

CONTINUATION OF THE NOMINATION OF G. WILLIAM MILLER

HEARINGS
BEFORE THE
COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
NINETY-FIFTH CONGRESS
SECOND SESSION
ON
THE NOMINATION OF
G. WILLIAM MILLER TO BE CHAIRMAN OF THE BOARD OF
GOVERNORS OF THE FEDERAL RESERVE SYSTEM

FEBRUARY 27 and 28, 1978

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CONTINUATION OF THE NOMINATION OF G. WILLIAM MILLER¹

MONDAY, FEBRUARY 27, 1978

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, D.C.

The committee met at 9:05 a.m., in room 5302, Dirksen Senate Office Bldg., Senator William Proxmire, chairman of the committee, presiding.

Present: Senators Proxmire, Sparkman, Stevenson, Morgan, Riegle, Sarbanes, Brooke, Garn, Heinz and Schmitt.

OPENING STATEMENT OF CHAIRMAN PROXMIRE

The CHAIRMAN. The committee will come to order.

Before I call the panel that we have to start off the hearings this morning I would like to make an initial statement.

There has been some talk that the committee, in pursuing the investigation of the Miller nomination, may be taking a position that is damaging to the public interest in several ways.

The suggestions are:

First: The committee is establishing standards that are too high. That is, if every nominee can be expected to have a company with which he has been associated investigated from stem to stern in connection with a payment made by subordinates and over which the nominee had no specific responsibility and disclaims knowledge, where do you draw the line?

Second: The committee is becoming mean spirited and petty in giving such time and attention to a relatively minor issue that occurred years ago and only remotely—if at all—affects Mr. Miller.

Third: The charge is that the committee is generally conducting the nominating process in a way which will discourage able and competent people who could serve Government with distinction from being willing to do so, because—however strong and clean their record may be—the errors of those associated with them—or the alleged errors of those associated with them will be visited upon them, their associates and friends.

Fourth: It's charged that the committee is delaying the nomination unduly. Hearings were held the week the Senate returned to

¹For further information on the Nomination of G. William Miller, see earlier hearing dated January 24, 1978. Also see committee print published by this committee and titled "Staff Investigation Relating to the Nomination of G. William Miller," Parts 1, 2, and 3; dated February 27, 1978.

Washington. But the investigation since then has consumed more than a month. Meanwhile, the Federal Reserve Board which plays such a central role in the Nation's economic policy is waiting uncertainly and the incumbent chairman of the board, Dr. Burns, is so concerned that he has been reported to have called some committee members to urge a prompt decision by the committee.

Here is my response: The committee in my view has had no real choice except to proceed as it has. Consider the facts. The chairman of this committee was informed that, in paying about \$3 million to its agent in Iran, Air Taxi, in connection with a sale of \$500 million in helicopters to Iran, Bell Textron had paid a large part of that sum to the head of the Iranian Air Force, General Khatami, who was a part owner of Air Taxi. And that such a payment constituted a bribe.

The nominee, Mr. Miller, in appearing before this committee, admitted the nearly \$3 million payment, admitted that he had a full knowledge of the payment, but declared that he did not know and would be surprised if General Khatami had been in fact the owner of Air Taxi.

At the initiative of Senator Heinz and the approval of this Senator as chairman, the committee decided to direct our committee staff to investigate this payment. That decision was vital. If anyone has said the committee should not have investigated this payment under these circumstances, I have yet to hear it. So the decision to investigate was unchallenged. And there was ample opportunity for such a challenge. Several days after the staff investigation was ordered, the committee with a quorum present voted without objection to issue subpoenas to secure records to support the investigation.

The staff conducted an investigation interrogating a number of corporate officers of Bell Helicopter and two outside witnesses. They assembled a number of pertinent documents. They secured affidavits from interested parties. Under the circumstances, they worked hard and fast.

The results of that investigation have now been made available to the members of the committee for more than a week and to the press for several days. The investigation has received intense scrutiny. But I have yet to hear the first charge that the staff indicated any bias, any discourtesy, or even any lack of straight, professional conduct. The record of the investigation is an open book. No one—no member of this committee, no other member of the press—no one has cited a single question, assertion or action by the investigating staff that was unfair.

Now, are our standards too high? Should we demand that the next Chairman of the Federal Reserve Board come before this committee and subject himself to a challenge to his competence, his integrity, his performance in the principal job he has held during his working life? Of course we should. And the nominee should be able to meet the highest, toughest tests. What if he cannot meet these standards? Then we should, and can, get someone who will meet these tests.

If nervous nellyes and weak sisters are frightened away by this kind of thorough investigation, so be it; the Government is better

off without them. This country has literally hundreds of men and women qualified for this great and powerful position and willing and anxious to get the job. The committee cannot avoid a strong investigation or tough and challenging questions for fear they may offend a nominee and frighten good people away from Government service.

Finally, the committee has not and is not going to delay this hearing 1 day, 1 hour or 1 minute longer than necessary. Like any careful investigation of this magnitude, it takes time. We are not yet through. I think we should take just as much time, interrogate as many witnesses and run down as many leads as the situation requires.

Unfortunately, we cannot have all the facts before we will have to make a decision. We will not have the benefit of the Securities and Exchange Commission investigation completed and available, for instance. We may not be able to secure the kind of detailed information we would like from Europe and Iran in time to make a more thoroughly informed decision.

But if we have to meet early in the morning and late at night and on next Saturday and Sunday, we will do so. We owe the Senate, and Mr. Miller, as prompt, as thorough, as rigorous and as fair a record and report as we can make and I think the committee is well on its way to doing that.

Senator BROOKE. Mr. Chairman, if I may——
The CHAIRMAN. Senator Brooke.

OPENING STATEMENT OF SENATOR BROOKE

Senator BROOKE [continuing]. Just for a moment, and I think Senator Schmitt also wishes to make a very brief statement.

First: The purpose of these hearings as I understand it is to assist the committee in determining whether G. William Miller is fit to serve as a member and chairman of the Federal Reserve Board; second, since the question of the propriety of the \$2.9 million payment was raised in the committee's hearing on January 24th, the committee staff, as you have said, Mr. Chairman, has conducted an investigation into the matter and has recently reported to the committee on its inquiry; third, there are questions which have been raised as a result of the investigation regarding, among other things, the credibility of witnesses who have appeared before the committee staff and those who have been deposed by the committee; and four, it is now appropriate in my opinion for the committee to explore some of the issues that were raised by the staff's investigative report and to put them to rest here.

Now as you have said, Mr. Chairman, some have charged that Mr. Miller is being unfairly judged in 1978 on the basis of post-Watergate morality because the Bell Helicopter contract with Iran was signed in June 1973 and Air Taxi was hired in 1968.

Now I would like to point out that the committee is not only examining what G. William Miller knew in 1968 or in 1973, but what Mr. Miller knew in 1975 when Thomas Soutter, who is Textron's general counsel, conducted an internal investigation of the

payment. That's one reason why, Mr. Chairman, I so much stress the necessity for having Mr. Soutter, the general counsel, appear before us.

And moreover, in 1975, many large companies were participating in the Securities and Exchange Commission's voluntary disclosure program regarding foreign payments and yet Textron Co. did not, and, of course, this raises the question of what Mr. Miller did in 1975 to determine the circumstances surrounding and the propriety of the payment.

Now those are just some of the issues, Mr. Chairman, that come to light. I don't know what the witnesses will testify to this morning, but I think it is important that we receive their testimony. Senator Schmitt, Senator Lugar and other Senators have consistently asked that this committee frame the issues that are before us, and I think it's important that we do so, and I believe the following are still the basic issues:

No. 1, the fitness, the qualification for G. William Miller to serve; and No. 2, his knowledge of certain of the facts regarding the \$2.9 million payment, that is, what if any participation he had in it; how much he knew about the ownership of Air Taxi; and what he should have known, if he did not know about such matters, in the course of his administration of Textron and particularly during the period when he acted as the group vice president with direct administrative responsibility for Bell Helicopter.

So I hope that the testimony we will receive today, and again when Mr. Miller is given an opportunity to appear before us, will resolve these matters and we will be able to vote on whether Mr. Miller should be confirmed or not.

The CHAIRMAN. I understand Senator Morgan has no opening statement.

Senator MORGAN. No.

OPENING STATEMENT OF SENATOR SCHMITT

The CHAIRMAN. Senator Schmitt.

Senator SCHMITT. Mr. Chairman, just fairly briefly, I want to associate myself with Senator Brooks' comments and also with the question that has been raised as to what degree does the committee or any committee have to pursue that issue. I must admit that when we started this, I was uncertain as to whether or not we were moving into an area that was beyond the necessity of the confirmation hearings for Mr. Miller. I think that in retrospect we have done, up until now, the appropriate thing.

My principal questions about Mr. Miller have been on his monetary philosophy and in the degree of independence that he may have from the White House. We also must be very careful that once a question of integrity is raised that we move to the point where that issue is full resolved either in favor of the nominee or not in favor of the nominee.

I have wondered myself since we had the staff report of whether or not Mr. Miller should have exercised greater responsibility in the

investigation that he undertook of the \$2.95 million payment by Bell Helicopter to Air Taxi. I think that's the purpose of today's hearings and questions we will ask Mr. Miller tomorrow, to determine just to what degree should he have pursued that more than he did. Was it based on knowledge or was it based on a judgment as a manager of a large corporation that that was beyond his need to pursue?

As a member of the Commerce Committee we get nominations before us on a sort of steady stream, much more so than we get here in the Banking Committee, and I have tried and I believe other colleagues are trying to establish a new level of investigation, a new level of perusal of various nominees' qualifications—not only the background, experience and philosophy of the nominees, but also their knowledge of the job that they have to undertake so they can get off running quickly. We also are looking very carefully into the basic underlying integrity of each individual and whether or not after their nomination and confirmation they might at some time embarrass the U.S. Government. Embarrassment of the U.S. Government is something that we have to minimize in this day and age more so than an other age I think that we have ever had before us. I hope that that's the spirit in which we are entering this hearing—not a spirit of trying to find somebody we can hang, like Mr. Miller, because I tend to believe that we will not do so, but in a spirit that shows we are trying to restore the confidence in the U.S. Government, in the Congress, that unfortunately has been eroded over the past few years. Thank you.

The CHAIRMAN. Thank you very much, Senator Schmitt.

Senator Garn.

Senator GARN. No.

The CHAIRMAN. Now I ask the first panel to come forward. That's Mr. Robert Bell, attorney for Bell Helicopter's agent in Iran; Mr. Edwin J. Ducayet, board of directors of Textron and former president and former chairman of Bell Helicopter; and Mr. Dwayne Jose, vice president for commercial marketing of Bell Helicopter. Be seated, gentlemen.

We have three distinguished witnesses and we have two microphones so I will ask you to share the microphones among you.

First, I'd like you three gentlemen to rise and raise your right hands. Do you swear the testimony you are about to give will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. BELL. I do.

Mr. JOSE. I do.

Mr. DUCAYET. I do.

The CHAIRMAN. Thank you, gentlemen. Be seated.

Now all three of you gentlemen have been questioned previously by the staff within the last few weeks. I'm going to ask each of you if you have a statement that you would like to make at this time before the committee begins questioning you and following up on the interrogation which was made available to all members of the committee.

Mr. Bell, go right ahead, sir.

STATEMENT OF C. ROBERT BELL, ESQ., WICHITA, KANS.

Mr. BELL. Thank you, Senator.

My name is C. Robert Bell. I'm an attorney from Wichita, Kans. In 1966 at about late August I was approached by a client of my law firm at that time, named William French, and he told me that he had been the Bell Helicopter and the Cessna dealer in Iran for a number of years and he lived there with his family and he had been having problems. He had been approached by a representative of General Khatami who was the owner of Air Taxi and Heli-Taxi, two Iranian corporations which supposedly had a complete monopoly on the sales and operations of aircraft in Iran and around which he had been attempting to operate, and had been requested to give the General a substantial portion of the proceeds of his Cessna and Bell Helicopter interests.

After consultation with representatives in the American embassy he advised the messenger, General Rafaat, that he was unwilling to do this. General Rafaat told him if he didn't do it he would run him out of the country. Mr. French subsequently went out of the country on business and upon his return was denied reentry to Iran. This was in the spring of 1966.

Thereafter, for a considerable period of time, our embassy personnel were unable to find out any statement of reason as to why he was not permitted to reenter the country. Approximately in July of 1966 he was informed that the Iranian officials had accused him of making illegal flights in his Cessna 180 aircraft, something which we later were able to conclusively show was not true in fact.

At that point he was advised by embassy personnel to retain counsel and he came to see me. He had consulted me previously because he was a Cessna dealer and when he needed counsel he happened to have been in Wichita for a Cessna dealers' meeting.

After he told me this story, I said:

Well, Mr. French, I'm not exposed to matters of this kind very often and what you tell me sounds like something out of an Arabian nights and dreams. I don't believe it.

Well, I'll pay you per diem if you will go to Washington with me while we talk to the State Department and they will confirm it.

So I went to Washington with him.

We arrived in early September, I think the 8th or 9th, and we went to the State Department and we talked to the gentleman in charge of the Iran desk. His name was Elliott. His assistant, Mr. Mulligan, was also present as was a lady lawyer for the State Department whose name I don't recall. Mr. French was present.

I told Mr. Elliott this story and asked if he would confirm or deny each portion of it. I told him I recognized some parts of it might involve national security and if he would just tell me we'd proceed. I went through the story without interruption in more detail than I have just related to you and at the conclusion of it Mr. Elliott said:

I have just returned from a tour of duty in the U.S. Embassy in Tehran, and I know of my own knowledge that everything you said is exactly correct.

At that point, I said:

Well, I didn't want to have my client standing trial for some kind of charges in Iran.

And he thought that was good advice—Mr. Elliott did. I asked what he would recommend and he stated that he would recommend that since the causes of the trouble seemed to have been Mr. French's intransigence in failing to adapt to the local mores and customs in the country where he was trying to do business, and since it appeared that I was more acquainted with negotiations and matters of that sort that it would be beneficial for me to go negotiate on Mr. French's behalf with General Khatami.

I told him I would be glad to do so if they could assure me that it wouldn't be held against me just because my client was charged with what they regard as criminal activity and that if I were delayed in leaving Iran for even 10 minutes they would send a whole battalion of Marines after me. He said they would contact the embassy in Iran and let me know. In the meantime, I was to return home and I did. Mr. French went to Beirut where he was staying temporarily.

I received a telephone call from Mr. Mulligan on September 22 telling me that the question of my visit had been discussed with General Khatami and that he was willing to see me and he suggested that I discuss these matters with a Dr. Safavi who was, I was told, a vice president of the High Council of Civil Aviation of Iran and who was an attorney for that High Council.

There was a subsequent phone conversation with Mr. Mulligan on the 28th of September telling me that they had contacted Dr. Safavi and he was willing to see me when I arrived. I then started for Iran. I stopped in Beirut on the way and conferred again with my client.

Upon arrival in Iran I first contacted Mr. Robert Harland of the U.S. Embassy and told him this entire story. He indicated that he was fairly new on the job in Iran and had no personal knowledge of it, but that he was familiar by way of hearsay with all of the things I told him. I then talked to Mr. Thatcher and Mr. Ferguson of our embassy. They informed me that there might be some possibility for me to negotiate a way for Mr. French's business to continue in Iran and if that were successful and continued for an appropriate period of time perhaps eventually I would be able to arrange for Mr. French's personal return.

They indicated that General Khatami was not an unreasonable man, although he was very put out with Mr. French for the things Mr. French had been saying in communications to our President, Secretary of State and various Members of Congress.

The embassy arranged an appointment for me with Dr. Safavi and at that meeting Dr. Safavi confirmed that he was speaking on behalf of General Khatami and other members of the High Council of Civil Aviation. He started to tell me what a bad man my client was and I told him I wasn't there to discuss that although I was interested in whether or not these charges were against my client

personally or against his companies. Dr. Safavi assured me they were against my client personally. I said:

In that event, Dr. Safavi, we are both men of affairs and we are able to recognize that there must be some way in which these companies can arrange to operate in Iran.

Dr. Safavi said there was and he would be very happy to accommodate us by forming a Persian corporation in which he would be the holder of 51 percent of the shares as the nominee for General Khatami and other members of the High Council of Civil Aviation. Our companies would hold the other 49 percent. I told him I would have to confer with my client who was in Beirut and at that time there were no good phone connections between Iran and Beirut so I went on the airplane back to Beirut and conferred with my client and told him what was involved—the formation of a company in which he was to pay all of the expenses of formation, including the deposit of the initial capital which Dr. Safavi suggested would be 1 million riels, which at that time was a little over \$13,000. Mr. French decided that was probably the only alternative open to him and authorized me to go back and authorize the formation of the corporation. So I returned to Tehran.

Prior to talking to Dr. Safavi again, I had the embassy arrange an appointment for me with General Khatami. I went to see him in his office. I told him that at his request I had seen Dr. Safavi and I told him that Dr. Safavi had suggested the formation of a Persian corporation in which Dr. Safavi was to be the nominee holder of 51 percent of the shares for certain members of the High Council of Civil Aviation, and before agreeing to this I wanted to know was Dr. Safavi speaking for him. General Khatami said he was.

I then asked General Khatami if it would be possible to arrange for my client personally to return to the country—not that he wanted to live there any more, but his wife and two little daughters were still there and he wanted to be able to assist them in moving out to Beirut and he also wanted, in the event his business proved operative, to be able to come back on occasions for maybe a maximum of a week or so at a time to oversee business and technical matters. General Khatami replied that there was no way that could happen. He said that Mr. French had said too many bad things about him and the Shah in his communications to various U.S. officials and that he would never be allowed to set foot in Iran again. That was about the end of the interview. I thanked the General and left.

I then went back to Dr. Safavi, authorizing him to form the corporation, returned to Beirut and reported this to Mr. French, where we worked on preparing the necessary powers of attorney that were required by Dr. Safavi and sending him the initial deposit of funds for the formation of the corporation.

I then returned to the United States and attempted to make a report to the companies that Mr. French represented. My first contact was at Cessna, Mr. Jack Zook there was out of the country for an extended period of time so I then contacted the people at Bell Helicopter.

On November 2, 1966 I went to Fort Worth and I conferred with Mr. James Feliton and Mr. Jose and I told them basically this story, starting at the very beginning as to the origin of Mr. French's problems and what we thought we could accomplish in arranging for the company to continue in business in Iran.

Mr. Feliton, I believe, suggested that I should attempt to obtain a letter from Dr. Safavi setting forth the formation of this corporation and assuring us that it had General Khatami's blessings or at least did not have his disfavor, and to make the letter as strong as possible. He also requested that I inform Mr. French that it was Bell's desire that the company operate through the use of Iranian nationals to the greatest extent possible and he stated that that was their overall policy.

When I completed telling Mr. Jose and Mr. Feliton this story, Mr. Jose asked if I would mind repeating it to the president of the company and I said I would not. I was thereupon taken to the office of Mr. Ducayet and introduced to Mr. Ducayet, and told him this entire story.

Senator BROOKE. The same day?

Mr. BELL. The same day. He had very little to say while I told him all of this.

The CHAIRMAN. The gentlemen on your left are the people you are referring to, so let me ask you if you recognize these gentlemen?

Mr. BELL. Yes. Mr. Ducayet is on the end and Mr. Jose is next to me. Mr. Ducayet has changed less over the years than Mr. Jose.

At the conclusion of my informing Mr. Ducayet of all of these facts, he said something to the effect of "Thank you very much for telling us this interesting story and we'll be in touch." That was the conclusion of—

The CHAIRMAN. Who told you that?

Mr. BELL. Mr. Ducayet.

The CHAIRMAN. "We'll be in touch?"

Mr. BELL. "We'll be in touch." I gathered it was a formality—euphemism.

Senator BROOKE. Is that how you pronounce "Ducayet?"

Mr. DUCAYET. It's Ducayet.

Mr. BELL. I apologize. I never have been quite sure how to handle Mr. Ducayet's last name. In fact, in my original notes, I only referred to him as the president.

The CHAIRMAN. You're right at the crux of what is very important here. That is, what was told to the Bell executives about the ownership of Air Taxi by General Khatami and about this subsequent relationship that General Khatami would have with STP, the new corporation you were setting up. So precisely, what did you tell Mr. Ducayet, who I understand was the top executive at that time of Bell Helicopter and reported directly to Mr. Miller?

Mr. BELL. Well, I had no knowledge of who he reported to.

The CHAIRMAN. Of course not, but I want you to tell us what you told Mr. Ducayet as precisely as you can.

Mr. BELL. I told him as nearly as I can recall that Mr. French's troubles in Iran had commenced because General Khatami who was the Shah's brother-in-law—he was married to Princess Fatima, the

Shah's younger sister—was the commanding general of the Imperial Air Force, the chairman of the Board of Civil Aviation, and the owner of Air Taxi and Heli-Taxi and, in fact, he controlled everything that moved in the air in Iran except the birds—or attempted to, and he had taken objection to Mr. French's attempts to sell and operate aircraft and helicopters in Iran without his express permission and that he had demanded Mr. French give him a part of the proceeds of his company and when Mr. French had refused he had arranged to have him run out of the country and that was how we arrived at the state of affairs when I had to go to Iran.

The CHAIRMAN. You specifically recall telling Mr. Ducayet that General Khatami was the owner of Air Taxi? Is that the way you put it?

Mr. BELL. I do.

Senator BROOKE. Did you give him the breakdown at that time of 51 percent or any percentage?

The CHAIRMAN. Or that there were other owners?

Mr. BELL. No, I did not give him any breakdown at that time. I had been informed, but it was strictly hearsay from my client to me and had been obtained by his Iranian partner prior to his departure from Iran.

Senator BROOKE. But you said he was the owner?

Mr. BELL. I said he was the owner. By that, I meant that he had an equity ownership as nearly as we could tell and that he controlled the company effectively and that was the information we had been given. That was the information which was confirmed to me by various representatives in the State Department and in the U.S. Embassy in Iran, as well as various other individuals in Iran. The average man on the street that I ran into seemed to have some knowledge of it. Now when I say "average man on the street," I've got to admit I don't speak Persian and I didn't talk to too average a person, I suppose, but I mean members of the business community in Iran.

Senator SCHMITT. Mr. Chairman, may I ask one question?

The CHAIRMAN. Certainly.

Senator SCHMITT. Do you have any specific information, Mr. Bell, on whether General Khatami was receiving financial benefit from this company or was he just controlling it?

Mr. BELL. I was told that he was receiving financial benefit. I was told that he had to have the money for his personal use so that he could use it in other ways that he saw fit that would be appropriate to enhance the use of aviation in Iran. He never did separate his personal interest from those of a more public nature.

Senator SCHMITT. But do you have any hard evidence that he was receiving financial benefit other than this hearsay?

Mr. BELL. Any hard evidence to me—the answer is no. Everything I was told was in the general nature of recitation by other parties which in a court of law, of course, would be hearsay.

Senator SCHMITT. But you had the strong impression he was an owner and did transmit that information to the officials you mentioned?

Mr. BELL. That's right.

Senator SCHMITT. Thank you, Mr. Chairman.

The CHAIRMAN. Are you finished with your presentation, sir?

Mr. BELL. Well, I think up to that point that's what you need.

The CHAIRMAN. Fine. Now, Mr. Ducayet, do you have any statement you would like to make, sir, for the record?

Mr. DUCAYET. I'm sorry. I don't think I can add anything.

Senator BROOKE. Mr. Chairman, if I may, I know you want to get all three statements in, but there are some matters we want to take up now with Mr. Bell.

The CHAIRMAN. Well, if I could, what I would like to do—and of course this is entirely up to the committee to follow any procedure they wish, but I think it might be orderly if we could do this—if we could have Mr. Ducayet and Mr. Jose state whatever they wish and then have the committee question in turn because I think it's so very important that we have an opportunity to have Mr. Ducayet comment on what Mr. Bell has told us and also have Mr. Jose comment on this. We want to get the interplay.

Senator BROOKE. I would normally agree with that procedure, Mr. Chairman, but I'm not quite convinced that we have all of the information from Mr. Bell to which you want responses from Mr. Ducayet or from Mr. Jose. So if I could, I just have a couple questions that might clarify it.

The CHAIRMAN. Yes. I have some questions too I'd like to follow-up on.

Senator BROOKE. Did you have any question in your mind about the propriety of what your client was doing in dealing with Iranian officials at all? Did you question that yourself?

Mr. BELL. No, Senator, I didn't.

Senator BROOKE. Did you think that it was right to advise your client to enter into contractual arrangements with Iranian officials, because as you said General Khatami was the chief of staff of the Iranian Air Force and was chairman of the Civil Aviation Board?

Mr. BELL. Well, Senator, what I thought was that we had been advised by members of the State Department that Iran was run by the royal family pretty much like a closely held family corporation and it was necessary to deal with them in that fashion if one were to do business in Iran.

Senator BROOKE. I understand that, but did you see anything wrong in what you were doing; what you were advising your client? Do you think you were advising your client to do something that was legally right and morally right?

Mr. BELL. Yes, I did. They had different mores and cultural standards in Iran. I was informed that, for example, they did not even pay minor clerks any salary because they were expected to make their living off of "bashees" as it was termed, and I was told that that was an accepted cultural value in Iran.

Senator BROOKE. So while in Rome, do as the Romans do? Is that it?

Mr. BELL. Yes. That's exactly what I was told by Mr. Elliott, in effect.

Senator BROOKE. One further question then before we get to Mr. Ducayet. Did you have a conversation with Mr. Ducayet or did you merely conduct this in a narrative form and then Mr. Ducayet said, "Thank you," and that terminated the meeting?

Mr. BELL. I think it would be fair to say it was more of a narrative on my part and his acknowledgement at the conclusion of it.

Senator BROOKE. Did he ask you any questions?

Mr. BELL. Not that I can recall.

Senator BROOKE. So you merely told him what you told us and there was nothing further so far as Mr. Ducayet's participation in that meeting?

Mr. BELL. No. I think I told him in somewhat greater detail than I have told you, but that's essentially correct.

Senator BROOKE. Now the chairman asked you to give us the details that you told him. Is there something you told him that you have not told us?

Mr. BELL. Quite a few things. I was trying to condense it. He asked me as to a particular point. The overall of what I told him is fairly well contained in my letter to Jack Zook of November 28, 1966 which I wrote because I had been unable to see Mr. Zook. Now he was with Cessna Aircraft, but I was being very careful to convey all the same information to both Bell and Cessna so there would be no hiatus in the knowledge of either one of them.

Senator BROOKE. Well, I don't want you to go into anything that—

Mr. BELL. What I've got is a multi-page letter covering many subjects and that's the kind of detail I used.

Senator BROOKE. In keeping with the chairman's procedure, I just want to be sure that you have said everything to which Mr. Ducayet could respond relative to the meeting you had with him when you gave him this narrative. Have you given us all of that?

Mr. BELL. Not quite. With respect, Senator, I must point out that the request that was made of me first was to tell you in detail what I said about General Khatami's ownership of Air Taxi. I have related that in as much detail as I think I can. There were other subjects relating to this whole proposition that were covered in considerable detail that I have not told you and they were covered, though, in my letter to Zook of November 28.

Senator BROOKE. Does it pertain to General Khatami's ownership or any of the matters that we are here concerned with?

Mr. BELL. Most of this did not pertain to General Khatami's ownership. That was a relatively minor side point at that time in my view, and I think in the view of those that I spoke to.

Senator BROOKE. More technical matters, in other words?

Mr. BELL. More background as to how we got to where we were.

The CHAIRMAN. Well, I would like to follow up on this. We'd like to have an orderly procedure here. It's a little difficult if we don't follow the usual procedure because we are accustomed to that. I think Senator Brooke has brought out some very valuable information at the same time, and I think other Senators would too if each Senator has his turn in questioning the witnesses, if that's acceptable.

Senator Brooke is right. He suggests that we ask the witnesses to give all the information they can so that if one wishes to rebut the other they will have all the information before them.

Senator SPARKMAN. Mr. Chairman, I have to handle this bill on the floor at 9:45 and I promised them I would be there. I left my proxy with Senator Morgan.

The CHAIRMAN. Now I'd like to ask Mr. Ducayet and Mr. Jose to make whatever statement they wish. I think, Mr. Ducayet, you had said that you had no statement to make at this time?

Mr. DUCAYET. No. I have nothing to add to what's already been told.

The CHAIRMAN. Mr. Jose, would you like to make a statement at this time?

Mr. JOSE. I have no opening statement.

The CHAIRMAN. All right. I'm going to ask the clerk to run the time on us so we do this in order.

Mr. Bell, I'm going to ask you a question or two relating to your background because, of course, we have to judge credibility here. There may be a difference of opinion—I'm sure there will be before we are through. What is your educational background?

Mr. BELL. I went to the public schools in Kansas, graduated from high school in Hutchinson in 1948, obtained an AB Degree from Princeton University in 1952, and a law degree from Harvard in 1955.

The CHAIRMAN. What's your professional background?

Mr. BELL. Well, I spent 3 years in active duty in the Navy and then after having been admitted to the Massachusetts bar returned to my home State and was admitted to that bar and worked for the Garvey family enterprises for approximately 2 years and then went into general practice with the firm of Morris, Lang, Evans, and Brick. I practiced with them as a partner until 1974 when I associated myself with Sidney Brick and the firm of Brick and Bell.

The CHAIRMAN. Now we are informed that after 1965 there's no public record of General Khatami's ownership interest in Air Taxi—after 1965. Your conversation with Mr. Ducayet alleging General Khatami's ownership interest in Air Taxi was in 1966.

How did you know in 1966 that General Khatami had retained an interest in Air Taxi? As I understand it, the Shah had indicated that he didn't want his officials to have this kind of conflict of interest and there was some kind of a change. How did you know there was still an ownership interest at this time of General Khatami?

Mr. BELL. Because I was told by a great number of people.

The CHAIRMAN. You say a great number of people. Who, specifically?

Mr. BELL. Mr. Elliott at the Iran desk in the State Department; Mr. Ferguson at the American Embassy in Tehran; Mr. Thatcher at the American Embassy in Tehran; Dr. Safavi, whom I was told to contact and whom General Khatami said would speak for him said the same thing. I was also told this by various individuals in

Iran—an individual who was an Englishman I believe who worked for an English steel company. I think his last name was one of those hyphenated ones—Douglas-Bates or something like that.

The CHAIRMAN. I have a letter from Mr. Elliott dated February 21 written to the staff director of this Committee—Mr. Mulligan—I beg your pardon—Mr. Mulligan, who as I take it was one of the people—you said Mr. Mulligan, Mr. Elliott and a lady lawyer—

Mr. BELL. Mr. Mulligan stated he was Mr. Elliott's assistant.

The CHAIRMAN. Mr. Mulligan was asked which company did you know or hear that General Khatami had an ownership interest in, STP or Air Taxi; when did you learn of General Khatami's interest and who did you learn it from. Answer:

To the best of my knowledge, it was alleged but not established that General Khatami had a direct or indirect ownership in Air Taxi. I believe this information first came to my attention in 1966 in connection with efforts with the American Embassy in Tehran and the Department of State in Washington to assist an American businessman by the name of French who was a resident in Iran and had a business operating in Iran.

It appears from this response that Mr. Mulligan indicated that he heard this allegation and he heard it in connection with your representation.

Mr. BELL. I agree it does appear that way.

The CHAIRMAN. But you said not Mulligan, but Elliott, was the person who told you this?

Mr. BELL. That's correct, Senator.

The CHAIRMAN. Now, of course, what we want to do here is to get right to the heart of your testimony as it relates to what is before this committee, the confirmation of William Miller's nomination as head of the Federal Reserve Board.

In the first place, you told us you had no contact whatsoever—no communication with Mr. Miller. Is that correct?

Mr. BELL. That's correct.

The CHAIRMAN. You have never met him? You never wrote him? You have no indication whatsoever that Mr. Miller directly knew about this directly from you or indirectly?

Mr. BELL. That's correct.

The CHAIRMAN. All right. Now you told us that you did inform Mr. Ducayet and Mr. Jose of this.

Mr. Ducayet, do you recall whether or not—and I stress whether or not—Mr. Bell told you of General Khatami's ownership interest in Air Taxi?

Mr. DUCAYET. Senator, I have no recollection of ever having had a meeting or any recollection of what I might have been told in a meeting if I can't even remember having a meeting. You're asking me to remember something that happened some 10 or 12 years ago. I was busy operating a big company. There were many, many people who came in and out of my office in the course of the normal day or week or month. I just have no recollection.

The CHAIRMAN. You don't deny that such a meeting took place, but you don't recall that it did take place; is that correct?

Mr. DUCAYET. That's correct.

The CHAIRMAN. In looking at Mr. Bell and realizing that in all of our cases we change in the course of 10 or 12 years, do you recall him now?

Mr. DUCAYET. No, I don't.

The CHAIRMAN. Mr. Bell very graciously said that you hadn't changed very much.

Mr. DUCAYET. I guess I haven't.

The CHAIRMAN. Maybe Mr. Bell has.

Mr. Jose, do you recall this visit by Mr. Bell to Fort Worth and do you recall what Mr. Bell told you about the ownership by General Khatami of Air Taxi?

Mr. JOSE. Senator, I commented to the staff on that when I was here several weeks ago. I do recall that a meeting took place. I did not recall who arranged the meeting. Subsequently, reading some of the minutes of the staff investigation, it was arranged by Mr. Felton who was our area manager at that time. Also, I testified to the staff that I didn't recall the date or the detail of the meeting, but that I had a recollection that a meeting had taken place. At that time I had never been to Iran and I did not know the names that Mr. Bell was talking about, so much of what he may have said at that time I don't have specific recall, but I do recall that such a meeting took place.

The CHAIRMAN. Do you recall Mr. Bell alleging that General Khatami had an ownership interest in Air Taxi?

Mr. JOSE. I don't specifically recall. There were the names of, again, six or seven people that I had no knowledge of and did not know by name.

The CHAIRMAN. I missed that. You said there was a list—

Mr. JOSE. There were six or seven names in Mr. Bell's presentation. I didn't—I had difficulty association function and name at the time because I had not been involved with our efforts in Iran to any extent.

The CHAIRMAN. The reason I'm asking that question is because what you testified before the staff, you indicated that on three occasions you were told that General Khatami had an interest in Air Taxi. What were those three occasions?

Mr. JOSE. Well, I'm just trying to lay the background first.

The CHAIRMAN. All right.

Mr. JOSE. General Khatami's name did come up on that occasion.

The CHAIRMAN. On this occasion when Mr. Bell was there you now recall?

Mr. JOSE. Yes.

The CHAIRMAN. All right. What were the other two occasions?

Mr. JOSE. The other two occasions were once when Mr. French was in Paris during the Paris Air Show in 1967, and the third occasion that I heard General Khatami's name in connection with relationships with Helicopter Consultants was in a letter that Mr. Bell sent me in July of 1967.

The CHAIRMAN. What were the circumstances here? Why were you told that General Khatami had an interest in Air Taxi by French at the Air Show?

Mr. JOSE. Well, it started earlier than that. We had had Mr. French as a dealer since 1964 and he had been representing us for some time. We knew that in the middle of 1966 he was not to be allowed back in the country and we had had questions about retaining Mr. French, so when Mr. Bell came in I assumed that whatever story they were beginning to tell us had to do with Mr. French's desire to retain Bell representation in Iran and so at that time Mr. Bell began talking about the influential contacts that Mr. French would be able to bring to our company. At that time Mr. Khatami's name was brought up—General Khatami's name was brought up.

The CHAIRMAN. Now what did you do with this information? After all, you had responsibility here. To whom would you report this information?

Mr. JOSE. Well, my first effort would be to discuss it with the international marketing manager, Mr. Orpen, who had responsibility—

The CHAIRMAN. He was your subordinate, right?

Mr. JOSE. He was my subordinate. He was not in the city at that time.

The CHAIRMAN. But how about your superiors in the corporation? Wouldn't you have had an obligation here to report that and discuss that kind of intelligence with Mr. Atkins or Mr. Ducayet?

Mr. JOSE. Well, sir, I wanted to check—the story was so unusual that I wanted to get some sort of additional background on it before I began to bring it to other people's attention.

The CHAIRMAN. Well, didn't you testify before when you were questioned that this information was so unusual that you in the normal course of events would have passed this on to Mr. Atkins?

Mr. JOSE. As I recall, Senator, there was some question about whether I did. The question was—

The CHAIRMAN. I didn't say you did, because you can't recall as I understand whether you did or not.

Mr. JOSE. I do not recall discussing it.

The CHAIRMAN. I understand, but my question is in the ordinary course of events, given your relationship with Mr. Atkins as your superior, wouldn't you have felt it incumbent to pass this kind of information on to Mr. Atkins?

Mr. JOSE. Well—

The CHAIRMAN. After all, the ownership—you said yes?

Mr. JOSE. No.

The CHAIRMAN. I thought you nodded.

Senator SCHMITT. Mr. Chairman, I think he's trying to answer.

Mr. JOSE. We have had several movements up here. I have been distracted, Senator.

The CHAIRMAN. Yes. Go ahead.

Mr. JOSE. Yes, I would feel that in the normal course of events that we would have had a chance to discuss it but I don't recall that we ever did—things that were unusual like this, because it was unusual.

The CHAIRMAN. Unfortunately, my time is up. I will be back. Senator Brooke.

Senator BROOKE. Mr. Bell, were you compensated by French for your efforts on his behalf during 1966 and 1968?

Mr. BELL. Yes, I was, Senator.

Senator BROOKE. Do you have any outstanding bills owed by Mr. French to you?

Mr. BELL. No.

Senator BROOKE. Now how long did this meeting take with Mr. Ducayet and Mr. Jose? How long were you in Mr. Ducayet's office?

Mr. BELL. I would estimate something in the vicinity of 30 or 45 minutes?

Senator BROOKE. Could you describe that office? Do you remember its furniture arrangements or anything?

Mr. BELL. I don't have a detailed recollection of it. I do recall we were seated in kind of an informal arrangement, perhaps a couch and chairs. Mr. Ducayet was not behind a desk at any rate.

Senator BROOKE. And you went from Mr. Jose's office to Mr. Ducayet's office?

Mr. BELL. That's correct.

Senator BROOKE. Just the two of you?

Mr. BELL. My recollection is just the two of us.

Senator BROOKE. Was there anybody else in the room besides you and Jose and Ducayet?

Mr. BELL. Not to my recollection.

Senator BROOKE. Did you suggest a meeting between yourself and Mr. Ducayet?

Mr. BELL. I did not.

Senator BROOKE. Who made the suggestion?

Mr. BELL. Mr. Jose suggested that.

Senator BROOKE. Did he tell you why he wanted to have you meet with Mr. Ducayet?

Mr. BELL. I think he said something to the effect that: "This is a very unusual story; would you mind repeating it to our president?"—and he got on the intercom and spoke to someone and we then went to the other building where Mr. Ducayet's office was.

Senator BROOKE. And there's no doubt in your mind that the man who sits to your left, to the extreme end of that table, is the man with whom you met on that date; is that correct?

Mr. BELL. That's correct.

Senator BROOKE. And you met with him for 30 to 45 minutes?

Mr. BELL. That's correct.

Senator BROOKE. Now did you talk for 30 or 45 minutes or did Mr. Jose enter into the conversation?

Mr. BELL. Principally I talked for 30 to 45 minutes.

Senator BROOKE. Were any questions propounded to you by either of the two gentlemen?

Mr. BELL. Not that I can recall.

Senator BROOKE. At the conclusion of that meeting what, if anything, was said by Mr. Ducayet or Mr. Jose?

Mr. BELL. Mr. Ducayet said something like: "Thank you very much for telling us this interesting story. We'll be in touch."

Senator BROOKE. What was his reaction? Did he express any shock at this story? Did he say anything about whether it was

contrary to Bell Helicopter policy to be involved in an arrangement whereby Government officials would receive direct or indirect monetary benefits?

Mr. BELL. No, he didn't say that. In fact, the thing that stands out in my memory about his reaction was that there was no reaction of any kind. He really was very unresponsive.

Senator BROOKE. Now, Mr. Jose, do you remember the meeting?

Mr. JOSE. With Mr. Bell in my office?

Senator BROOKE. Yes.

Mr. JOSE. Yes, I do.

Senator BROOKE. Do you remember making a call to any office asking to meet with Mr. Ducayet subsequent to that meeting?

Mr. JOSE. Senator, that was 12 years ago. I don't recall the specifics.

Senator BROOKE. Come, Mr. Jose. This is not a matter that happens every day; is it? This was of considerable import to your company.

Mr. JOSE. I don't recall, Senator, the call. It could have happened.

Senator BROOKE. At any rate, if there was a call or was not a call, do you recall going from your office with Mr. Bell whom you do remember; do you not?

Mr. JOSE. I think he's changed more than I have, Senator.

Mr. BELL. Senator, I think that's a fair comment.

Senator BROOKE. Aside from the cosmetics of it, I just want to get to the question—you do remember him, do you not? You remember him even whether he's changed?

Mr. JOSE. I remember meeting with Mr. French's lawyer.

Senator BROOKE. You remember that Mr. French's lawyer to be Mr. Bell; don't you?

Mr. JOSE. I believe so, yes.

Senator BROOKE. Now you met with him in your office; did you not?

Mr. JOSE. Yes, sir.

Senator BROOKE. After you left your office, did you leave your office with Mr. Bell and go to Mr. Ducayet's office?

Mr. JOSE. Senator, I don't recall.

Senator BROOKE. You do not recall. Would you say that you didn't?

Mr. JOSE. I'll not say I didn't.

Senator BROOKE. Do you remember at any time being in the meeting between Mr. Ducayet and Mr. Bell?

Mr. JOSE. I do not, Senator.

Senator BROOKE. You don't recall that at all?

Mr. JOSE. No.

Senator BROOKE. Did you tell Mr. Ducayet of your conversation with Mr. Bell?

Mr. JOSE. I could have, but I do not recall.

Senator BROOKE. You have a great loss of memory between you and Mr. Ducayet in those 12 years or so. You don't remember that at all?

Mr. JOSE. I remember meeting with Mr. Bell and I remember portions of what he has said in his opening remarks.

Senator BROOKE. That refreshes your recollection; does it not?

Mr. JOSE. Yes, sir.

Senator BROOKE. You knew of General Khatami's ownership of Air Taxi; did you not?

Mr. JOSE. I did not know that General Khatami was involved with Air Taxi.

Senator BROOKE. At any time you did not know that? You knew it when Mr. Bell talked with you; didn't you?

Mr. JOSE. Well, I heard what he said, but I did not know it.

Senator BROOKE. Did you believe him?

Mr. JOSE. I found it somewhat of a fairy tale.

Senator BROOKE. A what?

Mr. JOSE. A fairy tale.

Senator BROOKE. A fairy tale. Did you have any reason to disbelieve him?

Mr. JOSE. Well, just that in 7 or 8 years of international marketing I had not seen such an arrangement anywhere and I have dealt in a number of countries.

Senator BROOKE. You continued to do business with Mr. French for a year after that meeting; did you not?

Mr. JOSE. We gave a temporary extension and I had asked our people to make arrangements to change our dealership in Iran.

Senator BROOKE. Well, of course, knowledge or having heard, let me say, of this ownership of General Khatami's in Air Taxi, what did you do, if anything, to ascertain whether Mr. Bell was telling you the truth or not?

Mr. JOSE. Well, first of all, we made the decision that we were going to change our representation.

Senator BROOKE. That was a year later.

Mr. JOSE. No, sir. We made that decision very shortly after Mr. Bell was in my office.

Senator BROOKE. Did Mr. Bell's statement to you have anything at all to do with your decision to make a change?

Mr. JOSE. Yes, it had to do with it.

Senator BROOKE. All right, What did it have to do with it? Why did you make a change based upon what Mr. Bell stated?

Mr. JOSE. Well, it had to do with the fact that Mr. French, being an expatriate American, was not allowed in the country which was a significant thing to me. I failed to see how any kind of arrangement, whether legal or illegal—and I certainly wasn't interested in an illegal one—but in any event, a man could not represent us in Iran who was not allowed in the country.

Senator BROOKE. That was one reason. Were there any other reasons?

Mr. JOSE. Well, the other reason would be that I was somewhat dismayed that any agent which we had previously selected would send an attorney to me with the proposition like Mr. Bell was outlining because he—they collectively obviously misread the kind of

a company that we were and, secondly, that, you know, in any event, we weren't interested.

Senator BROOKE. Any other reasons? Were you not concerned at all about the fact that you would be dealing with a company owned by the chief of the air force of the Iranian Government?

Mr. JOSE. Well, I thought I implied that, Senator, when I said when such a proposition was brought to me.

Senator BROOKE. Well, if that's the reason, then, Mr. Jose, you did believe what Mr. Bell told you; is that not true? That was one of your reasons for making the change. You obviously believed what Mr. Bell was telling you about this, as you call it, fantasy arrangement.

Mr. JOSE. Well, I don't think it's obvious that I believed that, Senator. I believe that the method of operation that they proposed, regardless of who the principals were and whether there was a behind-the-scene arrangement or not, not necessarily that it involved General Khatami or whoever, would not be acceptable to us.

Senator BROOKE. Is this the sort of thing that you would take up with the president of the company, Mr. Ducayet? I mean, here Mr. Bell comes representing Mr. French, your agent in Iran, and he gives you this outline of the arrangement that they were having which included doing business with a concern that was owned by General Khatami, who's the chief of the Iranian air force. Was this not something of such significance that you would take it up with Mr. Ducayet, the president?

Mr. JOSE. Generally speaking, yes.

Senator BROOKE. Did you in fact do so, Mr. Jose?

Mr. JOSE. I don't recall that we discussed it.

Senator BROOKE. Would it be unusual for you not to have taken it up with Mr. Ducayet?

Mr. JOSE. Well, I was allowed quite a bit of latitude in the selection of dealers.

Senator BROOKE. I know, but you also were a good administrator. You know what administration entails. If a matter of this significance—

Mr. JOSE. No, sir. I was a creative salesman. I was not an administrator.

Senator BROOKE. Even worse if you were a salesman, even worse you would want to take it up with the administrator, would you not, as a good salesman?

Mr. JOSE. I do not recall taking it up with Mr. Ducayet.

Senator BROOKE. Mr. Ducayet, if you didn't remember talking with Mr. Bell, do you remember at any time talking with Mr. Jose about this matter?

Mr. DUCAYET. No, I do not, Senator.

Senator BROOKE. Well, you were a topflight administrator. You were not a salesman. You were an administrator; were you not?

Mr. DUCAYET. I guess I was supposed to be.

Senator BROOKE. Well, you would not call it proper administration, would you, to not be informed of a matter of this magnitude? Would you not expect Mr. Jose to have reported this to you, if he in fact knew about it?

Mr. DUCAYET. I guess if the marketing department had information of this nature, that I would have expected the marketing department to go do something about it and find a solution to their problems. They had a representative that couldn't even get into the country and to me that was enough to do anything. You should get to it and find out.

Second, we were dealing in many, many countries at that time. You wonder why things may not have been brought to my attention. They were supposed to be running the marketing department. They should have been able to get good and adequate representatives and if they had a bad one I would have expected them to go do something about it, not come back to me first.

Senator BROOKE. Do you have a diary of your meetings?

Mr. DUCAYET. No, I do not, Senator. I do not keep one. I did not.

Senator BROOKE. You never kept diaries of persons with whom you met?

Mr. DUCAYET. No.

Senator BROOKE. Did your secretary keep a diary?

Mr. DUCAYET. No.

Senator BROOKE. How did you know your agenda for the day?

Mr. DUCAYET. Well, she kept it for the day.

Senator BROOKE. Are those diaries available?

Mr. DUCAYET. No. They were never kept except a list of who was waiting to see me or some such thing.

Senator BROOKE. Didn't you have appointments every day?

Mr. DUCAYET. Yes.

Senator BROOKE. Didn't you have an appointment list? You knew at 10 a.m. you were going to meet with Mr. Jose and 10:30 you were going to meet with somebody else. You had that sort of business diary; did you not?

Mr. DUCAYET. Yes, but it was only kept on a daily basis.

Senator BROOKE. And they were destroyed thereafter?

Mr. DUCAYET. She'd destroy it and start a new one.

Senator BROOKE. So you would keep no record of whom you met?

Mr. DUCAYET. No.

Senator BROOKE. Is that good office procedure?

Mr. DUCAYET. As you look at it now, I guess it could be classed as not good procedure.

Senator BROOKE. My time is up, Mr. Chairman.

The CHAIRMAN. Senator Stevenson.

Senator STEVENSON. I pass for now, Mr. Chairman.

The CHAIRMAN. Senator Heinz.

Senator HEINZ. Yes. I'm very interested, Mr. Ducayet, that you have no records of any meeting you ever held?

Mr. DUCAYET. No. Well, I may have kept records of meetings if this had been of sufficient importance to me to write a memo to myself afterwards or a memo to the file or to have answered something that was asked me. There are records of that nature.

Senator HEINZ. But no record on a regular basis?

Mr. DUCAYET. No.

Senator HEINZ. Why did your secretary destroy every day the records of who you met with?

Mr. DUCAYET. There was no particular reason to keep it.

Senator HEINZ. Did she do so upon instructions from you or did you just let her do her own thing?

Mr. DUCAYET. I just let her do her own thing. I saw no particular reason to keep track of it.

Senator HEINZ. Do you have the same secretary today as you did then?

Mr. DUCAYET. No, sir. I have been retired for 5 years.

Senator HEINZ. Did you have the same secretary in 1966 who you had when you retired 5 years ago?

Mr. DUCAYET. I changed at some point. I can't say exactly when. I don't know.

Senator HEINZ. Think about it.

Mr. DUCAYET. I can't remember really.

Senator HEINZ. When do you think you changed secretaries?

Mr. DUCAYET. I really have no idea. It could well have been around that time.

Senator HEINZ. What time? 1966?

Mr. DUCAYET. 1966, or 1967, or 1968, somewhere in there.

Senator HEINZ. Mr. Ducayet, you said that you expected your marketing department, in running into a problem, to just go do something about it and not to come back to you; is that right?

Mr. DUCAYET. Yes.

Senator HEINZ. Is the sale of helicopters to Iran something that you were involved in?

Mr. DUCAYET. Not in detail as such.

Senator HEINZ. But you were involved in it; weren't you? You knew what was going on, on a week-to-week basis; didn't you?

Mr. DUCAYET. Yes. As the head of the company, I obviously received some kind of reports from time to time as to progress being made there or any of the other countries.

Senator HEINZ. Isn't it true you monitored the progress quite closely?

Mr. DUCAYET. No, I would not say that.

Senator HEINZ. Yet you were aware of it on a week-to-week basis?

Mr. DUCAYET. I was aware of it on a basis.

Senator HEINZ. Mr. Ducayet, did you have an explicit policy that you and your division understood and followed with respect to not dealing with high officials in any way, bringing them into a business deal? Was there a policy against that?

Mr. DUCAYET. Senator, the question of having a Government official involved in our dealerships never came up in those days certainly.

Senator HEINZ. It never came up? You accepted it as common practice?

Mr. DUCAYET. No, sir. It never came up and, therefore, we never established any written policy or any states policy as such.

Senator HEINZ. Well, how could you say to us just a moment ago that you just expected your marketing department to handle it without such a policy? You were unaware at the time that Government officials involved themselves in transactions like that? Do you expect us to believe that that didn't ever cross your mind?

Mr. DUCAYET. No.

Senator HEINZ. That Government officials didn't involve themselves?

Mr. DUCAYET. We would never have tolerated having a Government official involved in our dealership.

Senator HEINZ. Why didn't you have a policy against it?

Mr. DUCAYET. Because the question never really came up.

Senator HEINZ. Were you involved in the decision to change agents in Iran?

Mr. DUCAYET. Not directly; no.

Senator HEINZ. What do you mean "not directly?"

Mr. DUCAYET. Well, the chain of command, so to speak, came up through Mr. Jose, then to Mr. Atkins and then to me.

Senator HEINZ. You did not approve the change of agents in Iran? That was done without your knowledge or consent?

Mr. DUCAYET. I believe it was done without my knowledge or consent. I don't remember.

Senator HEINZ. Is that proper operating procedure at Textron?

Mr. DUCAYET. I believe it's perfectly proper.

Senator HEINZ. So you changed agents and you say to this committee under oath that it was done without your knowledge or consent?

Mr. DUCAYET. I believe so.

Senator HEINZ. You believe so? Do you want to be sure?

Mr. DUCAYET. I have no recollection of having been involved in the change of agents.

Senator HEINZ. Now that's different from what you just said. You said it was done without your knowledge or consent. That's an affirmative statement. That's different from saying: "I don't recall; I don't remember; I can't seem to recollect." Now which are you saying?

Mr. DUCAYET. I'm saying that I did not know anything about it. I do not remember anything about it and that it is perfectly logical that Mr. Atkins could have approved or Mr. Jose could have approved a change of agency without needing my concurrence.

Senator HEINZ. Why do you suppose Mr. Jose brought Mr. Bell to your office?

Mr. DUCAYET. Well, it's a little strange. It's hard for me to speculate what went on 10 or 12 years ago as to why he was—

Senator HEINZ. Well, if it happened today would you think that Mr. Jose was acting responsibly and properly or would you think he would be wasting your time if suddenly today were 1966?

Mr. DUCAYET. No, I wouldn't say he was wasting my time if he came in and I probably—I'm not at all surprised that Mr. Bell's statement that I merely said: "Thank you for telling me this story." I think this is normally what I would have done. I would have expected to talk it over with our own people afterwards or expect them to go do whatever they needed to do about it.

Senator HEINZ. People came to you as a matter of course and told you things and you just listened?

Mr. DUCAYET. Many times.

Senator HEINZ. Didn't make any notes ever? You're not a note-taker?

Mr. DUCAYET. No, not necessarily.

Senator HEINZ. Not necessarily?

Mr. DUCAYET. I usually don't.

Senator HEINZ. You usually don't. You listen. If you had such a meeting with Mr. Bell and Mr. Jose today, what would you do as a result of such a meeting? Let's suppose this description just took place. What would you do about it?

Mr. DUCAYET. I would probably have said just what I did to Mr. Bell, to complete the discussion with Mr. Bell or recitation by Mr. Bell, as he said. I would have expected to talk with the marketing people afterwards or to talk to Mr. Atkins or to talk to Mr. Jose, whoever was in charge of doing something about it.

Senator HEINZ. You wouldn't have felt compelled as a result of having sat in on a—I'm not saying the meeting did take place—

Mr. DUCAYET. Right.

Senator HEINZ. But let's assume that today that happened. You would just listen and do nothing about it? You wouldn't talk to Mr. Jose? You wouldn't talk to anybody else?

Mr. DUCAYET. Yes. I would expect Mr. Jose or somebody to come back and talk to me about it.

Senator HEINZ. Mr. Jose, did you go back and talk to Mr. Ducayet about the meeting you had with him and Mr. Bell.

Mr. JOSE. Well, I have already stated, Senator, I don't recall meeting with Mr. Ducayet about it.

Senator HEINZ. Did you talk with him on the phone? You don't recall? You simply don't remember.

Mr. JOSE. I don't recall.

Senator HEINZ. Did you follow up on this meeting in any way?

Mr. JOSE. I made up in my own mind, as I have already stated, Senator, that we were going to make a change.

Senator HEINZ. Yes.

Mr. JOSE. And it was within my province to do so. Our established procedures at the time were that the regional managers who reported to Mr. Orpen who reported to me on the international side would screen dealers. Mr. Orpen would make recommendations, review them with me, and we could make that change. Now this policy was being committed to writing in the later part of 1967. It got published in 1968 but that was a codification of the way that we had been operating. We were not asked to review dealership appointments with the president or with the vice president. Our international business at that time was very, very small and was not a very significant part of our business.

Senator HEINZ. Well, you indicated a moment ago that you basically believed what Mr. Bell told you about General Khatami's involvement in this agency. Is that right?

Mr. JOSE. I beg your pardon, sir. I didn't mean to.

Senator HEINZ. You indicated a moment ago in response to questioning by Senator Brooke that you basically believed what Mr. Bell was saying to you about General Khatami's involvement in this deal. Isn't that right?

Mr. JOSE. I'd like the record checked on that because I didn't mean to if I did.

Senator HEINZ. Let me refresh your memory again if I may. What you told Senator Brooke was that you were dismayed that Mr. French had sent Mr. Bell, a lawyer, to represent him, and making you this proposition—and you indicated to Senator Brooke that the reason you were dismayed at the proposition was that it involved somebody who was an official in Government, a high Iranian official.

Mr. JOSE. Yes.

Senator HEINZ. And that that dismayed you. Therefore, it is a fairly logical conclusion, as was pointed out by Senator Brooke, that you, therefore, basically believed what he was telling you. Isn't that right? There's nothing to be ashamed of in the proposition if you don't believe it. If you don't believe that a high Iranian official, General Khatami is involved, then it's not illegal, immoral, or fattening. But you indicated that you did believe that there was some high Iranian official, General Khatami, involved here and that offended you, you said. Now which is it?

Mr. JOSE. I did not mean to imply that. I said the thing that offended me was that we would get some sort of a proposition and I thought I also said—

Senator HEINZ. Excuse me for interrupting, but in business you get propositions all the time. Let's stop kidding ourselves. Either this was an offensive proposition or it was just a normal proposition, and if it was offensive it was offensive for a reason.

Mr. JOSE. Yes, it was offensive.

Senator HEINZ. What was the reason?

Mr. JOSE. The implication—and I think I stated this, Senator—is the implication that we would be interested in such a proposition regardless of who it involved. Now I also stated that the names did not mean that much to me.

Senator HEINZ. Was it your impression that there were high Iranian officials involved, though whether you recognized the name Khatami or anybody like that? Was it your impression that somebody with a little power in the Iranian Government might be involved in this deal?

Mr. JOSE. Well, I don't know quite how to respond to that. I did not have the impression that—well, as I stated, I thought it was a fairy tale.

Senator HEINZ. Well, I'd like you to answer my question.

Mr. JOSE. Was it my impression that someone high in the Government would be involved?

Senator HEINZ. Somebody with some clout in the Iranian Government was involved? Was that or was that not your impression? Yes or no?

Mr. JOSE. I don't think I felt—I thought it was a matter of name dropping and I did not feel that it was really a story that would hold water.

Senator HEINZ. But regardless of whether you tell us you believed it, you do recollect clearly that Mr. Bell indicated to you that some important people were involved, irrespective of whether you believed that or no; is that the case?

Mr. JOSE. Yes, that's true.

Senator HEINZ. All right. My time has expired. Thank you.

The CHAIRMAN. Senator Riegle.

OPENING STATEMENT OF SENATOR RIEGLE

Senator RIEGLE. Thank you, Mr. Chairman. I was not present when the hearing began this morning and you made your statement, so I would like to just briefly make a comment of my own before addressing some questions to the witnesses if I may.

First, I want to make it clear that I have the highest regard for both the chairman of the committee as well as the professional staff and I think they proceeded with great diligence in pursuing the matters that are before the committee at the present time.

I myself have expressed some reservation and some concern last week that I thought our investigation, while thorough and proper, was beginning to become—and the term I used at the time—was very close to a fishing expedition, and I thought that then and I think that now and that in no way however detracts from the facts that others here feel differently about it and feel the fact that these questions have to be pursued really at great length, and I have no objection to that being done, though that doesn't mean that I hold the same opinion.

I think the basic issue that we are facing here and I think we can track this particular issue for additional weeks and months probably because going back and putting the pieces together on the transaction that's a decade old is never an easy thing to do, but I think the basic issue that's before the committee is the question of William Miller's integrity and whether or not he's a person that is honest and is a person who is properly suited by background and capacity to be Chairman of the Federal Reserve.

I have taken a close look at that issue—his personal history, professionally, and his private life, his activities at the community level and other things—and I find it very difficult to find even the beginning of a basis for reaching a judgment that the man would not only be dishonest but would come before our committee and lie. And that really is at the heart I think of what we are endeavoring to do here, is to try to find out if in the end Mr. Miller—I think a man of considerable reputation—has at this point in his career been willing to in effect come here and make false statements in behalf of his nomination to be chairman of the Federal Reserve.

Now that's not the way today's inquiry is being postured, but that's really the basic question—as to whether or not this man is honest and forthright in terms of the representations that he's made to the committee.

I'm really much less interested in the discussion among the people here at the table, although it's interesting, than I am this basic question of the integrity and the honesty of Mr. Miller because after all that's presumably why we are here.

And so far, at least I have not seen nor heard a scrap of information by anybody that suggests that Mr. Miller has not been honest and not been forthright with this committee.

I might say that if I ever find that that's the case, there will be no one on this committee that would be more vigorous in their opposition to his nomination than I would be, but failing that finding, I guess there comes a question in my mind as to how long one is prepared to put forward and leave standing really a profoundly negative presumption about somebody's character and good faith.

It seems to me that after a while it takes something quite substantial to be willing to put forward, even if it's done silently, the presumption that a man basically is a liar and—

The CHAIRMAN. Would the Senator yield?

Senator RIEGLE. I will in just a second—that he would have come here and committed perjury and that's the way I see it. I see that as the question—as to whether or not Mr. Miller has been truthful to us. I happen to believe, based on my best judgment, that he was truthful to us. Nobody can prove that beyond any question whatsoever, but in the end we will have to make our judgment, but that's the basic judgment that I have reached, barring some clear finding of fact that would in effect set aside an entire work career and professional career of a person who has been active in his community and on the State and national scene for decades.

So I want to make sure that we keep what we're doing here in some kind of perspective because in the end that's the question that seems that we have to come to and resolve because that's really the issue—not whether or not, for example, these particular arrangements did or did not take place and how one reconstructs this history based on the ability of one witness at the table to reconstruct events at that time versus another. I'm not saying they are not important and I'm not saying that I don't feel that it's necessary to track this through and it's not being done in a proper manner, but what I'm saying is that its final relevance in my judgment relates to the issue that is before us, and that's the question about Mr. Miller. It's not a question about Mr. Bell or Mr. Ducayet or Mr. Jose or whoever, in my judgment. I think the issue is profoundly a question of Mr. Miller and, of course, I do yield to the chairman.

The CHAIRMAN. May I say to my good friend from Michigan, for whom I have great respect and admiration, that I don't know how in the world this can be characterized as a fishing expedition. In the first place, there was a specific motion by Senator Heinz that we investigate a particular act, and that's entirely what the committee has been confined to.

Now a fishing expedition would be quite different. I call to the attention of the Senator a letter that's been distributed to all members of the committee dated February 22 from the Securities and Exchange Commission Chairman. He points out there are four specific areas in which they are investigating Textron and Miller, including the use of push money, salary contributions and other promotional proxies by another Textron subsidiary, including the instances of overbilling underbilling and other billing practices employed by several divisions of Textron to accommodate their customers, including with respect to informational regarding numerous proceedings brought by Federal and State governmental authorities regarding alleged employment discrimination on the basis of race, sex, age, religion, and so forth.

Mr. Williams says there could be other inquiries too that they are going to engage in.

Now this committee isn't going into those things. We haven't authorized—at least not so far—we haven't decided that we are going to investigate that at all. There's no fishing expedition here that I can see at all.

Furthermore, there is no presumption by any Senator here—there's certainly been no presumption by the staff—that Mr. Miller is a liar or that we want to prove that he's a liar or anything of kind.

The fact is that we have this information that General Khatami owned an interest in Air Taxi. We have information that this was known to some extent at the time and we have a duty, therefore, to find out what all the facts are and question Mr. Miller on it. Mr. Miller is going to have his day in court tomorrow.

Senator RIEGLE. Mr. Chairman, if I may respond—and then I'll be happy to yield to the Senator from Massachusetts—first of all, I think the chairman knows the great personal regard I have for him so my comments are not to be taken in any light other than that. I have read SEC Chairman Williams' letter and it is true that they are undertaking certain inquiries about Textron, but they are not—and I'm being very careful about the choice of words here—investigating Mr. Miller per se, at least insofar as I know.

The CHAIRMAN. He was the head of Textron. He was the chief executive officer.

Senator RIEGLE. We are also talking to people here who were at Textron who were directly involved in one form or another with the matter we are discussing, but as far as I know there isn't any evidence that I have seen or the committee has assembled—and if there is I would like to hear it now—that ties Mr. Miller, not somebody else but Mr. Miller, to this activity; and I'm just saying in the absence of a shred of fact to that effect—and when he comes and makes assertions that he was not involved—it seems to me that our unspoken assertion here is that we expect at some point that we may find some link that would connect him directly to that transaction.

The CHAIRMAN. Well, there's no fishing expedition. As I say, we have all kinds of oceans to fish in and we are not fishing in them.

Senator RIEGLE. I would agree with the chairman and my exact quotation which was in the Wall Street Journal last week was that I said it had come very close to the point of being a fishing expedition, and what I meant by that and I want to say it again so nobody is confused about it—that is the issue in my judgment here—is the integrity, the honesty, the character of Mr. Miller, and the degree to which this inquiry or any others that we want to propound finally comes back around as a cross-check on this basic question of Mr. Miller because we are not here to confirm these men as head of the Federal Reserve. We are here to confirm Mr. Miller.

But what I want to do—I don't want to use all my time this way. I don't want to not yield to the Senator from Massachusetts but if I do yield to him I wonder if I could have unanimous consent to at least pose a question or two to the witnesses so I don't lose all my time.

The CHAIRMAN. Yes, unless there's objection, the Senator will have an additional 3 minutes.

Senator BROOKE. Mr. Chairman, I am really appalled at the Senator from Michigan's assessment of these hearings. I and the Senator from New Mexico, the Senator from Indiana, the Senator from Pennsylvania and others have done everything possible to see that the rights of G. William Miller are protected. The chairman, of course, has done everything possible to see that the rights of G. William Miller are protected. The Senator from Michigan has said it's a question of integrity. There is a question of integrity. There's a question of credibility. We have evidence from Mr. Bell that he informed Mr. Jose and to Mr. Ducayet, who were high-ranking officials of Bell Helicopter and Textron, that General Khatami was an owner of Air Taxi.

The question was whether Mr. Ducayet, Mr. Jose, Mr. Atkins or any others notified Mr. Miller himself that that was the fact.

Senator RIEGLE. If the Senator would yield at that exact point, we have put that question to Mr. Miller and in fact—

Senator BROOKE. And he denied it.

Senator RIEGLE. That's exactly right and he denied it emphatically and without any equivocation.

Senator BROOKE. That's correct.

Senator RIEGLE. I think what we must do—there's some point at which we have got to judge that the man is either honest and forthright and truthful in his responses or one is left having to draw or try to construct the other inference which is the one I mentioned before, that he was not truthful.

Senator BROOKE. We are not trying to draw any inference at all. We are trying to find the facts. Staff conducted what you have already referred to as a very excellent in-depth investigation and as a result of that investigation they have uncovered certain information which resulted in the committee voting to have these men and others testify before the committee.

Senator RIEGLE. I understand that.

Senator BROOKE. We are now in the process of doing our job by asking the questions to ascertain what the facts are.

Senator RIEGLE. Let me ask the Senator from Massachusetts, there have been numerous staff interrogatories take place with these witnesses. These are not new witnesses to the staff and you are aware as I am of the information that's been developed to this point. Is there a single fact—is there a single item that's been discovered that would indicate that Mr. Miller was not truthful in his assertions to the committee?

Senator BROOKE. To this point, I would answer that question in the negative. I don't know that there's been any fact, but there's another question involved here. We also are looking at his administrative abilities as well as his qualifications. The Senator from New Mexico wants to look at his monetary policies. We have other things of which—

Senator RIEGLE. I agree with the Senator from New Mexico in that respect. I think that would be a fruitful line of inquiry.

Senator BROOKE. Should he have known that he had a general counsel that conducted an investigation of this matter and made a report? The question is whether Mr. Miller knew anything about that report or should he have known or what Textron did. We also know that in 1975 other major corporations in this country voluntarily complied with SEC's request to look at this whole question of dealing with foreign governments or payoffs to foreign governments. We also know that Textron, one of the largest corporations in this country, did not participate in that voluntary program. We want to know why. We want to know if Mr. Miller was a part and parcel of that.

Senator RIEGLE. I would say to the Senator from Massachusetts I think those are fair questions to put to Mr. Miller and Mr. Miller is our witness tomorrow so there will be that opportunity as there was before when Mr. Miller was our witness.

Senator BROOKE. Don't you think it's a fair question to put to Mr. Ducayet, who was the president of Bell Helicopter and who, according to Mr. Bell, was told that General Khatami was an owner of Air Taxi? Mr. Bell testified that he told Mr. Jose the same thing, and Mr. Jose admits he met with Mr. Bell. But neither Mr. Jose nor Mr. Ducayet can recall which, according to Mr. Bell, the meeting was attended by himself, Jose and Ducayet. On the other hand, Mr. Jose and Mr. Ducayet have not testified that the meeting didn't take place. That's quite different in the law and I'm sure the Senator from Michigan must understand that.

Senator RIEGLE. I think it comes back to the question that I was trying to put forward initially and that is the real issue here, it seems to me, is William Miller.

Senator BROOKE. Of course.

Senator RIEGLE. And it's very easy to get so distant from the question of Mr. Miller and Mr. Miller's involvement or lack of involvement that this sort of case history that we are developing here is a fascinating history—I'm sure a book could be written about just this one transaction—but whether or not it has any bearing on Mr. Miller and on whether Mr. Miller was honest in his representations to this committee is really the central question.

Senator BROOKE. It has every bearing. Would that Senator suggest that the only witness this committee call would be G. William Miller? What kind of inquiry would that be?

Senator RIEGLE. I think the Senator knows all the members of the committee, including this one, signed the subpoena so we could have the witness come in. We have been at this now for some time. We didn't start yesterday and the fact that the witnesses are here today does not mean that they have not been questioned before today.

Senator BROOKE. Not by us.

Senator RIEGLE. By your staff members, presumably, who have had the opportunity to do that. What I'm saying is that by your own comment a minute ago as to whether or not there's been a finding of even the most microscopic shred of evidence to indicate that Mr. Miller was not truthful in his responses we obtained— —

Senator BROOKE. That is not true. I think you have gone a little too far. There is evidence that Mr. Miller could have known that General Khatami was the owner of Air Taxi and there's evidence that Mr. Miller should possibly have known that General Khatami was an owner of Air Taxi.

Senator RIEGLE. Well, in terms of your first inference—

Senator BROOKE. It's not an inference. That's a statement of fact.

Senator RIEGLE. Well, perhaps you feel that it is, but I think it's important that the statement at least now be on the table because that becomes I think the unspoken presumption that's here in the room with respect to Mr. Miller as a nominee—as to whether or not he in fact did have some knowledge, that he was not truthful in his testifying before this committee—and I think the Senator by his comment makes it clear that there is a doubt in his own mind about that.

Senator BROOKE. Not only that, I presume he's innocent, that he has told us the truth. There's a presumption, I've said it time after time—that there's a presumption that under oath he told us the truth. There's also a presumption that under oath Mr. Bell told us the truth and that Mr. Jose told us the truth and Mr. Ducayet told us the truth. But somewhere along the line obviously there is some discrepancy between the truth that we have heard both from that table and as a result of the investigation of our staff.

Senator HEINZ. Mr. Chairman, if I might just interrupt to ask the Senator—

The CHAIRMAN. Senator Riegle has the floor. Will Senator Riegle yield?

Senator RIEGLE. I will not yield my time.

Senator HEINZ. My name was mentioned by Senator Proxmire in connection with the investigation. I just want to point out that you have indicated that you are satisfied that Mr. Miller, under any and all circumstances, has told the committee the truth, and that there's no reason, therefore, for the committee to challenge him, unless I misunderstand you.

Senator RIEGLE. No, I don't think that is correct and let me put it the way I think I put it.

Senator HEINZ. You don't think Mr. Miller has told us the truth?

Senator RIEGLE. I think in light of all the investigative work that's gone on that we have not found any information that I'm aware of or anybody has yet presented or is offering to present now in response to the invitation to present it to show that Mr. Miller's responses to this committee—and they were very pointed questions—were not truthful.

Senator HEINZ. Let me just ask you this one question then. From what you have heard this morning, have you noticed any discrepancy in the testimony of the three witnesses we have had?

Senator RIEGLE. It would be hard to say there's not some discrepancy in the testimony of the witnesses who are here today, but that to me is a profoundly different question than the question that I think we really ought to be homing in on. That's the question of

whether or not Mr. Miller is worthy and suitable as a Chairman of the Federal Reserve Board. That's the issue.

Senator HEINZ. It seems to me, if one has noticed a discrepancy in the testimony today, that no one can characterize what the committee is doing as a fishing expedition.

Senator RIEGLE. Don't characterize it that way.

Senator HEINZ. I didn't say you did. If we don't notice any discrepancy in what the witnesses have told us, then presumably our time is better spent elsewhere.

Senator RIEGLE. I think the central question is the relevance of this to Mr. Miller. I would hope you would agree with that point. I mean, if in effect this discussion doesn't have some direct relevance to Mr. Miller and the truthfulness of his responses to the committee, then I would argue that this—

Senator HEINZ. We each have to make up our mind as to how relevant this is.

The CHAIRMAN. Gentlemen, we have engaged now for about 15 minutes in a very interesting colloquy but I think we should try to reserve that for after we have heard the witnesses and we decide what we are going to do about Mr. Miller's nomination.

Senator RIEGLE. I can be very brief. There are two questions that I'd like to pose to the Textron people here, the people who were with Textron.

Do either one of you, as nearly as you can remember, ever recall getting any indication from Mr. Miller either at the time when he was chief operating officer of the company or when he would be at a lower level than that—any indication from him as to his feelings about bribes or push money or any of these kinds of sort of under-the-table arrangements with people in foreign countries? Did he ever express himself in writing or verbally to either one of you that would give you some clear sense for how he felt about that kind of activity and what his predisposition toward it would be?

Mr. DUCAYET. I'm sure that Mr. Miller at various times and at many times probably has made it quite clear that he will not tolerate and Textron will not tolerate any under-the-table dealings, any shady dealings, any coverup work. We were expected to be the high quality company that they procured. We had good policies at the time.

Senator RIEGLE. Let me just stop you there. I don't think it's enough that you say that you think he said that. In other words, do you know for a fact he said that? Can you recall either a combination of times and ways that he would have said that or is this now a presumption on your part?

Mr. DUCAYET. No, I cannot recall specifically when it was said, but I'm quite sure that at more than one time Mr. Miller has made it quite clear that the policies of Textron would not tolerate such actions.

Senator RIEGLE. Well, do you think to the extent that you got that tone from him—did you think you got the tone when he was saying it one way that he was sort of winking at the same time to let you know that, well, that was sort of the spoken code that, you know,

over and beyond that, if it took a little bit of sort of wheeling and dealing to get a contract that was OK?

Mr. DUCAYET. No. That is exactly the reverse of that.

Senator RIEGLE. What was his reputation within the company? Was it as a hardnosed, straight-line sort of straight-arrow type, or was it that he was a flexible sort of a guy where just about anything that had to go would go?

Mr. DUCAYET. No. Mr. Miller was straight-nosed, if you want to call it that. He would never tolerate deviations or any dealings that were other than the policy of the company.

Senator RIEGLE. Do you know of any situations where he personally or through his involvement turned down a sales opportunity someplace where there was some kind of an under-handed component to it? Do you know of any?

Mr. DUCAYET. I know of no such question ever having been brought to him or his having turned it down.

Senator RIEGLE. Mr. Jose, do you have anything to add to either of those two questions?

Mr. JOSE. Senator, I didn't deal directly with Mr. Miller so I wouldn't have been in a position to hear it, but from knowing Mr. Ducayet and Mr. Atkins, there was no question in my mind about the way that we were expected to conduct ourselves and the kind of business arrangements that our company would retain.

Senator RIEGLE. What was Mr. Miller's reputation within the company from your vantage point?

Mr. JOSE. Mr. Miller was not the sort of man who would wink and say something.

Senator RIEGLE. In other words, his reputation was one of being direct and to the point?

Mr. JOSE. Direct and to the point and no funny business.

Senator RIEGLE. I certainly have taken enough time now and I look forward to another chance later.

The CHAIRMAN. Senator Schmitt.

Senator SCHMITT. Thank you, Mr. Chairman.

Memory is always a problem, particularly memory of events 12 years ago. Good management procedures are also a problem, but very often can solve the problems of bad memory and certainly prevent the kind of difficulty we seem to be running into today.

Now my impression, gentlemen, from what I have heard today is that Bell, at least at the level that you were dealing, not only had bad memories but bad management procedures, and I would be curious for other reasons to know why. But I think the essential elements here are whether or not Textron and Mr. Miller in particular, representing higher management, knew of these difficulties. I don't think we have even come close to determining that.

If the bad management procedures and the bad memory were not an advertent protecting method, should Mr. Miller have known what was happening within the Bell division? Mr. Ducayet, do you think there was any way that Mr. Miller could have known that these discussions relative to Bell's agent in Iran were taking place within your division?

Mr. DUCAYET. Is the Senator assuming that there was such a meeting and I was informed of this matter? I very much doubt that I would have told Mr. Miller what was an operating problem within a division and we did not try to take operating problems to Mr. Miller.

Senator SCHMITT. Well, now later, gentlemen, we will get into whether or not Mr. Miller pursued with appropriate vigor his own investigation of Air Taxi once it became an agent and once he heard of the sale, and the general counsel will be before us later this morning to discuss that.

Now most of the discussion—correct me if I'm wrong, Mr. Bell—the discussion you had, in fact all of it, with Mr. Jose and Mr. Ducayet, had to do not with Air Taxi, but with International Helicopter Consultants, Mr. French's company?

Mr. BELL. That's basically correct. The Air Taxi matter was only background. It really had to do with how International Helicopter Consultants proposed to attempt to operate through a Persian corporation formed by General Khatami's lawyer.

Senator SCHMITT. But Air Taxi existed as a company within Iran at this time—correct—and at one time—

Mr. BELL. That's correct.

Senator SCHMITT. It had been the agent for Bell Helicopter in Iran?

Mr. BELL. I'm told that it had been.

Senator SCHMITT. And that was terminated I believe in 1964, and I believe we have yet to find out a reason for that termination, which is still of some interest, maybe just idle interest, but interest to this Senator. OK.

Now the decision to drop International Helicopter Consultants was made in late 1967. That's correct, is it not, Mr. Jose?

Mr. JOSE. The decision was made early in 1967. The action didn't take place until—

Senator SCHMITT. The action took place in 1967, for reasons that you gave earlier?

Mr. JOSE. That is right.

Senator SCHMITT. You began, then, an effort to find a new sales agent, and Air Taxi was hired as Bell's agent in 1969; is that correct?

Mr. JOSE. 1968, Senator.

Senator SCHMITT. 1968. Now was there any feeling on your part, Mr. Jose, that you recall, that Air Taxi might have somehow gotten involved in this proposal, as you referred to it, that you had previously rejected, that was brought to you by Mr. French's attorney?

Mr. JOSE. Yes, it was a question that I asked to be investigated, because I certainly—I would like to give a piece of background on this, if I may.

Senator SCHMITT. Please do.

Mr. JOSE. Iran was of strategic important to the United States, as were a number of other countries on the periphery of Russia, and a number of other countries in various parts of the world.

Most of the guidance and counsel they were getting on their structure was made. We would have to make cases to, in our case, the U.S.

embassies, or in the military advisory and assistance groups. Iran was such a country. Most of the inputs which were being made to the Government of Iran were being generated within the MAAG headquarters, or Army MAAG. There were actually four MAAGS, four MAAG sections in Iran.

It was our feeling at the time of this discussion, the time we are discussing at the moment, that any sales that went to Iran and that had to do with a military involvement, would be as a result of recommendations by the U.S. Government.

Very likely they would be made on a direct government-to-government basis, and very questionably would involve the allowance of any commissions, because the U.S. Army's procedures involving the inclusion of allowable costs to the contractors on sales abroad was a very much of a question which was debated, generally after the sale was made. We would have to make cases to, in our case, the U.S. Army to justify that the actions of our sales people had contributed.

Now this would have been involved in numerous cases, small cases, because we weren't involved in large cases at that time, that had to do with foreign military sales in various countries of the world.

The ones I was particularly involved in were those in Thailand and Australia and New Zealand and Japan, and that part of the world, because generally speaking I was taking care of things in the Far East, because I had begun that when I first came to Bell in 1960. Mr. Orpen didn't come in until several years later, and we decided between us that those things I had been handling, I would continue to handle, and he would take Europe, Africa, and the Middle East.

But the point is there was no requirement for us to have any sort of an influence center in order to make sales in Iran, because it was very definitely going to be a matter that would be between the two governments.

And our position, and as it eventually transpired in 1967, and 1968, is we very much were given a back seat by the U.S. Government Foreign Military Sales Group, at that time headed by Mr. Cuss and Mr. Fickle [phoenetic] and Mr. Dave Olney, who were, generally speaking, conducting all of the government-to-government negotiations in this case with Iran.

It never came out, really, in the discussions with the staff as to what the overall perspective was at that time.

Senator SCHMITT. I think it is very fine that you established that, and in order that I can pursue now, bringing Air Taxi into this discussion, which I think the committee generally has correlated Air Taxi with the International Helicopter Consultants discussion that you all had with Mr. Bell.

Now Air Taxi is a new entry on the scene as of 1968, or a re-entry, but I don't believe 1964 is significant in this case.

Now what did you do to try to determine what kind of ownership existed for Air Taxi?

Mr. JOSE. Well, I had been aware of these discussions or these allegations from Mr. Bell, both by—well, by his meeting and some earlier or later discussions with Mr. French and I can't put a time on it.

Senator SCHMITT. You in your own mind had correlated those discussions with the Air Taxi question?

Mr. JOSE. First of all, I correlated the question with just the question of representation. There was a serious question before Mr. Bell came in, as early as March of 1966, even before Mr. French was not allowed back in the country in May of 1966.

Now I didn't recall these dates as of the time of the discussions with the staff, so this is some new information that I have since gone back and researched and some of the proceedings that you have conducted have given me information that wasn't really readily available to me.

But we had had serious question about retaining Mr. French, even at the time Mr. Felton, who was regional sales manager, and he has been referred to and has been interrogated, went in March of 1966—that was his first visit to go to Iran. He was the new regional manager in the area. And we had briefed him that we had serious question about the suitability of Mr. French to handle our Iranian business. And in his trip report he states "This being my first trip, I did not raise with Mr. French the question that we have about his suitability to act as our dealer."

Later, in May of 1966, we were informed, or at sometime shortly thereafter, we were informed that Mr. French was not allowed, there was some difficulty.

Now the details of it we didn't have until Mr. Bell came to talk to us. And, again, the timing of this, I was not sure of it at the time I talked before, but I have had a chance to read some of the testimony or some of the notes, and so as far as the dates and so on, I have no trouble with the dates—

Senator SCHMITT. What I am trying to do is establish, if the Chairman will allow me, I have been trying to establish if there is a link between the knowledge you had about Mr. French and about the proposal, and Air Taxi.

Air Taxi is the issue with which Mr. Miller later was confronted.

Mr. JOSE. Yes.

Senator SCHMITT. There was a link? so you, in your capacity, did look into Air Taxi and attempted to determine that there was no problem of ownership in your mind with Air Taxi?

Mr. JOSE. Yes. that was the instructions that I gave to the people who were sent to do it.

Now we had had our discussions with Mr. Bell in November, there was a letter which set a temporary extension, because they were finishing up the delivery of several small aircraft, \$40,000 to \$50,000, that were going out into areas that he was concerned with, so we had some cleanup to do.

We also wanted to proceed in a rather deliberate fashion, to make a change. And this was going to involve an on-site investigation.

Now Iran at that time was probably No. 20 on a list of high priority things we were doing, so we did not get to it immediately.

But there was no question in my mind about what we were going to try to do.

We had hoped to go over there in the spring and send a team. It actually did not get there until that fall. I did not participate in

that, and I don't really recall giving the briefing instructions or even getting the debriefing. All I recall is my feelings about the situation. We wanted to make sure, it would have been an operating guideline all of the way from Mr. Ducayet, Mr. Atkins, just the way we did business, that we would not entertain any kind of a dealer arrangement that involved a conflict of interest.

So a team went there, and it consisted of Mr. Orpen, who was the International Manager, Mr. Kling, who probably 4 or 5 months before had been assigned that region, and Mr. Dick Pierrot. Mr. Dick Pierrot was a consultant to us, had been since the mid-1950's. Mr. Pierrot was a man in his 60's, he had been involved in, been an officer in the State Department, and had been in charge of certain embassies, as first officer, and so on, and had been involved in aircraft sales since the 1940's, or even before, in the 1930's. So he was the one that we generally used to check out the question.

But certainly there should have been no—I don't know whether there was a question in their minds as to what their marching orders were. Certainly there was no question in my mind that they were to look for a dealer in the area, that would be able to, would be acceptable to talk to people in the embassy.

Now we were having problems, because of the way the military sales were being conducted at that time, with our dealers being able to go into an embassy and talk about certain planning things.

Senator SCHMITT. But Mr. Jose, the question is when that investigation by your team was over, there was no doubt raised in your mind about the propriety of ownership of Air Taxi?

Mr. JOSE. There was no doubt—there was no doubt in my mind that there was no conflict of interest.

Senator SCHMITT. So whatever conflict may have existed was either shielded from the team or occurred later, or the team did not report to you about it?

Mr. JOSE. It had to be one of those three, because in my mind, I was satisfied.

Senator SCHMITT. Mr. Chairman, I will come back to this. I am sorry, but I think it is important to establish when Air Taxi entered the picture and whether upper management had any reason in their mind, right or wrong, to transmit this information up the line.

If we can show that they did not, then I think until we get the question of Mr. Miller's own investigation, at least this part of it can be put aside.

The CHAIRMAN. Senator Stevenson passed the first time. Ordinarily—do you want us to go ahead?

Senator STEVENSON. Yes.

The CHAIRMAN. I want to followup in a little different way on the line of questioning Senator Schmitt was involved in, first with Mr. Bell.

Mr. Bell, after you met on this crucial November 2, 1966 date, with Bell officials, including, you said, Mr. Ducayet, Mr. Jose and others, what was your reading of Mr. Ducayet's and Mr. Jose's reaction at that meeting?

Did they indicate any outrage or any distaste for what you had proposed?

Mr. BELL. No; they did not indicate any. If they felt any, they were very clever in concealing it.

The CHAIRMAN. Weren't you proposing in effect an arrangement by which General Khatami, who was head of the Iranian Air Force, would have received part of the payment?

Mr. BELL. Yes, I was.

The CHAIRMAN. Wouldn't that have been a payoff to Government officials?

Mr. BELL. It would have been.

The CHAIRMAN. Didn't you continue to correspond with Bell Helicopter for another year on that STP arrangement?

Mr. BELL. Yes, I did. In fact, just a couple of minutes ago was the very first time I was aware that it was all a futile act, and the decision had already been taken long prior.

I was under the impression it was a decision being held in abeyance during that time, during which time Mr. French and I, on his behalf, continued to expend sums of money, time and effort to try and further their interests in the country, and to continue to establish his own operating position.

The CHAIRMAN. And no Bell Helicopter official ever told you that he would have nothing to do with STP?

Mr. BELL. They certainly didn't. As a matter of fact, Mr. Felton was quite concerned in being certain that General Khatami approved of it.

The CHAIRMAN. Furthermore, you testified that no one at Bell indicated to you it was contrary to Bell's policy to do business with Government officials? In fact, you testified they indicated the opposite, and I quote: "They were concerned to be certain they were going to be doing business with General Khatami." Is that correct?

Mr. BELL. That is correct.

The CHAIRMAN. That is your testimony.

Now, Mr. Jose, since Mr. Bell proposed at his meeting with you, and I quote your earlier testimony, a scheme that involved, and those were your words, payoffs to officials within the Government, why didn't you reject that proposal immediately upon hearing it?

Why didn't you just say this is outrageous, we don't do that, that is not the way we do business?

Why wasn't that your reaction?

Mr. JOSE. Well, it was my reaction, but I didn't communicate it to him.

The CHAIRMAN. Why didn't you? wouldn't that have been the natural thing to do?

Mr. JOSE. I was hearing some allegations that we needed to check out.

The CHAIRMAN. That you needed to check?

Mr. JOSE. We needed to check, yes.

The CHAIRMAN. What does that mean?

Mr. JOSE. We needed to check to see, you know, background, the substance. What he was talking about were things that made no sense to me. I didn't know any, as I stated, I didn't know the people,

I didn't know what the dickens he was talking about. It was very confusing to me.

The CHAIRMAN. Well, it would seem to me that under these circumstances it was clear that General Khatami was a man of influence in Iran, I think throughout the testimony here there is an indication there is some difference of opinion as to how much influence he had, but there is indication that he could have been very helpful in the sale by Bell to Iran.

So why wouldn't it be logical for you to consider that, except that, you say, it was a clear policy on the part of the company not to make any payments, and you were outraged and it was preposterous and you have testified this morning that you were opposed to it because you just don't do that kind of business?

Mr. JOSE. That is correct.

The CHAIRMAN. Why didn't you say so?

[No response.]

Now on January 14, 1967, two months after this meeting, Mr. French, who employed Mr. Bell, wrote to James Feliton, the Bell Helicopter Export Area Manager, and a copy went to you. And he said—

Mr. JOSE. The date again, Senator?

The CHAIRMAN. January 14, 1967. He said:

John Bolton just left Beirut last night after coming in to tell me we have finally gotten the new company completed and registered, and with the new set-up, it should open many doors. The fact that we have General Khatami as partner silently, along with Dr. Safavi, the head of the legal department of civil aviation, and others, we own 49 percent of the new company and 51 percent Iranian.

Then, instead of cutting him off, after that letter, you wrote to him on 30 January 1967, or your Export Area Manager wrote to him, and the last paragraph says:

We hope your new association will permit you to resume residence and business in Tehran, and want you to keep us advised.

How do you explain that?

Mr. JOSE. Well, isn't there another letter, too, Senator, from Mr. Orpen to them, granting only a temporary extension, and also stating that we were not interested in their proposal on STP?

There were three letters that went about that time, Senator.

The CHAIRMAN. I think there was a letter indicating that there was some concern, but nevertheless you had this letter and this letter is an expression by an official of Bell Helicopter indicating an interest and certainly not indicating it was against your policy?

Mr. JOSE. In the case of the Feliton letter, he had already been notified of his termination and he was in his last month.

The CHAIRMAN. Mr. Jose, what I can't understand is why, with all of this voluminous documentation we have, and we do have a great number of documents, as you know, why isn't there any letter, any note, any document at all in the material provided by Textron to the committee that indicates that Bell Helicopter would not have anything to do with the STP arrangement?

Mr. JOSE. Generally speaking, Mr. Orpen's office and mine were right next door, and we didn't need to.

The CHAIRMAN. That temporary letter you referred to, of 17 January from Mr. Orpen, the one that you brought up, it says:

It is our feeling that the arrangements for handling sales through Persian Co., STP, are not satisfactory to Bell as long as Bill French is unable to personally followthrough with Iranian contacts. However, a temporary authorization is herewith given for continuing Bell's business in Iran, as you have outlined in your letter of 5 January 1967, until such time as we have had an opportunity to personally assess the situation by a visit to Iran.

Mr. JOSE. We did——

The CHAIRMAN. In other words, you weren't complaining about Khatami, you were complaining about the fact that Mr. French was out of the country and couldn't be there. I understand. That is sensible. But you have not got any documentation at all, none, to establish any policy on the part of Textron-Bell against making foreign payments. I don't see a document, I don't see any indication of that at all.

Mr. JOSE. We didn't feel we had to document that.

The CHAIRMAN. And there is evidence that you were interested in the STP arrangement, you continued to inquire about it. I mean by you, the company officials did.

Mr. JOSE. Well, I told the staff, and it is in my testimony, that I thought that the phraseology that Mr. Orpen used was not very clear, because it was really two thoughts.

The CHAIRMAN. Let me ask you this: You took a long time, it was more than a year after that, that you finally dropped Mr. French as your agent in Iran. It was in December 1967. And yet you continued with him in Kuwait for another year.

If it was your policy not to do business with an agent who engaged in a situation where there were foreign pay-offs, why did you continue to do business for 2 years with Mr. French?

Mr. JOSE. Well, I am not sure that that was ever consummated, for him to be in Kuwait. Because early in 1969 some of our people met with him, met with Mr. French in Beirut, and said that he had no operating authority anywhere.

The CHAIRMAN. On 11 December, 1967, in a letter to Mr. French, from Mr. Orpen, Mr. Orpen says:

This letter will outline generally the findings of Dick Pierrot, George Kling and myself on a recent trip to Iran during the week of 20 December, 1967.

He says later on in the letter:

Our recent visit to Tehran and discussions with Dr. Safavi, John Bolton, Lt. General Khatami, and Major General Jablonsky, produced no indication that your position has improved, either through intervention of the U.S. Government, or other efforts of our own organization.

In other words, you still were concerned about Mr. French not being there. You weren't concerned with Mr. Khatami, in fact, you talked to General Khatami about it; you weren't concerned about any pay-off there with respect to the General. Isn't that right?

Mr. JOSE. Well, Senator, we didn't believe the allegation at the time and I still don't.

The CHAIRMAN. Your Export Manager said this, Mr. Orpen, in a telephone conversation with the staff: Mr. Orpen, in a telephone conversation with the staff, who left Bell Helicopter in 1969, said in a telephone interview with the committee staff he had heard from Mr. French earlier in 1967 that General Khatami had an ownership interest in Air Taxi. He also said he knew before his trip to Iran there was an ownership interest in Air Taxi going up to the Shah's family. I describing what Bell wanted in a new Iranian representative, Mr. Orpen said:

We looked for someone who had dealings with the royal family, looking for potential contacts, since the sale of our helicopters are highly dependent on high level contacts.

He said that shortly after they returned, Air Taxi was hired by Bell as its agent. When asked about General Khatami's role, Mr. Orpen said:

Khatami would be important to sales of helicopters to the Army, because he had a finger in all aviation except for the navy. We got that story from General Toufanian.

So, I get the picture the reason Bell hired Air Taxi is because they had General Khatami, and you had a report from Mr. Orpen, your sales person, who would know that that was the case.

Mr. JOSE. This was a telephone call to Mr. Orpen from the Staff? These are not direct quotations, they are paraphrasing?

The CHAIRMAN. They are direct quotations, yes, sir. Now let me ask you this—my time is up. I beg your pardon.

Senator SCHMITT. Excuse me, Mr. Chairman. Direct quotations of what?

The CHAIRMAN. A direct quotation of Mr. Orpen, who was interviewed 2 days ago by Mr. Freed of our staff.

Senator SCHMITT. But not direct quotations of the phone conversations? It is direct from his testimony, is that right?

The CHAIRMAN. Well, they are Mr. Orpen's recollection.

Senator SCHMITT. Thank you.

Senator RIEGLE. Mr. Chairman, if you are not finished with that line of questioning—

The CHAIRMAN. Senator Brooke has the floor next in order now. My time is up.

Senator RIEGLE. I was just going to suggest if you were about to complete that line of questioning, that you ought to do so and maybe others would wait. I know I would.

The CHAIRMAN. No, I think it is best to keep a discipline on time. we are over-running a little bit. In fairness to the Senators, I would prefer to do that. Senator Brooke.

Senator BROOKE. Mr. Ducayet, when did you first hear the name of General Khatami?

Mr. DUCAYET. General Khatami? I cannot remember exactly when I first heard it. I would be very surprised if I hadn't heard it sometime during the last 5 or last 4 or 5 years I was there. General Khatami was the chief of the air force. As such, he was a person who could potentially be a customer, because he might be buying

helicopters. We obviously were trying to sell to the air force, the Army or anyone. Although the Army was the best potential customer.

Senator BROOKE. You are still a member of the board of directors; are you not?

Mr. DUCAYET. I am now, yes. I was not then.

Senator BROOKE. You mean the last 5 years you were there as president; is that correct?

Mr. DUCAYET. Yes. I am sorry.

Senator BROOKE. When you first heard of General Khatami, you heard of him just as the chief of the air force, is that correct?

Mr. DUCAYET. That is all that I remember.

Senator BROOKE. When did you first hear that General Khatami was an owner of Air Taxi?

Mr. DUCAYET. I had never heard that in those days. If I heard it, it was sometime since the last 2 or 3 weeks.

Senator BROOKE. I beg your pardon?

Mr. DUCAYET. If I heard it, it was sometime in the very recent time.

Senator BROOKE. You said if you heard it. Don't you know whether you heard it?

Mr. DUCAYET. Yes; recently, when all of the investigations have been going on.

Senator BROOKE. Only since Mr. Miller has been the nominee for the Federal Reserve?

Mr. DUCAYET. Yes.

Senator BROOKE. That is the first time you heard of General Khatami's position as the owner of Air Taxi? Is that correct?

Mr. DUCAYET. That is correct.

Senator BROOKE. Did Air Taxi ever come before the board of directors as a subject of discussion?

Mr. DUCAYET. As a question of discussion, I would say no.

Senator BROOKE. Did you ever hear of Air Taxi at any board meeting of the board of directors at Textron?

Mr. DUCAYET. I believe the question was brought up, yes.

Senator BROOKE. It was brought up. When was it brought up, and in what context?

Mr. DUCAYET. I believe it was brought up in the context of a settlement that needed to be made with an agent in the country.

Senator BROOKE. When was that brought up?

Mr. DUCAYET. I can't tell you exactly. I know it was brought up in 1975, maybe.

Senator BROOKE. In 1975?

Mr. DUCAYET. Maybe.

Senator BROOKE. Was G. William Miller president of the board of directors meeting at that time?

Mr. DUCAYET. I would believe so, yes. Sir, may I add something?

I was not a director for a period of time in 1973. So there is a period of time in which I do not know whether any question was brought up.

Senator BROOKE. To the best of your recollection, it was brought up for the first time in 1975?

Mr. DUCAYET. That is correct.

Senator BROOKE. At that meeting, G. William Miller was president, was he not?

Mr. DUCAYET. Yes.

Senator BROOKE. At that time was he not only the president of Textron, but also the group vice president of Aerospace?

Mr. DUCAYET. I believe there was a group vice president other than that.

Senator BROOKE. Had he previously been a group vice president of Aerospace?

Mr. DUCAYET. He was for a period.

Senator BROOKE. Do you know how long and when?

Mr. DUCAYET. Oh; about the last 4 or 5 years I was there.

Senator BROOKE. That would be what years?

Mr. DUCAYET. That would be 1967 or 1968, to the end of 1972.

Senator BROOKE. Now Mr. Atkins was the executive vice president, was he not?

Mr. DUCAYET. Correct, sir.

Senator BROOKE. And in turn, Mr. Atkins reported to you?

Mr. DUCAYET. Yes, sir.

Senator BROOKE. As the president?

Mr. DUCAYET. Correct.

Senator BROOKE. And in turn you reported to G. William Miller as the group vice president?

Mr. DUCAYET. That is correct.

And also the president of Textron. That is the chain of command, is that right?

Mr. DUCAYET. That is correct, at that time.

Senator BROOKE. Did Mr. Atkins at any time discuss Air Taxi with you while you were president of the company?

Mr. DUCAYET. Not to my knowledge, I don't remember any such—well, I am sorry. I will change that. He must have discussed it with me, because during the last year that I was there, they were modifying the Air Taxi agreement.

Senator BROOKE. That would have been what year?

Mr. DUCAYET. So I must have known about it.

Senator BROOKE. What year was that?

Mr. DUCAYET. 1972.

Senator BROOKE. Did you at any time know who the owners of Air Taxi were?

Mr. DUCAYET. No.

Senator BROOKE. Mr. Atkins never told you that?

Mr. DUCAYET. Not specifically, I don't think.

Senator BROOKE. Did you know who your agent was in Iran?

Mr. DUCAYET. At that time, Air Taxi, yes.

Senator BROOKE. Did you know when Mr. French was your agent in Iran?

Mr. DUCAYET. I was not aware—I was aware that at sometime we had an agent in Iran who was not allowed into the country. I could not have told you the name of the man, nor could I have told you the name of his company.

Senator BROOKE. Was it of concern to you that you had an agent who was not allowed into the country, the country with which you wanted to do substantial business?

Mr. DUCAYET. Yes.

Senator BROOKE. Did you make this fact known to Mr. Miller.

Mr. DUCAYET. No.

Senator BROOKE. Why?

Mr. DUCAYET. Not in the normal course of doing business, we would not have taken such matters to Mr. Miller.

Senator BROOKE. What did you do, if anything, personally to replace Mr. French as your agent?

Mr. DUCAYET. I don't think I did anything. I probably, if I did anything, I merely referred it to the marketing department, or to Mr. Atkins, maybe.

Senator BROOKE. So at no time while you were president did you ever receive any information from Mr. Atkins or anyone else to the effect that General Khatami was an owner of Air Taxi?

Mr. DUCAYET. That is correct, sir.

Senator BROOKE. You say it is correct, or that you have no recollection of it?

Mr. DUCAYET. No; I would say that it is correct, because I did not know it. I believe if it had been true, somebody would have told me.

Senator BROOKE. Well, you have heard Mr. Bell testify here today that he told you?

Mr. DUCAYET. Well, then I have no recollection.

Senator SCHMITT. Would the Senator yield?

Senator BROOKE. Yes.

Senator SCHMITT. Was that a question of whether Air Taxi was owned by Khatami, or whether the STP proposal would have included Khatami?

Senator BROOKE. Did you know that?

Senator SCHMITT. I don't think Air Taxi was discussed in the interchange between Mr. Bell and Mr. Ducayet.

Senator BROOKE. Did you know of STP?

Mr. DUCAYET. I had no idea.

Senator BROOKE. You didn't know General Khatami was in any way involved?

Mr. DUCAYET. No.

Senator BROOKE. And you don't recall any statement from Mr. Bell to that effect at all?

Mr. DUCAYET. I don't recall any of it at all.

Senator BROOKE. You stated it was a policy of Mr. Miller to have no shadowy deals whatsoever, I think he said he was a straight-nosed man. I have never heard that before, "a straight-nosed man."

Mr. DUCAYET. Right.

Senator BROOKE. Were there any written communications or any directives or any office memoranda to the effect that Bell Helicopter or Textron would not do business with any agent whereby foreign officials would be receiving a pay-off?

Mr. DUCAYET. In those days, I know of no such written instructions.

Senator BROOKE. But you said that that was the policy of the company. Is that correct?

Mr. DUCAYET. Yes.

Senator BROOKE. Why didn't Textron, like some other major corporations in the country, cooperate with the SEC in their voluntary disclosure program? Was that ever discussed by the board of directors?

Mr. DUCAYET. Oh, yes; it was brought up.

Senator BROOKE. Why was it rejected?

Mr. DUCAYET. Because Textron did not consider that it had done anything wrong.

Senator BROOKE. I don't believe that that was the criteria for participation in the voluntary disclosure program, namely, that a company had done anything wrong or was in violation of the law. It was a voluntary disclosure to ascertain whether companies were involved in such practices.

Do you recall the discussion in the board of directors at all?

Mr. DUCAYET. No.

Senator BROOKE. Was Mr. Miller present at the time that this discussion took place?

Mr. DUCAYET. I would have assumed that he was. He was in all of the board meetings.

Senator BROOKE. Do you recall whether Mr. Miller took any position as to whether there should be participation by Textron in the SEC voluntary disclosure program?

Mr. DUCAYET. The subject was discussed, yes.

Senator BROOKE. Did he take a position?

Mr. DUCAYET. Yes; he took a position.

Senator BROOKE. What was his position?

Mr. DUCAYET. His position was that we did not need to cooperate with the SEC.

Senator BROOKE. Did he state why he thought that your position was not to participate with the SEC?

Mr. DUCAYET. Maybe I am using the wrong words, but to us, we had made no payments to anyone that were illegal or immoral, or unethical, there was no reason for us to make any disclosure, as I remember it.

Senator BROOKE. As a matter of fact, in 1975, when you had this discussion, had you not made payments to foreign officials, which in hindsight are certainly very questionable, is that not true?

Mr. DUCAYET. You are talking about Air Taxi?

Senator BROOKE. If in fact General Khatami, as it appears now, and this hasn't been refuted, was an owner of Air Taxi and he did receive money as a result of Bell's contract with Air Taxi, does it not appear, looking back in retrospect, that you were in error?

Mr. DUCAYET. No. We had no knowledge that Air Taxi had a part, that General Khatami had a part of Air Taxi.

Senator BROOKE. You still don't have that knowledge?

Mr. DUCAYET. We didn't at that time, sir.

Senator BROOKE. But you do now, do you not?

Mr. DUCAYET. No; I haven't had it proved to me.

Senator BROOKE. Have you looked at the Defense Department or CIA records, any of those records at all?

Mr. DUCAYET. I haven't, personally.

Senator BROOKE. The State Department, I beg your pardon.

Mr. DUCAYET. No; I haven't looked at them personally.

Senator BROOKE. Do you accept now that General Khatami was actually the owners of Air Taxi?

Mr. DUCAYET. I am not sure.

Senator BROOKE. You still don't accept it?

Mr. DUCAYET. I am not a lawyer, I am not investigating the statements of this Nation.

Senator BROOKE. You don't have to be a lawyer to understand who is or who is not an owner of a given concern, do you?

I am trying to ascertain what you understand now about what happened in 1975, when Mr. Miller stated to Textron's Board of Directors that Textron should not participate in the SEC voluntary disclosure program, and gave as his reasons, as you have stated, that Textron had done nothing wrong; nothing illegal, nothing which would embarrass the corporation. So I am asking you now, looking back to Bell Helicopter's agreement with Air Taxi and Textron's view of that agreement, do you understand that Textron actually had engaged in an agreement in which a foreign government official had received a payment?

Mr. DUCAYET. In 1975, when we are talking about, we had a record of ownership or a statement of ownership of Air Taxi. This does not include General Khatami. And it still doesn't, and therefore I still am not convinced that he owns it, or had any part of it.

Senator BROOKE. My time is up again, Mr. Chairman. I would like to just hold that, and I intend to come back to that later on.

Thank you.

The CHAIRMAN. Senator Stevenson.

Senator STEVENSON. Mr. Chairman, my staff has prepared a sheaf of questions for these witnesses and those to follow, which I don't intend to ask. All of the questioning in this hearing has so far brought out nothing that has not been brought out in earlier hearings, or by the questions of the staff in the course of its investigation. That is unless something has escaped my attention.

And I suspect that my questions wouldn't bring out anything new either. The question which must be answered, as Senator Riegle indicated, is the question about the ability and the integrity of Mr. Miller.

So, I have one question. Mr. Bell, do you have any evidence, hearsay or otherwise, that would raise in the mind of a reasonable man any doubt about the integrity or the ability of Mr. Miller?

Mr. BELL. Senator, I don't have anything which would go beyond my own feelings as a citizen in the matter, which would involve indirect inferences, which it is this committee's duty to draw from anything that has been said.

Senator STEVENSON. I asked for evidence, including hearsay. It doesn't have to be admissible in court. This is not a court.

Is there any evidence, beyond the fragments of circumstances that have come out so far, that would raise that question in the mind of

a reasonable man, in your opinion, as an attorney, and as a party to these facts.

Mr. BELL. Well, Senator, first, I demur at being a party, because I am not properly. I am a voluntary witness before the committee.

Second, as to evidence of hearsay nature or whatever, I had no contact whatsoever with Mr. Miller, nor did anybody else tell me that they did.

I have stated that it is my opinion that the fact of General Khatami's silent ownership and control of Air Taxi throughout all of the period of time we are talking about, as far as I know, even up until the time of his death, was so widely known that anybody who wanted to know it could and would know it.

Senator SCHMITT. Would the Senator yield? Except you did not pass that information on to the Bell officials?

Mr. BELL. You are incorrect, Senator. I think you misunderstood my testimony. I did pass it on to them.

Senator SCHMITT. In the discussion you referred to?

Mr. BELL. In the discussion of November 2. I subsequently passed it on in a great many other documents. I might say, Senator, that isn't the question—

Senator SCHMITT. Air Taxi we are talking about, the ownership of Air Taxi.

Mr. BELL. Yes; we are talking about that. I am saying that is covered in a great many of these documents. Since the question of my credibility vis a vis the other witnesses today has obviously arisen, and quite properly so, it is a posture I am not too accustomed to, either, as an attorney, I am used to being considered an officer of the court, and my statements are considered to be under oath, whether I have taken the oath or not.

I have always dealt in that fashion. These records you have before you were produced from my own closed files, file 5870, and you can tell from the dogeared condition how much use it had through the years.

These are not things I thought up later. These are things that happened then and are documented as of that time. This is no fairy tale.

Senator STEVENSON. Mr. Chairman, I have not yielded yet, but I would be happy to in a minute.

Am I to infer from that answer, Mr. Bell, that you are accusing Mr. Miller of not wanting to know? Or of not knowing because he did not want to know?

Mr. BELL. Senator, I am saying that he apparently did not want to know, and I do not mean to attach any invidious intent to that. I don't know how you would run a company the size of Textron, and I don't know whether a person in his posture could or should have known within the ordinary way you would run a company like that.

Senator STEVENSON. That is the next question. It goes beyond your competence as an attorney, perhaps. Perhaps it is a question that is more properly addressed to persons with experience in business management. But the question is should he, in the office which he occu-

pied at Textron, and as a reasonable, prudent, effective, diligent businessman, have known, have taken whatever steps were necessary in the course of business, with reasonable prudence, that would have established procedures that would have produced this knowledge?

To put it differently, has he been derelict, in your opinions, as a businessman, for not wanting to know?

Mr. BELL. Senator, I was only a businessman in a very small way. And I would say never at the levels that he has been. I have no knowledge of those. I was impressed just to have met the president of Bell Helicopter.

Senator STEVENSON. Well, Mr. Chairman, there is no evidence still, and no opinion as of now.

I am not disinterested in your answers, gentlemen, to that question for obvious reasons, but will ask you too, do you have any evidence, hearsay or otherwise, that would cast any doubt about the integrity or the ability of Mr. Miller, evidence in this matter or any other matter in the mind of a reasonable man?

Mr. JOSE. I have no doubt, I have no evidence.

Mr. DUCAYER. I have no evidence whatsoever, sir. I have had Mr. Miller as a chairman of the board of Textron, which I have been on for some 4 or 5 years now. Prior to that, I had dealings with him as my boss, substantially, directly or indirectly, almost directly. I have found him to be a highly—I would never have any question about what is going on.

Senator STEVENSON. Mr. Chairman, the evidence we do have indicates that Mr. Miller is a man of an uncommonly high level of integrity and ability. And so far there is no evidence, in my judgment, to rebut the overwhelming evidence in support of his nomination.

But I am afraid that what has happened, not here, but in our Government, is something in the political process, which originates in Watergate, in the Bert Lance affair, and originates in other recent unhappy political experiences, that requires a nominee to prove his innocence, and that I fear is not possible. It certainly has never been a part of our system under commonly accepted notions of Anglo-Saxon justice. And it probably won't be required of nominees in the future, except for those who are high achievers, those who have made some waves, or left some enemies in their trail. The others won't find themselves in such a predicament as this. The thing I fear is the need to prove the impossible. It may not even be possible in the case of the mediocrities, or for Mr. Miller, if he spent his life in a monastery, to prove his innocence.

That, Mr. Chairman, is what we are about. I am not suggesting that this is a fishing expedition. I am not suggesting that the committee is not doing anything it doesn't have to do. But I am suggesting that, soon, this process which requires the impossible should be cut short, it should be stopped, and we are getting very close to that point.

Thank you.

The CHAIRMAN. Senator Heinz.

Senator HEINZ. Thank you, Mr. Chairman. Mr. Jose, when Mr. Bell came to you with the story that you described, you, in effect, felt he was proposing something that was unethical, is that correct?

Mr. JOSE. Yes, sir.

Senator HEINZ. Why didn't you either terminate the conversation right then and there and reject his proposal, or, alternatively, why didn't you go to your superior, Mr. Atkins? Why did you go instead to a very high member of management, Mr. Ducayet?

Mr. JOSE. As I stated, Senator, it was within my province to deal with the matter.

Senator HEINZ. I am sorry, I don't understand.

Mr. JOSE. I say it was within my province to deal with the matter. I had a problem, I wasn't sure, but I might have been wickered. There was an automatic renewal provision in our sales agreements in that year that said if we didn't give notice of termination 60 days prior, that it automatically renewed. Mr. Bell didn't call us until that point had passed. So I was dealing with a situation where Mr. French and Mr. Bell, knowingly or not knowingly, had automatically renewed their contract.

Senator HEINZ. With you?

Mr. JOSE. With us.

Senator HEINZ. How is that relevant here?

Mr. JOSE. That put me into the position that the only way of terminating them was for cause. And that would be very difficult. I already had revealed to me that by the nature of the things that had gone on, that this could become a very contentious matter.

Senator HEINZ. Why would you not have gone to——

Mr. JOSE. So why should I state categorically at that moment "You and I are going to have to fight about it."

Senator HEINZ. Why did you go to Mr. Ducayet though, rather than to Mr. Atkins, who was your supervisor, as we understand it?

Mr. JOSE. As I stated, Senator, I don't recall that I did, I don't deny we talked about it. But I don't recall the details.

Senator HEINZ. Well, if you were trying to establish a cause, you felt you needed I suppose some support for doing that. Without trying to settle whether or not you did go to Mr. Ducayet or Mr. Atkins, why wouldn't you have gone to your superior rather than to your superior's superior? Let's assume for the moment you actually did see Mr. Ducayet.

Mr. JOSE. I have a great deal of trouble with these suppositions, Senator.

Senator HEINZ. So do I.

Mr. JOSE. Your question was why did I go, why would I have gone to Mr. Ducayet?

Senator HEINZ. Yes. Let's try to deal with a hypothetical case. If you wanted some management support, you thought your agent ought to be terminated for cause, and you wanted to establish the cause, would you normally have gone to Mr. Atkins or would you not go to Mr. Atkins, but go up a level to Mr. Ducayet—just in abstract, not dealing with Mr. Bell or Mr. French or International Helicopter Consultants. In the abstract, how would you normally go about that?

Mr. JOSE. I had very little experience with terminating dealers. I wanted to talk to the people to find out what they knew of the circumstances surrounding it. I don't think it has come out in this

testimony today, that Mr. Orpen and I were on very heavy travel schedules the late part of 1966 and 1967. It is in the other testimony. It was very difficult sometimes for us to get together and try to discuss plans of action.

In the first half of 1967, there seems to have been some questions as to why we didn't deal forthwith with this. I made three extended trips of anywhere from 3 to 5 weeks. In the month of January, which Senator Proxmire asked me about, there was a series of 3 letters written, and I had a sales meeting with 30 to 40 people the week before. The week of the letter I was at a helicopter convention on the West Coast. The week after that I was getting an annual physical. And I really was not there when much of this correspondence took place.

Senator HEINZ. I want to compliment you, though, on your excellent recollection as to what was happening.

Mr. JOSE. As of a week ago Thursday, I tried to go back and put myself into position—and I happen to have access to the travel vouchers—about where I was.

Senator HEINZ. Mr. Chairman, I have a few minutes left. I would be happy to yield it to Senator Brooke. I have completed my line of questioning, if Senator Brooke would like the remainder of my time.

Senator BROOKE. Yes, I would. Thank you very kindly.

Mr. Ducayet, there was an article that appeared in the Wall Street Journal by Jerry Landauer which stated that auditors for Textron, Inc. discovered that at least four divisions of the company paid kick-backs to foreign customers, generally through secret Swiss bank accounts, which could involve millions of dollars. Are you familiar with that article?

Mr. DUCAYET. I have read the article, I believe.

Senator BROOKE. You have been an officer of Bell Helicopter and still are a member of the board of directors of Textron?

Mr. DUCAYET. Yes, sir.

Senator BROOKE. Do you have any familiarity at all with kick-backs through four divisions of your company to foreign customers?

Mr. DUCAYET. I know of no kickbacks as such. I am not too familiar with those four items that have come up. I am not sure that I have the story on them. They have come up very recently, as I understand it.

Senator BROOKE. Has the Board met on this, to look into this?

Mr. DUCAYET. I think it came up since there has been a board meeting. I believe it came up after we had the board meeting.

Senator BROOKE. Have you had any discussions with Mr. Miller relative to this?

Mr. DUCAYET. No, I haven't.

Senator BROOKE. Would you be surprised if this happened to be a fact?

Mr. DUCAYET. I would be surprised, yes.

Senator BROOKE. Now you are in the business of selling helicopters? That was your business?

Mr. DUCAYET. Yes.

Senator BROOKE. Obviously you wanted to get a foreign market as well as a domestic market, is that not true?

Mr. DUCAYET. That is correct.

Senator BROOKE. And when you are doing business in foreign countries, you sometimes find you have to do business in a manner in which they want you to do business, is that correct?

Mr. DUCAYET. Possibly, but not if it is illegal, or improper, I would say.

Senator BROOKE. Have you always done everything possible to see that you did not conduct illegal business in foreign countries as well as here?

Mr. DUCAYET. I believe we have, yes, sir.

Senator BROOKE. And that you say was a policy of your company?

Mr. DUCAYET. Yes.

Senator BROOKE. What did you do to insure that you did not do business illegally in foreign countries?

Mr. DUCAYET. We did not have, to my knowledge, a written policy in Bell of what was or wasn't proper. We have always told our people that they are to deal above-board, they are to be open, they are not to do improper things, they are not to do illegal things.

Senator BROOKE. But that is sort of a general statement of "do good." I am talking about what sort of oversight, what sort of monitoring did the company have to assure—it is a big company, and you were letting contracts in these foreign countries—yourselves that you weren't in violation of your own policies?

Mr. DUCAYET. I know of no specific monitoring service, to use those words, that would say yes or no, you have done this properly or improperly or something. We were trying to expand the foreign business. Foreign agents, foreign sales representatives were difficult to find. We usually tried to get someone who was a fixed wing operator, or fixed wing representative, because the helicopter business in a lot of our foreign countries was pretty slim in those days, and it was difficult to get an agent to take you on when there wasn't much sales potential.

Senator BROOKE. Senator Heinz' time is up, so I will wait.

The CHAIRMAN. Senator Riegler.

Senator RIEGLE. Senator Sarbanes has not had an opportunity yet, so I yield to him.

The CHAIRMAN. Senator Sarbanes.

Senator SARBANES. Thank you, Mr. Chairman. Mr. Bell, I am not quite clear how you came to represent Mr. French, located as you were in Wichita.

Mr. BELL. Well, it is a rather long story, and I didn't go into it at the beginning to try to save the Senators' time.

But I represented a company which delivered aircraft called Aircraft Ferry Co., its name was Flow Air, and its principal was a man named Floyd Atchinson. He had delivered the demonstrator aircraft, the Cessna, which Mr. French bought in the early days of his Cessna dealership, and while there, he suggested to Mr. French that he should have a corporation in order to carry on business. Mr. French was relatively unschooled, and said all right, how do I get

one. Mr. Atchinson suggested next time he was in Wichita, Kans., for a Cessna dealers meeting, that he go and see his lawyers. Mr. French did that. This was sometime prior to 1966, approximately 1960, as best I can tell from the file.

Mr. French came in and asked us to form a company for him, which we did. That was Aviation Development Consultants, which held the Cessna dealership.

A while later he asked us to form another company, which was International Helicopter Consultants, and it held the Bell Helicopter franchise commencing in 1964.

Senator SARBANES. Well, I wasn't in the room earlier, but I gather in response to some questioning from Senator Stevenson, you indicated you have no direct evidence of Mr. Miller's knowledge of this matter. Is that correct?

Mr. BELL. That is exactly correct.

Senator SARBANES. Did you say that apparently he did not want to know?

Mr. BELL. I think under some prodding from the Senator as to any kind of evidence or inference therefrom which I might have, including hearsay, I responded that the knowledge of General Khatami's ownership and control of Air Taxi was so widespread throughout this entire period of time that anybody who didn't know about it, just didn't know because they didn't want to. And there was no invidious inference intended in that.

Senator SARBANES. Now when you went down to the State Department with French to talk with Elliott and Mulligan, apparently—I am now reading from the transcript of your interview with the staff investigators:

I then inquired what Mr. Elliott would recommend we do under the circumstances. Mr. Elliott said since it appeared that a large part of this problem originated because of Mr. French's attitude, his refusal to accommodate himself, as most businessmen must, to the varying mores and customs of the country in which he was operating, and since it appeared that I, as an attorney, had a more pragmatic view of the world, perhaps it would be advisable for me to go to Iran and negotiate on Mr. French's behalf with General Khatami.

Is that an accurate statement of what he told you?

Mr. BELL. Yes, Senator.

Senator SARBANES. On the basis of that suggestion of Elliott's, I take it that you had a more pragmatic view of the world, to arrange in the intervening period to go to Iran, is that correct? In other words, to meet with Dr. Safavi?

Mr. BELL. The State Department actually made the arrangements for me, Senator.

Senator SARBANES. The State Department made the arrangements for you for that meeting?

Mr. BELL. Yes.

Senator SARBANES. Now when you met with Mr. Safavi, I take it there were two questions. One was that you did not want to get into the charges against French, of having committed illegal acts, is that correct? I take it that was his plane going in and out without permission, things of that sort.

Mr. BELL. He commenced a discussion along those lines, and I wasn't prepared to go into that at that time, because I have never been given access to the evidence. I later was, and found it was not supportive of their charges in any way.

Senator SARBANES. But in fact you say here that:

I then told Dr. Safavi that since both he and I were attorneys, practical men of affairs, I thought it was up to us to arrive at some method by which Mr. French's company could continue to do business in Iran.

Then you all proceeded to discuss the arrangements connected with doing that. Is that correct?

Mr. BELL. That is correct.

Senator SARBANES. Now is it correct that in the course of that conversation, at some point Safavi said that—I guess it is. I have the answer here.

At any rate, he also said since I was an attorney and was instrumental in this business, coming to him, he would split his formation fee 50-50 with me. I didn't demur to that because later on I told Mr. French that since he had already retained me, he would obtain Safavi's services for half price.

So, Safavi, in that meeting in effect indicated that he involved you in the formation fee, and you didn't say anything in response to that, I take it?

Mr. BELL. That is correct.

Senator SARBANES. Now was all of this related in a conversation that you had—I gather there is a divergence of recollection here with respect to a meeting with Ducayet, in Fort Worth?

Mr. BELL. Well, after hearing what was said today, I would say more properly a failure of recollection in some quarters.

Senator SARBANES. I didn't mean to suggest it was in all quarters. I take it there is some failure or difference in recollection in this matter?

Mr. BELL. I didn't understand the gentleman's testimony to amount to that.

Senator SARBANES. In this meeting that you testified to, was all of this recounted?

Mr. BELL. Well, I don't think we discussed the division of Dr. Safavi's legal fee with me. But the rest of it was. And as I have said in the deposition you have in front of you, I told them everything that was in my subsequent letter to Mr. Zook of Cessna, which is an exhibit to that deposition also.

Senator SARBANES. Now your recollection of that meeting is that you in effect made a full statement and at the end of it, you got up and left, and the people said "Thank you, that is interesting, nice to have seen you"?

Mr. BELL. I don't recall them saying it was nice to have seen me.

Senator SARBANES. "Nice to have met you"?

Mr. BELL. That is possible.

Senator SARBANES. Well, I am quoting your own recollection of that meeting you have given the staff investigators.

Mr. Bell, well, I said that was possible. They said something to that effect.

Senator SARBANES. "Thank you very much for telling me this very interesting story, it was nice to have met you, we will be in touch with you."

That is to your recollection the extent of Ducayet's comments in the course of this exposition on your part in the meeting?

Mr. BELL. That is correct.

Senator SARBANES. I have no further questions at this point, Mr. Chairman.

The CHAIRMAN. Senator Lugar.

Senator LUGAR. I have no questions.

The CHAIRMAN. Senator Schmitt.

Senator SCHMITT. Mr. Chairman, I have gone on record as concurring with Senator Stevenson's summary remarks at the end of his time, that we are getting ourselves deeper and deeper into having to prove innocence, which is probably an impossibility in most instances.

He and I, of course, work closely together on the Senate Ethics Committee, and I would say that 99 percent of our effort is to prove innocence, and apparently that is the game in town right now, so to some degree this questioning has to proceed on that basis.

I am a little bit confused, Mr. Bell, and I apologize if I gave any indication that I doubted your remarks from what you previously said, doubted the truthfulness of your remarks.

However, I am still a little bit confused about the information you passed on to Mr. Jose and Mr. Ducayet at your meeting. Did you mention Air Taxi at that meeting?

Mr. BELL. I did.

Senator SCHMITT. You did?

Mr. BELL. Yes.

Senator SCHMITT. And you mentioned it in the context of your impression that General Khatami had an interest in that?

Mr. BELL. I didn't state it in that way. I mentioned it in the context of background as to what caused Mr. French's problem to originate. I said, probably, something to the effect that, as you know, General Khatami controls Air Taxi and Heli-Taxi and through them, attempts to control all aviation in the country. And he has his ownership interest in that way, and he will not permit anyone to operate who doesn't give him an ownership interest. And he has approached Mr. French through an errand general, General Raffaat, for such an interest. When he refused to give it to him, he was run out of the country.

Senator SCHMITT. Mr. Chairman, I think there may have been some confusion on my part, maybe on several member's part earlier, in whether Air Taxi was mentioned. I hope that clears the record.

Now, Mr. Jose and Mr. Ducayet, I guess in that order: In summary, you did not at any time, according to your recollections, have occasion to pass that particular information about Air Taxi up the line so that in your feeling it would have come to the attention of Mr. Miller? Is that correct?

Mr. JOSE. I never did.

Senator SCHMITT. You certainly did not, as you said earlier, because that was not your reporting sequence, Mr. Ducayet? You had no occasion to do so?

Mr. DUCAYET. I had no occasion to do it, no, sir.

Senator SCHMITT. Mr. Chairman, I have no further questions. I think we ought to get on to look at the next piece of this puzzle, which is to see what happened when Mr. Miller then on his own volition asked his general counsel to look into the question of the \$2.9 million payment to Air Taxi to see if there was any question about that payment, that they should have raised, and then whether or not the report he got back from the general counsel should have raised any doubts in his mind.

I think we have hit basically a doorway we can't get through here in part because of the kind of records and recollections that Bell Helicopter officials had at that time.

Senator BROOKE. Would the Senator yield?

Senator SCHMITT. I would be happy to yield.

Senator BROOKE. I personally think that Mr. Bell has done an excellent job and has been a forthright witness, buttressed by the documentation which he had in his office. I think that what the witness has testified to has not at any time been rebutted. Bell testified that he met with Mr. Jose, he gave him this information about General Khatami's interest, and Mr. Jose does not deny this at all, in fact he admits this and has said he thought it was a fantasy story.

Mr. Bell further testified that he or Mr. Jose then made a phone call and they subsequently went to meet with Mr. Ducayet.

Now, again, that has not been rebutted. Mr. Ducayet didn't say that Mr. Bell and Mr. Jose did not meet with him. He said that he did not recall whether they met with him or not.

So without any rebuttal to what Mr. Bell says, the record shows Mr. Bell's testimony stands as it is, that there was a meeting between Mr. Bell, Mr. Jose and Mr. Ducayet.

Now the question is if Mr. Bell told Mr. Ducayet the same story he related to Mr. Jose, and there is no reason to believe that he didn't, because that hasn't been rebutted, why did Mr. Ducayet not take some action on it himself, why did he not pass this on to Mr. Miller, or did he in fact pass it on to Mr. Miller?

Now Mr. Ducayet has said that it is the policy of this company not to deal with agents that were paying kickbacks to foreign country officials. He said that there was no written policy, but that was a general understanding, and it was Mr. Miller's position not to engage in improper activities. But Mr. Ducayet does not recall ever talking with Mr. Miller about this at all.

Now the question I would like to put to you, Mr. Ducayet, if in fact Mr. Bell did tell you about General Khatami, as he has testified, to which there has been no rebuttal, did you not consider it to be an unusual circumstance?

Mr. DUCAYET. I would consider it to be an unusual circumstance.

Senator BROOKE. If it were an unusual circumstance, would you have passed that unusual circumstance on to Mr. Miller, your superior? Or would you consider it of so little magnitude not to compel you to pass it on?

Mr. DUCAYET. I did not, I would not have considered it of a magnitude to pass on to Mr. Miller, or something that should be passed on to him.

Senator BROOKE. You would not have?

Mr. DUCAYET. I would not have. I would have considered it an operating problem, with Bell Helicopter, that Bell Helicopter had to do something about it, and then should cleanup their own house and take care of such a situation.

Senator BROOKE. Would you then have given such direction to Bell Helicopter to do that?

Mr. DUCAYET. I would be very surprised if I hadn't given it to somebody. But I have no real recollection of the meeting, and therefore I can't remember what I did.

The CHAIRMAN. Would you yield at that point, because I think the previous testimony may be a little unclear on this.

You were asked about this when you were interviewed by the staff at Fort Worth. And the question was:

If you were ever advised by a subordinate at Bell Helicopter about any serious breach of corporate policy concerning foreign sales, would you report that to Mr. Miller?

Answer:

I think if it was a serious breach, I would have reported it, yes.

How do you reconcile your response now to Senator Brooke with that you gave in Fort Worth?

Mr. DUCAYET. I haven't considered this situation as a breach of anything. I would have considered that we were in a poor position, we had a representative who couldn't get into the country. We had done very little business in the country. The sales representative had been relatively unsatisfactory from our standpoint. And that I would expect the Sales Department to go do something about it. I would have considered that the question of his inability to get into Iran was enough reason to eliminate him, let alone whether he brought up anything else or not.

The CHAIRMAN. But you wouldn't have considered the ownership by General Khatami of Air Taxi to be sufficiently significant, unusual, to call to his attention?

Mr. DUCAYET. Air Taxi was not our agent.

The CHAIRMAN. Then you picked them up again in 1968.

Mr. DUCAYET. Yes.

Senator SCHMITT. Mr. Chairman, I think before my time is gone, I would just say that unless one or more people have perjured themselves, we have to assume at this point that Mr. Miller did not receive notification of this kind of a problem with Air Taxi from these people that are here at the table today, or as near as I can tell, from anybody with whom the staff has talked, or we have knowledge of at this time.

That doesn't mean that he shouldn't have known. The question is did he know. And should he have had previously established management procedures by which that would happen as a matter of course.

Again, those are details, important details, that are going to be difficult to establish by this committee.

The CHAIRMAN. As the Senator indicated, we have yet to develop the information we should develop with Attorney Soutter, counsel for Bell Helicopter.

Senator SCHMITT. No question, but I consider that a separate window into Mr. Miller's understanding of this problem. The window we have seen right now is foggy and unclear and it appears as if it was not open to Mr. Miller. And therefore his statements on the record from his hearing stand unchallenged by this group of witnesses. I think we have to accept that.

The CHAIRMAN. The question of whether or not there is a challenge is a matter of judgment.

Senator SCHMITT. Unless these gentlemen have perjured themselves, we have to assume truth was there. If we want to get into an investigation of the question of these gentlemen's testimony, that is something else. But as far as they have testified, Mr. Miller did not receive that information from them.

The CHAIRMAN. The difficulty here is we have the clear unquestioned assertion by Mr. Bell, in which he has given us documents, there is no document that refutes what Mr. Bell has said, and Mr. Ducayet denies he recalls this, and therefore his recollection as to whether he told Mr. Miller, it seems to me, is also modified by the fact that he doesn't remember hearing this information.

Senator SCHMITT. Well, I am not going to try to justify the recordkeeping procedures of Bell Helicopter. I have been a little discouraged by the testimony we have heard. But we do have his testimony that even though there is no written documentation, his testimony is that he did not tell Mr. Miller. Now we can launch into a major investigation to find out if that is a true statement. But I think we have to assume it is a true statement.

The CHAIRMAN. Mr. Ducayet, do you flatly deny you told Mr. Miller, or was it that you can't recall?

Mr. DUCAYET. No; I would deny I ever told Mr. Miller anything about a problem we might have with an agent in Iran at that time.

The CHAIRMAN. You flatly deny you told him about the ownership of Air Taxi, flatly deny you ever told Mr. Miller that you had heard General Khatami may have owned Air Taxi? You flatly deny it?

Mr. DUCAYET. I would have to deny that, yes.

Senator BROOKE. Your memory is very, how shall I say it, you remember some things so positively, yet you don't remember other things at all. You don't remember seeing this man in your office in a 45-minute meeting, and hearing about this whole problem, and yet you remember specifically that you didn't tell Mr. Miller anything at all about this transaction. Your memory comes and goes.

Mr. DUCAYET. Mr. Brooke, I remember the kinds of things that I would take up with Mr. Miller. I never tried to take up with him any problems we might have had with the establishment of or termination or reestablishment of a dealer. We had dealers in 50 countries. We had good one and bad ones, and poor ones. We had hard times finding them sometimes. But these, to me, were operating problems that I would not necessarily have taken up with Mr. Miller. That is why I would not have.

Senator BROOKE. It was not the kind of thing you would take up with Mr. Miller, is that what you are saying?

Mr. DUCAYET. Yes, they are just not the kind of things I would tell Mr. Miller.

Senator BROOKE. But you would have told them to cease and desist, not to enter into such an agreement?

Mr. DUCAYET. I am surprised if I didn't tell them.

Senator BROOKE. But at any rate, they did not cease and desist?

Mr. DUCAYET. They did take action, they were busy, they were trying to do the best they could, I would say, at trying to get the situation taken care of.

As Mr. Jose said, it took time, it wasn't done instantly. We didn't want to, I am sure we didn't want to get into trouble with Mr. French's company. So you don't just go terminate people for nothing right away.

Senator SCHMITT. Mr. Chairman, my time is up. If I could ask one more question, though.

The CHAIRMAN. Certainly.

Senator SCHMITT. Mr. Ducayet, at the time under discussion, just prior to the rehiring of Air Taxi as Bells' representative in Iran, were there any pending major sales that you could foresee in Iran for Bell products?

Mr. DUCAYET. Not—I don't believe we had any open sales or any open program with them at that time. I think we were trying hard.

Senator SCHMITT. Now you were thinking at that time of finding a representative that could assist in opening up a major market in Iran?

Mr. DUCAYET. I think we were trying to establish a good representative in Iran for us. You have to remember that Auguste, our licensee, also could sell in Iran and he had been selling, I am not sure exactly that is the time, but it was his territory, too. And he could well sell in there and I believe had sold and had been successful in selling.

Senator SCHMITT. But at the time there was nothing in the financial activities relative to sales to Iran that would have prompted you to think that this issue of Air Taxi was big enough to take up to a higher level. Is that what you are saying?

Mr. DUCAYET. No, I am saying that—I am not sure I am saying what you are saying. The question of ownership of Air Taxi or of our agent was the type of thing that I would not have taken up to Mr. Miller. To me it was an operating problem, that should be solved by us in the division.

Senator BROOKE. Would the Senator yield at that point?

Senator SCHMITT. Thank you. I have nothing further.

Senator BROOKE. There is another final point there, Mr. Ducayet.

It is not just a question of who the agent was, or the ownership. If in fact you had this information, you had a serious breach of Textron policy. Do you understand what I am saying? That would be much more than just who the agent was, or whether French was a good or bad agent. The question here involves were you then dealing with an agent that was partially owned by or was paying kickbacks to a foreign government official.

That would be a serious breach of your own policy, as you have so testified.

Now would you take that matter up with Mr. Miller?

Mr. DUCAYET. I would still say that—may I ask, are you talking about Mr. French's company? Because they were our agents.

Senator BROOKE. I am talking about the information that Mr. Bell has testified that he gave you, that is what I am talking about. I am presuming, because it hasn't been rebutted, that Mr. Bell's information was given to you. Now I am saying the proposal Mr. Bell was talking about would have been a breach of Textron policy. Would you not have then taken that up with Mr. Miller?

Mr. DUCAYET. I would probably not not have. I still say that I would have considered it an operating problem, and we should clean the place up and do something about it ourselves.

And I believe that we did, because we turned around and removed the agent.

Senator BROOKE. I am not talking about Mr. Miller as the president of Textron. I am talking about Mr. Miller acting as the group vice president of Aerospace.

What did you take up? What sort of matter would you take up with your group vice president, if you wouldn't take that matter up with him?

Mr. DUCAYET. We would take up matters of how sales were going, how marketing was doing, how our military programs were going. Remember, 95 or more percent of our business right then was military, U.S. military business. We were in the throes of trying to get from 60 ships to 160 ships a month for the U.S. Army to ship to Vietnam. And we had plenty of problems other than this little piece of business over here that was International Marketing, of which one little piece was Iran. We were doing very little business in Iran.

Senator BROOKE. When you were deposed, you were asked the following question:

If you were ever advised by subordinates at Bell Helicopter about any serious breach of corporate policy concerning foreign sales, would you report that to Mr. Miller?

Answer: I think if it was a serious breach, I would have reported it, yes.

Mr. DUCAYET. Yes, that is correct.

Senator BROOKE. Now again I ask you: The information given to you by Mr. Bell, together with Mr. Jose, you would not have considered that a serious breach?

Mr. DUCAYET. I would not have. If there were an agent in that country that we have done hardly any business in, they had other problems, if that wasn't the only problem, they had other problems that made them an unsatisfactory agent, I would still say we should clean up our own house and we did not try to take problems like that to Mr. Miller.

Senator BROOKE. Then what did you mean when you testified if it was a serious breach, you would take it up with Mr. Miller? What would be a serious breach?

Mr. DUCAYET. I think a serious breach would be if we hypothetically had some, let's us say an agent, sales representative, and found that he was paying people off.

Senator BROOKE. Well, that is exactly what Mr. Bell said, wasn't it? Mr. Bell said that General Khatami was holding them up, had a gun at their head, practically, and was saying to them "all right, you are going to give us this percentage of the business, if you are going to do business in Iran."

Now what more would you want?

Mr. DUCAYET. What we did was change agents.

Senator BROOKE. You changed agents?

Mr. DUCAYET. I would think that was plenty of action taken.

Senator BROOKE. Why did you change agents?

Mr. DUCAYET. To me, if you asked me why we changed, it was adequate that he couldn't get in the country. We didn't have to have any other reason.

Senator BROOKE. You didn't change agents on the basis that General Khatami was involved?

Mr. DUCAYET. We might have. I don't know. I don't know the circumstances of why we changed, really.

Senator BROOKE. What did you hire after this agent?

Mr. DUCAYET. As I understand it, we hired Air Taxi.

Senator BROOKE. And Air Taxi was owned by General Khatami?

Mr. DUCAYET. Not to our knowledge.

Senator BROOKE. Then you didn't believe what was told you?

Mr. DUCAYET. That is right. I don't think we believed it.

Senator BROOKE. Did you do anything to find out whether it was true or not?

Mr. DUCAYET. At some time we had a Dun & Bradstreet on them.

Senator BROOKE. Did you go to any Federal agencies or departments to find out?

Mr. DUCAYET. Any pardon?

Senator BROOKE. Did you ascertain anything from these agencies? Our staff did.

Mr. DUCAYET. From who?

Senator BROOKE. From agencies, the Defense Department?

Mr. DUCAYET. No, not to my knowledge. I am sure the Army, the MAAG office, must have known that Air Taxi was our agent.

The CHAIRMAN. Did you check your own files? Your own files disclose that.

Mr. DUCAYET. I haven't checked my files, no. I have no files.

The CHAIRMAN. Well, we have been imposing. Senator Schmitt's time has expired. Senator Riegle.

Senator RIEGLE. Thank you, Mr. Chairman. I don't think I will use the whole 10 minutes.

But I do understand, then, Mr. Ducayet, that at some point you checked with Dun & Bradstreet, which presumably takes a tough look at who owns companies and so forth, to try and find out who in fact owned this company, and Khatami and company had apparently been skillful enough in hiding this thing that they hid it from Dun & Bradstreet. Is that correct?

Mr. DUCAYET. It doesn't show in Dun & Bradstreet.

Senator RIEGLE. So when you did ask, to get a cross-check from what you thought to be an independent outside financial source,

despite the fact that it now appears today and that that was the case, they were not aware of it at that time, and therefore they did not make you aware of it?

Mr. Bell, let me ask you this? How much did Mr. French make for the time that he represented Bell Helicopter in Iran?

Mr. BELL. I have no direct knowledge of the total figure. But I have been told by Mr. French that that amounted to a few thousand dollars.

Senator RIEGLE. There was an article in the paper the other day that put the estimate at about \$35,000. Would that be, do you think that would be close to right, or would you have no way of knowing?

Mr. BELL. It sounds approximately right. Mr. French had that dealership for four years, he sold three small helicopters, what they call G-5s, and two of them he bought himself.

Senator RIEGLE. How did you bill Mr. French for your services?

Mr. BELL. I billed him on a per diem basis, plus expenses.

Senator RIEGLE. What would you have been paid by Mr. French?

Mr. BELL. I don't recall the totals, but I imagine it amounted to a couple of thousand or \$3,000 a year.

My per diem was fairly low in those days.

Senator RIEGLE. Do you think Mr. French was short changed in this whole transaction?

Mr. BELL. I certainly do.

Senator RIEGLE. If he had not been short changed, he might have made a lot of money, I take it, then, on this?

Mr. BELL. Well, it is difficult to speculate on what might have been.

Senator RIEGLE. Well, short change means he didn't get as much as he might have gotten.

Mr. BELL. I agree.

Senator RIEGLE. That is what is meant by the statement.

Mr. BELL. Yes, I agree.

Senator RIEGLE. If things had really panned out for Mr. French, I assume you probably would have made more money yourself on this arrangement, would you not?

Mr. BELL. I don't know, because when things are going well for Mr. French, he doesn't hire me. It is only when he has troubles.

Senator RIEGLE. So you don't know whether you might have gotten more per diem days or whether you might have gotten more compensation if things had panned out in Iran, rather than sort of going the other way?

Mr. BELL. It is difficult to say. It would have depended upon how many problems they had.

Senator RIEGLE. I assume that is why you were interested in this particular client. Was there a longstanding friendship here or was this a dollars and cents proposition?

Mr. BELL. No, it was my duty as an attorney.

Senator RIEGLE. But the point is why did you have Mr. French as a client?

Mr. BELL. I had him because he hired me.

Senator RIEGLE. So, in other words, your interest in Mr. French was as a client? There was no longstanding friendship, it was not something you were doing out of the goodness of your heart?

Mr. BELL. No, not to the extent it was possible to be paid for. We became friends throughout the long course of this.

Senator RIEGLE. But he was a paying customer for you?

Mr. BELL. He was and is.

Senator RIEGLE. What I am wondering is this: let's say the SEC investigation now were to turn up later the fact that this payment that was made to Air Taxi, that some part of it was not as it should have been, and some part of that might actually be due to Mr. French.

Wouldn't he stand to gain under those circumstances?

Mr. BELL. Yes, under your hypothesis, he would.

Senator RIEGLE. Do you see any chance of that happening?

Mr. BELL. I doubt it on that basis. I think there might be some basis which we are in the process of examining, which we are really not prepared to discuss in public, because we don't want to engage in saber rattling. But there may be some basis for some kind of action by Mr. French against Bell Helicopter.

Senator RIEGLE. Well, I think that is a very important factor. So what you have just said to the committee is that you, on behalf of Mr. Bell, are apparently contemplating some kind of legal action against Bell yourself, right today?

Mr. BELL. Yes, we are considering it.

Senator RIEGLE. Have you advised the committee of that?

Mr. BELL. I have. It is in my deposition.

Senator RIEGLE. Well, frankly, that concerns me a little bit, because that obviously puts, I think, you in an awkward position as a witness. That doesn't mean you are still not an officer of the court as a lawyer. But I think it obviously puts you in an awkward spot when you really have sort of two interests going here. One is to testify to the committee in behalf of its inquiry along the lines of this subject matter, but the second is that you are apparently engaged now at the same time in a private legal matter with Mr. French to see if you can't recoup monies from this?

Mr. BELL. No, Senator, the position is not awkward at all. First, I am not yet engaged in any action, we are considering the possibility of one.

Furthermore, the effectiveness of that action will be enhanced to the degree that the officials of Bell Helicopter come forward with lots of evidence to support the truth of what Mr. Miller has told the committee about the way they treat their agents when they terminate them.

Senator RIEGLE. Are you under retainer by Mr. French now?

Mr. BELL. I am not.

Senator RIEGLE. Has he paid you any money at all in the last two or three years in terms of the possible pursuit of a suit of some kind to recoup some money you may feel is owed him?

Mr. BELL. He has, but not relating to this company.

Senator RIEGLE. So you do have an active business relationship with him?

Mr. BELL. I do.

Senator RIEGLE. Have you discussed with him the terms and conditions under which you might proceed with an action against Textron in this matter?

Mr. BELL. Not yet.

Senator RIEGLE. But I take it you plan to do so?

Mr. BELL. I do.

Senator RIEGLE. Mr. Chairman, I think that is an important factor, and I would say to the Senator from Massachusetts, I think that is an important factor.

Senator BROOKE. I think it is preposterous. I think it is absolutely preposterous. I have never heard anything so preposterous since I have been practicing law. I think it is absolutely preposterous. Why don't you ask Mr. Jose and Mr. Ducayet, who have an interest in Textron?

Senator RIEGLE. As long as we are on my time, let me ask the Senator from Massachusetts what is preposterous about it? The thing that concerns me is that—this is not to impute Mr. Bell's testimony any more than it is to impute somebody else's ability to recall or not recall certain facts at some time in the past.

But it is significant to me that there is a financial stake involved here. And it is a large one. And Mr. French apparently feels, as is related in fact by Mr. Bell here, here is an article just the other day in the Washington Star, in which Mr. Bell is quoted as saying—this is a quote in the middle of a paragraph, and I should probably read the whole paragraph:

They—meaning apparently Mr. French and Mr. Bell—are clearly bitter about what they term inadequate compensation of French. Bell said I would like to see Textron demonstrate with documentation that the \$2.9 million payments was well-earned and well-deserved. Such a demonstration, he said, might give him grounds to sue for additional payments for French.

I assume you said that to the reporters?

Mr. BELL. That is exactly correct, Senator.

Senator RIEGLE. All I am saying, Senator Brooke, is when one—we are trying to reconstruct what happened and we are trying to work from peoples' memories and peoples' notes and so forth. But what is interesting to me is the fact that Mr. French today, and because Mr. Bell thinks it is very likely that he may come to represent Mr. French in an action on this matter in the near future, that they both have a financial stake in the outcome of this investigation by the SEC and by inference, I think the investigation that we are doing here.

Now that may or may not influence his testimony, and it may or may not cast a shadow over it in your mind or in mine. But I think it is important that that fact, which he has related be put on record, so it can be considered in the pattern of everything else we are looking at.

The CHAIRMAN. Let Mr. Bell respond.

Mr. BELL. If I may, I think the Senator has arrived at one conclusion which is not justified. I can't represent Mr. French in any ensuing action. And I have no possibility of that, because I will be

a material witness, and as you probably know, the rules of evidence preclude my representing him under those circumstances.

Senator RIEGLE. But you have a very strong feeling in this?

Mr. BELL. Well, I have always had a substantial dedication to the truth.

Senator RIEGLE. I don't know that I am challenging that question. I think the fact that the reporter here, and this in his term, he uses the word "bitter", but I would say from the tone of your own statement, it sounds like you sort of have some hard feelings over this. Is that a fair description of your feeling about it?

Mr. BELL. I would suggest that the fair description is that Mr. French is somewhat bitter about all of the treatment not just from Bell Helicopter, but from General Khatami, and various other sources, that he got. I don't think it is fair to say that I am bitter or have hard feelings.

I represent my clients when and where I can, and I can fairly describe the facts, I think. The facts are that Mr. French was unhappy at his treatment. He was not sufficiently unhappy, however, at the time, under what he thought the conditions were, when they terminated him, but that he would not continue as their representative in another country.

Senator RIEGLE. You say you have had a long continuing relationship with Mr. French, you are involved in other matters with him, and it has evolved from a client relationship to a friendship, and if the SEC were to later find that money was due him and had gone to others, it is possible that he might come out of this with a large sum of money, might he not?

Mr. BELL. I think you misunderstand the thrust of the potential action. It has nothing to do with the SEC and money which went to others which might have gone to him.

It has to do with whether or not at the termination of his dealership, Bell Helicopter dealt with him fairly and honestly in telling him no commissions would under any circumstances be due or payable for sales he felt were about to come to fruition and which did, subsequently, through an Augusta operation. We were told these would be government-to-government, and under no circumstances would commissions be paid.

Mr. Miller, in his testimony, said that was not Bell's policy of dealing with its dealers.

Senator RIEGLE. Just to conclude, and my time has expired, one way that boils down in my mind is the fact that your friend and client in this matter and in other matters in the past, and even in the present time, is in a position here where he may very well recoup some large sums of money, based on bringing an action about the way he was terminated at that particular time. If this hearing serves no other purpose, it may well serve a good purpose for Mr. French, because it gets out into the open the various things that you are interested in ascertaining, and that you have been digging to find out and so forth, and now this work has been done and it is all there.

All I am saving is this person who you acknowledge you are very close to, not just as a client, but as a friend, I think now has a

potential financial stake in how this thing is reconstructed in terms of going back in time. Now I hope that that will not end up having any bearing whatsoever on Mr. Miller's qualifications to serve as chairman of the Federal Reserve, because I think it is quite extraneous to that, although I think from the standpoint of Mr. French, and because of your involvement and your interest in Mr. French, it may be terribly relevant to that line of inquiry that you are actively pursuing, you acknowledge you are actively pursuing.

I think it is important that everybody here understands that, because it seems to be one more part of the large and complicated puzzle.

The CHAIRMAN. I think the colloquy we have just heard is very helpful, I am grateful to Senator Riegle, because it makes clear that now all of the witnesses who appear before this committee, including Mr. Bell, have a vested interest in making Mr. Miller's testimony ring true.

Obviously all of the other witnesses are Bell-Textron people who have known Mr. Miller for a long time, have been working with him, his colleagues have interests of course in their corporation.

Now Mr. Bell has indicated that his interests will be served if Mr. Miller's testimony on the termination payment to Air Taxi is found to be the truth.

So we have nothing but witnesses favorable to the nominee.

Senator RIEGLE. Should we vote then?

Senator BROOKE. I don't mean to consider Mr. Bell's testimony to be unfavorable to the nominee.

The CHAIRMAN. That is right, that is what I said.

Senator BROOKE. I don't think he has attempted to be unfavorable, he has only given us the facts as he knows them, and the documentation. That is a question for us to evaluate.

I would like to say to the Senator from Michigan I have not made a decision as to how I will vote on the qualifications of Mr. Miller. I don't know. I think we have to wait until after all of the hearings have been concluded before any of us should make a decision as to the confirmation of Mr. Miller.

But we are not trying a case on the agreement between Textron or Bell and French or anybody else. We are trying to find the qualifications of Mr. Miller. And the questions that have been asked today go to the credibility of Mr. Miller and to his administrative abilities as well.

Those are the two questions we have been asking, one, to find out whether Mr. Miller actually knew about it, and what he did if he did know about it, and, second, should he have known about it, and what kind of an organization was he running.

I mean, I would be interested in knowing what kind of organization Textron is. He is the president of Textron. If Textron made a practice of dealing with agents that were getting kickbacks, I would be concerned about that. I think the Senator from Michigan would be concerned about that. I think every question that we have asked up until recently has been built right on target, and I think has been a proper question.

I am not interested in whether Mr. Bell will take a case later against Textron. That is not our concern here at all. Unless you can prove that his reason for testifying before us this morning is somewhat other than what it appears on the record to be, which I think would be a fair area of inquiry. There is no testimony to that. Everything you have asked him is in the record, when he was deposed he told us about that, we knew about it. If we read the record, it is there. I think he has been as honest as he can possibly be.

I think it is unfortunate if we want to cast aspersions at his integrity, or what he was getting as a fee. I know if he only got \$2,000 or \$3,000 a year as a fee, he was grossly underpaid in my opinion.

The CHAIRMAN. I just have a few more questions. I hope then we can wind up and move on to Mr. Atkins, who is the next witness.

I would like to confine these questions to Mr. Jose and Mr. Ducayet.

Mr. JOSE. Could we take 5 minutes before we go on, Senator? It has been 3½ hours here. Could we excuse ourselves?

The CHAIRMAN. Would you like to step out for 5 minutes?

Mr. JOSE. Yes; 5 minutes, if I may.

The CHAIRMAN. All right, I understand.

[Short recess.]

The CHAIRMAN. Now, Mr. Jose, I would like to get answers to two questions.

The first question relates to the decision, after all of this information was discussed and disclosed, the decision made by Bell Helicopter to decide on Air Taxi as its replacement for Mr. French.

Did you tell Mr. Orpen, who I understand you sent to Tehran to investigate this situation, whether or not to hire Air Taxi? Did you tell Mr. Orpen, who was Bell Helicopter's sales manager, about General Khatami's ownership of Air Taxi, especially about the time of Mr. Orpen's trip to Iran in November 1967?

Mr. JOSE. Mr. Orpen would have had a copy of Mr. Bell's July 7 letter which outlined the allegations.

The CHAIRMAN. What was that again, sir?

Mr. JOSE. I said Mr. Orpen would have had a copy of Mr. Bell's July 7 letter which outlined the allegations.

The CHAIRMAN. Now by letter of February 16, 1978, the State Department, in response to the staff request for information, said that General Mohammed Khatami was chairman of Air Taxi between 1957 and 1965, according to oral statements at the American embassy by the Registration Office, Ministry of Justice of Iran.

Then we have a whole series of affidavits from U.S. military and embassy officials, which I will place in the record, indicating the knowledge of Khatami's ownership in Air Taxi, that it was common knowledge, widely known.

Let me just read one of them:

The commercial attache, Mr. Westly, heard that General Khatami had a financial interest in Air Taxi soon after arriving in Tehran in 1974, from an Iranian commercial assistant. The attache stated that General Khatami's connection with Air Taxi was not common knowledge but appeared to be taken as an accepted fact by those in the aerospace business, especially those interested in doing business with Air Taxi.

[Reprints of the affidavits referred to may be found, beginning at page 173, in part 3 of committee print titled "Staff Investigation of G. William Miller."]

The CHAIRMAN. Now you say that Mr. Orpen had the information that Mr. Bell had given you.

Mr. JOSE. Yes; he would have been copied on the letter.

The CHAIRMAN. With that in mind, what investigation did you or Mr. Orpen make as to whether or not there was a conflict of interest?

I understand then having had that information, he decided Bell Helicopter would retain Air Taxi?

Mr. JOSE. Yes. He went with Mr. Kling and Mr. Perriott.

The CHAIRMAN. He must have known this would be a payoff to a foreign official, because obviously General Khatami was a foreign official, owner of Air Taxi, which meant that that agent would of course be paid in due course by Bell Helicopter and there would be a payoff, isn't that right?

Mr. JOSE. If it were true, yes.

The CHAIRMAN. Well, if it were true. You have no documents at all to indicate it was not true, none in your files we have been able to get. Would it not seem logical then for Mr. Orpen to make an effort to determine in Tehran whether or not this was true?

If so, what did he do?

Mr. JOSE. Well, Mr. Pierrot would have been the one to do most of it, because Mr. Pierrot for about, at that time over 10 years, had done much of our investigation work on backgrounds of people and general reputations.

The CHAIRMAN. At any rate, when Mr. Orpen returned to Fort Worth, and I presume recommended Air Taxi—

Mr. JOSE. He did.

The CHAIRMAN. What did you do to check out whether or not there was in fact a conflict of interest, in view of the information you had from Mr. Bell?

Mr. JOSE. I talked to Mr. Pierrot. And he told me there was no conflict of interest.

The CHAIRMAN. Did you check up on what that meant? Did you ask him what he meant? Did you call his attention to the—

Mr. JOSE. Certainly. I don't recall that he got a copy of Mr. Bell's letter, but he would have been aware that we were discussing this allegation, and I would have made it very clear with Pierrot by phone to Washington that we were not to deal with anyone where there would be a conflict of interest, and he was to check it out.

The CHAIRMAN. Pierrot is now dead, as I understand it?

Mr. JOSE. Yes, sir.

The CHAIRMAN. And I understand that Mr. French has deposed that he talked to Mr. Pierrot, and Mr. Pierrot knew that General Khatami had an interest in Air Taxi. Had an ownership interest in it.

Mr. JOSE. As of 1962, not 1967.

The CHAIRMAN. That's right, but knowing that he had that ownership in 1962, didn't it seem logical under all of the circumstances that you should determine whether or not he had that ownership as of that date?

Mr. JOSE. We checked if he was still involved and we were told he was not.

The CHAIRMAN. In 1962, who was your agent in Iran?

Mr. JOSE. In 1962 it was Air Taxi.

The CHAIRMAN. And at that time you just told me that General Khatami had an interest in Air Taxi.

Mr. JOSE. It was a matter of record at that time. I have since determined—I had never looked into it when he had been appointed in 1959. I didn't come until mid-year 1960 and I didn't go back and check the records.

The CHAIRMAN. But you were burned by then, weren't you, you were burned in the sense that you did retain Air Taxi at a time when General Khatami was an owner of Air Taxi?

Mr. JOSE. I am not sure that at the time I was—

The CHAIRMAN. In 1962, you just told me.

Mr. JOSE. Yes. Senator, you were talking about a conversation between Mr. Bell and Mr. Pierrot. And you were asking whether Mr. Pierrot would have known about it. I said he would have, because in looking at the testimony, it is true, if it is true what French said, he would have discussed it with Pierrot at that time, so Pierrot would have known about it.

The CHAIRMAN. That is right. So Bell Helicopter officials knew, and knew as of 1962 that Khatami had an ownership in Air Taxi. Now you didn't know in 1962, but you found that out later?

Mr. JOSE. Yes. I am talking about looking back.

The CHAIRMAN. Another question is if you found that out later, why didn't you take precautions to determine if you were going to hire Air Taxi again, that you wouldn't be hiring an agent that was owned by a foreign official, if that is against your policy?

Mr. JOSE. Senator, I thought I said we had asked Mr. Pierrot to make sure there was no conflict of interest.

The CHAIRMAN. What did you do specifically to determine whether or not there was a conflict of interest? What did Mr. Pierrot do?

Mr. JOSE. I don't know what he did. He just came back and reported there was no conflict.

The CHAIRMAN. So you just accepted his word, that is all?

Mr. JOSE. Yes. I had been accepting his word for several years.

The CHAIRMAN. Mr. Ducayet, would you consider that to be good management, would that be satisfactory, that all you have to have is him tell you there is no conflict of interest under all of these circumstances, and you accept it?

Mr. DUCAYET. In those times, knowing Mr. Pierrot, I would have accepted it.

The CHAIRMAN. Let me move on quickly to something else. In 1975, as I understand it, Mr. Bell asked the counsel for Bell-Textron, Mr. Soutter, to make an investigation of the payment of \$2.95 million by Bell Helicopter to Air Taxi. Is that correct?

Mr. JOSE. Are you asking me, sir?

The CHAIRMAN. Yes, Mr. Jose.

Mr. JOSE. I was not involved in the Iran question from 1969 on.

The CHAIRMAN. You didn't know about that inquiry? Mr. Ducayet, did you know about that?

Mr. DUCAYET. I wasn't working for Bell at the time. I had been retired then.

The CHAIRMAN. If you had—and I think it is rather unusual you don't know about that investigation. It seems to me that raises some questions about the investigation, how deep it was, how thorough it was.

If you had been asked at that time about your knowledge of the ownership of Air Taxi, how would you have answered?

Mr. JOSE. If I had been asked what question about the ownership?

Mr. DUCAYET. He is asking me.

Mr. JOSE. Excuse me. I am sorry.

Mr. DUCAYET. You are asking me, aren't you?

The CHAIRMAN. I want Mr. Jose to answer it.

Mr. JOSE. Would you repeat the question?

The CHAIRMAN. If you had been asked by Mr. Soutter, who was sent down to Fort Worth to investigate the \$2.95 million payment, if you had been asked at that time about who owned Air Taxi who received that payment, what would you have said, in 1975?

Mr. JOSE. I would have had to go back and look it up on some sort of record. But if you would rephrase the question and say if I had been asked whether I was aware, or whether I believed that General Khatami was involved in the ownership of Air Taxi, I would have said no.

The CHAIRMAN. Would you have told them on three occasions you had been informed that General Khatami was an owner of Air Taxi?

Mr. JOSE. I would have had no feeling, no question in my mind about saying there had been some question, we had looked into it and satisfied ourselves.

The CHAIRMAN. You would have told him on three occasions you received the information, but you would have said—

Mr. JOSE. In 1975, Senator, I don't know whether I would have remembered I heard it on three occasions or not.

The CHAIRMAN. You would have looked at the record and the record would show that. You have told us that having looked at the record, you depose to that. Is that correct?

Mr. JOSE. If I had had the same records available to me.

The CHAIRMAN.

Question: If they had asked you if any one of those individuals had asked you whether or not you had any knowledge of the ownership of Air Taxi by any government official in Iran, including military officials, would you have brought to their attention that on two, possibly three occasions, the allegation had been made to you that General Khatami had an ownership interest in Air Taxi, if you had been asked?

Answer: I would have seen no reason not to answer that.

Mr. JOSE. Have I not answered it now generally the same way?

The CHAIRMAN. Not quite. That is the same you would give now.
OK.

Mr. Ducayet, I want to get your relationship with Mr. Miller.

Mr. JOSE. Excuse me, Senator?

The CHAIRMAN. Yes, Mr. Jose.

Mr. JOSE. There was a part in that that in several paragraphs previously I had been asked if I believed it and I would have said

that I did not find it to be so. I have been quoted liberally in the press since, and we are in the hot lights of publicity here, I was quoted in the press out of context to what I told the committee. I would like for the record to set that straight, because I had said I did not believe it, and I would have told the people that.

The CHAIRMAN. You have made it very clear now. You had heard it two or three times, you did not believe it, but you had heard it two or three times. Is that correct?

Mr JOSE. Yes.

The CHAIRMAN. All right. Mr. Ducayet, you were directly responsible to Mr. Miller, is that right?

Mr. DUCAYET. During what period?

The CHAIRMAN. During the period when you were president of Bell Helicopter, and then I think for a short time you were chairman of Bell Helicopter?

Mr. DUCAYET. Yes; during those last 4 or 5 years.

The CHAIRMAN. How frequently were you in contact with Mr. Miller?

Mr. DUCAYET. I was asked the question, I gave it on deposition. I believe I said about once a week, probably. But it depended on what was going on and how much was going on.

The CHAIRMAN. What types of matters did you discuss with Mr. Miller when you talked to him?

Mr. DUCAYET. We would discuss anything that might be a problem to the division, or something that I felt we needed his concurrence in. We might need to expand, we might have good business, I would be sure to bring him up to date on how we were doing in various sales programs, probably. Many military programs were going on, U.S. military.

The CHAIRMAN. Since your appearance before the committee staff, have you had time to refresh your memory about the meeting Mr. Bell said he had with you and Mr. Jose on November 2, 1966?

Mr. DUCAYET. No, sir.

The CHAIRMAN. You have not?

Mr. DUCAYET. I have not.

The CHAIRMAN. Senator Brooke.

Senator BROOKE. How frequently does the board of directors of Textron meet, Mr. Ducayet?

Mr. DUCAYET. Every other month, usually every other month.

Senator BROOKE. Are minutes kept of the board of directors meetings?

Mr. DUCAYET. Oh, yes, sir.

Senator BROOKE. Would the corporation have the minutes of the board meeting when this whole question of Air Taxi was discussed?

Mr. DUCAYET. There would be minutes of the meeting. I am not sure that they will show that that was discussed as such. The way any question might have come up, it might have come up in a report by someone on the operations or things that were going on and not necessarily be recorded in detail in the minutes of the meeting.

Senator BROOKE. But a matter of this importance, would it not be included in the minutes? That is the purpose of the minutes, is it not, to record what happens at the meeting?

Mr. DUCAYET. What is it you are specifically asking about the payment?

Senator BROOKE. I am not asking about a transcript, I am asking about the minutes of the meeting that would record that this matter was discussed, and what the position of the president of the corporation was.

Mr. DUCAYET. It might show it. I am not sure that it does.

Senator BROOKE. Were the minutes of your meetings supplied?

Mr. DUCAYET. I don't know.

Senator BROOKE. Mr. Chairman, I would like to have those records subpoenaed, if we may.

The CHAIRMAN. Yes.

Senator BROOKE. The corporate minutes. What date would you say, rather than having them bring all of the minutes of the corporation, what date would you say this matter was discussed by the board of directors?

Mr. DUCAYET. It is hard for me to say when it might have come up. I am afraid I have no recollection of how to remember when it came up, really.

Senator BROOKE. Did you take a position yourself—

The CHAIRMAN. Would the Senator yield? Did the Senator suggest the committee subpoena these minutes?

Senator BROOKE. Yes.

The CHAIRMAN. The staff tells me they have done that.

Senator BROOKE. We have not received them, they say.

Mr. DUCAYET. Pardon?

Senator BROOKE. I understand that the records I have asked the chairman to subpoena have already been subpoenaed, but we have not as yet received those records.

I would like to see the minutes of the board of directors to ascertain the nature of that discussion.

The CHAIRMAN. As I say, we will renew our request and press it.

Senator BROOKE. Yes.

Now you referred earlier to the fact that you got a Dun & Bradstreet. I have a copy of that Dun & Bradstreet dated October 4, 1970. Actually we have evidence that General Khatami's participation as the owner of Air Taxi terminated in 1965, as I recall it. And that there was some evidence that he was a silent partner after that. So this Dun & Bradstreet does not go back far enough to ascertain whether General Khatami was in fact an owner of Air Taxi.

Mr. DUCAYET. I understand what you are saying. But if what you are saying, sir, is saying that Khatami had no interest unless it were a silent interest after 1965, I believe it was 1968 that we renewed the agreement with them, and therefore it is not surprising we wouldn't have found any ownership.

Senator BROOKE. It would not have shown on the Dun & Bradstreet, because at that time he was not a visible owner of Air Taxi.

Now Mr. Jose, you referred to the fact that Mr. Feliton went to Iran in the spring of 1966 to review, among other things, the suitability of Mr. French as Bell Helicopter's agent.

You also mentioned a trip report from Feliton. Is that correct?

Mr. JOSE. I believe I did. I am going from memory now.

Senator BROOKE. You did testify to that.

Mr. JOSE. I testified that way. Yes.

Senator BROOKE. Have you supplied the committee with a copy of that trip report?

Mr. JOSE. I don't know, sir. I haven't been involved in the documents, the question of what files have been submitted. We can check that for you.

Senator BROOKE. If you have such, would you supply it to the committee?

Mr. JOSE. Yes.

Senator BROOKE. You further testified or rather, you did testify before the committee staff that you sent three Bell employees, Pierrot, Kling, and Orpen to Iran in November 1967 to hire a new sales representative and specifically to determine whether General Khatami had an interest in Air Taxi.

Now who were the prospective agents that you had in mind before the Bell officials went to Iran in November 1967?

Mr. JOSE. I didn't have a list. What I stated was our position at the time was as of mid-year that year we were aware of an interest within the MAAG and within the Iranian government of a small buy of transport type aircraft, on the order of, initially it was 17, then it was 24, and ultimately it became 36. But it was a small buy. And we felt we should have someone that could look after our interests.

I had never been to the country, I didn't have a list. We had changed our regional manager assignments in that area twice within the last year. So we had lost considerable time and continuity. So we went out to reestablish the continuity, and to try to determine who could represent us there.

Senator BROOKE. What were your instructions to your people regarding the procedures they should follow in checking out the reputation and ownership of Air Taxi, the type of report that Pierrot, Kling or Orpen should make about Khatami's alleged interest in Air Taxi?

Mr. JOSE. The only experienced international representative we had on the tour was Mr. Pierrot. So it would have been an instruction to him. And Mr. Pierrot at that time was teaching us about the international business.

So beyond saying "I want to make sure that there is no conflict," I would leave it up to his best judgment.

Now at that time we were beginning to work up procedures that were guidelines about checking with the embassy, checking the trade accounts or banking connections. But they were general in nature. The procedure that we were developing, but did not write until the following year, was one that we generally had been using with our people.

Senator BROOKE. Did they indicate to you how they reached their conclusion that he had no involvement with Air Taxi?

Mr. JOSE. I don't recall. I am sure they did at some time. The words that I would have been looking for would have been that there

would be no conflict of interest or there would be no evidence of any high military official being involved in it.

Senator BROOKE. Without the documentation, how would you have ever made a judgment that the General did not have an interest in Air Taxi?

Mr. JOSE. I would have asked Mr. Pierrot what he had found out, who he had talked to.

Senator BROOKE. Had you at any time heard rumors that General Khatami was an owner?

Mr. JOSE. I had been told three times, sir.

Senator BROOKE. So you were trying to ascertain whether he was still an owner, is that correct?

Mr. JOSE. Yes, sir.

Senator BROOKE. Do you know whether your three people actually met with General Khatami while they were in Iran to ascertain from him firsthand whether he was still an owner in Air Taxi?

Mr. JOSE. I believe there was a meeting with General Khatami, but I don't recall the details of it. I recall there was no indication.

Senator BROOKE. So even though you knew that General Khatami was an owner of Air Taxi at some time, you thought that interest had been terminated, is that correct?

Mr. JOSE. The Shah had come out with some rules that said they, that there would not be a conflict of interest on procurements. And I assumed, since it was a very tightly controlled society, that people would take that seriously.

Senator BROOKE. So you felt the General had complied with the Shah's rules, and therefore he was no longer an owner of Air Taxi. Is that correct?

Mr. JOSE. That is correct.

Senator BROOKE. And you felt you were dealing with these principals and there was no undisclosed principal?

Mr. JOSE. That is what I felt, sir, or we would not have appointed them.

Senator BROOKE. My time is up, Mr. Chairman.

The CHAIRMAN. Senator Riegle?

Senator RIEGLE. No questions at this point, Mr. Chairman.

The CHAIRMAN. Any further questions?

Senator BROOKE. No.

The CHAIRMAN. Gentlemen, I want to thank you very much. This has not been easy for any of you. I think you have been most responsive and helpful and I want to commend you for your appearance under very difficult circumstances.

In view of the hour, it is 1 o'clock, and the fact that we have two additional witnesses, the committee will take a recess until 2 o'clock.

[Thereupon, at 1 p.m. the hearing was recessed, to reconvene at 2 p.m. the same day.]

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

This afternoon our leadoff witness is Mr. James Atkins. Mr. Atkins, we are happy to have you; and I understand, sir, you are the president and chief executive officer of Bell Helicopter. Is that correct, sir?

Mr. ATKINS. That is correct.

The CHAIRMAN. Do you have any kind of a statement you would like to make?

Mr. ATKINS. Yes; I would like to make a statement. If I may, I would like to have Mr. Galerstein sit with me.

The CHAIRMAN. Before you do—it was my fault; I neglected to explain to you—would you rise and raise your right hand?

Do you swear the testimony you are about to give will be the whole truth, and nothing but the truth, so help you God?

Mr. ATKINS. I do.

The CHAIRMAN. And I apologize for interrupting you.

You go ahead, in your own way.

STATEMENT OF MR. JAMES F. ATKINS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, BELL HELICOPTER-TEXTRON; ACCOMPANIED BY GEORGE GALERSTEIN, CHIEF LEGAL COUNSEL, BELL HELICOPTER-TEXTRON

Mr. ATKINS. Mr. Chairman, first off, I have made a career out of working for Bell Co. I started with them back in 1941. And other than spending 4 years in the Air Force in World War II I have stayed with the Bell Co. for the last 35 years.

And in that time, I have attempted to build a company based upon integrity and credibility. And from a personal standpoint, I think you could check with my customers and my employees, and you would find that I have a pretty good reputation for that.

Now, these investigations and the publicity that has resulted from these investigations have been very trying on me, and on my family. And of course they are of great concern to me because of their reflection on Mr. Miller.

So, I am going to try to, first off, set the whole scene and give you a picture of how I see the situation.

Now, this morning Mr. Ducayet and Mr. Jose had problems in remembering back 12 years; and I would like to show you the extent of this overseas business at that time. It may give you a better picture of why they didn't remember certain things.

Now from our financial history for the years 1964 through 1967, Bell did \$1,142,000,000 in business—total business. And during that

same time frame, the international business was \$68 million, or about 6 percent of our total over that 4-year period. Iran and all of Asia was a very small part of this 6 percent.

For those 4 years, we had sold a total of 15 transporters in Asia—not just in Iran, but in Asia—and that will give you some idea of why Mr. Ducayet and Mr. Jose were not overly concerned about Iran at that time.

You might be interested in just 1 year. In the year 1967, Bell built 1634 Hueys and 110 Cobras for the U.S. Army. So from 15 transports over a 4-year period, to 1750 transport-category aircraft for the Army, you can see what a small part of our business that Iran and Asia represented at that point.

Now let's talk about our organization for a bit. Mr. Ducayet became president of Bell Helicopters in 1960, and I became his executive vice president. We had 10 major functional departments that reported to Mr. Ducayet through myself.

Mr. Ducayet and I worked as a team. We did not involve ourselves in the same situations, but those 10 functional departments—the vice presidents of those departments—had the right to talk to either of us about a particular problem. And normally they would talk to the principal that was in town, or they would talk to the principal who was closest to their particular problem. So that, again, may show you why Mr. Jose may have talked to Mr. Ducayet about the international consultants situation.

OK, moving from that and picking up with Air Taxi—and remembering that they were first appointed a Bell representative in 1959, and that they were replaced in 1964 by International Helicopter Consultants—when, I think Mr. French testified, I heard some testimony that during that time frame I think he was testifying that he thought that General Khatami had some interest in Air Taxi.

If that was so, why would they move from Air Taxi to Helicopter Consultants, who admittedly had very little influence in the country?

Now, it sort of says to me that Bell did not recognize that General Khatami had an interest in Air Taxi.

Now, going on from there and up through the 1968 timeframe, I had no knowledge of the statement that Mr. Bell had made but I certainly would have reacted that: If the Pars corporation which they were proposing to form was going to have General Khatami as a partner I would have certainly reacted that we wanted no part of a relationship with Pars.

I also feel that the statements that were made about General Khatami having ownership that I've read in the last 2 weeks indicates that there were "allegations"; they were not facts.

There may have been facts some place, but to me, Mr. French and Mr. Bell, from the testimony I have ready, they talked about cocktail rumors, and stuff of that type.

So I think that Bell reacted pretty well in terminating International Consultants before the end of 1967; and I guess I think that Cessna terminated International Consultants 6 months later, and they had received the information at the same time as Bell had received it.

Now of course we went back in 1969, or 1968, and went back to Air Taxi. And why we did that, I'm not sure. I became interested in the Iran program, basically in the late 1970's, early 1971. And at that time, we received a D&B report which showed Mr. Eshoo and Mr. Chafik as the owners—the 100 percent owners—of Air Taxi.

The D&B also said something else. First of all, it said the corporation was organized in 1958. Second, it said that they were operating on a large scale, a company of high repute and high standing in the community, considered trustworthy for engagements.

That was in the D&B report we received in October of 1970. And to me, that was a pretty good reading on a representative in Iran.

OK, from there let's talk about the product just a bit. Now, I noticed in the testimony—the 600 pages of testimony I previously gave—I brought the product into play several times, but it does not appear in the staff's report.

And in my experience, a government procures an aircraft because of the performance, or other capabilities of the aircraft. And when, in the 1970-71 timeframe, the Iranian government made a decision to attempt to develop an Army aviation program, they certainly looked to the U.S. Government and the U.S. MAAG for advice. And certainly for their use, the Bell ships that had been proven in Vietnam, they were the right product to buy.

Really, there was no competition. It just—the Huey transport sold around the world 10,000 of them built. It was the right product for them to buy.

Now I imagine that U.S. MAAG would have recommended the Bell product, but even then the Iranians were concerned about the performance of the Huey machines that they had previously bought from Aguste. And we went into a product evolution program to build a super-Huey, and a super-gunship, which was more—which would have greater performance in their hot and high temperatures.

In my opinion, the product was 85 percent of the reason why Bell won the program. And I think that has been overlooked in the staff report, and I think it is something that the committee ought to give consideration to.

Now when we offered to improve the product, the Iranian government did not say: OK, we will buy your performance, and we will buy your aircraft because you say it has certain performance. But, rather, they said to us: Bring two prototypes to Iran and perform our mission in six or eight hot and high places.

And we spent the better part of a month, with a team of about 50 people, touring Iran and showing our performance in these hot and high places.

That demonstration, which finally ended up being given to about 300 of the Iranian military at a site outside of Tehran, was the main reason that His Majesty finally decided on this program.

Now, what about the role of General Khatami?

Well, there have been allegations made that the General owned—had an ownership interest in Air Taxi. The committee report says that there were reports available from the CIA and DOD intelligence agencies.

Well, certainly these reports were not available to Bell; and certainly I personally was visiting the MAAG offices, and the embassy offices during the completion of that sale in late 1972, and no one in the U.S. Government made any statement to me that indicated that General Khatami had an interest in Air Taxi. And they fully understood, as did the Iranian government, that Air Taxi was the Bell agent.

Now, I personally met General Khatami one time. That was in his office. I think it was on the 1971 trip in October. I spent about a half hour with the General. I explained to him the performance qualities of our product, and we had a very formal half-hour meeting.

And that is the only time that I had the privilege of meeting with the General.

The CHAIRMAN. That was General Jablonsky?

Mr. ATKINS. General Khatami.

And of course I felt, from my contacts in Iran, that the source of the procurement would be the military-industrial organization, and General Toufanian from that organization would take the recommendation to His Majesty for final approval.

I considered the MIO to be the pivotal point in the selection process—not General Khatami. I understood that General Khatami was a very well recognized aviator, and I'm certain that his opinion may have been valuable to His Majesty in making a final decision, but in my mind, General Toufanian led the way. He formulated the program; he made the recommendations.

And when His Majesty finally called us to his office to tell us that he had selected our program, it was General Toufanian that was in the office and not General Khatami.

So in my opinion, General Toufanian and His Majesty made the selections on our program.

Now as a result of all this, we had a dealer, or a representative—Air Taxi—and they had a legal contract with us. And we needed to find a way to compensate Air Taxi fairly, and at the same time we needed to find a way to terminate our agreement as far as future military business was concerned.

And as a result of that, we went through two or three amendments to our agreement and finally arrived at the settlement of \$2.9 million.

I personally was involved in the final negotiation of it. I can say, very truthfully, that if we had not paid the \$2,950,000 we would have had a lawsuit. I felt that it was a very fair and reasonable compensation, when you recognized that it was only six-tenths of 1 percent of the sales value of the first contract. And since that time, we probably have received another \$1.5 billion in contracts.

So, I thought we conducted ourselves well. The day, or shortly after we negotiated this agreement with Air Taxi, we submitted the final amendment to the Air Taxi agreement to the U.S. Army contracting officer. And he had been advised early in the negotiation period that we had an agreement with Air Taxi. He had been provided amendments one and two, and now here was the final amendment.

And of course in the final transaction, the \$2,950,000 was paid by Bell out of its profits, and no part of it was charged to the U.S. Government, or to the Iranian government, in any way.

So, Mr. Chairman, I think we conducted ourselves in a very honorable way; and it is something that has hurt us quite a bit, to see the allegations that are made about "bribes," and all of the rest.

And certainly when you think about Mr. Miller and the outstanding person he is, and how he has the highest standards in the world, you recognize that if Mr. Miller cannot be confirmed for this job, no U.S. citizen can be confirmed.

So with that, sir, that concludes my statement.

The CHAIRMAN. Well, thank you, Mr. Atkins, for a very, very impressive statement. We very much appreciate it.

I would like to ask you some questions about your relationship as supervisor of Bell Helicopters, or as chief executive officer of Bell Helicopters with Mr. Miller who, as I understand it, was not only the head of the corporation but he was the head of this particular group—the Aerospace group—and he had, therefore, a peculiar and special responsibility.

Mr. ATKINS. Yes, sir.

The CHAIRMAN. You testified earlier that Mr. Miller supervised Bell Helicopters until 1974. Is that right?

How frequently were you in contact with him during that period?

Mr. ATKINS. Well, I testified incorrectly before. I said "I thought" 1974. It was actually November of 1972. I went back and checked my testimony.

So he was our chief officer until November of 1972, and then at that point Mr. Ames took over as group officer of the Aerospace group.

The CHAIRMAN. And what matters did you discuss with Mr. Miller during that period?

Mr. ATKINS. Well for example, I was discussing with Mr. Miller and Mr. Ducayet—often the three of us were discussing the Iranian program that we were trying to build.

We discussed the fact that we had a representative in Iran. I personally considered that I needed a way to terminate that agreement, at some point.

We discussed the negotiation that we were going through to arrive at that termination.

That is about the extent of our discussion.

The CHAIRMAN. Well, let me see if I can get a little bit before the termination matter came up.

Referring to the period between 1968 and 1972 inclusive, what did you tell Mr. Miller about the sale of the 489 helicopters as the sale of the 489 helicopters came closer to fruition in 1972 and 1973?

Mr. ATKINS. Well I think that I made two basic trips to Iran—

The CHAIRMAN. Let me just refine that a little bit, so you'll know what I'm trying to get at.

Did you discuss with Mr. Miller the Bell Helicopter sales strategy, in fact? That is, Bell Helicopter's agent in Iran—his role, the

importance of General Khatami to the sales, and any commissions that Bell would have to pay in connection with these helicopter sales?

Mr. ATKINS. Well, Mr. Miller was very familiar with the fact that Bell had a worldwide representative organization—some 40 representatives around the world. He was well familiar with the fact that we had a standard agreement that each representative signed. He was aware of the fact that these standard agreements, when they reached a certain point, the payments to be made to the representative would be a negotiated settlement.

The CHAIRMAN. That was for over five helicopters?

Mr. ATKINS. That's correct, sir.

And first of all, when we started this program we were looking at 30 armed helicopters. And the program grew, from the period of 1971 to 1972, and throughout that period we weren't quite sure how large the program was. We, at one point, thought it was 30; we then upped our estimates to 100; and then, I think in August or so, I was thinking 300; and then it turned out to be 500.

So the commission that would be payable would of course depend on the size of the program. And as we went through the negotiations to attempt to fix this commission with the representative, we kept Mr. Miller advised of what we were doing.

The CHAIRMAN. What questions did Mr. Miller ask of you about the pending helicopter deal?

Did he ask about the representation you had with Air Taxi, at any time?

Did he ask anything about the ownership?

Mr. ATKINS. I don't believe he asked anything about the ownership. He knew that Air Taxi represented us, and other than to inform him of the general ground rules on which we were trying to negotiate, I think that is about the extent of the information I gave him.

The CHAIRMAN. Now, with respect to your own information about the knowledge of the ownership of Air Taxi, you say until a few weeks ago you were not aware of General Khatami's ownership?

Except by the cocktail party rumors or things of that nature?

Mr. ATKINS. No, sir, I did not hear those cocktail party rumors. I was unaware of the International Helicopter Consultants correspondents. I had a D&B report that told me who the owners of Air Taxi were.

When we came to making the settlement with Air Taxi, we asked for a resolution from their board of directors authorizing Mr. Zanganeh to make the settlement. He gave us that resolution, and as a gratuity, he threw in the fact that the three owners—Chafik, Eshoo, and Zanganeh—they signed as owners of 100 percent of the shares.

So that was in 1973. So that is about my extent of knowledge of General Khatami's ownership, and I don't really know what the committee has and whether they have allegations or whether they have proof that General Khatami had ownership.

The CHAIRMAN. You said you talked with General Jablonsky; is that correct?

Mr. ATKINS. No; I said General Khatami. But I may have talked—I may have talked with General Jablonsky maybe once in my life, and that was before he went to Iran.

The CHAIRMAN. General Jablonsky was our Army representative in Iran.

Mr. ATKINS. Yes; but before he left, went to the country, I think I talked to him. I think that was the only time I talked to him.

The CHAIRMAN. General Jablonsky has been deposed, and we have an affidavit here that he knew of the ownership by Khatami of Air Taxi. He said he first heard in 1966. But he said, "I believe this information was common knowledge in our military circle of friends at that time." That is his testimony.

Now, you say you understood that Mr. Zanganeh was one of the three owners, but you did not know Mr. Khatami was.

Mr. ATKINS. That's correct.

The CHAIRMAN. Now, what about Mr. Zanganeh. Wasn't he on a High Council of Aviation in Iran? Isn't that the Iran equivalent of the CAB or the FAA?

Mr. ATKINS. I have no knowledge of that, sir, that he was.

The CHAIRMAN. At any rate, Air Taxi was probably owned by Mr. Zanganeh; you are aware of that.

Mr. ATKINS. Yes, sir.

The CHAIRMAN. Do you think you had any kind of an obligation to inquire about the identification of Mr. Zanganeh with the Iranian government, or did anyone who worked for you do so?

Mr. ATKINS. Well, let me say that the Iranian government understood that Air Taxi was our representative. The U.S. Government understood that Air Taxi was our representative. Both understood that.

The CHAIRMAN. Yes; but I'm asking about Mr. Zanganeh inasmuch as Mr. Zanganeh was an official of sorts. He was on the high command of the aviation council, which, as I say, is an official government body in Iran.

Mr. ATKINS. Was that during the period that he owned Air Taxi, or was that some other period?

The CHAIRMAN. Well, my information must have been during an earlier period.

But, at any rate, he did have some kind of a connection of that sort.

Now, Mr. Atkins, I would like to ask you about your authority to negotiate a \$2.9 million settlement with Air Taxi, and also the earlier agreements—the earlier amendments, I should say.

You said that you had a situation where you had a fixed commission up to five helicopters. After that point, there was negotiation.

Mr. ATKINS. Right.

The CHAIRMAN. Was your authority to negotiate a \$2.9 million settlement with Air Taxi?

What authority or instruction did you receive from Mr. Miller or from Textron's board of directors in negotiation of payment to Air Taxi?

Mr. ATKINS. Well, the authority to negotiate that \$2.9 million was within my charter.

When you're playing around with \$5- or \$6- or \$700 million worth of business, \$3 million is not very large.

So it was within my charter to negotiate for \$3 million.

The CHAIRMAN. Except it could be very large when you were down to the point where you recognized that you had to take it out of your own profits. It was not something that could be added onto the cost.

Mr. ATKINS. That's correct.

And I did consult with Mr. Miller. I told him a general area where we would negotiate, and I made him understand that we would be paying this out of our profits.

Mr. CHAIRMAN. Was this matter presented to the Textron board of directors?

Mr. ATKINS. Sir, I don't know.

The CHAIRMAN. What authority did Mr. Sylvester and Mr. Rudning have to amendments 1 and 2 of Air Taxi and initially expose Bell Helicopter to a \$10 million commission?

What did you tell them?

Mr. ATKINS. Well, Mr. Rudning had been manager—

The CHAIRMAN. I'm very sorry. I'm going to have to interrupt because that's the last five minutes of roll call, and I have to run. Senator Brooke went over early and should be back in about two or three minutes. So if you will just wait, we will resume the questioning right away.

[Brief recess.]

Senator BROOKE [presiding.] The meeting will come to order.

Mr. Atkins, you testified that you had a meeting with General Khatami; is that correct?

Mr. ATKINS. I had one meeting with him.

Senator BROOKE. And when was that meeting held?

Mr. ATKINS. I believe that was in October of '71.

Senator BROOKE. Now who arranged that meeting?

Did you ask for the meeting or did General Khatami ask for the meeting?

Mr. ATKINS. I asked for the meeting. And Mr. Zanganeh, the manager of Air Taxi, arranged the meeting.

Senator BROOKE. Where was the meeting held?

Mr. ATKINS. In General Khatami's office.

Senator BROOKE. Why did you ask for a meeting with General Khatami?

Mr. ATKINS. Well because we were coming in the country—we had not been established in the country. I recognized that the army had a limited capability as far as aircraft programs were concerned. And I considered that, with a good part of our marketing policy, to advise General Khatami of the particular characteristics of our products.

Senator BROOKE. Now you did not know General Khatami at all, did you?

Mr. ATKINS. No, sir.

Senator BROOKE. You only knew him by reputation?

Mr. ATKINS. Yes, sir.

Senator BROOKE. And you thought it was best to advise him of the product that you were trying to sell?

Mr. ATKINS. That's correct, Senator.

Senator BROOKE. Did you feel that he had some influence in orders for your helicopters?

Mr. ATKINS. Well, I fully recognized that he was highly respected by the U.S. MAAG. I fully recognized that he was considered to be an aviation expert. And I felt that in some way he might have an input to His Majesty before the final decision was made.

Senator BROOKE. Who told you of his influence with the Shah?

Mr. ATKINS. I don't think I remember. But being a four-star general of the air force in Iran is a pretty high-level position.

Senator BROOKE. Yes but this was an army purchase, was it not?

Mr. ATKINS. Yes, sir.

Senator BROOKE. At any rate, you found out from some source or sources that General Khatami had influence with the Shah and that he was a man well versed in the type of equipment you were trying to sell to the Iranian government.

Mr. ATKINS. Well, I would not consider him a helicopter expert or anything of that type, but I felt that in a marketing program, you contact all the possible tentacles that lead to a final decision, and I thought he was one of those people.

Senator BROOKE. Did you see anyone else other than General Khatami?

Mr. ATKINS. Yes, I'm sure I did. Basically—not in the air force. Basically, I think, I saw General Khosrodad; I saw General Khosrodad who was going to lead the new army aviation program. I saw General Toufanian. And, of course, I saw Mr. Dehesh. At that point, the decision makers in that country were very limited, so there were probably four or five principal people.

Senator BROOKE. At that time had you heard any rumors that General Khatami was an owner of Air Taxi or had ever been an owner of Air Taxi?

Mr. ATKINS. I hadn't.

Senator BROOKE. Now you said you had a conversation which lasted about 30 minutes?

Mr. ATKINS. Yes, sir.

Senator BROOKE. What was that conversation with General Khatami about, and who was present at the time?

Mr. ATKINS. I believe Mr. Zanganeh was there, and I believe Mr. Sylvester was with me.

And we were describing to the General the characteristics of the products, improved aircraft, that we were going to offer to their country.

There were Bell Hueys in Iran. We had been watching the performance of those aircraft, and we saw that they were having trouble because of the high mountain conditions of Iran.

Senator BROOKE. Did you discuss anything other than the technical matters dealing with the aircraft?

Mr. ATKINS. Not to the best of my memory, sir.

Senator BROOKE. Now, Mr. Zanganeh at your request set up the meeting with General Khatami?

Mr. ATKINS. That's correct.

Senator BROOKE. Did he tell you anything about any relationship that he had with General Khatami?

Mr. ATKINS. Well he told us that he had several air programs that he was involved in. He operated Aero Commanders for the Iranian Air Force.

Other than that no.

Senator BROOKE. Did Mr. Zanganeh tell you that General Khatami had any prior relationship with Air Taxi?

Mr. ATKINS. No sir, he did not.

Senator BROOKE. Did you discuss with Mr. Zanganeh the ownership of Air Taxi?

Mr. ATKINS. Yes. At one time during the 1972 trip I had a discussion with Mr. Zanganeh about that issue and he confirmed the ownership as shown on these documents that we have.

Senator BROOKE. Did you raise the question or did he volunteer it?

Mr. ATKINS. I raised the question.

Senator BROOKE. Why did you raise the question?

Mr. ATKINS. Because I was interested in knowing. I recognized that I had a contract to settle and I wanted to make sure that I had the same owners as I knew were the owners.

Senator BROOKE. Did you ask him about any previous ownership of Air Taxi?

Mr. ATKINS. I can't remember doing that sir.

Senator BROOKE. Were you concerned about it?

Mr. ATKINS. No sir.

Senator BROOKE. Did you look into the ownership of Air Taxi while you were in Iran on that trip?

Mr. ATKINS. No sir. I think we were relying pretty heavily on the D&B report that we had dated 1970.

Senator BROOKE. And you thought you were dealing with the principals as were contained in that report?

Mr. ATKINS. Yes sir. And as far as I know—I still don't know that they are not the principals.

Senator BROOKE. But you do know that at sometime prior to 1965, General Khatami was an owner of Air Taxi; you know that now, do you not?

Mr. ATKINS. No, sir, I do not know that.

Senator BROOKE. You have not seen anything that would convince you that he was an owner at that time?

Mr. ATKINS. The only thing I've seen is some letters from Mr. Bell, and they were allegations. And I have no knowledge.

I have heard you folks mention the CIA report and an intelligence report, and, of course, we don't have access to such reports.

Senator BROOKE. What about the Defense Department reports?

Mr. ATKINS. Well, the DOD intelligence report is the one I'm talking about.

Senator BROOKE. Well, couldn't you ascertain from the Defense Department whether he was or was not?

Mr. ATKINS. Senator Brooke, the Defense Department negotiated a letter of offer with the Iranian Government. They knew that Air Taxi was our representative. So, certainly, if they had any information, they would have put it on the table.

Senator BROOKE. And they never did?

Mr. ATKINS. No, sir.

Senator BROOKE. Now, you heard Mr. Jose testify today—were you in the hearing room?

Mr. ATKINS. Yes, sir.

Senator BROOKE. Mr. Jose testified that he did meet with Mr. Bell and that Mr. Bell did tell him that General Khatami was an owner of Air Taxi.

Mr. ATKINS. Yes sir.

Senator BROOKE. He said it was rather inconceivable—and I don't want to paraphrase what he said—but he said it was sort of a fantasy thing, this whole story, and that he did not, to the best of his recollection, communicate it to Mr. Ducayet. And you were immediately working—you were the one, as executive vice president, working with Mr. Jose, were you not?

Mr. ATKINS. Well, in my opening statement, Senator, I talked about our organization, and I talked about the fact that Mr. Ducayet sat as president; I sat as executive vice president. There were 10 functional departments that reported to him through me.

Now, each one of those vice presidents knew that they could go to either of us on any particular situation. Quite often one of us would be out of town. Quite often one of us would have a greater degree of expertise in a subject than the other would have.

So it was not unlikely for Mr. Jose to consult directly with Mr. Ducayet, any more than it was for the vice president of engineering to consult directly with Mr. Ducayet.

Senator BROOKE. So Mr. Ducayet could have had a meeting with Mr. Jose and Mr. Bell without first having had a meeting with you; is that correct?

Mr. ATKINS. Oh, yes, sir.

Senator BROOKE. That would have been an acceptable procedure?

Mr. ATKINS. Yes, perfectly.

Senator BROOKE. It would not have been considered going over your head?

Mr. ATKINS. No, sir.

Senator BROOKE. It might have been you were out of town on the date of that meeting?

Mr. ATKINS. That could be.

Senator BROOKE. If at any time either of them told you about the meeting, meaning Mr. Ducayet or Mr. Jose, did you know that they met with Mr. Bell?

Mr. ATKINS. Well, I know that Mr. Jose met with Mr. Bell, but I have no knowledge of that meeting or the results of that meeting, and I first read the correspondence of the past two weeks.

Senator BROOKE. Do you know yourself what was the purpose of Air Taxi?

Mr. ATKINS. Well, Air Taxi was a fixed-based operation at Mehrabad Airport. When we went there in '71 they probably had two or three major maintenance hangars. They probably had 150 employees. They represented the companies of Avco, DeHavilland, a couple of others—Bristow—not Bristow but a British company.

So they were representing four or five major aircraft companies—Aero Commander was one of them—and at the same time they were doing maintenance on the Aero Commanders that the Iranian Air Force had purchased.

It was a big facility, a big operation.

Senator BROOKE. You negotiated that \$2.95 million, did you not?

Mr. ATKINS. Yes, sir.

Senator BROOKE. Did you think that that was excessive?

Mr. ATKINS. No, sir, I don't.

Senator BROOKE. Do you think you got dollar-for-dollar value from it?

Mr. ATKINS. I think, sir, that a commission of six-tenths of 1 percent of a sale was very small.

Senator BROOKE. What services, if any, did they provide, other than a commission on the sale?

Mr. ATKINS. Sir, would you repeat that, please?

Senator BROOKE. What services, if any, did Air Taxi provide other than the sale itself?

Mr. ATKINS. Well, they were, of course—by the time of the sale they had represented us for some 10 years, considering the two periods of time. They were good sales representatives. They knew the country well. They could help us meet the right people that we needed to meet. They could help us with the parsi language. They could help us with logistics. They could help us with—they participated in our demonstration at 10 bases across the country.

So they had performed considerable service.

Senator BROOKE. \$2.9 million was not for services rendered in the earlier time period; it was only on this transaction. Isn't that correct?

Mr. ATKINS. It was only on this transaction, sir, but I think the total compensation they had received before this was very minor.

Senator BROOKE. Are you indicating that part of this compensation was for services rendered prior to the second contract you had with them?

Mr. ATKINS. No. What's I'm saying is, a major program of this type doesn't develop in three months or six months; it takes three years, perhaps, to develop it. And so over all that period of time they represented us, and they received no payments until such time as we had made a sale.

Senator BROOKE. And if you would agree that General Khatami was the owner of Air Taxi at the beginning of the first contract, then obviously Air Taxi received some compensation for services during that period.

Mr. ATKINS. I believe in the first period, 59 to '64, I think I heard that they received less than \$20,000, and I did not know and still don't know that General Khatami was a co-owner in that time frame.

Senator BROOKE. My time has expired.

The CHAIRMAN. Senator Riegle.

Senator RIEGLE. Thank you, Mr. Chairman.

As I understand it, the way the commission business of this sort works, you have a contact organization in a foreign country and

they assist you and you try to develop this business, and it is a long, slow process and there may be modest payments along the way that, because they are acted in your behalf, but it isn't really until you close a deal that a commission is really appropriate.

I mean, I've done selling myself, and I don't ever recall ever being paid a commission until finally there was a sale, and that actually takes place. And I gather that is what happened in this instance.

Mr. ATKINS. Well, the payments they received along the way are less than \$20,000, and that was based on spare parts or something that were to be delivered in the country.

Senator RIEGLE. Right. But the figure of \$2.9 million, which was the major commission, six-tenths of 1 percent of the volume or the value of the first sale, really came as a result of having finally closed this deal, which was almost 10 years in the making and developed the relationships and so forth.

Mr. ATKINS. That's right.

Senator RIEGLE. Now, that seems to me to be a reasonable figure in terms of the size of the sale.

Now, am I correct in remembering that there was also that if you had not worked out the commission figure that was acceptable to both sides, that you were susceptible to legal action by them against your company for whatever figure that they might want to press forward and the court might fine them?

Mr. ATKINS. Yes. We felt that the sum might have been much higher than the negotiated amount. The negotiated amount was not only the commission on this large sale, it also had the effect of terminating their contract. And I could see a billion dollars in additional business down the road, and so they received no commission whatsoever on future work.

Senator RIEGLE. On following business?

Mr. ATKINS. That's right.

Senator RIEGLE. Now, I gather—and if the committee has anything that refutes what I'm about to say, I would appreciate it if they would make it clear—but we don't have any information as a committee, insofar as I know, that that percentage figure of six-tenths of 1 percent on a sale of that size is unusual, that it is larger and, in a sense, constitutes some kind of a red-flag amount that would be out of keeping with the scale of the transaction.

As a matter of fact, I think, given the size of the sale and how long it took, that the ownership question aside, you made it clear what your understanding was of the ownership situation, but the amount, both as a dollar amount and as a percentage—and they have to be looked at together—was not something that was out of the ordinary, in light of the facts of this case, insofar as I am able to judge it.

Now, let's talk about Mr. Miller. You worked with him a long time, and I want you to comment, if you would, about him.

First of all, what was Mr. Miller's feeling in the company about bribes, push money, payoffs, overly large commissions that would get passed back under the table, and so forth? Describe for us, if

you would, what his position was on these matters, and what has he either said or put in writing as a matter of company policy?

Mr. ATKINS. Well, first of all, Mr. Miller is a very conservative person, and even though he is the head of a large corporation, let's say a \$2 or \$3 billion corporation, he maintains a minimum office staff; he is a no-frill man.

Senator RIEGLE. That will appeal to the chairman, here.

Mr. ATKINS. Well, that is very, very true. I think they have something like 125 people in all of the Textron corporate offices, which is a very limited amount.

But certainly Mr. Miller—every one of the 65,000 employees that Textron represents feels that Mr. Miller is a man of the highest integrity who would have no part of any kind of shenanigans.

Senator RIEGLE. Do you recall any situations where business was offered to the company where there were bribes or payoffs involved that would have been turned down outright?

Mr. ATKINS. Yes, I do.

Senator RIEGLE. Is it more than once?

Mr. ATKINS. Well, there is one major one that I'm thinking of.

Senator RIEGLE. Can you describe it for us?

Mr. ATKINS. Without naming the country?

Senator RIEGLE. Well, let's do it without naming the country at the moment. I don't think that that's the important part. I think the important part is the illustration.

Mr. ATKINS. Well, maybe two or three years ago, we had a call from a major country, and they wanted to buy so many aircraft. And our salesman was in the country, and there was a matter of whether we would agree to increase the price of the aircraft, and I said, "No, we would not agree to increase the price the aircraft."

Senator RIEGLE. And the idea was how would this money get funnelled back to that person.

Mr. ATKINS. Well—

Senator RIEGLE. Well, there was some arrangements, presumably?

Mr. ATKINS. Well, those details weren't worked out.

Senator RIEGLE. But the point is you were offered the business if you were willing to sell them at an inflated price and somehow this third-party goods came off, the difference?

Mr. ATKINS. That's right.

Senator RIEGLE. And what happened in that case?

Mr. ATKINS. We did not do the business.

Senator RIEGLE. And how big was that proposed sale?

Mr. ATKINS. That was probably about \$15 or \$20 million.

Senator RIEGLE. So, you're saying you refused it? In other words, once you understood the fact that that was the condition of the sale, you walked away from the sale?

Mr. ATKINS. We did not have a choice. That is the way you have to conduct your business.

Senator RIEGLE. And are you saying there were other situations like that, that when they came to light that the company would follow exactly the same practice?

Mr. ATKINS. Well, if there were, they probably did not even reach me, because the marketing department knows that we go on

one basis only; we don't get into any stowed-up prices or anything of that sort.

Senator RIEGLE. So, coming back to Mr. Miller—and it would not be fair to characterize him as somebody who is a corner-cutter or a guy who is a little flexible in terms of his standards of conduct and integrity—

Mr. ATKINS. Mr. Miller is inflexible as far as his integrity and the way he conducts his business.

Senator RIEGLE. I think it would be important—you've seen him for some time and you've watched him operate and so forth—I would like you to elaborate a little bit more because I think this is sort of what is before us, and it is awfully difficult for him to come in and sort of say those things about himself. And someone could argue that you are not a disinterested party, just like somebody could argue that Mr. Bell, who was sitting here before, is not actually a disinterested party.

But you've seen Mr. Miller close up. You are here as a sworn witness, and I would like you to describe as best you can, something of his integrity, his personal ethics, his standards of business conduct. I mean, what kind of a person is this? Because I'm concerned, if he's confirmed as head of the Federal Reserve, I think that dimension of his makeup and his history and his behavior is profoundly important, and presumably that is what this whole inquiry is aimed at, and I would like to hear you describe it for us as you have seen it.

Mr. ATKINS. All right, sir.

Of course, Mr. Miller heads Textron, which has some 30 divisions, and he has these 30 divisions in five corporate groups. He personally over the years has conducted business reviews in each of those divisions almost every year.

He is a man that—his integrity is unquestioned. His knowledge of each of those 30 businesses is amazing. His knowledge of the people in the corporation is amazing. He pushes equal opportunity at every chance he gets.

He is clearly an outstanding American, and, as I said earlier before you came in, Senator, that if Mr. Miller cannot be confirmed for this job, no American can.

Senator RIEGLE. Well, let me ask you this. Can you ever recall a time in your history in the business where you saw Mr. Miller compromise those standards in any way at all?

Mr. ATKINS. No, sir, I have never.

Senator RIEGLE. Have you ever heard anybody else say that he had?

Mr. ATKINS. No, sir, I have not.

Senator RIEGLE. Have you ever, in his private life, aside from his professional responsibilities?

Mr. ATKINS. No, sir.

Senator RIEGLE. What would be his reputation in the community that he has lived in?

Mr. ATKINS. Well, he has a ~~very much~~ reputation in the community. Of course, he is deeply ~~involved in~~ redevelopment of Provi-

dence downtown center. Of course, he has served on all the good national programs: the Alliance for Progress, and Savings Bonds, and all of those programs.

And really, of course, he is taking a great loss to be chairman of the board, and he is willing to do that because of his dedication to the country.

Senator RIEGLE. Well, you know, when he was first here, he was introduced—sometimes as is the practice in the Senate for the Senators from the home state to accompany a nominee and speak in his behalf, and sometimes it is real and sometimes it's the kind of gracious tokenism—but the day that he was here, Senator Pell and Senator Chafee, who represent the two parties, were here, and I think were probably as extemporaneously lavish in their kind comments and seemed to be genuine to me. I took both the Senators' comments on their face, based on what I think in both cases have been long years of history of personal knowledge, that this is not a person who would have even the slightest blemish that anyone could identify in their history that one could use even as the beginning point as a presumption that someone would come here and with their whole history, their whole career, their whole professional standing, put in jeopardy by testifying falsely before this committee.

And I frankly don't think that he did. I think that he was truthful.

But the thing that concerns me here is that the presumption, until we sort of resolve this matter, the issue still here is the question of Mr. Miller and the degree to which he was honest and straight in his dealings within the company.

Now, some have raised the question of management competence. Has there been any way that Textron as a corporation has been measured by any outside rating groups in terms of its success as a company and the degree to which it has been well run and well managed? In other words, could anyone fairly make the argument that Mr. Miller really was over his head in managing a company of this complexity, or has the record of the company over a period of years been quite outstanding?

Mr. ATKINS. Well, I think, really, that Textron has been considered one of the outstanding conglomerates in the United States. It has handled its companies in a very good manner over the years. We showed continuing growth in the corporation.

Mr. Miller has sorted out the good companies, and they are now the center of this total conglomerate. He has disposed of other companies which he did not think had the same opportunities. I would think—he is president of the National Research Council. I would say that he is considered an outstanding businessman in the total business community.

Senator RIEGLE. So, it would be fair to conclude, then, that he did not arrive there by accident, that he has a good and effective record of managerial exercise of responsibility over a long period of years.

My time has expired, Mr. Chairman.

The CHAIRMAN. Senator Schmitt.

Senator SCHMITT. Thank you, Mr. Chairman.

Of course, I'm most anxious to get to the testimony of the general counsel to try to understand this "open window" that I referred to, and possibly any knowledge that Mr. Miller may have had or not had on this issue, and the timing of that knowledge.

Mr. Atkins, I would like to ask you, as I have other witnesses, did you at any time talk with Mr. Miller while he was vice-president of Aerospace or president of Textron about the involvement of Iranian officials in Air Taxi?

Mr. ATKINS. Senator, I did not know of any involvement of Iranian officials in Air Taxi. And I certainly did not talk to Mr. Miller about it, because I did not have any knowledge of it.

Senator SCHMITT. And your knowledge presumably came about the same time as Mr. Miller's, and that is the consequence of these hearings?

Mr. ATKINS. Would you repeat that, Senator?

Senator SCHMITT. Your knowledge of the involvement of men like Khatami, General Khatami, in the affairs of Air Taxi came, as apparently did Mr. Miller's, as a consequence of the discussions during Mr. Miller's confirmation hearings?

Mr. ATKINS. Yes, sir, Mr. Schmitt, and the problem still remains that we have not seen anything that says General Khatami had a relationship with Air Taxi.

Senator SCHMITT. Have you had access to the staff report?

Mr. ATKINS. Yes, sir.

Senator SCHMITT. And you feel that within that there is no definitive evidence that General Khatami had a financial interest in Air Taxi?

Mr. ATKINS. That's right. I see allegations in there, and then they mention CIA reports and intelligence reports, and, of course, I don't know whether those are reports that are allegations again, or whether they are really based upon facts. We don't have that kind of knowledge.

Senator SCHMITT. Mr. Atkins, can you describe very briefly your perception of the events leading to the negotiation of amendments 1, 2, and 3 that eventually provided \$2.9 million, as what your records apparently show to be listed, maybe in shorthand, as a commission, but has been referred to by Mr. Miller, if I remember correctly, as termination fees or accumulation of different kinds of fees?

Mr. ATKINS. All right, Senator, let's go back to the fact that Air Taxi was our representative for the years 1959 to 1964. During that period of time, they received very minimum commissions, perhaps on spare parts or something of that type, of maybe \$20,000 or \$25,000.

They became our representative again in 1968—

Senator SCHMITT. Do you, by any chance, remember why they were terminated in 1964?

Mr. ATKINS. No. And I brought that up before. If we had known that General Khatami was a member of Air Taxi at that time, why would we have moved over to Mr. Felton's organization that had no contacts in that country?

The CHAIRMAN. Will the Senator yield at that point?

Senator SCHMITT. Yes.

The CHAIRMAN. You mean he might move over because of the fact that General Khatami was an official, and if you were paying him a commission you were paying him a bribe?

Mr. ATKINS. Well, if we had known that, sir—but we had no knowledge of that.

The CHAIRMAN. Well, that's right. But that would be the real reason you would do it.

Mr. ATKINS. Yes, sir. And it ought to be.

Senator SCHMITT. I think Mr. Atkins was implying that if they were out to pay off General Khatami, that is not the move they would have made.

But would you continue with amendments 1, 2, and 3.

Mr. ATKINS. Anyway, in 1968, we signed a new agreement with Air Taxi. We went into a marketing program that started in 1970. As we moved into the 1972 timeframe, we recognized that we were going to make some sort of a large sale. I think I testified before that I thought—in June of 1972, I thought the sale might be 300 ships, it could be 500 ships. So, there was a team of three of us that were the principal people working the sale: Mr. Sylvester, Mr. Rudning, and Atkins.

Rudning was a contract man, so, as we approached, as we moved through 1972, I said to Mr. Rudning, "Let's negotiate an amendment to establish a percentage commission on the sale so at least we have a feeling on the sale." And he and Mr. Sylvester negotiated that first amendment, which came up at that 2½ percent commission.

Well, then, in late August, early September, His Majesty made the decision on the program. And when I met with him about that decision, he said to me, "This is going to be an FMS sale." I said, "Fine."

So, we fell back and said, "Well, if this is going to be an FMS sale, we ought to try to tighten up this commission, especially now that His Majesty has decided on 489 aircraft."

So, at that point, Rudning and Sylvester again renegotiated that agreement, and it went to amendment 2, and we established a 1 percent commission on an FMS sale.

OK. That was late 1972.

In early 1973, the Government of Iran, in talking to us, had become concerned about the whole commission matter and said, "Look, we're not going to pay a large commission on this sale, whether it is an FMS contract or direct contract."

And these discussions went on, and General Toufanian, in particular, said to me, "I'm willing to pay something that might approximate Air Taxi's costs." And so, we tried to get some records from Air Taxi to back up what they had expended.

Now, we did not expect a basic commission on what they had expended, but we thought the allowable commission could be based on what they expended. So, the negotiation went on. We could not establish what they expended. They had a big operation, and this was a piece of it, and there was no way of breaking the costs down.

So, Rudning and Sylvester again were trying to negotiate amendment 3, and they were having trouble. They could not reach a settlement, and at some point they asked me to step in, and I stepped in, and we finally came to this \$2,950,000 as settlement not only for this particular contract but for all future business that we might receive.

Senator SCHMITT. Now was there anything in the sequence of events that might have triggered any unspoken or unwritten involvement by Mr. Miller?

Mr. ATKINS. During the sequence of events I kept Mr. Miller informed of the general framework of what we were doing, and the general limits that we were trying to operate within. And actually, I made the decision on the final payment that was made to Air Taxi.

Senator SCHMITT. There was nothing to trigger a more indepth review of Air Taxi's management structure than what had already been done?

Mr. ATKINS. Well, the only thing that happened was, in the final negotiations we decided that we needed a board of directors' resolution authorizing this transaction. And we requested Mr. Zanganeh to come up with a board of directors' resolution authorizing him to make the settlement.

At that time they voluntarily, and without a request from us, signed as the 3 100-percent shareholders of the company. And that was the original people that had been listed in the D&B report in 1970.

So they gave us a certification, an affidavit, that they were the 100 percent owners of Air Taxi at the time of the payment.

Senator SCHMITT. And so from your perspective, then, there was no reason for you to have found out, much less Mr. Miller, about the allegations, the so-called common knowledge, that General Khatami was part of the Air Taxi structure?

Mr. ATKINS. That's correct, sir.

Senator SCHMITT. Can you explain why the \$2.95 million is referred to in your records as a commission, when apparently you and Mr. Miller and everybody felt it was more than a commission?

Mr. ATKINS. Well, the moneys we pay to representatives are normally called commissions, and I assume that is why it was referred to as such. But I assume it was a settlement for past and future services.

Senator SCHMITT. Well, Mr. Chairman, I again detect that, at least insofar as the witnesses we've had today on this one window into the issue, either have no reason to inform Mr. Miller, or for various reasons, did not, about the possible involvement of General Khatami or other Iranian officials in Air Taxi. So, again, I think we need to move on and examine the other window that we still have opened.

And I think I would also like to add, even though the red light is on, that once again I personally, at any rate—and I don't think the committee is trying to investigate Bell or Textron; we're trying to understand the suitability of Mr. Miller to be chairman of the Federal Reserve Board.

The CHAIRMAN. Well, of course I agree with that. And I think the Senator from New Mexico deserves a lot of credit for keeping—hammering away at that. And he should, because I think there is a tendency to get too far afield.

But nevertheless, I think you understand, Mr. Atkins, that we have to get into this because—we have to understand thoroughly, it seems to me, this \$2.9 million payment. We have to understand the relationship to Air Taxi; the knowledge of Air Taxi; in order to also understand that the chief executive officer of Bell, Textron, the man who is responsible for the aerospace division, knew, or should have known, in general, to judge his conduct.

Now let me ask you this You said that you testified just now that you and Mr. Sylvester and Mr. Rudning worked as a team to make this sale?

Mr. ATKINS. Yes, sir.

The CHAIRMAN. Now a document recently supplied—and I stress recently; it was only a day or 2 ago—by Textron indicates that General Khatami was one of four people in Iran who had influence over the sales of helicopters to the government.

Do you agree with that conclusion? That was a memo by a Textron officer relative to a conversation with Mr. Sylvester. That was Mr. Sylvester's conclusion as reported by a Textron official.

Mr. ATKINS. I agree that General Khatami was a very influential man in the country, and a very good aviation expert; yes.

The CHAIRMAN. Why wasn't that document supplied to the committee prior to Mr. Sylvester testifying under oath? Incidentally, that document completely contradicts Mr. Sylvester's testimony.

Mr. ATKINS. I have not seen the document. Is that a Bell document, sir?

The CHAIRMAN. It is a Textron document, I understand, supplied by Textron Interoffice Correspondence, dated April 30th, 1975: Dobson-Burkdall notes, submitted by BJS, reporting a conversation they had with Mr. Sylvester, who was your official at Bell.

Mr. ATKINS. Yes; but I don't know what the document says. I have not seen it, sir.

The CHAIRMAN. Well, we will give a copy of the document to you, and I will read it.

Developments in Iran, Frank Sylvester, vice-president of International Marketing, for Bell Helicopters is extremely knowledgeable. Sylvester advises that there are only four or five people in all of Iran who are influential in getting defense contracts. Mahavi is ATI agent in Iran; very influential with Khatami, who is married to the Shah's sister.

And then on the next page:

Zanganeh is arranging—

It's hard to read this because it is in handwriting and not printed—

Is managing director of Air Taxi, Bell's agent in Iran. And is the man that Sylvester suggests using as a contact in order to get Khatami's ear and try to turn him around on buying ATI.

Senator RIEGLE. Mr. Chairman, could I just inquire—I heard you read that, and I've looked at that before.

What is the inference that you're drawing from that document?

The CHAIRMAN. Well, I'm asking how influential General Khatami really was, in their judgment, in view of the fact that this was a conversation with Mr. Sylvester. He was an official of Bell Helicopter. This is Mr. Sylvester that is being quoted. And how close Zanganeh was to Khatami.

My questions were: One, do you agree with Mr. Sylvester's concerning General Khatami's role in Iran? And you say you did, actually.

Mr. ATKINS. Well, the systems they're talking about are for the air force, so I'm sure General Khatami would have the final say on whether that equipment was procured for the air force or not.

I really had not seen this document, but I think Mr. Sylvester is expressing an opinion that the place to go to sell this program would be to the top of the air force.

The CHAIRMAN. And also through Mr. Zanganeh?

Let me proceed to something else, and I may come back to that. This was foreign military sales; is that correct?

Mr. ATKINS. The 489 ships?

The CHAIRMAN. Yes, sir.

Mr. ATKINS. Yes, sir.

The CHAIRMAN. Applicable regulations provide for a possible dealer commission be allowed as a cost to be included in the contract price; is that correct?

Mr. ATKINS. That's correct.

The CHAIRMAN. In Iran, must also be approved by the Iranian government, as I understand it.

Mr. ATKINS. Not at that time.

The CHAIRMAN. Now, was the \$2.9 million payment to Air Taxi as a cost in this contract?

Mr. ATKINS. There was not \$1 of that cost that was charged to that contract.

The CHAIRMAN. That's right, so you could not put it through the contract; you had to take it out of your own profits?

Mr. ATKINS. That's correct, sir.

The CHAIRMAN. Now, as I understand it, at this point the Army knocked down to \$1,000 their judgment as to what the commission should be; \$1,000 per helicopter, per ship; \$489,000. Now you're shaking your head. Why?

Mr. ATKINS. Because, sir, that \$1,000 was my \$1,000. I caused that to be put in at \$1,000. I testified to that, I think, to the staff.

The CHAIRMAN. What did you claim originally in the first contract?

Mr. ATKINS. I think there were several proposals before we got to a final one.

The CHAIRMAN. The first one.

Mr. ATKINS. I think it might have been 1 percent; I don't remember exactly.

The CHAIRMAN. What would that be in dollar terms?

Mr. ATKINS. It would probably be \$4.5 million.

The CHAIRMAN. Now were there negotiations between Bell and the Army about that \$4 million figure?

Mr. ATKINS. I don't know whether there were or not sir. Mr. Rudning was handling that. But I think that we had submitted a

proposal. We put that commission in there because that was covered by amendment 2.

At the same time we told the Army that we were negotiating amendment 3. And so, at the same time, General Toufanian had come back and said he wanted to recognize only reasonable cost. And as a result of that, the \$1,000 a ship was the figure that I put in, and then wrote—Toufanian came through with a message to DOD saying he would not pay any amounts on FMS contracts. DOD talked to me about it, and I withdrew the \$1,000 per ship.

The CHAIRMAN. So do I understand you right? Are you saying the \$489,000 is a reasonable amount?

Mr. ATKINS. That is just a judgment figure that I used for something that might be cost.

Now, people have different figures. I think Rudning feels the figure was \$1 million or \$1.2 million, or something like that. But it is just a figure that I put in of what might be their cost.

The CHAIRMAN. Was it the Army's judgment that this would be reasonable?

Mr. ATKINS. I don't think the Army made a judgment sir.

The CHAIRMAN. Well, the \$2.9 million then was paid outside of the applicable regulations on FMS contracts; is that right?

Mr. ATKINS. Yes; it was a payment by Bell to its representative out of its profits.

The CHAIRMAN. Now why did you pay an amount that was in excess of a reasonable amount?

Mr. ATKINS. Well, in any kind of a commission sale, the cost of obtaining the sale has nothing to do with the compensation that is paid to the representative.

The CHAIRMAN. Well, you started off, Mr. Atkins, by telling us that 85 percent of the sales made by Bell officials

Mr. ATKINS. By Bell products.

The CHAIRMAN. The other 15 percent was what?

Mr. ATKINS. Well, the sale was—to me, that was a big sales program. And it takes that to win any program. But if you have a winning product, your sales possibilities are certainly heightened by that winning product.

The CHAIRMAN. I understand. You did say that 85 percent would be because of product. Who did the selling?

Mr. ATKINS. I would say that the selling started out to be done by Air Taxi. I would say that in 1970, late 1971, early 1972, we took over the sales program. They were supporting us, and we were leading the sales program.

The CHAIRMAN. Now the contract that you had, signed by Mr. Zanganeh, says in part:

The representative shall not be entitled to receive any termination payment or compensation of any nature because of termination of the agreement.

Mr. ATKINS. Yes, sir.

The CHAIRMAN. And yet you paid \$2.9 million.

Mr. ATKINS. That was not for termination of the agreement. That was for services performed in a big contract that was in the process of being signed.

The CHAIRMAN. And what were those services?

Mr. ATKINS. The services? I went through those before. Basically, they represented us in the early days of the program. They introduced us to the right people. They helped us with the Farsi language; they helped us with the culture of the country; they helped us with our logistics problems in doing the demonstration. They were of considerable service to us.

The CHAIRMAN. But all those services you just told us were worth, in your judgment, about \$489,000 in costs?

Mr. ATKINS. I am saying that is what they might have expended. That is purely a guess on my part.

The CHAIRMAN. So what you told us—you told us earlier, at least at one point, that you felt that if you went to court, you might have been obligated to pay more than that.

Mr. ATKINS. Oh, yes, sir.

The CHAIRMAN. You went to court on a \$28 million sale, however, not long before that, and were able to settle for \$90,000. Is that correct?

Mr. ATKINS. That, sir, was a different situation. First of all, that is Turkey you are talking about, and it was a giveaway program by the United States government, and the dealer, under the terms of our agreement, was not entitled to any commission. And we had to, because it was a giveaway program. And we had to—we were being sued in New York courts on that termination, and finally our lawyer settled for \$90,000.

The CHAIRMAN. Think of the very powerful position you would be in court on this one, because the Shah had indicated he did not want any commissions to be paid.

Toufarian indicated he did not want payments—commissions to be paid.

Mr. ATKINS. They didn't want commissions to be charged to their contracts. There is a difference.

The CHAIRMAN. But if they sued, wouldn't they have to show their costs?

Mr. ATKINS. Well, sir—

The CHAIRMAN. And you contend they would get a settlement of six times their costs?

Mr. ATKINS. Take a real estate situation. You buy a \$50,000 house, and an agent maybe earns 6 percent. The next house sells for \$500,000. And he probably still gets 6 percent. Right?

The CHAIRMAN. Well, Mr. Atkins, if you want to stop and talk about the real estate business, of course, that is something else.

Mr. ATKINS. Well, let's talk about aircraft commissions, then. Each Cessna and Piper pay 25 percent on aircraft.

The CHAIRMAN. Yes; I've read that in the testimony, and I understand that well. But you testified to us, that in the first 5 helicopters, you sold 5 helicopters—5 percent, 10 percent; it might be perfectly reasonable. But when you sell 489 helicopters, when you sell them under the circumstances, that it seems to me that that is a very happy commission indeed, particularly when, as you point out, the costs are probably less than half a million dollars.

Mr. ATKINS. Well, sir, on a normal sale of those 5 helicopters, the representative would receive probably 6 percent. Now, here he receives six-tenths of 1 percent.

Senator RIEGLE. Would the Chairman yield at that point?

The CHAIRMAN. My time is up. Would Senator Schmitt permit me to yield time without taking it out of his time?

Senator SCHMITT. I'm very generous.

Senator RIEGLE. I thank the Senator. He normally is very generous.

On this letter or memo from Sylvester that you were trying to read from earlier—and I agree that it is hard to read from—but I noticed here on one of the points it says, "Sylvester advises that agent's commission typically runs 5 dash to 7½ percent of the contract price."

I assume that sort of fits the range of what you say is the standard sort of 6-percent figure. Now, I can understand, it is not hard for me to understand, when you are using your own money to pay the commission, that you would have liked to pay the smallest possible commission that you can get away with. And I'm not surprised that you went in with a very lean, sort of tight-fisted sort of suggestion of \$1,000 a helicopter.

But it's also not surprising to me that in terms of the length of time that it involved here; in terms of the buildup and the development of this sales environment; and finally, cashing in on this big order, and negotiating a commission, which is in a sense to relieve you of the obligation of the court suit, when you might in fact end up paying more, when you come away paying six-tenths of 1 percent; I don't think that is an excessive amount in light of these facts.

It is a matter of judgment. But it just seems to me that if it were a figure of \$20 million or \$40 million or something that clearly stuck out like a sore thumb, I think that would be one thing that, on the face of it, would make it fishy.

But it seems to me that the amount here is within the bounds of reason, in terms of the case-facts that we have in front of us.

Now, that is just my own judgment, and I thank the Senator for yielding.

Mr. ATKINS. You know, Senator, if you have read the various stories that have appeared in the press over the last 2 or 3 years about commissions and the amounts that have been paid, this commission would be much, much lower than anyone of those you've seen in the press.

The CHAIRMAN. Senator Schmitt.

Senator SCHMITT. Mr. Atkins, did you ever have an opinion expressed by Mr. Miller about this figure of \$2.95 million?

Mr. ATKINS. Yes. We talked about it considerably. In fact, as we went through amendments 1, 2, and 3, we talked about it. I pretty much set myself a target somewhere in the \$3 million area, and he recognized I was aiming in that area.

The representative, on the other hand, I think was looking for something like \$5 million. And we settled at this \$2.95 million, after a very, very hard negotiation.

Senator SCHMITT. And the representative might have expected even more than \$5 million, might they, based on previous amendments, such as the 2.5 percent?

Mr. ATKINS. In addition to that, Senator, since that time we've received at least an additional \$1 billion in business that brought the commission down two-tenths of 1 percent.

Senator SCHMITT. Why do you think Air Taxi agreed to \$2.95 million?

Mr. ATKINS. I think they agreed to it because they understood we were going to pay it out of our profit. I think that is the main reason. And, of course, we are pretty good negotiators, and we were concerned about the fact that we were paying it out of our own pocket. And I think they took that into consideration in making their decision.

Senator SCHMITT. What do you think, if they had wanted to insist on the 2.5 percent, what would have been your comeback position?

Mr. ATKINS. I think if they were going to insist on the 2.5 percent we might as well have taken them to court.

Senator SCHMITT. And what would have been the basis for your argument? What would you have done in court?

Mr. ATKINS. Well, by the time we got to this, we were down to 1 percent, because amendment 2 was 1 percent, and between the 1 percent and the \$2.95 million, there must have been a way to compromise that, probably.

Senator SCHMITT. Do you think you could have won that case in court?

Mr. ATKINS. I don't know, sir, I really don't.

Senator SCHMITT. Wouldn't it have been tough to get out of that amendment, No. 2?

Mr. ATKINS. It would be, and especially when 1 percent is not a very large commission. If you will check on any of the big aviation programs, you'll find that they have ranged anywhere from 3 to 7½ to 10 percent. So it was a pretty negligible commission, considering the size of the sale.

Senator SCHMITT. Mr. Atkins, were you aware of Mr. Miller's request for the general counsel—and I apologize, every time I start to use your name, sir—I'm not sure, but were you aware of the request for another look at that \$2.95 million payment, to see if there might not have been some problem with the ownership of Air Taxi?

Mr. ATKINS. Well, I don't believe the thought was, there was anything wrong with the ownership of Air Taxi. I believe that Touch Ground was about to do a registration statement, or something of that type, and Mr. Soutter considered the fact that he should have some kind of review of the Iranian commission. And he came down to the plant with Mr. Ames, and he conducted his review, and in the course of that, I talked with him, and several of the people involved in the sale talked with him.

Senator SCHMITT. And at that time, because you had no knowledge, and the people with whom you talked had no knowledge of this alleged association, by General Khatami with Air Taxi, that was never brought up as a subject; is that correct?

Mr. ATKINS. That is correct. To the best of my knowledge, it was not brought up.

Now, I was not with him all the time he was in Fort Worth. But as far as I know, it was not brought up.

Senator SCHMITT. And in your dealings in Iran—and you've been over there how many times?

Mr. ATKINS. Twenty-five; twice by the time we made the first sale but I've been there 25 times since.

Senator SCHMITT. And prior to that discussion on the relook at the 2.95, you have been there many times?

Mr. ATKINS. Oh, yes, sir.

Senator SCHMITT. And you've never heard any of these things that the staff has come up with that tend to indicate, at any rate, that Khatami's association with Air Taxi was common knowledge?

Mr. ATKINS. That's right. And I looked through some of those names that I heard. Most of them I don't know.

Senator SCHMITT. Some of them imply ownership; some of them just imply association or control or something like that.

Mr. ATKINS. They sounded like rumors that were going around in the community.

Senator SCHMITT. But would it be your impression that a man of Khatami's position in the Iranian government even without a financial interest, might exercise some influence over Air Taxi?

Mr. ATKINS. I would not think so. At one point way back he, of course, was also in charge of civilian air matters. But I guess for most of the years I've been going over there, he's only held the one job of commanding general of the Air Force.

Senator SCHMITT. Mr. Chairman, I have no further questions. I would yield to my colleague from Massachusetts, if he wishes.

Senator BROOKE. Just one or two questions.

So far Mr. Atkins, all we have is a statement by Mr. Bell that he told Mr. Jose, and that they subsequently went to Mr. Ducayet.

Mr. ATKINS. Yes, sir.

Senator BROOKE. And Mr. Ducayet does not recall that, and now you say that you had no knowledge of that.

Mr. ATKINS. That's correct.

Senator BROOKE. And Mr. Miller at no time discussed Air Taxi or General Khatami's ownership of it with you.

Mr. ATKINS. No, sir.

Senator BROOKE. To your knowledge, no one—you never discussed it with anyone in your organization; is that correct?

Mr. ATKINS. Did Mr. Miller discuss it with anyone in the organization?

Senator BROOKE. That's correct.

Mr. ATKINS. To my knowledge, that's correct.

Senator BROOKE. To the best of your recollection Mr. Miller had no knowledge that General Khatami was the owner of Air Taxi.

Mr. ATKINS. That's correct, sir.

Senator BROOKE. And when you were in Iran and met with General Khatami nothing at all was discussed about the ownership of Air Taxi?

Mr. ATKINS. That's correct, sir.

Senator BROOKE. And all you've ever heard, to your knowledge, are rumors, as you have so classified them?

Mr. ATKINS. Well, I've never heard any of those rumors directly. I've read some of them in some of these reports, but I've never heard them directly.

Senator BROOKE. Prior to reading them in these reports, with Mr. Miller being nominated for the Federal Reserve, did you hear any rumors to that effect?

Mr. ATKINS. No, sir.

Senator BROOKE. Did you ever have any conversations with Mr. Ducayet relative to the ownership of Air Taxi?

Mr. ATKINS. No, sir. Well, Mr. Ducayet was with us through the year 1972, and basically I was handling the running program, and I kept him updated on the program as it progressed, and he recognized what we were doing on amendments 1 and 2 and so forth.

Senator BROOKE. Why did your general counsel conduct an investigation?

Mr. ATKINS. I believe because he was going into a registration statement.

Senator BROOKE. There is no direction of any official of Textron or Bell Helicopter to your knowledge?

Mr. ATKINS. Sir, you will have to ask Mr. Soutter about that.

Senator BROOKE. It certainly was not at your direction.

Mr. ATKINS. That is correct.

Senator BROOKE. Did you receive any report from Mr. Soutter?

Mr. ATKINS. No, sir, I did not.

Senator BROOKE. Did you ever see a report from Mr. Soutter?

Mr. ATKINS. I have recently.

Senator BROOKE. Prior to the nomination?

Mr. ATKINS. No, sir, I never saw the report prior to the nomination.

Senator BROOKE. Do you have any knowledge as to why Textron did not cooperate with the SEC in the voluntary disclosure?

Mr. ATKINS. I think, sir, the main reason that we did not volunteer was that we all thought we have a marketing organization around the world; we have 40 of these representatives; and we think we have made payments only properly, and as far as we know none of this money has been used for unlawful purposes. So, therefore, there did not appear to be any reason to report it.

Senator BROOKE. There was nothing questionable?

Mr. ATKINS. That's right, sir.

Senator BROOKE. And therefore, you felt that since there was nothing questionable, there was no necessity for you to cooperate with the SEC in voluntary disclosure?

Mr. ATKINS. That's right, sir.

Senator BROOKE. Do you remember William French?

Mr. ATKINS. I've never met Mr. French.

Senator BROOKE. Do you know that he did represent Bell Helicopter in Iran during the 1960's?

Mr. ATKINS. I did not know it until this investigation had started. In fact, I was not questioned about it at Fort Worth, and later, when I heard about International Consultants, I did not even know that Mr. French would be the man. So, I have no knowledge of Mr. French.

Senator BROOKE. You did not know that Mr. Bell represented Mr. French until this investigation? And you're talking about the committee's investigation?

Mr. ATKINS. Correct.

Senator BROOKE. Do you know anything about authorizing travel by Bell officials to Iran in 1967 to investigate the alleged ownership of General Khatami's interest in Air Taxi?

Mr. ATKINS. In 1970?

Senator BROOKE. 1967.

Mr. ATKINS. I probably knew that a team had gone out to Iran. I can't say that I knew that they were investigating General Khatami.

Senator BROOKE. Did you know the purpose for this trip to Iran?

Mr. ATKINS. Yes; I would say that they were looking at the representative situation and attempting to decide what to do.

Senator BROOKE. Well we have evidence that they went to Iran for the purpose of investigating the alleged ownership of General Khatami in Air Taxi.

Mr. ATKINS. Yes, sir, that is what Mr. Jose said.

Senator BROOKE. Well, if you knew that, isn't that contradictory to what you just said, that you never heard of any ownership of General Khatami until the committee investigation into it?

Mr. ATKINS. No, sir, I don't think that was disclosed to me that they were going out there to investigate that General Khatami was a part-owner of Air Taxi.

Senator BROOKE. You just suggested that to the committee just a minute ago. You just said that you did know. I'm not quite clear. I'm not trying to confuse you; I just want to get the facts.

Mr. ATKINS. Well, I did not recognize that that question was up in the air.

Senator BROOKE. Well, what did you think they went for?

Mr. ATKINS. Well, they were going out to look at a new representative. I think I probably had heard that Mr. French was *persona non grata* and that seemed to be a perfectly reasonable thing to do. But I don't think they ever came to me and said, "We are looking at General Khatami and his connection with Air Taxi."

Senator BROOKE. Did you know that General Khatami was the subject of their inquiry?

Mr. ATKINS. I would say, Senator Brooke, that in 1967 I did not even recognize that General Khatami was chief of the Iranian Air Force.

Senator BROOKE. Well, that might be true, but that is not really responsive to my question, whether he was or whether he was not.

The question I asked is whether you knew that the team went there to investigate the alleged ownership of Air Taxi by General Khatami?

Mr. ATKINS. No, sir, I did not know that.

Senator BROOKE. Do you recall the reason why Mr. French's agency agreement was terminated by Bell Helicopter?

Mr. ATKINS. Actually, as I say, I think I knew that we had an agent that was persona non grata in Iran, and I think that is about what I knew about it, and I would expect that if that were the situation that he would be terminated.

But, again, Senator, the big thing here is that so small amount of our business was Iran or Asian that the management of the company did not put a lot of emphasis on that business at that timeframe.

I testified before I think we sold 15 transports in all of Asia in 4 years. So, that was not a burning fire with us. We were fighting the battle of trying to get 2,000 ships for the U.S. Army, and I was in the middle of the production operations, and I really was not worried about some representative in Iran at that point.

Senator SCHMITT. If the Senator would yield—they were also trying to get NASA to buy a lunar flying machine.

Mr. ATKINS. And we did, too.

Senator SCHMITT. Well, you got them to consider—I mean the backpack machine.

Mr. ATKINS. That was the Buffalo plant that was doing that, but we have the XV-15 flying for NASA right now.

Senator BROOKE. Well, I can understand that the volume of the business was so low that certainly the level of the vice-president or the president of the company and certainly the president of the parent company may not have any information.

Actually, though, at one time there was the question of this fee or commission being in the neighborhood of \$6 to \$10 million.

Mr. ATKINS. Yes, sir.

Senator BROOKE. Before negotiations.

Mr. ATKINS. Yes, sir.

Senator BROOKE. And I would suspect that that might be a sufficiently large sum of money to require the attention of the group vice-president and maybe the president of the company.

Mr. ATKINS. Well, sir, I think I've testified that Mr. Miller and probably Mr. Ames, both—Mr. Miller probably recognized amendment 1 and 2; Mr. Ames and Mr. Miller recognized amendment No. 3. And I did talk to them about it and I did scope it with them, and I did background them in what we were doing.

We operate, Senator Brooke, on the basis that we bring to Textron the unusual things, the things that flow in the normal course of business we would not bring to Textron.

But, for example, we just had a major meeting on a major research and development program that we want to conduct, and our exposure on this thing is going to be \$100 or \$150 million. Now, that is the kind of thing that we like to bring to Textron.

We would also bring to Textron something like our capital expenditure budget, and we will, say, for the next year we want to

spend \$10- \$20- \$30 million, whatever it is, and that would go before Textron. But basically they gave a great amount of autonomy to the presidents, and the normal selection of a representative or something of that type would not be something that we would bring to them.

Senator BROOKE. Well, I won't pursue the questioning any longer, except to say that it is not always the dollar volume that is involved. There is the matter of the integrity of the company, and as you said when you first addressed the chair, you are personally concerned and your corporation is concerned about the corporate integrity as well as individual integrity. And it seems to me that if General Khatami's interest in Air Taxi were a matter of corporate integrity, it was also a matter of, as Mr. Ducayet and Mr. Jose both testified, being contrary to a corporate policy against dealing with any sort of kickback arrangement and that it would be a matter that would merit not only the attention of the president of the company but of the board of directors. And if I were sitting on the board, I would certainly want to know about the matter that concerned the integrity of the corporation and, potentially, the future life of the corporation.

Mr. ATKINS. Yes, sir, and I think you brought up the very reason that I discussed the whole thing with Mr. Miller and Mr. Ames. The amount of money—I make \$20 million decisions every day of the week, but here was something that was a little bit different, and that is why I fully disclosed it to them before we carried it out.

The CHAIRMAN. Before I yield to Senator Reigle I would just like to make one quick observation and ask for your reaction to it.

I think all of us, Mr. Atkins, are impressed by your obvious competence and intelligence. You are clearly a very able man. I think Textron and Bell are very fortunate to have you as a top executive, and as soon as I looked at the transcript of your testimony before us, I was very impressed.

But I cannot understand, for the life of me, how a man who is as alert and intelligent and aware as you are could go to Iran 25 times and not hear about Khatami's ownership, in view of all of the documentation we have.

I've got an affidavit here from Harold L. Price, stating that, "General Khatami informed me in late 1969, early 1970, that he had an interest in Air Taxi." The political and military affairs officer in Teheran, Mr. Rouse, said he knew it in 1968 and 1972; and furthermore, it was widely assumed among Iranians and U.S. businessmen with defense industries that Khatami did have an ownership in Air Taxi.

The deputy chief of mission in Iran said he knew it in 1969. The counselor of economic affairs knew it and said it was fairly common knowledge in the U.S. and Iranian aviation circles.

The commercial attache, Mr. Wesley, said it was an accepted fact by those in the aerospace business and those doing business with Air Taxi.

And Ambassador Andrew Trabon said he knew about it. Former General Hamilton A. Twitchell, chief of the military adviser group in Iran, knew about it.

It seems to be such common knowledge among these groups, and they specified that in your business it was well known that General Khatami was an ownership of Air Taxi.

And yet, with your awareness, your sensitivity, your concern about this sale, and the fact that you were dealing with Air Taxi, you did not know it.

How do you explain that?

Mr. ATKINS. Well, Senator, I think this. By the end of 1972, I had been in the country twice. That is when the sale was concluded.

The CHAIRMAN. Well, you said you did not know it until 2 weeks ago.

Mr. ATKINS. Yes, sir. But let me go on.

About that time, to me, there was a decided change in the morale of the way business was being done in Iran. Now, these rumors might have been going around in these circles, and I could not keep track of all the names you were talking about, but the only one I knew on that list was Mr. Miklos, and I know he did not bring it up to me.

General Twitchell knew we were selling the program, and he knew that Air Taxi was involved as our representative, I'm sure, and I don't think that he ever—I don't think I ever met General Twitchell, but some of our people did.

So, what was common, perhaps, inside the embassy in Teheran was not necessarily common to somebody like myself who came to the country on a spot occasion.

The CHAIRMAN. Well, they're saying it was common among aviation interests and aerospace people.

Mr. ATKINS. Well, I don't know what they mean there.

The CHAIRMAN. How about General Jablonsky? Do you know him?

Mr. ATKINS. I think I met him once in Fort Worth.

The CHAIRMAN. Does he have a reputation for integrity and honesty?

Mr. ATKINS. He certainly has.

The CHAIRMAN. He said, "I heard General Khatami was chairman of the board of directors of Air Taxi." He went on to say that, "I first heard that General Khatami was chairman of Air Taxi in approximately 1966," and so on.

How about General Price? Do you know him?

Mr. ATKINS. I don't know General Price.

Senator SCHMITT. I can, in a way, sympathize, although I am far from finished with questioning of future witnesses, but I can sympathize with Mr. Atkins, that you might not have found out, and I doubt if you had quite the staff investigation looking for this that we have had.

It is conceivable that on 2 visits and maybe even on 25 visits that this subject would not come up. I, at least can conceive of that happening.

Mr. ATKINS. And you know, it is 6 years in hindsight, too, Senator, and that makes a big difference.

The CHAIRMAN. Senator Riegle.

Senator RIEGLE. Thank you, Mr. Chairman.

Then, in 1973—you were in 1972 and I gather you may have made orientation trips to Iran before, but then in 1973 you got this Dun & Bradstreet—somebody in the company did.

Mr. ATKINS. That was in 1970.

Senator RIEGLE. In 1970 the company got what they felt was an authoritative crosscheck on who owned Air Taxi, so it is not as though you did not have hard evidence to the contrary of the suppositions that have been put here about General Khatami's involvement.

So, in other words, you went in, presumably on the strength of independent expertise that you would normally turn to on ownership so you would have in hand something that would be exactly contrary to what now—sort of the rumor mill and the people that we've located say that they thought or they had heard or they were generally in the belief of the situation at that particular time.

But what you've testified to—and I listened very carefully to the way you responded and you have not been equivocal—in other words, I have not heard you hedging in terms of saying that you are clear in your own mind that this issue never arose to you from anybody within your company or from anybody outside your company.

Mr. ATKINS. That's correct, sir.

Senator RIEGLE. Well, I think that is significant, and it also seems interesting to me that as a company you are still not sure today, you are still expressing doubts as to what exactly may have been the role of General Khatami in this whole scheme of things. And he is not alive anymore. So, I assume that, despite the thoroughness of the investigations, we have not been able to get a hold of his estate in terms of what happened to the disposition of his assets upon his death or what they may have been.

But, insofar as I know, we do not have an ironclad case that can resolve for you the question that still remains in your own mind as to exactly what his role may or may not have been with respect to an ownership interest, a cancelled check, an endorsed, that was cash to go, notwithstanding.

Now, it's also significant to me that you were willing to go to court and considered going to court to beat down the Iranians on this commission.

Mr. ATKINS. That's right.

Senator RIEGLE. And I can understand why. I mean, the logic of that makes sense to me. It was coming out of your own profits. You were prepared to drive a tough bargain and you drove as tough a bargain as you could, and you had contemplated and were prepared to go to court if you could not exact the figure that you felt was less than—that was a better break for you than what you thought a court would give you.

Now, it seems to me that if we were to take the reverse supposition that somehow everybody in Textron was wired into the fact that Khatami was part of the deal and we can draw all of the negative and sort of scheming inferences that that requires, it seems to me that you would have been very disinclined to think about going to court, that you would have been much more in-

clined to pay whatever you had to pay to keep from going to court, that your whole impulse would have been to steer clear of that no matter what and that would not have put you in a strong position to drive a tough bargain. And, as a matter of fact, you drove, I think, a remarkably tough bargain.

And I think that if anybody were to try to decide whether the people who negotiated finally the commission for Air Taxi would be entitled to a "Golden Fleece Award," that they would not qualify because the percentage commission just does not qualify, according to the "Golden Fleece Award" standards that I normally see used, to make this a large enough figure percentagewise or in absolute dollars to have it look like, in effect, that it was an extortion or a payoff or an under-the-table deal.

And the picture that emerges to me is that you are being very hardnosed about it. You were prepared to go to court, to go to the mat on this thing, to beat down this commission to the lowest possible level, and I think the figure that you finally arrived at was pretty much a bargain for your company when all was said and done, considering, as you said, not just the magnitude of the first sale—500 units is a big sale, especially in a market where you had sold 15 transport planes over a 4-year period in an entire sector of the globe.

So, this was a major breakthrough for you, and I think it is also significant that, as a followon, you have done an additional billion dollars worth of business. So, this has been a very substantial piece of work on your part.

All I'm saying is if somebody wants to build a case on circumstantial evidence, it seems to me that one could argue that if you're going to construct such a case that your behavior along the line would have been radically different than it was. In other words, that it is not enough to simply draw an assertion here that, because this man may or may not have been involved in the picture, that the company knew about it and behaved improperly.

It seems to me there would of had to have been a consistent behavior by the company that would reflect the fact that you knew you were in that kind of an arrangement; that you were very sensitive about it; that you would go to great lengths to keep it hidden, and so forth; when in fact your behavior pattern, from day one, has been totally the reverse of that—totally the reverse of that.

And I would hope, as we have got other situations, frankly, with other nominees—after the fact that this Administration has gotten into some difficulty—whose circumstances were profoundly different, where the behavior patterns I think warranted a supposition that somebody did not behave properly—but I don't find that here; and others may—and I would certain respect the right of people here to reach their own judgments.

But in any event, in terms of a very careful tracking through of the facts, I have not been able to establish the fact that the behavior patterns show the presumptions of deceit, of lying, of double-dealing, and everything that presumably would have to work its way, level through level of the company, and finally up to Mr.

Miller, who one would have to believe would be coming in before this committee and putting his entire career, and professional and private reputation on the line, and basically just out-and-out not telling the truth—I mean, there not only isn't any evidence to support that—and I'm talking about Mr. Miller's honesty and integrity—there isn't any evidence to support that; not a shred, that I can see.

And I would be happy to be challenged on that point, but I don't think the case of the pattern of circumstantial behavior or actual practical factual behavior, coming forward through this whole train of events, can begin to support the assertion that somehow there is a giant fraud being put forward here to try to induce people to believe that he in fact knew what was going on, and in any way, shape, or form condoned it.

I just think the exact reverse supposition is the deserved one. And I think the committee record now bears that out.

Mr. ATKINS. Thank you, sir.

The CHAIRMAN. Unless there are further questions, I want to thank you very much, Mr. Atkins. On behalf of all the Senators here, I want to say that you are an excellent witness, and certainly are an able man. We appreciate what you have said, and we also appreciate—we are all sensitive to the very trying effect this must have on you and the people at Bell and at Textron.

It is very tough, and it is too bad that this has to happen. But you can understand our responsibility, and the fact that we have to pursue this, and we intend to do so.

Mr. ATKINS. Senator Proxmire, there's one thought I had. It is: Why can't investigations of this type be carried on, and the facts not disclosed, until they are all in, so we don't have a lot of suppositions out in the press that turn out to be untrue?

The CHAIRMAN. Well, I will tell you why. If you had been in the Senate as long as I have—over 20 years—you would find that, boy, if you talk about suppositions when you are open—we had a meeting here with 15 members, with all of their staff, and so forth. Some of these rumors would get out, and they would not be all of the facts that are stated by the witnesses. They might be much worse.

I really think it is better to have an open session, in these circumstances. If we tried to conceal this, there would be leaks here and there, and I think you would have been far more poorly served than by an open one.

Mr. ATKINS. We thank you for your time, and we thank your staff for the way in which they have conducted their investigation.

Senator RIEGLE. Mr. Chairman, might I make one other observation before these witnesses go? And I agree with you, by the way, that I think that if there is a question it has to be pursued.

I don't think there is any doubt about the fact that if there is a question, it has got to be dealt with in open session, and not in closed session. So we are together on that.

But I just want to highlight a summary of the committee affidavit of responses. We went around—the investigative staff went around asking people about if they had even heard, in the hearsay category, about Khatami's interest in Air Taxi.

And it is interesting to note, for example, in the State Department, of the people queried and we thought had reason to know, or have heard that rumor, six said that they had heard this; seven claimed that they had no knowledge whatsoever; and seven had no reply.

Of military officers, there were two who said that they had heard this—

The CHAIRMAN. That is now three.

Senator RIEGLE. That is an adjustment to the chart that is printed here.

There were four who had no knowledge; there were nine who had no reply.

Under AVSCOM, there were zero that had knowledge of this supposition; there were 10 who did not; three with no reply.

And Textron, again, zero who had knowledge; there were 10 who did not; and five who made no reply.

I simply want to put that in the record, because if the inference were left that, somehow, there was this "unanimous body of informed hearsay," where people were basically all of the same mind, that that would not be an accurate description of what the committee record shows.

The CHAIRMAN. If the Senator would just yield on that, I just can't resist pointing out that: obviously there are millions of Americans who did not know this. All 15 members of this committee, presumably all 100 members of the U.S. Senate included.

So the fact that the people in the State Department did not know it—but what we're trying to point out is that the people that were in a position to know, we were told over and over again that this was "reasonably common knowledge" among the people in the aerospace industry in Iran.

Senator RIEGLE. But if the chairman would yield, I mean I don't want the chairman discrediting the list of witnesses that the committee selected to talk to.

In other words, I assumed the people who were included in here were asked because they were logical people to ask. We just didn't go out and grab people off the street.

In other words, these were people who presumably the questioning would make sense to to put to them, as to whether or not they had knowledge.

I mean, I have enough confidence in the staff to know that they would not have included anybody in this question to which the question was not relevant.

And so, in fact—I mean, if not, then this whole chart doesn't mean anything. But I'm sure that that was their intent.

And I'm simply saying—Just to conclude, I'm simply saying that there is not a pattern that shows that everyone who might have heard this, when asked indicates that in fact they had.

As a matter of fact, less than half the people queried of those who either had knowledge or said they had heard of knowledge, or didn't, falls on that side of the argument. But then, if one adds in the people who made no reply—I mean it is a very small number.

I'm simply saying that you do not have a uniform universe of people who were all traveling under this assumption, and yet the committee's document holds water. And I have to assume it does.

Senator BROOKE. Mr. Chairman, I just want to say: Earlier, I was appalled. Now I am alarmed.

We are not dealing with "rumors". We have not dealt with rumors. I have paid no attention at all to what allegations there are against Textron which the SEC might go into. That is not a subject matter for this committee.

We know, as a matter of record, that at some time General Khatami was an owner of Air Taxi. Our question only is: whether Mr. Atkins or others knew it and transmitted it to Mr. Miller. If Mr. Miller knew about it, he therefore did not tell the truth to this committee when he appeared before us.

So it is not a question of rumor. We're not dealing in rumors; we have facts that we're dealing in, and that's all we're dealing with. We're dealing with facts.

Now, I would agree that, so far as your testimony is concerned, Mr. Atkins, you have denied that you had that knowledge and transmitted it to Mr. Miller. Jose has said the same thing. Mr. Ducayet has said the same thing. Mr. Bell has testified differently, and I think he was a very honest, forthright witness, and didn't have any ulterior motives, and I believe that he told the truth. And Mr. Jose, who also testified before us, said, "yes, that Mr. Bell had told him"; and that is where it appears to stop.

But it was our job to find out where it stops, and that is all we're doing. So we're not dealing in rumors.

We're not trying to, in any way, embarrass Textron, or Mr. Miller, or anybody else. But we have got to find the facts—and that is all we have been looking for.

Senator RIEGLE. Senator Brooke, would you yield at that point, briefly?

Because I don't think it is quite that simple, frankly. I think there has been some damage done—and I am not suggesting that it was done intentionally—but I think people in this process have had their reputations put substantially in question. Perhaps that was necessary—

Senator BROOKE. Whose reputation?

Senator RIEGLE. I think the people from Textron; I think Mr. Miller's. I think the whole purpose of the hearing is a test of Mr. Miller's reputation.

Senator BROOKE. It is a test of his credibility, not his reputation.

Senator RIEGLE. I don't think you can separate the two.

Senator BROOKE. I think very clearly you can separate his reputation from his credibility. His reputation has not been anything but the finest. His testimony before us was nothing but the finest. He was an excellent witness.

I think we all commended him on that. It was not until we found out that there was some information of General Khatami's ownership of Air Taxi, which we had to look into, that we even questioned whether he knew about it. And he will come back before us tomorrow. But no one is attacking Mr. Miller's reputation at all.

There is a question raised as to what he knew. And we have no evidence, from any source, as yet that I've heard, that Mr. Miller knew anything about it, or in any way acted on any advice given to him by any executive within his own company relative to General Khatami's relationship with Air Taxi.

I think it is as simple as that. I think you are making it more difficult than it is.

Senator RIEGLE. Well, just one other thought, Mr. Chairman, and that is this: Mr. Atkins is still not sure, in his mind, Senator Brooke, like you are sure in your mind, that General Khatami in fact owned a chunk of Air Taxi up through, presumably, the time that he passed away.

Senator BROOKE. He hasn't seen the records I've seen.

Senator RIEGLE. Well, I think the fact that there is that difference, I think that is an important fact.

Senator BROOKE. That's why he's not asking the questions.

Senator RIEGLE. I think it's important, then, that whatever documentation, and whatever hard proof leads you to that final judgment that in fact there was that ownership, that would be useful in fact to transfer that to Mr. Atkins.

He's had the committee record, and so there must be something in excess to what has been made part of the public print that he has not yet had access to.

But I think it would be useful for them—he, and others, to have that. Because I think we very much have put the reputation of the company to a very severe test.

Senator BROOKE. If he saw the records, that should not alter his testimony. He is testifying as to what he knew, of his own knowledge.

Senator RIEGLE. I would like him, Senator Brooke, if you have seen evidence that convinces you beyond any doubt whatsoever that Khatami owned part of Air Taxi, and Mr. Atkins who has been here as a very cooperative witness has not seen that and has not yet been able to reach the same conclusions you've reached, I think it would be reasonable to give him whatever it is that you've had access to that led you to that conclusion so that he might come to the same conclusion.

Senator BROOKE. I think that's preposterous. He's not going to make a decision as to whether he's going to vote on the confirmation of Mr. Miller, at all. He's made his testimony. He's told us what he knows. That's all he has to tell us. He doesn't have to look at our documents, or anything of that nature.

He said he never saw the documents. Didn't you say that?

Mr. ATKINS. Yes, sir.

Senator BROOKE. You had no knowledge of them. You did not see the CIA documents. You did not see the Defense Department documents. You did not know of all of these names that Senator Proxmire read off to you. You had no knowledge of that at all. Isn't that correct?

Now to show you the documents and to say "well, now you have knowledge of it in hindsight," that would be of no value to this committee at all.

Isn't that correct, Mr. Atkins?

Mr. ATKINS. Yes, I have not seen the documents.

The CHAIRMAN. Mr. Atkins, I want to thank you very much. I appreciate your testimony.

Our final witness today is Mr. Thomas Soutter, vice president and general counsel of Textron.

Mr. Soutter, we are honored to have you. And, Mr. Soutter, do you have any statement you would like to make initially?

Mr. SOUTTER. No, I don't, Senator.

The CHAIRMAN. Well, before we begin questioning you, would you give us briefly, maybe in just a minute or two, your association with Textron and Bell and how long you've been there, and your positions of responsibilities and so forth.

But first, would you raise your right hand, sir.

Do you swear that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

Mr. SOUTTER. I do, sir.

The CHAIRMAN. Be seated. Thank you.

STATEMENT OF THOMAS SOUTTER, VICE PRESIDENT AND GENERAL COUNSEL, TEXTRON

The CHAIRMAN. Now would you go ahead and enlighten us on your association with Textron, Bell, and with Mr. Miller?

Mr. SOUTTER. I have been employed as an employee with Textron since late 1968, and I have been vice president and general counsel of Textron since 1973.

The CHAIRMAN. What is your responsibility as general counsel?

Mr. SOUTTER. I'm the chief legal officer of the corporation.

The CHAIRMAN. All right, sir, in 1975, did Textron conduct an investigation into whether there had been any improper illegal payments made by Textron's overseas representatives?

Mr. SOUTTER. No, sir, not a full investigation. I did, in fact, make an investigation of the payment of the \$2.9 million to Air Taxi.

The CHAIRMAN. You did what, sir?

Mr. SOUTTER. I made a specific investigation of the payment of the \$2.9 million to Air Taxi.

The CHAIRMAN. And how was that investigation initiated?

What was the purpose of it?

Mr. SOUTTER. The purpose of it was just to confirm in my own mind the bona fides of the transaction which had been described to me as a bona fide, legitimate settlement of a representative's commission obligation.

The CHAIRMAN. You say, in your own mind. Did Mr. Miller instruct you to make the investigation?

Mr. SOUTTER. I think perhaps the initiative came from me. He certainly agreed and concurred that I could go—would be free to go to Bell to make that investigation.

The CHAIRMAN. Precisely what was the role that Mr. Miller played in this investigation?

You say, you thought of making the investigation; you suggested it to Mr. Miller; and he told you to go ahead?

Mr. SOUTTER. Well, I think it was my idea. I think I probably discussed it first with the group officer, Mr. Ames. I'm not sure whether I told Mr. Ames and Mr. Miller in advance that I was going, but it would not have been unusual for me to say we were going down, and this was what was on my mind and that I wanted to look into it.

The CHAIRMAN. How did you happen to pick out this particular matter, this \$2.9 million payment?

Mr. SOUTTER. I asked a limited number of questions within the company to ascertain where might be sensitive areas that ought to be looked into, and this seemed to be the largest.

The CHAIRMAN. Who did you ask?

Mr. SOUTTER. I'm sure I spoke at one time to Mr. Miller and Mr. Collinson and maybe also to Mr. Ames and possibly other officers.

The CHAIRMAN. Did Mr. Miller bring up the \$2.9 million?

Mr. SOUTTER. He was aware of it. He did not single it out for me.

The CHAIRMAN. Did you tell him you were going to investigate that particular area?

Mr. SOUTTER. I'm not sure when I told him, when I reported back or that he simply became aware that I was going down.

The CHAIRMAN. Was this because of—I think I instigated an investigation of the top 25 defense contractors back about that time. Was this investigation related to that initiative on my part at all?

Mr. SOUTTER. A memorandum that was in the file, which I prepared, said indeed that that was part of the reason that I was concerned.

Others have testified—and it is correct—that we were about to undergo a registration statement for a public offering of some debentures, at that time the Iranian business becoming a substantial part of our business, and I thought the underwriters would want to ask questions in the course of their due diligence.

The CHAIRMAN. You were about to make a public offering; is that right?

Mr. SOUTTER. Yes, sir.

The CHAIRMAN. In connection with that, you wanted to have the information available so that if it was necessary to disclose that information in the public offering, you would be informed as to what you had to disclose?

Mr. SOUTTER. That is correct—as well as to answer the underwriters questions in their due diligence.

The CHAIRMAN. Now, would you describe to the committee who actually conducted the investigation and the scope of that investigation.

Were you alone? Did you go down there by yourself?

Mr. SOUTTER. I went down to Bell, and I don't remember whether I went with Mr. Ames or not. But in any event, he joined me there.

The people with whom I discussed the matter were Mr. Atkins, Mr. Farmer—

The CHAIRMAN. Well, Mr. Ames, as I understand it, was Mr. Miller's successor as the vice president in charge of aerospace; is that right?

Mr. SOUTTER. Yes sir; or at least as the group officer for Bell Helicopter; yes sir.

The CHAIRMAN. You say that Mr. Ames accompanied you?

Mr. SOUTTER. I don't remember. I think we may have met there.

The CHAIRMAN. Now, when you were there you interrogated what officials of Bell Helicopter?

Mr. SOUTTER. My recollection of the meeting is with Mr. Atkins, Mr. Farmer, and Mr. Rudning.

The CHAIRMAN. Any others?

Mr. SOUTTER. No, sir.

The CHAIRMAN. How long did the investigation last?

Mr. SOUTTER. It was either parts of 2 days or 1 full day.

The CHAIRMAN. And the investigation was confined to the \$2.95 million; is that right?

Mr. SOUTTER. Yes, sir, it was.

The CHAIRMAN. Were there any documents that you reviewed in connection with this investigation?

Mr. SOUTTER. Yes sir.

I was shown a series of documents that led through the entire payment. I was shown the 1968 agreement with Air Taxi. I believe there was a subsequent one in 1970. I was shown the three amendments to the 1970 amendment. I was shown the Certificate of Authority which legalized—showing Mr. Zanganeh's authority to act. I saw receipts for checks which had been drawn.

The CHAIRMAN. Now, Mr. Soutter, I want to be fair to you, but it seems to me that from what I've heard about this investigation, that it was an extraordinarily limited investigation under all the circumstances given that particular time. This was not an exhaustive, thorough investigation, and it was not the kind of investigation that was conducted at that time by other corporations.

For example, it was not conducted under the direction of a committee of outside directors; is that correct?

Mr. SOUTTER. That is correct, sir.

The CHAIRMAN. Outside counsel was not retained to assist or to direct the investigation in any way.

Mr. SOUTTER. No, sir. I was doing it myself.

The CHAIRMAN. Outside auditors were not retained to assist.

Mr. SOUTTER. That is also correct.

The CHAIRMAN. Was any audit made in connection with the investigation?

Mr. SOUTTER. Audit in the accounting sense?

The CHAIRMAN. Yes, sir.

Mr. SOUTTER. Not to my knowledge, although in the course of the investigation it became clear to me that Arthur Young did in fact know—and it was recorded on our books.

The CHAIRMAN. Were you aware that about the same time or subsequent thereto many corporations were conducting internal investigations in connection with their disclosure responsibilities under the Federal securities laws and elements of independence have been injected into many of those investigations through committees of outside directors and the hiring of outside counsel as advisors and so forth?

Mr. SOUTTER. Yes, sir, I was aware.

The CHAIRMAN. Were you aware that the reason that many of the corporations introduced such elements of independence into their investigation was that there was a concern that they really could not depend on internal corporate people to investigate themselves when they might be the very people who had engaged in the improper activities?

Mr. SOUTTER. That could be, sir.

I'm sorry, sir, I've lost the threads of the question.

The CHAIRMAN. Well, the question was, were you aware that outside people were called in to make the investigation inasmuch as when you have insiders, and you were an insider—you were employed by Textron and Bell—that they might be the very people who engaged in the improper activities?

Mr. SOUTTER. Yes, sir, I've heard that.

The CHAIRMAN. And were you aware that many of those same corporations were conducting extensive personal interviews both domestically and abroad and extensive document reviews?

Mr. SOUTTER. Yes, I've also heard that, Senator.

The CHAIRMAN. Now, in the course of the 4-day investigation at Fort Worth and the 4-day investigation up here and the subpoenaing of the records, our staff has uncovered a great deal of information, including knowledge by employees of Bell Helicopter, that there were at least rumors—Mr. Jose has testified to that effect, and others who were subordinate to him knew that there had been discussions of Mr. Khatami's ownership of Air Taxi.

Mr. SOUTTER. I understand that.

The CHAIRMAN. Now, you confined your investigation to only three people: Atkins, Farmer, and Rudning.

Mr. SOUTTER. Yes, sir. Those were the people who had firsthand knowledge of the transactions with Air Taxi and the payment and the negotiation of the settlement that was reached with them. I had no reason in the course of my day or parts of 2 days—call it a full day in all—to doubt what I was hearing—what they told me and what the documents that they provided to me said exactly.

The CHAIRMAN. Mr. Soutter, that seems like a very limited, abbreviated, inadequate investigation. Perhaps in hindsight, maybe it's not fair to you to make that assertion, but in view of the remarkably thorough investigations made by corporations like City Service, Bristol Myers, Merck, Anderson Clayton, the Williams Companies, J. Weingerten, Investment Engineering, and a number of others, that this seems to be a very limited and I might say superficial investigation.

What would be your response to that?

Mr. SOUTTER. Let me say, Senator, that I believe we thought, as a management team, that we had the personnel and the policies in place that should have been down throughout the organization to assure that there would not be questionable payments.

The CHAIRMAN. We've had testimony just today from Mr. Ducayet and Mr. Jose that there was no written policy about not paying commissions to foreign officials; understood, but no policies in place,

no basis on which that kind of—and no basis upon which that kind of conduct could have been brought.

Mr. SOUTTER. I frankly believe that all senior management at Textron and its divisions would know instinctively and intuitively that that is behavior that would not be condoned.

The CHAIRMAN. "Instinctively and intuitively"?

Mr. SOUTTER. Yes, sir.

The CHAIRMAN. In other words, they would know without being told by a kind of osmosis?

Mr. SOUTTER. Yes, sir, I think so.

The CHAIRMAN. Well, as you know, there were some 300 corporations who have admitted that they made improper payments, so it is not as if this is something that was not being done overseas.

It seems to me, absent a written policy, absent from procedures, there would be no way of your knowing that your people were following policies which undoubtedly you espoused.

Mr. SOUTTER. I do espouse them. Textron espouses them. In addition to that, we did beef up our internal audit procedures. We have put out specific memoranda on the subject of questionable payments and other questionable activities.

Mr. Miller, in particular, has brought this to the attention of senior management of the divisions and the corporate office time and time again.

I personally have given some talks on it.

The CHAIRMAN. I see my time is up.

Senator Brooke?

Senator BROOKE. Mr. Soutter, how did you happen to pick this \$2.9 million fee as the one to target in on for your investigation?

Mr. SOUTTER. It was a substantial number.

Senator BROOKE. I mean, you had other substantial numbers, as well.

Mr. SOUTTER. No, sir; not, frankly, in that range.

Senator BROOKE. Did you pick it out solely because it was \$2.9 million?

Mr. SOUTTER. I'm sorry, as to why I investigated the \$2.9 million? Partly because of the size of the commission, of the settlement itself, partly because the Iranian business was getting to be of such an extent that there was and remains today—our disclosure documents filed with the SEC—I frankly felt I had to know more about its business and its settlement.

Senator BROOKE. I had a letter from the SEC in which they attach a letter from Senator Proxmire relative to the largest 25 defense contractors.

Did that have anything to do with the fact that you chose to look into this \$2.9 million fee?

Mr. SOUTTER. Yes, sir.

That was a confluence of events, frankly.

Senator BROOKE. You said yes?

Mr. SOUTTER. As I recall, Senator Proxmire's letter and Chairman Garrett's replies were somewhere in the same time frame, and my memo so reflects that.

Senator BROOKE. So that in part was why you chose to look at this; is that correct?

Mr. SOUTTER. Yes, sir.

Senator BROOKE. Did you have any reason to suspect that there was any illegal activity?

Mr. SOUTTER. No, sir, I did not have any reason to suspect that.

In fact, I have been told that it was a legitimate, straightforward settlement of the representative's rights, obligations in connection with our Iranian business.

Senator BROOKE. Have there been any questions raised internally at Textron or in Bell Helicopter as to the propriety of the payment of that \$2.9 million?

Mr. SOUTTER. No, sir, not to my knowledge.

Senator BROOKE. And so it was primarily that you looked over your business transactions and you found this \$2.9 million and you thought you ought to look into that one because of the size?

Mr. SOUTTER. Because of its size and the attendant business in Iran.

Senator BROOKE. Well, if you had been given information that there was nothing illegal or nothing improper about this particular transaction, why did you further investigate it?

Mr. SOUTTER. It seemed a prudent thing to do.

Senator BROOKE. You didn't look at anything else?

Mr. SOUTTER. That's correct, sir.

Senator BROOKE. You had been told that everything was all right; why did you look at it?

Mr. SOUTTER. Senator, I don't know how to say it any other way. We had an offering coming up. Iranian business is significant to Textron. I don't remember exactly how significant it was in 1975. This was a large payment. From what had been described to me, it was not unreasonable. And it warranted my attention.

Senator BROOKE. You say Mr. Ames, the group vice president, assisted you in this investigation?

Mr. SOUTTER. Yes, he was present with me.

Senator BROOKE. Now, whom did you question about the payment, and what questions did you ask?

Mr. SOUTTER. Well, the people who were present were Mr. Atkins, Mr. Farmer, and Mr. Rudning. And I believe we probably just went through and in a chronological order, just how it came to be.

Senator BROOKE. Did the ownership of Air Taxi ever become a subject of discussion or inquiry?

Mr. SOUTTER. It was not a subject of discussion until, in looking at that certificate of authority that Mr. Zanganeh presented, and has been legalized before the American counsel, and at the end of that it says who the 100 percent owners are of Air Taxi. And aside from a specific question, were any of those people officials of the Iranian Government, the issue of ownership did not come up.

Senator BROOKE. And what was the response?

Mr. SOUTTER. The response was no.

Senator BROOKE. Did you ask any question about the rehiring of Air Taxi in 1968?

Mr. SOUTTER. No, sir, I did not.

I knew the chronology of the early days. I was told of that. I was told of the intermediate representative.

Senator BROOKE. You knew about Mr. French?

Mr. SOUTTER. Mr. French's name I'm sure did not come up at all. But the name of International Helicopter Consultants was provided to me, and it simply was an intermediate representative.

And the questions and the documentation which followed all dealt with Air Taxi and the payment of the \$2.9 million.

Senator BROOKE. Did you ask who was the agent prior to Air Taxi, and why that agency had been terminated?

Mr. SOUTTER. I think they gave it to me in chronology, as there had been somebody. And I think I may well have asked why the change. And I don't think I got an answer. I don't think anybody in the room knew.

Senator BROOKE. Did you pursue your question?

Mr. SOUTTER. No, sir, I did not.

Senator BROOKE. Were any of the documents regarding Mr. French's allegations during 1966 and 1967 about General Khatami's interest in Air Taxi produced for your inspection?

Mr. SOUTTER. No, sir, they were not.

Senator BROOKE. Did you request to interview Mr. Jose who, according to his testimony, was responsible for hiring Air Taxi in 1968?

Mr. SOUTTER. No, sir, I did not.

Senator BROOKE. Why not?

Mr. SOUTTER. His name did not come up in the entire meeting, I'm quite sure. It was simply that Air Taxi was back again as the representative, and we dealt with the developing business from the 1971 to the 1973 time frame through the negotiations of the three amendments to the final amendment No. 3 in which we agreed to pay the \$2.9 million to Air Taxi.

Senator BROOKE. So you did not get an answer as to why they switched, and you did not ask on your own to talk to the man who was responsible for the switch. Is that good investigative procedure?

Mr. SOUTTER. My investigative procedures may need sharpening, but I was talking with people who I had no reason to disbelieve. There was nothing in the entire day or day and a half conversation that made me think in any way that this was other than a legitimate, straightforward transaction that had been described to me.

Senator BROOKE. Well, if you weren't going to ask the question, why did you go through the exercise?

Mr. SOUTTER. Because I wanted to hear it firsthand myself.

Senator BROOKE. Did you hear it firsthand?

Mr. SOUTTER. I was talking with Mr. Atkins and Mr. Rudning, who had participated first hand in the negotiations, and Mr. Farmer, who handled the financial matters.

Senator BROOKE. Now, during and after your investigation into this \$2.9 million, did you report to Mr. Miller about your findings?

Mr. SOUTTER. Yes, sir. I did report back to him on my return.

Senator BROOKE. Was your report oral or in writing?

Mr. SOUTTER. I'm sure it was oral.

Senator BROOKE. Why was it not in writing?

Mr. SOUTTER. I would say that I report most of the times orally to Mr. Miller.

I would have a list of items—

Senator BROOKE. Do you conduct most of your business orally, are your memoranda and results of findings of investigations reported orally?

Mr. SOUTTER. I can remember simply being in his office and reporting on the results of this investigation.

Senator BROOKE. Did anyone other than you and Mr. Miller participate in this discussion?

Mr. SOUTTER. I do not believe so.

Senator BROOKE. What did Mr. Miller say about the investigation and your findings?

Mr. SOUTTER. I think he was pleased that I was able to confirm to him exactly as he had understood it to be.

Senator BROOKE. He was more pleased to find out what the facts were wasn't he?

Mr. SOUTTER. He knew that there had been a \$2.9 million settlement with Air Taxi, and that it had terminated Air Taxi's rights to previous commissions, and that there were no more commissions due for future sales to the Government of Iran.

This I had been told before I went.

Senator BROOKE. Did he appear to be satisfied that the scope and depth of your investigation was appropriate?

Mr. SOUTTER. Yes, I think he did, or was.

Senator BROOKE. Did he ask you had you interviewed or asked to see any of the documents that you obtained in your investigation?

Mr. SOUTTER. I may have shown him some of the documents?

Senator BROOKE. Do you recall which ones?

Mr. SOUTTER. I think I may have shown him the certificate of authority of Mr. Zanganeh to act on behalf of Air Taxi.

Senator BROOKE. Why did you show him that document, rather than other documents that you obtained?

Mr. SOUTTER. Because while I was satisfied with the investigation there was a difference in the matter of payment. Those checks were made payable to Mr. Zanganeh personally, and that is something that I found different, and wanted to see at the time this power of attorney, so to speak; this certification that had been legalized at the American counsel that in fact delegated to Mr. Zanganeh the full power of Air Taxi to deal totally in the settlement with Bell Helicopters. And I may well have had that with me to say that this was a document that had been properly legalized, and was, to me, valid, and consisted of the power for the way the transaction was carried forth.

Senator BROOKE. You're satisfied with the validity of that document?

Mr. SOUTTER. Yes, sir. I had seen the original.

Senator BROOKE. Did you discuss with Mr. Miller any further action that might be necessary with respect to your investigation of that payment?

Mr. SOUTTER. No, sir.

Senator BROOKE. Did Mr. Miller suggest that the matter be brought to the attention of Textron's Board of Directors?

Mr. SOUTTER. Not to me, sir.

Senator BROOKE. My time is expired.

The CHAIRMAN. Senator Riegle.

Senator RIEGLE. Just a few things, briefly, and I would like to reserve the rest of my time.

Do you recall when you had this meeting with Mr. Miller if you reported on any other items other than this particular one? In other words, was this one of several that you were talking about, or was this the sole purpose of the conversation?

Mr. SOUTTER. It would be my practice to take up with him as many items as I would have on my agenda whenever I meet with him.

Senator RIEGLE. Well, what would that normally be, just on the average? Would four or five items, or one or two, or a dozen, or what?

Mr. SOUTTER. I would say four or five.

Senator RIEGLE. So I guess you're saying you don't recall specifically how many others there might have been at this time. But is it a fair assumption that there were other items that you were also discussing with Mr. Miller at that time?

Mr. SOUTTER. Yes, it is a fair assumption.

Senator RIEGLE. If this were the only thing you were discussing with him, would that remain in your mind? Would you remember that this was a meeting of sufficient importance by itself, the subject that had got the full attention of a session, or not?

Mr. SOUTTER. I remember the meeting.

Senator RIEGLE. You do recall this specific meeting?

Mr. SOUTTER. Yes.

Senator RIEGLE. And do you recall, then, any other subjects? Were there any other subjects you discussed?

Mr. SOUTTER. I can't say for sure. It is my custom to come up with a legal pad full of notes to remind me of the items that I want to discuss with him.

Senator RIEGLE. Would you be inclined—if this had been the only one would that stick out enough that you would likely remember that?

Mr. SOUTTER. Oh, yes.

Senator RIEGLE. In other words, if this had been a one-item meeting, you are saying that you feel that you would remember that it was a one-item meeting?

Mr. SOUTTER. No, I'm sorry. I meant to say, I would simply remember this meeting, and I do remember the meeting. But I can't tell you whether I had one or two or three other items on my agenda.

Senator RIEGLE. I see. But you are saying it is normally your practice to batch these things. And then you go in, and you run through the items, and you take them off a yellow pad, and you discuss them orally, and then you leave; is that right?

Mr. SOUTTER. That is correct.

Senator RIEGLE. So the chances are, while you don't remember specifically that this was the normal situation, there would have been other items that you had been discussing that day in addition to this one?

Mr. SOUTTER. Very likely.

Senator RIEGLE. That is all for me at this point, Mr. Chairman.

The CHAIRMAN. Now Mr. Soutter, let me just point out that some of the documents you could have secured, if you had made a vigorous search: a letter of 14 January 1967, from Mr. French to Mr. Feliton, in which Mr. French says: "Now that we have Gen. Khatami as partner, the head of the legal department and others, we own 49 percent of the new company, and it is 51 percent Iranian."

Then a letter of 30 January 1967 from Mr. Kling, the export sales manager, to Mr. French, in which he concludes by saying: "We hope your new association will—why don't you keep us advised." In which he also discusses, to some extent, the relationship between Gen. Khatami and Bell Helicopters.

And then I have a letter here from Mr. Duane Jose—from Robert Bell, dated July 7th, 1967, in which he says:

As I reported to you last November, I made a trip to Iran on behalf of Mr. French and his company and made arrangements at that time with a representative of General Khatami, whose name is Dr. Hassan Safavi, who is vice president and high counsel of the civil aviation in Iran, for the formation of a Persian corporation to act as representative to International Helicopter Consultants in Iran.

Further, after making other statements:

He also informed me that the great general had also decided to handle transactions of STV in much the fashion he had set up for Air Taxi and Heli-Taxi, and that is one company for fixed-wing aircraft and the other for helicopters.

And he goes on to say, "General Rafaat, who has been a general and Khatami's front man in Heli-Taxi for quite some time;" you did not secure any of those documents, correct?

Mr. SOUTTER. No, sir, I did not.

The CHAIRMAN. And you did not make an attempt to interview Mr. Orpen, the international sales manager who certainly was in a closer position to monitor international sales of this kind, and to have been familiar than the others, and who incidentally was aware of Gen. Khatami's ownership?

Mr. SOUTTER. Senator, I was again talking to people who had firsthand knowledge, who were telling me what transpired, and what they said rang true to me, and I had no reason to disbelieve them, and I pursued only what was there.

The CHAIRMAN. And then you did not talk to Mr. Kling, the export area manager, and Mr. Feliton, who was also export area manager?

Mr. SOUTTER. Those names have never appeared, to my knowledge, before this set of hearings.

The CHAIRMAN. You did not talk to Mr. Jose who testified before us today, both the vice president for commercial marketing, and of course in a very strong position to know, and to have heard two

or three times about the report that Gen. Khatami was a part owner of Air Taxi. Is that correct?

Mr. SOUTTER. I did not talk to Mr. Jose.

The CHAIRMAN. He testified that he would have told you if he had been asked.

Mr. SOUTTER. In 1975 I was still talking to people who had firsthand knowledge, intimate knowledge. Mr. Jose, in 1975, was the commercial marketing man. It would not have occurred to me. I did not even know his background, that he had ever had any responsibilities of an international kind.

The CHAIRMAN. But the three men you talked to had no knowledge about hiring Air Taxi. These people I mentioned did have firsthand knowledge about the Air Taxi connection.

Mr. SOUTTER. That is correct, but there was never any sinister connotation put in any of the discussion, as to the hiring of Air Taxi the second time being for any ulterior motive or purpose. It was just simply a change in representatives.

The CHAIRMAN. But you did go down to investigate this \$2.95 million payment, and the fact that there was a change in agents, there, it seems to me, could very well have suggested to you that you might ask the people who would be in the strongest position to know.

Mr. SOUTTER. Perhaps in hindsight, I could have asked that question, Senator. But I did not, and the people who were there did not know the answers.

The CHAIRMAN. Well, they didn't know, so since they didn't know, why didn't you follow up with the people who might be in a better position to know?

Mr. SOUTTER. Because I was pursuing a transaction that had arisen with Air Taxi since 1968. There was nothing, to my knowledge, that would have led to anything prior to 1968 with Air Taxi.

The CHAIRMAN. Now, Mr. Soutter, obviously what troubles me more than anything else is the scope of this investigation. I think it is serious inadequate.

Did Mr. Miller question you on the scope of the investigation? Did he challenge you? Did he say that he thought that perhaps it was not adequate? Or did he accept it as being adequate?

Mr. SOUTTER. He did not challenge it. And we discussed my report when it came back.

The CHAIRMAN. And you did tell him that you simply interviewed the three top people, that you did not go any further, and that you could make the kind of comprehensive search that was suggested in all of the documents that came to the attention about Air Taxi?

Mr. SOUTTER. I think it's reasonable to believe that I told him of the three people that I did talk with, and that they had confirmed what his prior understandings had been.

The CHAIRMAN. Did you discuss with Mr. Miller, or did he at any time, suggest that you might have an element of independence in the investigation? In other words, have outside people make the investigation, so you would have a greater degree of reliability?

Mr. SOUTTER. No, sir; it was not discussed between us.

The CHAIRMAN. Why not?

Mr. SOUTTER. Well, he had confidence in me to do the job.

The CHAIRMAN. Well, again—and I don't mean to demean you in any way, of course—but don't you recognize that when you're making this kind of an investigation, that there is a tendency for investors and SEC and others to wonder about the reliability of investigations by people who investigate themselves?

Mr. SOUTTER. I can see where people make those assumptions, but I don't think they are necessarily well founded.

The CHAIRMAN. Well, do you agree, with hindsight, that you've made a thorough search of the documents having to do with the Iranian sales program, and that if you had interviewed or sent questionnaires to all of the Bell people that had responsibilities for the Iranian program and the hiring of Air Taxi, including Jose, you would have learned of the Khatami Air Taxi connection?

Mr. SOUTTER. I don't think it would have been reasonable to have done that in view of what I had been told by people who had the firsthand knowledge.

The CHAIRMAN. And who were those people again?

Mr. SOUTTER. Mr. Atkins, Mr. Rudning, and Mr. Farmer.

The CHAIRMAN. They didn't have firsthand knowledge.

Mr. SOUTTER. They had firsthand knowledge of the settlement with Air Taxi, and that is what I was looking at.

The CHAIRMAN. They weren't the ones who actually went over to investigate Air Taxi at the time that Air Taxi was retained as the Iranian agent.

Mr. SOUTTER. No, sir, they weren't.

The CHAIRMAN. Now, Mr. Soutter, the staff originally made a request of Textron for all documents relating to the \$2.95 million payment. Textron produced documents in response to that request; is that correct?

Mr. SOUTTER. Yes, sir. As I recall the chronology, we were provided with a letter on the 25th from staff director Mr. McLean.

The CHAIRMAN. Now was your investigative report produced with those documents, too?

Mr. SOUTTER. Some of them, yes, sir.

The CHAIRMAN. But not all of them?

Mr. SOUTTER. No, sir.

The CHAIRMAN. Well, how do you account for the fact that when this committee made a request for all of the documents, you supplied those documents more fully than they did with the investigation you made for Mr. Miller?

Mr. SOUTTER. I did not ask for, nor expect to receive, in my investigation for Mr. Miller, documents that did not relate directly to the settlement and payment of the \$2.9 million. I was provided with the agreements, with the amendments, with explanations of how the amendments had been negotiated, with certificates of authority, with evidence that the U.S. Army had been kept advised of the three amendments, with some recordation that Arthur Young was aware of the accounting, with Mr. Farmer advising, and Arthur

Young, I believe, affirming, that this amount was a selling expense not being charged to the FMS or Government contracts.

That seemed to meet all the requirements.

The CHAIRMAN. Now did you supply your investigative report to this committee when we requested it by letter?

Mr. SOUTTER. On the 25th we received the request, which was substantially duplicated in the subpoena of the 31st; on the 27th I arrived here and provided what must be close to 90 percent. Somebody on the committee staff said it was over 600 documents. On the 28th, which was a Saturday, I believe, Mr. Marinaccio and I discussed the matter of whether there were any privileged documents. And my report I considered privileged at the time. I did not tell him of its existence, and it was there.

The CHAIRMAN. Well, we knew of the existence, I understand, because it was in the Arthur Young report.

Mr. SOUTTER. I don't know whether I talked to Mr. Marinaccio first or not, but I had no idea that Arthur Young had already provided Mr. Marinaccio the report.

The CHAIRMAN. Anyhow, you're telling me you did not provide the document to begin with because you considered it privileged. You did, however, on subpoena, supply the document?

Mr. SOUTTER. I most certainly did.

The CHAIRMAN. Now, finally, what discussions did you have with Mr. Miller and the board of directors concerning whether disclosure should be made of the \$2.95 million payment?

Mr. SOUTTER. I've had no discussions prior to the board meetings that have been held in this current month as to disclosure. I was satisfied that this transaction was straightforward, was legitimate, was as described as the the settlement of commissions earned, and terminated the rights to any other fees on business to the Government of Iran by Air Taxi.

I do not consider it to be an amount, overall, that would be material to Textron. And there were no obligations, in my judgment to disclose this in our disclosure documents with the Securities and Exchange Commission.

The CHAIRMAN. Senator Brooke. I beg your pardon; Senator Schmitt.

Senator SCHMITT. I am curious about management procedure within Textron and within Bell.

There seems to be, Mr. Soutter, a great reliance on verbal communications within at least the upper management of both groups.

Is this, you feel, normal business practice from your experience?

Mr. SOUTTER. I think we're doing our best to try to not be bureaucratic. I think most of us feel there is probably too much paperwork, that an awful lot of us walk into each other's office and discuss the business that has to be done, and people take it from there.

I would like to think that it is a fair mix. But there is probably more paperwork creeping into our daily lives everyday.

Senator SCHMITT. That is certainly very, very true.

Did you ever find that Mr. Miller had any problem with this verbal communication? Did he tend to want written communications of any kind?

Mr. SOUTTER. We do have some written things. I mean, I can brief a law brief for him, or something that needs to go before the board. But lots of it is simply done on "What did you find out? What has transpired? What should we be doing? Who should be working on it? Can we put a team together?"

Senator SCHMITT. And you had a frequent, if not daily, contact with Mr. Miller of this kind?

Mr. SOUTTER. Frequent.

Senator SCHMITT. How frequent?

Mr. SOUTTER. When he is there.

Senator SCHMITT. Well, on the average, a few times a week?

Mr. SOUTTER. Probably one a day on the days he is there. He has been travelling fairly heavily in recent times, but two or three times a week before that.

Senator SCHMITT. Mr. Soutter, supposing that in the course of your investigation of the \$2.9 million payment to Air Taxi you had uncovered rumors to the effect that Gen. Khatami was an owner and, at the same time, a member or head of the Air Force in Iran, what would you have done with some information like that?

Mr. SOUTTER. I would have reported it to Mr. Miller.

Senator SCHMITT. What do you suppose he would have done?

Mr. SOUTTER. He would have continued a full investigation, I am sure.

Senator SCHMITT. Have you ever had an occurrence where something in the company—and you don't have to be specific—had occurred, in your mind, that represented a need for further and more extensive investigation; and, upon your recommendation, Mr. Miller authorized you to do so?

Mr. SOUTTER. Not in this investigative technique. Sometimes in the question of whether you want to become a plaintiff in a lawsuit, or something like that. But not in an investigative role. It really just has not come up.

We have had defalcations and embezzlements, or malicious vandalism, but those aren't things that have to be brought to his attention; they're simply dealt with by the organization.

Senator SCHMITT. Your inquiry into the \$2.9 million payment to Air Taxi was the only—at this time, the only inquiry that you made into Bell activities. As I understand it, there really weren't any other significant commissions or fees paid?

Mr. SOUTTER. That is correct, Senator.

Senator SCHMITT. And did you, in your own mind, think that it was appropriate to call this a "commission" in the bookkeeping side of Textron and Bell?

Mr. SOUTTER. Well, the amendment number three—and this is the testimony both here and—well, maybe it didn't come up today, but with the staff—and people have called it a "commission," or a "settlement payment." In my view, it was both.

I think the agreement speaks for itself on that. My understanding of the accounting—and I am not an accountant—is that it was called "other selling expense," which puts it below the line, out of "cost of sales," and therefore not chargeable to the contractor in any respect, so that Bell in fact would absorb that out of its own profits.

Senator SCHMITT. Okay, just for the record, then, you did not discover any evidence of illegal activities in your investigation—

Mr. SOUTTER. That is correct.

Senator SCHMITT [continuing]. Of the \$2.9 million?

Mr. SOUTTER. That is correct.

Senator SCHMITT. And you found no evidence of anything that might have smacked of unethical procedures, not to mention—over and above the question of Mr. Khatami's alleged involvement?

Mr. SOUTTER. No, sir, I did not.

Senator SCHMITT. And if you had, you would have informed Mr. Miller?

Mr. SOUTTER. Yes, I would have.

Senator SCHMITT. Normal operating procedure, as far as you were concerned?

Mr. SOUTTER. It really didn't come up, but I feel our relationship is such that he would have respected, and I feel there's no question in my mind that I would do it.

Senator SCHMITT. Are you aware of the statement that is in the Wall Street Journal of February 24—and I quote, again: "Auditors for Textron, Incorporated, discovered that at least four divisions of the company funneled kickbacks to foreign customers, generally through secret Swiss bank accounts that could involve millions of dollars." unquote.

Mr. SOUTTER. I have seen that article.

Senator SCHMITT. Do you have any reaction to that?

Mr. SOUTTER. I have several reactions to that, but none of them are terribly germane to this hearing—other than, to the best of my knowledge on any of those matters, there is no bribery; there are no kickbacks; there are no political funds; there are no off-book accounts; there are no slush funds involved in any of those matters. I believe them all to be of an accommodation over-billing type of arrangement, and of amounts which I frankly don't have the aggregate amounts and so I can't say. Of the ones that I do know about—which are two—they are very small.

Senator SCHMITT. And are you currently looking into these—frankly, being that it is in the press, I'm not sure what to call them, but let's say—"findings of the auditors of Textron"?

Mr. SOUTTER. Yes, sir.

As an aside, our own people brought most of those to our own attention, and it was not the auditors—just for one other inaccuracy.

Senator SCHMITT. Well, that is not necessarily an "aside." It is probably an important statement to make.

And at the appropriate time, when things like this are active within Textron, you presumably then would brief, or maybe on a systematic basis would brief Mr. Miller as to what was being found out; what the status was; and what the implications were for the company?

Mr. SOUTTER. That is correct.

Senator SCHMITT. Have you in fact done so on any of these particular items?

Mr. SOUTTER. On the three that I know anything about, I have in fact now briefed him.

Some were briefed some time ago.

Senator SCHMITT. This was over a general period of time you've discussed these with Mr. Miller?

Mr. SOUTTER. Yes.

Senator SCHMITT. So generally, the record—and you would testify, at least, to the record of your activities in Textron, as when irregularities, or alleged irregularities appear or come to your attention, at a fairly early date you do discuss this with Mr. Miller?

Mr. SOUTTER. Yes, sir.

Senator SCHMITT. And would have done so, had you seen any irregularity in the \$2.9 million?

Mr. SOUTTER. When defalcations are brought to the attention, I think anybody in the organization—the ones that I've known of—the appropriate steps are implemented to stop it, to investigate it, to, I believe in some cases, to prosecute people who have stolen or embezzled from us, no matter what the origin of the defalcations.

Senator SCHMITT. But in the case of the payment to Air Taxi, when you found no indications of irregularities, you so reported to Mr. Miller?

Mr. SOUTTER. That is correct.

Senator SCHMITT. And his reaction? Can you recall that, at the time?

Mr. SOUTTER. I would summarize: in general, I don't know how many words, and I don't think I have got any quotes for you, but I think he was glad that in fact after the investigation I was confirming to him what he had generally understood through, I assume, his conversations with Mr. Atkins at the time the settlement was being negotiated. Because I had understood what it was for when I went down there. I completed that investigation and reported back to him that it was as advertised.

Senator SCHMITT. Have you ever heard, outside of what Mr. Miller testified to this committee, his general statement of policy on his part, his attitude toward kickbacks, or bribery, or foreign—access payments to foreign officials?

Mr. SOUTTER. A number of times, Senator.

Senator SCHMITT. Would you give me the general thrust of those comments?

Mr. SOUTTER. Well, I can tell you that he has made the statements at annual meetings where we pull all of our division chairmen together, and there has been a chairman's report, and that has been in recent years a part of his report. We have put out memoranda on various aspects of exemplary corporate behavior.

I'm not sure that I'm very good in paraphrasing his, but it is not a cursory—and don't forget about "questionable illegal or immoral payments." He takes the time to sit down, to discuss, to stand before the group and discuss his personal belief that this is not the way we are to do business; that we sell our products on their merit; and it just cannot be misread by anybody who is in the **room.**

I have also heard him, I believe on a couple of occasions—I don't go to all the business reviews—but I believe he has also made these at specific divisions when, after dinner and a division review, their forecast for the following year for the Textron management team that is coming to town, he usually speaks after dinner. And I believe that he has reemphasized his remarks there.

He has missed very few opportunities in which to counsel all of us on the standards that he expects, and that we expect of ourselves.

Senator SCHMITT. One final question: Has this ever been done in reaction to a proposal by a subordinate that they, "when in Rome, do as the Romans do," and offer some kind of an under-the-table deal to an official of some country?

Mr. SOUTTER. No, sir.

Senator SCHMITT. Nobody has ever proposed that to him, so he has never reacted to it?

Mr. SOUTTER. Well, it has never come from me. And were it to be proposed to him, I have no question that he would turn it down without blinking.

Senator SCHMITT. What do you think would happen to an employee that so proposed?

Mr. SOUTTER. I think that would be a very unjudicious thing for an employee of Textron to propose.

Senator SCHMITT. Thank you, Mr. Chairman.

The CHAIRMAN. Under the rotation, Senator Brooke is next, and then Senator Riegle.

Senator BROOKE. Mr. Soutter, it's not quite clear in my mind as to what the purpose of your investigation was. I think some of your responses are cloudy.

Why did you conduct it? What did you expect from it?

Mr. SOUTTER. I expected to find what I did find: That Air Taxi had been compensated and terminated with respect to future business with the Government of Iran; and that there had been a payment of \$2.9 million to do business. And I don't know how to say it in any other terms.

When you are in a registration statement, selling debentures, you have extra obligations to your investors, and to the public, to be sure that you are totally up-to-date on your company and what is going on.

This was a large payment, but the Iran business was large; and so it was incumbent upon me to go down and learn.

Senator BROOKE. That is precisely the point I am trying to make.

Was it merely your purpose to find out whether this was a prudent business settlement, a wise business settlement, on the part of Textron, or Bell Helicopter?

Was that your sole purpose? Because it looks to me as that's the only thing you actually did—was to determine that this was a wise business settlement.

Mr. SOUTTER. Senator, that is what I understood it to be. And I talked with the people, and we went through the documentation, tracing it down, and that is what it turned out to be, in my judgment.

Senator BROOKE. But couldn't it be a wise business settlement, and illegal, as well?

Mr. SOUTTER. Yes, I agree. I suppose it could be. I'm not sure you can say "wise business," and have something that is in fact illegal, but I think I understand your point.

Senator BROOKE. Well, when you were considering the Proxmire-Garrett letters, you would not be considering whether this was a wise, prudent, financial settlement; and it escapes me whether you attempted to find out if there was any illegality or impropriety.

Mr. SOUTTER. That certainly had to be in my mind as I went through the questions—what this was for. I did ask the question, at the end, or whenever—

Senator BROOKE. But you didn't ask the question of anyone who could give you that information, did you?

Mr. SOUTTER. The question that I asked, Senator, was of the three people that had signed off as 100 percent shareholders of the company. And my question to the assembled group was: Were any of those folks officials of the Iranian Government? And the answer was, "no."

And all through the day, or the parts of days that we did this, I was being told that this was for a legitimate business relationship, and they were explaining it to me as we went through the documents.

There was never any indication that there were ulterior motives in this payment, or that they were sinister, or that there was a pay-off here.

Senator BROOKE. You did not go beyond the veil, did you, the corporate veil? I don't know if it is "corporate"—a corporation or not, Air Taxi—but did you go beyond the "business veil" to ascertain what was there?

Mr. SOUTTER. No, sir.

Senator REIGLE. Would the Senator yield, at that point?

Senator BROOKE. Certainly.

Senator REIGLE. Because I am sort of hard-pressed to know what it is that he thinks should have triggered that kind of feeling that something was amiss?

In other words, it seems to me they were in an SEC registration, and there was a requirement to make the kind of general ascertainment that one normally does, that the facts were in order, and yet it seems that you're feeling and sense of unrest is that maybe somehow he accepted assertions made on the face of them, all of which were logical and sensible to him; that they were accurate and correct.

Senator BROOKE. Well, perhaps the Senator from Michigan did not hear Mr. Soutter's testimony that one of the reasons why this investigation was conducted was because of a letter Senator Proxmire sent to SEC Commission Chairman, Mr. Garrett. And that came about at the time, as the Senator might recall, that we were concerned, and the full committee was concerned, about the question of illegal payments to foreign governments by American corporations.

And therefore, Mr. Soutter said, that that was part of the investigation. That is the part that I am concerned about:

What did he do to determine whether there had been any illegal acts, or any improper act on the part of this corporation in this transaction? And not just the financial settlement.

I can see you going down and saying: "Was the \$2.9 million good business settlement?" "Yes." Obviously, it could have been \$10 million, as has already been testified, so it could be still a good, proper business settlement.

But if you did not go behind the veil and find out who the actual owners were, then I'm saying that you may not have done all you should have done in order to ascertain whether there was any impropriety.

And I think the Senator from Michigan would understand that.

The CHAIRMAN. If the Senator would yield at that point, I have the letter here, and without objection I will place it in the record.

[The letter referred to is reprinted as part of exhibit 66. It may be found on page 170 in part 2 of committee print titled "Staff Investigation of G. William Miller."]

The CHAIRMAN. It is a letter to Mr. Garrett from me, and it lists Textron as the 15th largest defense contractor, and it lists all 25 of them, and it says

You are undoubtedly aware of the great controversy there has been concerning the disclosure that the Northrop Corp. and other firms who do defense contracts have been involved in irregular and improper payments, both in the United States and abroad.

This letter is to request that your office make a detailed review of the documents and materials filed by each of the largest 25 defense contractors in order to determine whether there have been any unusual payments here or in foreign countries.

Senator BROOKE. Now, if I may—because most of my time is being used, and I have not objected to yielding from the Senator from Michigan at any time—but I have here, which we all have, what appears to be an attorney work product. You are familiar with that—your "confidential" attorney work product?

Mr. SOUTTER. Yes, Senator.

Senator BROOKE. And in that—I take it this is your work?

Mr. SOUTTER. That is correct.

Senator BROOKE. And in that, you even refer to the "Proxmire-Garrett communication."

Mr. SOUTTER. Yes, sir.

Senator BROOKE. Knowing that, being motivated to some degree by that, what did you do to go beyond—let me say "the corporate veil," for lack of knowledge as to whether Air Taxi was a corporation.

Mr. SOUTTER. I did nothing to go beyond the corporate veil of what was shown to me in a legalized document, Senator.

Senator BROOKE. You were satisfied, without doing that, that there was no impropriety and no illegality?

Mr. SOUTTER. Yes, sir. The question was posed to the people who knew who they were dealing with at Air Taxi, and what the answers were.

Senator BROOKE. I certainly cast no aspersions upon Mr. Jose, or Mr. Ducayet, or any of those persons, but it is conceivable to me that there could have been an impropriety and illegality, without even their knowledge, that you could have discovered in a thorough investigation. They may not have known about it.

Mr. SOUTTER. In a vacuum, I agree, Senator. But in the facts, and as I was dealing with people who I know and respect and trust, nothing in that conversation would have led me to go any further than I did.

Senator BROOKE. I don't think it is a question of their trust. I don't think anybody is suggesting that Mr. Atkins, Mr. Ducayet, or Mr. Jose, or any of them did anything improper at all. They may not have known about this—I won't say they actually did not know—but there is no evidence that they knew about it, other than Mr. Jose who has testified that he knew something about it.

But I'm just saying, if you did not look at it, there would be no way for you to possibly know about it.

Now let me ask you this question: Did you discuss with Mr. Miller whether it would be appropriate or necessary to disclose detail of this \$2.9 million payment under the SEC voluntary disclosure program?

Mr. SOUTTER. I don't believe that I discussed it with him in any kind of a detail. I think it was understood on the basis of my satisfaction in the report that it would not be, and that I was not recommending, that we would need to make that disclosure.

Senator BROOKE. But if that decision was made—and apparently it was made—not to make the disclosure, who actually made that decision?

Mr. SOUTTER. Well, I would have to say it would be me who made the decision. Others probably acquiesced, but I would say it was I who made the decision.

Senator BROOKE. Did you have the authority to actually make the decision?

Mr. SOUTTER. I have been given guidance in Securities and Exchange matters to the management of the company; yes, sir.

Senator BROOKE. You would not have to clear that? You would not have to make a recommendation and then have to have the decision actually made by Mr. Miller?

Mr. SOUTTER. No, sir. Our disclosure documents are drafted and they are circulated among top management for their views as to the accuracy of what we've said, either about the divisions in which they are the liaison or financials or whatever. People would have an opportunity to comment to me, but no one ever did, and I did not draft it to include it.

Senator BROOKE. Now, again, as I look at this privileged, confidential attorney work product, which is your work product, and I quote:

None of the principals of Air Taxi are known or believed to be Iranian Government officials. One was a member of the royal family, but has held no official Government position.

Now, how do you know that if you did not make any investigation?

Mr. SOUTTER. I did ask the question, Senator.

Senator BROOKE. Of whom?

Mr. SOUTTER. Of Mr. Atkins and Mr. Rudning, who had first-hand knowledge of Air Taxi.

Senator BROOKE. How did they know?

Mr. SOUTTER. How do we know anything, sir?

Senator BROOKE. You only asked the people in your own corporation? You did not go beyond this or anything?

Mr. SOUTTER. I'm sorry. I felt that I had no obligation to go beyond that, because I was dealing with people who were telling me the truth.

Senator BROOKE. Of course, they were telling you the truth as they knew the truth, but I'm suggesting to you, Mr. Soutter, that they did not know all of the truth. And yet, you made a statement, a clear statement, that none of the principals of Air Taxi are "known or believed to be Iranian Government officials."

Now, how can you make that statement on the basis of what Textron or Bell Helicopter people told you?

Mr. SOUTTER. I don't have any problem doing that, Senator. I asked the question; that was the answer. And that's why I include it in my memorandum.

Senator BROOKE. Well, lawyers differ, and I certainly could not accept that on the basis of the witnesses that you questioned that would make that statement. As a matter of fact, we now find out that they did not know. As a matter of fact, we found out that we did have, in all deference to the Senator from Michigan, that Gen. Khatami was, in fact, a government official and was, in fact, part owner of Air Taxi.

Senator RIEGLE. Would the Senator yield, having mentioned my name?

Who knew that? Apparently the Senator from Massachusetts now knows that, but that is different than Textron knowing it.

Senator BROOKE. I think I know it, and I think the record is replete with evidence that that was the fact. I don't think that is really in contention.

The only thing that I see in contention is Mr. Miller's knowledge of Gen. Khatami's interest in Air Taxi, which has not been proved—and if I had to vote today on the basis of the evidence, there has been no evidence as yet that Mr. Miller had anything to do with it or had knowledge of it. But that doesn't mean that it was not a fact, and I would think that you did the job that could have found that fact, Mr. Soutter. That is what I am suggesting to you, most respectfully.

Mr. SOUTTER. I understand, Senator, but the only two pieces of evidence that are in the file that I know of are, in fact, that certificate where the three people presented themselves to the vice-counsel in Tehran and swore to him what they were saying. Admittedly, it was an authorization from Mr. Zanganeh to deal, and it not meant to be their testimony as to the ownership, but they did sign it, that they were.

The Dun & Bradstreet report later came along which confirms. It came along, to my knowledge, although it predates that, and are

the only two documents that I was ever aware of and remain today knowledgeable of that show the ownership of Air Taxi.

Senator BROOKE. But you and I both know that everything is not always what it is perceived or purports to be, and that is the reason for investigations.

We also know what Dun & Bradstreet does, and I cast no aspersions upon them, but they look at the financial situation and they record what the registration was as of that date. They don't do any independent investigation of the company, as you very well know.

The kind of investigation of a company that would be merited by your concern about compliance with the letter from Senator Proxmire to Chairman Garrett would be different—but I think I've gone as far as we can go on that, and I think you understand exactly what I mean, Mr. Soutter. And as I say, most respectfully, I do not think that your investigation was thorough and in depth, which, if it had been, may have proved nothing at all. It would not have shown anything about Mr. Ducayet or Mr. Jose, and in the main thing, it would not have shown anything about Mr. Miller. But it would have certainly revealed Gen. Khatami's interest in Air Taxi, which is a very pertinent factor.

And I thank you very much.

The CHAIRMAN. Senator Riegle.

Senator RIEGLE. Some years ago, I had the opportunity to work in an area called plant and lab accounting coordination for IBM, and one of the functions that I had at that time was to be a part of efforts to carry out certain auditing responsibilities, to try to find out if things that people said were so, were, in fact, so.

And the normal practice that I remember, and I think the practice that would logically apply here, is that in the first instance, when you're trying to figure out if something is right and proper, is you look at the facts of the case. Is there something that sticks out, that looks strange, that looks odd?

If the commission, for example, were an unusually large one in terms of a percent of the sale, if the commission were out of line, if there had not been an act of negotiation to sort of beat down the cost of the commission with the person who had been serving as the agent, if there was a failure of evidence in terms of an outside independent certification of ownership.

But, in this case, if I put myself in your shoes, looking at this particular transaction, the amount wasn't out of line the amount clearly was not out of line as a percentage or in terms of any kind of standard yardstick for commissions of sales of this size.

Secondly, had there been a tough negotiation on the commission? Clearly, there had been. It is obvious, from the history we've heard here, that there was a thorough, tough pressure applied here to keep this commission at a maximum. And percentagewise 6/10 of 1 percent, it looks to me as if it was.

Thirdly, did you have some independent sense of who the owners were? Yes, you did. There was the independent certification of ownership by Dun & Bradstreet. It turns out that Dun & Bradstreet was misled.

It seems to me if Senator Brooke is correct, that Khatami owned part of Air Taxi secretly, that in the same way that Dun & Bradstreet was misled, it appears to me your own company was misled.

But if that is the case and if, in fact, there was a fraud, there was a fraud on the part of Air Taxi, not on the part of Textron. And that, to me, is the critical issue.

And when we take and we blur that distinction and we take whatever fraud that Air Taxi may have successfully carried off, not just against you but against Dun & Bradstreet, and to then make that serve as, in fact, an indictment of Textron, and we sort of work that along until we start impugning key corporate officers, we find ourselves finally in the situation that we are in. And that is through that kind of purported change of events we can end up drawing some very negative inferences and end up using the language that something is irregular and improper. And I think that is just phony.

In other words, if anybody wants to take the time to put these facts together in the sequence in which they occur, they were neither irregular nor improper, appearing on their fact. And there was substantial evidence that they were, in fact, regular and, in fact, proper.

Now, if one wants to assert that behind all of this that Air Taxi, through a very clever subterfuge, had a partner that was hidden from view, that may very well be so. Senator Brooke is satisfied that that is the case. Then it's interesting to me that Mr. Atkins, your president, based on what is still available to him, is not yet in his own mind convinced that that is so.

Perhaps that is just a difference of opinion, but it seems to me that when you look at the facts that you were being asked to take a look at, and you were doing it for a purpose, it was not that somebody cried out, "Do we have a problem?" As I understand it; you correct me if I'm wrong, it was not that somebody cried out and said, "We have a problem with the payment to Air Taxi."

What happened was you were in the middle of an SEC certification process, and, as a matter of course, it was required for you to go out and do sort of an examination, to take a look at each one of the items that would have to be talked about that would fit that time period that this certification process applies to.

And so you did that, and you went to the people who were involved. And on the fact of it, it all made sense. The amount was appropriate. There had been a tough negotiation. You had an independent verification from Dun & Bradstreet.

Now, how, with all of that information and this being just—this is not the only item we're paying attention to, but other things were going on at the same time—how you are to be expected at that point to somehow have the genius to figure out that even though everything was fine on the face of it that somehow something was not quite right here and that back in Iran Air Taxi, in fact, had a secret partner who somehow was getting a piece of this frankly undersized commission, if one looks at the size of the sale.

Now, I think that is an unreasonable presumption, quite frankly. I think for somebody to expect you to have that kind of sort of sixth sense to spot a possible fraud that had been concealed by

Iranians is to ask something that I don't see, quite frankly, the Senate needs.

We as Senators don't have that sort of spectacular insight where we spot things like that where everything is fine and dandy, at least as to appearance on the surface.

The CHAIRMAN. Would the gentleman yield?

Senator RIEGLE. In just a moment, I will.

It's easy for me to understand that the people that have testified here, starting with Mr. Miller, or with Mr. Atkins today, could have great difficulty understanding why it would be so easy for us to jump to a presumption that somehow everybody was in on the deal of perpetrating some kind of a fraud in this situation, because, frankly, as I look at the whole pattern of facts, it suggests just the reverse to me, and frankly, if the case has to hang to a very large extent on Mr. Bell as a witness, you know, then I'm doubly troubled, not because he may not be truthful, but because he is not a disinterested party.

The CHAIRMAN. Would the Senator yield?

Senator RIEGLE. Yes, I will yield to the chairman.

The CHAIRMAN. You see, there is no point in this investigation at all. If you make the assumptions that the Senator from Michigan, as I understand him—and maybe I am unfair to him—makes.

The whole point in making investigations is to determine whether there was anything illegal. You have to inquire and determine whether or not that \$2.95 million payment was illegal.

Now, what does "illegal" mean? What does "improper" mean? Obviously, if it is on the basis that the various witnesses have described they thought it to be, then there is nothing to investigate.

But this was in the context of a letter that I wrote to Mr. Garrett, with which Mr. Soutter said he was familiar and was part of his investigation to investigate questionable payments.

Now, how do you investigate a questionable payment? You find out where the payment went, who got it. Obviously, if it simply goes to three people who are not officials, that is the end of it. But if you're going to conduct an investigation to determine whether it is questionable or not, it seems to me you ought to do more than just to interrogate the three top people who were involved in this payment and who themselves have an interest in having the payment legal and proper.

It is hardly an investigation worthy of the name if you stop at that point and then if you don't go through the various documents that we did with the kind of investigation that our staff made in just a few days down there disclosed this.

Senator RIEGLE. I appreciate the point you're making, and let me pursue it, because I think we are right where we need to get to. And that is the question of whether or not it was a questionable payment or rather the appearance, whether there was any probable cause at that time to view this as a questionable payment, as if this was something that would sort of stand out as being out of the ordinary.

And, as I try to apply the test, as we have reconstructed this thing, that I think would flag it for me if I had been sent to do the investi-

gation, if the size had been percentagewise as a payment, as a commission, on the sale had been inordinately large, that would have been a trigger in my mind. If I had not had an independent verification from somebody like Dun & Bradstreet, that would have been another thing that would have been a red flag in my mind.

If there had not been a protracted period of negotiation, if the company had not been trying to beat down the agent here and reduce the size of the commission, that would be another thing that would stand out as a red flag in my mind.

But all three of those things were present. So, it seems to me that an auditor going in and an investigator going in and looking at this and finding that this package of facts makes sense and was coherent and did not have the appearance of being a questionable payment, that for one to then make sort of the leap of judgment and imagination to imagine that hidden agent is a hidden partner—I mean, I think that really stretches things.

The CHAIRMAN. Well, may I point out that the defense contract audit agency singled out this particular payment as one that they thought was unusual and bore investigation.

They singled it out. They thought it was sufficient. At page 296 of volume 3 of the hearings—

Senator RIEGLE. Well, whatever their particular view and whatever factor they were coming in on, I think what is more significant is what the internal auditor of the company being asked to take a look at this situation in light of the facts that we have just discussed, what is a logical presumption on that person's part?

Let me ask you this. I mean, based upon what he has testified that he knew, what would have flagged it for you? What would have flagged it for somebody on the committee staff at that point? I am just hardpressed to see what it would be.

The CHAIRMAN. Well, in the first place, they themselves—and I'm talking about Mr. Soutter—and Mr. Miller agreed—thought that this should have been investigated.

Senator RIEGLE. It had to be. The SEC requirements, I think, made it necessary that they examine this situation. Is that not correct? I understood that to be the case.

The CHAIRMAN. There was nothing mandatory. They did not have to investigate this if they thought it was a routine that did not require to be investigated. They decided they would. At any rate, they decided that, and I think that although the Senator has his view of that \$2.9 million payment, I have mine, and I think I've made it pretty clear in the course of questioning that I thought it was a payment that did merit inquiry.

Senator RIEGLE. Based on its size?

The CHAIRMAN. Yes, based on its size.

Senator RIEGLE. 6/10 of 1 percent?

The CHAIRMAN. Sure. In relation to the volume. Yes, indeed. In relation to the amount of work.

Senator RIEGLE. Well, it's 10 years of time. I mean, there's a buildup to the time that they finally closed the \$½ billion order, and \$2.9 million as a percentage of that—I mean, maybe we just

disagree on that, but that seems to me to fall very much within the bounds of reason. In fact, I think it is on the short side.

The CHAIRMAN. It was the largest payment on the largest contract they've ever made.

Senator RIEGLE. Are you suggesting that there were other \$1½ billion contracts and situations similar to this where there were smaller commissions paid? I mean, I don't know the history. Perhaps you know of some.

The CHAIRMAN. Well, we just discussed them. I had a \$28 million contract on which \$90,000 was paid.

Senator RIEGLE. But they said that was an altogether different set of case facts, and that is a lot different than a \$1½ billion order.

The CHAIRMAN. Well, Gen. Toufanian said that in his judgment the Government of Iran would not pay costs measured as a percentage of sales, even ½ of 1 percent of a \$100 million transaction, which was 1/5 this size. It would be clearly disproportionate to real services and real value to the Government of Iran.

Senator RIEGLE. Well, I think they've also made the point, however, that they felt that there was a legal obligation here, that they have been involved in a contractual relationship for a long period of time, and that they felt they would have to go to court to settle this thing if they were not able to work out an agreement out of court, which they finally did, and the figure was \$2.9 million.

I'm simply saying that that figure, as a percent of the volume of business, was of a size that would prompt one to say, on the face of it, that this looks phony. I'm just saying that it does not come close to meeting that test, at least in my mind.

If it were 10 percent, or if it were 15 percent, or if there were some other sort of strange nuance; if there had been a negotiation; then I think it would not smell right, and it would not look right. And therefore, I think you would derelict if we did not pursue it, if we did not find out why there had been negotiation, and if we didn't find out why the payment had been excessively large.

But I think within the pattern of the way this whole situation unfolded, I think this falls within the bounds of what an auditor would find to be a reasonable pattern of events.

The CHAIRMAN. Well, Senator Riegle, it all depends on how you look at this. You could argue that what you seem to be implying, that a small bribe isn't that important.

Senator RIEGLE. I'm not saying that whatsoever. I don't think any bribe is justified. I don't think any bribe is justified.

The CHAIRMAN. Well, again, you have to look back and examine what was done, and the judgment was—well, we've been over and over that. Unless you have more questions of the witness, I think we should conclude the hearing.

As the Senator knows, we have a long day coming up again tomorrow.

Senator RIEGLE. I just want to conclude by thanking the chairman for his patience. It is seldom that we disagree on things, and it is painful when we do, because I much prefer to be in agreement with the chairman than in disagreement. And I suspect that will continue to be the case once we get this particular issue resolve.

The CHAIRMAN. I want to thank you very much, Mr. Soutter. You are a fine witness, and obviously are most responsive and thoughtful. And we are very grateful. Thank you very much.

The committee will stand in recess until 9 o'clock tomorrow morning.

[Whereupon, at 5:45 p.m., the hearing was adjourned until 9 a.m. the next morning.]

[The following statement from Senator Schmitt was received for the record:]

STATEMENT ON MILLER CONFIRMATION BY SENATOR HARRISON SCHMITT

I will vote for G. William Miller's confirmation as Chairman of the Federal Reserve Board. In private conversations and testimony, Mr. Miller has come across as a much more responsible individual with respect to monetary policy and his independence from the White House than I had originally believed him to be.

The investigation of the Bell Helicopter transactions in Iran has established that Mr. Miller did not have any knowledge of those activities, including the alleged irregularities, during the transactions. Further, it established that later, for a different reason, he and his general counsel agreed to look at this particular payment of a commission and termination fee to Air Taxi of \$2.9 million to see if it might have any irregular connotations. The general counsel found nothing to raise his suspicions and therefore, again, Miller was not informed of any possible irregularity. Instead, his belief was reinforced that there was no problem. In fact, there may not have been any problem. It turns out that this was a very small commission, about 6 percent of the total price, considering the size of the sale of 489 helicopters to Iran.

Finally, I believe Mr. Miller is a man of great experience, maturity, with a dedication to public service as well as private service. In the course of this very extensive investigation, I believe we came very, very close to discouraging not only Mr. Miller but many other individuals from ever exposing themselves to a confirmation process. Mr. Miller's hearing not only required that he prove his innocence of any wrongdoing anywhere in the past but that he also prove that his associates are innocent of any wrongdoing anywhere in the past. To prove innocence is not the basis of our justice system. In the absence of proof of guilt, innocence is presumed, and should be. The investigation conducted by the Banking Committee came very close to requiring the proof of innocence.

The merits of Mr. Miller's confirmation should be judged on the basis of (1) an adequate monetary philosophy, (2) an adequate independence of the White House, (3) no evidence whatsoever that he told anything but the truth, and (4) that he is a man of great ability, competence, maturity and experience. Miller is the type of person we need to attract to our Government.

CONTINUATION OF THE NOMINATION OF G. WILLIAM MILLER

TUESDAY, FEBRUARY 28, 1978

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, D.C.

The committee met at 9:05 a.m., in room 5302, Dirksen Senate Office Building, Senator William Proxmire, chairman of the committee, presiding.

Present: Senators Proxmire, Sparkman, Williams, McIntyre, Cranston, Stevenson, Morgan, Riegle, Brooke, Tower, Garn, Heinz, Lugar, and Schmitt.

The CHAIRMAN. The committee will come to order.

This morning we have two witnesses. We have, I expect, relatively briefly Mr. [J. H. "Bud"] Orpen before us, and then we're going to have Mr. Miller; at, I imagine, somewhat greater length.

Mr. Orpen, do you have a statement you would like to make?

First, before you do that, let me ask you to rise and raise your right hand. Do you swear the testimony you are about to give will be the truth, the whole truth and nothing but the truth?

Mr. ORPEN. I do.

The CHAIRMAN. All right, sir. Be seated.

Now let me ask first, do you have a statement you would like to make?

Mr. ORPEN. I do not.

The CHAIRMAN. Will you tell us exactly what your position was with Bell Helicopter and how long, when you began your employment and when you terminated your employment?

Mr. ORPEN. During what period, sir?

The CHAIRMAN. Tell us when you were first hired by Bell Helicopter and what your responsibilities were.

Mr. ORPEN. I was first hired by Bell Helicopter in 1957 and joined the domestic sales organization and spent approximately six months in Fort Worth and then was assigned to the Eastern Sales area based out of New York.

The CHAIRMAN. And then were assigned where? I missed that.

Mr. ORPEN. I was assigned to the eastern sales division based in the New York area and later the Philadelphia area.

The CHAIRMAN. Bring us up to date. Then what happened?

Mr. ORPEN. Okay. Then approximately, as I recall, in 1961, I was asked to take over the export sales department for Bell and I re-

turned to Fort Worth as the headquarters for that work and where I stayed until I resigned from Bell in 1969.

The CHAIRMAN. You left Bell in 1969?

Mr. ORPEN. Yes.

The CHAIRMAN. Were you the international sales manager?

Mr. ORPEN. Export sales manager.

The CHAIRMAN. And in that connection did you travel to Iran?

Mr. ORPEN. Yes.

The CHAIRMAN. When you went to Iran did you go for the purpose of determining whether or not Air Taxi would be rehired in 1967 or 1968?

Mr. ORPEN. Yes.

The CHAIRMAN. You did?

Mr. ORPEN. Yes, among other things.

The CHAIRMAN. What were your instructions? What were the other things?

Mr. ORPEN. Well, we had a proposal pending for the sale of six of our military type helicopters to the Iranian Army and we wanted to present that proposal and see what our potential chances for sales would be.

The CHAIRMAN. Now were you instructed by Mr. Jose or by Mr. Ducayet or by any other executives in Bell Helicopter as to what standards you should apply in determining whether or not to hire Air Taxi?

Mr. ORPEN. Well, I had discussions with Mr. Jose prior to any trip I would make and we would review the various goals and intentions in whatever country I was visiting. On this particular visit we had reached a conclusion internally that we were not going to go along with Mr. French as our representative there under any kind of an arrangement as long as French himself could not be allowed to conduct his activities in that country. So we knew that we were going to—

The CHAIRMAN. Was it your understanding that that was the reason why you wouldn't go along with Mr. French, because he was not able to get into Iran and had to work out of Beirut?

Mr. ORPEN. That's primarily the reason, yes. We didn't feel he could be effective in any kind of an organization such as he was proposing without himself being there to direct the activities and this turned out to be the case by the lack of local people that we were able to discuss or meet with during the particular trip.

The CHAIRMAN. All right. Now what did you know about the ownership of Air Taxi, specifically the Khatami ownership interest, before you traveled to Iran in 1967?

Mr. ORPEN. We knew nothing really other than some rumors that had been put forth by Mr. French or Mr. Bell, his attorney.

The CHAIRMAN. That was the original source?

Mr. ORPEN. Yes.

The CHAIRMAN. And when you say "we knew," who else knew besides you?

Mr. ORPEN. Mr. Pierrot and—

The CHAIRMAN. Who was Mr. Pierrot?

Mr. ORPEN. He was our export consultant based in Washington.

The CHAIRMAN. Who else told you about a Khatami ownership interest in Air Taxi after you reached Iran? Anybody?

Mr. ORPEN. No one.

The CHAIRMAN. Who did you tell at Bell Helicopter about the Khatami ownership in Air Taxi?

Mr. ORPEN. I don't recall telling anybody about anything like that because I didn't know about it.

The CHAIRMAN. Who at Bell Helicopter heard of Khatami's ownership interest in Air Taxi besides you and Mr. Pierrot?

Mr. ORPEN. I don't know if it was ever discussed between Mr. Jose and Mr. Atkins, but Mr. Jose and I would have had discussions about some of the rumors or allegations by Mr. French or his attorney.

The CHAIRMAN. What were the gists of those discussions?

Mr. ORPEN. Between Mr. Jose and myself?

The CHAIRMAN. Yes, sir.

Mr. ORPEN. Well, as I mentioned, it was a review of the particular goals. He was anxious for us to locate a good, reputable representative for Bell and at that time the only company we had on our list to check out was Air Taxi.

The CHAIRMAN. Did Mr. Jose or anybody else at Bell Helicopter tell you that it would be improper or undesirable or against policy to hire a firm that was owned by a foreign official?

Mr. ORPEN. We all knew that from past experience with other actions and activities that had taken place in other countries.

The CHAIRMAN. But was there any specific instruction in this particular case?

Mr. ORPEN. No, sir.

The CHAIRMAN. None?

Mr. ORPEN. This was something that wouldn't be condoned by our top management at Bell.

The CHAIRMAN. Now you testified, as I understand it, that Bell Helicopter officials decided to terminate Mr. French as your agent in Iran before you went there. Is that right?

Mr. ORPEN. Yes.

The CHAIRMAN. Was Air Taxi the leading contender? I understood you to say that was the one you—

Mr. ORPEN. They were the only contender that we had at that time. We were also going to try to locate other potentially acceptable firms or individuals.

The CHAIRMAN. And when was the decision made to rehire Air Taxi?

Mr. ORPEN. Upon our return from that trip.

The CHAIRMAN. Who made the decision?

Mr. ORPEN. Mr. Jose and Mr. Atkins, upon the recommendation of Mr. Pierrot and myself.

The CHAIRMAN. As far as you're concerned then the decision was made and approved by Mr. Jose and Mr. Atkins; is that correct?

Mr. ORPEN. Yes.

The CHAIRMAN. Whom did you tell at Bell Helicopter or Textron about the decision?

Mr. ORPEN. About the decision?

The CHAIRMAN. About the decision to hire Air Taxi?

Mr. ORPEN. Well, we would have reviewed our discussions, our trip activities with Mr. Jose upon return to Bell.

The CHAIRMAN. Now you testified that Mr. Atkins knew, Mr. Jose knew—how about Mr. Ducayet?

Mr. ORPEN. I don't have any knowledge that Mr. Ducayet knew but I assume that he would have been briefed by Mr. Atkins.

The CHAIRMAN. And Mr. Miller?

Mr. ORPEN. I don't believe Mr. Miller would have any—at that time—interest in that particular employment.

The CHAIRMAN. What type of investigation, if any, were you supposed to make into Air Taxi when you went to Iran in November of 1967? What instructions did you receive?

Mr. ORPEN. Our standard instructions for a new representative was, first of all, to find an individual or company who had a good reputation in the country; secondly, who had access to the type of people that we were trying to sell so if they called up to make an appointment to present a propose or conduct a briefing they would be acceptable.

The CHAIRMAN. Well, now you have testified that you had heard before you left from Mr. Bell, Robert Bell, his allegations that Khatami owned Air Taxi. Were you instructed to check that out at all?

Mr. ORPEN. I could have been but I don't recall specifically.

The CHAIRMAN. You don't recall whether you were or not?

Mr. ORPEN. No.

The CHAIRMAN. Were you supposed to check into the ownership of Air Taxi at all?

Mr. ORPEN. As near as we could, yes.

The CHAIRMAN. How?

Mr. ORPEN. Well, to find a copy of their financial statement and to determine their financial stability.

The CHAIRMAN. Were you asked to determine whether there was any governmental, military, or royal family connections?

Mr. ORPEN. I don't recall being asked specifically that point but I could have been asked.

The CHAIRMAN. And were you asked to check whether or not or who the officials were or who the owners were in fact so you could get them by name?

Mr. ORPEN. I don't remember specifically, but either Mr. Pierrot or myself I'm sure would have brought that point up.

The CHAIRMAN. Did you talk to U.S. embassy or military personnel in Iran or American businessmen or defense contractors about Air Taxi?

Mr. ORPEN. We talked to the U.S. Embassy people as another check of the company to see what they knew about this company, if they were—if they had any reason to feel that they would not be an acceptable representative of Bell Helicopter Co.

The CHAIRMAN. Was it considered important that Air Taxi would have connections with the royal family or with Gen. Khatami?

Mr. ORPEN. Yes, and we knew—

The CHAIRMAN. You say that would have been a positive element in your choice?

Mr. ORPEN. Yes. By connection, I don't mean ownership but access and knowledge of the royal family.

The CHAIRMAN. Well, although you say you had knowledge before you left that Robert Bell had made this allegation, you don't recall whether or not you tried to determine whether or not Gen. Khatami actually had an ownership in Air Taxi?

Mr. ORPEN. Not specifically, but it's very possible we did.

The CHAIRMAN. What did the U.S. Embassy and military personnel in Iran tell you?

Mr. ORPEN. Well, among other things, if you mean specifically about Air Taxi—

The CHAIRMAN. Yes, sir.

Mr. ORPEN [continuing]. That there was no reason in their mind that Air Taxi would not be a good representative for us.

The CHAIRMAN. My time is up. Senator Brooke.

Senator BROOKE. Mr. Orpen, in November of 1966, Robert Bell, an attorney representing William French, Bell Helicopter's agent in Iran from 1964 to 1967, met with Mr. Jose and Mr. Ducayet, and at some time with Mr. Feliton, to discuss Gen. Khatami's alleged interest in Air Taxi and his desire to acquire an interest in Mr. French's firm.

Were you aware that such meetings took place?

Mr. ORPEN. I was not a party to any meetings by attorney Bell on his visits.

Senator BROOKE. I asked whether you were aware that such meetings took place, not whether you were a party to them.

Mr. ORPEN. I knew that Mr. Bell had made several trips to the factory to talk to Mr. Jose and I don't know if he talked to anybody higher than Mr. Jose or not.

Senator BROOKE. When did you become aware that Gen. Khatami had an interest in Air Taxi?

Mr. ORPEN. I would assume that it would have been pointed out in one of Mr. French's letters or attorney Bell's letters to the export department.

Senator BROOKE. Do you remember what year that would have been?

Mr. ORPEN. Probably 1966, the time frame after he was trying to form some other company that would be able to do business in Iran.

Senator BROOKE. Having that knowledge, did you impart that information to Mr. Jose?

Mr. ORPEN. Well, Mr. Jose received copies of the same correspondence that I got, so I assume that he was also aware of this.

Senator BROOKE. Did you personally discuss it with Mr. Jose?

Mr. ORPEN. I don't recall a personal discussion of it.

Senator BROOKE. Did you personally discuss it with Mr. Ducayet?

Mr. ORPEN. No.

Senator BROOKE. Did you ever at any time impart that knowledge to Mr. G. William Miller?

Mr. ORPEN. No.

Senator BROOKE. Do you have any personal knowledge that Mr. Miller at any time knew that Air Taxi was owned in part or in full by Gen. Khatami?

Mr. ORPEN. I'm sure that he did not. I don't think this would have been a point that would have been of particular interest to him at that time. I think he trusted the Bell officials to be discreet and selective in their choice of representatives.

Senator BROOKE. And you say you're sure that Mr. Miller did not know of this ownership or part ownership?

Mr. ORPEN. I would say I have no reason to feel that he would have been briefed specifically about this point.

Senator BROOKE. But at least at no time did you have any conversation with him?

Mr. ORPEN. No, sir.

Senator BROOKE. Nor did you have any knowledge of anyone else imparting that knowledge to Mr. Miller?

Mr. ORPEN. That's correct, sir; I did not.

Senator BROOKE. Did you communicate in any way in correspondence to Mr. Miller information concerning Khatami's ownership interest in Air Taxi?

Mr. ORPEN. No, sir.

Senator BROOKE. Did you have occasion to frequently meet with Mr. Miller personally?

Mr. ORPEN. No, sir.

Senator BROOKE. Did you ever meet with him on business matters pertaining to Bell Helicopter?

Mr. ORPEN. Only more or less socially primarily during one of the Paris Air Shows when he was in France.

Senator BROOKE. But in the so-called chain of command in Textron and Bell Helicopter, you did not have occasion to meet with Mr. Miller on any matters pertaining to Bell Helicopter?

Mr. ORPEN. I did not.

Senator BROOKE. And any written communication that you made would have gone through channels, is that correct, and may or may not have reached Mr. Miller?

Mr. ORPEN. I assume they did not.

Senator BROOKE. Did you ever personally meet Gen. Khatami?

Mr. ORPEN. Yes.

Senator BROOKE. Where did you meet him?

Mr. ORPEN. On the visit that Mr. Pierrot and I made together with Mr. Kling from our company in late 1967.

Senator BROOKE. And who was present at that meeting?

Mr. ORPEN. Mr. Pierrot and myself.

Senator BROOKE. How long did the meeting last?

Mr. ORPEN. Oh, the actual face-to-face contact with Gen. Khatami was probably only 15 minutes.

Senator BROOKE. Where did the meeting take place?

Mr. ORPEN. In his home in Tehran.

Senator BROOKE. And what was the purpose of the meeting and who requested the meeting?

Mr. ORPEN. Mr. Pierrot requested it and we both felt it would be a good idea because we wanted to further our sales proposals that we were making at the time to the Iranian Army.

Senator BROOKE. Why did you feel that Gen. Khatami was important?

Mr. ORPEN. Because he was the chief of the Iranian Air Force and part of our sales duties in any country visit was to reach the highest level of potential contact that we could make.

Senator BROOKE. At this meeting did Gen. Khatami volunteer the information that he was an owner of Air Taxi?

Mr. ORPEN. No, sir, in no way.

Senator BROOKE. Did anybody at that meeting ask Gen. Khatami whether he was an owner of or partner in Air Taxi?

Mr. ORPEN. No, sir. It was a social visit, Senator.

Senator BROOKE. Purely social, you did not get into any technical matters at all?

Mr. ORPEN. No.

Senator BROOKE. You did not at any time discuss the question of ownership of Air Taxi?

Mr. ORPEN. No, sir.

Senator BROOKE. At no time discussed having Gen. Khatami use his good offices in behalf of Bell Helicopter?

Mr. ORPEN. Absolutely not. We wouldn't have asked that question.

Senator BROOKE. And so you would characterize it as a purely social meeting and of no real substance?

Mr. ORPEN. Primarily, that's correct, other than we did mention our interest in the potential helicopter sale to the Iranian Army which was one of the reasons for our visit, as I previously mentioned.

Senator BROOKE. Did you ever meet Mr. French?

Mr. ORPEN. Many times.

Senator BROOKE. And what business did you have with Mr. French specifically?

Mr. ORPEN. Well, at the time he was our sales representative and we were trying to promote sales in Iran. It started out first mainly with the potential commercial sales. We were selling both commercial helicopters as well as military helicopters and the two—the best prospects that Mr. French had on my first visit with him was the electric company as well as the Iranian oil company for the use of civilian helicopters.

Senator BROOKE. Did you know that Mr. French had been denied reentry into Iran?

Mr. ORPEN. Yes.

Senator BROOKE. Did you know the reason why?

Mr. ORPEN. Only through what Mr. French informed us.

Senator BROOKE. Did you have reason to believe Mr. French?

Mr. ORPEN. I had no reason not to, but it was a matter that he had to clear up himself without our intervention in any way.

Senator BROOKE. Do you think that your company did anything illegal or unethical in its negotiations with respect to the purchase of these 489 helicopters?

Mr. ORPEN. Well, I know nothing about the purchase of that number of helicopters because this took place after I left Bell.

Senator BROOKE. Let me rephrase the question.

Mr. ORPEN. After all, knowing our company policies and the officers of the company, I know that they would never have condoned any act that would be considered subversive or under the table payments or that sort of thing.

Senator BROOKE. Did you know while you were with Bell Helicopter of any company or corporate policy that prohibited any payment to foreign government officials?

Mr. ORPEN. Yes.

Senator BROOKE. How was it imparted to you, did you read it or hear about it?

Mr. ORPEN. There was nothing in writing on it but we had sometimes discussed about the real world out there and what was going on by other competitors of ours in Europe trying to sell helicopters to the same countries that we were trying to sell them to and we knew that there were payments of this sort of thing made by these other companies, but any time we even suggested anything near that it was given a very cold shoulder by Mr. Atkins and by Mr. Ducayet. So we knew it was their policy not to condone any such acts.

Senator BROOKE. Did you understand this to be the policy of G. William Miller?

Mr. ORPEN. Well, I can't say for that, but I'm certain that—I know for sure it was not Bell's policy and Bell was part of Textron.

Senator BROOKE. It was Textron's policy and Bell's policy; is that correct?

Mr. ORPEN. I would assume that it is. I can only speak for Bell Helicopter.

Senator BROOKE. For whom do you work now, Mr. Orpen?

Mr. ORPEN. I work for an air taxi company in St. Croix, V.I. I'm a seaplane captain for Antilles Airboats.

Senator BROOKE. Thank you. My time is up.

The CHAIRMAN. Senator Sparkman.

STATEMENT OF SENATOR SPARKMAN

Senator SPARKMAN. Mr. Chairman, I would like first of all to read a brief statement that I have prepared.

I regret very much that the debate on the Panama Canal treaties has prevented me from attending all of the committee sessions on this nomination. However, I have been here for some of the proceedings and I have kept up with it through the staff.

I want to join with others on the committee who have complimented the committee staff on their investigation of this matter. I think it's been one of the toughest, most thorough investigations that I have ever seen by the committee. To me that is very significant because so far as I have been able to determine from the results of that investigation there has been no evidence that the nominee has been guilty of any wrongdoing. If there is any such evidence, it certainly should have come out by now or at least it should be pre-

sented today. Otherwise, the nomination should be acted upon by the committee forthwith and in my judgment it should be acted upon favorably.

I want to say that I think it's not good for the country to have this position remain unfilled. While there is justification for the delay—and by the way, I voted in favor of extending the hearings—but I think that certainly we ought to complete these hearings today. It may be that some of the revelations require further scrutiny by other governmental bodies. I understand the Securities and Exchange Commission is already looking at some of them, but unless there's something yet to be revealed to the committee bearing upon the nomination itself, I can see nothing to be gained by prolonging the matter further.

I am pleased that Mr. Miller has the opportunity this morning to address the numerous allegations and insinuations that have been tossed around and I look forward to what he has to say.

Let me say, Mr. Chairman, I have to go to the Foreign Relations Committee and be there at 10 o'clock. We have a very heavy schedule today, a very important schedule, so I feel I must go over there. I wrote out a proxy yesterday to Senator Morgan and he told me he would be in and out, but it was my impression that I wrote the proxy covering both days, but if it's not actually written out I would like to say now that when Senator Morgan comes in he will have my proxy.

Senator BROOKE. Will the Senator yield?

The CHAIRMAN. May I say to the Senator that under the committee rules I understand the committee can only vote by unanimous consent and I don't think there will be unanimous consent with a matter of this gravity—in 24 hours after the transcript of the last hearing has been made available to the committee members.

Now if this is the last day of hearings—and it very well might be—that wouldn't be available until probably Wednesday and that would mean that we couldn't vote until Thursday, but I would agree wholeheartedly that unless other members have strong feelings about additional witnesses that I see no reason why at this moment we can't proceed and vote this week on the nomination.

Senator BROOKE. Will the Senator yield?

Senator SPARKMAN. Sure.

STATEMENT OF SENATOR BROOKE

Senator BROOKE. I certainly would agree with everything that my distinguished colleague, Senator Sparkman, has said. I think that the monetary policy concerns of the country are of such magnitude that certainly none of us can countenance any delay in acting on this nomination.

I would disagree that there have been allegations and insinuations against G. William Miller. There have been no such allegations nor insinuations to my knowledge. As I understand it, we have been ascertaining just what Mr. Miller knew relative to the ownership of this company described as Air Taxi, and what he did, if anything, about it. And to date there has been no evidence linking Mr. Miller

either to any activity or to any knowledge of the ownership of Air Taxi by Gen. Khatami.

I would certainly agree that if we do not have any additional information we should not prolong these hearings. To the best of my understanding, Mr. Chairman, the only witness after Mr. Orpen is Mr. Miller, who has already been before us and who has denied any knowledge about the ownership of Air Taxi. I certainly don't expect that Mr. Miller's testimony will be changed before the committee this morning, particularly since no evidence has been introduced by any witness that would indicate that Mr. Miller knew about the ownership of Air Taxi. So failing in that, obviously it seems to me that there would be no further witnesses and we could terminate the hearings.

I don't like, however, to see us say that we must end the hearings today or at any particular time until we have completed our job; but I expect that our job will be completed soon after G. William Miller testifies today. Then it seems that, as the chairman said, it would just necessitate the transcripts being made available for the information of those Senators who, because of other duties, could not attend all of these hearings. Thus, within a day or so of publishing the last transcript, we could take a vote.

I don't know of anybody who wants to delay these hearings or does not want to get on with a vote on the confirmation of Mr. Miller. And I don't think we ought to get the impression, or leave the impression on the record, that there has been any effort to delay the confirmation process or that there have been any personal allegations or insinuations against G. William Miller.

I have been at all of these hearings. I have heard no allegations. I have heard no insinuations against him personally. I have heard that there was knowledge by some officials in Bell Helicopter to the effect that there was ownership of Air Taxi by Gen. Khatami. I think Mr. Orpen himself is one. Mr. Jose certainly was another.

Mr. ORPEN. That was only by allegation, sir.

Senator BROOKE. I beg your pardon?

Mr. ORPEN. That was only by rumor.

Senator BROOKE. Yes. That's what I'm saying. Then, of course, we have certain documentation before us as well. But leaving that as it may, we have nothing that imputes this to G. William Miller and that's, of course, the scope and the subject of our investigation.

The CHAIRMAN. I might point out to the Senator from Massachusetts, that the committee—I neglected to say and it was my fault because I should have recalled it—the committee did indicate that we invited Mr. Zanganah and another Iranian citizen to appear before the committee. The staff tells me that as of this moment we have not heard about that and—

Senator TOWER. And you're not likely to.

The CHAIRMAN. Well, we'll have to decide after we complete the hearings today whether to wait for such a response.

Senator SPARKMAN. Mr. Chairman, I agree with everything both of you have said. I simply wanted to point out my feelings that we need a chairman of the Federal Reserve Board at work and I did not intend to say that the insinuations with reference to Mr. Miller

have originated in this committee. I think some of the testimony may cast doubt upon his fitness for the job, but there have been insinuations in the press and the Securities and Exchange Commission I understand is checking into it. So it does present some kind of a cloud as I see it. I want a perfectly fair hearing and, at the same time, I hope we can get this important post filled.

The CHAIRMAN. Thank you, Senator Sparkman.

Senator Tower.

Senator TOWER. Thank you, Mr. Chairman.

Certainly there has been no allegation or insinuation but perhaps just a little soupcon.

I want to associate myself with the remarks made by my distinguished colleague from Alabama. I think if we prolong this we cast a cloud on a fine and honorable businessman of good reputation and inhibit him in his ability to do his work as Chairman of the Fed. I might say that I am delighted that the President looked to the business community for a man to place in this position and I think that that kind of experience is the kind that should be brought into considerations of monetary policy, particularly one that has had some experience in the international arena, when you consider the sorry state of the dollar these days.

Mr. Orpen, in your capacity as the export sales manager of Bell, do you have much personal contact with Mr. Miller?

Mr. ORPEN. Very little, sir.

Senator TOWER. In other words, it was infrequent?

Mr. ORPEN. Yes.

Senator TOWER. Were you ever told by Mr. Miller not to bother him with details but to get on with it and do whatever is necessary to conclude a deal with the Iranians?

Mr. ORPEN. No, sir. We never discussed the Iranian picture.

Senator TOWER. Were you ever instructed by Mr. Miller specifically to avoid any questionable practices?

Mr. ORPEN. No, sir.

Senator TOWER. So you received no instructions from him; right?

Mr. ORPEN. No.

Senator TOWER. Ordinarily, instructions to you would come through channels, would they not, and not directly from Mr. Miller to you?

Mr. ORPEN. That's correct.

Senator TOWER. About how many levels of the administration would you consider that would separate you from Mr. Miller?

Mr. ORPEN. Well, my main contact—

Senator TOWER. Looking at the lines of control and authority and responsibility and accountability.

Mr. ORPEN. Mr. Jose was my immediate superior and then he would from there brief Mr. Atkins. Occasionally I would brief Mr. Atkins. Mr. Atkins would, in turn, brief Mr. Ducayet and then Mr. Ducayet or both Mr. Atkins and Mr. Ducayet would have contact with Mr. Miller.

Senator TOWER. So roughly about three or four levels of administrative controls separated you from Mr. Miller; right?

Mr. ORPEN. Yes.

Senator TOWER. I have no more questions, Mr. Chairman.

The CHAIRMAN. Senator Riegle.

Senator RIEGLE. Thank you, Mr. Chairman.

First of all, I appreciate your appearance before the committee today and the responses that you have given. Can you tell me what the circumstances were that caused you to leave Bell some years ago?

Mr. ORPEN. Yes, sir. There were two main reasons. One was that I was involved in what I considered to be an excessive amount of travel which took me away from my family and that situation wasn't going to improve. Then, secondly, there was a new vice president brought in from outside the company whom I didn't feel I wanted to train.

Senator RIEGLE. That you didn't want to train?

Mr. ORPEN. Yes.

Senator RIEGLE. Would you say that your work career with the company was generally a satisfactory one? Did you find it a good company to work for before the new vice president was in?

Mr. ORPEN. Very much so. I enjoyed my association.

Senator RIEGLE. And did you find it to be, in terms of your experiences in the business world before and since, an honorable and reputable company?

Mr. ORPEN. Very much so.

Senator RIEGLE. How would you compare the ethical tone of the company with the ethical tone of other companies that you have had a chance to see before or since?

Mr. ORPEN. Well, much higher than any of our foreign competition. I think it would be on the level with some of the practices of our American corporations which were good competitors of ours. So I couldn't have asked for working for a company with higher respect.

Senator RIEGLE. Did that ever put you at a competitive disadvantage in sales situations in foreign countries?

Mr. ORPEN. Yes, but any time I complained about it Mr. Atkins would say, "Well, we've got the best product. They've got to come to us anyway," which has proven to be the fact.

Senator RIEGLE. So you found that having to adhere to a pretty rigid ethical code actually set you apart from some of the competitors that you found yourself having to try to out-compete in these marketing areas?

Mr. ORPEN. Well, many times there was a disadvantage.

Senator RIEGLE. Were you ever aware of a time when an improper suggestion was made by a possible foreign buyer or intermediary for a foreign buyer where the suggestion was made that some kind of a kickback or under-the-table arrangement would breach the deal and where that was in turn rejected by your company?

Mr. ORPEN. Yes.

Senator RIEGLE. Your answer is yes?

Mr. ORPEN. Yes.

Senator RIEGLE. Did that happen once or more than once?

Mr. ORPEN. To my knowledge, that I was aware of, about a half dozen times.

Senator RIEGLE. So you're aware of half a dozen situations where Bell could have received business if it had been willing to accept those practices and where in fact it rejected the business because of those practices? Is that your testimony?

Mr. ORPEN. That's my testimony; yes, sir.

Senator RIEGLE. Were those in one country or in a variety of countries?

Mr. ORPEN. A variety of countries.

Senator RIEGLE. In a variety of countries?

Mr. ORPEN. Yes, and Iran was not one of them.

Senator RIEGLE. And Iran was not one of them. So in other words, it not only was your observation that you were being asked to adhere to a higher ethical standard than other people in the same business you were in, but you actually can recall at least six incidences where you were compelled to reject business that had as a part of it some kind of an under-the-table component?

Mr. ORPEN. Yes. That doesn't mean that we necessarily lost the business.

Senator RIEGLE. Well, I take it that you mean you just worked harder to try to secure a sale in that area rather than succumb to that kind of inducement by whoever was trying to put the deal together?

Mr. ORPEN. Yes.

Senator RIEGLE. Did I understand earlier that you had or had not ever discussed with Mr. Atkins, now the president of the company, the question of whether or not Gen. Khatami was a part owner or in some way connected with Air Taxi?

Mr. ORPEN. I would not have, to my knowledge, discussed that directly with Mr. Atkins. My discussions on that matter would have been strictly with Mr. Jose.

Senator RIEGLE. So you would not be in a position to know whether or not anybody might have said that to Mr. Atkins, at least you were not present or did not yourself pass on that suggestion to him?

Mr. ORPEN. That's a correct statement.

Senator RIEGLE. What was your sense in the company for Mr. Miller in terms of the kind of person that he was both as a manager and in terms of his own ethical standards? I realize that in terms of where you were located in the company at that time there was some distance between the two of you, but in terms of the general tone that he seemed to reflect, could you give us a comment on what the appearance and sense for that was in your mind as an employee of the company at that time?

Mr. ORPEN. I know that my own impressions of meeting him plus anything that filtered down in conversations with members of our executive staff at Bell were all highly favorable of Mr. Miller, that he was a very sharp individual and couldn't have asked for someone more knowledgeable about business practices to work for.

Senator RIEGLE. Was there ever a suggestion by anybody that you talked with in the company that he would be a corner-cutter or somebody who might say one thing and do another, or was a person who was in any way just not exactly on the level?

Mr. ORPEN. I heard no negative comments whatsoever about Mr. Miller.

Senator RIEGLE. I assume that if there were a feeling by people in the company that he possessed any of those kinds of negative characteristics that those things tend to rattle around the pipes and presumably you would have heard that if that was something that others thought?

Mr. ORPEN. Yes.

Senator RIEGLE. Let me just for a minute talk about Iran. I sense—I have not been to Iran, but I sense that it's a more or less one-man operation and we can talk about Gen. Khatami and others, but when it boils right down to it the Shah is basically the center of influence and the center of decision making and I get the feeling that there aren't too many end runs on him in that situation.

Now was that your sense back at the time that you were involved? Was his power in the country apparently as absolute as it seems today?

Mr. ORPEN. Very much so, yes.

Senator RIEGLE. So in a sense, if one wants to get into the intricacies of the decision making system in Iran and, frankly, I'm not sure how relevant that is to the inquiry we have, but we are nonetheless into it—I would gather that one would almost be forced to presume that if a decision were finally made for or against one weapon system or for or against one supplier, that it's not likely to be some person lower down in the hierarchy that necessarily makes that decision but the Shah himself. Would that be a correct surmise?

Mr. ORPEN. Yes, sir.

Senator RIEGLE. Did you get the sense that the Shah had a very deep personal interest in weapons decisions and in military decisions?

Mr. ORPEN. I think all of the evidence is to that effect. I know that when he made trips to the United States and got together with our President that was certainly part of the discussion and we had this impression from the Department of Defense officials who had contact with him.

Senator RIEGLE. So would it be fair to conclude that on something as basic as the purchase of these helicopters which eventually came about in terms of a \$1½ billion worth and something in excess of \$1 billion worth in total since that time, that that would be both the type of decision and the size decision that the Shah himself would tend to pay direct attention to?

Mr. ORPEN. I'm sure he would.

Senator RIEGLE. So I then assume that it would also be reasonable to think if one were trying to act as a supplier—I would assume, then, that on a matter of this size that the Shah himself would be directly involved in the decision and that an outside supplier, regardless of how they were trying to massage the internal decision process within Iran and trying to find people who might have influence in or out of the military and so forth—that the bottom line finally was the question of whether or not the Shah

himself was well disposed toward a particular weapons system and how he would finally make the judgment in his own mind?

Mr. ORPEN. Yes.

Senator RIEGLE. Is that correct?

Mr. ORPEN. Yes, sir.

Senator RIEGLE. Well, I think that's important because it raises the question of whether or not some clever maneuvering that might be done by a supplier to people who were lower down in the hierarchy in Iran really is the way decisions ended up being made or whether even prudent decisionmakers would think that decisions in Iran are made that way, or whether or not the hard facts of the case are that in matters of this size the Shah is really the kingpin and that all roads finally lead to that one place, and I suspect that in the case of Bell Helicopter it's very likely that in looking at this kind of decision that while one tries to presumably reach and favorably impress the people in the military hierarchy across the board—which is exactly, by the way, the way weapons procurement takes place in the United States; that's why all the weapons contractors hire up all the ex-generals and admirals and so forth, so they've got sort of a built-in constituency and as a part of a disgusting situation, but nonetheless what we face—it seems to me you have the unique situation in Iran where you've got one man rule and in the end that's basically where you either do or don't have whatever influence one has to affect a decision.

So I would hope that we could keep the rest of the activity in context and at least reflect the unique set of facts that one finds in that country.

I thank you for your testimony.

The CHAIRMAN. Senator Lugar.

Senator LUGAR. No questions.

The CHAIRMAN. Senator Schmitt.

STATEMENT OF SENATOR SCHMITT

Senator SCHMITT. Mr. Orpen, are you aware of any proof that Gen. Khatami or any other official of the Iranian Government owned or in any way financially controlled Air Taxi?

Mr. ORPEN. I was never able to determine that situation.

Senator SCHMITT. Mr. Chairman, I think it's unfortunate that this committee hasn't spent more time on the monetary policy and the independence Mr. Miller believes in or would have as chairman of the Federal Reserve Board. I hope that when Mr. Miller is before us this morning we can get into that.

The CHAIRMAN. If the Senator would yield on that, as the Senator knows, we had Mr. Miller before us for 6 hours. The Senator and other members of the committee had all the chance in the world to question Mr. Miller on that or any other issue. Furthermore, Mr. Miller comes before us a little later. We have a chance to question him this morning and this afternoon and tomorrow and the next day if the Senator wishes to do so.

Senator SCHMITT. I fully realize that, but it seems to me the balance is wrong and although I have some reservations about some

of these philosophies and policies that Mr. Miller might have, I have been somewhat reassured by personal conversations with him. The question I have about the investigation into the alleged ownership of Air Taxi by Gen. Khatami—and that was the thrust of my question of Mr. Orpen—I think we still have to refer to it as alleged, at least with respect to our witnesses because they have not been privy to some of the documentation that apparently the committee has and even that might be subject to some question—but there is no conclusive proof that I have seen of any ownership. There's been no testimony or documentation that Mr. Miller was aware or should have been aware of such alleged ownership either during the time in which the events in question took place surrounding the retention of Air Taxi as the agent for Bell in Iran or in the payment of the \$2.95 million to Air Taxi as termination or commission fees or during Mr. Soutter's inquiry instigated I guess in part by the activities of Mr. Miller but not entirely.

The deeper question really has become, as a consequence of the hearings—the last few hearings—the deeper question is, can we find highly qualified people who have experience and who are willing to undertake service in the Federal Government? Can we convince such people that that service is worth it? Is it worth what we put them through in order to finally prove that they are innocent of any alleged wrongdoing?

I do not condone either bad management or bad ethics. I do, however, feel that along with other members of this committee—and particularly my colleague, Senator Stevenson, on the Ethics Committee—that we are continually forcing the proof of innocence and not just a proof of innocence but every time a man comes before us we are asking him again and again to prove innocence rather than accepting the continued absence of the proof of guilt as being sufficient.

I wish we could vote today, Mr. Chairman. If it were in the rules of the committee I would so move that we vote on the nomination today. The economic questions remain unanswered to some degree and this committee has become bogged down in the complications and complexities of doing business in a country like Iran. I found it very educational and as a member of the International Finance Subcommittee I think it will pay off in my future dealings on that committee.

Senator RIEGLE. Can you use another word than “payoff”?

Senator SCHMITT. It probably will kick back into that activity, but that is an investigation into the procedures of certain large corporations and it should be more properly handled there than in the depth that we have gone into it here, but as the confirmation hearing of the potential Chairman for the Federal Reserve Board, I and many others I think believe this morning it's become time for the committee to leave this investigation behind us and proceed with the real business at hand.

Now as I see it, there are three options facing us as a consequence of all of this. The administration might choose to withdraw Mr. Miller's name as a nominee and for us to have another nominee

put before us and potentially confirmed; the committee could at the appropriate time hopefully this week vote one way or the other on his confirmation and if we vote to approve Mr. Miller's nomination we take the chance that we may keep this matter up in the air with potential damage to his effectiveness as Chairman of the Federal Reserve Board or damage to the country with respect to the continuation of an economic recovery.

Now this third option, if we choose to approve Mr. Miller, requires that we exercise a great deal of judgment and that we put considerable faith in the integrity of the nominee as he has been placed before us, based on his achievements, his reputation that's been confirmed by all witnesses before us, and a long and distinguished career in not only private service but in public service. How the committee chooses to exercise that judgment I won't try to predict, but I think it's essential that we proceed as rapidly as possible to that time and as a consequence I will not ask any further questions of Mr. Orpen.

I just strongly recommend that the chairman and the members of the committee allow Mr. Miller to clear the air as he sees fit based on the preceding results of our hearings and then to get down to the business of either confirming or not confirming his nomination.

The CHAIRMAN. If the Senator would yield, the Senator has asked why we couldn't act on this today. I do think under the circumstances with the tremendous amount of testimony we have had and with the rules that have been established so that all Senators, including at least half the Senators on this committee who haven't been here most of the time, will have a chance to review the testimony before they act; that the 24-hour rule should be abided by. It would take unanimous consent to waive it and I would object under these circumstances because I don't think it would be fair to all the members of the committee if they can't have an opportunity to reflect on this.

Senator SCHMITT. Mr. Chairman, I have no objection to that delay.

The CHAIRMAN. If the Senator would permit, I might point out this would only delay it 48 hours under most circumstances. Senator Brooke is dead right. We may possibly in the testimony by Mr. Miller develop a line that the committee would agree should require further inquiry. I don't think it will, but it may. So in all likelihood we will be acting within the next 48 hours. It seems to me that's rather promptly under the circumstances.

Senator SCHMITT. Well, I think that it's only appropriate that we wait. I personally feel that anybody who's paid any attention at all to these hearings one way or the other—and I think the press accounts have been quite accurate—pretty well knows now that there's been no evidence or testimony put forward that Mr. Miller in any way knew or should have known of the alleged involvement of General Khatami in Air Taxi's financial operations. On that basis, then I would say that unless Mr. Miller contradicts himself in his testimony later today, which I don't think he will, I don't think that this part of our discussion is any longer relevant and that's

why I wish to proceed as rapidly as possible to vote as soon as the committee rules and the Senators involved will permit. I have no further questions.

The CHAIRMAN. Senator Heinz.

Senator HEINZ. No questions, Mr. Chairman.

The CHAIRMAN. Are there any further questions of Mr. Orpen?

[No response.]

The CHAIRMAN. If not, Mr. Orpen, I want to thank you very, very much. As the other witnesses, you have done an excellent job and I know it isn't easy for you to come before the committee. We express our gratitude to you for having done so. Thank you very much.

Now we would like to ask Mr. Miller to come forward.

Mr. Miller, will you rise and raise your right hand, sir? Do you swear that the testimony you are about to give will be the truth, the whole truth and nothing but the truth?

Mr. MILLER. I do.

The CHAIRMAN. Be seated. Would you like to make a statement to the committee? There's been a lot of water over the dam since you were here last and we will be happy to hear whatever you would like to say.

**STATEMENT OF G. WILLIAM MILLER, CHAIRMAN OF THE BOARD,
TEXTRON; NOMINEE TO BE CHAIRMAN OF THE FEDERAL
RESERVE BOARD**

Mr. MILLER. Mr. Chairman and members of the committee, I do want to thank you for giving me this opportunity to be back with you today in order to clarify some of the matters that have arisen.

Let me say that when President Carter invited me to serve in this position, I looked at my personal life and at my business life, and I honestly knew of no circumstances that would in any way embarrass the President or the Senate or the Federal Reserve or Textron or me or my family. I accepted his invitation on the belief that that was the case.

As you know, the allegations about Air Taxi came as a complete surprise to me. At the previous hearing I testified—and I want to confirm now—that I had no knowledge of any undisclosed ownership by Gen. Khatami in Air Taxi. I also stated then—and I would like to confirm now—that had such ownership existed and been known to me I would not have approved the contractual payments to Air Taxi.

In the course of this committee's investigation, there has been no suggestion that I knew of an undisclosed ownership. In this Air Taxi matter I dealt with James F. Atkins, the president of the Bell Helicopter Division of Textron, and there has also been no suggestion that he knew of any such undisclosed ownership.

In my opinion, Mr. Atkins is a highly competent executive and a person of honor and integrity. I believe that I was fully justified in relying upon him to handle the Air Taxi matter. He has testified here that he had no knowledge or reason to believe that Gen.

Khatami had an undisclosed ownership interest. He therefore could not have intended that any of the money paid to Air Taxi would go to Gen. Khatami.

Likewise, at no time did I have any intention that payments to Air Taxi would benefit any military or civilian official of the Iranian Government or that such payments would be for any purpose other than compensation of a legitimate sales representative.

I think the witness this morning confirmed that that has been our policy and it continues to be our policy. It seems to me that I should not reasonably have been expected to discover such an undisclosed ownership under the circumstances. If Gen. Khatami did have an undisclosed interest in Air Taxi, then Mr. Atkins and I have been deceived. Deception by others certainly should not be the basis for impugning the integrity of innocent parties.

A word about Textron. In 1973 I was president of the company serving both as chief executive officer and chief operating officer. There were then about 30 divisions. Bell Helicopter was one. There were 60,000 or more employees operating through about 200 plants and major facilities throughout the United States and in many countries of the world. The company was growing and has continued to grow. Supervision of such an enterprise is a demanding task, and it was necessary for me to delegate substantial responsibilities to corporate group officers and to division presidents. I also relied upon corporate staff.

The performance record of the company has been excellent. Textron endeavors to maintain the highest standards of conduct. This has been a subject discussed at every major management meeting during my 22 years with the company. The subject has been continuously covered at divisional review meetings, at controllers meetings, at executive training programs, and in a variety of other forums. Written statements and guidelines and special memos have been widely circulated. The record of corporate conduct has been good.

As might be expected in a company of such scale and scope, there have been a few instances of shortcomings. In such a large company, I cannot guarantee to this committee that there will not be isolated cases of noncompliance with company policy in the future. Textron employees are dedicated, competent, loyal, honest men and women, but it is inevitable that some individuals will fall short of their responsibilities from time to time.

To assure that Textron maintains high standards, there is a regular process of internal and external audit to verify compliance with company policies. There are also Government contract audits, GAO audits, Internal Revenue audits; we are audited as much as a bank.

For the past 2 years Textron has also required statements from over 1,000 key employees certifying as to the absence of any knowledge of illegal, improper or questionable payments. All these company procedures include as a purpose the detecting and correcting of noncompliance.

Textron management has strived to be diligent to its commitment to excellence. Textron's reputation is important to me, and I feel

a great responsibility to its present 65,000 employees and 90,000 shareholders to maintain the company's good standing. I am therefore anxious to assist this committee in any way I can to reach a conclusion on this matter which I feel confident will confirm Textron's good name.

In the process, I hope I will be able to merit your affirmative judgment as to my own qualifications and integrity. Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Miller.

Mr. Miller, when you testified before here the last time, you said, and I quote, "In 1973 or in 1969 before the law or after the law, I would be opposed to paying money to agents, money which goes to government officials buying goods from us."

Now that's an excellent policy. However, let's look at the facts.

First, Gen. Khatami owned Air Taxi. Second, Air Taxi was and is Bell Helicopter's agent in Iran. Third, Gen. Khatami and Air Taxi helped Bell Helicopter get its biggest contract, a minimum of \$500 million. Fourth, responsible management officials at Bell Helicopter were told that Khatami owned Air Taxi. So Bell Helicopter paid \$2.9 million a substantial part of which went to Khatami through Air Taxi.

To me, the facts ring loud and clear.

Senator SCHMITT. Mr. Chairman, will you yield at that point?

The CHAIRMAN. No. To me, the facts ring loud and clear. Textron bribed Khatami. In retrospect, Mr. Miller, do you believe everything you could have or should have done was to guard against improper payment?

Mr. MILLER. Senator, I disagree with everything you said.

The CHAIRMAN. All right. In the first place, Gen. Khatami owned Air Taxi.

Mr. MILLER. I have no knowledge of that. I have heard no testimony and I see no evidence to that effect.

The CHAIRMAN. Have you read the record we have provided here?

Mr. MILLER. Senator, I am not going to defame a dead man. I have no such knowledge.

The CHAIRMAN. Have you had a chance to read the record that we have provided here?

Mr. MILLER. The stack of books? Of course not; no, sir.

The CHAIRMAN. Well, then, how can you make the flat—

Mr. MILLER. I'm here to testify about myself, sir.

The CHAIRMAN. Well, I'm not asking you whether you knew at this point.

Mr. MILLER. I see. Well, Senator, if you know that he was an owner, you know something I don't know. I say that's a statement and I accept it. But I don't know that he was an owner and I do know my company did not bribe anybody. You're saying we bribed Gen. Khatami, and that means that Mr. Atkins or I must have had an intention to do so. Bribery does not exist if somebody surreptitiously obtains money from Textron. A bribe is a payment which must include an intent to influence a decision. I do not believe Mr. Atkins paid money to influence a decision. I know that I did not

authorize such a payment or approve it, nor would I do that or condone it at any time, any place, anywhere. So I'm sorry, but I think that you made a conclusive statement which is interesting. It's an interesting speech, but it doesn't give me a question I can answer.

The CHAIRMAN. Well, let's go over these points one by one. I say Gen. Khatami owned Air Taxi. You say you don't know whether he did or not. Is that correct?

Mr. MILLER. I have no knowledge of his ownership. I find nothing in the record of the summary report that would verify it.

The CHAIRMAN. You find nothing in the summary report that would verify that?

Mr. MILLER. I find allegations, sir, but I do not find evidence with which I would be willing to defame a man.

The CHAIRMAN. Would you deny the fact that until 1965 it was official on the official record that Gen. Khatami was an owner of Air Taxi?

Mr. MILLER. Senator, I would say that your report states that, but I have not seen the documentation.

The CHAIRMAN. Well, we have the State Department letter in response to our inquiry.

Mr. MILLER. I have not seen it. If you say he was an owner of record at that time, I don't dispute it.

The CHAIRMAN. Did your company ever check the public records to determine whether or not Gen. Khatami owned Air Taxi during that period of time?

Mr. MILLER. In 1965? I have no knowledge of it.

The CHAIRMAN. During much of that period they were your agent in Iran.

Mr. MILLER. Well, sir, at that time we did practically no business in that part of the world, and my attention was on other matters of current interest and importance. I was not—as I said before—I was not at all aware of the Air Taxi representation before 1965 or after until the 1970's. It became necessary for me to become interested then as business began to develop; it became a matter that would come to the attention of the president of Textron then because of its scale and importance.

The CHAIRMAN. Well, let me go over these points again.

Air Taxi is Bell Helicopter's agent in Iran. Is that correct?

Mr. MILLER. It is. Since 1973, it has not been the sales representative in Iran for government business. It continues to be our sales representative in Iran for civilian helicopters.

The CHAIRMAN. 1973?

Mr. MILLER. I do not believe we have sold any civilian helicopters during that period.

The CHAIRMAN. Would you deny that Gen. Khatami and Air Taxi helped Bell Helicopter get its biggest contract?

Mr. MILLER. Air Taxi was the sales representative that participated and assisted in obtaining the order in 1973 for 489 helicopters, which is among the largest orders we have ever received. I think that we may have had contracts with the U.S. Army that ran to larger numbers over their life.

The CHAIRMAN. Would you deny that responsible management officials at Bell Helicopter were told that Khatami owned Air Taxi?

Mr. MILLER. I have heard testimony that Mr. Jose and Mr. Orpen, who testified here this morning, had heard of that rumor.

The CHAIRMAN. They were told it.

Mr. MILLER. Told it.

The CHAIRMAN. Told it by attorney Bell.

Mr. MILLER. Sir, someone who tells you something may or may not know the facts himself. The person who told it may have believed it; the person who heard it may not have believed it. I heard the testimony you heard, which says that these gentlemen understood this to be a rumor. I heard Mr. Orpen say this morning that his purpose was to be sure that we had a reputable sales representative in Iran, and that it would be wrong and would not be condoned by the company if there was any ownership or participation from government officials in that sales representative. He said that just a few minutes ago.

The CHAIRMAN. This is more than a cocktail rumor. This was an attorney who came to your office, sir—

Mr. MILLER. My office?

The CHAIRMAN. I beg your pardon. Not your office. Who came to the office of Bell Helicopter in Fort Worth for a business purpose who sat down and talked to some of your officials. They admitted that they heard from Mr. Bell that this was the case. It wasn't a matter of picking this up somewhere or somebody saying maybe this is true, maybe not. He came and made that assertion and he represented the man who was your agent at that time in Iran and he wrote a letter to you—he wrote a letter to Bell officials in which he made this assertion in writing. The document is in the files.

Mr. MILLER. Senator, I have heard the testimony you have heard, and we can all go back and read it. I don't think my purpose should be to interpret testimony before this committee. I think you are able to interpret the testimony.

The CHAIRMAN. When you testified before the committee I asked you about an investigation you had developed and a report about questionable payments. You said, as I recall, and as I understand the record reflects, that you conducted no specific investigation. Later we found that Mr. Soutter had done an internal investigation focused on the \$2.9 million. After the issuance of a subpoena, that document was supplied to the committee. Now why didn't you inform me at your confirmation hearing that Mr. Soutter had conducted an internal investigation on the \$2.9 million payment? Were you fearful that the inadequacy of the investigation might prove embarrassing?

Mr. MILLER. Senator, I may be in error, but I think the investigation you are talking about now was one in 1975, and I think we were talking about 1973 at my confirmation hearing. So I may have been confused, but I had no reason not to inform you and would be delighted to inform you now that Mr. Soutter reconfirmed to me in 1975 that the transaction appeared from his review to be a proper commercial transaction with no indications that he

could find of any questionable aspects. I would be happy to confirm it to you here.

The CHAIRMAN. When I asked you about the investigation of questionable payments, did you simply forget that that investigation had been conducted or did you not consider it an investigation?

Mr. MILLER. If your question was about questionable payments in general, I may have misinterpreted it—I certainly apologize if I did not get my time frame correct. I think I said at that time, however, that I was sure I had my attorney look this matter over. I believe I said that, but perhaps I did not.

The CHAIRMAN. Well, we can't find anything in the transcript in your response with respect to 1973.

Mr. MILLER. 1973, sir?

The CHAIRMAN. You just said—

Mr. MILLER. I said I may have had the time frame wrong, but I certainly didn't intend not to inform you. And, as I say, my recollection is that I did inform you that I was sure I had had my attorney check the matter.

The CHAIRMAN. Now in your testimony before this committee you said that the \$2.9 million payment had been through the group vice presidents. It's curious to me that despite three amendments to the contract and the payment of a substantial commission that was discussed at the highest levels, there were no memos written. It appears to me that great care was taken to see to it on this questionable payment nobody left a paper trail.

Mr. MILLER. I'm not sure that I understand the first part of your statement about group vice presidents. I don't recall any statement about group vice presidents.

But in any case, let me be perfectly responsive to what I think is the thrust of your question. In running a business we talk on the telephone with our associates. We discuss business matters, we authorize transactions. We have a record of hiring and employing trustworthy executives, and I think it's justified. The written record in Air Taxi would be the agreement. Did I approve that which Mr. Atkins negotiated to pay, \$2.9 million? I say yes; the record of it would be that Mr. Atkins had a signed agreement that confirmed it.

The CHAIRMAN. What puzzles me is this was the biggest payment you made, as I understand it. This was one of the biggest sales, this \$500 million helicopter sale, and I'm puzzled by the fact that a¹ though there were three amendments—you amended it three times—one time you cut it down from \$10 to \$6 million and then to 1 percent and then to \$2.9 million—but at no point were there memoranda on this very important series of transactions and agreements.

Mr. MILLER. I don't know what memoranda there should be, Senator. The officer carried out exactly what we agreed to and signed exactly what we agreed to. You know, quite often an attorney will come into my office and say, "We are negotiating an acquisition, and the issue is whether we agree to this;" and I make a decision. The evidence of my decision is what the attorney writes into the contract. I don't know what the purpose would be of my writing a memo saying that I said to write into the contract what is

written into the contract. I'm sorry. I'm not familiar with the way the Senate does business, but in the world I work in we have an agreement, we mark it up and put what we want in it, and we type it up—and that's the evidence. I don't know what other evidence you're looking for.

The CHAIRMAN. Well, my time is up, but what I'm talking about is usually an agreement of this type I would think would take some time. It would not be simply a matter of reaching fruition immediately. You wouldn't go right to your final decision. On each of these amendments there must have been a process in the course of which you would want to leave a record so that you knew just where you stood and be able to remind you when you were negotiating.

Mr. MILLER. Well, Senator, I'm absolutely confident that when an officer calls me and asks, "May I have your approval to sign this?" that he signs what I approved. And that's what happened in this case. So I didn't need anyone to tell me what I had agreed to. Let me put this in context. When I joined Textron in 1956 the company had about \$250 million in sales and it had \$6.5 million in profits. Last year it had \$2.8 billion in sales and \$137 million in profits. That's a fantastic growth, a fantastic accomplishment. And during the course of building that company a \$2.9 million payment is a small payment. I hate to say this to you, but those were among the smaller transactions that I was concerned with. I have handled deals where we paid several hundred million dollars. So I don't see why, from your point of view, I would be as concerned as you assume to think I would be about a payment of that scale when Bell Helicopter was doing hundreds of millions of dollars of business. I don't see why I should worry about whether Bell officers knew how to handle a payment of \$2.9 million when they paid much larger amounts than that many, many times. They bought engines and negotiated for purchases; last year I suspect Bell Helicopter bought \$350 million worth of items from suppliers. I have absolute confidence that we have an organization in place that can do that, so I don't go out and check the mail at Bell Helicopter in the morning to see if they get their checks out. I think you may have a misunderstanding of how a very large enterprise works.

The CHAIRMAN. My time is up. Let me just refer—as I yield to Senator Brooke—on page 142 of the transcript, Senator Brooke asked, "As a formal report to you as chief executive officer?" Miller: "This had been through the group vice presidents in discussion of this over time as they tried to negotiate as best they could and ask for counsel of us and I don't know that there was a formal report." That's why I referred to the group vice presidents.

Mr. MILLER. Let me clear that up. You see, the organizational structure in Textron is normally a two-man top team made up of a chairman and chief executive and a President and chief operating officer. That allows a division of the great burden of running the company. In 1973, I was covering both posts. Our organization includes half a dozen group vice presidents who work with several divisions and then report to the president. That is the normal pro-

cedure—and my answer at the confirmation hearings about this was in response to a general question, not about Air Taxi specifically, as I recall it. Generally, the reporting at that time was from the division president to a group vice president to me as president. When Mr. Gaylord retired in the late 1960's and for a period of several years, I had Bell Helicopter, as a large, important division, report directly to me.

Now by 1973, I think we had again assigned a group vice president to Bell and from that point on, as I recall, Bell was handled again like all other divisions, through a reporting system. My comments at the confirmation hearing had to do, as I recall, with the general organizational arrangement of Textron. In the time frame that we were talking about I had a mixture of arrangements. Part of that time, when the Iranian program was developing when Bell Helicopter reported directly to me; part of that time it was reporting through a group vice president.

But on Air Taxi the discussions were directly between me and Mr. Atkins, because we had already started the conversation in prior years.

The CHAIRMAN. Senator Brooke.

Senator BROOKE. Thank you, Mr. Chairman.

Mr. Miller, Mr. Bell, who was counsel for Mr. French, testified before the committee that after traveling to Iran in 1966 on behalf of Mr. French, who had been denied reentry into the country, and having been told by Gen. Khatami and others that Gen. Khatami was an owner of Air Taxi, Khatami wanted a share of French's business. Bell came to Bell Helicopter in Ft. Worth and told Mr. Jose of his findings. Mr. Bell has testified that at the conclusion of that meeting Jose picked up the telephone or the intercom to contact Mr. Ducayet, the president of Bell Helicopter, and that Bell then went with Mr. Jose to meet with Mr. Ducayet. Mr. Jose testified that he remembers the conversation with Bell, that is, that Mr. Bell did tell him about Gen. Khatami's ownership interest in Air Taxi and desire to gain an interest in French's firm, but he does not recall whether he and Bell had a meeting with Mr. Ducayet. In addition Jose testified that he would not deny that such a meeting could have happened. Mr. Ducayet testified that he did not recall such a meeting, but he would not deny that such a meeting could have occurred. At any rate, we know that Mr. Jose was informed of this fact and that Mr. Jose said that it was sort of such a fantasy, as I think he maybe described it, that he was somewhat shocked by it.

Now whether Mr. Jose actually told Mr. Ducayet we don't know. We've got not testimony. They don't recall the conversation. But in the due course of events, it would appear that Mr. Jose would have imparted this information to someone other than himself.

My question to you is, do you think that Mr. Jose, if not Mr. Ducayet, were negligent in not passing on information of this magnitude to their superiors? As I see it, it's not a question of money but a question of integrity. Textron is a very large and respected corporation and I know, as Mr. Atkins clearly made clear in his

statement to us, the embarrassment to Textron and to Bell Helicopter that has the results from this investigation. But since Textron and Bell have very zealously guarded and protected their integrity, would it have been appropriate for Mr. Jose to have passed on the information he received from Mr. Bell and would you consider that some sort of breach of his responsibilities as an executive of Bell Helicopter?

Mr. MILLER. Senator, it's hard to judge, in hindsight, the circumstances of the case. I think there are two answers. If Mr. Jose heard such a tale and gave it credibility and failed to pass it on, I would be very disappointed in his stewardship. On the other hand, if Mr. Jose heard rumors and gossip—which we hear all the time—and thought, “That was just somebody putting me on to influence me about something he wanted done, and didn't take it seriously, I can see why I might not have felt he had to report it. I don't think every piece of gossip and every word on the street corner is correct. If Mr. Jose heard this story and gave it credence, I would consider it important that he report it to his superiors. And if the superiors heard it, I would not necessarily have considered it important that they report it on up immediately; but it would be important that they either verify and stop any problem, or tell me of the problem so that together we could address how to solve it.

Senator BROOKE. Mr. Miller, I would hardly characterize Mr. Bell's testimony as gossip. Mr. Bell I think was a very excellent witness. Of course you did not have the benefit of hearing his testimony. He certainly is a highly qualified member of the bar, took very seriously his responsibilities as a member of the bar and a member of the court and, of course, his client was going into the arrangement. So it was not a matter that was gossip. It was a matter of actually reporting what he had found as the facts to Mr. Jose.

Mr. MILLER. Senator, perhaps—

Senator BROOKE. And I just question the judgment. Now as I said earlier, there had been no evidence, no testimony that any of this information was imparted to you. There is evidence of course—and an admission by Mr. Jose—that it was imparted to him and there is evidence that it possibly could have been imparted to the president of the Bell Helicopter who was Mr. Ducayet. That's the evidence.

Now I'm not trying to in any way quantify it, but that's the evidence before the committee and you have said yourself that you didn't want to deal in rumors and I agree with you, or allegations, but I'm talking about facts now. Those are the facts, the undisputed facts.

Senator RIEGLE. Would the Senator yield at that point just very briefly?

Senator BROOKE. On your time, yes.

Senator RIEGLE. I appreciate that I'm yielding my time but I would not want that to stand as an undisputed fact with respect to your characterization of Mr. Bell as a witness because one of the things that—

Senator BROOKE. That's not the undisputed fact. That's my opinion.

Senator RIEGLE. Well, it certainly came in the same sort of paragraph or sounded like it.

Senator BROOKE. I will now clarify it. Is that the only question the Senator from Michigan wishes to raise?

Senator RIEGLE. I just want to file a dissent with respect to the fact that I question whether Mr. Bell was the kind of witness that you say because he admitted yesterday that he has a prospective financial interest himself in this very transaction because he admitted here yesterday, under oath, that he is in the process of putting together a possible legal move in court for Mr. French that goes back and relates directly to this series of events, and the Senator knows that in the case of this sort Mr. Bell can use these hearings or whatever other device as a discovery technique for himself for this prospective legal action with a financial consequence for him and his client. That means that in my judgment he's not a disinterested party and I just think that that part of the story ought not to be left totally off the stage because I think it may have a bearing. And I appreciate him yielding, by the way.

Senator BROOKE. I would just say to the Senator, if I may, I am further appalled. I am appalled this time because we are not talking about the interest that Mr. Bell may have in a further case. We are talking about the information which he recited to Mr. Jose at that time. There was no indication at that time, at the time that Mr. Bell had the meeting with Mr. Jose, that there was going to be any case against Bell Helicopter. There was no indication at all, there was no possibility or thought of any case against Bell Helicopter. In fact, they were going to be working with Bell Helicopter. So Mr. Bell had no reason at the time he met with Mr. Jose to be acting in any interest other than the interest of his client.

Senator RIEGLE. I was referring only to your characterization of Mr. Bell as a witness yesterday.

Senator BROOKE. Thank you.

Mr. MILLER. Senator Brooke, may I answer your question?

Senator BROOKE. Yes. Would you, please?

Mr. MILLER. I think I can remember it.

Senator BROOKE. I would be grateful. Thank you.

Mr. MILLER. But let me see if I can clarify something. I have found Mr. Jose to be a person of integrity over the years I have known him, and I believe he understands responsibility. Maybe I misunderstood the testimony of Robert Bell, but I thought the primary thrust of his disclosure to Mr. Jose was about the activities of International Helicopter Consultants in Iran. Since Air Taxi was not involved in any way with Bell Helicopter at that time, it seems to me that any glancing blow to an unrelated party may not have registered with Mr. Jose. I'm not trying to defend him here, but the essence of the discussion was about Mr. Bell's client and International Helicopter Consultants, and I can well understand—since I believe Mr. Jose is responsible and would have brought it up—I can well understand that it didn't particularly register with him that a company that Bell wasn't doing business with may have had some kind of interest that Mr. Jose wasn't even thinking about.

Senator BROOKE. Well, I thought Mr. Jose was a very honest witness. I think he said that he recalled the conversation; he did not deny anything that Mr. Bell has testified that Mr. Bell told him. Mr. Jose did not even deny that he met with Mr. Ducayet. He said he didn't recall, but he didn't deny it. I thought he was a very honest witness, but if Mr. Jose did nothing more with that information than keep it to himself, then I ask you whether you would call that poor judgment on the part of Mr. Jose.

Mr. MILLER. Certainly the information on International Helicopter Consultants should have been carried further up; it certainly should have been.

Senator BROOKE. At any rate, it was not imparted to you, Mr. Miller?

Mr. MILLER. No, sir.

Senator BROOKE. At any time?

Mr. MILLER. At any time. I was not aware of International Helicopter Consultants at all until this hearing.

Senator BROOKE. Why did you ask Mr. Soutter to conduct an investigation?

Mr. MILLER. As you recall, a few years ago we had a rash of disclosures about payoffs of various kinds in international transactions, some involving military equipment. So when we were beginning to look at our financial statements and our responsibilities for disclosure I think Mr. Soutter brought to my attention the fact that, in issuing a registration statement, we had an obligation of due diligence and that perhaps we should look at this transaction. This is how I recall it; I don't know whether I initiated the investigation or he initiated it—I rather think he may have. And I certainly concurred immediately that this one large transaction deserved renewed scrutiny. I had relied on Bell Helicopter at the time of the transaction. I trusted them. My experience with them since 1960 has been that they are people of high standards, and I, myself, know of cases where Bell has declined business because it would not engage in practices that were not completely proper. And so I felt no concern about this transaction, but I agreed that Mr. Soutter should investigate it, and he did. And he reported back to me that he had seen the documents, he had seen the evidence of ownership, and he saw no trail that had led him to believe that this commercial transaction had not been what I understood it to be.

Senator BROOKE. Was that a written report to you?

Mr. MILLER. As far as I recall, he reported to me verbally. Whether he made a memo in his file, I don't know.

Senator BROOKE. Were you satisfied with the sufficiency of that investigation and the depth and scope and breadth of that report?

Mr. MILLER. In 1975, Senator? Again, I don't suppose that was the most important matter on my mind at the time, but I would suspect that I was satisfied with his conclusion. I doubt that I inquired of him of all he had done. He told me about his visit to Bell. I consider Tom Soutter to be a well trained lawyer; I consider him to be a man of unquestionable integrity. He has served me well for many years as general counsel; and before that in our legal department. He's served the company well, and I had no reason to

doubt his professionalism. I suppose when one goes to the doctor to interpret an X-ray, one doesn't ask the doctor all his techniques. I guess I just accepted the lawyer's opinion; that is often what one does when relying upon professional advice, and I considered his advice to be professional.

Senator BROOKE. Do you know of any particular reason why the \$2.9 million fee was investigated and nothing else?

Mr. MILLER. I don't know if he investigated anything else. It was the only payment to a sales representative of substantial size in recent years that I could recall. I don't know whether he looked at other payments, but he may have.

Senator BROOKE. Do you know whether it was because of the fact that there was some suspicion of illegality or impropriety?

Mr. MILLER. No, sir. It was because it had been disclosed at that time that some aircraft companies had paid very large sums, admittedly in the form of payoffs, in Iran. Therefore, since we were building a big business in Iran, it was very important that we make clear that we were clean in this major transaction. This was entirely different than worrying about two helicopters sold in Australia; this was a big program. It was important to the company at that time, and I wanted to be sure of our record, particularly as I read about companies—which I won't name—which had very serious problems in Iran as you know. Mr. Soutter may have brought the matter to my attention, but I then said, "Absolutely. Let's make sure that we don't overlook the opportunity to verify that that was a normal transaction."

You must recall, too, that the purpose of the \$2.9 million was not only to compensate, but to end—it did end—the relationship. It was on the books; there was no falsification; it was disclosed to the U.S. Army and it was disclosed to the Iranian Government. This was not a case where we had developed some tricky technique for funneling money somebody's way—

Senator BROOKE. But I didn't—

Mr. MILLER. And it was a case of ending a relationship, while the cases of payoff that I knew of were ones in which companies were trying to set up a technique for continuing—

Senator BROOKE. But I didn't believe, Mr. Miller, that the sole purpose of Mr. Soutter's investigation was to determine whether this was a sound financial transaction.

Mr. MILLER. No.

Senator BROOKE. You didn't either, did you?

Mr. MILLER. No. I understood he was to make sure that there was no impropriety about it, in hindsight.

Senator BROOKE. Precisely.

Mr. MILLER. Absolutely.

Senator BROOKE. And Mr. Soutter's investigation, again in my opinion, was not in such depth that he could have found that impropriety if such impropriety did exist.

Mr. MILLER. Well, Senator—

Senator BROOKE. Anybody looking at a Dun & Bradstreet report and asking persons within Bell Helicopter—he didn't go outside of

Bell Helicopter. I think you know that now if you weren't aware of it then.

Mr. MILLER. Yes.

Senator BROOKE. One final question. Mr. Ducayet testified that at a meeting of the board of directors you took the position that Textron should not cooperate with SEC's request for voluntary disclosure. I'm sure you are aware of the time frame I'm speaking of. I think it grew out of a letter from Chairman Proxmire and Chairman Garrett of the SEC, and several corporations voluntarily complied with the request for disclosure. It is my understanding—I think the actual testimony of Mr. Ducayet was that your position with the board of directors was that Textron had done nothing wrong and therefore you would not cooperate in that disclosure.

What was your reasoning, Mr. Miller, for that position, if in fact you took that position?

Mr. MILLER. I'm sorry. I think I'll have to rephrase your statement, because I have never taken a position of not cooperating with the SEC. I'm sure Mr. Ducayet was reflecting his viewpoint, but I think the terminology you used is absolutely incorrect. I have always, and will always, cooperate with the SEC.

The SEC—when we had this experience of a large number of companies disclosing that they had slush funds and that they had accounts off the books and that they had arranged to make some foreign payments and some illegal political payments and this sort of thing—the SEC began a great deal of reexamination into this whole process. The SEC was immediately confronted with how to handle this shocking revelation which was a shame to the Nation. I just saw a report the other day where, in retrospect, it turns out that corporate officers deliberately involved themselves in a very large number of these cases.

Now the SEC's solution was to offer the opportunity for companies to undertake a 5-year review to discover their sins, and report their sins, and thereby to be forgiven. Everybody had to decide whether to take advantage—not to cooperate, but to take advantage—of that chance to cleanse their sins, to make a confession.

Senator BROOKE. Absolution?

Mr. MILLER. Absolution. I have served on other corporate boards and I don't personally know of any corporation that decided upon a 5-year examination that didn't have something that led to starting it. I served on a board where no examination was done and none was planned until an auditor discovered something. The board of directors said, "Well, if you discovered that, let's look at the whole 5 years." Textron discovered nothing that required confession. I know the biblical viewpoint—the greater the sin, the greater the forgiveness—and I suppose I should regret that Textron had not sinned and therefore will have no forgiveness.

Senator BROOKE. Well, my time has run out on your forgiveness, so I will defer. Thank you.

The CHAIRMAN. Senator Cranston.

Senator CRANSTON. Mr. Chairman, my first question is addressed to you. I was unable to be present when you made your opening

statement because I was chairing another committee. Is it firmly agreed that we will vote on this nomination within 48 hours?

The CHAIRMAN. No, it's not firmly agreed at all. The rules require that there be 24 hours after the transcript is made available before we can come to a vote. It's up to the committee whether to vote at that time. I think that after we hear and complete the testimony today from Mr. Miller the committee then will be in a position to decide. My own instinct is that we should terminate the hearings at that time and vote on Thursday, but I don't want to—I can't speak for any of the other 14 members of the committee and somebody may feel we ought to wait for the Iranian witnesses to appear. Somebody may have some other suggestion, and we will just have to entertain it at that time, and I think we should wait until we have all the testimony in so we are clear what we are doing.

Senator CRANSTON. When will the transcript be available?

The CHAIRMAN. It should be available tomorrow morning and 24 hours after that would be Thursday morning.

Senator CRANSTON. When will we have an opportunity to make a decision as a committee on when we vote?

The CHAIRMAN. I think it would be fair to serve notice now that as soon as Mr. Miller is through the Senators will be free, if they wish, to propose further witnesses or additional hearings to do so at that time, and then I think the committee can make a decision, unless there's objection. Is there objection to that procedure?

Senator BROOKE. No.

The CHAIRMAN. Then that's the way we will proceed.

Senator CRANSTON. I think that's the appropriate way and I thank you.

Mr. Miller, some people who are not too familiar or are rather casual observers of what's been going on with regard to your nomination have thought that perhaps you're in a sort of a no-win position because if you knew about an improper payment then you should not be confirmed and if you did not know about it what sort of administrator are you, and therefore, should you be confirmed? I take it that your response to that basically is that you do not know now that an improper payment occurred?

Mr. MILLER. That is correct, Senator. And I also think a fairly thorough investigation here has confirmed not only that I had no knowledge or reason to know, but that the division president who directly handled the matter had no knowledge or reason to know. In terms of your comment, I don't consider my position a no-win position, because I consider I acted properly. I had no knowledge of any improper payment, and the officers on whom I relied did not either. And, therefore, I don't know how it could be implied that I should have known something that even those who were dealing with the matter directly did not know.

Senator CRANSTON. Let me make it plain that I do not consider it a no-win situation either.

Mr. MILLER. Thank you.

Senator CRANSTON. I think you should win and I think you will win confirmation of this committee and the Senate because I have

not seen any evidence that indicates that you knew of any improper actions that occurred and I'm aware of the fact that Dun & Bradstreet when they looked into the matter at the time they did it and also the U.S. Government through its Foreign Military Sales Group did not know of any improper action.

I just have one other question. It's in regard to Mr. Soutter's investigation of the payments being made. As I understand it, that was really an investigation simply to satisfy your SEC registration requirement and it was not an in-depth investigation of any questionable payment?

Mr. MILLER. That is right, sir. It was intended to do no more than make sure we had no evidence that would cause us to want to do a more thorough investigation. Its purpose was not in any way to engage us in one of these 5-year extensive investigations, but merely to assure us—by talking to those who knew about the matter and by looking at the files and the records—that the payment appeared to be what it had been represented to us to be.

Senator CRANSTON. I understand that you have a policy in your concern not to engage in improper payments.

Mr. MILLER. That is absolutely correct.

Senator CRANSTON. I understand you find it possible also to do business without making improper payments.

Mr. MILLER. We have taken the view that the way to do business in the world is to have superior products, to represent them thoroughly, to sell them as hard as we can, to service them well, and to win on the merits of our product. We have lost business where business could be obtained in other ways, but we do not consider that to be a detriment. We believe that in the long run a company prospers better by making itself competitive enough to win on the merits.

Senator CRANSTON. I understand that to be consistent with what I believe to be your general philosophy and approach to the conduct of business affairs, it is my impression that you are a man of integrity and that you are creative, enlightened and have social concerns. I think you are just the sort of person who should be encouraged to be willing to serve in the government and I hope very much that we conclude these hearings very rapidly and proceed to vote in what I think will be a favorable way. I think beyond the travail you have been going through it's important to have a head of the Federal Reserve at a time of some difficulty because of Mr. Burns administering that body is, in effect, a lame duck and because interest rates are going to be set soon. I think it's very important to have you there full time. For those reasons I will ask no further questions. I hope we can expedite all this and get to a decision.

The CHAIRMAN. Senator Tower.

Senator TOWER. Thank you, Mr. Chairman.

I feel almost apologetic. This kind of proceeding and this kind of inquiry is how we get our jollies here in the Senate. Over the past 45 years we have steadily delegated away legislative authority through a gigantic bureaucracy that we created that we cannot even

exercise adequate oversight over; therefore, from time to time we feel it necessary to assuage our damaged egos and our deteriorating prestige by an inquiry of this type so that we can call attention to ourselves and impress on the public our enormous diligence and importance.

I might note that the mass media always cooperates splendidly. We have the television cameras and the lights and some of the best known reporters in the business. But in my view, what we are doing is pursuing what has come to be rather easy practice for us—to harass publicly spirited business and professional people and business institutions and I suppose it makes good press but I wonder how much damage we do to the course of orderly Government and the prospect of getting people to make sacrifices to serve in Government.

Mr. Miller, what policies did you lay out for Textron or any of its subsidiaries with respect to questionable payment practices?

Mr. MILLER. Senator, from the beginning of my stewardship I have laid out the policy that Textron would abide by the spirit and the letter of the laws of the United States and of every jurisdiction in which it operates. I have laid out the policy that it would even go further and live by the highest standards of ethics and conduct that are perceived to be possible in the world in which we live. I know of instances where, as a consequence of that policy, we have foregone business. I know that if my standards had not been so high some of the things recently reported in the SEC investigations were liable not to have come up, because they are legal and allowable. But because I have asked Textron to go further, I am now finding these items questioned. So I have obviously done some soul-searching in the last few days, but my decision remains the same.

The right way to run a business is to reach for standards even higher than the law, because only when you can marshal the loyalty of 65,000 employees and their faith in a company that is honorable and honest, only then can you expect and get high standards of performance throughout the company.

Senator TOWER. And you feel satisfied in your own mind and conscience that you have been diligent in pursuing these goals?

Mr. MILLER. Senator, when the record is finally completed in this case, I think Textron will be proved a shining example of a company that has grown from a small to a substantial enterprise in 20 years, with the lowest incidence I know of employee noncompliance for any company of its size.

Senator TOWER. Did you ever instruct any of your subordinates to not bother you with details but do whatever is necessary to conclude successful sales and contracts with foreign entities? Would you in effect say get on with the job and don't bother me with details and I don't want to know that sort of thing—protect me, don't allow me to have to take the rap for anything that you might do that is slightly questionable from an ethical standpoint?

Mr. MILLER. To the contrary, Senator. I have insisted that I be fully informed about any question of ethics that comes up in these matters. I suppose my associates would say that I have on occa-

sion been too much involved in the details of the business, because I consider it essential for me to be vigilant. I know of several cases where, because of this policy, officers came to me and reported a situation far down the line, saying, "We know what your policy is, but we want you to be aware of this before we make a decision." In each case I said that if any questionable payment was required we would discontinue the negotiation, and that was done in each case. I have been informed on a number of occasions, so I'm sure the system is working, and I'm sure my officers understand it. I do not seek to be protected. I seek to be involved, so that I can guide our officers in a way that will protect them from making mistakes.

Senator TOWER. Do you feel that your potential effectiveness as chairman of the Fed has been in any way impaired or inhabited by this investigation, or this inquiry I should say?

Mr. MILLER. I think that only my sleep has been inhibited; my opportunity to perform at the Federal Reserve has not. I had dinner last night with the 12 presidents of the Reserve Banks and, based on their warm support, I would say that there's no indication that this investigation has caused any erosion of my ability to serve—and I hope with credit—as chairman of the Federal Reserve.

Senator TOWER. I get a little tired of this country wallowing in a sense of guilt and self-recrimination over the way we have done business abroad and for the most part I think American conduct of business abroad has hued to acceptable standards. I might note that means of doing business in other countries might be considered quite routine and legitimate and acceptable that are viewed as somewhat alien in this country and we can't expect to apply the same standards to business operations everywhere in the world that we apply to standards in this country. I think, by comparison, we Americans and American business concerns look pretty good. That's all I have to say, Mr. Chairman.

The CHAIRMAN. Senator Riegle.

Senator RIEGLE. Thank you, Mr. Chairman.

Mr. Miller, I have a few thoughts that I would like to share with the committee and others here at the outset and until I finish those thoughts I will not yield, although I will be happy to yield after I have completed them with whatever time I have remaining.

Mr. Miller, I think you are one of the best nominees that the administration has put forward and I don't take these proceedings lightly. I have been in the Senate a year and I have had the opportunity to go through other experiences on other committees. I have had the privilege, for example, of sitting on the Judiciary Committee when we were examining the qualifications of Judge Bell to be Attorney General and I was not satisfied and so I voted against his confirmation and spoke against it.

I have done that other times with respect to other nominees here in the Senate. Most recently Mr. Tucker who was a nominee to the Civil Aeronautics Board before the Commerce Committee on which I served, whom I thought clearly was an unsatisfactory nominee and I might say that nomination was withdrawn. It's with seriousness with which I take this new responsibility.

On the other hand, I have been involved in the Congress for a longer time. I spent ten years in the House on various committees and so I have had some experience in trying to go through committee examination processes and evaluating the credibility of witnesses and things of that sort and I must say that I have very deep and strong feelings about the situation that I think has taken place with respect to your nomination. I think in many respects what has happened has been excessive in terms of what has actually transpired, what the facts warranted.

I think your reputation has in effect been damaged. I think unfairly so. Frankly, I am troubled about it and I am not just troubled about it from the point of view of you personally or the point of view of the fact that I think that does not reflect well on this committee, both of which are concerns of mine, but I think there's a bigger issue involved. I think we are at a point where the process we use to try to examine the honesty and capability of high officials who seek to take posts in the Federal Government, who respond to requests to serve, has gotten to a point where it is not doing the job the way it should be done and I'm not exactly sure why it's come to this. I know Watergate clearly has something to do with it. I have watched this situation unfold very carefully and I said to you—I have said publicly and I said to you privately—if I found one shred of evidence to the effect that you were involved in improper or illegal activities or had in any way misled this committee, I not only would not vote for your confirmation, but I would work with a vengeance to prevent it, and I think you and others know that's exactly how I feel.

But I think you have been very badly used by the process we have been following. And the concern I have goes far beyond you. I think it is necessary for us to attract, in larger numbers, good people from the private sector, some from business, others from labor, the professions, what-have-you, to come and take positions of responsibility in the Federal Government.

We are an abysmally run Government. The executive branch of Government is, and this is a pile-up of deficiencies over many many years, almost a model of inefficiency. The Senate, by the way, is not far behind in terms of our own operating procedures.

One doesn't have to look far to find the conditions of bad management, frankly, within our own internal Senate process.

We badly need to attract new talent into the Government. It means going out into other areas, where people of quality and decency have established their reputation as effective performers, who can come into the Government and who for a period of time can serve and hopefully serve with distinction.

And I am pleased that you were willing to accept the call from the President to come and serve as chairman of the Federal Reserve. I think you will do an exceptionally fine job. I think it is a major improvement, frankly, in the Federal Reserve. I mean no disrespect for Arthur Burns, we had disagreements on issues, but I will feel much better, much better, with you in that particular position.

But I think what has happened here, is in effect sort of a mini-trial. You have not really been the focus of the trial, I think you have sort of been a central player in the trial, I mean a central character, but I don't think that has really been the point of the exercise, because I think what is happening here is that we have gotten to a point where the process is not really a straightforward process of an effort to have a finding of fact, a civilized discussion and a presumption of innocence until there is some finding of guilt, but I have watched the press accounts very carefully, I have read them, and the press people here in the room know exactly what I am speaking about as well as the other members of the committee.

There hasn't been a single item developed here in the committee that was not first presented in expose fashion in the press ahead of time.

That is where the essential part of the conduct of this sort of trial has taken place.

Now I am not here to pick a fight with the press, because that is not my purpose, and you don't win those fights anyway. But I think it is important for the press to reflect a little bit on the way they are sometimes used in a situation of this sort. Because you are not Robert Vesco, not Bert Lance, not Mr. Tucker, and not a lot of other people whose personal records were highly questionable, and where I think people ought not to have been put forward as nominees, and in some cases when it later developed they ought not to be in government, they were finally denied appointment.

I must say, Mr. Chairman, you know the friendship and regard I have for you, and I just want to make a very personal comment about it, because you were kind enough to allow me to take the chairmanship of the Consumer Affairs Subcommittee of this committee, and I was honored to do so. I knew this was a subcommittee chairmanship you felt very keenly about and I have done the best I could to carry out that responsibility.

I have been honored by the showing of trust and faith that was represented by you in me.

So I feel badly commenting with respect to what I took to be your opening question to Mr. Miller. Because, I must say that I thought it was needlessly provocative. I thought the points were presented in an accusatory fashion. I think built into the way it was phrased was essentially a presumption of wrong-doing or bad faith. I don't think it was fair. I don't think it is a fair representation of how I think you think and work, and I don't think it gives a fair impression to people here in the room, and I don't think it probably gives a fair impression to Mr. Miller.

I think these questions can be tracked down, we can get the answers to them, in the most civilized way.

After all, if Mr. Miller is confirmed, we are going to have to work together as part of this Government. That doesn't mean we are going to agree on each and every issue. That is really not the point. The point here is the fitness to serve and a very careful finding of fact. I don't think that that has to be done in the framework of basically the conduct, in a sense, of a trial, where there is a bill of particulars, that is basically put forward through either leaked

information or through questions that are put that you don't have a direct opportunity to answer for some period of time.

And then we finally wind back around, and even when all of the facts are on the table, and I think it is absolutely crystal clear that there has been nothing improper that Mr. Miller has been involved in and that his nomination is really an exceptionally fine nomination, for anyone to kid themselves and to say that a shadow hasn't been cast is quite incorrect. It has been cast, it was cast I think as a very natural and logical consequence of the way we have been behaving and the way we carried this thing out.

I don't think anybody here ought to kid themselves about the fact that that is what has happened.

The reason I make that point is not because of just yourself or this committee, but I think unless all of us, at least pause to consider the way we are handling this process, I think we are going to do a good deal more damage than we are good.

I am not going to say that there shouldn't be the most rigorous kind of examination of candidates proposed for high public office. I would like it to be more rigorous. But I think there are bounds of fair play and directness and presumptions of innocence until there is some guilt shown that we ought to abide by.

I think that we have not done this in this case nearly as well as we might have. And I think it is sort of an accumulation of a long buildup. But I think it is important for us to reflect on, because while no one else here might think of themselves as some day sitting in your seat, they might be.

But I am concerned because I want other good people to be willing to come forward and sit where you are sitting today and be willing to accept serious assignments in the Federal Government.

I think that is absolutely vitally necessary. I think it is a strategic need and shortfall in the United States today. And to make that process such an ordeal, and a harassing experience, that while you may have the fortitude to stick with it and come through it, is absolutely no guarantee it won't send great numbers of other people who are out involved in other activities running in the opposite direction, because they say, well, who needs this.

So this is why the object lesson is important. I think if we don't take the time to understand what has happened here, we make a great mistake.

I know my time is up, and if it were not, I would have asked you the question of why it was you agreed to take this job. And I ask this in great seriousness, because I think it is important that the public and every member of this committee have an opportunity to hear from you and to reflect carefully upon what your purposes and motives are, why it is that you have agreed to accept this job, if confirmed, what your feelings about it are, what your intentions are, how you would like to carry it out.

I think if there is one question that is most important to have an answer to, I think it is probably that question.

Now in the traffic jam of accusations and other things, that has sort of gotten lost. But on the same point, and my time is up, I would like to pull that out of some of the wreckage and try to get

it elevated again, because I think it is part of what is essential to restoring some equity and directness and fairness and elevation to the kind of proceeding this ought to be.

Mr. MILLER. Senator Riegler, the chairman has been kind enough not to give me a time limit. So I might answer your question, because it can be answered very simply.

This Nation has certainly been good to me. From the time of my early days until this time, I have been blessed with progress beyond what I might have expected.

The reason I accepted the assignment is simple: I don't think we can always take; we must also give.

Senator REIGLE. Thank you. I thank the chairman, by the way, for his patience in allowing me to finish.

The CHAIRMAN. Senator Heinz.

Senator HEINZ. Thank you, Mr. Chairman. Mr. Miller, just in a general way, so that there is no confusion, there is a man serving in the White House who said that simply staying narrowly within the law would never be enough for his administration, President Carter said that on numerous occasions. What he really was saying is that he was going to set a high ethical standard for his administration, and that a narrow construction of the law would not be enough to satisfy that.

And that is the same standard that I think every Senator agrees we should set in the confirmation process.

I know you wouldn't want it any other way. It is an important responsibility we have to examine all of our nominees, not only for their ability, but for their ability to meet a high ethical standard. It is a responsibility that is ours, whether we like it or not. It is not something we should be squeamish about, it is not something we should moralize about, it is part of our job.

And therefore I say to you, and I say to all of the people who are interested, to the extent that this committee raises questions, hard questions of any witness before the committee involving your nomination, we are doing our job, and nobody should take it personally, nobody should take it unfairly, and I am not saying you have, but I say that to anybody who thinks that we are giving any nominee or any witness a rough time.

I think you know that, but I am not sure everybody else does.

Let me ask you if you had reason to believe—without asking you to evaluate the record today—but if you had reason to believe that in fact Air Taxi was owned in whole or in part by General Khatami, as has been alleged by members of the committee, and the committee staff, would you believe that you had been deceived by somebody, either in Textron or by the principals in Air Taxi?

Mr. MILLER. On the basis of the record today, Senator Heinz, I would say if that were a fact, or if we assume it is, I have certainly been deceived. On the basis of the record, I would say I have been deceived by the principals of Air Taxi, and by General Khatemi. I know of no one in Textron or in Bell Helicopter who has deceived me, because the people who acted on this themselves had no reason to know or believe.

Senator HEINZ. You don't have to worry about General Khatami taking offense, of course; he is dead.

The other principals in Air Taxi—

Mr. MILLER. I hope we get through this hearing in time for us to all make it past that point.

Senator HEINZ. Every member of this committee agrees with you one hundred percent on that.

Air Taxi, however, is an organization with which Textron now has a business relationship involving its civilian sales of helicopters, and we know you wish they were more, to Iran.

Do you think Textron should start an investigation to find out whether in fact Textron and you have been deceived?

Mr. MILLER. Senator, this committee has far more resources than we could ever have. We could never get access to the intelligence reports to which you have gotten access. This has all come as a surprise to us. Because of information revealed here, we have an obligation to make a prudent evaluation of Air Taxi, and we shall, when this is all over—on the merits, with no witch hunt.

If we have been deceived, we will not be able to continue our relationship with Air Taxi. If we have not been deceived, Air Taxi shouldn't be punished.

Senator HEINZ. If you have been deceived, would you anticipate you would sue to recover the monies paid?

Mr. MILLER. I would have to leave that decision to the attorneys. I don't know whether we could even bring such an action in Iran. And I don't know what the statute of limitations is. I do not have any idea whether that would be possible.

General Khatami is dead. If the money did go to him, I suppose it is a long, long trail to Tipperary.

Senator HEINZ. Or Tehran, as the case may be.

I would like to question you on the rather intricate procedures that Textron as a corporation had involving the billion dollar audit committee.

On page 76 of this document you stated to the committee:

We have a continuing audit committee that has been in being for a number of years, made up of outside directors, that have the responsibility of reviewing the audit with the outside auditors, reviewing the scope of the audit, reviewing any comments of the auditors, and inquiring of them as to whether they have used due diligence to be sure the assets and expenses of the company are as reported and that there are no defalcations or aberrations.

That sounds pretty good. Now let me read the memorandum of Arthur Young dated February 27, 1977, by Mr. Slattery of the New York office to the Providence office, involving the Textron audit committee meeting, on February 23 and 24, 1977.

I met twice with Textron's audit committee during their management meeting at Ocean Reed, Florida, February 23 and 24. Present at the first meeting held on Wednesday were Messrs. Campbell, Gengras, Ledbetter, Colinson, Van Brocklyn, and Sisco. The agenda for the meeting is attached.

I think you and I recognize only three of those people, Campbell, Gengras, and Sisco, are outside directors. The other three are officers of Textron, they are hardly outside directors.

What were they doing at that meeting?

Mr. MILLER. Reporting to the audit committee. Usually the audit committee goes into executive session, the officers leave, and the outside directors discuss matters of their choice with the auditors.

One of those you named is the president, one is the vice president for finance, and one is the comptroller; they are the people who are directly involved. They report to the audit committee and answer their questions. I would say I have not attended these audit committee meetings because I feel that my length of term and position with the company may give me too much sway; I am the chairman. But I am always available to the committee if they would like to call me and ask me questions. I felt I shouldn't be there, so I don't believe I have attended recent meetings. I wanted them to be free to make their decisions without being influenced.

Senator HEINZ. This meeting was in February 1977, just a year ago. And the report goes on, just exactly as follows: "later in the meeting I was asked whether I had any confidential comments to give the committee"—this is from Arthur Young—

Mr. MILLER. That means it would be time for the officers to leave, yes.

Senator HEINZ (reading):

I responded that I had no confidential comments. But while I had no confidential comments, I did wish to bring to the committee's attention the \$2.9 million payment to Textron's former agent in Iran over '73, '74 and '75 in connection with Textron's contract with the Iranian government for the sale of helicopters. I added that while I had understood this situation had been discussed, either at a previous audit committee meeting at which I had not been present, or at a board of directors meeting, I felt it was appropriate it should be discussed while I was present, should there be any questions or further action desired of me. The outside members of the committee first expressed some surprise and lack of knowledge about the item. However, Mr. Campbell, upon reflection, stated he did recall it being discussed at a Board meeting. Ms. Sisco had apparently never heard of the payments.

Is there any way of—

Mr. MILLER. I think Ms. Sisco came on the board after this had already been reviewed.

Senator HEINZ. Is there any reason you can think of why this outside audit committee of the board would not have either heard about this, either from Arthur Young, or from the officers of the company, before 1977, which was two years after the last installment on the payment had been made?

Mr. MILLER. I would assume it had been discussed, but I think, I don't know why it came up at that meeting. I can't enlighten you.

Senator HEINZ. It came up because Arthur Young brought it up.

Mr. MILLER. I know, but I don't know why they brought it up.

As I recall, unbeknownst to me at the time, there was a minor disagreement between Arthur Young and Bell Helicopter over the year in which to book the expense. That may be the problem they were concerned with; I don't know. I think Bell wanted to expense the payment as fast as possible, and Arthur Young thought maybe it should be slower.

Senator HEINZ. At that point, even though you had had in 1975 your own in-house counsel, Mr. Soutter, check out the propriety,

there was never any thought that the audit committee should be aware of the payment, even with a clean bill of health?

Mr. MILLER. I would have thought the important thing would be if Arthur Young had reviewed it and found no problems. I hate to say it, but many, many payments larger than \$2.9 million are made during a year.

Senator HEINZ. Oh, certainly. Had you terminated any contracts for anything close to \$2.9 million in the 20 years of Textron that you have been associated with it?

Mr. MILLER. I don't know. I would expect that we had larger payments, but I can't recall any specifically.

Senator HEINZ. Yes, everybody purchases large quantities of goods and services.

Contract terminations of that size were a bit unusual, wouldn't you say though?

Mr. MILLER. Oh, yes, I would think so.

Senator HEINZ. Then, again, seriatim in the letter:

Bell Ledbetter—he is the vice president of finance and the treasurer of the corporation—Bill Ledbetter described the arrangement as a buy-out of the agent's franchise and also said the company was satisfied there was nothing illegal about it. No further action was taken on the matter. I was satisfied that it has been brought to the committee's attention and they would not be surprised if the amount was disclosed in the future.

Why would they not be surprised about the future disclosure if this was something that had happened in the past?

Mr. MILLER. I have no idea.

Senator HEINZ. Well, I can't complain about your explanation. It does seem strange to me that this did not surface in the audit committee until 1977, particularly inasmuch as you and the general counsel had wanted to be sure about the propriety of it in 1975.

Mr. MILLER. Audit firms have become pretty skittish in recent years since some of them have been sued. I don't know and it would be hard to speculate with you as to why Arthur Young wanted to be sure that it was known. It had been known to the directors, as I recall, well before that and contemporaneously. As I recall, I covered the termination of the Air Taxi contract at board meetings when I explained our development of major business, how we were proceeding, in our decision to sell directly and to discontinue using a sales rep. and so forth.

So, I don't know. Maybe Arthur Young was just cleaning up the old files, making sure nobody could accuse the firm of anything.

Senator HEINZ. Would you say it looks like Arthur Young and the audit committee are going to have to open up this file again?

Mr. MILLER. I would not think so.

Senator HEINZ. You would not?

Mr. MILLER. I am sorry. Open up what?

Senator HEINZ. Open up the file on Air Taxi again?

Mr. MILLER. Oh, on Air Taxi. I misunderstood you; I thought you meant the file on the committee meeting.

Senator HEINZ. I meant on Air Taxi.

Mr. MILLER. Yes, sir. I think we should look at this again. We have learned things at this hearing, as I said, that we had no reason

to know before. Your investigation was triggered by some intelligence reports, as I understand it. Although the statement made by the chairman on the 24th of January came as a surprise to me and was unidentified, I understand his information was from intelligence reports. We did not have access to them; and now we must pursue the matter.

Senator HEINZ. I want to thank you for inferring, if not stating, that the committee has performed a very valuable service to Textron.

Mr. MILLER. This committee, I am sure, will in the end perform a very valuable service to Textron by voting for me unanimously; that will show Textron is a good company, and I hope you will vote that way. I don't know if that is lobbying or not.

Senator HEINZ. Since you are not yet confirmed, I think it is legal. But if you are confirmed, you better watch it.

Mr. Chairman, thank you very much.

The CHAIRMAN. Senator McIntyre.

Senator McINTYRE. Thank you, Mr. Chairman. I regret, Mr. Chairman, not having been able to take an active part in these hearings, but I have kept abreast of the proceedings. I have just a few questions.

Mr. Miller, do I assume from your earlier remarks that you are confident that the ongoing SEC investigation will not impair your effectiveness as Chairman of the Federal Reserve board, if and when you are confirmed by the Senate?

Mr. MILLER. I believe it will not impair my effectiveness, Senator.

Senator McINTYRE. Mr. Chairman, and members of the committee: I share the opinion expressed by others that the evidence presented to date will constitute no impediment to the confirmation of Mr. Miller. And I too would like to express my desire for a resolution of this matter at the very earliest possible moment.

I think it is important to the administration that this man be put on the job, we need you down there.

Now my intention, Mr. Chairman—as I understand it rather vaguely, the rules of this committee require something like 48 hours after the hearing for the vote. I will, because I do think it is urgent, and I don't think you have laid a glove on him, move we go ahead and try to vote him onto the job today. So even though I am trying to be in three places at once, like many of my colleagues, I will try to be back here at the conclusion of the hearings and at that time I will move we waive the rule.

The CHAIRMAN. I object to it, so the objection would prevent it.

Senator McINTYRE. That is all right, you are on the record as objecting to it. I will be back for that.

The CHAIRMAN. I might point out to the Senator that there are Senators who have not been here during most of the testimony. The purpose of the rule is to provide at least 48 hours after the transcript is available, so all Senators have an opportunity to review the record.

Senator McINTYRE. That is perfectly understandable, and I don't want in any way to impugn in any sense the chairman's patience, and his desire to do a thorough job.

I just think the job has been done and the Federal Reserve needs a chairman, and we have got one. I don't think we should wait 48 hours. Your objection may kill my attempt, but that is all right, I want to make it, just in the interest of sanity.

The CHAIRMAN. Senator Lugar.

Senator LUGAR. Thank you, Mr. Chairman. Mr. Miller, during the 1960s, in order to accommodate what was then termed the guns and butter type economy, the Federal Reserve Board cooperated substantially with the administrations in expanding the supply of money. And, in fact, the Federal Reserve Board has been doing that subsequently. Without oversimplifying the problem, but the comment I want from you I think will be obvious, essentially if we have inflation of 6 percent a year, and the economy is growing at 4 percent a year in terms of real growth, the nominal increase in the gross national product would be roughly 10 percent. And the supply of money that the Federal Reserve Board must provide will be somewhat in the ball park of 10 percent, as a rule, if it is to match that sort of growth without impinging upon it, unless the velocity of money changes one way or the other.

Now we have had some good fortune in the country with regard to the velocity of money during Dr. Burns' regime. And the misfortune that growth didn't come to the order of 4 percent in some years.

So that meeting the 5- to 7½-percent increase in M-2 was a possibility.

Now the question that I have for you boils down to this: If in fact our economy did grow last year somewhat better than 4 percent real growth, and inflation was 6 percent, and both are predicated again for this year, and the velocity of money apparently has slowed down, although we might have some good fortune on occasion, we are looking toward an increase in the supply of money under the way things have been proceeding of something close to 10 percent.

Now to play the devil's advocate, Robert Samuelson, in an article in the National Journal of January 21, 1978, suggested that the Federal Reserve Board, if it really wanted to, could stop inflation. He suggested as a hypothetical example that regardless of the scenario of 10 percent nominal growth I have talked about, the Federal Reserve Board could simply decree that the money supply will increase by no more than say 4 percent.

At that point, in fairness to Mr. Samuelson, he says no one really knows what the results would be; a massive recession, even a depression is a good possibility. Credit needs, businesses, consumers, local governments, would collide with the stingy money supply, starve for credit, and weak firms would collapse, new home construction would shrink, investment would shrivel. But perhaps this discipline ultimately would be a healthy shock treatment to destroy the inflationary mechanisms and psychology, and what-have-you.

As you take a look at your potential leadership, granted there are six other persons sitting around the table who will do more than assist you, all of whom have a vote. what is your outlook? Is it to be one essentially of accommodating the growth plus inflation, so

that all of the vested interests that come into this committee and the suggestion, for example, that housing is being stifled, or that general business is being shot down by the Federal Reserve Board, are they to be accommodated at each turn?

Is inflation really that serious in the country? I am inclined to feel it is, and from private conversations I know you share that view. And what are the limits of authority of the Federal Reserve Board, or how are you prepared to test them?

Mr. MILLER. Senator Lugar, the most serious economic problem we have is inflation; there is no doubt in my mind about that.

As I have said before, I don't believe it is in the national interest for the inflation rate to continue at 6 percent or that that can be allowed to happen. I think 6 percent is far too high.

But I also think that abrupt action on the economy can bring unexpected consequences and that we might trigger results that we cannot predict and that we might live to regret. We have a very serious dilemma. We cannot afford inflation and, given the present state of the economy, we cannot afford a recession; a recession would generate more inflation for sure because we would go up to a deficit in the \$100 billion range, and we would dry up investment, and we would be in deep trouble.

So the Federal Reserve has a very, very difficult task of staving off inflation over a period of years, by pulling down the rates of inflation and of growth of the money supply, but in a prudent fashion and with some leeway. We have to look at the economy as it is operating each year with a view to keeping it on a moderate path of growth—not letting it grow too fast, which would get it into bottlenecks and more inflation, and not letting it grow too slow, which would trigger a recession and certainly end up being inflationary as well as distressing.

Senator LUGAR. You are saying to lean on it?

Mr. MILLER. To lean against the problem. But this is a very big economy; it is a big vessel. It should be turned gently, otherwise it will keel over and be liable to collapse.

So the problem has to be leaned against gently. As I have said, I wish I would give you a magic solution, but I think we have many years ahead of us of leaning and trying our best.

Senator LUGAR. Admittedly the figures yesterday were for about 1 month. But let's say the inflation rate in this country, as opposed to being 6 percent or 6½ percent for this year, should in fact turn out to be 9.6 percent. What do we do then in terms of policy as you see it?

Mr. MILLER. I think we have to take more drastic action. I don't know that the Federal Reserve alone could stem inflation if it went to that rate. The President has proposed a form of incomes policy, and trying to seek moderation in prices and wages. I think that if we came to a 9 percent rate of inflation, we would have very difficult problems. The Federal Reserve would have to take, I think, much stronger action. But it would have a very, very difficult problem of balance. If the action resulted in a collapse of the economy, it would be too strong. If the action weren't effective in slowing the inflation rate it would not be strong enough. You know, we have

seen higher rates of inflation come to be accepted in other countries. We used to accept an inflation rate of 2 percent. Then we got used to the idea—some people did—that it should be 6 percent. I can't accept that. I don't think we can allow conditions to develop to allow it to go that high. We have got to stop it.

And I suppose I am not willing to concede, even hypothetically, that we would do such a poor job as to see higher rates of inflation in my career as chairman.

Senator LUGAR. One of the encouraging things from these hearings, at least for me as a citizen of this country, was your opening comments this morning. Without offering any gratuitous comment about the colloquy that followed, it seemed to me that you were properly tough and independent. I think this is of the essence. I don't think you know and certainly I don't know what really we will have to do in this country if we are faced with a 9.6 percent inflation. But I do know, just from one of your experience that when you come before this Committee there will be senators who will suggest that regardless of the conditions in the country, that the interest rates ought to go down. They will attempt to push you all over the spectrum. I think you know one of the factors about this particular job that you are facing, and you already appreciate this, is that the vested interests play hard ball and the stakes are very high. And the fact is that hopefully you will be tough enough to analyze, as independently as you can, the advice you must give the President as well as the Senate, and I appreciate, as many have pointed out, the FRB is not an independent agency. But very clearly, unless there is some lean against inflation in our economy, it is not in the Congress currently, and in fairness to the President, his budget is sort of nominally inflationary, too. It assumes 6½ percent, and moves it upward, incorporating all that in the budget, plus 2 percent, whatever we have.

Heaven help the country if someone, such as yourself and your colleagues, are not setting the policy as an alternate government, but are in an independent position to lean. I think this is tremendously important, simply as a characteristic of the person we are looking at.

So I admire your courage, and I have no brief one way or the other about Air Taxi. I think it is simply important that in this particular controversy, you were able to hold your own ground, and did so.

Now let me ask one final question. How are you going to get more members to join the Federal Reserve Board? We have maybe two out of five banks in the country, maybe fewer than that if the total was brought up to date, that are in the system. Even if you have good policies, how in the world are they to be effective?

Mr. MILLER. Senator Lugar, inflation is the number one problem, but the membership problem is of high priority for the Federal Reserve.

I think the solution, a solution I have favored, is that of paying interest on reserves. I would like to couple that—and this is a personal comment; I do not speak for the Board—I would like to couple that with charges for services. I think that would be the best way to go.

I think that would mean that those who have access to the services of the Fed wouldn't get a free ride on the reserves of member banks. And I think that would start a healthy trend in terms of knowing what services cost instead of having the Fed furnish services for free in order to reduce the burden of membership. A schedule of charges is also necessary for the efficient use of the payments mechanism.

A fall-back position, although I think it has some monetary policy disadvantages, would be to allow part of the reserves to be held in interest-bearing securities. That would be another solution. My personal view is that either reform would lessen the penalty on banks' earnings for a member of the Federal Reserve, and should be coupled with some system of charges that would be equitable in its reimbursement for the actual use of Federal Reserve services.

Senator LUGAR. Thank you very much.

Mr. MILLER. Senator Lugar, I didn't realize—I appreciate your remarks—that the Senate went in for hazing. If there is any concern about my firmness, I guess this process of going through a hazing will test it more than usual for nominees. Thank you.

The CHAIRMAN. Senator Schmitt.

Senator SCHMITT. Thank you, Mr. Chairman. I am glad to see my colleague, Senator Lugar, move us back towards some balancing of the scales, towards the original concerns that some of us had about the substance of your activities on the Federal Reserve Board as its chairman.

I must admit to you, Mr. Miller, that my original concerns have been somewhat lessened by our personal conversations, and by the very fine answers that you gave to Senator Lugar just a moment ago.

I still have a few more questions along that line. One is that we talk very blithely, and I don't mean this in disrespect to the Senator from Indiana, about percentages of money growth, when we also know measuring the actual supply of money is a very difficult proposition to say the least, and may in fact have been the undoing of Chairman Burns, who I heard say almost the same thing that you have just said in answer to Senator Lugar about the need to gradually reduce the rates of growth in the money supply until some day it comes into rough equality with the rate of growth of the gross national product.

Do you have any ideas on how we can get a better technical grasp of the amount of money, and of the rate of growth?

Mr. MILLER. I am very concerned about the current tendency for the weekly figures to be evaluated by Wall Street. I read that the market went up or down on somebody's guess of what the figures will be.

That is a fad that has had its day and should be ended: it should have gone out with the hula hoop. The only meaningful way we know how to measure money is to look at averages over longer periods of time. Weekly figures can be distorted by the delivery of the mail, by a snow storm, by a holiday, by the arrival of government checks on a particular day.

As a matter of fact, we should try to improve our seasonal adjustments. But the Federal Reserve has tried, and it is a very difficult

task to predict from year to year how all of these influences of the weather and mail and holidays will affect the figures. I think we have to go for more consistent 3-month averages—or something like that—to get better measures.

I must warn you that as the payments mechanism changes—as developments occur in parts of the country in telephone transfers and automatic transfers of savings—we are even going to have to watch our definitions of money. We have a new technical problem, which I want to address very quickly: that is, how to redefine money according to new realities. I think we need to do a big job in education on this.

But I can't tell you today how I am going to do this. The process will evolve this year and next year, and it needs very close attention.

Senator SCHMITT. It is something before this committee at the present time, and I, for one, would agree with you, that we are all premature right now in understanding how electronic funds transfer and like communications of money are going to affect the velocity or the growth of money supply in the future.

I hope that we can study it, we can understand it, and keep on top of it before either you or we take action that might be premature.

Mr. MILLER. Thank, you, Senator. When we have a technological change, even though we can theorize, we are not really sure of what the consequences will be—whether we are going to do our business with a lower stock of money and therefore can be sure the Fed will bring down those aggregates, or whether the stock of money actually won't change. We just really don't know. The theories go both ways.

Senator SCHMITT. Then I would take it from your remarks that you expect to try to establish certain steady-state situations within your power over the money supply?

Mr. MILLER. It seems to me—excuse me.

Senator SCHMITT. And watch the longer averages to see what is the effect of those steady-state situations, and then adjust again on a much less frequent scale than maybe has been done even by Chairman Burns?

Mr. MILLER. That is more or less what I am saying. I certainly think it is very important—if the velocity of money changes, or the mechanism of settlement and payments, changes—that we don't lose control by failing to realize that we are working from a new baseline. We have got to know where that baseline is, in order to lean against the growth of the money supply.

Senator SCHMITT. But in the best of all possible worlds, I would guess that within five-plus years, you would like to see the growth of the money supply approximately equalling the growth of the gross national product. I give you leeway in whether it is 5 years, or 6 or 7. But it is something that hopefully will happen by that time, assuming no other major catastrophes happen with respect to the economy.

Mr. MILLER. I certainly would like to see that happen, yes, sir.

Senator SCHMITT. Mr. Miller, would you summarize your perception of your relationship with the White House and the Treasury Department?

Mr. MILLER. I don't know that I have much of a perception of my relationship with them.

Senator SCHMITT. Future relationship.

Mr. MILLER. In the future, it seems to me that the Chairman of the Federal Reserve needs to be in fairly close contact with the Treasury on a number of things.

I think the procedure would be to have, perhaps, a weekly conversation with the Secretary of the Treasury, to make sure that in such areas as the international monetary situation or domestic economic policy we each know everything we should.

I think it has been the practice to meet with the Council of Economic Advisers from time to time to coordinate with them. I believe—I am not sure of this—that the Secretary of the Treasury and the Chairman of the Federal Reserve and, perhaps, the Chairman of the Council of Economic Advisers meet with the President from time to time, for a joint review of the economic situation.

Senator SCHMITT. Would you try to insure that that would happen?

Mr. MILLER. That would be a very useful and desirable thing. My own philosophical view is that the more we exchange ideas, the more likely we are to address our options in a coordinated way and to choose courses of action that are prudent and desirable, rather than to act independently, with uncoordinated and usually not very good results.

Senator SCHMITT. But would you conceive of yourself as well an interactor in these affairs, as an adviser in the development of administration policy?

Mr. MILLER. I don't think so. As I understand it, the administration develops its policy, and then it has the courtesy to consult the Federal Reserve Chairman to see if he has any comments on, say, a tax problem or program.

Senator SCHMITT. What if you thought the particular policy was a turkey? Would you be willing to say so, or would you wait and see how it came out in Congress?

Mr. MILLER. No, sir. I would be prepared and would welcome an opportunity to explain why a proposed policy is a turkey, why something should be done differently. That is exactly the process of coordination I am talking about. It is too late after a policy has been adopted, because by then everybody has a vested interest in it.

Senator SCHMITT. I was hoping you would improve it.

Mr. MILLER. Bury the hatchet. But anyway—

Senator SCHMITT. I am not even sure why I used the term "turkey." It is in vogue, I guess.

Mr. MILLER. There are a lot of Indiana turkeys, I understand. They raise them—

[Laughter.]

Mr. MILLER. I mean real turkeys.

Senator SCHMITT. Mr. Miller, may I advise you your nomination is in fairly good shape right now, don't destroy it. The next statement I thought you would make is now there are a lot of cold turkeys in Indiana. You have to think about that one.

Mr. MILLER. I will.

Senator SCHMITT. Mr. Miller, would you similarly describe your perception of your future relationship with the Congress, over and above the regular meetings that we expect to have with you in this committee and also in other similar committees?

Mr. MILLER. It seems to me the Federal Reserve should maintain liaison with the principal committees that deal with the economy—I would think not only with the banking committees of the House and Senate, but also the tax writing committees. It is important to maintain liaison and have a chance to discuss thoughts on monetary policy with the chairman and members of that committee. It is important to do that.

I think the same is true of liaison with the budget committees, perhaps the appropriations committees and with the Joint Economic Committee. There are a number of places in Congress where the Federal Reserve has an obligation to create a dialogue and to interchange ideas and have opportunities to discuss policies.

Senator SCHMITT. Do you feel in those kinds of interchanges that your position would be to at least encourage the search for ways to gradually decrease the deficit, as you in turn try to gradually decrease the deficit, as you in turn try to gradually decrease the rate of growth of the money supply?

Mr. MILLER. There is a dual aspect to the problem of decreasing the deficit, Senator. I would like to see the deficits decreased. I think the large deficits we have made it hard to shift resources to the private sector where I believe they can do the most good. But quite apart from the theory of deficits is the theory of how we are selecting actions that perpetuate the deficits. It might be more effective over a period of a year, not just to reduce the current year deficit, but to determine whether we are building a program that will perpetuate the deficits or one that will create private investment and decrease the deficits in the future.

Not only should we reduce the current deficit, but we should seek impacts down the line by shifting more resources back to the private sector.

Senator SCHMITT. Excellent.

Mr. Miller, finally, I want to wish you well in your endeavor, and I hope that you won't think too ill of us. If nothing else, I now have a new ally in some of my other confirmation battles in the form of Senator Riegle, and his very good statement, one which I appreciate very much, about the types of individuals we hope to bring into our Government.

You certainly seem to fulfill most of those qualifications. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Garn.

Senator GARN. I have no questions, Mr. Chairman, just a brief statement.

I am sorry that I had conflicting committee assignments this morning, and was not able to be here the entire time. I started out the hearings, Mr. Miller, as I am sure you remember, the first day telling you I wished Arthur Burns were staying and that was no reflection on you whatsoever. I still wish Arthur Burns were staying and that is still no reflection on you.

Mr. MILLER. At this point, I am not sure I don't agree with you.

Senator GARN. But in any event, I think we have had the most detailed nomination hearings in the three years I have been on the committee. I see nothing in the hearing record whatsoever that should prohibit you from being confirmed.

The only reservations I have had from the outset have not changed, as I have read the record and gone over your background over a period of weeks, what some of my colleagues have been saying, and that is independence. It is very important to me that you, as Chairman of the Federal Reserve Board, and the whole Federal Reserve Board, stay independent of the Congress and of the President.

I think that is an extremely important check and balance in our economic system. I have been pleased with some of your answers and displeased with some of them. But I do hope if you are confirmed that you will maintain a very strong independence from influence from us, as well as this Administration or any other.

I think that independent judgment is so important to serve as a check and balance. So I am prepared to support your nomination, as a matter of fact, I believe we have carried this on sufficiently long that I would support Senator McIntyre's efforts to bring your nomination to a vote today, so that we can report it to the floor.

The CHAIRMAN. Senator Stevenson.

Senator STEVENSON. Mr. Chairman, I don't have any questions. I would only observe, Mr. Miller, that while I had some doubts about the wisdom of continuing these hearings, and conducting the investigation that has been conducted, I don't have any more, because they have demonstrated beyond any doubt whatsoever that you are well-qualified to serve as Chairman of the Federal Reserve Board, and, Mr. Chairman, I feel, as do other members of the committee I am told, that the nation should not be made to suffer any more by delay in this committee on this nomination.

I regret that I couldn't have been here earlier, I had three other committee meetings, including one that I had to chair. And I hope, Mr. Chairman, that it won't be necessary to be here for any more meetings of this committee on this.

If the motion is made to report the nomination favorably today, I would support it.

Thank you.

The CHAIRMAN. Thank you, Senator Stevenson. Mr. Miller, I just have a couple more questions on that beloved Air Taxi matter. Then I just have a few more in another area.

Mr. MILLER. We should get a code name for Air Taxi; maybe a fish name.

The CHAIRMAN. What is that, sir?

Mr. MILLER. I said we should get a code name for it.

The CHAIRMAN. Yes, You had a code name for Mr. Khatami No. 1, in your cables.

Mr. Miller, our staff, as you know, when you were nominated, knew nothing about Iran, Air Taxi, Bell Helicopter, or General Khatami. Yet within a short time after your testimony, on the \$2.9 million payment, we knew that General Khatami was a secret owner

of Air Taxi. Yet your men were on the spot, they investigated Air Taxi in Iran, cables went back and forth, people were interviewed, met with, talked to, and you set up your own investigation through Mr. Soutter, and yet our staff learned in a very few days what has since been confirmed, that you and your company's top executives tell us you did not know.

How do you account for that?

Mr. MILLER. Senator, I think the information that you have, the lead you had, was from intelligence files to which we have had no access.

I would like to describe to you a little bit of the realities of doing business if one is a hardworking diligent person.

I have been to Iran twice. As I recall—and the dates may be a little off—the first time was at the end of 1974; indeed, I think I even spent New Year's there. I spent a week there then. I worked every day on trying to develop the new program we were working on when we had no sales representative there. We were discussing the prospects, visiting our bases of operations, meeting the people. I was getting acquainted with what we were doing in that country, because it was becoming more important that I know.

And during that time, I did not meet with any embassy people, attend any cocktail parties, or go to any place where one would hear rumors and gossip.

I went again in the fall of 1975—after a sabbatical in the summer of 1975—and negotiated a very large sale, much larger than the one we have been discussing, directly with the government of Iran, with no sales representative.

I was there for two weeks. I attended no cocktail parties; I attended no social events other than dinner with my own executives; and I never ran across any rumors or gossip that are apparently the way this sort of thing comes to one's attention. So I don't criticize my officers, who, I believe, may have worked too hard. Maybe they should go to some cocktail parties and pick up information.

The CHAIRMAN. Now let me just give you what the staff evidence was, other than intelligence sources, that were available, freely available to anybody who inquired.

The public record of the registered companies in Iran from 1958 through 1965 showed Khatami to own 40 shares of Air Taxi. As I said, during much of that time he was your agent. That was uncovered not by our staff or by an official of any kind, but by Mr. Robert Bell.

Mr. MILLER. Senator, could we do them one at a time?

The CHAIRMAN. All right.

Mr. MILLER. You see, you have already mentioned the record through 1965, and our people selected Air Taxi in 1968.

The CHAIRMAN. You selected them first in 1959, did you not? Was it not your agent earlier?

Mr. MILLER. I had no knowledge then, nor did anybody pay attention to the dealers in Iran of any substance at that time, because we sold no aircraft. We looked at whatever existed at that time. Before then—

The CHAIRMAN. You don't look into prior history when you select an agent?

Mr. MILLER. You heard this morning from the man who headed the team, who went to Iran to look at Air Taxi in 1967 or 1968. He said he inquired; he said he found no evidence. You say he should have looked at the record of the registry for 1965 and before. I don't know whether that was available to him.

The CHAIRMAN. All right. The State Department conversation with the Iranian Ministry of Justice, which showed that Khatami was chairman of Air Taxi from 1957 to 1965.

The availability of William French, who was your agent in Iran. The availability of Robert Bell, who came to the offices as you know of Bell Helicopter in Fort Worth to make his report.

The documents of French and Bell in the Bell Helicopter files. The availability of Khatami's agents, Safavi and Rafaat, to give oral testimony respecting Khatami's ownership of Air Taxi.

The availability of military and State Department officials to testify as to the reputation of Khatami as owner of Air Taxi.

Furthermore, General Jablonsky was available to you, the head of MAAG, his predecessor head of MAAG, General Twitchell, and General Price, military attache.

All of these people testified they knew of, have deposed in affidavits that they knew Khatami was the owner of Air Taxi. And of course General Khatami himself.

Now I can't understand how we can make an investigation of this matter with these public sources and U.S. sources available, and you, having had an allegation that General Khatami had silent ownership of Air Taxi, didn't discover it.

Mr. MILLER. Senator, the comments you attribute to MAAG officials, if I read those right, say I heard rumors, I heard gossip, I heard something second or third hand. I don't find any statement, outside of intelligence reports, of direct knowledge by any of those people. And, as I said a moment ago about my travels to Iran, my people don't go to cocktail parties or social circuits to hear gossip.

The CHAIRMAN. This wasn't a cocktail party. General Price said he was told by General Khatami himself. He testified General Khatami informed him in late 1969 or early 1970 that he had an interest in Air Taxi.

Mr. MILLER. Why would that have been available to Bell Helicopter, Senator? If General Khatami said that to General Price, General Price would have had to tell us; and he didn't.

The CHAIRMAN. Did you ask General Price?

Mr. MILLER. I had never heard of General Price.

The CHAIRMAN. He was the military attache.

Mr. MILLER. You may have a different technique, but I don't go to embassies and go up to the military attache and say, "Are any generals in the country I am in now on the take?" That is not my usual opening comment.

The CHAIRMAN. I am talking about your man, when he made the inquiry. I am not talking about you. I know you didn't make an inquiry, I am not saying you should have. I am saying when this investigation was made by Bell Helicopter in 1967-1968, as to whether or not they should sign them on, when they had these alle-

gations and these relationships were continuing, they, at that time, it seems to me, should have made this kind of inquiry.

Mr. MILLER. Senator, you had before you this morning the man who headed the team. I suppose he could find out; you could ask him whether he knew General Price and whether he asked him. I don't know.

The CHAIRMAN. The investigation that was conducted by your counsel, Mr. Soutter, that was on his initiative, is that correct, in 1975, of the \$2.9 million payment, I should say?

Mr. MILLER. Yes, sir. I think I said this morning I can't recall if he brought the matter of an investigation to my attention in 1975 or I brought it to his attention. I said I rather thought he called it to my attention.

The CHAIRMAN. At any rate, it had your approval and knowledge?

Mr. MILLER. It certainly did, and my endorsement.

The CHAIRMAN. What direction did you give to Mr. Soutter as to the kind of investigation he should conduct?

Mr. MILLER. He brought it to my attention. I said look into it and make sure you are satisfied. He is a lawyer—

The CHAIRMAN. Why don't you do what a number of corporations did, and retain an outside counsel to make an investigation, so it wouldn't be a matter of your company investigating itself?

Mr. MILLER. Because we had no evidence of wrongdoing. We don't hire outside counsel to investigate our employees when there is no evidence of wrongdoing.

The CHAIRMAN. Well, you did investigate this \$2.9 million payment?

Mr. MILLER. We had no evidence of wrongdoing, Senator, at that time, nor would the files—

The CHAIRMAN. This is in connection with the concern that I expressed in a letter to the SEC chairman, to investigate the 25 leading defense contracts, and you were 15th, one of those 25.

Mr. MILLER. I am sorry, I don't understand the question. We did investigate, and we didn't have any indication from anything in the Air Taxi files or from the people who had dealt with Air Taxi in the 1970's and who were concerned and responsible that would lead to any sense that there was something amiss.

In the absence of something being amiss, a fishing expedition is hardly called for.

The CHAIRMAN. Well, Mr. Soutter testified that he didn't talk to Mr. Jose, he didn't talk to other people at Bell Helicopter who knew about it.

Mr. MILLER. Mr. Jose had nothing to do with this business in the 1970's. He had gone; he had been assigned to domestic marketing. I doubt that he was even aware of the negotiations with Air Taxi. Since Mr. Atkins had never heard from Mr. Jose, and since no one else who was then involved had heard from Mr. Jose, I don't know what would be the clue that would have sent Mr. Soutter to look further than he did. I suppose you would have suggested that our general counsel put an ad in the paper and say, "If anybody knows about Air Taxi, come in." Mr. Jose was not involved; nobody who

was a principal knew he had this information. He did not hide it, I didn't even know—

The CHAIRMAN. I can't understand what kind of investigation of this \$2.9 million payment this was. Our staff went down to investigate it, and they looked at the records, and had no trouble finding out that you had in your files, in your own files, at Bell Helicopter, the allegation by a responsible attorney, that the General owned an interest in Air Taxi. It was there, if you asked the right people for it.

Mr. MILLER. Senator, I commend your staff for digging up information that was not available to us. We did not have a clue, Mr. Souter did not have a clue that the information about Air Taxi was in a file of International Helicopter Consultants. That was a name not even known to Mr. Atkins; he would not have remembered it. Our counsel in Bell Helicopter did not have any clue that Air Taxi information could be found in that file.

Again, I don't know what the procedure is in your world, but in our world, we file things by subject. Air Taxi is a file; International Helicopter Consultants is a file. You found the clue through this intelligence probe, which I assume means that the intelligence information must show French as a source; that led you to the clue. If he was the source—

The CHAIRMAN. Absolutely not. Mr. French was not.

Mr. MILLER. I don't know how you found out he was a source. Maybe he sent in a letter or something; I don't know.

The CHAIRMAN. As I say, we found out through the documents not initially given to us.

As to the Arthur Young audits, they discovered over the past year that at least four divisions of Textron funneled kickbacks to foreign customers, in some instances through secret Swiss bank accounts. These kickbacks, that took the form of overbillings, and accommodation payments, were going on for at least a year after you officially put Textron and its divisions management on notice that these practices were unacceptable.

What steps did you take, as Textron's chairman, to carry out your policy edict, issued in 1976, against questionable or illegal payments?

Mr. MILLER. Senator, those statements are, I am afraid, from the press; and they are incorrect. None of the transactions you talk about involved any Swiss banks; none involved any secret bank accounts.

They involved a common practice, which we do not happen to allow in our company, but which is perfectly legal and proper: that is, at the request of a customer, an invoice is sent in a larger amount; he pays a larger amount and builds up a credit. He may do this because he feels the currency may devalue in his country.

This is perfectly legal; there is no violation of law. But I don't like the practice. We did a 5-year investigation and we found over that period of time something like \$200,000 in billings where there had been no falsification of the records, there had been no slush funds, there had been no kickbacks, there had been no secret bank accounts, there had been no violation of law. We stopped the practices instantly, and they do not warrant the characterization that has been put upon them.

The CHAIRMAN. You took a bit more than a year while those practices continued?

Mr. MILLER. No, sir.

The CHAIRMAN. My time is up. Senator Brooke.

Senator BROOKE. Mr. Miller, I think this matter should be clear for the record, because it did come into the testimony. The Securities and Exchange Commission wrote a letter, dated February 22, 1978, to the committee in which they said there were certain matters regarding Textron that were under review, but that the details of such matters would not be discussed because of privacy rights.

I quite agree with them. But the same general description of these matters mentioned in the SEC's letter have been made a part of the committee's public record. I would like to discuss them with you. One, the remittance of \$300,000 by a Textron subsidiary to an independent foreign sales representative in connection with a \$1.6 million sale of equipment manufactured by that subsidiary to a foreign government entity.

What is your comment on that?

Mr. MILLER. Senator, I learned of that situation at the hearing on the 24th, and I looked into it.

The story is as follows. Back in February 1971 a company called Tropical Aircraft Sales Nigeria was appointed Bell Helicopter's sales representative in Nigeria. Later, after a few months, it was given the right to sell in 17 other African countries on a case-by-case basis.

At the Paris Air Show that year, there was an interest shown in a couple of our model 212 helicopters by the Government of Ghana. And as a result of that, Tropical Air worked on the sale of two helicopters to the Government of Ghana for VIP transportation.

Tropical Aircraft submitted a standard purchase agreement, proposing to buy these helicopters and their spare parts and accessories for about \$1.9 million. The proper Bell list price would have been about \$1.6 or \$1.7 million, so Bell rejected the order.

A new order was submitted for the proper amount of money, and it was accepted. By September of that year—September 20—the helicopters were delivered.

Now the payments that Bell received between September 10 and September 22, 1971, came in two forms. There was \$613,000 in checks or deposits, and there were notes, promissory notes. This was a finance sale through the Export-Import Bank, and the notes that came in for about \$1.3 million were assigned to the Continental Illinois National Bank. So Bell received about \$1.9 million in cash, way more than the order of \$1.6 million.

The administrator in the export marketing department took the \$1.6 million due Bell. And then, since the money had been received for the account of Tropical Aircraft, he sent the balance, which happened to be \$310,000, to Tropical Aircraft's account in Miami, Fla.

In my opinion, that was not handled properly. In my mind, that should have been surfaced through the top management of Bell and should have come to my attention.

I don't know at this point that anything wrong was done, but it was a strange transaction. I think it was wrong, and I would not approve of it. I did not know of it, and I regret and apologize to you that we didn't find that incident and surface it. We should have.

Senator BROOKE. Well, on the surface of it, it would appear to me to be an improper arrangement. Do you agree?

Mr. MILLER. On the surface, I don't like it at all. I don't see that Bell Helicopter people had any benefit from it. But I don't know why, after we had already rejected the order, they had it rebilled and then accepted the money and did not bring it to the attention of someone higher up. That to my mind, is not good handling.

Senator BROOKE. That matter came to your attention, you said, on the 24th?

Mr. MILLER. It came to my attention here at the committee hearings.

Senator BROOKE. That is the first time you had heard of it?

Mr. MILLER. Yes, sir.

Senator BROOKE. And no Bell Helicopter official had reported that to you?

Mr. MILLER. No, sir, no Bell Helicopter officer knew of it. Bell Helicopter officers themselves had rejected it. And then, down in the export department, when the order came in, the people just sent it on. They shouldn't have done that.

Senator BROOKE. Have you taken steps to correct that now?

Mr. MILLER. Yes, sir. We will see that that is cut out. As I said before, when you are working with 65,000 employees, there can be shortcomings. But we do have strong controls, and we have strengthened them a lot. This nation has learned a lot in the 1970's about these kinds of things, and we have tightened and toughened our controls, even though I think we had good ones.

Senator BROOKE. Second, the use of push money, salary contributions, and other promotional practices by another Textron subsidiary.

Mr. MILLER. Yes, sir. In December, 1977, the SEC was in touch with us because of some questions about promotional allowances, which are common in consumer products. You know, cooperative advertising, arrangements to pay compensation for clerks, are offered uniformly to all stores.

One of our products has engraving, and engraving machines are offered with it. These practices are common; in fact, these practices—some of them—are regulated by the FTC.

When our representative appeared before the SEC, it turned out that this matter came before the commission because of forged documents that, apparently, had been sent to the SEC by an employee who had been fired. We looked into it, and there was no substance to it; that is the whole story.

Senator BROOKE. Are you satisfied—

Mr. MILLER. It satisfied me. There was no problem. It shows you how information coming out indiscriminately can do serious damage to the reputation of a company. I don't know how one can protect oneself against vengeance from a fired employee who thinks it would be nice to injure the company.

Senator BROOKE. The next matter listed in the SEC letter concerns the disclosure of instances of overbillings, underbillings, and other billing practices apparently employed by several divisions of Textron to accommodate their customers in the establishment of questionable funds of cash?

Mr. MILLER. Senator, it is against our policy to do this, although it is legal and many companies do permit it today. It is not, in my opinion, a matter of illegal and improper payments; it is a matter of going beyond what the law requires.

Senator BROOKE. Have you always been—

Mr. MILLER. I have always had that policy, but I have strengthened it in recent years. You see, we didn't have an international business until the 1970's. In 1969, I started developing a strategy. A very small percentage of our business was international in 1969; today our business is one-third international. As we became an international company, I tightened all of the procedures, because it became more important.

Senator BROOKE. When you say you didn't have an international business, you did have Air Taxi as an agent in 1960, but you had no volume?

Mr. MILLER. Let me revise that. Textron's international business in relation to its size was small. As we began to expand internationally, we paid more attention to controls and procedures as a deliberate policy. And we have more subsidiaries now; we must be sure they are audited properly. We insist that foreign subsidiaries use American standards for accounting, and pay their taxes—do all of the things we think are proper.

In 1976 two cases were brought to our attention by Arthur Young in its audit of some of these practices. I will describe a few to you, so you will understand them. They were innocent, but I don't like them, and they were against our policy.

Let me give you one case. One division was exporting its product to a foreign country through a very reputable distributor. The product was shipped in one shipment and invoiced properly, and the packaging materials were shipped separately, because the two weren't easy to pack together. The distributor took the two and packaged them for display at retail.

It turned out that in order to clear customs in this country the distributor needed to place a value on the packaging material. So, at the request of the distributor, our division sent an invoice for the material and credited it back to the account, because he didn't owe us for material; he had already paid for it.

That was an overbilling technique. It is just an innocent overbilling.

Today we bill differently: We send the material with one invoice—minus the cost of packaging—and we bill the cost of packaging separately. The distributor pays the same amount of money in either case. There was no deceit then, no hidden record. But it was technically an overbilling.

Senator BROOKE. You are saying in effect it was not an overbilling though?

Mr. MILLER. No; it was not. But I don't like that kind of procedure, because when you are trying to run a large company, if you let that happen somebody will take the next step. So I don't like to have that kind of procedure.

Senator BROOKE. But the customer does not pay twice, does he?

Mr. MILLER. Oh, no.

Senator BROOKE. Nor does the customer pay any more than the contract price?

Mr. MILLER. No; never. That is one example. There was another case in another country where, at the request of the customer, the invoices were higher than the cost of the shipment—that is called an overbilling—and he paid more; the balance was shown as a credit. A lot of people in foreign business do that because it is convenient. If they have some need—if they are coming to New York, for example—they may just use the money in their account—it is like having an excess balance in your account at the department store. There is nothing illegal about that, nothing wrong with it. But we don't approve of that practice.

Now because that had occurred, we did an investigation using the SEC's kind of rules. We found that, over 5 years, one division had exported over \$40 million of products and had accumulated about \$200,000 using these kinds of techniques. We stopped that immediately. A 5-year investigation was completed; it was reported to the audit committee; and our audit committee and Arthur Young agreed that it was not material and that it was not any problem.

At that same time, there was a second incident, which happened to involve a subsidiary of ours in Switzerland that had been doing somewhat the same thing. Hence, no doubt, the rumors that there are secret Swiss bank accounts. You know, you would expect to deal in Swiss banks if you are in Switzerland.

But it was the same sort of thing. I think that division was smaller, I can't remember. It had shipped maybe \$15 million of products over the period and had accumulated a little more, maybe \$300,000 or so. The effect was the same.

Senator BROOKE. But you would agree that the practices are not the best practices?

Mr. MILLER. I do not think they are. I do not think they are illegal, or, in these examples, improper, but I don't approve of them.

Senator BROOKE. And you have discontinued them?

Mr. MILLER. They all have been discontinued.

Senator BROOKE. Finally, the SEC has under review the adequacy of Textron's disclosures with respect to information regarding numerous proceedings brought by Federal or State governmental authorities regarding alleged employment discrimination on the basis of race, sex, age, religion and so forth?

Mr. MILLER. We have, I think, a very fine record. I have, as you know, been very active personally in the whole field of equal employment and equal opportunity for 15 or 20 years.

And our company has had a good record. I don't know to what you refer so I am not sure I can answer your question.

There are discrimination cases brought from time to time. There are always some pending. I don't know of any examples that would respond to your question.

Senator BROOKE. The allegation is there was a failure to disclose.

Mr. MILLER. I am not sure to what that refers. I don't know of anything we have failed to disclose that is required.

Senator BROOKE. Have you looked into this personally?

Mr. MILLER. No, sir, I haven't.

Senator BROOKE. When did you become aware of this?

Mr. MILLER. I think I read it in the newspaper.

Senator BROOKE. You mean recently?

Mr. MILLER. I read it in newspaper stories of the last few days.

Senator BROOKE. But as far as you are concerned, Textron's record regarding fair employment opportunities is a sound one.

Mr. MILLER. Senator, I believe it is sound. And, from our corporate point of view, we have had a rigorous policy in this regard. I can not guarantee that every plant manager and every office manager in every part of our company is as rigorous as I think they should be. But we will continue to make this a higher priority within Textron.

Senator, there are three other kinds of incidents that have been referred to in the papers that I think are unfair and ought to be cleared up a little.

Senator BROOKE. I was going to get to them, but my time is up. If the chairman will permit you.

Mr. MILLER. Maybe I can take my time, because I am very anxious to help this committee clear this up, and I am very anxious to make sure that Textron's reputation is not harmed in this process. The words that have been used—kickbacks, secret accounts, bribes—are false; they are false. And the SEC investigation will be resolved, I have no worry there.

The three other things that came up were as follows. After the incident of some overbilling practices in 1976 that I described a moment ago, I wanted to reemphasize to all of our people that they should be very, very alert to this kind of problem. So I wrote a memo saying, "Even though you understand me, please look further."

As a result, two of our divisions came to our corporate offices and said, "well, we had such practices. We didn't know there was anything wrong with them; we had misinterpreted; we want you to know about them and to make full disclosure." Our offices have been gathering data and will gather data over 5 years and will thoroughly investigate these matters.

I don't know when this first came to the corporate office's attention—sometime after mid-year or so. I think our financial people are onto the investigation; it may take months to make sure they track everything down.

One of those divisions had a situation where an employee who had been terminated had used such a practice, unbeknownst to the billing department. Our people apparently were concerned about this, and asked for a legal opinion. They received an opinion from outside counsel that what they were doing was proper. But even if that is true, I am not satisfied with it.

But again, these are two incidents which are in the process of being reviewed, and which do not, on their face, warrant any of the characterizations that have been made.

At Textron, none of these situations involved any slush funds, any corporate officers or directors, any bribes, any kickbacks, any falsi-

fication of records—one of that has been involved. Everything has been a question of how far we want to go in being super-clean.

The third incident—I might as well complete this—as I told you involved push money and was a fraudulent claim.

The other incident I have talked about. In summary, two incidents were settled by a 5-year review. Two are under review. The last incident involved a single check sent by one of our overseas offices for a sales representative in payment of his commission in the proper amount and in the proper name. But, instead of sending it to his country, they sent it to Switzerland—not to a secret account, but to an open account.

No law that I know of was violated. But I still don't want that kind of thing done. Now maybe my being too puritanical has hurt Textron, because these things wouldn't now be questioned if I had made the test one of legality.

I think my company has suffered because I have asked them to go too far. I am really saddened if that is true, because when I accepted this nomination, I thought one might get credit for that sort of conduct, but it turns out one may not get credit for it.

Senator BROOKE. Thank you.

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. I have not been able to be present through these lengthy hearings. I have several questions for Mr. Miller concerning his philosophy in connection with the use of the Federal Reserve authority, our declining dollar, and using the discount rate.

However, I would assume at this advanced point in the hearings that this record, as voluminous as it is—

Mr. MILLER. It has good things to say, Senator, good things.

Senator WILLIAMS. I will review that. And I would like to yield to the Senator from New Hampshire.

Senator McINTYRE. I thank my good friend from New Jersey.

Mr. Chairman, we have made some inquiry because of your statement that the rules require the opportunity for all members to have an opportunity to read the hearing record. As a result of a check by the staff, Mr. Weber of the staff, we find that the following senators are willing to proceed to a vote on Mr. Miller's confirmation as of today: John Sparkman, Harrison Williams, myself, Alan Cranston, Adlai Stevenson, Robert Morgan, Donald Riegle, Jake Garn, Richard Lugar, and Harrison Schmitt.

We were unable to reach Mr. Sarbanes, Mr. Brooke can speak for himself, and Mr. Heinz apparently has left the hearing room.

But on that basis, and on the urgency that we have to fill this very important office, I would like to move the committee into executive session, so we can consider the question of the confirmation of Mr. Miller.

The CHAIRMAN. Well, the orderly procedure would be to complete the interrogation of Mr. Miller. I don't think it will be more than a relatively short time before we do that. And then we can go into executive session.

Of course the committee can do whatever it wishes. If the committee prefers, and I take it the Senator from New Hampshire

obviously has all kinds of votes for all kinds of motions today, if he persists, I suppose he can out-vote me and one or two others. So if the Senator wants to move us into executive session, I will recognize him for that purpose.

I think the orderly procedure, however, would be to complete the inquiry of Mr. Miller, and then act.

Senator McINTYRE. I would be agreeable, although the hour is getting late, to withhold, if there are any other senators who desire to question him.

Senator BROOKE. I have more questions that might I ask. And concerning the rules, as I understand them, the chairman said that it would only take one objection in order to consider the nomination prior to 24 hours. In other words, it would take unanimous consent. Is that correct or not?

Senator McINTYRE. I don't consider myself a parliamentarian but—

Senator BROOKE. I am asking the chairman.

The CHAIRMAN. I am going to turn to the staff director, who has looked at the rules and get his opinion on this.

Mr. McLEAN. Senator Brooke, the procedures formally adopted by this committee on January 27, 1976, provide in substance that there shall be no vote on a nomination until 24 hours after the transcript has become available.

However, that rule can be waived by unanimous consent. Technically these are procedures of the committee adopted at the organization meeting and are not formally a part of the committee rules.

Senator BROOKE. Mr. Chairman, if I may—

Senator CRANSTON. I would like to ask the rule specifically be read.

Senator STEVENSON. Where does that appear in the rules?

Mr. McLEAN. These appear in the procedures adopted by the committee and these procedures have been appended to the committee's standard questionnaire that has been in use for the last 2-plus years.

Procedure No. 2 provides:

The committee shall vote on the confirmation not less than 24 hours after the committee has received the transcript of the hearing, unless waived by unanimous consent.

Senator McINTYRE. I have a question, Mr. Chairman, a parliamentary question. I don't believe that this rule would apply to taking the initial step of moving the committee into executive session to consider the nomination. Then at that point it may be that rule No. 2 here permits one senator to object. I still think we can move to executive session.

Senator BROOKE. I am not objecting to that, Mr. Chairman. But, if I may, Mr. Chairman, at this time—

The CHAIRMAN. Senator Brooke.

Senator BROOKE. I respect the right of each and every senator on this committee, or any other committee for that matter, to voice his own opinion, make his own statements and make his own judgments.

I want to voice mine relative to the direction in which this hearing appears to be going at the present time. I also want to state that I

don't think that the direction the committee is taking, or appears to be taking, is in the best interests of the confirmation of Mr. Miller.

There have been all sorts of statements made that there have been delays in these hearings. Mr. Miller, I want you to know from the beginning, and I think you do know, that your rights have always been protected by this committee. I stated that to you when you first appeared before this committee. There have not been any delays in my opinion, so far as your confirmation is concerned.

Information came to this committee regarding the ownership of Air Taxi during committee's January 24 hearing, as you will recall Mr. Miller, because you were sitting in that seat, which came as a shock to those of us on the committee who were here. When the committee learned of this issue, the committee members in attendance approved a motion by Senator Heinz of Pennsylvania to conduct an investigation to determine what actually was behind those allegations.

I think that is not only the right, I think that it is the duty and responsibility of this committee.

The committee voted unanimously to conduct that investigation. That investigation was conducted, in my opinion, and I think in the opinion of most people, because I have heard them commend the staff, as a thorough in-depth investigation and was completed in a reasonable period of time. And a report was made back to this committee.

Since that report was made to this committee, we have had 1 and a half days of hearings to review the facts contained in the staff report. At no time have there been allegations or insinuations from this committee, and at all times we have tried, in a courteous and fair manner, to give Textron officials and all of the witnesses who have appeared before us every opportunity to clear up this record.

I have said time and time again, and I think I have been at all of these hearings along with the chairman, that we have been zealously watching and protecting Mr. Miller's rights and the rights of his corporation.

The reason I asked my most recent questions, Mr. Miller, was to give you an opportunity to clear the record. Now in many ways I think the hearings have helped you and your corporation. You said yourself the whole question of overbilling was a practice that you never even had heard about until just recently you found out about it, which would never have come up.

There are other matters I could go into, because I have lived with this so long, I know every strain of evidence that has been presented.

But I do want to assure my colleagues on this committee that there is no attempt whatsoever to delay or in any way impede the progress of these hearings. I think it is appropriate that those members who have not been able to attend all of these hearings, because they have had commitments in other committees, to at least have the opportunity to review the transcripts and review the record.

I think that is their duty, I think that is their responsibility. I think to surreptitiously go into an executive session and try to vote out your confirmation is not in your best interests, it is not in the

best interests of the chairmanship of the Federal Reserve, or in the best interests of this country.

I implore my colleagues not to proceed on that route. As of now, from the testimony I have heard, I intend to vote for your confirmation. But I do object to any attempt to rush to judgment without giving full hearing to what would now seem to be the completion of your testimony, and without providing some time for an opportunity for my colleagues to review the transcripts.

As a man who has done a phenomenal job with the building of this corporation, I am sure that you would want the full record before any confirmation vote is taken on your confirmation.

Senator SCHMITT. Would the Senator yield?

Senator BROOKE. Yes.

Senator SCHMITT. I certainly can confirm the Senator's presence at these hearings. I have been here most of the time myself. I think we both felt it was our obligation, as well as our duty, to insure that the hearings were conducted properly.

It is my feeling, however, at this point, that the basic questions of Mr. Miller's knowledge or lack of knowledge of the alleged ownership of Air Taxi by General Khatami, and whether he should have taken measures to insure he had that type of knowledge, have been answered and that is the basic reason why I think the situation, as far as this committee is concerned, has been largely resolved, and would support Senator McIntyre's motion.

I do feel, however, that there are other questions that it would be only appropriate to have clearly identified for the record and maybe those questions could be in fact asked for the record and supplied by Mr. Miller for the record, in order to do what I believe the Senator sincerely wants to do.

Senator BROOKE. There is more involved in these confirmation hearings, if the Senator would yield, than General Khatami's ownership or part ownership of Air Taxi. We are concerned with the issues that the Senator from New Mexico raised, the nominee's views on monetary policy in this country, his administrative qualifications, all of his qualifications.

There is much of this in the record on the first day of the testimony. I dare say that many of our colleagues have not had an opportunity to review that transcript. It is voluminous. And all of the record has not even been printed yet, so obviously it can't be reviewed. That is all I am suggesting to you.

I don't think that the chairman has tried to have a delaying tactic by virtue of his request that 24 hours after the conclusion of this hearing, that this committee meet and vote. I don't think that is an undue or unreasonable request by the chairman.

Senator RIEGLE. Mr. Chairman, may others be heard at this point?

The CHAIRMAN. Of course. Senator Riegle.

Senator RIEGLE. We are proceeding in a somewhat irregular order. I will be very brief. I know the Senator from New Hampshire apparently wants to proceed with his motion. But I, at least so far, have not called on the committee to move this matter today. I have said that I would not object to the Senator's request. But I myself

have not yet called for that, because I am not sure that we ought to focus at all on the question of whether we try to do it today or whether we try to do it Thursday.

But I think it is important to note, and it is my judgment that one of the reasons we have this disagreement, in other words, the circumstances that are behind the comments that I hear being made, is that I think the Air Taxi case, which was in a sense the thrust of the test of Mr. Miller's integrity, his forthrightness before this committee, that the house of cards, of bits and pieces and scraps of evidence were constructed, and worked on very carefully and it collapsed, and it collapsed loudly, in my judgment, and in full view of all observers. I think, as flat as a pancake today.

Senator BROOKE. Would the Senator yield?

Senator RIEGLE. I will momentarily.

Senator BROOKE. On the house of cards, that is all?

Senator RIEGLE. Let me complete my comment, and if the Senator wants to comment on it, he is certainly welcome to.

But I think what we have pretty clearly established and what I thought I had heard virtually every Senator, including the Senator from Massachusetts, indicate at one point or another today, if not before today, is that the issue of whether or not Mr. Miller had been derelict in some fashion or been untruthful to us in some fashion with respect to the Air Taxi case, which has certainly been the centerpiece of investigation here, was really no longer a question.

And it seems to me that some of us, I think, have the suspicion and the concern that there may be an effort afoot to try to put the house of cards back together again because it has collapsed.

I don't want to hurry this committee, and if there is some member of the committee who has indicated a sincere interest in wanting to have the committee transcripts to look at for an additional 2 days, and those are the rules, I have no question about that.

Although it seems to me, I have not heard any senator, arguing for the need for an additional time, other than those who have been here the whole time, or say they have, and have seen and heard the whole committee record.

The thing I am concerned about, because I think this has become very much a borderline inquiry. I am not for shutting it off in terms of the desire of people to carefully reflect, if that is needed, but if the whole exercise is to in any way, the time is to be used to try to put the house of cards back together again, then I would have objection to that possibility.

I do, because I think—wait until I am finished and I will yield—because I think some damage has been done. And it has not been done to the people who have an interest in pursuing this. I think it has been done to others, and people have different views on that, but that happens to be my view.

And therefore I am very sensitive to the issue that if we have got something hard, something real, something concrete that the Senator from Massachusetts can lay on the table that we have not previously hashed and rehashed, or if the Senator from Wisconsin has it, or **any other Senator has it**, then I think the time to do that is now,

and short of that, then I think we are very close to a point where we ought to be able to wrap up this proceeding.

I, frankly, would be at a loss to understand what additional time is designed to do in the absence of some finding, some new piece of information, or fact, that we have not all immersed ourselves in with the same degree of time and effort as has the Senator from Massachusetts.

Senator BROOKE. Would the Senator yield?

Senator RIEGLE. Yes, I yield.

Senator BROOKE. G. William Miller is not on trial. There have been no indictments, no informations, no trial and we are not here trying him. We are finders of the fact. I can't conceive of whom you would believe would be the architect of your house of cards, either who built the house of cards, constructed it, or who would want to put it back together again.

Senator RIEGLE. Would the Senator want me to describe that?

Senator BROOKE. Yes.

Senator RIEGLE. As I size up our investigative effort by the committee, there was a question at the outset as to whether or not this particular transaction was something that was illegal and improper, and that possibly Mr. Miller had some involvement with or contact with it. And, if he had, in terms of his testimony to this committee, had been untruthful in even one instance in terms of his testimony here, that that would constitute, I think in the minds of most of us, a measure of his unworthiness to be considered for this post.

So there was an effort to ascertain whether in this case there was such knowledge.

And as the Senator knows, and he may want to forget it right now, but there are at least 100 questions that he himself has asked to try to pin that down very specifically. And I respect him for doing so. I have done so myself.

The point is we have been over that ground, and it seems to me the pursuit of whether or not there was that link, whether or not there was something that would indicate there was that kind of untruthfulness or impropriety, we have completed that work, insofar as I can judge, unless there is something new the gentleman wishes to offer.

That is the thing that concerns me. It was the construction of that, what I consider to be a house of cards, because in the end, and I think the Senator from Massachusetts can rephrase his own comments to this effect, we have not found anything that can in any way, shape or form, tie Mr. Miller to this activity in terms of Air Taxi.

Senator BROOKE. Would the Senator yield?

Senator RIEGLE. Yes; I yield.

Senator BROOKE. We directed our staff, by your vote as well as mine and others, to look into this matter and to report back to us, which the staff did. The staff was not delegated to create, construct a house of cards. Nor did it create nor did it construct a house of cards. It found out certain information and reported to us.

On the basis of that information we have sat as a committee to find out facts.

We have been trying to find the facts, not trying to pin Mr. Miller down to anything.

Senator RIEGLE. What did we find with respect to Mr. Miller?

Senator BROOKE. We have found certain information and certain facts. I personally have found, and each one has to make their own finding, that Mr. Miller was not personally connected with any decision or had any knowledge of General Khatami's interests in Air Taxi. That is what I personally have found.

I don't know what the Senator from Michigan has found, or what any other Senator has found. That is what I have personally found.

But I am not prosecuting, Senator Proxmire is not prosecuting, no Senator is prosecuting Mr. Miller. We are trying to find the facts. The Senator from Michigan would indicate that we have created a house of cards and that we are going to try to pin him down to it because the staff has given us that. That isn't right at all. The staff found out certain information, and you complimented the staff in the most flowing terms, as did other Senators. You would not go back and say the staff erred in its work, it went beyond what its job was in the first instance. I complimented them because they made no conclusions. They didn't make any conclusions. They stated what facts they found and they gave us the documentation, we looked at it, and, as a result of it, we asked the questions. It is our job to ask those questions. As long as I sit here, I will ask those questions, whoever the witness happens to be. I did it with Mr. Miller, and I think to Mr. Miller's best interests and I think Senator Proxmire and others did as well.

But now to come back and try to imply we have made a case, and there was a presumption of guilt, and that we are trying to prove him innocent from that presumption of guilt, or to make him guilty is just not the fact.

Senator McINTYRE. Would the Senator yield?

Senator RIEGLE. Yes.

Senator McINTYRE. Does the Senator from Massachusetts have additional questions he desires to inquire about?

Senator BROOKE. Yes.

Senator McINTYRE. Let's set a date for tomorrow and come back then.

Senator BROOKE. I don't think it is necessary to set a date for tomorrow.

Senator McINTYRE. Why?

Senator BROOKE. Because we can ask them right now.

Senator McINTYRE. Why don't we get off the argument and ask the questions?

Senator BROOKE. You started the argument, Senator.

Senator STEVENSON. If the Senator will yield—

Senator RIEGLE. I think I still have the floor. I would be happy to yield to the Senator from Illinois.

Senator STEVENSON. Mr. Chairman, no member wants an investigation to become an inquisition. That is the concern of some of us. No member wants undue delay. And every member, Mr. Chairman, wants a thorough investigation. The only difference that I detect

between us is that some of us are now convinced we have the facts, we have been through the transcript, we haven't been here personally, rarely are we in such proceedings, we have been represented by staff. The questions have been asked—

Senator BROOKE. How could you read all of the transcripts if we don't have them?

Senator STEVENSON. The questions have been asked and answered. Now we have been represented all day in here, in this hearing, by staff, we know what took place today, we know what took place yesterday, when we weren't here.

Now my only reason, Mr. Chairman, for asking the Senator from Michigan to yield, is to ask how much longer, how many more questions? Is this going to go all day and tomorrow too?

The CHAIRMAN. May I say I have questions that I think should take about 6 or 7 minutes, then I have a short proposition, whatever you want to call it, to put to the nominee, and then I will be through.

Senator BROOKE. I may also have one or two questions. But as I said, I thought we would have been completed with Mr. Miller's testimony had we not had this exchange. But I still feel and I wish the Senator from Illinois, who is a very reasonable man, would understand, that even though some of the Senators have not been here, they might want to review the transcripts. The transcripts have not been reviewed, because they all haven't been printed. I know whenever I tried cases, and I have been in the courtroom and asked questions, I would go back over and review the transcripts myself to determine if I have considered all of the facts and issues.

Senator STEVENSON. Mr. Chairman, those Senators can represent themselves. There are two Senators, as far as I can tell, who need more time. And they are the two Senators who are familiar with the record, I believe.

The CHAIRMAN. Would the Senator yield on that point?

Senator STEVENSON. My question is how much more time. I think the feeling of the committee is that if this is going to go on and on and on and over until tomorrow, it ought to be brought to a head now, but, on the other hand, if it is going to take another hour or 2, we can come back this afternoon and act on the nomination.

The CHAIRMAN. May I say to the Senator that in the first place is is undoubtedly the most important nomination this committee will act on and one of the most important nominations the Senate will act on. The head of the Federal Reserve Board is a position of enormous power, we should take our time, be very careful, scrutinize the nominee with considerable care and I think we have made some record in that regard.

In the second place, disregarding this particular nomination, more important to me is that we establish and stick by a procedure which Senator Morgan emphasized so well in the *Blackburn case*, where we did not wait until the transcripts were available, when we did not give Senator Morgan an opportunity to read the transcript before we voted. Senator Morgan made that point, he made it emphatically, and that is one of the reasons why we have this in the rules. And we should have it in the rules, we should protect

every Senator, we shouldn't permit eight Senators to decide for the committee as a whole, for all Senators, that we are going to cut off the opportunity for further consideration.

That certainly isn't the way the Senate was designed to operate. It is not as if we are asking for a delay of any significance on this. We are asking for 48 hours. Forty-eight hours. The country is not going to collapse in 48 hours.

Furthermore, let me make one more practical point, and that is it is obvious to all of us, we know any Senator can delay action on the floor for some days, maybe for a week or two. If we want to get prompt action on the floor, I think it is a mistake for four Senators to rush this through.

It seems to me if we proceed in a reasonable way, wind up today, vote on Thursday morning at 9 o'clock, then it could go to the floor promptly and be taken up.

I don't think any member of the committee will want to delay or any member of the Senate; I think we can act within an hour or two of debate on the floor and that will be done.

Senator RIEGLE. I think I still have the floor. Does the Senator want to make additional comments?

Senator STEVENSON. Mr. Chairman, I wouldn't quarrel if I thought this was unreasonable. But what I fear is that this committee is acting as it is, not as it has done in the 7 years or more that I have been a member of this committee, from what has been called a sense of righteousness and with not a prayer of producing any more relevant information. And why? Because it is calling this honorable man, it is calling upon him to prove the unprovable, to prove his innocence of something that he never did.

The CHAIRMAN. If the Senator would yield, that is an outrageous statement.

Senator STEVENSON. I did not yield, Mr. Chairman, and the further point is that proceedings such as this, the decision and the delay in the Congress, and this is but one of many examples, there is a Conference Committee on Energy going on which is another example, are going a long way toward convincing the world that the United States is no longer capable of managing its own affairs, let alone offering the world economic leadership.

I don't want an investigation, I don't want undue delay or an inquisition, and if there are reasonable questions to ask to ascertain facts, I would be all for it. But so far there is no indication, at least none of which I am aware, that there are any such questions, or any basis for them. And if there is, it shouldn't take 48 hours to ask them.

The CHAIRMAN. We are not asking for 48 hours. We are asking for 15 or 20 minutes, and then we are asking for 48 hours for the entire record to be made available to all members of the committee. That is a procedure which I think we should follow in all cases, without exception. We shouldn't break that precedent here.

Senator BROOKE. There must be something I am missing, Mr. Chairman. There is something going over my head as to the direction in which this whole approach to this hearing is going.

I just want to say most respectfully that I don't see how anyone can conceivably say that a day and a half of hearings to consider

the staff's investigative report is an undue or unreasonable amount of time in which to question witnesses.

And no one can say that there have been any effort to delay this nomination. There is no evidence to warrant a finding that anyone on this committee wants to delay these hearings at all. If things had gone in their normal course, I say to you that Mr. Miller would have been finished here a long time ago.

I will further say that I would have joined with the chairman in objecting to any vote on this nomination until such time as all Senators have had an opportunity to review the transcript, not only in the Miller case, but in any case. I think Senator Morgan was a very distinguished attorney general before he came to the Senate, and was absolutely right. We have rushed through judgments on other nominees and I think such actions set a very dangerous precedent.

I don't know why the rush this time. As I said—yes, rush.

Senator McINTYRE. Six weeks?

Senator BROOKE. Six weeks has not been the extent of this hearing and you know it. It hasn't been 6 weeks, it has been a matter of days?

Senator McINTYRE. January 24 the nomination came up.

Senator BROOKE. We have had 1½ days here. One day before, on January 24. Two and a half days on the Chairman of the Federal Reserve Board, plus an investigation by the staff. Is that unreasonable? Is that delay?

Senator McINTYRE. The point is—

The CHAIRMAN. Before I recognize Senator Morgan—

Senator BROOKE. We took up the nomination even before the President had sent his name up here.

The CHAIRMAN. This isn't just a straight-forward situation, where we come forward with routine questions. This is a case where Tectron, fairly or unfairly, and I think Mr. Miller made a very strong case that the SEC investigation may not be substantial, but they have made a series of charges against the nominee.

Senator RIEGLE. I beg your pardon? Against the nominee?

The CHAIRMAN. They made a series of findings that they are investigating, maybe I should put it that way, against the nominee.

Senator RIEGLE. That is a very important distinction. That is part of the trouble.

The CHAIRMAN. They made a series of findings they are investigating. In view of the fact we are called upon to act on this, the questions that Senator Brooke has just asked were not asked before, nobody has really gone into detail on this. I think there were one or two questions following up on that that we should ask. I think if this committee should be criticized at all, it is that we haven't conducted a sufficiently thorough investigation under all of the circumstances.

As the Senator says, we are not trying to delay this, we have had 2½ days of hearing in total, we have had an investigation, we are ready to act in 48 hours. Senator Morgan.

Senator RIEGLE. Mr. Chairman, if you would—

The CHAIRMAN. I yield to Senator Morgan. He has been waiting longer.

Senator RIEGLE. I thought I had the floor before.

The CHAIRMAN. No; the Senator lost the floor.

Senator MORGAN. Mr. Chairman, I will be very brief. While I haven't been present during the 2 days of hearings, Mr. Engstrom of my staff has, and we have kept up continuously with what was going on. While I personally am ready to vote today, I am caught by the rule that the committee made at my request, when I raised the question before. And I think it is really a good rule.

I remember in the other case I had to be out of town, and I asked for an extension of time until I could get back from Bethesda Hospital. When I came back, the confirmation had been rejected, and the transcript had not been typed, and while I didn't know how I would vote, I felt that I hadn't had my day.

So I would just say I would support the chairman on the rule, although I personally am ready to vote for Mr. Miller's confirmation.

But I think it is a reasonable rule, and while it might be reasonable to suspend it today, it might not be the next time. I might object on the other side next time.

The CHAIRMAN. Senator Riegle.

Senator RIEGLE. Thank you, Mr. Chairman. First of all, I too will be very brief. I don't have any burning feeling one way or the other about the 2 days that you and Senator Brooke feel particularly strongly about.

I do think it is important, however, if we can try to conclude our hearings today. You both have indicated I think you could do that to your own satisfaction in a fairly short period of time, and I think you should certainly have that opportunity.

I would hope that what we could do is somehow resolve our differences here. If the vote is going to be on Thursday, and you have indicated you object to Senator McIntyre's request, and you suggested, Mr. Chairman, 9 o'clock on Thursday, and that is not a long time from now. I think the thing that I would be concerned about, and I want to make it very clear, so that you and Senator Brooke, who feel strongly about this, understand the concern at least that I have. And that is that I would hope that after we conclude the hearings today, and we have gone through everything we found that is a relevant point of questioning, and you have satisfied yourselves with the questions you wanted to raise, and Senator Brooke has, or anybody else has, that in the time intervening we are not going to find that what I called earlier a minitrial, which I think it has been, and it is interesting, Senator Brooke, when you chose your analogy a moment ago in terms of looking at the record, the analogy you chose is when one is conducting a trial, and one wants to look at the transcript before rendering a decision.

I think we have, in effect, conducted a minitrial here. And I would hope in the next couple of days or until such time as we take a vote, we are not going to continue to see accusations of one sort or another, wherever they are discovered, basically working their way out in a well-publicized way in an effort to cast doubt over this nomination. That is the part that troubles me.

At some point, it seems to me, we owe it to ourselves to look at the evidence and make a judgment. So if Thursday is the date, I would not strenuously object to that.

Senator McINTYRE. I would like to ask the chairman, in view of the solid phalanx on the committee who would like to expedite this nomination, if we could by unanimous agreement among ourselves, agree to vote on this nomination by proxy, or by any way, by polling the members at 2 o'clock tomorrow afternoon. Just so that we can move this thing as expeditiously as possible. This will allow for questions from both you and Senator Brooke, and then we could have some acceleration of getting this man on the job, because I think it is pretty widely conceded that he will overwhelmingly be confirmed.

The CHAIRMAN. Tom, I think you are right, I would like very much to accommodate you, but I don't know how I can. The rule is very clear. I don't see where we gain anything by saving a few hours there. I would have to object under those circumstances.

So I would hope that we would simply meet and vote at 9 o'clock Thursday morning.

Senator RIEGLE. Is the chairman making a motion to that effect, so we can at least have it settled?

The CHAIRMAN. Well, I move that the committee meet at 9 o'clock on Thursday morning, for the purpose of acting on the nomination of Mr. Miller.

Senator BROOKE. I second it.

The CHAIRMAN. Without objection, it is so ordered.

All right. Now I have a few more questions, Mr. Miller. When I was discussing the SEC letter with you, you said there were no Swiss bank accounts?

Mr. MILLER. No; I said there were no secret accounts.

The CHAIRMAN. I understood you to say no Swiss bank accounts.

Mr. MILLER. No secret ones.

The CHAIRMAN. You concede there were Swiss bank accounts?

Mr. MILLER. When you operate a business in Switzerland, Senator, you deposit your money in Swiss banks. We have subsidiaries who sell products and carry on business in Switzerland, and in Germany, and in England. We have bank accounts in each country.

The CHAIRMAN. Let me give you some examples of what I am talking about.

Textron's divisions did pay commissions to some of its agents into Swiss bank accounts, and bank accounts in third countries, not countries where they were located, not where you had business. Last year Bell Helicopter paid over \$60,000 into a Swiss account for Mohammed Baksh & Sons, Ltd.

Mr. MILLER. That is the situation I just described. I said the check was made in the proper name and was deposited in a Swiss bank account—not a secret bank account—an open bank account. I know of no illegality. It happens to be a practice I don't condone.

The CHAIRMAN. I apologize if I am repeating. I don't mean to, but I did miss that. I may have missed the next one, too.

The Fafnir Division paid \$45,488 in commissions to its Iraqi agent in a country in which he didn't do business.

Mr. MILLER. That is one of the divisions in our 5-year survey. That is one of the cases I mentioned, where there has been some non-conformity with what I consider to be our standards. I do not know if any of those instances involve any illegal or improper payments,

but they are practices I don't want to carry on. So we are doing a 5-year review and our audit committee will review it in due course.

I mentioned this incident to Senator Brooke previously.

The CHAIRMAN. Did you respond on the Shuron Division?

Mr. MILLER. Yes, sir. That is the case where there was an outside opinion that what they were doing was legal. But I said I didn't even like that.

The CHAIRMAN. That was the case where the Shuron Division accepted overpayments?

Mr. MILLER. Yes. There was nothing illegal, but I don't like the practice.

The CHAIRMAN. Textron's Schaeffer Eaton Office Supply Division engaged—

Mr. MILLER. That is the 1976 case I described.

The CHAIRMAN. That was the \$102,000 in overbillings and the \$78,000 in accommodation payments to third parties?

Mr. MILLER. I think over 5 years there were a couple of hundred thousand dollars involved on a very large amount of business.

The CHAIRMAN. That involved payments to overseas agents of Schaeffer Eaton in countries such as Japan, Chile, Liberia, Belgium, and so forth?

Mr. MILLER. The Japanese case was the one where the packaging material was handled separately. There was nothing wrong; this was done to make it possible to get through customs. The customer was not overcharged.

The CHAIRMAN. The Textron Talon Zipper Division—

Mr. MILLER. That was the Swiss case I discussed.

The CHAIRMAN. That was the \$32,000 in overbillings?

Mr. MILLER. Yes, over 5 years.

The CHAIRMAN. That division engaged in \$232,000 in overbillings and \$164,000 in accommodation payments to third parties overseas from 1972 through 1976?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Let me ask you about one other thing. Mr. Miller, Arthur Young reported that questionable payments totaling over \$1 million had been made by Textron's Fafnir Precision Ball Bearing Division since 1972, and that overbillings and accommodation payments had been engaged in by the division for up to 20 years.

An Arthur Young memo of January 26, 1978, indicates that certain senior Textron officials did not want to report the overbillings and accommodation payments to the SEC.

The memo says that Mr. Van Brocklyn, Textron's comptroller, considered the payments to be "unusual" rather than "questionable," and thus need not be reported to the SEC.

If they weren't questionable, why did you order that they be stopped?

Mr. MILLER. In the first place, that is one of the cases that is under our 5-year review; the information is being gathered. We will ascertain and our audit committee will review our determination of whether any of the practices were illegal, improper, or questionable. It certainly is prudent, prior to an investigation, not to assume them

to be. There is no reason to report to the SEC until we have the facts, which we will gather shortly. The SEC is aware of the situation, has been advised of it, and will make its own determination of whether any special disclosure is required. The division had this practice before Textron acquired it, and its view is that these are customary practices in foreign transactions, that none of them involved any falsification of records or any kickbacks; they were all normal and customary and none of them was illegal. We will have to check that, though. Some of the other cases I can tell you about; we have reviewed them. But I can't tell about this case now, other than to say we are going to review it and if it is questionable and material, we shall disclose it in our next registration statement.

The CHAIRMAN. This is the point of the letter, isn't it, the point of the letter is to find out whether you should have reported it?

Mr. MILLER. I think I have characterized our auditors as bringing up that particular situation. Actually the division brought it up because I sent a memo around saying, "Be sure you double check. Here is how I want things done."

The CHAIRMAN. Why did it take so long to uncover the overbillings and accommodation payments at Fafnir that Arthur Young indicated were considered acceptable by Fafnir's management? Twenty years.

Mr. MILLER. Let me ask that question of you, Senator. Arthur Young has been auditing that division for a long time. If the practices were questionable, why didn't they find them? That is a question for the world. I don't think the practices are established yet as questionable. The fact that a practice occurred and that Textron doesn't like it doesn't make it questionable. It did take Arthur Young a long time to find it, and the firm has been auditing those books since 1968.

The CHAIRMAN. Do I misunderstand overbilling? Isn't that clearly an unethical practice?

Mr. MILLER. No, sir. It is quite often used in international transactions for the convenience of maintaining a credit balance in dollars.

Let me give you an example. People in the United States today—businesses—may maintain credit balances in Germany, because they think the deutschmark is sounder than the dollar. My job at the Federal Reserve is to reverse that.

The CHAIRMAN. Do you then consider overbillings and accommodation payments under some circumstances to be proper?

Mr. MILLER. Perfectly proper. I do not like the practice; I don't condone it; I don't want to do that at Textron. But I know major companies whose rules permit it unless it is illegal. My rule is not to permit these things whether legal or illegal.

The CHAIRMAN. But they were done for 20 years, 10 years of which you were the executive officer?

Mr. MILLER. No, sir. We acquired Fafnir in 1968.

The CHAIRMAN. Then 6 or 7 years.

Mr. MILLER. Ten years. But the division considers they were not improper, illegal, or questionable. Arthur Young audited the books. Why has it not discovered these practices if they were questionable?

If they are not, why are we implying the division has acted improperly? We shouldn't do that. We should now investigate in a proper and prudent way. We should not even allow divisional people to be impugned when they may have been operating perfectly properly and not understood that Textron standards are more demanding than legal standards.

Senator BROOKE. But you testified you had discontinued that?

Mr. MILLER. Yes. Whenever we found these things, we said, "Stop it now. Now we will look back 5 years and see what you have been doing."

There are only five cases in all of Textron history that we have ever found, and I have discussed them all this morning.

The CHAIRMAN. Let me see if I understand overbilling. An invoice is sent to a customer in connection with a sale by Textron and there is a record of that at Textron, isn't there?

Mr. MILLER. Yes.

The CHAIRMAN. If Textron agrees to sell a product to a customer for \$1 million and then sends an invoice to that customer for \$1.5 million, isn't that a false invoice?

Mr. MILLER. No, sir; not if he does it at the request of the customer. The customer says, "I am willing to send you extra money, you hold it in my account, hold it for my credit." It is right there on the books; there is no false record; anybody can go and read it.

The CHAIRMAN. Isn't that the kind of thing that ought to be disclosed fully?

Mr. MILLER. If your wife had a credit balance at Bloomingdale's to pick—

The CHAIRMAN. Do you retain a copy of the invoice in your files?

Mr. MILLER. It is on the books.

The CHAIRMAN. Isn't that a false invoice then?

Mr. MILLER. The order is invoiced according to the agreement with the customer.

The CHAIRMAN. At an inflated price?

Mr. MILLER. At the customer's request. Now in some cases, don't mix these up—

The CHAIRMAN. I am listening to you. I beg your pardon.

I am sure the questions would be far better, too, if the staff asked them.

Mr. MILLER. If there was an intent in such an overbilling to violate a law, then that would be a violation, and that is why I worry about it. That is why I don't want this done even in cases where it is not illegal—because once you allow it, then some employees will get into a habit. And then in some country where it is illegal—because the currency laws prohibit it—it will be questionable, and I want to avoid that.

The CHAIRMAN. Mr. Miller. I was extraordinarily impressed when you appeared before us before by your articulate persuasive personality and manner. I am even more impressed now. I think your responses this morning have been remarkably good and clear, and I think you have made a fine record.

Now I want to say that you are in a very difficult position, this is the kind of embarrassing thing nobody wants to talk about, but we have to talk about it under these circumstances.

So I am going to ask you something that is going to be very tough for you, but it is something that is going to haunt us if I don't ask it, and if we don't get it into the open, and you don't have an opportunity to consider it, and I am glad you will have 48 hours to do so.

In a sense it is cruel and unfair to ask you to consider what I am asking, but I don't see any alternative other than bringing you in as a full participant, in fact, the crucial participant.

You have heard the sentiments of the members of the committee. There are no other witnesses to come before the committee. We are going to act on Thursday morning, and under those circumstances it is clear that you are going to be overwhelmingly approved. In fact, you might get 14, conceivably even 15 votes.

Mr. MILLER. Let's go all the way, Senator.

The CHAIRMAN. Well, you are going to get a solid vote, even if you may not get my vote.

So, option one is to stand tough and become as I think you certainly will in that event, Chairman of the Federal Reserve Board.

Let's consider the consequences of that option. If you are confirmed, and if you take office as Chairman of the Federal Reserve Board, you will be serving for several months while your former firm and your conduct as chairman of that firm are under investigation by the SEC. You will be under a cloud. The findings of the SEC, when they are made next summer, may seriously reflect on your judgment, possibly your competence as a manager, and conceivably your character. These findings may simply indicate that Textron violated the law, and the SEC will bring a civil case. It is conceivable, not impossible, it may mean a criminal case against Textron officials, including you.

Now the executive department, including the Attorney General, may be called on to decide whether or not to proceed in court on the criminal charge against the Chairman of the Federal Reserve Board. If they decide to do so, you can imagine the consequences for the country. Suppose they decide not to do so? A member of the Federal Reserve is supposed to be independent and particularly independent of the executive branch. How credible will that independence be if the administration's chief law enforcement official has considered the evidence and decided to forgo prosecution? Won't there be grounds for suspicion that the administration holds a unique and potent influence over the Federal Reserve Board through its chairman? Assume that there are no actual grounds for such suspicion. Isn't it as sure as day follows night that the public suspicion will be there throughout your tenure as Chairman of the Federal Reserve Board?

And whenever the Board goes along with the administration's economic policy, whenever you decide to ease credit, for example, to stimulate the economy, if that is what the administration wants, I can hear the cries from the critics now. They can say what do you

expect, the administration has Miller over a barrel on those Textron activities, if he doesn't come across, they will go after him in court.

I would agree such a charge and suspicion might very well be grossly unfair, in fact, outrageous, but it is not unrealistic. At the very least the Federal Reserve's independence will in the judgment of some Americans be less than it has been.

Now for option two. As you know, the New York Times which is viewed by many as the Nation's most responsible and thoughtful newspaper, on Sunday called for you to withdraw your name as an act of statesmanship. I know some will counsel you to say to hell with the New York Times, they will tell you to hang in there and fight it out.

If I were in your position I would be inclined to do exactly that.

The Washington Post, on the other hand, said this morning the call for you to withdraw is unfair to you. It is unfair to you. The choice I asked you to make this morning, and tomorrow, before we act on Thursday, is to consider this and it is a tough decision and if you want to be Chairman of the Federal Reserve Board, there is no question but that you are going to get it, as I say, because the die, in my judgment—I could be wrong—but the die is cast in the Senate.

It is a cruel situation for you, maybe it is an unfair decision, but only you can make it. I hope you will consider what the New York Times has suggested soberly and quietly, as I am sure you will, consider what is in the overall best interests of the country in deciding whether or not to withdraw.

You have 48 hours to make that decision, and I don't ask you to respond to that now, but it is a decision which I think we should be aware of, because I think you can imagine, as well as I can, what the situation may well be—

Mr. MILLER. Senator, I don't want or need 48 hours.

The CHAIRMAN [continuing.] What the situation may well be over the next few months and what the situation could be 6 months from now if there is prosecution by the SEC.

Senator BROOKE. Mr. Chairman—

Senator RIEGLE. Mr. Chairman, I think he ought to be allowed to respond.

Senator BROOKE. Before the witness answers, I am compelled to say this: If you are under indictment by a court or if you were personally under investigation by a committee, I might agree with what Senator Proxmire said. You are not under indictment by a court, you are not personally under investigation by a committee or by the Justice Department. I think the New York Times is wise, but I think it was wrong for them to ask you to step down under these circumstances.

I think the New York Times has preempted the responsibility of this Banking Committee to look into your qualifications for the job to which the President of the United States has appointed you. I think the New York Times was premature in making any suggestion relative to this hearing prior to the conclusion of the hearing and the taking of all the evidence before this committee. I don't want to see

the day when the Congress of the United States or the Senate, more particularly, in its advice and consent responsibility should make judgments based upon what may happen in the future. We are acting on G. William Miller's qualifications today to serve as Chairman of the Federal Reserve Board. We don't know what is going to happen to you next year, or 5 years from now or 4 months from now.

We didn't know what was going to happen to certain Presidents of the United States after they had been elected to office. There is no way for us to know. We have done, I think, the only job we could do as a result of information that has been given to us.

I don't ask you to make that searching, soul-searching question that Senator Proxmire has put to you. I respect the chairman, I respect his right to give you that question. But I don't think that that is a consideration.

The only thing I would ask of you is to tell this committee the whole truth, nothing but the truth, and we have no evidence that you have done anything other than that.

Senator RIEGLE. Mr. Chairman if I may, I strongly concur with Senator Brooke's statement and I feel as he does that that would not be a reasonable request to make of the nominee, and I think if he were to walk away at this point it would be exactly the reverse presumption, and that is, he was guilty of something, or his company was, and I think he would personally be spending the rest of his days with that cloud over his head.

Quite frankly, I think what has happened is that we conducted a very hard tough thorough no-holds-barred investigation. I would challenge anybody here who has watched this or listened to it to state an example where more care was taken in the investigation of a nominee before the fact than was done in this case.

I compliment the staff on incredible diligence in doing this. I mean anything that was there to be found has been found. It has really, I think, done a profound job in that respect.

But having taken everything that could be found, piecing it together, in whatever circumstantial way one could as a test of the standards of integrity and honesty of this nominee, the committee has taken every shot at Mr. Miller that it can take. I mean it has put every question, every theory, every construction of the pieces of evidence and whatever to test him in every fashion they could think of doing.

I would say the chairman and the Senator from Massachusetts are among the best and most effective questioners in the Senate in terms of really putting an issue as directly and as bluntly to a witness or a variety of witnesses as anybody that serves in this body. But having taken every shot we could take, and having not in the slightest wounded Mr. Miller, it seems to me what we are now doing is saying here, you take the gun and shoot yourself.

That is basically what it boils down to. And I am troubled by that, because I don't think that is a fair proposition.

It seems to me that he comes with a high reputation earned over a long period of years, not just in terms of being a successful corporate executive, because that by itself may mean a lot or it may not.

But that is not the extent of his record. There is a record of public involvement, and public service, with respect to the problems of the unemployed, with respect to the unfair employment practices. And when I look at the entire record, I say to myself, it is almost beyond my comprehension that we would ask at the end of a proceeding, when we have not in any way, in my judgment, dented his integrity or shown any finding of fact that he has behaved improperly, or untruthfully, to basically ask him in light of our efforts to bow out of the act at this point.

I mean no disrespect to you, Mr. Chairman, because as I have said, my fondness for you is as great as it is to anybody in the body and I think you know that to be the case. But we are off base on this situation and we have got a good nominee here, he is well above the average of what I have seen coming along from the administration, if I might say so, frankly, and I am encouraged by that.

I want to in every way we can encourage good people who are progressive and have good records of accomplishment in their past to come forward and be willing to take a term of service in the public interest.

No matter how cynical we all may be, maybe it is a function of how long you are here, I have accumulated 11 years of cynicism, myself, and I have seen a lot to be cynical about as have my colleagues and members of the press and others here.

But I would hope we never get to the point where someone who comes forward in good faith, who wants to do a job in public service, who has a good record, is a decent person, about whom there is no blemish on their public record, to end up after a hearing of this sort and invite that nominee to basically walk away, in effect in disgrace, is really very troubling to me.

Quite frankly, I don't understand. It is beyond me.

Mr. MILLER. Mr. Chairman, are there any other questions of me?

The CHAIRMAN. I have no further questions. I might comment a little further, but I will yield to Senator Brooke, who does have some other questions, I understand.

Mr. MILLER. If there are no other questions, I would like to make a comment.

The CHAIRMAN. On this particular issue I just raised?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Fine, by all means.

Mr. MILLER. I would like to make my comment when you are all through with your questions.

The CHAIRMAN. All right. Senator Brooke?

Senator BROOKE. I yield.

The CHAIRMAN. All right. I do have one other statement, not a question. You are not going to be determined guilty by any action you take as to whether you accept the job or not.

You are going to be determined guilty or not guilty by the courts, by the SEC investigation, and what follows the SEC investigation in the event that the SEC should find adversely and in the event it should involve you, which it may not at all, even though they find adversely. But that is the basis on which you would be found guilty or not guilty.

Furthermore, as I say, this is, I called it unfair and cruel. But we are in a dilemma here. The Federal Reserve Board is the most sensitive agency, the only agency I know of that clearly and should be by the Constitution independent of the executive branch. And under these circumstances, there is going to be a cloud, there is going to be a problem that is going to continue at least for 4 to 8 months, and perhaps longer.

That is why I am putting it to you and I think it would take a man of considerable character to say no under these circumstances.

Mr. Miller.

Mr. MILLER. Senator, this whole process has been a revealing experience to me. I have been introduced to the world of government service with a high degree of exposure to a process I had, perhaps, not expected.

In the whole course of this I hope I have endeavored—and will continue to endeavor—to cooperate fully with this committee and its staff. I certainly have tried to do that in every way.

I appreciate that you have put a difficult proposition to me, and that two of the Senators here have suggested that perhaps the question does not need to be answered.

I don't need 48 hours to answer your question. I have in my conscience no qualms at all; I have no concerns that any investigation by the SEC will disclose any wrongdoing that would involve my attention or bring into question my integrity. I know that, so I don't have to think about it.

I also know that I have seen the editorials, and I have had many people press me to do this or that. The easy thing to do in life is to run.

I can tell you my withdrawal from this nomination would be the most irresponsible thing I could possibly do. It would be irresponsible to this committee, irresponsible, certainly, from the point of view of the Federal Reserve, irresponsible from the point of view of the President, irresponsible from the point of view of the Nation. It would be irresponsible from my point of view and that of my wife, Adriana.

I do not intend to withdraw from my nomination and I hope you will reform your ways—and vote yes.

The CHAIRMAN. Mr. Miller, thank you very much. The committee will stand in recess until 9 a.m. Thursday morning, when we will act on your nomination.

[Thereupon, at 1:30 p.m. the hearing was concluded.]

APPENDIX

To: Senator Proxmire.

From: Bruce F. Freed.

Re Chronology of G. William Miller confirmation.

January 24, 1978—Senate Banking confirmation hearing on nomination of G. William Miller. [Hearing held before White House formally submitted Mr. Miller's name to the Committee.] Senator Heinz requests staff investigation into the \$2.9 million payment by Bell Helicopter to Air Taxi and General Khatami's possible ownership of Air Taxi. Investigation begins. [Agreed to by chairman, no objections raised. Five Senators present: Proxmire, Sarbanes, Brooke, Heinz, and Schmitt.]

January 25, 1978—White House formally submits Mr. Miller's nomination to the committee. Staff director McLean sends memo to Chairman Proxmire with copy to all committee members outlining scope and method of staff investigation. [No comments received from Committee members.]

January 27, 1978—Textron gives the committee its first submission of documents.

January 31, 1978—Senate Banking Committee with quorum present and without objection approved issuance of a subpoena to Textron after committee staff discovers that Textron failed to voluntarily provide committee with a copy of a 1975 investigation of the \$2.9 million payment by Thomas Soutter, Textron's general counsel. Scope and method of investigation further discussed by committee members. Staff indicated investigation would take a week to 10 days. Senator Heinz indicated it may take 2 weeks.

February 2-5, 1978—Committee staff takes depositions from five Bell Helicopter officials at Fort Worth, Tex. [President of Bell Helicopter, Mr. Atkins was out of town and not available for questioning until February 2.]

February 8, 1978—Committee staff learns of new evidence of Khatami ownership of Air Taxi and knowledge by Bell Helicopter officials from C. Robert Bell, a Wichita, Kans. lawyer. This evidence included correspondence in Bell Helicopter's files but not furnished pursuant to the committee's subpoena referring to General Khatami's link to Air Taxi. Subpoena issued to First National Bank and Trust Co. of Oklahoma City and Citibank N.A., New York, for bank records of A. H. Zanganeh and Air Taxi.

February 8-16, 1978—Affidavits sent to approximately 63 individuals asking for their knowledge of any ownership interest in Air Taxi by General Khatami.

February 10, 1978—Senator Proxmire asks for, and fails to receive, unanimous consent from the Senate to allow the Senate Banking Committee to meet on February 21, 1978 to consider the staff investigation.

February 13-17, 1978—Senate recesses. Staff takes depositions from William French, Robert Bell and past and present Bell Helicopter officials.

February 15, 1978—Textron makes second submission of documents to the committee in response to the committee's subpoena.

February 21, 1978—Staff sends summary of investigation to committee members.

February 22, 1978—Senate Banking Committee meets to consider the summary of the investigation prepared by the staff. Committee asks that the staff attempt to interview Mr. Zanganeh, managing director of Air Taxi, and Mr. Khalil Iranzad, sales manager of Air Taxi. Staff also directed to take steps to get Mr. Zanganeh's and Air Taxi's bank records from Citibank's Paris, France branch. The committee scheduled followup hearings for February 27 and 28. [These decisions were unanimous. Seven Senators present: Proxmire, Sparkman, Sarbanes, Schmitt, Heinz, Lugar, Brooke. Reigle came in at the end of the meeting.]

February 25, 1978—Committee subpoenas documents from Arthur Young and Co., Textron's auditors, on accommodation payments and overbillings by several Textron divisions and Bell Helicopter's sale of helicopters to Ghana in 1971 which involved a \$300,000 questionable payment.

February 27, 1978—Senate Banking Committee hearings at which Mr. Bell; Mr. Jose, Bell Helicopter vice president for commercial marketing; Edwin J. Ducayet, former Bell Helicopter president and chairman; James Atkins, Bell Helicopter president; and Thomas Soutter, Textron general counsel, testified.

February 28, 1978—Senate Banking Committee hearing at which J. H. (Bud) Orpgn. former Bell Helicopter International sales manager, and Mr. Miller testified.

At the conclusion of these hearings the committee decided to meet Thursday, March 2, to take action on the nomination.

THIRD SUBMISSION OF DOCUMENTS
FROM TEXTRON - FEBRUARY 21

Textron Inc.

40 Westminster Street
Providence, R.I. 02903
401/421-2800

February 21, 1978

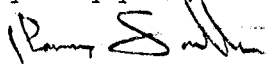
Charles L. Marrinaccio, Esq.
Special Counsel
Committee on Banking, Housing
and Urban Affairs
5300 Dirkson Building
Washington, D. C. 20510

Dear Mr. Marrinaccio:

In the course of searching its records in connection with the recently served subpoena of the Securities and Exchange Commission, our Dalmo Victor unit brought to my attention yesterday and today two documents, one which has reference to General Khatami and one which is an apparent reference to the settlement with Air Taxi. Copies of both are enclosed.

I am advised that Dalmo Victor did not retain nor even make contact with Air Taxi as a possible representative of Dalmo Victor.

Very truly yours,



TDS/jmf

(221)



DALMO VICTOR

[e.tro] 200

INTEROFFICE CORRESPONDENCE

PStanners
UHilger
DLinden
JSmith

TO J. H. Pamperin DEPT. DATE April 30, 1975

FROM D. Theodorou *ST* DEPT. 917 EXT. 472
DISTRIBUTION TO BE AT BOTTOM, OR ON ANOTHER PAGE

SUBJECT Sales Commission in Iran

Following Bill Gisell's recommendation, I called Dave Miller at Bell Aerospace to obtain more information on intermediaries in Iran.

Bell Aerospace, according to Dave, does have a representative there to handle "commercial sales". Dave's definition on commercial sales was any sale that was not closed through FMS channels. This could be military equipment as well as commercial. He did not know if Bell would run into any difficulty with their agent (I gathered from that they had not closed any sales) and he guessed that the question of commission would have to be negotiated at a fairly high level. His feeling was that they were "saying one thing in Iran and doing something else".

Dave was unaware of the ASPR regulation, explicitly excluding Iran for any sales commission through FMS.

I probed in some depth in his meeting with Frank Sylvester at Bell Helicopter. During his visit there, he informed me that he learned that the Shah had objected to the Bell Helicopter agent during the signing of the big contract. Apparently, an understanding was reached, and a one-shot lump payment was made to the agent who was then terminated. This information, Dave said, was obtained not from Frank Sylvester but was absolutely reliable.

Dave had the following recommendations: 1) Call Dick Violet, Director for Sales Negotiation, The Defense Security Assistance Agency at The Pentagon for information on this subject; 2) call Benjamin Foreman, Assistant General Counsel for International Affairs, Dept. of Defense; 3) keep the MAAG informed and, 4) be exceedingly careful in your choice of agent. He suggested that we obtain both the MAAG's and the customer's recommendation on any agent we consider for representation.

Dave had just returned from an international meeting of the International Panel of Aircraft Industries Assoc. (AIAA). Several of these subjects were discussed. He has written a report and has promised to forward it to me.

Paul Stanners and I have already contacted his Deputy, Mr. Glenn Rudd, regarding commissions in Greece. Reference IOC from D. Theodorou/P. Stanners dated 24 April 1975.

DT:cw

MARKETING MEETING - 3/17/75 - JHP, UEH, KAM,
DL, DOBSON, BURKALL, PJS

Developments in Israel

- JHP advises that he met w/ Cischanover while at Bell Helicopter last wk (Thurs, 3/13)
- Cischanover was not at all aware of local competition on Starfire Program. JHP feels that Sandok may be purposefully withholding info from Cischanover because of tie to local
- Col. Naman advised JHP this A.M. that Col. Sandok works for him & that he thought it wouldn't be very long before a decision on Starfire would be made - also advised that he "hoped I would get the job"
- JHP advises that DV must support the Israelis on Starfire (& anything else the Israelis want to discuss - Comparative-Israel), but problem is that all people who would go are the same people who are already involved in on-going programs.

- Mark pts out of JHP concerns that before we discuss anything on Compass Tie w/ Israelis, must get at least informal clearance from AF
- Imp pt is that AEL-Israel most probably will not make decision on Starize

A/I * hindin has action to hold staff mtg & come up w/ plan for covering both Israeli trip & other on-going progs (Compass Tie, etc)

Developments in Iran

- Frank Sulzstein, ~~VP~~ ^{VP} of Internatl Mktg. for Bill Heligter, is extremely knowledgeable in ~~international connections~~ ^{international connections}
 - Sulzstein advises that there are only 4-5 people in all of Iran who are influential in setting defense contracts
 - Mahvi is ATI agent in Iran & very influential (w/ Khatami (Ch. of Staff of Iranian AF) who is married to the Shah's sister
- ✓ A/I * Ok ASPR provisions re payment

- of agents fees both w/ FMS & (2) direct sales - Sylvester advises that agents fees are prohibited by the ASPR on FMS sales
- NO Zangensch is managing director of Air Taxi, Bill is agent in Iran & is man that Sylvester suggests using as a contact in order to get Khaton Raz & try to turn him around on buying ATI Vector 5
 - Sylvester advises that agent's commission typically runs 5-7.5% of contract price
- ✓ A/I * Chk provision in SMEE Agreement re payment of commissions on sales to Iran
- A/I * Before going to Iran, must check USAF's position that we cannot talk to Iranians about AC-46A

Developments w/ Bell Helicopter

- JHP advises that BH VP of Mktg recognize need for some radar war...

BELL HELICOP

CORRESPONDENCE

June 17,

*date 6/20
send over here by
Thurs afternoon
JTB*

MEMO TO: Mr. Cran Thayer
COPY TO: Messrs. E. Farmer :

Please prepare a check for \$950,000 payable to:

A. H. Zanganeh
c/o Air Taxi Company
Mehrabad Airport
Tehran, Iran

This check is for final payment in accordance with our dealer agreement and should be delivered to me no later than Friday morning, June 20th.



W. F. Joiner
W. F. Joiner
Controller

13:WFJ:hs-426

DOLLARS		DOLLARS		M	D	Y	R	SHEET NO.				M
1-8		9-14		15-19		20	21-26	27-33		34-43		44-45
1	950,000.00			2	1	1	7					X
2												
3												
4												
RECEIVER OR REF. NO.	ACCOUNT	WORK. ORDER	ELEM. OF COST	VENDOR NAME		I	D					
46-52	53-56	57-58	65-68	ADJ	VENDOR CODE	80						
0690391	2,500		00	A	923630	4		44035				
2						4		0690391				
3						4						
4						4						

7854 57895

BELL HELICOPTER CO.

FROM	F. E. Dunham	OFFICE	Accounts Payable
FROM	C. S. Thayer	OFFICE	General Accounting
SUBJECT	REQUEST FOR CHECK	DATE	6-27-74

MESSAGE: Please issue a check in the amount of \$1 million payable to:

A. H. Zanganeh
c/o Air Taxi Company
Mehrabad Airport
Tehran, Iran

This payment is in accordance with the dealers agreement with the above firm. The check voucher should show that the payment is for "Dealer's Commission."

Charge Account No. 4505.

SIGNED *C. S. Thayer*
C. S. Thayer

REPLY

= Chase Bank =

	GROSS DOLLARS	DISCOUNT DOLLARS	PAY DATE				QUANTITY	INVOICE OR PACKING SHEET NO.	PURCHASE ORDER NO.	ITEM
			M	D	Y	R				
	1-8	9-14	15-19	20	21-26	27-33	34-43	44-45		
1	500,000.00		PAID	7		6-27-74			X	
2	500,000.00		PAID	7		6-28-74			X	
3										
4										

	RECEIVER OR REF. NO.	ACCOUNT	WORK ORDER	ELEM. OF COST	VENDOR NAME		ITEM
					ADJ	VENDOR CODE	
	46-52	53-58	59-64	65-68	69-73	74-79	
1	0790001	45050	0000	00	A	925810	4
2		45050	0000	00	A		4
3							4
4							4

CHASE

BELL HELICOPTER COMPANY

June 27, 1973

To: Mr. Cran Thayer

Subject: Air Taxi Company - Dealer Commission

Please issue a check in the amount of \$1,000,000.00 payable to:

AIR TAXI COMPANY
MEHRABAD AIRPORT
TEHRAN, IRAN

This payment is in accordance with the dealers agreement with the above firm. The check voucher should show that the payment is for "Dealer's Commission." The check should be dated June 29, 1973 and should be delivered to Mr. J. F. Atkins' office by 8:30 Friday morning, June 29th, in an envelope marked personal.

E. L. Farmer

E. L. Farmer,
Vice President - Finance

13:ELF:bjr:8239

Chq 1971-3362
CS

ACCOUNTS-PAYABLE VOUCHER

ITEM	PURCHASE ORDER NO.	INVOICE OR PACKING SHEET NO.	QUANTITY	PAY DATE		DISCOUNT DOLLARS	GROSS DOLLARS
				M.	D.		
	34-43	27-33	21-24	15	19		
1		06-28-3		7			500,000.00
2		06-28-3		7			500,000.00
3							
4							

RECEIVER OR REF. NO.	ACCOUNT	WORK ORDER	ELEM. OF COST	VENDOR NAME		ITEM
				ADJ	VENDOR CODE	
46-52	53-58		55-66	69-73	74-79	44 45
1 0690-171	1971 0	3362	41	A	92320	X
2 0690-171	1971 0	3362	41	A		X
3						
4						

925
G-

BELL CONFIDENTIAL COPY
BELL HELICOPTER COMPANY

July 30, 1973

*File
 Dealer
 Commission*

To: Messrs. Bjeletich, Jankowski and Keglovits
Subject: Dealer Commissions - Iran Program

In accordance with the recently negotiated agreement with our authorized dealer in Iran, The Air Taxi Company, Mehrabad Airport, Tehran, a total commission is to be paid as follows:

<u>Due</u>	<u>Amount</u>
June 29, 1973	\$1,000,000
July 1, 1974	1,000,000
July 1, 1975	950,000

The above amounts, of course, assume continuation of the program. If the program is terminated or reduced, then an adjustment will be made to the above commissions. The above commission arrangement covers the entire Iranian transaction as now contemplated, which includes the present FMS contracts, additions that may be made thereto for spares, etc., the training program, the logistics program, the contemplated operation of Iran Helicopter Industry and the direct sale by Bell of spares, which is now in progress together with any additional sales of such spares. In other words, this commission agreement is all inclusive and covers the total commissions to be paid for the entire Iranian program as it is now known or foreseen. The accounting handling will be as follows: the \$1,000,000 commission paid in June, 1973 will be transferred from the suspense account to the Selling Expense and treated as a separate line item on our P&L as "Other Sales Expense." This commission will not be charged to the Foreign Selling Expense pool, since it is not allocable to FMS sales, and therefore must be treated as a separate item and excluded from the FSE pool. The two remaining commission payments will be treated as a separate P&L item when paid in the same manner. We should not set up any accrual accounts for these commissions, but simply pay them when they become payable and absorb them in our P&L as outlined above. We had already made a small commission payment on the direct spares sale, which has been in progress for several months, but then stopped any further payments. This memo is to advise that no further commissions will be due on subject contract spares because the above outlined commission understanding covers all commissions due on subject spares.

13:ELF:bjr:8300

E. L. Farmer,
 Vice President - Finance


BELL HELICOPTER COMPANY
INTER OFFICE MEMO

31 July 1973
13-CST:bvn-882

TO: All Holders of Chart of Accounts
SUBJECT: NEW ACCOUNT

Effective with the accounting month of July, the following new account is established:

<u>Textron</u>	<u>Bell</u>	
70100	4505	- Other Selling Expense



C. S. Thayer - Manager
General Accounting

1973

BELL HELICOPTER TEXTRON

SCHEDULE OF ACCRUALS AND PAYMENTS IN
SETTLEMENT OF THE AIR TAXI REPRESENTATIVE AGREEMENT

<u>ACCRUAL</u>		<u>PAYMENT</u>	
<u>1973</u>			
<u>July - Journal Voucher 7-513B</u>		<u>June - Journal Voucher 6-204</u>	
DR A/C 70100	\$1,000,000	DR A/C 16220	\$1,000,000
CRA/C 16220	\$1,000,000	CRA/C 33104	\$1,000,000
<u>November - Journal Voucher 11-422</u>			
DR A/C 70100	\$ 500,000		
CRA/C 36386	\$ 500,000		

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BELL HELICOPTER TEXTRON

SCHEDULE OF ACCRUALS AND PAYMENTS IN
SETTLEMENT OF THE AIR TAXI REPRESENTATIVE AGREEMENT

<u>ACCRUAL</u>		<u>PAYMENT</u>
<u>1974</u>		
<u>June - Journal Voucher 6-422</u>		
DR A/C 36386	\$ 500,000	
CR A/C 70100		\$ 500,000
<u>June - Journal Voucher 6-214</u>		
DR A/C 70100	\$1,000,000	
CR A/C 33102		\$1,000,000
<u>July - Journal Voucher 7-215</u>		<u>July - Journal Voucher 7-204</u>
DR A/C 33102	\$1,000,000	DR A/C 70100
CR A/C 70100	\$1,000,000	CR A/C 33104
		\$1,000,000
<u>December - Journal Voucher 12-582 & 12-582A</u>		
DR A/C 70100	\$ 500,000	
CR A/C 36386		\$ 500,000

BELL HELICOPTER TEXTRON

SCHEDULE OF ACCRUALS AND PAYMENTS IN
SETTLEMENT OF THE AIR TAXI REPRESENTATIVE AGREEMENT

<u>ACCRUAL</u>		<u>PAYMENT</u>	
<u>1975</u>			
<u>May - Journal Voucher 5-530B</u>		<u>June - Journal Voucher 6-204</u>	
DR A/C 70100	\$ 450,000	DR A/C 36386	\$ 950,000
CR A/C 36386		CR A/C 33104	\$ 950,000
	\$ 450,000		
<u>SUMMARY</u>			
DR A/C 70100		\$2,950,000	
CR A/C 33104			\$2,950,000

NOTES

A. Description of Accounts

<u>Account Number</u>	<u>Description</u>
70100	Other Selling Expense
16220	Suspense - Factory Ledger - Costs of Specific Nature Subject to Subsequent Distribution
33104	Accounts Payable - Vendors Vouchered and Paid
36386	Reserve for Contingencies
33102	Accounts Payable - Unrecorded Liabilities - Non Vouchered

B. Journal Voucher 5-530B in May of 1975 was a combination entry as follows:

DR A/C 70100	\$450,000	
CR A/C 36386		\$450,000

to set up the last accrual for the final amount due on the Iran representative settlement

DR A/C 36386	\$333,000	
CR A/C 84910		\$333,000

to recognize a lower liability on the AFLC leases and to provide for additional losses on doubtful accounts.

The Journal Vouchers reflecting the above transactions appeared as follows:

DR A/C 70100	\$450,000	
CR A/C 36386		\$117,000
CR A/C 84910		333,000

PAYMENT  BELL HELICOPTER COMPANY

JOURNAL VOUCHER DATE 7-3-73 JV NO. 6-204 page 1 of 6

ACCOUNT NAME	FACTORY LEDGER				GENERAL LEDGER			
	ACCOUNT OR WORK ORDER	EC	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT	
Riggs Natl. Bank-Gen.Account					11109	1 183 96		
Accts. Rec. - Government					13101	667 70		
Expenditures to be Reimbursed Under Govt. Cost Contract					13102	785 355 89		
Expenditures to be Reimbursed Under Govt. Cost Contracts					13103	2 459 88		
Accts. Rec. - Commercial					13110	513 137 55		
Advances to Aerospace GmbH					14101-2	5 700 00		
Bell Raw Material and Purchased Parts - Common					16101	760 690 76		
Variance Applicable to Raw Material and Purchased Parts for Account 1071					16102	739 00		
Model 204 Castings, Forgings AN - Vendor Parts					16103	1 964 840 69		
Variance Applicable to Model 204 Material in Acct. 16103					16104	123 178 16		
Commercial Inventory					16109	979 562 67		
EXPLANATION					PREPARED BY			
					VERIFIED BY			
					APPROVED BY			

784-11289 REV. 664

GENERAL ACCOUNTING

238



JOURNAL VOUCHER Page 2 of 6

DATE 7-3-73

J.V. NO. 6-204

ACCOUNT NAME	ACCOUNT OR WORK ORDER #	FACTORY LEDGER				GENERAL LEDGER				
		EC	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT			
Consignment Contra K Account					16112	2	111	161	45	✓
Die Metals on Hand in Raw Form Inventory Lead and Kirksite for Mfg. of Dies and Punches					16120		117	023	20	✓
F.L.C. - Model 47 W/O's					16201		7	413	05	✓
F.L.C. - Model 204 Major Military Prod. W/O's					16202	2	749	133	75	✓
F.L.C. - Other W/O's					16203		94	393	83	✓
F.L.C. - Model 206 Jet Ranger					16204	3	942	975	68	✓
F.L.C. - Overhead					16205	1	260	220	46	✓
F.L.C. - Model 204 Commercial Misc. Military W/O's					16206	3	392	175	57	✓
F.L.C. - R & D W/O's					16207		55	884	30	✓
F.L.C. - B & P W/O's					16208		47	562	98	✓
Helicopter Model 47 Finished Parts Production Inventory					16211		300	994	24	✓
Suspense - Factory Ledger					16220	1	229	154	91	✓
EXPLANATION	PREPARED BY									
	VERIFIED BY									
	APPROVED BY									

780-61208 REV. 6-66

GENERAL ACCOUNTING

239



JOURNAL VOUCHER Page 3 of 6

DATE 7-3-73 J.V. NO. 6-204

ACCOUNT NAME	FACTORY LEDGER				GENERAL LEDGER			
	ACCOUNT OR WORK ORDER	EC	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT	
AN - Vendor Industry Ind.								
Parts-Spare Parts Inventory					16303	324 601 79		
Variance Applicable to Parts in Account 16303					16304	500 00		
Perishable Tools Bell Owned					16801	82 408 13		
Returnable Containers					16802			950 44
Prepaid Rent - Real Estate					18103	39 696 73		
Accts. Rec. - Employees					19101-1	1 403 55		
Accts. Rec. - Subcontractors					19110	27 601 21		
Machinery and Equipment					26104	39 750 74		
Office Furniture and Equipment					26107-1	14 214 00		
Engineering Test Equipment					26107-3	13 437 40		
Short Term Capital Assets					26107-4	516 00		
Suspense Equipment in Construction					26109	667 945 56		
Accts. Payable Vendors					33101			621 95
EXPLANATION					PREPARED BY			
					VERIFIED BY			
					APPROVED BY			

7264-60203 REV. 6-64

GENERAL ACCOUNTING

240



JOURNAL VOUCHER

DATE 7-3-73 Page 4 of 6 6-204

ACCOUNT NAME	FACTORY LEDGER				GENERAL LEDGER			
	ACCOUNT OR ENTRY ORDER	EC	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT	
Accts. Payable Vendors Vouchered and Paid					33104			21 330 576 14
Accrued Employees Group Insurance Plan					36301-2	640 862 29		
Accrued Supplemental Unem- ployment Benefit					36319	37 624 90		
Accrued Rent - Government Owned Facilities					36320-2	245 654 06		
Accrued Tooling Rental - Commercial					36320-3	103 389 15		
Accrued Tooling Rental - R&D Recovery - Foreign					36320-4	28 250 00		
Accrued Tooling Rental - R&D Recovery - T53 Engine Foreign					36320-5	6 168 00		
Accrued Legal Fees					36331-2	270 00		
Accrued Patent Expense					36331-3	5 711 10		
Accrued Display Advertising					36345	51 950 29		
EXPLANATION					PREPARED BY			
					VERIFIED BY			
					APPROVED BY			

786-53360 REV. 064

GENERAL ACCOUNTING

ACCOUNT NAME	FACTORY LEDGER				GENERAL LEDGER		
	ACCOUNT OR WORK ORDER	EC	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT
Customer Deposits, Funds Accrued from Commercial Customers to be Applied to Purchase of Helicopter and Spare Parts					36360	15 000 00	
Accrued New York Sales Tax					36363-3	172 49	
Accrued Florida Sales Tax					36363-5	75 42	
Accrued Employees' Welfare Fund					36385	24 100 00	
Sundry Accounts					36390	10 440 22	
Accrued Garnishee and Wages Assignment Deductions					36403	207 77	
Accounts Payable - Humanity Fund Employee Payroll Deductions Prepaid					36404	20 820 68	
Accrued Employees Deductions Union Dues					36406	42 230 27	
Accrued Employees Deductions U. S. Savings Bonds					36407	180 975 00	
Accrued Employees Payroll Savings Plan					36408	261 165 00	
EXPLANATION					PREPARED BY		
					VERIFIED BY		
					APPROVED BY		

7864-53389 REV. 668

GENERAL ACCOUNTING

242

Bell Helicopter Company

Division of Textron, Inc.

Consolidating Statement of Income for period Ended July 27, 1973

Account Number	Month of July			Year to Date		
	Pt. Worth	Amarillo	Australia Consolidated	Pt. Worth	Amarillo	Australia Consolidated
Net Sales	2,242,713	2,179,42	2,262,713	7,171,150	6,442,202	7,441,234
Cost of Goods Sold	928,141	844,000	972,141	2,942,718	2,642,000	3,014,718
Administrative Service Charge	(11,000)	(11,000)	(11,000)	(33,000)	(33,000)	(33,000)
Income on Sales	1,303,572	1,324,422	1,279,572	4,195,432	3,767,202	4,393,516
Other Charges to Cost of Goods Sold						
Research and Development Costs	701-02	1,000,000	1,000,000	3,000,000	3,000,000	3,000,000
Provision for Disallowed Costs	701-03	1,000,000	1,000,000	3,000,000	3,000,000	3,000,000
Operating Income	1,303,572	1,324,422	1,279,572	4,195,432	3,767,202	4,393,516
Other Income						
Interest Income - Notes Receivable	821-02					
Interest Income - Other	821-03					
Gain or Loss on Disposal of Capital Assets	822-06					
Royalty Income	829-01-1					
Foreign Taxes Withheld on License Income	829-01-2					
Dividend Income	829-04					
Foreign Taxes Withheld on Dividend Income	829-04-1					
Miscellaneous Income	829-09					
Other Charges						
Interest Expense	841-09					
Foreign Taxes Withheld on Payment of P.L.C. Invoices	849-03					
Miscellaneous Charges	849-09					
Loss on Bad Debts	859-10					
Provision for Commercial Financing	701-04					
Income Before Texttron Charges	1,303,572	1,324,422	1,279,572	4,195,432	3,767,202	4,393,516
Other Deductions						
Administrative Service Charge	11,000	11,000	11,000	33,000	33,000	33,000
Net Worth Capital Charge	1,292,572	1,313,422	1,268,572	4,162,432	3,734,202	4,360,516
Net Income for Period	1,292,572	1,313,422	1,268,572	4,162,432	3,734,202	4,360,516
Provision for Australian Income Tax						
Net Income After Taxes	1,292,572	1,313,422	1,268,572	4,162,432	3,734,202	4,360,516
Net Income Prior Periods						
Net Income Year to Date	1,292,572	1,313,422	1,268,572	4,162,432	3,734,202	4,360,516

Bell Helicopter Company
 Division of Textron, Inc.
 Consolidating Statement of Income for Period Ended December 31, 1972

Account Number	Month of December			Year to Date		
	Pt. Worth	Amarillo	Australia Consolidated	Pt. Worth	Amarillo	Australia Consolidated
Net Sales	2,262,500	1,145,000	2,100,000	2,262,500	1,145,000	2,100,000
Cost of Goods Sold	(1,211,000)	(1,010,000)	(1,140,000)	(1,211,000)	(1,010,000)	(1,140,000)
Administrative Service Charge	(122,000)		(122,000)	(122,000)		(122,000)
Income on Sales	929,500	135,000	838,000	929,500	135,000	838,000
Other Charges to Cost of Goods Sold						
Helicopter Service Expense	701-01					
Provision for Product Development Costs	701-02					
Provision for Disallowed Costs	701-03					
Operating Income	2,114,500	(117,000)	1,847,000	2,114,500	(117,000)	1,847,000
Other Income						
Interest Income - Notes Receivable	821-02					
Interest Income - Other	821-03					
Gain or Loss on Disposal of Capital Assets	822-00					
Royalty Income	829-01-1					
Foreign Taxes Withheld on License Income	829-01-2					
Dividend Income	829-04					
Foreign Taxes Withheld on Dividend Income	829-04-1					
Miscellaneous Income	829-09					
Income Before Textron Charges	2,114,500	(117,000)	1,847,000	2,114,500	(117,000)	1,847,000
Other Deductions						
Administrative Service Charge						
Net North Capital Charge						
Net Income for Period	1,847,000	(117,000)	1,730,000	1,847,000	(117,000)	1,730,000
Provision for Australian Income Tax						
Net Income After Taxes						
Net Income Prior Periods						
Net Income Less to Date						

Bell Helicopter Company

Division of Textron, Inc.

Consolidating Statement of Income for Period Ended December 31, 1973

Account	Account Number	Month of December			Year to Date		
		Pt. Worth	Amarillo	Australia Consolidated	Pt. Worth	Amarillo	Australia
Net Sales		2,911,169	1,839,612	2,922,152	24,227,119	19,127,779	24,227,119
Cost of Goods Sold		(1,711,125)	(1,041,812)	(1,722,124)	(14,227,119)	(11,041,812)	(14,227,119)
Administrative Service Charge		(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Income on Sales		1,190,044	787,800	1,190,028	9,990,000	8,075,967	9,990,000
Other Charges to Cost of Goods Sold							
Research, Design & Service Expense	701-01	277,152	177,152	277,152	1,800,000	1,100,000	1,800,000
Product Development Costs	701-02	10,000	10,000	10,000	100,000	100,000	100,000
Provision for Disallowed Costs	701-03				100,000		100,000
Operating Income		802,892	590,648	912,876	8,190,000	6,875,967	912,876
Other Income							
Interest Income - Notes Receivable	825-02						
Interest Income - Other	841-03	1,000			1,000		1,000
Gain on Sale or Disposal of Capital Assets	802-00						
Foreign Taxes Withheld on License Income	825-01	(1,000)			(1,000)		(1,000)
Dividend Income	845-04						
Foreign Taxes Withheld on Dividend Income	845-04						
Miscellaneous Income	825-09	1,000			1,000		1,000
Other Charges							
Interest on Long-Term Debt	701-05	(1,000)			(1,000)		(1,000)
Foreign Taxes Withheld on Payment of Sales Invoices	805-03						
Miscellaneous Charges	810-00						
Loss on Bad Debts	805-10						
Provision for Commercial Financing	701-04						
Income Before Textron Charges		801,892	590,648	911,876	8,189,000	6,875,967	911,876
Other Reductions							
Administrative Service Charge		(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Net Worth Capital Charge							
Net Income for Period		791,892	580,648	901,876	8,179,000	6,865,967	901,876
Provision for Australian Income Tax							
Net Income After Taxes		791,892	580,648	901,876	8,179,000	6,865,967	901,876
Net Income Prior to Entry		791,892	580,648	901,876	8,179,000	6,865,967	901,876

GENERAL LEDGER ACCRUAL

JUL 1973 - FINAL

ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
* * * * MASTER MISSING * * * *					
	70100	.00	BAL FWD	.00	
	70100		513 10	1,000,000.00	1,000,000.00
	70100	.00	MO TOTAL	1,000,000.00	
	70100	.00	GL TOTAL	1,000,000.00	1,000,000.00
HELICOPTER SALES AND SERVICE EXPENSE					
	70101	579,539.89	BAL FWD	711,105.21	
	70101	22.39	115 06	11.39	89.18
	70101	7,500.00	118 06	3,100.00	43,670.18
	70101	605.00	119 07	605.00	4,510.01
	70101	1,432.60	144 03	2,316.28	10,143.93
	70101		146		1,902,725.96
	70101	82,070.96	405 17	59,055.07	532,786.38
	70101		413 15	16,500.00	16,500.00
	70101		417 02	330.95	330.95
	70101	2,544.13	418 17	1,869.07	12,902.47
	70101	20,556.26	513 17	4,033.14	111,962.97
	70101	16,833.98	530 15	3,476.00	62,554.04
	70101	131,565.32	MO TOTAL	84,344.90	
	70101	711,105.21	GL TOTAL	795,450.11	1,107,275.85
PROVISION FOR PRODUCT DEVELOPMENT COSTS					
	70102	2,102,782.00	BAL FWD	2,661,350.00	
	70102		146		5,001,126.00
	70102	558,568.00	523 15	10,000.00	
	70102		523 17	209,354.00	2,880,704.00
	70102	558,568.00	MO TOTAL	219,354.00	
	70102	2,661,350.00	GL TOTAL	2,880,704.00	2,120,422.00
PROVISION FOR DISALLOWED CPFF COSTS					
	70103	170,000.00	BAL FWD	220,000.00	
	70103		146		222,000.00
	70103	50,000.00	409 10	50,000.00	
	70103		409 17	25,000.00	245,000.00
	70103	50,000.00	MO TOTAL	25,000.00	
	70103	220,000.00	GL TOTAL	245,000.00	23,000.00

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ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
	16213	54,487.80-	MO TOTAL	16,470.78-	
	16213	414,015.13	GL TOTAL	397,544.35	46,495.01
BELL MATERIAL IN HANDS OF VENDORS					
	16215	212,229.32	BAL FWD	215,202.02	
	16215	2,972.70	606 07	20,747.81	56,586.01
	16215		636 07	56,813.00-	
	16215		636 10	56,813.00-	
	16215		636 17	56,813.00	28,334.00
	16215	2,972.70	MO TOTAL	36,065.19-	
	16215	215,202.02	GL TOTAL	179,136.83	84,920.01
EXCHANGE PARTS IN HANDS OF CUSTOMERS					
	16216	.00	BAL FWD	.00	
	16216	.00	MO TOTAL	.00	
	16216	.00	GL TOTAL	.00	.00
EXCHANGE PARTS IN HANDS OF CUSTOMERS - WESTERN DIVISION					
	16217	.00	BAL FWD	.00	
	16217	.00	MO TOTAL	.00	
	16217	.00	GL TOTAL	.00	.00
SUSPENSE - FACTORY LEDGER					
	16220	770,779.35	BAL FWD	1,798,280.89	
	16220	32.50	101 01	.00	
	16220		101 06	30.00	1,145,405.73-
	16220		102		122.41
	16220	6,652.88	103 10	5,149.17	
	16220		103 15	.00	37,889.25
	16220	18,351.58	104 10	40,272.34	146,508.11
	16220	677,256.95	105 07	239,138.14	3,787,338.93
	16220	175.67	107		23,409.86
	16220	5,393.97	115 01	3,591.20	30,115.52
	16220		123 15	3,056.53	8,351.75
	16220	533.33	131		533.33
	16220	1,497.77	136 10	4,309.05	24,560.51

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ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
	16220	536.07	137 07	400.27	2,432.96
	16220		139		37.60
	16220		140		1,171.32
	16220	87.75	142 07	60.14	669.83
	16220		146		336.38
	16220	20.82	147 01	20.82-	913.43
	16220	152,304.85	201 01	52,223.78-	
	16220		201 06	40,374.20	426,390.96
	16220	31,711.45	202 07	23,661.23	180,374.57
	16220	18,121.87-	203 01	31,711.45-	182,220.85-
	16220	1,216,155.84	204 01	206,530.80	
	16220		204 03	6,406.98	
	16220		204 10	777.50-	
	16220		204 15	4,271.37	2,671,480.72
	16220	30,706.54-	205 01	134,940.30-	
	16220		205 06	17,364.55-	557,700.28-
	16220		206		424.86-
	16220		212		7,892.86
	16220	7,515.86-	213		10,950.41-
	16220	5,168.67	214 01	13,405.38	86,582.57
	16220	3,924.42-	215 01	5,168.67-	
	16220		215 03	.00	74,901.05-
	16220		218		5,086.99-
	16220		219		2,687.45
	16220		220		33,265.34-
	16220	23,065.11-	312 10	22,032.00	2,175.51-
	16220	591,589.00-	401 15	221,319.00-	3,071,346.00-
	16220	397,397.78	403 17	124,987.15	1,998,695.44
	16220	19,083.08	405 17	34,207.95	237,509.83
	16220	227.90	406 10	705.99	
	16220		406 15	44.00-	4,545.67-
	16220		410		996.00
	16220		411 10	6,864.00-	25,014.00-
	16220		413 15	43,400.00-	43,400.00-
	16220		414		282.50-
	16220		420 02	112,449.12-	112,449.12-
	16220	76,646.31	501 03	63,117.18	
	16220		501 07	1,645.26	432,680.72
	16220	13,746.41-	502 03	496.61-	
	16220		502 06	.00	

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ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
	16220		502 07	2,148.89	22,932.97-
	16220	7,760.00-	507 15	4,860.00-	37,155.00-
	16220	21,423.43	509 05	13,849.98	
	16220		509 09	3,552.99	
	16220		509 14	1,776.51-	
	16220		509 17	183.86	113,275.60
	16220	205,880.09-	510 18	318,600.44	79,204.52
	16220	108,898.42-	513 01	5,070.43-	
	16220		513 10	1,000,000.00-	
	16220		513 17	11,362.97-	
	16220		513 19	.00	2,127,377.80-
	16220		526 05	7,091.05	
	16220		526 09	290.34-	
	16220		526 14	145.54-	6,647.17
	16220		527 05	3,911.45	
	16220		527 09	164.59-	
	16220		527 14	80.28-	3,666.58
	16220	50,096.67	530 10	62,400.09-	
	16220		530 17	19,983.74-	3,701.79
	16220		532 03	31.88-	1,978.16
	16220	415,649.00-	543 10	114,546.00-	1,990,139.00-
	16220	143,476.93-	545 06	78,435.62-	621,007.17-
	16220		549 15	11,224.50-	11,224.50-
	16220	83,753.85-	553 02	90,578.46-	
	16220		553 10	29,788.69-	1,664,711.10-
	16220	70,710.03	554 01	83,753.85	1,753,951.91
	16220		558		34.30
	16220		566 10	29,427.00-	29,427.00-
	16220	37,622.32-	567 05	40,530.91-	
	16220		567 09	6.50	
	16220		567 14	.00	360,734.79-
	16220	347,843.09	601 03	114,203.07	2,089,025.13
	16220	8,213.54-	602 03	9,325.92-	
	16220		602 06	.00	56,677.52-
	16220	4,720.45	604 03	1,645.07	37,126.81
	16220	3,785.89	606 07	29,666.73	100,982.39
	16220	18.12	607 03	5,356.47-	
	16220		607 06	5,516.00	12,398.09
	16220	293,668.18-	608 05	5,530.90-	
	16220		608 09	.00	

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ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH REFERENCE		CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
		AMOUNT	J.V. LIST		
	16220		608 14	80,111.29-	
	16220		608 18	.00	1,782,636.84-
	16220	82.98	611 03	3,436.45	14,425.32-
	16220	24,817.12	612 03	6,797.80	44,484.44-
	16220	191.00	614 01	24.00-	1,166.00
	16220	103,289.39-	618 03	36,966.64-	605,305.04-
	16220	2,425.50	620 10	3,118.14	81,858.73
	16220	2,163.17-	624 03	5,217.89-	22,862.08-
	16220		630		4,729.20
	16220	10.00	631 01	38.00-	
	16220		631 10	287.93	232.93
	16220	9,993.48-	632 02	10,387.78-	76,390.50-
	16220	6,801.87	636		40,745.13-
	16220	6,658.45	639		25,032.28
	16220	8,193.60	702 07	4,284.29	61,505.49
	16220	24,448.00-	705 15	209.21-	32,601.03-
	16220		706 15	44.00	414.00
	16220		707		14,817.61-
	16220		803		2,000.00-
	16220	3,973.75	805 15	3,539.08	13,431.17
	16220	1,027,501.54	MO TOTAL	940,663.55-	
	16220	1,798,280.89	GL TOTAL	857,617.34	238,482.47-
SUSPENSE - UNDISTRIBUTED TRANSPORTATION	16221	48,417.94-	BAL FWD	37,483.03-	
	16221	4,035.15-	101 06	1,372.01-	17,414.97-
	16221	91,492.53-	103 10	75,455.80-	524,744.57-
	16221	106,462.59	104 10	94,290.72	542,951.04
	16221		143 07	360.41	360.41
	16221	10,934.91	MO TOTAL	17,823.32	
	16221	37,483.03-	GL TOTAL	19,659.71-	1,151.91
	162	83,426,408.70	SUB TTL	86,784,653.80	

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ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
	36365-2	.00	MO TOTAL	.00	
	36365-2	.00	GL TOTAL	.00	.00
ACCRUED EMPLOYEES WELFARE FUND					
	36385	145,114.95-	BAL FWD	71,664.57-	
	36385	4,184.72-	101 06	15,878.26-	171,245.48-
	36385	197.00-	106 12	174.00-	1,093.60-
	36385	117,841.30	204 01	17,364.00	306,889.40
	36385	40,009.20-	501 06	12,899.50-	217,802.65-
	36385	73,450.38	MO TOTAL	11,587.76-	
	36385	71,664.57-	GL TOTAL	83,252.33-	83,252.33-
RESERVE FOR CONTINGENCIES					
	36386	1,953,228.50-	BAL FWD	1,950,713.50-	
	36386	2,515.00	116 07	2,515.00	29,562.50
	36386		422 11	500,000.00-	500,000.00-
	36386		575 12	1,450,000.00-	1,450,000.00-
	36386	2,515.00	MO TOTAL	1,947,485.00-	
	36386	1,950,713.50-	GL TOTAL	3,898,198.50-	1,920,437.50-
ACCRUED SELF INSURANCE EXPENSE					
	36387	319,445.27-	BAL FWD	311,287.29-	
	36387	1,861.67-	119 07	3,381.66-	23,821.67-
	36387	10,000.00	204		57,500.00
	36387		420		28,770.00
	36387	19.65	513 12	19.65-	.00
	36387	8,157.98	MO TOTAL	3,401.31-	
	36387	311,287.29-	GL TOTAL	314,688.60-	62,448.33-
RESERVE FOR PRODUCT DEVELOPMENT					
	36388	23,829,519.58-	BAL FWD	23,864,455.17-	
	36388	339,122.00-	523 12	373,860.00	
	36388		523 14	747,720.00-	4,409,944.00-
	36388	284,186.41	530 11	172,316.61	3,629,183.15
	36388	20,000.00	569 12	10,000.00	55,000.00

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BELL HELICOPTER COMPANY

GENERAL LEDGER		NOV 1973 - FINAL			12 1973	
ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT	
OTHER SELLING EXPENSE						
	70100	1,000,000.00	BAL FWD	1,000,000.00		
	70100		422 11	500,000.00	500,000.00	
	70100		513		1,000,000.00	
	70100	.00	MO TOTAL	500,000.00		
	70100	1,000,000.00	GL TOTAL	1,500,000.00	1,500,000.00	
HELICOPTER SALES AND SERVICE EXPENSE						
	70101	1,151,949.08	BAL FWD	1,315,435.11		
	70101	16.05	115 06	15.89	155.41	
	70101	6,300.00	118 06	6,300.00	70,370.18	
	70101	1,451.67	119 07	2,888.33	10,443.35	
	70101	1,928.99	144 01	2,247.19	17,820.61	
	70101		146		1,902,725.96	
	70101	85,214.20	405 12	80,715.59	850,686.19	
	70101		413		16,500.00	
	70101		414		16,500.00	
	70101	240.89	417 10	489.47	1,537.33	
	70101	2,246.29	418 11	2,161.45	21,684.03	
	70101	15,974.20	513 12	19,829.43	212,133.62	
	70101	50,113.74	530 11	7,106.60		
	70101		530 12	42,227.98	280,873.12	
	70101	163,486.03	MO TOTAL	150,268.73		
	70101	1,315,435.11	GL TOTAL	1,465,703.84	437,022.12	
PROVISION FOR PRODUCT DEVELOPMENT COSTS						
	70102	3,696,962.00	BAL FWD	4,036,084.00		
	70102		146		5,001,126.00	
	70102	339,122.00	523 12	373,860.00		
	70102		523 14	747,720.00	4,409,944.00	
	70102	339,122.00	MO TOTAL	373,860.00		
	70102	4,036,084.00	GL TOTAL	4,409,944.00	591,182.00	
PROVISION FOR DISALLOWED CPFF COSTS						
	70103	345,000.00	BAL FWD	395,000.00		
	70103		146		222,000.00	
	70103	50,000.00	409 10	50,000.00	445,000.00	

BELL TELEPHONE COMPANY

PAYMENT	REPORT TITLE	JUN 1973 - FINAL		CUT-OFF /DATE/ PWCC	PAID
	GENERAL LEDGER	AMOUNT	J.V. LIST	07-16-73	07
ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH REFERENCE AMOUNT	J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
	33102	295,307.39-	MO TOTAL	753,270.68	
	33102	8,154,847.14-	GL TOTAL	7,401,576.46-	93,805.75
ACCOUNTS PAYABLE - CONSIGNOR					
	33103	25,663.91-	BAL FWD	25,663.91-	
	33103	85,364.73-	301 07	276,302.55-	411,344.65-
	33103	85,364.73	633 06	262,632.55	397,674.65
	33103	.00	MO TOTAL	13,670.00-	
	33103	25,663.91-	GL TOTAL	39,333.91-	13,670.00-
ACCOUNTS PAYABLE - VENDORS - VOUCHERED AND PAID					
	33104	.00	BAL FWD	.00	
	33104	15,025,552.38	102 12	21,330,576.14	106,518,160.48
	33104	15,025,552.38-	204 01	21,330,576.14	106,518,160.48-
	33104	.00	MO TOTAL	.00	
	33104	.00	GL TOTAL	.00	.00
	331	12,372,228.77-	SUB TTL	14,373,102.01-	

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ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
	16215	18,800.00-	636		85,147.00
	16215	1,833.47	MO TOTAL	2,972.70	
	16215	212,229.32	GL TOTAL	215,202.02	120,985.20
EXCHANGE PARTS IN HANDS OF CUSTOMERS	16216	.00	BAL FWD	.00	
	16216	.00	MO TOTAL	.00	
	16216	.00	GL TOTAL	.00	.00
EXCHANGE PARTS IN HANDS OF CUSTOMERS - WESTERN DIVISION	16217	.00	BAL FWD	.00	
	16217	.00	MO TOTAL	.00	
	16217	.00	GL TOTAL	.00	.00
SUSPENSE - FACTORY LEDGER	16220	872,535.64	BAL FWD	770,779.35	
	16220	50,268.46-	101 06	32.50	1,145,435.73-
	16220		102		122.41
	16220	8,556.35	103 10	6,652.88	32,740.08
	16220	29,212.35	104 07	18,351.58	
	16220		104 10	.00	106,235.77
	16220	451,158.72	105 10	677,256.95	3,548,200.79
	16220		107 06	175.67	23,409.86
	16220	1,279.01	115 01	5,393.97	26,524.32
	16220	2,748.16	123		5,295.22
	16220		131 07	533.33	533.33
	16220	8,764.35	136 11	1,497.77	20,251.46
	16220	302.19	137 07	536.07	2,032.69
	16220		139		37.60
	16220		140		1,171.32
	16220	58.50	142 07	87.75	609.69
	16220		146		336.38-
	16220	506.33	147 02	20.82	934.25
	16220	30,241.42	201 01	134,940.30	
	16220		201 02	16,122.21	
	16220		201 10	1,242.34	
	16220		201 11	.00	438,240.54

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ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
	16220	18,121.87	202 03	31,711.45	156,713.34
	16220	30,932.28-	203 01	18,121.87-	150,509.40-
	16220	257,857.90	204 01	1,229,154.91	
	16220		204 06	11,721.73-	
	16220		204 07	35.00-	
	16220		204 10	1,242.34-	2,455,049.07
	16220	59,198.84	205 01	30,241.42-	
	16220		205 02	465.12-	405,395.43-
	16220		206		424.86-
	16220	7,515.86	212		7,892.86
	16220	377.00-	213 01	7,515.86-	10,950.41-
	16220	3,924.42	214 01	5,168.67	
	16220		214 02	.00	73,177.19
	16220	6,077.89-	215 01	3,924.42-	69,732.38-
	16220		218		5,086.99-
	16220		219		2,687.45
	16220	8,078.71	220		33,265.34-
	16220	1,053.00	312 07	23,065.11-	24,207.51-
	16220	469,930.00-	401 11	591,589.00-	2,850,027.00-
	16220	284,638.80	403 12	397,397.78	1,873,708.29
	16220	21,563.58	405 12	19,083.08	203,301.88
	16220	5,409.53-	406 07	227.90	5,207.66-
	16220	996.00	410		996.00
	16220	6,120.00-	411		18,150.00-
	16220		414		282.50-
	16220	33,909.29	501 03	70,204.56	
	16220		501 07	6,441.75	367,918.28
	16220	476.52	502 03	15,786.57-	
	16220		502 07	2,040.16	24,585.25-
	16220	25,588.00	507 11	7,760.00-	32,295.00-
	16220	14,867.94	509 05	17,495.99	
	16220		509 09	3,500.17	
	16220		509 11	427.27	97,465.28
	16220	82,792.14-	510 12	205,880.09-	239,395.92-
	16220	166,069.31-	513 01	13,828.38	
	16220		513 11	145,863.74-	
	16220		513 12	23,136.94	
	16220		513 13	.00	1,007,944.40-
	16220	29,516.88-	530 11	67,451.36	
	16220		530 12	17,354.69-	86,085.62-

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ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
	16220	29,68-	532		2,010.04
	16220	267,944.00-	543 10	415,649.00-	1,875,593.00-
	16220	98,480.65-	545 06	143,476.93-	542,571.55-
	16220	70,710.03-	553 07	83,753.85	
	16220		553 11	167,507.70-	1,544,343.95-
	16220	61,648.93	554 01	70,710.03	1,670,198.06
	16220		558		34.30
	16220	86,929.66-	567 05	37,596.62-	
	16220		567 09	25.70-	320,210.38-
	16220	315,572.16	601 03	347,855.63	
	16220		601 13	12.54-	1,974,822.06
	16220	38,625.09-	602 03	8,213.54-	47,351.60-
	16220	3,620.41	604 03	4,720.45	
	16220		604 06	.00	35,481.74
	16220	23,533.50	606 07	3,785.89	71,315.66
	16220	732.15	607 03	18.12	12,238.56
	16220	313,117.57-	608 05	309,679.82-	
	16220		608 09	16,011.64	
	16220		608 11	.00	1,696,994.65-
	16220	4,064.36-	611 03	82.98	17,861.77-
	16220	11,756.04-	612 03	24,817.12	37,686.64
	16220	226.00	614 01	191.00	1,190.00
	16220	94,848.76-	618 06	103,289.39-	568,338.40-
	16220	77,454.39	620 01	178.80-	
	16220		620 07	2,604.30	78,740.59
	16220	10,182.63-	624 03	2,163.17-	17,644.19-
	16220	1,780.80	630		4,729.20
	16220	73.00-	631 01	10.00	17.00-
	16220	8,822.19-	632 01	9,993.48-	66,002.72-
	16220	11,999.00-	636 07	6,801.87	40,745.13-
	16220		639 11	6,658.45	25,032.28
	16220	8,193.60	702 10	8,193.60	57,221.20
	16220	7.70-	705 11	992.14-	
	16220		705 12	23,455.86-	32,391.82-
	16220		706		370.00
	16220		707		14,817.61-
	16220		803		2,000.00-
	16220	147.51	805 10	3,973.75	9,892.09
	16220	101,756.29-	MO TOTAL	1,027,501.54	
	16220	770,779.35	GL TOTAL	1,798,283.89	

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ACCOUNT NAME	FACTORY LEDGER				GENERAL LEDGER	
	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT	
Expenditures to be Reimbursed Under Govt. Cost Type Contracts			13102	21 662 00		
Expenditures to be Reimbursed Under Govt. Cost Type Contracts			13103	16 790 75		
F.L.C. - Model 47			16201	3 782 50		
F.L.C. - Model 204			16202	13 830 01		
F.L.C. - Model 206			16204	104 191 96		
F.L.C. - Overhead			16205	76 479 50		
	<u>7000</u>	<u>30 153 25</u>				
	7012	956 96				
	7054	4 173 07				
	7056	16 482 15				
	7063	1 291 07				
	7905	7 250 00				
	<u>8000</u>	<u>22 952 21</u>				
	8001	1 829 44				
	8013	18 143 58				
	8054	452 45				
	8980	61 24				
	8981	969 00				
	8986	24 50				
	8990	1 472 00				
EXPLANATION			PREPARED BY			
			VERIFIED BY			
			APPROVED BY			

GENERAL ACCOUNTING

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6-214

ACCOUNT NAME	FACTORY LEDGER				GENERAL LEDGER			
	ACCOUNT OR WORK ORDER	EC	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT	
F.L.C. - Overhead (cont'd)	9000		23 374 04					
	9001		52 80					
	9006		1 057 74					
	9010		2 149 00					
	9013		4 253 48					
	9054		5 373 20					
	9056		2 684 27					
	9059		1 849 75					
	9067		280 80					
	995F		270 00					
	995H		4 826 25					
	9924		159 00					
	9937		250 80					
	9965		166 95					
F.L.C. - Model 204 Misc.					16206	5 314 63		
F.L.C. - R & D					16207	23 045 45		
F.L.C. - B & P					16208	216 00		
Suspense - Factory Ledger					16220	2 108 48		
Machinery & Equipment					26104	1 980 00		
Portable Tools					26105	980 00		
Office Furniture & Equipment					26107-1	30 161 20		
EXPLANATION					PREPARED BY			
					VERIFIED BY			
					APPROVED BY			

GENERAL ACCOUNTING

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LV NO. 7-215

ACCOUNT NAME	FACTORY LEDGER				GENERAL LEDGER			
	ACCOUNT OR WORK ORDER	EC	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT	
Expenditures to be Reimbursed Under Govt. Cost Type Contracts					13102		21 662 00	
Expenditures to be Reimbursed Under Govt. Cost Type Contracts					13103		16 790 75	
F.L.C. - Model 47					16201		3 782 50	
F.L.C. - Model 204					16202		13 830 01	
F.L.C. - Model 206					16204		104 191 96	
F.L.C. - Overhead					16205		76 479 50	
F.L.C. - Model 204 Misc.					16206		5 314 63	
F.L.C. - R & D					16207		23 045 45	
F.L.C. - B & P					16208		216 00	
Suspense - Factory Ledger					16220		2 108 48	
Machinery & Equipment					26104		1 980 00	
Portable Tools					26105		980 00	
Office Furniture					26107-1		30 161 00	
Suspense Equipment in Construction					26109		46 125 90	
EXPLANATION					PREPARED BY			
					VERIFIED BY			
					APPROVED BY			

704-10360 REV. 664

GENERAL ACCOUNTING

PAYMENT



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7-204

ACCOUNT NAME	FACTORY LEDGER				GENERAL LEDGER		
	ACCOUNT OR WORK ORDER #	EC	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT
Riggs Natl. Bank - General					11109	1 380 07	
Expenditures to be Reimbursed Under Govt. Cost Type Contracts					13102	39 086 41	
Expenditures to be Reimbursed Under Govt. Cost Type Contracts					13103	777 708 42	
Accts. Rec. - Commercial					13110	300 204 88	
Interdiv. Accts. - Amarillo					14101-3	5 157 75	
Accts. Rec. - Bell Helicopter Atlantic Belgium S. A.					14101-5	36 298 34	
Bell Raw Material and Purchased Parts					16101	1 164 526 90	
Variance Applicable to Raw Material in Acct. 16101					16102	2 889 50	
Castings, Forgings AM & Vendor Parts					16103	1 551 546 04	
Variance Applicable to Material in Acct. 16103					16104	101 635 91	
Commercial Engine Inventory					16109	1 057 047 41	
EXPLANATION					PREPARED BY		
					VERIFIED BY		
					APPROVED BY		

FORM 101 (REV. 6-66)

GENERAL ACCOUNTING

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7-204

ACCOUNT NAME	FACTORY LEDGER				GENERAL LEDGER		
	ACCOUNT OR WORK ORDER	EC	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT
F.L.C. - Model 47 W/O's					16201	125 672 93	
F.L.C. - Model 204					16202	5 543 641 21	
F.L.C. - Model 206					16204	2 303 043 58	
F.L.C. - Overhead					16205	1 173 605 21	
F.L.C. - Model 204 Commercial & Misc. Military					16206	3 086 561 23	
F.L.C. - R & D					16207	200 791 48	
F.L.C. - B & P					16208	1 942 92	
Model 47 Finished Parts Production Inventory					16211	189 898 68	
Helicopter Reconditioned and Exchanged Finished Parts					16213	2 700 00	
Suspense - Factory Ledger					16220	313 135 97	
AN & Vendor Industry Std. Parts - Spare Parts Inventory					16303	687 889 59	
Variance Applicable to Parts in Acct. 16303					16304	407 00	
EXPLANATION					PREPARED BY		
					VERIFIED BY		
					APPROVED BY		

FORM 5117 REV. 664

GENERAL ACCOUNTING

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ACCOUNT NAME	FACTORY LEDGER				GENERAL LEDGER		
	ACCOUNT OR WORK ORDER	EC	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT
Perishable Tools, Bell Owned					16801	64,776.53	
Returnable Drums					16802	8,474.00	
Prepaid Insurance Premium					18101-1	10,000.00	
General Insurance					18103	50,384.59	
Prepaid Rent - Real Estate					19101-1	138.59	
Accts. Rec. - Employees							
Misc. Deposits - Bid Bonds							
Utility Deposit, etc.					19107	7,080.00	
Machinery & Equipment					26104	3,085.50	
Portable Tools					26105	2,103.20	
Automobiles, Trucks and Equipment					26106	10,249.50	
Office Furniture & Equipment					26107-1	35,156.52	
Engineering Test Equipment					26107-3	2,495.93	
Suspense Equipment in Construction					26109	4,829,895.85	
Accts. Payable - Vendors Vouchered					33101		10.00
EXPLANATION					PREPARED BY		
					VERIFIED BY		
					APPROVED BY		

FORM 33-101 REV. 6-64

GENERAL ACCOUNTING



JOURNAL VOUCHER

DATE **XX 7-29-74** IV NO **7-204**
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ACCOUNT NAME	FACTORY LEDGER			GENERAL LEDGER			
	ACCOUNT OR WORK ORDER	EC	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT
Accts. Payable - Vendors Vouchered and Paid					33104		26,204,804.17
Accrued Employees Group Insurance Plan					36301-2	674,103.89	
Accrual Supplement - Unemployment Benefits					36319	34,655.24	
Accrued Legal Fees					36331-2	3,128.26	
Accrued Patent Expense					36331-3	5,322.68	
Accrued Display Advertising					36345	25,579.56	
Customer Deposits					36360	205,444.32	
Accrued Texas Sales Tax					36363-2	168,567.97	
Accrued Local Sales Tax					36363-4	42,141.98	
Accrued Florida Sales Tax					36363-5	196.86	
Accrued Employees Welfare Fund					36385	25,162.00	
Sundry Accruals					36390	9,092.29	
Accounts Payable - Humanity Fund					36404	42,502.81	
EXPLANATION				PREPARED BY			
				VERIFIED BY			
				APPROVED BY			

7-29-74 10:00 AM

GENERAL ACCOUNTING

Bell Helicopter Company
 Division of Textron, Inc.

Consolidating Statement of Income for Period Ended June 30, 1974

Account	Account Number	Month of Year			Year to Date		
		Ft. Worth	Amarillo	Consolidated	Ft. Worth	Amarillo	Consolidated
Net Sales		\$1,149,000	1,177,000	\$2,326,000	\$4,412,000	4,372,000	\$8,784,000
Cost of Goods Sold		\$774,000	1,000,000	\$1,774,000	\$3,200,000	3,200,000	\$6,400,000
Administrative Service Charge		(100,000)	(100,000)	(200,000)	(1,000,000)	(1,000,000)	(2,000,000)
Increase on Sales		\$275,000	77,000	\$352,000	\$1,212,000	1,172,000	\$2,384,000
Other Charges to Cost of Goods Sold	7-000						
Helicopter Sales & Service Expense	701-01						
Provision for Product Development Costs	701-02						
Provision for Disallowed Costs	701-03						
Operating Income		\$575,000	117,000	\$692,000	\$2,172,000	1,172,000	\$3,344,000
Other Income							
Interest Income - Notes Receivable	21-02						
Interest Income - Other	21-03						
Gain or Loss on Disposal of Capital Assets	22-06						
Royalty Income	429-01-1						
Dividend Income - Minimum on Licenses (Income)	29-21-1						
Dividend Income	29-04						
Foreign Taxes Withheld on Dividend Income	429-04-1						
Miscellaneous Income	829-09						
Other Charges							
Interest Expense	801-06						
Foreign Taxes Withheld on Payment of Subsidiary Income	429-03						
Miscellaneous Charges	809-09						
Provision for Bad Debts	829-10						
Provision for Commercial Financing	701-04						
Income Before Textron Charges		\$575,000	117,000	\$692,000	\$2,172,000	1,172,000	\$3,344,000
Other Deductions							
Administrative Service Charge							
Net Worth Capital Charge							
Net Income for Period		\$575,000	117,000	\$692,000	\$2,172,000	1,172,000	\$3,344,000
Provision for Australian Income Tax							
Net Income After Taxes		\$575,000	117,000	\$692,000	\$2,172,000	1,172,000	\$3,344,000
Net Income After Deprec.		\$575,000	117,000	\$692,000	\$2,172,000	1,172,000	\$3,344,000
Net Income Year to Date		\$575,000	117,000	\$692,000	\$2,172,000	1,172,000	\$3,344,000

Bell Helicopter Company
 Division of Textron, Inc.
 Condensed Statement of Income for Period Ended December 31, 1974

Account	Account Number	Month of December			Year to Date		
		Pt. Worth	Ancillo	Australia Consolidated	Pt. Worth	Ancillo	Australia
Net Sales		\$ 1,152,961	239,252	3,151,723	2,994,712	1,442,200	1,000
Cost of Goods Sold		3,137,406	638,319	3,112,731	3,753,123	1,842,841	3,481
Administrative Service Charge		(123,167)	(173,44)	(1,252,622)	(1,277,114)	(1,207,71)	(1,211,702)
Income on Sales		3,322,388	(572,511)	3,486,370	2,964,475	1,791,648	2,514,797
Expense Charge to Cost of Goods Sold							
Provision for Bad Debts & Service Expense	701-01		6,000			6,000	
Provision for Research Development Costs	701-02		1,173,000			1,173,000	
Provision for Liabilities	701-03		38,600			38,600	
Operating Income		2,192,721	(567,511)	2,233,748	2,687,361	(87,193)	2,513,095
Other Income							
Interest Income - Notes Receivable	811-02						
Interest Income - Other	811-03		1,997			1,997	
Gain or Loss on Disposal of Capital Assets	812-00						
Foreign Income	815-01		4,124,939			4,124,939	
Foreign Taxes Withheld on Income	815-01-1		(1,124,932)			(1,124,932)	
Dividend Income	815-04						
Foreign Taxes Withheld on Dividend Income	815-04-1						
Miscellaneous Income	815-09		42,200			42,200	
Other Charges							
Interest Expense	841-09						
Foreign Taxes Withheld on Payment of							
Sales Invoices	841-01		72,000			72,000	
Interest on Foreign Debt	841-02		1,224,000			1,224,000	
Miscellaneous	841-03		(1,224,000)			(1,224,000)	
Loss on Bad Debts	845-10						
Provision for International Taxes	701-04						
Provision for Corporate Financing	701-05						
Income Before Textron Charges		2,192,721	(567,511)	2,233,748	2,687,361	(87,193)	2,513,095
Other Deductions							
Administrative Service Charge		5,111,719	1,173,000	12,127,498	12,000,000	1,400,000	2,513,095
Net Worth Capital Charge		2,192,721	1,173,000	2,233,748	2,687,361	(87,193)	2,513,095
Net Income for period		2,192,721	(567,511)	2,233,748	2,687,361	(87,193)	2,513,095
Provision for Australian Income Tax							
Net Income After Taxes							
Net Income Prior Periods							
Net Income Year to Date		2,192,721	(567,511)	2,233,748	2,687,361	(87,193)	2,513,095

ACCRUAL GENERAL LEDGER		JUN 1974 - FINAL			07-16-74	
ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT	
ACCRUED EMPLOYEES ACTIVITY FUND						
	36385	106,654.74-	BAL FWD	58,165.82-		
	36385	22,338.23-	101 03	42,811.05-	138,656.12-	
	36385	308.50-	106 01	87.50-	535.00-	
	36385	111,462.00	204 01	2,144.00	127,157.50	
	36385	40,326.35-	501 07	17,214.13-	99,100.88-	
	36385		901		5,000.00-	
	36385	48,488.92	MO TOTAL	57,968.68-		
	36385	58,165.82-	GL TOTAL	116,134.50-	116,134.50-	
RESERVE FOR CONTINGENCIES						
	36386	3,884,358.50-	BAL FWD	3,881,843.50-		
	36386	2,515.00	116 01	3,147.50	16,355.00	
	36386		422 11	875,000.00	875,000.00	
	36386	2,515.00	MO TOTAL	878,147.50		
	36386	3,881,843.50-	GL TOTAL	3,003,696.00-	891,355.00	
ACCRUED SELF INSURANCE EXPENSE						
	36387	203,049.15-	BAL FWD	206,560.81-		
	36387		101		5,000.00-	
	36387	3,511.66-	119 03	158,285.00-	177,763.32-	
	36387		204		42,286.50	
	36387		530		308.37	
	36387	3,511.66-	MO TOTAL	158,285.00-		
	36387	206,560.81-	GL TOTAL	364,845.81-	140,168.45-	
RESERVE FOR PRODUCT DEVELOPMENT						
	36388	24,649,870.47-	BAL FWD	24,747,418.64-		
	36388	444,352.00-	523 10	588,342.00-	2,493,353.00-	
	36388	27,210.60-	530		25,206.51-	
	36388	359,014.43	540 11	719,676.01	2,197,499.43	
	36388	15,000.00	569 07	25,000.00	150,000.00	
	36388		575 02	113,789.00	113,789.00	
	36388		582		4,339.12-	
	36388	97,548.17-	MO TOTAL	270,123.01		
	36388	24,747,418.64-	GL TOTAL	24,477,295.63-	61,610.20-	

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REPORT NO. 3202-045 REPORT TITLE GENERAL LEDGER JUN 1974 - FINAL

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ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
OTHER SELLING EXPENSE					
	70100	.00	BAL FWD	.00	
	70100		148		1,500,000.00-
	70100		214 01	1,000,000.00	1,000,000.00
	70100		422 11	500,000.00	500,000.00-
	70100	.00	MO TOTAL	500,000.00	
	70100	.00	GL TOTAL	500,000.00	1,000,000.00-
HELICOPTER SALES AND SERVICE EXPENSE					
	70101	643,727.34	BAL FWD	805,638.54	
	70101	19.16	115 03	7.45	
	70101		115 10	69.00-	4.76
	70101	7,100.00	118 01	8,900.00	46,200.00
	70101	3,018.33	119 03	153,395.00	170,315.00
	70101	2,866.05	144 02	2,084.33	12,611.85
	70101		148		1,660,057.42-
	70101	75,094.67	405 14	112,920.55	524,781.40
	70101	222.36	417 01	193.52	1,062.62
	70101	2,401.77	418 14	2,975.20	14,522.63
	70101		420		7,399.36-
	70101	21,991.75	513 11	32,525.45	
	70101		513 14		150,804.70
	70101	49,197.11	530 11	54,398.17	273,136.75
	70101	161,911.20	MO TOTAL	380,401.81	
	70101	805,638.54	GL TOTAL	1,186,040.35	474,017.07-
PROVISION FOR PRODUCT DEVELOPMENT COSTS					
	70102	1,460,659.00	BAL FWD	1,905,011.00	
	70102		148		4,938,710.00-
	70102	444,352.00	523 10	588,342.00	2,493,353.00
	70102	444,352.00	MO TOTAL	588,342.00	
	70102	1,905,011.00	GL TOTAL	2,493,353.00	2,445,357.00-
PROVISION FOR DISALLOWED CPFF COSTS					
	70103	100,000.00	BAL FWD	155,000.00	
	70103		148		495,000.00-
	70103	55,000.00	409 01	55,000.00	210,000.00

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ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH REFERENCE AMOUNT	J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
ACCOUNTS PAYABLE - VENDORS					
	33101	6,061,057.07-	BAL FWD	6,195,927.49-	
	33101	4,433.97-	101 03	45,937.64-	161,854.08-
	33101	2,342,203.61-	102 03	25,927,327.38	
	33101		102 11	28,285,164.13-	9,794,695.19-
	33101	95,637.48	123 07	135,877.40	869,347.79
	33101	6.70-	138		16.40-
	33101	7,356,721.81-	201 01	8,621,694.10-	38,545,780.32-
	33101	12,630.22-	204 01	3,562.00	57,061.35-
	33101	7,318,400.43	205 01	7,356,721.81	32,638,724.04
	33101	293,755.24	206 01	349,929.21	1,932,884.58
	33101	257,636.28	207 01	171,148.77	1,121,606.36
	33101	743,252.29	208 01	600,452.00	3,221,632.34
	33101	875,279.10	210 01	987,492.51	4,204,266.33
	33101	50,460.22-	216 01	43,763.77-	360,811.30-
	33101	60,385.40	217 01	50,460.22	336,380.62
	33101	12,760.11-	225 02	10,040.72-	11,540.18-
	33101	134,870.42-	MU TOTAL	1,363,629.36-	
	33101	6,195,927.49-	GL TOTAL	7,559,556.55-	4,606,916.76-
ACCOUNTS PAYABLE - UNRECORDED LIABILITIES					
	33102	10,327,333.66-	BAL FWD	10,022,733.54-	
	33102	149			75,000.00-
	33102	8,498,325.20-	202 06	8,608,028.67-	50,544,625.26-
	33102	8,749,729.37	203 01	8,498,325.20	51,627,151.15
	33102	155,644.06-	212 02	566,642.35-	1,525,751.83-
	33102	173,660.55	213 01	155,644.06	1,217,992.79
	33102	901,219.09-	214 01	1,340,668.38	4,339,195.89-
	33102	434,071.23	215 01	901,219.09	4,299,289.45
	33102	186,097.60-	218 02	308,946.37-	1,998,494.27-
	33102	569,715.92	219 01	186,097.60	2,129,341.15
	33102	176,982.00-	413 14	262,219.00-	1,834,439.00-
	33102	295,691.00	414 01	176,982.00	1,917,237.83
	33102		633		36,248.00
	33102		705 10	.00	30,555.62-
	33102		901		5,000.00
	33102	304,600.12	MO TOTAL	1,174,236.82-	
	33102	10,022,733.54-	GL TOTAL	11,196,970.36-	884,198.50

JUL 1974 - FINAL

ACCOUNT CODE	PRIOR MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YTD BALANCE J.V. LIST
OTHER SELLING EXPENSE				
70100	.00	BAL FWD	500,000.00	
70100		148		1,500,000.00-
70100		204 01	4,000,000.00	1,000,000.00
70100	1,000,000.00	214		1,000,000.00
70100		215 01	1,000,000.00-	1,000,000.00-
70100	500,000.00-	422		500,000.00-
70100	500,000.00	MO TOTAL	.00	
70100	500,000.00	GL TOTAL	500,000.00	1,000,000.00-
HELICOPTER SALES AND SERVICE EXPENSE				
70101	805,638.54	BAL FWD	1,186,040.35	
70101	61.55-	115 07	32.74	37.50-
70101	8,900.00	118 06	3,800.00	50,000.00
70101	153,395.00	119 06	2,780.00	173,095.00
70101	2,084.33	144 06	1,761.80	14,373.65-
70101		148		1,650,057.42-
70101	112,920.55	405 12	64,216.71	588,993.11
70101	193.52	417 11	255.05	1,317.67
70101	2,975.20	418 12	2,275.43	16,793.06
70101		420		7,399.36-
70101	45,596.59	513 12	20,730.02	171,534.72-
70101	54,398.17	530 11	20,928.31	294,065.06
70101	380,401.81	MO TOTAL	116,780.06	
70101	1,186,040.35	GL TOTAL	1,302,820.41	357,237.01-
PROVISION FOR PRODUCT DEVELOPMENT COSTS				
70102	1,905,011.00	BAL FWD	2,493,353.00	
70102		148		4,938,710.00-
70102	588,342.00	523 12	271,042.00	2,754,395.00-
70102	588,342.00	MO TOTAL	271,042.00	
70102	2,493,353.00	GL TOTAL	2,764,395.00	2,174,315.00-
PROVISION FOR DISALLOWED CPFF COSTS				
70103	155,000.00	BAL FWD	165,000.00-	
70103		148		495,000.00-
70103	55,000.00	409 07	55,000.00	265,000.00-

ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH REFERENCE AMOUNT	J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
ACCOUNTS PAYABLE - VENDORS					
	33101	6,195,927.49-	BAL FWD	7,559,556.55-	
	33101	45,937.64-	101 06	5,612.08-	167,466.16-
	33101	2,357,836.75-	102 06	24,650,237.30	
	33101		102 11	26,204,804.17-	11,349,262.06-
	33101	135,877.40	123 10	143,618.95	1,012,966.74
	33101		138		10.40-
	33101	8,621,694.10-	201 01	6,679,452.23-	45,225,232.55-
	33101	3,552.00	204 01	10.00-	57,071.35-
	33101	7,356,721.81	205 01	8,621,694.10	41,250,418.16
	33101	349,929.21	206 02	218,652.59	2,151,537.17
	33101	171,146.77	207 02	205,675.45	1,327,281.01
	33101	660,452.00	208 02	1,065,452.46	4,287,084.80
	33101	987,492.51	210 01	904,935.59	
	33101		210 02	694,950.16	5,804,152.08
	33101	43,763.77-	216 01	39,371.69-	400,182.99-
	33101	50,460.22	217 01	43,763.77	330,144.39
	33101	10,040.72-	225 01	28,454.78	
	33101		225 03	45,631.66	
	33101		225 07	412.16	62,928.42
	33101	1,363,629.06-	MO TOTAL	3,694,193.80	
	33101	7,559,556.55-	GL TOTAL	3,865,357.75-	912,717.96-
ACCOUNTS PAYABLE - UNRECORDED LIABILITIES					
	33102	10,022,733.54-	BAL FWD	11,196,970.36-	
	33102		149		75,000.00-
	33102	8,608,028.67-	202 07	12,072,527.94-	62,617,153.20-
	33102	8,498,325.20	203 01	8,608,028.67	60,235,179.82
	33102	566,642.35-	212 07	339,249.00-	
	33102		212 12	3,445.59-	1,888,446.42-
	33102	155,644.06	213 02	566,642.35	1,784,635.14-
	33102	1,346,668.38-	214 03	673,759.93-	4,947,655.82-
	33102	901,219.09	215 01	1,346,668.38	5,645,957.83
	33102	308,946.37-	218 01	694,950.16-	
	33102		218 07	145,584.82-	
	33102		218 11	6,810.00-	2,845,639.25-
	33102	186,097.60	219 02	308,946.37	2,438,287.52
	33102	262,219.00-	413 12	323,904.00-	2,158,343.00-
	33102	176,982.00	414 07	262,219.00	2,179,456.83

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GENERAL LEDGER

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ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
<i>July - 70100</i>	33102		633		36,248.00
	33102		705 12	.00	30,555.62
	33102		901		5,000.00
	33102	1,174,236.82-	MO TOTAL	3,102,226.67-	
	33102	11,196,970.36-	GL TOTAL	14,299,197.03-	2,218,028.17-
ACCOUNTS PAYABLE - CONSIGNOR					
	33103	75,339.64-	BAL FWD	75,339.64-	
	33103		301 10	5,235.85-	87,108.18-
	33103		633 10	5,235.85	37,432.45-
	33103	.00	MO TOTAL	.00	
	33103	75,339.64-	GL TOTAL	75,339.64-	49,675.73-
ACCOUNTS PAYABLE - VENDORS - VOUCHERED AND PAID					
	33104	.00	BAL FWD	.00	
	33104	28,285,164.13	102 11	26,204,804.17	162,030,367.73
	33104	28,285,164.13-	204 01	26,204,804.17-	162,030,367.73-
	33104	.00	MO TOTAL	.00	
	33104	.00	GL TOTAL	.00	.00-
	331	18,831,866.55-	SUB TTL	18,239,894.42-	

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ACCOUNT TITLE ACCOUNT CODE PRIOR MONTH AMOUNT REFERENCE J.V. LIST CURRENT MONTH AMOUNT YEAR TO DATE J.V. AMOUNT

		DEC 1974 - FINAL		CMT-REF / STAT / PROC PAGE 01-22-75 170	
ACCOUNT TITLE	ACCOUNT CODE	PRIOF MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
OTHER SELLING EXPENSE					
	70100	500,000.00	BAL FWD	500,000.00	
	70100		148		1,500,000.00-
	70100		204		1,000,000.00
	70100		214		1,000,000.00
	70100		215		1,000,000.00-
	70100		422		500,000.00-
	70100		582 17	500,000.00-	500,000.00
	70100	.00	MO TOTAL	500,000.00	
	70100	500,000.00	GL TOTAL	1,000,000.00	500,000.00-
HELICOPTER SALES AND SERVICE EXPENSE					
	70101	1,927,852.87	BAL FWD	2,173,146.38	
	70101		115 09	167.00	281.66
	70101	7,620.00	118 13	14,158.04	96,528.04
	70101	2,830.00	119 04	2,830.00	105,815.00
	70101	1,015.47	144 17	1,849.90	21,541.92
	70101		148		1,660,057.42-
	70101	157,193.27	405 16	80,185.77	1,200,760.65
	70101	189.07	417 16	365.62	2,520.74
	70101	2,377.92	418 16	1,802.56	22,815.39
	70101		420		7,359.26-
	70101	23,698.99	513 06	4,497.72	
	70101		513 17	8,707.25	283,274.73
	70101	52,257.79	530 17	50,262.64	537,776.94
	70101	1,985.00-	540		11,951.83-
	70101		582 04	447,000.00-	
	70101		582 17	557,000.00-	110,000.00-
	70101	245,293.51	MO TOTAL	54,827.50	
	70101	2,173,146.38	GL TOTAL	2,227,973.88	567,916.46
PROVISION FOR PRODUCT DEVELOPMENT COSTS					
	70102	4,243,768.00	BAL FWD	4,762,399.00	
	70102		145		4,938,710.00-
	70102	518,631.00	523 09	522,193.00	5,284,592.00
	70102	518,631.00	MO TOTAL	522,193.00	
	70102	4,762,399.00	GL TOTAL	5,284,592.00	345,882.00

REPORT NO. 3202-045
 REPORT TITLE GENERAL LEDGER

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ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH REFERENCE AMOUNT	J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
RESERVE FOR CONTINGENCIES					
	36386	1,543,003.50-	BAL FWD	1,360,488.50-	
	36386	2,515.00	116 04	3,147.50	32,710.00
	36386	180,000.00	204 02	90,000.00-	
	36386		204 04	90,000.00	
	36386		204 10	180,000.00-	
	36386		204 13	90,000.00	90,000.00
	36386		422		875,000.00
	36386		575		1,450,000.00
	36386		582 04	447,000.00-	447,000.00-
	36386	182,515.00	MO TOTAL	533,852.50-	
	36386	1,360,488.50-	GL TOTAL	1,294,341.00-	2,000,710.00
ACCRUED SELF INSURANCE EXPENSE					
	36387	393,665.81-	BAL FWD	379,695.81-	
	36387		101		5,000.00-
	36387	13,970.00	119 04	3,080.00-	195,695.32-
	36387		204		42,286.50
	36387		530		308.37
	36387		540 19	31,173.94	31,173.94
	36387	13,970.00	MO TOTAL	28,093.94	
	36387	379,695.81-	GL TOTAL	351,601.87-	126,924.51-
RESERVE FOR PRODUCT DEVELOPMENT					
	36388	24,007,492.81-	BAL FWD	23,004,745.17-	
	36388		513 17	4,814.60	4,814.60
	36388	518,631.00-	523 09	522,183.00-	5,284,592.00-
	36388	461,913.97	530 17	278,973.40	1,450,122.42
	36388		540 09	1,415,000.00	
	36388		540 17	1,176,148.40	6,196,424.09
	36388	60,000.00	569 06	50,000.00	340,000.00
	36388		575		113,789.00-
	36388	999,464.67	580 13	1,552,676.89	
	36388		580 17	260.45-	2,551,881.11
	36388		582		4,339.12-
	36388		583 17	567,075.39	567,075.39
	36388	1,002,747.64	MO TOTAL	4,524,235.23	
	36388	23,004,745.17-	GL TOTAL	18,480,509.54-	5,935,175.49

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PAYMENT	ACCOUNT	PRIOR MONTH REFERENCE	CURRENT MONTH	
	CODE	AMOUNT J.V. LIST	AMOUNT	J.V. LIST
OTHER SELLING EXPENSE	70100	.00 BAL FWD	500,000.00	
	70100	148		1,500,000.00-
	70100	204 01	1,000,000.00	1,000,000.00-
	70100	1,000,000.00 214		1,000,000.00-
	70100	215 01	1,000,000.00-	1,000,000.00-
	70100	500,000.00 422		500,000.00-
	70100	500,000.00 MD TOTAL	.00	
	70100	500,000.00 GL TOTAL	500,000.00	1,000,000.00-
HELICOPTER SALES AND SERVICE EXPENSE	70101	805,638.54 BAL FWD	1,186,040.35	
	70101	61.55- 115 07	32.74	37.50-
	70101	8,900.00 118 06	3,800.00	50,000.00-
	70101	153,395.00 119 06	2,780.00	173,095.00-
	70101	2,084.53 144 06	1,761.80	14,373.65-
	70101	148		1,650,057.42-
	70101	112,920.55 405 12	64,216.71	588,993.11-
	70101	193.52 417 11	255.05	1,317.07-
	70101	2,975.20 418 12	2,275.43	16,793.06-
	70101	420		7,399.36-
	70101	45,596.59 513 12	20,730.02	171,534.72-
	70101	54,398.17 530 11	20,929.31	294,065.06-
	70101	380,401.81 MD TOTAL	116,780.06	
	70101	1,186,040.35 GL TOTAL	1,302,820.41	357,237.01-
PROVISION FOR PRODUCT DEVELOPMENT COSTS	70102	1,905,011.00 BAL FWD	2,493,353.00	
	70102	148		4,938,710.00-
	70102	588,342.00 523 12	271,042.00	2,764,395.00-
	70102	588,342.00 MD TOTAL	271,042.00	
	70102	2,493,353.00 GL TOTAL	2,764,395.00	2,174,315.00-
PROVISION FOR DISALLOWED CPFF COSTS	70103	155,000.00 BAL FWD	165,000.00-	
	70103	148		495,000.00-
	70103	55,000.00 409 07	55,000.00	265,000.00-

REPORT NO. 3202-345
 REPORT TITLE GENERAL LEDGER

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ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH REFERENCE AMOUNT	J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
	33102		633		36,248.00
	33102		705 12	.00	30,555.62-
	33102		901		5,000.00
	33102	1,174,236.82-	MO TOTAL	3,102,226.67-	
	33102	11,196,970.36-	GL TOTAL	14,299,197.03-	2,218,028.17-
ACCOUNTS PAYABLE - CONSIGNOR					
	33103	75,339.64-	BAL FWD	75,339.64-	
	33103		301 10	5,235.85-	87,108.18-
	33103		633 10	5,235.85	37,432.45-
	33103	.00	MO TOTAL	.00	
	33103	75,339.64-	GL TOTAL	75,339.64-	49,675.73-
ACCOUNTS PAYABLE - VENDORS - VOUCHERED AND PAID					
	33104		.00 BAL FWD	.00	
	33104	28,285,164.13	102 11	26,204,804.17	162,030,367.73
	33104	28,285,164.13-	204 01	26,204,804.17-	152,030,367.73-
	33104	.00	MO TOTAL	.00	
	33104	.00	GL TOTAL	.00	.00-
	331	18,831,866.55-	SUB TTL	18,239,894.42-	

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ACCOUNT NAME	ACCRUAL		FACTORY LEDGER				GENERAL LEDGER			
	ACCOUNT OR WORKORDER	EC	DEBIT		CREDIT	ACCOUNT	DEBIT		CREDIT	
F. L. C. - Model 204						16202			2 301 444	
F. L. C. - Model 206						16204	550 256 67			
F. L. C. - Model 204 Misc.						16206	497 559 81			
C/S - Helic. Mod. 204/205 Govt.						61106	2 233 575 00			
C/S - Spares Mod. 204/205 Govt.						61111	1 499 745 97			
C/S - Spares Mod. 206 Govt.						61112	673 666 33			
C/S - Misc. Mod. 204/205 Govt.						61116			9 249	
C/S - Helic. Mod. 206 Govt. Intl.						61123			175 000 00	
C/S - Spares Foreign Govt.						61135			318 073 00	
C/S - Helic. Mod. 204 Comml.						61152	76 024 00			
C/S - Helic. Mod. 212 - Comml.						61152-1			486 019 00	
C/S - Helic. Mod. 206A - Comml.						61153			210 761 00	
C/S - Spares Mod. 204 - Comml.						61164			71 100 00	
C/S - Spares Mod. 206A Comml.						61165			175 000 00	
C/S - Access. Modl. 206 Comml.						61172			277 200 00	
C/S - Mod. 204/205 Sales Intl.						61186	162 034 00			
EXPLANATION						PREPARED BY				
						VERIFIED BY				
						APPROVED BY				

PAYMENT



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DATE 6-30-75

AV. NO. 6-204

ACCOUNT NAME	FACTORY LEDGER				GENERAL LEDGER			
	ACCOUNT OR SOURCE CHECK	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT		
Riggs National Bank - General Account				11109	1 656 23			
Accounts Receivable - Gov't				13101	49 221 31			
Expenditures to be reimbursed under gov't cost type contracts				13102	110 869 71			
Expenditures to be reimbursed under gov't cost type contracts				13103	1 629 093 07			
Accounts Receivable - Commercial				13110	498 051 67			
Interdivisional Account - Amarillo Facility				14101 3	431 16			
Accounts Receivable - Bell Helicopter Div. of Textron Atlantic Belgium S.A.				14101 5	33 250 14			
Bell raw material and purchased parts - common				16101	2 321 117 85			
Variance applicable to raw material and purchased parts in Account 16101				16102	12 890 68			
Castings, Forgings, AN & Vendor Parts - All Models				16103	3 645 923 15			
EXPLANATION				PREPARED BY				
				VERIFIED BY				
				APPROVED BY				

7804-11-000 REV. 504

GENERAL ACCOUNTING



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ACCOUNT NAME	FACTORY LEDGER				GENERAL LEDGER			
	ACCOUNT OR WORK ORDER	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT		
Variance applicable to material in Account 16103				16104	38 942 80		>	
Commercial Engine Inventory				16109	3 631 259 33		>	
Consignment Contra Account				16112	2 110 550 74		>	
F.L.C. Model 47 and other W.O.'s				16201	62 662 91		>	
F.L.C. Model 206 Major Military Production W.O.'s				16202	14 691 959 13		>	
F.L.C. Model 206 W.O.'s				16204	5 225 766 67		>	
F.L.C. Overhead				16205	2 260 307 88		>	
F.L.C. Model 204 Commercial & Misc. Military W.O.'s				16206	8 508 477 95		>	
F.L.C. R & D W. O. 's				16207	888 141 49		>	
F.L.C. B & P W. O. 's				16208	29 522 65		>	
Helicopter Model 47 Finished Parts - Production Inventory				16211	486 022 37		>	
Suspense - Factory Ledger				16220	378 372 56		>	
AN-Vendor-Industry-Standard Parts - Spares				16303	1 404 639 77		>	
EXPLANATION					PREPARED BY			
					VERIFIED BY			
					APPROVED BY			

704-10-00 REV. 6-64

GENERAL ACCOUNTING



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DATE 6-30-75

J.V. NO. 6-204 Pg. 3

ACCOUNT NAME	ACCOUNT OR WORK ORDER	FACTORY LEDGER		GENERAL LEDGER		
		DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT
Perishable Tools - Bell Owned				16801	165 903 31	
Returnable Containers				16802		3 205 17
Prepaid Insurance Premiums - General Insurance				18101 1	20 000 00	
Prepaid Rent - Real Estate				18103	67 878 80	
Accounts Receivable - Employees				19101 1	3 490 61	
Advance for Travel and other expenses				19101 2	1 000 00	
Freight & Insurance Claims Receivable				19102		935 48
Machinery and Equipment				26104	4 667 65	
Portable Tools				26105	1 772 90	
Automobiles, Trucks & Equip.				26106	23 507 05	
Office & Photographic Equip.				26107 1	31 285 61	
Engineering Furniture and Office Equip.				26107 2	3 150 00	
Engineering Test Equip.				26107 3	145 321 86	
EXPLANATION	PREPARED BY					
	VERIFIED BY					
	APPROVED BY					

1964-65-100 REV. 6-68

GENERAL ACCOUNTING



JOURNAL VOUCHER

DATE 6-30-75 TV NO. 6-204

ACCOUNT NAME	FACTORY LEDGER				GENERAL LEDGER			
	ACCOUNT OR WORK ORDER	EC	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT	
Office Furniture					26107 5	2 268 43		
Suspense Equipment in Construction					26109	1 005 524 79		
Cafeteria Equipment					3420	1 637 18		
Accounts Payable - Vendors Vouchered					3101	51 799 40		
Accounts Payable - Vendors Vouchered or Paid					3104		51 237 539 45	
Accrued Payrolls - Western Division					6301 2	862 726 34		
Accrued Bonuses Payable Commercial Salesmen					6301 3	84 536 79		
Accrued Supplemental Un- employment Benefits					6319	58 985 99		
Accrued Tooling Rentals - Commercial					6320 3	161 486 32		
Accrued Tooling Rental R&D Recovery and Foreign					6320 4	27 500 00		
Accrued Tooling Rental R&D Recovery T-53 Engine Foreign					6320 5	9 252 00		
EXPLANATION					PREPARED BY			
					VERIFIED BY			
					APPROVED BY			

1284-5385 REV. 6-64

GENERAL ACCOUNTING

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ACCOUNT NAME	FACTORY LEDGER					GENERAL LEDGER		
	ACCOUNT OR WORK ORDER	EC	DEBIT	CREDIT	ACCOUNT	DEBIT	CREDIT	
Accrued Legal Fees					36331 2	267 66		
Accrued Patent Expense					36331 3	19 664 08		
Accrued Display Advertising					36345	86 788 89		
Customers Deposits					36360	30 000 00		
Accrued New York Sales Taxes					36363 3	2 585 04		
Accrued Florida Sales Tax					36363 5	57 51		
Accrued Employees Activity Fund					36385	151 331 14		
Reserve for Contingencies					36386	950 000 00		
Accrued Self Insurance Exp.					36387	4 000 00		
Sundry Accruals					36390	18 855 58		
Accrued Garnishes & Wage Assignment Deductions					36403	219 72		
Accounts Payable - Humanity Fund					36404	45 293 83		
Accrued Employee Deductions - Union Dues					36406	81 964 90		
EXPLANATION						PREPARED BY		
						VERIFIED BY		
						APPROVED BY		

FORM 10-200 REV. 664

GENERAL ACCOUNTING

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Bell Helicopter Company
 Division of Textron, Inc.
 Auditing Statement of Income for Period Ended May 31, 1972

Account	Account Number	Month of May			Year to Date		Audited
		Pt. Worth	Americillo	Consolidated	Pt. Worth	Americillo	
Net Sales		4,942,476	3,122,141	4,112,344	5,171,438	3,117,721	5,171,438
Cost of Goods Sold		(2,411,476)	(1,111,121)	(1,111,121)	(2,411,476)	(1,111,121)	(2,411,476)
Administrative Service Charge		(412,121)	(111,121)	(111,121)	(412,121)	(111,121)	(412,121)
Income on Sales		2,118,879	900,900	1,890,102	2,347,841	895,480	2,347,841
Other Charges to Cost of Goods Sold							
Helicopter Sales & Service Expense	701-01	(111,121)	(111,121)	(111,121)	(111,121)	(111,121)	(111,121)
Foreign Sales Expense	701-02	(111,121)	(111,121)	(111,121)	(111,121)	(111,121)	(111,121)
Provision for Disallowed Costs	701-03	(111,121)	(111,121)	(111,121)	(111,121)	(111,121)	(111,121)
Operating Income		1,785,637	567,538	1,556,760	2,004,579	562,127	2,004,579
Other Income							
Interest Income - Notes Receivable	822-22						
Interest Income - Other	821-03				331,121		331,121
Gain or Loss on Disposal of Capital Assets	822-00						
Foreign Income	822-01				(111,121)		(111,121)
Foreign Taxes Withheld on Income Income	822-02				(111,121)		(111,121)
Dividend Income	822-04						
Foreign Taxes Withheld on Dividend Income	822-05						
Accrual Income	822-09						
Other Changes							
Interest Expense	841-09	(111,121)	(111,121)	(111,121)	(111,121)	(111,121)	(111,121)
Interest on Debt	841-04	(111,121)	(111,121)	(111,121)	(111,121)	(111,121)	(111,121)
Provision for Taxes Withheld on Payment of Sales Invoices	841-03						
Miscellaneous Changes	841-09						
Provision for Federal Financing	701-14	(111,121)	(111,121)	(111,121)	(111,121)	(111,121)	(111,121)
Income Before Textron Charges		1,674,516	456,417	1,445,639	1,893,458	451,006	1,893,458
Other Deductions							
Administrative Service Charge		(111,121)	(111,121)	(111,121)	(111,121)	(111,121)	(111,121)
Net Worth Capital Charge		(111,121)	(111,121)	(111,121)	(111,121)	(111,121)	(111,121)
Net Income for Period		1,452,274	234,175	1,223,397	1,671,216	228,764	1,671,216
Provision for Australian Income Tax							
Net Income After Taxes		1,452,274	234,175	1,223,397	1,671,216	228,764	1,671,216
Net Income Prior Periods							

Bell Helicopter Company
 Division of Textron, Inc.
 Statement of Income for Period Ended 7/31/68, 1976

Account Number	Month of			Year to Date		
	Pe. Month	Amesillo	Combined	Pe. Month	Amesillo	Combined
1. Net Sales	2,221,415.00	2,742,761	4,964,176.01	2,221,415.00	2,742,761	4,964,176.01
2. Cost of Goods Sold	1,537,098.46	2,079,811	3,616,909.52	1,537,098.46	2,079,811	3,616,909.52
3. Administrative Service Charge	2,581,468.00	1,111,000	3,692,468.00	2,581,468.00	1,111,000	3,692,468.00
4. Income on Sales	684,316.54	662,950	1,347,266.54	684,316.54	662,950	1,347,266.54
5. Other Charges to Cost of Goods Sold						
6. Other Selling Expense	701-00			1,000,000.00		
7. Helicopter Sales & Service Expense	701-01	2,581,468.00		2,581,468.00		
8. Foreign Selling Expense	701-02	1,111,000.00		1,111,000.00		
9. Provision for Product Development Costs	701-02	1,111,000.00		1,111,000.00		
10. Provision for Disallowed Costs	701-03			1,000,000.00		
11. Operating Income		2,221,415.00	2,742,761	4,964,176.01	2,742,761	4,964,176.01
12. Other Income						
13. Interest Income - Other	821-03	5,000.00		5,000.00		
14. Gain or Loss on Disposal of Capital Assets	822-00					
15. Royalty Income	829-01-1	2,201,462.25		2,201,462.25		
16. Foreign Taxes Withheld on License Income	829-01-2			1,730,117.33		
17. Miscellaneous Income	829-09	2,171.00		2,171.00		
18. Other Charges						
19. Interest Expense	841-09			7,000,000.00		
20. Intercompany Profit in Inventory	701-06	4,411,557.00		4,411,557.00		
21. Foreign Taxes Withheld on Payment of Sales Invoices	849-03			1,000,000.00		
22. Miscellaneous Charges	849-09	1,140,000.00		1,140,000.00		
23. DISC Corporation Expense	849-0A	2,150,000.00		2,150,000.00		
24. Loss on Bad Debts	847-10	2,111,111.11		2,111,111.11		
25. Interest on Indenture/Expense						
26. Provision for Commercial Financing	701-04	1,111,111.11		1,111,111.11		
27. Income Before Taxation Charges		2,207,462.25	6,892	2,214,354.25	6,892	2,221,246.25
28. Other Deductions						
29. Administrative Service Charge		2,207,462.25	6,892	2,214,354.25	6,892	2,221,246.25
30. Net Worth Capital Charge						
31. Net Income for Period		1,111,111.11	6,892	1,118,003.11	6,892	1,124,895.11
32. Net Income Prior to Period						

ACCRUAL REPORT TITLE
GENERAL LEDGER

MAY 1975 - FINAL

CUT-OFF /DATE/ PROC PAGE
06-09-75 138

ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
OTHER SELLING EXPENSE					
	70100	.00	BAL FWD	.00	
	70100		152		1,000,000.00
	70100		530 10	450,000.00	450,000.00
	70100	.00	NO TOTAL	450,000.00	
	70100	.00	GL TOTAL	450,000.00	550,000.00
HELICOPTER SALES AND SERVICE EXPENSE					
	70101	604,416.34	BAL FWD	791,406.08	
	70101		137.00- 115 07	21.00	24.00
	70101	8,350.00	118 06	8,350.00	43,640.00
	70101	2,830.00	119 07	2,830.00	14,150.00
	70101	1,220.52	144 02	1,239.17	5,728.84
	70101		152		2,227,073.88
	70101	97,760.17	405 12	119,608.44	518,114.76
	70101	23,924.22	513 11	24,456.18	138,796.82
	70101	53,041.83	530 11	47,648.23	
	70101		530 12	26.40	274,941.08
	70101		540 11	26.40	
	70101		540 12	26.40	.00
	70101	186,989.74	NO TOTAL	306,179.42	
	70101	791,406.08	GL TOTAL	995,585.50	1,232,388.38
PROVISION FOR PRODUCT DEVELOPMENT COSTS					
	70102	1,834,866.00	BAL FWD	2,580,541.00	
	70102		152		5,284,592.00
	70102	745,675.00	523 12	664,253.00	3,244,794.00
	70102	745,675.00	NO TOTAL	664,253.00	
	70102	2,580,541.00	GL TOTAL	3,244,794.00	2,039,798.00
PROVISION FOR DISALLOWED CPFF COSTS					
	70103	.00	BAL FWD	.00	
	70103		152		198,530.00
	70103		153		100,000.00
	70103		409		100,000.00
	70103		409		100,000.00
	70103	.00	NO TOTAL	.00	

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REPORT NO.	REPORT TITLE	MAY 1975 - FINAL		CUT-OFF /DATE/ PROC	PAGE
3202-045	GENERAL LEDGER			06-09-75	88
ACCOUNT TITLE	ACCOUNT CODE	PRIOR MONTH AMOUNT	REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
	36365-2	.00	MO TOTAL	.00	
	36365-2	.00	GL TOTAL	.00	.00
ACCRUED EMPLOYEES ACTIVITY FUND					
	36385	72,024.17-	BAL FWD	84,675.05-	
	36385	16,840.38-	101 06	11,720.83-	95,376.53-
	36385		106 10	702.50-	765.50-
	36385	4,189.50	204 01	1,300.00	76,226.50
	36385		501 07	64,372.50-	72,277.35-
	36385		902		67,978.00-
	36385	12,650.88-	MO TOTAL	75,495.83-	
	36385	84,675.05-	GL TOTAL	160,170.88-	160,170.88-
RESERVE FOR CONTINGENCIES					
	36386	1,883,521.00-	BAL FWD	1,880,191.00-	
	36386	3,330.00	116 07	3,330.00	17,480.00
	36386		530 10	117,000.00-	117,000.00-
	36386	3,330.00	MO TOTAL	119,070.00-	
	36386	1,880,191.00-	GL TOTAL	1,993,861.00-	99,520.00-
ACCRUED SELF INSURANCE EXPENSE					
	36387	349,309.45-	BAL FWD	353,672.60-	
	36387	7,905.00-	119 07	7,520.00-	29,515.00-
	36387	1,500.00	204		11,500.00
	36387	2,041.85	530 11	2,424.66	10,848.93-
	36387	4,363.15-	MO TOTAL	5,095.34-	
	36387	353,672.60-	GL TOTAL	358,767.94-	7,166.07-
RESERVE FOR PRODUCT DEVELOPMENT					
	36388	18,955,558.61-	BAL FWD	19,436,911.14-	
	36388	745,675.00-	523 12	644,253.00-	3,244,794.00-
	36388	709,322.47	530 11	301,671.20-	
	36388		530 10	2,774.00-	1,720,226.00-
	36388		530 07	4,000.00-	1,720,226.00-

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PAYMENT REPORT
GENERAL LEDGER

JUN 1975 - FINAL

07-11-75 '72

ACCOUNT TITLE	ACCOUNT CODE	PRIOE MONTH REFERENCE	CURRENT MONTH	YEAR TO DATE
		AMOUNT J.V. LIST	AMOUNT	J.V. AMOUNT
UNCLAIMED WAGES				
	36365-2	.00 BAL FWD	.00	
	36365-2	.00 NO TOTAL	.00	
	36365-2	.00 GL TOTAL	.00	.00
ACCURED EMPLOYEES ACTIVITY				
FUND	36385	84,675.05- BAL FWD	100,170.88-	
	36385	11,720.83- 101 03	51,052.00-	146,428.53-
	36385	702,50- 106 03	252.50-	1,018.00-
	36385	1,300.00 204 01	151,331.14	227,557.64
	36385	64,372.50- 501 07	141,775.50-	214,052.85-
	36385	.902		67,978.00
	36385	75,495.83- NO TOTAL	41,748.66-	
	36385	160,170.88- GL TOTAL	201,919.74-	201,919.74-
RESERVE FOR CONTINGENCIES				
	36386	1,880,191.00- BAL FWD	1,993,861.00-	
	36386	3,330.00 116 06	4,160.00	21,640.00
	36386	204 01	950,000.00	950,000.00
	36386	117,000.00- 530		117,000.00-
	36386	113,670.00- NO TOTAL	954,160.00	
	36386	1,993,861.00- GL TOTAL	1,024,701.00-	854,640.00
ACCURED SELF INSURANCE EXPENSE				
	36387	353,672.60- BAL FWD	358,767.94-	
	36387	7,520.00- 119 06	2,175.00-	31,690.00-
	36387	204 01	4,000.00	
	36387	204 06	9,864.23	25,164.23
	36387	2,424.66 530 11	408.38	11,257.31
	36387	5,095.34- NO TOTAL	11,897.61	
	36387	358,767.94- GL TOTAL	346,870.33-	4,731.54
RESERVE FOR PRODUCT DEVELOPMENT				
	36388	19,436,911.14- BAL FWD	19,768,256.89-	
	36388	64,253.00- 523 11	1,057,637.00-	4,302,431.00-
	36388	292,997.25 530 11	316,788.02	2,103,835.07

7-75-2001 REV. 3-69

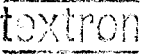
BELL HELICOPTERS

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REPORT NO. 3202-045 REPORT TITLE GENERAL LEDGER JUN 1975 - FINAL 07-11-75 85

ACCOUNT TITLE	ACCOUNT CODE	AMOUNT	PRIOR MONTH REFERENCE J.V. LIST	CURRENT MONTH AMOUNT	YEAR TO DATE J.V. AMOUNT
	33102		902		67,978.00
	33102	2,267,858.39	MO TOTAL	2,024,279.39	
	33102	18,147,030.69	GL TOTAL	16,122,751.30	423,339.02
ACCOUNTS PAYABLE - CONSIGNOR					
	33103	75,339.64	BAL FWD	75,974.56	
	33103	111,650.41	301 06	185,909.83	320,207.42
	33103	111,015.49	633 06	180,544.75	320,207.42
	33103	634.92	MO TOTAL	634.92	
	33103	75,974.56	GL TOTAL	75,339.64	.00
ACCOUNTS PAYABLE - VENDORS & VOUCHERED AND PAID					
	33104	.00	BAL FWD	.00	
	33104	45,530,474.82	102 10	51,237,539.45	259,875,680.68
	33104	45,530,474.82	204 01	51,237,539.45	259,875,680.68
	33104	.00	MO TOTAL	.00	
	33104	.00	GL TOTAL	.00	.00
	331	31,276,423.11	SUB TTL	31,395,289.91	

FOURTH SUBMISSION OF DOCUMENTS
FROM TEXTRON MARCH 2, 1978

PROVIDENCE  RHODE ISLAND
WASHINGTON OFFICE
1666 K STREET, N. W. WASHINGTON, D. C. 20006

March 2, 1978

HAND DELIVERY

The Honorable William Proxmire
Chairman, Banking, Housing and
Urban Affairs Committee
United States Senate
Washington, D. C. 20510

The Honorable Edward W. Brooke
Ranking Minority Member
Banking, Housing and
Urban Affairs Committee
United States Senate
Washington, D. C. 20510

Dear Chairman Proxmire and Senator Brooke:

Recently representatives of Bell Helicopter Textron requested of an Iranian lawyer information from the public records of Iran relative to the alleged ownership interest of General Khatemi in the Air Taxi Company. The Iranian lawyer first reported verbally to Bell Helicopter Textron that there were no references to General Khatemi having owned an interest in Air Taxi. Subsequently, the Staff report to the Senate Banking Committee stated that U. S. Embassy sources had been verbally advised that General Khatemi was Chairman of Air Taxi between 1957 and 1965. That information, seemingly at variance with the initial report from the Iranian lawyer, caused Bell to re-inquire of that lawyer about General Khatemi's relationship of record to Air Taxi.

Tuesday, February 28, 1978, after the conclusion of the hearings and upon return to Textron's Washington office, I was advised that Bell's Iranian lawyer had that day delivered documents to a Bell representative in Iran which might have a bearing on this issue. We directed that the documents be brought to Washington forthwith and they arrived in Textron's office Wednesday afternoon at approximately 4:30 P.M.

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A complete set of the documents, which are of two types, is enclosed. While the documents were received from the Iranian lawyer used by Bell, they were not accompanied by a covering or transmittal letter from the lawyer. Their authorship and the original purpose for which they were prepared are unknown to us and we do not know of their accuracy or completeness. They do not, however, appear to add or detract from the record of the hearings.

The first set of documents is a series of reports providing information about Air Taxi, its corporate purposes, its capitalization, its shareholders and/or management, its operations, capabilities, etc. These reports purport to cover a number of years during the period from 1958 to 1978, although not every year is covered. In addition, some of these reports appear to be drafts or mark-ups of earlier reports. The pages of these reports arrived serially numbered from 1 to 41. The report of 5/12/72 (pages 9 - 12) indicates Messrs. Zanganeh, Chafik and Eshoo are shareholders; this appears in other of the reports too. On pages 25, 28 and 31, all of which appear to be from a 1965 report and/or draft 1965 report concerning Air Taxi, there is a reference to the belief that "the company is supported morally by important or influential higher sources." On pages 37 and 39, which would appear to be reports from the 1962-1963 period, there is reference to a Sarlashkar Khatemi providing some technical support to Air Taxi and "who has possibly an indirect interest in this concern." On page 40 there is a reference to Mr. Mohamed Amir Khatemi as Chairman of Air Taxi. This last report is marked 1958 and would appear to be of that vintage in view of the page 40 reference to Mr. Zanganeh as 29 years old and the page 41 reference to Mr. Eshoo (Issue) as 31 years old (their respective birthdates being referred to as 1930 and 1928 in a number of these reports).

The second set of documents is in the Farsi language. These pages were received numbered sequentially 1 to 24. On them has been typed some notice, date and registration information in English; there are apparent references to ordinary and extraordinary shareholder meetings and to board meetings; and each has a cryptic English language handwritten notation such as "incorporation A.T. 18 April 1958"; "Ext. general meeting September 12, 1959 whereby notice given to all shareholders bearer shares and change to reg shares"; "Ext. general meeting increase capital from 10 M.R to 20 M.R"; etc.

The documents have come into our possession at this last minute and they are being made available to members of the Committee as promptly as possible.

Very truly yours,



Thomas D. Soutter
Vice President and General Counsel

TDS/lc

no n° 14261

date : 7/9/1338

(Nov. 29, 1959)

Ord. Gen. M. held Extra. : 28/4/1338

(July 20, 1959)

شماره ۲۸-۹-۷

انتخاب دو نفر از اعضاء هیئت
مدیره و آیین مامور عامل و
بازرس و دارنده گران حق اعضاء
در شرکت سهامی هوایرمانی
ار تاکسی که با سرمایه شش
میلیون ریال ثبت گرداخت و
بقدره آهلهای است بشماره ۶۰۴۷
و ثبت رسیده است
طبق نامه مورخه ۲۸-۷-۲۷ شرکت
سهامی هوایرمانی از بنا کسب صورت صورت
جلسه مجمع عمومی عادی به طور فوق العاده
مورخه ۲۸-۴-۲۸ آقایان امیر حسین
لیزنگه (مدیر عامل) و فردوسی
لیزنگه اعضاء امرای هیئت مدیره برای
بقیه مدت موضوع آگهی شماره ۱۰۳۹
مورخه ۲۷-۲-۲۳ انتخاب شده اند که با
لیت آقای احمد شفیق انبیا مؤظف شده و
کردن آقای هوشنگ امینی را بدست بازرس
شرکت برای مدت یک سال انتخاب گردیدند
و نیز برابر صورت جلسه هیئت مدیره مورخه
۲۸-۴-۲۸ آقایان امیر حسین اعظم لیزنگه
بدست رئیس هیئت مدیره و مدیر عامل و
شفیق بیست نایب رئیس تعیین و انتخاب
گردیدند و در حق اعضاء کاپه اوراق و اسناد
همگام با دستورالعمل آقایان امیر حسین
اعظم لیزنگه و احمد شفیق و فردوسی ایشو
بر شرکت معتبر خواهد بود
رئیس اداره ثبت شرکت ها و اولاد
انبارت و انترامات

۶۶۱۱۴

امروز مورخه ۲۷-۲-۲۳
انتخاب شد
کلیه اعضاء
مجلس مجمع عمومی
عادی به طور فوق العاده
مورخه ۲۸-۴-۲۸
آقایان امیر حسین
لیزنگه (مدیر عامل)
و فردوسی لیزنگه
اعضاء امرای هیئت
مدیره برای بقیه
مدت موضوع آگهی
شماره ۱۰۳۹ مورخه
۲۷-۲-۲۳ انتخاب
شده اند که با لیت
آقای احمد شفیق
انبیا مؤظف شده
و کردن آقای
هوشنگ امینی را
بدست بازرس
شرکت برای مدت
یک سال انتخاب
گردیدند و نیز
برابر صورت
جلسه هیئت مدیره
مورخه ۲۸-۴-۲۸
آقایان امیر حسین
اعظم لیزنگه
بدست رئیس هیئت
مدیره و مدیر
عامل و شفیق
بیست نایب رئیس
تعیین و انتخاب
گردیدند و در حق
اعضاء کاپه
اوراق و اسناد
همگام با دستور
العمل آقایان
امیر حسین
اعظم لیزنگه و
احمد شفیق و
فردوسی ایشو
بر شرکت معتبر
خواهد بود
رئیس اداره ثبت
شرکت ها و اولاد
انبارت و انترامات

date : 27/6/1339
(Sept. 18, 1960)

letter dated 30/4/1339
(July 20, 1960)

(۱)
 اعلام می‌گردد که شرکت سهامی
 «تولیدی در شرکت سهامی
 «تولیدی ایرانی» که با
 سرمایه‌های ۵۰ میلیون ریال
 ثبت پرداخت و قبضه نموده
 است به شماره ۴۷۰۰ ثبت
 رسیده است.
 طبق ماده شماره ۱۱ از ماده ۳۳
 مودعه ۳۰ تا ۳۹ شرکت سهامی
 «تولیدی ایرانی» که به ثبت
 شماره ۱۱ از ۳۰ تا ۳۹ ثبت معذور
 شرکت سهامی «تولیدی» دو میلیون
 ریال از دو سو سرمایه نموده شرکت
 توسط صاحبان سهام نقداً پرداخت
 و در تمویل مدیران شرکت
 می‌باشد.
 رئیس اداره ثبت شرکتها
 وزارت معادن و اخترانات
 پ ۴۷۰۰

ثبت شرکتها
 وزارت معادن و اخترانات
 تهران
 تاریخ ثبت: ۲۷/۶/۱۳۳۹
 شماره ثبت: ۴۷۰۰

Notice n° G-9473

Date : 16/8/1342

(N.v. 7, 1963)

Ord. Gen. M held Extra. 27/7/1342

Oct. 19, 1963

Change of subject

شماره ۱۴۷۳ ر ۶۲۸۱۶
 انجمنی تغییرات در شرکت هوایمائی ایران گسی ثبت شده
 بشماره ۶۰۴۷

طبق نامه شماره ۲۰۸۷/۲۷۱۶۷/۲۰۸۷ پیوست صورتجلسه
 شرکت حاصل گردید
 ماده ۲ اساسنامه موضوع شرکت بشرح زیر تعیین
 گردید :
 ماده ۲- موضوع شرکت انجام حمل و نقل هوایی مسافر و بار و
 محمولات پستی در ایران و خارج از کشور و همچنین اشتغال به انواع عملیات
 هوایی دیگر از قبیل تکلیف و محاسبات علمی هوایی و عملیات تبلیغاتی
 هوایی و سایرین. هوایی که بوسیله هواپیما و قیود ارتفاع انجام میشود و
 همچنین خرید و فروش و اجاره و رهن و استیجاره و رهن هواپیما و وسایل مربوطه و ایستگاه
 تکمیل و تعمیر آنها از قبیل خرید و کارکنان ذیل هواپیما و رهن و سایر کلی انجام
 هر گونه عملیات مربوطه در این باب
 ماده ۳- عمل اصلی شرکت که در تخریب و اوراق از خیابان فردوسی
 شماره ۹۱۶ پیروز کلاه پیر آباد اشتهال یافته است مورد تأیید و تنفیذ صاحبان
 سهام قرار گرفته است
 مراتب طبق ماده ۲۰۰ قانون تجارت ثبت رسیده و بر اثر اطلاع عموم
 در روزنامه رسمی کشور و یکی از روزنامه های کثیرالانتشار بومیه هرگز
 آگهی میشود
 رئیس اداره ثبت شرکتها: لکیت منشی: مهدی ایرانی
 ۹۰۱۷ ق ۲۴۶۲۹۱

Handwritten notes in Persian script, including a circular stamp with the number 7. The notes appear to be administrative or legal annotations related to the document's content.

Notice n° 6-4981

date : 3/4/1343 (June 25, 1964)

Letter date : 30/10/1342 (Jan. 20, 1964)

شماره ۴۹۸۱
 تاریخ ۳۰/۱۰/۱۳۴۲
 دفتر ثبت شرکتها
 تهران

شماره ۴۹۸۱
 آرد ۴۳۰۲۳
 شماره ۴۹۸۱
 (۵)

توجه: بر اساس درخواست سهامی شرکت سهامی هواپیمائی ارتا کسه
 طبق نامشماره ۲۶۹۹-۱۶۷-۱۳۰-۳۲۱۰ ثبت مدیره شرکت
 سهامی هواپیمائی ارتا کسه مبلغ درمیان ریال بقیه سرمایه منتهی شرکت
 منوویز پرداخت شده و در اختیار هیئت مدیره شرکت قرار گرفته است که
 در نتیجه مبلغه میلیون ریال کلیه سرمایه شرکت پرداخت شده است
 مطابق طبق ماده ۲۰ قانون تجارت به ثبت رسیده و در روزنامه رسمی
 کشور و یکی از جراید کثیرالانتشار و به تهران جهت اطلاع عموم
 آگهی میشود

رئیس اداره ثبت شرکتها و مالکیت منتهی مودی فرانس
 ۳۵۱۹
 ۲۹۳۶۱

Case n° 6 - 4832

Date : 25/3/1346

(June 15, 1967)

B.M. 19/9/1345

(Dec. 10, 1966)

شماره ۶۴۸۳۲
 طبق نامه شماره ۲۹۵۱۱۷۰۰ مورخه ۱۹ اردیبهشت ۱۳۴۵ شرکت
 سهام هواپیمائی ارتقا کس به پیوست نورالجله هیئت مدیره مورخه
 ۱۹ اردیبهشت ۱۳۴۵ مبلغ ده میلیون ریال بقیه سرمایه تهیدی شرکت بوسیله
 صاحبان سهام پرداخت و در اختیار هیئت مدیره شرکت قرار گرفته است
 مراتب طبق مفردات ثبت و برای اطلاع عموم آگهی
 میگردد
 رئیس اداره ثبت شرکتها و مالکیت مستقیم
 ق ۵۲۶۲

(11)
 ثبت شده است
 ۲۵ مرداد ۱۳۴۵
 ۲۵ مرداد ۱۳۴۵
 ۲۵ مرداد ۱۳۴۵
 ۲۵ مرداد ۱۳۴۵
 ۲۵ مرداد ۱۳۴۵

date : 23/3/1349
(June 13, 1970)

Ord. Gen. M. 20/3/1348
(June 10, 1969)

شماره: ۶۰۵۲۸
 AIR-TAXI
 انتخابات در شرکت
 سهامیه هواپیمائی ارتقا کسه
 طبق نامه شماره ۶۵۹/۱۱۴۵
 ۲۲/۳/۱۳۴۸ به است سورت سورت
 مورخ ۳۰/۳/۱۳۴۸ به جمع عدوسی
 صاحبان سهام شرکت مذکور آقایان
 امیر حسین زنگنه و احمد شفیق
 فردرنگ ایندورا به سمت امضاء هیئت
 مدیره برای مدت دو سال و نه ماه
 انتخاب گردیدند که آقای امیر
 حسین زنگنه به سمت مدیر عامل و
 رئیس هیئت مدیره تعیین شد بچگونگی
 و سفته ها و پروات سایر اسناد و سند آور
 شرکت بامتناء و دفتر اسسه ذرا امضاء
 هیئت مدیره با مهر شرکت خورا
 بود آقای نغم شرم بازوس شرکت
 برای سال مالی ۱۳۴۸ انتخاب شد
 رئیس اداره ثبت شرکتها
 و مالکیت سفشی
 ۱۱۴۹۹۵ ۳۳۴۴۷

۶۰۵۲۸
 AIR-TAXI
 ۶۰۵۲۸ + ۳۳۴۴۷
 ۱۱۴۹۹۵
 DIRECTOR

Notice n 0-14755

Date : 5/8/1349

(Oct. 27, 1970)

ORD. & EXTRA GEN M. 15/4/1349

(April 15, 1970)

Increase of cap.

Handwritten notes in Persian: "کتاب شماره ۱۳۴۹", "تاریخ ثبت ۱۳۴۹", "شماره ۱۳۴۹", "۲۳ مهر ۱۳۴۹", "۱۳۴۹-۱۳۴۹".

۱۳۴۹ شماره

(13)

شماره ۱۳۴۹

۱۳۴۹

افزایش سرمایه و انتخاب بازرس شرکت هواپیمایی

ارتقا کسه ثبت شده بشماره ۱۳۴۹

برابر تصمیمات مجامع عمومی عادی و فوق العاده مورخ ۱۳۴۹/۱۵
تغییرات زیر در شرکت نامبرده بعمل آمد

۱ سرمایه شرکت از مبلغ بیست میلیون ریال به مبلغ پنجاه میلیون
ریال منقسم بمانند سهم یکصد هزار ریال با نام نامبرداشت از این میزان
و بنا برقرار هیئت مدیره سرمایه شرکت در اختیار هیئت مدیره قرار گرفت
۲ آقای نقی شریعتی به سمت بازرس شرکت برای سال ۱۳۴۹ تعیین شد و در تاریخ
سوم آبان ماه یک هزار و سیصد و چهل و نه امضاء ثبت دفتر تکمیل گردید
✓ رئیس اداره ثبت شرکتها و مالکیت منقش
۸۶۷۷ پ
۴۱۰۰۲۴ ق

n° 6-430

Date : 19/1/1352 (April 8, 1973)

Changes

Extra Gen. M. 24/12/1351

March 15, 1973

تاریخ ثبت: ۱۳۵۲/۱/۱۹
 شماره ثبت: ۵۳۱۲۲۴
 نوع ثبت: تغییرات در شرکت سهامی
 موضوع: تغییرات در شرکت سهامی
 شماره پرونده: ۵۳۱۲۲۴
 تاریخ: ۱۳۵۲/۱/۱۹

شماره - ۶۴۷
 ۵۳۱۲۲۴
 آگهی تبدیل نوع و تغییرات در شرکت سهامی هواپیمائی
 اوتاکسی ثبتشده بشماره ۶۰۴۷
 برابر تقسیم و جمع عمومی فوق العاده مورخ ۵۳۱۲۲۴
 تغییرات زود در شرکت نامبرده بعمل آمد: و نوع شرکت سهامی
 خاص تبدیل گردید و نام فعلی آن هواپیمائی اوتاکسی (شرکت
 سهامی خاص) میباشد. ۲- اساسنامه جدیدی مشتمل بر ۷ ماده
 مقبول و جایگزین اساسنامه قبلی گردید. ۳- آقایان احمد شفیق و
 امیرحسین اعظم زنکنه و اردوبک اینیور برای مدت دو سال به سمت
 اعضاء هیئت مدیره انتخاب گردیدند. آقای قتی خرم به سمت
 بازرسی اصلی و آقای محمد قتی قربانی به سمت بازرسی علی‌البدل
 برای مدت یکسال تعیین شدند. ۵- روزنامه اطلاعات جهت درج و
 نشر آگهی تعیین شده به موجب صورتجلسه مورخ ۵۳۱۲۲۴
 هیئت مدیره آقای امیرحسین اعظم زنکنه به سمت رئیس هیئت
 مدیره و بنده شامل آقای فردرنگ اینیویست نائب رئیس
 هیئت مدیره و جناب مهران عامل اداره و سرپرستی کلی امور شرکت را
 دارا میباشد و تغییرات نامبرده گاه بگاه از طرف هیئت مدیره تعیین
 خواهد شد. ۶- کاتبه اسناد و مدارک تجدیداً در شرکت از قبیل چک
 و سفته و برات و باران داده و غیر آن با امضاء متفق دو نفر از اعضاء
 هیئت مدیره (با امضاء یکی مجازاتقان) باید در شرکت خواهد بود.
 رئیس اداره ثبت شرکتها و مالکیت معنوی
 ۵۳۱۲۴ ق ۸۰۴۱۵۸

Date : 20/5/1352
Aug. 11/1973

Gen. Meet. 16/4/1352
(July 7, 1973)

ش

۵۴۵۵۲۴ - ۶۱۰۴۳۰

آگهی تغییرات در هوابیمانی ارتاکسی (شرکت سهامی خاص) ثبت شده بشماره ۶۰۴۷

طبق صورتجلسه مورخ ۵/۱۳/۱۳۵۲ مجمع عمومی هوابیمانی ارتاکسی (شرکت سهامی خاص) تصمیمات زیر نسبت باسور شرکت اتخاذ گردید:

۱ - ترازنامه سال ۱۳۵۱ شرکت تصویب رسید

۲ - آقای تقی خرم برای مدت یکسال به سمت بازرس اصلی و آقای محمدتقی قربانی برای مدت یکسال به سمت بازرس علی البدل انتخاب شدند

۳ - روزنامه اطلاعات جهت درج آگهیهای شرکت دو نفر گرفته شد

رئیس اداره ثبت شرکتها و مالکیت صنعتی

۷۹۸۵۲۱ ق ۶۴۴۸۷

5/13/52
16/4/52
15/4/52
E.H.O
C.H.

3/4/2353 (June 24/1974)

An. Gen. M. 31/2/1353
(May 21, 1974)

Handwritten notes in Persian script, including dates like 1353 and 1354, and names like 'مجلس عمومی'.



شماره ۱۶ ۵۳۴۱۸
 آگهی تغییرات در دواپد آئی اوتاکسی (شرکت سهامی خاص)
 ثبت شده به شماره ۶۰۴۷

برابر تصمیم مورخ ۱۳۵۳/۲/۲۳ مجمع عمومی عادی
 سالیانه تغییرات زیر در شرکت مذکور بعمل آمد ۱ - تراژنامه
 سال ۱۳۵۲ شرکت به تصویب رسید ۲ - آقای تقی خرم بست
 بازرس اصلی و آقای محدثی قربانی بست بازرس علی‌البدل
 برای مدت یکسال انتخاب گردیدند ۳ - روزنامه اطلاعات جهت درج
 آگهیهای شرکت تعیین شد ۴ - طبق تصمیم مورخ ۱۳۵۳/۲/۲۳
 هیئت مدیره ضمن استعفاء آقای امیرحسین اعظم زنگنه از سمت
 مدیرعامل آقای مهدی حاجی منیری برای بقیه مدت هیئت مدیره
 بست مدیرعامل شرکت تعیین گردید بدینوسیله است آقای امیرحسین
 اعظم زنگنه بست ریاست هیئت مدیره انجام وظیفه خواهد نمود
 اختیارات مدیرعامل جدید عبارتست از اداره و سرپرستی کلی امور
 شرکت و حدود اختیارات وی گلهگاه از طرف هیئت مدیره تعیین
 خواهد شد حق اشاع کلیه اسناد و مدارک تمهیدات از قبیل
 چک و سفته و برات و قراردادها و غیر آن با اشاع متقی دونفر
 از چهار نفر آقایان امیرحسین اعظم زنگنه و احمد شتیق و فردرک
 ایشو و منای حاجی منیری (اعضاء هیئت مدیره و مدیرعامل)
 با موافقت اکثریت خواهد بود .

اداره کلی ثبت شرکتها و مالکیت صنعتی
 ۴۲۹۷۲
 ۱۷۵۸۸۶ ق

16597-
date : 9/5/1354 (July 31/1975)

An. Meet. 6/4/1354 (May 27, 1975)

تاریخ: ۱۳۵۴/۵/۹
 شماره: ۱۶۵۹۷
 موضوع: ...
 ...
 ...

شماره ۱۶۵۹۷
 آگهی تغییرات در شرکت هواپیمایی ازناتکسی (سهامی خاص)
 ثبت شد، بشماره ۶۰۴۷
 طبق صورتجلسه مورخ ۱۳۵۴/۵/۱۶ مجمع عمومی عادی
 شرکت هواپیمایی ازناتکسی (سهامی خاص) تصمیمات زیر در
 شرکت تأیید و اتخاذ گردیده است: ۱- تراژنامه و حساب سود و
 زیان سال ۱۳۵۴ شرکت تصویب رسید و آقایان احمد شتیق و
 فردونک ایشو و امیرحسین اعظم زنکنه برای مدت دو سال به سمت
 اعضاء هیئت مدیره و آقای تقی خرم به سمت بازرس اصلی و آقای
 محمد تقی قربانی به سمت بازرس علی‌البدل برای مدت یکسال
 انتخاب شدند. ۲- روزنامه اطلاعات جهت درج آگهیهای شرکت
 تعیین شد. ۳- شرح صورتجلسه هیئت مدیره آقای امیرحسین
 اعظم زنکنه به سمت رئیس هیئت مدیره و آقای فردونک ایشو به سمت
 نایب رئیس هیئت مدیره و آقای مهدی حاجی ستیری به سمت
 مدیرعامل شرکت برای مدت دو سال برگزیده شدند. اسناد و
 مدارک تهیه‌شده شرکت با اسامی متفق دوتراژنجه نفراتایان
 امیرحسین اعظم زنکنه - فردونک ایشو - احمد شتیق - مهدی
 حاجی ستیری و حساب داری و با تیر شرکت منتشر خواهد بود.
 اداره کل ثبت شرکت با واکتیت منتهی

۴۹۴۲۱ ق ۷۹۹۱ پ

206638
date : 28/8/1354 (Nov. 19, 1975)

B.M. 6/6/1354 (Aug. 28, 1975)

Authr. signat.

Handwritten notes in Persian script, including "OK" and "مجلس" (Council).

شماره ۸۶۳۸
آگهی تعیین صاحبان شتتة مجاز در شرکت سهامی خاص
دوایمانی ازناتکسی ثبت شده بشماره ۶۰۴۷
کلی صورتجلسه مورخ ۱۳۵۴ هـ هیئت مدیره شرکت سهامی
خاص دوایمانی ازناتکسی اسناد و مدارک تمهیدآور شرکت
با اعضاء هیئت از چهار نفر آقایان اسیرحسین اعظم زنکنده
فردونک اوشی احمد شفیق و مهدی حاجی منبری (امضای
هیئت مدیره و مدیر عامل) با تفاق امضای آقای مصطفی
زینبی با مهر شرکت معتبر خواهد بود
مدیر کل ثبت شرکتهای و مالکیت صنعتی
۱۳۴۹۸ - ۶
۸۷۵۵۲۲ - ق

13-3424

date : 13/3/2535 (June 3, 1976)

Board M. 8/3/2535 (May 29, 1976)

کلیه تقاضای
تایید
در تاریخ ۱۳۰۵/۰۳/۰۸
در دفتر مدیریت
شماره ۱۳۰۵/۰۳/۰۸

شماره ۱۳۰۵/۰۳/۰۸
 آگهی انتخاب مدیرعامل در شرکت سهامی خاص
 هواپیمائی ازناتکسی ثبت شده بشماره ۶۰۴۷
 طبق صورتجلسه مورخ ۲۵۳۵/۰۳/۰۸ هیئت مدیره شرکت
 سهامی خاص هواپیمائی ازناتکسی آقای مهدی حاجی پتیری
 از سمت مدیرعاملی شرکت مذکور استعفا نموده و آقای کابیز
 دادستان برای پته مدت ماموریت هیئت مدیره سمت مدیرعامل
 جدید انتخاب شدند و اختیارات و حق استعفا مدیرعامل جدید
 عیناً مطابق اختیارات و حق انشاء مدیرعامل کلی ذرا بعد بود .
 مدیرکل ثبت شرکتها و مالکیت معنوی
 ۴۵۱۰۳
 ۸۶۴۱۸۸ ق

... 0 - 23114

date : 8/6/2535 (Aug. 30, 1976)

Ord. An. Gen. M. 7/4/2535 (June 28, 1976)

شماره ۱۲۳۱۱۴
 آگهی تصویبات مجمع عمومی نادای سالانه شرکت سهامی
 خاص هواپیمایی ارتاکسی ثبت شده پشاور ۶۰۴۷
 طبق صورتجلسه مجمع عمومی عادی سالانه مورخ
 ۲۵۳۲۴۷ شرکت پرواز ۱ - تراژمه و حساب سود و زیان
 سال مالی ۲۵۳۴ به تصویب رسید به آقای تقی خرم بست
 بازرسی اصلی و آقای . . . حسابی قربانی بست بازرسی علی البدل
 برای مدت یکسال انتخاب شدند به روزنامه کثیرالانتشار
 اطلاعات جهت درج آگهیها و اعلامیه های مربوط به شرکت تعیین
 گردید .
 اداره کل ثبت شرکتها و مالکیت منضمی
 ۱۰۸۹۲-۷
 ۱۲۴۶-۸-ق

کتابخانه
 ۱۰۸۹۲-۷
 ۱۲۴۶-۸-ق

6- 26732

date : 7/7/2535 (Sept. 9, 1976)

Ord. Gen. Meet. held Extraord. on 23/6/2535
Sept. 14, 1976

دستخط شده است
 در تاریخ ۱۳/۹/۷۶
 در محل کار
 آقایان
 ...
 ...
 ...

شماره ۶۲۶۷۳۲
 آگهی انتخاب عضو ریاست هیئت مدیره در شرکت هواپیمایی
 ازناتکسی (شرکت سیاسی خاص) ثبت شده بشماره ۶۰۴۷
 باستاناد صورتجلسه مورخ ۲۳/۶/۲۵۳۵ مجمع عمومی
 هادی پطری قوت‌الماده، شرکت هواپیمایی ازناتکسی (شرکت
 سیاسی خاص) آقای علی‌صفر رستم‌نژاد آقای ابیرمین اعظم
 و زنگنه برای بنده مدت تعهدی هیئت مدیره بست عضویت و
 ریاست هیئت مدیره شرکت تعیین و انتخاب گردید
 اداره کل ثبت شرکتها و مالکیت صنعتی
 ۱۲۷۴۰۰۰ ق ۱۲۷۴۰۰۶

Public Announcement No. 1039

Date April 23, 1958

registration No. 6047 - April 19, 1958

Public Notice about the creation of Air Taxi Company, Inc.

For the purpose of conducting transport services of the individuals and goods and pertinent operations, as well as all other types of activities that are carried out by using airplanes for profit-making purposes such as purchase and sale, lease or rentals of aircrafts and other means of transportations relating to air transport and their operation, furthermore, the acceptance and creation of the representative office of the airlines, as well as all types of authorized activities on air commerce such as imports and exports and utilization of foreign capitals and investments -when necessary- a company was established with a total capital of 6million rials (200 shares of 30,000 rials each - 180 untitled shares and 20 titled shares in company's name). One third of the titled shares have been fully paid in cash and the said shares, according to the statement, are at the disposal of the said company's directors. The remaining shares are in the form of promissory notes. The said company was established effective March 21, 1958 for an unlimited time period at its location on 486 Ferdowsi Avenue, Tehran, Iran. The company was registered on April 19, 1958 under No. 6047 at the Bureau of Registration for Domestic Firms. Mr. Mohammad Amir Khatami will be the chairman of the board of directors and Mr. Nader Jehanbani will be the vice-chairman of the board as

well as the managing director, and Mr. Ahmed Shafiq has been selected as the permanent member. Mr. Amir Hossein Aazam Zanganeh is the substitute member of the board of directors and the treasurer of the company. All notes and documents and checks will be signed by Mr. Amir Hossein Aazam Zanganeh jointly with one of the other three members and will bear the company's seal. Mr. Frederick Ishu has been appointed as the company's inspector for a period of one year.

Chief of the Bureau for the Registration of Domestic Firms,
Commercial Signs and Patents P-489

Public Announcement

Date: November 29, 1959

Selection of two members for the board of directors and appointment of the managing director and inspector, as well as the officers of the Air Taxi Company with signature authority. The company has a 6 million-rial capital (one third of which has been paid and the remaining portion is in the form of promissory notes and it has been registered under No. 6047.

In accordance with the correspondence of October 19, 1959 of the Air Taxi Company attached to the minutes of the meetings of the special meeting of the general session held on July 18, 1959, Messrs. Amir Hossein Aazam Zanganeh (substitute member) and Frederick Ishu were elected as permanent members of the board of directors for the remaining period subject of the Notice N. 1039

dated April 23, 1958. These two individuals will serve in the absence of Mr. Ahmed Shafigh. Likewise, Mr. Hooshang Amini-Red was elected as the company's inspector for a One-year term. Furthermore, in accordance with the minutes of the meeting of the board of directors dated July 20, 1959, Mr. Amir Hossein Aazam Zanganeh was selected as the board chairman and managing director, and Mr. Ahmad Shafigh will serve as the vice-chairman. Signature rights on all papers and documents and checks will be valid and standing by the signatures of two out of three members i.e., Messrs. Amir Hossein Aazam Zanganeh, Ahmed Shafigh and Frederick Ishu.

Chief of the Bureau for the Registration of Domestic Firms,
Commercial signs and Patents P-6641

Public Announcement

With reference to the public notice of November 29 published in No. 4313 of the Official Gazette, according to the resolution of the special meeting of the general session held on September 12, 1959 of the Air Taxi Company, Inc. all stockholders are, hereby, informed to call at the Company's headquarters located at No. 500 Ferdowsi Avenue, Teheran within six months from the publication date of this announcement, in order to convert their untitled shares to titled shares.

Board of Directors, Air Taxi Company, Inc. P-6710

Public Announcement No. 7957, July 24, 1960

Subject: Conversion of untitled shares to titled shares in the Air Taxi Company, Inc. registered under No. 6047 with a 6 million-rial capital (one third paid and the remaining portion in promissory notes):

According to the correspondence No. 210/10 dated May 17, 1960 of the Air Taxi Company, Inc. attached to the minutes of the meeting of the board of directors held on April 22, 1960, all untitled shares of the said company have been converted to titled shares.

for the Chief of the Bureau for the Registration of Firms,
Commercial Signs and Patents - Ali-Akbar Akhavan P-3374

Public Announcement No. 10612, dated September 18, 1960

Announcement on the receipt of one-half of the promissory capital at the Air Taxi Company, Inc. registered under No. 6047 with a 6 million-rial capital (one third paid and the remaining portion in promissory notes):

According to the correspondence No. 334/11 dated July 20, 1960 of the Air Taxi Company, Inc. attached to the confirmation note No. 237/11 of July 20, 1960 of the board of directors of the said Company, a sum of 2 million rials of the two thirds promissory capital of the company has been paid in cash by the shareholders and is at the disposal of the company's directors.

Chief of the Bureau for the Registration of Firms, Commercial Signs and Patents P-4754

Public Announcement No. 10304, dated December 16, 1962

Public Notice on the payment of the promissory capital of the Air Taxi Company, Inc.

In accordance with the correspondence No. 87/1258 dated September 9, 1962 of the board of directors of the Air Taxi Company, Inc., the sum of 2 million rials balance of the company's promissory capital has been paid and is at the disposal of the company's board of directors. The total sum of the company's capital has been, consequently, paid in full.

The matter is being published in the Official Gazette of the country and in one of the widely circulated daily papers of Tehran in accordance with the provisions of the article 200 of the Trade Act for the information and benefit of the public.

Chief of the Bureau for the Registration of Firms and
Industrial Ownership - Mehdi Neraghi P-6821

Public Notice No. 10306, dated December 16, 1962

Announcement on the increase of the capital, and selection of the company directors and signature rights at the Air Taxi Company, Inc. registered under No. 6047

According to the correspondence No. 1426, dated November 15, 1962 attached to the minutes of the meeting dated October 10, 1962 of the general session of the Air Taxi Company's stockholders, Messrs. Amir Hossein Aazam Zanganeh and Ahmed Shafiq and Frederick were reelected for a three-year term effective this date as the Company directors. Signature rights and other authorities

of the board of directors shall be valid as in the past by two signatures of the three signatures of the board members and the company's seal. Actions of the board of directors during the interim period since the expiration date through this date are hereby confirmed and effective. Following the provisions of the minutes of the meeting of the general session held on October 10, 1962, the total capital of the said company has been increased from 6 million rials to 10 million rials (60 percent paid and 40 percent promissory divided into one hundred shares one hundred thousand rials each share with name and title. Increased sum of the capital is at the disposal of the company's directors.

The above matter is being published in the Official Gazette of the country and in one of the widely-circulated daily papers of Tehran in accordance with the provisions of the article 200 of the Trade Act for the information and benefit of the public.

Chief of the Bureau for the Registration of Firms and
 Industrials Ownership - 'Ahdi Naraghi P-6822

Public Notice No. 6/8908, dated October 22, 1963
 Announcement on the receipt of the promissory capital and appointment of the inspector at the Air Taxi Company, Inc. registered under No. 6074
 According to the correspondence No. 167/2486, dated September 2, 1963 attached to the minutes of the meeting of the stockholders of the Air Taxi Company held on July 17, 1963, Mr. Taghi Khorram

was appointed as the company's inspector. Further, according to the correspondence No. 167/2445 dated August 24, 1963 of the said company's board of directors, sum of 2 million rials was additionally paid toward the said company's promissory capital and placed at the disposal of the company's board of directors. Consequently, a total of 8 million rials of the 10 million-rial capital have been paid.

The above matter is being published in the Official Gazette of the country and in one of the widely-circulated daily papers of Tehran in accordance with the provisions of the article 200 of the Trade Act for the information and benefit of the public.

Chief of the Bureau for the Registration of Firms and
Industrial Ownership - Mehdi Nareghi

Public Notice No. 6/9473, dated November 7, 1963

Notice of changes and amendments in the Air Taxi Company registered under N. 6047

According to the correspondence No. 167/2587 dated October 19, 1963 attached to the minutes of the special meeting of the general session of the stockholders of the Air Taxi Company, following changes and amendments have been implemented at the said company:

1. Article 2 of the charter of the company was provided as follows:

Article 2 - Company's operation would consist of conducting air transport of individuals, cargo and postal parcels

both within and without the country, as well as engaging in any and all types of aerial activities such as aerial photography and scientific research and reconnaissance and aerial public relations and commercial activities and aerial pesticide spraying conducted by airplanes for commercial and profit-making purposes. Furthermore, the company could engage in purchasing and selling or leasing and renting and mortgaging airplanes and all equipments pertinent to aircrafts as well as their operation and pilot training and instruction of aircraft mechanics and finally all types of operations relating to aircrafts.

2. The company's headquarters, which was moved from Ferdowsi Avenue (No. 486) to the Mehrabad Airport on March 21, 1962, has been approved and accepted by the stockholders.

The above matters ^{are} being published in the Official Gazette of the country and in one of the widely-circulated daily papers of Tehran in accordance with the provisions of the article 200 of the Trade Act for the information and benefit of the public.

Chief of the Bureau for the Registration of Firms and
Industrial Ownership - Mehdi Naraghi Q24679 P-9017

Public Notice No. 6/4981 dated June 24, 1964

Announcement on the payment of the promissory capital of the Air Taxi Company, Inc.

According to the correspondence No. 167-2699 dated January 20, 1964 of the board of directors of the Air Taxi Company, Inc., sum of 2 million rials balance on the company's promissory

capital has been paid and placed at the disposal of the company's board of directors, i.e., the total capital of the company consisting of ten million rials has been paid in full. The above matter is being published in the Official Gazette of the country and in one of the widely-circulated daily papers of Tehran in accordance with the provisions of the article 200 of the Trade Act for the information and benefit of the public.

Chief of the Bureau for the Registration of Firms and
Industrial Ownership - Mehdi Naraghi Q29361 P-3519

Official Notice No. 6/16501 dated March 6, 1966
According to the correspondence No. 171/6284 dated January 25, 1966 attached to the minutes of the special meeting of the general session of the shareholders of the Air Taxi Company, Inc. held on December 20, 1965, the company's capital has been increased from ten million rials to 20 million rials (divided into 200 titled shares of one hundred thousand rials each, fifty percent of which has been paid fully and the remaining fifty percent is in promissory form. The said increase in capital has delivered to and placed at the disposal of the company's directors. The above matter is being recorded and published.

Chief of the Bureau for the Registration of Firms and
Industrial Ownership Q44748 P-13439

Public Notice No. 6/16503 dated March 6, 1966
Official Announcement: According to the correspondence No. 171/5642

attached to the minutes of the special meeting of the general session dated February 13, 1965 and the minutes of the regular meeting of the general session dated June 15, 1965 of the stockholders of the Air Taxi Company, Inc., a copy of the amended charter containing 51 articles and 33 paragraphs was submitted and the same revised charter replaced the previous charter. Further, Messrs. Ahmed Shafiqh and Amir Hossein Aazam Zanganeh and Frederick Ishu have been reelected for a four-year term as the permanent members of the board of directors effective October 10, 1965. Mr. Amir Hossein Zanganeh was appointed as the managing director for the said time period. All signature rights on the checks, drafts and documents and promissory notes of the company shall be valid having two signatures of the three board members and bearing the company's seal. Mr. Taghi Khorram was reappointed as the company's inspector for the year 1965. The above matters are recorded and published.

Chief of the Bureau for the Registration of Firms and
Industrial Ownership Q44749 P-1344

Official Announcement No. 6-4832 dated June 15, 1967
According to the correspondence No. 295-11700 dated January 9, 1967 of the Air Taxi Company, Inc. attached to the minutes of the meetings of the board of directors dated December 10, 1966, a sum of ten million rials balance of the promissory capital of the company was paid by the stockholders and placed at the disposal of the company's board of directors.

The above matter has been recorded according to the regulations and published for the information and benefit of the public.

Chief of the Bureau for the Registration of Firms and
Industrial Ownership 257462 P-3094

Public Announcement No. 6-5528 Dated June 13, 1970

Notice of election at the Air Taxi Company, Inc.

According to the correspondence No. 259-1145 of September 13, 1969 attached to the minutes of the meeting of the said company's general session held on June 10, 1969 and attended by the company's stockholders, Messrs. Amir Hossein Zangeneh and Ahmad Shafigh and Frederick Ishu were reelected as members of the board of directors for a period of two years and nine months. Mr. Amir Hossein Zangeneh was appointed as the managing director and chairman of the board. All checks and drafts and other promissory notes and papers shall be valid when signed by two of the three board members and bearing the company's seal. Mr. Taghi Khorram was reelected as the company's inspector for the fiscal year 1969.

Chief of the Bureau for the Registration of Firms and
Industrial Ownership 2119499 P-3344

Public Announcement No. 6-14729 dated October 27, 1970

Notice of increase in the capital, and election of inspector for the Air Taxi Company, Inc. registered under No. 6047

Pursuant to the resolutions by the regular and special meetings

of the general session held on July 6, 1970, the following changes and revisions were made in the above-named company:

1. The company's capital was increased from 20 million rials to 50 million rials (divided into 500 titled shares of 100,000 rials each, all of them fully paid). As acknowledged by the board of directors, the company's capital was placed at the disposal of the board of directors.

2. Mr. Taghi Khorram was reelected and appointed as the company's inspector for the year 1970. Signatures of registration of the records was completed on the twenty-fifth day of October the year of nineteen hundred and seventy.

Chief of the Bureau for the Registration of Firms and
Industrial Ownership Q410024 P-8677

Public Announcement No. 6-430 dated April 8, 1973

Notice of the changes and revisions at the Air Taxi Company, Inc. registered under No. 6047

Pursuant to the resolution at the special meeting of the general session held on March 15, 1973, the following changes and revisions were made at the said company:

1. The company was changed to special company, Inc. and it shall be called, hereinafter, the Special Air Taxi Company, Inc. 2. A new charter containing 70 articles was approved to replace the previous charter. 3. Messrs. Ahmad Shafiq, Amir Hossein Aezam Zanganeh and Frederick Ishu were reelected as members of the board of directors for a two-year term.

4. Mr. Taghi Khorram was appointed as the chief inspector and Mr. Taghi Ghorbani was appointed as the substitute inspector for one-year term each. 5. The daily newspaper ETTE^LMAT was designated and chosen for the publication of notices and announcements. According to the minutes of the meeting of the board of directors held on March 15, 1973, Mr. Amir Hossein Aazam Zanganeh shall be the chairman of the said board as well as the managing director, and Mr. Frederick Ishu will be the vice-chairman. The latter will be also the managing director for administration and general supervision of the company's affairs. The said authorities shall be determined every so often by the board of directors. 7. All documents and promissory notes and papers such as checks and drafts and contracts, etc. shall be valid when signed by two of the three board members (or their authorized representatives) and bearing the company's seal.

Chief of the Bureau for the Registration of Firms and
Industrial Ownership Q904158 P-536

Public Announcement No. 6-10430 dated August 11, 1973
Notice of the changes and revisions made in the Special Air Taxi
Company, Inc.

According to the minutes of the meeting of the general session of the Special Air Taxi Company, Inc. held on July 7, 1973, the following resolutions were adopted regarding the company's affairs: 1. The company's balance-sheet for 1972 was approved.

2. Mr. Taghi Khorram was appointed as the company's chief inspector, and Mr. Mohammad Taghi Ghorbani was appointed as the substitute inspector, for a one-year term each. 3. The daily newspapers ETTELA'AT was chosen and designated for the publication of the notices and announcements of the company.

Chief of the Bureau for the Registration of Firms and
Industrial Ownership Q795821 P-6448

Public Announcement No. 6-2498 dated June 24, 1974

Notice of changes in the Special Air Taxi Company, Inc. registered under No. 6047

According to the resolution adopted at the regular meeting of the general annual session held on May 21, 1974, the following changes were made in the said company: 1. The company's balance-sheet for 1973 was approved. 2. Messrs. Taghi Khorram and Mohammed Taghi Ghorben were respectively chosen as the chief inspector and substitute inspector for a period of one more year. 3. The daily newspaper ETTELA'AT was chosen and designated for the publication of company's notices and announcements. 4. According to the resolution of the board of directors dated May 21, 1974, following the resignation of Mr. Amir Hossein Aazam Zanganeh from his position as the managing director, Mr. Mehdi Haji Moniri was appointed as the company's managing director for the remaining period of the board members tenure. Mr. Amir Hossein Aazam Zanganeh will be carrying out his duties as the chairman of the board of directors. Authorities and duties of the

new managing director shall consist of administration and general supervision of the company's affairs. Such duties and authorities of the new managing director will be determined every so often by the board members. Signature rights on all promissory notes and documents such as checks, drafts and contracts, etc. shall be valid by joint signatures of two of four following persons: Messrs. Amir Hossein Azam Zanganeh, Ahmad Shafigh, Frederick Ishu (board members) and Mr. Mehdi Haji Moniri, the managing director, as well as the company's seal.

Chief of the Bureau for the Registration of Firms and
Industrial Ownership Q175886 P-4297

Public Announcement No. 6-16592 dated July 31, 1975

Notice of changes in the Special Air Taxi Company, Inc. registered under No. 6047

According to the minutes of the regular meeting of the general session held on July 7, 1975, following resolutions were adopted regarding the said company: 1. The company's balance-sheet and its profits and losses for the year 1975 were approved. 2. Messrs. Ahmad Shafigh, Frederick Ishu and Amir Hossein Azam Zanganeh were reelected as the board members for a two-year term. Messrs. Taghi Khorram and Mohammad Taghi Shorbani were elected respectively as the chief inspector and substitute inspector for a one-year term. 3. The daily newspaper ETTELA'AT was chosen and designated for the publication of company's announcements and notices. 4. According to the text of the minutes

of the meeting of the board of directors, Mr. Amir Hossein Aazam Zanganeh was selected as the board chairman for a two-year term; Mr. Frederick Ishu was selected as the vice-chairman of the board for the same time period, and Mr. Mehdi Haji Moniri was selected as the company's managing director for a two-year term. All promissory notes and documents of the company shall be valid when signed by two of the five individuals named below, and bearing the company's seal: Messrs. Amir Hossein Aazam Zanganeh, Frederick Ishu, Ahmad Shafigh, Mehdi Haji Moniri and Mostafa Rabi'i.

Chief of the Bureau for the Registration of Firms and
Industrial Ownership Q494391 P-7991

Public Announcement No. 28638 dated November 19, 1975
Notice of the designation of authorized (illegible word-translitr.)
at the Special Air Taxi Company, Inc., registered under No. 6047
According to the minutes of the meeting of the board of directors
held on August 28, 1975, all promissory notes and documents of
the Special Air Taxi Company, Inc. shall be valid when signed
by one of the following individuals as well as by Mr. Mostafa
Rabi'i and bearing the company's seal: Messrs. Amir Hossein
Aazam Zanganeh, Frederick Ishu, Ahmad Shafigh (members of the
board, and/or Mr. Mehdi Haji Moniri (the managing director).

Chief of the Bureau for the Registration of Firms and
Industrial Ownership Q875522 P-13498

Public Announcement No. 6-8424 dated June 3, 1976

Notice of election of the managing director at the Special Air Taxi Company, Inc., registered under No. 6047

According to the minutes of the meeting of the board of directors of the Special Air Taxi Company, Inc. held on May 29, 1976, Mr. Mehdi Haji Moniri has resigned from his position as the managing director of the said company, and Mr. Kambiz Dadsetan was elected as the new managing director for the remaining period of the board's term. All duties and functions and authorities of the new managing director shall be exactly the same as those of his predecessor.

Chief of the Bureau for the Registration of Firms and
Industrial Ownership Q364135 P-4510

Public Announcement No. 6-23114 dated August 30, 1976

Notice of the resolutions adopted at the regular meeting of the general annual session of the Special Air Taxi Company, Inc., registered under No. 6047

According to the minutes of the regular meeting of the general annual session of the above-mentioned company held on June 28, 1976, the following resolutions were adopted: 1. The company's balance-sheet and its profit and loss for the fiscal year 1975 were approved. 2. Messrs. Taghi Khorram and Mohammed Taghi Ghorbeni were elected for one year as the chief inspector and substitute inspector, respectively. 3. The widely-circulated daily newspaper ETTELA'AT was designated and chosen for the pub-

lication of notices and announcements relating to the company.

Central Bureau for the ^Registration of Firms and Industrial
Ownership Q124608 P-10899

Public Announcement No. 6-26732 dated September 29, 1976
Notice of the election of board member and board chairman at
the Special Air Taxi Company, Inc. registered under No. 6047
According to the minutes of the extraordinary meeting of the
general session's regular meeting of the Special Air Taxi Com-
pany, Inc. held on September 14, 1976, Mr. Ali-Asghar Rafiat
was elected and appointed to replace Mr. Amir Hossein Aazam
Zanganeh as the member and chairman of the company's board of
directors for the remaining period of the board's term.

Central Bureau for the Registration of Firms and Industrial
Ownership Q127400 P-12737

Public Announcement No. 6-12853 dated July 9, 1977
Notice of the resolutions adopted at the regular meeting of
the general annual session of the Special Air Taxi Company, Inc.,
registered under No. 6047
According to the minutes of the regular meeting of the general
annual session of the above-mentioned company held on June 30,
1977, the following resolutions were adopted: 1. Messrs.
Kambiz Dadsetan, Anoshirvan Jehanbani and Traj Mobashhari were
elected as board members for a two-year term. 2. The company's
balance-sheet and its profit and loss were approved for the

fiscal year 1976. 3. Messrs. Taghi Khorram and Mohamad Taghi Ghorbani were elected for a one-year term as the company's chief inspector and substitute inspector, respectively. 4. The widely-circulated daily newspaper ETTELA'AT was chosen and designated for the publication of company's notices and announcements. Further, according to the minutes of the meeting of June 20, 1977 of the board of directors, Mr. Kambiz Dadsetan was elected as the chairman of the board of directors; Mr. Anooshirvan Jahanbani was elected as the managing director and Mr. Iraj Mobashher as the vice-chairman of the board. All documents and promissory notes of the company shall be valid when signed by one of the following individuals and bearing the company's seal: Mr. Kambiz Dadsetan or Mr. Mostafa Rebi'i together with the signature of Mr. Anooshirvan Jahanbani.

Director General of the Bureau for the Registration of
Firms and Industrial Ownership Q114343 P-7623

#

CONFIDENTIAL

A I R T A X I COMPANY

(Registered style: HAVAPEYMAYI AIR-TAXI - SHEKAT SAHAMI KHAS),

North Mehrabad Airport,
Teheran, Iran

Telephones: 661967 and 668992

Cable address: AIRTAXI TEHERAN

Telex: Teheran 2575 Answer Back 'A Taxi Tn'

Branches or subsidiary offices in the provincial towns of
Abadan and in Gonbad Kavoods, Iran

This is a private joint stock company which was registered with the Companies' Registration Department in Teheran on 19th April 1958 for an unlimited period under number 6047 for the following declared objects:

To arrange passenger/cargo/postal material service by air in Iran and outside the country;

To handle photographic/scientific/advertising/spraying affairs in the air;

To purchase/tosell/topart/tomortgage planes and other requirements for aviation and to operate same;

To train pilots and technicians for planes;

To handle all kinds of other affairs relative to aviation.

The initial registered capital of Rials 6,000,000/- was later raised to Rials 10,000,000/- subsequently it was increased to Rials 20,000,000/- and thereafter it was again raised to its present amount of Rls.50,000,000/- divided into 500 nominal shares of Rials 100,000/- each fully paid up.

The present members of the board of directors are:

Kambiz Dadsetan	.. Chairman
Anooshiravan Jahanbani	.. Managing Director
Iraj Mobasher	.. Vice-Chairman

All documents, etc. on behalf of the firm should be signed jointly by any one of Kambiz Dadsetan or Mostafa Rabiyyi with Anooshiravan Jahanbani with the seal of the company.

A I R T A X I C O M P A N Y
 =====

(Contd.)

Taghi Khorram
 Mohamad Taghi Chorbani

Inspector
 substitute inspector -
 Iranian subjects.

The main activities of AIR TAXI COMPANY are divided into three sections, Operational, Technical and Sales as are described below:

OPERATIONAL:

AIR TAXI are undertaking all kinds of aviation activities at the request of their prospective customers but not limited to the following:

- a) General non-schedule and charter flights within Iran and to neighbouring countries carrying passengers and/or freight;
- b) Since 1963 they are handling photographic survey on behalf of the National Cartographic Centre - a subsidiary of the Plan Organization. They are now engaged in surveying and mapping the country;
- c) Since 1962 are handling agricultural spraying on behalf of the Ministry of Agriculture;
- d) From 1960 they are operating regular scheduled flights on behalf of the NATIONAL IRANIAN OIL COMPANY;
- e) From 1965 they are carrying out scheduled air mail deliveries throughout South Iran;
- f) Air ambulance flights as required by their prospective customers.

AIR TAXI COMPANY are the owners of nineteen aircraft consisting of:

- 12 Aero Commanders and LC3s
- 7 Single Engine Piper & Sparrow Commander aircraft.

In addition to the above, AIR TAXI COMPANY operate and maintain on behalf of the Government and private customers sixteen aircraft consisting of:

- 3 Grand Commander aircraft
- 2 Aero Commanders
- 6 Turbo Commanders
- 1 Turbo Deaver
- 1 Piper
- 2 Cessna
- 1 DC3

AIR TAXI COMPANY maintain, overhaul and operate a total number of approximately 100 aircraft per year, mainly owned by Prime Ministry, D.G.G.A. (Department General of Civil Aviation), Red Lion & Sun Organization and I.I.A.A. (Imperial Iranian Army Aviation).

A I R T A X I COMPANY

(Contd.)

 AERO COMMANDER BETHANY DIVISION of Rockwell Standard, U.S.A.;

LYCOMING Division of Avco Corp., U.S.A.;

KING RADIO CORP., U.S.A.;

SUN AIR ELECTRONICS CORP., U.S.A.;

CHAMPION SPARK PLUG COMPANY, U.S.A.;

BELL HELICOPTER CO., U.S.A.

They are situated in a modern office and engineering facility on the North side of Mehrabad Airport, entrance being made by a private entrance from the main Teheran to Karaj Road.

In addition a branch Office and maintenance base is sited at Abadan Airport with the necessary housing accommodation for their employees together with a separate building for despatch and passenger lounge. The ground of that place measuring 24,000 sq.metres belong to the Government for which they are paying rental. At their expense they (AIR TAXI COMPANY) have constructed all the necessary premises for a thirty-year period and it has cost them about Rials 8-9,000,000/-.

During season period they also maintain offices and other necessary facilities at the Airport as well as an office and housing facilities in the town for their employees.

They are now employing around 120 persons including foreigners of various profession such as an engineer, pilots, assistants, office staff, technicians, apprentices, menials, etc. in their activities.

Bankers: Bank Ettebarat Iran
 Bank Saderat Iran, Teheran.

Reputation: very good and as far as it is known they have so far fulfilled their commitments in a favourable manner.

(* Translation from the Iranian Commercial Code: A private joint stock company is one formed for commercial purposes, the capital of which is divided into shares and in which the responsibility of the shareholders is limited to their shares).

Teheran, Iran,
 26th February 1978.

A I R T A X I C O M P A N Y

(Contd.)

They (AIR TAXI COMPANY) are also handling technical servicings and overhauls of some privately owned aircraft belonging to H.I.M. the Shahinshah Aryamchr, Prince Gholam Reza Pahlavi, etc. when they are asked to do so.

TECHNICAL:

Since the inception of this firm, they have concentrated on building up an independent engineering facility and have succeeded to the extent that only engines are now sent abroad for complete overhaul. All other work being carried out in Iran by the Company's own personnel.

In addition to major airframe overhaul equipped workshops and skilled staff are available for the following:

- a) Radio installation, repair and overhaul;
- b) Instrument repair and overhaul;
- c) Starter, generator and electrical equipment repair and overhaul;
- d) Magneto, carburettor, etc. repair and overhaul;
- e) Sheet metal repair and modification work.

Technical work is carried out either on an "as required" of contract basis for any company requiring engineering assistance.

Among others the following are their regular customers:

Ministry of Post & Telegraphs;
 Ministry of Agriculture Aviation Unit;
 Imperial Iranian Army Aviation Unit;
 Gendarmerie Aviation Unit;
 Civil Aviation Club;
 National Cartographic Centre;
 Iranian Government;
 Red Lion and Sun Organization;
 U.S.Army Aviation Unit.

SALES:

In order to extent the necessary service to their various customers, AIR TAXI COMPANY represent a complete line of aviation products and guarantee after sales and parts service on behalf of the following companies as their exclusive Iran distributors:

CONFIDENTIAL

A I R T A X I COMPANY

(Registered style: HAVAPEYMAYI AIR-TAXI - SEERKAT SAHAMI KHAS),

North Mehrabad Airport,
Teheran, Iran
and
Telephones: 661967, 668992 and 40252-
Cable address: AIRTAXI TEHERAN*
Telex: Teheran 2575 Answer Back 'A Taxi Tn'

Branches or subsidiary offices in the provincial
towns of Abadan and in Gonbad Kavoo, Iran

This is a private joint stock company which was registered with the
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- To arrange passenger/cargo/postal material service by air
in Iran and outside the country;
- To handle photographic/scientific/advertising/spraying
affairs in the air;
- To purchase/to sell/to rent/to mortgage planes and other
requirements for aviation and to operate same;
- To train pilots and technicians for planes;
- To handle all kinds of other affairs relative to aviation.

The initial registered capital of Rials 6,000,000/- was later raised
to Rials 10,000,000/- subsequently it was increased to Rials 20,000,000/-
and thereafter it was again raised to its present amount of Rials 50,000,000/-
divided into 500 nominal shares of Rials 100,000/- each fully paid up.

The present members of the board of directors are:

Kambiz Dadsetan	Chairman
Ancoshiravan Jahanbani	Managing Director
Eraj Mchasher	Vice-Chairman

All documents, etc. on behalf of the firm should be signed jointly by any
one of Kambiz Dadsetan or Mostafa Rabiyyi with Ancoshiravan Jahanbani with the
seal of the company.

Taghi Khorraz	Inspector
Mohamad Taghi Gherbani	substitute inspector - Iranian subjects.

The main activities of AIR TAMI COMPANY are divided into three parts: Operational, Technical and Sales as are described below:

OPERATIONAL:

AIR TAMI are undertaking all kinds of aviation activities at the request of their prospective customers but not limited to the following:

- a) General non-schedule and charter flights within Iran and to neighbouring countries carrying passengers and/or freight;
- b) Since 1963 they are handling photographic survey on behalf of the National Cartographic Centre - a subsidiary of the Plan Organization. They are now engaged in surveying and mapping the country;
- c) Since 1962 are handling agricultural spraying on behalf of the Ministry of Agriculture;
- d) From 1960 they are operating regular scheduled flights on behalf of the NATIONAL IRANIAN OIL COMPANY;
- e) From 1965 they are carrying out scheduled air mail deliveries throughout South Iran;

A I R T A X I C O M P A N Y (Contd.)

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f) Air ambulance flights as required by their prospective customers.

AIR TAXI COMPANY are the owners of nineteen aircraft consisting of:

12 Aero Commanders and LC3s

7 Single Engine Piper & Sparrow Commander aircraft.

In addition to the above, AIR TAXI COMPANY operate and maintain on behalf of the Government and private customers sixteen aircraft consisting of:

3 Grand Commander aircraft
 2 Aero Commanders
 6 Turbo Commanders
 1 Turbo Beaver
 1 Piper
 2 Cessna
 1 DC3

AIR TAXI COMPANY maintain, overhaul and operate a total number of approximately 100 aircraft per year, mainly owned by Prime Ministry, D.G.C.A. (Department General of Civil Aviation), Red Lion & Sun Organization and I.I.A.A. (Imperial Iranian Army Aviation).

They (AIR TAXI COMPANY) are also handling technical servicings and overhauls of some privately owned aircraft belonging to H.I.M. the Shahinshah Aryamehr, Prince Gholam Reza Pahlavi, etc. when they are asked to do so.

TECHNICAL:

Since the inception of this firm, they have concentrated on building up an independent engineering facility and have succeeded to the extent that only engines are now sent abroad for complete overhaul. All other work being carried out in Iran by the Company's own personnel.

In addition to major airframe overhaul fully equipped workshops and skilled staff are available for the following:

- a) Radio installation, repair and overhaul;
- b) Instrument repair and overhaul;
- c) Starter, generator and electrical equipment repair and overhaul;
- d) Magneto, carburettor, etc. repair and overhaul;
- e) Sheet metal repair and modification work.

Technical work is carried out either on an "as required" or contract basis for any company requiring engineering assistance.

Among others the following are their regular customers:

Ministry of Posts & Telegraphs;
 Ministry of Agriculture Aviation Unit;
 Imperial Iranian Army Aviation Unit;
 Gendarmerie Aviation Unit;
 Civil Aviation Club;
 National Cartographic Centre;
 Iranian Government;
 Red Lion and Sun Organization;
 U.S. Army Aviation Unit.

SALES:

In order to extend the necessary service to their various customers, AIR TAXI COMPANY represent a complete line of aviation products and guarantee after sales and parts service on behalf of the following companies as their exclusive Iran distributors:

AERO COMMANDER BETHANY DIVISION of Rockwell Standard, U.S.A.;
 LYCOMING Division of Avco Corp., U.S.A.;
 KING RADIO CORP., U.S.A.;
 SUN AIR ELECTRONICS CORP., U.S.A.;
 CHAMPION SPARK PLUG COMPANY, U.S.A.;
 BELL HELICOPTER CO., U.S.A.

They are situated in a modern office and engineering facility on the North side of Mehrabad Airport, entrance being made by a private entrance from the main Teheran to Karaj Road.

In addition a branch office and maintenance base is sited at Abadan Airport with the necessary housing accommodation for their employees together with a separate building for despatch and passenger lounge. The ground of that place measuring 24,000 sq. metres belong to the Government for which they are paying rental. At their expense they (AIR TAXI COMPANY) have constructed all the necessary premises for a thirty-year period and it has cost them about Rials 8-9,000,000.

During season period they also maintain offices and other necessary facilities at the Airport as well as an office and housing facilities in the town for their employees.

They are now employing around 120 persons including foreigners of various professions such as an engineer, pilots, assistants, office staff, technicians, apprentices, menials, etc. in their activities.

Bankers: Bank Etebarat Iran
 Bank Saderat Iran, Teheran.

Reputation: very good and as far as it is known they have so far fulfilled their commitments in a favourable manner.

AIR TAXI COMPANY
(Registered style: **SHERKAT SAHAMI**)

North Mahabad Airport,
Teheran, Iran

Telephones: 661967, 660992 and 40257

Cable address: 'AIR TAXI TEHRAN'
Telex: Teheran 2575 Answer Back 'A Taxi Tn'

Branches or subsidiary offices in the provincial
towns of Abadan and in Gonbad Kavous, Iran

private
This is a joint stock company which was registered with the Companies' Registration Department in Teheran on 19th April 1953 for an unlimited period under number 6047 for the following objects:

To arrange passenger/cargo/postal material service by air in Iran and outside the country;

To handle photographic/scientific/advertising/spraying affairs in the air;

To purchase/to sell/to rent/to mortgage planes and other requirements for aviation and to operate same;

To train pilots and technicians for planes;

To handle all kinds of other affairs relative to aviation.

The initial registered capital of Rials 6,000,000/- was later raised to Rials 10,000,000/- subsequently it was increased to Rials 20,000,000/- and thereafter it was again raised to its present amount of Rials 50,000,000/- divided into 500 nominal shares of Rials 100,000/- each fully paid up.

The shareholders are:

50% by Amir Hossain Azam Zanganeh
25% by Ahmad Chaftik
25% by Fredric Escho

present
The members of the board of directors are:

Mehdi Haji Moniri .. Managing Director
Amir Hossain Azam Zanganeh .. Chairman & Managing Director
Ahmad Chaftik .. Vice-Chairman
Fredric Escho .. Inspector ~~of accounts~~
Taherzad .. substitute inspector - Iranian subject
Mehamad Taghi Ghorbani .. substitute inspector - Iranian subject

(add name)
(add name)
Amir Hossain Azam Zanganeh was born in the Persian year 1309 (1930). He is married and has two children (his knowledge of languages other than Persian: English and French). He has received his secondary schooling in Iran and is a holder of a diploma for same. For a period of two years during 1952 up to 1954 he was in Europe - mainly in France.

AIR TAXI COMPANY

(Contd.)

A Commercial Pilot by profession who has received his training as such locally. From about 1954/55 he was always been continuing his studies in the field of aviation and from the inception of this firm he has always been taking an active part in the management of the general business affairs of this company and his commercial activity has been confined to that concern. In fact it is run by himself. Apart from his investment in this firm he does not appear to own much other personal means of his own.

Ahmad Chafik was born in 1910. He was formerly the husband of Princess Ashraf Fahlavi (a sister of His Imperial Majesty the Shahinshah Armanshah). He is an ex Under-Secretary of the Ministry of Roads & Communications and was formerly the General Director of the Civil Aviation (a Government owned organization). He was formerly an Egyptian origin but after his arrival in this country he became a naturalized Iranian subject. He has been in Iran since about 1938. Apart from his interest in this firm since about 1950 he has been handling business under different styles. He is a shareholder in, a director of different local concerns including BANK ETTEBARAT IRAN in which he is the Chairman and Managing Director. He is experienced in aviation and shipping. He is the owner of important personal means of his own with a regular and an important income.

Fredric Escho was born in 1928. He is married and has children (his knowledge of languages other than Assyrian and Persian; English). Apart from his interest in this firm he has other business activity and is not taking any active part in the conduct of the commercial affairs of this firm.

The main activities of AIR TAXI COMPANY are divided into three sections, Operational, Technical and Sales as are described below:

OPERATIONAL:

AIR TAXI are undertaking all kinds of aviation activities at the request of their prospective customers but not limited to the following:

- a) General non-schedule and charter flights within Iran and to neighbouring countries carrying passengers and cargo.
- b) Since 1963 they are handling photographic survey of the National Cartographic Centre - a subsidiary of the National Plan Organization. They are now engaged in surveying and mapping the country;
- c) Since 1962 are handling agricultural spraying on behalf of the Ministry of Agriculture;
- d) From 1960 they are operating regular scheduled flights on behalf of the NATIONAL IRANIAN OIL COMPANY;
- e) From 1965 they are carrying out scheduled flights throughout South Iran;
- f) Air ambulance flights as required by their customers.

AIR TAXI COMPANY are the owners of nineteen aircrafts:

12 Aero Commanders and LC3s

7 Single Engine Piper & Sparrow Commander

AIR TAXI COMPANY
 AIR TAXI COMPANY

(Cont.)

In addition to the above, AIR TAXI COMPANY operate and maintain on behalf of the Government and private customers sixteen aircraft consisting of:

3 Grand Commander aircraft
 2 Aero Commanders
 6 Turbo Commanders
 1 Turbo Beaver
 1 Piper
 2 Cessna
 1 DC3

AIR TAXI COMPANY maintain, overhaul and operate a total number of approximately 100 aircraft per year, mainly owned by Prince Ministry, D.G.C.A. (Department General of Civil Aviation), Red Lion & Sun Organization and I.I.A.A. (Imperial Iranian Army Aviation).

They (AIR TAXI COMPANY) are also handling technical servicings and overhauls of some privately owned aircraft belonging to H.I.H. the Shahinshah Arimeshr, Prince Gholam Reza Pahlavi, etc. when they are asked to do so.

TECHNICAL:

Since the inception of this firm, they have concentrated on building up an independent engineering facility and have succeeded to the extent that only engines are now sent abroad for complete overhaul. All other work being carried out in Iran by the Company's own personnel.

In addition to major airframe overhaul fully equipped workshops and skilled staff are available for the following:

- a) Radio installation, repair and overhaul;
- b) Instrument repair and overhaul;
- c) Starter, generator and electrical equipment repair and overhaul;
- d) Magnets, carburettor, etc. repair and overhaul;
- e) Sheet metal repair and modification work.

Technical work is carried out either on an "as required" or contract basis for any company requiring engineering assistance.

Among others the following are their regular customers:

Ministry of Posts & Telegraphs;
 Ministry of Agriculture Aviation Unit;
 Imperial Iranian Army Aviation Unit;
 Gendarmerie Aviation Unit;
 Civil Aviation Club;
 National Geographic Centre;
 Iranian Government;
 Red Lion and Sun Organization;
 U.S. Army Aviation Unit.

AIR TAXI COMPANY
COMMERCIAL AIR TRANSPORT

(Cont'd.)

SALERS:

In order to extend the necessary service to their various customers, AIR TAXI COMPANY represent a complete line of aviation products and guarantee after sales and parts service on behalf of the following companies as their exclusive Iran distributors:

AERO COMMANDER BENHANY DIVISION of Rockwell Standard, U.S.A.;
 LYCOMING Division of Avco Corp., U.S.A.;
 KING RADIO CORP., U.S.A.;
 SBE AIR ELECTRONICS CORP., U.S.A.;
 CHAMPION SPARK PLUG COMPANY, U.S.A.;
 BELL HELICOPTER CO., U.S.A.

They are situated in a modern office and engineering facility on the North side of Mehrabad Airport, entrance being made by a private entrance from the main Teheran to Karadj Road.

In addition a branch office and maintenance base is sited at Abadan Airport with the necessary housing accommodation for their employees together with a separate building for despatch and passenger lounge. The ground of that place measuring 24,000 sq. metres belong to the Government for which they are paying rental. All their expense they (AIR TAXI CO.) have constructed all the necessary premises for a thirty-year period and it has cost them about Rials 8-9,000,000.

During season period they also maintain offices and other necessary facilities at the Airport as well as an office and housing facilities in the town for their employees.

They are now employing around 120 persons including foreigners of various professions such as an engineer, pilots, assistants, office staff, technicians, apprentices, menials, etc. in their activities.

Bankers: Bank Ettebarat Iran,
 Bank Saderat Iran, Teheran.

Reputation: very good and as far as it is known they have so far fulfilled their commitments in a satisfactory manner.

(* Translation from the Iranian Commercial Code: A ^{private} joint stock company is one formed for commercial purposes, the capital of which is divided into shares and in which the responsibility of the shareholders is limited to their shares).

Teheran, Iran,
 5-12-72.

CONFIDENTIAL

AIR TAXI COMPANY

(Registered style: SHIRAZI AIR TAXI COMPANY AIR-TAXI),

North Mehrabad Airport, Teheran, Iran

Telephones: 661967 ; 663992 and 40257

Cable address: 'AIR TAXI TEHRAN'

Telex: *Teheran 2575 Amaxair Bank Air Taxi Te*

Branches or subsidiary offices in the provincial towns of Abadan and in Gonbad Kavoos, Iran.

This is a joint stock company which was registered with the Companies' Registration Department in Teheran on 15th April 1953 for an unlimited period under number 6047 for the following objects:

- To arrange passenger/cargo/postal material service by air in Iran and outside the country;
- To handle photographic/scientific/advertising/spraying affairs in the air;
- To purchase/to sell/ to rent/ or mortgage planes and other requirements for aviation and to operate same;
- To train pilots and technicians for planes;
- To handle all kinds of other affairs relative to aviation.

The initial registered capital of Rials 6,000,000/- was later raised to Rials 10,000,000/- subsequently it was increased to Rials 20,000,000/- and thereafter it was again raised to its present amount of Rials 50,000,000/- divided into 500 nominal shares of Rials 100,000/- each fully paid up.

The shareholders are:

- 50% by Amir Hossein Aazam Zanganeh
- 25% by Ahmad Ghafik
- 25% by Fredric ~~T. Khorran~~ *E.S.L.*

The members of the board of directors are:

- Amir Hossein Aazam Zanganeh .. Chairman & Managing Director
- Ahmad Ghafik
- Fredric ~~T. Khorran~~ *E.S.L.* .. Inspector - Iranian subjects.
- T. Khorran

~~All documents, etc. of behalf of the firm should be signed by any two of the first mentioned three members of the board with whom seal of the company.~~

Amir Hossein Aazam Zanganeh was born in the Persian year 1309 (1930). He is married and has two children (his knowledge of languages other than Persian: English and French). He has received his secondary schooling in Iran and is a holder of a diploma for same. For a period of two years during 1952 up to 1954 he was in Europe - mainly France.

AIR TAXI COMPANY
 INCORPORATED

(Contd.)

A Commercial Pilot by profession who has received his training as such locally. From about 1954/55 he has always been continuing his studies in the field of aviation and from the inception of this firm he has always been taking an active part in the management of the general business affairs of this company and his commercial activity has been confined to that concern. In fact it is run by himself. Apart from his investment in this firm he does not appear to own much other personal means of his own.

C
 Ahmad Zhoofik was born in 1910. He was formerly the husband of Princess Ashraf Fahlavi (a sister of His Imperial Majesty the Shahinshah Ariamehr). He is an ex Under-Secretary of the Ministry of Roads & Communications and was formerly the General Director of the Civil Aviation (a Government owned organization). He was formerly an Egyptian origin but after his arrival in this country he became a naturalized Iranian subject. He has been in Iran since about 1923. Apart from his interest in this firm since about 1950 he has been handling business under different styles. He is a shareholder in, a director of different local concerns including BANK ESTEBARAT IRAN in which he is the Chairman and Managing Director. He is experienced in aviation and shipping. He is the owner of important personal means of his own with a regular and an important income.

Essko
 Fredric ~~Essko~~ was born in 1928. He is married and has children (his knowledge of languages other than Assyrian and Persian; English). Apart from his interest in this firm he has other business activity and is not taking any active part in the conduct of the commercial affairs of this firm.

The main activities of AIR TAXI COMPANY are divided into three sections, Operational, Technical and Sales as are described below:

OPERATIONAL:

AIR TAXI are undertaking all kinds of aviation activities at the request of their prospective customers but not limited to the following:

- a) General non-schedule and charter flights within Iran and to neighbouring countries carrying passengers and/or freight;
- b) Since 1963 they are handling photographic survey on behalf of the National Cartographic Centre - a subsidiary of the Plan Organization. They are now engaged in surveying and mapping the country;
- c) Since 1962 are handling agricultural spraying on behalf of the Ministry of Agriculture;
- d) From 1960 they are operating regular scheduled flights on behalf of the NATIONAL IRANIAN OIL COMPANY;
- e) From 1965 they are carrying out scheduled air mail deliveries throughout South Iran;
- f) Air ambulance flights as required by their prospective custom-

AIR TAXI COMPANY are the owners of nineteen aircraft consisting of:

12 Aero Commanders and LC3s

7 Single Engine Piper & Sparrow Commander aircraft.

In addition to the above, ~~they~~ AIR TAXI COMPANY operate and maintain on behalf of the Government and private customers sixteen aircraft consisting of:

3 Grand Commander aircraft

2 Aero Commanders

6 Turbo Commanders

1 Turbo Beaver

1 Piper

2 Cessna

1 DC3

AIR TAXI COMPANY maintain, overhaul and operate a total number of approximately 100 aircraft per year, mainly owned by Prime Ministry, D.G.C.A. (Department General of Civil Aviation), Red Lion & Sun Organization and I.A.A. (Imperial Iranian Army Aviation).

They (AIR TAXI COMPANY) are also handling technical servicing and overhauls of some privately owned aircraft belonging to H.I.H. the Shahinshah Armanohr, Prince Gholam Reza Pahlavi, etc. when they are asked to do so.

TECHNICAL:

Since the inception of this firm, they have concentrated on building up an independent engineering facility and have succeeded to the extent that only engines are now sent abroad for complete overhaul. All other work being carried out in Iran by the Company's own personnel.

In addition to major airframe overhaul fully equipped workshops

AIR TAXI COMPANY
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(Contd.)

and skilled staff are available for the following:

- a) Radio installation, repair and overhaul;
- b) Instrument repair and overhaul;
- c) Starter, generator and electrical equipment repair and overhaul;
- d) Magneto, carburettor, etc. repair and overhaul;
- e) Sheet metal repair and modification work.

Technical work is carried out either on an "as required" or contract basis for any company requiring engineering assistance.

Among others the following are their regular customers:

Ministry of Posts & Telegra^{phs};
 Ministry of Agriculture Aviation Unit;
 Imperial Iranian Army Aviation Unit;
 Gendarmerie Aviation Unit;
 Civil Aviation Club;
 National Cartographic Centre;
 Iranian Government;
 Red Lion and Sun Organization;
 U.S.Army Aviation Unit.

SALES:

In order to extend the necessary service to their various customers, AIR TAXI COMPANY represent a complete line of aviation products and guarantee after sales and parts service on behalf of the following companies as their exclusive Iran distributors:

AERO COMMANDER BETHANY DIVISION of Rockwell Standard, U.S.A.;
 LYCCHING Division of Avco Corp., U.S.A.;
~~MAJESTIC SLIDING AVIATION, England;~~
~~DEWITT BIRD AIRCRAFT of Canada Ltd., Canada;~~
 KING RADIO CORP., U.S.A.;
 SUN AIR ELECTRONICS CORP., U.S.A.;
 CHAMPION SPARK PLUG COMPANY, U.S.A.

They are situated in a modern office and engineering facility on the North side of Mehrabad Airport, entrance being made by a private entrance from the main Teheran to Karadj Road.

In addition a branch office and maintenance base is sited at Abadan Airport with the necessary housing accommodation for their employees together with a separate building for despatch and passenger lounge. The ground of that place measuring 24,000 sq. metres belong to the Government for which they are paying rental. As their expense they (AIR TAXI CO.) have constructed all the necessary premises for a thirty-year period and it has cost them about Rials 2,9,000,000.

During season period they also maintain offices and other necessary facilities at the Airport as well as an office and housing facilities in the town for their employees.

AIR TARI COMPANY
 AIR TRANSPORT SERVICES

(Contd.)

They are now employing around 120 persons including foreigners of various professions such as an engineer, pilots, assistants, office staff, technicians, apprentices, mechanics, etcetera, their activities.

Bankers: Bank Mitebarat Iran,
 Bank Saderat Iran - in Teheran.

Reputation: very good

~~The company is a well established firm~~ and as far as it is known they have so far fulfilled their commitments in a satisfactory manner.

(* Translation from the Iranian Commercial Code: A joint stock company is one formed for commercial purposes, the capital of which is divided into shares and in which the responsibility of the shareholders is limited to their shares).

Supplement: The registered capital of this firm was recently raised to Rials 50,000,000/- divided into 500 nominal shares of Rials 100,000/- each fully paid up.

Teheran, Iran,
 12th June 1972.

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CONFIDENTIAL

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GREAT SAVINI AVIATION AIR-LINE,

North Mehrabad Airport, Teheran, Iran

(Tel. Nos. 611967 and 68792).

Cable address "Avtaxi Tehran"

Branches or subsidiary offices in the provincial towns
of Abadan and in Gonbad Kavoo, Iran.

This is a joint stock company which was registered with the
Companies' Registration Department in Teheran on 19th April 1953 for
an unlimited period under number 6047 for the following objects:

- To arrange passenger/cargo/postal material service by
air in Iran and outside the country;
- To handle photographic/scientific/advertising/spraying
affairs in the air;
- To purchase/to sell/to rent/to mortgage planes and other
requirements for aviation and to operate same;
- To train pilots and technicians for planes;
- To handle all kinds of other affairs relative to aviation.

The initial registered capital of Rials 6,000,000/- was later
raised to Rials 10,000,000/- and subsequently it was again increased to
its present amount of Rials 20,000,000/- divided into 100 nominal shares
of Rials 200,000/- each. *50% paid-up and 50% undertaken. -- new fully paid up.*

The shareholders are:

- + 50%* by Mr. Amir Hossain Aazam Zanganeh
- 25% by Mr. Ahmad Shafik
- 25% by Mr. Fredric Issou.

The members of the board of directors are:

- Mr. Amir Hossain Aazam Zanganeh .. Managing Director
- Mr. Ahmad Shafik
- Mr. Fredric Issou
- Mr. T. Khorrani .. Inspector - Iranian subjects.

Mr. Amir Hossain Aazam Zanganeh was born in the Persian year 1309
(1930). He is married and has two children (his knowledge of languages
other than Persian: English and French). He has received his secondary
schooling in Iran and is a holder of a diploma for same. For a period
of two years during 1952 up to 1954 he was in Europe - mainly in France.
A Commercial Pilot by profession who has received his training as such
locally. From about 1954/55 he has always been continuing his studies
in the field of aviation and from the inception of this firm he has always
been taking an active part in the management of the general business
affairs of this company and his commercial activity has been confined to
that concern. In fact it is run by himself. Apart from his investment in
this firm he does not appear to own such other personal means of his own.

Mr. Almal Shafiq was born in 1910. He was formerly the husband of Princess Ashraf Pahlavi (a sister of His Imperial Majesty the Shahinshah Arimshir). He is an ex Under-Secretary of the Ministry of Roads & Communications and was formerly the General Director of the Civil Aviation (a Government owned organization). He was formerly an Egyptian citizen but after his arrival in this country he became a naturalized Iranian subject. He has been in Iran since about 1933. Apart from his interest in this firm since about 1950 he has been handling business under different styles. He is a shareholder in, a director of different local concerns including BANK ESTEBARAT IRAN in which he is the Chairman and Managing Director. He is experienced in aviation and shipping. He is the owner of important personal means of his own with a regular and an import income.

Mr. Fredric Iconis was born in 1928. He is married and has children (his knowledge of languages other than Assyrian and Persian: English). Apart from his interest in this firm he has other business activity and is not taking any active part in the conduct of the commercial affairs of this firm.

The main activities of AIR TAXI COMPANY are divided into three sections, Operational, Technical and Sales as are described below:

OPERATIONAL:

AIR TAXI are undertaking all kinds of aviation activities at the request of their prospective customers but not limited to the following:

- ✓ a) General non-schedule and charter flights within Iran and to neighbouring countries carrying passengers and/or freight;
- ✓ b) Since 1963 they are handling photographic survey on behalf of the National Cartographic Centre - a subsidiary of the Plan Organization. They are now engaged in surveying and mapping the country;
- ✓ c) Since 1962 are handling agricultural spraying on behalf of the Ministry of Agriculture;
- ✓ d) From 1960 they are operating regular scheduled flights on behalf of the NATIONAL IRANIAN OIL COMPANY;
- ✓ e) From 1965 they are carrying out scheduled air mail deliveries throughout South Iran;
- ✓ f) Air ambulance flights as required by their prospective customers;
- ✓ g) Are operating aircrafts mainly belonging to other parties (Prime Minister's Office and the Red Cross Organization).

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air
taxi
company*

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They (AIR TAXI COMPANY) are operating the following:

- ✓ 1 Two DOUGLAS DC-3 DAKOTA aircraft; *+ 3*
 - ✓ 1 Seven AERO COMMANDER aircraft; *X*
 - ✓ 2 Three PIPER PA 22 'TRI-MACER' aircraft;
 - ✓ 1 Seven PIPER PA 18 'SUPER CUB' aircraft.
- 13 sparrows" Commander*

Each of the above aircraft types was selected with particular regard for the nature of the work required.

SHEET BAHAM NAVIGATIONAL AIR-TAXI

(Contd.)

In addition to the above AIR TAXI COMPANY operate and maintain on behalf of the Government and private customers:

Six AERO COMMANDERS,
One PIPER PA 24 COMMANDER
One TURBO BEAVER.

They (AIR TAXI COMPANY) are also handling technical servidings and overhauls of some privately owned aircraft belong to H.I.M. the Shahinshah Arianehr, Prince Gholan Reza Fahlavi, etc. when they are asked to do so.

TECHNICAL:

Since the inception of this firm, they have concentrated on building up an independent engineering facility and have succeeded to the extent that only engines are now sent abroad for complete overhaul. All other work being carried out in Iran by the Company's own personnel.

In addition to major airframe overhaul fully equipped workshops and skilled staff are available for the following:

- a) Radio installation, repair and overhaul;
- b) Instrument repair and overhaul;
- c) Starter, generator and electrical equipment repair and overhaul;
- d) Magneto, carburettor, etc. repair and overhaul;
- e) Sheet metal repair and modification work.

Technical work is carried out either on an "as required" or contract basis for any company requiring engineering assistance.

Among others the following are their regular customers:

Ministry of Agriculture Aviation Unit;
Imperial Iranian Army Aviation Unit;
Gendarmerie Aviation Unit;
Civil Cartographic Centre;
Iranian Government;
Red Lion and Sun Organization;
U.S. Army Aviation Unit.

S A L E S:

In order to extend the necessary service to their various customers, AIR TAXI COMPANY represent a complete line of aviation products and guarantee after sales and parts service on behalf of the following companies as their exclusive Iran distributors:

AERO COMMANDER BENTLEY DIVISION of Rockwell Standard,	U.S.A.;
LYCINGING Division of Avco Corp.,	U.S.A.;
HAWKER SIDDELEY AVIATION,	England;
DE HAVILLAND AIRCRAFT of Canada Ltd.,	Canada;
KING RADIO CORP.,	U.S.A.;

SAH AIR ELECTRONICS CORP.,
 CHAMPION SPARK PLUG COMPANY,

(Contd.)

U.S.A.;
 U.S.A.

They are situated in a modern office and engineering facility on the North side of Mehrabad Airport, entrance being made by a private entrance from the main Teheran to Karadj Road.

In addition a branch office and maintenance base is sited at Abadan Airport with the necessary housing accommodation for their employees together with a separate building for despatch and passenger lounge. The ground of that place measuring 24,000 sq. metres belong to the Government for which they are paying rentals. At their expense they (AIR-TAKI CO.) have constructed all the necessary premises for a thirty-year period and it has cost them about Rials 3/9,000,000.

During season period they also maintain offices and other necessary facilities at the Airport as well as an office and housing facilities in the town for their employees.

They are now employing about 120 persons including foreigners of various professions such as an engineer, pilots, assistants, office staff, technicians, apprentices, menials, etcetera, in their activities.

Bankers: Bank Ettibarat Iran,
 Bank Saderat Iran, in Teheran.

They are enjoying a good reputation and as far as it is known they have so far fulfilled their commitments in a satisfactory manner.

(* Translation from the Iranian Commercial Code: A joint stock company is one formed for commercial purposes, the capital of which is divided into shares and in which the responsibility of the shareholders is limited to their shares).

Supplement: The present registered capital of this firm of Rials 20,000, is now fully paid up.

Teheran, Iran
 27th November 1968.

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2-10-70

AMENDMENTSOPERATIONAL:

- g) Air Taxi Co. maintain, overhaul and operate a total number of approximately 100 aircraft per year, mainly owned by Prime Ministry, D.G.C.A. (Department General of Civil Aviation), Red Lion & Sun Organization, I.I.A.A. (Imperial Iranian Army Aviation).

C A P I T A L:

The registered capital of Air Taxi Co. has recently been increased to Rials 50,000,000.--

صورت هواپیمای شرکت هواپیمایی ارتاکس میانشان

ظرفیت مسافر	علامت مشخصه	نوع هواپیما	شماره
۲۴ نفر	EP - AEO	داکتوس	۱
" ۲۴	EP - ADG	"	۲
" ۲۴	EP - AAK	"	۳
" ۲۴	EP - AEH	"	۴
" ۶	EP - ABD	اروکماندر	۵
" ۶	EP - AEC	"	۶
" ۶	EP - AEJ	"	۷
" ۶	EP - AER	"	۸
" ۶	EP - AMK	"	۹
" ۶	EP - AHZ	"	۱۰
" ۶	EP - AIP	"	۱۱
" ۳	EP - AAB	بایپر ۲۲	۱۲
" ۳	EP - AAD	" ۲۲	۱۳
" ۲	EP - AHH	اسپاروکماندر	۱۴
" ۲	EP - AGN	بایپر ۱۸	۱۵
" ۲	EP - AGJ	" ۱۸	۱۶
" ۲	EP - AGM	" ۱۸	۱۷
" ۲	EP - AGP	" ۱۸	۱۸

صورت هواپیمای شرکت هواپیمایی ارتاکس میانشان

ظرفیت مسافر	علامت مشخصه	نوع هواپیما	شماره
۶ نفر	EP - PSP	گراند کماندر	۱
" ۶	EP - AGH	اروکماندر	۲
" ۶	EP - RLS	توربوپاور	۳
" ۶	EP - AGU	توربوکماندر	۴
" ۶	EP - AGT	گراند کماندر	۵
" ۶	EP - AGS	گراند کماندر	۶
" ۶	EP - FSS	توربوکماندر	۷
" ۶	EP - FIA	توربوکماندر	۸
" ۶	EP - FIB	توربوکماندر	۹
" ۶	EP - DCA	اروکماندر	۱۰
" ۴	EP - GRP	بایپر	۱۱
" ۶	EP - AFV	سنسنا	۱۲

CONFIDENTIAL

SARRENH BAHAMI KAVAYAYINI AIR-TAXI,

North Mehrabad Airport, Teheran, Iran (Tel. Nos. 611967
and 68992). Branches or subsidiary offices in the
provincial towns of Abadan, Shiraz and Gorgan.

This is a joint stock company which was registered with the Companies' Registration Department in Teheran on 19th April 1953 for an unlimited period under number 6047 for the following objects:

To act as forwarders of passengers/cargo and postal material in air in Iran and outside this country;
To handle photographic/scientific/advertising/spraying affairs in the air;
To purchase/to sell/ to rent/ to mortgage planes and other requirements of aviation and to operate same;
To train pilots and technicians for planes;
To handle all kinds of other affairs relative to aviation.

The initial registered capital of Rials 6,000,000/- was later raised to Rials 10,000,000/- and subsequently it was again increased to its present amount of Rials 20,000,000/- divided into 200 nominal shares of Rials 100,000/- each, 50% paid up and 50% undertaken.

The majority shareholders and members of the board of directors are:

Mr. Amir Hossain Aazam Zanganeh	..	Chairman Managing Director,
Mr. Ahmad Shafik		Vice-Chairman ,
Mr. Fredric Issac		
Mr. T. Khorram	..	Inspector - Iranian subjects.

All documents, etc. on behalf of the firm should be signed jointly by any two of Messrs. Amir Hossain Aazam Zanganeh, Ahmad Shafik or Fredric Issac with the seal of the company.

Mr. Amir Hossain Aazam Zanganeh was born in 1309 (1930). He is married (his knowledge of languages other than Persian: English and French). A pilot by profession who was formerly practising his profession as such. He has received his secondary schooling locally. Apart from his investment in this firm he does not appear to possess much other personal means of his own.

Mr. Ahmad Shafik is about 55 years of age, who was formerly the husband of Princess Ashraf Pahlavi (a sister of His Imperial Majesty the Shah). He is an ex Under-Secretary of the Ministry of Roads & Communications and was formerly the General Director of the Civil Aviation (a Government owned organization). He was formerly an Egyptian origin who is now a naturalized Iranian subject. He has been in Iran for about 25 years and apart from his interest in this firm since about 1950 he has been trading mainly in the names of numerous other firms and is a shareholder in, a director of different local concerns including Bank Etebarat Iran in which he is the Chairman.

Mr. Fredric Issac (an Assyrian) was born in 1928. He is now married and has three children (his knowledge of languages other than Assyrian and Persian: English). He has received his primary schooling in this country and later he was away in America where he has studied electronics in aviation. He returned to Iran from America in about 1950 and subsequently was employed as a repairer of radios. Later by the financial support of an American citizen his financial position was improved. Apart from his interest in this firm he is the principal partner and Manager of IRAN BOLL COMPANY LTD. of 75, Avenue Fordost, Teheran (a limited liability company which was registered in Teheran on 20th July 1959 with a capital of Rials 5,000,000/- of which 80% has been paid by him. They are the owners of a new converting factory in this place for producing telegraphic/accountance;

SHIRKAT SAHAMI HAVAPAYMAI AIR-TAXI

(Contd.)

owner of that concern).

The main activities of SHIRKAT SAHAMI HAVAPAYMAI AIR-TAXI are as below and in general they are interested in matters as mentioned at the heading:

- a) They conduct an air-taxi service in the city of Teheran by their three PIPER P.A.22, seven PIPER P.A.13, six "AERO COMMANDERS" one "DUCENA" C-47, some of which belong to others which are operated by them on a commission and contract basis;
- b) They are operating also such planes on a chartered basis for flights from Teheran to the provincial towns of SHIRAZ and ABADAN and return journeys;
- c) On chartered basis they also at times undertake advertisement affairs by air service through the same planes;
- d) When occasions arise, they are accepting passengers for air travel for health conditions or movements of patients from Teheran to other places in the country also on a chartered basis;
- e) They are also handling agricultural spraying services from the air.

They are importing their requirements of small quantities of equipments, spare parts for their own planes and other material for the conduct, maintenance and operation of their planes from America and European countries.

They are now maintaining suitable and a modern organization and offices as well as garages, for their planes, technical servicing station, etc. in part of Mehrabad Airport in Teheran.

They are now employing about ninety persons including twenty foreigners of various professions including pilots, assistants, office staff, technicians, apprentices, etcetera, in their activities.

When necessary, the repairings of the engines of their planes are handled outside this country.

They are acting as agents for Iran for "AERO COMMANDER" and for "LYCOMING" foreign firms.

Bankers: Bank Etttebarat Iran, Chief Office;
Bank Mellli Iran, Chief Office;
Bank Saderat Iran, Haderi Office in Teheran.

They have insured their planes, their business premises and their employees with Bimac Mellli Insurance Co., Teheran.

Amongst their regular and important customers include:

- The National Iranian Oil Company for passengers, cargo, inspection matters, in the Oil Fields of the country;
- The Iranian Plan Organization for air photography, etc. throughout the country;
- Other Oil Operating companies now engaged in exploration and exploitation in different places in the Persian Gulf Area;
- Different other important firms of building contractors including ENTERPOSE, WILLIAM BROTHERS, etcetera.

They are enjoying a good reputation.

It is believed that the Company is supported morally by important and influential higher sources.

(* Translation from the Iranian Commercial Code: A joint stock company is one formed for commercial purposes, the capital of which is divided into shares, and in which the responsibility of the shareholders is limited to their shares).

BT/.

OTHER COVERING FACTORY OF THIS KIND FOR ECONOMIC TELEPHONE/ACCOUNTING

25 000 017

CONFIDENTIALSHERKAT SAHAMI HAVAPAYMAI AIR-TAXI,

North Mehrabad Airport, Teheran, Iran (Tel. Nos. 611967
and 68992). Branches or subsidiary offices in
the provincial towns of Abadan, Shiraz
and Gorgan.

This is a joint stock company which was registered with the Companies' Registration Department in Teheran on 19th April 1958 for an unlimited period under number 6047 for the following objects:

- To act as forwarders of passengers/cargo and postal material in air in Iran and outside this country;
- To handle photographic/scientific/advertising/spraying affairs in the air;
- To purchase/to sell/to rent/to mortgage planes and other requirements of aviation and to operate same;
- To train pilots and technicians for planes;
- To handle all kinds of other affairs relative to aviation.

The initial registered capital of Rials 6,000,000/- was later raised to Rials 10,000,000/- and subsequently it was again increased to its present amount of Rials 20,000,000/- divided into 200 nominal shares of Rials 100,000/- each, 50% paid up and 50% undertaken.

The majority shareholders and members of the board of directors are:

Mr. Amir Hosssein Aazam Zanganeh .. Managing Director,
Mr. Ahmad Shafik,
Mr. Fredric Issue,
Mr. T. Khorram .. Inspector - Iranian subjects.

All documents, etc. on behalf of the firm should be signed jointly by any two of Messrs. Amir Hosssein Aazam Zanganeh, Ahmad Shafik or Fredric Issue with the seal of the company.

Mr. Amir Hosssein Aazam Zanganeh was born in 1309 (1930). He is married (his knowledge of languages other than Persian: English and French). A pilot by profession who was formerly practising his profession as such. He has received his secondary schooling locally. Apart from his investment in this firm he does not appear to possess much other personal means of his own.

Mr. Ahmad Shafik is about 55 years of age, who was formerly the husband of Princess Ashraf Pahlavi (a sister of His Imperial Majesty the Shah). He is an ex Under-Secretary of the Ministry of Roads & Communications and was formerly the General Director of the Civil Aviation (a Government owned organization). He was formerly an Egyptian origin who is a naturalized Iranian subject. He has been in Iran for about 26 years and apart from his interest in this firm since about 1950 he has been trading mainly in the names of numerous other firms and is a shareholder in, a director of different local concerns including Bank Ettebarat Iran in which he is the Chairman.

Mr. Fredric Issue (an Assyrian) was born in 1928. He is now married and has three children (his knowledge of languages other than Assyrian and Persian: English). He has received his primary schooling in this country and later he was away in America where he has studied electronics in aviation. He returned to Iran from America in about 1950 and subsequently was employed as a repairer of radios. Later by the financial support of an

SHIRKAT SAHAMI HAVAPAYSHAI AIR-TAXI
 SHIRKAT SAHAMI HAVAPAYSHAI AIR-TAXI

(Contd.)

American citizen his financial position was improved. Apart from his interest in this firm he is the principal partner and Manager of IRAN ROLL COMPANY LTD. of 75, Avenue Ferdowsi, Teheran (a limited liability company which was registered with the Companies' Registration Department in Teheran on 20th July 1959 with a capital of Rials 5,000,000/- of which 80% has been paid by him. They are the owners of a paper converting factory in this place for producing telegraphic/accountancy/tele-type/gum papers as well as paper bags. It is said that the present worth of this firm is more than that registered and he is the acknowledged owner of that concern).

The main activities of SHIRKAT SAHAMI HAVAPAYSHAI AIR-TAXI are as below and in general they are interested in matters as mentioned at the heading:

- a) They conduct an air-taxi service in the city of Teheran by their three PIPER P.A.22, seven PIPER P.A.18, six "AERO COMMANDERS" one "DACOTA" C-47, some of which belong to others which are operated by them on a commission and contract basis;
- b) They are operating ~~also~~ planes on a chartered basis for flights from Teheran to the provincial towns of SHIRAZ and ABADAN and return journeys;
- c) On chartered basis they also at times undertake advertisement affairs by air service through the same planes;

SHERKAT SAHAMI HAVAPEYMAI AIR-TAXI

(Contd.)

They have insured their planes, their business premises and their employees with Bimeh Helli Insurance Co., Tehran.

Amongst their regular and important customers include:

The National Iranian Oil Company for passengers, cargo, inspection matters, in the Oil Fields of the country;

The Iranian Plan Organization for air photography, etc. throughout the country;

Other Oil Operating companies now engaged in exploration and exploitation in different places in the Persian Gulf Area;

Different other important firms of building contractors including ENTERPOSE, WILLIAM BROTHERS, etcetera.

They are enjoying a good reputation.

Probably ~~it is believed that~~ the Company is supported morally by important and influential higher sources.

(* Translation from the Iranian Commercial Code: A joint stock company is one formed for commercial purposes, the capital of which is divided into shares and in which the responsibility of the shareholders is limited to their shares).

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and has three children (his knowledge of Persian: English). He has received his primary schooling in Iran and later he was away in America where he finished secondary school. He returned to Iran from America in about 1950 and subsequently was employed as a repairer of radios. Later by the financial support of an American citizen his financial position was improved. Apart from his interest in this firm he is the principal partner and Manager of IRAN PAPER COMPANY LTD. of 75, Avenue Ferdowsi, Teheran (a limited liability company which was registered in Teheran on 20th July 1959 with a capital of Rials 5,000,000/- of which 80% has been paid by him. They are the owners of a paper converting factory in this place for producing telegraphic/accountancy/tele-type/gum papers as well as paper bags. It is said that the present worth of this firm is more than that registered and he is the acknowledged owner of that concern).

The main activities of SHERKAT SANAMI HAVAPAYMAI AIR-TAXI are as below and in general they are interested in matters as mentioned at the heading:

- a) They conduct an air-taxi service in the city of Teheran by their three PIPER P.A.22 airplanes, seven PIPER P.A.18, six "AERO COMMANDERS" and one "DACOTA" C-47, some of which belong to others which are operated by them on a commission ^{and} contract basis;
- b) They are operating also such planes on a chartered basis for flights from Teheran to the provincial towns and Shiraz and AEDAN and return journeys;
- c) On a chartered basis they also at times undertake advertisement affairs by air service through the same planes;
- d) When occasions arise, they are accepting passengers for air travel for health conditions or movements of patients from Teheran to other places in the country also on a chartered basis;
- e) They are also handling agricultural spraying services from the air.

They are importing their requirements of small quantities of spare equipments, parts for their own planes and other material for the conduct and maintenance and operations of their planes from American and European countries.

They are now maintaining suitable and a modern organization for their planes, and offices as well as garages, technical servicing station, etc. in part of Mehrabad Airport in Teheran.

They are now employing about ninety persons including twenty foreigners of various professions including pilots, assistants, office staff, technicians, apprentices, etc. in their activities.

When necessary, the repairs of the engines of their planes are handled outside this country.

They are acting as agents for Iran for "AERO COMMANDER" and for "LYCOMING" foreign firms.

Bankers: Bank Etebarat Iran, Chief Office;
Bank Melli Iran, Chief Office;
Bank Saderat Iran, Naderi Office in Teheran.

They have insured their planes, their business premises and their with Bimch Melli Insurance Co., Teheran.

Amongst their regular and important customers include:

The National Iranian Oil Company for passengers, cargo, inspection matters, in the Oil Fields of the country;

The Iranian Plan Organization for air photography, etc. throughout the country;

Other Oil Operating companies now engaged in exploration and exploitation in different places in the Persian Gulf Area;

Different other important firms of ^{building} contractors including ENTERPOSE, WILLIAM BROTHERS, ~~SUNRISE EASTERN DRILLING CO.,~~ etcetera.

They are enjoying a good reputation.

It is believed that the Company is supported morally by important and influential higher sources.

(* Translation from the Iranian Commercial Code; A joint stock company is

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Teheran, Iran,
15th July 1965.

CONFIDENTIAL

SHERKAT SAHAMI HAVAPEYMAI AIR-TAXI,
=====Mehrabad Airport, Teheran, Iran (Tel. Nos. 611967
and 68992).

This is a joint stock company which was registered with the Companies' Registration Department in Teheran on 19th April 1958 for an unlimited period under number 6047 for the following objects:

- To act as forwarders of passengers/cargo and postal material in air in Iran and outside this country;
- To handle photographic/scientific/advertising spraying affairs in the air;
- To purchase/to sell/to rent/to hypothecate planes and other requirements of aviation and to operate same;
- To train pilots and technicians for planes;
- To handle all kinds of other affairs relative to aviation.

The initial registered capital of Rials 6,000,000/- was later raised to its present amount of Rials 10,000,000/- divided into 100 shares of Rials 100,000/- each of which 80% (Rials 8,000,000/-) has now been paid up and the balance undertaken.

The majority shareholders and members of the board of directors are:

Mr. Amir Hossein Aazam Zanganeh .. Chairman & Managing Director
Mr. Ahmad Shafik .. Vice-Chairman,
Mr. Fredric Issue,
Mr. Hooshang Amini-Rad .. Inspector - Iranian subject.

All documents, etc. on behalf of the firm should be signed by any two of Messrs. Amir Hossein Aazam Zanganeh, Ahmad Shafik or Fredric Issue with the seal of the company.

Mr. Amir Hossein Aazam Zanganeh was born in 1307 (1919). He is married (his knowledge of languages other than Persian: English and French). A pilot by profession who was formerly employed as such. He has received his secondary schooling locally. Apart from his investment in this firm he does not appear to possess much other personal means of his own.

Mr. Ahmad Shafik is about 55 years of age, who was formerly the husband of Princess Ashraf Pahlavi (a sister of His Imperial Majesty the Shah). He is an ex Under-Secretary of the Ministry of Roads & Communications and was formerly the General Director of the Civil Aviation (a Government owned organization). He was formerly an Egyptian origin who is now a naturalized Iranian subject. He has been in Iran for about 25 years and apart from his interest in this firm since about 1950 he has been trading mainly in the case of numerous other firms and is a shareholder in and a director of different local concerns.

SHERKAT SANAMI HAVAPAYMAI AIR-TAXI
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(Contd.)

Sometime ago they were interested to secure the agency for Iran for certain foreign firms and to commence to import their goods for Government Departments and others on a commission basis.

Bankers: Bank Etteberat Iran;
Bank Melli Iran, Chief Office;
Bank Pars, Chief Office - in Teheran.

For the present this firm is the sole concern of its kind who are operating an air-taxi service in this country.

Reputation: good, in the line of their activity.

(* Translation from the Iranian Commercial Code: A joint stock company is one formed for commercial purposes, the capital of which is divided into shares and in which the responsibility of the shareholders is limited to their shares).

1 DACOTTA C.-47

4 AERO COMMANDERS

under nazar AIR TAXI negahdari and operation belonging to others on a commission basis. as per agreement.

From Teheran SHIRAZ ABADAN charter basis. as charters.

In such cases they are chartering,

Regular agric

Mainly from America, and from European countries equipments and handling sales.

SHERKAT TASHKILAT for tashkilat va tassissat mohajaz and modern have constructed including offices, aeroplane garage, servicing station, - part of Mehrabad Port Area is.

90 employees such as daftari, technicians of which 20 are foreign aviators, te

All serving through this Sherkat in this place handled. Except tamirat engine repairings.

Agent for AERO COMMANDER LY LYCOMING, etc.

EK ETTEBIRAN CO SADEPAT IRAN NADERI

From Higher sources Cover or other are sbeing supported about RIs.80/100,000,000 actual capital have. IRAN MELLI bldg/p

AERO COMMANDER
LYCOMING etc

SHERKAT SAHAMI HAVAPAYMAI AIR-TAXI

(Conts.)

Mr. Fredric Issag (an Assyrian) was born in 1928. He is now married and has three children (his knowledge of languages other than Assyrian and Persian: English). He has received his primary schooling in this country and later he was away in America where he has studied electronics in aviation. He returned to Iran from America in about 1950 and subsequently was employed as a repairer of radios. Later by the financial support of an American citizen his financial position was improved. Apart from his interest in this firm he is the principal partner and Manager of PEAR BELL COMPANY LTD. of 7 Avenue Fordousi, Teheran (a limited liability company which was registered in Teheran on 20th July 1959 with a capital of Rials 5,000,000/- of which 80% has been paid by him. They are the owners of a paper converting factory in this place for producing telegraphic/accountancy/tele-type/gum papers as well as paper bags. It is said that the present worth of this firm is more than that registered).

The main activities of SHERKAT SAHAMI HAVAPAYMAI AIR-TAXI are as below and in general they are interested in matters as mentioned at the heading:

- Handwritten: PIPER, P. 122, 123, 124, 125, 126*
- (B2) *Handwritten: as charter*
- They conduct an air-taxi service in the city of Teheran by their few small planes (P.A.22, "TRIPYSER" and "PIPER" models, three "AERO COMMANDERS" and one "DACOTA" C-47) which they have purchased from America;
 - At times they accept passengers from Teheran for other destinations in the country such as South of Iran but so far they have not operated such a regular service;
 - At times they are undertaking advertisement affairs by air service which are handled by their above mentioned small planes;
 - At times they accept passengers for air travel for health conditions or movements of patients from Teheran to other places in the country where no other airlines operate. In such cases they are chartering their planes;
 - Very seldom they operate their planes for agricultural spraying purposes, etc. when necessary;
 - They also operate their few other "PIPER" planes for a local firms (BANU SAHR INDUSTRIAL CO.) on a chartered basis for spraying purposes.

They import their requirements of very small nature such as spare parts for their planes and other material for the conduct of their operations for the above purposes from America, Germany and England.

They are now located in suitable rented offices in Mehrabad Airport and employ therein a few persons. They also maintain in that place a technical servicing station for the repairing of their planes.

Handwritten Persian notes:
 شرکت سهامی هواپیمایی ایرتاکسی
 در تهران واقع است و در حال حاضر در فرودگاه مهرآباد
 در محل اجاره ای در اختیار دارد و در آنجا یک ایستگاه
 تعمیراتی برای تعمیرات هواپیماها را نگهداری می کند.

In Abadan, Shiraz and Isfahan - FRANCHISE

AIR TAXI

~~Kurdi Road~~ ~~and~~ ~~changed~~

North-Mehrabad Airport.

Capital fully paid up

~~MR. F. KINZERAN is Inspector~~

~~ZANOABAN 1909~~

~~SHARIV~~

- 3 planes have PIPER P.A.22.
- 7 PIPER P.A.18
- 6 AERO COMMANDERS have
- 1 DACOTTA C.-47
- 4 AERO COMMANDERS

under nazar AIR TAXI negahdari and operation belonging to others on a commission basis. as per agreement.

From Teheran SHIRAZ ABADAN charter basis. as charters.

In such case, then are chartering ,

Regular agric

Mainly from America, and from European countries equipments and handling sales.

SHERKAT TASHKILAT for tashkilat va tassissat mohajaz and modern have constructed including offices, aeroplane garage, servicing station - part of Mehrabad Port Area is.

90 employees such as daftari, technicians of which 20 are foreign aviators , te

All serving through this Sherkat in this place handled. Except tamirat engine repairings.

Agent for AERO COMMANDER LY LYCOMING, etc.

BK ETEBIRAN CO SADERAT IRAN NADERI

From Higher sources Gover or other are sbeing supported. about Ris.80/100,000,000 actual capital have. TASH MELLI bldg/p

CONFIDENTIAL

SHERKAT SAHAMI HAVAPEYMAI AIR-TAXI,
 =====

75 (ex 500), Khaban Farzosi, Teheran, with a Branch Office
 in Teheran, Iran (tel.No.4503).

This is a joint stock company which was registered in Teheran on 19th
 April 1958 for an unlimited period under number 6047 for the following
 objects:

To operate an air travel service,
 To act as forwarding agents by air and to undertake other activities
 relative thereto;
 To purchase, to sell or to rent planes;
 To undertake other airway services and to establish representation for
 air traffic;
 To undertake other free air activities relative to imports, exports,
 and if necessary to invest foreign capitals according to regulations,
 etc.

Registered capital: Rials 6,000,000/- divided into 200 nominal shares
 of Rials 30,000/- each, 2/3rds paid up and the balance undertaken.

The majority shareholders and members of the board of directors are:

Mr. Amir Hossein Azam Zanganeh	.. Chairman & Managing Director,
" Ahmad Shafik	.. Vice-Chairman,
" Frederic Issue	..
" Hooshang Amini Rad	.. Inspector - Iranian subjects.

All documents, etc. on behalf of the firm should be signed jointly by
 any two of Messrs. Amir Hossein Azam Zanganeh, Ahmad Shafik or Frederic
 Issue with the seal of the company.

Mr. Amir Hossein Azam Zanganeh is 32 years of age (his knowledge of
 languages other than Persian: English and French). A pilot by profession who
 has received his training as such in France. He has also studied administra-
 tion in aviation. He returned to Iran from Europe in 1954 and before the
 formation of this firm was engaged in agricultural affairs.

Mr. Ahmad Shafik is 54 years of age who was formerly the husband of
 Princess Ashraf Pahlavi (a sister of His Imperial Majesty the Shah). He is
 an ex Under-Secretary of the Ministry of Roads & Communications and was
 formerly the General Director of the Civil Aviation (a Government organiza-
 tion). Apart from his interest in this firm he is also a shareholder,
 director or the chairman of various local firms including:

SHERKAT SAHAMI HAVAPEYMAI PARS (PARS AIRWAYS CO. LTD.);
 IRANIAN LLOYD CO., LTD.,
 IRANIAN NATIONAL SHIPPING CO.,
 IRAN NATIONAL INSURANCE CO.,
 SHERKAT SAHAMI AMIRAN,
 BANK ET BARAT IRAN,
 PERSIAN SHIPPING SERVICES,
 IRANIAN TRAVEL AGENCY "MITA",
 VACU LUG RUBBER INDUSTRIES (IRAN) LTD., etc.

He has the reputation of being a hard worker, energetic and appears to be
 maintaining sound relations with certain influential sources locally.

Mr. Frederic Issue is 34 years of age (his knowledge of languages other
 than Assyrian and Persian: English). He has studied electric and radio
 aviation mechanism in America. He returned to this country from America in
 about 1949 and before the formation of this firm was employed on a salary
 basis by Mehrbad Airport of Teheran. Formerly he was acting as a radio
 repairer and it is said that through the support of the husband (an American
 citizen) of a sister of his he has improved in living conditions.

The activities of SHERKAT SAHAMI HAVAPEYMAI AIR-TAXI are as below:

- 2 -

SHERKAT SANAMI HAVAFAYEI AIR-TAXI (Contd.)

=====

- a) They conduct an air-taxi service in the city of Teheran. It is said that they are the owners of four small planes (P.A.22, "TRIFLYER" and "FIBER" models, three "AGRO COMMANDERS" and one "DACCOR" C-47) which they have purchased from America;
- b) Very seldom they accept passengers from Teheran for other destinations in the country such as South of Iran but so far they have not operated such a regular service;
- c) At times they are undertaking advertisement affairs by air service which are handled by their above mentioned small planes;
- d) Very seldom they accept passengers for air travel for health conditions or movements of patients from Teheran to other places in the country where no other airlines operate. In such cases they are chartering their planes;
- e) Very seldom they operate their planes for agricultural purposes, etc. when necessary.

They import their requirements of very small nature such as spare parts for their planes and other material for the conduct of their operations for the above purposes from America, Germany and England.

They are located in offices in the form of four rooms in the third upper floor of a building at 75 (ex 500), Khaban Ferdosi, Teheran - a business district. They are employing therein some clerical and menial staff.

Some time ago they were endeavouring to secure the ^{agency} sales representation for Iran for certain foreign firms and to commence to import their goods for Government Departments and others on a commission basis.

Bankers: Bank Melli Iran, Chief Office;
 Bank Ettebarat Iran;
 Bank Pars, Chief Office - in Teheran.

For the present this firm is the sole concern of its kind who are operating an air-taxi service in Teheran with their few small planes.

They are enjoying a good reputation and so far nothing unfavourable

reputation has been heard regarding their business activities.

In the opinion of consulted sources possibly ~~they are receiving some technical support from Sarlashkar Khatami (a senior Iranian army officer in the Iranian Royal Air Force) who has possibly an indirect interest in this concern.~~

The firm IRAN ROLL CO. LTD. (a limited liability company which is owned mainly by Mr. Frederic Issue) are also located in the same offices at the heading address and the same employees are also handling the clerical duties of this firm too.

(* Translation from the Iranian Commercial Code: A joint stock company is one formed for commercial purposes, the capital of which is divided into shares, and in which the responsibility of the shareholders is limited to their shares).

CONFIDENTIAL

SHERKAT SANAMI HAVAPAYMAI AIR-TAXI,
 =====

Mohrabad Airport, Teheran, Iran.

This is a joint stock company which was registered in Teheran on 19th April 1958 for an unlimited period under number 6047 for the following objects:

- To operate an air travel service;
- To act as forwarding agents by air and to undertake other activities relative thereto;
- To purchase, to sell or to rent planes;
- To undertake other airway services and to establish representation for air traffic;
- To handle other free air activities relative to imports, exports, and if necessary, to invest foreign capitals according to regulations, etc.

The initial registered capital of Rials 6,000,000/- was later raised to its present amount of Rials 10,000,000/- divided into 100 shares of Rials 100,000/- each of which 60% has been paid up and the balance has been undertaken.

The majority shareholders and members of the board of directors are:

Mr. Amir Hossein Azam Zanganeh .. Chairman & Managing Director,
 " Ahmad Shafik .. Vice-Chairman,
 " Fredric Issue,
 " Hooshang Amini Rad .. Inspector - Iranian subjects.

All documents, etc. on behalf of the firm should be signed jointly by any two of Messrs. Amir Hossein Azam Zanganeh, Ahmad Shafik or Fredric Issue, with the seal of the company.

Mr. Amir Hossein Azam Zanganeh is 34 years of age, married (his knowledge of languages other than Persian: English and French). A pilot by profession who was formerly employed as such. He has received his secondary schooling locally. Apart from his investment in this firm he does not appear to possess much other personal means of his own.

Mr. Ahmad Shafik is about 50/55 years of age who was formerly the husband of Princess Ashraf Pahlavi (a sister of His Imperial Majesty the Shah). He is an ex Under-Secretary of the Ministry of Roads & Communications and was formerly the General Director of the Civil Aviation (a Government owned organization). He was formerly an Egyptian origin who is now a naturalized Iranian subject. He has been in Iran for about 25 years and apart from his interest in this firm since about 1950 he has been trading mainly in the names of numerous other firms.

Mr. Fredric Issue (an Assyrian) was born in 1928. He is now married and has three children (his knowledge of languages other than Persian: English) He has received his primary schooling in this country and later he was away in America. While in that country studying electric and radio aviation mechanism. He returned to Iran from America in about 1950 and before the formation of this firm was employed on a salary basis by Mehrabad Airport in Teheran. Formerly he was acting as a radio repairer and later by the support of an American citizen his financial position was improved. Apart from his interest in this

SHERKAT SAHAMI HAVAPAYMAI AIR-TAXI (Contd.)

firm he is also the principal partner of the firm IRAN ROLL CO. LTD., 75, Khaban Ferdowsi, Teheran (a limited liability company which was registered in Teheran on 20th July 1959 with a capital of rials 5,000,000/- of which 80% has been paid by him, 15% by his wife, and 5% by another party. They are the owners of a paper converting factory in this place).

The activities of SHERKAT SAHAMI HAVAPAYMAI AIR-TAXI are as below:

- a) They conduct an air-taxi service in the city of Teheran by their four small planes (P.A. 22, "TRIPEYSER" and "PIPER" models, three "AERO COMMANDERS" and one "DACTA" C-47) which they have purchased from America;
- b) Very seldom they accept passengers from Teheran for other destinations in the country such as South of Iran but so far they have not operated such a regular service;
- c) At times they are undertaking advertisement affairs by air service which are handled by their above mentioned small planes;
- d) Very seldom they accept passengers for air travel for health conditions or movements of patients from Teheran to other places in the country where no other airlines operate. In such cases they are chartering their planes;
- e) Very seldom they operate their planes for agricultural purposes, etc. when necessary;
- f) They also operate their four other "PIPER" planes for a local firm (BEHSHAHR INDUSTRIAL CO.) on a chartered basis for spraying purposes.

They import their requirements of very small nature such as spare parts for their planes and other material for the conduct of their operations for the above purposes from America, Germany and England.

They are now located in an office in Mehrabad Airport and employ therein a few persons.

Sometime ago they were interested to secure the agency for Iran for certain foreign firms and to commence to import their goods for Government Departments and others on a commission basis.

Bankers: Bank Melli Iran, Chief Office;
Bank Etttebarat Iran;
Bank Pars, Chief Office - in Teheran.

For the present this firm he is the sole concern of its kind who are operating an air-taxi service in Teheran with their few small planes.

Possibly they are receiving some technical support from Sarlashkar Khatami (a senior Iranian army officer in the Iranian Royal Air Force) who has possibly an indirect interest in this concern.

As far as it can be ascertained nothing unfavourable is said about them.

(* Translation from the Iranian Commercial Code: A joint stock company is one formed for commercial purposes, the capital of which is divided into shares and in which the responsibility of the shareholders is limited to their shares).

ad/.

1458

1/1/37

[REDACTED]
[REDACTED]
[REDACTED] 40

A I R - T A X I, Sherkat Sahami Havayajangi
 =====

Khatban Ferdowsi 486 with a Branch Office in Mehrabad,
 Teheran, Iran.

This is a joint stock company which was registered in Teheran on 19th April 1958 for an unlimited period under number 6047 for the following objects:

- To operate an air travel service;
- To act as forwarding agents by air and to undertake other activities relative thereto;
- To purchase, to sell or to rent planes;
- To undertake other airway services and to establish representations for air traffic;
- To undertake other free air activities relative to imports, exports, and if necessary to invest foreign capitals according to regulations, etc.

Registered capital: Rials 6,000,000/- divided into 200 shares of Rials 30,000/- each of which 180 shares are bearer and the remaining 20 shares are nominal, 1/3rd paid up.

The shareholders and members of the board of directors are:

Mr. Mohamad Amir Khatemi	..	Chairman,
" Nader Jahanbani	..	Vice-Chairman,
" Ahmad Shafigh,		<i>Chief Member</i>
" Amir Hossein Azam Zanganeh	..	substitute director & treas.
" Frederic Issue	..	Inspector - Iranian subjects.

All documents, etc. on behalf of the firm should be signed by Mr. Amir Hossein Azam Zanganeh jointly with any one of the other members of the board with the seal of the concern.

Mr. Mohamad Amir Khatemi is forty years old, married and father of a family who has received his education in Iran and in England. For about twenty years he is employed continuously by the Iranian Government and he is now a Commanding Officer in Iranian Airways as a senior employee. Mr. Nader Jahanbani is thirty-one years old (his knowledge of languages other than Persian: English and German). A test-pilot by profession who has received his training as such in Iran, Germany and in England. Since 1945 he is employed continuously by the Iranian Airways as a Government employee. Mr. Ahmad Shafigh is of Egyptian origin who has since become a naturalized Iranian subject. He is about fifty-two years old and is the husband of Princess Ashraf Pahlavi (a sister of His Imperial Majesty the Shah). He is an ex Under-Secretary of the Ministry of Roads & Communications. Formerly he was also the General Director of Civil Aviation (a Government organization). Apart from his interest in this firm he is also a shareholder and a director in other firms including IRANIAN NATIC SHIPPING CO. LTD., (2) IRANIAN NATIONAL INSURANCE CO., (3) PARS AIRWAYS CO. LTD. (4) SHERKAT SAHAMI SERVICE FOROOSGAH MEHRABAD, (5) SHERKAT SAHAMI KESHTIRANI (6) SHERKAT SAHAMI BANK ETTEBARAT IRAN, etc. Mr. Amir Hossein Azam Zanganeh is twenty-nine years old (his knowledge of languages other than Persian: English and French). A pilot by profession who has received his training as such in France. He has also studied administration in aviation. He returned to Iran

from Europe in 1954 and before the formation of this firm he was engaged in agricultural affairs. Mr. Frederic Usung is thirty-one years old (his knowledge of languages other than Assyrian and Persian: English). He has studied electric and radio aviation in America. He returned to this country from America in about 1949 and before the formation of this firm he was employed on a salary basis by Mehrabad Aerodrome.

The activities of SHERKAT SANAMI HAVAPAYMAI AIR-TAXI are as below:

- a) They conduct an air-taxi service in the city of Teheran. They are owners of three small planes (P.A.22, TRIPEYSER and PIPER models) which they have purchased from America. It is reported that since the inception of this firm the number of their passengers have exceeded 10,000 persons;
- b) At times they accept passengers from Teheran for other destinations in the country, particularly for South of Iran, but this is not a regular service;
- c) They undertake advertisements by air service, which are conducted by their above mentioned three small planes;
- d) They accept passengers for air travel for health conditions or movements of patients from Teheran to other places in the country;
- e) They at times operate their planes for agricultural purposes, etc., when necessary.

They import their requirements such as spare parts for their planes and other requirements for the conduct of their operations for the above purposes from America, Germany and England.

They maintain offices in the form of four rooms in the third upper floor at number 486 Khaban Ferdowsi, Teheran - a business district - and they employ therein a clerical staff of three persons.

They are considering to secure the sales representation for Iran for certain foreign firms and to commence to import their goods for Government Departments and others on a commission basis.

Bankers: Bank Melli Iran, Chief Office;
Bank Etttebarat Iran;
Bank Pars, Chief Office, in Teheran.

A recently formed company and the first of its kind who are operating an air-taxi service in Teheran.

The directors and shareholders are of good reputation and their activities appear to be conducted in a capable manner.

(* Translation from the Iranian Commercial Code: Article 21: A joint stock company is one formed for commercial purposes, the capital of which is divided into shares, and in which the responsibility of the shareholders is limited to their shares).

DOCUMENTS SUBMITTED BY ARTHUR YOUNG & CO.

IN RESPONSE TO FEBRUARY 25, 1978 SUBPOENA

ARTHUR YOUNG & COMPANY

277 PARK AVENUE
NEW YORK, N. Y. 10017

February 25, 1978

Hon. William E. Proxmire
United States Senate
Washington, D.C.

Re: Textron

Dear Senator Proxmire:

This letter will confirm a conversation with Mr. Doherty of the Senate Banking Committee Staff this morning with respect to the documents we are producing pursuant to a subpoena to be delivered to us contemporaneous with the production of those documents and delivery of this letter.

The attached documents were obtained from the Arthur Young & Company audit workpapers for 1976 and 1977 with the exception of several pages relating to a 1971 transaction in Ghana which were found in the 1971 workpapers. We have not reviewed workpapers for other prior years with respect to these transactions due to the time limitations imposed on us and the fact that we believe the attached papers provide reasonably complete information with respect to the transactions for which information is requested.

In addition, we have not reviewed the literally thousands of workpapers for earlier years to determine whether there are any transactions of a similar nature. However, as we explained to the Banking Committee Staff on the telephone, we have no reason to believe that there are any other transactions of a similar nature which would be reflected as such in those workpapers.

Needless to say, we stand ready to cooperate with the Senate Banking Committee in its investigation and would be pleased to assist you in any manner that may reasonably be possible.

Very truly yours,


Carl D. Liggio
General Counsel

(387)

112 312 3 11

G. William Miller
Chairman

Textron Inc.

May 12, 1977

40 Westminster Street
Providence, R.I. 02903
401/421-2800

Standards of Conduct

To Division Presidents, Corporate Officers
and Corporate Department Heads:

Last December I asked each key executive to sign a statement as a means of confirming that there were no illegal, improper or questionable payments anywhere within the Textron family. This was part of the effort to fulfill our responsibility to shareholders and employees to conduct Textron's business in accordance with the highest standards of conduct. A review of the statements submitted has verified that there has been no deviation from Textron's standards -- and we can take pride in this fact. The signing of such a statement will now become a normal part of Textron's annual audit.

During the course of this procedure we did receive inquiries concerning Textron's policies in matters of "overbillings" and "accommodation payments". I would like to make it perfectly clear that neither is acceptable.

Overbilling occurs, for example, when a foreign distributor requests a U. S. company to overbill it for products with an understanding that the amount overbilled will be applied to or for the account of the distributor. While it may only lead to the establishment of a credit balance which can later be applied against subsequently purchased products, overbilling has the potential for abuse as a method to evade exchange control restrictions or taxes. Textron's policy is that all invoices must accurately reflect the true sales price and terms of sale.

So-called "accommodation payments" to overseas dealers, distributors or representatives is another area to be avoided. This practice -- where all or part of a commission or discount actually earned is paid, at the request of the customer, in a country other than the country in which

the customer is located, or to a designated third party, or is retained on the books and later paid to an individual officer, director or shareholder of the customer -- is contrary to Textron's policy. Such accommodation payments can be used as a method of avoiding taxes or exchange control restrictions and Textron will not be a party to this. All commission payments or other such payments to a customer must be paid directly and regularly to such customer in the country in which it is located or must be periodically used to reduce existing accounts receivable from such customer, unless good business practice (e. g., doubtful credit standing of customer) dictates that the customer always maintain an agreed upon credit balance. Commissions or discounts earned by a corporate entity must not be paid to the individual accounts of its officers, directors or shareholders. In those instances where the customer has multiple places of business or multiple operations, the payment should be made to the entity ordering the product in the country from which the order originated.

I greatly appreciate the attention each of you and your associates have given in the past to maintaining high standards. I will continue to count on your support in the future to be vigilant in meeting our responsibility to insure that the accounts and records of Textron and all its affiliates are complete and accurate and that no illegal, improper or questionable payments of any kind are made or condoned.

Sincerely,



GWM:ryn

cc: Directors
Chikara Hiruta

described the arrangement as a buy out of the agent's franchise and also said that the Company was satisfied that there was nothing illegal about it. No further action was taken on the matter; I was satisfied that it had been brought to the Committee's attention and that they would not be surprised if the amount was disclosed in the future.

Most of the rest of the meeting was spent reviewing page-by-page the financial sections of the annual report (no significant comments or questions arose during this discussion), Van Brocklyn's brief discussion of the reorganization of the Controller's Department (see attachment) and Alistair Campbell's continued discussion concerning the merits of counting pension fund securities held by banks. After extensive discussion of the latter point, the matter was remanded to Management to determine whether such procedures would be worthwhile even if not done on an annual basis. The subject of using the internal auditors for this procedure was also proposed.

The next morning I met with the Audit Committee again at 7:00 a.m. The same participants attended plus Heath Larry. Most of the meeting was spent discussing the report of the Audit Committee which Campbell was to present to the Board of Directors later that day. There were no other significant items discussed.

WKS

G. William Miller
Chairman
Textron Inc.

40 Westminster Street
Providence, R.I. 02903
401/421-2800

December 27, 1976

To Division Presidents, Corporate Officers
and Department Heads:

Textron has always sought to assure the highest standards of conduct throughout the Company. Thanks to your support this message has reached all employees and the responsive attitudes have been encouraging.

Recent events have disclosed that many companies, either by negligence or deliberate action, have permitted various kinds of illegal or improper payments, accounting entries or other business or political dealings. Many criminal and civil actions have resulted, to the general discredit of business. As a result, every company has been charged with a greater responsibility to make sure that all its activities meet the tests of ethics and law and that there are no illegal, improper, or questionable transactions of any kind. Corporate auditing committees and independent auditors are requiring more comprehensive representations from officers and responsible personnel as to the correctness and completeness of accounts and records and the absence of any knowledge of illegal, improper or questionable matters.

In keeping with our own high standards, it is important that Textron exercise due diligence in this regard. We owe it to Textron shareholders and employees and to ourselves in management to confirm compliance throughout the company. As part of this effort, in conjunction with the annual audit by Arthur Young & Company each key executive will be asked to sign a copy of the enclosed statement.

In the Corporate Office, each principal officer and department head should sign a copy and return it to Ron Van Brocklyn, who as Controller will make these records available to the auditors. In each Textron Division or Subsidiary a statement should be signed by the President and Controller (or equivalent officers) and also by such other key personnel throughout the Division, including its U.S. and non-U.S. locations, as the President considers appropriate. Because of the nature of the disclosure, statements should be obtained by those in sales, purchasing,

OF 000

accounting, finance, cash management, contract administration, international operations, public relations or general management who might have reason to know of matters of the type covered. The President should make all statements available for examination by Arthur Young and the Corporate Controller. Arthur Young may also be expected to include language similar to the statement in the "representation letters" which it normally requests from Division Presidents and Controllers in connection with its audit.

While this procedure adds one more routine to our busy schedule, I feel it is essential to our commitment to excellence in all things. Your cooperation will be appreciated.

Sincerely,



GWM:cms

cc: Directors
W. F. Slattery
Arthur Young & Co.

Enclosure

Bell Helicopter **TEXTRON**

Bell Helicopter Textron
Division of Textron Inc.

Post Office Box 492
Fort Worth, Texas 76101
(817) 280-2011

February 14, 1978

Mr. R. A. VanBrooklyn
Textron Inc.
P. O. Box 878
Providence, R.I. 02901

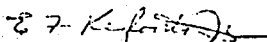
Subject: Dealer Commissions

Dear Ron:

Attached is the additional information which we previously discussed concerning the Mohammed Bakhsh & Sons Ltd. commission payment. The amount paid was \$60,612.14. This was paid in the dealer's name to his account in Switzerland. This amount also represents the total amount of commissions paid to Mohammed Bakhsh & Sons Ltd. in 1977. The total commissions paid to all customers in 1977 amounted to \$620,122.38. If I can be of further assistance please advise.

Very truly yours,

BELL HELICOPTER TEXTRON


E. F. Keglovits, Jr.
Director, Accounting

13:EFK:dl-252
attachment

cc: Mr. T. R. Treff

RECEIVED
FEB 17 1978

Bell Helicopter **TEXTRON**

SUMMARY OF EXHIBITS

1.	Habib twx. 17	2/23/77
2.	A'dam twx. 595	2/23/77
3.	A'dam twx. 573	2/21/77
4.	A'dam twx. 451	2/09/77
5.	A'dam twx. 450	2/09/77
6.	Habib twx. 9	2/08/77
7.	A'dam twx. 420	2/07/77
8.	Habib Letter	1/21/77
9.	Heinze Letter	1/18/77
10.	M. Bakhsh memo	1/18/77
11.	Envelope which contained Items 9 and 10.	

Attachment to E. F. Keglovits, Jr. Letter Number 252
Dated 2/14/78

15.35
54981 habib ch
16325 bell nl

2

bht supply center msg c595
2-23-77

ref: our twx msg# c451 dtd 2-9-77 and c573 dtd 2-21-77

u r g e n t
=====

on feb 9th, 1977 we transferred us. dlns 60,612.14 to your bank to acct no 2509 in the name of mohammed bakhsh and sons ltd. so far have recd no confirmation from you that money was recd. would appreciate your response asap.

acct dept
h.m.v.d. zande
bhsc

54981 habib ch
16325 bell nlzzz

54981 habib ch
16325 bell nl

7

bht supply center msg c420
2-7-77

in response to your letter dated 21 st january, 1977 asking us to transfer mr a .w. mohammed's or mohammed bkhsh and son's balance to his account with your bank, we would like to know mr. a. w. mohammed's account no. with your bank so that we can cable transfer the balance to you.

regards
h.m. v.d. zande
acct. acct.
bhsc
acct. dept.
54981 habib ch
16325 bell nl+++

Habib Bank AG Zurich
Postfach 729

8022 Zurich / Switzerland

18th January 1977

Dear Sirs,

Mr. Azhar Wali Mohamed has authorized me to request you to have his balances with Mr. Niles of Bell Helicopter to be transferred to his account with you.

I enclose herewith his card with the authorization addressed to Mr. Niles, which please send to Mr. Niles with instructions to remit his balance to his account with you.

Please do the needful. Thanking you,

yours faithfully,



H. Heinze

Enclosure

10

BELL HELICOPTER SUPPLY CENTER,
 POST OFFICE BOX - 7534,
 BUILDING 112,
 SCHIPHOL-EAST,
THE NETHERLANDS.

ATT:- MR. R.H. NILES,
GENERAL MANAGER.

TELEX: 16325.

WITH COMPLIMENTS TELE: 020 - 459450.



BELL HELICOPTER

MOHAMMAD BAKHSH & SONS LIMITED
 MOHAMMAD BAKHSH & SONS BLDGS.
 23, WEST WHARF ROAD
 KARACHI-2 PAKISTAN

TELEPHONE : 201436 & 201845
 CABLE : COKI KARACHI
 P. O. BOX NO. 4459
 TELEX : 723

(SEE REVERSE SIDE)

Dear Dicks,

Please follow Mr.
 Meery's instructions.

How Wah Fubey

78/1/77.

1/17/78

Bell Helicopter **TEXTRON**

Bell Helicopter Textron
Division of Textron Inc.

Post Office Box 482
Fort Worth, Texas 76104
(817) 280-2011

February 1, 1978

Mr. R. A. Van Brocklyn
Textron Inc.
P. O. Box 878
Providence, R.I. 02901

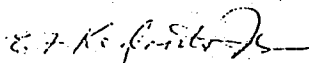
Subject: Dealer Commissions

Dear Ron:

Attached is the letter from Tom Brown, our Controller in Amsterdam, to Don Pantle dated June 27, 1977 which we discussed yesterday afternoon on the phone. Tom will be sending me the additional information which we discussed concerning Mohammed Bakhsh & Sons Ltd. As soon as we receive this data we will send it on to Textron. If I can be of further assistance please advise.

Very truly yours,

BELL HELICOPTER TEXTRON



E. F. Keglövits, Jr.
Director, Accounting

13:EFK:dl-242
attachment

cc: Mr. T. R. Treff

RECEIVED
FEB 06 1978

ARTHUR YOUNG & COMPANY NEDERLAND

Date: April 12, 1977

To: PROVIDENCE OFFICE
 Mr. R.A. Martin
 cc: Mr. W.F. Slattery, New York

From: THE HAGUE OFFICE
 Jerry A. Luiken

Subject: TEXTRON - BELL HELICOPTER

Dear Dick,

In response to your letter of March 21, 1977 and my discussion with Bill Slattery on March 17, set forth below is our understanding of the discounts - commissions procedure as they relate to the Bell Helicopter Supply Center - Amsterdam.

The Supply Center purchases most of its inventory from Bell - Ft. Worth at approximately 75% of list price and invoices at 100% of list price. A 5% European Delivery Surcharge is added (shown separately on invoices).

The Supply Center sells primarily to dealers with European sales territories. Some sales are made directly to government agencies. Bell has written contracts, "Bell Helicopter Company Independent Representation Agreement", with its representatives who may also be dealers. The agreement specifies the country or territory to which the representative has sales rights. Schedule A to the agreement provides a listing of helicopters and spare parts to which the representative is entitled to commissions. It also sets forth the compensation to be paid on sales of helicopters and spare parts. The normal rate on most spare parts is 20%. Thus for practical purposes, the Supply Center normally sells at 80% of list price. In most cases, the dealer and the contractual representative are the same person or company.

In fiscal 1976, the Supply Center accrued \$ 1,4 million of commissions and discounts on list price sales of \$ 9,6 million (14,7% average rate). At November 30, 1976, there were \$ 508.000 of commissions payable.

Depending on individual customer arrangements, the dealers compensation is paid in the form of a discount and/or commission. If the customer has a discount arrangement, the discount is shown on the face of the sales invoice. If the customer has a commission arrangement, the commission is not shown on the invoice, but a separate credit invoice is prepared in the name of the representative, and a separate customer account is maintained in receivables or payables. Bell Ft. Worth also will transfer balances to the Supply Center for it to settle with customers or official representatives.

ARTHUR YOUNG & COMPANY NEDERLAND

Date: April 12, 1977

To: Mr. R.A. Martin

From: Jerry A. Luiken

Subject:

- 2 -

Settlement of commission balances are made based upon customer wishes. The local controller states that he makes payments as directed by Bell Ft. Worth or by the customer (with concurrence of Ft. Worth). Over half the commission accounts carry the same name and address to which sales invoices are addressed. In many cases, the representatives periodically will simply request Bell to apply the commission payable against the normal accounts receivable balance of the dealer. (This in fact has the same result as if discounts were given.) In other cases, Bell will be requested to make payments to the representative through specified bank accounts.

The following specific items are brought to your attention.

1. Scancopter, one of the Supply Center's larger customers, has a commission arrangement whereby Bermor Agencies Ltd. is the agent (Bermuda address). We were requested not to send a confirmation of the commission payable balance to Scancopter or Bermor, but to the home address in Norway of the owner (we believe) of Scancopter. The balance due him at October 31 was \$ 142,000 and \$ 75,000 had previously been paid during the year.
 2. AOG Aeroagencies Ltd., Freeport, Bahamas, is the agency for sales to Autair Kenya, Autair Zambia, and Tanzania Police Air Wing. The commission payable at October 31 was \$ 46,000 after payments of \$ 52,000 in July and September and application of \$ 29,000 against receivable balance of Autair Zambia. Receivable confirmations were sent to Kenya, Zambia and Tanzania and confirmed; commission confirmations were sent to Bahamas and confirmed.
 3. We were requested not to mail confirmation of the commission payable to Mohamed Bakhsh & Sons, the representative in Pakistan, though we were able to send than the regular accounts receivable confirmation which was confirmed. The commission balance payable at October 31 was \$ 61,000.
 4. Commissions payable to two Greek representatives - Avionic (D. Countouris) and Marios Dalleggio totaled \$ 97,000. Most sales in Greece, we were told, are to the Greek Armed Forces.
-

ARTHUR YOUNG COMPANY

Date: February 25, 1977

To: PROVIDENCE OFFICE
R. A. Martinfrom: NEW YORK OFFICE
W. F. Slatterycc: S. Botte L. Rainey
M. RizzoSubject: TEXTRON AUDIT COMMITTEE MEETING
February 23-24, 1977

I met twice with Textron's Audit Committee during their Management meeting at Ocean Reef, Florida February 23 and 24.

Present at the first meeting held on Wednesday were Messrs. Campbell, Gengras, Collinson, Ledbetter, Van Brocklyn and Mrs. Sisco. The agenda for the meeting is attached.

Joe Collinson explained to the Committee the results of the program to obtain representation letters from Textron employees concerning illegal payments as defined in Bill Miller's memo sent to divisional and corporate management. He described the arrangements at both Sheaffer Eaton and Talon Switzerland concerning over billing to customers and subsequent retention of the over-billed portions on Textron books for later disbursement at the instruction of the customer. He indicated that while there was no knowledge of illegal payments being made by Textron for the benefit of Textron, they were arrangements that Textron did not wish to be a party to and would be terminating as soon as possible. Each individual over-billing arrangement was not discussed with the Committee; however, the possible reasons therefore, e.g., avoidance of foreign income taxes or currency regulations by the other parties, were clearly mentioned. I, also, told the Committee of the total numbers of Textron employees who had been solicited, who had responded and who had yet to respond. I also indicated that should any unfavorable answers be received from the approximately fifty responses yet to come, Textron Management would be informed of them immediately. The Committee's response to the discussion was one somewhat of relief that these were the only aberrations noted.

Later in the meeting I was asked whether I had any confidential comments to give the Committee. I responded that while I had no confidential comments I did wish to bring to the Committee's attention the \$2,950,000 payment to Textron's former agent in Iran over 1973, 1974 and 1975 in connection with Textron's contract with the Iranian Government for the sale of helicopters. I added that while I had understood this situation had been discussed either at a previous Audit Committee meeting at which I had not been present or at a Board of Directors meeting, I felt that it was appropriate that it be discussed while I was present should there be questions or further action desired of me. The three members of the Committee first expressed some surprise and lack of knowledge about the item; however, Campbell upon reflection stated that he did recall it being discussed at a Board meeting. Mrs. Sisco had apparently never heard of the payments. Bill Ledbetter

TEXTRON

Statement as to Illegal, Improper
or Questionable Payments

This statement is furnished in connection with the preparation of the audit of the accounts of Textron Inc. for 1976.

For the Textron fiscal year ended January 1, 1977 and for the period from January 1, 1977 to date, I am not aware in my Division or unit of, or elsewhere in, Textron of (i) any illegal bribes, kickbacks or other improper or questionable payments having been made to or for the benefit of any person, corporation or government for the purpose of obtaining special concessions or for obtaining other favorable treatment in securing business for the company; (ii) any company funds or property having been made available, directly or indirectly, as political contributions in the United States or elsewhere, or that officers or employees were paid or reimbursed, directly or indirectly, for performing services or incurring expenses in political activities in the United States or elsewhere; and (iii) any company funds, property, or transactions which were not reflected or accounted for on the books, records or financial statements of the company.

(Date)

(Employee signature)

(Employee name and title -
please print)

(Division, subsidiary or unit of
Textron)

16.59
16325 bell nl
54981 habib ch

message no. 17 of 03.2.77

ref. your telex of this afternoon

we have received the money (us dollars 60'612.14)

habib bank ag, zurich (switzerland)

16325 bell nl
54981 habib ch

18.05+
66 47 54981+
12.52
54981 habib ch
16325 bell nl

3

oht supply center msg c573
2-21-77
attn: money transfers dept

on feb 9th, 1977 we transferred us dlrs 60,612.14 to your bank to acct no a509 in the name of mohammed bakhsh and sons ltd. so far have recd no confirmation from you that money was recd. would appreciate your response asap.

acct dept
h.m. v.d. zande
ohsc

54981 habib ch
16325 bell nl+++

70 85+
 56 47 54981+
 09.27
 54981 habib ch
 16325 bell nl

Int supply center msg c451
 2-9-77

we have arranged for cable transfer of us dlrs 60.612.14, to
 hacoib bank zurich account no. a 609 in favour of mohammad
 bakhsh and sons ltd. we would appreciate hearing from you as
 soon as the money is received by your bank. thank you.

regards.
 h.m. v.d. zande
 acct dept
 bhsc

54981 habib ch
 16325 bell nl++

13414 amro nl

bhsc msg c....

01/2/77

attn.: mr. w. langendonk and/or mr. c.h.j. nieuwendijk

ref.: id code: 21.101.

please arrange for cable-payment of 60,612.14...u.s. dollars to habib
 bank a.g., zurich, p.o. box 729, zurich, switzerland, acct.no. a 609
 in the name of mohamad bakhsh & sons ltd.

for goods and services, from our u.s.dollar account
 no. 41.10.76.442, valuta charges for our dutch
 builder account no. 41.10.76.434.

transfer amount in words \$40,612,140 six hundred and twelve-14/100
 u.s.dollars.

we confirm this msg by attachment to the ATR-form.

r.h. nils - gen.mgr. - bhsc

13.59
16325 bell nl
54981 habio ch.

message no . 9 of 8.2.77

attention mr. h m v d zanda acct .

reference your telex no . 0420 of 7 th. febr . 1977
the account number of the client is a 609 stop.
please effect remittance .
thanks

habio bank ag, zurich (switzerland)

16325 bell nl
54981 habio ch



Habib Bank A.G. Zurich

MÖHLEBACHSTR. 23 P.O. BOX 722 8022 ZÜRICH (SWITZERLAND)

INGEKOMEN 24 JAN. 1977

Mr. R.H. Niles
 General Manager
 Bell Helicopter Supply Center
 P.O. Box 7534
 Building 112
Schiphol-East
 Netherlands

Zurich, 21st January 1977

Dear Sir,

*Acct No.
a 609*

Please find enclosed herewith a letter from Mr. Heinze and an authorization from Mr. Azhar W. Mohamed.

We shall thank you to please transfer all balances you may have for Mohamed Bakhsh & Sons Ltd. or Mr. Azhar W. Mohamed to us for the credit of his account.

We have authenticated the signature of Mr. Heinze.

Thanking you,

yours faithfully,

Enclosure

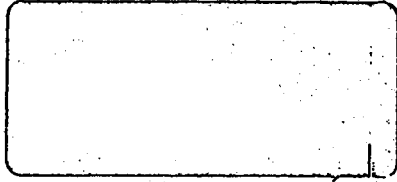
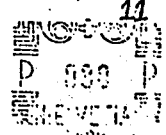
60.612 14.

*606
95
701*

TELEGRAMS: HABIBRANK ZURICH

TELEPHONES: 01. 474030

TELEX: 54951 HABIB CH



Netherlands.

abib Bank A.G. Zurich

1733001 P.O. Box 728 8022 Zurich (Switzerland)

3.73 HBZ.8000

PO

Bell Helicopter **TEBTRON**

Bell Helicopter Supply Center
Division of Textron Atlantic B.V.

Post Office Box 7534
Building 112
Schiphol-East, The Netherlands
Phone 020 459450
Telex 16325

Mr. Don C. Pantle,
Manager Revenue Accounting
BELL HELICOPTER TEBTRON
P.O. Box 482
Fort Worth, Texas, 76101, USA
U.S.A.

June 27th, 1977
TEB:hmz

Subject: Standards of Conduct

Dear Don,

As discussed over the telephone, I am sending a summary of our past and current policies related to customer compensations as defined in the respective dealer and operator agreements. I have summarized only these customers with which we are currently dealing.

If you require additional information, please let me know.

Best Regards,
BELL HELICOPTER Supply Center



Tom F. Brown III
Controller

Encl.

Customer: ABELAG
 Location: Belgium
 Compensation: 15%

The customer receives a 15% discount of list price on the invoice when purchasing direct from Amsterdam.
 The customer receives a 15% commission on sales to Brussels Airways. This is accrued to his commission account.
 Direct payment of commissions would be made to ABELAG, Belgium.

Customer: A.O.G. Aeroagencies Ltd.
 Location: Bahamas
 Compensation: 20%

The customer receives a 20% commission on sales to Autair Zambia, Kenya and Tanzania Police Air Wing. These are accrued to their commission account.
 Direct payments have been made upon written request to the following locations:

1. A.O.G. - Freeport, Bahamas.
2. Mr. Frederick Wilcox - Hurst, Texas.
3. Autair Zambia - Zambia.

Customer: Aerogulf Sales Co.
 Location: Dubai - U.A.E.
 Compensation: 20%

The customer receives a 20% commission on sales to Oman P.A.W., Oman R/F, and Aerogulf, i.e. in the territory of the U.A.E.. These are accrued to their commission account.
 Commissions are regularly applied to the Aerogulf open account.
 Direct payments have been made to Aerogulf, Dubai upon written request.

Customer: AVIONIC
 Location: Greece
 Compensation: 20%

The customer receives a 5% discount of list price on the invoice. A commission of 15% is accrued to Avionic's, commission account. Commissions are regularly applied to the customers open account. To the best of my knowledge we have never paid commissions directly to the customer.

Customer: Bermor Agencies Ltd.
 Location: Bermuda
 Compensation: 20%

The customer receives a 20% commission on the sale of spare parts into Norway, (Helikopter Service and Scancopter), commissions are accrued to their commission account.
 Commission Payments have been paid to Bermor Agencies Ltd., in Bermuda upon written request. We have received correspondence indicating there should be no reference to Mr. M. Hanke on commission statements or payments to Bermuda. All statements and payments are directed to Mr. Frank Mutch, Secretary Bermor Agencies Ltd..

- MORE -

Customer: BRAVO e Filhos
 Location: Portugal & Mozambique
 Compensation: 20%

The customer receives a 20% commission on the sale of spare parts into Portugal. These are accrued to their commission account. Direct payments have been made to Bravo in Portugal upon written request. Commissions are also applied to the open account when so instructed by the customer. Mozambique is embargoed.

Customer: C.S.E. (Aircraft Services) Ltd.
 Location: United Kingdom/Ireland
 Compensation: 20%

The customer receives a 20% discount of list price on the invoice. The customer receives a 5% commission on the sale of spare parts to Bristow Helicopters, which is accrued to their commission account. Commissions are periodically applied to the open account. I was unable to recall or locate a cash payment to C.S.E..

Customer: Marios Dalleggio
 Location: Greece
 Compensation: 15%

The customer receives a 5.5% discount of list price on the invoice. The customer receives a 9.5% commission which is accrued to their commission account. Commissions have been applied to the open account. I am unable to recall a cash payment to them.

Customer: Ing. Hans Drescher
 Location: Austria
 Compensation: 10%

The customer receives a 10% commission on the sale of spare parts into Austria, which is accrued to his commission account. Commissions are normally applied to his open account. I am unable to recall a cash payment to him.

Customer: Elding Trading Co.
 Location: Iceland
 Compensation: 10%

The customer receives a 10% commission on the sale of spare parts into Iceland, which are accrued to his commission account. We have not had any business from Elding in over two years.

Customer: IBERISA
 Location: Spain
 Compensation: 10%

The customer receives a 10% commission on the sale of spare parts into Spain, which is accrued to their commission account. We have made commission payments to Iberisa, Spain. Commissions are also regularly applied to their open account.

Customer: Panturk Ticaret Ltd.
 Location: Turkey
 Compensation: 12%

The customer receives a 12% commission on the sale of spare parts into Turkey, which is accrued to their commission account. We have made commission payments to Panturk, Turkey. We have seldom been instructed to apply commissions to their open account.

Customer: Mohammed Bakhsh & Sons Ltd.
 Location: Pakistan
 Compensation: 20%

The customer receives a 20% commission on the sale of spare parts into Pakistan, which is accrued to their commission account. We have made one payment to the customer into Switzerland. This was a result of repeated insistence on the part of the customer and a number of phone calls received from Switzerland. We have a signed confirmation of instructions from the customer initiating the transaction. Presumably this was a one shot deal and will not be repeated under any circumstances. The customer continues to be a source of problems in the area of obtaining valid letters of credit and/or hard cash. We are presently holding all shipments until such time as proper credit facilities have been arranged.

The following customers receive a discount of list price on the sale of spare parts into their respective areas:

Customer	Location	Compensation
Astra Aircraft Corp.	South Africa	20%
Agusta	Italy	20%
Bristow	England	15%
Fenwick Aviation	France	20%
Motorflug GmbH	Germany	20%
Ostermans Aero AB	Sweden	20%

During the later part of 1976, we observed that our invoices for Fenwick Aviation and Panturk Ticaret did not conform to Textron policy, which is that all invoices must accurately reflect the true sales price and terms of sale.

Fenwick instructed B.H.S.C. to discount the unit prices on the invoice by their allowed percentage of discount. The discount was not to be shown as a separate line item. This was apparently agreed to verbally by Mr. C. Oexmann.

Panturk instructed B.H.S.C. to discount the unit prices on the invoice by 3%. This was agreed to by Mr. D.R. Pitt. Both practices were discontinued at the beginning of this year.

- MORE -

ARTHUR YOUNG & COMPANY

Date: January 31, 1978

To: FILES

From: FORT WORTH OFFICE
David L. Alexander

cc: See distribution list.

Subject: AY-CONFIDENTIAL
BELL HELICOPTER TEXTRON
AMSTERDAM SUPPLY CENTER

On 1/30/78, I received a TWX from Bob Selder (AY-The Hague). A copy of such TWX is enclosed.

After discussing the TWX with Cecil Smith (AY- Fort Worth), decision was made to call Ed Keglovits, Director of Accounting at BHT, and inquire if he had knowledge of the situations commented on in the TWX.

Keglovits commented he was unaware of the situation or June, 1977 letter discussed in the TWX. Ed requested us to provide an exact date and addressee in order to pursue the matter.

The above information was discussed with Dick Martin and Mike Rizzo on 1/30/78. Dick said he had received a copy of the TWX and would call Selder and obtain the information requested by Keglovits in the preceding paragraph. Dick called back later and disclosed the letter referenced in the TWX was addressed to either Don Pantle or Gene Prater and said the "Accommodation Payment" related to Bell's dealer in Pakistan, Mohammed Bakish. This information was given to Keglovits.

On 1/31/78, Keglovits called and disclosed the following information:

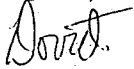
1. The letter was from Tom Brown, BHT-Amsterdam Chief Accountant, to Don Pantle, BHT Manager of Revenue Accounting. Date of letter was 6/27/77.
2. \$60,000 was paid to Bakish and Son (the entity on their dealer agreement) to a Switzerland bank. All other payments were sent to Pakistan. Bakish had requested accommodation payments previously but none were made. Bakish provided Bell with a signed confirmation letter of instruction regarding the payment.

3. In 1976, invoices to Finwick Aviation, a French company, and Panturk Company, a Turkish company were prepared using list prices net of discounts. Although the total net invoice amount would be unchanged, the list prices per unit before discount were not shown. This was approved by Mr. Oxman with respect to Finwick and Mr. Pitt with respect to Panturk. Oxman and Pitt held the Branch Manager position at BHT-Amsterdam during portions of 1976.
4. In Keglovits' opinion, other items noted in the letter were in accordance with G. W. Miller's "Standards of Conduct" memo of May 12, 1977.
5. Brown told Keglovits no other letters regarding this situation existed.

The above comments discussed with Cecil Smith and Dick Martin on 1/31/78. Dick disclosed situation had been discussed at Textron, Inc.

Also enclosed is a copy of a "Form Letter" BHT sent to all dealers regarding compliance with Textron policy.

Regards,



DLA:ph

Enclosures

Distribution:

R. A. Martin
 ✓ W. F. Slattery
 A. P. Stephens
 C. E. Smith
 C. F. Stephenson

ARTHYOJN3 PVD
RCA JAN 30 0900
ARTHYOJN3 PVD

33090 YOUNG ML
TELEX NR. 134
JANUARY 30, 1978

TO: AY DALLAS
FROM: DAVID ALEXANDER AT AY FORT WORTH

CC: R.A. MARTIN - PROVIDENCE

RE: BELL HELICOPTER

PLS RELAY FOLLOWING MESSAGE TO ALEXANDER AT AY FORT WORTH.

RE YOUR JAN 11 TELEX, PAGE 9 OF AUDIT PLAN AND ITEM 6 OF OUR
JAN 10, 1978 TDMEMO.

LOCAL CONTROLLER INFORMED US THAT IN RESPONSE TO TEXTRON MAY
12, 1977 STANDARDS OF CONDUCT MEMO, HE SENT TO BELL FT. WORTH
MKT IN JUNE 1977 A DETAILED DISCUSSION OF COMMISSION ARRANGEMENT.
APPARENTLY THE SUPPLY CENTER MADE 'ACCOMMODATION PAYMENTS' AS
DEFINED AND ALSO INVOICES TO SEVERAL CUSTOMERS DID NOT REFLECT
THE SALES PRICE AND TERMS OF SALE.

REARDS.
R. SELDER
AY THE HAGUE

Letter of 6/27/77 from Tom Brown to Don Pantle

33090 YOUNG ML
ARTHYOJN3 PVD

To David Alexander
Fort Worth

From R. Selder
The Hague

Re: Bell Helicopter

Please relate the following message to Alexander at AY Ft. Worth re your January 11 telex, page 9 of the audit plan and item 6 of our January 10, 1978 top memo.

Local controller informs us that in response to Textron's May 12, 1977 standards of conduct memo he sent to Bell Fort Worth management in June, 1977, a detailed discussion of commission arrangement.

Apparently the supply center made "accomodation payments" as defined and also invoices to several customers did not reflect the true sales price and terms of sale.

Regards,

R. Selder

Bell Helicopter TEXTRON

Bell Helicopter Textron
Division of Textron Inc.

Post Office Box 402
Fort Worth, Texas 76101
(817) 280-2011
Telex: 75-8229

26 August 1977
Fl-CPG:mll-104

Gentlemen:

A recently published Textron policy sets forth conditions under which Bell Helicopter Textron (BHT) can transfer in a timely and businesslike manner the funds earned by and credited to the accounts of Independent Representatives.

To implement this policy the following procedures are established to become effective as soon as practicable, but no later than September 15th.

- 1) Earned commissions or discounts will be promptly paid or credited to the account of the Independent Representative when they become due and payable.
- 2) Payment will be made to the individual or company named as the contracting party in the current BHT Independent Representative Agreement.
- 3) Payment will be made by BHT check, bank transfer, or any other accepted method of payment consistent with sound business practices.
- 4) Payment will be made to the address designated in Clause 9 of the BHT Independent Representative Agreement or deposited in the bank account in the country designated in Clause 9, after BHT verification that the account is in the same name as that shown as the contracting party in the current BHT Independent Representative Agreement.
- 5) Payment by check can be made at BHT, Fort Worth, Texas to an authorized official of the Representative. The check will be payable to the contracting party shown on the current BHT Independent Representative Agreement.

Bell Helicopter **TEXTRON**

26 August 1977
Fl-CPG:mll-104
Page 2

If your current method of receiving payment of earned compensation from BHT is not in accordance with the foregoing procedures, please contact the undersigned to make the necessary arrangements to conform to these procedures.

Sincerely,

BELL HELICOPTER TEXTRON

Courtland P. Gray
Manager of Administration
International Marketing

ARTHUR YOUNG & COMPANY NEDERLAND

Date: April 12, 1977

To: Mr. R.A. Martin

From: Jerry A. Luiken

Subject:

- 3 -

While the rate of discounts and/or commissions is fairly uniform for most customers and, therefore, appear to be normal business transactions, we do not know the extent to which, if any, Bell's representatives or dealers may be using arrangements to violate laws or avoid income taxes in their particular countries or the ramifications, if any, this may have on the Center or Bell. Also, we do not know whether any of the individuals or companies are connected with any government or government-connected agency.

Since we did not receive distribution of the correspondence attached to your March 21 letter, we did not perform any of the procedures contained therein or include in the client representation letter the draft representation paragraph required. Also, you should be aware that Doug Pitt, the local general manager, transferred to Forth Worth shortly before Christmas and, we understand, has since left Bell. I doubt whether the new general manager would sign any representation relating to November 30, 1976.

Regards,



ARTHUR YOUNG COMPANY

See Q: U: B: NY: 1/1/77
 Date: March 21, 1977

To: THE HAGUE OFFICE
 Jerry Luiken

From: PROVIDENCE OFFICE
 Richard A. Martin

cc: W. F. Slattery
 A. P. Stephens

Subject: C. E. Smith

 TEXTRON

Dear Jerry:

At Bill Slattery's request I am enclosing correspondence related to illegal, improper or questionable payments which was distributed to the U.S. offices working on domestic divisions and to overseas operations which did not have a divisional counterpart here in the States.

I spoke with Mike Rizzo and he has answers to substantially all of the questions covered in Bob Selder's telex of February 2nd. Responses will be sent to you shortly so that you can finalize the 1976 accounts and send us a draft of the statutory report.

Best regards,

R. A. M.

RAM/pc
 Enclosure

TEXTRON

Statement as to Illegal, Improper
or Questionable Payments

This statement is furnished in connection with the preparation of the audit of the consolidated accounts of Textron Inc. for 1977.

For the Textron fiscal year ended December 31, 1977, (or November 30, 1977, in the case of certain consolidated international operations) and for the period from the end of the fiscal year to the current date, I am not aware in my Division or unit of, or elsewhere in, Textron of (i) any illegal bribes, kick-backs or other improper or questionable payments having been made to or for the benefit of any person, corporation or government for the purpose of obtaining special concessions or for obtaining other favorable treatment in securing business for the company; (ii) any company funds or property having been made available, directly or indirectly, as political contributions in the United States or elsewhere, or that officers or employees were paid or reimbursed, directly or indirectly, for performing services or incurring expenses in political activities in the United States or elsewhere; and (iii) any company funds, property, or transactions which were not reflected or accounted for on the books, records or financial statements of the company.

3 January 1978
Date

x
Present for the same
situation currently being
investigated.
C. J. R.
C. J. R.

Charles T. Proff
(Employee signature)

CHARLES T. PROFF - GROUP VICE PRESIDENT
(Employee name and title -
please print)

CORPORATE HEADQUARTERS
(Division, subsidiary or unit
of Textron)

ARTHUR YOUNG & COMPANY . . .

Date: February 13, 1978

To: NEW YORK OFFICE
 MR. WILLIAM F. SLATTERY
 cc: J. L. Rogers - Hartford
 R. A. Martin - Providence

From: HARTFORD OFFICE
 GARY S. GLADSTEIN

Subject: FAFNIR DIVISION OF TEXTRON INC.

Dear Bill:

Please find enclosed the remaining two statements relating to unusual payments at Fafnir.

5/6, 4/6
 Rouilleaux's statement has the addendum relating to the payment made by Fafnir Roulements (France) to their agent in Baghdad, Iraq.

3/6
 Technically LeDosseur's statement is incorrect. LeDosseur has been acting as manager of Fafnir Wulzlager (Germany) since the former manager was terminated in August. LeDosseur signed the statement for Fafnir Wulzlager with no exceptions. However, Baeckman stated that LeDosseur was signing only in his capacity as manager of Germany. LeDosseur is headquartered at Fafnir France and is aware of the unusual payment in France.

4/6
 I am also enclosing a revised schedule of unusual payments in Fafnir France. The totals have not changed, but the allocation between years has been corrected.

Please call if you have any questions.

Best regards,

Gary

GSG/cmp
 Enclosures

FAFNIR BEARING DIVISION

Robert P. Beckman
Vice President—Administration

Fafnir Bearing Division of Textron Inc.

37 Booth Street
New Britain, CT 06050
203/225-5151

February 9, 1978

Mr. Gary Gladstein
Arthur Young & Company
60 Washington Street
Hartford, CT. 06106

Dear Gary:

As discussed in our recent telephone conversation, enclosed please find:

- (1) copy of the Questionable Payments Statement,
Fafnir Germany
- (2) copies of the Statement, Addendum and Rouilleaux
letter from Fafnir France.

Very truly yours,

Bob

AK
Enclosures

TEXTRON


Statement as to Illegal, Improper
or Questionable Payments

This statement is furnished in connection with the preparation of the audit of the consolidated accounts of Textron Inc. for 1977.

For the Textron fiscal year ended December 31, 1977 (or November 30, 1977, in the case of certain consolidated international operations) and for the period from the end of the fiscal year to the current date, I am not aware in my Division or unit of, or elsewhere in, Textron of:

- (i) any illegal bribes, kickbacks or other improper or questionable payments having been made to or for the benefit of any person, corporation or government for the purpose of obtaining special concessions or for obtaining other favorable treatment in securing business for the company;
- (ii) any company funds or property having been made available, directly or indirectly, as political contributions in the United States or elsewhere, or that officers or employees were paid or reimbursed, directly or indirectly, for performing services or incurring expenses in political activities in the United States or elsewhere; and
- (iii) any company funds, property, or transactions which were not reflected or accounted for on the books, records or financial statements of the company.

January 24, 1978
Date



(Employee signature)

J. Le Dosseur Manager.
(Employee name and title-
please print)

Fafnir Walzlager
Division of Textron Atlantic
G.H.B.H.

(Division, subsidiary or unit
of Textron).

3/6

FAFNIR ROULEMENTS
 Division de TEXTRON ATLANTIQUE S.A. au capital de 1 000 000 F

Zone d'activités du Pont Yblon
 1, rue Jean Perin
 93150 LE BLANC-MESNIL - FRANCE
 Tél.: 931-40-74
 Telex : 690570 TEXTRON

Mr. F.B. Oddie,
 Marketing Director,
 Fafnir Bearing Division of Textron Ltd.
 Wolverhampton
 England.

VIRÉ :

NIRÉ : GR/SJB

LE BLANC-MESNIL, le 16 January 1978.

Dear Brian,

During the period 1972 through 1977 the only case where we paid commissions to an agent outside of his country was on our business with General Automobile of Baghdad, Iraq.

1. Name of agent: Mr. Nahdir-Mustafa, Baghdad, Iraq.

2. Commissions paid:

		<u>Revised</u>	<u>memo of 1/5/78</u>
1976	Fr. Fcs.	654,757.00	120,713
1977	Fr. Fcs.	386,217.00	920,260
		<u>1,040,974</u>	<u>1,040,973</u>

3. Amount of business done:

1976	Fr. Fcs.	4,020,582.00	968,903
1977	Fr. Fcs.	2,802,814.00	5,854,433
		<u>6,823,396</u>	<u>6,823,376</u>

Best regards,

G. ROUILLEAUX,
 Manager.

G. Rouilleaux

Revised schedule

4/c

TEXTRON

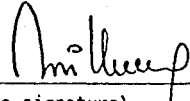
Statement as to Illegal, Improper
or Questionable Payments

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25.1.78

Date



(Employee signature)

G. Rouilleaux.
Manager

(Employee name and title-
please print)

Fafnir Roulements
Division of Textron S.A.R.L.

(Division, subsidiary or
unit of Textron)

6/6

\$1,039,000. All such payments have ceased. Gerd Drooff indicated that the loss of business has been minimal. He only knew of one distributor in Peru who has stopped doing business with Fafnir as a result of the termination of the questionable payments.

I discussed with management the procedures used to assure that all such unusual payments were included on the list. The procedures required reviewing lists of all export commissions paid during 1972 - 1977 and requesting international sales personnel to identify the distributors receiving unusual payments. Some difficulty was encountered in determining the amounts involved for 1972 - 1974 since there has been turnover of sales personnel.

The task of identifying all unusual payments rested with sales personnel. The importance of this task was stressed to all involved sales personnel and management believes all sales personnel were candid in identifying the involved distributors.

There were no unusual payments at Fafnir Canada, Fafnir Mexico or Fafnir Germany. The general manager responsible for each of these locations has certified in a statement that there were no unusual payments at his location.

Procedures to Cease Future Payments

I inquired of management of procedures taken to assure that all such payments have ceased. The following procedures have been implemented to prevent payments from Fafnir U.S.:

Accommodation payments - A new accounting bulletin has been issued concerning the computation and payment of foreign representative commissions. A copy of the bulletin is enclosed. Important internal control features of the new procedures require that accounts payable mail out the commission checks directly and the address of the distributor is printed on the check by the computer. The address in all cases is the country in which the distributor's main place of business is located. All checks are mailed only to the address appearing on the checks. S-C

Overbillings - All international sales personnel have been notified that overbillings to distributors when they buy on their own account are no longer permitted. All distributors must be classified into one of three categories for pricing purposes which is approved by the international sales manager.

Overseas locations of Fafnir have all been notified that the overbillings and accomodation payments must cease. U.S. personnel have been assured by the locations that the payments have ceased, but did not know the details on the new procedures implemented in those locations.

Standards of Conduct Statement

The list of employees required to sign statements of conduct concerning illegal, improper or questionable payments was reviewed with Beeckman. The procedures listed in the Textron Master Audit Plan, page 13, were performed. *D1*

Fafnir management personnel, who were aware of the unusual payments have included an addendum to their statements. Copies of the statements are attached. Management personnel including the addendum are: *See D2*

Fafnir U.S.

T. E. Sherer	-	President
W. E. DeCaulp	-	Assistant to the President and Division General Counsel
R. P. Beeckman	-	V. P. Administration
H. W. Deutch	-	V. P. International Operations
L. C. Affelder	-	Controller
G. Drooff	-	International Sales Manager

Fafnir U.K.

L. de Jung	-	Managing Director
L. P. Robertson	-	Financial Director
F. B. Oddie	-	Marketing Director

Fafnir Mexico

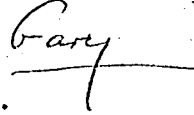
J. R. Bonilla	-	General Manager
---------------	---	-----------------

In addition, two statements from Fafnir France have not been received. It is expected that they will include the addendum. They are from J. LeDosseur and G. Rouilleaux.

* * * * *

If you have any questions, please call.

Best regards,

A handwritten signature in cursive script, appearing to read "Gary", with a horizontal line underneath it.

Enclosures: W. F. Slattery only

R. P. Beeckman's January 18, 1978 memo

Fafnir Accounting Bulletin - Computation and
Payment of Foreign Representative Commissions

Employees Statements with Addendum

FAFNIR
TEXTRON

Fafnir Bearing Division of Textron Inc

New Britain, CT.

Attention: R. A. Van Brocklyn - Providence

Date: January 18, 1978

Subject: Questionable Payments

cc: T. E. Sherer, H. W. Deutsch, W. E. De Caulp, L. C. Affelder, J. S. Canzi

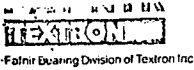
In accordance with our previous discussions, attached are details for Fafnirs U. S., U. K. and France of overbilling and accommodation payments for Fiscal Years 1972 through 1977 as defined in G. W. Miller's letter of May 12, 1977 on the subject of Standard of Conduct. No other units of Fafnir have had payments of this nature during Fiscal Years 1972 through 1977. Furthermore, these practices were long-standing and payments ceased prior to the end of Fiscal Year 1977.

Attachments are labelled by unit as follows:

<u>Unit</u>	<u>Attachment</u>
U. S.	A
U. K.	B
France	C

RPB
R. P. Beeckman

RPB:ak
atts.



New Britain, CT. Attachment

Attention: H. W. Deutsch


Date: January 16, 1978

Subject: Questionable Payments

In response to your request, we have tabulated on the attached payments deposited to agents, distributors, or those accounts in banks in countries other than the countries in which their business is located or to distributors who bought products on their own account. The tabulation covers the years 1972 through 1977 showing both the amount of payment and the amount of business done with the payee in each period.

Please also note that the following changes have been made from the report submitted on December 2, 1977:

	<u>Reported 12-2-77</u>	<u>Revised</u>	<u>Change</u>	<u>Explanation</u>
1975	\$71,681	\$84,780	\$13,099	Added W. Santiago, Brazil
1976	\$142,583	\$142,543	\$ (40)	Reduced Mustafa, Iraq from \$34,343 to \$34,303.


Gerd Drooff

GD:jmr

Attach.

SCHEDULE OF ILLEGAL, IMPROPER OR QUESTIONABLE PAYMENTS - FARNIR U.S.
(Rounded to nearest dollar)

12/8/72

Name	1972		Explanation	1973		Explanation	1974		Explanation	1975		Explanation	1976		Explanation	1977		Explanation
	Volume	Payments		Volume	Payments		Volume	Payments		Volume	Payments		Volume	Payments		Volume	Payments	
AIC Argentina	18,724	13,271	(1)	32,448	12,512	(1)(1)	2,313,389	5,275	(1)	1,111								
Bayes - Iran	42,901	15,802	(1)(1)	87,613	8,458	(1)	7,745,418	5,310	(1)	1,375	73							
ge - Venezuela Caracas	184,143	18,362	(1)(2)	186,432	11,038	(1)(2)	212,210	6,885	(1)(2)	2,641,527								
ura - Japan	317,813	20,930	(2)	569,611	25,681	(2)	352,727	1,419	(2)									
ros Ltd. - Columbia	126,928	14,626	(1)	118,582	4,343	(1)	228,555	14,170	(1)	448,183								
l - Chile	143,044	5,600	(1)(2)	105,477	9,527	(1)(2)	51,875	1,197	(1)(2)	82,999	1,748	(1)(2)	84,871	13,555	(1)(2)	64,548	2,638	(1)(2)
tiago - Brazil	174,276	8,184	(1)	230,655	1,061	(1)	531,701	5,978	(1)	669,280	13,099	(1)						
epen - Holland	17,156	655	(2)	1,30,045	2,870	(2)	39,349	1,701	(2)									
en De Rullmanes-Ecuador	4,791	369	(2)	4,551	1,627	(2)	4,717	499	(2)									
guetara Godoy (Guat.)	11,800	632	(2)	7,100	82	(2)												
lker - Switzerland	54,930	313	(2)	46,173	131	(2)												
as - Costa Rica	14,156	298	(2)	4,785	1,058	(2)												
apia Ludaca - Nicaragua	13,747	261	(2)	10,448	559	(2)	26,955	590	(2)									
erana - Peru	16,832	1,268	(1)(2)	18,115	2,042	(1)(2)	3,765	627	(1)(2)	72,274	2,055	(1)(2)	50,115	4,672	(1)(2)	13,033	1,465	(1)(2)
ira Chilean - Chile	14,050	1,108	(2)															
ma - Italy	96,800	624	(2)	83,200	1,285	(2)	78,993	1,517	(2)									
De Cemento - Chile	4,322	431	(2)															
meister Suc. - Chile	571	152	(2)															
ha Auto - Panama	2,880	269	(2)															
Popa, Dozonas Auto-Chile	4,674	535	(2)															
stodre Diaz - Chile	59,555	3,629	(2)															
ut Arbajan - Lebanon	4,054	166	(2)	27,100	206	(2)												
sen & Nielsen - Denmark				9,728	498	(2)	7,990	84	(2)									
h, Rousseau - Jamaica				10,150	1,085	(2)	1,200	127	(2)									
apat - Syria				4,707	285	(2)												
od - Columbia				30,934	249	(2)												
rtach - Honduras				890	80	(2)												
u, Technique - Belgium							1,465	417	(2)	1,100	115	(1)	6,409	689	(1)			
ransmission - Israel							874	70	(2)									
ustafa - Iraq										487,526	11,021	(1)	285,489	24,303	(1)	790	54	(1)

commission payments deposited to agents, distributors, or their owners' accounts in banks in countries other than the countries in which their business is located payments to distributors who bought products on their own account.

imate

TOTAL \$1,328,419 \$ 87,243 \$1,508,176 \$1,103,681 \$1,656,573 \$ 43,707 \$2,166,002 \$ 84,180 \$ 1,454,472 \$ 142,503 \$ 60,963 \$ 37,419

Total Business Volume 1972-1977 = 8,475,005 P. Lines
Total Payments 1972-1977 = 519,275 P. Lines

PREPARED BY FARNIR

~~FRASER WOLVERHAMPTON~~

Fafnir Rearing Division of Textron Ltd.
Wolverhampton WV2 4NT.

From: L. DE JONG
Date: 16th December, 1977

to: MR. H. W. DEUTSCH
Location: NEW BRITAIN
Subject: QUESTIONABLE PAYMENTS

In response to your letter of December 7, information requested is shown on schedules attached.

Schedule 1 deals with the amounts of commissions actually paid in the years 1972 through 1977, either by cheque or cash to the Agent. As you were advised there are still balances unpaid on the Over Billings Agents accounts for transactions prior to July 1977, held pending settlement of their account for the goods supplied. These balances will be discharged in the proper manner in 1978, as per schedule 111. *o*

Schedule 11 shows under the four commission agents, the amount of business on which commission has been paid, with the exception of RINA who purchases the bulk of the sales shown against Italy for his own account, on which no commissions have been earned.


L. DE JONG

Att:

COMMISSION EARNED

NAME	COUNTRY	Fiscal 72	Fiscal 73	Fiscal 74	Fiscal 75	Fiscal 76	Fiscal 77
D.A. & W.S. LOY	Guyana	£ 66.25	£ 579.95	£ -	£ 909.61	£ 920.41	£ 322.00
RIHA S.R.L.	Italy	54.63	221.60	264.14	52.70	-	775.00
NACHIR ISMAIL MUSTAFA	Iraq	-	-	-	21449.64	43738.97	27822.00
JAFAL BABAYAN	Iran	2006.02	2592.62	-	10000.00	22127.76	6291.00

OVER BILLINGS

SALFAVEL S.A.	Chile	-	-	58.42	6877.51	-	1800.00
K. G. VASILIADIS	Greece	-	2418.63	879.70	1115.57	4741.60	6599.00
S.A. BRASILERIA DE ROLOMENTOS E MANCIAS BRM	Brazil	4678.47	9267.81	1316.92	3017.44	339.90	1000.00
N/S THYE GUAN HIN SDN BHD	Malaysia	-	-	-	-	55.27	-
FATHALLAH G. KASPAR	Syria	-	-	-	-	50.20	3255.00
BHATIA CO.	Bahrain	90.46	-	-	-	17.20	-
AGRIQUIP AGENCIES E.A. LTD	Kenya	-	-	-	-	-	599.00
SHERKAT. IRAN LUCID DE MASSOULIATE MAHDOD	Iran	-	-	-	-	-	600.00
VALI KHANI	Iran	-	102.88	-	-	-	-
ELKON BROTHERS LTD	Israel	-	-	231.25 **	-	-	-
KHARTOUM AUTO PARTS SUPPLIERS LTD	Sudan	-	-	-	286.25 **	-	-

Totals £ 6,895.23 15,183.49 2,750.73 43,708.72 71,999.31 49,157.00

** Paid in Cash Converted into Dollars 16,549.99 36,440.58 6601.00 89,296.61 119,722.20 83,465

Commission Rate

1972 - 1.5%
1973 - 1.65%
1975 - 2.00%

1976-77 - 2.40%

Total £ 1972-1977 - 139,824.78

Total \$ 1972-1977 - 356,147.69

Change of Commission rate was prior year's audited financial statements
Commission rate based on schedule for this period

ARTHUR YOUNG COMPANY

Date: January 26, 1978

To: NEW YORK OFFICE
 WILLIAM F. SLATTERY
 cc: J. L. Rogers - Hartford
 R. A. Martin - Providence
 S. A. Botte - New York

From: HARTFORD OFFICE
 GARY S. GLADSTEIN

Subject: FAFNIR DIVISION OF TEXTRON INC. - UNUSUAL PAYMENTS

Dear Bill:

As requested in your memo of December 19, 1977, I met with Bob Beeckman - Vice President, Gerd Drooff - International Sales Manager, and Lew Affelder - Controller, to become familiar with the circumstances and details surrounding Fafnir's unusual payments. The following represent the more significant items noted in my discussions with management.

Background

Several members of Fafnir management had been aware of these "overbillings" and "accommodation payments", but did not believe the payments fell into the classification of questionable payments. Payments of this nature were long-standing and an "off-the-cuff" estimate is that they may date back as far as 20 years.

G. William Miller's memo of May 12, 1977 made it clear that Textron considered payments of this nature to be questionable payments and Fafnir notified Textron that they had some "overbillings" and "accommodation payments". Ron Van Brocklyn requested an analysis be made of all such payments for 1975, 1976 and 1977. This was done in Beeckman's December 2 and December 5, 1977 memos to Van Brocklyn which you have seen. Subsequently, Van Brocklyn requested a further analysis of all such payments and total volume of business done with the specific distributors for fiscal years 1972 - 1977. Beeckman sent a memo to Van Brocklyn on January 18, 1978 with the details. A copy of the memo is enclosed. B,

On January 23, 1978, Van Brocklyn called Beeckman to request all the available details surrounding the payments discussed in the January 18, 1978 memo. Van Brocklyn also indicated that, based on the information received to date, these payments should be classified as "unusual" and not questionable payments. The client is presently preparing the additional information.

Magnitude of Payments 1972 - 1977

For fiscal years 1972 - 1977, Fafnir's consolidated volume of business involving the questionable payments was approximately \$14,480,000 with questionable payments of See B
Loc

MISSION EARNED	COUNTRY	BUSINESS DONE						SCHEDULE	
		Fiscal 72	Fiscal 73	Fiscal 74	Fiscal 75	Fiscal 76	Fiscal 77		
A. & W.S. LOY	Guyana	£ 3128	£ 3288	£ 4777	£ 10261	£ 8078	£ -		
MA S.R.L.	Italy	7600	2900	51500	32100	5400	68000		
MOHIR ISMAIL MUSTAFA	Iraq	-	-	-	178757	181941	135774		
MAL BABAYAN	Iran	14170	34450	100430	76120	103450	115260		
OTHER BILLINGS									
LEFAVEL S.A.	Chile	18987	7318	11748	21157	10285	31577		
G. VASILIAIDIS	Greece	22048	12576	45730	472	48385	45702		
L. BRASILERIA DE ROLAMENTOS E MANCIAS BRM	Brazil	60770	72434	86707	79945	66585	121457		
S THYE GUAN HIN SDN BHD	Malaysia	-	-	-	884	260	-		
MALLAH G. KASPAR	Syria	7657	22296	11999	6545	10630	-		
ATIA CO.	Bahrain	195	-	-	-	-	543		
EQUIP AGENCIES E.A. LTD	Kenya	-	-	-	-	423	3788		
MARKAT IRAN LUCID DE MASSOULIATE MAHDOUD	Iran	-	2472	1158	5477	40403	11404		
SON BROTHERS LTD	Israel	25617	23000	27680	29535	13288	21536		
RTOUM AUTO PARTS SUPPLIERS LTD	Sudan	2771	7944	7083	5269	-	-		
M. I. KHANI	Iran	-	2058	-	-	-	-		
TOTALS		162,943	179,776	348,212	446,522	488,678	555,051		

TOTALS CONVERTED INTO DOLLARS

\$591,062.70	457,766.40	827,148.60	704,978.44	806,379.70	1,019,156.22
--------------	------------	------------	------------	------------	--------------

Business Done
 1972-1977
 1976-1977
 1975-1977
 1974-1977

Total Business Done 1972-1977 - £ 2,192,742
 Total Business Done 1972-1977 - \$ 4,404,453

Since conversion rate was fixed from year 1972-1977, the amount of business done is the same as the amount of business done in dollars.

Attachment C

FAFNIR - FRANCE

Schedule of Questionable Payments

(Fiscal Years 1972 - 1977)

(In French Francs)

Name & Address of Agent	Fiscal Years				
	1972-1975	1976		1977	
		Business Done	Commission Payment	Business Done	Commission Payment
Nahdir Mustafa Baghdad, Iraq	NONE <i>Dollars</i>	FF 968,903 <i>cf. 200 = \$ 193,702.27</i>	FF 120,713 <i>cf. 200 = \$ 54,142.60</i>	FF 5,854,493 <i>cf. 200 = \$ 1,206,025.15</i>	FF 920,26 <i>cf. 200 = \$ 189,572.00</i>

The above represents commission payments deposited to agent's account in bank of country other than in country in which agent's business is located.

	<i>Francs</i>	<i>Dollars</i>
<i>Business Done 1976-77</i>	6,823,396	1,399,806.15
<i>Commission Payment 1976-77</i>	1,040,373	213,716.16

Source: Memo to
George Rouilleaux from L. de Jong
dated January 5, 1978

RPB 1/17/78

ACCOUNTING  BULLETINNO: 78-1DATE January 6, 1978SUBJECT: COMPUTATION AND PAYMENT OF FOREIGN REPRESENTATIVE COMMISSIONS

PURPOSE: To establish policy and procedures for the payment of commissions to Fafnir's foreign representatives.

SCOPE: This procedure will be used to compute commissions on all international invoices and to process payment to the appropriate representative.

DISTRIBUTION:

A, B, G



CONTROLLER


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No. 78-1Date January 6, 1978Page 1 of 10.1. POLICY AND RESPONSIBILITIES:

The Vice-President of International Operations is responsible for establishing commission agreements with foreign representatives.

The Controller is responsible for calculating and paying foreign representative commissions in accordance with the agreements.

Payment: Commissions will be computed on Fafnir's net invoice price to the customer less any special overseas packing and any transportation cost included in the invoice price, and less any trade and cash discounts shown on the invoice and allowed to and taken by the customer, and less any credits issued to the customer.

The commission will be due and payable within the calendar month following receipt of payment in full by Fafnir from the customer.

2. PROCEDURES:2.1 PREPARATION OF THE COMMISSION COPY

The following steps will be taken to establish the commission copy.

2.1.1 INVOICING DEPARTMENT

After preparing the International invoice for mailing, copies of each invoice will be sent to the International Sales Department. One of these copies will be stamped with the 'Commission Copy' stamp and annotated as follows:

1. The representative's name is written in the top block. If no commission is due, the word 'None' will be entered.
2. The commission percentage is entered in the lower block, if applicable.

Note: A specific amount in lieu of the percentage may be used.

3. The commission copy is logged into the commissions register, (invoice date, amount, number, representative, & commission %).
4. After the commission copy has been logged, both copies are forwarded to International Sales.

No. 78-1Date January 6, 19Page 2 of 10

2.1.2 INTERNATIONAL SALES

Upon receipt of the two copies, the unstamped copy is filed for internal use.

The commission copy is logged in the international copy of the commissions register. The assignment of representative and the applicable percentage is checked against accounting's copy of the representative commission master list. Any discrepancies will be brought immediately to the attention of Invoicing.

After the commission copy has been logged and checked, it will be initialed by the individual in charge of commission control and will be forwarded to Accounts Receivable.

2.1.3 ACCOUNTS RECEIVABLE

The commission copy is filed in Accounts Receivable awaiting payment of the invoice.

2.2 PAYMENT

2.2.1 ACCOUNTS RECEIVABLE

When payment of an international invoice is received, one of the following steps is taken:

1. Payment of invoice in full. When full payment of the invoice is received, the commission copy is annotated 'Paid' 'Date' 'Initials' by the clerk who posts the receipt.
2. Credit memos deducted by the customer. When the customer deducts a credit with his remittance, the commission copy is annotated, 'Deducted' 'Date' 'Initials' by the clerk posting receipts. This will be deducted by the commissions clerk in figuring the material value of the invoice.
3. Freight invoices (F&G Billings). These invoices do not receive a commission and are not sent to the commissions clerk.
4. Short payments. When the customer does not pay the invoice in full, the invoice is held. If payment is completed, the procedure in step 1 is followed.

If the remainder is subsequently written off, the amount written off is deducted and the amount actually paid is noted. Commission is computed on the amount paid by the customer.

No. 78-1
Date January 6, 1971
Page 3 of 10

2.2.2 INVOICING DEPARTMENT

Upon receipt of the completed commission copy, the 'Date Invoice Paid' and 'Date Commission Paid' blocks are filled in on the commission register. If a commission is payable on the invoice, a copy is made for the file of paid invoices which is maintained in Invoicing until month end.

The commission is computed using the commission percentage times the total value of merchandise.

The following steps will be taken by the commission clerk in preparing the commission copy:

1. Stamp the commission copy with the in stamp.
2. The commission amount is entered on the bottom of the invoice and underlined.
3. Assign the vendor number, (see the representative commission master list for current vendor numbers).
4. Assign the payment date. The payment date is always the 2nd Friday after the end of the Textron month.
5. Place a #2 beside the invoice number on the commission copy. This will be used by Accounts Payable to code the commission for payment.
6. Check payment approved block and initial.
7. Enter '363-33' in the account number block.
8. Make a copy of the completed commission copy and file it with the paid invoices, on which no commission is due, until month end.
9. Forward the completed commission copy to Accounts Payable.

2.2.3 ACCOUNTS PAYABLE

Upon receipt of the commission copy, Accounts Payable will recompute the commission and input the copy for payment. The computer will automatically produce a check with a listing of the invoice numbers and commission amounts on the remittance advice.

If any errors are noted by Accounts Payable, the commission copy will be returned to the commission clerk in the Invoicing Department for correction.

No. 78-1Date January 6, 197Page 4 of 10.2.3 MONTH END

At month end the following steps will be taken.

2.3.1 ACCOUNTS PAYABLE

1. Forward the check copy and supporting 'commission copies to International Sales, and retain the original for control.
2. Total the amounts paid to all representatives for the month.
3. Forward a copy of the Accounts Payable voucher register (Account Nr. 363-33 International Sales).

2.3.2 INVOICING

1. Forward the file of commission copies on which payment was received, to International Sales.
2. Total all commission amounts to be paid at month end and check against the total dollar amount of commission on the checks that were prepared by Accounts Payable.

2.3.3 INTERNATIONAL SALES

1. Review the commission copies and payments.
2. Retain the commission copies from Invoicing for updating of the commission register and for preparation of the payment report.
3. Initial the check copy, return it and the supporting 'commission' copies to Accounts Payable.

2.3.4 ACCOUNTS PAYABLE

Upon return of the check copy, mail the check and remittance advice in accordance with the special instructions from the representative commission master list, and file the check copy with the commission copies attached.

2.4 MONTHLY ACCRUAL

Account Number 363-33 'Accrued Foreign Representatives Commissions' is charged with actual commissions.

The amount to be accrued is determined on an annual basis by International Sales and General Accounting.

The accrual is used by General Accounting for preparation of the profit plan.

No. 78-1Date January 6, 197Page 5 of 10

The accrual is booked to selling expense monthly by General Accounting.

The accrual is reviewed with International Sales quarterly by General Accounting.

2.5 MAINTENANCE REQUIREMENTS

The following maintenance requirements are essential to the correct payment of commissions to our foreign representatives.

2.5.1 REPRESENTATIVE COMMISSION MASTER LIST

International Sales is responsible for updating the list on an annual basis with interim updates in writing. Inform Invoicing of any deviations in writing, and Accounts Payable of any address changes in writing as required.

Accounts Payable will issue vendor numbers on new representatives and inform Invoicing of these in writing.

3. REPRESENTATIVE COMMISSION MASTER LIST

PART I COUNTRIES COVERED BY REPRESENTATIVE AGREEMENTS

NOTE: If a country is not listed in this section of the representative commission master list, there is no representative agreement covering that country.

<u>COUNTRY</u>	<u>REPRESENTATIVE</u>	<u>COMMISSION</u>
Argentina	Eduardo P. Michans	10%
Brazil	BRM S.A. (Except BRM invoices)	10%
Chile	Salfavel, S.A. (Except Salfavel invoices)	10%
Colombia	Quinteros Limitada	10%
Dominican Rep.	Rafael Benitez Carrillo	10%
Ecuador	Almacen de Rulimanes (Except Almacen de Rulimanes, Anglo Ecuatoriana, and Industrias sales)	10%
Hong Kong	Muller and Phipps	10%
India	Muller and Phipps (An additional 5% commission is paid to M&P-India by the customer.)	5%
Indonesia	Muller and Phipps	10%
Iran	J. Babayan	10%
Israel	Attias Agencies	5%
Italy	R.I.M.A., S.R.L. (Except R.I.M.A. invoices)	10%
Japan	Muller and Phipps (Except NTN invoices)	10%

No. 78-1
 Date January 6, 197
 Page 6 of 10

<u>COUNTRY</u>	<u>REPRESENTATIVE</u>	<u>COMMISSION</u>
Korea	Muller and Phipps	10%
Macao	Muller and Phipps	10%
Malaysia	Muller and Phipps	10%
Nicaragua	Maquinaria Ludefca S.A. (Except Maquinaria Ludefca invoices)	10%
Peru	Franz K. Schmid	10%
Philippines	Muller and Phipps	10%
Portugal	Daun Limitada (Tap invoices only 5%)	5%
Singapore	Muller and Phipps	10%
Taiwan	Muller and Phipps	10%
Thailand	Muller and Phipps	10%
Turkey	Burla Biradeler	5%
Uruguay	Mayfer S.A. (Becam S.A. and Isav F. Hernandez invoices only)	10%
Yugoslavia	Jugohemija Representatives	10%
Zaire	Bureau Technique BIA	10%

PART II REPRESENTATIVE ADDRESSED AND SPECIAL INSTRUCTIONS

Vendor Name: Eduardo P. Michans Vendor Number: 62740

Mail Check To:

Eduardo P. Michans
 Carlos Pellegrini 173
 Buenos Aires, Argentina

Vendor Name: Almacen de Rulimanes Salvatierra S.A.

Vendor Number: 03580

Mail Check To:

Almacen de Rulimanes Salvatierra S.A.
 Casilla 5798
 Guayaquil
 Ecuador

No. 78-1
 Date January 6, 1978
 Page 7 of 10

REPRESENTATIVE COMMISSION MASTER LIST (con't.)

Vendor Name: Attias Agencies Limited Vendor Number: 08105.

Mail Check To:

Attias Agencies Limited
 P.O. Box 1910
 Tel Aviv
 Israel

Vendor Name: Jamal Babayan Vendor Number: 11250

Mail Check To:

Jamal Babayan
 P.O. Box 253
 Teheran, Iran

Vendor Name: BPM S/A Vendor Number: 15670

Mail Check to:

BPM S/A
 CAIXA Postal 20.610
 Sao Paulo - SP-CEP .01000
 Brazil

Vendor Name: Bula Biraderler Ve SSI

Vendor Number: 16985

Mail Check To:

Burla Birderler Ve SSI
 Karakoy Hezaren Caddessi 61-63
 P.O. Box 283, Karakoy
 Istanbul, Turkey

No. 78-1Date January 6Page 8 of 1REPRESENTATIVE COMMISSION MASTER LIST (con't.)Vendor Name: Rafael Benitez Carrillo Inc.

Vendor Number: 19296

Mail Check To:

Rafael Benitez Carrillo Inc.
P.O. Box 426
San Juan, Puerto Rico 00936Vendor Name: Daun Limitada

Vendor Number: 28425

Mail Check To:

Daun Limitada
Rua Dos Fanqueiros 2620
Lisboa 2
PortugalVendor Name: Jugohemija Representatives

Vendor Number: 54240

Mail Check To:

Jugohemija Representatives
Department Standard
General Zdanova
Belgrade, Yugoslavia

No. 78-1
 Date January 6,
 Page 9 of 10

REPRESENTATIVE COMMISSION MASTER LIST (con't.)

Vendor Name: Maquinaria Luteca S.A. Vendor Number: 61231

Mail Check To:

Maquinaria Luteca S.A.
 Apartado 861
 Managua
 Nicaragua

Vendor Name: Mayfer S.A. Vendor Number: 61688

Mail Check To:

Mayfer S.A.
 Yagaron 1441
 Montevideo
 Uruguay

Vendor Name: Muller and Phipps International Corp.

Vendor Number: 65285

Mail Check To:

Muller and Phipps International Corp.
 640 Sacramento Street
 P.O. Box 3994
 San Francisco, California 94119

Special Instructions:

Copy of invoices to accompany statement.

No. 78-1.Date January 6, 19Page 10 of 10

I. MUSTAFA & NTN TOYO BEARING TRADING ARE NO LONGER AGENTS, and therefore commissions are no longer paid.

REPRESENTATIVE COMMISSION MASTER LIST (con't.)

Vendor Name: Quinteros Limitada Vendor Number: 77215

Mail Check To:

Quinteros Limitada
Apartado Aereo No. 4308
Bogota
Colombia

Special Instructions:

A copy of all payments must be sent to:

Mr. Hernando Quinteros
Transversal 3 No. 84-35
Bogota, Colombia

Vendor Name: Salfavel, S.A. Vendor Number: 81455

Mail Check To:

Salfavel, S.A.
Avenida Ejercito 62
Santiago, Chile

ATTN: Mr. Manuel Velasco W.
Manager

Vendor Name: R.I.M.A., S.R.L. Vendor Number: 77531

Mail Check To:

R.I.M.A., S.R.L.
Piazza Firenze 15
20149 Milano
Italy

TEXTRON INC.
 MASTER AUDIT PLAN - DOMESTIC
 December 31, 1977

Page 13

Review of Replacement Cost Data

Textron has requested divisional personnel to compute replacement cost data in order to comply with disclosures required in its Form 10-K and Annual Report to Shareholders. Last year all replacement cost information was reviewed by AY Providence for reasonableness. In order to comply with the provisions of Statement on Auditing Standards No. 18, replacement cost data relating to fixed assets will be reviewed by local AY representatives. Procedures outlined in SAS-18 should be referred to and applied in the review.

Hours spent on performing the review of replacement cost data should be charged to code #001-79700-019 and not to the divisional code and should not exceed 4 hours per division. In many cases, the review should be completed in less than 4 hours.

Replacement cost data for inventory will be reviewed in Providence by representatives of AY Providence.

Findings and conclusions relative to replacement cost data should be included as a separate section in your top memo.

Illegal, improper or questionable transactions

SAS #17 entitled "Illegal Acts by Clients" was issued in January 1977 and provides guidance for an auditor when client acts that appear to him to be illegal come to his attention during an examination of financial statements. The statement does not provide for any additional procedures to be employed in conducting an examination in accordance with generally accepted auditing standards. However, again this year, Textron will circularize its key executives to ensure that there are no illegal, improper or questionable transactions of any kind. We have been requested to formally report to Textron's Audit Committee the results of this endeavor. We expect that G. William Miller will be sending a letter requesting such a survey to Division Presidents. A copy of that letter will be forwarded to you when it is available. The following procedures should be utilized in reviewing illegal payments letters:

1. Obtain list of all persons asked to sign the Statement as to Illegal, Improper or Questionable Payments.
2. Evaluate the list as to its inclusiveness of persons (U.S. and non-U.S. entities and operations) in accordance with the coverage described in G. William Miller's letter.

CU
 1/24/78
CU
 1/24/78
 U:

TEXTRON INC.
MASTER AUDIT PLAN - DOMESTIC
December 31, 1977

Page 14

3. Send a copy of the list to W. F. Slattery in New York and R. A. Martin in Providence. Also advise us of anyone and their function who you believe should be added to the list and whom the Division President deemed not appropriate after your reading of the list. *cc 1/26/78*
4. Examine each signed Statement obtained by the Division President. Please send a copy of any Statement which notes exception or has any change in language to W. F. Slattery and R. A. Martin. You will then receive instructions as to any further follow-on procedure. *cc 1/26/78*
5. Include the following paragraph in the Division's representation letter.

DRAFT PARAGRAPH FOR INCLUSION IN REPRESENTATION LETTERS

"Based on responses received from officers and from other persons who have an understanding and a knowledge of business activities within our operation and based on my personal knowledge, for the fiscal year ended December 31, 1977 and for the period from December 31, 1977 to date, we are not aware of (i) any illegal bribes, kickbacks or other improper or questionable payments having been made to or for the benefit of any person, corporation or government for the purpose of obtaining special concessions or for obtaining other favorable treatment in securing business for the company; (ii) any company funds or property having been made available, directly or indirectly, as political contributions in the United States or elsewhere, or that officers or employees were paid or reimbursed, directly or indirectly, for performing services or incurring expenses in political activities in the United States or elsewhere; and (iii) any company funds, property, or transactions which were not reflected or accounted for on the books, records or financial statements of the company."

*① Suggested that someone sign for copies
Carroll - Burlington agrees. L. D. ... will
sign See A Memo #12 3/6*

FAFNIR - FISCAL YEAR 1977

LIST OF EMPLOYEES SIGNING STATEMENT

AS TO ILLEGAL, IMPROPER, OR QUESTIONABLE PAYMENTS

(Per G. W. Miller Letter of November 1, 1977)

#	Name	Location
1. .	✓ T. E. Sherer ✓	U. S.
2. .	✓ H. M. Brodsky ✓	
3. .	✓ H. S. Frisbie ✓	
4. .	✓ A. A. Cooper ✓	
5. .	✓ R. M. Toppin ✓	
6. .	✓ W. E. De Caulp ✓	
7. .	✓ R. P. Beeckman ✓	
8. .	✓ H. W. Deutsch ✓	
9. .	✓ H. B. Van Dorn ✓	
10. .	✓ F. K. Fitch ✓	
11. .	✓ W. W. Lee ✓	
12. .	✓ L. C. Affelder ✓	
13. .	✓ G. Drooff ✓	
14. .	✓ L. de Jong ✓	
15. .	✓ L. P. Robertson ✓	
16. . ✓	J. Wall ✓	
17. . ✓	B. Oddie ✓	
18. . ✓	V. King ✓	
19. .	✓ J. Le Dosseur	
20. .	✓ G. Rouilleaux ✓	France
21. .	✓ J. Bonilla ✓	Mexico
22. .	✓ G. R. Porter ✓	Canada

Removed letter no exception noted
 is exception note

No manager in Germany at Y/E. F. Handig, German
 sales mgr. terminated during year in Rouilleaux of course.
 temporarily managing Germany. T.E.S. 1/3/78

u new this year - duplicate ✓ ✓ ✓
 o not received as of 1/23/78 - B. mail. Received 2/13/78 - Sa
 A memo

TEXTRON

Statement as to Illegal, Improper
or Questionable Payments

This statement is furnished in connection with the preparation of the audit of the consolidated accounts of Textron Inc. for 1977.

For the Textron fiscal year ended December 31, 1977, (or November 30, 1977, in the case of certain consolidated international operations) and for the period from the end of the fiscal year to the current date, I am not aware in my personal or official capacity of any illegal bribes, kickbacks or other improper or questionable payments having been made to or for the benefit of any person, corporation or government for the purpose of obtaining special concessions or for obtaining other favorable treatment in securing business for the company; (ii) any company funds or property having been made available, directly or indirectly, as political contributions in the United States or elsewhere, or that officers or employees were paid or reimbursed, directly or indirectly, for performing services or incurring expenses in political activities in the United States or elsewhere; and (iii) any company funds, property, or transactions which were not reflected or accounted for on the books, records or financial statements of the company.

1/23/78
Date

T. E. Sherer
(Employee signature)

T. E. SHERER - PRESIDENT
(Employee name and title -
please print)

FABRIC BEARING DIVISION
(Division, subsidiary or unit
of Textron)

TEXTRON

Statement as to Illegal, Improper
or Questionable PaymentsAddendum

In the past, some commission payments have been deposited to agents', distributors', or their principals' accounts in banks in countries other than the countries in which their business is located. On occasions, commissions have been paid to distributors who bought products for their own account. No other payments of a similar nature have been made.

These practices have been discontinued. All such payments are now paid by check drawn to the order of the business entity involved and mailed to their place of business in the country in which they are located.

See memo of January 18, 1978, from R. P. Beeckman to R. A. Van Brocklyn on this subject for details.

1/23/78
Date

T. E. Sherer
(Employee signature)

T. E. SHERER - PRESIDENT
(Employee name and title-
please print)

FAENIR BEARING DIVISION
(Division, subsidiary or
unit of Textron)

TEXTRON

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or Questionable Payments

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January 23, 1978
Date

W. E. De Caulp
(Employee signature)

W. E. DE CAULP
(Employee name and title -

please print)
ASSISTANT TO THE PRESIDENT
AND DIVISION GENERAL COUNSEL
FRASIER BELSING
(Division, subsidiary or unit
of Textron)

TEXTRON

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or Questionable PaymentsAddendum

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See memo of January 18, 1978, from R. P. Beeckman to R. A. Van Brocklyn on this subject for details.

January 23, 1978
Date

W. E. De Caulp
(Employee signature)

W. E. DE CAULP
(Employee name and title-
please print)
ASSISTANT TO THE PRESIDENT
AND DIVISION GENERAL COUNS.
FRASER BEARING
(Division, subsidiary or
unit of Textron)

TEXTRON

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or Questionable Payments

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Jan. 23, 1978
Date

R. P. Beechman
(Employee signature)

R. P. Beechman V.P. Administration
(Employee name and title -
please print)

Fair Bearing
(Division, subsidiary or unit
of Textron)

TEXTRON

Statement as to Illegal, Improper
or Questionable PaymentsAddendum

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See memo of January 18, 1978, from R. P. Beekman to R. A. Van Brocklyn on this subject for details.

Jan. 27, 1978
Date

R.P. Beekman
(Employee signature)

R.P. Beekman, V.P. Administration
(Employee name and title-
please print)

Fafnir Bearing
(Division, subsidiary or
unit of Textron)

TEXTRON

Statement as to Illegal, Improper
or Questionable Payments

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January 19, 1978
Date


(Employee signature)

H. W. Deutsch, V. P. Int'l Operations
(Employee name and title -
please print)

FAFNIR BEARING
(Division, subsidiary or unit
of Textron)

TEXTRON

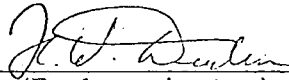
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See memo of January 18, 1978, from R. P. Beeckman to R. A. Van Brocklyn on this subject for details.

January 19, 1978
Date



(Employee signature)

H. W. Deutsch, V. P. Int'l. Opers.
(Employee name and title-
please print)

FAFNIR BEARING

(Division, subsidiary or
unit of Textron)

TEXTRON

Statement as to Illegal, Improper
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1/23/78
Date

L C Affelder
(Employee signature)

L C AFFELDER, CONTROLLER
(Employee name and title -
please print)

FAFNIR
(Division, subsidiary or unit
of Textron)

TEXTRON

Statement as to Illegal, Improper
or Questionable PaymentsAddendum

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See memo of January 18, 1978, from R. P. Beeckman to R. A. Van Brocklyn on this subject for details.

1/23/78

Date

LC Affelder

(Employee signature)

L C AFFELDER, CONTROLLER

(Employee name and title-
please print)

FAFNIR

(Division, subsidiary or
unit of Textron)

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Jan. 14, 1978
Date

GIRD PRATT
(Employee signature)

GIRD PRATT, INTERNATIONAL SALES MGR.
(Employee name and title -
please print)

INTERNATIONAL SALES
(Division, subsidiary or unit
of Textron)

TEXTRON

Statement as to Illegal, Improper
or Questionable PaymentsAddendum

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These practices have been discontinued. All such payments are now paid by check drawn to the order of the business entity involved and mailed to their place of business in the country in which they are located.

See memo of January 16, 1978 from G. Drooff to H. W. Deutsch for details.

Jan 16, 1978
Date

Gerd Drooff
(Employee signature)

GERD DROOFF, INTERNATIONAL SALES MGR.
(Employee name and title -
please print)

FARNER BEARING
(Division, subsidiary or
unit of Textron)

TEXTRON

Statement as to Illegal, Improper
or Questionable PaymentsAddendum

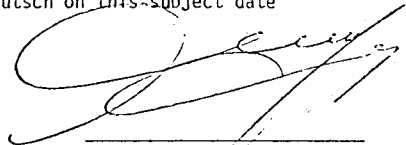
In the past, some commission payments have been deposited to agents' distributors', or their principals' accounts in banks in countries other than the countries in which their business is located. On occasions, commissions have been paid to distributors who bought products for their own account. No other payments of a similar nature have been made.

These practices have been discontinued. All such payments are now paid by check drawn to the order of the business entity involved and mailed to their place of business in the country in which they are located.

See letter from L. de Jong to H.W. Deutsch on this-subject date 16 December 1977.

5 January 1978.

Date



(Employee signature)

L. de Jong.
Managing Director

(Employee name and title-
please print)

Fafnir Bearing
Division of Textron Limited.

(Division, subsidiary or
unit of Textron)

TEXTRON

Statement as to Illegal, Improper
or Questionable Payments

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5 January 1978.

Date



(Employee signature)

L.P. Robertson.
Financial Director.

(Employee name and title-
please print)

Fafnir Bearing
Division of Textron Limited.

(Division, subsidiary or unit
of Textron)

TEXTRON

Statement as to Illegal, Improper
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See letter from L. de Jong to H.W. Deutsch on this subject dated 16 December 1977.

5 January 1978.

Date



(Employee signature)

L.P. Robertson
Financial Director

Fafnir Bearing
Division of Textron Limited.

(Division, subsidiary or
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5 January 1978.

Date

F. B. Oddie

(Employee signature)

F.B. Oddie.
Marketing Director.

(Employee name and title-
please print)

Fafnir Bearing
Division of Textron Limited.

(Division, subsidiary or unit
of Textron)

TEXTRON

Statement as to Illegal, Improper
or Questionable PaymentsAddendum

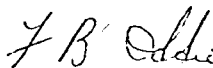
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These practices have been discontinued. All such payments are now paid by check drawn to the order of the business entity involved and mailed to their place of business in the country in which they are located.

See letter from L. de Jong to H.W. Deutsch on this subject dated 16 December 1977.

5 January 1978

Date



(Employee signature)

F.B. Oddie
Marketing Director

Fafnir Bearing
Division of Textron Limited.

(Division, subsidiary or
unit of Textron)

TEXTRON

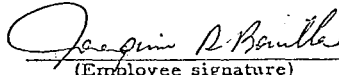
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December 23, 1977

Date



(Employee signature)

Joaquin R. Bonilla - General Manager.

(Employee name and title -
please print)

FAFNIR-MEXICO Division

(Division, subsidiary or unit
of Textron)

TEXTRON

Statement as to Illegal, Improper
or Questionable PaymentsAddendum

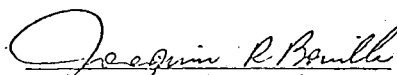
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These practices have been discontinued. All such payments are now paid by check drawn to the order of the business entity involved and mailed to their place of business in the country in which they are located.

" NO SUCH COMMISSION PAYMENTS HAVE BEEN MADE BY FAFNIR-MEXICO.

December 23, 1977

Date


(Employee signature)

Joaquin R. Bonilla.- General Manager.

(Employee name and title-
please print)

FAFNIR-MEXICO Division.

(Division, subsidiary or
unit of Textron)

Fafair

Questionable Payments

12-13-51

On January 12, 1951, I met with Bob Beckman to become knowledgeable about the circumstances and details of the questionable payments (See ~~11/14~~^{E2} W/P)

Bob indicated that Fafair had been involved in overbillings and accommodation payments for many years. Top management of Fafair was aware of these payments, but did not think they were considered questionable payments. Therefore, all Fafair mgmt. signed the "standard of conduct" statements last year indicating no exceptions.

On May 12, 1951, G. William Muller issued his letter (See ~~11/14~~^{E3} W/P) clearly indicating that overbillings and accommodation payments are considered questionable payments. As a result, Fafair notified Teston that Fafair did make such payments. R.A. Van Brooklyn then asked Fafair to make an analysis of all the payments for the last period and prepare a list (See ~~11/14~~^{E2} W/P)

AP/Co

17/

E2
11/14

	<p style="text-align: center;">Fafnir</p> <p>Questionable Payments (Cont)</p>	12/31/77
	<p>Bechtman indicated all such payments have been discontinued, even at the cost of losing business.</p>	
	<p>In the "standards of conduct" letter at year-end 1977, Fafnir management also were aware of the payments and include an addendum to their letter (See W/P 9/17)</p>	
	<p>In the representation letter to AY concerning questionable payments, we will refer to Tom Steyer's letter to Testron regarding this matter.</p>	
		<p>AY-CG [initials] [initials] [initials]</p>

ARTHUR YOUNG & COMPANY

Date: December 19, 1977

To: HARTFORD OFFICE
James L. RogersFrom: NEW YORK OFFICE
William F. Slatterycc: S. A. Botte, New York
R. A. Martin, Providence

Subject: FAFNIR - QUESTIONABLE PAYMENTS

Dear Jim:

As we discussed this morning, I am enclosing copies of correspondence forwarded to me from Textron relating to payments which the Fafnir division believes are questionable.

Ron Van Brocklyn, Textron's Controller, has asked us to become knowledgeable about the circumstances and details of these payments. I will attempt to get him to define the scope of what he wishes us to do in more detail and will talk with you when that is done.

Best regards,

Bill

Enclosures

Fafnir
TEXTRON

Fafnir Bearing Division of Textron Inc.

New Britain, CT.

Attention: R. A. Van Brocklyn - Providence

Date: December 5, 1977

Subject: Questionable Payments - Fafnir Europe

cc: T. E. Sherer, H. W. Deutsch,
L. C. Affelder, J. S. Canzio
C. T. Roelke - Providence

C.C.
CTR
WPK
2/2/78
K.D.S.

Following up on my letter of December 2, 1977, we have now received information relative to questionable payments made during Fiscal Year 1977 by our European operations. This data by country is as follows:

	<u>Name</u>	<u>Amount</u>	<u>Explanation</u>
A.	<u>Fafnir UK</u>		
	Fathallang Kaspar Syria	f 3,255	(1)
	Salfavel Chile	1,894	(1)
	Nahdir Mustafa Iraq	27,822	(2)
	Rima Italy	775	(2)
	D. A. & W. S. Loy British Guyana	322	(1)
	K. Vasiliadis Greece	6,599	(1)
	BRM Brazil	1,000	(1)
	Babayan Iran	6,291	(2)

RECEIVED
DEC 0 1977

1/1

R. A. Van Brocklyn - P

2.

December 5, 1977

<u>Name</u>	<u>Amount</u>	<u>Explanation</u>
Agriquip Kenya	299	(1)
Sherrate Iran Lucid Iran	600	(1)
TOTAL	<u>f 48,857</u> $\text{D} 183 = 87,408$	
B. <u>Fafnir France</u>		
Nahdir Mustafa Iraq	ff 920,259 $\text{D} 225 =$	(2)
		<u>4188,653</u>
C. <u>Fafnir Germany</u>		
NONE		<u>272,061</u>

Explanation

- (1) Payments to distributors who bought products on their own account.
- (2) Commission payments deposited to agents', distributors', or their owners' accounts in banks in countries other than the countries in which their business is located.

NOTE: All such payments have ceased.

As discussed earlier, we will be amplifying the above list for similar details for Fiscal Years 1975 and 1976. This list will be sent to me by December 23, 1977 and I will forward it to you immediately.

Please call me if you have any questions.

RPB
R. P. Beeckman

RPE:ak

FAIRNIR
TEXTRON

Fair Bearing Division of Textron Inc.

Attention: R. A. Van Brocklyn - Providence
Subject: Questionable Payments

cc + att.: T. E. Sherer
H. W. Deutsch
L. C. Affelder
J. S. Canzio

Per yesterday's phone conversation.

A. A copy of each internal memo since May 12, 1977:

1. November 29, 1977 -
2. November 18, 1977 -

B. List of questionable payment years:

Name
Jamal Babayan
Teheran, Iran

YTD 1977
\$ 4,331.

Bureau Technique "BIA" Spri.
Republic of Zaire

C. A. Brgs. De Venezuela
Caracas, Venezuela

28,140.00

Fag Peruana
Lima, Peru

1,180.00

I. Mustafa
Baghdad, Iraq

Name	Calendar Year		
	YTD 1977	1976	1975
Quinteros Ltda. Bogotá, Colombia	\$ 20,762.71	\$ 48,478.17	\$ 25,506.09
Salfavel S.A. Santiago, Chile	2,638.61	3,554.78	748.24
Totals	\$ 57,418.94	\$ 142,582.72	\$ 71,681.22

The above represent commission payments deposited to agents', distributors', or their owners' accounts in banks in countries other than the countries in which their business is located, or to distributors who bought products on their own account. All such payments have ceased.

Fafnir Europe was contacted by telex yesterday for a similar listing of payments. As of today an answer has not arrived, so we are sending what we do have available now. As soon as we have the data from Europe, we will immediately pass it along.

Please contact me if you have any questions.


 R. P. Beekman

RPB:ak
 Attachments

Please let me have a similar statement from you.

H. W. D.
Chairman + Mg. Director
of Fafair U.K.

New Britain, Ct.



Attention: Len de Jong Wolverhampton

Date: November 18, 1977

Subject: QUESTIONABLE PAYMENTS

cc: Gerd Drooff

Dear Len:

You have a copy of the "Statement as to Illegal, Improper or Questionable Payments" which we all had to sign early this year for the audit procedure for 1976. We anticipate that similar signed statements will be required for 1977.

You also have a copy of Bill Miller's letter of May 12, 1977 under the subject of "Standards of Conduct". This further defines what type of payments are and are not permissible. If the auditing statement is similar to last year's, we will have to amend it to cover some of the practices discontinued in response to Bill Miller's May 12th letter.

Therefore, we will probably have the following statement included:

In the past, some commission payments have been deposited to agents', distributors', or their principals' accounts in banks in countries other than the countries in which their business is located. On occasions, commissions have been paid to distributors who bought products for their own account. No other payments of a similar nature have been made.

These practices have been discontinued. All such payments are now paid by check drawn to the order of the business entity involved and mailed to their place of business in the country in which they are located.

Please review last year's statement and the above amendment with all people involved with such things at Fafair U. K., France, and Germany. Then write to me that you have discussed this with these people and that we will be able to sign these statements, assuming that this is the case.

Please have this response mailed to me by the end of 1977.

Best regards,

HWD
H. W. Deutsch

*V.P. Int'l
Operations*

HWD:jmr

1/1

November 29, 1977

TO: H. W. Deutsch

FROM: R. P. Beeckman

SUBJECT: Illegal, Improper or Questionable Payments

We are in receipt of a memo dated November 1, 1977 from G. W. Miller requesting execution of a statement (see Attachment A) for Fiscal Year 1977. Conversation with R. A. Van Brocklyn has also confirmed that the May 12, 1977 letter from G. W. Miller on Standards of Conduct is incorporated within the meaning of this year's statement. Attachment B is the agreed upon addendum which should also be executed by all appropriate personnel and stapled to the basic statement. Please have all employees, per a list you should clear with T. E. Sherer, execute the appropriate statement and return the original to me by December 23, 1977 (for Fiscal Year November 30 subsidiaries) and January 6, 1978 for Canada.

Also, per R. A. Van Brocklyn's instructions, a tabulation must be prepared for each subsidiary having questionable payments for submittal to me by December 23, 1977. This list should show: the names of the agents involved, amounts paid (in local currency), nature of payments, and where paid, for the last three (3) fiscal years (1975, 1976 and 1977). This tabulation will be sent to R. A. Van Brocklyn by me for review with Arthur Young and the Textron Board of Directors' Audit Committee.

Please see me if you have any questions.

RPB

RPB:ak
Attachments

cc: T. E. Sherer
W. E. DeCaulp
L. C. Affelder

1/1

TEXTRON

Statement as to Illegal, Improper
or Questionable Payments

This statement is furnished in connection with the preparation of the audit of the consolidated accounts of Textron Inc. for 1977.

For the Textron fiscal year ended December 31, 1977, (or November 30, 1977, in the case of certain consolidated international operations) and for the period from the end of the fiscal year to the current date, I am not aware in my Division or unit of; or elsewhere in, Textron of (i) any illegal bribes, kick-backs or other improper or questionable payments having been made to or for the benefit of any person, corporation or government for the purpose of obtaining special concessions or for obtaining other favorable treatment in securing business for the company; (ii) any company funds or property having been made available, directly or indirectly, as political contributions in the United States or elsewhere, or that officers or employees were paid or reimbursed, directly or indirectly, for performing services or incurring expenses in political activities in the United States or elsewhere; and (iii) any company funds, property, or transactions which were not reflected or accounted for on the books, records or financial statements of the company.

 Date

 (Employee signature)

 (Employee name and title -
please print)

 (Division, subsidiary or unit
of Textron)

2/3

TEXTRON

Statement as to Illegal, Improper
or Questionable PaymentsAddendum

In the past, some commission payments have been deposited to agents', distributors', or their principals' accounts in banks in countries other than the countries in which their business is located. On occasions, commissions have been paid to distributors who bought products for their own account. No other payments of a similar nature have been made.

These practices have been discontinued. All such payments are now paid by check drawn to the order of the business entity involved and mailed to their place of business in the country in which they are located.

 Date

 (Employee signature)

 (Employee name and title-
please print)

 (Division, subsidiary or
unit of Textron)

Fafvic

Questionable Payments

12/13/2

On January 12, 1922 I met with Bob Beckman to become knowledgeable about the circumstances and details of the questionable payments. (See ~~11/14~~ ^{11/17} W/P)

Bob indicated that Fafvic had been engaged in overbillings and accommodation payments for many years. Top management of Fafvic was aware of these payments, but did not think they were considered questionable payments. Therefore, all Fafvic might regard the "standard of conduct" statements last year indicating no exceptions.

On May 12, 1922, C. Wallman Muller issued his letter (See W/P ^{11/17} ~~11/14~~) clearing indication that overbillings and accommodation payments are considered questionable payments. As a result, Fafvic notified Testron that Fafvic did make such payments. R.A. Van Brocklyn then asked Fafvic to make an analysis of all the payments for the last period and prepare a list. (See ~~11/14~~ ^{11/17})

AyoCo

12/13/2	12/13/2
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Fafnir


Questionable Payments (Cont.) 12/31/77

Boardman indicated all such payments have been discontinued, even at the cost of losing business.

In the "standards of conduct" letter at year end 1977, Fafnir management who were aware of the payments will include an addendum to their letter (See 1/11/78)

In the representation letter to AY concerning questionable payments, we will reference to Tom Slovic's letter to Testron regarding this matter.

AY-C6

Approved by  CC	Index AEI 21
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ARTHUR YOUNG & COMPANY

Date: December 19, 1977

To: HARTFORD OFFICE
James L. RogersFrom: NEW YORK OFFICE
William F. Slatterycc: S. A. Botte, New York
R. A. Martin, Providence

Subject: FAFNIR - QUESTIONABLE PAYMENTS

Dear Jim:

As we discussed this morning, I am enclosing copies of correspondence forwarded to me from Textron relating to payments which the Fafnir division believes are questionable.

Ron Van Brocklyn, Textron's Controller, has asked us to become knowledgeable about the circumstances and details of these payments. I will attempt to get him to define the scope of what he wishes us to do in more detail and will talk with you when that is done.

Best regards,

Bill

Enclosures

1/9

Fafnir
TEXTRON

Fafnir Bearing Division of Textron Inc.

New Britain, CT.

Attention: R. A. Van Brocklyn - Providence

Date: December 5, 1977

Subject: Questionable Payments - Fafnir Europe

cc: T. E. Sherer, H. W. Deutsch,

L. C. Affelder, J. S. Canzio

C. T. Roelke - Providence

*C.C. CTR
W/L
2/2/78
K.D.S.*

Following up on my letter of December 2, 1977, we have now received information relative to questionable payments made during Fiscal Year 1977 by our European operations. This data by country is as follows:

	<u>Name</u>	<u>Amount</u>	<u>Explanation</u>
A.	<u>Fafnir UK</u>		
	Fathallang Kaspar Syria	f 3,255	(1)
	Salfavel Chile	1,894	(1)
	Nahdir Mustafa Iraq	27,822	(2)
	Rima Italy	775	(2)
	D. A. & W. S. Loy British Guyana	322	(1)
	K. Vasiliadis Greece	6,599	(1)
	BRM Brazil	1,000	(1)
	Babayan Iran	6,291	(2)

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1/9

<u>Name</u>	<u>Amount</u>	<u>Explanation</u>
Agriquip Kenya	299	(1)
Sherrate Iran Lucid Iran	600	(1)
TOTAL	<u>f 48,857</u> @ 1.83 = ⁶ 87,408	
B. <u>Fafnir France</u>		
Nahdir Mustafa Iraq	ff920,259 @ 2.25 =	(2)
		<u>2188,653</u>
C. <u>Fafnir Germany</u>		
NONE		<u>272,061</u>

Explanation

- (1) Payments to distributors who bought products on their own account.
- (2) Commission payments deposited to agents', distributors', or their owners' accounts in banks in countries other than the countries in which their business is located.

NOTE: All such payments have ceased.

As discussed earlier we will be amplifying the above list for similar details for Fiscal Years 1975 and 1976. This list will be sent to me by December 23, 1977 and I will forward it to you immediately.

Please call me if you have any questions.

RPB
R. P. Beeckman

RPB:ak



Fafnier Bearing Division of Tristron Inc.

New Britain, CT.

Attention: R. A. Van Brocklyn - Providence

Subject: Questionable Payments

cc + att.: T. E. Sherer
H. W. Deutsch
L. C. Affeider
J. S. Canzio

Date: December 2, 1977

Cipriano has been given to WPA, TDS, CTR & A. I. Beckmann since the amount is not all the info she had available at the time is in another file. The date info for at least 5 yrs must be provided (see memo names, circumstances surrounding payment - etc). Also in my opinion to find the questionable items in the file in your next act.

Per yesterday's phone conversation, attached are:

- A. A copy of each internal memo relative to the subject written since May 12, 1977:
 1. November 29, 1977 - RPB to HWD - Subject - "Illegal, Improper, or Questionable Payments"
 2. November 18, 1977 - HWD to Len de Jong - Subject - "Questionable Payments"
- B. List of questionable payments made by Fafnier (U.S.) during last three (3) years:

Name	Calendar Year		
	YTD 1977	1976	1975
Jamal Babayan Teheran, Iran	\$ 4,333.77	\$ 15,305.46	\$ 7,029.97
Bureau Technique "BIA" Sprl. Republic of Zaire	----	688.63	114.90
C. A. Brgs. De Venezuela Caracas, Venezuela	28,145.28	35,535.36	24,886.09
Fag Peruana Lima, Peru	1,484.51	4,677.25	2,305.11
I. Mustafa Baghdad, Iraq	54.06	34,343.07	11,090.82

RECEIVED
DEC 0 1977

11/3

Name	Calendar Year		
	YTD 1977	1976	1975
Quinteros Ltda. Bogota, Colombia	\$ 20,762.71	\$ 48,478.17	\$ 25,506.09
Salfavel S. A. Santiago, Chile	2,638.61	3,554.78	748.24
Totals	\$ 57,418.94	\$ 142,582.72	\$ 71,681.22

The above represent commission payments deposited to agents, distributors', or their owners' accounts in banks in countries other than the countries in which their business is located, or to distributors who bought products on their own account. All such payments have ceased.

Fafnir Europe was contacted by telex yesterday for a similar listing of payments. As of today an answer has not arrived, so we are sending what we do have available now. As soon as we have the data from Europe we will immediately pass it along.

Please contact me if you have any questions.



 R. P. Beeckman

RPB:ak
 Attachments

Please let me have a similar statement
from you.

New Britain, CT.

H. W. D.

*H. W. D. + Mr. Deutch
of Fafair U.K.*

Attention: Len de Jong Wolverhampton

Date: November 18, 1977

Subject: QUESTIONABLE PAYMENTS

cc: Gerd Drooff

Dear Len:

You have a copy of the "Statement as to Illegal, Improper or Questionable Payments" which we all had to sign early this year for the audit procedure for 1976. We anticipate that similar signed statements will be required for 1977.

You also have a copy of Bill Miller's letter of May 12, 1977 under the subject of "Standards of Conduct". This further defines what type of payments are and are not permissible. If the auditing statement is similar to last year's, we will have to amend it to cover some of the practices discontinued in response to Bill Miller's May 12th letter.

Therefore, we will probably have the following statement included:

In the past, some commission payments have been deposited to agents', distributors', or their principals' accounts in banks in countries other than the countries in which their business is located. On occasions, commissions have been paid to distributors who bought products for their own account. No other payments of a similar nature have been made.

These practices have been discontinued. All such payments are now paid by check drawn to the order of the business entity involved and mailed to their place of business in the country in which they are located.

Please review last year's statement and the above amendment with all people involved with such things at Fafair U. K., France, and Germany. Then write to me that you have discussed this with these people and that we will be able to sign these statements, assuming that this is the case.

Please have this response mailed to me by the end of 1977.

Best regards,

H. W. D.
H. W. Deutsch

*V.P. Deutch
Operations*

HWD:jmr

1/1

November 29, 1977

TO: H. W. Deutsch

FROM: — R. P. Beckman

SUBJECT: ~~Illegal, Improper~~ or Questionable Payments

We are in receipt of a memo dated November 1, 1977 from G. W. Miller requesting execution of a statement (see Attachment A) for Fiscal Year 1977. Conversation with R. A. Van Brocklyn has also confirmed that the May 12, 1977 letter from G. W. Miller on Standards of Conduct is incorporated within the meaning of this year's statement. Attachment B is the agreed upon addendum which should also be executed by all appropriate personnel and stapled to the basic statement. Please have all employees, per a list you should clear with T. E. Sherer, execute the appropriate statement and return the original to me by December 23, 1977 (for Fiscal Year November 30 subsidiaries) and January 6, 1978 for Canada.

Also, per R. A. Van Brocklyn's instructions, a tabulation must be prepared for each subsidiary having questionable payments for submittal to me by December 23, 1977. This list should show: the names of the agents involved, amounts paid (in local currency), nature of payments, and where paid, for the last three (3) fiscal years (1975, 1976 and 1977). This tabulation will be sent to R. A. Van Brocklyn by me for review with Arthur Young and the Textron Board of Directors' Audit Committee.

Please see me if you have any questions.

RPB

RPB:ak
Attachments

cc: T. E. Sherer
W. E. DeCaulp
L. C. Affelder

ATTACHEMEI

TEXTRON

Statement as to Illegal, Improper
or Questionable Payments

This statement is furnished in connection with the preparation of the audit of the consolidated accounts of Textron Inc. for 1977.

For the Textron fiscal year ended December 31, 1977, (or November 30, 1977, in the case of certain consolidated international operations) and for the period from the end of the fiscal year to the current date, I am not aware in my Division or unit of; or elsewhere in, Textron of (i) any illegal bribes, kick-backs or other improper or questionable payments having been made to or for the benefit of any person, corporation or government for the purpose of obtaining special concessions or for obtaining other favorable treatment in securing business for the company; (ii) any company funds or property having been made available, directly or indirectly, as political contributions in the United States or elsewhere, or that officers or employees were paid or reimbursed, directly or indirectly, for performing services or incurring expenses in political activities in the United States or elsewhere; and (iii) any company funds, property, or transactions which were not reflected or accounted for on the books, records or financial statements of the company.

 Date

 (Employee signature)

 (Employee name and title -
please print)

 (Division, subsidiary or unit
of Textron)

1/1

8/1

TEXTRON

Statement as to Illegal, Improper
or Questionable PaymentsAddendum

In the past, some commission payments have been deposited to agents', distributors', or their principals' accounts in banks in countries other than the countries in which their business is located. On occasions, commissions have been paid to distributors who bought products for their own account. No other payments of a similar nature have been made.

These practices have been discontinued. All such payments are now paid by check drawn to the order of the business entity involved and mailed to their place of business in the country in which they are located.

 Date

 (Employee signature)

 (Employee name and title-
please print)

 (Division, subsidiary or
unit of Textron)

FAFNIR BEARING DIVISION

Fafnir Bearing Division of Textron Inc.

37 Booth Street
New Britain, CT 06050
203/225-5151

January 23, 1978

Arthur Young & Company
60 Washington Street
Hartford, CT 06106

Gentlemen:

I have read the letter of representation dated January 23, 1978 addressed to you from Mr. Robert P. Beeckman and Mr. Lewis C. Affelder in connection with your examination of the financial statements of Fafnir Bearing Division of Textron Inc. at December 31, 1977 and for the year then ended. I recognize that management has the primary responsibility for the financial statements and that obtaining management representations concerning the information contained in that letter is a significant procedure in enabling you to form an opinion on the financial statements of Fafnir Bearing Division of Textron Inc. In connection therewith, I make the following representation which are true to the best of my knowledge and belief.

I have no reason to believe that the information contained in the letter referred to above is not correct.

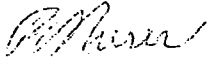
No events or transactions have occurred since December 31, 1977 or are pending or in prospect, which would have a material effect upon the financial statements at that date or which are of such significance in relation to the Company's affairs as to require mention in the notes to the financial statements in order to make them not misleading as to the financial position, results of operations or changes in financial position of the Company. In addition, I know of no event since December 31, 1977 which, although not affecting such financial statements, has caused any material change, adverse or otherwise, in the financial position or results of operations of the Company.

Based on responses received from officers and from other persons who have an understanding and knowledge of business activities within our operation and based on my personal knowledge, for the fiscal year ended December 31, 1977 and for the period from December 31, 1977 to date, we are not aware

of (i) any illegal bribes, kickbacks or other improper or questionable payments having been made to or for the benefit of any person, corporation or government for the purpose of obtaining special concessions or for obtaining other favorable treatment in securing business for the Company; (ii) any Company funds or property having been made available, directly or indirectly, as political contributions in the United States or elsewhere, or that officers or employees were paid or reimbursed, directly or indirectly, for performing services or incurring expenses in political activities in the United States or elsewhere; and (iii) any Company funds, property, or transactions which were not reflected or accounted for on the books, records or financial statements of the Company except the following:

See R. P. Beeckman memo of January 18, 1978 to Mr. R. A. Van Brocklyn concerning questionable payments. *B1*

Yours very truly,



T. E. Sherer,
Division President

F A F N I R [TEXTRON]

Fafnir Bearing Division of Textron Inc.

37 Booth Street
New Britain, CT 06050
203/225-5151

January 23, 1978

Arthur Young & Company
60 Washington Street
Hartford, CT 06106

Gentlemen:

In connection with your examination of the financial statements of the Fafnir Bearing Division of Textron Inc. at December 31, 1977 and for the year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion on the financial statements, and accordingly, we make the following representations which are true to the best of our knowledge and belief.

GENERAL:

We recognize that, as members of management of the Company, we are responsible for the fair presentation of the Fafnir Bearing financial statements of financial position, results of operations and changes in financial position in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have made available to your representatives all financial records and related data.

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

~~**RELATED PARTY TRANSACTIONS:**~~

~~Attached hereto is a complete list of related parties and a summary of major transactions or services with such parties for the year ended December 31, 1977. The only related party transactions are with other Textron divisions.~~

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance with laws or regulations in any jurisdiction, or deficiencies in financial reporting practices.

There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 nor are there any accruals for loss contingencies included in the balance sheet which are not in conformity with the provisions of Statement of Financial Accounting Standards No. 5.

IRREGULARITIES AND CONFLICTS OF INTEREST:

There have been no irregularities involving management or employees who have significant roles in the system of internal accounting controls.

There have been no irregularities involving other employees that could have a material effect on the financial statements.

There are no instances where any officer or employee of the Company has an interest in a company with which the Company does business which would be considered a "conflict of interest". Such an interest would be contrary to Company policy.

IMPROPER OR QUESTIONABLE PAYMENTS:

Based on responses received from officers and from other persons who have an understanding and knowledge of business activities within our operation and based on my personal knowledge, for the fiscal year ended December 31, 1976 and for the period from December 31, 1977 to date, we are not aware of (i) any illegal bribes, kickbacks or other improper or questionable payments having been made to or for the benefit of any person, corporation or government for the purpose of obtaining special concessions or for obtaining other favorable treatment in securing business for the company; (ii) any company funds or property having been made available, directly or indirectly, as political contributions in the United States or elsewhere, or that officers or employees were paid or reimbursed, directly or indirectly, for performing services or incurring expenses in political activities in the United States or elsewhere; and (iii) any company funds, property, or transactions which were not reflected or accounted for on the books, records or financial statements of the Company except the following:

See R. P. Beeckman memo of January 18, 1978 to Mr. R. A. Van Brocklyn concerning questionable payments.

~~UNAUDITED REPLACEMENT COST INFORMATION:~~

The unaudited replacement cost information for Fafair's fixed assets and related depreciation to be incorporated in the notes to the financial statements in the Textron Annual Report on Form 10-K, has been prepared and presented in conformity with Regulation S-X of the Securities and Exchange Commission.


INTERIM FINANCIAL INFORMATION:

The unaudited interim financial information of Fafair Bearing included in the notes to the financial statements in the Textron Annual Report was prepared in accordance with generally accepted accounting principles consistently applied and all adjustments necessary for a fair presentation were made.

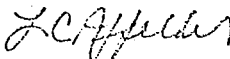
SUBSEQUENT EVENTS:

No events or transactions have occurred since December 31, 1977 or are pending or in prospect which would have a material effect upon the financial statements at that date or for the period then ended, or which are of such significance in relation to the Company's affairs as to require mention in a note to the financial statements in order to make them not misleading as to the financial position, results of operations or changes in financial position of the Company. In addition, we know of no event since December 31, 1977 which, although not affecting such financial statements, has caused any material change, adverse or otherwise, in the financial position or results of operations of the Company.

Very truly yours,



R. P. Beekman,
Division Vice President-Administration



L. C. Affelder,
Division Controller

ARTHUR YOUNG & COMPANY

Date: December 19, 1977

To: PROVIDENCE OFFICE
Mr. Richard A. Martin

From: PARIS OFFICE
Guy B. Walt

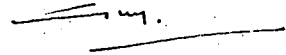
Subject: TEXTRON - FAFNIR FRENCH DIVISION

Dear Dick,

I refer you to the copy of the memo I sent to you last year and which you took a photocopy during your visit to Paris. This memo concerned Mr. Mustapha. Payments made to him during the year ended November 30, 1977 totalled FF. 386,000 (approximately \$ 77,000). Thus 1976 and 1977 payments to Mustapha amount to FF. 1,041,000 (\$ 208,000). Furthermore, FF. 35,000 (\$ 7,000) were provided for at November 30, 1977.

Wishing you a merry Christmas and happy New Year.

Best regards,



GBW/ds/147

January 6, 1977

PROVIDENCE OFFICE
Mr. Richard A. Martin

PARIS OFFICE
Guy B. Walt

TEXTRON, S.A.R.L. (FAFNIR DIVISION)

Dear Dick,

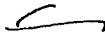
During the course of our audit work on the financial statements of Textron, S.A.R.L. we came across commission payments which might interest you. These payments amounting to FF. 655,000 (\$ 130,000) were paid to a Mr. Nadhir Mustafa through a numbered bank account in Luxembourg. Mustafa acted as intermediary for sales to the Irakian Ministry of Economy - Automobile State Enterprise.

We understand that the Company has been expressly requested by Mustafa not to contact him in Irak but that any communication with him be made in Paris. These commission payments are determined by a contract and subsequent correspondence copies of which we enclose herewith.

You will notice from the enclosed that the payments of commission represent 12.5% and 17.5% of the selling price of the first and second delivery respectively.

For your information, there should be no French tax or legal problem with respect to the payment of these commissions

If we can provide you with any further information on the above, please contact us.



*NO RECORD THAT THIS LETTER WAS EVER RECEIVED
BY MARTIN IN JAN. 1977.*

~~CONFIDENTIAL~~

Fafnir Roulements Division de Textron Atlantic

Zone d'activités du Pont Yblon
1, rue Jean Perrin
93150 Le Blanc-Mesnil, France.
Tél. : 931.40.74. Telex : 690570 Fafnir F.

MR. NADHIR MUSTAFA

P.O.B. N° 804

BAGHDAD - IRAQ

VRéf. :	NIRéf. :	Date :
	SS/JLD	23/4/76

Dear Mr. MUSTAFA,

As indicate in your contract dated December 15th, we are pleased to confirm you the receipt of the second order n° COMM/BGD/BB/F/FAFNIR/2 - our proforma invoice n° 28 increased 3 times, for the amount of FF 3 051 680,00, from Ministry of Economy Automobile State Enterprise - BAGHDAD IRAQ.

Payment of the commission 17,5 %, will be made in accordance with the French Legislation to your Bank after receipt payment of Ministry of Economy.

Best regards.

FAFNIR ROULEMENTS
Div. de Textron Atlantic S.A.R.L.

J. LE ROSSEUR

CC/ L. DE JONG
G. ROUILLEAU X

c. de la facture -

FAFNIR/TEXTRON

Fafnir Roulements Division de Textron Atlantic

Zone d'activités du Pont Yblon
1, rue Jean Perrin
93150 Le Blanc-Mesnil, France.
Tél. : 931.40.74. Telex : 690570 Fafnir F.

MR. NADHIR MUSTAFA
P.O.B. N° 804
BAGHDAD - IRAQ

VIRÉF. : N/Réf. : Date :
 SS/JLD 3/3/76

Dear Mr. MUSTAFA,

As indicate in your contract dated December 15th, we are pleased to confirm you the receipt of the first order n° COM/BGD/BR/F/FAFNIR/1 ⁵ our proforma invoice n° 26, for the amount of FF 968 948,00, from Ministry of Economy Automobile State Enterprise - BAGHDAD IRAQ.

Payment of the commission 12½ will be made in accordance with the French Legislation to your Bank after receipt payment of Ministry of Economy.

Best regards.

FAFNIR ROULEMENTS
Div. de Textron Atlantic S.A.R.L.

J. LE DOSSEUR

4: Vu factures.

CC/L. DE JONG
G. ROUILLEAUX

6

Fez

NADHIR ISMAIL FAFA
GENERAL MERCHANTS

AL-KHULLANI SYBRY SO/ASB1 BASHDAD IRAQ CABLE "YIRAMOR" TEL. 87742
P.O. BOX 804
FAFNIR ROULEMENTS
DIVISION DE TEXTRON ATLANTIS S.A.S.L.
1, Rue Jean Perrin
93150 - LE BLANC MESNIL
FRANCE

BASHDAD January, 8 th. 1976

Dear Mr. LE DOSSEUR

Thank you for your letter of December 15 th. 1975, by which you appointed me as commission agent for IRAQ territory.

I shall do my best to promote sales of FAFNIR bearings on IRAQ territory, and I have already good contacts with some companies and customers, which let me hope to get very good business in my country.

For the payment of commissions, may I ask you to transfer my commissions to my account, to the following address :

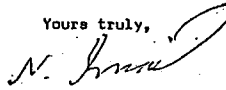
- BANQUE INTERNATIONALE A. LUXEMBOURG
Head Office
2, Boulevard Royal

- Account Nbr. TB 4-1093152510

Hoping to see you soon again in PARIS, I

I remain,

Yours truly,



Nadhir MUSTAFA

Please find enclosed y/ltter dated Dec 15th 1975

Approved

Q.

Copy of contract.

C. PONTOISE 75 B 219 - 11^e ENTREPRISE 302220094 - BANQUE BNP 64, av. de la division Lector - 93250 LE BOURGET - FRANCE

117
textron

FAPNIR ROULEMENTS

division de **TEXTRON ATLANTIC** s.a.r.l. au capital de 1 000 000 F

J. Le Dosseur

Zone d'activités du Pont Yblon
1, rue Jean Perrin
93150 LE BLANC-MESNIL - FRANCE
Tél.: 931-40-74
Télex : 69570 TEXTRON

Mr. NADHIR MUSTAFA

PO BOX N° 804

BAGHDAD IRAQ

VIRÉL. :

NIRÉL. :

LE BLANC-MESNIL, le DECEMBER 15th 1975

Dear Mr. MUSTAFA

Following our recent conversations in Paris, we are glad to appoint you as commission agent for IRAQ territory.

The basis of this commissions will be determined for each business according to the amount of the orders.

Commissions will be paid as soon as we received the payment of the invoice from the bank on which the letter of Credit has been issued, against the commissions invoices you shall send to us.

We acknowledge that payment of the commissions will be made in accordance with the French Legislation on bank transfers on your account, which you will precise us by return, please will you send us back copy of this letter with your agreement.

APPROVED
N. Mustafa
NADHIR MUSTAFA

FAPNIR ROULEMENTS
DIV. TEXTRON ATLANTIC
J. LE DOSSEUR

J. Le Dosseur

Copy of contract

SHUPON TETRON

Shupon Division of Tetron Inc

MEMORANDUM

To: Mr. Ronald Van Brocklyn Date: February 3, 1978

From: R. D. Holbrook sc CC: Mr. A. Cimino w/o enclosure
Mr. J. Cole
Mr. J. Quealy
Mr. E. Ruud

Subject: Analysis of Overpayments to
International Customers,
1972 thru 1977

I outlined in my memorandum of January 29th that "To our knowledge no further shipments were made involving this practice nor are there any currently pending, and this conclusion will be verified upon the return of our International Sales Manager who is traveling this week end."

We have now had an opportunity to discuss this matter with John Edmondson, our International Sales Manager, and he verifies that he has no knowledge of any past or pending shipments other than those discussed. A copy of his statement is enclosed.

Rich

SHUPON TETRON

Shuron Division of Tetron Inc

MEMORANDUM

To: Mr. John V. Quealy Date: February 2, 1978


From: J. R. Edmondson CC:

Subject: *International Operations*
Statement of Billing Practices

Pursuant to our discussions of this date, this memorandum will confirm that the International Department is not now, and has not during my tenure beginning June 1977, engaged in the practice of fictitious billings or concealed rebates, for the purpose of circumventing the exchange controls of foreign countries or for any other reasons or objectives.

This does not deny the customary and legitimate practice of granting commissions on sales generated by established dealers and representatives, nor in extending added discounts based upon cumulative volumes, or early payment of invoices.

I also confirm that no new transactions have been undertaken with either E.W.O.S.A., Winkelstein or International Trade Services since assuming my position as International Manager as of May 31, 1977.


John R. Edmondson
Manager, International Sales
JRE:sc

SHURON METRON

Shuron Developed by Holbrook

MEMORANDUM

To: *Mr. Ronald Van Brocklyn* Date: *January 29, 1978*

From: *R. D. Holbrook* sc CC: *Messrs. Cimino, Cole,
Quealy, Ruud*

Subject: *Analysis of Overpayments to International Customers, 1972 thru 1977*

As requested, Enclosure III contains a report from Jim Cole, Controller, and John Quealy, Vice President of Marketing, on this subject.

In summary, it indicates that the first overpayments were negotiated in 1975 by Paul Shambo, International Sales Manager, without the knowledge or consent of his superior, John Quealy, or the financial department. Arrangements were made with two Brazilian customers, Kurt Winkelstein, and E.W.O.S.A., both of Rio de Janeiro, to generate pro forma invoices greater than the agreed upon billing, a practice we were not aware of until our analysis today. The resulting overpayments were to be refunded to the customers by check in person or to a bank.

On September 1, 1976, Shuron issued a policy on standards of conduct as to representatives, agents, consultants, dealers or distributors, Enclosure I.

The Controller's Department initially became aware of this abnormal situation on September 17, 1976, when the Controller, Jim Cole, was asked to approve a check to Kurt Winkelstein for \$4,457.59 to refund an overpayment to his account. Before approving the check, Jim discussed the matter with Gary Valby of Nixon, Hargrave, our local attorney, John Quealy, and Gene Gibbons, our new International Sales Manager. He was assured that we would not be in violation of the law to comply with his request, and the check was approved.

Shortly after, on September 24, I first became aware of the Winkelstein case when the Controller informed me of the questionable procedure of receiving overpayments and refunding. In an immediate joint meeting with Jim Cole and John Quealy, I indicated although the practice might not be illegal, that it could be in violation of our "Standards of Conduct" and the practice was to stop immediately.

John Quealy requested he be permitted to find a satisfactory method of continuing our business relationship with Winkelstein and yet not be in violation of our "Standards of Conduct." An alternative was found and approved by our legal counsel, Enclosure II, on October 14, 1976. It called for Shuron to conduct its business with an export company who in turn would sell to our former customers and involved a straight forward business transaction. International Trading, Norfolk, Virginia, was selected.

Mr. R. Van Brocklin
 January 29, 1978
 Page two

In spite of the mandate to stop this practice of overpayment and refunding, two additional shipments were authorized by Gene Gibbons in 1977. To our knowledge, no further shipments were made.

In April 1977 I became aware of a problem with another account, E.W.O.S.A. when the Controller outlined at an Executive Committee meeting that the account was demanding a \$21,258.00 payment for an overage on an invoice dated April 27, 1976. The Vice President of Marketing, John Quealy, indicated the past practice of overpayment and refunds had stopped and that we had incorrectly billed the account. A credit was issued and a check written since we had stopped all direct business with the account.

The balance of 1977 consisted of cleaning up the past practice generated by 1976 shipments.

Up until our investigation this weekend, it was our opinion this questionable practice of overpayment was due to our customers' desire to take money out of his country. After reviewing in some detail the files of our International Department, it is now clear the pro forma prices initiated by International to the customer were greater than the agreed upon price and there was not a real overpayment. This arrangement, it appears, was entered into to permit entry of the lenses at a floor price established by the Brazilian government to avoid dumping, yet at a duty which would be economically feasible for our customers.

The total amount of the overpayments between 1972 - 1977 amounts to \$103,628. To our knowledge, no further shipments were made involving this practice nor are there any currently pending, and this conclusion will be finally verified upon the return of our International Sales Manager who was traveling this weekend and unavailable.

To indicate the seriousness of this practice, it will be made clear to all parties on Monday, January 30, 1978, that any continuation will be subject to immediate dismissal.

The organization at Shuron is as follows: I have been President of Shuron since May 12, 1975. John Quealy has been Vice President of Marketing since 1969. Mr. Shambo, International Sales Manager, who reported to Mr. Quealy and negotiated these questionable arrangements left Shuron on October 15, 1976. Mr. Gibbons was hired September 1, 1976, to oversee our International Department (Shambo reported to him) and was terminated June 3, 1977. John Edmondson was hired May 31, 1977, to replace Gibbons. Richard Lockhart became Controller December 2, 1974, and was terminated May 3, 1976, when Jim Cole became Controller.

click

ENCLOSURE I

SHURON DIVISION OF TEXTRON INC.POLICY ON STANDARDS OF CONDUCT

Effective: September 1, 1976

Section III - Standards of Conduct

A - Policy as to Representatives, Agents, Consultants, Dealers, or Distributors

I. General

It is a long-standing Shuron policy to do business, whether as a seller or as a buyer of goods or services, only on the basis of merit. It is completely unacceptable to seek or obtain business through the use of bribes, kick-backs, lavish entertainment or any other improper payments or favors.

II. Applicability

This responsibility extends not only to the behavior of Shuron employees, but also to the conduct of representatives, agents, consultants or others who act or appear to act on behalf of Shuron.

III. Policy

Every new agreement and each renewal of an existing agreement with a domestic or international agent or representative, by whatever name, must include the following provision:

" _____ represents that it has not and agrees that it will not in connection with the transactions contemplated by this Agreement, or in connection with any other business transactions involving Shuron, make any payment or transfer anything of value, directly or indirectly, (a) to any governmental official or employee, (b) to any officer, director, employee or representative of any actual or potential customer of Shuron, (c) to any officer, director or employee of Textron or any of its affiliates, or (d) to any other person or entity if such payments or transfer would violate the laws of the country in which made or the laws of the United States. It is the intent of the parties that no payments or transfers of value shall be made which have the purpose or effect of public or commercial bribery, acceptance or acquiescence of extortion, kick-backs or other unlawful or improper means of obtaining business. This section shall not, however, prohibit normal and customary business entertainment or the giving of business mementos of nominal value."

It is of equal importance in the case of a dealer or distributor who may appear to act on behalf of Shuron even though actually buying for its own account and reselling at its own risk. The above provision must be included

POLICY ON STANDARDS OF CONDUCT (Cont.)

III. Policy (Cont.)

in "dealer" or "distributor" agreements where the other party is actually in the role of a commission agent or sales representative.

IV. General Comments

The provisions may be omitted if the dealer or distributor (i) is completely independent, (ii) buys and sells strictly for its own account, (iii) is not on a commission or contingent fee basis, and (iv) you know that the relationship is a straight-forward business arrangement. If the role of the dealer or distributor is unclear, it is recommended that the question be referred to the President of Shuron.

October 14, 1976

Kon, Hargrave, Devaux & Ugle
 Attorneys and Counselors at Law
 Lincoln First Tower
 Rochester, N. Y. 14603

SUITE 404, 805 SEVENTEENTH ST., N.W.
 WASHINGTON, D. C. 20004
 (202) 877-0044

(716) 548-6000

247 POPAL PALM WAY
 PALM BEACH, FLORIDA 33480
 (305) 659-0253
 ELSEWHERE IN FLORIDA (800) 432-3466

October 14, 1976

Mr. Eugene Gibbons
 International Operations Manager
 Shuron Division of Textron Inc.
 40 Humboldt Street
 Rochester, New York 14609

Dear Mr. Gibbons:

In recent telephone conversations, you requested our evaluation of the implications of the proposed transaction summarized below.

A Brazilian customer of Shuron ("B") has been purchasing lenses directly from Shuron. In an apparent attempt to remove U. S. dollars from Brazil for purposes other than importing goods equal in value to the dollars, B may now alter its purchase arrangements. The new arrangement, proposed by B, would have Shuron sell lenses, in its normal F.O.B. point of shipment fashion, to a New York exporter ("E") specified by B for the normal price of, say, \$2.00. After this sale, Shuron's role in the transaction would cease. E would then, pursuant to an understanding with B to which Shuron is not a party, resell the lenses to B for, say, \$3.00. On the basis of E's certification that the lenses are worth \$3.00 and E's invoice in the amount of \$3.00, B would obtain an import license from the Brazilian government enabling B to remove three U. S. dollars from Brazil. On receipt of the \$3.00, E would keep about \$2.05 (to cover the \$2.00 cost of the lenses plus \$.05 profit) and would deposit the remaining \$.95 in a U. S. bank account in B's name and for B's disposal.

You have asked for our evaluation of the legal implications of this transaction so far as Shuron is concerned as well as our view of whether the transaction is inconsistent with the "Standards of Conduct" specified by Textron and contained in R. D. Holbrook's memorandum of August 30, 1976 (copy attached).

Legal Considerations

In our opinion, Shuron would violate no U. S. law by selling lenses to E under the circumstances described above. Nor in our opinion would Shuron be engaging in "questionable" conduct which might require Textron to disclose the arrangement to the Securities and Exchange Commission pursuant to its current disclosure policies with respect to questionable payments by U. S. companies.

It is possible that B and E might be violating the currency laws or regulations of Brazil. Indeed, the apparent purpose of the arrangement, from B's point of view, seems to be to remove U. S. dollars from Brazil which presumably could not otherwise be lawfully removed. Because Shuron will not be a party to the sale to B, however, and because Shuron will not be participating in any falsification of invoices or other deception of the Brazilian authorities or anyone else, it is unlikely that Shuron could be deemed to itself be violating Brazilian law or to be aiding and abetting any other party in a violation of Brazilian law.

Standards of Conduct

The Standards of Conduct are directed primarily to questionable conduct on the part of Shuron and its employees which is designed to obtain business through bribes, kick-backs or otherwise not on the basis of the merits of Shuron's goods and services. The Standards do not appear to us to be violated in this respect by the proposed transaction, because neither Shuron nor any of its employees is involved in any payment or questionable behavior of any kind, unless it can be argued that Shuron should refuse to deal with any customer under circumstances that would permit the customer to violate its local currency regulations. The policy statement does not, as we construe it, require such extreme action.

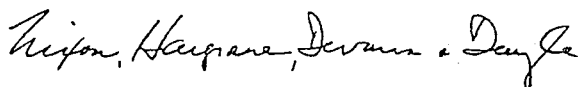
An additional focus of the Standards is on the behavior of persons, such as certain dealers and distributors, who are not employees of Shuron but who are, under the circumstances, acting on Shuron's behalf or as Shuron's representative. It seems clear that E, in the above case, is not acting as Shuron's representative but is acting at the direction and on behalf of B, and on the basis of a separate agreement or

understanding with B. E is not and does not even appear to be acting on Shuron's behalf. E is clearly not in the role of a commission agent or sales representative. We do not have the situation contemplated by the Standards of Conduct in which E is seeking, by questionable means, to make sales of Shuron goods to B. Instead, we have the reverse situation - not contemplated by the Standards - where B is inserting E into the transaction for B's (and not Shuron's) own purposes.

The thrust of the Standards of Conduct, as we read them, is directed to the acquisition of business by Shuron or Shuron's representatives through questionable means unrelated to the merits of the product. In light of the history of sales by Shuron to B, B's independent insertion of E into the transactions, and E's role as clearly not that of a dealer or distributor promoting and selling products on Shuron's behalf, the Standards of Conduct do not appear to apply to the proposed transaction.

Although application of the Standards of Conduct to the proposed transaction is necessarily a matter of interpretation and judgment, we believe the above analysis to be consistent with the guidelines set forth therein.

Very truly yours,



xc: Mr. Richard D. Holbrook
Mr. John V. Quealy
Mr. James J. Cole

included in "dealer" or "distributor" agreements where the other party is actually in the role of a commission agent or sales representative. The provisions may be omitted if the dealer or distributor (i) is completely independent, (ii) buys and sells strictly for its own account, (iii) is not on a commission or contingent fee basis, and (iv) you know that the relationship is a straight-forward business arrangement.

Please ensure that your personnel comply with this policy and consult with me or with Nixon, Hargrave, Devans and Doyle, our attorney in Rochester, if you have any questions concerning its interpretation or implementation.

Mike

8/30/76
RDH:sc

ENCLOSURE III

SHURON INTERNATIONAL

Shuron Division of Telectron Inc

MEMORANDUM

To: Mr. R. D. Holbrook Date: January 29, 1978

From: J. J. Cole, J. V. Quealy sc CC:

Subject: Overpayment Analysis of International Customers, 1972 - 1977

Introduction

As requested, we have made an analysis of overpayments to our International customers for the period 1972 thru 1977. As a result of our analysis, the details and circumstances involving these overpayments to the best of our knowledge follow.

October 15-17, 1975 - P. Shambo, Shuron International Sales Manager, visited both E.W.O.S.A. and K. Winkelstein in Rio de Janeiro and his report dated October 23, 1975, indicates both accounts were concerned over import barriers restricting the importation of lenses into Brazil. The report indicated that his recommended solution would be covered in a separate memorandum. That report and recommendation dated November 11, 1975, essentially recommended that Shuron enter into a joint venture with Bausch and Lomb Brazil to manufacture Ultex lenses. This recommendation was rejected. The sales report and the recommendation report did not indicate that any other arrangements were made or discussed during the visit to E.W.O.S.A. and K. Winkelstein that would affect Shuron's invoicing procedures.

January 1976

Pro forma invoices were issued to K. Winkelstein Mat. and E.W.O.S.A. by the Shuron International Department for amounts greater than the published selling prices. This double invoicing was done without the knowledge of financial management or the Vice President of Marketing and was completely under the control of the International Sales Department. The invoices were as follows:

Date	K. Winkelstein Mat.		E.W.O.S.A.	
	Pro forma Invoice	Computer Invoice	Pro forma Invoice	Computer Invoice
1/76	\$52,560.00	\$33,930.00	\$8,250.00	\$7,420.00
1/76	<u>52,429.32</u>	<u>33,837.60</u>	_____	_____
	<u>\$104,989.32</u>	<u>\$67,767.60</u>	<u>\$8,250.00</u>	<u>\$7,420.00</u>

Shuron records indicate that as of January 9, 1976, E.W.O.S.A. terms were open account and a 10% discount on lenses, identified as a special commission account. Shuron records indicate that as of January 9, 1976, K. Winkelstein terms were 90 day open account, no discounts.

February thru September 1976

Additional invoices were issued to the two aforementioned customers under exactly the same conditions as the original issuances in January.

Date	K. Winkelstein Mat.		E.W.O.S.A.	
	<u>Pro forma Invoice</u>	<u>Computer Invoice</u>	<u>Pro forma Invoice</u>	<u>Computer Invoice</u>
3/76			\$17,350.00	\$10,089.00
4/76			\$17,587.00	\$11,378.00
5/76	\$50,381.80	\$32,534.00		
8/76	\$22,113.00	\$11,372.40		
9/76			\$8,250.00	\$7,420.00
	<u>\$72,494.80</u>	<u>\$43,906.40</u>	<u>\$43,187.00</u>	<u>\$28,887.00</u>

Paul Shambo's letter dated March 31, 1976, instructed Winkelstein never to pay "dummy" invoice which is typed to coincide with license.

K. Winkelstein's letter to P. Shambo dated March 25, 1976, stating price differential between invoices is to be credited to them as normal commission.

K. Winkelstein's letter to P. Shambo dated April 29, 1976, stating they have calculated commission at \$10,442.07 and ask to reserve the value in currency money.

August 18, 1976, letter from P. Shambo to R. Butera (Shuron Accounts Payable) instructing Butera to disregard the unit lens pricing as an invoice and use lower unit prices in order "to conform to the license which is required by the Brazilian government." Shambo further instructed Butera to reserve the invoice differential for Winkelstein in a commission account and that Winkelstein would shortly be in Rochester to receive the commission payment.

In addition to the issuance of invoices during this period, a check was drawn in August to the order of the Chase Manhattan Bank for an overpayment by E.W.O.S.A. This check was approved by Paul Shambo, International Sales Manager, and was referred to as a commission payment.

<u>Date</u>	<u>Company</u>	<u>Payee</u>	<u>Amount</u>
8/16/76	E.W.O.S.A.	Chase Manhattan Bank, N.A., Account #009-1-95877	\$1,248.79

On September 17, 1976, a check was drawn to the order of Dieter Winkelstein/Kurt Winkelstein Material Optica, Ltda., for \$4,457.59. This check included \$480.00 of customer overpayments. This check was referred to the Controller for approval. The Controller would not approve the check without legal guidance since it now appeared that the customer was purposely overpaying his account. A telephone consultation was arranged between John Quealy, Vice President of Marketing; Gene Gibbons, International Sales Manager; James Cole, Controller; and Gary Valby, legal counsel, Nixon, Hargrave, Devans and Doyle. The result of the consultation was that the refunding of these types of overpayments was not illegal, but is could be in violation of the Textron code of conduct, depending on the interpretation. Based on this consultation, the Controller agreed to sign the overpayment refund. The Controller brought the situation formally to the attention of the President, R. D. Wolbrook, and the executive staff at the Executive Committee Meeting on September 24, 1976. The President called a later meeting on the subject in which he said that he wanted the overpayment practice stopped immediately. All concerned agreed that the customer should be informed of the decision, and the account should be brought into balance as soon as possible, even if we were to lose the business. However, the Vice President of Marketing mentioned that a possible solution to the problem could be worked out if the customer dealt with an exporter rather than Shuron. He was checking this out thoroughly to be sure it was not a violation of either the law or the Textron Standard of Conduct. The check drawn in September is as follows:

<u>Date</u>	<u>Company</u>	<u>Payee</u>	<u>Amount</u>
9/17/76	K. Winkelstein	Dieter Winkelstein/ Kurt Winkelstein Material Optica, Ltda.	\$1,728.59 Commissions 2,249.00 Credit Refunds 480.00 Overpayment Refund
	Total		\$4,457.59

October 1976

On October 22, 1976, a check was drawn for \$14,550.27 to K. Winkelstein for refunds of overpayments. The check was referred to the Vice President of Marketing for approval. The Controller refused to sign this check although he was aware of the situation. He was informed by the International Sales Manager that the customers were not continuing the overpayment practice and this check was cleaning up old balances. The Treasury Department agreed that this was the case.

<u>Date</u>	<u>Company</u>	<u>Payee</u>	<u>Amount</u>
10/22/76	K. Winkelstein	Dieter Winkelstein Kurt Winkelstein Material Optica Ltda.	\$14,550.27

Nixon, Hargrave, Devans and Doyle letter dated October 14, 1976, gave legal approval as to the use of the services of a company such as International Trade Services, Norfolk, Virginia, to enable Shuron to continue selling its products in Brazil.

November 1976

No transactions.

December 1976

A credit was issued by International Department to E.W.O.S.A. to adjust official invoice which had mistakenly been booked at highly prices. This was considered a normal error correction by financial department. Of course, the inflated invoice procedure was not known by financial management or the Vice President of Marketing at that time.

Original Invoice

Credit

<u>Number</u>	<u>Date</u>	<u>Amount</u>	<u>Number</u>	<u>Date</u>	<u>Amount</u>
963376N	3/2/76	\$17,350.00	540927	12/23/76	\$7,261.00

In addition, a check was issued to E.W.O.S.A. for \$11,350.57. This was purported to be normal commission and in reality it was an adjustment for an overpayment. The controller discussed the situation with the International Sales Manager, and he said although the arrangements had been the same as those with K. Winkelstein that this also was stopped.

<u>Date</u>	<u>Company</u>	<u>Payee</u>	<u>Amount</u>
12/16/76	E.W.O.S.A.	Chase Manhattan Bank, N.A.	\$11,350.57

A file letter from E.W.O.S.A. dated December 1, 1976, sent to Mr. Eugene Gibbons at Shuron details E.W.O.S.A.'s interpretation of the terms of sale (page #5, paragraph #3 - Pricing agreement)

Sales trip reports and general correspondence to E.W.O.S.A. do not indicate that Shuron agreed to the terms as detailed in the E.W.O.S.A. letter dated December 1, 1976.

The first notification that terms of sale to E.W.O.S.A. were other than normal was E.W.O.S.A.'s letter dated December 1, 1976, which was in reply to Shuron Lens Pricing Policy letter dated November 24, 1976.

January 1977

An additional invoice was issued by International Department to K. Winkelstein in January under exactly the same conditions as the previous issuances.

<u>Date</u>	<u>Company</u>	<u>Pro forma Invoice</u>	<u>Computer Invoice</u>
1/24/77	K. Winkelstein	\$22,113.00	\$12,465.90

February 1977

Shuron-E. J. Gibbons letter dated March 8, 1977, to John Kellas states Shuron can no longer accumulate commission for E.W.O.S.A. and all further transactions are to be conducted through International Trade Services Inc., Norfolk, Virginia.

E.W.O.S.A. letter to Mr. Eugene Gibbons dated February 8, 1977, states that E.W.O.S.A. assumes responsibility for payment due Shuron by International Trade Services.

April 1977

A check was issued to K. Winkelstein for \$30,167.86 of overpayments. This was a continuation of the cleaning up of overpayments from this customer's account. The check was referred to the Vice President of Marketing for final approval.

<u>Date</u>	<u>Company</u>	<u>Payee</u>	<u>Amount</u>	
4/21/77	K. Winkelstein	Dieter Winkelstein	\$30,167.86	Commission
		Kurt Winkelstein	7,832.14	Refund of
		Materials Optica Ltda.		overpayment
Total			\$38,000.00	

In addition a credit of \$24,290.00 was issued to E.W.O.S.A. for an apparent error on an August 1976 invoice. The customer had already made payment so a check was also issued for \$21,258.49. In view of past practices by the customer, the Controller brought the matter to the attention of the Executive Committee on May 2, 1977. This appeared to be just another type of overpayment gimmick. The Vice President of Marketing gave written approval for the check issuance after confirming with the International Sales Manager that this practice must also cease if it was questionable in light of R. D. Holbrook's

decision on these matters. The Executive Committee was assured that everything was taken care of.

<u>Original Invoice</u>			<u>Credit</u>		
<u>Number</u>	<u>Date</u>	<u>Amount</u>	<u>Number</u>	<u>Date</u>	<u>Amount</u>
364922	8/27/76	\$49,590.00	307268	8/21/77	\$4,095.00
			373623	9/1/77	<u>20,205.00</u>
			Total		<u><u>\$24,290.00</u></u>

Check

<u>Date</u>	<u>Company</u>	<u>Payee</u>	<u>Amount</u>
5/2/77	E.W.O.S.A.	F. Berg-E.W.O.S.A. Optica c/o Fred Detiker Panalpina Ltd. Geneva, Switzerland	\$21,258.49

May 1977

An additional invoice was issued by International Department to K. Winkelstein in May under exactly the same conditions as previous issuances.

<u>Date</u>	<u>Company</u>	<u>Pro forma Invoice</u>	<u>Computer Invoice</u>
5/25/77	K. Winkelstein	\$8,624.60	\$6,500.12

June 1977

No transactions.

July 1977

A \$2,085.00 check was issued to E.W.O.S.A. to reduce the balance of his overpayments to \$2,000.00. This was left in the account to cover possible freight and duty charges.

<u>Date</u>	<u>Company</u>	<u>Payee</u>	<u>Amount</u>
7/21/77	E.W.O.S.A.	Chase Manhattan Bank	\$2,085.00

August thru October 1977

There were no transactions of invoices or checks, however, K. Winkelstein's account was again seriously out of balance due to previous overpayments. The Controller discussed the situation with the International Sales Manager who said he would set up a meeting with Winkelstein to finally resolve the problem. This was set for December 1977.

November 1977

No freight or duty charges were received or imminent from E.W.O.S.A. so a final check was issued balancing the account.

<u>Date</u>	<u>Company</u>	<u>Payee</u>	<u>Amount</u>
11/4/77	E.W.O.S.A.	Chase Manhattan Bank	\$2,000.00

December 1977

A check was issued to cover the remaining overpayments in K. Winkelstein's account. All participants were made aware that this was final disposition. The check was given to K. Winkelstein in a meeting with Shuron International Sales Manager in New York City.

<u>Date</u>	<u>Company</u>	<u>Payee</u>	<u>Amount</u>
12/7/77	K. Winkelstein	Kurt Winkelstein	\$5,294.33 Commission
		Industria Optica	<u>21,625.03</u> Overpayment
		<u>Total</u>	<u>\$26,919.36</u>

January 1978

A verbal statement by our international operations supervisor, Ms. June Ocorr, but not yet substantiated by our International Sales Manager, indicates that we have not done any business with E.W.O.S.A. or K. Winkelstein either directly or through International Trade Services since May 1977.

John G. ... 1/27/78
John G. ...

ARTHUR YOUNG & COMPANY

Date: January 23, 1978

To: PROVIDENCE OFFICE
 Mr. M. A. Rizzo
 CC: L. J. Stevens - Buffalo
 W. F. Slattery - New York
 O. Aboodi - New York
 Subject: R. A. Martin - Providence

From: BUFFALO OFFICE
 George A. Fraas

-3-

TEXTRON - SHURON

Replacement Cost Data - We have reviewed the Division's replacement cost data as outlined on Page 13 of the master audit plan with no exceptions to report.

*12
Y.B. ell
403
1977* Illegal, improper or Questionable Transactions - We have reviewed this area in accordance with the instructions on Page 13 of the master audit plan (Listings attached to Slattery and Martin copy of this memo). Also, during our review we noted several "accommodation type" payments made during the year. Per discussion with J.J. Cole, when he learned of these payments he instructed the appropriate personnel to stop making this type of accommodation.

Top Binder - Client representation letter and controller's certificate are not in the top binder at 1-23-78. President R. Holbrook was out of Rochester until 1-23 and the controller's certificate is presently out of the Buffalo Office. When these items are received by me I will forward them to you immediately.

Overall - Based upon the scope of our review and subject to your review of project ALPHA, we feel that the Division's financial statements are fairly stated in all material respects. Partner review was performed by L.J. Stevens.

Regards,



sk

Tipton - Shuman
12/21/77

A

On 1/21/78 I received a call from R. Martin and M. Biggs concerning accommodation type payments made at Shuman. In response to certain of their questions in the following

Ans: In talking to Mike Shuman, Mike Murray, they feel the operations started during P.F. Shumbo's stint as International Sales Manager.

(Per 1976 listing of corp illegal letters, P.F. Shumbo is crossed out but we did note the International Operations letter signed (copy out Shuman) 1977 letters have John Edmondson as International Sales Manager - letter signed).

Per review of who can sign checks in P/F looks like dual manual required over \$5000 per cc. sales + sum required at 12/21/77. In P/F it looks like Hilbush; Cleave signers but at 12/21/77 they are not listed.

Per Mike Murray, only Manual (Cleaving) over \$5000
CAF
1/21/78

Per review of C/D system, controller but involved in C/D function. It is noted in our flowchart that a manager can request a

AY-C

Talked to Mike Murray & report to Shuman reflect request

2/10/78 - accommodation account 91-1-3 12.10.78

Taxton - Shum
4/21/77

check for payment.

To whom: We noted the following
payments in our review of payments over 20th

check # 137578 4/21/77	Dieter Winkelstein / Kurt W (Application Commission overpayment)	\$ 38.0
check # 137869 5/2/77	F Berg - Cwosa Optical (Application - reimbursement of overpayment)	21.25
check # 143458 4/7/77	Kurt Winkelstein (Application - overpayment and commission)	26.9

on 4/25/77 after aging
under Kurt Winkelstein Net \$2,625.03

According to Mike Nowak (Sr),
Jed Cole learned of this in
December 77 and Kurt Winkelstein
12/7/77 payment & cleared his
account. (Not sure where 1/7 check
was sent - Winkelstein no longer
doing business with Shum). When
bill learned of these he contacted
Taxton and Shum lawyers and
received comment that the payments
were not illegal but may
be immoral.

(Kurt Winkelstein
payments to NYC
and Mike Nowak &
12/7/77 cleared
but one
625
11/77)

Apr 6.

SHURON TETRON

Shuron Division of Textron Inc.

P.O. Box 331
Rochester, N.Y. 14601
716/288-4130

January 20, 1978

Arthur Young & Company
3700 Marine Midland Center
Buffalo, New York 14203

Gentlemen:

In connection with your examination of the Shuron Division of Textron Inc. at December 31, 1977 and for the year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion on the financial statements, and accordingly, we make the following representations which are true to the best of our knowledge and belief.

GENERAL:

We recognize that, as members of management of the Company, we are responsible for the fair presentation in the financial statements of financial position, results of operations and changes in financial position in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have made available to your representatives all financial records and related data.

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

MINUTES AND CONTRACTS:

We have made available to your representatives all significant contracts. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

RELATED PARTY TRANSACTIONS:

These transactions and related amounts have been properly recorded or disclosed in the financial statements.

CONTINGENT LIABILITIES: (Cont.)

or results of operations for the year then ended was previously furnished to you and is included in the letters of audit inquiry prepared by us for mailing by you to our counsel. Such listing includes all unasserted claims and assessments which our lawyers have advised are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 4. The following additional information as to unasserted claims and assessments and other matters is furnished to supplement or update the contents of such letter of audit inquiry:

None.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance with laws or regulations in any jurisdiction, or deficiencies in financial reporting practices.

There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 4 nor are there any accruals for loss contingencies included in the balance sheet which are not in conformity with the provisions of Statement of Financial Accounting Standards No. 5.

 PURCHASE AND SALE COMMITMENTS:

At December 31, 1977 the Company had no purchase commitments for inventories in excess of normal requirements or at prices which were in excess of market at that date, and no important sales commitments which it is unable to fulfill or which were at prices less than costs in inventories or expected costs to purchase or manufacture increased by selling expenses.

There were no agreements or commitments to repurchase assets previously sold except as indicated below, which agreements have been properly recorded or disclosed in the financial statements:

None.

There were no commitments outstanding at December 31, 1977 for futures contracts, short sales, or hedge transactions except as indicated below which commitments have been properly recorded or disclosed in the financial statements:

None.

~~*NOTE: Inventories' cost are construed to be after reduction for LIFO reserve.~~

IRREGULARITIES AND CONFLICTS OF INTEREST:

There have been no irregularities involving management or employees who have significant roles in the system of internal accounting controls.

There have been no irregularities involving other employees that could have a material effect on the financial statements.

There are no instances where any officer or employee of the Company has an interest in a company with which the Company does business which would be considered a "conflict of interest." Such an interest would be contrary to Company policy.

"Based on responses received from officers and from other persons who have an understanding and a knowledge of business activities within our operation and based on my personal knowledge, for the fiscal year ended December 31, 1977 and for the period from December 31, 1977 to date, we are not aware of (i) any illegal bribes, kickbacks or other improper or questionable payments having been made to or for the benefit of any person, corporation or government for the purpose of obtaining special concessions or for obtaining other favorable treatment in securing business for the company; (ii) any company funds or property having been made available, directly or indirectly, as political contributions in the United States or elsewhere, or that officers or employees were paid or reimbursed, directly or indirectly, for performing services or incurring expenses in political activities in the United States or elsewhere; and (iii) any company funds, property, or transactions which were not reflected or accounted for on the books, records or financial statements of the company."

UNAUDITED REPLACEMENT COST INFORMATION:

The unaudited replacement cost information, in regard to fixed assets, to be presented in the notes to the financial statements in the Annual Report on Form 10-K, has been prepared and presented in conformity with Regulation S X of the Securities and Exchange Commission.

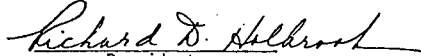
SUBSEQUENT EVENTS:

No events or transactions have occurred since December 31, 1977 or are pending or in prospect which would have a material effect upon the financial statements at that date or for the period then ended, or which are of such significance in relation to the Company's affairs as to require mention in a note to the financial statements in order to make them not misleading as to the financial position, results of operations or changes in financial position of the Company. In addition,

SUBSEQUENT EVENTS: (Cont.)

we know of no event since December 31, 1977 which, although not affecting such financial statements, has caused any material change, adverse or otherwise, in the financial position or results of operations of the Company.

Very truly yours,


Richard D. Aldbrook
President


James K. Cole
Controller

RDH/JJC:h

Sharon
12-31-77

1.	Review the Punch A-P, C-System with applicable chart personnel and update the permanent file.	MM 12/20/77 S
2.	Review the Tention external audit reports and incorporate report with chart personnel.	MM 12/20/77 S
3.	Prepare an initial evaluation of the system, noting the strengths & weaknesses.	MM 12/20/77 B2 S B2.3
4.	Foot & x-foot the CD register for one month and have posted to the B/P.	Feb '77 MM 12/20/77
5.	Foot the voucher register for one month & on a test basis agree posting to B/P.	Aug '77 MM 12/20/77 S
6.	Review the CD register for the year and investigate unusual items.	MM 12/24/77 B2.1 S
7.	Perform a walk through of the system for 5 items looking for the 6 items listed at B2.2.	MM 12/29/77 S B2.5
8.	Prepare a final evaluation on audit work performed.	MM 1/70 B2 S
		Avg
6/26 1/27	Sharon Punch A-P C-D	Prepared by MM Date 12/18/77
		Index No B2.4

Simon
12/2/77

136166	2/2/77	Western Concrete Diff advertising, multiple pp.	4762401 OK
M 136557	3/1/77	London Nat Bank Expense Report - draw on expense number on 77 on credit card to London bank acct	386145 OK
136577	3/2/77	Palmer Travel Assoc Frank Taylor	3170713 OK
M 137049	3/3/77	Rex Corp California, invoice	161970 OK
M 137214	4/2/77	Flower City Sprinklers Ely, Orka Trip - day trip	2553445 OK
M 137276	4/1/77	Technic Inc invoice 3.60	2173478 OK
137528	4/1/77	Delta Mobilizer Plant Comm. invoice for 4/1/77	385000 V acct B2.6.2
137684	6/1/77	Gen. Comm. Bank Hotel San Antonio, invoice	1351030 OK
M 137110	8/1/77	Eng. Order Line Comm. invoice for 8/1/77	1000000 V OK
M 137271	6/2/77	Flower City Sprinklers invoice for 6/2/77	296415 V OK

ATC

Approved for the institution

12/2/77

B2.6

Sherrin
12-31-77

Cl. #	Mo	Vicinity	Amount	
M 140487	1/2	Antic Chicago	22689.00	OK Stijn of Zyl
M 141370	9/12	NYS Salaries Allow	11261.50	OK 3/24/78 NYS Salaries Allow Tax
141673	9/30	Two options for purchase of house	24591.00	VOK
143458	1/47	Rent & Utilities Overpayment commission	22919.34	V OK B2, B2
M 143735	1/1/77	Frederick W. Haag	14008.03	V OK Sold to M. M. Adams
137867	5/1/77	F. Berg - Europa Optical Reimbursement of overpayment	21258.79	V OK B2, B2
M 14274	11/1/77	Malcolm R. Smith Tax Collector	188313.43	VOK Official record property tax / Transfer plant No other unusual items at this time p. 12/31/77
<p>Transfer for Financial Affairs</p>				<p>ATG MAM 12/27/77 B2.1</p>

Item
12-31-77

Definition of an unusual item for our review of C/D for unusual items.

(1) Any check issued for over \$200 (for vendors that report, investigate when the repetition is determined if the amount over \$10,000 is unusual for the vendor do not list further items unless an ^{opening} change appears in the checks issued in relation to prior checks)

(2) Any other item that is considered unusual.

ie: ① Unusual Payee.

② Cash Payment

③ recurring payment.

The above list is not all inclusive and any item considered unusual for our listed reasons shall be listed.

A7-C

Member (President) of Municipal Assn. Co.

Prepared By
fluid
12/21/77

Index No.

B26.1

Sharon
12-31-77

Noted income received from consultants of the Offshoot, see P. 2, were two payments to Kurt Winklerstein and one to F. Berg of Cross opticals. The payments came about through the following: The customers would overpay their accounts over a period of time until a substantial amount was overpaid. Then all the men would make a trip to N.Y. City and while he was there would request payment of the balance. This would allow him to get the money out of Argentina. The net payments to Kurt Winklerstein totaled \$4913.56 and the payment to F. Berg was \$1,258.49

Jim Cole, the controller, said this situation had been occurring for a few years. When he discovered he contacted the Textra lawyer and Sharon Dargatzis for an opinion on this. She claimed it was not illegal but may be immoral. Jim decided that this situation be stopped immediately and the final payment to Mr. Winklerstein was made 12/1/77 as noted at P. 2.

Copy at B. J. C.

AY+G

1/1/78

Note to file in [unclear] [unclear]

Processed by M. J. [unclear]	File # 17 17
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ARTHUR YOUNG & COMPANY

Date: January 16, 1978

To: PROVIDENCE OFFICE
 R. A. Martin
 cc: W. F. Slattery - New York

From: DES MOINES OFFICE
 J. R. Smidt

Subject: ILLEGAL, IMPROPER & QUESTIONABLE TRANSACTIONS STATEMENT
 Sheaffer - Fort Madison

The following list of persons signed the statement:

R. P. Canella	-	Vice-President, Operations
J. B. Ford	-	Materials Manager
R. J. Stephenson	-	Plant Controller
I. C. Covington	-	Manager of Manufacturing
C. R. Call	-	Purchasing Manager

All areas described in Mr. G. W. Miller's letter were covered where applicable, and it appears that no one at Sheaffer - Fort Madison should be added to the list. Areas of sales, international operations and public relations are covered by management at Sheaffer-Eaton in Pittsfield as Sheaffer - Fort Madison has no top management in these areas.

Regards,

Sheffer Plan Part of Sheffer Eaton Division of Texton Audit Program Illegal, improper + questionable transactions	
1. Obtain list of all persons asked to sign the statement as to Illegal Improper or Questionable payments	<ul style="list-style-type: none"> ① Dick Lamber V-P speak ② Roger Sibley Controller ③ Jerry Ford - mktg ④ J.C. Livingston mgt ⑤ Charles Call of mktg. primary mgt.
2. Evaluate list as to its inclusiveness of persons in accordance with the coverage described in G. William Miller's letter	Done JRS
3. Mail a copy of the list to to W.F. Slattery in New York and R.D. Martin in Providence. Advise them of anyone and their function who you believe should be added to the list and who the Division President deemed not appropriate after your reading of the list.	Done JRS None JRS
4. Examine each signed statement obtained by the Division President. Send a copy of any statement which notes exception or has any change in language to Slattery or Martin. Follow up if requested to do so by them.	Done JRS No exceptions or changes noted JRS
5. Include the paragraph and regarding illegal payments (outlined in Texton Master Audit Plan) in the representation letter.	Done F.M. JRS
6. Include summary of # of employees circled, number of responses returned and number reviewed by AY in two memos	Done JRS AY-6 JRS 11/1/66 11-6

TEXTRON - CONFIDENTIAL

July 19, 1977

Special Report to the Textron Audit Committee

During the course of the 1976 year-end audit, Arthur Young & Co. came across some unusual billing and/or payment practices involving certain foreign customers at Sheaffer (Ft. Madison) and Talon S.A. (Mendrisio, Switzerland). The matter was brought to the attention of the Corporate Office and to the Audit Committee at the February meeting and an investigation into the dealings with foreign customers by both companies was conducted by Textron personnel for the five-year period ended January 1, 1977 and, when necessary, for the years prior to 1972.

At Sheaffer, the practices involved overbilling at the request of the customer; accommodating customers by making payments of commissions or discounts actually earned to third parties; and receiving and retaining amounts unrelated to any purchases at the request of the customer. In the case of over-billing, the amount overbilled was either allowed to accumulate as a credit on Sheaffer's books or periodic payments of the amount overbilled were made as directed by the customer to third parties. Although seven foreign customers were involved in these practices, only three were involved beyond one or two isolated transactions. During the period 1972 to 1976 and pursuant to these special

arrangements, the aggregate amount overbilled was approximately \$102,000, the aggregate accommodation payments made were approximately \$78,000 and the aggregate amount received unrelated to any purchases was \$25,000. Total net revenues from the seven customers (revenues less amount overbilled) were over \$16,000,000 and total export sales by Sheaffer during the five-year period exceeded \$41,000,000.

At Talon S.A., the practices involved overbilling or accommodation payments. Eight customers were involved in these practices. During the five-year period, the aggregate amount overbilled was approximately Sfr. 580,000 (U.S.\$232,000) and the aggregate accommodation payments were approximately Sfr. 410,000 (U.S.\$164,000). Total net revenues received from the eight customers during the period were over Sfr. 13,000,000 (U.S.\$5,200,000) and total export sales by Talon S.A. exceeded Sfr. 46,700,000 (U.S.\$18,680,000).

The investigation determined that all transactions were properly recorded on the books of Sheaffer and Talon S.A. There were no falsifications or inadequacies in the books and records of either company. There is no information to indicate in any way that any employee of either Sheaffer or Talon S.A. benefited from these practices, nor was any bribe, kickback or other such type of payment involved in any of these transactions. Rather, all the transactions resulted from a desire to accommodate

the customer and all overbillings, accumulations of commissions and payments to third parties were done at the express direction of the customer.

Both companies have since halted the practices in question and advised their customers that in the future (a) invoices would accurately reflect the true sales price and terms of sale, and (b) commissions or discounts earned would be paid directly and regularly to the customer in the country in which it is located or must be periodically used to reduce existing accounts receivable.

In the aggregate, the amounts are not material to Textron, the facts do not suggest that these practices were pervasive, no books or records of Textron were falsified and there is no suggestion that any officer or director of Textron knew of or condoned these practices. Indeed, when brought to management's attention, the deviations from normal operating procedures were ordered to cease and corrective measures implemented.

A more detailed analysis of the 15 accounts in question is set forth below:

Sheaffer, Ft. Madison

1. Sailor Pen Co., Japan

Sheaffer invoiced and collected from its distributor, Sailor Pen Co., on shipments of gift boxes, although such boxes were already included in the price of pens previously purchased. The amounts received by Sheaffer from the gift boxes were credited

to a special account for the distributor. The distributor requested this arrangement because the boxes were shipped separately from the pens and Japanese customs regulations require invoices and payment approval for all imported goods. Since this procedure commenced in 1971, no payments were ever made from the special account; as of February 11, 1977, the account had a balance of \$66,800. The account will be eliminated by applying the balance to the cooperative advertising arrangement Sheaffer has had with the distributor. Total sales to the distributor during the period 1972 through 1976 were \$5,300,000.

2. Squirrel y Cia, Chile

In 1971 and again in 1974, Sheaffer overbilled at the request of its Chilean distributor. The total amount of overbillings was \$23,700, against which Sheaffer deducted \$19,150 for amounts owed by the distributor on past invoices and for royalties due Sheaffer. In addition, in 1971 and in 1974 the distributor sent checks to Sheaffer totaling \$25,152 unrelated to any purchases and requested that this amount be added to its credit balance. Except for a payment of \$10,000 to a third party in 1972, (which was repaid to Sheaffer by the same party in 1974), no payments were made from the account; as of February 11, 1977, the distributor's credit balance with Sheaffer was approximately \$35,000. Sheaffer has been attempting to meet with the distributor to arrange a mutually satisfactory

method to eliminate the credit balance. During the period 1972 to 1976, the distributor's net purchases from Sheaffer were \$79,000.

3. A.S. Serrag, Libya

Sheaffer agreed to overbill this distributor in 1976. The amount of overbilling totaled approximately \$25,600, of which \$6,800 was paid, at distributor's request, to the distributor's bank account maintained in West Germany, and the balance of \$18,800 was recently sent directly to the distributor in Libya in order to eliminate the balance. Total sales to the distributor during the five-year period, less the amount overbilled, were \$167,000.

4. Middle East

Sheaffer had agreed with J. Rudolph & Co., its distributor selling throughout the Middle East, that when requested by the distributor, Sheaffer would sell directly to the distributor's customer at prices specified by the distributor. On these occasions, the difference between the price charged the distributor's customer and the price the distributor would have paid for the products if it had purchased them directly was credited to the distributor's account with Sheaffer. The normal practice was periodically to apply these commissions to amounts owed to Sheaffer by the distributor for shipments made directly to the distributor. In 1976, the distributor requested that as an accommodation to it, a payment of \$28,800 from the earned commissions be made to a third

party who, we understand, is the distributor's freight forwarder and another payment of \$10,000 to a named individual. These were the only instances when accommodation payments were made. Other than the two payments, the normal practice of applying the commissions to amounts owed to Sheaffer has been resumed. During the five-year period, the total sales to the distributor and its customers were approximately \$9.6 million.

5-7. Lebanon, Angola and Belgium

Sheaffer had the same arrangement with the three distributors serving these areas as it had with the distributor selling throughout the Middle East. Total accommodation payments to third parties during the period 1972 to 1976 were \$40,000 and total sales to these distributors or their customers were \$720,000.

Talon S.A., Mendrisio, Switzerland

1. Vassilopoulos, Greece

This licensee located in Greece was regularly overbilled at its request and part of the amount overbilled periodically paid to the company's principal when he visited Switzerland with the remainder accumulated in a credit balance. Total overbillings during the five years ended 1976 were Sfr. 376,000 (U.S.\$150,400) and related net sales (sales less overbilling) were Sfr. 1,440,000 (U.S.\$576,000). The credit balance will be eliminated by payment made directly to the licensee

2. V. de V., France

The arrangement with this French company was to overbill and periodically pay the amount to Swiss bank accounts maintained by the two principals of the company. Total overbillings were Sfr. 204,000 (U.S.\$81,600) and related net sales were Sfr. 1,250,000 (U.S.\$500,000) during the period 1972 to 1976.

3-6. Sweden, Norway and Denmark

Talon agreed to accrue part of the commissions actually earned by four different customers in these countries and periodically pay amounts from their account as directed. Normally, payments were to Swiss bank accounts. Three of the four customers were a parent company and its two subsidiaries. The aggregate accommodation payments made at the request of these customers during the five-year period were Sfr. 372,000 (U.S.\$148,800) and the aggregate sales to or on behalf of these customers exceeded Sfr. 10,000,000 (U.S.\$4,000,000).

7-8. Africa

Talon had similar arrangements with two companies located in Africa as it had with the Scandinavian companies. Total accommodation payments made during the period for both companies were Sfr. 37,000 (U.S.\$14,800) and total sales to these customers were Sfr. 461,000 (U.S.\$184,400).

Allen S. Lipson
Assistant General Counsel

Sheffer Plant - Subdivision of Tecton

12/3/77

Re: letter from G.W. Miller, Tecton President, statements should be obtained from personnel in the following areas:

- | <u>Area</u> | <u>Signor</u> |
|-----------------------------|---|
| 1) Sales | N/A - not top management ac. |
| 2) Purchasing | { Charles Bell - purchasing mgr
Jerry Ford - materials mgr |
| 3) Accounting | |
| 4) Finance | } Roger Stephenson, plant plan. |
| 5) Cash Management | |
| 6) Contract administration | Dick, Jerry, Charles or Roger except sales |
| 7) International operations | - N/A - not top management |
| 8) Public relations | - N/A - not top management |
| 9) General management | Dick Canella - V-P operations |

None of the signed statements examined by me contained any change in language or exceptions to the language contained therein.

Number of employees circulomized - 5
 Number of responses returned - 5
 Number received by A7 - 5

John Smith

A726

SEARCHED <i>JS</i>	INDEXED
11/17	11-6

SHEAFFER EATON DIVISION OF TEXTRON, INC.
INTER-COMPANY CORRESPONDENCE

To R. P. Canella
From L. S. Bishop

Date December 1, 1977

SUBJECT: G. W. Miller's Letter and Statement
November 1, 1977, Attached

Attached is a statement having to do with illegal, improper or questionable payments which each officer and key employee is required to attest to or sign.

The deadline for submission of these letters is somewhat earlier this year than last. We will have to receive signed affidavits from appropriate people after the year end, December 30, 1977.

Will you, and the following, please sign such a statement and return to me by January 10, 1978.

- R. J. Stephenson*
J. B. Ford
- R. J. Stephenson
- C. R. Call
- I. C. Covington

Mailed 11/5/78
L. S. Bishop
L. S. Bishop

LSB/b
Enc.

*Pittsfield
Sh. L. Bishop*

SHEAFFER EATON DIVISION OF TEXTRON, INC. PITTSFIELD, MASS. 01201, U.S.A.

WASFC 0

1-1-77

Financing agreement

The client & the customs have agreed to allow deferral, and levy a monthly interest charge. A partial payment of 47,777 was received on 1-10-77

132. Two significant cross A/R opened since the interim, with A/R balances of 38,000 and 78,000. Confirmation of these was waived because they are current and are immaterial to the total A/R balance.

153. There are three A/R with significant credit balances, some dating back to 1971. Question if realization or sensitivity may be relevant.

The total credits are ~ 950,000. The date and method by which these credits will be cleared is still not known.

Noted for follow up. *A. Phillips*

followed up with partners *gms*

A766

Prepared By

Index No.

Date 1-22-77

WASPCO

1. Sailor Pen Co < 53,217.91 >

a) origin of Credits:

the price of pens sold is such so as to include the costs of gift boxes, for which there is no separate charge. Pens shipped to Sailor are sent by air; gift boxes by ocean freight. According to Charles Ruppert, also manager for Sailor, Japanese laws require all merchandise entering the country to be accompanied by an invoice, it does not allow for gratis shipments. Hence all shipments of boxes which are for all intentional purposes, must have an invoice. They assign an arbitrary price of ~10¢ per box. Japanese laws further require that all firms must pay any invoices received. Payment of same goes into these Credits, for which a special "shushu a/c" has been maintained. These balances go back to 11'71.

b. Dispositions: C. Ruppert has no idea when or how it will be cleared, but recognizes that the funds are for pens. They do occasionally

Prepared by

Index No.

AY-6

SHEAFFER PEN COMPANY

Sheaffer Pen Division of Westron Inc
FORT MADISON, IOWA 52627

STATEMENT

(319) 372-1100
DUINS 526-7745



THIS STATEMENT SHOWS EACH OUTSTANDING INVOICE AND CREDIT
MAKING UP YOUR ACCOUNT BALANCE AS OF 10/30/76

PLEASE USE ACCOUNT NUMBER ON ALL CORRESPONDENCE

ACCOUNT NUMBER 57-57-3835096

SEND REMITTANCE TO

SAILOR PEN CO
SPECIAL A/C
NIHONBASHI-KAYABACHO
CHUO-KU
13 NI-CHOME
TOKYO JAPAN

W. A. SHEAFFER PEN COMPANY
P.O. BOX 7613
CHICAGO, ILL 60680

DATE	REFERENCE NUMBER	SHIP TO LOCATION	TERRITORY	REFERENCE DESCRIPTION	TERMS	AMOUNT
11 05 71	312151	SAILOR	546-0	*		791.77
01 27 71	322770	SAILOR	546-0	*		516.61
01 28 71	328099	SAILOR	546-0	*		58.75CR
02 03 71	5459	SAILOR		REPAIR SERVICE		7,320.70
02 09 71	999997			ON ACCOUNT CASH		822.29CR
02 09 71	999997			ADJUSTMENT		3.00CR
02 14 71	331121		572-0	*		135.49CR
02 17 71	330567		572-0	*		129.88
02 17 71	330567		572-0	*		1,672.31
02 17 71	330568		572-0	*		104.78
03 10 71	333149		572-0	*		30.85
03 24 71	339675		546-0	*		688.93
04 06 71	308348			50PEN DEDUCTION		30.00CR
04 10 71	52072		546-0	*		20.78
04 10 71	339717		546-0	*		42.20
04 13 71	999997			ON ACCOUNT CASH		7,499.22CR
04 20 71	342218		572-0	MDSE/CHARGE		188.01
05 16 71	4198			REPAIR SERVICE		3.00
05 19 71	999997			ON ACCOUNT CASH		212.94CR
05 19 71	52072			50PEN DEDUCTION		1,059.25
05 19 71	318534			50PEN DEDUCTION		261.73

BALANCE → []
CR DESIGNATES CREDIT

1% INTEREST PER MONTH (12% PER ANNUM) CHARGED ON PAST DUE ACCOUNTS.

MAKING UP YOUR ACCOUNT BALANCE AS OF 10/30/76

PLEASE USE ACCOUNT NUMBER ON ALL CORRESPONDENCE

ACCOUNT NUMBER 57-57-3835096

SEND REMITTANCE TO

SAILOR PEN CO

W. A. SHEAFFER PEN COMPANY
P.O. BOX 7613
CHICAGO, ILL 60680

DATE	REFERENCE NUMBER	SHIP TO LOCATION	TERRITORY	REFERENCE DESCRIPTION	TERMS	AMOUNT
05 25 72	327155			50PEN DEDUCTION		965.61
06 09 72	324706			50PEN DEDUCTION		79.20
06 23 72	359008		546-0	CREDIT MEMO		123.65CR
07 12 72	999997			ON ACCOUNT CASH		7,436.20CR
07 20 72		00000	504-0	50PEN DEDUCTION		200.10
07 25 72				50PEN DEDUCTION		407.10
07 25 72	364740		546-0	*		10.88
08 00 72	366785		546-0	MDSE/CHARGE		53.03
08 14 72	369845		546-0	*		63.70
08 18 72	339697			50PEN DEDUCTION		14.58CR
08 29 72	369889		546-0	*		16.93
09 03 72	5020			REPAIR SERVICE		778.71
09 05 72	5024			REPAIR SERVICE		6.45
09 05 72	5027			REPAIR SERVICE		166.15
10 26 72	385018		546-0	*		7.30
11 02 72	999997			ON ACCOUNT CASH		405.51CR
11 21 72	398503		546-0	*		525.95
11 29 72	999997			ON ACCOUNT CASH		259.79CR
12 10 72	375326		546-0	*		83.38
12 30 72	999997			ON ACCOUNT CASH		119.73CR
01 03 73	405947		546-0	*		221.12

BALANCE → []
CR DESIGNATES CREDIT

SHEAFFER LEXTRON

Sheaffer Pen Division of Lextron Inc.
FORT MADISON, IOWA 52627

STATEMENT

(312) 372-3300
DUINS 526-7745

THIS STATEMENT SHOWS EACH OUTSTANDING INVOICE AND CREDIT
MAKING UP YOUR ACCOUNT BALANCE AS OF 10/30/76

PLEASE USE ACCOUNT NUMBER ON ALL CORRESPONDENCE

ACCOUNT NUMBER 57-57-3835096

SAILOR PEN CO

SEND REMITTANCE TO

W. A. SHEAFFER PEN COMPANY
P.O. BOX 7613
CHICAGO, ILL 60680

DATE	REFERENCE NUMBER	SHIP TO LOCATION	TERRITORY	REFERENCE DESCRIPTION	TERMS	AMOUNT
01 25 3	410282		546-0	ADJUSTMENT *		121.64
01 25 3						594.76
02 12 3				50PEN DEDUCTION		396.40
03 14 3	418714	YANQU	539-0	MOSE/CHARGE		3,836.10
03 21 3	32273			ADJUSTMENT		151.19
04 06 3	403224			50PEN DEDUCTION		4.17CR
04 28 3	403153			50PEN DEDUCTION		950.00CR
05 18 3	999997			ON ACCOUNT CASH		2.43CR
06 04 3	72017			50PEN DEDUCTION		871.12CR
06 05 3	418731		546-0	*		8.05
06 11 3	999997			ON ACCOUNT CASH		1,516.55CR
06 12 3	443619	SAILOR	546-0	*		4,036.20CR
06 20 3	444347	SAILOR	546-0	*		88.83
06 28 3	446945	SAILOR	546-0	*		136.96
07 10 3	446960		572-0	MOSE/CHARGE		712.50
07 12 3	385827			50PEN DEDUCTION		800.00CR
07 16 3	446963		546-0	*		72.94
08 10 3	410317			50PEN DEDUCTION		2,600.00CR
08 15 3	456373		546-0	*		14.76
08 22 3	418670			50PEN DEDUCTION		600.00CR

BALANCE

"CR" DESIGNATES CREDIT

1% INTEREST PER MONTH (12% PER ANNUM) CHARGED ON PAST DUE ACCOUNTS.

MAKING UP YOUR ACCOUNT BALANCE AS OF 10/30/76

PLEASE USE ACCOUNT NUMBER ON ALL CORRESPONDENCE

ACCOUNT NUMBER 57-57-3835096

SAILOR PEN CO

SEND REMITTANCE TO

W. A. SHEAFFER PEN COMPANY
P.O. BOX 7613
CHICAGO, ILL 60680

DATE	REFERENCE NUMBER	SHIP TO LOCATION	TERRITORY	REFERENCE DESCRIPTION	TERMS	AMOUNT
09 10 3	459336		546-0	MOSE/CHARGE		1,146.75
09 14 3	438280			50PEN DEDUCTION		196.96CR
09 18 3	464330		546-0	*		91.34
09 18 3	464331		546-0	*		91.34
09 26 3	385827			ON ACCOUNT CASH		800.00CR
09 29 3	385827			ON ACCOUNT CASH		750.00CR
09 29 3	999997			ON ACCOUNT CASH		100.00CR
10 09 3	467218		539-0	MOSE/CHARGE		5,348.50
10 27 3	432764			50PEN DEDUCTION		660.00CR
10 31 3	440903	SAILOR		50PEN DEDUCTION		67.50
11 01 3	477024	SAILOR	546-0	*		118.05
11 05 3				50PEN DEDUCTION		5.40CR
11 16 3	450328			50PEN DEDUCTION		30.00CR
11 19 3	438254			50PEN DEDUCTION		88.83CR
11 29 3				ADJUSTMENT		6.00
12 10 3	474471			50PEN DEDUCTION		11.59
12 13 3	3482			50PEN DEDUCTION		100.00
01 04 4	18			50PEN DEDUCTION		19.50CR
01 04 4	22			50PEN DEDUCTION		12.90CR
01 04 4	477098			50PEN DEDUCTION		191.17
01 08 4	444588			50PEN DEDUCTION		1,700.00CR

BALANCE

"CR" DESIGNATES CREDIT

SHEAFFER PEN COMPANY

Sheaffer Pen Division c. Textron Inc.
FORT MADISON, IOWA 52627

STATEMENT

(ADD 372-1300)
DUNS 526-7745

THIS STATEMENT SHOWS EACH OUTSTANDING INVOICE AND CREDIT
MAKING UP YOUR ACCOUNT BALANCE AS OF 10/30/76

PLEASE USE ACCOUNT NUMBER ON ALL CORRESPONDENCE → ACCOUNT NUMBER 57-57-3835096

SAILOR PEN CO

SEND REMITTANCE TO
W. A. SHEAFFER PEN COMPANY
P.O. BOX 7613
CHICAGO, ILL 60680

DATE	REFERENCE NUMBER	SHIP TO LOCATION	TERRITORY	REFERENCE DESCRIPTION	TERMS	AMOUNT
01 17 4	452499			50PEN DEDUCTION		6.00
02 07 4	486720			50PEN DEDUCTION		353.96CR
02 26 4	498404		546-0	*		274.58
03 07 4	461751			50PEN DEDUCTION		2,250.00CR
03 12 4	454990			ON ACCOUNT CASH		2,564.00CR
03 03 4	999997			50PEN DEDUCTION		118.05CR
04 05 4				50PEN DEDUCTION		1,450.00CR
04 16 4	507984		572-0	MDSE/CHARGE	% 60 DAYS EOM	554.99
04 19 4	999997			ON ACCOUNT CASH		.60CR
05 29 4	477088			50PEN DEDUCTION		10,757.76CR
05 30 4	492582			50PEN DEDUCTION		1,125.00
05 30 4	503914			50PEN DEDUCTION		36.61
06 03 4	524911		546-0	RETURNS		204.20CR
06 06 4	477093			50PEN DEDUCTION		2,642.40CR
06 11 4	527303		546-0	*		149.28
06 11 4	999997			ON ACCOUNT CASH		354.79CR
06 21 4	503983		546-0	50PEN DEDUCTION		375.00CR
06 26 4	529769		546-0	*		85.47
06 27 4	505887			50PEN DEDUCTION		810.00CR
06 27 4	529787		546-0	*		50.00CR
07 11 4	528592		572-0	MDSE/CHARGE	% 60 DAYS EOM	832.49

BALANCE → [] *CR* DESIGNATES CREDIT

1% INTEREST PER MONTH (12% PER ANNUM) CHARGED ON PAST DUE ACCOUNTS.

MAKING UP YOUR ACCOUNT BALANCE AS OF 10/30/76

PLEASE USE ACCOUNT NUMBER ON ALL CORRESPONDENCE → ACCOUNT NUMBER 57-57-3835096

SAILOR PEN CO

SEND REMITTANCE TO
W. A. SHEAFFER PEN COMPANY
P.O. BOX 7613
CHICAGO, ILL 60680

DATE	REFERENCE NUMBER	SHIP TO LOCATION	TERRITORY	REFERENCE DESCRIPTION	TERMS	AMOUNT
07 12 4	524527		572-0	MDSE/CHARGE	% 60 DAYS EOM	832.35
07 16 4	999997			ON ACCOUNT CASH		13.50CR
07 25 4	490989			50PEN DEDUCTION		2,003.82CR
07 30 4	509			50PEN DEDUCTION		13.50
07 30 4	528609		572-0	MDSE/CHARGE	% 60 DAYS EOM	832.49
08 13 4	3646			REPAIR SERVICE		1,200.00CR
08 12 4	490987			50PEN DEDUCTION		3,696.69CR
09 13 4				50PEN DEDUCTION		896.50CR
09 17 4	524540			50PEN DEDUCTION		554.99
09 19 4	528610		546-0	MDSE/CHARGE	% 60 DAYS EOM	1,100.00CR
10 03 4	516377			50PEN DEDUCTION		2,340.00
10 26 4	538322		546-0	MDSE/CHARGE	% 60 DAYS EOM	5,666.00CR
11 13 4	536581			50PEN DEDUCTION		832.49
11 18 4	528611		546-0	MDSE/CHARGE	% 60 DAYS EOM	832.49
01 15 5	574628		546-0	CREDIT MEMO		45.00CR
01 15 5	574622		546-0	CREDIT MEMO		135.00CR
02 03 5	536582			50PEN DEDUCTION		1,250.00CR
02 25 5	528614			MDSE/CHARGE	% 60 DAYS EOM	832.49
02 26 5	581752			*		536.31
03 17 5	528613			MDSE/CHARGE	% 60 DAYS EOM	832.49
04 07 5	589326			RETURNS		97.41CR

BALANCE → [] *CR* DESIGNATES CREDIT

SHEAFFER PEN COMPANY

Sheaffer Pen Division of Textron Inc.
FORT MADISON, IOWA 52627

STATEMENT

(319) 372-3300
DUNS 526-7745

THIS STATEMENT SHOWS EACH OUTSTANDING INVOICE AND CREDIT
MAKING UP YOUR ACCOUNT BALANCE AS OF 10/30/76

PLEASE USE ACCOUNT NUMBER ON ALL CORRESPONDENCE

ACCOUNT NUMBER 57-57-3835096

SEND REMITTANCE TO

SAILOR PEN CO

W. A. SHEAFFER PEN COMPANY
P.O. BOX 7613
CHICAGO, ILL 60680

DATE	REFERENCE NUMBER	SHIP TO LOCATION	TERRITORY	REFERENCE DESCRIPTION	TERMS	AMOUNT
04 22 5	579952		572-0	50PEN DEDUCTION		3,500.00CR
04 30 5	507989			MDSE/CHARGE	% 60 DAYS EOM	554.90
05 06 5	581758			50PEN DEDUCTION		900.00CR
05 07 5	595154			MDSE/CHARGE		832.35
05 07 5	599156			MDSE/CHARGE		832.35
05 20 5	581711			50PEN DEDUCTION		300.00CR
05 22 5	585584			50PEN DEDUCTION		1,050.00CR
06 13 5	999997			ON ACCOUNT CASH		200.00CR
07 01 5	603232			*		51.81
07 07 5	589781			50PEN DEDUCTION		1,200.00CR
07 11 5	587949			50PEN DEDUCTION		300.00CR
08 05 5	589125			MDSE/CHARGE	% 60 DAYS EOM	4,005.82
08 05 5	608840			MDSE/CHARGE	% 60 DAYS EOM	487.07
08 12 5	585123			50PEN DEDUCTION		250.00CR
08 21 5	613043			MDSE/CHARGE	% 60 DAYS EOM	974.13
08 21 5	613044			MDSE/CHARGE	% 60 DAYS EOM	652.37
09 03 5	617402			*		159.92
09 08 5	585123			50PEN DEDUCTION		250.00CR
09 08 5	594348			50PEN DEDUCTION		1,750.00CR
09 12 5	613055			*		12.55
09 12 5	850			REPAIR SERVICE		142.77

BALANCE →

CR DESIGNATES CREDIT

1% INTEREST PER MONTH (12% PER ANNUM) CHARGED ON PAST DUE ACCOUNTS.

MAKING UP YOUR ACCOUNT BALANCE AS OF 10/30/76

PLEASE USE ACCOUNT NUMBER ON ALL CORRESPONDENCE

ACCOUNT NUMBER 57-57-3835096

SEND REMITTANCE TO

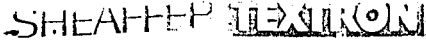
SAILOR PEN CO

W. A. SHEAFFER PEN COMPANY
P.O. BOX 7613
CHICAGO, ILL 60680

DATE	REFERENCE NUMBER	SHIP TO LOCATION	TERRITORY	REFERENCE DESCRIPTION	TERMS	AMOUNT
10 03 5	623565			50PEN DEDUCTION		10.00CR
10 14 5	894			REPAIR SERVICE		2.41
11 26 5	621382			50PEN DEDUCTION		162.00CR
12 18 5	606726			50PEN DEDUCTION		2,258.02CR
12 23 5	585126			50PEN DEDUCTION		3,999.13CR
12 30 5	646093			RETURNS		101.90CR
02 13 6	589127			50PEN DEDUCTION		2.87CR
02 13 6	640621			50PEN DEDUCTION		5.00
03 05 6				50PEN DEDUCTION		4,350.00CR
03 10 6				50PEN DEDUCTION		210.00
03 19 6	642678			50PEN DEDUCTION		3,759.50CR
03 19 6	11784			50PEN DEDUCTION		192.86
03 19 6				50PEN DEDUCTION		440.00CR
04 01 6	654423			50PEN DEDUCTION		1,695.30CR
05 20 6				50PEN DEDUCTION		947.00CR
05 26 6	669943			ADJUSTMENT		5,397.48
06 11 6	674427			50PEN DEDUCTION		312.84CR
06 14 6				50PEN DEDUCTION		82.08
08 03 6				50PEN DEDUCTION		684.34CR
08 03 6				50PEN DEDUCTION		4,716.10CR
08 05 6	652277			50PEN DEDUCTION		245.90CR

BALANCE →

CR DESIGNATES CREDIT



Sheaffer Pen Division of Textron Inc
FORT MADISON, IOWA 52627

STATEMENT

(319) 372-3100
DUNS 526-7745

THIS STATEMENT SHOWS EACH OUTSTANDING INVOICE AND CREDIT
MAKING UP YOUR ACCOUNT BALANCE AS OF 10/30/76

PLEASE USE ACCOUNT NUMBER ON ALL CORRESPONDENCE

ACCOUNT NUMBER 57-57-3835096

SAILOR PEN CO

SEND REMITTANCE TO
W. A. SHEAFFER PEN COMPANY
P.O. BOX 7613
CHICAGO, ILL 60680

NO.	DATE	REFERENCE NUMBER	SHIP TO LOCATION	TERRITORY	REFERENCE DESCRIPTION	TERMS	AMOUNT
09	09	6			50PEN DEDUCTION		10.00
09	17	6			50PEN DEDUCTION		793.3200

SECOND REQUEST

PLEASE EXAMINE THIS STATEMENT
and RETURN it in the enclosed envelope to our auditors
ARTHUR YOUNG & COMPANY
ONE ION PLAZA, CHICAGO, ILL. 60611
to confirm the correctness of our records. If it agrees
with your records, please sign below, if not, furnish
details of differences and sign on the reverse side.
Date _____ Balance Correct _____
By _____

BALANCE → 50,740.480

***CH** DESIGNATES CREDIT

1/1/77 53,217.91

1% INTEREST PER MONTH (12% PER ANNUM) CHARGED ON PAST DUE ACCOUNTS.
I - turn and AP. total balance 1/1/77

SHEAFFER EXITRON

Sheaffer Pen Division of Textron Inc.
FORT MADISON, IOWA 52627

INVOICE

(319) 372-3300
DUNS 526-7745

PLEASE PAY BY THIS INVOICE
REMIT TO
W.A. SHEAFFER PEN COMPANY

SHEAFFER PEN YOUR ORDER NUMBER	176881 ORDER DATE	01/26/77 SHIP DATE	01/26/77 SHIP DATE	0000000000 ACCOUNT NUMBER
PLEASE USE ACCOUNT NUMBER ON ALL CORRESPONDENCE				

SOLD TO: J. HUNNICH & COMPANY
COMMISSION ACCOUNT
P O BOX 3000
DESOTO
LEBANON

SHIPPED TO:

DESCRIPTION	QUANTITY	UNIT LIST	DISCOUNT	AMOUNT
SOLD BY TERTON DISE IN AS COMMISSION AGENT COMMISSION FOR INVOICE #71311 SHIPPED IN DECEMBER 1976 EXPORT COMM 1				31,500.00

STATUS A. CODES
 SHIPPING: BOXES ORDERED DISCONTINUED
 We hereby certify that these goods were produced in compliance with the Fair Labor Standards Act, as amended.
 CASH DISCOUNT: AMOUNT: 31,500.00

TERMS > FILE COPY CREDIT MEMOTOTAL III

- Late shipments of merchandise.
- Shortage or damaged shipments.
- Unresolved account differences.

ACCOUNTING USE ONLY

Adjustment Procedure 7-0	How Sold No.	Account No.	Amount
<input type="checkbox"/> Debit	999900170000	740 780 16102	31,500.00
<input checked="" type="checkbox"/> Credit			

Accounting Approval *terri boltan* Approval *E.T.S.*
Form # 935-114-1

SHEAFFER PEXION

Sheaffer Pen Division of Peabody Inc.
FORT MADISON, IOWA 52627



STATEMENT

(419) 472-3300
DUSS 526-2745

THIS STATEMENT SHOWS EACH OUTSTANDING INVOICE AND CREDIT
MAKING UP YOUR ACCOUNT BALANCE AS OF 10/30/76

PLEASE USE ACCOUNT NUMBER ON ALL CORRESPONDENCE ACCOUNT NUMBER 57-57-4138011

J RUDOLPH & CO
COMMISSION ACCT
P O BOX 6004
BEIRUT
LEBANON

SEND REMITTANCE TO
W. A. SHEAFFER PEN COMPANY
P.O. BOX 7613
CHICAGO, ILL 60680

DATE	REF. NO.	REF. NUMBER	SHIP TO LOCATION	TERRITORY	REFERENCE DESCRIPTION	TERMS	AMOUNT
02 14 5				965-0	ADJUSTMENT		28,773.67
04 03 5	589376				*		7,524.00CR
04 16 5	574626			965-0	MOSE/CHARGE	SD DA 90	19,048.96
04 24 5	585145			965-0	MOSE/CHARGE	SD DA 90	19,147.23
05 01 5	594517				*		17,915.83CR
05 19 5	585145			965-0	*		984.26
05 28 5	599059				*		925.51CR
06 11 5					OPEN DEDUCTION		6,574.57
06 12 5	599823			965-0	*	SD DA 90	4,028.65
07 02 5	605735				*		23,142.91CR
07 28 5	587906			965-0	MOSE/CHARGE	SD DA 90	22,164.00
08 06 5	611902			965-0	*		20,256.27CR
09 05 5	618556			965-0	*		12,572.60CR
10 08 5	626935			965-0	*		5,910.88CR
10 08 5	626936			965-0	*		13,873.94CR
10 16 5	11638			965-0	*		145.89CR
10 22 5	11741			965-0	*		910.80CR
11 04 5	11314			965-0	*		4,888.08CR
11 05 5	11317			965-0	*		1,360.80CR
11 05 5	11743			965-0	*		168.96CR
11 05 5	634284			965-0	*		14,008.97CR

BALANCE CREDIT DESIGNATED CREDIT

1% INTEREST PER MONTH (12% PER ANNUM) CHARGED ON PAST DUE ACCOUNTS

MAKING UP YOUR ACCOUNT BALANCE AS OF 10/30/76

PLEASE USE ACCOUNT NUMBER ON ALL CORRESPONDENCE ACCOUNT NUMBER 57-57-4138011

J RUDOLPH & CO

SEND REMITTANCE TO
W. A. SHEAFFER PEN COMPANY
P.O. BOX 7613
CHICAGO, ILL 60680

DATE	REF. NO.	REF. NUMBER	SHIP TO LOCATION	TERRITORY	REFERENCE DESCRIPTION	TERMS	AMOUNT
11 12 5		11634		965-0	*		309.80CR
11 18 5					ADJUSTMENT		28,744.77
11 25 5		3413		965-0	*		1,013.76CR
11 25 5		3423		965-0	*		718.20CR
12 01 5		3433		965-0	*		2,192.40CR
12 03 5		641917		965-0	*		7,695.95CR
12 12 5					OPEN DEDUCTION		582.12
12 23 5		3481		965-0	*		4,100.32CR
12 31 5					ADJUSTMENT		576.56
12 31 5					ADJUSTMENT		2,704.82
12 31 5					ADJUSTMENT		1,582.94
12 31 5					ADJUSTMENT		266.97
12 31 5					ADJUSTMENT		339.55
12 31 5					ADJUSTMENT		330.29
12 31 5					ADJUSTMENT		702.88
12 31 5					ADJUSTMENT		926.10
01 07 6		648096		965-0	*		10,728.35CR
01 12 6		3493		965-0	CREDIT MEMO		1,100.25CR
01 30 6					ADJUSTMENT		2,449.25
02 04 6		653994		965-0	*		430.06CR
02 18 6					ADJUSTMENT		1,337.68

BALANCE CREDIT DESIGNATED CREDIT



Sheaffer Pen Division of In-Action Inc
FORT MADISON, IOWA 52627

STATEMENT

(19) 57-3300
DUNS 526-7745

THIS STATEMENT SHOWS EACH OUTSTANDING INVOICE AND CREDIT
MAKING UP YOUR ACCOUNT BALANCE AS OF 10/30/76

PLEASE USE ACCOUNT NUMBER ON ALL CORRESPONDENCE

ACCOUNT NUMBER 57-57-4138011

J RUDOLPH & CO

PLEASE EXAMINE THIS STATEMENT

and RETURN it in the enclosed envelope to our auditors
ARTHUR YOUNG & COMPANY
ONE IBM PLAZA CHICAGO, ILL 60611
to confirm the correctness of our records. If in agreement with your records, please sign below, if not, furnish details of differences and sign on the reverse side.
Date Defense Contract

SEND REMITTANCE TO

W. A. SHEAFFER PEN COMPANY
P.O. BOX 7613
CHICAGO, ILL 60680

DATE	REFERENCE NUMBER	SHIP TO LOCATION	TER	AMOUNT	DESCRIPTION	AMOUNT
02 19 6					TRANSFER	40,000.00
03 03 6	661826		965-0			9.00
03 25 6	668039		965-0			3,803.50
04 05 6	11851		965-0		CREDIT MEMO	1,950.00
04 07 6	669663		965-0			26,291.66
04 09 6			965-0		ADJUSTMENT	259.38
05 07 6	677791		965-0			8,013.00
05 21 6	11840		965-0		CREDIT MEMO	2,988.00
06 03 6	683131		965-0			696.80
06 19 6	11840		965-0		CREDIT MEMO	1,114.56
07 03 6			*		*	33,672.51
07 07 6	690673		*		*	260.00
07 23 6	12033		965-0		*	198.00
07 27 6	11100		965-0		*	347.76
08 06 6	12064		965-0		*	144.50
09 01 6	1094		965-0		MOSE/CHARGE	763.68
10 07 6	709642		965-0			13,985.08

BALANCE → 60,058.32

SECOND REQUEST

11/1/77
FR EIS.1 4/ Dec 76 Comm

*CREDIT DESIGNATES CREDIT
<31,135.99>
<31,500.00>
<62,635.79>

INTEREST PER MONTH (12% PER ANNUM) CHARGED ON PAST DUE ACCOUNTS.

project status and/or supervision treatment	manager comments
<p>recent job at N/A. B.M.</p>	<p>We have considered FRASB pronouncements as well as all other generally accepted principles of accounting in the Sheffer audit. Phillips</p>
<p>APPROX. \$150,000 CONCERNED IN THREE AIC'S RESULT OF OVERCHARGE ON INVOICES, COMMISSION FEES, & SENDING INVOICES BUT NOT RECORDING IN BOOKS - UNRESOLVED 7/5 JFK</p>	<p>Fully discussed with P. Canella on 1/18/77 and covered in memo to P. Martin - Providence & W. Shiley - New York. See NY correspondence file for copy. Phillips</p>
<p>The client overstated the inventory by \$260,492 - due to raw material variances. F 10. B.M.</p>	<p>Notes included in top account file.</p>
<p>need to state past year B.S. by reducing \$139,928 from AIR, and class. it under other. Comput. on B.S. as a result of 1974 Adjusted past year AIR - 711,128 " " " other 112,241 assets - 110,254, - so, better compatibility of U.S. Accounts.</p>	<p>Notes on accounts are prepared and a handwritten report prepared in 1975. Items 1, J.K. covered by R. NEUARCHI.</p>

<p>11/18 1961</p>	<p>Finding</p>
<p>11/18 1961</p>	<p>H. <u>Recent Accounting Pronouncements</u> Consideration will be given to new disclosure and reporting requirements outlined in recent accounting pronouncements although AY&Co. Providence is to be contacted before any appreciable work is to be performed as a result of any recent pronouncement.</p>
	<p>I. <u>Account Receivable Credit Balances</u> Several overseas customer accounts have significant credit balances. We should satisfy ourselves as to the nature of these amounts and determine if proper accounting treatment has been given to them.</p>
	<p>J. <u>Inventory Pricing</u> Our price testing of inventories last year found an actual overstatement of \$70,000 for the items selected. Based on the relationship of items tested to the total inventory, an additional overstatement of \$192,000 was estimated for the balance of the inventory. We should be alert for a similar situation this year.</p>
<p>6-25</p>	<p>K. <u>Other Current Assets</u> other current assets, as of 8/31 year end 11/1/77 Balance 23,801. (in client's package report) compared to \$692.6 at the end of 1976. - classification problem - this year the client decided to segregate Replicate Receivables in other current assets. Total amount of royalties 139,928</p>

C Shareholders Disposition of Large Credit Balances - In U.S. - From 1977		Credit Balance 1/1/77
①	Saitoh Pan - Japan Approved checks were made out to Saitoh Pan through Japan Bank on 4/28/77. Amount was \$76,204. See 1-14 for original draft	53,218
②	J Poodleph & Co Post of office was refunded to them on 3/16/77. Client handed check to agent of company in New York. Amount \$22,560. Balance in this account as of 1/1/77 was 22,560.00. copy of draft @ 1-15	62,635
③	Squirell & Co Client gave a draft to agent of Squirell in amount of \$32,641 date 11/18/77 for partial refund of his credit balance. The draft was handed over to the agent in the United States copy of draft @ 1-15	37,611
		A7-6
		Prepared by JB Date 1/1/77
		Index No 15.2



INTERNATIONAL OPERATIONS
CHICAGO, ILL. 60603
CABLE ADDRESS "HARRISAME"
TELEPHONE (312) 481-5455

BENEFICIARY

Samwa Bank
Muromachi Branch
Tokyo, JAPAN

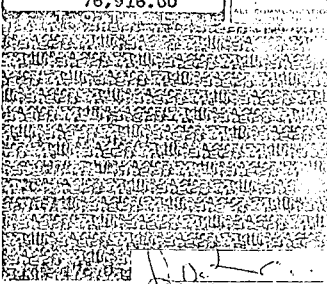
DETAILS OF PAYMENT

Notify credit account #110338
Sailor Pen Co. Ltd.

CURRENCY US\$ AMOUNT 76,904.00 DATE U.S. 76,904.00

DATE 6/22/77 DISCOUNT 6.00 AMERICAN L. 6.60 XXX 76,916.60

<input type="checkbox"/>	WE RECEIVED YOUR CHECK
<input checked="" type="checkbox"/>	WE DEBIT YOUR ACCOUNT WITH US
<input type="checkbox"/>	YOU CREDIT OUR ACCOUNT WITH YOU



AT THE REQUEST OF

Sheaffer Eaton
Fort Madison, IA 52627

ACCT. NUMBER 407 483 6

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

*Sailor Pen
Japan*

No. 04149
SHEAFFER
 the pro. craftsmen
W. SHEAFFER'S COMPANY - FORT MADISON, IOWA U.S.A. INC. - FORT MADISON, IOWA
 Month: March
 NET AMOUNT \$ 22,560.46
 DATE: 3, 16, 77
FORT MADISON BANK AND TRUST
FORT MADISON, IOWA

PAY
 TO: J. Ruddle & Co.
 OR: P. O. Box 6004
 OF: Fairport, Illinois

INFORMATION ONLY

DEBIT	CREDIT	DEBIT	CREDIT
	Refund Credit Balance Commission Acct. Los Forghen		22,560.46

DETAILS FOR STATEMENT BECOME AVAILABLE
 SHEAFFER WORLDWIDE AIRTEL COMPANY

ACCOUNT CLASSIFICATION					
ACCOUNT NO.	AMOUNT	ACCOUNT NO.	AMOUNT	ACCOUNT NO.	AMOUNT
131-0101	22,560.46				

ACCOUNTING DEPT. — ALPHABETICAL VOUCHER FILE

ESS

5-05271

SHEAFFER
the proud craftsmen
W. A. SHEAFFER'S COMPANY - FORT MADISON, IOWA U.S.A. 52501-0001

5-

Month: November

NET AMOUNT \$ 32,640.63

DATE 11/18/77

FORT MADISON BANK AND TRUST
FORT MADISON, IOWA

PAY

TO Squirell & Co
ORDER Plastic Co
OF Cecilia 100
Santiago, Chile

INFORMATION ONLY

DATE	DESCRIPTION	CHARGE	DEBIT	CREDIT	BALANCE
	Refund Credit Balance				32,640.63

DETAILS FOR STATEMENT BEFORE DEPOSITING
SEE OTHER ASSOCIATED INFORMATION COMPANY

ACCOUNT CLASSIFICATIONS					
ACCOUNT NO.	AMOUNT	ACCOUNT NO.	AMOUNT	ACCOUNT NO.	AMOUNT
191-1102	32,640.63				

ACCOUNTING DEPT. -- ALPHABETICAL VOUCHER FILE

6

ARTHUR YOUIG & COMPANY (

Date: January 19, 1977

PROVIDENCE OFFICE
To: Mr. Richard A. MartinCHICAGO OFFICE
From: D. G. PhillipsCONFIDENTIALcc: Mr. William F. Slattery - NEW YORK
Mr. Salvatore A. Botte - NEW YORK

Subject: TEXTRON - SHEAFFER PEN - SENSITIVE PAYMENTS

Dear Dick:

John Smidt of our Des Moines Office, together with Mark Weston and myself, attended a closing meeting at Sheaffer-Fort Madison with Dick Canella and Roger Stephenson of Sheaffer on January 18. A "topside memo" covering that meeting is being sent under separate cover.

During the course of the 1976 audit work at Sheaffer, a number of unusual credit balances in accounts receivable were noticed by our people. Subsequent work indicated three situations of which you should be aware. I discussed these privately with Dick Canella after the closing meeting. The majority of the following information was obtained by our people from Charles Ruppert who is a part of the Pittsfield marketing group, but is still located in Fort Madison.

1. Sailor Pen Co.
Special Account
Nihonbashi - Kayabacho
Chuo-Ku
13 Ni-Chome
Tokyo, Japan

Sheaffer has, since late 1971, been billing this Japanese customer at the rate of 10 cents a box for gift boxes supplied with pens and pencils. Normal policy for Sheaffer is not to bill customers for gift boxes. As we understand the arrangement, Sheaffer agreed to overbill this customer and accumulate the overbilling in the above account here in the U.S. The credit balance on Sheaffer's books at January 1, 1977, resulting from these overbillings, is \$53,217. The credit balance is available for payment to the customer as directed by the customer. Dick Canella indicated that he believed the credit balance was used from time to time to offset other amounts due from the customer

for merchandise. However, other payments at the customer's request may have been made out of the account over the years. Dick Canella said he would investigate further. As of now, we are not aware of any illegal payments out of the account. However, the overbilling arrangement itself could be a problem both in the U.S. and Japan.

2. J. Rudolph & Co. *\$62,635 @ 1/1/77*
 P. O. Box 6004
Beirut, Lebanon

The above company is a sales agent for Sheaffer and is entitled to commissions on such sales. Rather than paying such commissions currently, Sheaffer, at the agent's request, accumulates a credit balance for the customer (amounting to \$62,635 at January 1, 1977). Numerous payments have been made out of this account at the agent's request for such things as automobile purchases in the U.S., etc. We are not aware of any illegal payments out of the account, but have not performed a detailed audit of all activity in the account. Dick Canella indicated he would look into this account further.

Two in Dec.
← Not true

3. R. H. Squirrell *\$37,611 @ 1/1/77*
 and/or N. R. Squirrell
Santiago, Chile

During the period from December 1972 through mid-1975, Sheaffer agreed to overbill this customer for products sold to it. The overbilling practice was stopped in mid-1975 at which time a credit balance of \$37,611 had accumulated at Sheaffer for the overbillings. No payments of the overbillings have as yet been made out of the account and Sheaffer is awaiting instructions from the customer as to what should be done with the balance. Canella said he would also investigate this one further.

* * * * *

In the discussion of the above situations, we have been led to believe that there may have existed, and may still exist, a number of other instances where customers are overbilled and credits accumulated here for the customer's use. We were told the dollars involved were considerably less than those indicated in the above described situations.

In my discussions with Dick Canella, I told him that, while the dollar amounts involved in the situations described above were clearly not material to Sheaffer or Textron, nevertheless the practices held at least the potential for embarrassment to Sheaffer and Textron. I explained to Canella that I would be informing you of all we knew at this point about the matters discussed.

Complete investigation of the situations referred to above by our personnel would be time consuming and clearly are beyond the normal audit scope. I think at this point that you should alert the appropriate Textron personnel of this memo. I think they should talk to Canella and request that he and his staff fully document all such situations before we perform any further work. Canella indicated he understood my obligation to inform you in this matter and further indicated he believed certain Textron personnel may already be aware of these situations, but he could not be specific.

After you and Bill have had a chance to review this memo, we should discuss it. Please give me a call.

Best regards,



TEXTRON - CONFIDENTIAL

July 19, 1977

Special Report to the Textron Audit Committee

During the course of the 1976 year-end audit, Arthur Young & Co. came across some unusual billing and/or payment practices involving certain foreign customers at Sheaffer (Ft. Madison) and Talon S.A. (Mendrisio, Switzerland). The matter was brought to the attention of the Corporate Office and to the Audit Committee at the February meeting and an investigation into the dealings with foreign customers by both companies was conducted by Textron personnel for the five-year period ended January 1, 1977 and, when necessary, for the years prior to 1972.

~~At Sheaffer, the practices involved overbilling at the request of the customer; accommodating customers by making payments of commissions or discounts actually earned to third parties; and receiving and retaining amounts unrelated to any purchases at the request of the customer. In the case of over-billing, the amount overbilled was either allowed to accumulate as a credit on Sheaffer's books or periodic payments of the amount overbilled were made as directed by the customer to third parties. Although seven foreign customers were involved in these practices, only three were involved beyond one or two isolated transactions. During the period 1972 to 1976 and pursuant to these special~~

arrangements, the aggregate amount overbilled was approximately \$102,000, the aggregate accommodation payments made were approximately \$78,000 and the aggregate amount received unrelated to any purchases was \$25,000. Total net revenues from the seven customers (revenues less amount overbilled) were over \$16,000,000 and total export sales by Sheaffer during the five-year period exceeded \$41,000,000.

At Talon S.A., the practices involved overbilling or accommodation payments. Eight customers were involved in these practices. During the five-year period, the aggregate amount overbilled was approximately Sfr. 580,000 (U.S.\$232,000) and the aggregate accommodation payments were approximately Sfr. 410,000 (U.S.\$164,000). Total net revenues received from the eight customers during the period were over Sfr. 13,000,000 (U.S.\$5,200,000) and total export sales by Talon S.A. exceeded Sfr. 46,700,000 (U.S.\$18,680,000).

The investigation determined that all transactions were properly recorded on the books of Sheaffer and Talon S.A. There were no falsifications or inadequacies in the books and records of either company. There is no information to indicate in any way that any employee of either Sheaffer or Talon S.A. benefited from these practices, nor was any bribe, kickback or other such type of payment involved in any of these transactions. Rather, all the transactions resulted from a desire to accommodate

the customer and all overbillings, accumulations of commissions and payments to third parties were done at the express direction of the customer.

Both companies have since halted the practices in question and advised their customers that in the future (a) invoices would accurately reflect the true sales price and terms of sale, and (b) commissions or discounts earned would be paid directly and regularly to the customer in the country in which it is located or must be periodically used to reduce existing accounts receivable.

In the aggregate, the amounts are not material to Textron, the facts do not suggest that these practices were pervasive, no books or records of Textron were falsified and there is no suggestion that any officer or director of Textron knew of or condoned these practices. Indeed, when brought to management's attention, the deviations from normal operating procedures were ordered to cease and corrective measures implemented.

A more detailed analysis of the 15 accounts in question is set forth below:

Sheaffer, Ft. Madison

1. Sailor Pen Co., Japan

Sheaffer invoiced and collected from its distributor, Sailor Pen Co., on shipments of gift boxes, although such boxes were already included in the price of pens previously purchased. The amounts received by Sheaffer from the gift boxes were credited

to a special account for the distributor. The distributor requested this arrangement because the boxes were shipped separately from the pens and Japanese customs regulations require invoices and payment approval for all imported goods. Since this procedure commenced in 1971, no payments were ever made from the special account; as of February 11, 1977, the account had a balance of \$66,800. The account will be eliminated by applying the balance to the cooperative advertising arrangement Sheaffer has had with the distributor. Total sales to the distributor during the period 1972 through 1976 were \$5,800,000.

2. Squirral y Cia, Chile

In 1971 and again in 1974, Sheaffer overbilled at the request of its Chilean distributor. The total amount of overbillings was \$28,700, against which Sheaffer deducted \$19,150 for amounts owed by the distributor on past invoices and for royalties due Sheaffer. In addition, in 1971 and in 1974 the distributor sent checks to Sheaffer totaling \$25,152 unrelated to any purchases and requested that this amount be added to its credit balance. Except for a payment of \$10,000 to a third party in 1972, (which was repaid to Sheaffer by the same party in 1974), no payments were made from the account; as of February 11, 1977, the distributor's credit balance with Sheaffer was approximately \$35,000. Sheaffer has been attempting to meet with the distributor to arrange a mutually satisfactory

method to eliminate the credit balance. During the period 1972 to 1976, the distributor's net purchases from Sheaffer were \$79,000.

3. A.S. Serrag, Libya

Sheaffer agreed to overbill this distributor in 1976. The amount of overbilling totaled approximately \$25,600, of which \$6,800 was paid, at distributor's request, to the distributor's bank account maintained in West Germany, and the balance of \$18,800 was recently sent directly to the distributor in Libya in order to eliminate the balance. Total sales to the distributor during the five-year period, less the amount overbilled, were \$167,000.

4. Middle East

Sheaffer had agreed with J. Rudolph & Co., its distributor selling throughout the Middle East, that when requested by the distributor, Sheaffer would sell directly to the distributor's customer at prices specified by the distributor. On these occasions, the difference between the price charged the distributor's customer and the price the distributor would have paid for the products if it had purchased them directly was credited to the distributor's account with Sheaffer. The normal practice was periodically to apply these commissions to amounts owed to Sheaffer by the distributor for shipments made directly to the distributor. In 1976, the distributor requested that as an accommodation to it, a payment of \$28,800 from the earned commissions be made to a third

party who, we understand, is the distributor's freight forwarder and another payment of \$10,000 to a named individual. These were the only instances when accommodation payments were made. Other than the two payments, the normal practice of applying the commissions to amounts owed to Sheaffer has been resumed. During the five-year period, the total sales to the distributor and its customers were approximately \$9.6 million.

5-7. Lebanon, Angola and Belgium

Sheaffer had the same arrangement with the three distributors serving these areas as it had with the distributor selling throughout the Middle East. Total accommodation payments to third parties during the period 1972 to 1976 were \$40,000 and total sales to these distributors or their customers were \$720,000.

Talon S.A., Mendrisio, Switzerland

1. Vassilopoulos, Greece

This licensee located in Greece was regularly overbilled at its request and part of the amount overbilled periodically paid to the company's principal when he visited Switzerland with the remainder accumulated in a credit balance. Total overbillings during the five years ended 1976 were Sfr. 376,000 (U.S.\$150,400) and related net sales (sales less overbilling) were Sfr. 1,440,000 (U.S.\$576,000). The credit balance will be eliminated by payment made directly to the licensee.

2. V. de V., France

The arrangement with this French company was to overbill and periodically pay the amount to Swiss bank accounts maintained by the two principals of the company. Total overbillings were sfr. 204,000 (U.S.\$81,600) and related net sales were sfr. 1,250,000 (U.S.\$500,000) during the period 1972 to 1976.

3-6. Sweden, Norway and Denmark

Talon agreed to accrue part of the commissions actually earned by four different customers in these countries and periodically pay amounts from their account as directed. Normally, payments were to Swiss bank accounts. Three of the four customers were a parent company and its two subsidiaries. The aggregate accommodation payments made at the request of these customers during the five-year period were sfr. 372,000 (U.S.\$148,800) and the aggregate sales to or on behalf of these customers exceeded sfr. 10,000,000 (U.S.\$4,000,000).

7-8. Africa

Talon had similar arrangements with two companies located in Africa as it had with the Scandinavian companies. Total accommodation payments made during the period for both companies were sfr. 37,000 (U.S.\$14,800) and total sales to these customers were sfr. 461,000 (U.S.\$184,400).

Allen S. Lipson
Assistant General Counsel

ARTHUR YOUNG & COMPANY

Date: February 23, 1977

To: Files

From: Adam Monks

Subject: Textron - Unusual Payments

I spoke with Mike Rizzo on February 22, 1977 to discuss the results of the Townsend and Talon review of returned letters sent out by the division presidents to their employees requesting confirmation that they did not know about or indulge in any illegal or unusual payment situations.

Don Stitt went to Townsend on February 21 and reviewed 69 returned confirmations. There were 73 confirmations sent out. The four which we have not reviewed include one from the plant manager of Parmenter Bullock, 3 from the Fabco Division. In addition, the Fabco division president may have sent out additional confirmations. We will, at a subsequent date, review the additional replies.

With regard to the Talon review, we have reviewed all but one of the returned confirmations. Again, Don Stitt performed this work. The one confirmation not there at the present time is from Mr. R. H. Wallace, who is in the RiRi group. Again, there were no exceptions noted on any of the confirmations which we reviewed.

Based on my discussions with Mike Rizzo of the Providence office, I called Mr. Caldwell, President of Talon, to ask him if any returned illegal payment letters had any exceptions to them. He replied that none of them had any exceptions. I then asked him whether or not he had any indication that there were any wrongdoings in Europe or any other foreign countries. He replied that he did not know of any wrongdoings in those countries. I then specifically asked him, "Did he know of anything that was going on in Switzerland." He then replied that he had seen a memorandum from Arthur Young & Company in Zurich, specifically from Emil Stoltz with regard to certain unusual circumstances surrounding several payments. He said he did not know anything about these, and that he was awaiting further indications as to what would be done by the Providence group.

I called Mike Rizzo back and relayed all of this information to him, and told him that we would be more than happy to assist him in any further work with regard to this problem.

WJI 0086104 1011 02/21
ARTHYOUNG PVD
ARTHYOUNG PVD
84553524CZ11
53524 ATAG CH
ARTHYOUNG PVD

*FRASER
cc of memo
oh for
WJI*

EMIL STOLZ
ZURICH

2/21/77

VAN BROCKLYN, TEXTRON CONTROLLER HAS BEEN ADVISED OF GLAUSER
REQUEST RE YOUR TELEX OF TODAY. YOU ARE CLEARED TO GIVE
GLAUSER A COPY OF YOUR MEMO OF FEB. 14 TO ME.

TEXTRON HERE HAS BEEN IN CONTACT WITH CALDWELL, TALON PRESI-
DENT AND ANGER. THEY ARE INVESTIGATING ARRANGEMENTS DESCRIBED
IN YOUR MEMO.

BEST REGARDS
MARTIN
PROVIDENCE

53524 ATAG CH
ARTHYOUNG PPVD

ARTHYOUNG PVD

0949 EST

53524 ATAG C

TELEX NO 390

FEBRUARY 21, 1977

FOR DICK MARTIN - URGENT

TEXTRON/TALON CDL 24

W. GLAUSER, CONTROLLER OF TALON IN ST. GALL, HAS REQUESTED
COPY OF MY MEMO TO YOU RE UNUSUAL PAYMENTS. I AM HESITANT
TO PASS IT ON BECAUSE IT COULD POSSIBLY BE MISUNDERSTOOD.
WOULD APPRECIATE YOUR ADVICE.

REGARDS

E. STOLZ

ARTHYOUNG PVD

53524 ATAG CH

ARTHUR YOUNG (COMPANY A.G.

Date: February 14, 1977
Sz/eg

To: PROVIDENCE OFFICE
Mr. R.A. Martin

From: ZURICH OFFICE
Emil Stoiz

cc: Mr. W.F. Slattery, New York
Mr. G. Schmid, Zurich

Subject: TEXTRON / TALON
CDL NO. 24 - AUDITING

Dear Dick,

In connection with our audits of Talon SA, Mendrisio and Talon Atlantic AG, St. Gall we came across the following transactions that we want to bring to your attention:

Talon SA, Mendrisio

Talon SA has arrangements with three customers outside of Switzerland providing for overbillings to these customers. The amounts overbilled are credited as commissions to so-called "commissions payable" accounts and are held at the disposal of the owners of these companies. These three accounts are:

Account A:

This account is with the owner of a limited liability company. The 1976 transactions were as follows:

		<u>Sfr.</u> 0.40
Balance as at November 30, 1975 (representing balance due to him from overbillings in prior years)		211,648
Overbillings on shipments year ended November 30, 1976		69,000
Other credits		6,782
Payments		
Freight	(12,979)	
Cash	(1,500)	
Bank check	(2,007)	(16,486)
Applied to cover amount due to Talon SA under license agreement		(4,900)
Balance as at November 30, 1976		266,044
		=====

For the payment of Sfr. 1,500 we saw a receipt signed by an employee of Talon SA saying that he received the money for transmittal. There was also a note by the same employee stating that payment will be made through an employee of Talon, Milan, acting as an intermediary upon written instructions from the owner of the company.

We have received from Talon SA a statement of account initialled by the owner of that company showing the transactions in the commission account (including the cash payment of Sfr. 1,500) for the period from July 31, 1976 to November 30, 1976. We did not carry out audit procedure to ascertain that the initials were authentic.

Account B:

This account is for the partners of a partnership that is customer of Talon SA. Payments are made to the numbered Swiss bank accounts of the two partners. The transactions were:

	<u>Sfr.</u>	
Balance as at November 30, 1975	3,589	
Overbillings on shipments year ended November 30, 1976 (=15% of sales)	51,975	
Payments to numbered bank accounts		
Partner A	(14,175)	
Partner B	<u>(23,592)</u>	(37,767) = 8,150.00
Balance as at November 30, 1976	<u>17,797</u>	27,100 =====

We traced the payments to the corresponding bank advice, but since the accounts were so-called "numbered" accounts this audit step is not sufficient to establish that the commissions were actually paid to the partners.

Account C:

This account is for the owner of a limited liability company, with payments being made on instructions from the owner to one of the employees of the company. The 1976 transactions were:

	<u>Sfr.</u>
Balance at November 30, 1975	16,175
Overbillings on shipments year ended November 30, 1976 (= 5% of sales)	69,271
Other commissions	7,115
Payments to employee	(27,200) ^{50,885}
Bank transfer to daughter of employee	(2,180) ⁸⁷²
Balance at November 30, 1976	<u>63,181</u> ^{255,300} =====

We have examined receipts for the payments to this employee.

For all three accounts we carried out audit procedures to ascertain that the commission credits represented actual overbillings, but we did not receive any clear evidence concerning the ownership of the companies involved. We discussed these three arrangements with Mr. R. Wacker, manager in Mendrisio. Mr. Wacker confirmed to us that there were no other similar arrangements. He also advised us that the commissions were paid to the actual owners of these companies and that the payments were made to secure substantial business in a market that is highly competitive. If Textron were to advise him that these payments should be discontinued it would be doubtful that these customers could be kept.

Talon Atlantic AG, St. Gall

As I have already pointed out to you in prior years, Talon Atlantic AG has entered in July 1973 into an agreement with the former employee of an affiliated company providing for an annual pension of £ 9,000 p.a. (less consulting fees payable under a separate agreement). The agreement also provides for a widow's pension for life of £ 6,000 p.a. I understand that this arrangement was made in order to give this employee certain tax benefits which he would not have if the pensions would have been granted by the U.K. company.

If you need any more information on these arrangements, please let me know.

With best regards,

BELL HELICOPTER COMPANY
 BELL HELICOPTER COMPANY

1.1.72

CASH RECEIPTS

UNUSUAL ITEMS REVIEW

DATE	DEP. #	BANK	AMOUNT	COMMENTS

0.29.71	839 840	FNB	\$1,298,703.15	PAYMENT ON ACCOUNT
→	TROPICAL AIRCRAFT			PER DEPOSIT DETAIL

A4+6a

B

TR

1.78

33001		REPORT FILE	EXPORT	10-03-71		10-07-71		10	
5304-405	CUSTOMER ACCT	UNIT	STATUS	CREDIT LIMIT					
CUST. NO.	N A M E	CURRENT	OVER 30	OVER 60	OVER 90	OVER 120	UNPAID BAL.		
TERMS & DATE									
7392	TROPICAL AIRCRAFT			1					
SPL 09-21-70	6,094.17CR	0.00		0.00	0.00	0.00	0.00	6,094.17CR	
7395	TROPICAL AIRCRAFT SALES			0					
SPL 04-07-71	189,693.65CR	0.00		0.00	0.00	0.00	0.00	189,693.65CR	E 33 4/0

PREPARED BY CLIENT

Prepared By		Date
Approved By		

BHC
1-17

1	2	3	4	5	6	7
TROPICAL	D/O				Reference	
DIRECT	# 7395					1896936
9/22	BANK ADVISE	9/20/71	07505	9-803	(314 12089)	"U" DEPOSIT # 8
9/23	PAYROLL	9/30/71	07506	1	31000000	"U" DEPOSIT # 80
9/23	DEPOSIT	9/30/71	07517	2309 DE	297917P	"U"
9/23		9/30/71	07518	2309 DE	3539550	"U" DEPOSIT # 115
9/23		9/23/71	32520		2759330	71-2761E (1)
9/23		9/23/71	32816		1340000	71-2761E (1)
9/23		9/23/71	31628		3111000	71-2761E (1)
					19557898	

U = unapplied item in detail ledger
 Bell will ship to Coast of Ghana when Tropical money was
 paid to Tropical then Bell Tropical acting as Agent
 for customs Ghana, Tropical and the passport
 period will. These are not applied until 4/1 K in Bell's
 ledger to avoid duplication in Bell's records. All
 numbers are marked in the H/R ledger as per phosphate
 prep. (1)

PREPARED BY
 C 2/11
 12/20/71

MODEL 1 DELIVERED

2 August

S/N	DATE DEL.	CUSTOMER	DIV.	LOCATION	STATUS, APPLICAT
30526	8/17/71	Tropic-Airco		MARINA	
30527	8/17/71	"		"	
		<p>✓ Traced sale of ship to Sales Request Posting on test beam - Out internal control procedure Sales + AR enable us to rely on this document as evidential support for G/L posting.</p> <p>We are unable to verify these ships sales as total to the G/L since Model 201/205 ships are also booked into the same Sales A/C.</p> <p><u>PBC</u></p>			
					<p>6</p> <p>11</p>

APV. F75.6

ADDITIONAL AFFIDAVITS

(See page 163, Part 3, Committee Print - "Staff Investigation of G. William Miller" for other affidavits)

AFFIDAVIT

I, DEVOL BRETT, Lieutenant General, U.S. Air Force, Commander, Air South, Box 101, PPO New York 09524, do hereby give the following answers under oath to the questions set forth in Schedule A which was enclosed in the 8 February 1978 letter of Mr. Kenneth A. McLean, Staff Director, Committee on Banking, Housing and Urban Affairs. After my preliminary comment, the numbered answers correspond directly to the numbered questions in Schedule A. My answers are to the best of my recollection, knowledge and belief and are as follows:

Preliminary Comment

I arrived in Terran, Iran, to assume my duties as Chief, Military Assistance and Advisory Group in Iran on or about 4 September 1973. I served in that capacity until my departure on or about 22 August 1975.

1. I have no knowledge of, nor have I ever heard of, General Mohammed Khatami having had an ownership interest, of any nature, in Skerkat Shahami Tayar Pars (STP) or Air Taxi, between 1960 and 1975.
2. I have no knowledge of, nor have I ever heard of any such ownership interest.
3. I am aware of neither any common knowledge nor of any individuals having knowledge concerning such ownership interest of General Khatami.
4. I have never spoken to, or been spoken to by, any Bell Helicopter or Textron official concerning any ownership interest of General Khatami in STP or Air Taxi.
5. I have had no such conversation concerning such matters.
6. I have had no such conversation concerning such matters.
7. I have no knowledge, nor have I heard of, Bell or Textron officials having any knowledge of any ownership interest of General Khatami in STP or Air Taxi between 1960 and 1975.
8. I have no knowledge of, nor have I heard of, any payments, gifts, or other items of value made by or given by Bell directly or indirectly to Iranian officials to try to generate helicopter sales in Iran between 1960 and 1975.
9. I have no knowledge of, nor have I heard of, any part of any payment to Air Taxi being passed directly or indirectly to any Iranian government officials, including General Khatami, in connection with Bell's 1972 helicopter deal with the Iranian government.
10. I have no knowledge of, nor have I heard of, the passing of any such payment.
11. I have no knowledge of, nor have I heard of, Bell or Textron at any time having maintained any fund of monies or other assets which were not recorded on the corporate books and records.

18 February 1978

United States Senate
Committee on Banking, Housing and Urban Affairs
Washington, D. C. 20510

Attention: Kenneth A. McLean
Staff Director

Dear Mr. McLean:

Your February 8, 1978 letter concerning General Khatami was received today.

My responses to your queries are attached.

Sincerely,



Harold L. Price M/Gen, USAF (Ret)

18 February 1978

AFFIDAVIT

I, HAROLD L. PRICE, RET/USAF, M/GEN, SSAN: 202-09-7926, hereby certify that the following answers, as requested in Schedule A, are true and accurate to the best of my knowledge.

1. I am aware that General Khatami did have an ownership interest in Air Taxi.
2. General Khatami informed me in late 1969 or early 1970 that he had an interest in Air Taxi.
3. I cannot make a judgment as to whether General Khatami's interest in Air Taxi was common knowledge, however, I will speculate that it was not.
4. I have never discussed General Khatami's interest in Air Taxi with any Bell or Textron official or individual. And, for that matter, I have never discussed General Khatami's financial interest with anyone.
5. N/A
6. N/A
7. Negative
8. Negative
9. Negative
10. Negative
11. Negative
12. Negative

Harold L. Price
 HAROLD L. PRICE

WITH THE UNITED STATES ARMED FORCES)
 TEHRAN, IRAN (APO NEW YORK 09205) ss.

Subscribed and sworn to before me this 18th day of February, 1978.



Stephen S. Moore
 STEPHEN S. MOORE
 CPT. USA/JAGC, 537-40-7417
 Assistant Staff Judge Advocate
 U. S. Support Activity - Iran
 Box 2200, APO New York 09205
 Clinton, Washington 98236

GULF MARSH MILLINGTON
1345 NORTH 13TH ROAD
ARLINGTON, VA 22207

21 Feb 78

Dear Mr McLean

Reference the inclosed letter
and questionnaire =

I have been out of town
for two weeks and have just
received your letter.

While in Iran, 1971-73 my
specific instructions were to
steer clear of activities as indicated
in your letter. I did just that.
I do not have any information
that would be useful in your
investigation.

Sincerely
G. H. Williamson

AFFADAVIT

The following questions are responded to as requested by your correspondence dated 8 February 1978:

QUESTION 1. Did you know or have you ever heard that General Mohammed Khatami, Commander-in-Chief of the Imperial Iranian Air Force, had an ownership interest of any nature in STP (Skerkat Shahami Tayar Pars) or Air Taxi, Iranian companies, between 1960 and 1975?

RESPONSE: No.

QUESTION 2. Which company did you know or hear that General Khatami had an ownership interest in -- STP or Air Taxi? When did you learn of General Khatami's interest and who did you learn of it from?

RESPONSE: None.

QUESTION 3. Were General Khatami's interests in STP and Air Taxi common knowledge in Tehran? When was that information common knowledge? Who knew? How did you learn of that information?

RESPONSE: I am not aware.

QUESTION 4. Did you speak to or did Bell Helicopter or Twxtron officials speak to you about General Khatami's interest in STP or Air Taxi?

RESPONSE: I did not speak to Bell Helicopter nor did they speak to me about General Khatami and Air Taxi.

QUESTION 5. Which Bell or Textron officials did you speak with and when?

RESPONSE: None.

QUESTION 6. What were your conversations with Bell or Textron officials about those matters?

RESPONSE: None.

QUESTION 7. Did you know or have you ever heard that any Bell or Textron officials knew that General Khatami had an ownership interest of any nature in STP or Air Taxi at any time between 1960 and 1975?

RESPONSE: I have no such information.

QUESTION 8. Did you know or have you heard of any payments, gifts, or other items of value made by or given by Bell directly or indirectly to Iranian officials to try to generate helicopter sales in Iran between 1960 and 1975?

RESPONSE: No.

QUESTION 9. Did you know or have you ever heard that any of the \$2,950,000 payment to Air Taxi might have been passed on directly or indirectly to Iranian government officials, including General Khatami, in connection with Bell's 1972 helicopter deal with the Iranian government.

RESPONSE: No.

QUESTION 10. When did you learn or hear that any of the payment was passed on and from whom did you learn or hear of it?

RESPONSE: I have no such information.


QUESTION 11. Did you know or have you ever heard that Bell or Textron may have maintained at any time any fund of monies or other assets which were not recorded on the corporate books and records?

RESPONSE: I have no such information.

QUESTION 12. Do you have any information that G. William Miller, President and later Chairman of the Board of Textron, Inc. between 1960 and 1975, had any knowledge of any of the matters referred to in the above questions?

RESPONSE: No.


I am aware that an intensive marketing effort was undertaken by Bell Helicopter International (BHI), as well as other U.S. firms, to sell helicopters to the Government of Iran during 1973. However, I am unaware of any specific sales agency arrangement consummated between BHI and General Khatami.



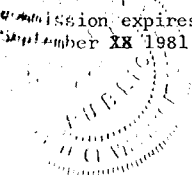
WILLIAM C. RUDD

Subscribed and sworn to before the undersigned Notary Public this 17th day of February, 1978.

My commission expires: 22 September 18 1981



(Notary Public)





DEPARTMENT OF STATE

Washington, D.C. 20520

February 16, 1978

Mr. Kenneth A. McLean
Staff Director
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, D. C., 20510

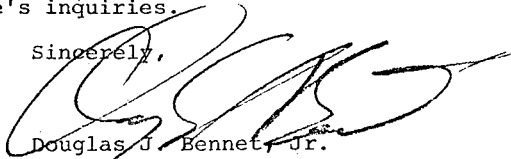
Dear Mr. McLean:

I am enclosing the answers we received by cable from the various State Department personnel overseas who were asked to respond to the Senate Banking Committee's questionnaire in connection with its hearings on the nomination of Mr. G. William Miller to the Board of Governors of the Federal Reserve System. The signed replies will be sent to you as soon as we have received them. You will notice that we have no answers from Ambassador Heck. Ambassador Heck is travelling to his post in Nepal and upon his arrival will cable his reply. We will provide you with his answers upon receiving them. State Department personnel presently assigned to the United States will be responding directly.

In addition, Mr. Freed of your staff asked the Department to ask our Embassy in Tehran for certain information concerning Air Taxi's ownership and operations. We have done so, and attached are the questions with the answers we received.

The Department is glad to have been able to respond to the Committee's inquiries.

Sincerely,



Douglas J. Bennet, Jr.
Assistant Secretary
for Congressional Relations

- Q: Do any public and readily available official or unofficial records (e.g., Chamber of Commerce) in Iran show that General Khatami was listed as owner or part-owner of Skerkat Shahami Tayar Pars (STP) or Air Taxi between 1959 and 1965?
- A: General Mohammad Khatami was Chairman of Air Taxi between 1957 and 1965, according to oral statement to Embassy by Registration Office of Minister of Justice.
- Q: Do any Iranian public and readily available records show that General Khatami became a silent partner in STP or Air Taxi in 1965?
- A: Embassy knows of no Iranian public records that would show that General Khatami became a silent partner in STP or Air Taxi in 1967.
- Q: Do any records available to the Embassy show that Bell Helicopter was represented by Mr. William H. French in Iran between 1964 and 1968?
- A: Some time in 1959, Bell Helicopter representation went to firm known as Aviation Development Company (ADC), acting as commercial agents for sale of military and civilian aircraft on behalf of several American manufacturers, William H. French was Managing Director of ADC in 1959. Embassy unable to determine from our records how long association between ADC and Bell continued; Bell opened its own office in Iran in 1973.
- Q: Do any records show that Bell concluded an agency or distributor-type agreement with STP or Air Taxi in 1968?
- A: Embassy has no information that Bell concluded agency or distributor-type agreement with STP or Air Taxi in 1968.

WHITE, WELD & Co.
INCORPORATED
ONE LIBERTY PLAZA
91 LIBERTY STREET, NEW YORK, N. Y. 10006

CHARLES C. TILLINGHAST, JR.
VICE CHAIRMAN
212/285-7944

CABLE ADDRESS "WHITEWELD"

February 16, 1978

Mr. Kenneth A. McLean
Staff Director
United States Senate
Committee on Banking, Housing
and Urban Affairs
Washington, D. C. 20510

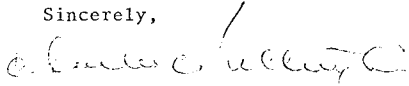
Dear Mr. McLean:

This is in response to your letter of
February 8, 1978.

I enclose an affidavit of the type you
requested.

I was a director of Textron for only a brief
period of time and resigned in the early stages of the
Lockheed transaction because of potential conflicts of
interest. As you will see from my affidavit, I am
completely unfamiliar with the Iranian transactions, my
knowledge being limited to what I read in the newspapers.

Sincerely,



CCT, jr./cm
Enclosure

A F F I D A V I T

The undersigned, being duly sworn,
deposes and says that the answers to the
questions posed on the attached Schedule A
are true and correct to the best of my
knowledge and belief.

Dated: 2/15/78 *Clarence Kelly*

Subscribed and sworn to before me
this 15th day of February, 1978.

Joan Bullard
Notary Public/or
person authorized
to administer oaths

JOAN BULLARD;
Notary Public, State of New York
No. 424500045
Qualified in Richmond County
Commission Expires March 30, 1979



SCHEDULE A

1. Did you know or have you ever heard that General Mohammed Khatami, Commander-in-Chief of the Imperial Iranian Air Force, had an ownership interest of any nature in STP (Skerkat Shahami Tayar Pars) or Air Taxi, Iranian companies, between 1960 and 1975?

Only from current newspaper accounts.

2. Which company did you know or hear that General Khatami had an ownership interest in -- STP or Air Taxi? When did you learn of General Khatami's interest and who did you learn of it from?

Only from current newspaper accounts.

3. Were General Khatami's interests in STP and Air Taxi common knowledge in Tehran? When was that information common knowledge? Who knew? How did you learn of that information?

Have no knowledge.

4. Did you speak to or did Bell Helicopter or Textron officials speak to you about General Khatami's interest in STP or Air Taxi?

No

5. Which Bell or Textron officials did you speak with and when?

N/A

6. What were your conversations with Bell or Textron officials about those matters?

N/A

7. Did you know or have you ever heard that any Bell or Textron officials knew that General Khatami had an ownership interest of any nature in STP or Air Taxi at any time between 1960 and 1975?

Only from current newspaper accounts.

8. Did you know or have you heard of any payments, gifts or other items of value made by or given by Bell directly or indirectly to Iranian officials to try to generate helicopter sales in Iran between 1960 and 1975? Only from current newspaper accounts.

9. Did you know or have you ever heard that any of the \$2,950,000 payment to Air Taxi might have been passed on directly or indirectly to Iranian government officials, including General Khatami, in connection with Bell's 1972 helicopter deal with the Iranian government. Only from current newspaper accounts.

10. When did you learn or hear that any of the payment was passed on and from whom did you learn or hear of it? Only from current newspaper accounts.

11. Did you know or have you ever heard that Bell or Textron may have maintained at any time any fund of monies or other assets which were not recorded on the corporate books and records?

No

12. Do you have any information that G. William Miller, President and later Chairman of the Board of Textron, Inc. between 1960 and 1975, had any knowledge of any of the matters referred to in the above questions?

No

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS 20TH AIR DIVISION (ADC)
FORT LEE AIR FORCE STATION
FORT LEE, VIRGINIA 23801



OFFICE OF THE COMMANDER

14 February 1978

Mr. Kenneth A. McLean
Staff Director
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. McLean

This will acknowledge receipt during the afternoon of 13 February 1978 of your letter, dated 8 February 1978, with its attached series of questions set forth as Schedule A to that letter.

In accordance with Air Force Regulation 11-7, I have today referred your inquiry, along with all available information which I have on the subject of your inquiry, to the Office of the Secretary of the Air Force from which you shall receive a direct reply shortly. Please be assured that all efforts will be made to reply to your inquiry by 16 February, the date you requested in your letter.

Sincerely

A handwritten signature in black ink, appearing to read "F. A. Humphreys".

F. A. HUMPHREYS, Brigadier General, USAF
Commander

WILLIAM PROXMIRE, WIS., CHAIRMAN
 JOHN SPARKMAN, ALA. EDWARD W. BROOKE, MASS.
 HARRISON A. WILLIAMS, JR., N.J. JOHN TOWER, TEX.
 THOMAS J. MCINTYRE, N.H. JAKE GARN, UTAH
 ALAN CRANSTON, CALIF. H. JOHN HEINZ III, PA.
 ADLAI E. STEVENSON, ILL. RICHARD G. LUGAR, IND.
 ROBERT MORGAN, N.C. HARRISON SCHMITT, N. MEX.
 DONALD W. RIEGLE, JR., MICH.
 PAUL S. SARBANES, MD.

KENNETH A. MCLEAN, STAFF DIRECTOR
 JEREMIAH S. BUCKLEY, MINORITY STAFF DIRECTOR
 MARY FRANCES DE LA PAVA, CHIEF CLERK

United States Senate

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
 WASHINGTON, D.C. 20510

March 1, 1978

MEMORANDUM

TO: The Members of the Committee on Banking,
 Housing and Urban Affairs

FROM: The Chairman

Attached is a telegram sent to the Committee. According to Mr. Manafzadeh's attorney, he is incarcerated in Federal prison in the Southern District of New York. His attorney will interview Mr. Manafzadeh to ascertain if he has any relevant information.

Attached also is material received from Arthur Young and Company.



NFB001 WAA069(1202)(4-020529E057)PD 02/26/78 1202

ICS IPMMTZZ CSP

2127919191 NL TDMT NEW YORK NY 213 02-26 1202P EST

PMS SENATOR WILLIAM PROXIMIRE

US SENATE

WASHINGTON DC 20510

DEAR SEANTOR I AM IRANIAN CITIZEN RESIDENT IN UNITED STATES SINCE 1974 I HAVE CERTAIN KNOWLEDGE ABOUT INVESTIGATION REGARDING PAYMENT BY BELL HELICOPTER TO AIR TAXI AND WHERE THE MONEY ENDED UP BRIEFLY I COULD PROVIDE INFORMATION AND TESTIFY IN CLOSED DOORS AS TO THE FOLLOWING

1. I KNOW AMIR HOSSEIN ZANGANEH PRESIDENT OF AIR TAXI AND HOW HE OPERATES AND WHO BACKS HIM UP
2. I KNOW MR AHMAD SHAFIQ AND GENERAL KHATAMI VERY WELL AND THEIR WAY OF OPERATION
3. I WAS INVITED BY MR ZANGANEH AND SHAFIQ TO BE PARTNERS IN AIR

SF-1201 (RS-69)

B7D FEB 27 AM 10:2



TAXI AND OTHER VENTURES DURING 1960 AND AFTER

4. I WAS TOLD BY THESE TWO GENTLEMEN THE POSSIBLE DEALS OF PLANES ARMS AND HELICOPTERS AND THAT GENERAK KHATAMI AND MR SHAFIQ WILL GET THE FUNDS ALLOCATED BY THE GOVERNMENT OF IRAN
5. I HAVE KNOWLEDGE OF HOW AND WHY THE SHARES OF GENERAL KHATAMI WAS SOLD AND HOW HE RECEIVED PROFITS IN THE FORM OF BEARER SHARES
6. I HAVE KNOWLEDGE OF THE SOURCE WHICH APPROVED THE DEAL ABOUT GENERLA KHATAMI AND HOW THE PAYMENT WAS DIVIDED AND MUCH MORE WHICH COULD BE USEUL TO YOUR INVESTIGATION

IF YOU WISH ME TO TESTIFY PLEASE CONTACT MY LAWYER MR LEONARD LEVENSON 15 PARK PLACE NEW YORK NEW YORK 10007 TELEPHONE NUMBER 212-732-0522

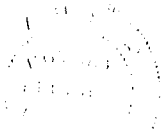
EGRAM MANAFZADEH

A F F I D A V I T

The undersigned, being duly sworn,
deposes and says that the answers to the
questions posed on the attached Schedule A
are true and correct to the best of my
knowledge and belief.

Dated: Feb. 24, 1978 Harvey England

Subscribed and sworn to before me
this 24th day of February, 1978.



Marie S. Day
Notary Public/or
person authorized
to administer oaths
Notary Public, State of Florida at Large
My Commission Expires Dec. 2, 1981
Insured By American Fire & Casualty Company

SCHEDULE A

1. Did you know or have you ever heard that General Mohammed Khatami, Commander-in-Chief of the Imperial Iranian Air Force, had an ownership interest of any nature in STP (Skerkat Shahami Tayar Pars) or Air Taxi, Iranian companies, between 1960 and 1975?

No.

2. Which company did you know or hear that General Khatami had an ownership interest in -- STP or Air Taxi? When did you learn of General Khatami's interest and who did you learn of it from?

None.

3. Were General Khatami's interests in STP and Air Taxi common knowledge in Tehran? When was that information common knowledge? Who knew? How did you learn of that information?

I have no information on this subject.

4. Did you speak to or did Bell Helicopter or Textron officials speak to you about General Khatami's interest in STP or Air Taxi?

No.

5. Which Bell or Textron officials did you speak with and when?

I spoke to no officials on this subject.

6. What were your conversations with Bell or Textron officials about those matters?

None.

7. Did you know or have you ever heard that any Bell or Textron officials knew that General Khatami had an ownership interest of any nature in STP or Air Taxi at any time between 1960 and 1975?

No.

8. Did you know or have you heard of any payments, gifts or other items of value made by or given by Bell directly or indirectly to Iranian officials to try to generate helicopter sales in Iran between 1960 and 1975?

No.

9. Did you know or have you ever heard that any of the \$2,950,000 payment to Air Taxi might have been passed on directly or indirectly to Iranian government officials, including General Khatami, in connection with Bell's 1972 helicopter deal with the Iranian government.

No.

10. When did you learn or hear that any of the payment was passed on and from whom did you learn or hear of it?

I have no information in this regard

11. Did you know or have you ever heard that Bell or Textron may have maintained at any time any fund of monies or other assets which were not recorded on the corporate books and records?

No.

12. Do you have any information that G. William Miller, President and later Chairman of the Board of Textron, Inc. between 1960 and 1975, had any knowledge of any of the matters referred to in the above questions?

No.

Citibank, N.A.
399 Park Avenue
New York, N.Y.
10022

Hans H. Angermueller
Senior Vice President
and General Counsel

1978 FEB 27 PM 1:18

February 24, 1978

The Honorable William Proxmire
The Honorable Edward W. Brooke
United States Senate Banking,
Housing and Urban Affairs Committee
5300 Dirksen Senate Office Building
Washington, D.C.

Dear Senators Proxmire and Brooke:

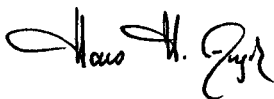
I refer to the Subpoena, dated February 8, 1978, addressed to "Citibank, N.A. (including the Paris office)" calling for records relating to checking accounts of Air Taxi, Teheran, Iran, or Mr. A.H. Zanganeh, during the period January 1, 1968 through December 31, 1975. I also refer to the letter, dated February 17, 1978, to Mr. Kenneth McLean from John E. Hoffman, Jr. of Shearman & Sterling, a copy of which is enclosed for your ease of reference. I understand that in light of the difficulties under French law discussed in our counsel's letter, your Committee is seeking, through diplomatic channels, the assistance of the French courts in obtaining production of such records as may be covered by the Subpoena and available at our Paris branch.

As we have advised your staff, Citibank in no way desires to impede the present inquiry, and will attempt to cooperate with you to the extent it is permitted under applicable law. Accordingly, in response to a request from your staff, we advise you as follows:

1. Citibank acknowledges service in the United States of the Congressional Subpoena, dated February 8, 1978, issued by the Senate Committee on Banking, Housing and Urban Affairs. Documents called for by the Subpoena as have been located in New York have already been produced.
2. An account with the Paris branch of Citibank in the name of Mr. Zanganeh, or Air Taxi, would be subject to applicable French law.
3. It is Citibank's policy to hold in confidence specific information about a customer, and not to disclose such information except, insofar as permitted by applicable law, with the customer's authorization or in response to appropriate legal process. The legal advice of our French and U.S. counsel is that Citibank would be in a position to

produce records of the Paris branch relating to accounts of Mr. Zanganeh or Air Taxi if instructed to do so by the local French court.

Very truly yours,

A handwritten signature in black ink, appearing to read "Hans H. Zyr". The signature is written in a cursive style with a large initial "H" and a long, sweeping tail.

SHEARMAN & STERLING

53 WALL STREET

NEW YORK 10005

(212) 483-1000

CABLE: "NUMLATU5" TELEX: ITT 421295 WU 128103

300 FIFTH AVENUE
NEW YORK 1000221 AVENUE GEORGE V
75000 PARIS
241 55 44
"NUMLATU5, PARIS"
TELEX: 062-05026840 BACINOHALL STREET
LONDON EC3V 9DE
01-626 8000
"NUMLATU5 LONDON ECA"
TELEX: 051-004274

February 17, 1978

BY HAND

Mr. Kenneth A. McLean,
Staff Director
United States Senate Banking,
Housing and Urban Affairs Committee
5300 Dirksen Senate Office Building
Washington, D.C.

Dear Mr. McLean:

On February 9, 1978, our client Citibank was advised by its Washington counsel that the Committee was in the process of issuing a subpoena, addressed to "Citibank, N.A. (including the Paris office)" calling for records relating to checking accounts of Air Taxi, Tehran, Iran, or Mr. A.H. Zanganeh during the period January 1, 1968 through December 31, 1975.

In anticipation of the subpoena, I advised you by telephone on February 14, 1978, that our client had not located any record of checking accounts in New York in the name of either Air Taxi or Mr. Zanganeh during the period mentioned. Our client did find a record of a business call in Iran in 1975, and I enclose copies of those memoranda herewith (memoranda dated March 7, 1975 and May 12, 1975).

Because of the reference to Citibank's Paris office, we, as counsel for Citibank, also conducted certain inquiries through our firm's Paris office in an effort to determine whether any documents called for exist and would be legally available from Citibank's Paris branch. Those inquiries led to confirmation of advice which we and our client had received in recent years regarding applicable French law, indicating that compliance with such a subpoena would place Citibank directly in jeopardy of violation of French law mandating confidentiality of customer information.

I promised to provide for you references to U.S. and French legal authorities that give rise to the dilemma in which our client would thus be placed.

Many countries have either codified the principle of bank-customer confidentiality or recognized it as an implied term of the contract between bank and customer. Our client, Citibank, has had occasion in the past to seek French counsel on this subject and received a formal opinion, in December, 1973, stating in part:

"This will confirm that you may not under French law disclose to third parties confidential information about the affairs of a client, subject to certain specific statutory exceptions where you are required or authorized by law to disclose information to authorities such as, for example, certain Banque de France, tax, customs and exchange control officials. The prohibition covers any confidential information obtained by you as a result of the relationship of banker and customer or, more generally, in the exercise of your profession of banker."

The opinion of French counsel derives from Article 378 of the French Penal Code*, and decisions of French courts interpreting the Code provision. Article 378, providing for criminal penalties for breach of professional secrets, does not expressly refer to bankers. The relevant cases, however, declare that the Article does apply to bankers, and Citibank's French counsel has further confirmed that to be the position of the French Ministry of Justice. Among the decisions referred to by counsel are: Peo. v. Fribourg (Criminal Court of La Seine, December 23, 1931) and Heim v. C.I.A.L. et al. (First Instance Court of Strassbourg, April 28, 1954). The French Supreme Court (Court de Cassation) has, as recently as last year, supported the view that Article 378 imposes criminal sanctions for breach of customer-banker confidentiality.

* The first paragraph of Article 378 of the French Penal Code provides that:

"Doctors, surgeons and other health officials as well as pharmacists, mid-wives and all other persons who by reason of their position, profession or temporary or permanent appointment, are the recipients of secrets entrusted to them, who, outside the cases where the law compels them or authorizes them to make a denunciation, shall have revealed the secrets, shall be punished by imprisonment from one to six months and by a fine of F. 500 to F.3,000".

The courts in the United States have consistently refused to require the production of records and other documents held by a foreign branch of an American bank where the production would violate the laws of the foreign state in which they are located, particularly where those laws impose criminal sanctions upon a local branch of a U.S. bank for disclosure, or breach of the confidential relationship.

"Upon fundamental principles of international comity, our courts dedicated to the enforcement of our laws should not take such action as may cause a violation of the laws of a friendly neighbor or, at the least, a circumvention of its procedures." Ings v. Ferguson, 282 F.2d 149, 152 (2d Cir. 1960).

"[A]n attempt to circumvent Panamanian law * * * scarcely reflects the kind of respect which we should accord to the laws of a friendly foreign sovereign state. Just as we would expect and require branches of foreign banks to abide by our laws applicable to the conduct of their business in this country, so should we honor their laws affecting our bank branches which are permitted to do business in foreign countries." Application of Chase Manhattan Bank, 297 F.2d 611, 613 (2d Cir. 1962).

First National City Bank v. I.R.S., 271 F.2d 616, 619 (2d Cir. 1959), cert. denied, 361 U.S. 948 (1960).

The force of these cases was conceded by U.S. Department of Justice when it argued in U.S. v. First National City Bank and Loveland, 396 F.2d 897 (2d Cir. 1968), for a limitation of the rule to cases involving potential criminal sanctions. In its brief in the Loveland case, the Department of Justice summarized its argument, in part, as follows:

"Appellants' disobedience of the District Court's order directing compliance with the subpoena duces tecum as it relates to documents in the Frankfurt, Germany branch of Citibank is not excusable on the ground of potential civil liability in Germany if it produces the documents. To be excused from complying with a United States court order, the witness must show that it will suffer criminal liability in that foreign country following compliance." Societe Internationale v. Rogers, 357

U.S. 197 (1958); First National City Bank v. Internal Revenue Service, 271 F.2d 616 (C.A. 2, 1959), certiorari denied, 361 U.S. 948 (1960). Citibank has shown no statutory provisions nor administrative regulations to excuse its compliance. It has pointed to no penal sanctions that it would suffer." (Brief for Appellee, p. 10).

Although the government pressed for a rule that the discovery order must entail criminal penalties before Citibank should be excused from compliance, the Court replied:

"Such a rule would show scant respect for international comity; and, if this principle is valid, a court of one country should make an effort to minimize possible conflict between its orders and the law of a foreign state affected by its decision. Cf. Restatement, supra, § 39(2); Ings v. Ferguson, supra, 282 F.2d at 152. The vital national interests of a foreign nation, especially in matters relating to economic affairs, can be expressed in ways other than through the criminal law. For example, it could not be questioned that, insofar as a court of the United States is concerned, a statement or directive by the Bundesbank (the central bank of Germany) or some other organ of government, expresses the public policy of Germany and should be given appropriate weight. Equally important is the fact that a sharp dichotomy between criminal and civil penalties is an imprecise means of measuring the hardship for requiring compliance with a subpoena. In Application of Chase Manhattan Bank, supra, this Court affirmed the modification of a subpoena because strict obedience would have resulted in a violation of Panamanian law punishable by a fine of no more than 100 Balboas (equivalent to \$100); we held that a misdemeanor under our criminal law. It would be a gross fiction to contend that if the Bundesbank were to revoke the license of Citibank for violation of bank secrecy the impact would be less catastrophic than having to pay an insignificant fine because the revocation is theoretically not 'equivalent to a misdemeanor' or criminal sanction. We are not required to decide whether penalties must be under the 'criminal law' to provide a legally sufficient reason for non-compliance with a subpoena; but, it would seem

unreal to let all hang on whether the label 'criminal' were attached to the sanction and to disregard all other factors." 396 F.2d at 902.

While the subpoena was in fact enforced in the Loveland case, the decision of the Court took pains to point out that enforcement did not turn merely upon the absence of criminal sanctions in Germany.

Here, however, the bank is faced with a demand that clearly would invoke a conflict with French criminal laws. It is our view, based upon the advice of Citibank's French counsel, that the situation presented by the present inquiry thus falls squarely within the doctrine of the cases cited above excusing compliance with such a subpoena upon fundamental principles of international comity.

I would like to emphasize that Citibank in no way desires to impede the present inquiry. I can advise you that it is our understanding, based upon the advice of French counsel, that it may be feasible for a third party to obtain disclosure of confidential information regarding a customer of a bank through the process of a French criminal court. We understand that there is some French case authority to that effect and that it represents a common view among French lawyers and law professors. The normal method for seeking to enlist the aid of a foreign court in such matters would be through letters rogatory transmitted through diplomatic channels. I understand it is also possible in special circumstances to obtain such information pursuant to Article 26 of the Convention between the United States and the French Republic with respect to taxes on income and property.

Finally, I should note that while the concern of our client, Citibank, derives principally from the existence of a criminal statute in France threatening criminal sanctions for compliance with the subpoena, our concern is not based entirely on the existence of the criminal provision. We are also informed that in addition to the criminal penalties, the bank can be held civilly liable pursuant to Articles 1382 and 1384 of the French Civil Code. The decision in the Loveland case, supra, well indicates that a party need not be in jeopardy of violation of a foreign criminal law to be excused from compliance with a production order.

The principles of international comity reflected in the U.S. Court decisions referred to above are compatible with the vital interests of the United States in the development of our foreign commerce and trade relationships.

As in the United States, banking is a regulated and sensitive industry in most countries of the world. It requires no citation of authority to establish the proposition that the ability of American banks to secure or retain licenses to operate in foreign countries will be impaired if the license implies a right to function in the foreign country as an adjunct of excursions by United States authorities into extraterritorial enforcement of American law. Also self-evident is the fact that the ability of American banks to perform their competitive economic function abroad will be destroyed if they are required by United States government officials to disregard the legal obligations and business practices inherent in their relationship with their overseas customers.

Indeed the concept of banker-customer confidentiality is one recognized by our own courts in applying common law principles.

"It is implicit in the contract of the bank with its customer or depositor that no information may be disclosed by the bank or its employees concerning the customer's or depositor's account, and that, unless authorized by law or by the customer or depositor, the bank must be held liable for breach of the implied contract." Peterson v. Idaho First National Bank, 83 Idaho 578, 367 P.2d 284, 290, 92 A.L.R.2d 891, 899 (Sup. Ct., 1961).

Graney Development Corp. v. Taksen and Citibank (Midwestern) N.A., 400 N.Y.S.2d 717 (Sup. Ct. Monroe Co. 1978).

This view is consistent with English authorities. In the leading case in England, the Court said:

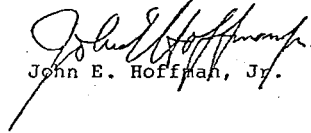
"I have no doubt that it is an implied term of the banker's contract with his customer that the banker shall not disclose the account, or transactions relating thereto, of this customer except in certain circumstances." Tournier v. National Provincial and Union Bank, 1 K.B. 461, 480, 12 B.R.C. 1021, 1040 (1924).

In addition to recognition by the courts of the legal as well as the ethical duty of confidentiality of a bank with information concerning its customers, considerable

public attention has lately been focused on this issue. An example of this concern is expressed in Personal Privacy in an Information Society (July, 1977), an exhaustive study recently published by the Privacy Protection Study Commission. The study confirms the strong public policy favoring confidentiality of a customer's dealings with a financial institution. This conclusion is echoed in the final report of the National Commission on Electronic Fund Transfers to the President and the Congress of the United States, entitled EFT in the United States: Policy Recommendations and the Public Interest (October, 1977). A chapter of this report is devoted entirely to the examination of the right to privacy in the EFT context and to recommendations that measures be taken and Federal legislation enacted to protect this right from unwarranted infringement. These studies, as well as Federal and State legislative initiatives in the area, such as the proposed Right to Financial Privacy Act, H.R. 8133, 95th Cong., 1st Sess. (1977), underscore the importance of, and need for, our client's strong institutional policy of preserving the right of customers to the confidential treatment of their financial affairs.

I hope the foregoing discussion is helpful in your understanding of our client's problem, and that you will appreciate that in light of the French law and the recognition accorded to it by the United States, our client has no practical alternative but to decline to respond further regarding records of customers as may be maintained at its Paris branch.

Very truly yours,



John E. Hoffman, Jr.

Courtesy

FRASER

March 7, 1975

Mr. Amir H. A. Zanganeh
20 Avenue Marechal Franchet d'Espereet
75016 Paris

Dear Mr. Zanganeh:

It was a pleasure to have met you in Paris recently and I remember that you plan to be in the United States sometime during this month and certainly hope that you will have time to come to the Bank. I enclose a brochure regarding our Custodian services and fees and I hope that we can discuss this service and others soon in New York.

I look forward to hearing from you and please telephone me at 559-6934.

Yours sincerely,



W. P. Owen
Assistant Vice President

Enclosures

Teheran Trip - April, 1975

A. H. ZANGANEH

Member of High Council
The Civil Aviation, IranChairman & Managing Director
Air Taxi Company
Mehrabad Airport
Teheran, Iran

MEMORANDUM TO THE FILE

Telex: 2515 ATAXI TN
Cable Add.: "AIRTAXI TEHRAN"
Telephone: 668992 - 661948RE: A. H. ZANGANEH
Teheran, Iran*noalc*

Following Bill Owen's contact with Mr. Zanganeh in Paris, Jean-Pierre Cuoni and I called on him at his office in Teheran on April 30th. Mr. Zanganeh owns the Air Taxi Company which has its offices and hangars adjacent to Mehrabad Airport in Teheran. The business is growing rapidly and they are constructing new hangars and obtaining additional space. Mr. Zanganeh was very friendly and receptive, indicating interest in using FNCEB-Geneva and possibly additional services through ISD-N.Y. He will be calling on Bill Owen in New York in the near future where these matters can be further pursued.

P.R.S.
Peter R. Sperling
Vice President

May 12, 1975

PRS/rams

*now in
Paris*

177

DEPARTMENT OF THE AIR FORCE
WASHINGTON, D.C. 20330



OFFICE OF THE SECRETARY

March 1, 1978

Mr. Kenneth A. McLean
Staff Director
Committee on Banking, Housing and
Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. McLean:

Enclosed for your information and use is the affidavit received this date from Major General Walter D. Druen, Jr., Commander, 17th Air Force, in response to queries submitted to him by the Committee.

Sincerely,

Joseph J. Clark
JOSEPH J. F. CLARK
Associate Director
Legislative Liaison

Enclosure



VENUE


With the United States Armed Forces)
 At Sembach Air Base, Germany)

AFFIDAVIT


BODY

Following are my answers to questions posed in Schedule A enclosed with letter to me, dated February 8, 1978, from Kenneth A. McLean, Staff Director, US Senate Committee on Banking, Housing and Urban Affairs:

1. No.
2. (Not applicable - see answer to question 1.)
3. I do not know.
4. No.
5. (Not applicable - see answer to question 4.)
6. (Not applicable - see answer to question 4.)
7. No.
8. No.
9. No.
10. (Not applicable - see answer to question 9.)
11. No.
12. No.


 WALTER D. DRUEN, JR.
 Major General, USAF

I, PATRICK R. WATTS, the undersigned officer, do hereby certify that the foregoing instrument was subscribed and sworn to before me this 22nd day of February 1978, by WALTER D. DRUEN, JR., SSN: 228-26-0380, whose permanent home address is the State of Florida, United States, and who is known to me to be a United States Air Force member on active duty. And I do further certify that I am at the date of this certificate a commissioned officer of the grade, branch of service, and organization stated below in the active service of the United States Armed Forces, that by statute no seal is required on this certificate, and same is executed in my capacity as a Judge Advocate under authority granted to me by Article 136, UCMJ; 10 U.S.C. 936".


 PATRICK R. WATTS, Captain, USAF
 248-94-7675, Camden, South Carolina 29020
 601 TCW/JA, USAF, APO NY 09130

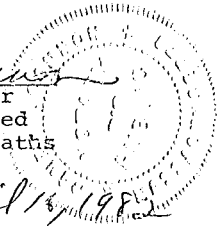
A F F I D A V I T

The undersigned, being duly sworn,
deposes and says that the answers to the
questions posed on the attached Schedule A
are true and correct to the best of my
knowledge and belief.

Dated: 2/29/78 Paul M. Eyr

Subscribed and sworn to before me
this 27th day of February, 1978.

Janet McCann
Notary Public/or
person authorized
to administer oaths



My commission expires April 1, 1982

SCHEDULE A

1. Did you know or have you ever heard that General Mohammed Khatami, Commander-in-Chief of the Imperial Iranian Air Force, had an ownership interest of any nature in STP (Skerkat Shahami Tayar Pars) or Air Taxi, Iranian companies, between 1960 and 1975?

I have no such knowledge.

2. Which company did you know or hear that General Khatami had an ownership interest in -- STP or Air Taxi? When did you learn of General Khatami's interest and who did you learn of it from?

I have no knowledge of General Khatami or any of his ownership interests.

3. Were General Khatami's interests in STP and Air Taxi common knowledge in Tehran? When was that information common knowledge? Who knew? How did you learn of that information?

I have no knowledge about this.

4. Did you speak to or did Bell Helicopter or Textron officials speak to you about General Khatami's interest in STP or Air Taxi?

No.

5. Which Bell or Textron officials did you speak with and when?

None

6. What were your conversations with Bell or Textron officials about those matters?

No such conversations.

7. Did you know or have you ever heard that any Bell or Textron officials knew that General Khatami had an ownership interest of any nature in STP or Air Taxi at any time between 1960 and 1975?

I have had no such knowledge.

8. Did you know or have you heard of any payments, gifts or other items of value made by or given by Bell directly or indirectly to Iranian officials to try to generate helicopter sales in Iran between 1960 and 1975?

I have never heard or had any knowledge of any such payments.

9. Did you know or have you ever heard that any of the \$2,950,000 payment to Air Taxi might have been passed on directly or indirectly to Iranian government officials, including General Khatami, in connection with Bell's 1972 helicopter deal with the Iranian government.

I have never heard (prior to recent newspaper accounts) of any

10. When did you learn or hear that any of the payment was passed on and from whom did you learn or hear of it?

I have never had such knowledge

11. Did you know or have you ever heard that Bell or Textron may have maintained at any time any fund of monies or other assets which were not recorded on the corporate books and records?

No.

12. Do you have any information that G. William Miller, President and later Chairman of the Board of Textron, Inc. between 1960 and 1975, had any knowledge of any of the matters referred to in the above questions?

I have never had any information which would indicate that G. William Miller had any such information.

Paul M. Dye

Feb 27, 1978

I received the above questionnaire last evening (2/16/78) after returning from a two weeks trip

PM 8.

PRICE & WILLIAMS
ATTORNEYS AT LAW
306 EAST 14TH STREET - SUITE L-7
AUSTIN, TEXAS 78701

Jack M. Price
Ivan R. Williams, Jr.

(512) 474-1563

February 27, 1978

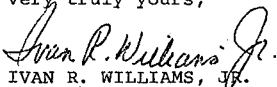
Mr. Bruce Freed
Senate Banking Committee
5300 Dirksen Senate Office Building
Washington, D.C. 20510

Re: Nunes Trading Co., Ltd. v. Bell Helicopter Co., et al

Dear Mr. Freed:

Enclosed please find copy of Plaintiff's First Amended
Complaint filed in the above styled cause.

Very truly yours,


IVAN R. WILLIAMS, JR.

IRW, JR:ds

Encl.

IN THE UNITED STATES DISTRICT COURT
 FOR THE NORTHERN DISTRICT OF TEXAS
 FORT WORTH DIVISION

NUNES TRADING CO., LTD.)	
)	
V.)	
)	CIVIL ACTION NO.
BELL HELICOPTER COMPANY,)	
BELL AEROSPACE CORPORATION,)	CA 4-74-119
TEXTRON, INC., BELL HELI-)	
COPTER COMPANY, A DIVISION)	
OF BELL AEROSPACE CORPORATION,)	
AND BELL HELICOPTER COMPANY,)	
A DIVISION OF TEXTRON, INC.)	

PLAINTIFF'S FIRST AMENDED COMPLAINT

TO THE HONORABLE JUDGE OF SAID COURT:

Comes now NUNES TRADING CO., LTD., hereinafter called Plaintiff, and files this its First Amended Complaint, complaining of BELL HELICOPTER COMPANY, BELL AEROSPACE CORPORATION, TEXTRON, INC., BELL HELICOPTER COMPANY, A DIVISION OF BELL AEROSPACE CORPORATION, AND BELL HELICOPTER COMPANY, A DIVISION OF TEXTRON, INC., hereinafter called Defendants, and as claim against the said Defendants would show the Court as follows:

1. Plaintiff is a Jamaican corporation, duly organized and authorized to do business under the laws of the Country of Jamaica, with its principal place of business in Kingston, Jamaica, and is an alien corporation.
2. Plaintiff alleges upon information and belief that the Defendant, Bell Helicopter Company, is either a Texas or Delaware corporation. In the alternative, Plaintiff would show the Court that Bell Helicopter Company is not a separate corporation, but a division of Bell Aerospace Corporation, with its principal place of business in Fort Worth, Tarrant County, Texas. Said corporation has withdrawn from doing business within the State of Texas, but formerly did business within the State of Texas, within the provisions of Article 2031(b), Vernon's Annotated Texas Statutes, and said corporation may be served by serving both the CT Corporation System, Republic National Bank Building, Dallas, Texas, 75201,

its former registered agent for service, and by serving the Secretary of State for the State of Texas with duplicate copies of Summons and Complaint all as is provided in Section 2031(b), V.A.T.S. Alternatively, and upon information and belief, Plaintiff alleges that Bell Helicopter Company is not a separate corporation, but a division of Textron, Inc., a Delaware corporation, with its principal place of business in Fort Worth, Tarrant County, Texas, or alternatively, said corporation is doing business within the State of Texas and the Northern District of Texas; said Defendant may be served with Summons by serving its registered agent for service, the CT Corporation System, Republic National Bank Building, Dallas, Texas, 75201.

3. Plaintiff alleges that on January 1, 1965, and at all times material hereto, Bell Helicopter Company was not a separate corporation but was either a division of Bell Aerospace Corporation or Textron, Inc. Plaintiff further alleges that the Defendant, Bell Aerospace Corporation, was, prior to November, 1969, a separate corporation, organized under the laws of the State of Delaware, with its principal place of business in Fort Worth, Tarrant County, Texas, or alternatively, doing business thereat, and that Bell Helicopter Company was a division thereof.

4. Plaintiff would further show the Court that during either November or December, 1969, or in early 1970, Bell Aerospace Corporation merged with and became one and the same corporation as Textron, Inc. Textron, Inc., is a corporation organized under the laws of Delaware, but is authorized to do business within the State of Texas and the Northern District of Texas, and is actually doing business within said District. Plaintiff further alleges that from and after the date of the merger between Bell Aerospace Corporation and Textron, Inc., Bell Helicopter Company, with whom Plaintiff contracted as is hereinafter set forth, became, has been, and is now a division of Textron, Inc. Textron, Inc., is legally liable, by virtue of the foregoing merger, for all obligations, either at law or in equity, of Bell Helicopter Company, a division of Bell Aerospace Corporation, and Bell Aerospace Corporation.

5. Plaintiff would show the Court that there is complete diversity of citizenship between the Plaintiff and Defendants, and that the amount in controversy exceeds \$10,000.00, and that this Court has jurisdiction thereby pursuant to Title 28 U.S.C.A. Sec. 1332.

6. Plaintiff would show the Court that on January 1, 1965, Plaintiff and Defendants entered into a "Manufacturer's Foreign Representative Agreement" (hereinafter referred to as Agreement) between one or more of the parties hereto, which appointed Plaintiff the representative of Bell Helicopter Company, a division of Bell Aerospace Corporation, to sell various Bell Helicopter Company products in Jamaica. A true and complete copy of the Agreement, including all amendments thereto, is attached to Plaintiff's Original Complaint on file herein, and incorporated herein by reference as if fully set forth:

7. The Agreement provided that Plaintiff should generally promote the sale of Bell Helicopter Company products and that in return therefor, the Defendants would pay a percentage or "fair" commission to the Plaintiff for such sales as were made, all in accordance with the Agreement, attached to Plaintiff's Original Complaint as Exhibit "A", and the commission schedule attached to Plaintiff's Original Complaint as "Schedule A"

8. Plaintiff would show the Court that Exhibit "A" attached to Plaintiff's Original Complaint and all amendments was an agreement prepared by Bell Helicopter Company, a Division of Bell Aerospace Corporation, was executed by Plaintiff in Jamaica, and finally accepted and executed thereafter by said Defendant in Fort Worth, Texas.

9. Through the approximately six years following the execution of Exhibit "A" attached to Plaintiff's Original Complaint, Plaintiff utilized its best efforts through its officers and employees to fully perform all of its obligations under said Exhibit "A" and in doing so not only developed the area of Jamaica, but also other markets in the Caribbean area for Bell Helicopter Company products,

summarizing several sales of helicopters, parts and related equipment during said period of time. In these efforts, Plaintiff expended great sums of money and time, and was at all times willing to perform its obligations under said Exhibit "A" and was not in default thereunder at any material time. During said period of time, Plaintiff made various sales to entities in Jamaica of Bell Helicopter aircraft, spare parts, and miscellaneous merchandise, for which Defendant, Bell Helicopter Company, a Division of Bell Aerospace Corporation duly paid commission to Plaintiff.

COUNT I

10. Plaintiff here realleges Paragraphs 6 through 9 of this First Amended Complaint as if fully set forth.

11. Plaintiff would show the Court that Exhibit "A" attached to the Plaintiff's Original Complaint, has not been terminated by the parties, and is still in effect.

12. Plaintiff alleges upon information and belief that during the period from 1970 to the present date, Defendants have made numerous sales of helicopters, spare parts, and other miscellaneous equipment, within the area of Jamaica in which Plaintiff is the representative of the Defendants, and that various commissions pursuant to said Exhibit "A" upon said sales are due and payable to Plaintiff.

13. Though demand has been made for payment upon the Defendants by Plaintiff of said commissions, no payment has been forthcoming, and Defendants have refused in the past and continue to refuse to pay said commissions as are due under said Exhibit "A".

14. Plaintiff alleges upon information and belief that the Defendants during the aforesaid period of time have sold to the Jamaican Defense Force two Bell Jet Ranger Helicopters of a cost of approximately \$125,000.00 each, and one Twin-Engine UH-1 Series Helicopter, at a price of approximately \$500,000.00, plus numerous spare parts, and other miscellaneous equipment, the full extent of which is unknown to your Plaintiff, and that the percentage or "fair" commission upon said sales would, pursuant to said Exhibit "A", amount to in excess of \$100,000.00.

Plaintiff has no means whereby it can determine with accuracy the amount of such sales by the Defendants, and asks the Court for an accounting to determine said sum. As a result of the failure to pay such commissions, Defendants have breached their Agreement with the Plaintiff, entitling the Plaintiff to an accounting for such commissions, and judgment against the Defendants for said sum, which Plaintiff believes to be in excess of the sum of \$100,000.00.

COUNT II

16. Plaintiff realleges Paragraphs 6 through 9, 12, and 13 of this Amended Complaint as if fully set forth.

17. For further cause of action, and in the alternative if necessary, Plaintiff would show the Court that the Defendants attempted to terminate the Agreement between the Parties by letter dated May 14, 1970, a true and correct copy of which letter is attached to Plaintiff's Original Complaint as Exhibit "B", and incorporated herein as if fully set forth.

18. Exhibit "B" attached to Plaintiff's Original Complaint purported to terminate the Agreement, but was not in accordance with the terms of the Agreement, and is thus wholly void; nevertheless, said Exhibit "B" is such an expression of the intent of the Defendants to breach the Agreement that it entitles Plaintiff to sue for anticipatory breach of the Agreement though still in effect.

19. Accordingly, Plaintiff sues Defendants for an accounting of the sales of helicopters, spare parts, and other miscellaneous equipment made by the Defendants in Plaintiff's area, and for commissions due thereon as set forth in Paragraph 14 of Count I hereof, and additionally sues the Defendants for expenses incurred by Plaintiff in the performance of its obligations under the Agreement which were within the contemplation of the parties at the time of the execution thereof and which were incurred upon Plaintiff's belief and reliance that Defendants would fully perform all their obligations under the Agreement, all in the amount of \$15,000.00.

COUNT III

20. Plaintiff realleges Paragraphs 6 through 9, 12 and 13 hereof as if fully set forth.

21. For further cause of action, and in the alternative if necessary, Plaintiff says that the attempted termination by the Defendants of the Agreement, by Exhibit "B" attached to Plaintiff's Original Complaint, if effective, was effective only on and after December 31, 1970, and that said Agreement was wrongfully terminated by the Defendants with the intent to deprive Plaintiff of commissions due Plaintiff on several proposed sales of Bell Helicopters, spare parts and other miscellaneous equipment, to individuals or entities within Jamaica.

22. Had it not been for said breach and wrongful termination of the Agreement by the Defendants, Plaintiff would have obtained executed standard export purchase agreements with said purchasers, and would have been entitled to commissions upon sales of such merchandise, and Plaintiff has been damaged by virtue of said wrongful termination and is entitled to recover, after an accounting, from Defendants the commissions set forth in the Agreement on all sales of helicopters, spare parts, or other miscellaneous equipment made by the Defendants in Jamaica before December 31, 1970, or thereafter where such sales were made to entities initially contacted and cultivated by Plaintiff, as set forth in Paragraph 14 hereof.

23. Such acts and actions or omissions on the part of the Defendants entitle Plaintiff to an accounting and to recover commissions upon such sales in excess of the sum of \$100,000.00, plus the expenses expended by Plaintiff in developing such territory and potential purchasers in the amount of \$15,000.00.

24. Further alleging with regard to Counts I, II and III, Plaintiff says that the acts or omissions of one, more than one or all of the Defendants in attempting to terminate or terminating the Agreement or in making sales to individuals or entities within the Plaintiff's territory of Jamaica without the payment of rightful commissions to the Plaintiff were wrongful as to this Plaintiff, and

done and accomplished or omitted by the Defendants willfully and in wanton disregard for the contractual rights of Plaintiff under the Agreement, and with the intent of depriving Plaintiff to its rightful commissions, thus entitling Plaintiff to the recovery of exemplary damages under one or more than one or all of the foregoing Counts in the amount of \$100,000.00.

COUNT IV

25. Jurisdiction of this Court as to Count IV is based on 15 U.S.C. Secs. 15 and 26, and this Count is based on a violation by the Defendants of Secs. 1 and 2 of the Sherman Act, 15 U.S.C. Secs. 1 and 2.

26. Plaintiff realleges Paragraphs 1 through 9 of this First Amended Complaint as if fully set forth.

27. During the time that Plaintiff served as Defendants' representative in Jamaica, it attempted to start its own separate aviation business, Jamaica Aviation, Ltd., which business would have required it to buy and operate approximately two helicopters. In negotiating for the purchase of these helicopters from Defendant, Bell Helicopter Company, it became apparent to Plaintiff that because of the high price and limited warranty terms it might be more advantageous for the Plaintiff to purchase helicopters to be used in this separately operated business from competitors of Bell Helicopter Company. Said separately operated business did not involve in any way the Bell Representative Agreement, (Exhibit "A" attached to Plaintiff's Original Complaint), being sued hereon. When such became known to the Defendant, Bell Helicopter Company, its representatives let it be known to Plaintiff that Plaintiff must purchase Bell helicopters for use in its separately operated business or, by implication, Plaintiff would lose its position as a Bell Helicopter Company foreign representative.

28. The helicopters manufactured by both Bell Helicopter and some of its competitors from whom Plaintiff would have purchased helicopters for its separately owned business are manufactured in the United States of America, and would be transported from the United States of America to Jamaica by means of the facilities of interstate

from the place of manufacture, i.e., Pennsylvania, to the point of departure, i.e., Miami, Florida, and from there by air express to Jamaica. In turn, the helicopters manufactured by Defendant were assembled from parts manufactured in various states of the United States.

29. At first, Plaintiff acceded to Defendant's tactics, and tacitly agreed with Defendant to take its requirements of helicopters from the Defendant exclusively; however, upon later negotiations and upon finding that the Defendant's warranty terms were too limited, Plaintiff informed Defendant that it could no longer agree to buy Defendant's helicopters without additional terms concerning the replacement of the helicopter in lieu of simple warranty replacement, in the event of a crash of one of Defendant's helicopters. Whereupon, Defendant terminated the Representative Agreement in question, Exhibit "A" attached to Plaintiff's Original Complaint.

30. The above restriction imposed by Defendant upon Plaintiff as to the source of Plaintiff's helicopters constituted a combination, contract and conspiracy and restraint of trade and was an attempt by the Defendant to monopolize a part of the trade or commerce with a foreign nation, and which as a restraint of trade was either per se, unreasonable, or unreasonable from its facts, which course of conduct on the part of the Defendant, Bell Helicopter Company, accomplished injury to the Plaintiff and destroyed Plaintiff's business as a representative and/or distributor of Defendant's product, all in violation of Secs. 1 and 2 of the Sherman Act, 15 U.S.C. Secs. 1 through 2.

31. As a proximate result of the above actions, Plaintiff has been damaged in the loss of commissions upon various sales of Bell Helicopters, spare parts and other equipment in the Jamaica area, as well as his expenses involved in developing said area, and is thus entitled to recover, after an accounting, from Defendant, Bell Helicopter Company, the commissions set forth in Exhibit "A" attached to Plaintiff's Original Complaint on all sales of helicopters

spare parts or other miscellaneous equipment made by the Defendant in Jamaica from and after January 1, 1970, as well as expenses expended by Plaintiff in developing said territory and potential purchasers, in the amount of \$15,000.00.

32. Whereupon, Plaintiff prays for damages in the amount of \$115,000.00, or as indicated by said accounting, to be trebled according to law, reasonable attorney's fees and cost of this suit.

COUNT V

33. Jurisdiction of this Court as to Count V is based on 15 U.S.C. Sec. 1, et. seq., and this Count is based on a violation by the Defendants of Section 2(c) of the Clayton Act, as amended by the Robinson-Patman Act, 49 Stat. 1527 (1936), 15 U.S.C. Sec. 13(c).

34. On information and belief, at various times during and subsequent to the period Plaintiff was the exclusive sales representative in Jamaica for Defendant Bell Helicopter Company, pursuant to the "Agreement", Bell Helicopter Company paid Andrew A. Bogle, a former representative of the Jamaican Defense Force, the most significant potential customer of Bell Helicopter in Jamaica, substantial sums of money. Mr. Bogle, at the same time some of the payments were made, was attached to the Air Wing of the Jamaican Defense Force as a helicopter pilot and was the technical authority within the Air Wing on helicopters and their military applications.

35. Further, on information and belief, some, if not all of the payments received by Mr. Bogle from Bell were shared by Bogle and representatives and officers of the Jamaican Defense Force, responsible for the purchase of helicopters. However, none of the payments which Bell Helicopter Company made to Bogle and distributed by him were disclosed to any other person outside of the Jamaican Defense Force prior to their discovery by Plaintiff in 1976.

36. The payments made by Defendant Bell Helicopter Company to Bogle were made pursuant to an agreement between Bell Helicopter Company and Bogle that the latter would use his best efforts to obtain for Bell the helicopter business of the Jamaican Defense Force and that Bogle would become the Bell sales representative for Jamaica. The result of such agreement was that Bogle did influence

the responsible officials of the Jamaican Defense Force to purchase its helicopter requirements from Bell, and Bogle did become the Bell sales representative for Jamaica, and Plaintiff was cancelled as Bell's exclusive sales representative for Jamaica.

37. As a result and proximate consequence of the above actions of Bell and Bogle in concert and in conspiracy with other representatives and agents of the Jamaican Defense Force, Plaintiff was terminated as the exclusive Bell sales representative for Jamaica, and was precluded from selling helicopters manufactured by Defendant Bell Helicopter Company to the Jamaican Defense Force. Further, such actions amounted to monopolization and conspiracy to monopolize sales of helicopters and helicopter parts in Jamaica, and precluded Plaintiff from being able to sell any helicopter and/or helicopter parts in Jamaica.

38. Except for the described payments, Plaintiff would have made sales of Bell helicopters and parts to the Jamaican Defense Force during the period the payments were made and would have realized on such sales substantial commissions of at least \$100,000.00.

39. The payments made by Defendant Bell Helicopter Company to Mr. Bogle which precluded Plaintiff from representing Bell Helicopter in Jamaica and from competing for the Jamaican Defense Force business, and thus from competing for helicopter business in Jamaica, constitutes "commercial bribery" in violation of Section 2(c) of the Clayton Act, as amended by the Robinson-Patman Act, 49 Stat. 1527 (1936), 15 U.S.C. Sec. 13(c).

COUNT VI

40. Plaintiff realleges paragraphs 1 through 9, and 25 through 39 of this First Amended Complaint as if fully set forth.

41. The actions of the Defendants and the alleged co-conspirators amounts to monopolization and/or attempted monopolization of the business of sales of new helicopters and helicopter parts in Jamaica, which proximately damaged Plaintiff in the amount of at least \$100,000.00.

COURT VII

42. Plaintiff realleges Paragraphs 1 through 9, and 25 through 39 of this First Amended Complaint as if fully set forth.

43. The actions of the Defendants and the co-conspirators amounted to an unreasonable restraint of trade in violation of Sec. 1 of the Sherman Act which proximately caused damage to Plaintiff in the amount of at least \$100,000.00.

WHEREFORE, PREMISES CONSIDERED, Plaintiff prays that Defendants be cited to appear herein and answer this First Amended Complaint, and that upon hearing hereof, Plaintiff have judgment against Bell Helicopter Company, or such other of the Defendants as the evidence may show to be proper, an accounting, damages in the amount of at least \$100,000.00, or as an accounting may show due, expenses in the amount of \$15,000.00, exemplary damages in the amount of \$100,000.00, and further that upon finding of a violation of the Sherman Act and/or Robinson-Patman Act, that such damages should be trebled according to law, and for a reasonable attorney's fee, and for its costs of Court in this behalf expended, and for such other and further relief to which it may show itself justly entitled.

Respectfully submitted,

FRED MISKO, JR.
8350 N. Central Expressway
Dallas, Texas 75206

PRICE & WILLIAMS
306 East 11th Street
Suite L-7
Austin, Texas 78701

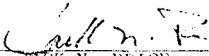
BY: 

JACK N. PRICE

ATTORNEYS FOR PLAINTIFF.

CERTIFICATE OF SERVICE

I hereby certify a true and correct copy of the above and foregoing document has been forwarded to opposing counsel of record by U. S. Mail on this the 11th day of August, 1977.


JACK N. PRICE

PLAINTIFF HEREBY DEMANDS TRIAL BY JURY.

DOUGLAS MAC ARTHUR II
 Résidence Parc Longchamp
 Rue Langeveld 65- Bte 8
 B- 1180 BRUSSELS,BELGIUM

February 18, 1978

Mr. Kenneth A. Mc Lean
 Staff Director
 Committee on Banking, Housing and Urban Affairs
 United States Senate
 WASHINGTON, D.C.

Dear Mr. Mc Lean :

I received only today your letter of February 10, 1978 which was mis-addressed regarding a payment which the Bell Division of Textron, according to your letter, agreed to make to the Air Taxi Company of Iran in June of 1973.

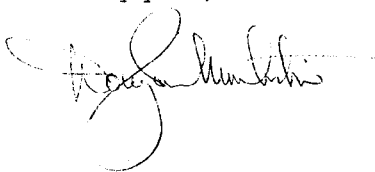
For your information, I retired from the Foreign Service in February of 1972 and left Iran during that month to take up residence in Brussels, Belgium so that I was neither in Iran at the time of the payment you mention nor do I have any information whatsoever about the payment you mention. Indeed your letter is the first I have ever heard of it.

When I was Ambassador to Iran I did know the late General Khatami in his capacity as Commander-in-Chief of the Iranian Air Force but I frankly do not recall ever even hearing about either " STP" or " Air Taxi" and consequently I had no knowledge of any association of General Khatami with either company.

Insofar as contacts with Bell or Textron officials are concerned during my Ambassadorship to Iran, as I recall it, some Bell people did pay a courtesy call on me (as did representatives of most American companies) to brief me on their desire to supply helicopters to Iran but I do not remember if it was in 1970 or 1971 nor do I recall any details of the discussion. My recollection is that it was a routine courtesy call and no details of their discussions or negotiations with Iran were involved.

Finally, I have no recollection whatsoever of even hearing of the name of G. William Miller at that time.

Sincerely yours,



Feb. 23. 1978

Dear Mr. Harlan

I apologize for answering only to-day
to your letter of Feb. 8, 1978.

Both in the weather conditions delayed the mail
in the United States and in Europe and
in consequence actually I received it only
the 21st of February -

I enclose my answer to the question-
naire that you sent me and the affidavit
related to my declaration.

Sincerely yours

Carl H. ...

Answers to Schedule A.

1. I have never known or I have never heard that General Mohammed Khatani had an ownership interest, of any nature, either in STP or in Air-Taxi.
2. Please see answer under Nr. 1
3. Please see answer given under Nr. 1. In the second quarter of 1976 I was in Teheran in my capacity of Chairman of Fatme, Rome, & Company of the group Ericsson, Stockholm - Telecommunications for three days. It was known that I am a director of Tectron. Nobody made to me any allusions = of any sort - to General Khatani or to his supposed interests in STP, Air Taxi or any other Company
4. No
5. Please revert to Nr. 4 answer.
6. Please see above.
7. No
8. No
9. No
10. Please see answer under Nr. 9
11. No

12. No. And knowing Mr. William Miller from some years, I have no doubt that if anything of this sort would have come to his knowledge, he would have immediately informed the Board.



HEADQUARTERS
UNITED STATES EUROPEAN COMMAND
APO New York 09128

ECJ4/7

1 March 1978

Mr. Kenneth A. McLean
Staff Director
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. McLean:

Per our telephonic discussion on 22 February 1978, attached is response to your query 8 February 1978.

As previously mentioned, your letter was not received until 21 February 1978 during my absence in CONUS on TDY. Hence, the delay.

Any inconvenience is regretted.

Sincerely,

A handwritten signature in cursive script, appearing to read "E. A. Partain".

E. A. PARTAIN
Major General, US Army

1 Incl
as

AFFIDAVIT

From 15 June 1974 to 16 June 1976 the undersigned served as Chief, Army Section, ARMISH-MAAG, Tehran, Iran. During that period I made an official call on General Khatami shortly after my arrival and attended some four or five large social gatherings at which he was present. Conversational contact with him was minimal. During this same period I was in close official contact with Bell officials with regard to their execution of FMS cases dealing with development of the Imperial Iranian Army Aviation (IIAA); the IIAA Training Center, the operational units, and the Imperial Iranian Aviation Helicopter Logistics Department.

Each time Mr. Atkins, President of Bell Helicopter came to Iran, I met with him for the purpose of discussing contractor problems, performances, etc. I was also in frequent contact with Major General Delk Oden, USA, Retired, in-country manager for Bell and subsequently with his successor, a Mr. Powell. Upon establishment of Bell Helicopter International, Lt General Bob Williams, USA, Retired, was named President, and I was in contact with him each time he came to Iran. To the best of my recollection, the matter of General Khatami's interest in, ownership of any company or agency related to IIAA was never mentioned. Answers to specific questions posed follow:

SCHEDULE A

Question 1: Did you know or have you ever heard that General Mohammed Khatami, Commander in Chief of the Imperial Iranian Air Force, had an ownership interest of any nature in STP (Skerkat Shahami Tayar Pars) or Air Taxi, Iranian companies, between 1960 and 1975?

Answer: No

Question 2: Which company did you know or hear that General Khatami had an ownership interest in - STP or Air Taxi? When did you learn of General Khatami's interest and who did you learn it from?

Answer: I knew of none

Question 3: Were General Khatami's interests in STP and Air Taxi common knowledge in Tehran? When was that information common knowledge? Who knew? How did you learn of that information?

Answer: Again, I was unaware of General Khatami's involvement

Question 4: Did you speak to or did Bell Helicopter or Textron officials speak to you about General Khatami's interest in STP or Air Taxi?

Answer: No

Question 5: Which Bell or Textron officials did you speak with and when?

Answer: Prior to reporting for duty in Iran, I visited the Bell plant sometime in May 1976 at which time I met Mr. Rudnick and Mr. Sylvester. After arrival in Iran I met with these individuals during the course of their visits to that country. Further, as mentioned in my introductory comment, I met with Mr. Atkins and other officials.

Question 6: What were your conversations with Bell or Textron officials about those matters?

Answer: Development of IIAA; other than a series of discussions in November/December 1975 regarding proposed helicopter co-production program.

Question 7: Did you know or have you ever heard that any Bell or Textron officials knew that General Khatami had an ownership interest of any nature in STP or Air Taxi at any time between 1960 and 1975?

Answer: No

Question 8: Did you know or have you heard of any payments, gifts or other items of value made by or given by Bell directly or indirectly to Iranian officials to try to generate helicopter sales in Iran between 1960 and 1975?

Answer: No

Question 9: Did you know or have you ever heard that any of the \$2,950,000 payment to Air Taxi might have been passed on directly or indirectly to Iranian government officials, including General Khatami, in connection with Bell's 1972 helicopter deal with the Iranian government?

Answer: No

Question 10: When did you learn or hear that any of the payment was passed on and from whom did you learn or hear of it.


Answer: I had no knowledge nor did I hear any report concerning the payment in question.

Question 11: Did you know or have you ever heard that Bell or Textron may have maintained at any time any fund of monies or other assets which were not recorded on the corporate books and records?

Answer: No

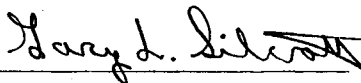
Question 12: Do you have any information G. William Miller, President and later Chairman of the Board of Textron, Inc. between 1960 and 1975, had any knowledge of any of the matters referred to in the above questions?

Answer: No.



E. A. PARTAIN, Major General, USA

SUBSCRIBED AND SWORN BEFORE ME ON 1st DAY OF March
1978 AT STUTT GART-VAIHINGEN, WEST GERMANY



GARY L. SILCOTT, Lt Colonel, USAF

SCHEDULE A

1. Did you know or have you ever heard that General Mohammed Khatami, Commander-in-Chief of the Imperial Iranian Air Force, had an ownership interest of any nature in STP (Skerkat Shahami Tayar Pars) or Air Taxi, Iranian companies, between 1960 and 1975?

No.

2. Which company did you know or hear that General Khatami had an ownership interest in -- STP or Air Taxi? When did you learn of General Khatami's interest and who did you learn of it from?

N/A.

3. Were General Khatami's interests in STP and Air Taxi common knowledge in Tehran? When was that information common knowledge? Who knew? How did you learn of that information?

N/A.

4. Did you speak to or did Bell Helicopter or Textron officials speak to you about General Khatami's interest in STP or Air Taxi?

No.

5. Which Bell or Textron officials did you speak with and when?

Almost all Bell and Textron officials who visited Iran during 1972, 73, & 74.

6. What were your conversations with Bell or Textron officials about those matters?

N/A.

7. Did you know or have you ever heard that any Bell or Textron officials knew that General Khatami had an ownership interest of any nature in STP or Air Taxi at any time between 1960 and 1975?

No.

8. Did you know or have you heard of any payments, gifts or other items of value made by or given by Bell directly or indirectly to Iranian officials to try to generate helicopter sales in Iran between 1960 and 1975?

No.

9. Did you know or have you ever heard that any of the \$2,950,000 payment to Air Taxi might have been passed on directly or indirectly to Iranian government officials, including General Khatami, in connection with Bell's 1972 helicopter deal with the Iranian government.

No.

10. When did you learn or hear that any of the payment was passed on and from whom did you learn or hear of it?

N/A.

11. Did you know or have you ever heard that Bell or Textron may have maintained at any time any fund of monies or other assets which were not recorded on the corporate books and records?

No.

12. Do you have any information that G. William Miller, President and later Chairman of the Board of Textron, Inc. between 1960 and 1975, had any knowledge of any of the matters referred to in the above questions?

N/A.

N/A - Not Applicable

Margaret A. Sego
WITNESS

Leo E. Soucek
LEO E. SOUCEK
BG, USA (RET)

4 March 78
date

4 mar 78
date

GENERAL ELECTRIC

GENERAL ELECTRIC TECHNICAL SERVICES CO. INC. *
248 SORAYA AVE. TEHRAN, IRAN
P. O. BOX 2992
TEL.: 837508, 839958, 822330, 837095, 837481

Mr. Kenneth A. McLean,
Staff Director,
United States Senate,
Committee on Banking, Housing & Urban Affairs,
Washington D.C. 20510.

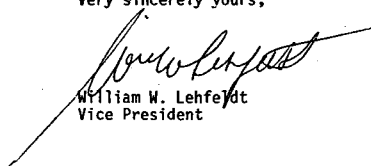
6 March, 1978

Dear Mr. McLean:

I today received your letter of February 10, 1978, addressed to me at my long out-of-date California address. Clearly it was impossible for me to answer the questions by the date you requested. In addition, since Mr. Miller has now been confirmed, I presume there is no need for me going through the exercise of preparing an affidavit responding to your request.

Should you wish me to provide any information or to complete the affidavit as requested, please let me know. For your information, I am enclosing the envelope in which your request came, so that you can see that I was not remiss purposely.

Very sincerely yours,


William W. Lehfeldt
Vice President

Enc.

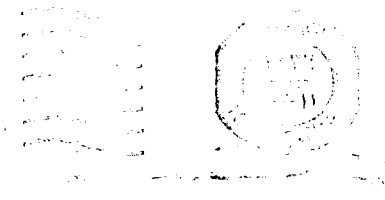
United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, D.C. 20510

OFFICIAL BUSINESS

CIVIL DELIVERY



Louis

William Fraxine



U.S.S.



Mr. William W. Lehfelbt

~~824 5th Street~~
~~Livingston, California 95554~~

General Electric
P.O. Box 2992
Tehran, Iran

645

Handwritten mark



March 7, 1978

Mr. Kenneth A. McLean
Staff Director
Committee on Banking, Housing
and Urban Affairs
5300 Dirkson Building
Washington, D. C. 20510

Dear Mr. McLean:

Enclosed you will find the questionnaire and affidavit
you sent to me on February 8, 1978. I hope you will
find them in order.

I have just recently returned from vacation and apol-
ogize for the delay in replying.

Sincerely,

E. Clayton Gengras

ECG:jnd
Enc.


A F F I D A V I T

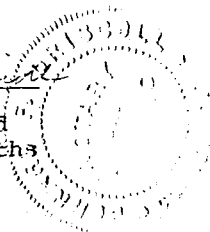
The undersigned, being duly sworn,
deposes and says that the answers to the
questions posed on the attached Schedule A
are true and correct to the best of my
knowledge and belief.

Dated: 3/7/78


E. Clayton Gengras

Subscribed and sworn to before me
this 7th day of ~~February~~, 1978.
March,


Notary Public/or
person authorized
to administer oaths



E. Clayton Gengras
March 7, 1978

SCHEDULE A

1. Did you know or have you ever heard that General Mohammed Khatami, Commander-in-Chief of the Imperial Iranian Air Force, had an ownership interest of any nature in STP (Skerkat Shahami Tayar Pars) or Air Taxi, Iranian companies, between 1960 and 1975?

NO, I HAVE NO KNOWLEDGE OF SUCH.

2. Which company did you know or hear that General Khatami had an ownership interest in -- STP or Air Taxi? When did you learn of General Khatami's interest and who did you learn of it from?

I AM NOT AWARE OF GENERAL KHATAMI OR ANY OF HIS INTERESTS.

3. Were General Khatami's interests in STP and Air Taxi common knowledge in Tehran? When was that information common knowledge? Who knew? How did you learn of that information?

I HAVE NO KNOWLEDGE REGARDING THIS.

4. Did you speak to or did Bell Helicopter or Textron officials speak to you about General Khatami's interest in STP or Air Taxi?

NO

5. Which Bell or Textron officials did you speak with and when?

NONE

6. What were your conversations with Bell or Textron officials about those matters?

I HAVE HAD NO CONVERSATIONS REGARDING THIS

7. Did you know or have you ever heard that any Bell or Textron officials knew that General Khatami had an ownership interest of any nature in STP or Air Taxi at any time between 1960 and 1975?

NO

8. Did you know or have you heard of any payments, gifts or other items of value made by or given by Bell directly or indirectly to Iranian officials to try to generate helicopter sales in Iran between 1960 and 1975?

NO
9. Did you know or have you ever heard that any of the \$2,950,000 payment to Air Taxi might have been passed on directly or indirectly to Iranian government officials, including General Khatami, in connection with Bell's 1972 helicopter deal with the Iranian government.

NO
10. When did you learn or hear that any of the payment was passed on and from whom did you learn or hear of it? NEVER

11. Did you know or have you ever heard that Bell or Textron may have maintained at any time any fund of monies or other assets which were not recorded on the corporate books and records? NO

12. Do you have any information that G. William Miller, President and later Chairman of the Board of Textron, Inc. between 1960 and 1975, had any knowledge of any of the matters referred to in the above questions?

I HAVE NO KNOWLEDGE OF SUCH



← EMBASSY OF THE
UNITED STATES OF AMERICA
Kathmandu, Nepal

March 3, 1978

Senate Committee on Banking,
Housing and Urban Affairs
United States Senate
Washington, D. C.

Dear Mr. Chairman:

I received the Committee's questions regarding Bell Helicopter activities in Iran which the Committee formulated in connection with the hearings on the nomination of G. William Miller to the Board of Governors of the Federal Reserve System while in travel status between Washington and my current post in Kathmandu. My replies to these questions were submitted to the Department for transmittal to the Committee as soon as possible after my return to Nepal where I checked what few records are available to me on this matter. This letter seeks to confirm for the record, as requested, the information I have already reported by cable.

The answers to the Committee's specific questions conveyed to me by the Department are as follows, listed here in the same order as they were posed:

1. No.
2. N/A.
3. N/A.
4. N/A.
5. See below.
6. See below.
7. No.
8. No.
9. No.
10. No.

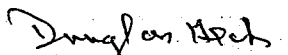
11. No.
12. No.

Regarding questions 5 and 6, my only recollection of contact with Bell and/or Textron officials in Iran involved essentially courtesy calls by such officials to my office in Tehran. These officials wished to make themselves known to the Embassy and for my part I was interested in insuring that the prospective arrival of a large number of Bell technicians and their families proceed as smoothly as possible. At the time I was concerned with the impact on Isfahan of a substantial increase in the foreign resident population, and conversely on the impact of a new and different environment on these technicians and their families. This interest translated itself into several visits to Isfahan to discuss such questions as housing, schooling and recreational facilities with Bell representatives. According to my records the persons with whom I was in contact were Bell Vice President A. B. Smith and Mr. and Mrs. Frank Toppings, also of Bell.

The substance of Bell's negotiations with the Government of Iran -- to the extent that the U.S. Mission was involved at all -- were handled by other elements of the Mission, and I have no recollection of any participation in them.

I have tried to be as responsive as possible to the Committee's questions. If the Committee has any further questions emerging from the foregoing, or on any other matters concerning Bell in Iran, please let me know.

Sincerely yours,


Douglas Heck
American Ambassador



DEPARTMENT OF STATE

Washington, D.C. 20520

March 15, 1978

Dear Mr. McLean:

In connection with various requests which your Committee has made during the course of the confirmation hearings on Mr. Miller, I am enclosing the following documents:

1. Answers to the Committee's 12 questions received by cable from Messrs. Eliot, Harlan and Heck;
2. Signed replies to the same questions from Messrs. Miklos, Brewin, Westley, Mills and McCaskill;
3. Copy of diplomatic note from the Department of State to the Imperial Embassy of Iran (without enclosure); and
4. Copy of diplomatic note from the Embassy of Iran to the Department of State (with enclosure).

I have been informed that, in light of Mr. Miller's confirmation, the Committee no longer desires to have Messrs. Iranzad and Zarjareh appear before it. This has been communicated to the Embassy of Iran.

Finally, it is my understanding that the Department has satisfied all of the Committee's requests except for transmittal of the signed replies of certain Department officers who, however, have already cabled their answers. The signed replies will be forwarded to you as soon as we received them.

Sincerely,

Douglas J. Bennet, Jr.
Assistant Secretary
of Congressional Relations

Enclosures:
as stated

Mr. Kenneth A. McLean,
Staff Director,
Committee on Banking, Housing
and Urban Affairs,
United States Senate.

Reply of Ambassador Theodore Eliot
Kabul

Q: Did you know or have you ever heard that General Mohammed Khatami, Commander-in-Chief of the Imperial Iranian Air Force, had an ownership interest of any nature in STP (Skerkat Shahami Tayar Pars) or Air Taxi, Iranian companies, between 1960 and 1975?

A: No.

Q: Which company did you know or hear that General Khatami had an ownership interest in -- STP or Air Taxi? When did you learn of General Khatami's interest and who did you learn of it from?

A: Not applicable.

Q: Were General Khatami's interest in STP and Air Taxi common knowledge in Tehran? When was that information common knowledge? Who knew? How did you learn of that information?

A: Not applicable.

Q: Did you speak to or did Bell Helicopter or Textron officials speak to you about General Khatami's interest in STP or Air Taxi?

A: No.

Q: Which Bell or Textron officials did you speak with and when?

A: None.

Q: What were your conversations with Bell or Textron officials about those matters?

A: None

Q: Did you know or have you ever heard that any Bell or Textron officials knew that General Khatami had an ownership interest of any nature in STP or Air Taxi at any time between 1960 and 1975?

A: No.

Q: Did you know or have you heard of any payments, gifts or other items of value made by or given by Bell directly or indirectly to Iranian officials to try to generate helicopter sales to Iran between 1960 and 1975?

A: No.

Q: Did you know or have you ever heard that any of the \$2,950,000 payment to Air Taxi might have been passed on directly or indirectly to Iranian government officials, including General Khatami, in connection with Bell's 1972 helicopter deal with the Iranian government.

A: No.

Q: When did you learn or hear that any of the payment was passed on and from whom did you learn or hear of it?

A: Not applicable.

Q: Did you know or have you ever heard that Bell or Textron may have maintained at any time any funds of monies or other assets which were not recorded on the corporate books and records?

A: NO.

Q: Do you have any information that G. William Miller, President and later Chairman of the Board of Textron, Inc. between 1960 and 1975, had any knowledge of any of the matters referred to in the above questions?

A: No.

Statement by Mr. Robert H. Harlan, Counselor of Embassy
for Economic Affairs, American Embassy Tehran 1964-69

- Q: Did you know or have you ever heard that General Mohammed Khatami, Commander-in-Chief of the Imperial Iranian Air Force, had an ownership interest of any nature in STP (Skerkat Shahami Tayar Pars) or Air Taxi, Iranian companies, between 1960 and 1975?
- A: I am not now aware that General Khatami had an ownership interest of any nature in STP or Air Taxi between 1960 and 1975 though it is conceivable that when I left Iran in 1969 after four years of service there, I might have known this and subsequently forgotten it.
- Q: Which company did you know or hear that General Khatami had an ownership interest in -- STP or Air Taxi? When did you learn of General Khatami's interest and who did you learn of it from?
- A: See answer 1.
- Q: Were General Khatami's interest in STP and Air Taxi common knowledge in Tehran? When was that information common knowledge? Who knew? How did you learn of that information?
- A: See answer 1.

Q: Did you speak to or did Bell Helicopter or Textron officials speak to you about General Khatami's interest in STP or Air Taxi?

A: I am confident I never spoke with Bell Helicopter or Textron officials about an interest General Khatami might have had in STP or Air Taxi.

Q: Which Bell or Textron officials did you speak with and when?

A: See answer 4.

Q: What were your conversations with Bell or Textron officials about those matters?

A: See answer 4.

Q: Did you know or have you ever heard that any Bell or Textron officials knew that General Khatami had an ownership interest of any nature in STP or Air Taxi at any time between 1960 and 1975?

A: I did not know and have never heard that any Bell or Textron officials knew of any possible ownership interests which General Khatami might have had in STP or Air Taxi.

- Q: Did you know or have you heard of any payments, gifts or other items of value made by or given by Bell directly or indirectly to Iranian officials to try to generate helicopter sales to Iran between 1960 and 1975?
- A: I did not know nor had I ever hear during my four years in Iran of any payments, gifts, or other items of value made by or given by Bell directly or indirectly to Iranian officials to try to generate helicopter sales in Iran. It may be that I have read subsequent newspaper coverage of such payments, etc., but if so I do not recall such reports.
- Q: Did you know or have you ever heard that any of the \$2,950,000 payment to Air Taxi might have been passed on directly or indirectly to Iranian government officials, including General Khatami, in connection with Bell's 1972 helicopter deal with the Iranian government.
- A: Similarly, I did not know nor did I ever hear during my four years in Iran that any of the dollar payments to Air Taxi might have been passed on directly or indirectly to Iranian Government officials including General Khatami in connection with Bell's 1972 helicopter deal with Iranian Government and if I have subsequently read accounts of such possible payments I do not independently recall them.
- Q: When did you learn or hear that any of the payment was passed on and from whom did you learn or hear of it?
- A: See answer 9.

- Q: Did you know or have you ever heard that Bell or Textron may have maintained at any time any funds of monies or other assets which were not recorded on the corporate books and records?
- A: I did not know and I never heard during my four years in Iran that Bell or Textron may have maintained at any time any fund or monies or other assets which were not recorded on the corporate books or records, though I may have subsequently read newspaper reports to this effect.
- Q: Do you have any information that G. William Miller, President and later Chairman of the Board of Textron, Inc. between 1960 and 1975, had any knowledge of any of the matters referred to in the above questions?
- A: I have no repeat no information that Mr. G. William Miller had any knowledge of any of the matters referred to in the 12 questions listed in paras 3 of Ref. A.

Statement by Ambassador Douglas Heck, Deputy Chief of Mission, American Embassy Tehran 1970-73

Q: Did you know or have you ever heard that General Mohammed Khatami, Commander-in-Chief of the Imperial Iranian Air Force, had an ownership interest of any nature in STP (Skerkat Shahami Tayar Pars) or Air Taxi, Iranian companies, between 1960 and 1975?

A: No

Q: Which company did you know or hear that General Khatami had an ownership interest in -- STP or Air Taxi? When did you learn of General Khatami's interest and who did you learn of it from?

A: N/A

Q: Were General Khatami's interest in STP and Air Taxi common knowledge in Tehran? When was that information common knowledge? Who knew? How did you learn of that information?

A: N/A

Q: Did you speak to or did Bell Helicopter or Textron officials speak to you about General Khatami's interest in STP or Air Taxi?

A: N/A

Q: Which Bell or Textron officials did you speak with and when?

Q: What were your conversations with Bell or Textron officials about those matters?

A: Regarding five and six, as far as I can recall my contacts with Bell and/or Textron officials in Iran comprised a) courtesy calls by such officials to my office on their arrival in Iran. I do not have names of such officials, but my recollection is that we discussed logistical and other problems Bell faced in settling into Iran. and b) visit to Isfahan to discuss with Bell officials housing and schooling problems their personnel faced and to assist Bell in coping with and reducing cultural shock which Bell personnel and their families might encounter as they attempted to adapt to new and foreign environment. Only record available to me of these contacts was a dinner I attended at Shah Abbas Hotel in Isfahan on July 30, 1978 (sic), Mr. and Mrs. Frank Toppings, also of Bell were present.

Q: Did you know or have you ever heard that any Bell or Textron officials knew that General Khatami had an ownership interest of any nature in STP or Air Taxi at any time between 1960 and 1975?

No

Q: Did you know or have you heard of any payments, gifts or other items of value made by or given by Bell directly or indirectly to Iranian officials to try to generate helicopter sales to Iran between 1960 and 1975?

A: No

Q: Did you know or have you ever heard that any of the \$2,950,000 payment to Air Taxi might have been passed on directly or indirectly to Iranian government officials, including General Khatami, in connection with Bell's 1972 helicopter deal with the Iranian government.

A: No

Q: When did you learn or hear that any of the payment was passed on and from whom did you learn or hear of it?

A: No

Q: Did you know or have you ever heard that Bell or Textron may have maintained at any time any funds of monies or other assets which were not recorded on the corporate books and records?

A: No

Q: Do you have any information that G. William Miller, President and later Chairman of the Board of Textron, Inc. between 1960 and 1975, had any knowledge of any of the matters referred to in the above questions?

A: No

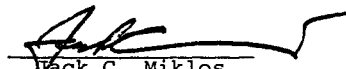
EMBASSY OF THE
UNITED STATES OF AMERICA

Tehran, Iran

February 13, 1978

STATEMENT

From time to time since roughly 1960 I have heard second or third-hand stories that the late General Mohammed Khatami had a financial interest in Air Taxi and Pars Air (Skerkat Shahami Tayar Pars). The precise nature of this interest was not defined nor was documentation offered to support these allegations. As I recall, these stories generally came from people associated in one way or another with Iranian civil aviation affairs, including U.S. Government officials responsible for reporting on Iranian civil aviation developments. I do not remember the name of any particular individual, however. It is my general impression that these stories circulated rather widely among the upper levels of Tehran business and social circles. I never heard of any Bell Helicopter or Textron payment to Air Taxi until the matter was raised during the hearings on the nomination of G. William Miller. I know nothing else relevant to the questions asked by the Senate Committee.



Jack C. Miklos
Minister-Counselor



EMBASSY OF THE
UNITED STATES OF AMERICA
Tehran, Iran

February 13, 1978

STATEMENT

I, Roger C. Brewin, make the following response to questions posed by the Senate Committee on Banking, Housing and Urban Affairs pursuant to Hearings on the Confirmation of G. William Miller to the Board of Governors of the Federal Reserve System. These answers are keyed to the twelve specific questions given in Department of State telegram number 036615 of February 11, 1978.

1. Subsequent to my arrival at this post in August 1974 I had heard from various individuals in the Tehran business community, whose names I am unable to recall, that General Mohammed Khatami, Commander-in-Chief of the Imperial Iranian Air Force, had a financial interest in both STP (Skerkat Shahami Tayar Pars) and Air Taxi, Iranian companies. This financial interest was variously described as silent partnership, minority interest, and part ownership. I was also told that General Khatami may have sold his interest in either of these two companies sometime in the early 1970's.
2. As stated above, I had heard that General Khatami had an ownership interest in both STP and Air Taxi. I was told this sometime in 1974 or 1975 but can no longer remember who first told me of this.
3. General Khatami's interest in STP and Air Taxi were fairly common knowledge in U.S. and Iranian aviation circles and to some degree known in the general business community. That information became common knowledge probably in the late 1960's and early 1970's.
4. On no occasion did I speak to Bell Helicopter or Textron Officials about General Khatami's interest in STP or Air Taxi, nor did Bell Helicopter or Textron officials speak to me about General Khatami's interest in these companies.
5. As stated above, I had no conversations with Bell or Textron officials on this subject.
6. As noted above, no such occasions occurred.

7. I have no specific knowledge that Bell or Textron officials knew of any ownership interest by General Khatami in STP or Air Taxi.
8. I have no personal knowledge of any payments, gifts or other items of value made or given by Bell directly or indirectly to Iranian officials to try to generate helicopter sales in Iran between 1960 and 1975.
9. I did not know nor have I ever heard that any of the Dollar 2,950,000 payment to Air Taxi was passed to Iranian Government officials including General Khatami.
10. Not applicable; I had no knowledge of such a payment.
11. I did not know nor have I ever heard that Bell or Textron may have maintained a fund of monies or other assets which were not recorded on the corporate books and records.
12. I have no information that G. William Miller, President and later Chairman of the Board of Textron, Inc. between 1960 and 1975, had any knowledge of any of the matters referred to in the above questions.



Roger C. Brewin
Counselor of Embassy for
Economic and Commercial Affairs



EMBASSY OF THE
UNITED STATES OF AMERICA
Tehran, Iran

February 13, 1978

STATEMENT

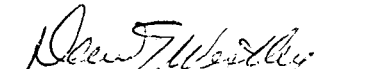
I, David E. Westley, make the following response to questions posed by the Senate Committee on Banking, Housing and Urban Affairs pursuant to Hearings on the Confirmation of G. William Miller to the Board of Governors of the Federal Reserve System. These answers are keyed to the twelve specific questions given in Department of State telegram number 036615 of February 11, 1978.

1. A few months after arriving at this Post in November 1974, I heard that General Khatami had a financial interest in Air Taxi, the extent of which was not clear.

2. I do not recall ever being informed that General Khatami had an interest in STP (I assume this is Air Pars which locally is known only by this name, not Sherkate Sahami Tayareh Pars). I believe that the information regarding Air Taxi and General Khatami came from one of the Iranian Commercial Assistants employed in the Commercial Section in the course of my work as Commercial Attache.

3. I was not aware of any financial interest of General Khatami in Pars Air. His connection with Air Taxi was not common knowledge but appeared to be taken as an accepted fact by those in the aerospace business, especially by those interested in doing business with Air Taxi.

4-12. I have no knowledge of any of the matters referred to in any of these questions.



David E. Westley
Commercial Attache



EMBASSY OF THE
UNITED STATES OF AMERICA

Athens, Greece

February 13, 1978

OFFICIAL-INFORMAL

Mr. Stephen E. Palmer, Jr.
Director, NEA/RA
Room 4224
Department of State
Washington, D. C. 20520

Dear Steve:

In answer to the questions contained in State 36615, during my service in Iran from March 1974 to September 1976 I did not become aware of anything regarding Bell Helicopter or Textron which might assist the Senate Committee on Banking, Housing and Urban Affairs in its hearings on the nomination of Mr. Miller. The following specific responses to the Committee's questions are keyed to numbering in the reflet:

1. No
2. Not applicable
3. Such information was not common knowledge among my contacts.
4. No
5. Not applicable
6. Not applicable
7. No
8. No
9. I did not know of any such payment.
10. Not applicable
11. No
12. No

Sincerely,

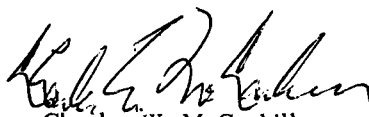
Hawk Mills

Hawthorne Mills
Chargé d'Affaires, a. i.

Replies to Questions from Senate Committee on Banking, Housing
and Urban Affairs Re Bell Helicopter Payments in Iran

My replies to the questions, following the numbering in para 3 of
Department's 36615, follow:

1. I do not recall knowing or ever having heard that General Mohammed Khatami, Commander-in-Chief of the Imperial Iranian Air Force, had an ownership interest of any nature in STP (Skerkat Shahami Tayar Pars) or Air Taxi, Iranian Companies, between 1960 and 1975.
2. Answered in Question No. 1.
3. I do not know whether General Khatami's interests in STP and Air Taxi were common knowledge in Tehran. As indicated above, I do not recall ever having heard of this subject in Tehran.
4. I can not recall ever having discussed this matter with anybody in Iran or having spoken to or with anybody about it.
5. Answered in Question No. 4.
6. Answered in Question No. 4
7. No.
8. No.
9. No.
10. Answered in Question No. 9
11. No.
12. No.


Charles W. McCaskill
American Consul General
in South India

February 16, 1978

file in return
 DEPARTMENT OF STATE
 WASHINGTON

Excellency:

I have the honor of transmitting three letters in sealed envelopes from Senator William Proxmire, Chairman of the United Senate Committee on Banking, Housing and Urban Affairs and copies thereof. The letters are addressed to three private individuals in Iran and concern the Committee's hearings on the nomination of Mr. G. William Miller to be a member of the Board of Governors of the United States Federal Reserve System.

I have the further honor of requesting that you arrange for the delivery of the enclosed letters to the addressees. In view of the Committee's schedule, I would be most appreciative if you could communicate to the addressees the contents of the letter by the fastest available means and confirm delivery of the contents of the letters so that the Department of State can notify the Committee. Should you have any questions regarding this matter, do not hesitate to contact me or Mr. Charles L. Marinaccio, Special Counsel to the Committee. His telephone number is 224-7391 or 224-7571.

His Excellency,

Ardeshir Zehedi,

Ambassador of Iran.

Accept, Excellency, the renewed assurances of
my highest consideration.

For the Secretary of State:

Enclosures:

Three Letters from
Senator Proxmire

Drafted: L:VVilaplana:rr
2/23/78 x22149

Clearance:
L- Mr. Hansell
NEA/ARN - Mr. Greene
S/S - Mrs. Denham

JOHN SPARKMAN, ALA.
 HARRISON A. WILSON, JR., N.J.
 THOMAS J. MC TIGHE, N.J.
 ALAN CRANSTON, CALIF.
 ADLAI E. STEVENSON, ILL.
 ROBERT MORGAN, N.C.
 DONALD W. RIEGLE, JR., MICH.
 PAUL S. SARBANES, MD.

EDWARD W. BROOKE, MASS.
 JOHN TONGE, TEX.
 JARL GARN, UTAH
 N. JOHN HENZ III, PA.
 RICHARD G. LUGAR, IND.
 HARRISON SCHMITT, N. MEK.

KENNETH A. MC LEAN, STAFF DIRECTOR
 JEREMIAH S. FURKLEY, MINORITY STAFF DIRECTOR
 MARY FRANCIS DE LA PAVA, CHIEF CLERK

United States Senate

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
 WASHINGTON, D.C. 20510

February 22, 1978

Mr. Khalil Iranzad
 Air Taxi Company
 Mehrabad Airport
 Tehran, Iran

Dear Mr. Iranzad:

President Carter has nominated G. William Miller, Chairman of the Board of Textron, to be a member of the Board of Governors of the Federal Reserve System. The Federal Reserve is this Nation's central bank.

Under the Constitution of the United States, the U. S. Senate must give its advice and consent to the President's nomination. This is usually referred to as the confirmation process. The Banking, Housing and Urban Affairs Committee is the Committee of the Senate which has jurisdiction over the nomination and confirmation of G. William Miller. Under the procedures of this Committee, G. William Miller testified on his own behalf on January 24, 1978.

During the course of Mr. Miller's testimony, a question was raised about a payment of \$2.9 million by Bell Helicopter, a division of Textron, to Air Taxi in connection with the sale of 489 helicopters to Iran during the period of 1973-1975. It was alleged that General Mohammed Khatami had an ownership interest in Air Taxi.


The Committee has been conducting an investigation into facts surrounding Bell's payment to Air Taxi, including what knowledge Textron and Bell Helicopter officials, including G. William Miller, may have had respecting General Khatami's ownership interest in Air Taxi.

It has come to the attention of this Committee that you possess important information that would be relevant to the Committee's investigation. Because of the importance of your testimony, this Committee requests your appearance at a hearing to be conducted in respect to these matters as it relates to the nomination of G. William Miller during the week of February 25 through March 4. The hearing will be held in Room 5300 of the New Senate Office Building in Washington, D. C.

The Committee unanimously agreed to make this request for your voluntary appearance because it felt this to be a matter involving the highest national interest. The Committee will pay your tourist air fare and reasonable expenses when you appear and testify. In response to this request, I would appreciate your calling Mr. Charles L. Marinaccio, Special Counsel to this Committee, collect at 202-224-7391 or 202-224-1571.

I thank you in advance for your cooperation with the work of this Committee of the United States Senate.

Sincerely,



William Proxmire
Chairman

WILLIAM PROXMIER, WIS., CHAIRMAN
 JOHN SPANKRAN, ALA.
 HARRISON A. WILLIAMS, JR., N.J.
 THOMAS J. MCINTYRE, N.H.
 ALAN CHRISTON, CALIF.
 ADLAI E. STEVENSON, ILL.
 ROBERT MORGAN, N.C.
 RONALD W. RIEGEL, JR., MINN.
 PAUL S. SARREANIS, N.D.

KENNETH A. MCLEAN, STAFF DIRECTOR
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 JAMES GANN, UTAH
 H. JOHN HEINE III, PA.
 RICHARD G. LUGAN, IND.
 HARRISON SCHMITT, N. MEK.

United States Senate

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
 WASHINGTON, D.C. 20510

February 22, 1978

Mr. A. H. Zanganeh
 Air Taxi Company
 Mehrabad Airport
 Tehran, Iran

Dear Mr. Zanganeh:

President Carter has nominated G. William Miller, Chairman of the Board of Textron, to be a member of the Board of Governors of the Federal Reserve System. The Federal Reserve is this Nation's central bank.

Under the Constitution of the United States, the U. S. Senate must give its advice and consent to the President's nomination. This is usually referred to as the confirmation process. The Banking, Housing and Urban Affairs Committee is the Committee of the Senate which has jurisdiction over the nomination and confirmation of G. William Miller. Under the procedures of this Committee, G. William Miller testified on his own behalf on January 24, 1978.

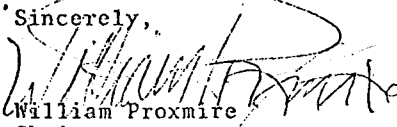
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The Committee has been conducting an investigation into facts surrounding Bell's payment to Air Taxi, including what knowledge Textron and Bell Helicopter officials, including G. William Miller, may have had respecting General Khatami's ownership interest in Air Taxi.

It has come to the attention of this Committee that you possess important information that would be relevant to the Committee's investigation. Because of the importance of your testimony, this Committee requests your appearance at a hearing to be conducted in respect to these matters as it relates to the nomination of G. William Miller during the week of February 25 through March 4. The hearing will be held in Room 5300 of the New Senate Office Building in Washington, D. C.

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I thank you in advance for your cooperation with the work of this Committee of the United States Senate.

Sincerely,

William Proxmire
Chairman

WILLIAM PROXMIN, WIS., CHAIRMAN
 JOHN SPARRHAM, ALA. EDWARD W. BROOKE, MASS.
 HARRISON A. WILLIAMS, JR., N.J. JOHN TOWER, TEX.
 THOMAS F. MC INTYRE, N.H. JAKE GARN, UTAH
 ALAN CRANSTON, CALIF. H. JOHN DENNE III, PA.
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 ROBERT MORGAN, N.C. HARRISON SCHMITT, N. MEK.
 DONALD W. RIGGLE, JR., MICH.
 PAUL S. SARBANES, MD.

KENNETH A. McLELLAN, STAFF DIRECTOR
 JEREMIAH S. DUCKLEY, MINORITY STAFF DIRECTOR
 MARY FRANCIS DE LA PAVA, CHIEF CLERK

United States Senate

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
 WASHINGTON, D.C. 20510

February 22, 1978

Mr. Ahmed Chafik
 Air Taxi Company
 Mehrabad Airport
 Tehran, Iran

Dear Mr. Chafik:

President Carter has nominated G. William Miller, Chairman of the Board of Textron, to be a member of the Board of Governors of the Federal Reserve System. The Federal Reserve is this Nation's central bank.

Under the Constitution of the United States, the U. S. Senate must give its advice and consent to the President's nomination. This is usually referred to as the confirmation process. The Banking, Housing and Urban Affairs Committee is the Committee of the Senate which has jurisdiction over the nomination and confirmation of G. William Miller. Under the procedures of this Committee, G. William Miller testified on his own behalf on January 24, 1978.

During the course of Mr. Miller's testimony, a question was raised about a payment of \$2.9 million by Bell Helicopter, a division of Textron, to Air Taxi in connection with the sale of 489 helicopters to Iran during the period of 1973-1975. It was alleged that General Mohammed Khatami had an ownership interest in Air Taxi.

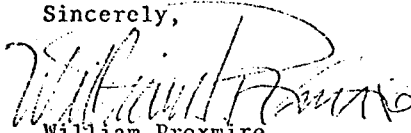
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I thank you in advance for your cooperation with the work of this Committee of the United States Senate.

Sincerely,



William Proxmire
Chairman



IMPERIAL EMBASSY OF IRAN
WASHINGTON, D. C.

ACTION
is assigned to

7044

NEA

The Imperial Embassy of Iran presents its compliments to the Department of State and has the honor to refer to your Note dated February 24, 1978.

We are pleased to inform the Department of State that the three letters sent by Senator William Proxmire through your good offices have been received and in order to expedite their delivery, as requested, the contents have been communicated to the addressees. Please be informed that the addressee, Mr. Ahmed Chafik, is deceased and we are therefore returning that letter to your attention.

The Imperial Embassy of Iran avails itself of this opportunity to renew to the Department of State the assurances of its highest consideration.

Washington, D. C. February 27, 1978


The Department of State
Washington, D. C.



ADDITIONAL DOCUMENTS

The following are copies of checks from A.H. Zanganeh's account. The second set are from Air Taxi's account.

These were payments to Khatami, Chafik and Djamanbani, made by Zanganeh and Air Taxi in 1972:



THE FIRST NATIONAL BANK AND TRUST COMPANY

OKLAHOMA CITY, OKLA.

U.S. DEPOSITARY 7A

ACCOUNT NO. 033

1 988 033

A. H. ZANGANEH
UNION BANK OF SWITZERLAND
45 DANHOFF STRASSE
8201 ZURICH, SWITZERLAND

SHEET NUMBER

1

DATE OF PAYMENT 06 30 72	CHECK NO. 1	AMOUNT PAID 244,450.00	CHECK NO. 1	BALANCE 251,158.94
-----------------------------	-------------	---------------------------	-------------	-----------------------

CHECKS AND OTHER DEBITS	DEPOSITS AND OTHER CREDITS	DATE	BALANCE
	244,450.00	05 31	6,708.66
		06 15	251,158.94



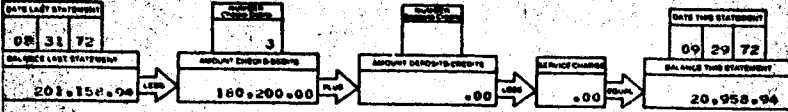
**THE FIRST NATIONAL BANK
AND TRUST COMPANY
OKLAHOMA CITY, OKLA.**

U.S. DEPOSITORY
MEMBER S. F. C. ZA

CHECK
1

ACCOUNT NUMBER
1 990 033

A. M. ZANGALEK
UNION BANK OF SWITZERLAND
45 BAHNPLATZ STRASSE
8201 ZURICH, SWITZERLAND



CHECKS AND OTHER DEBITS		DEPOSITS AND OTHER CREDITS	DATE	BALANCE
66,700.00			08 31	201,158.94
13,500.00	100,000.00		09 25	134,458.94
			09 28	20,958.94

EXAMINE THIS STATEMENT PROMPTLY. REPORT ANY DIFFERENCE TO OUR AUDITORS IMMEDIATELY.

A. H. ZANGANEH
 CO AIR TAXI COMPANY
 MAHRABAD AIRPORT
 TEHRAN, IRAN

116

9 July 1972

PAY TO THE ORDER OF *MR. M. KHATAMI* \$66,700.00

Sixty six thousand seven hundred only DOLLARS

THE FIRST NATIONAL BANK
 AND TRUST COMPANY
 OKLAHOMA CITY, OKLAHOMA

077884

⑆1030⑉000⑆ ⑆998⑉03⑆ ⑆470006670000⑆

006 111 252

SEP 25 1972

ISRAEL TRUST BANK

TEHRAN, IRAN

MAHRABAD AIRPORT

TEHRAN, IRAN

A. H. ZANGANEH
 CO AIR TAXI COMPANY
 MAHRABAD AIRPORT
 TEHRAN, IRAN

120

Aug. 27th 1972

PAY TO THE ORDER OF *Sally Franzer* \$13,500.00

Thirteen thousand five hundred DOLLARS

THE FIRST NATIONAL BANK
 AND TRUST COMPANY
 OKLAHOMA CITY, OKLAHOMA

H. ZANGANEH

⑆1000⑉000⑆ ⑆998⑉03⑆ ⑆470006670000⑆

FOR COLLECTION AND REMITTANCE
 EXCHANGE RATE GUARANTEED
 HIGHEST QUALITY TRUST COMPANY
 OF NEW YORK

182128

Pay to the order of any
 Encl. Bank of Iran, Company
 Prior Endorsements Guaranteed
 Housner & Co., Bankers,
 Basel

OKLAHOMA CITY, OKLAHOMA

SEP 29 1972

FOR DEPOSIT ONLY OR BANKERS
 COLLECTION CHECKS



**THE FIRST NATIONAL BANK
AND TRUST COMPANY
OKLAHOMA CITY, OKLA.**

ST. LOUIS DEPOSITORY
SECURITY D.F.C.

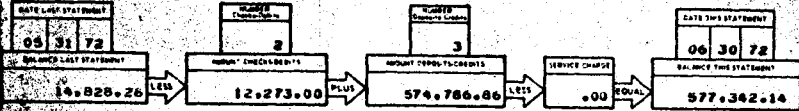
2A

SHEET
NUMBER
1

ACCOUNT NUMBER
1 006 163

AIR TAXI COMPANY
C/O UNION BANK OF SWITZERLAND
ZURICH, SWITZERLAND

SP



CHECKS AND OTHER DEBITS	DEPOSITS AND OTHER CREDITS	DATE	BALANCE
3,000.00	166.36	05 31	14,828.28
9,273.00	8.00	06 05	11,994.64
		06 05	12,002.64
		06 19	2,729.64
	574,612.50	06 22	577,342.14

PLEASE EXAMINE THIS STATEMENT PROMPTLY. REPORT ANY DIFFERENCES TO THE AUDITING DEPARTMENT.

THE FIRST NATIONAL BANK AND TRUST COMPANY
OKLAHOMA CITY, OKLA.

Debit AIR TAXI CO. Account No. 1 - 006 - 163

DATE DEB MAY 22, 1972 (POST-MARKED JUNE 1, 1972, STRATFORD, CONN.)

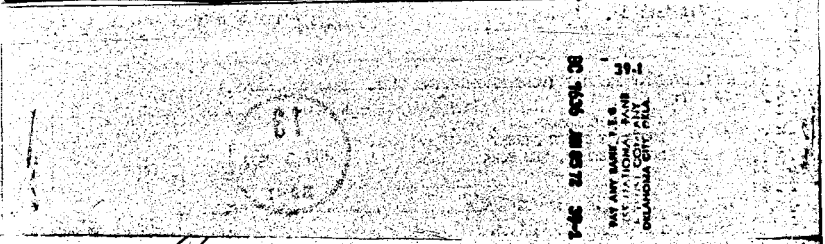
TO PAY:

AVITRONIC ASSOCIATES, INC.
298 EAST 108th STREET
MOUNT VERNON, NEW YORK

Credit \$3,000.00

13
JUN 5 1972

⑆1030⑉0001⑆ ⑆1 006 163⑆ 95⑆0000300000⑆



AIR TAXI COMPANY
TEHRAN, IRAN

June 4 1972 385

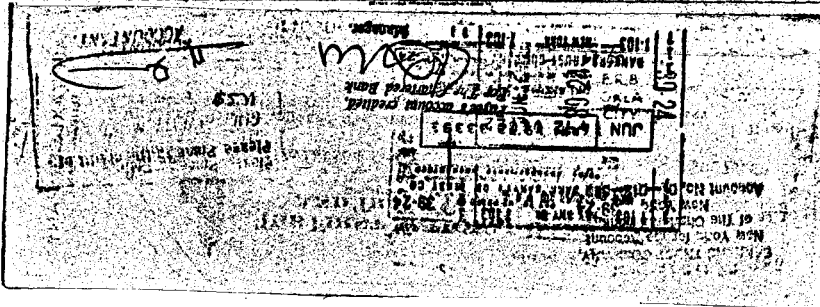
THE FIRST NATIONAL BANK AND TRUST COMPANY
OKLAHOMA CITY, OKLAHOMA

PAY TO THE ORDER OF Gulf Aviation Company Limited \$9273.00

Dollars Nine thousand two hundred & seventy-three only DOLLARS

AIR TAXI COMPANY

⑆1030⑉0001⑆ ⑆1 006 163⑆ 0000 27 100⑆



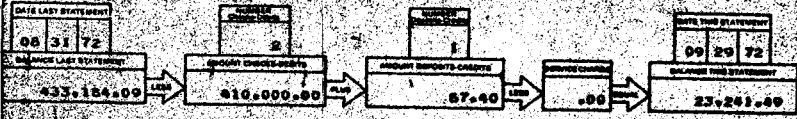


**THE FIRST NATIONAL BANK
AND TRUST COMPANY
OKLAHOMA CITY, OKLA.**

U. S. DEPOSITARY
MEMBER F. D. I. C.

ACCOUNT NUMBER
1 000 163

AIR TAXI COMPANY
C/O UNION BANK OF SWITZERLAND
ZURICH, SWITZERLAND



CHECKS AND OTHER DEBITS	DEPOSITS AND OTHER CREDITS	DATE	BALANCE
150,000.00		08 31	433,154.09
260,000.00	67.40	09 11	263,154.09
		09 25	23,241.49

EXAMINE THIS STATEMENT PROMPTLY. REPORT ANY DIFFERENCE TO THE AUDITING DEPARTMENT

PAY TO THE ORDER OF Collins Radio Co.		AMOUNT 52.40
TOTAL		

AIR TAXI COMPANY 1-006-163
 2 Union Bank of Switzerland
 Zurich, Switzerland

126 891 126 72 SE 26 874088
 64030-0000 1-006-163 19/0000001740

Conditions under which deposits are accepted by this unaffiliated bank...

This bank exercises no right to your all deposits...

AIR TAXI COMPANY
 TEHRAN, IRAN

THE FIRST NATIONAL BANK
 AND TRUST COMPANY
 OKLAHOMA CITY, OKLAHOMA

19th July 1972 392

DAY OF THE MONTH OF *July* 1972

Pay to the order of *Mr. A. Chalk* \$150,000.00

One Hundred + fifty Thousand DOLLARS

AIR TAXI COMPANY

1033-0000 1-006-163 190000005419000000

Mr. Chalk

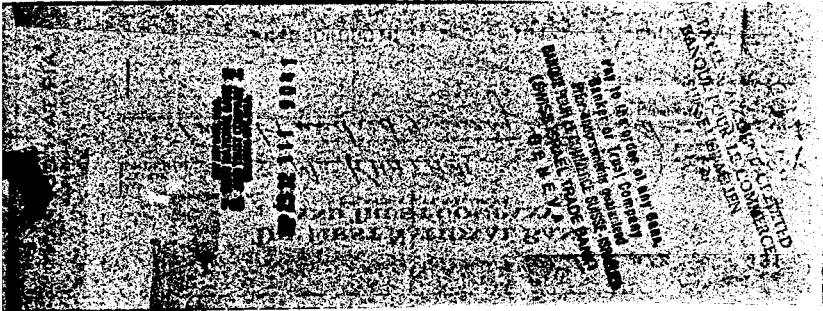
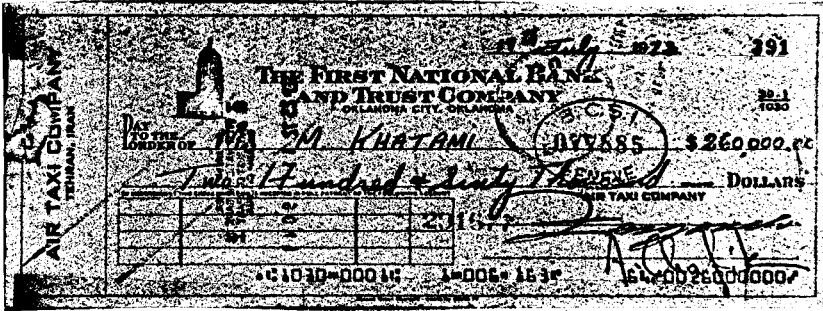
124 30 52 11

Paid to the order of the Bank, Banker or Trust Company FINSTER BANK ZURICH

RHOINERTS 1/1/72

ST. ROBERTS S.A.

A. Chalk





**THE FIRST NATIONAL BANK
AND TRUST COMPANY**
OKLAHOMA CITY, OKLA.

U. S. DEPOSITORY
MEMBER F. D. I. C.

ZA

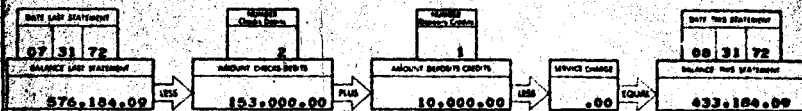
SHEET
NUMBER

1

ACCOUNT NUMBER
1 006 163

AIR TAXI COMPANY
C/O UNION BANK OF SWITZERLAND
ZURICH, SWITZERLAND

SP



CHECKS AND OTHER DEBITS	DEPOSITS AND OTHER CREDITS	DATE	BALANCE
3,000.00		07 31	576,184.00
	10,000.00	08 10	573,184.00
150,000.00		08 14	583,184.00
		08 21	433,184.00

PLEASE PRINT AND SIGNATURE PROMPTLY. MONEY NOT DEPOSITED TO THE CREDIT OF THIS ACCOUNT.

19th July 1972 393

**THE FIRST NATIONAL BANK
AND TRUST COMPANY**
OKLAHOMA CITY, OKLAHOMA

30.1
1030

AIR TAXI COMPANY
TEHRAN, IRAN

PAY TO THE ORDER OF *Mr. N. DJ. JANDANI* \$150,000.00

One Hundred & fifty Thousand DOLLARS

AIR TAXI COMPANY

⑆030⑉000⑆ ⑆006⑉⑆3⑆ ⑆00⑉500000⑆

PAY TO THE ORDER OF

A branch of THE FIRST NATIONAL BANK AND TRUST COMPANY
MEMPHIS, TENNESSEE
MEMPHIS, TENNESSEE
MEMPHIS, TENNESSEE

Please pay to
Mr KAMIL DJAFARI
Djahan Bani

84416/14