an out-of-the-way port where we have to pay  
2887 cash for fuel or ground handling, we have to put cash on the  
2888 airplane for that. We have travel advances that are passed  
2889 out.  
2890 . Q Is the spread sheet of a particular document that  
2891 is prepared each month, or the document that you start with  
2892 you use cash receipts?  
2893 . A Start with a cash receipt.  
2894 . Q And then you have a spread sheet?  
2895 . A And then you have a spread sheet which is similar.  
2896 It is an analysis pad, the same thing that we talked about.  
2897 . Q In the case of compensation of cash to Robert  
2898 Dutton, would the spread sheet have Robert Dutton's name on  
2899 it?  
2900 . A It may or it may have just a disbursement to ACE.  
2901 On that particular one, actually, I think it was disbursed  
2902 to him on the weekend, and I think I was the one that  
2903 disbursed it to him, and I may have signed out before I

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2904 turned it over to him.

2905 . Q So what would the receipt show?

2906 . A So the receipt may show my name and I in turn have

2907 the receipt from him for it.

2908 . Q Where would your receipt from him be?

2909 . A It would be probably in the ACE file some place.

2910 Have we seen it? We haven't seen it.

2911 . Q Were there other instances in which instead of

2912 receipts from the person receiving cash, there would be a

2913 receipt that was signed by someone other than the person

2914 receiving the cash?

2915 . A I think that is the only instance that I can

2916 recall.

2917 . Q And why did you not have him sign a receipt form

2918 the way everyone else signed a receipt form?

2919 . A Because I had signed out for it the day before. I

2920 had drawn it from the petty cash box the day before.

2921 . Q And what was the sequence? What caused you to draw

2922 that out the day before?

2923 . A Because I knew he was coming in the next day. I

2924 could have, I guess should have had him sign directly for

2925 it.

2926 . - Q Did you know because he had called you?

2927 . A No. I knew that he was coming in to pick it up.

2928 There is no way I carry that amount of cash on hand as a

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2929 regular basis, so we had to go through the whole procedure  
2930 of picking it up, which is filling out the proper form for  
2931 the bank. If I pick up more than \$10,000 cash at the bank,  
2932 I need to fill out a form. It is filed with IRS that says I  
2933 did this.

2934 . Q And you knew he was coming because he had informed  
2935 you or because Bill Langton to?

2936 . A No, Bill Langton had told me.

2937 . Q Tell us chronologically, <sup>just</sup> Bill Langton told you?

2938 . A Told us he was coming, I think he wanted to pick up  
2939 I think it was \$25,000, and that I should have it ready for  
2940 him, and he would be in either on a Friday or a Saturday.  
2941 Well, he didn't show up on a Friday.

2942 . Q Once you were told this by Bill Langton, what did  
2943 you then do?

2944 . A Filled out the necessary forms to draw that amount  
2945 of money from the bank, and had a check drawn, and went up  
2946 to the bank and picked it up.

2947 . Q You picked it up yourself?

2948 . A I think I did, because I don't like to have--there  
2949 is just a couple of other people that can pick up funds, but  
2950 when it is that amount of money, I don't like to send them  
2951 out on the streets of Miami with it. I don't even like to  
2952 do it myself.

2953 . Q And did this produce paperwork, the act of

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2954 obtaining the money?

2955 . A Sura. I had to generate a check request for petty  
2956 cash.

2957 . Q When you filled out forms at the bank, did you keep  
2958 copies of them?

2959 . A Yes.

2960 . Q And where did those documents come?

2961 . A Those documents are in an IRS file in my drawer.

2962 . MR. TIEFER: It is 6:15 and I have reached an  
2963 appropriate stopping point.

2964 . Georgia.

2965 . THE WITNESS: I want to go back and check my  
2966 records, but this \$50,000 transfer that we talked about--

2967 . BY MR. TIEFER:

2968 . Q You are talking about a cash receipt dated  
2969 September 11, 1986, which is 454.

2970 . A In my mind that is about the time that that advance  
2971 was made to Bob Dutton, which would make sense to me as to  
2972 why I got the \$50,000, the 25 that I gave to him and 25 for  
2973 the August Tel Aviv activity.

2974 . Q Did that occur to you previously or did you just  
2975 put those two things together?

2976 . A I just put the two together.

2977 . Q So does that mean that when you answered  
2978 previously--I asked previously whether there was any

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2979 | documentation concerning the 25,000, and at the time you  
2980 | said you didn't know of any.

2981 | . A I really don't. I'm guessing at that.

2982 | . Q Let's not ask you to guess.

2983 | . A I still would be guessing at it if I said, because  
2984 | I think that while I might be able to document one of it, I  
2985 | don't think that I could document specifically the flight  
2986 | activities.

2987 | . Q To clarify your answer on this subject, I think you  
2988 | are saying you want to check your records.

2989 | . A Yes.

2990 | . Q That is understandable and rather than guess, you  
2991 | will check your records.

2992 | . A Yes.

2993 | . MR. VAN CLEVE: For the record, I am George Van  
2994 | Cleve, Deputy Republican Counsel from the select committee.

2995 | . Mr. Mason and I have met previously in Miami. I  
2996 | don't think I have any questions for Mr. Mason. I  
2997 | appreciate your cooperation.

2998 | . MR. TIEFER: That concludes the deposition.

2999 | . MR. KIRSTEIN: There was one thing I wanted to  
3000 | clarify. A while back, just before we marked Exhibit 30,  
3001 | when Mr. Mason was talking about his problems with incoming  
3002 | and outgoing transfers from Banco--  
3003 | . MR. TIEFER: Iberoamerica.

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3004 . MR. KIRSTEIN: Iberoamerica.

3005 . BY MR. KIRSTEIN:

3006 . Q I think Mr. Tiefer said you knew payments were  
3007 coming from Swiss banks, and it just wasn't clear in my own  
3008 mind if Mr. Mason had ever established that that money, that  
3009 he knew whether that money was coming from Swiss banks,  
3010 because it always seemed to pass through some U.S. bank.

3011 . Do you recall, Bob, if you knew at the time that  
3012 this was going on whether those transfers to ACE were coming  
3013 from a Swiss bank account?

3014 . A I would want to go back and look at the specific  
3015 transfers, but in thinking about the Iberoamerica account, I  
3016 think they either went through a New York bank or were made  
3017 on what to me looked like an internal transfer form at  
3018 Iberoamerica. Those documents are in your possession.

3019 . Q If I recall correctly, and I am not the witness,  
3020 they are an exhibit that we did in Miami but not what I  
3021 reviewed today.

3022 . That concludes the deposition.

3023 . [Whereupon, at 6:20 p.m., the deposition was  
3024 concluded.]

3025 recessed until 12:30 p.m. the same day.]

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SAT 1823

ANALYSIS OF BANK STATEMENTS, INC  
 Analysis of Banco Interamericano Account

1	2	3	4	5	6	7	8	9	10
Date	Interest by	Source of Fund	Source of Payment	Carry on Transfer To	Check No. in	Amount	Transfer	Amount	Balance
3/6	R. Gazo, F. Zola, w. Langster	Banco Interamericano	Bank Check	Banco Interamericano	Bank Memo	78,800.00	78,800.00	664	141.7
3/10	R. Gazo, F. Zola, w. Langster	Banco Interamericano	Banco Interamericano	Banco Interamericano	Bank Memo	4,180	4,180	1,079.43	151.5
3/21	R. Gazo	Banco Interamericano	Transfer (A.C. & G.)	Banco Interamericano	Bank Memo	28,265.76	28,265.76	1,107.943	151.6
4/3	R. Gazo	Banco Interamericano	Banco Interamericano	Banco Interamericano	Bank Memo	3,750	3,750	1,107.943	151.7
4/4	R. Gazo	Banco Interamericano	Banco Interamericano	Banco Interamericano	Bank Memo	1,000	1,000	1,107.943	151.8
4/7	R. Gazo	Banco Interamericano	Transfer (R. Gazo)	Banco Interamericano	Bank Memo	25,200	25,200	1,107.943	151.9
4/10	R. Gazo	Banco Interamericano	Bank Check	Banco Interamericano	Bank Memo	18.95	18.95	1,107.943	151.9
4/11	R. Gazo	Banco Interamericano	Transfer (R. Gazo)	Banco Interamericano	Bank Memo	500	500	1,107.943	152.0
4/14	R. Gazo, F. Zola, w. Langster, F. Zola	Banco Interamericano	Bank Check	Banco Interamericano	Bank Memo	75,000.00	75,000.00	1,107.943	152.2
4/14	R. Gazo, F. Zola, w. Langster, F. Zola	Banco Interamericano	Bank Check	Banco Interamericano	Bank Memo	4,180	4,180	1,107.943	152.2
4/14	R. Gazo, F. Zola, w. Langster, F. Zola	Banco Interamericano	Bank Check	Banco Interamericano	Bank Memo	1500	1,500	1,107.943	152.3
4/14	R. Gazo, F. Zola, w. Langster, F. Zola	Banco Interamericano	Bank Check	Banco Interamericano	Bank Memo	39,657.07	39,657.07	1,107.943	152.4
5/1	R. Gazo	Banco Interamericano	Transfer (F. Zola)	Banco Interamericano	Bank Memo	13,643	13,643	1,107.943	152.4
6/6	R. Gazo	Banco Interamericano	Bank Check	Banco Interamericano	Bank Memo	36,746.78	36,746.78	1,107.943	152.5
6/9	R. Gazo	Banco Interamericano	Transfer (F. Zola)	Banco Interamericano	Bank Memo	32,900	32,900	1,107.943	152.7
6/26	R. Gazo, F. Zola, w. Langster	Banco Interamericano	Transfer (F. Zola)	Banco Interamericano	Bank Memo	58,555.97	58,555.97	1,107.943	152.7
6/26	R. Gazo, F. Zola, w. Langster	Banco Interamericano	Transfer (F. Zola)	Banco Interamericano	Bank Memo	500	500	1,107.943	152.8
6/26	R. Gazo, F. Zola, w. Langster	Banco Interamericano	Transfer (F. Zola)	Banco Interamericano	Bank Memo	109,650	109,650	1,107.943	152.8
7/9	R. Gazo, F. Zola, w. Langster	Banco Interamericano	Bank Check	Banco Interamericano	Bank Memo	16,716	16,716	1,107.943	153/16
7/26	R. Gazo, F. Zola, w. Langster	Banco Interamericano	Bank Check	Banco Interamericano	Bank Memo	11,000	11,000	1,107.943	154
9/7	R. Gazo, F. Zola, w. Langster	Banco Interamericano	Bank Check	Banco Interamericano	Bank Memo	95,000.00	95,000.00	1,107.943	154
12/17	R. Gazo, F. Zola, w. Langster	Banco Interamericano	Bank Check	Banco Interamericano	Bank Memo	4,100	4,100	1,107.943	154
12/17	R. Gazo, F. Zola, w. Langster	Banco Interamericano	Bank Check	Banco Interamericano	Bank Memo	45,000.00	45,000.00	1,107.943	156
29								1,107.943	156
31								1,107.943	156

EX 1822-A

EX R.H.H. - B'n

AMALGAMATED COMMERCIAL ENTERPRISES, INC.  
ANALYSIS OF BANCO INTERAMERICA ACCOUNT

Date	Particulars By	Source of Funds	Security	Amount	Current Interest	Tranche Term	Remainder
11/8	Interest Deposit	Source of Funds	Deposited Cash Account	4000.00		4 years	A01
11/8	Interest Deposit	Walter T. Co. - Cash	Funds Deposited	4500.00		4 years	A02
11/8	Walter T. Co. - Cash	Walter T. Co.	Funds Deposited	2300.00		4 years	A06
1/31	Cash	Walter T. Co.	Funds Deposited	1500.00		4 years	A08
4/7	Cash	Walter T. Co.	Funds Deposited	2900.00		4 years	A19
4/10	Chas. L. Mason	Walter T. Co.	Funds Deposited	4000.00		4 years	A21
6/6	Alger V. Neal	Walter T. Co.	Funds Deposited	5700.00		4 years	A26
6/12	Walter T. Co.	Walter T. Co.	Funds Deposited	1000.00		4 years	A28
10/22	Walter T. Co.	Walter T. Co.	Funds Deposited	4600.00		4 years	A35
						154432.75	
12/1	Outgoing						
12/1	Banco Interamerica	Banco Interamerica	Checks	2.50	Deposited	2.50	A03
12/1	R. H. Mason	Banco Interamerica	Deposited per Mason	222.33	7/1/80	222.33	A04
1/5	R. Gao, W. Langley, F. Zula, R. Mason	Banco Interamerica	Deposited per Mason	15900.00		15900.00	A05
1/24	R. Gao, W. Langley, F. Zula, R. Mason	Banco Interamerica	Deposited per Mason	42.19		42.19	A07
2/17	Banco Interamerica	Banco Interamerica	Checks	3710.00		3710.00	A09
2/21	R. Gao	Banco Interamerica	Checks	128.94		128.94	A10
3/4	R. Gao	Banco Interamerica	Checks	60.00		60.00	A11
3/4	R. Mason	Banco Interamerica	Checks	37.50		37.50	A12
3/6	R. Gao, W. Langley	Banco Interamerica	Checks	1945.15		1945.15	A13
						1945.15	
						36.78	
						53225.88	
						42.50	
						99500.00	
						42.50	
						99542.50	

1-11-87

Southern Sea Transport Line

Done  
2-10-88

Receipts of JETSTAR and C-123 Transactions

1) JETSTAR

Cash Receipts From Debtors 7-14-86

Was Transferred to Citizens + Southern Then Closed Manhattan from

Credit Suisse for \$1,500,000<sup>00</sup>

2) C-123 Transaction

Cash Receipts From Debtors 4-3-86 and 4-11-86

Were Transferred from Citizens + Southern from ACB for \$75,000<sup>00</sup>

Were Transferred to Citizens + Southern from Credit Suisse for \$400,000<sup>00</sup>

Cashier's Check for \$475,000<sup>00</sup> drawn on Southport Bank

EX. RHM-28  
2/11/87  
DND

SAT 1825

NC Date



A.C.E.  
Buro Igooromina

**UNCLASSIFIED**  
SAT 000963

	Date	Amount	
<u>Debits</u>			
Tuition Debit (SAT)	11-8-85	4000.00	
Wire Transfer	11-14-85	450000.00	
Wire Transfer	1-22-86	230000.00	
Wire Transfer	1-21-86	150000.00	
Wire Transfer	4-7-86	29,000.00	
Wire Transfer	4-10-86	475000.00	
Wire Transfer	6-6-86	57022.03	139502.03
Wire Transfer	6-12-86	102911.57	
Partially Declassified/Released on 10/6/08 under provisions of E.O. 13526 by K. Johnson, National Security Council			
<u>Debits</u>			
Cash	11-21-85	4.50	
Cash - Interest	12-5-85	232.33	
Wire Transfer - France	1-15-86	159062.9	
Wire Transfer - Russia	1-24-86	371128.44	
Bank Chq. - Wire Transfer	1-17-86	60.00	
Wire Transfer	1-21-86	20037.50	
Wire Transfer - Cash	3-4-86	19456.88	
Wire Transfer - SAT	3-4-86	52268.38	
Wire Transfer - Russia	2-14-86	79542.50	
Bank Chq.	2-5-86	67.7	
Wire Transfer - Russia	2-10-86	79542.50	
Wire Transfer - SAT	2-21-86	11027.93	
Wire Transfer - Cash	4-2-86	26902.96	
Bank Chq.	4-4-86	10.00	
Wire Transfer - Cash	4-7-86	2518.25	
Bank Chq.	4-10-86	5.00	
Wire Transfer - SAT	4-11-86	95042.50	
Bank Chq.	4-14-86	15.00	
Wire Transfer - France	4-14-86	396226.50	
Wire Transfer - Cash	5-1-86	36426.78	
Bank Chq.	5-1-86	35.44	
Wire Transfer - Cash		58958.27	139006119
<b>UNCLASSIFIED</b>			
Paid on 6-10-86			4960.24
W/T - Russia	6-24-86	10963.60	

5443





28 Feb 86

Partially Declassified/Released on 11 FEB 88  
under provisions of E.O. 12356  
by K. Johnson, National Security Council

UNCLASSIFIED

Southern Air Transport, Inc.

BOX 22-4083 • INTERNATIONAL AIRPORT • MIAMI, FLORIDA 33122  
The (305) 528-5408 • Cable Address • SOUTHERNAIR • Telex OS 18000

East End  
P O BOX 1672  
Florida Va 22180

INVOICE N<sup>o</sup> 08627  
INVOICE DATE Feb 28, 1986  
FLIGHT NO.

Flight betw/ Feb 15, 1986  
A/C No N 5238J N 5256J



Charters

32072010B

TERMS

AMOUNT
\$ 484,000.00
TOTAL \$ 484,000.00
TOTAL \$ 484,000.00

CONFIDENTIAL

SWT000474

TERMS

TOTAL

TOTAL

UNCLASSIFIED

5445





IRC3304  
4-2  
B...

11 APR 86  
EX # RHM-16  
2-2-87

**UNCLASSIFIED**

*(Signature)*

EXHIBIT  
Mason Exhibit  
Ex. 16

RCA GA  
3462972"  
SOUTHRNAIR MIA

APR 11 1986 515008  
2972 IBERBAN PG  
BANCO DE IBEROAMERICA S.A.  
PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT  
5851/3428303.888 ON FRIDAY, APRIL 11, 1986.

AMOUNT: 396,598.87  
TO: BANK NATIONAL OF CANADA  
294 MAIN STREET  
LA SABRE, QUEBEC, CANADA  
TRANSIT NO. 82531  
CREDIT: PROPAIR, INC.  
ACCOUNT 585-28

AUTHORIZATION CODE IS 12913

THANK YOU

R.H. MASON

2972 IBERBAN PG  
SOUTHRNAIR MIA

RCA GA  
3462972"  
SOUTHRNAIR MIA

APR 11 1986 656788  
2972 IBERBAN PG  
BANCO DE IBEROAMERICA S.A.  
PANAMA, REPUBLIC OF PANAMA

Declassified/Released on 11 FEB 88  
by K. Johnson, National Security Council

ATT: HELENA FERNANDEZ  
OFICIAL DE CUENTAS

5447

WOULD YOU PLEASE CONFIRM BY TELEPHONE TO THE FOLLOWING.  
THE FACT THAT A TRANSFER OF 396,598.87 USD HAS BEEN ORIGINATED  
TO BANK NATIONAL OF CANADA FOR THE CREDIT OF PROPAIR INC. FROM  
OUR ACCOUNT 5851/3428303.888.

MR. LA DUC .  
PROPAIR INC.  
819-762-9811

PLEASE CHARGE OUR ACCOUNT FOR ANY COSTS INCURRED IN MAILING  
THIS NOTIFICATION.

THANK YOU

R.H. MASON

**UNCLASSIFIED**  
000964

**UNCLASSIFIED**

RCA GA  
 J402972"  
 SOUTH AIR VIA

NPR 00 1152 504205  
 2972 IERLAN PG  
 BANCO DE IEROMERICA S.A.  
 PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT 5251/3428003.000  
 ON WEDNESDAY, APRIL 30, 1968.

AMOUNT: 36,426.70 USD

TO: FARMERS FIRST BANK  
 JARRYVILLE, PA USA 17543-7020  
 ROUTING CODE 031309123

CREDIT: CORPORATE AIR SERVICE  
 ACCOUNT 1509596700

AUTHORIZATION CODE IS 10725

THANK YOU

R.A. MASON

2972 IERLAN PG  
 SOUTH AIR VIA

~~Permitting~~ Released on 11 FEB 88  
 under Executive Order 12958  
 by K. Johnson, National Security Council

**UNCLASSIFIED**  
 CONFIDENTIAL  
 SAT 000965

UNCLASSIFIED

RCA GA  
3482972"  
SOUTHRNAIR MIA

JUN 06 1157 379325  
2972 IBERBAN PG  
BANCO DE IBERCAMERICA S.A.  
PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT 5051/3428303.000  
ON FRIDAY, JUNE 6, 1966.

AMOUNT: 58,955.97 USD

TO: FARMERS FIRST BANK  
QUARRYVILLE, PA USA 17543-7800  
ROUTING CODE 031309123

CREDIT: CORPORATE AIR SERVICE  
ACCOUNT 1509596700

AUTHORIZATION CODE IS 12572

THANK YOU

R.H. MASON

2972 IBERBAN PG.  
SOUTHRNAIR MIA

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under provisions of E.O. 12958  
by K Johnson, National Security Council

UNCLASSIFIED

SAT 000966

**UNCLASSIFIED**

RCA GA  
 3402972"  
 SOUTHRNAIR MIA

APR 12 1215 524586  
 2972 IBERRAN PG  
 BANCO DE IBEROAMERICA S.A.  
 PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT  
 5251/3420383.888 ON THURSDAY, APRIL 10, 1966.

AMOUNT: 75,200.00 USD

TO: THE CITIZENS AND SOUTHERN NATIONAL BANK  
 ATLANTA, GA USA  
 ABA # 061000052

CREDIT: SOUTHERN AIR TRANSPORT INC.  
 ACCOUNT 888-96-497

AUTHORIZATION CODE IS 10675

THANK YOU

R.H. MASON

2972 IBERRAN PG  
 SOUTHRNAIR MIA  
 MM

~~Publicly Released~~/Released on 11/28/88  
 by K. Johnson, National Security Council

**UNCLASSIFIED**

SAT000967

**UNCLASSIFIED**

RCA GA  
3482972"  
SOUTHRNAIR MIA

APR 84 1148 665434  
2972 IBERBAN PG  
BANCO DE IBEROAMERICA, S.A.  
PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT 5051/3428303.000  
ON FRIDAY APRIL 4, 1986.

AMOUNT:	2,500.00 USD
TO:	FARMERS FIRST BANK QUARRYVILLE, PA USA 17543-7000 ROUTING CODE 031309123
CREDIT:	CORPORATE AIR SERVICES ACCOUNT 1589596700

AUTHORIZATION CODE IS 12512

THANK YOU

R.H. MASON

2972 IBERBAN PG  
SOUTHRNAIR MIA  
V  
6634.1

GA

Released on 11-06-88  
under provisions of E.O. 13526  
Johnston National Security Council

**UNCLASSIFIED**

SAT 000968



**UNCLASSIFIED**

RCA GA  
 J482978"  
 SOUTHRNAIR MIA

APR 02 1100 519290  
 2978 IBERBAN PG  
 IBEROAMERICA SA  
 PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT 5951/J428383.000  
 ON WEDNESDAY, APRIL 2, 1986.

AMOUNT: 26,665.46 USD

TO: FARMERS FIRST BANK  
 QUARRYVILLE, PA USA 17543-7800  
 ROUTING CODE 031389123

CREDIT: CORPORATE AIR SERVICES.  
 ACCOUNT 1589596788

AUTHORIZATION CODE IS 18687

THANK YOU

R.H. MASON

2972 IBERBAN PG.  
 SOUTHRNAIR MIA

~~Released on 11F688~~  
 by K Johnson, National Security Council

**UNCLASSIFIED**

SAT 000969

UNCLASSIFIED

RCA GA  
 3482978"  
 SOUTHWAIR MIA

MAR 21 1138 673328  
 2972 IBERPAN PG  
 BANCO DE IBEROAMERICA SA  
 PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT 5851/3425383.888  
 ON FRIDAY MARCH 21, 1986.

AMOUNT: 11,879.43  
 TO: THE CITIZENS AND SOUTHERN NATIONAL BANK  
 ATLANTA, GA USA  
 CREDIT: SOUTHERN AIR TRANSPORT, INC.  
 ACCOUNT 888-96-497

AUTHORIZATION CODE IS 12537

THANK YOU

R.H. MASON

2972 IBERPAN PG  
 SOUTHWAIR MIA

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 by K. Johnson, National Security Council

UNCLASSIFIED

CONF 010970

# UNCLASSIFIED

RCA GEN  
J431971\*\*  
SOUTHERNAIR VIA

MAR 10 0910 037752  
2972 IDLEMAN PG  
EMICO DE IBEROMERICA SA  
PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT 5651/3428303.062  
ON MONDAY MARCH 12, 1968.

AMOUNT:	79,500 USD
TO:	BANK NATIONAL OF CANADA 296 MAIN STREET LA SHERA, QUEBEC, CANADA TRANSIT NUMBER 04531
CREDIT:	PROPAIR INC. ACCOUNT 565-20

AUTHORIZATION CODE IS 12659

THANK YOU

R.D. MAJON

2972 IDLEMAN PG\*  
SOUTHERNAIR VIA

Partially Declassified/Released on 11 Feb 88  
under provisions of E.O. 13526  
by K Johnson, National Security Council

# UNCLASSIFIED

SAT 000971

**UNCLASSIFIED**

RCA GA  
342972\*\*  
SOUTHWEST AIR MIA

YAR #4 0920 660496  
2972 IBERIAN PG

EMCO DE IBEROAMERICA S.A.  
PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT 5051/3428323.000  
ON TUESDAY, MARCH 4, 1968.

AMOUNT:	19,421.50
TO:	FARMERS FIRST BANK QUARRYVILLE, PA, USA 17543-7000 ROUTING CODE 031309123
CREDIT:	CORPORATE AIR SERVICE ACCOUNT 1539596700

AUTHORIZATION CODE IS 16411

THANK YOU

R.H. MASON

2972 IBERIAN PG\*  
SOUTHWEST AIR MIA

Primary Document/Released on 11/26/88  
www.nationalcouncil.org  
by K. Johnson, National Council

**UNCLASSIFIED**

**UNCLASSIFIED**

RCA GA  
 J462971\*\*  
 SOUTHERNAIR MIA

MAR 04 0937 504040  
 1972 IDERCAN PG  
 BANCO DE IBERCAMELCA S.A.  
 PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT 5051/3428303.000  
 ON TUESDAY, MARCH 4, 1960.

AMOUNT:	53,225.00
TO:	THE CITIZENS AND SOUTHERN NATIONAL BANK ATLANTA, GA. USA
CREDIT:	SOUTHERN AIR TRANSPORT, INC. ACCOUNT 060-96-497

AUTHORIZATION CODE IS 16445

THANK YOU

R.D. MASON

1972 IDERCAN PG  
 SOUTHERNAIR MIA

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 by K. Johnson, National Security Council

**UNCLASSIFIED**

SAT 000973

UNCLASSIFIED

RCA GA  
34029720  
SOUTHWAIR MIA

FEB 20 1441 075057  
2972 IBERDAN PG

PANCO DE IBEROAMERICA S.A.  
PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT 5051/3426303-000  
ON THURSDAY, FEBRUARY 20, 1966.

AMOUNT: 20,000 USD

TO:

ROUTE THRU: CITIBANK N.A.  
399 PARK AVE  
NEW YORK, N.Y. 10043

CREDIT: EDWARD DE GARAY  
ACCOUNT 102095-1

AUTHORIZATION CODE IS 1000

THANK YOU

R.H. MASON

2972 IBERDAN PG  
SOUTHWAIR MIA

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under provisions of E.O. 12958  
by K. Johnson, National Archives

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**UNCLASSIFIED**

RCA GA  
 J462972"  
 SOUTHWAIR MIA

FEB 13 1240 531591  
 2972 IBERBAN PG

BANCO DE IBEROAMERICA S.A.  
 PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT 5651/3428383.000  
 ON THURSDAY, FEBRUARY 13, 1966.

AMOUNT: 79.500 USD

TO: BANK NATIONAL OF CANADA  
 298 MAIN STREET  
 LA SABRE, QUEBEC, CANADA  
 TRANSIT NUMBER 02531

CREDIT: PROPAIR INC.  
 ACCOUNT 585-20

AUTHORIZATION CODE IS 10880.

THANKYOU

R.H. MASON

2972 IBERBAN PG  
 SOUTHWAIR MIA

Revised Declassification Authority Released on 11 FEB 88  
 under provisions of E.O. 13526  
 by K Johnson, National Archives

**UNCLASSIFIED**

SAT 000975

**UNCLASSIFIED**

RCA GA  
 3482972#  
 SOUTHRNAIR MIA

JAN 24 0835 493747  
 2972 IBERBAN PG

BANCO DE IBEROAMERICA S.A.  
 PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT 5851/3426383.888  
 ON FRIDAY, JANUARY 24, 1966.

AMOUNT	371,000 USD
TO:	BANK NATIONAL OF CANADA 298 MAIN STREET LA SARRE, QUEBEC, CANADA TRANSIT NUMBER 82531
CREDIT:	PROPAIR INC. ACCOUNT 585-88

AUTHORIZATION CODE IS 12898

THANK YOU

R.K. MASON

2972 IBERBAN PG  
 SOUTHRNAIR MIA

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 under provisions of E.O. 11652  
 by K. Johnson, National Security Council

~~CONFIDENTIAL~~  
**UNCLASSIFIED**  
 SAT 000976



**UNCLASSIFIED**

RCA GA  
8462978  
SOUTHWAIR NIA

JAN 14 4858 496676  
8978 IBERBAN PG

BANCO DE IBEROAMERICA S.A.  
PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT 5851/3428303.888  
ON TUESDAY, JANUARY 14, 1966.

AMOUNT 159.888 USD

TO: BANK NATIONAL OF CANADA  
296 MAIN STREET  
LA SARRE, QUEBEC, CANADA  
TRANSIT NUMBER 82531

CREDIT: PROPAIR INC.  
ACCOUNT 585-28

AUTHORIZATION CODE IS 16559. PLEASE CONFIRM TRANSFER BY RETURN  
TELEX.

THANK YOU

R.M. MASON

8978 IBERBAN PG  
SOUTHWAIR NIA

Partially Declassified/Released on 11/06/88

by K Johnson, National Security Council

**UNCLASSIFIED**

SAT 000977

**UNCLASSIFIED**

RCA GA  
3482972"  
SOUTHRNAIR MIA

JUN 26 1457 826465  
2972 IBERBAN PG

BANCO DE IBEROAMERICA S.A.  
PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT 5851/3428383.000  
ON THURSDAY, JUNE 26, 1986.

AMOUNT: 18,963.06 USD  
TO: BANK NATIONAL OF CANADA  
298 MAIN STREET  
LA SABRE, QUEBEC, CANADA  
TRANSIT NO. 82531  
CREDIT: PROPAIR, INC.  
ACCOUNT 585-20

AUTHORIZATION CODE IS 18828

THANK YOU

R.H. MASON

2972 IBERBAN PG  
SOUTHRNAIR MIA

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by K. Johnson, National Security Council

**UNCLASSIFIED**

SAT 000978

**UNCLASSIFIED**

RCA GA  
 3402972\*\*  
 SOUTHRNAIR MIA

SEP 03 1459 827000  
 2972 IBERBAN PG

BANCO IBEROAMERICA S.A.,  
 PANAMA, REPUBLIC OF PANAMA

PLEASE MAKE THE FOLLOWING TRANSFER FROM ACCOUNT 5851/3428303.000  
 ON THURSDAYS, SEPTEMBER 4, 1986.

AMOUNT: 95.000.00 USD

TO: THE CITIZENS AND SOUTHERN NATIONAL BANK  
 ATLANTA, GA., USA

CREDIT: SOUTHERN AIR TRANSPORT, INC.  
 ACCOUNT 868-96-497

AUTHORIZATION CODE IS 10894

THANK YOU

R.H. MASON

2972 IBERBAN PG •  
 SOUTHRNAIR MIA

~~Classified~~ Released on 11 FEB 88  
 by K. Johnson, National Security Council

**UNCLASSIFIED**

SAT 000979

**UNCLASSIFIED**

SOUTHRNAIR MIA

IS MR. R.H. MASON HERE ?  
YES GA

OK TKS.

2972 IBERBAN PG  
DE: BANCO DE IBEROAMERICA  
PANAMA 9 JUL. 1986A: ATTN: MR. R. H. MASON  
U.S.A.REF: YOUR TELEX 8-7-86  
PAYMENT ORDER FOR US\$10,963.60ABOUT THE REF. WE SENT THIS PAY/ORDER ON JUNE 27/1986  
THROUGH IRVING TRUST CO. IN NEW YORK . OUR REF.  
NO. 01/151537

REGARDS,

HELENA FERNANDEZ

2972 IBERBAN PG  
HF/MCG.  
SOUTHRNAIR MIA  
.....  
1500 07/89  
PLS REPLY VIA TRT~~Classified~~ Released on 11 FEB 88  
~~under provisions of E.O. 12958~~  
BY: X. Johnson, National Security Council**UNCLASSIFIED**

SAT 000980

UNCLASSIFIED  
JAN 27 1987

JAN 27  
24  
1-22  
19

EX # AHM-21  
-3-87

Southern Air Transport  
Recap of [redacted] Tel Aviv Activity

BECKMAN & KIRSTEIN

EXHIBIT  
Mason Exhibit  
Ex. 21

- 1) January 1985 - [redacted] - Subcontractor to Arrow Air - \$121,825.00  
Cash Receipt Form dated January 21, 1985 001698  
Drawn dated January 21, 1985 on Royal Bank of Canada for \$121,825.00  
001699
- 2) March 1985 - [redacted] - Subcontractor to Arrow Air - \$121,825.00  
Cash Receipt Form dated March 6, 1985 001700  
Wire Transfer to First Chicago by Credit Suisse for \$121,825.00  
001701
- 3) December 1985 - [redacted] - \$118,500.00  
Cash Receipt Forms dated December 11 and December 16, 1985 001773 001775  
Wire Transfer to Citizens + Southern by Credit Suisse for \$60,000.00 001777  
Wire Transfer to Citizens + Southern by Citicorp NYC for \$58,500.00  
001776  
001786
- 4) February 1986 - [redacted] - \$121,000.00  
Cash Receipt Forms dated February 6 and March 21, 1986 001781 001779  
Wire Transfer to Citizens + Southern by Credit Suisse for \$58,000.00 001782  
Wire Transfer to Citizens + Southern by Union Carb for \$71,000.00  
001780
- 5) April 1986 - [redacted] - \$120,000.00  
Cash Receipts Form dated April 21, 1986 001758 + 001783  
Wire Transfer to Citizens + Southern by Union Carb for \$120,000.00  
001757
- 6) February 1986 - [redacted] - \$484,000.00  
Cash Receipts Form dated February 17 and February 26, 1986 000475 000472  
Wire Transfer to First Chicago by CS Investments Ltd for \$279,000.00  
Wire Transfer to Citizens + Southern by US International for \$240,000.00  
\$214,000.00 amount to Tel Aviv Receipts  
000473  
001793

5448

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under provisions of E.O. 12958  
by K. Johnson, National Security Council

SAT 6/18/21

UNCLASSIFIED

Southern Air Terminal

UNCLASSIFIED

Focus of [redacted] and Tel Aviv Activity

3

- ✓ 7) May <sup>1946</sup> Tel Aviv - \$642,000.00  
 Case Receipts Form 10700 May 23, May 28 and June 18, 1946 + 0017  
 001687 001690 -- 000463 00168  
 Wire Transfers to Citizens and Southern by Hyatt Park Square Bank \$410,000  
 \$350,000.00 Applied to Tel Aviv Filings + 00178  
 00169  
 Wire Transfers to Citizens and Southern by Hyatt Park Square Bank \$200,000  
 Wire Transfers to Citizens and Southern by Hyatt Park Square Bank \$242,000  
 \$92,000.00 Applied to Tel Aviv Filings 000465  
 + 001772
- ✓ 8) August 1946 Tel Aviv - \$25,000.00  
 Case Receipts Form 10700 September 11, 1946 000454 + 001777 + 001778  
 000455  
 Wire Transfers to Citizens and Southern by Toyco SA for \$50,000.0  
 \$25,000.00 Applied to Tel Aviv Filings
- ✓ 9) October 1946 Tel Aviv - \$25,000.00  
 Unknown NO DOCUMENT

SAT001822

UNCLASSIFIED

30 MAY 86  
EX # RHM-25  
2-3 87  
*[Handwritten signature]*

**UNCLASSIFIED**

Nicaraguan Humanitarian Assistance Office

May 30, 1986

Ms. Cynthia A. Dondlinger  
Director, Contracts & Finance  
AIRMACH, Inc.  
422 Maple Avenue East  
Vienna, VA. 22180

Subject: NHAO Letter of  
Commitment No. 603-028

Dear Ms. Dondlinger:

As you know, AIRMACH has sent this Office invoices totalling \$609,700 covering fifteen flights between the United States and Central America. On May 7, we forwarded payment in the amount of \$467,600, leaving an unpaid balance of \$122,100.

The unpaid balance consists of the following charges:

Insurance (15 flights @ \$5000 ea.) .....	\$75,000
Positioning Surcharge (Dallas to Dulles) .....	11,100
Sortie Surcharges (9 flights @ \$3000 ea.) .....	27,000
Charges for Feb. 19-20 flight.....	5,000

I have had an opportunity to review each of these items and wish to inform you that, with one exception, this Office must decline to pay them.

The basis for this Office' agreement with AIRMACH is the above-referenced Letter of Commitment, which incorporated the terms set forth in AIRMACH's letter of November 19, 1985, to Mario Calero. As will be explained in more detail below, I have concluded that, under the terms of our agreement, AIRMACH is not entitled to payment of the above-listed items, apart from the single item already mentioned.

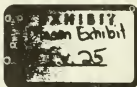
First, with respect to the insurance charges, AIRMACH's November 19 letter set a firm price of \$26,900 for flights from New Orleans to a location in Central America which had been code-named "Jerusalem." It gave no indication that an additional amount for insurance would be charged and our Letter of Commitment did not obligate us to pay for insurance as a separate item. While I note that by letter of February 28, 1986, AIRMACH proposed amending the Letter of Commitment to include insurance, no such amendment was ever agreed upon or issued. I should add that the offers which we have received from other carriers to provide the same service as that

*See memo  
in sub folder of Calero  
to [unclear]  
dated [unclear]  
re: [unclear]  
insurance [unclear]*

**UNCLASSIFIED**  
SRI-000711

5449

Released on 11 FEB 88  
under provisions of E.O. 12356  
by K. Johnson, National Security Council



UNCLASSIFIED

provided by AIRMACH suggest that the agreed rate of \$26,900 is more than adequate to cover insurance costs as well as all flight time.

Second, with respect to the positioning surcharge for an aircraft located at Dallas-Fort Worth, again the Letter of Commitment established a rate for flights originating in New Orleans. It obviously is appropriate for AIRMACH to invoice this Office for a surcharge where we have requested that a flight divert to Dulles International Airport before proceeding to Central America. Further, because AIRMACH's base of operations is located in Miami, we have in practice paid a surcharge for diversions to Dulles where the flight originated in Miami rather than New Orleans. There is no basis, however, for payment of a positioning surcharge merely because AIRMACH chose to use an aircraft which happened to be located at Dallas-Fort Worth. To conclude otherwise would subject NEAO to open-ended commitments which it obviously is not in a position to assume. We believe it would be fair, however, to treat this flight as if the aircraft had been located in Miami and, subject to a condition stated below, to pay the \$9000 surcharge customarily invoiced for flights diverting to Dulles from Miami. OK

Third, with respect to the surcharges for miscellaneous "additional sorties," neither your November 19 letter nor our Letter of Commitment made any reference to such surcharges. Further, AIRMACH's February 28 proposal to amend the Letter of Commitment to include such sorties was not accepted. Insofar as I am aware, such sorties were not related to any additional services requested by this Office after the Letter of Commitment was issued. Accordingly, NEAO cannot pay those surcharges.

Finally, with respect to the surcharge for the additional sorties during the flight of February 19-20, my understanding is that this surcharge is to cover expenses attributable to (1) AIRMACH's unilateral decision to fly to [redacted] on the night of February 19 and then on to [redacted] on the 20th, rather than flying directly to [redacted] on the 20th as directed by this Office and (2) AIRMACH's unilateral decision once at [redacted] to make a round trip flight back [redacted] to pick up additional supplies not purchased with NEAO grant funds. Any additional expenses incurred by AIRMACH as a result of these two unauthorized actions are its own responsibility. Reimbursement of such expenses was not included in your November 19 letter or our Letter of Commitment. Further, such expenses are not attributable to any action taken or requested by this Office after issuance of the Letter of Commitment. Hence, NEAO has no obligation to pay any portion of the surcharge for the February 19-20 flight.

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- 3 -

For these reasons, with the exception of a single surcharge for the diversion of a flight to Dulles, the unpaid items on AIRMACH's invoices cannot properly be charged to this Office. In the case of the flight which originated in Dallas-Fort Worth, we believe that \$9000 would be fair reimbursement for the diversion to Dulles. Payment of such amount, however, must constitute a complete discharge of all claims by AIRMACH against NNAO. If this is acceptable to AIRMACH, please contact Phil Buechler of this Office and he will authorize transfer of \$9000 to your account in the usual manner.

Sincerely,

*R. W. Duenling*  
Robert W. Duenling,  
Director**UNCLASSIFIED**

SAT 000713

EX RHM-26

2-3-87

JUN 30 1604 697666  
292048 ANMC URAIRMACH, INC.  
ATTN: DICK GADD

WE ARE IN RECEIPT OF THE NHAO LETTER DATED 30 MAY 1986. I HAVE REVIEWED THE CONTENTS WITH MY STAFF AND FEEL THERE IS SOME MIS-UNDERSTANDINGS AND SOME MISLEADING GUIDANCE FROM NHAO TO AIRMACH, BUT FEEL A RESPONSIBLE RESOLUTION IS IN ORDER.

THE UNPAID BALANCES STIPULATED IN THE NHAO LETTER OF 30 MAY 1986 ARE:

1. INSURANCE (15 FLIGHTS AT \$5,000 EA.) - TOTAL \$75,000
  2. POSITIONING SURCHARGE (DALLAS - DILLES) - TOTAL \$11,100
  3. SORTIE SURCHARGE (9 FLIGHTS AT \$3,000 EA.) - TOTAL \$27,000
  4. CHARGES FOR FEBRUARY 19 - 20 FLIGHT - TOTAL \$9,000
- GRAND TOTAL - \$122,100

AS YOU CAN SEE, THIS IS OVER 20 PERCENT OF AIRMACH'S BILL. SOUTHERN AIR WOULD RECOMMEND WE RESOLVE THE DIFFERENCES AS FOLLOWS:

1. INSURANCE: PURSUANT TO DISCOVERING AN INSURANCE OVERRIDE TO OUR NORMAL WAR RISK OF \$5,000 PER TRIP INTO REGIONS OF CENTRAL AMERICA, WE IMMEDIATELY NOTIFIED AIRMACH AND NHAO OF THIS SURCHARGE. NOT ONLY WAS IT INCLUDED IN YOUR FEBRUARY 20TH LETTER TO NHAO, BUT I PERSONALLY MET WITH MR. DUEMLING IN MY OFFICE AND EXPLAINED THE SITUATION. I FURTHER EXPLAINED WE WOULD ONLY CHARGE WHAT WE ARE ACTUALLY CHARGED. WE FURTHER STATED THIS IN OUR WIRE DATED 21 APRIL 1986. NHAO'S ACTION OF NON-OBJECTION CLEARLY INDICATES ACCEPTANCE. THE FOLLOWING IS A RECAP OF SAT'S ACTUAL INSURANCE SURCHARGES.

## NHAO INSURANCE BILLINGS:

FLT. DATE	A/C	INSURANCE CHG.
1-17-86	N2513F	5,000.00
2-19/20-86	N2513F	5,000.00
3-01-86	N2513F	3,250.00
3-02-86	N2513F	3,250.00
3-03-86	N2513F	3,250.00
3-04-86	N5215J	2,812.50
3-05-86	N5215J	2,812.50
3-07-86	N2513F	3,250.00
3-06-86	N5215J	2,812.50
3-10-86	N5215J	2,812.50
3-13-86	N2513F	3,250.00
3-25/26-86	N5215J	3,750.00 "
3-27/28-86	N5215J	3,250.00
4-04-86	N5215J	3,250.00
4-09-86	N5215J	3,750.00 "

" OVERNIGHT

\$51,570.00

CON

2. POSITIONING SURCHARGE: SOUTHERN AIR TRANSPORT IS WILLING TO ACCEPT THE \$9,000 IN LIEU OF \$11,000 AS BILLED.
3. NHAO LETTER OF COMMITMENT NO. NHAO-6W9-034, AGAIN RECOGNIZES AND ACCEPTS THE CHARGES NOW BEING DENIED. THESE CHARGES ARE FOR DELIVERIES MADE AT THE DIRECTION OF NHAO AND WE SEE NO OPTION BUT TO PAY THE RIGHTFUL INVOICES. MR. DUMLING'S LETTER STATES THAT SUCH SORTIES WERE NOT RELATED TO ANY ADDITIONAL SERVICE REQUESTED BY HIS OFFICE. I SUGGEST HE DISCUSSES THIS WITH HIS OPERATIONS MANAGER WHO IS WELL AWARE OF THESE REQUIREMENTS.
4. RATHER THAN MAKE ACCUSATIONS OF ANY SORT TO THE INTEGRITY OF THE NHAO OPERATIONS MANAGER, SOUTHERN AIR WILL ACCEPT NON-PAYMENT OF THIS CHARGE.

I BELIEVE THAT IN REVIEW OF THIS PROPOSED SETTLEMENT, ALL PARTIES WILL FIND IT FAIR AND EQUITABLE. I MUST SAY THAT SOUTHERN AIR IS NOT IN THE HABIT OF "SETTLING AFTER THE FACT" AND I'M SURE, HAD THESE ISSUES BEEN RAISED IN TIMELY FASHION, THIS COULD HAVE BEEN AVOIDED BY RESOLUTION OR TERMINATION OF CONTRACT.

PLEASE ADVISE.

BEST REGARDS,  
WILLIAM G. LANGTON, PRESIDENT

292848 ANMC UR

SOUTHWAIR MIA

CONFIDENTIAL

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JAN 27 1987

BECKMAN & KIRSTEIN

22 JAN 87  
24  
1-24  
19

Southern Air Transport  
Recap of [redacted] Tel Aviv Activity

- 1) January 1985 - [redacted] Subcontractor to Arrow Air - \$121,825.00  
Cash Receipts From Arrow January 21, 1985 001698  
Wire Transfer January 21, 1985 on Royal Bank of Canada for \$121,825.00 001699
- 2) March 1985 - [redacted] Subcontractor to Arrow Air - \$121,825.00  
Cash Receipts From Arrow March 6, 1985 001700  
Wire Transfer to First Chicago by Credit Suisse for \$121,825.00 001701
- 3) December 1985 - [redacted] - \$118,500.00  
Cash Receipts From Arrow December 11 and December 14, 1985 001773 001775 001777 001778  
Wire Transfer to Citizens + Southern by Credit Suisse for \$60,000.00 001779  
Wire Transfer to Citizens + Southern by Citicorp NYC for \$58,500.00 001776 001786
- 4) February 1986 - [redacted] - \$121,000.00  
Cash Receipts From Arrow February 6 and March 21, 1986 001781 001779 001779  
Wire Transfer to Citizens + Southern by Credit Suisse for \$50,000.00 001782  
Wire Transfer to Citizens + Southern by Union Carb for \$71,000.00 001781
- 5) April 1986 - [redacted] - \$120,000.00  
Cash Receipts From Arrow April 21, 1986 001758 + 001781 00175  
Wire Transfer to Citizens + Southern by Union Carb for \$120,000.00 001781
- 6) February 1986 - [redacted] Tel Aviv - \$484,000.00  
Cash Receipts From Arrow February 17 and February 26, 1986 000475 000472  
Wire Transfer to First Chicago by CS Investments Ltd for \$270,000.00  
Wire Transfer to Citizens + Southern by Union Carb for \$240,000.00 000473 001793  
\$214,500.00 balance to Tel Aviv Accounts

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SAT 6/18/21

Profile Declassified/Released on 11/16/88  
under provisions of E.O. 12958  
by K. Johnson National Security Council

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Southern Air Terminal  
Location of [redacted] and Tel Aviv Activity

B

- ✓ 7) May <sup>1946</sup> Tel Aviv - \$642,000.00  
 Cash Receipts Form 1000 May 23, May 28 and June 18, 1946 + 0017  
 001687 001690 000463 00168  
 Wire Transfer to Citizens and Southern by Hyatt Park Square Bank \$410,000  
 \$350,000.00 Applies to Tel Aviv Filings + 00178  
 00169  
 Wire Transfer to Citizens and Southern by Hyatt Park Square Bank \$200,000  
 Wire Transfer to Citizens and Southern by Hyatt Park Square Bank \$242,000  
 00046E  
 \$92,000.00 Applies to Tel Aviv Filings + 00179i
  
- ✓ 8) August 1946 Tel Aviv - \$25,000.00  
 Cash Receipts Form 1000 September 11, 1946 000454 + 001777 + 001778  
 000455  
 Wire Transfer to Citizens and Southern by Toyco SA for \$50,000.00  
 \$25,000.00 Applies to Tel Aviv Filings
  
- ✓ 9) October 1946 Tel Aviv - \$25,000.00  
 None NO DOCUMENT

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