

STAFF INVESTIGATION
RELATING TO THE NOMINATION OF
G. WILLIAM MILLER
TO BE CHAIRMAN OF THE BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM

PART 3
CONTAINING ADDITIONAL MATERIAL RECEIVED
FOR THE RECORD

PRINTED FOR THE USE
OF THE
COMMITTEE ON BANKING, HOUSING
AND URBAN AFFAIRS
UNITED STATES SENATE



FEBRUARY 27, 1978

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1978

23-586 O

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(II)

CONTENTS

	Page
I. Second submission of Textron, Inc. Documents submitted by Textron, Inc. after disclosure of Bell-French documents-----	1
II. Documents voluntarily submitted to committee by William H. French and his attorney, C. Robert Bell (February 13, 1978)-----	75
III. Material received from the Office of Legislative Counsel, Central Intelligence Agency-----	163
IV. Responses to committee request for affidavits from U.S. State Department and U.S. military personnel stationed in Iran, Defense Department auditors, Textron accountants, and Textron's Board of Directors on knowledge of General Khatami's ownership of Air Taxi-----	173
V. Response from Defense Contract Audit Agency and U.S. Army Aviation Systems Division-----	293
VI. Securities and Exchange Commission reply of inquiry into Textron, Inc. to Senate Committee on Banking, Housing, and Urban Affairs-----	361
VII. Response from Citibank attorney to subpoena from committee-----	365

(III)

STAFF INVESTIGATION
RELATING TO THE NOMINATION OF
G. WILLIAM MILLER

SECOND SUBMISSION OF TEXTRON, INC.

DOCUMENTS SUBMITTED BY TEXTRON, INC.
AFTER DISCLOSURE OF BELL-FRENCH
DOCUMENTS

Bell Helicopter **TEXTRON**

Division of Textron Inc.
Washington Office

Suite 300
1666 K Street, N.W.
Washington, D.C. 20006
(202) 659-9191

February 15, 1978

BY HAND

Charles L. Marrinaccio, Esq.
Special Counsel
Committee on Banking, Housing and Urban Affairs
5300 Dirkson Building
Washington, D. C. 20510

Dear Mr. Marrinaccio:

In accord with your request, we have continued our examination of files and documents in response to Mr. McLean's letter of January 25, 1978 and the subpoena of January 31, 1978. As you know, the previous search, referred to in Mr. Soutter's letter of January 27, 1978 was essentially from 1968 forward, the year that Air Taxi was reappointed as Bell's representative in Iran. This time, we have examined all available files.^{1/} We have included as falling within the scope of the search any documents of Bell Helicopter that may refer to William French, International Helicopter Consultants Inc. and that relate to any of the matters set forth in the subpoena. Copies of the additional documents discovered in the course of this search are attached hereto, including an October 4, 1970 Dun & Bradstreet report on Air Taxi, management and ownership.

* * * *

1/ Most files of documents prior to 1967 have been destroyed in the normal course.

Yesterday we located a microfilm record of weekly reports to management prepared by Mr. Jose, Commercial Sales Manager, for the period 1966-70. Attached to this letter are copies of all of those reports that refer, in any manner, to Iran, General Khatemi, Air Taxi, Mr. Zangeneh, Mr. French, International Helicopter Consultants or Aviation Development Consultants.^{2/}

There are no additional files in existence, of which we are aware, that might be searched in connection with this matter.

As to International Helicopter Consultants, Inc. (IHC), Bell's representative in Iran from March 5, 1964 to December 31, 1967, total commissions earned by IHC during this four year period amounted to \$7,913.26. Of this, only \$400 was paid directly to IHC; the remainder was credited to their account against the purchase of helicopter spare parts. No Bell business, correspondence, or communication in any form with, or Bell payments to the company known as SKP (SKERKAT SHAHAMI TAYAR PARS) is reflected in any of the files and documents reviewed in connection with the subpoena.

Other matters that the Committee has inquired of are:

1. 1973 Internal Audit of \$2.95 million payment to Air Taxi

As you know, this matter was reviewed by both the Internal Revenue Service and by the Defense Contract Audit Agency. There was therefore no reason to perform an internal audit on this matter and none was performed.

2. Costruzioni Aeronautiche Giovanni Agusta (Agusta)

Inquiry has been made regarding the possibility of helicopter sales by Agusta, as a Bell licensee, to countries against which there was some sort of embargo, trade sanction or other form of disapproval of sale by the United States Government at the time of sale. To the best of our knowledge and belief, there has been no such sale or delivery of Bell model helicopters. All license agreements between Bell and Agusta provide that

* * * * *

2/ There are no references to Air Taxi, Mr. Zangeneh, Mr. French, International Helicopter Consultants, its Aviation Development Consultants in the weekly reports. One reference is made to General Khatemi (report of November 27, 1967) in connection with the possible sale by Bell of 36 UH-1H helicopters, a proposed sale that did not materialize.

the license shall take effect only after approval by the U. S. Department of State and that the license agreements are subject at all times to all rules, regulations, priorities, restrictions, allocations and requirements of the United States. The countries to which Agusta may consider sales of helicopters under the license agreements have been either approved by the Department of State or require prior approval by the Department of State on a case-by-case basis.

In this regard, mention has been made of the possible sale by Agusta of Bell model helicopters to Algeria. The quarterly reports, dating back to 1961, submitted by Agusta in connection with royalty payments under the licenses have been examined. These reports identify the purchasers of the helicopters and no sale of a Bell-licensed helicopter to Algeria is noted.

3. Uganda

Sales of Bell helicopters by Bell Helicopter Textron to the Government of Uganda (Uganda Police Air Wing) are as follows:

<u>MODEL</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
206	1	N	1	2	N	N	N	N	N	N
205	-	O	-	1	O	O	O	O	O	O
212	-	N		4	N	N	N	N	N	N
		E			E	E	E	E	E	E

Following a relatively recent accident to one of Uganda's Model 212 helicopters, the BHT Regional Sales Manager was requested by the Government of Uganda to visit Kampala to discuss the procurement of a replacement helicopter, at which time a purchase agreement for a Model 214 helicopter was executed by Uganda.

Department of Commerce export administration regulations do not require the issuance of a specific validated export license in order to export a Model 214 transport helicopter, commercially certified, to the Uganda Police Air Wing. This sale and export to Uganda could have been made under the G-DEST category which is a blanket export license for Department of Commerce listed commodities and countries which include Uganda and the certified Model 214 helicopter. However, because of the sensitivity of the human rights issue, Bell did apply to the Department of Commerce for a specific validated export license. We were informed by letter from the Department of Commerce dated 10 November 1977, that the sale of this heli-

copter under present conditions would be inconsistent with the United States' world-wide human rights commitment and that it would not be in the national interest to approve the application. Accordingly, Bell informed the Government of Uganda that the sale of the helicopter could not be made and prepayments were refunded. Concurrently with the application for export license for the Model 214, Bell had made application for an export license for a Model 212 helicopter to Uganda in anticipation of a possible sale. That application has also been withdrawn. There are no pending applications for export license by Bell for the sale of Bell helicopters to Uganda.

4. 1971 Sale of two Model 212's to Tropical Aircraft Sales (Nigeria) Ltd. for Ghana.

To date our investigation of this matter indicates the following: At the Paris Air Show (25 May - 7 June 1971) a representative of the Air Force of Ghana expressed an interest in the purchase of two Model 212 helicopters for VIP transportation. Bell relayed this information to Tropical Aircraft Sales (Nigeria) Ltd. (TAS), its manufacturer's representative for Ghana. About one month later, Bell received a Bell Standard Export Purchase Agreement, prepared by TAS, constituting an offer by Ghana for the purchase from Bell of two Model 212 helicopters, with spares and accessories, at a total price of \$1,967,594.20. This price was higher than the Bell list price for similar equipment, as it included charges for accessories that were considered standard equipment on the Model 212. Bell officers, accordingly, directed that the offer be refused.

Thereafter, at the request of TAS, a Bell Standard Export Purchase Agreement was prepared constituting an offer by TAS for the purchase of two Model 212 helicopters, with accessories and spares, at the Bell standard list price (\$1,667,608.96). This offer to purchase was not submitted to Bell officers for action and was accepted by Bell export salesmen. In connection with this sale, Bell received funds amounting to \$1,984,382.62 from the Republic of Ghana for the account of TAS. Bell thereupon deducted \$1,667,608.96 (Bell's standard list price for the two helicopters, accessories and spares) and \$6,774.56 (for spares air freight charges). At the direction of TAS, in whose account the funds were received by Bell, Bell deposited the remainder of the funds (\$310,000) by bank transfer to the account of Tropical Aircraft Sales, Miami, Florida.

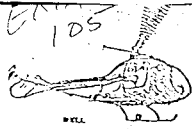
No officer of Bell was involved with or aware of the transactions involving the sale of these two Model 212 helicopters to TAS, and there is absolutely nothing to indicate that these transactions were known to Textron corporate management or to G. William Miller in particular.

While there is no indication of any unlawful act by Bell personnel in connection with the foregoing sale (or of their having personally profitted from such sale), the Bell procedures and controls in connection with the export sale of helicopters are currently being reexamined.

Very truly yours,


George Galerstein
Chief Legal Counsel

GG/lc



(INTERNATIONAL)

COMMERCIAL SALES DEPARTMENT
REFERENCE NO. <u>F-89</u>
ACTION: <u>Kling</u>
JAN 18 1967
INFO COPIES TO:
<u>James Adams</u>
<u>James Stewart</u>
<u>Robert P. ...</u>
<u>...</u>

HELICOPTER CONSULTANTS IN

US CORPORATION COMPANY
US REGISTERED OFFICE
129 SOUTH STATE STREET
POVER, DELAWARE

14 January 1967

INTL OFFICE:
P. O. BOX 1702
TEHRAN - IRAN
CABLE: TICESCO
TEL. 020318

Mr James Felton
Export Area Manager
Bell Helicopter Company
PO Box 482
Fort Worth, Texas

Cable: OLDISH-Beirut
Mail: Office 73 Saroulla Bldg
Hamra St, Beirut
POB 1969

Dear Jim:

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 now 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% of the new company and it is 51% Iranian.

We are submitting a proposal for five or 10 G-5 for the Ministry of Agriculture. The Ministry of Agriculture wanted 20 Cessna Agwagons and John was to be in a meeting today. He is going to push it or try to rush it to G-5, although they have no helicopter pilots period. We also are submitting a proposal whereby the Ministry would buy the G-5's, we will contract to operate them for the Ministry and also lease them from the Ministry for use in other countries in the off season. What is the delivery time now on G-5's? Please send me this back rightaway.

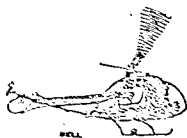
The new companies name is Skerkat Sahami Tayar Pars, and we intend to make them our agents under our franchise, or our dealer. This way we can control them if they ever start bleeding the company blind. John is now following along the HICO helicopter sale, the Traffic Police, and Ministry of Agriculture. He will follow the consortium as well. We have also applied for 20,000 meters of land at Morhabad where the new maintenance set up will be built.

I believe jim sincerely that with this monopoly, we will be able to really do something we started to before, and slowly started to succeed, but in this set up we have all the blessings of everybody.

John also asked me to have you make up proforma invoices for (X) 4763 and (Z) G-5 with the marks on caption. This is for Gen Gerberic. As they are getting themselves into a corner on Cessna Skyhook scarce, I wrote a letter last week to the Comptroller General telling him that the Cessna helicopter scarce are too limiting, as well as the company and that the Gen Gerberic should start planning another small helicopter. John and I were pleased with the letter, and asked for suggestions again. Do you please send those through as soon as you can. Also what is delivery time on the H119 and 204? Do you still have H119 in quantity avail

Sincerely yours, William H. Pro

Handwritten signature and notes at the bottom of the page.



Heliton

(INTERNATIONAL)

COMMERCIAL SALES DEPARTMENT
REFERENCE NO <i>F-1959</i>
ACTION <i>Heliton</i>
NOV 22 1966
USED COPIES TO: <i>Spitzer</i>
<i>Spitzer</i>
<i>Spitzer</i>
<i>Spitzer</i>

HELICOPTER CONSULTANTS INC.

US CORPORATION COMPANY
US REGISTERED OFFICE
129 SOUTH STATE STREET
DOVER, DELAWARE

17 November 1966

INT'L OFFICE:
P. O. BOX 1702
TEHRAN - IRAN
CABLE : TICISSCO
TEL. 620316

Mr. James Feliton
Export Area Manager
Bell Helicopter Company
PO Box 480
Fort Worth, Texas

*PS: Jim Please when you
write send me etc. etc.
PO Box 1969 Beirut Lebanon
Copy to Feliton; also send
to Heliton Room Beirut*

Dear Jim:

Sorry I haven't written sooner, but have real been on the go since I got back here trying to find some use for the helicopter since Geotronics cannot get import permission to Iran. However I did receive a cable today from Al Cocking of Geotronics, and he is coming out here in a couple of weeks, time and he is interested in us using the helicopter in another country for them.

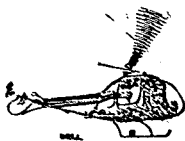
Attached is a copy of a letter I received from Jasin and I'll keep after him so there is plenty of pushing.

I also was advised by Eugene Lloyd and John Bolton the two guys I have in Iran running the operation until I get back in which I would think should be fairly soon after we get the new company formed. Received word today that the High Council of Civil Aviation has approved the new company which we have formed out Int'l Helicopter Consultants, Inc., this may turn into something everybody will be pleased with. Through this new set up I'm sure we'll be able to block Kaman in every possible way snags and form. We will see.

Eugene Lloyd came in this last week end and he told me that he and John Bolton both had long discussions with Lt Col Balantyn who is the Aviation Advisor to the Genarmmie. General Sarraf and Balantyn just returned from the USA and they went to Paul Rucker and the General is sold on the HUBS and D's. Balantyn told both Gene and John that they will budget for two HUB's or D's and purchase them through MAS or MAP, now I'm not sure exactly how this will work, but I have instructed Gene follow it along closely so we know what is happening. Anyway Kaman is out of the picture for the Genarmmie. Balantyn says they can get two ships for \$600,000. And the program will build year to year as it goes on.

I'm going to Egypt this week and see if I can do anything in lease ing a Bell for supplying to the Shadi's have heard they were thinking of Sorry please, maybe I can get something put together. Can you please tell me what I owe on the Bell so I can make some arrangement for getting money moving to you for payment. Also what was the last Geotronics Payment?

Sincerely yours
William H. Brough, Managing Director



(INTERNATIONAL)

HELICOPTER CONSULTANTS INC.

US CORPORATION COMPANY
US REGISTERED OFFICE
128 SOUTH STATE STREET
DOVER, DELAWARE

14 January 1967

COMMERCIAL SALES DEPARTMENT
REFERENCE NO. <i>Fr 88</i>
DATE <i>Spirtas</i>
JAN 18 1967
REF. C. 42 TO <i>Spirtas</i>
<i>Spirtas</i>
<i>Spirtas</i>
<i>Spirtas</i>

INT'L OFFICE:
P. O. BOX 1702
TEHRAN - IRAN
CABLE: TUCESCO
TEL. 820318

Mr. Al Spirtas
Export Administrator
Bell Helicopter Company
PO Box 482
Fort Worth, Texas

CABLE ADDRESS: OLDISH-Beirut
Mail: Office 73 Saroulla Bldg.
Hanna Street, Beirut

Amour

Dear Al:

Al this is the fourth set of forms I sent to you, first 24 December second 10 January, 3rd 12 January and now these.

Owner should be Interantional Helicopter Consultants, Inc., 129 South State Street, Dover Delaware for registration purposes.

Helicopter should be consigned to International Helicopter Consultants, Inc., % Middle East Airlines Beirut, where we will assemble and test fly the ship. Also it should be marked transit Beirut so customs don't get into the act!

Ultimate destination is Saudi Arabia where we have a surveying contract with the Ministry of Petroleum, and we will ferry the helicopter to Saudi Arabia from Beirut.

Should I have not made the other forms out right, you can fill these in for I only signed them.

Sincerely yours,

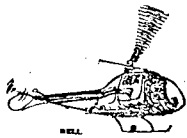
Bill
William H. French
Managing Director

PS: The ban on myself is finally being lifted from Iran, now that we formed the new company and included people of importance with us it looks like we'll be getting quite a few helicopters in, plus our long wanted maintenance facility to support it all.

Send all papers on the helicopter to me here, and please rush this through.

Sorry there been this delay Al after all you people went to hot to get up the ship. I've been waiting for information from Cocking of Geonronics, but this contract came up fast and we need this one to record what we lost through the other contract losses. Happy New Year!

M. G.



(INTERNATIONAL)

COMMERCIAL SALES DEPARTMENT
REFERENCE NO. <i>F-89</i>
ACTION: <i>Kling</i>
JAN 18 1967
INFO LINES TO:
<i>James Bader</i>
<i>Robert Schmitt</i>
<i>John Bolton</i>
<i>John</i>

HELICOPTER CONSULTANTS INC

US CORPORATION COMPANY
US REGISTERED OFFICE
129 SOUTH STATE STREET
DOVER, DELAWARE

14 January 1967

INT'L OFFICE:
P. O. BOX 1702
TEHRAN - IRAN
CABLE: TICISSCO
TEL. 620316

Mr James Felton
Export Area Manager
Bell Helicopter Company
PO Box 482
Fort Worth, Texas

Cable: OLDISH-Beirut
Mail: Office 73 Saroulla Bldg
Hamra St, Beirut
POB 1969

Dear Jim:

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We are submitting a proposal for five or 10 G-5 for the Ministry of Agriculture. The Ministry of Agriculture wanted 20 Cessna Agwagons and John was to be in a meeting today. He is going to push it or try to push it to G-5, although they have no helicopter pilots period. We also are submitting a proposal whereby the Ministry would buy the G-5's, we will contract to operate them for the Ministry and also lease them from the Ministry for use in other countries in the off season: What is the delivery time now on G-5's? Please send me this back rightaway.

The new companies name is Skerkat Sahami Tayar Pars, and we intend to make them our agents under our franchise, or our dealer. This way we can control them if they ever start bleeding the company blind. John is now following along the NICO helicopter sale, the Traffic Police, and Ministry of Agriculture. He will follow the consortium as well. We have also applied for 20,000 meters of land at Merhabad where the new maintenance set up will be built.

I believe jim sincerely that with this monopoly, we will be able to really do something we started to before, and slowly started to succeed. But in this set up we have all the blessings of everybody.

John also asked me to have you make up proforma invoices for (X) 47G's and (2) G-5 with two tanks or engine. This is for the Generalmerie. As you are getting yourselves into a corner on Cessna Skyhook shares, I wrote a letter last week to the Commanding General telling him that the Cessna helicopter lease shares are terminating, as well as the contract, and that the Generalmerie should start planning another small helicopter. John told me they were pleased with the letter, and asked for quotations again. Can you please send those through as soon as possible. Also what is delivery how on the UH1D and 204E? Do you still have UH1D immediately available?

Sincerely yours, William H. Fraser

BT

BT

BT

15. Please pay attention to letter coming but

FOR INFO
FEB 11 1954
11:54

G.

RECEIVED INTL PD HURST TEX 1-17-54 1055A C

MINISTER OF AGRICULTURE

TEHRAN IRAN VIA RCA

INTERNATIONAL HELICOPTER-CONSULTANTS IS SOLE BELL REPRESENTATIVE

FOR IRAN

KLING HELICOPT

END

In reply refer to:
03:JHO:su:1543

17 January 1967

Mr. C. Robert Bell
Morris, Lsing, Evans & Brock
214 First Federal Savings Building
123 South Market Street
Wichita, Kansas 67202

Dear Mr. Bell:

Thank you for your letter to Mr. Felton informing of the current status of the International Helicopter Consultants, Inc. operation in Iran. Mr. Felton is leaving Bell at the end of this month, and is being replaced by Mr. George Kling.

It is our feeling that the arrangements for handling sales through Persian Tayar Company are not satisfactory to Bell as long as Bill French is unable to personally follow through with Iranian contacts.

However, a temporary authorization is herewith given for continuing Bell's business interests 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. This will most likely take place sometime this spring. We will keep Bill informed on this.

Sincerely yours,

BELL HELICOPTER COMPANY

J. H. Dopen
Export Sales Manager

LAW OFFICES OF
MORRIS, LAING, EVANS & BROCK
214 FIRST FEDERAL SAVINGS BUILDING
123 SOUTH MARKET STREET
WICHITA, KANSAS 67202

January 19, 1967

LESTER L. MORRIS
1901-1966
VERNE H. LAING
FEND E. EVANS, JR.
RALPH R. BROCK
JOSEPH W. KENNEDY
C. ROBERT BELL
ROBERT L. DRISCOLL

Orpen
Bill
cc to French
via cable

(310)AMHERST 4-2841

Mr. J. H. Orpen
Export Sales Manager
Bell Helicopter Company
P. O. Box 482
Fort Worth, Texas, 76101

RE '03:JHO:su:1543

Dear Mr. Orpen:

revised by
Bill 1/23
called by
1/23

Thank you very much for your letter of January 17, 1967, and for the temporary authorization therein. I have just received a telex from Bill French in Beirut requesting information on what delivery is on UNTD and G5. Bill also asked that I request Mr. Felton to hold another 47 G3B1 for himself in case Cocking of Geotronics gets clearances. In view of the information in your letter concerning the change of personnel I was uncertain to whom I should address these requests so will send them on to you for forwarding to the proper person. Will you please request that they make reply directly to Bill French in Beirut. I believe you have his address and telex number, and in addition he has since acquired a cable address there which is "Oldish".

Very truly yours,

C. Robert Bell
C. Robert Bell, of
MORRIS, LAING, EVANS & BROCK

CRB/es

COMMERCIAL SALES DEPARTMENT
REFERENCE NO. *F-125*
ACTION: *Original*
JAN 23 1967
FILED UNDER TO 1
George Robinson
Edward Robinson
Robinson / Paul

In reply refer to:
03:GMK:su:1587

30 January 1967

~~Mr. William H. French~~
Managing Director
International Helicopter Consultants, Inc.
73 Saroulla Bldg.
Hambra Street
Beirut, Lebanon

Dear Bill:

Jim Felton is in the process of leaving Bell Helicopter Company, and I have been assigned as his replacement. I look forward to working with you, and suggest that your communications be addressed to me - as of now - so that we will not waste time.

Jim has passed to me your letter of 14 January, and the requested proformas are enclosed. Per a telephone conversation with Mr. Bell in Wichita I have reduced the quantity of G-3B-1's from two to one.

Your letter did not stipulate what accessories were required, so I have taken the liberty of including accessories and recommended spares and tools. If my recommendations are not correct please advise, and we will rework the proformas per your desires.

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

Best regards.

Very truly yours,

BELL HELICOPTER COMPANY

C. H. King
Export Area Manager

Encl: Proforma No. 67-6 and
No. 67-6A

* * *

Commander
 IMPERIAL IRANIAN AIR FORCE
 TEHRAN · IRAN

31 May, 1967.

Dear Sir,

Your letter of invitation on the occasion of 27th Salon International de l' Aeronautique Aeroport du Bourget, on May 26-June 4, 1967 is highly appreciated but unfortunately due to previous engagement I will not be able to participate.

I take this opportunity to express once more my appreciation and thank you for your kind invitation.

COMMERCIAL SALES DEPARTMENT	<i>N/R</i>
REFERENCE NO. <i>F-936</i>	
ACTION: <i>Khatami</i>	<i>M. Khatami</i>
JUN 12 1967	
INFO COPIES TO:	
<i>Gen. M. Khatami</i>	
<i>Gen. M. Khatami</i>	
<i>Gen. Khatami</i>	
<i>Gen. Khatami</i>	

Sincerely,

Khatami

M. Khatami

LAW OFFICES OF
MORRIS, LAING, EVANS & BROCK
214 FIRST FEDERAL SAVINGS BUILDING
123 SOUTH MARKET STREET
WICHITA, KANSAS 67202

July 7, 1967

LESTER L. MORRIS
1920-1966
VERNE H. LAING
FERD C. EVANS, JR.
RALPH H. BROCK
JOSEPH W. KENNEDY
C. ROBERT BELL
ROBERT L. BRISCOLL

AREA 310
MORRIST 4-2841

COMMERCIAL SALES DEPARTMENT
REFERENCE NO. <i>F-1121</i>
ACTION <i>Open</i>
JUL 10 1967
1960 COUNCIL OF <i>Superv</i>
<i>Miles</i>

OBE

Mr. Dwayne Jost
Bell Helicopter Company
P. O. Box 482
Fort Worth, Texas, 76101

RE International Helicopter Consultants, Inc.

Dear Dwayne:

This letter is in confirmation of our telephone conversation of yesterday, July 6, 1967. As you are aware International Helicopter Consultants, Inc., has for some time had the franchise as your dealer in Iran and other parts of the Middle-East. You are also familiar with the nature of the problems it has been encountering in Iran so I will not detail that.

International Helicopter Consultants, Inc., is owned 50% by William H. French and 50% by his wife, Beverly W. French. 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, and who is the Vice President of the High Council of Civil Aviation of Iran, for the formation of a Persian corporation to act as the representative of International Helicopter Consultants in Iran. This company was formed and its name is Sherkat Sahari Tayar Pars, which roughly translates as Persian Flying Society Anonymous. After my return and the notification that this company was formed we were disappointed to find that no commercial activity was resulting from the formation of this company. This especially disturbed Mr. French because in addition to all of the money he has invested in Iran over the past years he has invested considerable sums in sending me to negotiate for him and in connection with the formation of STP he was required to put up all of the capital, which was 1 million rials, or slightly in excess of \$15,000, plus formation fees to Dr. Safavi of 500 pd. sterling, plus \$1,000 expense money to Dr. Safavi for the necessary *bashsheh* involved in getting a corporation registered. Dr. Safavi had

told us that STP stock, other than the 49% owned by International Helicopter Consultants and Aviation Development Consultants, Inc., the latter of which is a Kansas corporation owned 50% by William H. French and 50% by his wife Beverly W. French, would be owned by other members of the High Council of Civil Aviation, including General Khatami, although it would be held in the name of other persons and not directly in their names.

As you know I went to Iran again recently to ascertain, if possible, what the problem was in the failure of STP to produce any results so far.

Upon my arrival I discovered that during the interim period while STP was being formed and before it was operative, Mr. French's representative in Teheran, Mr. John Bolton, had, in an attempt to keep organizations such as the Gendarmerie supplied with necessary parts to keep their aircraft operative, been continuing to deal with them directly until STP became operative. Dr. Safavi and the other Persians involved thought he was trying to do this behind their back and that we were going to cheat them. Accordingly, they called everything to a halt until the situation clarified. There was also a failure of communication between Dr. Safavi and the writer which occurred when Dr. Safavi started sending parts orders to the writer's office. I told him not to communicate directly with this office on technical matters as that only caused delay, because I then had to send it back to Beirut for processing. Dr. Safavi's English is not all it might be and he thought I was telling him not to communicate with me directly on anything. Accordingly, when STP wished to have its agreement with Bill French's company reduced to a written contract, this information was not communicated.

I assured Dr. Safavi that the matter of the interim sales was no problem and Mr. French's company would account to STP on these sales and I assured him, as a Vice President of the two companies involved, if he would draw the contract he wished to have I would sign them while there. He drew them and I signed them and a copy of the International Helicopter Consultants agreement is enclosed herewith. He informed me that the Persian 51% of STP was owned 26% by his own father-in-law and 25% by Mr. Taghi Emami, who is the cousin of General Khatami. The Managing Director of STP is a Mr. Golshoyan who is a former Minister of many departments and a person of considerable standing in Iran according to Dr. Safavi. Safavi also informed me that the "great general" by whom he means General Khatami, had decided to handle transactions with STP in much the fashion he had set up for Air-taxi and Heli-taxi, that is one company for fixed wing aircraft and the other for helicopters.

Accordingly, a company called Helicopter Services had been formed in which Mr. Bristow had no interest and with which Mr. Bristow had no connection, either directly or indirectly. This company was to be the helicopter sales company and also is to have operating rights and one of its directors is General Razaat, who has been General Khatami's front man in Heli-taxi for quite some time. I had several meetings with General Razaat and at first General Razaat was insisting that Helicopter Services must have the Bell Helicopter franchise. I assured him that it was beyond the power of International Helicopter Consultants to give him that franchise even if they wished to and that this was a matter solely within the control of the Bell Helicopter Company.

Dr. Safavi strongly recommended that we try and arrive at some arrangement with Helicopter Services and both he and General Razaat assured me that Helicopter Services will be in a position to both purchase for its own operations and sell many helicopters. They also assured me that it has secured the helicopter operating contracts with all of the oil companies in Iran, including the consortium. General Razaat further stated that he will need four Bell Jet Rangers quite soon for Helicopter Services.

We worked out an oral agreement between General Razaat, Dr. Safavi and myself whereby a three-party agreement would be entered into between International Helicopter Consultants, STP and Helicopter Services in which Helicopter Services would have the same functions in Iran on behalf of International Helicopter Consultants as STP had and the resulting net profits to Helicopter Services would be divided 2/3rds to Helicopter Services and 1/3rd to STP. This agreement is identical with the other one which I have enclosed except that it adds a provision that Helicopter Services and STP will share the proceeds of their end of the contract as aforesaid. It too is being drawn by Dr. Safavi.

I was then taken to a conference with the Managing Director of Helicopter Services, a gentleman named Mahvi, who was introduced to me as also being the Managing Director of Pan American Iranian Oil Company. Mr. Mahvi stated that he could not take the proposed agreement to his Board of Directors until he had a copy of our franchise with Bell Helicopter and I agreed to provide him with such a copy upon my return. Mr. French's copy was unavailable at that time since it was in Beirut and he had not been able to carry all of his files with him when he was evacuated from Beirut (incidentally Mr. French is now permanently back in Beirut). Nevertheless, to save time, as I told you on the phone, I would appreciate it if you would send me a copy of his franchise.

While in Iran I also conferred with General Jablonski, the Commanding General of all of the U. S. Armed Forces Advisors in Iran. At this conference I inquired about the proposed Iranian Army Air Cavalry Unit formation and he informed me at that time that this is merely in the planning stage and will not be ready to commence negotiations for the purchase of helicopters for a considerable time yet - perhaps as much as five years. He did, however, state that if Bell Helicopter wished to maintain its position it would be necessary in the not too distant future to commence the preparation of proposals for the formation of such a unit, which proposals should be complete with respect to recommendations and suggestions and proposals for training of pilot personnel, acquisition and type of equipment, training of maintenance personnel and methods of supply. These proposals will be studied by Commissions of the Iranian Army and the Ministry of War, together with the Army Advisory group, and from past experience in Iran this will undoubtedly consume a large amount of time. Their Commission there is the equivalent of our Committees and parenthetically I might add that if a camel is a horse that was put together by a Committee you should see the results of a Persian committee.

While in Iran Dr. Safavi, Mr. Bolton and I also conferred with numerous other government officials, including General Ovesi, the Commanding General of the Iranian Gendarmerie and Lt. Col. Ballantyne who is the American Army Advisor to the gendarmerie. The gendarmerie, as you know, is actively considering a proposal for the formation of a helicopter strike force and Col. Ballantyne informed us that the various Commissions which have been meeting for about two years on this matter have decided that the equipment which should be used for this force will be Bell UHID's. Col. Ballantyne also stated that this decision had been made some months ago and following this decision General Ovesi had come into his office one day with a picture of a Kaman and had stated that this was the helicopter that they had decided on and he didn't want it because the Iranian Air Force and Army had Kamans and they had had very bad operating experience with them. Their actual operating costs to date had run in the vicinity of \$1,500 per hour and their range was so little that they could travel no faster than a gasoline transport truck could accompany them. Col. Ballantyne explained to him that that was not what they decided on and got out a picture of a Huey and put it next to a picture of a Kaman and labeled them for General Ovesi's information. I should add at this point that General Ovesi is highly regarded and appears to be an excellent general, especially by Persian standards, but even the best of them have some curious gaps in their comprehension.

During my conference with General Ovesi we again discussed the Hueys and during the discussion he turned and pointed to a model of a Kaman which was on the shelf behind his desk, and said "that's the kind of helicopter we are going to buy." I told him "no, no General, that's a Kaman - you are going to buy a Bell." He said "oh yes that's right, isn't that a Bell?" I strongly recommend that you send a model of a Huey to John Bolton for presentation to General Ovesi. I think it would also be a good idea to present a model of the Huey to General Khatami and to General Ghandahari, who is the Commanding General of the Iranian Army Aviation Battalion. Things like having these models on their desks seem to be much more important to the Persians than they would be to their American equivalents. Also, perhaps it will help keep them straightened out.

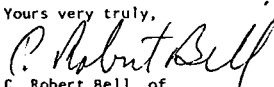
Also, as I told you while I was in Iran I secured the release of Bill French's Cessna 180 and the log books that go with it, and Dr. Safavi informed me that the Persians now feel that they no longer have any case against Bill French. Bill is going to apply for a visa to see what results he can get along that line, and I feel that within a matter of nine months or so there is a possibility that he will be able to travel freely to and from Iran. He has, however, decided in view of the activity in the rest of the Middle-East that it would be more appropriate for him to maintain his headquarters in Beirut and he will be moving his family to Beirut sometime in the not too distant future. He will continue to maintain a resident representative in Iran, but we are currently in the process of looking for a man with the right qualifications to send there to replace Bolton. Bolton is thoroughly familiar with helicopters and is an experienced helicopter pilot as well as having some business experience but it would be better from our point of view not to have to maintain an expensive pilot there but rather to have someone who is familiar with the types of aircraft that we handle, and who may incidentally be a pilot, but not such an experienced one as the ones we usually hire, and whose background is more in business administration with perhaps a touch of diplomacy. As soon as we find the right man we will replace Bolton.

I am, of course, not in any position to guarantee you that the new proposal is going to work. In fact, I think all of our past experience indicates that the only way we will know whether something is working or not is when the orders start coming through.

I do not think it is quite accurate to say that Bill French has done nothing for you in this area since he has succeeded inspite of tremendous obstacles in keeping your Company's name in the forefront of discussion in all of the government agencies in Iran. Furthermore, the Iranian government has purchased no helicopters in recent years from anyone else. Besides, Bill has personally bought two G-5's and sold another one on your behalf in the last two years. Also, I understand that there is a good chance if everyone "holds their mouth right" selling 8 Hueys to Kuwait.


I am enclosing for your information a resume which was furnished to me by Dr. Safavi, which he is also giving the U. S. State Department in connection with his request that they endorse his efforts to become the next Prime Minister of Iran. I also was informed that Dr. Safavi has currently been nominated for a Nobel Prize, so this will give you some idea of the caliber of people with whom we are dealing in Iran. In the event I can provide further information or if you have any questions please do not hesitate to contact me.

Yours very truly,


C. Robert Bell, of
MORRIS, LAING, EVANS & BROGK.

CRB/cs

cc: William H. French


PERSIAN TAYAR CO.

10 AVENUE BAHAR/SHAHREZA
TEHERAN IRAN

CONTRACT

OUR / REF.

YOUR / REF.

TEHERAN

This agreement is between International Helicopter Consultants Inc., a Delaware Corporation which has the sole agency and representation for Bell Helicopter Corporation for Iran on, one part, and Sherkat Sahami Tayar Pars, a company formed and registered in Iran under Number 1170 on 4 Day 1345 (25 December 1966), according to the following articles.

ARTICLE I By this agreement International Helicopter Consultants Inc. a Delaware Corporation designates Sherkat Sahami Tayar Pars its sole and exclusive agent in Iran for Selling, hiring, buying, maintaining and working with Bell Helicopters Corporation products, to do all other commercial business with said aircraft, and to sell, purchase, hire or repair and maintain motors and spare parts of said aircraft in Iran and to do any other business with them, and Sherkat Sahami Tayar Pars accepts this appointment.

ARTICLE II Sherkat Sahami Tayar Pars also has the right to utilize the Bell Helicopter in Iran in any manner and for any purpose it chooses. Note attached all rights and powers mentioned in Article I and II given to Sherkat Sahami Tayar Pars regards all Iranian Government Institutions, Private Institutions or any other organizations or institutions established in Iran.

ARTICLE III During the validity of this contract International Helicopter Consultants Inc. has no right to give its representation in Iran to any other physical or moral person or to make any activities mentioned in articles I and II during the validity of this contract without prior agreement with Sherkat Sahami Tayar Pars, Sherkat Sahami Tayar Pars, being hereby constituted as the sole and exclusive agent of the only authorized Bell dealer in Iran is hereby made responsible for insuring that all Iranian Government Agencies purchase all Bell products through Sherkat Sahami Tayar Pars or in the alternative that the Iranian Government pays Sherkat Sahami Tayar Pars fifteen (15) percent on all such products which it purchases in any other manner.

ARTICLE IV For all transactions which Sherkat Sahami Tayar Pars conducts in Iran for Bell helicopters and their spare parts, it has the right to receive a commission of fifteen (15) percent from the purchaser and five (5) percent from International Helicopter Consultants Inc., or normal dealers commission, whichever is less.



ARTICLE V Sherkat Sahami Tayar Pars accepts the responsibility to make a maximum effort to introduce, demonstrate and advertise Bell Helicopters in Iran, to develop a market for this type of aircraft to sell and to put into operation Bell helicopters, and also to sell motors and spare parts for this type aircraft. Sherkat Sahami Tayar Pars also accepts the responsibility to exploit any other commercial activities in Iran which can be done by Bell helicopters within the laws of Iran.

ARTICLE VI Sherkat Sahami Tayar Pars agrees not to make any transactions with any other type of aircraft which is in competition with Bell products during the validity of this contract.

ARTICLE VII Sherkat Sahami Tayar Pars agrees not to charge more than twenty five (25) percent for the sale of any aircraft, motor or spare parts and if it does Bell has the right to sue them for damages caused by such a sale.

ARTICLE VIII International Helicopter Consultants Inc. shall accept the responsibility to answer all orders and prepare all orders which are submitted by Sherkat Sahami Tayar Pars for Bell Helicopters, its motors and spare parts in the shortest period possible by reasonable commercial standards, and, if it does not do so International Helicopter Consultants will pay the damages caused by non-execution of said agreement. It is agreed by both contracting parties that all transactions between Sherkat Sahami Tayar Pars and any other persons for the execution of the activities mentioned in articles I and II of this agreement should be approved in advance by International Helicopter Consultants Inc.

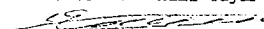
ARTICLE IX Any dispute between the contracting parties caused by misunderstanding or failure to execute the articles included in this agreement shall be submitted for arbitration in accordance with the laws and regulations of Iran. Each party can select one arbitrator who will provide his verdict two months from the date of his nomination. In case the parties of this agreement cannot agree on one personal arbitrator then both arbitrators shall select a third arbitrator after fifteen days. After acceptance of said arbitrator an agreement must be reached which is compatible to both parties. In case one of the parties abstain from designating an arbitrator or the arbitrators are in disagreement the case shall be submitted to the Iranian Courts.

Made this Fifth of Day 1345 SHMS (26 December 1966) in Iran

International Helicopter Consultants Inc.


C. ROBERT BELL

Sherkat Sahami Tayar


TAHER ELAMI

DR. HASSAN SAFAVI
 114 Avenue Feridowsi
TEHERAN IRAN

Dr. Hassan Safavi, Born in 1909 at Teheran, Iran. Dr. at Law and Economical Science, Licensed in Political, Commercial Science, and Criminology, and has held the following positions:

Attorney General, Ministry of Justice
 Chief of Cabinet, Ministry of Finance
 Director General Propaganda & Publications
 1942 - 1945
 Founder and Member of the High Council
 of the first Seven Year Plan
 Professor of Political Economy
 in the High School of Finance
 Member of the High Council of Legislation
 Under Secretary, Minister of Economy
 Managing Director, Iranian Insurance Co.
 Member of the Board of Directors of Ports
 and Navigation Organization of Iran
 Vice President, High Council of Civil Aviation
 Delegate of Iran to I.C.A.O.
 Member of the International Astronautical Federation
 Vice President, Institute of Space Law of I.A.F.
 Managing Director of Persian Shipping Services
 Managing Director of Iranian Lloyds

Dr. Safavi is also the Author of the following books:

The Economy of Iran and the Possibility of
 its Development (French)
 The Home Industry of Carpet In Iran
 (Persian and French)
 Declaration of Freedom, Its Progress
 (Persian)
 The Civil Aviation Law of Iran and Its
 Regulations

03:JHO:lg-7449

16 February 1968

Mr. A. H. Zanganeh
Air Taxi Company
Mehrabad Airport
Tehran, Iran

Dear Jose:

Bell has taken the necessary action to cancel its representation for the country of Iran.

We would like to discuss with you the possibility that the firm of Air Taxi Company represent Bell for the sale of its helicopter products in Iran, based on the favorable recommendations we have received.

Would you please indicate whether your company would have such an interest, together with any special steps or circumstances that might pertain to this subject.

Upon receipt of your communication, we will be able to proceed with further necessary action.

Best regards.

Sincerely,

BELL HELICOPTER COMPANY

J. H. Orpen
Export Sales Manager

BC: Jose
Kling
Suiter

BELL HELICOPTER COMPANY
INTER-OFFICE MEMORANDUM9 April 1968
03:GMK:sk-836

MEMO TO: Mr. J. H. Orpen

COPIES TO: Messrs. J. P. Atkins, E. J. Ducayet, D. K. Jose,
J. Mashman, D. McClenny, G. E. McGuire,
D. E. Mitchell, A. O. Pierrot, W. Yates

SUBJECT: Trip Report, Iran

There is very little change here since our last visit, but things should begin to happen soon. Our proposal was well received, but Jablonsky says our prices are too high. He expects the D.O.D. letter of offer to be quite a bit lower--we'll wait and see.

Next week D.O.D. should make a decision on whether the loan can be made, this is a new development, and if it can, a letter of offer should be sent out about 1 May. Jablonsky leaves here 10 June for retirement, and he wants the UH-1 contract settled before then. UH-1 deliveries will all be made in calendar year 1971, because of the length of the training program. Chinook (12 each) deliveries will all be made in 1972.

Agusta has met with the Shah and put in a pitch for delivery of both UH-1 and Chinook now that they have the Vertol license. Jablonsky is a little worried about this. If the U. S. Army loan is not made available Agusta will have a good chance. Wallberg is here now and I wouldn't be surprised if Corrado were coming.

Zanganeh wants to represent us, and he can keep his ear open about Agusta progress with the Shah. I have told him there will probably be no commission if a government to government sale is made and he has accepted this. I have also told him not to do anything except listen until we send him a representative price agreement, which he should now do, and until we have established the U.S.D.O.D. loan will be available. Pierrot can provide that information to him. If we have to rely on our own financing in competition with Agusta's financing we will need the help of Zanganeh.

We should like a copy of any proposal on the T.M.I.

The air thought on air parcel just a general supply of sales information regarding UH-1's needed, as well as any other

It looks as if it will be a month or more before he can visit us so I suggest we send him a copy of the Aerodynamic outline and the small booklet on "Learning to Fly Your Ball Helicopter" to help him. He doubts if he can spend more than a week at the factory, but that should help him.

G. M. Kling

In reply refer to:
03:JHO:mh:2108

12 July 1968

~~Mr. A. H. Zanganeh~~
Managing Director
~~Air Taxi Company~~
Mehrabad Airport
Teheran, Iran

Dear Jose:

Enclosed are some details on the high powered searchlight for the helicopter as promised.

This SX-16 searchlight is certificated first for the Bell Models 47G-4A and 47G-3B-2 helicopters. It may also be installed on other helicopters with sufficient electrical power provided.

At the present time, the Allison engine manufacturer has imposed a temporary limitation on the amount of electrical load which can be drawn in flight by any helicopter using their 250-C18 engine. This, of course, includes the JetRanger model which the Shah is using. The restriction is a minimum of 60 ~~amps~~^{amps}. Because of this, there will be a delay before the searchlight installation can be engineered for the JetRanger, since its use requires a 60 amp electrical load.

Should Gen. Khatami desire a quotation for other model helicopters he may obtain this directly from Spectrolab.

Under separate cover, I will be forwarding the completed proposal for the National Iranian Gas Company and the Iranian Navy.

As soon as you receive them, please see that they are delivered and stress our offer to have someone review the details in-country if desired.

Note that for the Navy proposal we suggest that the helicopters be financed as part of the U. S. loan guarantee arranged by the Government of Iran for procurement of

military equipment. This is the only way that long term, low cost financing can be obtained. This requires an internal budget request by the Navy for establishing its priority for this equipment, which would naturally require Gen. Tufanian's approval.

I was expecting to hear from you, providing your scheduled trip to the U. S. wasn't postponed.

I recommend a special trip by you to the factory as soon as you can conveniently arrange it in order to become more fully versant with our facilities and products.

What is the latest status of the Agusta UH-1/205 program for the Iranian Army? We have heard that they were attempting to substitute the Bristol-Siddeley Gnome engine (similar to GET-58) in lieu of the Lycoming L-13 engine, which Agusta has had difficulty in obtaining because of U. S. Army priorities. I believe this substitution should be resisted by the Iranian Government, since this engine has not proven to be as reliable in the 205 installation, particularly where foreign object damage is likely to result from landing in unprepared landing sites.

The Lycoming engines will be available in increasing quantities later this year, but probably not in time for the Agusta first delivery commitment, and I believe this is why they were considering substitution.

Please follow up on our proposal, and keep us informed on competitive situations.

Best personal regards.

Sincerely,

BELL HELICOPTER COMPANY

J. H. Orpen, Manager
International Marketing

Enclosures: Nightsun Price List
and Information Sheet (2)

AIR TAXI CO

Mehrabad Airport
TEHRAN

40257
Tel. 68992
611967

Cable Tehran AIR TAXI

Date 1st August, 1968

No. 21/30899

Yr. Ref. 03:JHO:mh:2108



شرکت هواپیمایی ارتا کاسی

فردرگا، مهر آباد - تهران

۴۰۲۵۷ }
۶۸۹۹۲ } تلفن
۶۱۱۹۶۷ }

تلگرافی: تهران ارتا کاسی

..... تاریخ
..... شماره

Mr. J.H. Orpen,
Manager-International Marketing,
Bell Helicopter Company,
P.O. Box 482,
Fort Worth,
Texas,
U.S.A.

COMMERCIAL SALES DEPARTMENT	
REFERENCE NO.	<u>F1301</u>
ACTION:	<u>Yates</u>
AUG 7 1968	
INFORMED COPIES TO:	<u>Orpen</u> <u>Jose</u>
	<u>Mitchell</u> <u>Plaint</u>
	<u>McDon</u>

Dear Mr. Orpen,

Thank you very much for your letter dated 12th July, and the enclosed literature on the high powered searchlight. General Khatemi was given an explanation on the searchlight and I will advise you later of his comments.

I personally gave the proposal for the National Iranian Gas Company to Ing. Farkhan and he has promised that he will study this carefully.

On checking the proposal for the Imperial Iranian Navy I find that in Attachment (a) items 1 to 8 have been incorrectly calculated and I am therefore returning the complete proposal to you for rechecking. Commander Ardalan is at present not in Tehran so this will not cause a great delay.

Please return the corrected proposal to me as soon as possible and I will also explain to them the financing method you have suggested.

AIR TAXI CO.

Mehrabad Airport
TEHRAN

40257
Tel. 46592
611957

Cable Tehran AIR TAXI

Date _____

No. _____

Yr. Ref. _____



- 2 -

فرودگاه مهرآباد - تهران

۴۰۲۵۷
نظن ۶۸۹۹۲
۶۱۱۹۵۷

تلگرافی : تهران ارتاکسی

تاریخ _____

شماره _____

I had a long discussion with General Khatemi on Augusta Bell substituting the Bristol-Siddsley Gnome engine and he advises me that so far there has been no mention of any change by Augusta. I shall however be pleased to forward any further information I can obtain at this end.

I am looking forward to spending a few days with you when I can make a round of your factory and facilities, but unfortunately due to pressure of work I do not think I can find time to make this trip until mid fall.

Best personal regards,

Sincerely,
AIR TAXI COMPANY

A.H. Zanganeh
Managing Director

Encl.

P.S. Please forward corrected copies for all 5 copies of the proposal.

In reply refer to:
04:ARM:cr-478

4 June 1970

~~Air Taxi~~ Company
Mehrabad Airport
Tehran, Iran

Dear Sir:

This will confirm electrically transmitted message dated 27 May 1970, the text of which was as follows:

THE FOLLOWING INFORMATION IS FOR YOUR ADVANCE PLANNING AND IS BEING IMMEDIATELY CONFIRMED BY LETTER.

PRICE INCREASES HAVE BECOME NECESSARY DUE TO INCREASED COST OF LABOR AND MATERIAL. IN ADDITION, ENGINEERING CHANGES IMPROVING APPEARANCE, PERFORMANCE AND COST EFFECTIVENESS OF THE HELICOPTERS HAVE BEEN INCORPORATED IN NEW PRODUCTION.

WITH THE PRICE INCREASES, SUBSTANTIALLY IMPROVED COMMISSIONS HAVE BEEN PROVIDED FOR MODELS 206A, 205A-1, AND 212. THE NEW COMMISSIONS ON MODEL 47'S RECOGNIZE THE SQUEEZE BETWEEN INCREASING COSTS AND THE NECESSITY FOR KEEPING THE PRICE COMPATIBLE WITH THE MARKET, AND HAVE BEEN MODERATELY REDUCED ON THE BASIC AIRCRAFT.

UNFORTUNATELY IT HAS BEEN NECESSARY TO REDUCE THE PERCENTAGE OF YOUR COMMISSIONS ON SPARE PARTS.

FOLLOWING IS A REVISED PRICE AND REPRESENTATIVE DISCOUNT
STRUCTURE:

<u>MODEL</u>	<u>LIST PRICE (\$)</u>	<u>DISCOUNT (%)</u>
47G-3B-2	60,000	7½
47G-4A	58,000	7½
47G-5	49,500	7½
206A	112,500	7½
205A-1	425,000	4
212	575,000	4
ALL SPARE PARTS AND ACCESSORIES		10

THE COMMISSION IS TO BE NEGOTIATED ON ALL SALES IN EXCESS
OF FIVE HELICOPTERS OR ON ALL INDIRECT SALES THAT ARE MADE
GOVERNMENT TO GOVERNMENT.

SEPARATE PRICE SCHEDULES ON ACCESSORIES AND SPARES ARE
FORTHCOMING.

THE NEW PRICE STRUCTURE INCLUDES 12 TO 16 HOURS OF GROUND
SCHOOL AND FIVE HOURS OF TRANSITIONAL FLIGHT TRAINING FOR
ONE PILOT IN THE CUSTOMER'S HELICOPTER AFTER ACCEPTANCE AT
THE BELL FACILITY. IT ALSO INCLUDES THE BELL STANDARD FIELD
MAINTENANCE OR OVERHAUL COURSE OF THREE WEEKS DURATION FOR
ONE MECHANIC.

BELL WILL HONOR ALL FIRM PURCHASE AGREEMENTS ACCEPTED BY BELL
BY 20 MAY 1970. IN ADDITION, NEW PURCHASE AGREEMENTS, WITH
APPROPRIATE DEPOSITS, RECEIVED AND ACCEPTED BY BELL PRIOR TO

Please note that this Agreement includes a new Schedule A which reflects the new commission structure as defined above.

Please sign and return the original and two copies of both the Agreement and the Schedule A for our signature. A fully executed copy will then be returned to you for your files.

—If any additional information is required, please advise.

Yours truly,

BELL HELICOPTER COMPANY

A. Rex Marion
International Marketing
Administrator

Enclosures (4)

AIR TAXI CO.

Mehrabad Airport

TEHRAN

40257
Tel. 68992
611967

Cable Tehran AIR TAXI

Date July 12, 1970.

No. S/21/10243

Yr. Ref. O4:ARN:CR-478



شرکت هواپیمائی ارتاکسی

فرودگاه مهرآباد - تهران

۴۰۲۵۷
تلفن ۶۸۹۹۲
۶۱۱۹۶۷

تلفهانی: تهران ارتاکسی

تاریخ

شماره

Bell Helicopter Co.,
P.O. Box 482,
Fort Worth,
TEXAS 76101,
U.S.A.

Attention International Marketing Administrator

Dear Sirs,

Re: Manufacturer's Foreign Representative Agreement
Schedule A

In reply to your letter of June 4, 1970, as requested, we enclose, herewith, original and two copies of the above Agreement and Schedule A duly signed by our Managing Director, Mr. A.H. Zanganeh. We now await the return to us of a signed copy of same for our file.

Yours faithfully,
AIR TAXI COMPANY,

A. H. Zanganeh
A. H. Zanganeh,
Sales Manager.

INTERNATIONAL MARKETING DEPT.
JUL 22 1970
Ref No. 446
Approved by _____
Reviewed by _____
File _____
Mail to Client _____
Printed _____
Mail to Customer _____
Forwarding _____
Non-Receipt Control _____
Mail to Office _____
IRN 0:2

(Handwritten signature)

(Handwritten initials)

*Legon**clp*

In reply refer to:
 04:ARM:cr-544
 IRN 0-2

22 July 1970

Air Taxi Company
 Mehrabad Airport
 Teheran, Iran

REFERENCE: Manufacturer's Foreign Representative and Schedule
 A (dated 15 June 1970)

Dear Sir:

It has been noted that you have not returned the original and two signed copies of the referenced Agreement and respective Schedule A.

Please be advised that a formal Agreement between Bell and yourselves will not exist until these documents are fully executed. Therefore, we request that you take immediate action to return the referenced Agreements.

If any additional information is required, please advise.

Respectfully,

BELL HELICOPTER COMPANY

A. Rex Marion
 International Marketing
 Administrator



**BELL
HELICOPTER COMPANY**

POST OFFICE BOX 482 • FORT WORTH, TEXAS 76101 A **Extron** COMPANY

23 July 1970

In reply refer to:
O* ARM:gr 1693
TRN 0-2

**Air Taxi Company
Mehrabad Airport
Tehran, Iran**

Gentlemen:

Thank you for returning to us the signed copies of our Manufacturer's Foreign Representative Agreement and Schedule A.

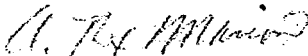
Your copy of the Agreement and Schedule A signed by Mr. Sylvester is enclosed for your file.

Pursuant to our electrically transmitted message dated 27 May 1970, separate Price Schedules on accessories and spares are enclosed.

If any additional information is required, please advise.

Respectfully yours,

BELL HELICOPTER COMPANY



A. Rex Marion
International Marketing
Administrator

Enclosures

AIR TAXI CO.

Mehrabad Airport

TEHRAN

40257
Tel. 68992
611967

Cable Tehran AIR TAXI

Date July 12, 1970.

No. S/21/10243

Yr. Ref. 04:ARM:cr-478



شرکت هواپیمایی ازناتکسی

فرودگاه مهرآباد - تهران

۴۰۲۵۷ }
تلفن ۶۸۹۹۲ }
۶۱۱۹۶۷ }

تلگرافی: تهران ازناتکسی

تاریخ

شماره

Bell Helicopter Co.,
P.O. Box 482,
Fort Worth,
TEXAS 76101,
U.S.A.

Attention International Marketing Administrator

Dear Sirs,

Re: Manufacturer's Foreign Representative Agreement
Schedule A

In reply to your letter of June 4, 1970, as requested, we enclose, herewith, original and two copies of the above Agreement and Schedule A duly signed by our Managing Director, Mr. A.H. Zanganeh. We now await the return to us of a signed copy of same for our file.

Yours faithfully,
AIR TAXI COMPANY,

Ahmad Zanganeh
K. Irazad,
Sales Manager.

INTERNATIONAL MARKETING DEPT.	
JUL 22 1970	
Dist. No.	446
Approved	<i>[Signature]</i>
Approved	<i>[Signature]</i>
cc'd Copies To:	
Vice President	
Manager	
Market Captain	
Assistant	
Washington Office	
Regional Sales	
File	IRM 6-2

ADMIN



42-7719

Dun & Bradstreet® INTERNATIONAL REPORT

PLEASE NOTE WHETHER NAME, BUSINESS AND STREET ADDRESS CORRESPOND WITH YOUR INDUSTRY.

© DUN & BRADSTREET, INC. ESTABLISHED 1841

5. RI37/JCT CD.965 4TH OCTOBER, 1970

SIBREKAT SANAMI HAVAPAYMAI AIR TAXI..... TEHRAN, IRAN.
(AIR TAXI CO.LTD.) NORTH MEHRABAD AIRPORT.

DIRECTORS: (with their financial interests)
Amir Hossein Aazam Zanganeh (50%) Chairman & Managing Director.

Ahmad Shafik (25%)
Fredric Issa (25%)
T. Khorran STARTED: 1958

SUMMARY:
INCORPORATED 1958. OPERATING ON A LARGE SCALE. OF HIGH REPUTE AND STANDING. CONSIDERED TRUSTWORTHY FOR ENGAGEMENTS.

HISTORY:
This is a joint stock company registered in Teheran on 19.4.1958. Capital: The capital, originally Rials 6,000,000 has been increased to Rials 20,000,000 divided into 100 shares of Rials 200,000 each, all issued and paid up, by the principals, as shown above. Correspondents report that the capital has been increased to Rials 50,000,000, but this increase has not yet been officially registered.

Affiliates: Amir Hossein Aazam Zanganeh was born in 1930, and was at one time a commercial aircraft pilot, by profession. Ahmad Shafik was born in 1910. He has held posts with the Iranian Government is now Chairman and Managing Director of Bank Ettobarat Iran.

FINANCES:
Balance sheet dated 20.3.1970.

INTERNATIONAL MARKETING DEPT.	
NOV 11 1970	
Ref. No.	1163
Assigned	Cheney & Tucker
Initials	
Index copies	
Cost	
Printed	
Revised	
Cancelled	
Other	
File	

DRISC
Kim's file
Cheney & Tucker
Rob
.../2

* All correspondence and other documents, with any other documents, The foreign reports, etc., should be sent to the appropriate office. Subscription Contract, etc., should be sent to DUN & BRADSTREET, INC. and NOT TO BE FOLLOWED. Searches, actual Expenses can be made, if required, subject to separate charge.

THIS REPORT MAY NOT BE REPRODUCED IN WHOLE OR IN PART IN ANY FORM OR MANNER WHATSOEVER.

5. RL37/JCF

SHERKAT SAHAMI HAVAPAYMAI AIR TAXI.....TEHRAN, IRAN.

Sheet 2

FINANCES: (cont'd)

<u>ASSETS</u>	<u>Rials</u>
Building	10,340,602.00
Plane/aircraft	59,923,930.00
Vehicles for transportation	4,119,760.00
Office furniture/inventory	5,439,697.00
Machinery	3,890,894.00
Technical equipments and tools	4,745,929.00
Ready parts of the plane/aircraft	38,222,477.00
Deposits, orders placed and goods en route	5,412,761.00
Bankers' guarantees	11,207,593.00
Sundry debtors	15,479,694.00
Cash in hand and in Banks	3,634,436.00
	<u>162,417,773.00</u>

<u>LIABILITIES</u>	<u>Rials</u>
Capital fully paid up	20,000,000.00
Official and emergency reserve	6,364,648.00
Reserve depreciation	69,944,007.00
Documents payable	1,373,419.00
Sundry creditors	12,403,407.00
Profits of last years	46,763,927.00
Profits for the year ending 20.3.70.	<u>5,568,365.00</u>
	<u>162,417,773.00</u>

PROFIT & LOSS ACCOUNT

<u>INCOMES</u>	<u>Rials</u>
Incomes earned from flights	105,567,162.00
	<u>105,567,162.00</u>

5. R137/JCF

SHIRKAT SAHAMI HAVAYEYMAI AIR TAXI.....TEHRAN, IRAN.

Sheet 3

FINANCES: (cont'd)

<u>EXPENDITURE</u>	<u>Rials</u>
Spare parts consumed	14,193,440.00
Fuel for aircraft and vehicles	15,725,949.00
Salaries of employees	35,855,950.00
Insurance premium	3,374,694.00
Depreciation	9,484,859.00
General expenses	20,745,198.00
Profits	6,187,072.00
	<u>105,567,162.00</u>

OPERATION:

The company are aircraft operators and engineers, their activities being divided into three sections, operational, technical and sales. They own the following aircraft: 4 Dakota, 7 Aero Commander, 2 Piper 22, 1 Sparrow Commander, 4 Piper 18; they carry out schedules, non scheduled and charter flights, mail deliveries, ambulance work, photographic surveys, and agricultural spraying. They operate and maintain, on behalf of the Iranian Government and other customers, 12 further aircraft, and also maintain and carry out technical and repair work on a large number of other aircraft owned by the Government, members of the Royal family, etc. They also deal in aviation products, accessories etc., and are the exclusive Iranian distributors for the following foreign manufacturers:

ABRO COMMANDER BETHANY DIVISION of Rockwell Standard, U.S.A.;
 LYCOMING Division of Avco Corp., U.S.A.;
 HAWKER SIDDELEY AVIATION, England;
 DE HAVILLAND 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.;

Altogether the company maintain an active business of large extent they have about 120 employees.

.. /4

5. R137/JCT

SHERKAT SAHAMI HAVAPAYMAI AIR TAXI.....TEHRAN, IRAN.

Sheet 4

OPERATION: (cont'd)

Location: Their headquarters are at North Mehrabad Airport, Tehran, where they occupy modern office and engineering workshops. They have similar branch accommodation at Abadan Airport, Abadan, and another branch at Gorgan Kavoo's, Iran.

PAYMENTS & CONCLUSIONS:

The company are of good repute and standing and payments are reported as prompt. Present authorities consider them trustworthy for their ordinary business engagements.

Bankers: Bank Etttebarat Iran
Bank Sadorat Iran.

11 April 1972 12:15 PM ph

TELEX NO: 2575 A TAXI TN
 TELEX TO: AIR TAXI COMPANY
 TEHRAN IRAN

 ATTN: ZANGANEH

IMPERATIVE FOLLOWING MESSAGE BE DELIVERED TO GALLAGHER ON
 PRIORITY BASIS FOR SUBSEQUENT DELIVERY TO COL. DUNCAN, MILITARY
 ASSISTANCE GROUP. QUOTE ARMY INTL LOGISTICS HAS REQUESTED THAT WE
 FORWARD
 PERFORMANCE DATA APPLICABLE BELL MODEL 214A AT SEA LEVEL AT
 53° G. (128° F.) AND 6,000 REPEAT 6,000 FEET SAME TEMPERATURE
 DIRECTLY TO YOU FOR YOUR USE. DATA AS FOLLOWS:

SEA LEVEL:

HOVER OGE WITH INTERNAL LOAD MAX GROSS 13,000, EXTERNAL
 14,500. MAXIMUM RANGE WITH INTERNAL LOAD 270 NAUTICAL
 MILES; WITH EXTERNAL LOAD 180 NAUTICAL MILES. PAY LOAD
 AT MAX RANGE INTERNAL LOAD 3,470 LBS. WITH EXTERNAL
 LOAD 2,540 LBS. PAY LOAD AT ZERO RANGE INTERNAL LOAD
 5,740; EXTERNAL LOAD 7,240. CRUISE SPEED INTERNAL LOAD
 130 KNOTS; EXTERNAL LOAD 185 KNOTS.

6,000 FEET:

HOVER OGE INTERNAL LOAD MAX GROSS 11,470 LBS, EXTERNAL
 LOAD 11,470 LBS. MAXIMUM RANGE WITH INTERNAL LOAD 320
 NAUTICAL MILES: WITH EXTERNAL LOAD 218 NAUTICAL MILES.
 PAY LOAD AT MAXIMUM RANGE INTERNAL LOAD 2,480 LBS. WITH
 EXTERNAL LOAD 2,480 LBS. PAY LOAD AT ZERO RANGE INTERNAL
 LOAD 4,480; EXTERNAL LOAD 4,480. CRUISE SPEED INTERNAL
 LOAD 130 KNOTS; EXTERNAL LOAD 80 KNOTS.

BELL WILL BE PLEASE TO PROVIDE PROTO-TYPE OF THE MODEL 214A
FOR DEMONSTRATION PURPOSES IN IRAN DURING JULY/AUGUST TIME
FRAME PROVIDED THAT TRANSPORT OF THE AIRCRAFT FROM FORT
WORTH TO IRAN AND RETURN IS AVAILABLE AT NO CHARGE FROM IRANIAN
ARMED FORCES AND/OR ALTERNATIVELY, U.S. ARMED FORCES.

REGARDS
SYLVESTER
BELLCRAFT



BELL HELICOPTER COMPANY

POST OFFICE BOX 482 • FORT WORTH, TEXAS 76101

FRANK M. SYLVESTER
VICE PRESIDENT-INTERNATIONAL MARKETING

May 4, 1972

Mr. A. H. Zanganeh
Managing Director
Air Taxi Company
Mehrabad Airport
Tehran, Iran

Dear Mr. Zanganeh:

Enclosed is a letter that should be urgently delivered to Lt. Gen. Toufanian and a copy for Mr. H. Dehesh.

Your copy is also enclosed.

Jack Gallagher will send immediately a list of items that need to be discussed with appropriate officials during our forthcoming visit. It is extremely important that all of these people be contacted and informed prior to our arrival.

We will rely on you to arrange a full and productive schedule from Saturday morning, May 20th, through the ensuing week, and would like to review that schedule with you immediately upon our arrival. Perhaps you could, by return telex, give me your preliminary thinking as to the people we must contact and a schedule that we can start planning around.

I look forward with a great deal of pleasure to this visit and particularly to seeing you and your associates once more.

Sincerely,

Frank M. Sylvester

FMS:pb-106



BELL HELICOPTER COMPANY

POST OFFICE BOX 402

FORT WORTH, TEXAS 76101

FRANK M. SYLVESTER
VICE PRESIDENT-INTERNATIONAL MARKETING

May 4, 1972

Lt. Gen. H. Toufanian
Deputy Minister of War for Armament
Saltanat-Abad
Tehran, Iran

Dear General Toufanian:

This should serve to confirm my cable of May 3rd in which I informed of plans for a group of Bell Helicopter officials to arrive in Tehran on May 19th. In addition to the undersigned, the group will consist of:

C. R. Rudning	Vice President - Program Management
E. J. Smith	Chief Flight Operations Engineering
J. E. Gallagher	Regional Marketing Manager

The purpose of the visit is to finalize plans and to complete detailed preparations for the demonstration of our Model AH-1J and Model 214 helicopters to the Imperial Iranian Armed Forces. This is in accordance with your letter dated April 18th to Mr. J. F. Atkins, President, and his reply dated April 25th.

By separate letter to Air Taxi, our representative, we have provided him with a detailed list of items that need to be reviewed, studied and resolved during our stay. These include such things as demonstration sites, schedules, transportation, supporting facilities and services, performance data, etc.

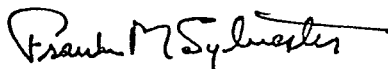
In advance of our arrival our representative will have alerted appropriate organizations and officials of our need to explore

these important areas with them and to plan with them what we are confident will result in a most successful and productive program.

I was greatly disappointed that I was unable to be in Fort Worth at the time of your recent visit to Bell.

Messrs. Ducayet and Atkins join me in sending our warmest personal regards, and I look forward to renewing our acquaintance in about two weeks.

Sincerely,

A handwritten signature in cursive script that reads "Frank M. Sylvester". The signature is written in dark ink and is positioned above the printed name.

Frank M. Sylvester

FMS:pb-105

cc: Mr. H. Dehesh
Mr. A. H. Zanganeh



BELL HELICOPTER COMPANY
 POST OFFICE BOX 402 • FORT WORTH, TEXAS 76101

FRANK M. SYLVESTER
 VICE PRESIDENT-INTERNATIONAL MARKETING

May 9, 1972

Major General Ellis W. Williamson
 Chief, ARMISH MAAG
 APO New York, New York 09205

Dear General Williamson:

This is a somewhat tardy reply to your considerate letter of April 8th, contents of which were very welcome to all of us here at Bell. Actually, when your letter arrived I was in Brazil on the second of two visits since February. Incidentally, George and Helen Beatty send their best regards.

In his note to you of April 25th Jim Atkins informed of our intent to mount a maximum-effort response to the Letter of Intent from the Government of Iran, and of our plans for an "advance party" visit to accomplish detailed coordination and planning for the AH-1J and 214 demonstrations now scheduled for early August.

Last week we informed General Toufanian, and have since received his endorsement, of plans for this group to arrive in Teheran on May 19th. In addition to the undersigned, the group will consist of:

C. R. Rudning	- Vice President - Program Management
E. J. Smith	- Chief Flight Operations Engineering
J. E. Gallagher	- Regional Marketing Manager


It goes without saying that one of the primary purposes of our visit is to coordinate our activities with you and your staff and to seek your counsel and assistance where appropriate.

Personally, I am delighted at the prospect of continued contact with the country and the people. Equally, the prospect of making a substantial contribution to the security and to the development

of Iran is most gratifying to all of us here at Bell.

I look forward to seeing you and the rest of our good friends in the ARMISH MAAG very soon.

Sincerely,


Frank M. Sylvester

FMS:pb-112



MANUFACTURER - FOREIGN SALES REPRESENTATIVE AGREEMENT

THIS AGREEMENT, made and entered into this 5th day of March, 1964, by and between BELL HELICOPTER COMPANY, A Division of Aerospace Corporation, a Delaware Corporation, (hereinafter called the "Manufacturer"), of P. O. Box 482, Fort Worth, Texas and INTERNATIONAL Helicopter Consultants, Inc. of P. O. Box 1702, Tehran, Iran

(hereinafter called the "Sales Representative"), wherein it is mutually agreed as follows:

1. The Manufacturer hereby appoints the Sales Representative as a Sales Representative for articles specified in paragraph 2 for it in Iran upon the following terms and conditions:

2. The Sales Representative shall use his best efforts to further the sale of BELL HELICOPTERS and helicopter accessories and parts (hereinafter sometimes referred to as "Manufacturer's products"), made by Manufacturer for sale through Sales Representatives.

3. All such sales shall be made in accordance with the terms and conditions of BELL'S Standard Export Purchase Agreement at Manufacturer's export list prices then in effect, and shall be subject to acceptance by the Manufacturer.

4. To enable Manufacturer to appraise the sales efforts of the Sales Representative, the Sales Representative shall notify the Manufacturer promptly in writing as to the name and address of each prospective customer contacted by him, and shall make written reports not less than once a month setting forth in detail the sales efforts made with respect to each prospect and the status of such efforts, the probable number of helicopters involved, and the approximate timing as to when an order might be expected.

5. The Sales Representative shall be compensated on purchases made during the term of this agreement on the following basis:

(a) On purchases by the Sales Representative from the Manufacturer, the Sales Representative shall be allowed a discount of 10% from the export list price f.a.f. of complete standard helicopters and a discount of 15% from the export list price of accessories and parts.

(b) On purchases by customers in the territory above referred to, who purchase as the result of the efforts of the Sales Representative as shown by the reports received by the Manufacturer from the Sales Representative prior to the purchase, the Manufacturer will pay the Sales Representative a commission of 10% on the sale price f.a.f. of complete standard helicopters and a commission of 15% on the sale price of helicopter accessories and parts; such commission to become due and payable upon full payment and delivery of the articles purchased. Subsequent purchases of Manufacturer's helicopters by a purchaser shall entitle the Sales Representative to the above stated commission only when the Manufacturer, in its sole discretion, is satisfied that such subsequent purchase is the result of further sales efforts as set forth above. Subsequent purchases of accessories and parts by a purchaser shall not entitle the Sales Representative to any commission unless the order is placed through the Sales Representative and not direct with the factory.

5. (a) The Manufacturer may from time to time without notice make such changes in its export list prices as it may find desirable.

(b) The Manufacturer reserves the right to discontinue the manufacture or to make changes in design, specifications, equipment or method of construction of its products or any part thereof, without incurring any obligation to install same on helicopters previously sold by it, and no such change shall constitute grounds for refusal to accept delivery by the Sales Representative nor constitute a variation from his order as placed.

(c) This agreement shall not restrict the right of the Manufacturer to negotiate for and make sales of its products within the above-mentioned territory, and the Manufacturer shall have the right to exclude particular prospective customers from this agreement upon notice to the Sales Representatives.

(d) In order to avoid the use, in connection with Manufacturer's products, of parts and accessories which may interfere with the operation, safety or appearance thereof, and in order to maintain the standard of excellence set by the Manufacturer for its products, the Sales Representative hereby agrees, to the extent only that it may be lawful for the parties hereto to contract, to use only parts manufactured or approved by the Manufacturer, in making repairs or doing other service work on Manufacturer's products, and further agrees to the extent only that it may be lawful for the parties hereto to contract, that he will not purchase for resale for Manufacturer's products any part or accessory which has not the written approval of the Manufacturer.

(e) The Sales Representative agrees that he will not purchase, sell, maintain, operate or repair helicopters, accessories or parts other than those manufactured by Manufacturer without its written permission.

(f) Neither the Representative nor any of his officers, agents, salesmen, or employees shall have the right or authority for or on behalf of the Manufacturer to make any proposals, promises, warranties, guarantees, or representations with respect to the Manufacturer's products. Nor shall they, or any of them, have any right or authority to assume or create any obligation of any kind, express or implied, on behalf of the Manufacturer, or to enter into contracts in the name of the Manufacturer, or to make any promise or representation with respect to any matter in the name or on behalf of the Manufacturer, or to bind the Manufacturer by any agreement or statement.

(g) The Sales Representative shall not transfer or assign any interest in this agreement or any part of it, nor any of the rights or benefits accruing under it without the written consent of the Manufacturer.

(h) The Sales Representative agrees that the decision of the Manufacturer as to any claim, dispute or controversy between himself and any other Sales Representative of Manufacturer or as to the Sales Representative's right to discounts or commissions shall be conclusive and binding.

(i) This agreement is made and executed at Fort Worth, Texas, and is to be governed by and construed according to the laws of the State of Texas, provided, however, that any provisions herein which may in any wise contravene the laws of any country, state or jurisdiction, shall not be a part of this agreement, if executed by any Sales Representative who is to deal in the products of the Manufacturer in any such country, state or jurisdiction.

(j) The Sales Representative agrees not to use the Manufacturer's registered trade-marks or names, or anything closely resembling same, as part of the corporate or business name of the Sales Representative in any manner which the Manufacturer considers misleading, detrimental or objectionable.

(k) Upon termination of this agreement, the Sales Representative shall discontinue the use of all signs, placards and stationery likely to lead to misunderstanding or uncertainty on the part of potential purchasers of Manufacturer's products.

(l) The Sales Representative acknowledges the validity of Manufacturer's patents, copyrights and trade-marks and agrees not to infringe or assist others in the infringement of such rights and agrees to cooperate fully with Manufacturer in the protection thereof. The Sales Representative further agrees to disclose to Manufacturer any inventions or improvements for use on or in connection with its products which may be made by the Sales Representative, his employees, or representatives and hereby gives Manufacturer the option to purchase for a reasonable sum, rights to any such inventions or improvements within six months from the date Manufacturer receives such disclosure thereof.

7. This agreement shall become effective on the date thereof and shall continue for a period of one year from said date except when terminated by either:

(a) Written notice of termination delivered personally or mailed to the other party, by registered or ordinary mail, to be effective sixty (60) days after the date of personal delivery or mailing of such notice, except in instances in which the notice specifies an effective date, in which event termination shall be effected on such specified date or on the date of expiration of the sixty (60) day period following the date of personal delivery or mailing of such notice, whichever is later, or

(b) After expiration of this agreement or after notice of termination under subdivision (a) of this paragraph, the Sales Representative shall continue his rights and duties as Sales Representative to the extent only of purchase agreements of the Sales Representative and of customers who purchase as a result of the efforts of such Sales Representative accepted by the Manufacturer and supported by satisfactory irrevocable letters of credit for the full purchase price received by the Manufacturer in the United States prior to the expiration date of the agreement or of such notice of termination. The Manufacturer shall, at its option, have the right to cancel any and all orders for products placed by the Sales Representative or customers procured by the Sales Representative and not delivered by the Manufacturer prior to the expiration of the agreement or of such notice except as above provided and except orders covering products the resale of which has been contracted for by the Sales Representative. Nothing contained in this agreement shall be deemed to prevent the Manufacturer, after the service of such notice and before the expiration thereof, from negotiating and contracting for the appointment of a new Sales Representative for the same territory or a part thereof, such appointment to become effective not earlier than such expiration date. Neither party shall be liable to the other for damages of any kind or character whatsoever on account of such termination whether such damages may arise from manufacture of helicopters or parts, failure to fill orders hereunder, or from the loss of present or prospective profits on sales or expenses incurred in connection therewith, or expenses or investments made or incurred in connection with the establishment, development or maintenance of the Sales Representative's business, or from any other cause, claim or consideration whatsoever. In the event of such termination or the expiration of this agreement, the Manufacturer shall for thirty (30) days thereafter have the first right or option to purchase any and all Bell helicopters and parts which the Sales Representative may own or have an interest in on the date of such termination or expiration at the Manufacturer's invoice price at the time of purchase (net of discounts, allowance or adjustments) to the Sales Representative, plus freight.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed as of the day and year first above written.

*This Agreement limited to Military sales only.

INTERNATIONAL
HELICOPTER CONSULTANTS, INC. SALES REPRESENTATIVE

BELL HELICOPTER COMPANY
A DIVISION OF BELL AEROSPACE CORPORATION

BY William H. French BY [Signature]
William H. French (TITLE) Authorized Representative (TITLE)
President, Managing Director
BY [Signature] BY [Signature]
Severly J. French (WITNESS) (WITNESS)

RIDER NUMBER ONE to Manufacturer Foreign Sales Representative
 Agreement between BELL HELICOPTER COMPANY, a Division of Bell
 Aerospace Corporation, and INTERNATIONAL
 Helicopter Consultants, Inc.
Tehran, Iran the 5th day of March, 19 64.

This Rider Agreement is hereby incorporated in the aforesaid Sales Representative Agreement, and the parties agree that all discounts allowable to the Manufacturer-Foreign Sales Representative by the Manufacturer under the terms of such agreement shall be the fixed sum of Seven Thousand (\$7,000.00) Dollars per helicopter when such helicopter is of the Model 47J configuration, and sold pursuant to the Bell price change notice effective January 1, 1963.

INTERNATIONAL
 HELICOPTER CONSULTANTS, INC.

BELL HELICOPTER COMPANY
 Division of
 Bell Aerospace Corporation

By *William H. French*
 William H. French
 Managing Director, President

By *[Signature]*
 Title Authorized Representative

Witness *Beverly W. French*
 Beverly W. French

Witness *[Signature]*



MANUFACTURER'S FOREIGN REPRESENTATIVE AGREEMENT

This Agreement made **January 1**, 19 **65**, between BELL HELICOPTER COMPANY, Division of Bell Aerospace Corporation (hereinafter called "Bell"), and **P. O. Box 1702**
INTERNATIONAL HELICOPTER CONSULTANTS, INC., of **Teheran, Iran**

(hereinafter called the "Representative") is made for the purpose of defining the rights and obligations of the parties. If there has been a Manufacturer's Foreign Dealer Agreement or a Manufacturer's Foreign Sales Representative Agreement in effect between the parties, this agreement is a continuation of such relationship, but the terms of this agreement supersede and replace completely all prior agreements.

The parties mutually agree:

1. APPOINTMENT AND TERRITORY.

Bell appoints the Representative to sell in **Iran** the Bell products listed in Schedule A of this Agreement (hereinafter called the Listed Products). Bell shall have the right to make sales of Listed Products to any local or national government within the Territory, or any agency or instrumentality of such government, whether such sales are made directly by Bell or indirectly through the United States Government.

2. AGREEMENTS OF REPRESENTATIVE.

The Representative agrees:

- (a) To use his best efforts --
- (1) To promote the reputation and the sale of the Listed Products in the Territory.
 - (2) To obtain offers to purchase such products from responsible purchasers in the form of Bell's Standard Export Purchase Agreement at Bell's export list prices then in effect.
 - (3) Promptly to transmit to Bell any such offers for Bell's acceptance or rejection.
- (b) To furnish necessary technical advice and product support to customers including:
- (1) Advise customers relative to technical specifications and available configurations of Listed Products.
 - (2) Assist in and/or conduct demonstrations of Listed Products.
 - (3) Assist and advise customers in the proper operation and maintenance of Listed Products.
 - (4) Serve in a liaison capacity between the customers and Bell.
 - (5) Assist the customer in spare parts support for the Listed Products.

- (6) Render technical advice and product support on a continuing basis and especially during the post delivery period.
- (c) To display, advertise and offer for sale only that part of the Bell product line which has been incorporated as Listed Products in this Agreement.
- (d) To permit Bell to inspect his facilities at any time during business hours and to furnish such reports pertaining to his business in the Listed Products as Bell may reasonably request.
- (e) To be solely responsible for the payment of all costs and expenses incurred by him in the promotion and sale of the Listed Products.
- (f) To permit in any settlement of accounts between the parties an offset of amounts due the Representative for commissions or other reasons against indebtedness of the Representative to Bell.
- (g) In order to avoid the use in connection with Bell helicopters of parts or equipment which may interfere with their operation or safety, and to maintain the reputation of Bell products, the Representative agrees to sell and/or use only Bell approved parts for purpose of the maintenance and overhaul of the Listed Products.

5. AGREEMENTS OF BELL.

Bell agrees:

- (a) To support the Representative in his efforts to promote the sale of the Listed Products, to furnish appropriate sales literature and descriptions of such products, to refer inquiries received from prospective purchasers within the Territory, and generally to render such sales assistance as may in Bell's sole judgment be reasonable and appropriate, without assuming any responsibility for the Representative's sales efforts or any obligation to render assistance beyond what in Bell's sole discretion is deemed adequate.
- (b) To permit the Representative to use the Bell Helicopter name and trademark in connection with sales of the Listed Products, but only to the extent and under the conditions which Bell may in writing approve.
- (c) To sell and deliver the Listed Products for which the Representative has obtained Bell's Standard Export Purchase Agreements acceptable to Bell and not unreasonably to withhold acceptance of offers to purchase such products obtained by the Representative.
- (d) To pay to the Representative compensation as provided in the next succeeding paragraph.

4. COMMISSIONS PAYABLE TO THE REPRESENTATIVE.

- (a) Subject to paragraphs (b) and (c) below, Bell will pay commissions to the Representative at the rates provided in Schedule A of this Agreement on all sales of the Listed Products made in accordance with Bell's Standard Export Purchase Agreement and concluded by delivery within the Territory.
- (b) Bell will pay fair commissions to be negotiated where a sale of Listed Products is made directly by Bell to any local or national government within the Territory or to any agency or instrumentality of such government.
- (c) Bell will pay fair commissions to be negotiated where a Listed Product is delivered by or by direction of the United States Government or any agency or instrumentality thereof to a national or local government within the Territory or to any agency or instrumentality thereof, but only if:
- (1) The Representative was active in developing the requirement for, and the purchase of, the Listed Product, and

(2) At the time of the initial contractual negotiations between Bell and the United States Government, the Representative had advised Bell that the Listed Product was to be so delivered.

(d) All negotiated commissions shall be due and payable at the time agreed upon between Bell and the Representative in such negotiations. All other commissions shall be due and payable upon the completion of each Standard Export Purchase Agreement by the delivery of the required products and receipt by Bell of full payment therefor. All commissions will be calculated on F.O.B. or fly-away prices, Bell factory.

5. GENERAL AGREEMENTS.

(a) The relation created by this Agreement is that of Manufacturer and Independent Representative, and neither the Representative nor any of his officers, agents, salesmen or employees shall have any right or authority —

- (1) To conduct any business in the name of or for the account of Bell.
- (2) To make any proposals, promises, warranties, guarantees or representations with regard to any Bell product.
- (3) To assume or create any obligation of any kind, express or implied, on behalf of Bell.
- (4) To enter into contracts or commitments in the name of Bell.
- (5) To make any promise or representation with respect to any matter in the name of or on behalf of Bell.
- (6) To bind Bell in any respect whatsoever.

(b) Bell may from time to time, without notice, make such changes in its Standard Export Purchase Agreement and its export list prices as Bell may determine, but no such change shall apply to any orders for which Bell shall have previously accepted its Standard Export Purchase Agreement.

(c) Schedule A hereto may from time to time be revised in any respect by mutual agreement of the parties expressed by their official signatures upon such revision, without affecting any other provision of this Agreement, but no letter, telegram or other communication between the parties hereto shall become a part of or in any way modify or change this Agreement unless it is distinctly stated in such communication that it is to become a part of this Agreement by attachment thereto and bears the official signatures of both parties, which may be accomplished by separate signatures of duplicate counterparts of such communication and exchange of same.

(d) This Agreement is to be governed by and construed under the laws of the State of New York, U.S.A. If any provision of this Agreement shall be considered or held by any authority or court having jurisdiction over one of the parties or over the subject matter of this contract to be prohibited and/or void, such action shall not affect the validity of the remaining provisions of this Agreement which shall be considered separable from the prohibited or void provision and this Agreement shall thereupon be deemed to be written, or to be rewritten, as the case may be, without such prohibited or void provision.

(e) The Representative shall not transfer or assign this Agreement or any part of it in any manner without the written consent of Bell.

6. TERM AND TERMINATION.

(a) This Agreement shall become effective on the date hereof and shall continue until the following December 31st and thereafter for periods of one (1) year until terminated by written notice of termination delivered personally or mailed to the other party, by registered, certified or regular mail, to be effective on a date specified in such notice which shall be not less than sixty (60) days after the delivery or mailing of such notice. In the following circumstances this Agreement can be terminated at any time by either party effective immediately upon receipt of notice of termination:

(1) Death or incapacity of the Representative.

(2) The institution of any proceedings by or against the Representative under any bankruptcy or insolvency law.

(3) Any breach by or failure of the other party to comply with any of the provisions of this Agreement which shall have remained uncorrected for thirty (30) days after written notice thereof.

(b) Notwithstanding any such termination, the Representative shall be entitled to commissions upon sales pursuant to Standard Export Purchase Agreements for Listed Products accepted by Bell prior to the effective date of termination, when and if Bell receives full payment therefor.

(c) The Representative shall not be entitled to receive any termination payment or compensation of any nature because of termination of this Agreement.

(d) Neither party shall be liable to the other for damages of any kind or character whatsoever on account of such termination, whether such damage may arise from manufacture of helicopters or parts, or from the loss of prospective profits or commissions on sales or expenses incurred or investments made in connection with the establishment, development or maintenance of the Representative's business, or from any other cause, claim or consideration whatsoever.

7. SUCCESSION.

This Agreement shall be binding upon and inure to the benefit of Bell and any person, firm or corporation succeeding to all or substantially all of the helicopter manufacturing business now conducted by Bell.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

INTERNATIONAL HELICOPTER CONSULTANTS,
INC.

Representative


By *William B. French*
WILLIAM B. FRENCH
(Title) PRESIDENT, MANAGING DIRECTOR

Beverly L. French
Witness BEVERLY L. FRENCH
SECRETARY-TREASURER

BELL HELICOPTER COMPANY
Division of Bell Aerospace Corporation

By *[Signature]*
(Title) Authorized Representative

Jessie Mc Cormack
Witness

POST OFFICE BOX 482 · FORT WORTH, TEXAS 76101
A DIVISION OF BELL AEROSPACE CORPORATION A  COMPANY

SCHEDULE A

(To Manufacturer's Foreign Representative Agreement)

LISTED PRODUCTS AND APPLICABLE COMMISSIONS

The Representative is authorized to solicit orders for the Listed Products set forth below in accordance with the terms contained in the Manufacturer's Foreign Representative Agreement to which this Schedule is attached. The commissions payable to the Representative in accordance with Section 4(a) of such Agreement are set forth below.

Standard Export Purchase Agreements Covering One (1) to Five (5) Helicopters:

<u>Listed-Products</u>	<u>Commission on Basic Helicopters</u>
47G-4 --	10%
47G-3B-1	10%
47J-2A	\$7,000.00
204B	\$15,000.00
UH-1	To be negotiated
OH-13	To be negotiated

Standard Export Purchase Agreements Covering More Than Five (5) Helicopters:

<u>Listed Products</u>	<u>Commission</u>
47G-4)	To be Negotiated
47G-3B-1)	
47J-2A)	
204B)	
UH-1)	
OH-13)	

Standard Export Purchase Agreements Covering Spare Parts and Accessories:

<u>Listed Products</u>	<u>Commission on Spare Parts and Accessories</u>
Model 47 Numbered Parts	15%
Model 204B Series - 204 Numbered Parts	15%
Simplex Agricul. Equipment	10%
AN and Vendor Parts	15%
Engines, Engine Parts & Accessories	To be negotiated
Special Equipment	To be negotiated
UH-1 Series Parts	To be negotiated
OH-13 Series Parts	To be negotiated

July 1, 1965

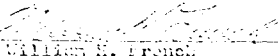
This Schedule A revision is effective _____

INTERNATIONAL HELICOPTER
CONSULTANTS, INC.

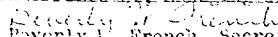
Representative

BELL HELICOPTER COMPANY

Division of Bell Aerospace Corporation

By 
William H. French

By _____
Manufacturer Representative

(Title) President, Managing Director
By 
Beverly A. French, Secretary Treasurer

(Title)

Witness

Witness

FRASER 10-10-64



SCHEDULE A

(To Manufacturer's Foreign Representative Agreement)

LISTED PRODUCTS AND APPLICABLE COMMISSIONS

The Representative is authorized to solicit orders for the Listed Products set forth below in accordance with the terms contained in the Manufacturer's Foreign Representative Agreement to which this Schedule is attached. The commissions payable to the Representative in accordance with Section 4(a) of such Agreement are set forth below.

Standard Export Purchase Agreements Covering One (1) to Five (5) Helicopters:

<u>Listed Products</u>	<u>Commission on Basic Helicopters</u>
47G-3B-1, 47G-4A, 47G-5	10%
47J-2A	\$7,000.00
204B	\$15,000.00
UH-1 Series	To be negotiated
OH-13 Series	To be negotiated

Standard Export Purchase Agreements Covering More Than Five (5) Helicopters:

<u>Listed Products</u>	<u>Commission</u>
47G-3B-1, 47G-4A, 47G-5)	To be Negotiated
47J-2A)	
204B)	
UH-1 Series)	
OH-13 Series)	

Standard Export Purchase Agreements Covering Spare Parts and Accessories:

<u>Listed Products</u>	<u>Commission on Spare Parts and Accessories</u>
Model 47 Numbered Parts	15%
AN and Vendor Parts	15%
Model 204B Series - 204 Numbered Parts	15%
AgMaster Agriculture Equipment, less nozzles, not installed	10%
Engines, Engine Parts & Accessories	To be negotiated
Special Equipment	To be negotiated
UH-1 Series Parts	To be negotiated
OH-13 Series Parts	To be negotiated

This Schedule A revision is effective 1 May 1965

INTERNATIONAL HELICOPTER COMPTANES,

Representative R.O.
William H. French
 (Title) President, Managing Director
Mervyn L. French, Treasurer Asst
 Secretary

Witness

BELL HELICOPTER COMPANY
 Division of Bell Aerospace Corporation

By: _____
 (Title) _____

 Witness

7811 81224 REV. 6-54

Manufacturer's Foreign Representative Agreement

- Amendment No. 1 -

This Amendment Number 1 to the Manufacturer's Foreign Representative Agreement made between Bell Helicopter Company, Division of Textron, Inc. (hereinafter called Bell), and Air Taxi Company of Mehrabad Airport Tehran, Iran (hereinafter called the Representative), is made for the purposes of further defining the rights and obligations of the parties under the Manufacturer's Foreign Representative Agreement made between Bell and the Representative on the 15th day of June 1970. This Amendment recognizes the contributions made by the Representative in concluding the consummation of the major programs as set forth below.

WITNESSETH:

It is agreed between Bell and the Representative that this Amendment Number 1 shall be considered the governing agreement specifying the obligations and rights of the parties concerning the sale by Bell of the Bell products and services listed below to the Imperial Iranian Government and concluded by delivery of such Bell products. The program anticipated consists of:

100	Model 206A/OH-58A
50	Model 205A/UH-1
200	Model 209/AH-1J
200	Model 214
	Related spare parts, accessories, equipment, tooling, services, or data

- A. Subject to the provisions of Paragraphs B. and C. below, Bell will pay to the Representative a commission of 2.5% of the value of any contract executed between Bell and the Imperial Iranian Government for the delivery of the Listed Products,
- B. In the event that the Imperial Iranian Government elects to procure any Bell products (defined as aircraft only) through the U.S. Government, the payment of a commission of 2.5% by Bell to the Representative shall be subject to the approval of the U.S. Government.
- C. In the event that the Imperial Iranian Government elects to procure ~~the Listed Products~~ ^{other than} ~~excluding~~ helicopters through the U.S. Government, Bell shall incur no obligation to pay any commissions to the Representative ~~for the procurement of~~ ^{to Helicopters, B.C.P.} ~~of~~ ^{will pay commission on helicopters in accordance with paragraph A. or B. above, which ever is applicable}
- D. Commissions shall become payable to the Representative upon delivery of the Listed Products and receipt by Bell of payment thereof. In the event Bell obtains advance payments from the Imperial Iranian Government for the Listed Products contracted for

between Bell and the Imperial Iranian Government, Bell shall pay to the Representative as advance commissions, 2.5% of those advance payments received. Upon receipt of final payments from the Imperial Iranian Government, Bell shall liquidate the advance commissions paid to the Representative at the time of payment of the final commission.

- E. This Amendment shall become effective on the date hereof and shall continue until terminated in accordance with Item 6, Term and Termination, of the Basic Manufacturer's Foreign Representative Agreement, dated 15 June 1970.

- F. All provisions of the basic Manufacturer's Representative Agreement, dated 15 June 1970, not specifically amended herein, remain unchanged.

IN WITNESS WHEREOF, the parties hereto have caused this
Amendment to be duly executed as of the day and year
set forth below:

By _____

By _____

(Title) _____

(Title) _____

Witness _____

Witness _____

Date: _____

Date: _____

① IRANIAN PROGRAM SUMMARY

- ② Iran's geophysical location dictates its tactical and economic significance in the Middle East and is where the Nixon doctrine ^{could} ~~will~~ come into play, especially with the world energy demands and potential energy crisis.

The Iranians well realize the need to develop effective military and economic bases to maintain its superiority as a Middle Eastern power.

- ③ As a key military ally to the United States, Iran too has followed the concept of air mobility as established among the armed forces of the United States.

Iran is making giant strides to develop a modern military posture.

- ④ Through research and study of Iran's current force structure and intimate discussions with both Iranian military commanders and U.S. advisers, Bell's International Marketing Department obtained a sound understanding of Iran's problems, current and future needs.

- ⑤ One of the key members of the Imperial Iranian Armed Forces structure is ~~Major General~~

Brigadier General M. Khosrodad,
Commander of the Imperial
Iranian Army Aviation

General Khosrodad is a graduate of our U. S. Army's Aviation training schools.

9 As a result of Bell's studies of Iran's geographical and climatic conditions as well as its military needs, ~~it was determined that~~
 10 Iran required helicopter technology for the highest state of the art.

11 Thus the Bell Model AH-1J twin engine Cobra was chosen to meet the attack helicopter requirement

The twin engine meets Iran's hot, high conditions and its availability meets the timing requirements established by the Shah for operational attack helicopter units.

12 The troop lift requirement however presented a more difficult problem. To meet Iran's temperature and altitude extremes, maintain unit integrity and additionally provide a vehicle for artillery transport, Bell developed the Model 214A.

This aircraft was developed from existing and previous R & D programs -- the ~~TUG~~, the ~~H3~~ and the Model 309. ~~provided~~ ^{from which the AH-1J 550 HP engine was developed}

Separate R&D

Both the AH-1J and 214A were Bell's answer to the Iranian requirement.

Transmission of 20 and other basic components such as rotor and engine

The Government of Iran expressed in writing its firm intent to
 13 purchase both aircraft contingent upon demonstration and evaluation in country during the most extreme conditions of environment and temp. (August 1972).

(11) To this end, Bell mounted a major demonstration effort in Iran
 10 ^{of THIS YEAR}
 on August 6, 1972. The Iranians chose 5 locations throughout
 the country to conduct their tests:

Tabriz
 Sannandaj
 Ahwaz
 Bushehr
 Isfahan

Altitudes ranging from sea level to 6,000 feet with temperatures
 reaching 126.5°F at Ahwaz.

Bell met or exceeded ^{PREDICTED} ~~spec~~ performance at all locations.

~~THE COMMANDER OF IRAN'S GROUND FORCES~~
~~Gen. Habibollah Razaqani, Chief of Staff, requested~~
 the Bell ~~team~~ team to demonstrate the AH-1J during the
 Imperial Iranian special forces annual show to the Shah. The
 results of this show keyed requests for private showings of both
 a/c to the Shah, Gen. ^{and THE} ~~Gen. Razaqani~~, Commander of Imperial Iranian
 Air Force, ~~Gen. Razaqani~~

(16) As a final showing of the Bell equipment, a special demonstration
 was given to the General Staffs of all services to show the heli-
 (17) copter advantages in the air mobile concept in a mid intensity
 environment. This program was prepared and presented by our
 General Howze. ^{F.O} Over ~~100~~ ¹⁰⁰ generals representing all services were
 present.

Both the Commanders of the Supreme Command Staff and the Imperial
 Iranian Ground Forces stated: "We now for the first time really
 understand how to use the helicopter to its best advantage."

The office of the Secretary of Defense ISA accompanied by Bell is in Iran for the purpose of obtaining the Government of Iran's signature on the letter of offer for the procurement of hardware. Subject to this, the training and logistics questions will be answered.

(29) In conclusion, this acceptance of the U. S. air mobile concept in key countries of Europe such as Germany, the Far East such as Vietnam and now Iran in the Middle East should open up new potential markets in many other countries throughout the international marketplace.

Handwritten note: ... to ...

10-25-72

~~Additional Slides~~
 Reason Summary

(12A) This aircraft was developed from existing and previous R & D programs--- namely, the Huey+, from which the Lycoming T55L7C, 2,950 shp. engine was incorporated and the Model 309 KingCobra provided the transmission of 2,050 shp and other basic dynamic components such as rotor and drive systems

(12B) Briefly, the Huey+ has an internal gross weight of 11,000 pounds with a 200 NM range and 140 kt. cruise. (12D) The external capacity is 14,000 pounds with a 110 NM range and 80 kt. cruise.

With the incorporation of the larger engine in the beefed up KingCobra dynamics, (12D) the maximum internal gross weight of the 214A is 13,000 pounds. At this gross weight, the aircraft can carry an internal cargo of 4,000 lbs. and an increased full fuel capacity of 1,940 pounds. Hover out of ground effect at 6,000 ft. on a 95° day, maintaining 140 kt. cruise, however, increases range to 260 NM.

(12E) The maximum external gross weight of the 214A is 15,000 pounds. At this gross weight the aircraft can carry 6,000 pounds of external cargo and hover out of ground effect at 4,000 ft. 95° day.

(12F) As a troop transport, the Iranian 214A has no equal. The slide indicates the altitude/temperature combination at which the aircraft can hover out of ground effect with a fully equipped ten-man squad and a crew of four; e.g., in Tehran the 214A can hover out of ground effect with a squad of troops and full fuel on a 46°C (115°F) hot day.

(12G) Of prime importance to the infantry is the direct support artillery that must be delivered with the troops. One of the mainstays in the Iranian arsenal is the towed 105 howitzer weighing approximately 5,000 pounds.

The Iranian 214A can provide this support to the ground forces by sling loading and delivering the howitzer and its crew to the strategic location at a speed of 80 knots.

The shaded area on this slide indicates the altitude/temperature combination in which the 214A can provide this support. For example, in Kermanshah 4,000 ft. with fuel for one hour endurance a howitzer can be lifted in temperatures of 35°C (95°F).

Iranian Program Summary

IRAN'S ARMY AVIATION

In January of this year, ~~Iranian Army Aviation~~ force structure

was reorganized. Initially, Iran's Army Aviation requirement

for helicopters was 30 gunships and 100 troop lift ^{HELICOPTERS. THIS WAS TO}

stepping stone for a much larger requirement, ^{HOWEVER} at that time an

indefinite number. Today the requirement is defined as a firm

202 attack and 287 troop transport helicopters. Accompanying

this reorganization, the need to train 1500 pilots and 4000

mechanics came into sharp focus as a major problem.

The Shah's directive is to have this force structure completed

and operational within 5 years from go-ahead.

~~The program status at present is FMS procurement.~~ The question

of training and logistical support is yet to be determined as

to procurement method -- that is to say direct to Bell or ~~going~~

through FMS procedures. As we are talking with you today, a

team of Bell and appropriate U. S. Government personnel are

in country to finalize the ~~FMS~~ procurement of equipment and to

answer the training and logistic question.

18:DKJ:lg-6724

Memo To: E. J. Ducayet
 Copy To: J. F. Atkins
 Subject: Commercial Sales Department Activities

Export

~~Orpen, Kling and Pierret met with Lt. General Khatami last week in Tehran, Iran, and helped organize program for purchase of 36 UH-1H helicopters. Maj. Gen. Jablonsky, head of commission, will present the plan to the Shah on Thursday, however, he has Shah's tentative approval. It will be a long range program with 12 ships per year starting in 1970.~~

~~Orpen, Kling and Pierret met with Lt. General Khatami last week in Tehran, Iran, and helped organize program for purchase of 36 UH-1H helicopters. Maj. Gen. Jablonsky, head of commission, will present the plan to the Shah on Thursday, however, he has Shah's tentative approval. It will be a long range program with 12 ships per year starting in 1970.~~

A proposal for 12 UH-1D's has been made to the Iranian Government, which would be a direct government to Ball procurement. We have assurance of Ex-Im Bank approval for this sale.

November 13, 1967
 18:DKJ:lg-7349

Memo To: E. J. Ducayet, J. F. Atkins
 Subject: Commercial Sales Activities

Export

Pierret met with Gen. Jablonsky of Iran recently and he indicated purchase of 26 UH-1D's has been accelerated to third priority (after the F-5 and ammunition purchase).

18:DKJ:lg-7358
 November 20, 1967

Page 3

Orpen left yesterday for Iran to attempt to accelerate buy of 36 ships plus three 205A's for the Shah's personal use.

November 27, 1967
 18:DKJ:lg-7373

Memo To: E. J. Ducayet, J. F. Atkins
 Subject: Commercial Sales Activities

Export

Orpen, Kling and Pierret met with Lt. General Khatami last week in Tehran, Iran, and helped organize program for purchase of 36 UH-1H helicopters. Maj. Gen. Jablonsky, head of commission, will present the plan to the Shah on Thursday, however, he has Shah's tentative approval. It will be a long range program with 12 ships per year starting in 1970.

BELL HELICOPTER COMPANY

February 19, 1968
18:CEM:pb-752Memo To: J. F. Atkins, E. J. Ducayet
Subject: Commercial Sales ActivitiesEXPORTIran


Proposal has been submitted for 36 UH-1H's.

BELL HELICOPTER COMPANY

March 11, 1968
18:DKJ:lg-7467Memo To: J. F. Atkins and E. J. Ducayet
Subject: Commercial Sales ActivitiesExportIran: No word has been received regarding the 36 UH-1H's
but there is an indication an additional ten will be needed
for the Gendarmerie.~~Subject: Commercial Sales Activities~~

BELL HELICOPTER COMPANY

March 18, 1968
18:DKJ:lg-7469Memo To: J. F. Atkins, E. J. Ducayet
Subject: Commercial Sales ActivitiesExport

 BELL HELICOPTER COMPANY

April 1, 1968
18:DKJ:lg-7481

Memo To: J. F. Atkins, E. J. Ducayat
Subject: Commercial Sales Activities

... was scheduled for early spring.

Iran
M/G H. Jablonsky, Chief, Armish MAAG, is taking another look at the requirement for 36 UH-1H's because of altitude performance.

~~Representative~~

Page 2

18:DKJ:lg-7879

Iran: Panturk (Bell representative in Turkey) states that he has validated the Iranian requirement for helicopters (up to 100).

Page 2

18:DKJ:lg-7888

Iran: An order for a 206A for HRH is expected.

 BELL HELICOPTER COMPANY

April 8, 1968
18:DKJ:lg-7493

Memo To: J. F. Atkins, E. J. Ducayat
Subject: Commercial Sales Activities

Iran
Six Iranian Generals from the Iranian Gendarmercy will visit Bell this week. They have approximately 12 UH-1's on their program to be acquired over the next two years.

 BELL HELICOPTER COMPANY

April 15, 1968
18:DKJ:lg-7496

Memo To: J. F. Atkins, E. J. Ducayet
Subject: Commercial Sales Activities

Export

Iran
Five officers from the Iranian Gendarmerie visited the plant last week to study the UH-1H and JetRanger. Apparently they have money for the program and are ready to make a purchase.

Page 2
18:DKJ:lg-7496

May 27, 1968
18:DKJ:pb-825

Memo To: E. J. Ducayet, J. F. Atkins
Subject: Commercial Sales Activities

EXPORT

Iran
Proposal for Imperial Iranian Gendarmerie for 10 UH-1H's and 5 206A's was sent to Crpen to be hand carried to Iran.

 BELL HELICOPTER COMPANY

June 10, 1968
18:DKJ:pb-843

Memo To: E. J. Ducayet, J. F. Atkins
Subject: Commercial Sales Activities

EXPORT

Page No. 2

18:DKJ:pb-843

EXPORT - (Cont'd.)

Iran
Government of Iran is ready to order 2 Model 212 helicopters as soon as we can give them firm prices and delivery schedules.

18:DKJ:lg-7628
October 28, 1968

Page 2

Iran: Gendarmerie is to procure 14 JetRangers, but it is not known if purchase will be from Agusta or Bell.

November 11, 1968
18:DKJ:lg-7633

Memo To: J. F. Atkins, E. J. Ducayat
Subject: Commercial Marketing Activities

Iran: A letter from Iranian Procurement Staff inviting Bell to bid on 100 JetRangers is expected and a proposal is being prepared. Count Corrado Agusta and Prince Emanuel are currently in Tehran negotiating on behalf of Agusta.

November 18, 1968
18:DKJ:lg-7636

Memo To: J. F. Atkins, E. J. Ducayat
Subject: Commercial Marketing Activities

INTERNATIONAL MARKETING

Iran: Taylor departed last week with the proposal for the Iranian Armed Forces.

December 2, 1968
18:DKJ:lg-7642

Memo To: J. F. Atkins, E. J. Ducayat
Subject: Commercial Marketing Activities

INTERNATIONAL MARKETING

Iran: Proposal for 100 JetRangers was presented, however, because of better finance terms offered by Agusta, it is felt they will purchase from Italy. Agusta finance terms: nothing down, 5%, ten years.

 BELL HELICOPTER COMPANY

November 24, 1969
18:DKJ:lg-7667

Memo To: J. F. Atkins, E. J. Ducayat
Subject: Commercial Marketing Activities

International Marketing

DOCUMENTS SUBMITTED VOLUNTARILY
TO COMMITTEE BY WILLIAM H. FRENCH
AND HIS ATTORNEY C. ROBERT BELL

2-13-78

(75)

*1575
This is from
Tajir to get amount
needed for the over 5 yrs*

Incl 1

AVIATION DEVELOPEMENT CONSULTANTS

123 SOUTH MARKET STREET
WICHITA KANSAS

TEHRAN FIELD OFFICE
POST OFFICE BOX 1702
TEHRAN IRAN
CABLE: TICESSCO

Mr. Deane L. Wallace, President
The Cessna Aircraft Company
Wichita, Kansas
United States of America

1 April 1961

Dear Mr. Wallace:

The undersigned is employed by William French, Cessna Distributor for Iran and the Middle East, as an administrative and operations assistant. Bill has asked me to write you in my capacity as the former.

I have worked for Bill since October of last year. In this time I have had the opportunity to become well acquainted with Cessna, their fine products and their sales potential and problems in the Middle East, particularly Iran.

Cessna aircraft products have a very encouraging future in Iran. At this moment we could move, except for a condition explained later in this letter, a minimum of seven units with a total value of 425 thousand dollars. Since we concluded arrangements with local Persian partners on the basis of a joint dealership, we have received many additional inquiries about Cessna products from previously untapped sources. Both we and our partners are confident of a successful future for Cessna aircraft in Iran.

The aircraft sales mentioned above, the establishment of a proper maintenance-service center and the public promotion of Cessna aircraft through the use of demonstration flights have all been suppressed by one person. He and his activities are also known to Mr. Herbert McWilliams, Cessna Regional Sales Manager-Export.

This man's name is General Khatami. He is Air Marshal, Commander-in-Chief of the Imperial Iranian Air Force, 20% owner (according to the U.S. Department of Commerce) of an air taxi company with exclusive charter rights in Iran, Aerocommander and Bell Helicopter distributor for Iran and the Middle East, and brother-in-law to his Majesty, the Shah of Iran.

(77)

Specifically, General Khatami and his firm have;

1. Prevented the fleet sale of Cessna 150 aircraft to the Ministry of Agriculture of the Government of Iran for wide-scale spraying operations on the grounds that the aircraft were allegedly not certificated for this purpose.
2. Held back the sale of one Cessna 185 aircraft to the Ministry of Industries and Mines of the Government of Iran for use on a low-level scintillation survey on the grounds that the aircraft was allegedly inadequate for this purpose.
3. Held back the sale of four Cessna 310-F aircraft to a large private Iranian bank on the grounds that Bill French is not the authorized sales-maintenance representative for Iran.
4. Absolutely prevented the establishment of a proper service-maintenance center at the Tehran civil airport after it was designated and approved by the Director General of Iranian Civil Aviation.
5. Unilaterally cancelled two days of demonstration flights by a Cessna Model 310-F aircraft on a recent goodwill tour through the Middle East on the grounds that a non-existent demonstration clearance had not been granted. This case on top of approval by the DGCA, and indeed his participation, and occurred at the commencement of a proposed flight by Mr. McWilliams for the Director of ICA to Iran and members of his staff.
6. Countered several years of goodwill built by Bill French with potential sales prospects by insisting, through his firm, that he would drive Mr. French and his associates out of business.

The Imperial Iranian Air Force with General Khatami at its head fly aircraft donated through the U.S. Military Assistance Program, with pilots trained in the United States at U.S. expense, from airfields financed through U.S. grants and loans, and on operational budgets supported by U.S. aid funds.

I have frequently reviewed this situation with commercial officials of the U.S. Embassy in Teheran. They advised me to inform you as President of the Cessna Aircraft Company, which according to the financial statement of the 1960 Cessna Annual Report paid approximately \$5 million in

Federal Income Taxes, just how an American company and its foreign representatives are being treated in a country so dependent upon the United States for aid and assistance.

As the Cessna Aircraft Company has reported assets of \$33 million and enjoyed 1960 sales of \$103 million, it must play an important role in the public and financial life of the State of Kansas. I am certain that the senior senator from Kansas, a resident of Wichita where your factory is located and a ranking representative on the Senate Committee for Interstate and Foreign Commerce, has right to information displaying the kind of gratitude the United States receives from those our government tries to help through financial and technical assistance.

Because of General Khatoni's close relationship to the Iranian through normal channels of complaint, including the commercial attaché's office of the American Embassy and the Director General of Iranian Civil Aviation, have not and will not have any effect.

If the Cessna Aircraft Company desires to see their products satisfactorily represented, serviced and displayed in Iran, I respectfully suggest that the connection between the source of our and Cessna's problems and the recipient of so much U.S. aid be thoroughly investigated by competent authority.

Sincerely yours,

J.G. Laylin
Administration

for and on the behalf of

William H. French
Cessna Aircraft Distributor
Iran and the Middle East

JGL/bf

cc: The Commercial Attaché
American Embassy
Tehran

Mr. Herbert Revillios
Regional Sales Manager-Export
Cessna Aircraft Company
Wichita, Kansas
United States of America

123 SOUTH MARKET STREET
WICHITA KANSAS

TEHRAN FIELD OFFICE
POST OFFICE BOX 1701
TEHRAN IRAN
CABLE: TICESSCO

Mr. John Walsh
Economic Counsellor
American Embassy
Tehran

5 April 1961

Dear John:

The attached draft to Mr. Wallace is enclosed for your suggestions prior to writing the final copy.

While we stick to the facts as we know them, I sincerely apologize for the misinterpretation and misuse of the Embassy's counselling.

Sincerely yours,

J.G. Laylin

AVIATION DEVELOPEMENT CONSULTANTS

123 SOUTH MARKET STREET
WICHITA, KANSASTEHRAN FIELD OFFICE
POST OFFICE BOX 1702
TEHRAN, IRAN
CABLE: TICESSCOMr. Dwane Wallace, President
The Cessna Aircraft Company
Wichita, Kansas
United States of America

9 April 1961

Dear Mr. Wallace:

This is inreference to my letter of 1 April, sent 4 April,
and my telegram of 5 April.

Although facts behind the allegations I made against General
Khatebi have in the majority of cases been reported by the
sales prospects themselves, I thoroughly misjudged both our
capability of either proving them or making them stick.

Furthermore the statement that commercial officials of the
U.S. Embassy suggested or suggested us to report these
allegations to you is not correct and I have apologized to
those concerned for implicating them.

As far as one can in a personal letter, I want to state that
I strongly feel that if you take the action I suggested in
my letter of 1 April there is more possibility that Cessna
and its products will suffer more harm than benefit from a
general exposition of our problems. These problems, as well
as similar problems of other businessmen in Iran, are being
handled on a high level of discussion with the Government of
Iran and any premature or halfhearted action, such as
suggested, would do irreparable harm to all concerned.

I also want to emphasize that the course of action suggested in my letter was completely my own. Bill French was not aware of the full contents and I hope my retraction of those contents will not influence your feelings towards him.

Lastly, could I please request that if you have any questions as to holding this information private or withholding action, could you direct them to us prior to taking any action. I want to emphasize that I did a very foolish thing by making the suggestions I did. Now that our firm is more aware of the broader implications of our problems, I can assure you that we are co-operating in the fullest degree with those actually involved in the settlement of those problems.

Sincerely yours,

AVIATION MANAGEMENT CONSULTANTS, INC.

J.G. Laylin
Administration

JGL/bf



BELL HELICOPTER COMPANY

POST OFFICE BOX 482 • FORT WORTH 1, TEXAS PHONE: BUtter 2-7111

March 17, 1964

In reply refer to:
35-DEG:ln-694

International Helicopter Consultants, Inc.
P. O. Box 1702
Teheran, Iran

Attention: Mr. William H. French

Gentlemen:

Our Sales Department has informed us that you have been appointed our Representative for Iran.

Under separate cover we have sent to you one (1) each of the following manuals for your information:

- 47G-3B-1 Flight Manual
- 47G-3B-1 Maintenance and Overhaul Manual
- 47G-3B-1 Parts Catalog
- 47G-3B-1 Service Bulletins
- 47G-3B-1 Service Instructions
- One set of Service Letters

Your name and address, as it appears on this letter, has been added to our distribution list and in the future you will receive copies of all new or revised issues of these technical publications.

Please feel free to contact us at any time you have a problem or question regarding the helicopter and its operation.

Very truly yours,

BELL HELICOPTER COMPANY

Wm. J. Diehl
Wm. J. Diehl
Manager - Service



MANUFACTURER'S FOREIGN REPRESENTATIVE AGREEMENT

This Agreement made January 1, 19 55, between BELL HELICOPTER COMPANY,
 Division of Bell Aerospace Corporation (hereinafter called "Bell"), and P. G. Best 1792
INTERNATIONAL HELICOPTER CONSULTANTS, of Tehran, Iran
INC.

(hereinafter called the "Representative") is made for the purpose of defining the rights and obligations of the parties. If there has been a Manufacturer's Foreign Dealer Agreement or a Manufacturer's Foreign Sales Representative Agreement in effect between the parties, this agreement is a continuation of such relationship, but the terms of this agreement supersede and replace completely all prior agreements.

The parties mutually agree:

1. APPOINTMENT AND TERRITORY.

Bell appoints the Representative to sell in Iran

the Bell products listed in Schedule A of this Agreement (hereinafter called the Listed Products). Bell shall have the right to make sales of Listed Products to any local or national government within the Territory, or any agency or instrumentality of such government, whether such sales are made directly by Bell or indirectly through the United States Government.

2. AGREEMENTS OF REPRESENTATIVE.

The Representative agrees:

(a) To use his best efforts —

- (1) To promote the reputation and the sale of the Listed Products in the Territory.
- (2) To obtain offers to purchase such products from responsible purchasers in the form of Bell's Standard Export Purchase Agreement at Bell's export list prices then in effect.
- (3) Promptly to transmit to Bell any such offers for Bell's acceptance or rejection.

(b) To furnish necessary technical advice and product support to customers including:

- (1) Advise customers relative to technical specifications and available configurations of Listed Products.
- (2) Assist in and/or conduct demonstrations of Listed Products.
- (3) Assist and advise customers in the proper operation and maintenance of Listed Products.
- (4) Serve in a liaison capacity between the customers and Bell.
- (5) Assist the customer in spare parts support for the Listed Products.

(6) Render technical advice and product support on a continuing basis and especially during the post delivery period.

(c) To display, advertise and offer for sale only that part of the Bell product line which has been incorporated as Listed Products in this Agreement.

(d) To permit Bell to inspect his facilities at any time during business hours and to furnish such reports pertaining to his business in the Listed Products as Bell may reasonably request.

(e) To be solely responsible for the payment of all costs and expenses incurred by him in the promotion and sale of the Listed Products.

(f) To permit in any settlement of accounts between the parties an offset of amounts due the Representative for commissions or other reasons against indebtedness of the Representative to Bell.

(g) In order to avoid the use in connection with Bell helicopters of parts or equipment which may interfere with their operation or safety, and to maintain the reputation of Bell products, the Representative agrees to sell and/or use only Bell approved parts for purpose of the maintenance and overhaul of the Listed Products.

3. AGREEMENTS OF BELL.

Bell agrees:

(a) To support the Representative in his efforts to promote the sale of the Listed Products, to furnish appropriate sales literature and descriptions of such products, to refer inquiries received from prospective purchasers within the Territory, and generally to render such sales assistance as may in Bell's sole judgment be reasonable and appropriate, without assuming any responsibility for the Representative's sales efforts or any obligation to render assistance beyond what in Bell's sole discretion is deemed adequate.

(b) To permit the Representative to use the Bell Helicopter name and trademark in connection with sales of the Listed Products, but only to the extent and under the conditions which Bell may in writing approve.

(c) To sell and deliver the Listed Products for which the Representative has obtained Bell's Standard Export Purchase Agreements acceptable to Bell and not unreasonably to withhold acceptance of offers to purchase such products obtained by the Representative.

(d) To pay to the Representative compensation as provided in the next succeeding paragraph:

4. COMMISSIONS PAYABLE TO THE REPRESENTATIVE.

(a) Subject to paragraphs (b) and (c) below, Bell will pay commissions to the Representative at the rates provided in Schedule A of this Agreement on all sales of the Listed Products made in accordance with Bell's Standard Export Purchase Agreement and concluded by delivery within the Territory.

(b) Bell will pay fair commissions to be negotiated where a sale of Listed Products is made directly by Bell to any local or national government within the Territory or to any agency or instrumentality of such government.

(c) Bell will pay fair commissions to be negotiated where a Listed Product is delivered by or by direction of the United States Government or any agency or instrumentality thereof to a national or local government within the Territory or to any agency or instrumentality thereof, if, but only if:

(1) The Representative was active in developing the requirement for, and the purchase of, the Listed Product, and

(2) At the time of the initial contractual negotiations between Bell and the United States Government, the Representative had advised Bell that the Listed Product was to be so delivered.

(d) All negotiated commissions shall be due and payable at the time agreed upon between Bell and the Representative in such negotiations. All other commissions shall be due and payable upon the completion of each Standard Export Purchase Agreement by the delivery of the required products and receipt by Bell of full payment therefor. All commissions will be calculated on F.O.B. or fly-away prices, Bell factory.

5. GENERAL AGREEMENTS.

(a) The relation created by this Agreement is that of Manufacturer and independent Representative, and neither the Representative nor any of his officers, agents, salesmen or employees shall have any right or authority—

- (1) To conduct any business in the name of or for the account of Bell.
- (2) To make any proposals, promises, warranties, guaranties or representations with regard to any Bell product.
- (3) To assume or create any obligation of any kind, express or implied, on behalf of Bell.
- (4) To enter into contracts or commitments in the name of Bell.
- (5) To make any promise or representation with respect to any matter in the name of or on behalf of Bell.
- (6) To bind Bell in any respect whatsoever.

(b) Bell may from time to time, without notice, make such changes in its Standard Export Purchase Agreement and its export list prices as Bell may determine, but no such change shall apply to any orders for which Bell shall have previously accepted its Standard Export Purchase Agreement.

(c) Schedule A hereto may from time to time be revised in any respect by mutual agreement of the parties expressed by their official signatures upon such revision, without affecting any other provision of this Agreement, but no letter, telegram or other communication between the parties hereto shall become a part of or in any way modify or change this Agreement unless it is distinctly stated in such communication that it is to become a part of this Agreement by attachment thereto and bears the official signatures of both parties, which may be accomplished by separate signatures of duplicate counterparts of such communication and exchange of same.

(d) This Agreement is to be governed by and construed under the laws of the State of New York, U.S.A. If any provision of this Agreement shall be considered or held by any authority or court having jurisdiction over one of the parties or over the subject matter of this contract to be prohibited and/or void, such action shall not affect the validity of the remaining provisions of this Agreement which shall be considered separable from the prohibited or void provision and this Agreement shall thereupon be deemed to be written, or to be re-written, as the case may be, without such prohibited or void provision.

(e) The Representative shall not transfer or assign this Agreement or any part of it in any manner without the written consent of Bell.

6. TERM AND TERMINATION.

(a) This Agreement shall become effective on the date hereof and shall continue until the following December 31st and thereafter for periods of one (1) year until terminated by written notice of termination delivered personally or mailed to the other party, by registered, certified or regular mail, to be effective on a date specified in such notice which shall be not less than sixty (60) days after the delivery or mailing of such notice. In the following circumstances this Agreement can be terminated at any time by either party effective immediately upon receipt of notice of termination:

- (1) Death or incapacity of the Representative.
- (2) The institution of any proceedings by or against the Representative under any bankruptcy or insolvency law.
- (3) Any breach by or failure of the other party to comply with any of the provisions of this Agreement which shall have remained uncorrected for thirty (30) days after written notice thereof.

(b) Notwithstanding any such termination, the Representative shall be entitled to commissions upon sales pursuant to Standard Export Purchase Agreements for Listed Products accepted by Bell prior to the effective date of termination, when and if Bell receives full payment therefor.

(c) The Representative shall not be entitled to receive any termination payment or compensation of any nature because of termination of this Agreement.

(d) Neither party shall be liable to the other for damages of any kind or character whatsoever on account of such termination, whether such damage may arise from manufacture of helicopters or parts, or from the loss of prospective profits or commissions on sales or expenses incurred or investments made in connection with the establishment, development or maintenance of the Representative's business, or from any other cause, claim or consideration whatsoever.

7. SUCCESSION.

This Agreement shall be binding upon and inure to the benefit of Bell and any person, firm or corporation succeeding to all or substantially all of the helicopter manufacturing business now conducted by Bell.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

INTERNATIONAL HELICOPTER CORPORATION,
INC.

Representative

By *William H. French*
WILLIAM H. FRENCH

(Title) PRESIDENT, MANAGING DIRECTOR

Witness *Beverly W. French*
BEVERLY W. FRENCH

SECRETARY TREASURER

BELL HELICOPTER COMPANY

Division of Bell Aerospace Corporation

By *[Signature]*

(Title) Authorized Representative

Witness *[Signature]*

Witness



FORM

SCHEDULE A

(To Manufacturer's Foreign Representative Agreement)

LISTED PRODUCTS AND APPLICABLE COMMISSIONS

The Representative is authorized to solicit orders for the Listed Products set forth below in accordance with the terms contained in the Manufacturer's Foreign Representative Agreement to which this Schedule is attached. The commissions payable to the Representative in accordance with Section 4(a) of such Agreement are set forth below.

Standard Export Purchase Agreements Covering One (1) to Five (5) Helicopters:

<u>Listed Products</u>	<u>Commission on Basic Helicopters</u>
47G-3B-1, 47G-4A, 47G-5	10%
47J-2A	\$7,000.00
204B	\$15,000.00
UH-1 Series	To be negotiated
OH-13 Series	To be negotiated

Standard Export Purchase Agreements Covering More Than Five (5) Helicopters:

<u>Listed Products</u>	<u>Commission</u>
47G-3B-1, 47G-4A, 47G-5)	To be Negotiated
47J-2A)	
204B)	
UH-1 Series)	
OH-13 Series)	

Standard Export Purchase Agreements Covering Spare Parts and Accessories:

<u>Listed Products</u>	<u>Commission on Spare Parts and Accessories</u>
Model 47 Numbered Parts	15%
AN and Varder Parts	15%
Model 204B Series - 204 Numbered Parts	15%
AgMaster Agriculture Equipment, less nozzles, not installed	10%
Engines, Engine Parts & Accessories	To be negotiated
Special Equipment	To be negotiated
UH-1 Series Parts	To be negotiated
OH-13 Series Parts	To be negotiated

This Schedule A revision is effective 1 May 1966

INTERNATIONAL HELICOPTER CONSULTANTS,

Representative INC.
Margaret St. French
 By Margaret St. French
 (Title) President, Managing Director
Neville W. French
Neville W. French, Treasurer
 Secretary
 Witness

BELL HELICOPTER COMPANY
 Division of Bell Aerospace Corporation

By *Margaret St. French*
 (Title) President
Margaret St. French
 Witness

FORM BR-64-100-1-64-1

'HELO'
TEHRAN, IRAN

هــلـو
تهران - ایران

P. O. BOX 1702, TEL. 620318, CABLE ADDRESS, TICESCO
تلفظرافي: تيسكو تلفظن: ۶۲۰۳۱۸ صندوق پستي: ۱۷۰۲
مهندسي عهومي و سربرسي
EARTH MOVING - ROADS - RUNWAYS - GENERAL ENGINEERING

Teheran, Iran

JOINT VENTURE

10 September 1965

between
HELO, SA and AVIATION DEVELOPMENT CONSULTANTS, INC., 123 South
Market Street, Wichita, Kansas, USA., hereinafter known as ADC, Inc:

This agreement is entered into this day 10th September 1965,
with the intention to create an incentive in the field of US Foreign
investment and development of various Iranian Projects in the engin-
eering and aviation field.

It is agreed that ADC, will purchase a Cessna 180 Aircraft,
and supply either complete insurance coverage for hull, survey crews,
and 3rd party or carry only part of this coverage and Helo, SA will
carry the remaining uncovered insurances. ADC, will have one of its
staff, or jointly between Helo and ADC a pilot who is American licensed
to fly and maintain the aircraft as maybe required for various survey
projects or routing projects as Helo and ADC may bid on together or
seperately by Helo, SA.

The cost of the aircraft, insurances and pilot who will also have
other duties and responsibilities to perform will be classified as
the participating foreign investment actions of ADC, Inc.,

All costs for gasoline, landing fees, taxes, local finances,
vehicles etc., will be to the charges of Helo, SA., as the Iranian
participation.

When any large amounts of financing for bonds, tenders etc.,
have to be arranged this cost will be carried jointly between both
parties, except that ADC, must make arrangements through its USA
financiers to get adequate financing either from Banks, or US AID,
or other development financing insitutions.

It is further agreed that this basic agreement maybe amended
from time to time to meet the various situations as work and pro-
jects increase, and responsibilities become more diversified.

Signed: Paul Steinheil
Paul Steinheil
Engineering Manager

Signed: William H. French
William H. French
Aviation Manager

CC. REG. No. 9707
شماره ثبت شده ۹۷۰۷

Teheran, Iran

11 September 1965

Director General of
Civil Aviation
Mehrabad Airport
Teheran, Iran

Your Excellency:

This is to advise you that our firm Helo, SA., has entered into a joint venture working agreement with Aviation Development Consultants, Inc., a US Firm. The reason for this agreement is basically that there are not the proper types of aircraft and helicopters for the various diversified engineering and aviation projects which are now in the development stages.

Further, it is with the intentions to create an incentive in the field of US Foreign investment and development in Iran, and with plans to put more Iranians in our firm and train them in the technical fields which are not presently being accomplished.

Aviation Development Consultants, Inc., will purchase one used Cessna 180 model aircraft, the registration number will be N7751A, and this aircraft will be based at Mehrabad Airport. It will be fully covered with insurance both hull, survey crew coverage for seats, and third party liability. The pilot whom ever we choose for the limited flights will be an American Licensed pilot.

Our first flight will most likely be 22 September to Khermanshaw to inspect a possible future water works line, and returning the same day. We will fill out the normal flight plan for all flights in accordance with Iranian Civil Aviation requirements, wherever, Civil Aviation has the facilities. However, as I'm sure you are aware there are areas in Iran where survey projects are required and civil aviation does not have flight plan facilities.

We look forward to the Department of Civil Aviation Assistance, in this new joint venture which we Helo, SA an Iranian firm is now undertaking. Should you require additional information, please advise us as soon as possible.

Yours faithfully, - /
Paul Steinheil
Paul Steinheil

PC 46

HEADQUARTERS
 UNITED STATES MILITARY MISSION WITH THE IRANIAN ARMY
 AND
 UNITED STATES MILITARY ASSISTANCE ADVISORY GROUP TO IRAN
 APO NEW YORK 09205
 OFFICE OF CHIEF, ARMY ADVISORY SECTION

ARAA

10 March 1956

SUBJECT: Letter of Appreciation

TO: Mr. William H. French
 Cessna Parts Representative
 Post Office Box 1702
 Teheran, Iran

1. I wish to take this opportunity to express my appreciation for the valuable assistance you rendered to the Imperial Iranian Army Aviation program in supplying spare parts for the Cessna fixed wing aircraft assigned to the Iranian Army.

2. Your energetic and persistent efforts to assure a smooth and efficient flow of spare parts has contributed immensely to the progress achieved by the Aviation Battalion. Your close coordination and cooperation with the Iranian military departments and commercial agencies in connection with the off-shore purchases was paramount in establishing a functioning parts supply system. In addition, your positive attitude and tact in dealing with the members of the Army Aviation staff reflected very favorably on yourself and the United States.

3. Your valuable assistance and the support you gave the spare parts program contributed significantly towards the maintenance and readiness of the Iranian Army's aircraft. I congratulate you for this splendid performance and the contribution it has made to the modernization of the Armed Forces of Iran.



H. L. ASH
 Brigadier General, USA
 Chief, Army Advisory Section

G EOTRONICS

DIVISION OF TELEDYNE INC.

1700 W. INGLETT STREET
MONROVIA CALIFORNIA
U.S.A.
TELEPHONE 330 4551

133 AVENUE TAKHTE JAMSHED
TEHERAN
IRAN
TELEPHONE: 44830

Our Ref. No. 013/20
April 10, 1966

International Helicopter Consultants Inc.
P.O. Box 1702
Tehran, Iran.

Gentlemen:

*CRASHED
Helicopter*

This is with reference to your letter of 2 April 1966. Please be advised that recent and current action (as of this date) by the Department of Civil Aviation, which included the seizing and impounding of the Bell 470321 Helicopter imported by this Company on lease through your facilities, has demonstrated that our future contracting possibilities in Iran could be hazardous and endangered by further association with your firm in its present alleged status. We have been informed by the Civil Aviation Authority that Civilian registered Helicopters operating for civilian or military projects in Iran must have the prior permission of the CAA, who first check whether Iranian Registered operators can or cannot provide such Helicopter requirements. We have further been advised that the Heli-taxi Company is the only such Iranian Registered Company here and that your qualifications as of this date in this context remain sub-judice.

You have given us to understand that you are the only Bell Helicopter representative in Iran, and additionally the only F.A.A. appointed Maintenance Inspector in Iran. As such it would be our natural choice to give your Company precedence of consideration for arranging our business with the use of US. Regd. Helicopters. However in the circumstances, you will readily understand our caution, and regretfully suggest that you cancel your "stand-by" order for the Second Bell 470321 Helicopter, forecast for possible lease by us.

We would appreciate having confirmation as to when Helicopter Consultants Inc. obtains its operating rights and permissions from the Civil Aviation Department of the Imperial Government of Iran.

Very truly yours,
per pro Geotronics (Division of Teledyne Inc.)

C. Barry MacFarlane
C. Barry MacFarlane
Overseas Projects Administrator

CIM/44

PROJECT. P. O. BOX 1353 TEHRAN.

G EOTRONICS TEHERAN.

'HELO'

TEHRAN, IRAN

هیلو

تهران - ایران

P. O. BOX 1702. TEL. 620316. CABLE ADDRESS: TICESSCO
 تاسکرافتی: تیسکو تلفن: ۶۲۰۳۱۶ صندوق پستی: ۱۷۰۲
 EARTH MOVING - ROADS - RUNWAYS - GENERAL ENGINEERING
 مهندسی عمومی و سربستی

12 April 1966
 Teheran, Iran

Director General
 Iranian Department of Civil Aviation
 Mehrabad Airport
 Teheran, Iran

Your Excellency:

It is with misgivings and embarrassment to ourselves as Iranians to see the action being taken by the Department of Civil Aviation against the foreign investment field. Our firm Helo, SA entered into a joint venture agreement with an American firm Aviation Development Consultants, Inc., on 10 September 1965. Part of this agreement was that our American joint venture partner would purchase an aircraft for our own contract projects, along with pilot, maintenance etc, as its participation in foreign investment and development work in Iran. We now find the aircraft has been impounded, etc., and we have not been notified as to the reasons why! I'm sure you are aware that flight plans have been filed at all possible points in the name of Helo, and that your Department has previous correspondence with our firm over the past several months.

His Imperial Majesty's white revolution, the Prime Ministers efforts, and Dr. Egbals continuous encouragement to encourage the incentive of foreign investment and development work in Iran has completely been disregarded by the Department of Civil Aviation's actions.

Our firm Helo, SA, has a contract for the routing and survey of the Iranian Gas Trunkline Project through IMEG. The project is now being delayed in completion due to the fact that we do not have access to our aircraft which is urgently needed. Crews, now must do all the routing from the ground, which is more costly to the Iranian Government in the end, as well as to ourselves, and embarrassing. His Imperial Majesty issued instructions for the completion of the Gasline Project as soon as possible, and now we find your department impounding a much needed aircraft. You are aware that there is no other aircraft except a Cessna 180 which can safely be used for this job and contract. We sincerely request that your department release this aircraft so that our firm may make use of its service in the routing and completion of this much needed survey, and aid aviation requirements instead of causing unnecessary delays etc.

Yours faithfully,

CC: IEG. No. 5707
 شماره ثبت نامه ۹۷۰۷
 Paul Steinheil
 Engineering Manager

'HELO'

TEHRAN, IRAN

هیلو

تهران - ایران

P. O. BOX 1702. TEL. 620316. CABLE ADDRESS: TICESSCO

نگرانی: نیکو نازن: ۶۳۰۳۱۶ صندوق پستی: ۱۷۰۲ (Ref: Ltr No 2)

EARTH MOVING - ROADS - RUNWAYS - GENERAL ENGINEERING

مهندسی عمومی و سربستی

16 April 1966

Teheran, Iran

Director General of
Civil Aviation
Merhabad Airport
Teheran, Iran

Excellency:

In accordance with our discussion this morning in which you advised me we did not have operating permission for our Cessna 180 N7751A, we hereby are requesting operation permission be granted and that our work can continue.

Attached you will find a copy of the joint venture agreement between Helo, SA and Aviation Development Consultants, Inc., who are supplying one aircraft for our work, plus financial backing. This financial backing is from US financing institutions, US Aid, or possible European Companies interested in financing various projects in Iran.

Examples are through Aviation Development Consultants, association with one European firm, Mr French has encouraged these people to come to Iran. They have been shown how aerial surveys for High Tension lines can be conducted from the air, through low level profile flying. These people now have gotten their government to offer the Government of Iran \$50,000,000. for an electrification project. This companies final decision to commence the job will partly depend on our firm using its aircraft for approximately one month to do the remaining portion of the actual routing to save, and shorten the route as much as possible before ground survey groups start their work.

Attached also you will find a copy of our agreement with IMEG for the basic routing of the Gas line. Before the aircraft was stopped, part of the routing was completed. The aircraft is now required to continue to find a shorter route to save the Government of Iran more money by finding a shorter route. This work can only be done with a Cessna 180. It cannot be accomplished by a higher speed aircraft. Ground crews cost the government of Iran still more money. At present with the stoppage of our operations and survey only the Government of Iran is loosing. This work is not competing with either Iranian nor airtaxi who still will carry IMEG's bulk of people to Isfahan or Gach Saran. His Imperial Majesty we were told had ordered this pipeline be completed as soon as possible. With the aircraft not being able to continue operations doing the surveying etc., naturally the work will be delayed.

Approximately 4-6 more weeks of flying exist before the routing of the first phase is completed.

After the Gas Line route is established the aircraft most likely will be used to go weekly to Kazvin and two other areas between Kazvin and Sefi Rud Dam where our firm must inspect weekly the three different HT Power Stations which will be built in the very near future.

In addition we will have to make several trips to Khermanshah to inspect the work on the Khermanshah City water supply system and pump station. This is what we flew to Khermanshah for the first time on 22 September 1965, to establish the basic routing of the line, and check the pump house site.

This work is all for and in the benefit of the Government of Iran, and is not competing with anyone. Therefore we would appreciate if you would release our aircraft so that we may do the necessary work on the plane. We want to strip the paint and repaint it. We will not fly the aircraft until we receive permission from you, the DCA Office. We will continue to use the more costly way of survey and routing with ground crews until your office approves the flights of our aircraft.

We also request that this aircraft be allowed to remain under American registration, because when the survey and routing work is completed here in Iran, the aircraft will have to go to Amman, Jordan or possibly on a project in Turkey. If it is not on American registration it will be more difficult to change it back before it commences work on those projects. Any projects which are financed by the US Government, the contractors are to use American registered aircraft. Similar as Pan American carry's all US Military personnel etc. Also with financing coming from the USA, one cannot get financing very easy on any equipment unless there is recourse for repossessing if payments are not made on time. US financing institutions require guarantee's or collateral on their investments and loans.

Sincerely yours,

WHF/bf

William H. French

'HELO'
TEHRAN, IRAN

هیلو
تهران - ایران

P. O. BOX 1702. TEL. 620316. CABLE ADDRESS: TICISSCO
نگرانی: نیکو تلخ: ۶۳۰۳۱۶ صندوق پستی: ۱۷۰۲
EARTH MOVING - ROADS - RUNWAYS - GENERAL ENGINEERING (Ltr No 3)
مهندسی عمومی و سرپرستی

16 April 1966
Teheran, Iran

Director General
of Civil Aviation
Merhabad Airport
Teheran, Iran

Excellency:

In reference to our discussion this morning in your office I wish to confirm again that I turned my Iranian Commercial License in to Mr Ghodsi two years ago.

I handed him a photo copy of my first class physical, I went back three times to get the license. Each time somebody else was responsible, and I got a general run around. To the best of my knowledge the license is still there. It was the old form license either number 23 or 27 I'm not sure of the number.

If you will recall three years ago the same thing happened and I went four times to the office, at which time I got tired of arguing and called you on the telephone, at which time you issued instructions for the renewal of the license. I thank you very much for your aid and help in getting this license renewed so I can comply with the Iranian Civil Air regulations.

Sincerely yours,

William H. French

Incls: Copy 1st class physical

CC: HEG. No. 9707
شماره ثبت شده ۹۷۰۷

*Copies of this
to Mr. B. J. ...
Abolmohammadi ...
me to write. Also present
was Col. H. ...*

'HELO' | هیلو
TEHRAN, IRAN | تهران - ایران

P. O. BOX 1702. TEL. 624310. CABLE ADDRESS: TICCESSCO
تلفگرافی: تیسسکو تلفن: ۶۲۰۳۱۶ صندوق پستی: ۱۷۰۲
EARTH MOVING - ROADS - RUNWAYS - GENERAL ENGINEERING (Ltr No 1)
مهندسی عمومی و سرپرستی

16 April 1966
Teheran, Iran

Director General of
Civil Aviation
Teheran, Iran

Excellency:

This is to acknowledge that I have been told by the DGCA's office that the flight of Cessna N7751A has not been authorized and the operations of this aircraft has been construed as illegal.

No permission has been issued to date, and we did not know special permission was required! However, we always filed a flight plan before flights, and listed as operator Helo, whenever there was a DGCA flight plan office.

We purchased this aircraft N7751A (Bill of Sale date) 13th of September 1965.

We will now apply for flight permission because previously we were wrong. The aircraft will not be flown until we obtain permission from the DGCA's office.

We will supply the aircraft log books which contains the flights of this aircraft for the past two years, on 17 April 1966, tomorrow.

Sincerely yours,
William H. French
William H. French

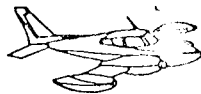
WRF/bf

CC-REG. No. 9707
شماره ثبت شده ۹۷۰۷



'HELO'
TEHRAN, IRAN.

هلو
تهران ایران



Cessna
SERVICE

P.O. BOX, 1782, TEL: 424214, CABLE ADDRESS: TIGERSCO

تهران، نیکو تهن، ۱۲۰۲۱۲ صندوق پستی ۱۷۰۲

CHARTER - AIR SURVEY - GENERAL ENGINEERING AND MAINTENANCE

مسئله عمومی و سرپرستی
بمذریه جوانی
اجازت اختصاصی

26 April 1965

SUBJECT: Chronological Aide Memoire

FOR: His Excellency General Pakravan

1. In June 1964 my partner, William French (owner of four fixed-wing aircraft and one helicopter, acquired with earnings from ten years of work in specialized air transportation in Iran), accompanied by a representative of the Cessna Aircraft Company, met with Mr. Arbabi, Director of Civil Aviation. Mr. French and Mr. Chaber, the Cessna representative, were told by Mr. Arbabi that if French wanted to continue light aircraft operations in Iran he must form a company with 51 percent Iranian ownership. Mr. Arbabi remarked that there is enough work for 5 or 6 such organizations in Iran to provide better service through healthy competition.

2. Early in 1965 Mr. French called on Mr. Arbabi and informed him that a 51 percent Iranian-owned company was in the process of formation, with me, Paul Steinheil, as the Iranian partner. Mr. Arbabi approved and said that issuance of an operating license would present no problem.

3. On 18 February 1965 Helo was registered under Iranian law as an Iranian company by Dr. Sotoudeh (51% Steinheil; 49% French). The registered statutes were delivered to us with copies of the official newspaper Gazette. The registration number of Helo Company is 9707. The company's Acts of Association, accompanied by our request for the operating permit for fixed-wing and rotary-wing aircraft, were sent to Mr. Arbabi.

4. On 24 March 1965 Mr. Arbabi replied to our request by letter number 1016 (copy attached as Inclosure 1). We were informed that the General commanding His Majesty's Air Force was opposed to our request and our case was closed.

BELL
SERVICE

CO REG NO 1016
17-V-424214-1016



5. At this point in the chronology we first visited Your Excellency and asked for help and advice. We were referred to your Deputy, Brigadier General Saadatmand, who in turn introduced us to Mr. Tabatabai, an attorney. As a result of a meeting attended by Mr. Arbabi; Mr. Aboumali, Civil Aviation lawyer; Mr. Tabatabai; Mr. French and I, Mr. Tabatabai concluded that General Khatebi opposes the granting of an operating license to our company and that a factual monopoly had been created for Heli-Taxi and Air-Taxi, permitting them to operate, without competition and at a high price, off-shore transportation for Iran Pan-American Oil Company, Lavan Petroleum Company, Iran Marine Petroleum Company, and Iran Off-Shore Petroleum Company. The result is that the amount of work for Heli-Taxi for one year totals \$1,300,000.00. The above-listed companies were visited by General Rafaat and informed that Heli-Taxi has the monopoly for helicopter services, under orders from above, and negotiations or bids from elsewhere would be futile.

6. Having been forced into arbitrary contracts with Heli-Taxi, the companies listed in paragraph 5 above have indicated dissatisfaction and have written letters to us indicating they would like to deal with our company when we obtain an operating license; they have exhibited an interest in the modern, reliable equipment we represent.— Bell Helicopters and Cessna Aircraft. In the meantime, we have had several interviews with General Rafaat, who suggested that we pay 5 to 10 percent (the amount varies with his disposition) to Heli-Taxi and operate as its sub-contractor. This utterly unprincipled proposal was of course rejected. On one occasion General Rafaat went so far as to threaten me with deportation of Mr. French from Iran. I suggested to him that he try to deport me since I am the 51 percent Iranian owner of Helo and the source of his irritation. The attitude of the Oil Consortium, as you are aware, is the same as the other oil companies.

7. The policy of the Iranian Government that only 51 percent Iranian-owned companies will develop light air transportation is a logical one. The creation of monopolistic protection for Air-Taxi and Heli-Taxi is completely illogical, particularly in view of the tremendous potential and His Imperial Majesty's programs of development. The following situations illustrate the reactionary effect of the establishment of monopolistic protection:

a. Harza Engineering International has an Iranian Government contract for undertaking the engineering feasibility studies in the Karum and Marun River Basins of Khuzestan. They asked us to quote prices for supplying a helicopter for two months, beginning 1 March 1966. Our price was \$29,000 — \$32,000 (varying with choice of equipment and services). Heli-Taxi quoted the absurd price of approximately \$50,000 and stated that it was the only company permitted to contract for this service. Because of the ridiculously high price quoted by Heli-Taxi, Harza was forced to appeal to the Consortium to use their helicopters. Unfortunately the Consortium helicopters were being used full-time, and Harza's work is being delayed and hampered as a result.

Chopper - sabotage?

b. Geotronics, an American company on a U.S. Army Map Service contract, has been continuously frightened, harrassed and suppressed by General Rafeat's visits, telephone calls, and threats that if Geotronics does not deal directly with Heli-Taxi they will get no more work in Iran. A copy of Geotronics' letter to Mr. French is attached as Inclosure 2; it advises Mr. French to stop the standby order for another helicopter to work on development projects in Iran. Geotronics present helicopter was impounded by the Iranian Air Force on 28 March 1966 and released only after approximately 10 days of threats and harrassment; this project is funded by the U. S. Government. It was reported to us that His Imperial Majesty was aware of the U.S. Army Map Service contract, that he had approved importation of the equipment, and that he had directed expeditious completion of the contract and survey.

c. In the course of our interviews with General Rafeat, who apparently has assumed almost-final authority for any decision regarding aviation in Iran, he assured us that we could use our aircraft for personal and professional purposes. Hence we concluded a deal with I.M.E.G. for the new gasline to Russia. We were using our Cessna 180 aircraft to assist in surveying and routing of the line (see-Inclosure 3). After twenty-one (21) days of operation the pilot was arrested and the Cessna 180 impounded. The aircraft still is impounded and, as a result, the work on the pipeline is slowed down, we are in danger of serious financial losses, and the project of great importance to the development of Iran is being delayed.

d. Inclosure 3 relates to a request for helicopter service submitted to Heli-Taxi by an agency involved in another development project in Iran -- electrification.

8. With the knowledge that normal, legal approaches are of no avail, and at the suggestion of Your Excellency, we submitted a letter to His Imperial Majesty through the Minister of Court. I have been told by Mr. Motamedi, of the Imperial Court, that His Majesty read the letter and instructed the Minister of Court to inquire into the matter. The Minister of Court sent our letter to Mr. Arbabi and requested a reply. After some thirty-four (34) days Mr. Arbabi produced the answer attached as Inclosure 4, as translated to me by Mr. Motamedi. As the situation became stagnant again, I permitted myself to appeal to you again.

With infinite thanks for your kindness, I beg to remain,

Yours very sincerely,

Paul Steinheil
PAUL STEINHEIL

Records of registered

		First Registration
		1 Farvadin 1357 (1955)
	<u>AIRTAXI</u>	<u>Registration Number 6947</u>
Capital = 6,000,000s	200 Shares, value each 30,000s	
Share Holders:	Nader Jahambani: 36 Shares without name, 4 with name	
	Amir khatami : 36 Shares without name, 4 with name	
	Ahmad Shafik : 36 Shares without name, 4 with name	
	(<u>balance of 80 Shares without name</u>)	

.....

	<u>AIRTAXI</u>	Second Registration
		<u>25 Hordad 1344</u> (25 Hordad 1344)
Capital = 10,000,000s	100 Shares, value each 100,000s	
Share Holders:	Amir Zanghani: 50 Shares = 5,000,000s (Managing Direc	
	Ahmad Shafik : 25 Shares = 2,500,000s	
	Frederick Eshoo: 25 Shares = 2,500,000s	

Unofficially it was known at Merhabad that Frederick Eshoo sold his shares to Jahambani for roughly \$55,000.00 approximately two years ago.

.....

	<u>HELTAXI</u>	First Registration
		<u>4 Aban 1345 Number 9554</u>
Capital = 10,000,000s	1000 Shares, value each 10,000s	
Share Holders:	Mr. Taghi Behnam: 170 Shares	
	Mr. Nasradin Nasser: 170 Shares	
	Mrs. Patricia Tandi (Represented by Dr. Mohamad Ali Pars	
	Mr. Meyheou 490 Shares (170 Shares <u>On Behalf of Airwork Int'l Co</u>	
	Mr. Javad Noshtaghi auditor	

.....

12-10-1345

Mrs Patricia Tandi resigned and Mr. Edgar Bristow registered as board of directors. It is reported that Edgar Bristow purchase Patricia Tandi Shares which totaled 170 Shares plus the 490 Share owned by Meyheou makes Airwork Int'l Company actually controlling 660 shares of the Company.

.....

Instead of 51% Iranian owned company, the company heiltaxi is 66% Foreign owned with Iranian ownership being only 34%. The Iranian Civil Aviation Act states minimum percentage of 51% Iranian Owned and maximum of 49% Foreign owned. Possibly there could even be more than the 66% Foreign owned in the Company the way the cover up appears.

.....

This information was obtained up approximately three months back and now could be changed again and is only submitted to you for basic information which appears to be so vital in the search for something else which might be more helpful.

Dunn-Bradstreet Information for Heli-Taxi:

Registration Date: 4 Aban 1313 (November 1954)

Registration No.: 9554

Capital: 10,000,000 Rials (1,000 shares, 10,000 rials each)
One-third of capital paid at registration

Shareholders:

Airwork International Co (subsidiary of British United)	490 shares
Mr. Nasradin Nasseri	170 shares
Mr. Taghi Behnam	170 shares
Mr. Edgar Bristow	170 shares

Although Iranian Civil Aviation Law requires that light aircraft transportation companies be 51 percent Iranian owned, it is apparent that the British interests (Airwork International and Mr. Bristow) control 66 percent of Heli-Taxi shares. Also, it is rumored that Mr. Nasseri turned his shares over to someone once the operating rights were established. Mrs. Landi (who was a Hilton Hotel employee) does not appear on the Dunn-Bradstreet records as a shareholder.

John F. Kennedy

12-10-66

Mr. General, United States
Department of State
Washington, D.C.
Dear Sir:

*1. Answered
2. 12-10-66
3. 12-10-66*

This letter is a request for your valued assistance. On 10 May 1966, holding a valid US Passport and valid Iraqi visas, I was denied permission to re-enter Iran upon arrival at Bushair Airport from a business trip abroad. I am becoming very concerned, since a considerable period has elapsed since that time, and I have been faced with conducting my business interests in a temporary status from Beirut. Also my wife and two children are in Iran and I have been separated from them for this very considerable period.

General, I and my Government are deeply concerned. Despite personal inquiry by myself at the Iranian Embassy in Beirut, and despite official representation on my behalf, made by Ambassador Hyer and the American Embassy Staff in Tehran, there is no indication of the reason for my being barred from re-entry into Iran.

I have dedicated a very considerable portion of my business career, represented by 14 years of extensive and tiring efforts, to develop aviation in a country that my family and I have become extremely fond, Iran. My wife and I have been deeply hurt by the action of the Iranian Government, as we have long felt that Iran is our second home. We have many strong friendships with Iranian individuals, and we had thought that our business and social efforts had created a very favorable climate for our life in your country.

My business efforts in promoting aviation in Iran had covered many aspects. As you know, for the past several years my personal efforts and company has trained pilots and mechanics of the Imperial Iranian Government and Imperial Iranian Army, under US Army contract. This program terminated on 30 June 1966. In view of the termination of this program, my principals, the General Aircraft Company, requested that I further support this development in Iran by forming an Iranian company, "Aero, S.", which was duly registered in February 1966. This was done after the company of General's representative from the Iran Office (Richard W. ...) sought out the advice of the American Consul at Shiraz, ... in June 1964. The ... provided that my company ... of ... and be

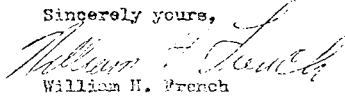
Both my principals, Casper Aircraft Company, my Iranian partner, and myself were very optimistic, relative to our application being quickly approved by the Government of Iran; since the Civil Aviation Act states specifically that the Government of Iran will assist Iranian aviation firms in establishing aviation services on a non-monopolistic basis.

General Khatami, since you are deeply involved in promoting aviation in Iran, I am hopeful that you can help me in my very difficult dilemma. Any aid you can grant in facilitating the American Embassy in Iran obtaining my re-entry into Iran and permitting me to rejoin my beloved family, and to re-establish my activities in the promotion of aviation in Iran, my government and I would be extremely grateful.

As an example of my efforts in promoting the growth and safety of Iranian Aviation, I respectfully point out my services as the US Federal Aviation Agency appointed Examiner. For the past 11 years, I have dedicated a very considerable portion of my time to giving the Airframe and Powerplant examinations for the mechanics employed by Iran Air. Each of the examinations takes approximately two days of my time to complete, but I have felt that this is a small sacrifice and that my efforts would be helping Iran, to promote the safety and efficiency of the Iranian (Flag airline). There has been no compensation for my many days of volunteer work in this field, nor do I expect any. However, my family and I do feel that we have the right to work, in a favorable operating climate, in a country we have grown extremely fond of.

General, I look forward to working with you in every way possible in our joint interests in developing aviation in Iran. Since I am a citizen of a friendly country which espouse the advantages of a freely competitive commercial society, I sincerely feel that efficiency and progress in the development of long range Iranian aviation aims can be most expeditiously met by aviation companies who freely and fairly compete. I hope Sir, that, through our mutual interests and your personal compassion you may help me to return to my home and family in Teheran.

Sincerely yours,



William H. French

*Handwritten
to show in motion
Jan*

CABLE ADDY
CESSNA WICH

Cessna[®] AIRCRAFT COMPANY

MARKETING DIVISION
COMMERCIAL AIRCRAFT

Wichita, Kansas 67201

July 22, 1966

Air Taxi Company
Mehrabad Airport
Tehran, Iran

Attn: A. H. Zanganeh

Ref: #241/10612

Dear Sir:

We acknowledge receipt of your above-referenced letter dated July 7 and have noted your comments.

We can only advise that the handling of spare parts requirements for your area has not changed from the procedure outlined in our April 6 correspondence. We therefore request that you submit your requirements for maintenance spare parts to Aviation Development Consultants.

By a copy of this letter to Mr. French we are requesting that he investigate and assist you in any manner necessary to supply information and spare parts as required.

Very truly yours,

CESSNA AIRCRAFT COMPANY

[Handwritten Signature]
Wichita, Kansas
1966



EMBASSY
OF THE
UNITED STATES OF AMERICA

Tehran, Iran,
July 14, 1966.

Mr. William H. French,
c/o American Embassy,
Beirut, Lebanon.

Dear Mr. French:

Thank you for your informative letter of June 26 regarding your desire to return to Iran and to resume your business activities. We have delayed replying to your letter in the hope that we would have something favorable to report to you, but as yet the problem remains unresolved.

On July 11 I broached the matter again with the Prime Minister's assistant who informed us that the Prime Minister had instructed the Foreign Minister to give us an answer to our inquiry as soon as possible. Since then the Ambassador has talked with the Foreign Minister, who was away when the problem first arose. We will, of course, continue to follow the matter closely.

We have taken the liberty of delaying delivery of your letter to General Khatami since it seemed to be concerned with a business problem rather than with the question of your re-entry into Iran. We were wondering whether, in view of your acquaintance with General Khatami, you would wish to send him a letter seeking his intervention with regard to your re-entry problem. It has occurred to us that, while we do not know if any particular individual is responsible for keeping you out of Iran, General Khatami might be willing to inquire and possibly clear the matter up.

What we had in mind was a low-key letter pointing out in moderate language the difficult situation posed for you by your inability to return to this country and continue the business activities you have built up over the last fourteen years. You might wish to mention also that you have been separated from your family and that you wonder if he can assist in determining why you have been prevented from coming back.

If it is important to your business interests that we send on the first letter, we will of course do so, though tactically we wondered if it would not be better to delay until we have a better idea of how your problem may turn out.

We are in regular touch with Mrs. French and will, of course, let her know of any favorable developments.

Sincerely yours,

Nicholas G. Thacher
Minister-Counselor

By him [unclear] to [unclear] on 19 May 1966 with [unclear] of US Passport

EMBASSY
OF THE
UNITED STATES OF AMERICA
Tehran, Iran

August 13, 1966

Mr. William H. French,
c/o Adrian T. Middleton, Esquire,
Deputy Chief of Mission,
American Embassy,
Beirut, Lebanon.

Dear Mr. French:

In accordance with your request, I enclose a list of attorneys in the Tehran Consular District. The Embassy cannot, of course, specifically recommend any one of these attorneys; however, we do know that recently some American clients have had satisfactory relations with the ones whose names are checked. Those not checked may be equally satisfactory.

There is enclosed also a copy of the Iranian Civil Aviation Act. When I discussed your problem with General Khatami he indicated that the charges against you would be brought under Articles 26 and 27 and that Articles 34 and 35 would be particularly germane also. Your plan, as indicated in Embassy Beirut's telegram of August 13, of sending your Beirut lawyer to stage a thorough preliminary investigation with the assistance of an Iranian attorney, is of course a wise thing to do.

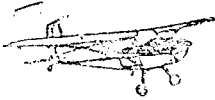
Handwritten note:
Khatami
very anxious

As you may have gathered from our message, General Khatami is very anxious to see that the charges are pressed. He bases his attitude on what he regards as his own long-term endeavors to establish firmer Government of Iran control over movements of small planes around Iran. He will endeavor to find evidence wherever possible that you have contravened regulations in this respect. I mention this not, of course, to deter you from whatever course you determine appropriate, but just so that you may be quite clear on the problem you are facing.

As soon as you have decided definitely on your course of action and if you intend to return, we will be happy to raise the matter with the appropriate authorities who may then take steps to approve issuance of a visa. We are keeping Mrs. French posted on your developments.

With best wishes,

Sincerely,
Richard G. Thacker
Richard G. Thacker
Deputy Chief of Mission



(INTERNATIONAL)



AVIATION DEVELOPMENT CONSULTANTS INC.

US REPRESENTATIVE OFFICE
115 FIVE BUILDING
115 D. MARKET ST.
TYBICHTA, HAIFA 4

MAIL ROOM, AMERICAN EMBASSY BEIRUT, LEBANON

INTEL OFFICE
P. O. BOX 1113
TERRACE - HAIFA
DARUL - TYBICHTA
TEL. 61113
FAX. 617

August 24, 1966

Mr. Raymond A. Hare
Assistant Secretary for Near Eastern and South Asian Affairs
The White House
Washington, D.C.

Dear Mr. Hare:

Thank you for your letter of August 16th. Please convey my most sincere appreciation to Mr. Pople for his recommendation and assistance.

In reading your letter it is apparent that you are aware of most of the facts, which I find most gratifying.

Briefly the situation as I see it is; General Khatami is using his position to control ALL AVIATION in Iran. 4

This includes having control of the Aviation sections of the Army and the Gendarmerie, as well as all flight training both military and civilian as well as the Government Airline. Being the Commanding General of the Imperial Iranian Air Force he naturally controls their training and operations.

He is major stockholder in AIRTAXI the only approved fixed wing charter company in Iran. 4

He is a stockholder (But not of record) in HELI TAXI a helicopter charter company owned 66% by Bristow Helicopters of England (which is contrary to Iranian law) as Heli Taxi is supposedly an Iranian Company.

He is Board Chairman of Iran National Airlines which in my opinion and others, illegally confiscated two other Iranian carriers to form this nationalized Airline. Iranian Airways owned by Reza Afshar and Persian Air Services owned by Mr. Ahmed Chafik.

He is President of the Civil Aviation High Council and in such capacity controls ALL civil aviation activities.

He appoints and controls the Director General of Civil Aviation as well as the Director of the Civil Aero Club which is the only approved flying school in Iran. The present director of the Civil Aero Club is a Colonel Jahambahni who is also a fellow stockholder in AIRTAXI Co.

All this is in direct violation of the Iranian Law which states that no Government official shall own shares in; or participate as an official of; any public or private enterprise.

Dear General: As a result of the investigation of the case of the
the General.

Law by their negligence in not being better acquainted with the activities
of my Iranian Company (AFL) which is well known to the American
American Company, who provided the aircraft for the Iranian
operations in Iran.

What are General Shetima's future intentions?

He is today in power but in Iran, how long will he stay
with the nation he is visiting?

Having flown His Majesty the Shah several times, I was well and quite
impressed with his sincere desire to improve the standard of living of the
people and with his ability as a leader. The question arises though, what
is he harboring another Messiah?

It might be a question each people has to ask itself in the future.

I am enclosing some copies of correspondence which are well explained.
I am also coming to the United States in the month of August and will
bring the complete file of this case with me and will be available to
you.

I will start visit Cessna Aircraft Co. in Wichita, Kansas and will visit
-centers in Fort Worth, Texas and should be in Washington, D.C. the
second week in April. If you would find the time to see me, I would
greatly appreciate it. I believe that some of the information that I
have will be of great interest to you.

Sincerely yours,
William M. French
William M. French
Managing Director

Records of Registered

March 21, 1958

First Registration
1 Farvadin 1337 (1958)
Registration Number 6917AIRTAXI

Capital = 6,000,000Rs 200 Shares, value each 30,000Rs
 Share Holders: Nader Jahambani: 56 Shares without name, 4 with name
 Amir Khatami : 56 Shares without name, 4 with name
 Ahmad Shafik : 36 Shares without name, 4 with name
 (Balance of 80 Shares without name)

AIRTAXIJune 18, 1945
Second Registration
25 Hordad 1344

Capital = 10,000,000Rs 100 Shares, value each 100,000Rs
 Share Holders: Amir Zanghani: 50 Shares = 5,000,000Rs (Managing Director)
 Ahmad Shafik : 25 Shares = 2,500,000Rs
 Frederick Eshoo: 25 Shares = 2,500,000Rs

Unofficially it was known at Merhabad that Frederick Eshoo sold his shares to Jahambani for roughly \$55,000.00 approximately two years ago.

HELLTAXIFirst Registration
4 Aban 1345 Number 9554

Capital = 10,000,000Rs 1000 Shares, value each 10,000Rs
 Share Holders: Mr. Taghi Behnam: 170 Shares
 Mr. Nasradin Nasseri: 170 Shares
 Mrs. Patricia Tandi (Represented by Dr. Mohamad Ali Par
 Mr. Meyheou 490 Shares (170 Shares On behalf of Airwork Int'l Co)
 Mr. Javad Moshtaghi Auditor

12-10-1345

Mrs Patricia Tandi resigned and Mr. Edgar Bristow registered as board of Directors. It is reported that Edgar Bristow purchase Patricia Tandi Shares which totaled 170 Shares plus the 490 Shares owned by Meyheou makes Airwork Int'l Company actually controlling 660 Shares of the Company.

Instead of 51% Iranian owned company, the company Hell Taxi is 66% Foreign owned with Iranian ownership being only 34%. The Iranian Civil Aviation Act states minimum percentage of 51% Iranian Owned and a maximum of 49% Foreign owned. Possibly there could even be more than the 66% Foreign owned in the Company the way the cover up appears.

(This information was obtained approximately three months back and now could be changed again, and is only submitted to you for basic information on what appears to be something on the surface but something else covered up with no names listed etc.)

Dunn-Bradstreet Information for Heli-Taxi:

Registration Date: 4 Aban 1343 (November 1964)

Registration No.: 9554

Capital: 10,000,000 Rials (1,000 shares, 10,000 rials each)
One-third of capital paid at registration

Shareholders:

Airwork International Co	490 shares
(subsidiary of British United)	
Mr. Nasradin Nasseri	170 shares
Mr. Taghi Behnam	170 shares
Mr. Edgar Bristow	170 shares

Although Iranian Civil Aviation Law requires that light aircraft transportation companies be 51 percent Iranian owned, it is apparent that the British interests (Airwork International and Mr. Bristow) control 66 percent of Heli-Taxi shares. Also, it is rumored that Mr. Nasseri turned his shares over to someone once the operating rights were established. Mrs. Tandi (who was a Hilton Hotel employee) does not appear on the Dunn-Bradstreet records as a shareholder.

THESE COMPANIES, OR ANY OF THEM, ARE IN THE LINE OF BUSINESS OF WHICH THE
 FOLLOWING ARE THE MAIN BRANCHES:

1. The Imperial Iranian Air Force
2. The Aviation Section of the Imperial Iranian Army
3. The Aviation Section of the Imperial Iranian Post Office
4. The Aviation Section of SAVAK (Secret Police).

CIVIL

1. Civil Aviation High Council
2. The Civil Aviation Dept. is supposedly under the Ministry of Roads
3. Headed by the Director General of Civil Aviation

CIVIL AVIATION COMPANIES

1. Iran National Airlines
2. Airtari
3. Helt-Taxi
4. Civil Aero Club
5. The Aviation section of the Dept. of Agriculture

GENERAL ABOL HASAN KHOSROU-NEZHAD HAS DIRECT AND POSITIVE CONTROL OF ALL OF THE
 ABOVE ORGANIZATIONS BY MEANS OF:

MILITARY

1. Commanding General of the Imperial Iranian Air Force

2. 3. & 4. ABOVE :

By using his position as Commanding General of the Imperial Iranian Air
 Force and as brother-in-law to the Shah he has, since a long period, the
 secret power factor succeeded in having Air Force officers under his
 direct control placed in COMMAND of all of these aviation sections.
 This gives him a decided and powerful advantage in effectively controlling
 all of the military forces within Iran.

Should his loyalty to the Shah ever change for any reason, he is and would
 indeed be a dangerous and powerful proponent.

CIVIL

1. General Fardjad is president of the Civil Aviation High Council
 This Council would control all foreign aviation, all international
 commercial aviation, Iran's Air Mail, etc.
2. The Civil Aviation Department is headed by the Director General
 of Civil Aviation, who is a close personal friend of General Fardjad.
 This Department is responsible for the operation of all civil aviation
 in Iran.

CIVIL Cont.

3. The Director General of Civil Aviation Mr. Hushang Arbab is directly and positively controlled by; and in subject fear of; General Amir Khatami.

CIVIL AVIATION COMPANYS

1. Iran National Airlines

Gen. Khatami is board Chairman of Iran National Airlines and again exercises absolute control by virtue of packing the management of this Airline with Air Force Generals under his direct command. The so called Pan American Airlines contract is a farce and a covering attempt to conceal the real power in my opinion; if you doubt this contact General Robert Bell (USMC) of Pan American Airways in New York who conducted the contract negotiations with Iranair for PRN-12 and have him give you the true picture. He may not want to say anything on this subject but the truth is the truth.

2. Air Taxi Company

General Khatami is a major stockholder in this Company although last year he had his name and Col Jahanshahi's name removed from the owners of record. Mr. Zangeneh the Managing Director of Air Taxi is nothing but a puppet with Khatami/Jahanshahi pulling the strings. This is common knowledge and is easily checked out.

Khatami and Co. use intimidation and coercion when dealing with most all business firms both local and foreign, to make sure that they deal only with Iranair, Air Taxi or Heli Taxi.

3. Heli Taxi Company

Heli-taxi is a supposedly Iranian Co. with again Khatami and Co being stockholders behind the scenes. It is in fact owned 66% by Bristol Helicopter and British Aviation interests. Mr Allen Bristol is listed as Managing Director of Heli-Taxi. (This is contrary to Iranian law which states that any aviation co, must be 51% Iranian Owned.) The records will undoubtedly be changed shortly to conceal this oversight on their part. But the facts will still remain the same.

General Khatami also uses Air Force Generals (In Uniform) to call on prospective customers for Air Taxi and Heli-Taxi. These Generals (Rafiq & others) tell the customer that they use their Company or they do not use any aircraft or helicopters. Al Capone was a piker compared to these boys.

Our legally constituted Iranian Company (Helo, Corp) which was formed after first talking with Mr Arbab what steps to take to establish a Casaca Aircraft maintenance and spare stock support for the Casaca fleet in Iran given under UN MAP. Mr Arbab stated we should form an Iranian Company to comply with the Iranian Civil Aviation Act, and the hangar right and operating rights would be no problem, nor would helicopter operating rights to also cover the technical maintenance personnel required to support our Bell Helicopter French line. Our operating rights were disapproved by General Khatami and he controls the high council of Civil Aviation. However, we could still offer to see that we could operate and sell Bell Helicopters if we could get the approval of the council, but that Heli-Taxi would be the only one to operate.

We have letters from several foreign firms stating that they would like to have us bid their requirements for aircraft/helicopters if and when we obtain these rights. Their reasons for wanting us which they did not put in writing is that we can offer a better service at a more reasonable price. Also the fact that I personally the appointed US Federal Aviation Examiner for power plant and airframe licenses, plus holding an inspection authorization license they know the operation will be conducted in accordance to our US FAA standards in all respects. Mr Arbabi Director General of Iranian Civil Aviation stated to us that Iran welcomed this type of foreign investment, and the Iranian Civil aviation act was for the encouragement of aviation companies on a non-monopolistic basis, and that healthy competition would result in stronger, safer and more modern aviation industry within the country.

The Director General of Iran Civil Aviation Mr Houshang Arbabi has under the orders of General Khatami refused our Iranian Company, Helo, Corp the right to operate our own aircraft, a Cessna 180 carrying our own Company personnel, or supplies, or surveying personnel of our Prime contractors, or personnel who we are trying to get interested in developing the electrification of Iran and pipeline routing and surveying projects. Our firm signed a contract with the Iranian Management and Engineering Group Ltd (IMEG) who are the contractor Consultants to the Iranian Government for designing and routing of the Big inch Gasline which will be built going to Russia. IMEG has the rights to import just about anything that is required in order to get this job completed as soon as possible. Helo, our firm contracted to supply our Surveying aircraft on a lease basis and we would furnish our pilot to show the IMEG surveying engineers the shortest route and most practical route for the gasline. We leased our Cessna in good faith thinking we were helping the Iranian Government, plus with hopes of getting some of the shorter off shoots of the gasline to construct when the line was to be built. We also spent \$60,000. for a Beaver aircraft which was to be leased directly to IMEG, and the pilot/mech would be IMEG's own personnel. The same type of lease (wet or dry) is used through-out the world. Iran National airlines uses it in connection with the Boeing 727 they have operating. We use a wet lease with a Helicopter we have on lease to Geotronics and American company. Our Beaver contract now has been cancelled which is a loss of roughly \$210,000. in lease fees over a 30 month period.

Our Cessna 180 N7751A, which is our American firm, Aviation Development Consultants, Inc., foreign investment portion of the Helo Equipment, was leased to Helo, SA on 10 September 1965. Aviation Development Consultants, Inc., purchased this aircraft on 13 September 1965 for this specific surveys. A photo copy of this was given to Mr Arbabi's office, also a copy of our Joint Venture agreement between Helo and AEC, Inc. We also wrote a letter to Mr. Arbabi's office and sent it to him stating we were going to use our aircraft for its first flight about 22 September to Eshqmeshaw to survey a water pipeline project. We made the flight filed a flight plan. We did not get an answer from our letter and assumed everything was okay. We also assumed the use of our aircraft for the Gas line routing survey was okay for it was only needed for a three week period or so. General Khatami brought pressure to bear on Mr Arbabi by stopping our flights on 18 March 1966. However, Airtaxi Co then started flying IMEG personnel, but the surveying had to be done from the ground then because the aircraft Airtaxi used could not fly low and clear through the mountains. The whole concept of foreign investment is rather ridiculous when one cannot have our part in this deal.

On 12 April 1966 Mr Arbabi called me by telephone and asked me to come to see him. This I did on 16 April 1966, at which time Mr Arbabi told me that flying our Cessna 180 Aircraft was wrong for the EUSA office had not given us permission, at which time I showed him a copy of our letter to him dated 11 September 1965. He said he did not receive it so we could not fly until we got permission. I wrote him the following letter of 16 April 1966, asking he asked to have it written to him. I asked when can we get permission and he said in a few days seeing we again applied for permission in the 16 April 1966 letter. I gave him the log books in good faith so he could see where we had flown since we purchased the aircraft 13 September 1965. Only flew roughly 60 odd hours.

On returning to Teheran on Pan American Airlines flight on 19 May 1966, I was refused to reenter Iran with valid US Passport and visa. American Embassy duty officer also could not get me into Iran. I returned to ~~London~~ and have been here ever since. Only on 13 August 1966 through the good services and efforts of the American Embassy in Teheran Mr Nicholas G. Wheeler the Minister Counselor obtained information from General Khatami that he is pressing the charges against myself of Articles 26, 27 and 34 and 35 and I must now face civil exile by the Iranian Government.

In the mean time my businesses have almost been bankrupted, the necessary spare aircraft and engine parts for the ~~ESP~~ supplied aircraft are delayed for I am not in Iran to put up the necessary bonds and guarantees. I have been separated from my family now for three months. The letter I wrote Mr Arbabi and giving the log books of our aircraft to him in good faith has now been used against me.

In addition to this my American Pilot/Mechanic Martin Smith, who is flying our leased Helicopter under Geotronics rights on the US Army Map Service Contract crashed and was burned to death on 23 August 1966. With problems of getting his family sent back to the States, body removed from Iran, the nerves of my family are being strained beyond the breaking point. In addition General Khatami will now use this accident to another advantage by saying you see there shouldn't be any foreign registered aircraft and helicopters operating in Iran. The reason for the crash is not known yet! This helicopter was leased from our other American Company, International Helicopter Corporation, Inc., of Delaware, to Geotronics, Division of Teledyne, Norwida, Ca

The Cessna Aircraft Company's policy is that each of the representatives in the world should have a hangar and maintenance facility in order to be able to repair Cessna aircraft and stock spares. To date by preventing our firm establishing this facility we cannot support the 60 odd Cessna's given the Iranian Government by USA which we pay taxes for. General Khatami has through keeping me out of Iran, put pressure to bare on Cessna on changing representatives or trying to. Letters are now pouring into Cessna asking for support in Iran. Mr General Khatami and Company, have succeeded in forcing US Government to make the US type effort, instead of our companies selling items of essential items to the Iranian Army and Gendarmery. The US Army copy of General Khatami's letter to myself and Gol Beke's.

6. Civil Flying Club

The Civil Flying club is now headed by one; Colonel Jahambakhi who was former ~~Commander~~ and running the Air Iran Co., He has recently been appointed by Gen ~~...~~ as manager. The Col has been to chief of staff school in the ~~...~~ will be other US Airforce schools. It is my understanding that if

Mr. Hara with all due respect I submit that our country has given more than two Billion Dollars to the country of Iran. We have saved the present Government from take over by the Communists. Both the United States and Iran have encouraged American foreign investors, to help develop the economy of Iran. Is this the treatment that all American investors can eventually expect? I will continue with all the legal means at my disposal to protect my rights and my investments, but believe me Mr. Hara I need help. Can you?

That is why I suggested to President Johnson and Mr. Rusk cutting EAP and USA aid to the Iranian Airforce until at such time we as American companies who try to comply with the Iranian laws have equal chances and are able to support the American manufacturers they represent.

If these charges that General Khatami is pushing are not dropped by the Iranian government our business is lost. Number one seeing I did give Mr. Arbati the information he requested in good faith, the General intends to push these claims. Even the courts in Iran are bought so what chance does one have of a fair trial. After wards they will not allow us to get my residence permit renewed, card bargani for trade, nor work permit. What chance then has one over getting the hangar and maintenance facility at the airport to support spares and the US M&P given equipment.

I suggest a high level meeting with the Iranian Ambassador insisting on the dropping of these charges and the release of our Cessna 180 which the Iranian Airforce has taken over. I reported the aircraft as stolen for it was parked at Mahabad airport locked, brakes set, chocked and tied down. They broke into it and moved it to a hangar and locked it up. With this action of the Airforce who knows if justice has taken place. We have never been told officially by any Iranian Government Agency it was impounded only through our insurance investigators has this information be found out. Mr. Arbati on told us we couldn't fly it until we got permission, and we reapplied for it in APRIL 1966 letter, why is Khatami making this example now trying to bankrupt our companies so he can have all the business. I don't understand this protection. We need top side help please!

Sincerely yours,

William H. French

William H. French
Managing Director

*Spent with this you
call him reference letter from
Maurice to him talk it up*

27 August 1966
Beirut, Lebanon

Mr. Robert Bell
Morris, Jaing, Evans & Brock
123 South Market Street
214 First Federal Savings Building
Wichita, Kansas

Dear Bob:

If you read my letter of 24 August 1966 to Mr Hare, you will get the general picture how the Iranian Airforce General in Iran is forcing or trying to force us out of business.

As Cessna representatives we are required to have a hangar and maintenance facility. We have been trying since 1961. It now has reached a stage where the general is preventing myself re-entering Iran. All business is at stake. I could send in a replacement. However, this will not get the maintenance facility which we require, nor a repair facility and operation.

We have complied with all the Iranian laws, registered an Iranian Company 51% Iranian after the director general of civil aviation stated this is what one has to do.

We only have the spare parts sales, left, for our tech rep program was completed a US government contract in June the 30th, 1966.

We cannot even bring in a demonstrator aircraft. I am coming to the states this week trying to get Cessna behind for a real push. All it takes is top US government level interveining saying what is going on.

Bob, I have spent 14 years in Iran, all my funds are tied up there. If we are not allowed to operate then what in Hell are US taxpayers paying the bill for. I need all out help.

I want you to go with me to see Del Roskam of Cessna, and Jack Zook so an approach with positive results will be obtained.

You might try calling Mr Hare on the telephone. If you need Washington support, possibly you have contacts there, but I was told that there is a charger by the name of Elmer Batzell of Nunn attorneys 1523 E St NW Washington DC. Next thought of Richard Nixon lawyer firm. This is your decision Bob, you know more about it then I possibly Cessna has law firm in Washington who knows pressure points. Anyway you can call Cessna ask for Zook or Del Roskam and I'll be there this week, maybe before you got this letter. Regardless of costs, proceed we must fight it all the way for otherwise all these years pushing Cessna in will be lost.

Sincerely yours,
William H. French

*to any action you think
negotiate don't please
to Arthur Carlson at Williams of Williams
Thayer Normal School!*

27 August 1966
Beirut, Lebanon

Mr. Raymond A. Hare
Assistant Secretary for Near Eastern and South Asian Affairs
The White House
Washington, D. C.

Dear Mr. Hare:

Attached you will find a photo copy of a small spare parts order which has been sent to the Cessna Aircraft Company, complaining that it was sent to Aviation Development Consultants, Inc., on 22 May 1966.

Mr Hare, I have been blocked from entering Iran since 19 May 1966. Again, you can see by keeping myself out of Iran, General Khatami is trying to show my franchised parent Company's Cessna and Bell that they are not properly represented in Iran.

Mr Hare, our firm has trained most of the Gendarmeri pilots and soloed them before they went to US Army pilot and helicopter training in the USA from August 1962 through June 1963. The US Army advisors came to me and I with two other American pilots soloed the students before they went to the USA. Previously the Iranian Airforce did this work and the pilot failure rate from the US Army flight centers was 60% or more, with only 40% graduation.

When our students started completing the flight training that were sent to the states Mr Hare our percent of graduates rose to over 90%. Quite a saving to US tax payers money don't you agree. I have submitted training costs to the Gendarmeri and Iranian Army since 1960, for an in country training program. This was for helicopters and fixed wing aircraft as well.

In June 1964 Mr Bruce Chuber, regional sales manager from Cessna and I talked with Mr Arbabi, to see what I could do to further support the Cessna Aircraft coming into Iran with back up service, spares and maintenance. Mr Arbabi said form a 51% Iranian Company, which we did in February 1965, and applied for operating rights. This was never approved because General Khatami who controls the high council of civil aviation wants all business to go to his two company's. Who represent Dehavilland, british aviation and Aero Commander. They would like to see Cessna cut out of the program and Dehavilland Beavers moved in. If discredit can be shown to Cessna and myself, Dehavilland Aircraft will be moved in naturally as the order for ten this past spring for the Red-Lion and Sun of Iran (Iranian Red Cross). To the Gendarmeri Air Taxi has been submitting proposals for Dehavillands as well. Nothing like trying to defeat a proven fleet of Cessna aircraft operating.

Mr Hare, it takes ourselves about 6 weeks to get a quotation from Cessna with the required chamber of commerce and Iranian Embassy seals back no letters of credit can be made out. It then takes the Gendarmeri anywhere up to one year sometimes to fund the purchase! Presently I have outstanding funds of roughly \$2,000. which they have not paid for the past one year. Cessna nor ourselves can fund our finance programs unless

not

and promptly.

Since our US Army Tech Rep program terminated in, or on 30 June 1965 I have had to let all my company personnel look for other jobs. Since I could not establish a maintenance facility nor obtain operating rights, my whole business has been scrapping gears. Things holding like being forced into bankruptcy after 14 years in a country and after you have trained most of all the aviation people in a country.

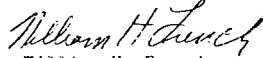
Ministry of Agriculture from 6 September 1952 to 30 June 1959, I personally trained 67 crop dusting pilots and mechanics roughly 54.

Gendarmerie jointly we trained helicopter and fixed wing students for almost three years August 1962 through 30 June 1965.

We only have the spare parts business left. *nothing has been done so far.* We have asked the US Army and Gemish advisors to help us push through rights, as well as requested help from the US Embassy. If USA is going to continue giving MAP equipment, and MAS purchases to the Iranian Government, which we as US tax payers pay for then why can we get operating permission and continue our business after all these years of dedicated training.

As stated before I suggest a complete cut off of all MAP equipment and allowing purchases under MAS until at such time we are allowed to continue our business, without these continued harassments, and charge and allowed to build a hangar, stock spares, and if possible get operation rights so that we can further demonstrate new aircraft, and support the American oil company's with fixed wing and helicopter type equipment. I think the support of the MAP supplied equipment with a technical staff is the route to push. Please help!

Sincerely yours,



William H. French
Managing Director

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Meeting called

James Adams - 1st Secy

W. J. ...

See ...

Members of ...

Robert ...

Robert ...

Act ...

Dr. ...

Hand ...

22 October 1966

Dear Mr. Gacovi:

Enclosed herewith please find a bank check to your order in the amount of \$1,000.00, this is to be used by you for payment of arrange items in connection with the formation of the Iranian Corporation to be called (Sharhate Payars Pars).

Also enclosed herewith is a special power of attorney from International Helicopter Consultants, Inc., and one from Aviation Development Consultants, Inc., authorizing you to form the aforesaid Corporation. These were drawn in accordance with the agreement you and I reached in Teheran while I was there. I am having these mailed from Teheran and will await your notification that all approvals are ready before sending the Capital from my office in Wichita. I will also take care of your fee in the manner discussed after my return. In the event you have any problems or desire information or action from me address your message to my office in Wichita since I will be unavailable en route until my estimated arrival on 31 October.

It was a great pleasure meeting you and I would like to take this opportunity to thank you for all the courtesies you extended to me. It is my hope that we will have many more satisfactory transactions in the future.

Very truly yours,

C. Robert Bell

SPECIAL POWER OF ATTORNEY

Know all men by these presents that the undersigned as and for the act of International Helicopter Consultants Inc. a Delaware corporation do hereby appoint Dr. Hassan Safavi their true and lawful attorney, in fact for the following purposes, to-wit:

1. To do all things necessary to incorporate an Iranian corporation to be called Sherkate Tayare Pars. Said Company to have an initial capital of one million Rials.
2. To prepare the statutes of the said Company and to sign all registration documents on behalf of the undersigned and to do any and all things necessary to register the said Company in the registration office according to the laws and regulations of Iran.
3. Said Company is to have its subject the selling and maintaining of light aircraft and helicopters and engines, spare parts and accessories therefore.
4. The duration of said Company is to be unlimited.
5. The shareholders of said Company shall be as follows:-
 - a) Fiftyone nominal shares with a value of 10.000 Rials each, belonging to Dr. Hassan Safavi or his nominees.
 - b) Twentyfour nominal shares of a value of 10.000 Rials each shall belong to International Helicopters Consultants Inc.
 - c) Twentyfive nominal shares of a value of 10.000 Rials each to belong to Aviation Development Consultants Inc. a Kansas corporation.
6. All the shares of said Corporation are to be nominative and the shares belonging to the Corporation set forth in (b) and (c) above may not be transferred without the prior approval of the other shareholder or shareholders, however, the shares set forth in (a) above may be transferred in whole or apart without the approval of the other shareholders.
7. The Board of Directors of said Corporation will be nominated for a period of at least four years by the General Assembly and shall consist of three directors.
8. The auditor shall be nominated for a term of one year by the General Assembly.
9. The Board of Directors shall choose one of its members or an outsider as it so desires, as Managing Director.

10. The power and duties (retribution) of the Board of Directors and of the General Assemblies shall be in accordance with the laws and regulations of Iran.
11. Dr. Safavi is hereby given all the right and power to prepare the statutes and register the Company and elect the Board of Directors and auditor and to sign all documents for the formation of the society and to request any authorisation from the competent authorities which is necessary for the formation and exploitation of the Company.
12. The siège social (domicile) of the Company shall be in Tehran, Iran and the address shall be designated by Dr. Safavi, however the society may have branches in other towns in Iran and also in other countries.
13. The attorney herein designated has the right to designate another person or persons to have and carry out any or all of the rights and duties herein granted to him.

INTERNATIONAL HELICOPTER CONSULTANTS INC.

Attest: _____

Secretary

By _____

President

November 3, 1966

Mr. William H. French
Apartment 73

Sourlia Building
Harma Street
Beirut, Lebanon

The letters authorizing Bell and I to deal directly with Cessna in Beirut appear to be about to land on this matter in Beirut. I will let you know what Cessna thinks after I have talked to Zang and Borker. By the way, Felotin strongly recommends that Dear Bill, you should learn Farsi, so you might tell Bolton to get busy. It also appears that after the first of the year I will have After my return I made arrangements to go to Fort Worth and talk to the Bell Helicopter people. I spent the day down there yesterday and talked to Felotin and to Jost and to the president of the Company. Felotin's position was that what we were essentially asking Bell to do was to allow STP to represent them in Iran and they would therefore have to make the same kind of investigation they do with any new dealer. I told him I appreciated the fact they would have to make some sort of investigation but they were now in full possession of the information that we had so they should be cautious in the manner in which they proceed and he agreed that they would be. He also stated that the decision would probably not be forthcoming for several months. He also requested that I have Dr. Safavi write a letter to me or to Bell Helicopter, whichever he wished, explaining the new set-up and basically assuring Bell that the new corporation will have the blessings of the High Council of Civil Aviation and General Khatami. I will arrange for this directly with Safavi and will send you a copy of the letter which you should then forward to Bell with your comments.

ance tickets which have the unused portion from Beirut to Rome so that you can turn them in for refund. I have been unable to talk with Cessna as everyone that I need to talk to is out of town for the rest of this week. However, I will see them early next week. In the meantime, I got your letter of October 27 and I think you are jumping to conclusions. I did talk to Mr. Knoblauch who is in charge of the Parts Division at Cessna and he told me that no order has come through and that if one does come through they will not honor it, as it is their position that you are the dealer and they must come from you. I have a call in now to Dusty Rhodes to get further information on the matter and will try and include it later on in this letter.

I have prepared the new powers of attorney and original and one copy of each of the four are enclosed herewith signed by me as vice president.

By the way, Felotin said for me to tell you not to send any more telexes to Bell as their office rules require that whenever they get a telex they have to telex an answer and that this is costing them a lot of money and they are unhappy about it. So don't send any telexes through Bell. By the way, your telex from the Phoenicia telex service was badly garbled and I think they are a crummy bunch. I believe airmail letters will do the job from Beirut almost as quickly as the telex and certainly will be much more clear.

At to the letters authorizing Bell and Cessna to deal directly with STP, it appears that Bell might be about to insist on this manner of proceeding anyway. I will let you know what Cessna thinks after I have talked to Zook and Roskam. By the way, Felotin strongly recommends that whoever you have in Iran should learn Farsi, so you might tell Bolton to get busy. It also appears that after the first of the year I will have someone available here in Wichita who can translate Farsi for me if you need it.

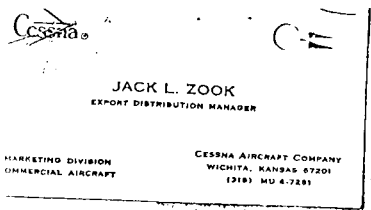
Felotin agreed that he would send you an accounting on what you owe Bell and that you should be informed that the contract which you had with Geotronics is now no longer a bankable contract so some other arrangements are going to have to be made for payment. Felotin also wants you to send him shipping instructions on the helicopter right away. He had no suggestions as to what could be done with it other than sending it to Beirut. I am enclosing a copy of a letter I have sent to the house counsel for the parent corporation of Geotronics, which I believe is self-explanatory. I am also enclosing herewith some invoices which came in from Bell Helicopter for shims and washers and a letter I received from an outfit in St. Louis inquiring about used aircraft. I am getting the name of the patent lawyers in Washington, D.C. and will send it direct to you in two copies so you can give one to Cogni. I am also enclosing herewith the Air France tickets which have the unused portion from Beirut to Rome so that you can turn them in for refund. Those devils in Air France nailed me for \$65.00 worth of overweight charges from Paris to Chicago. Oh, well, ce la vie. We had a fine time in Rome and Paris, although much too short.

I just talked to Dusty Rhodes and he said that they had, in an interim period until we found out where we were, merely told the Iranian air attache that they would take a few essential parts orders and make quotes on them on an ad hoc basis or emergency basis just to keep them in operation until their representative, meaning you, knew exactly what his status was. The quotes have not yet been made and they are in Wichita and will not be ready until later next week at the earliest and in the meantime, of course, I will be able to talk to Zook and see if we cannot resolve the matter in a different fashion. So don't jump to any premature conclusions. Cessna has not yet made any direct sales to the Iranian army and I think I will be able to keep them from doing so. I will keep you posted on all the developments.

Very truly yours,

1. Get Lafare to write to Bell describing
 S.T.P. + show a strong + continuing sub-
 effort + show that other, negligible members
 of the high Council of Civil Liberties
 look with favor on the Company so that
 they don't look w/ disfavor on it - get
 string of language given to be
 on point of emergency. Get this forwarded
 to Bell

2. Make clear to Bell that Bell wants
 a split everywhere sales organization
 and want those people to be native
 Spaniards



Substance Info. Bill conveyed to ZHC

November 28, 1966

Mr. Jack Zook, Cessna Aircraft Company, Wichita, Kansas, advised that he had been contacted by the Soviet Embassy in Wichita, Kansas, through the Bureau of Information of the National Iranian Airways, the President of the Iran Council of the United States in Iran and in addition by the brother-in-law of the Soviet Consul in the United States and confirmed by others, that all Cessna aircraft were being used by the Iranian Air Force, including the Air Force, and that the aircraft are controlled by the Ministries of General Aviation of Iran.

Mr. Jack Zook stated that the aircraft which he sold in Iran, through the Cessna Aircraft Company, continued to be used in Iran, it is on 5800 East Pawnee and is not in the country of Wichita, Kansas.

Dear Mr. Zook:

The purpose of this letter is to summarize the information I reported to you with respect to Mr. William H. French and his corporation Aviation Development Consultants, Inc. and the present situation in Iran. Mr. French first went to Iran approximately 15 years ago as an employee of the United States Government. He flew aircraft, spraying insecticides for locust control in the beginning, and then performed several other contracts for the United States Government under the various A.I.D. programs. As long as the United States A.I.D. funds were going into Iran in large quantities, the Iranian authorities were most cooperative with Mr. French and never did raise any difficulties about his operations. However, as you know, these funds have dwindled considerably in the last two or three years, and are now down to the point where the end is almost in sight. In addition, as you no doubt know, because of a variety of economic and political developments, the Iranians have become much more independent in recent years and have a great spirit of nationalism in all areas.

Prior to the writer making his trip to Iran, he investigated all of the matters which follow as thoroughly as possible, including conferences with the United States State Department, and more specifically with Mr. Elliott who is in charge of the Iran desk at the State Department at Washington, and his assistant Mr. Mulligan.

Aviation in Iran is and has been for some time entirely controlled by General Amir Khatami, who is the Commanding General of the Imperial Iranian Air Force, or rather the Chief of Staff of the Imperial Iranian Air Force, Chairman of the Board of Directors of the National Iranian Airlines, the President of the High Council of Civil Aviation in Iran and in addition is the brother-in-law of the Shah. It was the observation of the writer, and confirmed by others, that all aviation military regardless of which service, including the Air Force, the Army the Gendarmery or civilian is controlled by the dictates of General Khatami. As one individual remarked to the writer while he was in Iran, even though the books say that Iran is a constitutional monarchy, it is not, it is an absolute monarchy, and in point of fact the royal family run the country pretty much like a closely held family corporation.

Approximately two years ago a representative of General Khatami contacted Mr. French and informed him that there were only two companies which would be authorized to conduct civil aviation business in Iran, and those were Air Taxi and Helitaxi, the former is a fixed wing aircraft charter service and the latter is a helicopter company. General Khatami and/or his representatives hold substantial amounts of stock in each of these companies. Our information leads us to believe that he holds a larger percentage of stock in Air Taxi than in Helitaxi. Mr. French was informed by this representative that he could operate in Iran provided he did so as a sub-contractor of Air Taxi and Helitaxi, for which he would pay them 10 per cent of the gross of his operations. At this time, Mr. French turned this proposal down, and he was then informed that General Khatami would "run him out of the Country".

In March of this year Mr. French went out of Iran on business and when he returned was informed that he would not be readmitted. The U. S. Embassy in Teheran spent approximately two months attempting to find out why Mr. French would not be readmitted with very little success until the expiration of the two months period, at which time they were informed that Mr. French personally was being charged with numerous violations of the Civil Aviation Act of Iran.

Iran's Civil Aviation Act was drafted by Dr. Hassan Safavi, and enacted in 1949. I am sure its contents are available to you. However, it was never implemented in detail and the general Persian attitude toward their laws is fully represented in Mr. French's case. They have a good many very complex codes on the books which are not enforced in practice and in fact when one attempts to comply with them he is told by the local officials, oh, its not necessary to apply for these permissions, we know you, just go ahead and do these things, and it will be all right. However, if you

Incur their disfavor they then go back to the law and insist that there has been a long line of violations. The same thing happened to the U.S. Consulate while the writer was in Iran. For quite some time it has been a requirement of Iranian law that foreign residents who are going to be there for extended stays apply for and obtain residence permits. There is a Presbyterian sponsored college in Teheran, and teachers are brought in from the United States for varying periods up to four or five years at a time. Whenever the U.S. Consul sent them to the Iranian Foreign Service to apply for residence permits, they were always told, oh, that won't be necessary, we know you people, and this is not necessary, and they would not take applications for residence permits. However, while the writer was in Iran apparently one of the teachers got into some kind of a flap with the Iranian Civil Authorities, the exact nature of which was not disclosed to the writer, but the Iranian Foreign Service had just called upon the American Consulate and had informed them that there were approximately 50 teachers in the Country who had been violating the law for a long period of time by not having these residence permits, and it would be necessary to get them out of the Country by the end of the week. This was accompanied by a voluminous citation to the law of Iran. Much the same thing has happened to Mr. French.

The writer before going to Iran caused an inquiry to be initiated from the U. S. Embassy in Iran to General Khatami, so that he could be assured that whatever charges were pending would not be used in anyway against the writer, merely because he was Mr. French's lawyer. In reply, General Khatami requested that the Embassy inform me that they would be most happy to see me when I arrived in Teheran and he also suggested that I see Dr. Hassan Safavi, the Vice-President of the High Council of Civil Aviation.

When the writer arrived in Teheran, he first spent some time with officials in the U. S. Embassy, briefing them on the information in his possession and in turn receiving a briefing from the information they possessed, both of which seemed to fit what has been recited so far.

Throughout his stay in Iran, the writer kept in touch with the U. S. Embassy and kept them fully informed on all the developments. The principal contact of the writer in the U. S. Embassy was the Commercial Attache, Mr. Raymond Hartland, and his assistant, Mr. Herbert Ferguson. Thereafter, the writer had a conference with Dr. Safavi, who explained that he had been the author of the original Civil Aviation Act of Iran, and had also been the author of an Act of July 5, wherein all aviation, civil and otherwise, including sales of aircraft and parts therefor, was declared to be a national monopoly.

This Act had a grandfather clause in it which provided that, in essence, Air Taxi and Helitaxi could continue in operation, and it further provided that any other company, securing the permission of the High Council of Civil Aviation could do business in Iran, in addition to the national monopolistic company. Dr. Safavi then made it quite clear that the charges on the part of the Iranian government were not directed toward Mr. French's companies, but solely to Mr. French personally, and that Iran would welcome the continuance in business of Mr. French's companies, however, it is a requirement of Iranian law that they can only do business through a Persian Corporation, with a 51 per cent Persian partner. Dr. Safavi volunteered his services to form the Persian corporation and to act as the 51 per cent shareholder, strictly in accordance with the writer's direction, he stated. The writer made no reply to this proposal at that time, since he wished to be assured that Dr. Safavi was speaking on behalf of General Khatami and not as a mere volunteer. Consequently, a subsequent appointment was arranged between the writer and General Khatami during which the General made it quite clear that Dr. Safavi spoke on his behalf and that this was the transaction which the General would authorize.

General Khatami also stated that because of Mr. French's activities he would not agree to permit Mr. French personally to return to Iran, however, he would permit representatives and employees of his companies to return, and to do business as outlined above. In a subsequent conference with Dr. Safavi, he indicated that Mr. French had made the General most unhappy and the writer gathered that it was almost a matter of "face" with the General, at this time as regards Mr. French personally. However, he was of the opinion that in the matter of a couple of years, if the new arrangement proceeded smoothly, Mr. French would be permitted to return to the country personally. The writer received the impression from what he said, and from comments by various American Embassy personnel that if the new arrangement functions smoothly, and brought in substantial sales to the country, it was quite likely that the period of time would be far shorter than even two years. However, there is no way of fixing an exact date on this.

Mr. French currently has two employees in Iran, both located in Tcheran. One is Mr. Eugene Lloyd, and the other is Mr. John Bolton. Both of these men are experienced pilots and appear to be quite competent and capable as regards to the technical aspects of the business and most likely as regards to administrative aspects of the business in addition. Consequently, the writer authorized Dr. Safavi to form a Persian corporation to be called Sherkatâ Tayare Pars, in which Dr. Safavi would be the owner of 51 per cent of the stock, with the right to transfer either on or off the record, all or any portion of that 51 per cent. Dr. Safavi made it very clear to the writer

that he would not retain anywhere near all of the 51 per cent, and that other members of the High Council of Civil Aviation would undoubtedly own portions of it, including by implication, General Khatami, as the largest owner. The other 49 per cent will be owned by Aviation Development Consultants, Inc. and International Helicopter Consultants, Inc. both of which are Mr. French's corporations. Dr. Safavi will be the managing Director of this Corporation, and through General Khatami will no doubt be the primary sales agent. Either Mr. Bolton or Mr. Lloyd will then be the operating executive of the company and will take care of all technical matters.

The writer is confident that this arrangement will be highly beneficial to Mr. French's companies and to the companies which he represents, including Cessna Aircraft Company. The writer would like to suggest that the Cessna franchise for Iran should remain in the name of Aviation Development Consultants, and that all sales should be made by Aviation Development Consultants, with resale from them to Sherkate Tayare Pars. This will provide the necessary leverage for ultimate control of the actions of the Persians with respect to the products being sold. Mr. French will then make his headquarters in Beirut and receive frequent reports from the Teheran employees who will, in addition to written reports, come to Beirut approximately once a month for a full review of all actions and instructions.

The above is quite summary in form and the writer would be glad to amplify it upon request.

Very truly yours.

C. Robert Bell, of
MORRIS, LAING, EVANS & BROCK

CRB/cs

cc: William H. French

December 5, 1966

Mrs. William H. French
Teheran, Iran

Dear Bev:

As you can see, I decided to have this letter hand-carried in from Beirut so as not to take any chance on outsiders reading our correspondence, although I know that APOs should be immune from such things. I can appreciate that you are uneasy about the total situation and there is no question but what we are taking a substantial risk depending upon the prospect of reasonably fair treatment from Dr. Safavi et al. I know they have insisted upon getting Bill's franchises but they are not going to get them, as we are dealing directly with Cessna, Bell etc. I am still in the process of trying to establish with these companies that it will be all right for the Persian company to contact them directly but they are to treat it as though it were coming from us and to continue to insist upon making the original sale to Aviation Development and International Helicopter with a right of resale from them to STP. That is the point at which we can protect ourselves against the conversion of rials into dollars and our profit margin.

Our trip home was just fine. We had about three days in Rome and three days in Paris and enjoyed all of it immensely. Jan spent the last week I was in Teheran, as you know, in Jordan and the Holy Land with Anne McCallum and had a wonderful time. She came back thinking she was Lawrence of Arabia. I don't know what she said to them down there or did, but as you can see shortly after she left they all started fighting. I'm glad she is not there now.

Jan asked me to give her regards as well as mine to you and the girls and Margaret and everybody and to thank you for the hospitality you extended so graciously while we were there.

Please feel free at any time to drop me a note and ask anything that is on your mind. I hope I have answered your questions. I tried my best anyway. But if you have further questions, please don't hesitate to write.

Very truly yours,

C. Robert Bell of
MORRIS, LAING, EVANS & BROCK

CRB/pf

December 7, 1966

Dr. Hassan Safavi
Avenue Amir-abad
Avenue Entessarieh
Avenue Safavieh "Navah"
Teheran, Iran

Dear Dr. Safavi:

Enclosed herewith are copies of a cable which we will send to the Minister of Agriculture five days from this date. Also enclosed herewith are copies of cables we will send to the Ministry of War and to General Gandahari, also five days from this date which will be December 12. The reason we are not sending them now is that we cannot cable Emami since we do not have an adequate address for him. Would you please provide us with one.

You will note that the cables come from Aviation Development Consultants, Inc. rather than Cessna. This is because Cessna takes the position that Aviation Development Consultants, Inc. is their sole franchised dealer for Iran and Sherkate Tayare Pars is the representative of Aviation Development Consultants, Inc. This is a position which they are unwilling to alter. As you can see our communications have been quite slow and I would like to suggest that there would be less delay and more accuracy if you, when possible of course, would send instructions directly to me.

You will note that on the special powers of attorney which come to you there are no I.D. card numbers. This is because my previous instructions were so sketchy that I was not aware that they were to be included in the powers of attorney. I hope they can be used as they are but, if not, let me know and I will start processing another set of powers of attorney.

With kindest personal regards,

C. Robert Bell, of
MORRIS, LAING, EVANS & BROCK

CRB/cs
Encl.

CABLE

GENERAL GANDAHARI
COMMANDER
IMPERIAL IRANIAN AVIATION BATTALION
TEHERAN, IRAN

ROLLS ROYCE AIRCRAFT ENGINE DIVISION INFORMS US YOU HAVE PLACED AN
ORDER FOR PARTS WITH THE IRANIAN AIR ATTACHE IN WASHINGTON, D.C,
U.S.A. PLEASE BE ADVISED WE ARE ROLLS ROYCE'S EXCLUSIVE DEALER
FOR IRAN, AND OUR REPRESENTATIVE IN IRAN IS SHERKATE TAYARE PARS.
PLEASE CONTACT MR. TAGHI EMAMI, MANAGING DIRECTOR OF SHERKATE TAYARE
PARS, WHO WILL DO EVERYTHING NECESSARY TO SELL YOU ALL ROLLS ROYCE
PARTS NEEDED.

AVIATION DEVELOPMENT CONSULTANTS, INC.

January 5, 1967

Mr. James Felton
Bell Helicopter Company
P. O. Box 432
Fort Worth, Texas

RE International Helicopter Consultants, Inc.
Operations in Iran

Dear Jim:

In connection with the above referenced matter I am now informed by Dr. Safavi that our Persian corporation is duly authorized to sell, service and maintain all types of light aircraft and parts therefor in Iran. I am also informed by him that it is the only Company authorized to do so apart from General Khatami's two corporations which apparently intend to concentrate primarily on the charter and flying end of things and leave the selling to our company.

We have just received a large order for Cessna spare parts from the Imperial Iranian Army which order was obtained by the principals of our Persian company and Cessna has thoroughly reviewed the situation and has agreed to approve it on a trial basis for a one year period. The manner in which they wished to carry on business was that we would continue to be their only authorized dealer for Iran, and we have designated our Persian company, which is called, Persian Tayar Co. in English, and Sherkat Sahami Tayar Pars in Persian, as our exclusive agent for Iran. The offices of the Persian company are located at 10 Avenue Bahar/Shahreza, Teheran, Iran and the Managing Director is Eng. Taghi Enami. Communications may also be addressed to Eugene Lloyd at Box 1702, Teheran, Iran.

We are hopeful that you will elect to proceed in the same manner as Cessna has. If I can provide any further information please do not hesitate to contact me.

Yours very truly,

C. Robert Bell, of
MORRIS, LAING, EVANS & BROCK

CRB/aa

January 5, 1967

Mr. James Felton
Bell Helicopter Company
P. O. Box 432
Fort Worth, Texas

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Yours very truly,

C. Robert Bell, of
MORRIS, LAING, EVANS & BROCK

CRB/cs

CLASS OF SERVICE
 This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM
 W. P. MARSHALL
 CHAIRMAN OF THE BOARD
 R. W. McFALL
 President

SYMBOLS
 DL = Day Letter
 NL = Night Letter
 LT = International Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination

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ROBERT BELL 214 FIRST FEDERAL SAVINGS 123 SOUTH MARKET ST WICHITA/KANS
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 DEALERSHIPS
 DELAYING AG PROGRAM
 TICISSCO BOLTON "
 COLL LT 214 123

SF1201(12-63)

14 January 1967

Mr James Felton
Export Area Manager
Bell Helicopter Company
PO Box 482
Fort Worth, Texas

Cable: OEDISH-Beirut
Mail: Office 73 Saroulla Blvd
Hamra St, Beirut
POB 1969

Dear Jim:

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

We are submitting a proposal for five or 10 G-5 for the Ministry of Agriculture. The Ministry of Agriculture wanted 20 Cessna Agwagons and John was to be in a meeting today. He is going to push it or try to push it to G-5, although they have no helicopter pilots period. We also are submitting a proposal whereby the Ministry would buy the G-5's, we will contract to operate them for the Ministry and also lease them from the Ministry for use in other countries in the off season. What is the delivery time now on G-5's? Please send me this back rightaway.

The new companies name is Skerkat Sahami Tayar Pars, and we intend to make them our agents under our franchise, or our dealer. This way we can control them if they ever start bleeding the company blind. John is now following along the NIOC helicopter sale, the Traffic Police, and Ministry of Agriculture. He will follow the consortium as well. We have also applied for 20,000 meters of land at Merhabad where the new maintenance set up will be built.

I believe Jim sincerely that with this monopoly, we will be able to really do something we started to before, and slowly started to succeed. But in this set up we have all the blessings of everybody.

John also asked me to have you make up proforma invoices for (2) 47G and (2) G-5 with two tanks or equiped. This is for the Gendarmerie. As they are getting themselves into a corner on Cessna Skyhook spares, I wrote a letter last week to the Commanding General telling him that the Cessna helicopter spares are terminating, as well as the engines, and that the Gendarmerie should start planning another small helicopter. John told me they were pleased with the letter, and asked for quotations again. Can you please send these through as soon as possible. Also what is delivery now on the UH1D and 204B? Do you still have UH1D immediately available?

Sincerely yours, William H. French
Man

HELICOPTERFTW

January 16, 1967

AIR MAIL

Mr. Wm. H. French
 Apt. 73, Sourilla Building
 Harma Street
 Beirut, Lebanon

Dear Bill:

Enclosed herewith is a copy of a telegram I sent Felton and cable I sent Bolton, as well as copy of Bolton's cable to me. I don't know whether Cessna will cable Minister of Agriculture but Bell will. Cessna is goosey on this because of some old problems they had with the Department of Justice about exclusive dealerships so they will not do anything. However, as you can see I suggested that our man in Teheran tell the Minister to give us a test by placing an order and see if we can deliver.

In our telephone conversation Felton assured me he will send his cable and says he sees no reason Bell will not go along with our arrangement. Felton confirms Geotronic has helicopter job cooking somewhere in Asia. He says he knows where but he cannot violate customer confidence by telling me which is all right with me, but if you start to quote a job for a lease of helicopters to Geotronics let me know so that we can check out local law and get local representation. This is an absolute essential as hard experience has demonstrated. I would say that again if I thought it would impress it upon you any more.

Regard the letters you send me dated 11, January, signed Oldish, I feel this is a dangerous procedure. Why don't you make Mike McCollum a Vice-President (at no pay) and have him sign them. At least then it is a definite person.

Yours very truly,

C. Robert Bell, of
 MORRIS, LAING, EVANS & BROCK

CRB/cs



In reply refer to:
03:JHO:su:1543

17 January 1967

Mr. C. Robert Bell
Morris, Laing, Evans & Brock
214 First Federal Savings Building
123 South Market Street
Wichita, Kansas 67202

Dear Mr. Bell:

Thank you for your letter to Mr. Feliton informing of the current status of the International Helicopter Consultants, Inc. operation in Iran. Mr. Feliton is leaving Bell at the end of this month, and is being replaced by Mr. George Kling.

It is our feeling that the arrangements for handling sales through Persian Tayar Company are not satisfactory to Bell as long as Bill French is unable to personally follow through with Iranian contacts.

However, a temporary authorization is herewith given for continuing Bell's business interests 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. This will most likely take place sometime this spring. We will keep Bill informed on this.

Sincerely yours,

BELL HELICOPTER COMPANY

J. H. Orpen
J. H. Orpen
Export Sales Manager

*Assessment
- [unclear]
- [unclear]
- [unclear]
- [unclear]*



**BELL
HELICOPTER COMPANY**

POST OFFICE BOX 482 • FORT WORTH, TEXAS 76101 A **Extron** COMPANY

In reply refer to:
03:GMK:sur1587

30 January 1967

Mr. William H. French
Managing Director
International Helicopter Consultants, Inc.
73 Saroulla Bldg.
Hambra Street
Beirut, Lebanon

Dear Bill:

Jim Felton is in the process of leaving Bell Helicopter Company, and I have been assigned as his replacement. I look forward to working with you, and suggest that your communications be addressed to me - as of now - so that we will not waste time.

Jim has passed to me your letter of 14 January, and the requested proformas are enclosed. Per a telephone conversation with Mr. Bell in Wichita I have reduced the quantity of G-3B-1's from two to one.

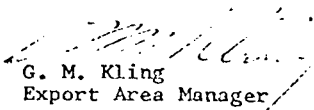
Your letter did not stipulate what accessories were required, so I have taken the liberty of including accessories and recommended spares and tools. If my recommendations are not correct please advise, and we will rework the proformas per your desires.

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

Best regards.

Very truly yours,

BELL HELICOPTER COMPANY


G. M. Kling
Export Area Manager

Encl: Proforma No. 67-6 and
No. 67-6A



In reply refer to:
03:GMK:su:1766

13 April 1967

Mr. William H. French
Box 73 Saroulla Bldg.
Hamra Street
Beirut, Lebanon LEBA

Dear Bill:

I have recently returned from a trip to Latin America and found your 17 March letter to Bud Orpen.

The demand for JetRangers continues and we have had to defer your delivery until August, in that you have not made the required \$10,000.00 deposit on either your original delivery position or the July position as cabled to you by Bud Orpen on 23 February and 1 March.

If you wish to maintain the August position please complete the \$10,000.00 deposit prior to 30 April - this month.

I also note your remarks on the requested offer of ten JetRangers to the Iranian Army - in addition to the offer for six UH-1D's. We can make the JetRanger quote, but I recall your 3 February letter in which you state, "if the Iranian Army is shopping, they as Persians will be Persians would buy the JetRanger versus the UH-1D to save a buck!"

Please clarify this situation and advise whether or not the JetRanger quote should be made - also considering the fact that the UH-1D offer has been already submitted.

Agusta shares most of the North African and Middle Eastern countries with Bell on a non-exclusive basis for the job, and since this includes Iran, you will probably hear of activities there.

All the more reason why you should be in Tehran. What progress are you making regarding your return?

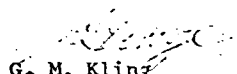
We are not now represented in Lebanon, and in the near future we will visit Lebanon and attempt to locate a representative there. We will consider using your firm in that country, but, frankly, will prefer a resident firm (with homeoffice in Beirut). My initial opinion of your operations - both sales and lease/charter - is that you are already spread out too far for the size of your local organization.

Prior to appointing a permanent representative in Lebanon, we will protect you on a case by case basis for any sales you may conclude in Lebanon for helicopters to be registered in Lebanon.

We look forward to seeing you in Paris, and hopefully one or more of your Iranian sales will be concluded prior to that time.

Very truly yours,

BELL HELICOPTER COMPANY


G. M. Kling
Export Area Manager

July 7, 1967

Mr. Dwayne Jost
 Dell Helicopter Company
 P.O. Box 482
 Fort Worth, Texas, 76101

Dear Mr. Jost:

As you are aware, I discovered that during the interim period since STP has been formed, RE International Helicopter Consultants, Inc. has been operating in Iran and other parts of the Middle-East. You are also familiar with the nature of the problems it has been encountering in Iran so I will not detail that here. It might be said that I was telling him that I was talking with me directly on anything. Accordingly, when STP was formed by International Helicopter Consultants, Inc., is owned 50% by William H. French and 50% by his wife, Beverly W. French. 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, and who is the Vice President of the High Council of Civil Aviation of Iran, for the formation of a Persian corporation to act as the representative of International Helicopter Consultants in Iran. This company was formed and its name is Sherkat Sehani Tayer Pars, which roughly translates as Persian Flying Society Anonymous. After my return and the notification that this company was formed we were disappointed to find that no commercial activity was resulting from the formation of this company. This especially disturbed Mr. French because in addition to all of the money he has invested in Iran over the past years he has invested considerable sums in sending me to negotiate for him and in connection with the formation of STP he was required to put up all of the capital, which was 1 million rials, or slightly in excess of \$13,000, plus formation fees to Dr. Safavi of 500 pd. sterling, plus \$1,000 expense money to Dr. Safavi for the necessary bakhsheesh involved in getting a corporation registered. Dr. Safavi had

told us that STP stock, other than the 49% owned by International Helicopter Consultants and Aviation Development Consultants, Inc.; the latter of which is a Kansas corporation owned 50% by William H. French and 50% by his wife Beverly M. French, would be owned by other members of the High Council of Civil Aviation, including General Khatami, although it would be held in the name of other persons and not directly in their names.

As you know I went to Iran again recently to ascertain, if possible, what the problem was in the failure of STP to produce any results so far.

Upon my arrival I discovered that during the interim period while STP was being formed and before it was operative, Mr. French's representative in Teheran, Mr. John Bolton, had, in an attempt to keep organizations such as the Gendamerie supplied with necessary parts to keep their aircraft operative, been continuing to deal with them directly until STP became operative. Dr. Safavi and the other Persians involved thought he was trying to do this behind their back and that we were going to cheat them. Accordingly, they called everything to a halt until the situation clarified. There was also a failure of communication between Dr. Safavi and the writer which occurred when Dr. Safavi started sending parts orders to the writer's office. I told him not to communicate directly with this office on technical matters as that only caused delay, because I then had to send it back to Beirut for processing. Dr. Safavi's English is not all it might be and he thought I was telling him not to communicate with me directly on anything. Accordingly, when STP wished to have its agreement with Bill French's company reduced to a written contract, this information was not communicated.

I assured Dr. Safavi that the matter of the interim sales was no problem and Mr. French's company would account to STP on those sales and I assured him, as a Vice President of the two companies involved, if he would draw the contract he wished to have I would sign them while there. He drew them and I signed them and a copy of the International Helicopter Consultants agreement is enclosed herewith. He informed me that the Persian 51% of STP was owned 26% by his own father-in-law and 25% by Mr. Taghi Emami, who is the cousin of General Khatami. The Managing Director of STP is a Mr. Golshoyan who is a former Minister of many departments and a person of considerable standing in Iran according to Dr. Safavi. Safavi also informed me that the "great general" by whom he means General Khatami, had decided to handle transactions with STP in such the fashion he had set up for Air-texi and Kelli-texi, that is one company for fixed wing aircraft and the other for helicopters.

*Rec'd 10 Jan
John 1/17*

**
I spoke with the...
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1952?*

Accordingly, a company called Helicopter Services had been formed in which Mr. Bristow had no interest and with which Mr. Bristow had no connection, either directly or indirectly. This company was to be the helicopter sales company and also is to have operating rights and one of its directors is General Razaat, who has been General Khatami's front man in Heli-taxi for quite some time. I had several meetings with General Razaat and at first General Razaat was insisting that Helicopter Services must have the Bell Helicopter franchise. I assured him that it was beyond the power of International Helicopter Consultants to give him that franchise even if they wished to and that this was a matter solely within the control of the Bell Helicopter Company, et al. These proceeds will be studied by the Iranian Army and the Ministry of War together with the Army and from past experience in Iran this will undoubtedly be approved. Dr. Safavi strongly recommended that we try and arrive at some arrangement with Helicopter Services and both he and General Razaat assured me that Helicopter Services will be in a position to both purchase for its own operations and sell many helicopters. They also assured me that it has secured the helicopter operating contracts with all of the oil companies in Iran, including the consortium. General Razaat further stated that he will need four Bell Jet Rangers quite soon for Helicopter Services. We worked out an oral agreement between General Razaat, Dr. Safavi and myself whereby a three-party agreement would be entered into between International Helicopter Consultants, STP and Helicopter Services in which Helicopter Services would have the same functions in Iran on behalf of International Helicopter Consultants as STP had and the resulting net profits to Helicopter Services would be divided 2/3rds to Helicopter Services and 1/3rd to STP. This agreement is identical with the other one which I have enclosed except that it adds a provision that Helicopter Services and STP will share the proceeds of their end of the contract as aforesaid. It too is being drawn by Dr. Safavi. I was then taken to a conference with the Managing Director of Helicopter Services, a gentleman named Mahvi, who was introduced to me as also being the Managing Director of Pan American Iranian Oil Company. Mr. Mahvi stated that he could not take the proposed agreement to his Board of Directors until he had a copy of our franchise with Bell Helicopter and I agreed to provide him with such a copy upon my return. Mr. French's copy was unavailable at that time since it was in Beirut and he had not been able to carry all of his files with him when he was evacuated from Beirut (incidentally Mr. French is now permanently back in Beirut). Nevertheless, to save time, as I told you on the phone, I would appreciate it if you would send me a copy of his franchise.

While in Iran I also conferred with General Jablonski, the Commanding General of all of the U. S. Armed Forces Advisors in Iran. At this conference I inquired about the proposed Iranian Army Air Cavalry Unit formation and he informed me at that time that this is merely in the planning stage and will not be ready to commence negotiations for the purchase of helicopters for a considerable time yet - perhaps as much as five years. He did, however, state that if Bell Helicopter wished to maintain its position it would be necessary in the not too distant future to commence the preparation of proposals for the formation of such a unit, which proposals should be complete with respect to recommendations and suggestions and proposals for training of pilot personnel, acquisition and type of equipment, training of maintenance personnel and methods of supply. These proposals will be studied by Commissions of the Iranian Army and the Ministry of War, together with the Army Advisory group, and from past experience in Iran this will undoubtedly consume a large amount of time. Their Commission there is the equivalent of our Committees and parenthetically I might add that if a camel is a horse that was put together by a Committee you should see the results of a Persian committee. While in Iran Dr. Safavi, Mr. Bolton and I also conferred with numerous other government officials, including General Ovesi, the Commanding General of the Iranian Gendarmerie and Lt. Col. Ballantyne who is the American Army Advisor to the gendarmerie. The gendarmerie, as you know, is actively considering a proposal for the formation of a helicopter strike force and Col. Ballantyne informed us that the various Commissions which have been meeting for about two years on this matter have decided that the equipment which should be used for this force will be Bell UHID's. Col. Ballantyne also stated that this decision had been made some months ago and following this decision General Ovesi had come into his office one day with a picture of a Kaman and had stated that this was the helicopter that they had decided on and he didn't want it because the Iranian Air Force and Army had Kamans and they had had very bad operating experience with them. Their actual operating costs to date had run in the vicinity of \$1,500 per hour and their range was so little that they could travel no faster than a gasoline transport truck could accompany them. Col. Ballantyne explained to him that that was not what they decided on and got out a picture of a Huey and put it next to a picture of a Kaman and labeled them for General Ovesi's information. I should add at this point that General Ovesi is highly regarded and appears to be an excellent general, especially by Persian standards, but even the best of them have some curious gaps in their comprehension.

During my conference with General Ovesi we again discussed the Hueys and during the discussion he turned and pointed to a model of a Kaman which was on the shelf behind his desk, and said "that's the kind of helicopter we are going to buy." I told him "no, no General, that's a Kaman - you are going to buy a Bell." He said "oh yes that's right, isn't that a Bell?" I strongly recommend that you send a model of a Huey to John Bolton for presentation to General Ovesi. I think it would also be a good idea to present a model of the Huey to General Khatami and to General Ghandahari, who is the Commanding General of the Iranian Army Aviation Battalion. Things like having these models on their desks seem to be much more important to the Persians than they would be to their American equivalents. Also, perhaps it will help keep them straightened out.

Also, as I told you while I was in Iran I secured the release of Bill French's Cessna 180 and the log books that go with it, and Dr. Safavi informed me that the Persians now feel that they no longer have any case against Bill French. Bill is going to apply for a visa to see what results he can get along that line, and I feel that within a matter of nine months or so there is a possibility that he will be able to travel freely to and from Iran. He has, however, decided in view of the activity in the rest of the Middle-East that it would be more appropriate for him to maintain his headquarters in Beirut and he will be moving his family to Beirut sometime in the not too distant future. He will continue to maintain a resident representative in Iran, but we are currently in the process of looking for a man with the right qualifications to send there to replace Bolton. Bolton is thoroughly familiar with helicopters and is an experienced helicopter pilot as well as having some business experience but it would be better from our point of view not to have to maintain an expensive pilot there but rather to have someone who is familiar with the types of aircraft that we handle, and who may incidentally be a pilot, but not such an experienced one as the ones we usually hire, and whose background is more in business administration with perhaps a touch of diplomacy. As soon as we find the right man we will replace Bolton.

I am, of course, not in any position to guarantee you that the new proposal is going to work. In fact, I think all of our past experience indicates that the only way we will know whether something is working or not is when the orders start coming through.

I do not think it is quite accurate to say that Bill French has done nothing for you in this area since he has succeeded inspite of tremendous obstacles in keeping your Company's name in the forefront of discussion in all of the government agencies in Iran. Furthermore, the Iranian government has purchased no helicopters in recent years from anyone else. Besides, Bill has personally bought two G-5's and sold another one on your behalf in the last two years. Also, I understand that there is a good chance if everyone "holds their mouth right" selling 8 Hueys to Kuwait.

I am enclosing for your information a resume which was furnished to me by Dr. Safavi, which he is also giving the U. S. State Department in connection with his request that they endorse his efforts to become the next Prime Minister of Iran. I also was informed that Dr. Safavi has currently been nominated for a Nobel Prize, so this will give you some idea of the caliber of people with whom we are dealing in Iran. In the event I can provide further information or if you have any questions please do not hesitate to contact me.

Yours very truly,

C. Robert Bell, or
MORRIS, LAING, EVANS & BROCK

CRB/cs
cc: William H. French

July 11, 1967

AIR MAIL

Mr. William H. French
Apt. 73, Sourila Building
Harna Street
Beirut, Lebanon

Dear Bill:

Also enclosed is statement of...
Received your letters of 5 and 7, July, together with the enclosures.
Enclosed herewith is copy of my telex to you.

...I was not able to reach Dwayne Jost until today and he apologized for getting no answer out to you but says he was "covered up". If there is no other way to make the Saudi deal and they are unalterably opposed to buying from an American company, maybe you could give Helicopter Services a small cut and sell through the Persian company.
On my way back I stopped in Washington and delivered our message loud and clear to the State Department. The message was we have done everything they wanted us to do and they have done nothing to help us. We are now in grave danger of being terminated by Bell Helicopter and if we are that will be the ballgame, so please use any influence they can to keep Bell Helicopter with us and also on the other end, to be sure the Persians really cooperate and are not just blowing smoke in our ear. They tried to tell me that they had done everything possible and I told them I didn't believe it because as a minor example, they had been unable in 6 months to get the 189 released and I did it in 2 days. I also extracted a promise from them that they would send copies of all treaties. Have not received them yet.

I called on Garner Shriver who turns out to be Chairman of the House of Representatives' Committee on Foreign Military Aid Appropriations; gave him the whole story in summary fashion and told him just wanted him to be informed in case we have to blow the whistle. He indicated interest and did not comment as to what action he would take if we say the word, but I think would be favorable to us. He also promised to get copies of the treaties for me. Haven't received them either as yet. I order directly from the State Dept. and I would suggest that you possibly do with the weekend. I have Alexander's instructions as to how to fill some of the gaps. If you need more in your office we can fill out. Don't believe there is any point in contacting Hare or anyone else in State Department. I am confident that all of State Department personnel knows the results of my recent conference. I have also been in touch with the State Dept. and I have also been in touch with the State Dept. Enclosed herewith are my unused airline tickets so you can get refunds. Also enclosed is statement on the most recent trip. I got soft hearted and decided not to charge you at all for the war.

Did Barry get to Saudi all right. Please keep me informed on status of the other jobs and equipment; also, whether he got the I60 and log books out of Iran.

If you see Mike please ask him to mail my white shirts to me.

Please contact David P. Fortin to get more information on his situation. I am sure we could not obtain a discharge from the reserve to work on this contract but I am also sure that unless his reserve position is very unusual we could get an exemption from call-up to activity duty during the time he is on the job. My suspicion is his reply was just a stall.

Pat Patterson is looking for a possible new man for Teheran. Says he knows of one he is checking out who has a degree in Business Administration as well as an A & I mechanic's rating and thinks would be ideal for the Persian situation.

Zook says it is most important you work out details of ordering procedure for Persian company so that orders to Cessna come from you. The Persians want to order directly from our office here and I would suggest that you provide us with the necessary order forms with instructions as to how to fill them out so that if the order comes in to our office we can fill out an order on ADC stationery or form and I can sign as Vice-President of ADC. Then, we attach a presigned general letter signed by you in which we can insert the date saying please honor the enclosed order. I have also told them at Cessna to stop sending your dealer invoices along with the items they ship since they go first into the hands of the Persians and this causes us problems. He promised to take care of this.

*July 11/67
Pat Patterson
Zook*

Jost also promised to send me copy of the Bell Helicopter franchise but so far neither you nor he has sent me one, and I feel the delay might be harmful to us if the Persians are really going to do anything. Jost promised me again this morning to get it right out to me but just in case you should also send me a copy. I am waiting to write to Dr. Safavi until I have it. I will keep you copied.

I guess that's all for now. Don't start any more wars for awhile.

Yours very truly,

C. Robert Bell, of
MORRIS, LAING, EVANS & BROCK

CRB/cs
Encl.

Beirut Lebanon
21 July 1967

Dear Bob:

Attached is a copy of my telex to you.

Bob, In discussion with John Bolton when he was here going to Jeddah, I gave Bev a letter a hot one to him John when she left Athens asking him why in hell he wasn't answering me on what I wanted done.

I also told him to ask Safavi what in hell Mr Arbabi and Zanagahni fr Airtaxi was doing in Paris saying Gen K wanted the Bell Franchise bac under Airtaxi. This I advised you on when you went to Teheran.

John Hoped Safavi and said can't you see if Airtaxi or Helitaxi get t Franchise Dr were out completely you'd better start doing something, why hasn't the 10,000 meters of land been obtained, and why hasn't th price stablization board been completed for our protection. Hell air taxi is still approaching all companies Mr French's companys stp are finished. Whats going on. John Said it took Safavi a minute and John says he thinks he caught him off guard for Safavi said, I've been ord to stall. Then John said he believes Safavi caught him self for the pression on Safavi's face changed from day to nite and back again.

John also says he might have said this to defend himself but he donsn think so for they aren't doing anything. Also John Said Safavi has e ordered by the general to go to Europe to have the Hemroid operation . which case he'll be gone for 4-5 months and hes to leave in a few day So this surely will put Safavi out from doing anything.

Anytother thing John said Safavi said beforehe caught himself, as ho did you know this, and John Said Hell the company's all told Mr Fren when he was in Paris, Safavi said General K doesn't really want Airta: to have Bell franchise bu Helicopter Services.

So you can see why in Hell they doj't want John there hes catching on also the same as Lloyd was doing, of course Lloyd had other problems i nrver theless it is fact.

It also makes sense in Khatami telling you Safavi was his man to stall so he could manuever the Dam US Airforce into selling Iranian Airforce spares so Iranian Army had to buy them that way. In fact I believe th SOB we talked to in Washington was going to Iran just for that purpose So its really our own dam government forcing private foreign investmer out. Hell Cessna sold spares from Military division to US Airforce! tary at Cessna cannot say they didn't know where the spares were going that list only fitted the requirements for Iran, and number of engines Also its the fact US airforce built Khatami over the years, now they a handling funding for Iran for five years, so they'll cut anybody's thr to help Khatami. Theyre all laughing at us a big joke! I'm not start a War yet, but I'm not very dam far from it. Your and my government s it appears its a socialistic organizations for parasites. Telephone S give him my regards and ask what goes on? Best regards will keep you b but Bob its proving itself all the time USA sold out Private Enterpris

FRASER

FRASER

FRASER

FRASER

PHOENICIA BERYT
PHOENICIA BERYT
FLORIAN MIC

20 NOVEMBER 1987

FRASER WILLIAM FRASER

RECEIVED A CALL SATURDAY MORNING FROM FRASER WILLIAM FRASER
STATING THAT HE AND PIERRE ARE GOING TO TEST THE SOFT TIRE THIS
NEXT. HAD PLANNED TO STOP IN DENVER BY TRAIN AND RIDE AND GOVERN
MAY. THEY ARE GOING TO ASK THE AIR FORCE TO PROVIDE AT THE
REQUEST OF DAN LUSKI AND PERSONALLY VISITED ALL HELICOPTER LAST
THURSDAY. THEY WERE TOLD THAT THE SITUATION WITH THE
HEAVY AND THE AIR CAVALRY SITUATION WITH THEM IN THE MOUNTAINS
OF THE CONSTITUTION. I WOULD THEN CONTACT THEM THROUGH THE JURY
SYSTEM LET ME KNOW WHAT HAPPENS.

FRASER

FRASER

FRASER

FRASER

November 20, 1967

Mr. William H. French
 Saroulla Building 37,
 Hamra Street
 Beirut, Lebanon

Enclosed herewith is a copy of a telex I have sent you today which is
 just to get the ball rolling on the BSW demonstration issue.
 Dear Bill: I hope you received it.

This will acknowledge your letter of November 12, with enclosures and
 also the copy of the letters to Johnston Insurance, Inc., and BSW Leasing
 Corporation. Thank you very much for the check. This keeps me in good
 standing with my partners and I hope it doesn't press you too hard.

I called Cessna and Rudy Heidebrecht said your parts were shipped Friday,
 November 17 via TWA to New York and then as instructed. I also talked
 to Dick Woller and he stated your proformas are in process right now
 and are going out today. He is not, however, quoting you a 172 as Cessna
 is out of 172's and is not currently making any. He did quote you a 177
 in its place. They will eventually be making 172's again but he doesn't
 know when.

Enclosed is the text of a telex I have sent you today which is pretty
 much self-explanatory. Jablonski has been roasting Bell Helicopter
 and they are very nervous about the air cavalry program. Jablonski
 tells them that the air force will not deal with STP even though the
 gendarmarie wants to. Orpen said Bell is not too much interested in
 the gendarmarie but is quite concerned with the air cavalry project.
 Between you and me I think the reason is that anything the gendarmarie
 wants in the way of Hueys will be in the very near future and Bell
 probably can't deliver them because of its Viet Nam commitments to the
 U. S. Army, but they figure if they can get in on the IIAF program it
 will be far enough down the road that they might be unhitched in Viet
 Nam.

Orpen and Pierot will stop in Beirut to see you. Be sure and swab them out good as they are stepping on their way back. Orpen promised to call me when he gets back and tell me what he thinks.

There has been a lot of pro-Shah propoganda in our national magazines lately in connection with the coronation and enclosed herewith is a xerox copy of a letter which appeared in our local newspaper which I found to be interesting. Dick Woller and I discussed it a little bit and he said he had just recently read something along the lines of this letter in a German magazine he takes.

Enclosed herewith is a copy of a letter I have this date written to Jack Zook just to get their bobble on the Ag Wagon demonstration into the file. I hope you approve of it.

I will commence checking on the wine and let you know as soon as possible what I find out. Glad to see you got an office, electric typewriter, etc. Who runs it for you?

The copy of Golshoyan's letter to you dated November 5, 1967 is the first one I have seen. I do not plan to make any response to their idiotic demands unless you want me to. It just looks to me like those crooks are trying to get their hands on a little more cash before we pull the string on them. Don't you agree?

Yours very truly,

C. Robert Bell, of
MORRIS, LAING, EVANS & BROCK

CRB/cs
Encls.

DR. H. SAFAVI
 114 AVENUE FERDOWSI
 TEHERAN, IRAN
 TELEPHON 304251

Doctor Hassan Safavi, born 1909 in Teheran, Iran, Doctor at Law and
 Economical Science, has held the following positions:-

Science in Political Commercial Science & Criminology
 Attorney General, Ministry of Justice.

Chief of Cabinet, Ministry of Finance 1321.

Director General Propaganda & Publicity during the war 1942-1945

Member of the High Council of the First Seven Year Plan. *Founder*

Professor of Political Economy in the ^{High} School of Finance 1947.

Member of the *High Council of Legislation* 1947.
 Under Secretary, Ministry of Economy, 1947.

Managing Director, Iran Insurance Company, 1949.

Member of the Board of Directors of Ports & Navigation
 Organization of Iran, 1951 .

Vice President, High Council of Civil Aviation, 1952-1960.

Delegate of Iran to I.C.A.O.

Member of the International Astronautical Federation.

Ex Vice-President of the Institute of Space Law of I.A.F.

Managing Director
~~Member of the Board of Directors of Persian Shipping Services.~~

~~Member of the Board of Directors of Iranian Lloyd's.~~

Managing Director

Dr. Hassan Safavi is also the Author of the following books:-

"The Economy of Iran and the possibility of its development"
 (French).

"The Home Industry of Carpet in Iran"
 (Persian & French)

"Declaration of Freedom, its progress.
 (Persian)

"The Civil Aviation Law of Iran and its Regulations"

In reply refer to:
OS:JHG:tw:4574

11 December 1967

Mr. William H. French
Saroulla Building 37
Hamra Street
Beirut, Lebanon

Dear Bill:

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

Although we had difficulties in locating John Bolton and Dr. Safavi, through accidental contact, a visit with them was finally arranged. Unfortunately, we were not able to make contact with you in Beirut, either on the way over nor on the return, although we had been assured by John Bolton that you would be meeting us.

Bill, we missed the face to face contact that would have permitted the discussion of the results of our visit to Iran and the effect on the Bell representation which is of vital concern to us.

The purpose of our visit was two-fold. First, we have been aware for some time of the potential UH-1D interest by the Iranian Army that has been brought to our attention mainly through U. S. military sources and direct contact with the APMISH/MAAG Mission in Teheran. In this regard we were hearing rumors of an active interest by competitive sources in promoting helicopters other than Bell. These were primarily Kaman and Sud Aviation. We were naturally disturbed, particularly since there was no apparent intelligence or activity reported through International Helicopter Consultants, our representative for Iran, that would provide a clear picture on what was transpiring.

When I called your attorney, Mr. Robert Bell, prior to my departure, he had no new intelligence to report since his last visit to Teheran several months ago.

This, of course, led us to the second purpose of our visit - to investigate the effectiveness of this representation particularly in relation to its proposed reorganization and decide upon its retention. This we had promised to do in granting a temporary authorization for continuation of your representation as stated in my letter No. 1543 dated 17 January 1967, a copy of which is enclosed.

Following this letter, in personal discussions with you and Mr. Bell, Mr. Jose recognized that during your period of ex-communication from Iran, this effectiveness would be difficult. It was agreed, however, that provisional approval for continuance of your representation would be given for the balance of the year during which time you would make every effort to obtain government sanction for your return to Iran, and pending our own personal investigations in that country.

Our recent visit to Teheran and discussions with Dr. Safavi, John Bolton, L/Gen. Khatami, IIAF, and M/Gen. Jablonsky, Chief U. S. ARMISH/MAAG, produced no indication that your position has improved, either through intervention of the U. S. Government, legal or other efforts of your own organization. On the contrary, it appears that it will be several months before you could be permitted to re-enter due to the actions still pending against you. Then there is a serious question as to whether you would be able to re-establish effective representation in Government circles.

Our visit determined further, that your present organization is not considered one to be serving our best interests, particularly since your key personnel were relatively unknown in their capacity as Bell helicopter representatives to persons salient to the major helicopter program being considered by the Government of Iran.

Accordingly, it is with regret that we inform you of the termination of our Representative Agreement in so far as the country of Iran is concerned.

We are enclosing a revised Agreement and Schedule "A" that will continue your representation of Bell Helicopter Company for 1963 for the country of Kuwait. It is our belief that you should be able to devote sufficient influence in that country to promote the anticipated Government procurement of Bell helicopters that we investigated together over four years ago.

Please sign and return all copies of our new revised agreement and a copy duly signed by Bell Helicopter Company will be returned to you.

We are looking forward to continuing our working relationship for your revised territory, and for a mutually profitable year in 1968.

Sincerely,

BELL HELICOPTER COMPANY

J. H. Orpen
Export Sales Manager

Endorsed by:

Dwayne K. Jose
Director of Commercial Sales

cc to: C. Robert Bell

MATERIAL RECEIVED FROM THE
OFFICE OF LEGISLATIVE COUNSEL,
CENTRAL INTELLIGENCE AGENCY

(163)

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

Office of Legislative Counsel

17 February 1978

Honorable William Proxmire, Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

At the request of Ken McLean, Staff Director, we have reviewed the enclosure to my letter to you of 7 February 1978 to determine whether the enclosure could be declassified. As a result of the review, the entire enclosure, except for paragraph 1 on page 6 of the enclosure, has been declassified. The above mentioned paragraph remains classified since its revelation could jeopardize intelligence sources. Enclosed herewith is an unclassified copy of the enclosure with the above mentioned paragraph removed.

It is my understanding that this satisfies all current requests of the Committee in this matter.

Sincerely,



Lyle L. Miller
Acting Legislative Counsel

Enclosure

Questions referred to CIA orally on 19 January 1978 by a member of Senator Proxmire's staff; questions posed in the letter from Senator Proxmire to Admiral Turner, dated 26 January 1978; and questions referred by Senator Heinz, of the Committee (as understood from conversations with Senator Heinz and Ken McLean, Staff Director)

Oral questions by Senator Proxmire's staff:

1. Background on Hossein Zanganeh of Air Taxi Company, Tehran, Iran.
 - a. Relationship with Bell Helicopter, Inc. or affiliates.
 - b. Information concerning a \$2.9 million payment from Bell Helicopter, Inc. to Mr. Zanganeh in 1972 or 1973.
 - c. Any other payments received by Mr. Zanganeh from U.S. or foreign corporations.
 - d. Mr. Zanganeh's relationship with General Khatami, late Chief of the Iranian Air Force.
 - e. Continuing relationship of Mr. Zanganeh to Textron Corporation, Bell Helicopter International, or affiliates.
2. Any information on the 1975 co-production agreements between Bell Helicopter International and the Iranian Government.
 - a. Information with regards to the pilot strike involving deficiencies in safety program completion and training at Isfahan.
 - b. Iranian Government dissatisfaction with Bell's performance of the contract.

3. Any information on improper or illegal payments received by Ghanaian officials in connection with a sale of two helicopters by Bell to the Government of Ghana in 1971.
4. Information on Agusta Bell of Italy.
 - a. Is the firm Agusta Bell being used to sell helicopters to foreign nations, which sales would not be permitted directly by U.S. corporations?
 - b. Background information on Count Agusta with emphasis on his relationship with Bell Helicopter International.
5. Illegal payments received by any one Iranian with regard to Bell Helicopter sales or training and logistics contracts in 1972, 1973, 1975, and 1977.
6. Any information of cooperation by Bell Helicopter International with the U.S. Intelligence Community.

Questions from Senator Proxmire's letter of 26 January 1978:

1. Does your agency have information about any relationship between Air Taxi and officials of the Government of Iran during 1973, and in particular about any ownership interest in such firm, direct or indirect, on the part of General Mohammed Khatemi, Commander-in-Chief of the Imperial Iranian Air Force in 1973? (General Khatemi died in 1975)
2. If the answer to the first question is yes, please provide the complete details concerning such relationship including such documentation of any ownership interest by Iranian officials.
3. Does your agency have any information indicating that part or all of the Bell payment of \$2,950,000 to Air Taxi accrued to the benefit of any official of the Iranian government? If so, please provide the details of such information including any information you have regarding knowledge of such benefit on the part of Textron-Bell officials.

4. Does your agency have any information concerning any contacts between Textron-Bell officials and General Mohammed Khatami during the years 1972 through 1975 inclusive? If so, please provide the details of any such contacts.

Questions from Senator Heine:

1. Have you asked CIA's representative in Iran during the time frame in question for his recollection as to the ownership of Air Taxi and the relationship of General Khatami thereto?
2. Do you have any information concerning the showing of a film by Bell Helicopter at which the Shah of Iran and General Khatami were present?

Answers to questions re Iran

Set forth below is all relevant information contained in CIA files with respect to the questions asked concerning Iran, Air Taxi, etc.

1. A CIA report dated 5 February 1969 which states, with reference to Air Taxi Company, "The company is being supported by prominent government personalities such as Major General Mohammad Amir-Khatami, commander of the Iranian Air Force; Ahmad Shafiq, husband of Princess Ashraf and president of Pars Airlines; Cyrus Farzaneh, manager of Mehrabad (Tehran) airport; and General Amanollah Jahanbani."
2. A Department of Defense intelligence report dated 1 March 1969 which states "that Mr. Shafiq; General Khatami (HUM's brother-in-law), Commander IAF; Major Jahanbani, Commander Fighter Bomber Group; and Mr. Fred Eskoo own the Air Taxi Service."
 "The Air Taxi Service is the distributor for Bell Helicopters in Iran...."
 "that the Air Taxi Service is run by IAF officers and uses IAF jet pilots to fly the aircraft while they still receive IAF pay, plus extra money to fly Air Taxi Service aircraft."

3. A Department of Defense intelligence report dated 25 July 1960 which states "air taxi service owned by General Khatami, Commander of the Imperial Iranian Air Force; Major Jahansani, IIAF; and Mr. Ahmad Shafiq, owner of Persian Air Service...."
4. A CIA biographical data sheet dated 26 March 1968 which states "He owns Air Taxi, the only chartered air service in Iran permitted to operate."
5. A Department of Defense intelligence report dated 14 March 1970 which states "Air Taxi Company is owned by a group of private individuals (with General Mohammed KHATEMI, Commander IIAF controlling the majority of stock). The managing director is Mr. A. H. YANGANEH."
 "(However, it must be noted that all aviation developments in Iran are controlled by General Mohammed KHATEMI, Commander of the IIAF, President of Board of Iran Air, and brother-in-law of the Shah; General Ali KHADEMI (Ret), Managing Director of Iran Air; and Mr. A. H. YANGANEH, Managing Director of Air Taxi Company)."
6. A Department of Defense biographic data sheet dated March 1971 which states that General Mohammed Khatami is the "owner of Air Taxi (only air charter service in Iran)...."
7. A CIA document dated 25 January 1978 sourced to World Trade Directories and other public information and public sources reveals the following:
 "Air Taxi Company was founded in 1958 by Amir-Hossein Azam Zanganeh, Ahmad Chafik, and Frederick Eshoo. As of 1970, Zanganeh was managing director and principal shareholder. Chafik was Chairman of Board of Air Taxi and managing director of Bank Etebarate, local commercial bank. Eshoo described as 'silent partner.'"

 "Air Taxi also represented Bell Helicopter International of Forth Worth, Texas, from 1968 until around 1973."

 "Zanganeh sold much of his stock in Air Taxi in late 1977."

"DAO bio sheet, un sourced, dated 5 August 1974, described General Mohammed Amir Khatami as 'owner of Air Taxi.' "

"Shares in Air Taxi were also owned by various members of the Royal Family and possibly 'General Khatami'... when Zanganeh sold his stock in late 1975, it was sold to this same group."

"... specifically mentioned rumored Khatami connection with Air Taxi Company."

Note No. 1:

The sources of items 1, 2, and 3 appear to be different sources. The documents mentioned in 4 - 6 may be based at least in part on the documents mentioned in 1 - 3 above. The information in 7 has a source different from any of items 1 - 6.

Note No. 2:

In researching the questions with respect to Iran set forth above, in addition to file searches, Agency officials knowledgeable on matters with respect to Iran were queried for their personal recollection of matters during the time period 1970-75. Only one individual recalled anything relevant and that recollection substantiates the reports which indicate that General Khatami allegedly had a controlling interest in Air Taxi Company.

Note No. 3:

With respect to question 6 above, the search of files discussed herein revealed no information which indicated illegal, irregular or inappropriate activities with respect to Bell Helicopter International or by Bell Helicopter International.

Answers to questions re Italy

The CIA has reports of rumors indicating that Agusta Bell has been selling helicopters to foreign nations not permitted sales by U. S. corporations, but no evidence exists to substantiate these rumors. CIA also has information indicating that Count Agusta is the head of Agusta Bell, which produces helicopters under licenses from Bell Helicopter International as well as the Sikorsky and Boeing corporations.

Answers to questions re Ghana

CIA has no information re questions on Ghana.

RESPONSES TO COMMITTEE
REQUEST FOR AFFIDAVITS FROM
U.S. STATE DEPARTMENT AND U.S. MILITARY
PERSONNEL STATIONED IN IRAN
DEFENSE DEPARTMENT AUDITORS
TEXTRON'S ACCOUNTANTS AND
TEXTRON'S BOARD OF DIRECTORS
ON KNOWLEDGE OF GENERAL KHATAMI'S
OWNERSHIP OF AIR TAXI

WILLIAM PROXMIRE, WIS., CHAIRMAN
JOHN SPARKMAN, ALA.
HARRISON A. WILLIAMS, JR., N.J.
THOMAS J. MCINTYRE, N.H.
ALAN CRANSTON, CALIF.
ADLAI E. STEVENSON, ILL.
ROBERT MORGAN, N.C.
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

EDWARD W. BROOKE, MASS.
JOHN TOWER, TEX.
JAKE GARN, UTAH
H. JOHN HEINZ III, PA.
RICHARD G. LUGAR, IND.
HARRISON SCHMITT, N. MEX.

United States Senate

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
WASHINGTON, D.C. 20510

On January 24 the Senate Committee on Banking, Housing and Urban Affairs held hearings on the nomination of Mr. G. William Miller to the Board of Governors of the Federal Reserve System. During the course of these hearings, members of the Committee questioned Mr. Miller about a payment of \$2,950,000 which the Bell division of Textron agreed to make to the Air Taxi Company of Iran in June of 1973 in connection with the termination of that company's services to Bell as its sales agent for military sales to the Government of Iran. During the same period of time, Bell was awarded a contract valued at approximately \$500 million for the sale of helicopters to the Government of Iran.

Following these discussions, a member of the Committee, Senator John Heinz, asked for an investigation of this payment by the Committee's staff. As Chairman of the Committee, Senator Proxmire agreed to the investigation. As part of this investigation, a series of questions have been prepared as set forth in Schedule A. We request that you respond to these questions separately in affidavit form.

Please feel free to add any other additional information you may have that will help the Committee in its investigation of the \$2.9 million payment to Air Taxi and General Khatami's relationships, if any, with companies with which Textron or Bell Helicopter had dealings.

In order to expedite this important matter, the Committee would appreciate your response forthwith. If you have any questions on this request, please contact me at 202-224-7591.

Sincerely,

Kenneth A. McLean
Staff Director

EDITOR'S NOTE: The above letter was sent to the list of individuals following Schedule A.

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?

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?

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?

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?

5. Which Bell or Textron officials did you speak with and when?

6. What were your conversations with Bell or Textron officials about those matters?

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?

SCHEDULE A

(continued)

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?

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.

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?

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?

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?

Listing of individuals and their responses follow:

Major General Walter D. Druen, Jr.
Commanding General
17th Air Force
APO New York 09130

Major General Harold L. Price
USAF Retired
Box R6
APO New York 09202

Major General Edward R. Partain
Director
Logistics and Security Assistance
Headquarters European Command
APO New York 09128

Brigadier General Leo K. Souck
USA Retired
Box R 426
APO New York 09205

Major General Harvey J. Jablonsky
USA Retired
Box 1177
Killeen, Texas 76541

Major General Hamilton A. Twitchell
USA Retired
4415 Boxwell Road
Washington, D.C. 20016

Major General Ellis W. Williamson
USA Retired
3616 North 36th Road
Arlington, Va. 22207

Lt. General Dedol Brett
USAF
Commander Air South
Box 101
FPO New York 09524

Major General Hoyt S. Vandenberg
Director
Operations and Readiness
DCS Plans and Operations
Headquarters USAF
Washington, D.C. 20330

Brig. General T.C. Matazis
USA Retired
Commandant of Cadets
Valley Forge Military Academy
Wayne, Pennsylvania 19087

Brigadier General Oliver B. Patton
 USA Retired
 U.S. Capitol Historical Society
 200 Maryland Avenue, N.E.
 Washington, D.C. 20515

Colonel William C. Rudd
 811 Lipton Drive
 Newport News, Virginia 23602

Colonel Homer E. Schott
 External Affairs Division
 Defense Intelligence Agency
 Washington, D.C. 20301

Mr. William J. Froning
 Resident Office
 Defense Contract Audit Agency
 c/o Bell Helicopter
 Box 482
 Fort Worth, Texas 76101

Mr. Kenneth W. Fuller
 Resident Office
 Defense Contract Audit Agency
 c/o LTV Corporation
 9314 West Jefferson Street
 Box 5907
 Dallas, Texas 75222

Mr. Cecli Smith
 Arthur Young & Co.
 2200 Fort Worth National Bank
 Building
 Fort Worth, Texas 76102

Mr. W.F. Slattery
 Arthur Young & Co.
 277 Park Avenue
 New York, N.Y. 10017

Brig. General Francis A. Humphreys
 Commander
 20 NORAD Region
 Fort Lee, AFS VA 23801

Mr. Joseph A. Murray
 15724 Cotting Court
 Chesterfield, Missouri 63017

Dr. Thomas J. Keenan
 343 Nantucket Drive
 Ballwin, Missouri 63011

Mr. John R. Kurtz
56 Rugby Drive
Belleville, Illinois 62223

Colonel Edwin M. Aguanno
Quarters No. 25-1
St. Louis Area Support Center
Granite City Army Depot
Granite City, Illinois 62040

Ms. Joyce I. Allen
15620 Highcroft Drive
Chesterfield, Missouri 63017

Colonel John E. Wilson (Retired)
9 White Faun Lake
Pittsburgh, Pa. 15238

Colonel John B. Boynton
Retired
Box 1315
Garden Ridge, Texas 78215

Colonel Duncan E. Duvall
Retired
1635 Madison Street
Port Townsend, Washington 98368

Mr. John A. Armitahe
Hotel D, East Range
University of Virginia
Charlottesville, Virginia 22903

Mr. Joseph S. Farland
Watergate South 1504
700 New Hampshire Avenue, N.W.
Washington, D.C. 20037

Mr. Richard M. Helms
Saseer Company
Suite 402
1627 K Street, N.W.
Washington, D.C. 20006

Mr. Robert H. Harlan
Inspector General of the Foreign Service
Room 2318, Department of State
Washington, D.C. 20520

Mr. Martin F. Herz
Georgetown University
Diplomat and Residence
Washington, D.C. 20016

Mr. William W. Lehfelbt
824 Fifth Street
Livingston, California 95334

Mr. Douglas McArthur II
Rue Langeveld
65 Capitol B-1180
Brussels, Belgium

Mr. Armin H. Meyer
4610 Reno Road, N.W.
Washington, D.C. 20008

Mr. Michael A.G. Michaud
Deputy Director, Bureau of
Politico-Military Affairs
Office of International Security Policy
Room 7323 Department of State
Washington, D.C. 20520

Mr. Henry Precht
Bureau of Near Eastern and South
Asian Affairs--Regional Affairs
Room 4224, Department of State
Washington, D.C. 20520

Mr. John Hall Ralph, Jr.
ROUSC, Bureau of European Affairs Director
Office of Canadian Affairs
Room 5227 Department of State
Washington, D.C. 20520

Mr. Nicholas G. Thacher
3919 Washington Street
San Francisco, California 94118

Mr. Donald R. Toussainc
Under Secretary for Security Assistance,
Science and Technology Coordinator,
United Nations Conference on Science and
Technology for Development
Department of State
Room 1113
Washington, D.C. 20520

Mr. Allistair M. Campbell
Member
Board of Director
Textron, Inc.

Dr. Carlo Bombieri, Member
Board of Directors
Textron, Inc.

- Mr. Joseph B. Collinson
Member, Board of Directors
Textron, Inc.
- Mr. Clarence H. Gifford, Jr.
Member, Board of Directors
Textron, Inc.
- Mr. E. Clayton Gengras, Member
Board of Directors
Textron, Inc.
- Mr. Paul M. Fye, Member
Board of Directors
Textron, Inc.
- Mr. Harvey Gaylord
Member, Board of Directors
Textron, Inc.
- Mr. Edwin J. Ducayet
Member, Board of Directors
Textron, Inc.
- Ms. Barbara Scott Preiskel
Member, Board of Directors
Textron, Inc.
- Mr. R. Heath Larry
Member, Board of Directors
Textron, Inc.
- Ms. Jean Head Sisco
Former Member
Board of Directors
Textron, Inc.
- Mr. Webb C. Hayes, III, Member
Board of Directors
Textron, Inc.
- Mr. Arthur T. Roth
Former Member
Board of Directors
Textron, Inc.
- Mr. Herman E. Goodman, Member
Board of Directors
Textron, Inc.
- Mr. Charles C. Tillinghast, Jr.
Member, Board of Directors
Textron, Inc.



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

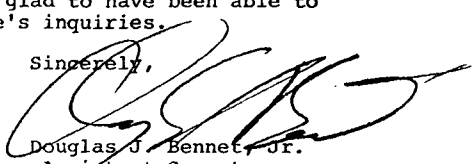
Dear Mr. McLean:

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.

Reply of Charles W. McCaskill
Madras

- 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 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.
- 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: Answered in Question No. 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: 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.

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 cannot recall ever having discussed this matter with anybody in Iran or having spoken to or with anybody about it.

Q: Which Bell or Textron officials did you speak with and when?

A: Answered in question no. 4.

Q: What were your conversations with Bell or Textron officials about those matters?

A: Answered in question no. 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: 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: Answered in question no. 9.

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.

Reply of Ambassador Andrew Killgore
Doha

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: While General Khatami's financial interests may have been common knowledge among certain categories of people such as high-ranking Iranian Air Force officers, it is doubtful that such information was common knowledge among the general public in Tehran.

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: Not applicable

Q: What were your conversations with Bell or Textron officials about those matters?

A: Not applicable.

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.

Reply of Hawthorne Mills
Athens

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: Such information was not common knowledge among my contacts.

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: Not applicable.

Q: What were your conversations with Bell or Textron officials about those matters?

A: Not applicable.

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 Roger C. Brewin
Counselor of Embassy for
Economic and Commercial Affairs
American Embassy
Tehran, Iran

- 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:** Subsequent to my arrival at this post in August 1974 I 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 companies sometime in the early 1970's.
- 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:** 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.
- 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:** 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.

- 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: 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.
- Q: Which Bell or Textron officials did you speak with and when?
- A: As I stated above, I had no conversations with Bell or Textron officials on this subject.
- Q: What were your conversations with Bell or Textron officials about those matters?
- A: As noted above, No such occasions occurred.
- 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 have no specific knowledge that Bell or Textron officials knew of any ownership interest by General Khatami 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 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.
- 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: I did not know nor have I ever heard that any of the \$2,950,000 payment to Air Taxi was passed to Iranian Government officials including General Khatami.
- 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; I had no knowledge of such a payment.

- 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 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.
- 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 . . . 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.

STATEMENT OF DAVID E. WESTLEY
COMMERCIAL ATTACHE
AMERICAN EMBASSY
TEHRAN

- 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: 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.
- 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: 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.
- 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: 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.

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: Not applicable.

Q: What were your conversations with Bell or Textron officials about those matters?

A: Not applicable.

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.

Reply of Jack C. Miklos
Deputy Chief of Mission, Tehran

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.

4415 Boxwood Road
Washington, D.C. 20016

February 14, 1978

Mr. Kenneth A. McLean
Staff Director, Committee on Banking,
Housing and Urban Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. McLean:

In furtherance of your letter of February 8, 1978, I am enclosing my answers to Schedule A in affidavit form. The paragraph numbers correspond to those of Schedule A.

Sincerely,


Hamilton A. Twitchell

I, Hamilton A. Twitchell, being duly sworn certify that the following answers to the questions listed in Schedule A (Enclosure to Kenneth A. McLean's letter dated February 8, 1978) are true to the best of my knowledge.

1. Reference Question No. 1:

I do not know whether General Khatami had an ownership interest in either STP of Air Taxi. Nor had I heard of the allegation until it was reported in the press subsequent to Mr. Miller's appearance before the Senate Banking Committee on 24 January 1978.

Sometime during my stay in Teheran from June 1968 until October 1971, probably in 1969 or 1970, I heard informally that General Khatami was associated in some manner with Air Taxi. I do not recall the circumstances under which I heard the allegation, nor do I remember who told me.

2. Reference Question No. 2:

Neither.

3. Reference Question No. 3:

Insofar as I was aware it was not common knowledge during my stay in Teheran.

4. Reference Question No. 4:

No.

5. Reference Question No. 5:

Other than my one or two conversations with General Hamilton Howze (USA, Ret) who visited Teheran while I was there, I do not recall the names of other Bell representatives. Subsequent to my return to Washington I talked with Major General Delk Oden in the spring of 1973 prior to his departure to Teheran. I also talked with him two or three times after he assumed his duties with Bell.

6. Reference Question No. 6:

My discussions with Bell representatives while I was in Teheran dealt primarily with programming, organizational, training, and technical matters relating to the then on-going program. I also discussed such matters in more general terms with respect to the contemplated follow-on program.

My talks with General Oden related to organization, training and personnel matters that I observed during my stay in Teheran.

7. Reference Question No. 7:

Not until the allegations were reported in the press subsequent to 24 January 1978.

8. Reference Question No. 8:

No.

9. Reference Question No. 9:

No.

10. Reference Question No. 10:

Not applicable in view of answer to Question 9.

11. Reference Question No. 11:

No.

12. Reference Question No. 12:

No.

Hamilton A. Twitchell
HAMILTON A. TWITCHELL

State of Virginia
County of Arlington

Subscribed and sworn to before me, a Notary Public in and for the State above written,
this 14th day of February 1978.

Doris K. Carlson
Doris K. Carlson
Notary Public

My commission expires June 17, 1978.

A F F I D A V I T

I, Major General Hoyt S. Vandenberg, Jr., having been duly sworn, do depose and say in response to the following questions submitted to me by the Senate Committee on Banking, Housing, and Urban Affairs:

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"

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?"

ANSWER: Not applicable

3. "Were General Khatami's interests in SPT and Air Taxi common knowledge in Tehran? When was that information common knowledge? Who knew? How did you learn of that information?"

ANSWER: Not applicable

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"

5. "Which Bell or Textron officials did you speak with and when?"

ANSWER: Not applicable

6. What were your conversations with Bell or Textron officials about those matters?"

ANSWER: Not applicable

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"

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"

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"

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: Not Applicable

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"

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?"

ANSWER: "No"

S T A T E M E N T

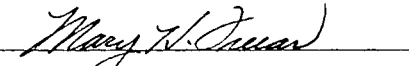
I was assigned as Chief Armish-MAAG, Iran, from 17 Aug 1975 to 15 Jan 1976. In this capacity, I had the responsibility to oversee, in an advisory role, all Imperial Iranian Military Programs, one of which was the Army Helicopter program. I did have occasion to meet with Bell Textron

representatives regarding the program and difficulties associated with it; however, the context of these discussions was limited to strictly the ongoing program itself and at no time was the subject matter described in your letter broached.

General Mohammed Khatami, Commander, Imperial Iranian Air Force, was killed one month after my arrival in Iran. I therefore had only a very brief association with him. I was never made aware of any of his ownership interests in STP or Air Taxi nor did I hear anything regarding these interests after his passing.


 HOYT S. VANDENBERG, JR.
 Major General, USAF

Subscribed and sworn to before me this 13th day of February 1978.


 MARY H. STEWART
 Notary Public in and for the
 County of Nelson, Virginia
 My Commission Expires Sept. 8, 1980

United States Capitol Historical Society

200 MARYLAND AVENUE, N.E.
 WASHINGTON, D.C. 20515
 (202) 543-8919



February 13, 1978

Mr. Kenneth A. McLean
 Staff Director
 United States Senate Committee
 on Banking, Housing and Urban Affairs
 Washington, D.C. 20510

Dear Mr. McLean:

Enclosed is my response to the questions posed by Schedule A of your letter to me of February 8, 1978.

In summary, I have no knowledge of any connections between General Mohammed Khatami and the two Iranian firms cited nor of any payments by Bell or Textron to either of them.

I served in Iran as Chief, Army Section, ARMISH-MAAG from August 1970 to September 1972. During that period I worked closely with General Minbashian, then Commander-in-Chief, Imperial Iranian Ground Forces, to improve the limited capabilities of the Ground Forces Aviation arm which consisted of about thirty each light fixed-wing aircraft, Augusta Bell utility helicopters (UH1D-H) and Augusta Bell scout helicopters (Bell Jet Ranger). During the last seven or eight months of my tour of duty there I believe the Ground Forces also had one CH47 helicopter.

My principal concern was armament, maintenance, organization, and training of the existing force which was equipped with Italian made helicopters, German machine guns, American rockets and French mounts for the guns and rockets. I had occasional contact with representatives of Augusta Bell from Italy, which provided some pilot and mechanic training as well as the helicopters but little with representatives of Bell or Textron of America.

Sincerely,

Oliver B. Patton
 Brig Gen, U.S.A. Ret.

1 encl

RESPONSE TO QUESTIONS IN SCHEDULE A

1. I do not know nor do I recollect ever having heard that General Mohammed Khatami, CINC, IIAF, had an ownership interest of any nature in the two Iranian companies cited.

2. See 1, above.

3. See 1, above.

4. I do not recollect ever discussing this subject with any representative or official of Bell or Textron.

5. See 4, above.

6. See 4, above.

7. I do not know nor do I recollect ever hearing that any Bell or Textron official knew that General Khatami had an ownership interest in either of the companies cited.

8. I have no knowledge nor recollection of ever hearing that Bell made any payments or gifts to Iranian officials to try to generate helicopter sales in Iran between 1960 and 1975.

9. I have no knowledge of any payment by Bell to Air Taxi in Iran for any purpose.

10. See 9, above.

11. I do not know nor have I heard it said that Bell or Textron may have maintained at any time a fund of monies or other assets not recorded on their corporate books or records.

12. I have no information that G. William Miller has any knowledge of the matters referred to in the questions on Schedule A.



Oliver B. Patton
Brig Gen, U.S.A., Ret.

13 February 1978

A F F I D A V I T

COMMONWEALTH OF VIRGINIA

COUNTY OF ARLINGTON

) SS:

In answer to questions posed by Senate Committee on Banking, Housing and Urban Affairs, Re: Nomination of Mr. G. William Miller.

1. I, Colonel Homer E. Schott, USA, in my capacity as former Army Attache to American Embassy, Tehran, Iran, after having been duly sworn according to the law, depose and say as follows as to the questions presented to me for answer for the Committee:

a. 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 do not know nor can I recall having heard that General Mohammed Khatami had an ownership interest of any nature in STP or in Air Taxi Iran.

b. 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 do not know of any interest General Khatami had in either STP or Air Taxi Iran.

c. 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?

To the best of my knowledge, any interests which General Khatami may have had in STP or Air Taxi Iran were not common knowledge.

d. Did you speak to or did Bell Helicopter or Textron officials speak to you about General Khatami's interest in STP or Air Taxi?

I had no conversations with any officials of Bell Helicopter or Textron concerning any interest by General Khatami in STP or Air Taxi Iran.

e. Which Bell or Textron officials did you speak with and when?

I did not speak with any officials of Bell Helicopter or Textron.

f. What were your conversations with Bell or Textron officials about these matters?

I did not hold any conversations with officials of Bell Helicopter or Textron.

g. 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 do not know nor have I heard that any Bell or Textron officials knew of any ownership interest held by General Khatami in either STP or Air Taxi Iran.

h. 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 am unaware of any direct or indirect payments or gifts by Bell to Iranian officials.

i. 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 am unaware that any portion of a \$2.9 million payment to Air Taxi Iran might have been passed, directly or indirectly to Iranian government officials.

j. When did you learn or hear that any of the payment was passed on and from whom did you learn or hear of it?

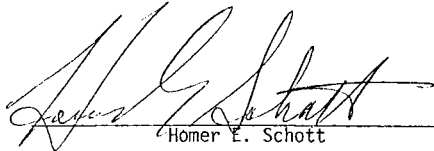
I am unaware that any portion of a \$2.9 million payment to Air Taxi Iran might have been passed directly or indirectly to Iranian government officials.

k. 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?

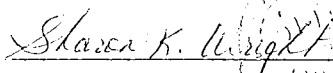
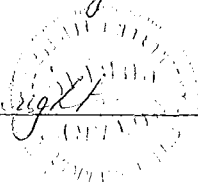
I have no knowledge of, nor have I ever heard that Bell or Textron maintained a fund of monies or other assets not included in corporate books or records.

l. 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 that G. William Miller had any knowledge of any of the matters referred to in any of the preceding statements.


Homer E. Schott

2. Subscribed and sworn to before me, a Notary Public in and for the County and Commonwealth aforesaid this 15th day of February 1978.

My Commission Expires:

5/24/81



IN REPLY REFER TO

DEFENSE CONTRACT AUDIT AGENCY

ATLANTA REGION
 THE LTV CORPORATION
 RESIDENT OFFICE
 P. O. BOX 5907
 DALLAS, TEXAS 75222

1.391/KWF

14 February 1978

United States Senate
 Committee on Banking, Housing and Urban Affairs
 Washington, D. C. 20510

Attention: Mr. Kenneth A. McLean
 Staff Director

Subject: Investigation by Committee Staff of
 \$2.9 Million Payment by Bell Helicopter Textron

Gentlemen:

Attached find responses in Affidavit form of the two
 Resident Auditors of DCAA, Kenneth W. Fuller and W. J. Froning,
 queried by you concerning the above subject.

Kenneth W. Fuller
 KENNETH W. FULLER
 Resident Auditor

Copies furnished (w/o attachment)

Mr. Paul Evans, DCAA, Atlanta Regional Manager
 Mr. Wm. Crouch, DCAA, Headquarters, Executive Officer

AFFIDAVIT

Introductory Comment. I did not become aware of any interest of General Mohammed Khatami in Air Taxi prior to reading it in the recent news media coverage of the Miller hearings. The conduct of audits since my transfer to Bell Helicopter in October 1977 did not disclose any such interest.

SCHEDULE A

1. Did you know or have you ever heard that General Mohammed Khatami, Command-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?

1. 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?

2a. N/A

2b. N/A (See opening comments)

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?

3a. N/A

b. N/A

c. N/A

d. 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?

4. No.

5. Which Bell or Textron officials did you speak with and when?

5. N/A

6. What were your conversations with Bell or Textron officials about those matters?

6. 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?

7. N/A (See opening comments)

SCHEDULE A
(continued)

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?

8. 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.

9. No. (See opening comments)

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?

10. N/A (See opening comments)

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?

11. 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?

12. No.

W. J. Froning

Resident Auditor
14 February 1978

AFFIDAVIT

Introductory Comment. General Mohammed Khatami, Commander-in-Chief of the Imperial Iranian Air Force, has become known to me only recently in CY 1978 through Media coverage of Senate Committee hearings concerning the nomination of Mr. G. William Miller. Therefore my answers to questions posed in Schedule A are directed only to that information or knowledge obtained by me as a result of my directing Audit Activities for DCAA at Bell Helicopter Textron as Resident Auditor.

SCHEDULE A

1. Did you know or have you ever heard that General Mohammed Khatami, Command-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?

1. 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?

2a. Did not know of Gen'l Khatami's ownership interest in STP or Air Taxi.

2b. Not applicable (See opening comment)

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?

3a. Not applicable.

b. " "

c. " "

d. " "

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?

4. No.

5. Which Bell or Textron officials did you speak with and when?

5. Not applicable.

6. What were your conversations with Bell or Textron officials about those matters?

6. Not applicable

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?

7. N/A (See opening comments)

SCHEDULE A
(continued)

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?

8. 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.

9. 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?

10. Not applicable (See opening comment)

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?

11. 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?

12. No.

Kenneth W. Hall
Resident Auditor
14 February 1978

State of Texas
County of Tarrant

Cecil E. Smith being duly sworn says:

1. QUESTION - 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, I did not know nor had I heard that General Mohammed Khatami had an ownership interest of any nature in STP or Air Taxi until the name arose in connection with the hearings held by the Senate Committee on Banking, Housing and Urban Affairs.

2. QUESTION - 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?

ANSWER - Not applicable, see 1. above.

3. QUESTION - 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 - Not applicable, see 1. above.

4. QUESTION - 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.

5. QUESTION - Which Bell or Textron officials did you speak with and when?
- ANSWER - Not applicable, see 4. above.
6. QUESTION - What were your conversations with Bell or Textron officials about those matters?
- ANSWER - Not applicable, see 4. above.
7. QUESTION - 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.
8. QUESTION - 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.
9. QUESTION - 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.
10. QUESTION - 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 - Not applicable, see 9. above

11. QUESTION - 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.

12. QUESTION - 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?

ANSWER - No.

I have no additional information to offer the Committee that would help in its investigation of the \$2.9 million payment to Air Taxi and General Khatami's relationships, if any, with companies with which Textron or Bell Helicopter had dealings.

Sworn to this 14th day of February, 1978.

Cecil E. Smith
Signed

Before me, a Notary Public, on this day personally appeared Cecil E. Smith, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 14th day of February, 1978.

Mary C. Yeager
Notary Public in and for
Tarrant County, Texas

ARTHUR YOUNG & COMPANY

277 PARK AVENUE
NEW YORK, N. Y. 10017STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

February 14, 1978

*WILLIAM F. SLATTERY, being duly sworn, says:*Mr. Kenneth A. McLean
Staff Director
United States Senate
Committee on Banking, Housing
and Urban Affairs
Washington, D. C. 20510

Dear Mr. McLean:

In response to your letter of February 8, 1978, I submit below my answers to the twelve questions posed in Schedule A of your letter.

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. I never heard of General Khatami until his name and relationship with Air Taxi was disclosed in newspaper accounts of the Banking Committee's hearings of January 24, 1978.

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?

Answer: Not applicable. See 1 above.

3. 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?

Answer: Not applicable. See 1 above.

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.

5. Which Bell or Textron officials did you speak with and when?

Answer: Not applicable. See 4 above.

6. What were your conversations with Bell or Textron officials about those matters?

Answer: Not applicable. See 4 above.

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.

8. Did you know or have you ever 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.

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.

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: Not applicable. See 9 above.

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.

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?

Answer: No.

I have no additional information to offer the Committee in connection with its investigation of the \$2,950,000 payment to Air Taxi or General Khatami's relationships. As you are aware, I have previously responded to your request of January 25, 1978 for all documents in the possession of Arthur Young & Company relating to the payment of \$2,950,000 by the Bell Helicopter Division of Textron to Air Taxi Company.

Yours very truly,

William F. Slattery
William F. Slattery

SWORN TO THIS 14th day of
February, 1978

Carl D. Liggio

CARL D. LI GGIO
NOTARY PUBLIC, STATE OF NEW YORK
No. 31-9820064
Qualified in New York County
Commission Expires March 30, 1978

DEPARTMENT OF THE AIR FORCE
WASHINGTON 20330



OFFICE OF THE SECRETARY

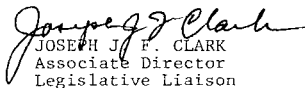
February 16, 1978

Mr. Kenneth A. McLean
Staff Director
Committee on Banking, Housing and
Urban Affairs
United States Senate

Dear Mr. McLean:

Reference our conversation of this date, enclosed for your information and use is the affidavit received this date from Brigadier General F. A. Humphreys, Commander, 20th NORAD Region/Air Division, in response to queries submitted to him by the Committee.

Sincerely,


JOSEPH J. F. CLARK
Associate Director
Legislative Liaison

Attachment

AFFIDAVIT

F. A. Humphreys, Brigadier General, Commander, 20th NORAD Region/Air Division, United States Air Force, after being duly sworn according to law, deposes and says:

In response to a series of twelve questions asked of me by letter dated February 8, 1978 from Kenneth A. McLean, Staff Director, United States Senate Committee on Banking, Housing and Urban Affairs and specifically in response to Question 1 that asks, "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?" that I have no knowledge, nor did I ever hear that General Khatami had any ownership interests in the companies of Skerkat Shahami Tayar Pars (STP) or Air Taxi. I do not remember ever having heard of an Iranian company called STP or Skerkat Shahami Tayar Pars. It seemed to me to be common knowledge that during the time I was in Iran from June 1974 until October 1975 that, as the Commander-in-Chief of the Imperial Iranian Air Force, General Khatami was a very respected individual and was consulted on most matters of any aeronautical interest in Iran; and

In response to Question 2 that asks, "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?", that I never learned nor do I have any knowledge of any ownership interest in either of these companies which may have been held by General Khatami; and,

In response to Question 3 that asks, "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?", that to the best of my knowledge it was not common knowledge in Tehran that General Khatami might have had any interests in STP or Air Taxi, and I personally have no such knowledge; and,

In response to Question 4 that asks, "Did you speak to or did Bell Helicopter or Textron officials speak to you about General Khatami's interest in STP or Air Taxi?", that I never spoke to, nor was I spoken to by officials of either Bell Helicopter or Textron about any ownership interests which may have been held by General Khatami in either STP or Air Taxi; and,

In response to Question 5 that asks, "Which Bell or Textron officials did you speak with and when?", that I spoke to no Bell or Textron officials about any ownership interests which may have been held by General Khatami in either STP or Air Taxi; and,

In response to Question 6 that asks, "What were your conversations with Bell or Textron officials about those matters?", that I had no conversations with officials of either Bell or Textron concerning any ownership interests which may have been held by General Khatami in either STP or Air Taxi; and,

In response to Question 7 that asks, "Did you know or have you 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?", that I do not know nor did I ever hear that any Bell or Textron officials knew that General Khatami may have had an ownership interest of any nature in STP or Air Taxi at any time between 1960 and 1975; and,

In response to Question 8 that asks, "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?", that I do not know nor did I ever hear of any payments, gifts, or other items of value being made or given by Bell directly or indirectly to any Iranian officials in an attempt to generate helicopter sales in Iran between 1960 and 1975; and,

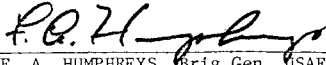
In response to Question 9 that asks, "Did you know or have you ever heard that any of the \$2,950,000 payment to Air Taxi might have been passed directly or indirectly to Iranian government officials, including General Khatami, in connection with Bell's 1972 helicopter deal with the Iranian government?", that I was not aware of nor had I ever before heard of any payment of \$2,950,000 by Bell to Air Taxi; therefore, I do not know, nor have I ever heard that any of a \$2,950,000 payment from Bell to Air Taxi might have been passed on to Iranian government officials, including General Khatami; and,

In response to Question 10 that asks, "When did you learn or hear that any of the payment was passed on and from whom did you learn or hear of it?", that I never learned or heard from any source that any of a \$2,950,000 payment from Bell to Air Taxi was passed on to any Iranian government official; and,

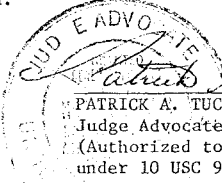
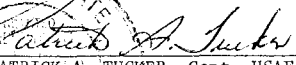
In response to Question 11 that asks, "Did you know or have you ever heard that Bell or Textron may have maintained at any time any fund of monies or other assets which were not recorded on the corporate books and records?", that I do not know nor did I ever hear that either Bell or Textron may have maintained at any time any fund of monies or other assets which were not recorded on the corporate books or records; and,

In response to Question 12 that asks, "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?", that I have no information that G. William Miller had any knowledge of the matters referred to in Questions 1 through 11 above.


F. A. HUMPHREYS, Brig Gen, USAF
Commander, 20th NORAD Region

Subscribed and sworn to before me this 14th day of February 1978 at Fort Lee Air Force Station, Virginia.



PATRICK A. TUCKER, Capt, USAF
Judge Advocate
(Authorized to administer oaths under 10 USC 936)



DEPARTMENT OF THE ARMY
 HQ, US ARMY TROOP SUPPORT & AVIATION MATERIEL READINESS COMMAND
 4300 GOODFELLOW BOULEVARD, ST. LOUIS, MO 63120

DRSTS-J(2)

14 February 1978

Mr. Kenneth A. McLean
 Staff Director
 United States Senate
 Committee on Banking, Housing and
 Urban Affairs
 Washington, D.C. 20510

Dear Mr. McLean:

Reference is made to your letters dated February 8, 1978 to
 Dr. Thomas J. Keenan, Joseph A. Murray, John R. Kurtz and
 Joyce I. Allen, respectively.

Inclosed are affidavits signed by each of the above named per-
 sons answering the questions attached to your referenced letters.

Sincerely yours,

Joyce I. Allen
 JOYCE I. ALLEN
 Deputy Chief Counsel

4 Incl
 As stated

State of Missouri)
) ss.
 City of St. Louis)

A F F I D A V I T

I, Thomas J. Keenan, a resident of the County of St. Louis, State of Missouri, presently employed by the U.S. Army Troop Support and Aviation Materiel Readiness Command in the City of St. Louis, Missouri, being first duly sworn hereby depose and say that the following answers to questions asked by the Senate Committee on Banking, Housing and Urban Affairs are true and correct to the best of my knowledge and belief:

1. 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 did not know nor have I heard.

2. 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 above. I have no knowledge of General Khatami's interest in either company.

3. Q - 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?

A - No knowledge.

4. 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.

5. Q - Which Bell or Textron officials did you speak with and when?

A - None.

6. Q - What were your conversations with Bell or Textron officials about those matters?

A - None.

7. 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.

8. 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 in Iran between 1960 and 1975?

A - No.

9. 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.

10. 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 knowledge.

11. Q - 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?


A - No.

12. 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.

NOTE: The total extent of my knowledge and involvement in this area has been the coordination of an effort to supply all documentation to Mr. Kenneth A. McLean in response to his letter of 25 January 1978.

The package requested was mailed 31 January 1978 via Dept of Army and Dept of Defense.


THOMAS J. KEENAN

On this ^{14th} day of February 1978 before me personally appeared Thomas J. Keenan to me known to be the person described in and who executed the foregoing affidavit consisting of two pages and acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at my office in St. Louis, Missouri, the day and year first above written.

~~My Term expires.~~ ^{MCC}

February 14 1978


NOTARY PUBLIC

My Commission Expires January 14, 1979

State of Missouri)
) ss.
 City of St. Louis)

A F F I D A V I T

I, John R. Kurtz, a resident of the City of Belleville, State of Illinois, presently employed by the U.S. Army Troop Support and Aviation Materiel Readiness Command in the City of St. Louis, Missouri, being first duly sworn hereby depose and say that the following answers to questions asked by the Senate Committee on Banking, Housing and Urban Affairs are true and correct to the best of my knowledge and belief:

1. 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.

2. 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 - Have no knowledge of such information

3. Q - 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?

A - No knowledge of such information.

4. 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 - Never.

5. Q - Which Bell or Textron officials did you speak with and when?

A - None.

6. Q - What were your conversations with Bell or Textron officials about those matters?

A - No conversations.

7. 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 knowledge of such information.

8. 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 in Iran between 1960 and 1975?

A - None.

9. 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 - None.

10. 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 - Never.

11. Q - 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?

A - No knowledge.

12. 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.

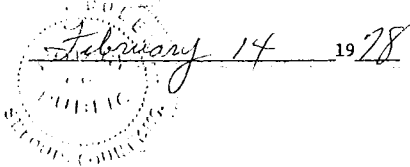
John R. Kurtz

JOHN R. KURTZ

On this ¹⁴ day of February 1978 before me personally appeared John R. Kurtz to me known to be the person described in and who executed the foregoing affidavit consisting of two pages and acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at my office in St. Louis, Missouri, the day and year first above written.

^{me}
~~My Term expires:~~



Marie Coleman

NOTARY PUBLIC

My Commission Expires January 14, 1978

State of Missouri)
) ss.
 City of St. Louis)

A F F I D A V I T

I, Joyce I. Allen, a resident of the County of St. Louis, State of Missouri, presently employed by the U.S. Army Troop Support and Aviation Materiel Readiness Command in the City of St. Louis, Missouri, being first duly sworn hereby depose and say that the following answers to questions asked by the Senate Committee on Banking, Housing and Urban Affairs are true and correct to the best of my knowledge and belief:

1. 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.

2. 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 - I did not know or hear that General Khatami had an ownership interest in STP or Air Taxi. Other than from the questions of the Senate Committee on Banking, Housing and Urban Affairs, I have not learned or been informed of any ownership interest which General Khatami had in STP or Air Taxi.

3. Q - 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?

A - I do not know. I had no knowledge concerning any interest of General Khatami in STP or Air Taxi.

4. 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.

5. Q - Which Bell or Textron officials did you speak with and when?

A - None.

6. Q - What were your conversations with Bell or Textron officials about those matters?

A - None.

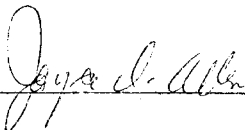
7. Q - Did you know or have you ever heard that any Bell or Textron officials knew that General Khatami had an ownership interest of any nature in STP or Air Taxi at any time between 1960 and 1975?

A - No.

8. 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 in Iran between 1960 and 1975?

A - No.

PAGE 1 of 2 PAGES -



9. 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.

10. 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 - I have not learned of nor heard that any payment was passed on from Air Taxi to Iranian government officials in connection with the sale of Bell helicopters to the Iranian government.

11. Q - 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?

A - No.

12. 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.


Joyce I. Allen

JOYCE I. ALLEN

On this 14th day of February 1978 before me personally appeared Joyce I. Allen to me known to be the person described in and who executed the foregoing affidavit and acknowledged that she executed the same as her free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at my office in St. Louis, Missouri, the day and year first above written.

Mec
~~My Term expires:~~

February 14 1978


Marye Coleman

NOTARY PUBLIC

~~My~~ Commission Expires January 14, 1979

State of Missouri)
) ss.
 City of St. Louis)

A F F I D A V I T

I, Joseph A. Murray, a resident of the County of St. Louis, State of Missouri, presently employed by the U.S. Army Troop Support and Aviation Materiel Readiness Command in the City of St. Louis, Missouri, being first duly sworn hereby depose and say that the following answers to questions asked by the Senate Committee on Banking, Housing and Urban Affairs are true and correct to the best of my knowledge and belief:

1. 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.

2. 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 - Based upon conversation with the Senate Committee on Banking, Housing and Urban Affairs staff members I understand that General Khatami had an interest in Air Taxi.

3. Q - 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?

A - Based upon conversation with the Senate Committee on Banking, Housing and Urban Affairs staff members I understand that General Khatami had an interest in Air Taxi.

4. 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.

5. Q - Which Bell or Textron officials did you speak with and when?

A - Not applicable.

6. Q - What were your conversations with Bell or Textron officials about those matters?

A - Not applicable.

7. 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.

8. 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 in Iran between 1960 and 1975?

A - No.

9. 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.

10. 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?

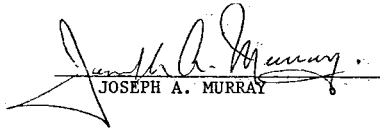
A - I have no knowledge of payments being passed on.

11. Q - 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?

A - I have no knowledge of any such fund of monies or other assets.

12. 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.

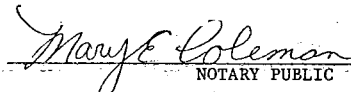

JOSEPH A. MURRAY

On this ~~14th~~ day of February 1978 before me personally appeared Joseph A. Murray to me known to be the person described in and who executed the foregoing affidavit consisting of two pages, and acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at my office in St. Louis, Missouri, the day and year first above written.

~~My Term expires~~


February 14 1978


NOTARY PUBLIC

My Commission Expires January 14, 1979

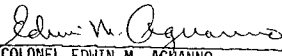
- A F F I D A V I T -

I, COLONEL EDWIN M. AGUANNO, US Army, 122-20-5324, after being duely sworn and under the penalties of perjury, wish to make the following statement:

Statements made herein are in response to questions outlined in Schedule A of letter, Committee on Banking, Housing and Urban Affairs, US Senate, dated 8 Feb 78, concerning the appointment of Mr. G. William Miller to Board of Governors of the Federal Reserve System. Each response is keyed numerically to stated questions.

1. I was not aware that General Khatami had an ownership interest in Air Taxi or Pars until three weeks ago.
2. I heard that General Khatami had ownership interest in Air Taxi during an informal conversation with a staff member of the Senate Committee on Banking, Housing, and Urban Affairs.
3. I am not aware that anyone in my sphere of association in Iran or elsewhere knew of any ownership interest of Air Taxi by General Khatami.
4. No.
5. On the issue in question, none.
6. There were no conversations.
7. No.
8. No.
9. No, I do not know of any payment that might have been passed directly or indirectly to Iranian Government Officials.
10. In August 1975, I first assumed responsibilities as Project Manager, Iran Helicopter Program for the US Army. At that time, I studied the provisions of existing pertinent FMS cases with Iran and corresponding US contracts with Bell for helicopters. I noted that agents' fees were not considered allowable costs to our specific contracts.
11. No.

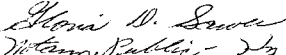
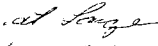
WITNESS MY HAND AND SEAL this 15th day of February 1978.

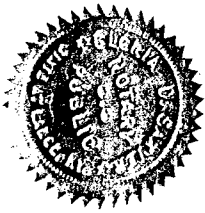

 COLONEL EDWIN M. AGUANNO
 US Army, 122-20-5324
 Troop Support and Aviation Readiness Command
 St. Louis, Missouri

STATE OF KENTUCKY, COUNTY OF HARDIN

SUBSCRIBED AND SWORN TO BEFORE ME THIS 15TH DAY OF FEBRUARY 1978 BY

COLONEL EDWIN M. AGUANNO, US Army, 122-20-5324.


 Notary Public - 
 MY COMMISSION EXPIRES: 28 August 1981



9 White Fawn Lane
Pittsburgh, Pa. 15238

February 14, 1978

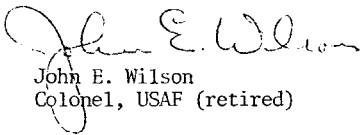
Mr. Kenneth A. McLean
Staff Director
United States Senate
Committee on Banking, Housing and
Urban Affairs
Washington, D. C. 20510

Dear Mr. McLean:

Reference is made to your letter of February 8, 1978 and to the listing of questions that was attached thereto.

I have completed my answers to these questions, and they are attached in affidavit form. I hope that the format used is satisfactory and that the material will be of some value to you.

Sincerely,



John E. Wilson
Colonel, USAF (retired)

AFFIDAVIT1. Question:

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:

I do not now and never have had any knowledge as to whether or not General Khatami had ownership interests in the STP or Air Taxi companies between 1960 and 1975. I did, however, hear rumors to that effect while assigned as the Defense and Air Attache in Iran during the period June 1968 to July 1971.

2. Question:

Which company did you know or hear that General Khatami had an ownership interest in -- STP or Air Taxi?

Answer:

The rumors I heard were that General Khatami had ownership interest in the Air Taxi Company.

Question:

When did you learn of General Khatami's interest and who did you learn of it from?

Answer:

I cannot recall the date on which I first heard rumors of General Khatami's involvement with Air Taxi, but it was sometime early in the period of my assignment to Iran, i.e., early in the period June 1968 to July 1971. I don't recall from whom I heard the rumors.

3. Question:

Were General Khatami's interests in STP and Air Taxi common knowledge in Tehran?

Answer:

As stated above, I do not know if General Khatami has or had any interests in Air Taxi. The rumors that he was involved in Air Taxi were relatively wide-spread in Tehran when I was there.

AFFIDAVITQuestion:

When was that information common knowledge?

Answer:

As stated above, I do not know if General Khatami has or had any interest in Air Taxi. The rumors that I heard to the effect that he did occurred during the period of June 1968 through July 1971.

Question:

Who knew?

Answer:

I do not know.

Question:

How did you learn of that information?

Answer:

I do not recall where, when, or from whom I first heard the rumors regarding General Khatami's involvement with Air Taxi.

4. Question:

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.

5. Question:

Which Bell or Textron officials did you speak with and when?

Answer:

Not applicable in view of answer to number 4.

6. Question:

What were your conversations with Bell or Textron officials about those matters?

Answer:

Not applicable in view of answer to number 4.

AFFIDAVIT7. Question:

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.

8. Question:

Did you know or have you heard 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?

Answer:

No.

9. Question:

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.

10. Question:

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:

Not applicable in view of answer to number 9.

11. Question:

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.

AFFIDAVIT

12. Question:

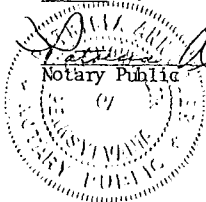
Do you have any information that G. William Miller, President and later Chairman of the Board of Textron, Inc. between 1960 and 1975, had any knowledge of any of the matters referred to in the above questions?

Answer:


No.

I, John E. Wilson, hereby state that the foregoing twelve answers to the foregoing twelve questions are true and correct to the best of my present knowledge, information and belief.

Signed and sworn to before me on this
14th day of February, 1978.



PATRICIA ANN POWER, Notary Public
Pittsburgh, Allegheny County, Pa.
My Commission Expires Dec. 6, 1980


John E. Wilson

United States Senate

MEMORANDUM

Feb. 14, 1978

Ken

*Call
back
1/14*

Former Ambassador Joseph Farland telephoned in response to your letter. He said that the letter was sent to an old address, and that he now lives in Winchester, Va. He received the letter only yesterday afternoon.

He is currently staying at the Chevy Chase Club here in Washington, probably through tomorrow. The phone number is 652-4100, Room 226.

Said he has very little knowledge of the matter. He never met with Bell Helicopter people, except one man whom he ran into in an airport at one point. Knew Mr. Sikorski, but said Bell Helicopter saw fit to stay away from him. Knows Khatomi well, but did not know that he had any connection with STP or Air Taxi. Thought he knew everything that was going on, "but apparently so much was going on that he didn't know about."

Told him you would be back in touch with him if you needed additional information.

Kathy
10:00 a.m.

SAFEER COMPANY
INTERNATIONAL CONSULTING

RICHARD HELMS
PRESIDENT

1978 FEB 15 AM 11:45

February 13, 1978

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Honorable William Proxmire, Chairman
Committee on Banking, Housing & Urban Affairs
Washington, D. C. 20510

Dear Mr. Chairman:

I am in receipt of a letter dated February 10, 1978
from Mr. Kenneth A. McLean, Staff Director of your
Committee.

I have carefully reviewed the questions submitted
with this letter and find that I have no useful infor-
mation to contribute. Although I was American Amba-
sador in Iran from early April 1973 to late December
1976, I do not recall ever having heard the allegation
that General Mohammed Khatami had an ownership interest
in either STP or Air Taxi. In addition, I do not
remember ever having heard that Textron or Bell were
alleged to have made payments to Air Taxi or any
Iranian Government officials. The first indication
I have had on any of these matters was when the alle-
gations appeared in press stories covering the confirma-
tion hearings of Mr. G. William Miller, Chairman of the
Board of Textron, Inc.

Sincerely yours,



Richard Helms

RH/mjv

FEB 15 1978

GEORGETOWN UNIVERSITY
WASHINGTON, D. C. 20057EDMUND A. WALSH
SCHOOL OF FOREIGN SERVICE

February 13, 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 have your letter of February 10 with the enclosed questionnaire, "Schedule A." At first I thought it must be a case of mistaken identity since I haven't been in Iran since 1967. Then, however, I realized that the questions (e.g., No. 7) apply to "any time between 1960 and 1975."

I have no knowledge whatsoever of any of the matters about which Schedule A asks questions, for the following reasons:

1. I served in Iran, at the American Embassy, in the capacity of Political Counselor, from 1963 to 1967. In that capacity I dealt with internal Iranian politics and Iranian foreign policy, and of course especially American-Iranian relations (but also Russian-Iranian and Egyptian-Iranian relations), leaving military matters to one side.

2. Military matters involving procurement, relations with the Iranian military, relations with the American military, and relations between the American and Iranian military, were matters left for the attention of one officer who specialized entirely in such things and who reported directly to the Ambassador.

3. Economic matters, i.e. contracts and the like, were also to a certain extent in the purview of the Economic Section. But my own section, the political section, did not deal with politico-military or economic-military matters. We did follow the career of General Khatami, but largely from the point of view of the role he might play in the event something might happen to the Shah.

About none of the questions in Schedule A can I give any information because such information would not have come to my attention; nor did any such information come to my attention.

Sincerely yours,



Martin F. Herz

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?

I was not aware of such an interest or ownership

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 knew of none of 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 did

6. What were your conversations with Bell or Textron officials about those matters?

There were 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?

No

SCHEDULE A

(continued)

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.

I did not know nor did I hear of any such payments

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?

At no time

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, I did not

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?

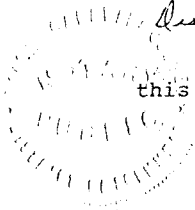
Absolutely not

The letter sent to me by the staff of the Senate Banking Committee was in error, I am presently a director of Textron

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: February 14, 1978 Jean Hood Ware



District of Columbia
Subscribed and sworn to before me
this 14th day of February, 1978.

Emile Caldwell Serbery
Notary Public/or
person authorized
to administer oaths
My Commission Expires March 14, 1979



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:

This is in response to your letter of February 10, 1978 concerning the Bell Division of Textron and the Air Taxi Company. I regret not meeting your deadline, but I just returned from leave.

I have studied the questions in Schedule A and have concluded that I have no knowledge of the matters referred to in those questions. My specific answers to these questions are listed below:

1. No.
2. Neither. Not Applicable.
3. Don't know. Not Applicable. Not Applicable.
Not Applicable.
4. No.
5. Don't recall any. Generally, my contacts with American business executives involved bankers only.
6. None held.
7. No.
8. No.
9. No.
10. Not Applicable.
11. No.
12. No.



Subscribed and sworn to
 before me this 16th day
 of February 1978 at
 Washington, D. C.

Deanna Ingalls

Sincerely,

Michael A. G. Michaud
 Deputy Director
 Bureau of Politico-Military
 Affairs
 Office of International
 Security Policy

My Commission Expires June 14, 1979



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

Dear Mr. McLean:

In response to your letter of February 10, I am providing in the enclosure the answers to the twelve questions of your Schedule A. The information which I have set forth relates to the period August 1972 through August 1976 when I served as Political-Military Officer in the American Embassy Tehran, Iran.

Sincerely,

Henry Precht
Deputy Director for
Near Eastern and
South Asian Regional Affairs



Enclosure:

As stated.

Subscribed and sworn to
before me this 16th day
of February 1978 at
Washington, D. C.

My Commission Expires June 14, 1979

Schedule A Answers

1 and 2. I had no firm knowledge of any association of General Khatami with STP (Skerkat Shahami Tayar Pars) or Air Taxi. On several occasions, probably in 1975 and '76 and possibly as early as 1974, I heard "cocktail party gossip" that General Khatami had had some sort of financial connection with Air Taxi. I also heard that the connection had been terminated on an unspecified date. I never heard of any connection between General Khatami and STP.

3. In my opinion, General Khatami's possible connection with Air Taxi was not "common knowledge" in Tehran. It was rather a rumor that was only rarely and rather discreetly mentioned. As I recall, my sources were resident American businessmen.

4, 5, and 6. To my recollection no representative of Bell or Textron ever spoke to me about General Khatami, STP or Air Taxi.

7, 8, 9. no

10. not applicable

11 and 12. no



256
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.

Dear Mr. McLean:

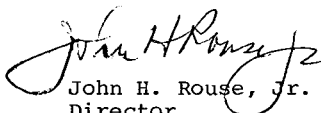
As requested, set forth below are my answers to the questions posed in Schedule A of your letter to me of February 10, 1978, regarding activities of Bell Helicopter in Iran. The answers are numbered to correspond to the questions. Please note that my correct family name is Rouse, and not Ralph, as written in your letter.

Schedule A Answers

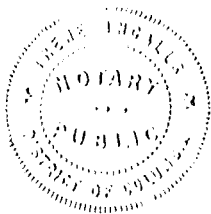
1. Yes.
2. Air Taxi; General Khatami's interest was mentioned by Iranians and Americans in Tehran, Iran, during my tour of duty at the American Embassy, Tehran, from 1968-72.
3. In conversations with personal and professional contacts, mention was made that General Khatami was a part-owner of Air Taxi. I have no personal knowledge of the accuracy of these reports. I believe that it was widely assumed among prominent Iranians and US businessmen with defense interests, that General Khatami did have an ownership interest in Air Taxi.

- 4. No, not that I recall.
- 5. Not applicable.
- 6. Not applicable.
- 7. No, not that I recall.
- 8. No.
- 9. No.
- 10. Not applicable.
- 11. No.
- 12. No.

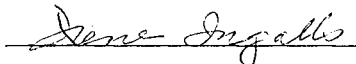
Sincerely,



John H. Rouse, Jr.
Director
Office of Canadian Affairs



Subscribed and sworn to
before me this 16th day
of February 1978 at Washington, D. C.



My Commission Expires June 14, 1979



DEPARTMENT OF STATE

Washington, D.C. 20520

OFFICE OF THE U.S. COORDINATOR FOR THE
UN CONFERENCE ON SCIENCE & TECHNOLOGY FOR DEVELOPMENT

February 14, 1978


Mr. Kenneth A. McLean
Staff Director
Committee on Banking, Housing
and Urban Affairs
United States Senate

Dear Mr. McLean:

I have received your letter of February 10 enclosing a series of questions, set forth in Schedule A, stemming from hearings by the Senate Committee on Banking, Housing and Urban Affairs on the nomination of Mr. G. William Miller to the Board of Governors of the Federal Reserve System.

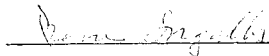
I do not have now, nor can I recall ever having heard, any information which would enable me to reply to any of the questions set forth in Schedule A.

Sincerely yours,


Donald R. Toussaint
Deputy Coordinator


Enclosure:
Copy of Schedule A

Subscribed and sworn to
before me this 14th day
of February 1978, at
Washington, D. C.



My Commission Expires June 14, 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?

 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?

 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?

 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?

 5. Which Bell or Textron officials did you speak with and when?

 6. What were your conversations with Bell or Textron officials about those matters?

 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?

SCHEDULE A

(continued)

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?

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.

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?

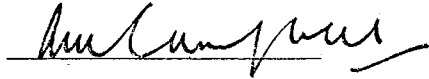
11. Did you know or have you ever heard that Bell or Textron may have maintained at any time any fund of monies or other assets which were not recorded on the corporate books and records?

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?

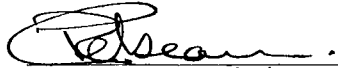
A F F I D A V I T

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: 15th 1978



Subscribed and sworn to before me
this 15th day of February, 1978.



Notary Public/or
person authorized
to administer oaths

Advocate of the
Bar of the Province of Quebec

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?

I have ~~no~~ no information on any of above questions.

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 any of above questions.

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 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?

no.

SCHEDULE A

(continued)

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 regarding any payments.

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.

J. B. Collinson
President

40 Westminster Street
Providence, R.I. 02903
401/421-2800

Textron Inc.

February 14, 1978

Mr. Kenneth A. McLean
Staff Director
Senate Committee on Banking,
Housing and Urban Affairs
Washington, D. C. 20510

Dear Mr. McLean:

Enclosed are my answers to the questions included with your letter dated February 8, 1978, together with the affidavit as requested.

Sincerely,

A handwritten signature in black ink, appearing to read "J. B. Collinson". The signature is written in a cursive style with a large, prominent initial "J".

JBC/eg

Enclosures

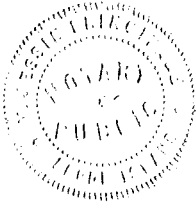
A F F I D A V I T

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. 14, 1978

J. B. Collier

Subscribed and sworn to before me
this 14th day of February, 1978.



V. J. ...
Notary Public/Of
person authorized
to administer oaths

My Comm. Exp. Expires
June 30, 1981

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?

Neither.

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 of 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?

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.

SCHEDULE A

(continued)

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? No 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? See attached.

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.

11. I know of no fund of monies which are not recorded on the Textron books and records. All corporations have certain assets, not material in amount, which are not recorded on their books. Textron and Bell also have these items; such as, minor amounts of office furniture and fixtures, and certain tools and dies which are charged to expense as purchased but to the best of my knowledge none are used for other than a legal and appropriate corporate purpose.

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: 2-13-78

Clarence H. George

Subscribed and sworn to before me
this 13 day of February, 1978.

William B. D. Noel
Notary Public/or
person authorized
to administer oaths

NOTARY PUBLIC STATE OF FLORIDA AT LARGE
MY COMMISSION EXPIRES JAN. 16 1982
BONDED THRU GENERAL INS. UNDERWRITERS



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?

NO IDEA - NEWS TO ME

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?

NEVER HEARD THAT CLAIM UNTIL READING IT IN THE PRESS.

SCHEDULE A

(continued)

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 HEARD IT

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?

NEVER - AND DOUBT IT

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 INFORMATION


13 February 1978

Mr. Kenneth A. McLean
Staff Director
Committee on Banking, Housing
and Urban Affairs
5300 Dirkson Building
Washington, D.C. 20510

Dear Mr. McLean:

As requested by you, attached herewith is
an Affidavit and my answers to your questions as
shown on your Schedule A.

Sincerely,


Edwin J. Ducayet
3471 Sagecrest Terr.
Fort Worth, Texas 76109


EJD:jt

Attachment (2)

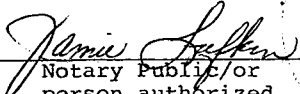
A F F I D A V I T

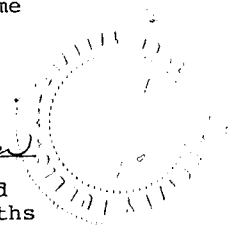
The undersigned, being duly sworn,
deposes and says that the answers to the
questions posed on the attached Schedule A
are true and correct to the best of my
knowledge and belief.

Dated: Feb. 13, 1978


Edwin P. Ducayet

Subscribed and sworn to before me
this 13th day of February, 1978.


Notary Public/or
person authorized
to administer oaths



JAMIE LUPKIN
Notary Public, Tarrant County, Texas
My Commission Expires: Nov 30, 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?

Neither knew nor ever heard of any connection. See "Note" after Question 12.

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?

See Note After Question 12.

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?

Not to my 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?

Not applicable

6. What were your conversations with Bell or Textron officials about those matters?

Not applicable

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

SCHEDULE A

(continued)

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?

Not applicable

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. No fund ever existed to my knowledge as it would have been strictly against Bell and Textron policy.*

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

NOTE: I was contacted by a Wall Street Journal reporter on February 8, 1978 and later read an article published by this same reporter in the Wall Street Journal dated February 10, 1978. This is the first I ever heard of any connections of General Khatami or of the STP Corporation.

Edwin J. Ducayet

BARBARA SCOTT PREISKEL
522 FIFTH AVENUE
NEW YORK, N. Y. 10036

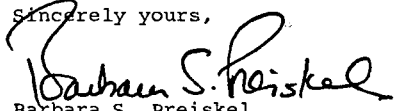
February 13, 1978

Mr. Kenneth A. McLean
Staff Director
Committee on Banking, Housing and
Urban Affairs
5300 Dirksen Building
Washington, D. C. 20510

Dear Mr. McLean:

Enclosed are an affidavit and answers to the
questions contained in Schedule A of your letter of
February 8, 1978.

Sincerely yours,


Barbara S. Preiskel

Enclosures

Barbara Scott Preiskel
February 13, 1978

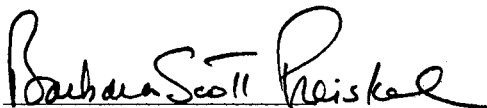
ANSWERS TO SCHEDULE A

1. The first and only reference to General Khatami's alleged ownership in Air Taxi was on January 25, 1978, at a Special Meeting of the Board of Directors of Textron Inc., when G. William Miller informed the Board that at hearings before the Senate Committee on Banking on January 24, 1978, it had been stated that General Mohammed Khatami may have had an ownership interest in Air Taxi. The only other information which I have had on General Khatami's ownership has been obtained from newspaper reports of the Miller confirmation hearings.
2. See answer to Question 1. I have not heard any mention of STP until receipt of these questions.
3. I have no knowledge or information with which to answer this question.
4. See answer to Question 1.
5. See answer to Question 1.
6. At the meeting referred to in answer to Question 1, Mr. Miller informed the Board that the first indication he had had that General Khatami may have had an ownership interest was at the hearing on January 24, and that he planned to cooperate with the Committee in developing the true facts.
7. See answer to Question 1.
8. No, and to my knowledge Bell has never made any such payments.
9. No.
10. I have never learned or heard that any payment was "passed on."
11. To my knowledge, Bell and Textron have never maintained at any time any fund or other assets which were not recorded on the corporate books and records.
12. No, except as reported in the answers to Questions 1 and 6 above.

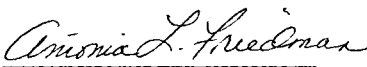
A F F I D A V I T

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: 2/13/78


Barbara Scott Preiskel

Subscribed and sworn to before me
this 13th day of February, 1978.


Notary Public/or
person authorized
to administer oaths

ANTONIA L. FRIEDMAN
Notary Public, State of New York
No. 1324137

Qualified in Westchester County
Commission Expires March 30, 1979

FROM

D. H. FRASER

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: 2/10/78

Robert L. Perry

Subscribed and sworn to before me
this 10th day of February, 1978.



John M. Winkler
Notary Public or
person authorized
to administer oaths

My Comm. Exp. Date: July 21, 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?

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?

Not applicable in light of above answers (1)

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?

No knowledge of either such interests, in anyone else's 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?

Not relevant, in light of reply to 4

6. What were your conversations with Bell or Textron officials about those matters?

Not relevant, in light of reply to 4

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

[Vertical line of handwritten marks and signatures]

SCHEDULE A

(continued)

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 [signature]

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 [signature]

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 did - [signature]

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

[signature]

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

[signature]

AFFIDAVIT

I, WEBB C. HAYES, III, being duly sworn, depose and say that I have no present recollection of any knowledge or ever having heard of any of the matters referred to in the 12 interrogatories designated Schedule A, submitted by the Staff of The Committee on Banking, Housing and Urban Affairs in the matter of the confirmation proceeding on G. William Miller.

DATED: February 13, 1978


WEBB C. HAYES, III

DISTRICT OF COLUMBIA, SS:

Subscribed and Sworn to before me this 13th day of February, 1978.


NOTARY PUBLIC, D.C.

My Commission Expires December 14, 1979

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: 2/14/78

Allen T. Ruten

Subscribed and sworn to before me
this 14 day of February, 1978.



Notary Public/or
person authorized
to administer oaths

No. 24-3079225
Qualified in Kings County
Comm. Exp. 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?

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?

FIRST HEARD OF GENERAL KHATAMI THROUGH SENATOR PROKHIRE'S QUESTIONING OF G WILLIAM MILLER

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?

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?

6. What were your conversations with Bell or Textron officials about those matters?

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

James T. Baker

SCHEDULE A

(continued)

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? *_____*

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*

Arthur T. Borer

HERMAN E. GOODMAN
ONE ROCKEFELLER PLAZA
NEW YORK, N. Y. 10020

February 14, 1978

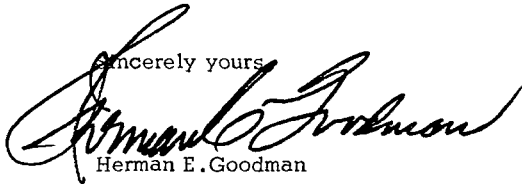
Mr. Kenneth A. McLean, Staff Director
Committee on Banking, Housing and Urban Affairs
5300 Dirkson Building
Washington, D. C. 20510

Dear Mr. McLean:

In re: your letter of February 8, 1978 to Directors of Textron Inc., I have completed the "Schedule A" questionnaire and it is herewith enclosed together with a notarized affidavit.

If I can be of any further assistance, please do not hesitate to call on me.

Sincerely yours

A handwritten signature in black ink, appearing to read "Herman E. Goodman", written in a cursive style. The signature is positioned above the printed name "Herman E. Goodman".

Herman E. Goodman

HEG:rfs
encls.

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: 2/14/78


Subscribed and sworn to before me
this 14th day of February, 1978.

Elsie D. Weinfuss
Notary Public/or
person authorized
to administer oaths

ELSIE D. WEINFUSS
Notary Public, State of New York
No. 41-4621331
Qualified in Queens County
Commission Expires March 30, 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.

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 - never -

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 was never in Tehran and am completely ignorant of the thrust of the 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?

never

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?

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 -

Armando Goodman

SCHEDULE A

(continued)

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?

never.

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?

Three Senator Protomire hearings in this matter in late January-1978

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 -**Armin E. Godwin*

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?

Neither

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'm sure that~~ *Not to my 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?

None

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

SCHEDULE A

(continued)

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. *Nothing but press reports.*

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? *_____*

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? *Yes, only press reports*

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*

I swear that the above statements are true and represent a statement of my full knowledge of the events mentioned.

Notary Public: *J. A. Hughes*
My commission expires: *June 28, 1981*

J. A. Hughes

RESPONSE FROM DEFENSE CONTRACT
AUDIT AGENCY AND U.S. ARMY AVIATION
SYSTEMS DIVISION

(293)



IN REPLY REFER TO

DX

DEFENSE CONTRACT AUDIT AGENCY
CAMERON STATION
ALEXANDRIA, VIRGINIA 22314

14 FEB 1978

Mr. Kenneth A. McLean
Staff Director
Committee on Banking, Housing and
Urban Affairs
U. S. Senate
Washington, DC 20510

Dear Mr. McLean:

This responds further to your letter of January 25th regarding Textron-Bell, and Mr. Freed's telephone call of February 7th. Mr. Freed advised he was unable to visit the DCAA field office at the Bell plant in Fort Worth during his time there last week, as we had previously arranged, and asked that we forward documents pertinent to the five matters set forth in your letter.

Four documents are enclosed; please note their classification FOR OFFICIAL USE ONLY.

Sincerely,


C. O. Starrett, JR.
Deputy Director

Enclosures

1. Memorandum 7/20/76.
2. Working paper for closing overheads, 6/18/76.
3. Pages 13 & 14, audit report #110-04-3-0135.
4. Pages 10 & 11, audit report #110-04-3-0154
(pages 4 & 5 of Exhibit A).

(295)



DEFENSE CONTRACT AUDIT AGENCY
ATLANTA REGION
BELL HELICOPTER TEXTRON RESIDENT OFFICE
P. O. Box 482
FORT WORTH, TEXAS 76101

IN REPLY REFER TO
CAR-1.10

20 July 1976

MEMORANDUM FOR REGIONAL MANAGER, DCAA, ATLANTA REGION

ATTENTION: 1-SP/David Bryant

REFERENCE: Regional Memorandum No. 103-76, dated 8 January 1976

SUBJECT: Consultant Costs

As requested in your memorandum of 8 January 1976, we have examined Bell Helicopter Textron's accounting records regarding consultant costs for calendar years 1973 through 1975. A summary of our findings is as follows:

1. In order to determine that we had given coverage to the possibility of certain contractor payments which may have otherwise gone undetected, a review was made of payments from selected contractor's check registers. As a result, we identified several names and amounts which appeared to be out of the ordinary. One of which was identified to the Iranian Dealer previously associated with the production contract proposals negotiated in CY 1973. We were unable to ascertain the account distribution from the contractor's Special Check Register. Several attempts were made over a period of three or four months to obtain the necessary data. The contractor provided information on those names and amounts he stated were charged to the Government, either as direct costs or through overheads. The contractor declined to provide information on the other names and amounts on the basis that they were commercial transactions and they did not feel an obligation to provide this data for audit. The contractor finally selected certain transactions, at our request, in order that we could verify the method utilized by BHT in recording commissions cost. These selected transactions were reviewed to ascertain BHT's methodology concerning such costs. No exceptions were noted; however, the possibility for subsequent transfers does exist.

We approached the contractor with two names and asked where these amounts were charged. The names and amounts were as follows:

Name	Amount	Calendar Year Payment Made
Air Taxi	\$1,000,000	1973
A. H. Zenganeh	1,000,000	1974
A. H. Zenganeh	950,000	1975
Total	<u>\$2,950,000*</u>	

*These amounts may or may not be the total amount involved.

20 July 1976

Consultant Costs

The contractor verified that Air Taxi was an Iranian Dealer and that A. H. Zenganeh was the president of Air Taxi.

The Iranian production contracts negotiated during calendar year 1973 did not provide for any dealer commissions and the above amounts are not recorded to these contracts. BHT described to us the accounts these amounts were recorded against. To the extent these amounts were not subsequently transferred they are not charged against Government contracts either as a direct cost or an indirect cost.

We do not know the purpose for which the payments were made. However, we have no audit evidence to indicate that these payments are other than bona fide commissions paid to the Iranian Dealer. Bell considers the payments to be proper commission payments as the Treasurer indicated to us. However, Bell's business in Iran is predominantly under Government contract, either as production or training and logistics services, provided by Bell Helicopter Company International.

It should be noted that on 1 August 1975, we responded to an inquiry from DCAA Headquarters wherein certain information on Air Taxi was furnished regarding Dealers Commission on Bell's Iranian production contracts. Subsequently, on 5 August 1975, Mr. Gillers of DCAA Headquarters was informed by us by telecon that no commission costs had been paid to Air Taxi.

2. An account identifiable as "Consultant Costs" is nonexistent. Agreements which were identified by the contractor as consultant agreements are in most cases very vague concerning services to be rendered. Neither could the contractor, in all cases, show consultant reports to substantiate what services were rendered.

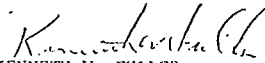
Consultant costs for the period audited were booked to an account identified as "Other Professional Services" within the contractor's G&A overhead. The amounts booked, by calendar year, were: 1973-\$261,256; 1974-\$217,838; and 1975-\$309,452. These amounts were identified to several different consultants, some of which were utilized each year. The number of separate consultants with identifiable charges were: 1973-13; 1974-18; and 1975-22. Only seven (7) consultant agreements were shown to the auditors. Other professional services costs ranged from a high and low of (i) 1973 (\$88,000 to \$641); 1974 (\$34,000 to \$628), and 1975 (\$75,000 to \$193). These costs are being pursued to determine that they meet the requirements of ASPR XV, that is, that they are allowable and allocable to Government contracts.

In our opinion the payments made to Air Taxi and the President of Air Taxi are not charged against Government contracts and we do not plan to extend any further audit procedures.

1.10
SUBJECT: Consultant Costs

20 July 1976

Bell has not provided adequate support to date for certain consultant costs, but we intend to further pursue these matters as part of our overhead closing effort. We do not anticipate that the resolution of these consultant costs will reveal payments of a suspicious or illegal nature.


KENNETH W. FULLER
Resident Auditor

WORKING PAPER FOR CLOSING OVERHEADS,
THROUGH ANALYSIS OF CONSULTANT COSTS
FOR THE YEARS 1973, 1974 AND 1975

18 June 1976

General

As a follow-up to prior discussions with BHT's financial and accounting personnel, Mr. Ted Treff, Treasurer of BHT, agreed to further testing by DCAA of selected consultant costs. Sampled items consisted of cash transactions of BHT. Particular cash transactions selected for review for this test of 18 June were those of Air Taxi, a company originally scheduled to receive commissions on the Iranian 214 and AH-1J, and those of Mr. A. H. Zanganch. Mr. Treff advised me in his opening comments that Mr. A. H. Zanganch was President of Air Taxi. Payments for commissions were made either to the President and/or the company - both were considered by BHT as proper recipients of commissions. I was also informed that Air Taxi had been a dealer in Iran since 1959 and BHT had been doing business with them since that date.

I was also informed by Mr. Treff that to Mr. Treff's knowledge none of the officials at BHT believed or knew, of those transactions selected by us, of charges to Government contracts, either directly or indirectly. In short, all costs we had selected in our sample had either been charged to commercial business and/or to profit of BHT. None had been charged or allocated to Government business.

Selected Cash Transactions for Review

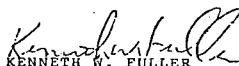
The following items were selected by us for tests against BHT's vouchers for verifying that selected items initial costing was not charged to Government contracts in the records of BHT.

<u>Name</u>	<u>Voucher No.</u>	<u>Original Acct. to which Charged</u>	<u>Final Acct. Charged</u>
Air Taxi	0690474	1971	(1)
Air Taxi	0790001	4501	(2)
Air Taxi	0690391	2750	(3)

(1) Account 1971 is a suspense account. Mr. Treff stated suspense account had been cleared out by BIT and that these costs were now charged to a selling expense account, a below the line cost not charged to Government contracts nor to commercial business.

(2) Account 4501 is other expenses, a below the line cost account not charged to Government contracts nor to commercial work.

(3) Account 2750 is a reserve account. According to Mr. Treff, an accrual entry was originally made debiting other expenses, below the line, and crediting the reserve account 2750.


KENNETH G. FULLER
Resident Auditor

① Audit Report No. 110-04-3-0135

Re
202 AH1J Helicopters

4/25/73

EXHIBIT B
Page 6 of 7

b. The contractor proposed \$62 per ship for fuel and oil necessary to prepare the ships for delivery to the customer. These ships are to be crated for overseas ocean shipment; therefore, the proposed fuel and oil is not required.

6. Packaging and Crating. The terms of the letter contract provide that the 202 aircraft shall be crated for overseas shipment prior to delivery. To accomplish this task the contractor proposed \$4,404 per ship for packaging and crating. The \$4,404 includes direct and indirect labors, material and supplies, applicable building pool, payroll appendages, general and administrative overhead (G&A), bidding and proposal (B&P) and independent research and development (IR&D) costs associated with packaging an AH-1J ship for overseas shipment. Cost questioned is a result of the G&A, B&P and IR&D rate differences expressed on Exhibit D.

7. Foreign Selling Expense. Costs questioned were computed using amounts recommended for acceptance, as shown on Exhibit D.

8. Product Change Allowance. The contractor proposed \$20,000 per ship to cover ". . . changes in helicopter configuration necessary to meet specification requirements. . ." (See Page VI-10 of the proposal). A more extensive explanation and a cost element breakdown were furnished to the USABPA by the contractor in a letter dated March 22, 1973. The USABPA reviewed this particular cost and concluded that it was not allowable (See Appendix 5); therefore, the total proposed amount of \$20,000 per ship is questioned.

9. Dealer's Commission. The contractor proposed \$1,397,527 for Dealer's Commission (\$6,793 per ship x 202 ships = \$1,372,186 plus nonrecurring of \$25,342 = \$1,397,527). In our letter dated April 17, 1973, we informed the USABPA that the contractor had not provided supporting documentation regarding the proposed Dealer's Commission. Therefore, through necessity, the proposed amount is classified as unsupported.

It is noted that Page I-5 of the proposal contains a statement that BHC has employed or retained a company or person other than a full time bona fide employee to solicit or secure this contract. In addition, BHC states that a Standard Form 119, which is required by ASFR 1-507, will be submitted directly to the Contracting Officer.

To adequately evaluate the propriety of the proposed Dealer's Commission, we would need to review the agreement between BHC and the dealer and obtain sufficient documented evidence that the commission is paid to a "Bona Fide Established Commercial or Selling Agency Maintained by the Contractor for the Purpose of Securing Business" as defined in ASFR 1-505.4.

re: 287 214A Helicopters

5/15/73

therefore, in noncompliance with ASPR 15-201.4 and 15-203. The impact of this inequity was considered in the rates recommended for acceptance by this office, and we understand that consideration was given during the rate negotiations.

This item of noncompliance has been disclosed to the contractor by the ACO.

In addition to those areas discussed above, other areas of noncompliance are shown in our Audit Report No. 110-18-3-0156, dated May 11, 1973, which is attached as Appendix 8. This report includes areas of noncompliance on which a determination has not yet been made by the ACO. Shown below are those areas:

- (1) Tooling Liaison Labor is charged direct on the production phase, whereas disclosed practices provide that such costs will be included in an expense pool for allocation.
- (2) Bidding and Proposal Cost are charged direct but the disclosed practices show that such cost will be charged to a pool for allocation.
- (3) Labor for administering the C/SCSC system is proposed direct, whereas similar administrative costs are included in the overhead expense pools.

Costs have not been questioned in this proposal relative to the B&P and C/SCSC areas because the total impact is not known; however, the tooling liaison labor is questioned on Schedule A-1, Note 7.

2. The contractor proposed dealer's commission at \$3,630,837 based on 1% of proposed target price. Since supporting documentation was requested from the contractor for the proposed dealer's commission, but never received, the majority of the proposed amount was classified as unsupported as stated in our letter May 5, 1973. As dealer's commission is based on a percentage of price, cost questioned relative to dealer's commissions represents 1% of total cost questioned inclusive of applicable profit.

Additionally, it should be noted that Page I-5 of the proposal contains a statement that BHC has employed or retained a company or person other than a full-time bona fide

Re: 10

302

employee to solicit or secure this contract. Also; BHC states that a Standard Form 119, which is required by ASPR 1-507, will be submitted directly to the Contracting Officer.

To adequately evaluate the propriety of the proposed Dealer's Commissions, we would need to review the agreement between BHC and the dealer and obtain sufficient documented evidence that the commission is paid to a "Bona Fide Established Commercial or Selling Agency Maintained by the Contractor for the Purpose of Securing Business," as defined in ASPR 1-505.4.

3. The contractor proposed a profit rate of 16.0% on target cost before dealer's commissions. Further comments concerning the proposed profit are contained in Appendix 5.



DEPARTMENT OF THE ARMY
 HQ, US ARMY TROOP SUPPORT & AVIATION MATERIEL READINESS COMMAND
 4300 GOODFELLOW BOULEVARD, ST. LOUIS, MO 63120

DRSTS-G

3 FEB 1978

Mr. Kenneth A. McLean
 Staff Director
 Senate Banking and Urban
 Housing Committee
 Dirkson Senate Office Building
 Room 5300
 Washington, DC 20510

Dear Mr. McLean:

Reference is made to a telephone conversation between Staff Members of the Senate Committee on Banking, Housing and Urban Affairs and members of this Command on 30 Jan 78. At that time, the request was made for information in the contract files for the procurement of 287 helicopters for the Government of Iran (GOI) regarding agents fees/commissions paid by Bell Helicopter Textron to Air Taxi, Incorporated.

The course of events concerning agents fees/commissions for aircraft procured for the Government of Iran (GOI) is as follows:

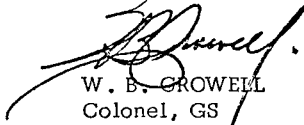
The GOI requirement was for 287 Model 214 Helicopters. The contractor, Bell Helicopter Company (BHC), initially proposed an amount of \$3,630,873 for agents fees/commissions. The Government and BHC through negotiation later reached agreement for a total of \$287,000 or \$1,000 per helicopter as the agents fees/commissions. After the completion of the negotiations, the Shah of Iran made known that he refused to pay any agents fees/commissions for procurements for GOI. The Government and BHC reopened negotiations for the helicopters and agreement was reached to remove agents fees/commissions from the contract.

Research of the contract files has produced the inclosed documents which reference agents fees/commissions:

- a. Class A Awards Board Minutes which made reference to Briefing Charts.
- b. Briefing Chart, page 6, which indicates the contractor had proposed \$3.6M or 1% of the contract price as dealers commissions and that through negotiations this proposed amount had been reduced to \$1,000 per aircraft, or \$287,000.
- c. Briefing Chart, page 7, which indicates that the \$287,000, which was negotiated, was to be a cost to the contract without the application of a profit.
- d. A memorandum from the Cost Analysis Office to the Contracting Officer (DA Form 2496), dated 9 Aug 77, subject: Memorandum of Negotiations to Definitize Letter Contract DAAJ01-73-C-0248, which indicates that negotiations were completed on 16 Jun 73, and that the contractor had proposed dealers fees/commissions of \$3,630,837 and that the dealers fees/commissions had been negotiated for a value of \$287,000.
- e. Memorandum of Record, dated 22 Jun 73, from HQ, Army Materiel Command, which indicates an inquiry concerning agents fees by the Shah of Iran.
- f. BHC Letter of 4 Jun 73, 22:AAH;nk-1009, which confirms the negotiation of \$287,000 total for agents fees/commissions without the application of profit.
- g. Message, P2222132 Jun 73, from ASD: ISA(SA)/DSS, subject: Agents Fees in Iran FMS, which clearly indicates that the Shah of Iran had refused to accept or pay any agents fees or commissions.
- h. Page 57 of Contract DAAJ01-73-C-0248, Clause J.27 entitled Other Costs, which indicates that the contractor and the Government, after further negotiations, removed agents fees/commissions from the contract.

The contract files indicate that agents fees/commissions were not included in the contract for the 287 helicopters for the Government of Iran, either upon execution of the initial definitization of the letter contract, or at any subsequent time. Also, the files do not show that the US Government ever paid Bell Helicopter Textron any amount as agents fees/commissions under the above mentioned contract.

Sincerely,

A handwritten signature in black ink, appearing to read "W. B. Crowell", is written over the typed name and title.

W. B. CROWELL
Colonel, GS
Chief of Staff

8 Incl
As stated

CLASS "A" AWARDS BOARD MINUTES

A Class "A" Awards Board Meeting convened at 0900 hours, 22 June 1973, with LTC David J. Johnston, Executive Officer, Directorate for Procurement & Production, presiding. The following were present:

CONCURRENCE	MEMBERS	
_____	LTC David J. Johnston	Dir for Proc & Prod Chairman
_____	COL Elswick Newport	Procurement Div
_____	MAJ Michael R. Kirila	Production Div
_____	Christine E. Hixey	Cont Price Anal Ofc
_____	E. J. Hollman	Dir for Prod Assur
_____	Joyce I. Allen	Legal Ofc
_____	LTC George T. Neu	Dir for RD&E
_____	Clifford E. Sias	Dir for Maintenance
	<u>NONMEMBERS</u>	
	James F. Matthews	Iranian Acft Prog PMO
	Elmer J. Bennick	" " " "
	Felix Genisio	" " " "
	Walter J. Seithel	" " " "
	Earl T. Gatlin	" " " "
	John A. McLaughlin	" " " "
	Kenneth P. Luber	Dir for RD&E Sys Engr Spt Div
	Joseph A. Murray	Dir for Proc & Prod Prod Acft Br
	MAJ E. M. Bshniuk	International Log
	Seymour B. Gordon	Dir for Proc & Prod Prod Acft Br
	John D. Watkins	Cont Price Anal Ofc
	R. M. Kinatis	Cont Price Anal Ofc
	W. E. Mansell	Prod Acft Br
	CW4 Wa H. Parker	Prod Acft Br
	Robt H. Neigel	Prod Acft Br
	John Saba	Prod Acft Br
	J. R. Kurtz	Contracting Officer
	Rosta Jones <i>RJ</i>	Pol & Compliance Div
	Maiba M. Neuberger	Reporting Stenographer

The Board considered proposed Modification P20005 for definitization of Letter Contract DAAJ01-73-C-0243 with Bell Helicopter Company, Fort Worth, Texas, for 287 each Model 2140 Helicopters 75 spare engines, and related data and support for the Iranian Government at an estimated total contract price of \$333,537,000.00.

The presentation was made by Mr. J. R. Kurtz, Contracting Officer.

The Presentation is incorporated as pages 2-3 of the Minutes.

~~W/A~~ ~~PLNS~~ - Proposed PZ0005, Contract DAAJ01-73-C-0248

Contracting Officer, Mr. J. R. Kurtz, illustrated his background briefing with Viewgraph slides, copies of which are attached as Inclosure 1.

The Presentation to the Awards Board was written, Contracting Officer stated, while several other actions were taking place; as a consequence, changes had to be made to the package that had been pointed out to us by members of the Contracting Officer's Team and by the Iranian Aircraft Program Product Manager's Office (PMO).

Contracting Officer stated he has made changes in the package that the Board was given to approve, as follows:

(1) Page 1.a. Block 1 reads, "MOD PZ0005" instead of "MOD PZ0003".

b. Statement following the Table of Contents, we have changed to read, "This Supplemental Agreement PZ0005 is the definitive contract contemplated by Letter Contract DAAJ01-72-C-0248 dated 72 Dec 22, as amended by Mods P0001 thru P0004* ---." The asterisk (*) after "P0004" indicates "Mod P0003 was not issued."

(2) The PM Office recommended (and while the change has not been made on the page), it was agreed that paragraph E.3, Billing Procedure for Item 0003 should be strengthened. It was agreed that the Contracting Officer would write a letter to the ACO, Army Bell Plant Activity, requesting that he set up control procedures, and that those control procedures would be approved through the PM Office. Legal member queried will we remove this, once he submits the report, or does he still get paid upon submission? Ans: The actual negotiation notes reveal that it was agreed that if after 60 days approval or disapproval had not been given, Bell Helicopter Company would be paid. However, if the plan ultimately was not approved or accepted, payment of the first voucher thereafter would be withheld until approval of that particular test plan. The same procedure would be followed throughout the contract.

(3) Page 16. SECTION E. 6 PRICING CONDITIONS (CONTINUED) Paragraph c. It now reads, "The contract targets and schedules include an amount for Revision E-3 to the AQS 214-974-041 dated 30 MAR 73." In answer to Chairman, Contracting Officer stated the target cost does not encompass any part of R-4.

(4) Page 17. "F.5 HELICOPTERS SERIAL NUMBERS" has been deleted because we were not able to establish with MAAG and the country, the Serial Numbers.

(5) Page 18. The second line of Section F.1 MODEL SPECIFICATIONS will read, "--- as amended by Revision R-2, dated 7 Mar 73 ---".

Proposed R20005, Contract DAAJ01-73-C-0248

(6) Page 29. Section I.5 PRODUCT ASSURANCE PROGRAM PLAN (1) Critical Parts, fourth line, after "Engineering Drawings", insert "(including procurement specification items) ---".

(7) Page 33. The established ceiling is \$344,037,000.00.

(8) Page 54. Section J.3. INCENTIVE PRICE REVISION (FIRM TARGET)

(1972 JUN) (CONT'd) (2). Insertions should be made in the blanks in lines 6 and 9, to read as follows: "Greater than the total target cost ---Total target profit less twenty percent (20%) ---.", and "Less than the total target cost-----Total target profit plus sixty percent (60%) ---."

(9) Page 46. Section J. SPECIAL PROVISIONS, J.11 SINGLE SOURCE FOR EQUIPMENT, b. The word "Reparable" has been corrected in the updated version.

(10) Page 60. In Section J.30 GOVERNMENT FURNISHED PETROLEUM, OILS AND LUBRICANTS, (b), the first and second lines will read, "In the event a situation or condition arises whereby the Government is unable to furnish the fuel and oil items set forth in Paragraph (a) above and the schedule in a timely manner ---."

(11) Page 62. K.3 ACCOUNTING AND APPROPRIATION DATA. Under the final line, "(103)", add "A58AK".

(12) Pages 65 and 66. Section L.2. Second line should read "REVISION NO. 11 AND DPC'S THROUGH NO. 103."

(13) Pages 70 thru 75. Section L.5 GROUND AND FLIGHT RISK (1968 APB). Words that read "Government Representation" or "Contracting Officer" should read "Government Flight Representative".

(14) Page 76. Section M, LIST OF DOCUMENTS, EXHIBITS, AND OTHER ATTACHMENTS. Change 1. to read "WARD/CONTRACT, STANDARD FORM 26".

(15) J.10 PROCEDURES FOR SELECTION AND DELIVERY OF SPARE PARTS, SPECIAL TOOLS, GROUND SUPPORT AND TEST EQUIPMENT, ITEMS 0004 and 0005. The words, "thirty (30) days" should read "thirty days (30)".

Chairman queried with reference to the following:

(1) Section E. 6. PRICING CONDITIONS. There are several cases where it is indicated that amounts are not in here against target costs. Are those planned expenses that will eventually accrue against the target cost? There is a maximum flexibility of 10% on the sales case of \$362,000,000.00, and two major line items which are not priced at this time on which you have put a ceiling - one of \$15M and

Contract DAAJ01-73-C-0248

the other of \$2M. From your present ceiling to the maximum FMS case you have about \$18,000,000.00 cushion. The ceiling amount of \$15M for spares and \$2M for the data will take \$17M of that. Are those really good numbers which would only give a million dollars to pay with, and could the amounts not listed possibly boost us over that FMS case? Contracting Officer replied that the dollars that could possibly be generated by the changes that are anticipated in the AQS, the data package and Quality Assurance programs would amount to about a half million dollars in costs over what we have reflected in the contract. He plans to write an administrative obligation against the contract but not to show it in the contract, to fund these contingencies that are in Sections E and I.6, with the goal of definitizing within 120 days.

Mr. Joseph Murray, representative from Production Aircraft Branch, interposed, for clarification, that there are funds available in the FMS case for spare parts and special tools of almost \$60M which were not mentioned previously, so in fact the 10% flexibility is not in danger.

Contracting Officer replied that he thought he answered that originally when he said that the contract only reflects the items which we have negotiated: The air frame, which is in the sales case at \$295,000,000.00; spare engines, \$11,200,000.00; the military qualification, \$29,000,000.00. There is a line for concurrent spare parts that are not provisioned, nor have we negotiated, but we have in reserve \$56,165,900.00 for spares which include air frame engine and avionics, and we have \$3,099,100.00 for special tools, ground support and test equipment.

Because we have obligated the Government to a degree in the letter contract the Contracting Officer feels he has to continue that obligation. However, he does not intend to put all of these dollars on this contract. He only intends to obligate \$15,000,000.00 for Item 4, and \$2,000,000.00 for Item 5, on this contract.

Mr. Murray directed attention to Page 45. J.10 provides for an interim release procedure for Spare Parts and Special Tools. On Page 12, Contracting Officer has "turned Bell on" for \$15,000,000.00 worth of Spares and \$2,000,000.00 worth of Special Tools. Those \$17,000,000.00 are included in the total contract amount on the face of the document; they are not included in the computations on the charts (Inclosure 1), they are included in the FMS Sales Case at approximately \$60,000,000.00. More money will be funded as time progresses.

Procurement Division member, COL Elswick Newport, queried with reference to Section E.1, SUPPLIES AND SERVICES TO BE FURNISHED SCOPE OF WORK, Item 0001, which states that this covers R-2; has he gone through R-2 or R-3? Contracting Officer replied that R-3 is contemplated. He has a DF from the Product Manager giving the approval of R-2 to the spec, 214-A. They have indicated they contemplate some changes, and any changes they might make in R-3 are subject to cost increase.

Production Division member, MAJ Michael R. Kirils, had no questions.

Contract Cost & Price Analysis member, Miss Christina E. Hiray, deferred to Mr. John D. Watkins, who had no questions.

If 340-15, the preparing agency is The Adjutant General's Office.

AMSAV-PO TO AMSAV-PPPUU ATTN: Mr. Kurtz	SUBJECT Memo of Negotiations to Definitize Letter Contract No. DAAJ01-73-C-0248	DATE 9 Aug 73 GMT 1 J.D. Watkins/ds/5101 CAB 39-73
---	---	---

1. Negotiations with Bell Helicopter Company (BHC) for the design, development and production of two-hundred and eighty-seven (287) Model 214A helicopters plus related flight tests/evaluations and data were concluded at AVSCOM, St. Louis, Missouri on June 16, 1973. The subject helicopters and related data are being procured by the U.S. Government for the Iranian Government. The contractor's initial proposal, as adjusted for additional cost considered during negotiations, and the final agreement are summarized as follows:

	<u>Proposed</u>	<u>Negotiated</u>
Target Cost		
Target Profit		
Dealer's Commissions	<u>3,630,837</u>	<u>287,000</u>
Target Price	<u>\$368,885,705</u>	<u>\$316,537,000</u>
Contract Type: Fixed Price Incentive (Firm Target)		
Ceiling Price	<u>\$412,975,722*</u>	<u>\$344,037,000**</u>
Ceiling Factor	130%	125%
Profit Rate		
Sharing Agreement:		
Over - Gov't/Contractor	75/25%	80/20%
Under- Gov't/Contractor	75/25%	40/60%
*Includes dealer's commissions at 130%.		
**Includes dealer's commissions at 100%.		

2. Personnel representing the parties at negotiation sessions were as follows:

Government:

- *Mr. J. R. Kurtz, Contracting Officer, AVSCOM
- Mr. Bob Weigel, Contracts Specialist, AVSCOM
- Mr. J. D. Watkins, Chief, Price/Cost Analysis Branch, AVSCOM
- Mr. Walt Seithel, Program Manager's Office, AVSCOM
- Mr. Earl Gatlin, Program Manager's Office, AVSCOM
- **Mr. Elmer Bannick, Program Manager's Office, AVSCOM

DA FORM 2496 FEB 62

REPLACES DD FORM 86, EXISTING SUPPLIES OF WHICH WILL BE ISSUED AND USED UNTIL 1 FEB 63 UNLESS SOONER EXHAUSTED.

ST GPO: 1973 749-050/1000

AMSAV-PO

9 August 1973

SUBJECT: Memo of Negotiations to Definitize Letter Contract No. DAAJ01-73-C-0248

**Mr. R. Kimutis, Price Analyst, AVSCOM
 Mr. Allen Keener, Price Analyst, USA Bell Plant Activity
 **Mr. C. B. Hart, Auditor-Supervisor, DCAA
 Mr. J. M. Milam, Auditor-Pricing Team Supervisor, DCAA
 **Col. Newport, Deputy Director for Procurement, AVSCOM
 W/O Parker, Contracts Specialist, AVSCOM
 **Mr. Walt Burrows, Auditor-PLA, DCAA

Contractor:

*Mr. E. L. Farmer, Vice President Finance
 Mr. G. J. Lindsey, Contracts Admin. Mgr.
 Mr. R. G. Hodson, Contracts Administrator
 Mr. C. P. Gray, Contracts Administrator
 Mr. A. A. Hubbard, Chief Estimator

*Principal Negotiators

**Limited participation - confined primarily to first week's sessions.

3. Audit Report No. 110-04-3-0154 addressing the original proposal was issued on May 15, 1973. As time allowed, update information was furnished the Government team informally by update workpapers.

4. Prior to negotiations which commenced at AVSCOM, St. Louis, Missouri, on June 8, 1973, the Government and Bell Helicopter Company (BHC) held Fact Finding sessions at the contractor's facilities in Ft. Worth, Texas, during the week of May 21-24, 1973. Fact finding sessions resulted in the Government submitting a list of questions to the contractor for written reply. The contractor's answers to these questions were received on May 31 and June 1. The Government team assembled at AVSCOM on June 4 and 5 and reviewed the contractor's answers to the fact finding questions. On the morning of June 6th, the Government met with BHC to discuss in more detail twenty-one of the questions which were considered to be inadequately answered. Also, on this date the contractor presented a negotiation update proposal, which reflected movement of cost for receiving and inspection test parts from contract line item three (3) to line item one (1). The evening of June 6 and all of June 7 were spent by the Government team in analyzing the contractor's latest proposal and preparing the Government's update position and go-in offer. The Government's first offer was presented to the contractor on the morning of June 8th, and that afternoon the undersigned presented in detail the basis for the Government's position and reasons for our differences which are briefly summarized below:

a. Rates: Since plant-wide forward pricing rates had previously been negotiated, the only difference consisted of recognition by the Government of historical direct labor rate variances between FPI production contract average rates and plant-wide rates. Variances recognized by the Government were:

AMSAV-PO 9 August 1973
 SUBJECT: Memo of Negotiations to Definitize Letter Contract No. DAAJ01-73-C-0248

<u>Labor Category</u>	<u>(Over)/Under Plant-Wide Rates</u>
Manufacturing - Prod. Phase	\$.02
Manufacturing - Development Phase	(.166)
Tool Make	.017
Production Engineering	.053
Engineering Test & Evaluation	.074
Engineering Design	.274
Pilots	.255
Tech. Pubs	(.025)
Spares & Photographic	(.046)

b. Direct Expense: Differences in direct expense costs of \$365 per unit were due to (i) \$50 for fuel and oil consumption per the technical review and (ii) \$315 for packing and crating cost due to impact of negotiated forward pricing rates.

c. Recurring Mfg. Direct Labor Hours per Unit: The contractor initially proposed 14,125 hours per unit. This value was subsequently updated to 13,962 hours to recognize a factual difference pointed out by audit in our exit conference. The Government's first offer was based on 10,865 hours per unit. The difference of 3,097 hours per unit was due to the following reasons:

<u>Reasons</u>	<u>Labor Hour Difference Per Unit</u>
Recognition of Steeper Curves	502
Recognition of Common Parts	114
Recognition of Drive System Peculiar Historical Curve Slope	947
Recognition of Nodal Beam Technical Evaluation	743
Nonrecognition of 25% Misc. Unidentified Parts and All of the 3% Bump Factor	411
Applicable Process Labor	380
TOTAL	<u>3,097</u>

d. Nonrecurring Engineering Hours: The following engineering direct labor hours differences were based on the results of the Government technical evaluation:

	<u>Nonrecurring Labor Hour Difference</u>
Tool Make	26,478
Production Engineering	36,168
Engineering Test & Evaluation	16,152
Engineering Design	54,727
Pilots	1,362
Tech Pubs	10,195
Spares Engineering	7,822
Photographic	678

ANSAV-PO

9 August 1973

SUBJECT: Memo of Negotiations to Definitize Letter Contract No. DAAJ01-73-C-0248

Additionally, there were 32,530 nonrecurring manufacturing hours for spare and test parts which had been questioned by audit for non-recognition of these quantities in the development program curve span.

e. Material and Subcontract Cost: The contractor's original versus negotiation update proposal reflected numerous changes in the material and subcontract recurring cost per helicopter as summarized below:

	Cost Per Unit	
	Original	Neg. Update
Mat'l - Engine (1)	\$157,008	\$158,435
Mat'l - Raw (2)	24,363	23,339
Mat'l - AN/Vendor (3)	98,917	60,146
Subcontract (4)	161,402	169,906

(1) The engine estimate was increased to recognize results of BHC's negotiation with the vendor.

(2) Raw Material was reduced to recognize factual differences discussed in audit exit conference.

(3) Hydraulic components valued at \$13,428 were reidentified as subcontract cost in update. The remaining reduction of \$25,343 per unit was in recognition of factual differences presented in the audit exit conference.

(4) The net \$8,504 cost per unit includes a reduction of \$4,924 due to factual differences discussed in audit exit conference offset by the hydraulic AN/Vendor dollars of \$13,423 which were reidentified as subcontract items. (See Note (3), above).

5. The Government recommended material and subcontract cost per unit and resulting differences per unit as presented below were due primarily to (i) difference in material/subcontract factor whereby BHC proposed 26% versus the Government's recommended 12% increase factor for escalation, vendor qualification and miscellaneous charges, (ii) recognition of only 75% of unsupported miscellaneous unidentified parts, and (iii) recognition of a budgetary quote received from HR & M for hydraulic parts. The HR & M quote amounted to a difference in subcontract cost of \$14,043 per unit. Total difference per unit is as follows:

	Difference Per Unit
Material - Raw	\$ 3,173
Material - AN/Vendor	10,277
Subcontract	37,101

AMSAV-PO

9 August 1973

SUBJECT: Memo of Negotiations to Definitize Letter Contract No. DAAJ01-73-C-0248

Other minor differences existing in nonrecurring cost areas were also explained in detail. After this briefing, the contractor requested and received our detailed computations. Based on the contractor's request, negotiations were terminated until the following Tuesday, June 12, so that they might have an opportunity to study the basis for our differences. The contractor returned to Ft. Worth and the Government team remained in St. Louis to prepare a maximum Government position. Negotiations resumed on Tuesday morning, June 12, with BHC attacking the Government's position. The initial implication by BHC was that our offer was too low and without foundation, thus the Government should adjust their first offer to reflect a more reasonable position. After more than six hours of debate as to the soundness and validity of each position, the contractor stated that they had not had enough time to properly evaluate the Government's position and apologized for not having prepared a counter offer. The Government had successfully supported the basis for their position in all except two technical areas, (Nodal beam labor hour and oil consumption reviews). The engineer who had performed the technical evaluation was not present; however, his supervisor called in corrected positions on June 13, 1973.

6. The Government, while preparing their maximum offer on Wednesday morning, found an \$8,900,444 math error in their update and first offer positions which resulted in the first offer being too high by that amount. Since our detailed computations had been given to the contractor on the preceding Friday, the Government was astonished that the contractor had not pointed out the error in their dissection of our position the previous day. To test BHC's credibility, the contracting officer decided to wait until after the contractor's next offer to see if they would make us aware of our mistake. The contractor presented their second offer without pointing out the mistake in the Government's position. From discussion at the table, it appeared that at least one member of their team was aware of the Government's mistake. The contracting officer advised BHC that our next offer (No. 2) would reflect a correction of the math error. BHC in subsequent offers found that armor seats from Norton Co. and other miscellaneous parts had inadvertently been omitted from their proposal. The costs of these items amounting to \$4,482,940 were verified as requirements and were recognized by the Government in later offers, based on Norton's quote which BHC had furnished as a handout.

7. Also in a subsequent offer (No. 3), the contractor recognized receipt of an updated quote from their sister division, HR & M, and reduced their proposed cost by \$2,110,035 or \$5,607 per unit unburdened. The HR & M quote purportedly was based on FPN rates approved by DCAA. The Government after analyzing the updated HR & M quote and the contractor's adjustment, determined that BHC had not properly adjusted their proposal for the HR & M quote. A handout reflecting the proper adjustment for the HR & M quote was presented by the Government with our fourth offer. This handout showed that the contractor's reduction of \$2,110,035 for HR & M should have been \$5,323,287; i.e., they owed the Government an additional move of \$3,213,252 or \$8,501 per unit unburdened. The contractor at this point (late Friday night) expressed a desire to terminate negotiations until the following Tuesday, June 19. Mr. Kurtz, the PCO, and Col. Newport stated that it was the Government's desire to continue negotiations. It was decided

AMSAV-PO

9 August 1973


SUBJECT: Memo of Negotiations to Definitize Letter Contract No. DAAJ01-73-C-0248

to continue negotiations through Saturday. Final agreement was reached at a target cost of \$275,000,000, target profit of \$41,250,000 (15%); 80/20 share cost overrun, 40/60 share of cost underruns, ceiling price \$343,750,000 (125%). This was within .5% of the Government's objective. The difference is assumed to be an increase of 180 hours in detail parts and subassemblies specifically in the transmission area. The negotiated price is considered to be fair and reasonable since the Government's position recognizes that judgmental differences may exist in the projected effort.

8. Disposition of reported possible cost accounting standards (CAS) problems was as follows:

a. Tooling Liaison Labor amounting to 5,000 hours and an undetermined number of direct engineering labor hours for C/SCSC administration as of the date of agreement had not been ruled on by the ACO. The aforementioned labor hours were included in the negotiated target cost. Should the ACO rule that these hours or effort are in non-compliance, then the negotiated target cost should be reduced accordingly.

b. The ACO ruled that the undetermined Bidding and Proposal cost was not in non-compliance. This decision was based on AVSCOM legal interpretation which stated in summary that the effort was not incurred under like circumstances.


JOHN D. WATKINS
Chief, Contract
Price Analysis Office

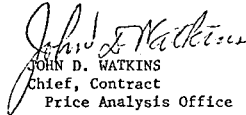

J. R. KURTZ
CONTRACTING OFFICER

AMSAV-PO

SUBJECT: Addendum to Memo of Negotiations to Definitize Letter Contract
No. DAAJ01-73-C-0248Other Comments:

a. The contractor furnished a Certificate of Current Cost or Pricing Data certifying that cost or pricing data furnished in support of his proposal was accurate, complete and current as of 18 June 1973. Factual data furnished by the contractor was verified by the Government negotiating team. There was no area where data was considered inaccurate, not complete or not current. Differences between the recommendations set out in DCAA's formal audit report of 15 May 1973 and the Government's negotiation objective are considered to be the result of updating proposals by BHC and the furnishing of additional supporting documentation. DCAA auditor reviewed these updated proposals together with the additional supporting data. Informal audit comments and recommendations resulting from this updated information was incorporated into the Government's negotiating objective. There were no unresolved significant exceptions taken by DCAA, to amounts included in the negotiated cost.

b. In consideration of the fact set out in this memorandum, the overall pricing arrangement on this procurement is considered reasonable.


JOHN D. WATKINS
Chief, Contract
Price Analysis Office


J. R. KURTZ
Contracting Officer



POST OFFICE BOX 482 · FORT WORTH, TEXAS 76101

A Textron COMPANY18 June 1973
LM:RGH:jc-308

Subject: Contract DAAJ01-73-C-0248, Confirmation of Firm Target Price Negotiations

To: Department of the Army
U. S. Army Aviation Systems Command
P. O. Box 209
St. Louis, Mo. 63166

Attn: AMSAV-PPUU/J. R. Kurtz

Ref: (a) Negotiations Conducted 6 June 1973 through 16 June 1973
(b) Negotiation Baseline for Definitization, BHC letter LM:RGH:hf-898 dated 11 June 1973
(c) Negotiation Update Proposal, BHC letter 22:AAH:nk-1009, dated 4 June 1973
(d) Fact Finding Update Proposal, BHC letter LM:RGH:jc-274, dated 17 May 1973
(e) Proposal for Definitization of Model 214A Letter Contract DAAJ01-73-C-0248, BHC letter LM:RGH:jc-186, dated 30 March 1973

Encl: (1) Certificate of Current Cost and Pricing Data

1. Reference (a) negotiations were conducted between representatives of AVSCOM and Bell Helicopter Company to establish the Firm Target amounts and Terms and Conditions as were proposed by references (b) through (e).

2. The Contractor confirms the following target cost, target profit, target price, share factors and ceiling amount that were agreed to:

<u>A. Contract Line Items</u>	<u>Unit</u>	<u>Total</u>
<u>Item 0001, 287 ea. Helicopters</u>		
Target Cost		
Target Profit		
Target Price	945,516	* 271,323,199

*Includes Dealer Commission @ \$287,000.

<u>Item 0002, 75 ea Spare Engines</u>	Unit	Total
Target Cost		
Target Profit		
Target Price	190,371	14,277,819

Item 0003, Qualification

Target Cost		
Target Profit		
Target Price		29,000,000

Items 0004 & 0005, to be priced at a later dateItem 0006, Data

Target Cost		
Target Profit		
Target Price	6,745	1,935,982

TOTAL TARGET COST

TOTAL TARGET PROFIT

TOTAL TARGET PRICE \$316,537,000

*TOTAL TARGET CEILING \$344,037,000

*Ceiling computation equals 125 % of target cost: less \$287,000.00 Dealer Commission then the add back of \$287,000.00 to the Ceiling Amount.

- B. Contract Type - Fixed Price Incentive (Firm Target).
- C. Share Factors - Over - 80/20
Under - 40/60
- D. Profit Rate of Target Cost

3. The above target amounts are based upon agreement of the statement of work and terms and conditions as reflected in references (b) through (e) except as stated below:

A. Term and Condition #9 (as stated in ref. (b))

Add the following sentences:

"The last billing will be less \$180,000. This final amount will be billed upon approval of all AQS test reports."

B. Term and Condition No. 3 (as stated in ref. (b))

Add the following paragraph:

"BHC and U. S. Government will meet sixty (60) days prior to delivery of 1st helicopter to review status of qualification of aircraft and/or components."

C. Term and Condition No. 1 U. (Ref (b))

Add the following to Para I.4(1)(d)

"....however, any part with a critical characteristic(s) (by definition a critical part) which has been rejected for non-conforming to other than a critical characteristic(s) is subject to MRB action."

D. Term and Condition No. 1 Z (Ref.(b))

Delete the last sentence of paragraph "c" as contained in Contractor's reference (e) proposal, Section J.12 which reads:

"The parties further agree that in the event the Contractor must change sources for the reasons specified herein that the parties will enter into negotiations to equitably adjust the contract schedule, price or both."

E. Term and Condition No. 1.G.G. (Ref. (b))

It was agreed that the Item 0006, Total Target Price, of Section E.2 of the Contract would reflect a unit price amount (total divided by 287 ea) that could be billed on the Item 1 DD 250 as a separate amount (if not prohibited by ALPHA).

4. As amended above, it was agreed that the Terms and Conditions as stated in reference (b) would be incorporated into the Definitive Contract.
5. Submitted herewith as enclosure (1) is the Certificate of Current Cost and Pricing Data executed by the Contractor. The Contractor reserves the right to review the resulting Definitive Contract for concurrence prior to execution.
6. Early receipt of a Definitive Contract will be appreciated.

BELL HELICOPTER COMPANY



E. L. Farmer
Vice President
Finance

BELL HELICOPTER COMPANY

Certification of Current Cost and Pricing Data

CERTIFICATE OF CURRENT COST AND PRICING DATA

This is to certify that, to the best of my knowledge and belief, cost or pricing data as defined in ASPR 3-807.3(h) submitted, either actually or by specific identification in writing (see ASPR 3-807.3(i)), to the Contracting Officer or his representative in support of BHC Definitive Proposals for Definitization of Contract DAAJ01-73-C-0248. Letters: 1M:RGH:jc-186, dated 30 Mar. 73; 1M:RGH:jc-274, dated 17 May 1973; and 22:AAH:nk-1005 dated 4 June 1973. are accurate, complete, and current as of 18 June
day month

1973
year

Firm Bell Helicopter Company
Name E. L. Farmer
E. L. Farmer
Title Vice President Finance

Date of Execution

18 June 1973

AMSAV-PPPUU

22 June 1973
1450 Hours

MEMO FOR RECORD


SUBJECT: FMS Cases - Iran

- 1. Took a call from Mr. Chuck Paoletti, AMC Contract Pricing (AV 284-8268/9) this date. He was inquiring about dealer's cost or agent's commission paid by Bell on sales resulting from FMS Cases. He had previously spoken with DCAA at Fort Worth. The auditor had told him that this cost had been investigated and approved by DCAA but that the audit report had been forwarded to the Contracting Office. Mr. Paoletti was now attempting to find out the particulars surrounding this cost element.
- 2. The inquiry results from an alleged complaint by the Shah of Iran on FMS cases. The Shah is said to be unhappy about the independent agents running around his country who are on commission even though the aircraft being purchased go through the US Government. This complaint came to him through the back door; nothing formal has been filed.
- 3. Mr. Paoletti was told that none of the personnel involved in negotiations with BHC for Iranian purchase of helicopters were available at the present time. Since no one other than those directly involved with the procurement would have the essential information needed, he agreed to call again Monday morning, 25 Jun 73.

Dean Stewart
 DEAN STEWART
 Contract Specialist

Noted
JMS
6/22/73

Col Newport
Bb Reed
Dr Keenan
JA Murray
J. H. Haulick
(Incl 5)

were advised 


BELL HELICOPTER COMPANY
 POST OFFICE BOX 487 • FORT WORTH, TEXAS 76101 A **EXTRON** COMPANY

4 June 1973
22:AAH:nk-1009

Subject: Letter Contract DAAJ01-73-G-0248, Proposed Update for Procurement of Iranian Model 214A Helicopters

To: U. S. Army Aviation Systems Command
P. O. Box 209
St. Louis, Missouri 63166

Attn: AMSAV-PPPUU/J. R. Kurtz

Via: U. S. Army Bell Plant Activity
P. O. Box 1605, Fort Worth, Texas 76101

Ref: (a) BDC Proposal, LM:RGH:jc-186 dated 30 March 1973

(b) Price Proposal Update, Iranian 214A Procurement - Fact Finding dated 17 May 1973

Encl: (1) Price Proposal Update, Iranian 214A Procurement

1. Submitted as enclosure (1) is an updated proposal for definitization of the subject letter contract.
2. This updated proposal reflects the following changes to our reference (b) Fact Finding proposal of 17 May, 1973:

Contract Item No. 1 - Production 287 Helicopters

- a. Correct DIRECT EXPENSE to negotiated Foreign Selling Expense.
- b. Add "Receiving Inspection Test Parts" to Non-Recurring from Contract Item No. 3 "Spares and Test Parts."
- c. Incorporate "Negotiated" Engine price and change "Freight-In" to forecast book cost versus application method.

Contract Item No. 2 - 75 Spare Engines

- a. Incorporate "Negotiated" Engine Price and change "Freight-In" to forecast book cost versus application method.

Contract Item No. 3 - Development and Test

- a. Added 560 hours Production Engineering to ACBC Bench Test for additional effort identified by Production Engineering Department.
 - b. Change ACAO Vehicle test to include kits to be installed on aircraft 1, 2 and 3 and corrected ACBD Static Test for effort inadvertently left out of Fact Finding Computer run.
 - c. Changed "Spares and Test Parts" ACCO to remove "receiving inspection test parts" and avionics black boxes for pre-SLAE configuration.
3. We look forward to discussing any aspect of this proposal with the procuring agency representatives.

BELL HELICOPTER COMPANY



E. L. Farmer
Vice President, Finance

COMPARATIVE BIDDING SUMMARY

(Include in your bid)

NAME OF CONTRACTOR BELL HELICOPTER COMPANY 1070 OFFICE BUILDING, SUITE 4000 P. O. BOX 482 FORT WORTH, TEXAS	SUPPLIER SERVICE SERVICES TO BE FURNISHED MODEL 214A HELICOPTERS NEGOTIATION UPDATE QUANTITY _____ TOTAL AMOUNT OF PROPOSAL \$ _____ GOVERNMENT REGISTRATION NO. _____ SUMMARY I.C. DAAJ01-73-C-0249
--	--

COST ELEMENTS	PROPOSED CONTRACT ESTIMATE	
	TOTAL COST ¹	UNIT COST ²
1. PURCHASED PARTS ³	\$ 73,275,468	
Outsides Parts - Tools	1,267,522	
In-Plant Purchased Parts	52,032,946	
Tool Material	369,038	
(1) Non-Material	7,160,536	
(2) Standard Commercial Items ⁴	4,204,051	
(3) Interdivisional Transfers		
Fees (if other than cost) ⁵		
2. MATERIAL OVERHEAD ⁶		
3. INTERDIVISIONAL TRANSFERS AT COST ⁷		
4. DIRECT ENGINEERING LABOR ⁸	7,488,836	
Service-Rep. Labor	66,452	
5. ENGINEERING OVERHEAD ⁹	6,469,184	
Payroll Expenses	6,027,867	
Quality Control Direct	441,317	
6. DIRECT LABOR & TOOLING LABOR ¹⁰	27,022,389	
Tool-Make Labor	1,563,307	
7. MANUFACTURING OVERHEAD ¹⁰	49,350,360	
8. OTHER COSTS ¹¹	24,645,865	
Sustaining Equip. & Tool	8,298,166	
9. SUBTOTALS	\$ 271,400,780	
10. GENERAL AND ADMINISTRATIVE EXPENSES ¹²	21,207,759	
11. ROYALTIES ¹³		
12. FEDERAL EXCISE TAXES ¹⁴		
13. SUBTOTALS	\$ 292,608,539	
14. PROFIT OR FEE		
Commission	287,000	
15. TOTAL PRICE (Amount)	\$ 339,712,905	

¹ HAVE THE ELEMENTS OF DEFENSE, NATIONAL SECURITY AND SPACE ADMINISTRATION ON THIS ATOMIC ENERGY COMMISSION PERFORMED PAY REVIEW OF YOUR ACCOUNTS OR RECORDS IN CONNECTION WITH ANY OTHER GOVERNMENT PRIME CONTRACT OR SUBCONTRACT WITHIN THE PAST THREE MONTHS?

YES NO IF YES, INDICATE BELOW

NAME AND ADDRESS OF RECEIVING OFFICE (Include ZIP Code)	TELEPHONE NUMBER
BCAA BELL HELICOPTER COMPANY	280-2011

16. WILL YOU REQUIRE THE USE OF ANY GOVERNMENT PROPERTY IN THE PERFORMANCE OF THIS PROPOSED CONTRACT?

YES NO IF YES, IDENTIFY ON A SEPARATE PAGE. **WAIVED BY ACO**

17. DO YOU REQUIRE GOVERNMENT CONTRACT FINANCING TO FULFILL THIS PROPOSED CONTRACT?

YES NO

18. HAVE YOU BEEN AWARDED ANY CONTRACTS ON SUBCONTRACTS FOR SIMILAR ITEMS WITHIN THE PAST THREE YEARS?

YES NO IF YES, SHOW CUSTOMER(S) AND CONTRACT NUMBERS BELOW ON A SEPARATE PAGE.

19. DOES THIS COST SUMMARY CONFORM WITH THE COST PRINCIPLES SET FORTH IN 48 CFR, SECTION 27.101-2(a)(2)?

YES NO IF NO, EXPLAIN ON A SEPARATE PAGE

This proposal is submitted for use in connection with and in response to _____
Letter Contract DAAJ01-73-C-0249 * and reflects our best estimates as of this date.

In accordance with the instructions to offerors and the features which follow:
 (1) **NO POST OFFERS AND BIDDETS.**

TYPED NAME AND TITLE E. L. Farmer, Vice President, Finance	SIGNATURE
NAME OF FIRM BELL HELICOPTER COMPANY	DATE OF SUBMISSION 4 June 1973

DD FORM 633 (REV. 6-63)

INSTRUCTIONS TO OFFEROR

1. The purpose of this form is to provide a standard format by which the offeror submits to the Government a summary of incurred and estimated costs (and attached supporting information) suitable for detailed review and analysis. Prior to the award of a contract resulting from this proposal, the offeror shall, under the conditions stated in ASPIR 3-507.3, be required to submit a Certificate of Current Cost or Pricing Data (see ASPIR 3-507.3(e) and 3-507.4).

2. As part of the specific information required by this form, the offeror must submit with this form, and clearly identify as such, cost or pricing data (that is, data which is verifiable and factual) and otherwise as defined in ASPIR 3-507.3(e). In addition, he must submit with this form any information reasonably required to explain the offeror's estimating process, including:

a. The judgmental factors applied and the mathematical or other methods used in the estimate including those used in projecting from known data; and

b. The contingencies used by the offeror in his proposed price.

3. When attachment of supporting cost or pricing data to this form is impracticable, the data will be specifically identified and described (with schedules as appropriate), and made available to the contracting officer or his representative upon request.

4. The formats for the "Cost Elements" and the "Proposed Contract Estimate" are not intended as rigid requirements. These may be presented in different format with the prior approval of the contracting officer if required for more effective and efficient presentation. In all other respects this form will be completed and submitted without change.

5. By submission of this proposal offeror, if selected for negotiation, grants to the contracting officer, or his authorized representative, the right to examine, for the purpose of verifying the cost or pricing data submitted, those books, records, documents and other supporting data which will permit adequate evaluation of such cost or pricing data, along with the computation and projections used therein. This right may be exercised in connection with any negotiations prior to contract award.

FOOTNOTES

NOTE 1. Enter in this column those necessary and reasonable costs which in the judgment of the offeror will properly be incurred in the efficient performance of the contract. When any of the costs in this column have already been incurred (e.g., on a letter contract or change order), describe them on an attached supporting schedule. When "preproduction" or "startup" costs are significant or when specifically requested in detail by the contracting officer, provide a full identification and explanation of same.

NOTE 2. The use of this column is optional for multiple line item proposals, except where the contracting officer determines that a separate DD Form 633 is required for selected line items.

NOTE 3. Attach separate pages as necessary and identify in this column the attachment in which the information supporting the specific cost element may be found. No standard format is prescribed; however, the cost or pricing data must be accurate, complete and current and the judgment factors used in projecting from the data to the estimates must be stated in sufficient detail to enable the contracting officer to evaluate the proposal. For example, provide the basis used for pricing the bill of materials such as by vendor quotations, shop estimates, or invoice prices; the reason for use of overhead rates which depart significantly from experienced rates (reduced volume, a planned major reorganization, etc.); or justification for an increase in labor rates (anticipated wage and salary increases, etc.). Identify and explain any contingencies which are included in the proposed price, such as anticipated cost of rejects and defective work, anticipated costs of engineering redesign and retesting, or anticipated technical difficulties in designing high-risk components.

NOTE 4. Provide a list of principal items within each category of material indicating known or anticipated source, quantity, unit price, competition obtained, and basis of establishing source and reasonableness of cost.

NOTE 5. Include material for the proposed contract other than material described in the other footnotes under the cost element entitled "Direct Material."

NOTE 6. Include parts, components, assemblies, and services to be produced or performed by other than you in accordance with your design, specifications, or directions and applicable only to the prime contract.

NOTE 7. Include raw and processed material for the proposed contract in a form or state which requires further processing.

NOTE 8. Include standard commercial items normally fabricated in whole or in part by you which are generally stocked in inventory. Provide explanation for inclusion at other than the lower of cost or current market price.

NOTE 9. Include all materials sold or transferred between your plants, divisions or organizations under a common control or other than cost to the original transferee and provide explanation of pricing method used.

NOTE 10. Indicate the rates used and provide an appropriate explanation. Where agreement has been reached with Government representatives on the use of forward pricing rates, describe the nature of the agreement. Provide the method of computation and application of your overhead expense, including cost breakdown and showing trends and budgetary data as necessary to provide a basis for evaluation of the reasonableness of proposed rates.

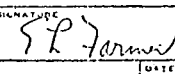
NOTE 11. Include separate breakdown of costs.

NOTE 12. Provide a separate breakdown of labor by appropriate category and furnish basis for cost estimates.

NOTE 13. Include all other estimated costs (e.g., special tooling, facilities, special test equipment, special plant rearrangement, preservation packaging and packing, spares, and rework, and warranty) which are not otherwise included. Identify separately each category of cost and provide supporting details. If the proposal is based on a F.O.B. destination price, indicate separately all outbound transportation cost included in total amount.

NOTE 14. If the total cost entered here is in excess of \$2 provide on a separate page (or on DD Form 783, Royalty Report) the following information on each separate item of royalty or license fee: name and address of licensor, date license agreement; patent numbers, patent application ser numbers, or other basis on which the royalty is payable; description, including any part or model numbers of each tract item or component on which the royalty is payable; percentage or dollar rate of royalty per unit; unit price of item; number of units; and total dollar amount of royalty. In addition, if specifically requested by the contracting officer, a copy of the current license agreement and identification of applicable claims of specific patents shall be provided.

NOTE 15. Selling price must include any applicable Federal excise tax on finished articles.

CONTRACT BIDDING PROPOSAL		FORM APPROVED BUDGET BIDDING AND CONTRACTING	
Name of contractor BELL HELICOPTER COMPANY NAME OFFICE ADDRESS (Include ZIP Code) P. O. BOX 452 FORT WORTH, TEXAS		Form number (See ASPR 3-307.3) is required CONTRACT NO. MODEL 214A HELICOPTERS NEGOTIATION UPDATE QUANTITY ITEM 1 PRODUCTION, 287 HELICOPTERS	
Division and location where work is to be performed (Include ZIP Code) TC 292,431,455		Government solicitation no. LC DAAJ01-73-G-0248	
COST ELEMENTS		TOTAL COST ¹	UNIT COST ²
1. PURCHASED PARTS ³ Outside Prod. - Tools 1,517,269		\$ 62,926,257	
2. SUBCONTRACT ITEMS ⁴ Tool Material (1) MATERIAL 6,806,138 (2) STANDARD COMMERCIAL ITEMS ⁵ 3,818,673 (3) INTERDIVISIONAL TRANSFERS (if other than cost) ⁶		51,444,392	
3. MATERIAL OVERHEAD ¹⁰			
4. INTERDIVISIONAL TRANSFERS AT COST ¹¹			
5. DIRECT ENGINEERING LABOR ¹² Service Rep. Labor		1,531,518 14,896	
6. ENGINEERING OVERHEAD ¹⁰ Payroll Appurtenages		1,304,346 6,256	
7. QUALITY CONTROL DIRECT DIRECT MANUFACTURING LABOR ¹³ TOOL MEND. LABOR		3,877,677 24,589,074 1,349,411	
8. MANUFACTURING OVERHEAD ¹⁰		44,658,366	
9. OTHER COSTS ¹⁴ Sust. Equip. & Tooling		21,944,816 8,298,166	
10. SUBTOTALS		\$ 234,767,521	
11. GENERAL AND ADMINISTRATIVE EXPENSES ¹⁵		17,081,147	
12. PROFIT/LOSS ¹⁶			
13. FEDERAL EXCISE TAX ¹⁷			
14. SUBTOTALS		\$ 251,848,668	
15. PROFIT OR FCC COMMISSION		267,000	
16. TOTAL PRICE (Amount)		\$ 292,431,455	
I HAVE THE DEPARTMENT OF DEFENSE, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, OR THE ARMY, NAVY, OR AIR FORCE COMMISSION PERFORMED THE REVIEW OF THIS ACCOUNT OR RECORDS IN CONNECTION WITH ANY OTHER GOVERNMENT PRICING CONTRACT OR SUBCONTRACT WITHIN THE PAST TWELVE MONTHS?			
<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO IF YES, IDENTIFY BELOW.			
NAME AND ADDRESS OF REVIEWING OFFICE (Include ZIP Code)		TELEPHONE NUMBER	
DCAA BELL HELICOPTER COMPANY		280-2011	
II. WILL YOU REQUIRE THE USE OF ANY GOVERNMENT PROPERTY IN THE PERFORMANCE OF THIS PROPOSED CONTRACT?			
<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO IF YES, IDENTIFY ON A SEPARATE PAGE. WAIVED BY ACO			
III. DO YOU REQUIRE GOVERNMENT CONTRACT FINANCING TO PERFORM THIS PROPOSED CONTRACT?			
<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO IF YES, IDENTIFY: <input type="checkbox"/> ADVANCE PAYMENTS <input type="checkbox"/> FINANCIAL ASSISTANCE <input type="checkbox"/> GUARANTEED LOANS			
IV. HAVE YOU PREVIOUSLY AWARDED ANY CONTRACTS OR SUBCONTRACTS FOR SIMILAR ITEMS WITHIN THE PAST THREE YEARS?			
<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO IF YES, SHOW CUSTOMERS AND CONTRACT NUMBERS BELOW OR ON A SEPARATE PAGE.			
V. DOES THIS COST SUMMARY CONFORM WITH THE COST PRINCIPLES SET FORTH IN ASPR, SECTION 4V (48 CFR 301.70-2)?			
<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO IF NO, EXPLAIN ON A SEPARATE PAGE.			
This proposal is submitted for use in connection with and in response to _____			
Letter Contract DAAJ01-73-G-0248 _____ * and reflects our best estimates as of this date.			
In accordance with the instructions to offerors and the contract which follow:			
THIS IS THE BEST AND FINAL OFFER.			
TYPED NAME AND TITLE E. L. Farmer, Vice President, Finance		SIGNATURE 	
NAME OF FIRM BELL HELICOPTER COMPANY		DATE OF SUBMISSION	

Have Conversation with Mr. Portier + Mr. Bor...
WALTON/55488
DEPARTMENT OF THE ARMY
STAFF COMMUNICATIONS DIVISION

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 TO RUEFHJA/CARMISH MAAG TEHRAN IRAN
 RUEADWD/CSA WASH DC
 RUENAAA/CNO WASH DC
 RUEFHQA/CSAF WASH DC
 RUEBDSB/OSA WASH DC
 INFO RUESHR/AMEMB TEHRAN IRAN
 RUEHC/SECSTATE WASH DC
 RUSNAAA/USCINCEUR VATHINGEN GERMANY.
 ZEN/JCS WASH DC
 BT

UNCLAS E F T O FPOD 6770
 FROM: ASD:ISA(SA)/DSAA
 SUBJECT: AGENTS FEES IN IRAN EMS
 REFS: A. CARMISH MAAG IRAN MSG, 231331Z APR 73(NOTAL).
 B. CARMISH MAAG IRAN MSG 051333Z MAY 73. C. AMEMB TEHRAN MSG 3630,
 280605Z MAY 73.
 1. THE SUBJECT OF AGENTS FEES WITHIN FMS WAS DISCUSSED WITH GENERAL
 TOUFANIAN, GOI VICE MINISTER OF WAR PUR PROCUREMENT, ON 11 JUNE 73.
 2. IT HAS BECOME CLEAR THAT WE MUST ALTER OUR CURRENT PROCEDURES
 SO AS TO ACCOMMODATE THE SHAH'S INSTRUCTIONS TO GEN TOUFANIAN THAT
 THE GOI WILL NOT REPEAT NOT PAY THE COST OF ANY REPEAT ANY AGENTS'
 FEES REFLECTED IN FMS PRICING.
 3. AFTER GEN TOUFANIAN INITIALLY STATED THE GOI OBJECTION TO AGENTS'
 FEES, OUR FIRST RESPONSE WAS TO AGREE THAT OUR CONTRACT OFFICIALS
 SHOULD NOT HONOR AND THE GOI SHOULD NOT HAVE TO PAY EXCESSIVE OR
 IMPROPER AGENTS' FEES, THAT IS, FEES ARISING OUT OF WHO THE AGENT
 IS AS OPPOSED TO WHAT SERVICES HE PERFORMS. THIS RESPONSE WAS NOT
 SUFFICIENT. GEN TOUFANIAN INSISTED THAT THE GOI WILL NOT PAY ANY
 AGENTS' FEES. HE AGREED ONLY THAT THE GOI WILL NOT OBJECT TO PAYING
 FOR REASONABLE AND JUSTIFIABLE SERVICES ACTUALLY PERFORMED IN CON-
 NECTION WITH THE SALE. THE GOI, HE EMPHASIZED, IS WILLING TO
 PAY FOR VALUE RECEIVED; IT IS NOT WILLING TO PAY ANY ELEMENT OF
 COST ARISING OUT OF "FINDING" THE TRANSACTION OR THE ASSUMPTION
 THAT "INFLUENCE" CAN MAKE THE GOI ANY MORE LIKELY TO ENGAGE OR NOT
 TO ENGAGE IN A CERTAIN TRANSACTION. GEN TOUFANIAN WAS PARTICULARLY

ADAMANT THAT THE GOI WOULD NOT PAY COSTS MEASURED AS A PERCENTAGE OF SALES; EVEN 1/2 OF 1 PERCENT OF A \$100 MILLION TRANSACTION IS CLEARLY DISPROPORTIONATE TO REAL SERVICES AND REAL VALUE TO THE GOI. GEN TOUFANIAN DID NOT OBJECT TO THE PRACTICE OF U.S. FIRMS USING AGENTS IN IRAN FOR CIVIL SECTOR MERCHANDISE. HE MAKES HIS POINT ONLY IN REGARD TO THE IRANIAN PURCHASE OF MILITARY EQUIPMENT. BECAUSE OF THE INTENTIONS OF THE GOI TO USE THE FMS CHANNEL WHENEVER POSSIBLE, THE GOI SIMPLY SEES NO VALID SERVICE TO BE PERFORMED BY AN AGENT.

4. OUR DIFFICULTY IS THAT THE ASPR CURRENTLY PERMIT REASONABLE, VALID AND ACTUAL AGENTS' FEES AS A PART OF "COST OF SALES" ASSOCIATED WITH AN FMS TRANSACTION. WE POINTED OUT TO GEN TOUFANIAN THAT IT MAY NOT BE SIMPLE TO ELIMINATE ALL SUCH FEES. THEY MAY, FOR EXAMPLE, BE INCLUDED IN AGREED OVERHEAD. THEY MAY NOT BE ISOLATABLE AND IT IS POSSIBLE THAT THE U.S. CONTRACT OFFICIAL DOES NOT KNOW OF THEIR EXISTENCE. OUR DIFFICULTY IS NOT IN ELIMINATING UNREASONABLE FEES; IT IS THAT WE MAY NOT BE ABLE TO ASSURE COMPLETE ELIMINATION OF ALL FEES.

5. AS A RESULT OF THE ABOVE DISCUSSIONS THE FOLLOWING ACTIONS ARE UNDERWAY. A. FOR CONTRACTS CURRENTLY BEING NEGOTIATED WHICH ARISE FROM OR INCLUDE GOI FMS CASE REQUIREMENTS WHICH ARE ASSOCIATED WITH THE CONTRACTUAL OBLIGATIONS OF A U.S. FIRM EMPLOYING A REPRESENTATIVE IN IRAN, THE FEE WILL BE ISOLATED AND IDENTIFIED TO GOI FOR GOI APPROVAL PRIOR TO CONTRACT AWARD. DETAILED JUSTIFICATION AND OR EXPLANATION OF THE FEE WILL ACCOMPANY THE NOTIFICATION TO THE GOI. IT IS INTENDED THIS PROCEDURE BE INITIATED ONLY AFTER NEGOTIATION WITH THE FIRM INVOLVED. THIS PROCEDURE IS BEING IMPLEMENTED IMMEDIATELY. B. A US/GOI MEMORANDUM OF UNDERSTANDING OR POSSIBLY A SIMPLER EXCHANGE OF LETTERS IS BEING PREPARED TO EXPRESS THE GOI REQUEST AND TO AUTHORIZE ACTIONS BEING CONTEMPLATED BY DOD. THIS WOULD BE REGARDED BY DOD AS AN "INTERNATIONAL AGREEMENT" WITHIN MEANING OF ASPR. PURPOSE OF THIS MOU OR SUCH LETTERS IS TO GAIN AUTHORITY FOR ACTIONS UNDER ASPR WHICH ARE NOT POSSIBLE UNLESS NORMAL PROCEDURES ARE OVERRIDEN IN ACCORDANCE WITH ASPR 6.705.3(D). C. NOTICE TO U.S. INDUSTRY WILL BE PROVIDED BY OASD(I&L) AFTER AGREEMENT IS CONSUMMATED. IN THE INTERIM, U.S. INDUSTRY MAY BE ADVISED OF THE GOI REQUIREMENTS REGARDING AGENTS' FEES AND THAT THE DOD IS INVOKING ASPR 6.705.3(D) CLAUSE (SUPREMACY OF INTERNATIONAL AGREEMENTS), IN ORDER TO CARRY OUT GOI REQUIREMENTS PLACED UPON THE DOD AS OUTLINED HEREIN. IT IS RECOMMENDED THAT U.S. DEFENSE INDUSTRY CONSIDER MAKING ALL FUTURE ARRANGEMENTS FOR REPRESENTATION ON A SALARY RATHER THAN A COMMISSION BASIS AND THAT THEY SHOULD ATTEMPT TO MODIFY ALL EXISTING ARRANGEMENTS TO THAT END. INFORMATION IN PARA 5.A PARTICULARLY SHOULD BE PROVIDED AS APPROPRIATE TO U.S. DEFENSE INDUSTRY. 2222132 304 73

BT

SHEET

DAA101-73-C-0248 (P26)

57 76

CELLULOSE ACETATE COMPANY, DIVISION OF TETTRON, INC.

SECTION J. SPECIAL PROVISIONS

J.27 OTHER COSTS

The Contractor's proposal for definitization of this contract does not include costs for services of his authorized representatives associated with this contract. The parties hereby agree that in the event the Contractor elects to submit a proposal for the costs of such services, the proposal shall be negotiated in good faith and if appropriate, included as part of this contract.

(Incl 8)



DEPARTMENT OF THE ARMY
 HQ, US ARMY TROOP SUPPORT & AVIATION MATERIEL READINESS COMMAND
 4300 GOODFELLOW BOULEVARD, ST. LOUIS, MO 63120

DRSTS-GC

31 January 1978

Mr. Kenneth A. McLean, Staff Director
 Senate Banking, Housing, and
 Urban Affairs
 Dirkson Senate Office Building
 Room 5300
 Washington, DC 20510

Dear Mr. McLean:

This is in reply to your inquiries concerning the staff investigation of \$2.9 million payment by Bell Division of Textron, Inc.

Attached as an inclosure to this letter are copies of critical correspondence disclosed as a result of the initial search of the files at the US Army Troop Support and Aviation Materiel Command (TSARCOM), St. Louis, Missouri.

The following replies are furnished to questions of TSARCOM by the Staff Members of the Senate Committee on Banking, Housing and Urban Affairs at 1000 hours, January 30, 1978.

a. QUESTION: How much did Bell include for agents fees in its' original proposal for Model 214 Helicopters?

REPLY: The Contractor's proposal was \$3.63 million for agent fees.

b. QUESTION: What amount was included in the contract price?

REPLY: Zero. See Clause J.27 of the Contract, copy of which is attached hereto as Inclosure 2.

DRSTS-GC
Mr. Kenneth A. McLean

31 January 1978

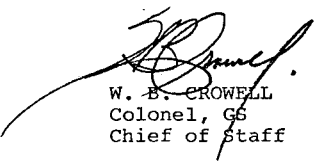
c. QUESTION: What amount did the US Government pay to Bell Helicopter Company for agents fees?

REPLY: Zero

d. The Staff reiterated its request for copies of documentation pertaining to the above subject.

REPLY: An in-depth screening of Contract files is being conducted and copies of any additional documents will be forwarded this week.

2 Incl
as



W. B. CROWELL
Colonel, GS
Chief of Staff

CONTINUATION SHEET	FEDERAL ACQUISITION REGULATION CONTRACT NO.	PAGE	OF
NAME OF SUPPLIER OR CONTRACTOR BELL HELICOPTER COMPANY, DIVISION OF TEXTRON, INC.	DAA101-73-C-0248 (P28)	57	76
SECTION J. <u>SPECIAL PROVISIONS</u>			
J.27 <u>OTHER COSTS</u>			
<p>The Contractor's proposal for definitization of this contract does not include costs for services of his authorized representatives associated with this contract. The parties hereby agree that in the event the Contractor elects to submit a proposal for the costs of such services, the proposal shall be negotiated in good faith and if appropriate, included as part of this contract.</p>			

DRSTS-G

5 FEB 1978

Mr. Kenneth A. McLean
Staff Director
Senate Banking and Urban
Housing Committee
Dirksen Senate Office Building
Room 5300
Washington, DC 20510

Dear Mr. McLean:

Reference is made to a telephone conversation between Staff Members of the Senate Committee on Banking, Housing and Urban Affairs and members of this Command on 30 Jan 78. At that time, the request was made for information in the contract files for the procurement of 287 helicopters for the Government of Iran (GOI) regarding agents fees/commissions paid by Bell Helicopter Textron to Air Taxi, Incorporated.

The course of events concerning agents fees/commissions for aircraft procured for the Government of Iran (GOI) is as follows:

The GOI requirement was for 287 Model 214 Helicopters. The contractor, Bell Helicopter Company (BHC), initially proposed an amount of \$3,630,873 for agents fees/commissions. The Government and BHC through negotiation later reached agreement for a total of \$287,000 or \$1,000 per helicopter as the agents fees/commissions. After the completion of the negotiations, the Shah of Iran made known that he refused to pay any agents fees/commissions for procurements for GOI. The Government and BHC reopened negotiations for the helicopters and agreement was reached to remove agents fees/commissions from the contract.

DRETS-G

Mr. Kenneth A. McLean

Research of the contract files has produced the inclosed documents which reference agents fees/commissions:

- a. Class A Awards Board Minutes which made reference to Briefing Charts.
- b. Briefing Chart, page 6, which indicates the contractor had proposed \$3,6M or 1% of the contract price as dealers commissions and that through negotiations this proposed amount had been reduced to \$1,000 per aircraft, or \$287,000.
- c. Briefing Chart, page 7, which indicates that the \$287,000, which was negotiated, was to be a cost to the contract without the application of a profit.
- d. A memorandum from the Cost Analysis Office to the Contracting Officer (DA Form 2496), dated 9 Aug 77, subject: Memorandum of Negotiations to Definitize Letter Contract DAAJ01-73-C-0248, which indicates that negotiations were completed on 16 Jun 73, and that the contractor had proposed dealers fees/commissions of \$3,630,837 and that the dealers fees/commissions had been negotiated for a value of \$287,000.
- e. Memorandum of Record, dated 22 Jun 73, from HQ, Army Materiel Command, which indicates an inquiry concerning agents fees by the Shah of Iran.
- f. BHC Letter of 4 Jun 73, 22:AAH:nk-1009, which confirms the negotiation of \$287,000 total for agents fees/commissions without the application of profit.
- g. Message, F2222132 Jun 73, from ASD: ISA(SA)/DSS, subject: Agents Fees in Iran FMS, which clearly indicates that the Shah of Iran had refused to accept or pay any agents fees or commissions.
- h. Page 57 of Contract DAAJ01-73-C-0248, Clause J.27 entitled Other Costs, which indicates that the contractor and the Government, after further negotiations, removed agents fees/commissions from the contract.

DRSIS-G

Mr. Kenneth A. McLean

The contract files indicate that agents fees/commissions were not included in the contract for the 287 helicopters for the Government of Iran, either upon execution of the initial definitization of the letter contract, or at any subsequent time. Also, the files do not show that the US Government ever paid Bell Helicopter Textron any amount as agents fees/commissions under the above mentioned contract.

Sincerely,

8 Incl
As stated

W. B. CROWELL
Colonel, GS
Chief of Staff

CLASS "A" AWARDS BOARD MINUTES

A Class "A" Awards Board Meeting convened at 0900 hours, 22 June 1973, with LTC David J. Johnston, Executive Officer, Directorate for Procurement & Production, presiding. The following were present:

CONCURRENCE	MEMBERS	
	LTC David J. Johnston	Dir for Proc & Prod Chairman
	COL Elswick Newport	Procurement Div
	MAJ Michael R. Kirila	Production Div
	Christina K. Hiry	Cont Price Anal Ofc
	E. J. Wellman	Dir for Prod Assur
	Joyce I. Allen	Legal Ofc
	LTC George T. Nau	Dir for EDMS
	Clifford E. Sims	Dir for Maintenance
	<u>NONMEMBERS</u>	
	James F. Matthews	Iranian Acft Prog PMO
	Elmer J. Branick	" " " "
	Felix Gantuis	" " " "
	Walter J. Seichel	" " " "
	Earl T. Gatlin	" " " "
	John A. McLaughlin	" " " "
	Kenneth P. Liber	Dir for EDMS
	Joseph A. Murray	Sys Engr Spt Div Dir for Proc & Prod Prod Acft Br
	MAJ E. H. Bshuluk	International Log
	Seymour B. Gordon	Dir for Proc & Prod Prod Acft Br
	John D. Watkins	Cont Price Anal Ofc
	R. H. Khattis	Cont Price Anal Ofc
	W. E. Mansell	Prod Acft Br
	CH4 Wm H. Parker	Prod Acft Br
	Ralph H. Weigel	Prod Acft Br
	John Saba	Prod Acft Br
	J. R. Kurtz	Contracting Officer
	Koeta Jones <i>KDJ</i>	Pol & Compliance Div
	Melba H. Neuberger	Exporting Stenographer

The Board considered proposed modification FZ0005 for declassification of Letter Contract DAAJ01-73-C-0368 with Bell Helicopter Company, Fort Worth, Texas, for 237 each Model 215A Helicopters 15 spare engines, and related data and support for the Iranian Government at an estimated total contract price of \$333,537,000.00.

The presentation was made by Mr. J. R. Kurtz, Contracting Officer.

The Presentation is incorporated as pages 2-3 of the Minutes.

E/A Misc - Proposed FZ0005, Contract DAAJ01-72-C-0248

Contracting Officer, Mr. J. R. Ertz, illustrated his background briefing with Viewgraph slides, copies of which are attached as Inclosure 1.

The Presentation to the Aswada Board was written, Contracting Officer stated, while several other actions were taking place; as a consequence, changes had to be made to the package that had been pointed out to us by members of the Contracting Officer's Team and by the Iranian Aircraft Program Product Manager's Office (PMO).

Contracting Officer stated he has made changes in the package that the Board was given to approve, as follows:

(1) Page 1.a. Block 1 reads, "AOB FZ0005" instead of "AOB FZ0003".

b. Statement following the Table of Contents, we have changed to read, "This Supplemental Agreement FZ0005 is the definitive contract contemplated by Letter Contract DAAJ01-72-C-0248 dated 72 Dec 22, as amended by Note P0001 thru P0004 ---." The asterisk (*) after "P0004" indicates "AOB P0003 was not issued."

(2) The PM Office recommended (and while the change has not been made on the page), it was agreed that paragraph E.3, Billing Procedure for Item 0003 should be strengthened. It was agreed that the Contracting Officer would write a letter to the ACO, Army Bell Plant Activity, requesting that he set up control procedures, and that those control procedures would be approved through the PM Office. Legal member queried will we remove this, once he submits the report, or does he still get paid upon submission? Ans: The actual negotiation notes reveal that it was agreed that if after 60 days approval or disapproval had not been given, Bell Helicopter Company would be paid. However, if the plan ultimately was not approved or accepted, payment of the first voucher thereafter would be withheld until approval of that particular test plan. The same procedure would be followed throughout the contract.

(3) Page 15. SECTION E. 6 PRICING CONDITIONS (CONTINUED) Paragraph c. It now reads, "The contract targets and schedules include an amount for Revision E-3 to the AQS R14-974-041 dated 10 MAR 73." In answer to Chairman, Contracting Officer stated the target cost does not encompass any part of E-6.

(4) Page 17. "E.3 HELICOPTERS SERIAL NUMBERS" has been deleted because we were not able to establish with MAAG and the country, the Serial Numbers.

(5) Page 18. The second line of Section F.1 MODEL SPECIFICATIONS will read, "--- as amended by Revision E-2, dated 7 MAR 73 ---".

B/A King - Proposed FIC002, Contract DAAJ01-73-C-0246

(6) Page 29. Section I.5 PRODUCT ASSURANCE PROGRAM PLAN (1) Critical Parts, Fourth line, after "Engineering Drawings", insert "(including procurement specification items) ---".

(7) Page 33. The established ceiling is \$144,037,000.00.

(8) Page 34. Section J.3. INCENTIVE PRICE REVISION (FIRM TARGET) (1972 JUNE) (CONT'D) (2). Insertions should be made in the blanks in lines 6 and 9, to read as follows: "Greater than the total target cost ---Total target profit less twenty percent (20%) ---", and "Less than the total target cost-----Total target profit plus sixty percent (60%) ---."

(9) Page 46. Section J. SPECIAL PROVISIONS, J.11 SINGLE SOURCE FOR EQUIPMENT, b. The word "Reparable" has been corrected in the updated version.

(10) Page 60. In Section J.10 GOVERNMENT FURNISHED PETROLEUM, OILS AND LUBRICANTS, (b), the first and second lines will read, "in the event a situation or condition arises whereby the Government is unable to furnish the fuel and oil items set forth in Paragraph (a) above and the schedule in a timely manner ---."

(11) Page 62. E.3 ACCOUNTING AND APPROPRIATION DATA. Under the final line, "(BMS)", add "BSSANT".

(12) Pages 65 and 66. Section L.2. Second line should read "REVISION NO. 11 AND DFC'S THROUGH NO. 102."

(13) Pages 70 thru 75. Section L.5 CRUISED AND FLIGHT RISK (1968 APR). Words that read "Government Representation" or "Contracting Officer" should read "Government Flight Representative".

(14) Page 76. Section M. LIST OF DOCUMENTS, EXHIBITS, AND OTHER ATTACHMENTS. Change 1. to read "ORDERS/CONTRACT, STANDARD FORM 26".

(15) J.10 PROCEDURES FOR SELECTION AND DELIVERY OF SPARE PARTS, SPECIAL TOOLS, GROUND SUPPORT AND TEST EQUIPMENT, ITEMS 0004 and 0005. The words, "thirty (30) days" should read "thirty days (30)".

Chairman queried with reference to the following:

(1) Section E. 6. PRICES CONDITIONS. There are several cases where it is indicated that amounts are not in bars against target costs. Are these planned expenses that will eventually accrue against the target cost? There is a maximum flexibility of 10% on the sales case of \$362,000,000.00, and two major line items which are not priced at this time on which you have put a ceiling - one of \$15M and

R/A Miss - Proposed PZ0003, Contract EIAF01-73-C-0246

the other of \$2M. From your present ceiling to the maximum PZ0 case you have about \$12,000,000.00 cushion. The ceiling amount of \$15M for spares and \$2M for the data will take \$17M of that. Are those really good numbers which would only give a million dollars to play with, and could the amounts not listed possibly boost us over that PZ0 case? Contracting Officer replied that the dollars that could possibly be generated by the changes that are anticipated in the AQS, the data Package and Quality Assurance programs, would amount to about a half million dollars in costs over what we have reflected in the contract. He plans to write an administrative obligation against the contract but not to show it in the contract, to fund these contingencies that are in Sections 2 and 1.4, with the goal of deobligating within 120 days.

Mr. Joseph Murray, representative from Production Aircraft Branch, interposed, for clarification, that there are funds available in the PZ0 case for spare parts and special tools of almost \$60M which were not mentioned previously, so in fact the 10% flexibility is not in danger.

Contracting Officer replied that he thought he answered that originally when he said that the contract only reflects the items which we have negotiated. The six frames, which is in the sales case at \$295,000,000.00; spare engines, \$11,200,000.00; the military qualification, \$29,000,000.00. There is a line for concurrent spare parts that are not provisioned, nor have we negotiated, but we have in reserve \$56,165,900.00 for spares which includes air frame engine and avionics, and we have \$3,099,100.00 for special tools, ground support and test equipment.

Because we have obligated the Government to a degree in the latter contract the Contracting Officer feels he has to exercise that obligation. However, he does not intend to put all of those dollars on this contract. He only intends to obligate \$13,000,000.00 for item 4, and \$2,000,000.00 for item 5, on this contract.

Mr. Murray directed attention to Page 43. J.10 provides for an interim release procedure for Spare Parts and Special Tools. On Page 12, Contracting Officer has "turned Bell on" for \$15,000,000.00 worth of Spares and \$2,000,000.00 worth of Special Tools. These \$17,000,000.00 are included in the total contract amount on the face of the document; they are not included in the computations on the charts (Enclosure 1), they are included in the PZ0 Sales Case at approximately \$60,000,000.00. More money will be funded as time progresses.

Procurement Division member, COL Elswick Newport, queried with reference to Section 2.1, SUPPLIES AND SERVICES TO BE FURNISHED SCOPEROP WORK, item 0001, which states that this covers R-2; has he gone through R-2 or R-3? Contracting Officer replied that R-3 is contemplated. He has a DE from the Product Manager giving the approval of R-2 to the spec, 214-A. They have indicated they contemplate some changes, and any changes they might make in R-3 are subject to cost increase.

Production Division member, MAJ Michael R. Kirila, had no questions. Contract Cost & Price Analysis member, Miss Christina E. Hiray, deferred to Mr. John S. Watkins, who had no questions.

AHSAN-PPPOB

22 June 1973
1450 Hours

MEMO FOR RECORD

SUBJECT: FMS Cases - Iran

1. Took a call from Mr. Chuck Paoletti, AMC Contract Pricing (AV 284-8268/9) this date. He was inquiring about dealer's cost or agent's commission paid by Bell on sales resulting from FMS Cases. He had previously spoken with DCAA at Fort Worth. The auditor had told him that this cost had been investigated and approved by DCAA but that the audit report had been forwarded to the Contracting Office. Mr. Paoletti was now attempting to find out the particulars surrounding this cost element.
2. The inquiry results from an alleged complaint by the Shah of Iran on FMS cases. The Shah is said to be unhappy about the independent agents running around his country who are on commission even though the aircraft being purchased go through the US Government. This complaint came to him through the back door; nothing formal has been filed.
3. Mr. Paoletti was told that none of the personnel involved in negotiations with BHC for Iranian purchase of helicopters were available at the present time. Since no one other than those directly involved with the procurement would have the essential information needed, he agreed to call again Monday morning, 25 Jun 73.

Dean Stewart
 DEAN STEWART
 Contract Specialist

Notes
JMS 6/22/73

Cal Newport
 Bob Reed
 Bob Keenan
 J.A. Murray
 G. Hendrick

} were advised *[Signature]*

4 June 1973
22:AAH:nk-1009

Subject: Letter Contract DAAJ01-73-C-0248, Proposed Update for Procurement of Iranian Model 214A Helicopters

To: U. S. Army Aviation Systems Command
P. O. Box 209
St. Louis, Missouri 63166

Attn: AMSAV-PPPUU/J. R. Kurtz

Via: U. S. Army Bell Plant Activity
P. O. Box 1605, Fort Worth, Texas 76101

Ref: (a) BEO Proposal, IM:RGH:jc-186 dated 30 March 1973

(b) Price Proposal Update, Iranian 214A Procurement - Fact Finding dated 17 May 1973

Encl: (1) Price Proposal Update, Iranian 214A Procurement

1. Submitted as enclosure (1) is an updated proposal for definitization of the subject letter contract.
2. This updated proposal reflects the following changes to our reference (b) Fact Finding proposal of 17 May, 1973:

Contract Item No. 1 - Production 287 Helicopters

- a. Correct DIRECT EXPENSE to negotiated Foreign Selling Expense.
- b. Add "Receiving Inspection Test Parts" to Non-Recurring from Contract Item No. 3 "Spares and Test Parts."
- c. Incorporate "Negotiated" Engine price and change "Freight-In" to forecast book cost versus application method.


Contract Item No. 2 - 75 Spare Engines

- a. Incorporate "Negotiated" Engine Price and change "Freight-In" to forecast book cost versus application method.

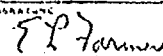
Contract Item No. 3 - Development and Test

- a. Added 560 hours Production Engineering to ACBG Bench Test for additional effort identified by Production Engineering Department.
 - b. Change ACAO Vehicle test to include kits to be installed on aircraft 1, 2 and 3 and corrected ACBD Static Test for effort inadvertently left out of Fact Finding Computer run.
 - c. Changed "Spares and Test Parts" ACBO to remove "receiving inspection test parts" and avionics black boxes for pre-SLAE configuration.
3. We look forward to discussing any aspect of this proposal with the procuring agency representatives.

BELL HELICOPTER COMPANY



E. I. Farmer
Vice President, Finance

HEAD OFFICE ADDRESS (DD FORM 1300) P. O. BOX 482 FORT WORTH, TEXAS UNIVERSITY MICROFILMS INTERNATIONAL, SERIALS ACQUISITION DEPARTMENT		REGULATION SYMBOL SUMMARY		TOTAL AMOUNT OF PROPOSED GOVERNMENT SOLICITATION, AKA 10 DAAJ01-73-C-0748
COST ELEMENTS		PROPOSITION PRICE (UNIT PRICE)		
1. LABOR		TOTAL COST		
1. MANUFACTURING OVERHEADS ¹⁹		UNIT PRICE		
2. MATERIAL OVERHEADS ¹⁹		ESTIMATE ¹⁹		
3. INTERNATIONAL TRANSPORTATION COSTS ¹⁹		\$ 73,275,463		
4. DIRECT ENGINEERING LABOR ²⁰		1,227,222		
5. ENGINEERING ASSISTANCE ²⁰		52,932,686		
6. OTHER COSTS ²¹		369,000		
7. TOOL MAKE LABOR ²²		7,160,350		
8. SUSTAINING ENG. & TOOL ²³		501,350		
9. SUBTOTALS		4,204,051		
10. GENERAL AND ADMINISTRATIVE EXPENSES ²⁴		7,488,836		
11. ROYALTIES ²⁵		66,452		
12. FEDERAL EXCISE TAXES ²⁶		6,469,164		
13. PROFIT OR FEE		21,567		
14. COMPLETION		21,077,539		
15. TOTAL PRICE (UNIT PRICE)		1,566,337		
16. MANUFACTURING OVERHEADS ¹⁰		49,359,360		
17. OTHER COSTS ¹¹		24,645,865		
18. SUSTAINING ENG. & TOOL		8,298,166		
19. SUBTOTALS		\$ 221,400,280		
20. GENERAL AND ADMINISTRATIVE EXPENSES ²⁴		21,707,759		
21. FEDERAL EXCISE TAXES ²⁶		292,608,539		
22. PROFIT OR FEE		287,000		
23. COMPLETION		339,712,905		
24. TOTAL PRICE (UNIT PRICE)		\$ 339,712,905		
I HAVE THE EQUIPMENT OF REFERENCE ABOVE, I HEREBY OFFER AND I HAVE BEEN SEIZED ON THE ABOVE KIND OF EQUIPMENT, REPAIRS AND MAINTENANCE OF THIS ACCOUNT TO BE MAINTAINED IN CONNECTION WITH AND OTHER GOVERNMENT PRIME CONTRACTS IN CONNECTION WITH THE PAST TWELVE MONTHS.				
NAME AND ADDRESS OF APPLICING OFFICE, <i>Include Zip Code</i>		TELEPHONE NUMBER		
DOAA BELL HELICOPTER COMPANY		280-2011		
II. WILL YOU WAIVE TITLE OF ANY GOVERNMENT PROPERTY IN THE PERFORMANCE OF THIS CONTRACT?				
<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO <i>IF YES, DETAIL ON A SEPARATE PAGE. WAIVED BY AGO</i>				
III. DO YOU ASSUME ANY FINANCIAL OBLIGATIONS TO ENTER INTO THIS PROPOSED CONTRACT?				
<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO <i>IF YES, DETAIL ON A SEPARATE PAGE. IF NO, DETAIL ON A SEPARATE PAGE.</i>				
IV. DOES THIS COST SUMMARY CONFORM WITH THE COST PRINCIPLES SET FORTH IN SECTION XV (100) OF THE FAR?				
<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO <i>IF NO, DETAIL ON A SEPARATE PAGE.</i>				
This proposal is submitted for use in connection with and in response to _____				
Letter Contract DAAJ01-73-C-0748 * and reflects our best estimates as of this date.				
in accordance with the instructions in offering and the contract which follows.				
SIGNED NAME AND TITLE		SIGNATURE		
E. L. Farmer, Vice President, Finance				
NAME OF FIRM		DATE OF SUBMISSION		
BELL HELICOPTER COMPANY		8 June 1973		

DD FORM 633
APR 68

PREVIOUS EDITIONS ARE OBSOLETE.

BELL HELICOPTER COMPANY		NOBEL 216A HELICOPTERS	
P. O. BOX 482 FORT WORTH, TEXAS		NEGOTIATION UPDATE	
DIVISIONS AND DEPARTMENTS WHICH SHOULD BE PERFORMED		ITEM 1 PROPOSITION, 257 HELICOPTERS	TOTAL BUDGET OF PROPOSAL \$ 292,431,455
			INTERIM ESTIMATE NUMBER DAH101-73-C-0248
COST ELEMENTS	BUDGETED PRODUCE COSTS		
	TOTAL COST	UNIT COST	APPROVED
1. MANUFACTURING COSTS			
A. FURNISHED PARTS	\$ 62,026,257		
B. ORIGINAL PRODUCE TOOLS	1,817,200		
C. SUCCESSOR PRODUCE TOOLS	51,466,392		
D. TOOL MATERIAL	365,275		
(1) MANUFACTURING	6,866,108		
(2) MANUFACTURING	18,200		
(3) MANUFACTURING	3,818,673		
(4) MANUFACTURING			
(5) MANUFACTURING			
(6) MANUFACTURING			
2. MATERIAL OVERHEADS			
3. INTERDISCIPLINARY TRANSFERS AT COSTS			
4. DIRECT ENGINEERING LABOR	1,531,518		
Service Rep. Jobs	14,896		
5. ENGINEERING OVERHEADS	1,308,396		
Payroll Apportionment	6,256		
Quality Control	3,677,677		
6. DIRECT MANUFACTURING LABOR	24,556,074		
7. MANUFACTURING OVERHEADS	1,549,411		
8. OTHER COSTS	44,658,366		
Sust. Maint. & Tooling	21,944,816		
Sust. Maint. & Tooling	8,298,166		
9. SUBTOTALS	\$ 234,767,521		
10. GENERAL AND ADMINISTRATIVE EXPENSES	17,081,147		
11. PAYROLL COSTS			
12. FEDERAL EXCISE TAXES			
13. SUBTOTALS	\$ 251,848,668		
14. PROFIT ON PFC CONTRACTS	287,000		
15. TOTAL PFC COSTS	\$ 292,431,455		

DAH101-73-C-0248

NAME AND ADDRESS OF BIDDING OFFICE (Include ZIP Code)

NOAA BELL HELICOPTER COMPANY

TELEPHONE NUMBER

280-2011

16. WILL YOU WAIVE THE USE OF ANY ACQUISITION PROPERTY IN THE PERFORMANCE OF THIS PROPOSED CONTRACT?

YES NO IF YES, IDENTIFY ON A SEPARATE PAGE. WAIVED BY AGO

17. DO YOU REQUIRE ACQUISITION CONTRACT FINANCING TO PERFORM THIS PROPOSED CONTRACT?

YES NO IF YES, IDENTIFY FINANCING ARRANGEMENTS, REPAYMENT SCHEDULES OR GUARANTEE ARRANGEMENTS

18. HAVE YOU BEEN AWARDED ONE OR MORE OTHER SUBCONTRACTS FOR SIMILAR ITEMS WITHIN THE PAST THREE YEARS?

YES NO IF YES, IDENTIFY CUSTOMER(S) AND CONTRACT NUMBER(S) AND CONTRACT NUMBERS BELOW OR ON A SEPARATE PAGE.

19. DOES THIS COST ELEMENTS CORRELATE WITH THE COST PRINCIPLES SET FORTH IN AFRM, SECTION A (PFC PRICING)?

YES NO IF NO, EXPLAIN ON A SEPARATE PAGE.

This proposal is submitted for use in connection with and in response to

Letter Contract DAH101-73-C-0248 * and reflects our best estimates as of this date.

In accordance with the instructions in efforts and the practices which follow:

NAME OF CONTRACTOR

SIGNED NAME AND TITLE

G. L. Farmer, Vice President, Finance

DATE OF SIGNATURE

4 June 1973

COMPANY NAME

BELL HELICOPTER COMPANY

REFERENCE OR OFFICE SYMBOL	SUBJECT																																												
AMSAV-PO	Memo of Negotiations to Definitize Letter Contract No. DAAJ01-73-C-0268																																												
TO: AMSAV-PPPCU ATTN: Mr. Kurtz	FROM: AMSAV-PO	DATE: 9 Aug 73	CMY: J.D. Watkins/ds/5101 CAS 39-74																																										
<p>1. Negotiations with Bell Helicopter Company (BHC) for the design, development and production of two-hundred and eighty-seven (287) Model 214A helicopters plus related flight tests/evaluations and data were concluded at AVSCOM, St. Louis, Missouri on June 16, 1973. The subject helicopters and related data are being procured by the U.S. Government for the Iranian Government. The contractor's initial proposal, as adjusted for additional cost considered during negotiations, and the final agreement are summarized as follows:</p> <table border="0"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Proposed</u></th> <th style="text-align: center;"><u>Negotiated</u></th> </tr> </thead> <tbody> <tr> <td>Target Cost</td> <td></td> <td></td> </tr> <tr> <td>Target Profit</td> <td></td> <td></td> </tr> <tr> <td>Dealer's Commission</td> <td style="text-align: center;">3,530,837</td> <td style="text-align: center;">287,000</td> </tr> <tr> <td>Target Price</td> <td style="text-align: center;"><u>\$368,885,705</u></td> <td style="text-align: center;"><u>\$316,537,000</u></td> </tr> <tr> <td colspan="3">Contract Type: Fixed Price Incentive (Firm Target)</td> </tr> <tr> <td>Ceiling Price</td> <td style="text-align: center;"><u>-\$412,975,722*</u></td> <td style="text-align: center;"><u>\$344,037,000**</u></td> </tr> <tr> <td>Ceiling Factor</td> <td style="text-align: center;">130%</td> <td style="text-align: center;">125%</td> </tr> <tr> <td>Profit Rate</td> <td></td> <td></td> </tr> <tr> <td colspan="3">Sharing Agreement:</td> </tr> <tr> <td>Over - Gov't/Contractor</td> <td style="text-align: center;">75/25%</td> <td style="text-align: center;">80/20%</td> </tr> <tr> <td>Under - Gov't/Contractor</td> <td style="text-align: center;">75/25%</td> <td style="text-align: center;">40/60%</td> </tr> <tr> <td colspan="3">*Includes dealer's commissions at 130%.</td> </tr> <tr> <td colspan="3">**Includes dealer's commissions at 100%.</td> </tr> </tbody> </table>					<u>Proposed</u>	<u>Negotiated</u>	Target Cost			Target Profit			Dealer's Commission	3,530,837	287,000	Target Price	<u>\$368,885,705</u>	<u>\$316,537,000</u>	Contract Type: Fixed Price Incentive (Firm Target)			Ceiling Price	<u>-\$412,975,722*</u>	<u>\$344,037,000**</u>	Ceiling Factor	130%	125%	Profit Rate			Sharing Agreement:			Over - Gov't/Contractor	75/25%	80/20%	Under - Gov't/Contractor	75/25%	40/60%	*Includes dealer's commissions at 130%.			**Includes dealer's commissions at 100%.		
	<u>Proposed</u>	<u>Negotiated</u>																																											
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*Includes dealer's commissions at 130%.																																													
**Includes dealer's commissions at 100%.																																													
<p>2. Personnel representing the parties at negotiation sessions were as follows:</p> <p><u>Government:</u></p> <p>*Mr. J. R. Kurtz, Contracting Officer, AVSCOM Mr. Bob Weigel, Contracts Specialist, AVSCOM Mr. J. D. Watkins, Chief, Price/Cost Analysis Branch, AVSCOM Mr. Walt Seithel, Program Manager's Office, AVSCOM Mr. Earl Catlin, Program Manager's Office, AVSCOM **Mr. Elmer Bannick, Program Manager's Office, AVSCOM</p>																																													

AMSAV-PO

9 August 1973

SUBJECT: Memo of Negotiations to Definitize Letter Contract No. DAAJ01-73-C-0248

**Mr. R. Kimutis, Price Analyst, AVSCOM
 Mr. Allen Keener, Price Analyst, USA Bell Plant Activity
 **Mr. C. B. Hart, Auditor-Supervisor, DCAA
 Mr. J. M. Milan, Auditor-Pricing Team Supervisor, DCAA
 **Col. Newport, Deputy Director for Procurement, AVSCOM
 W/O Parker, Contracts Specialist, AVSCOM
 **Mr. Walt Burrows, Auditor-PLA, DCAA

Contractor:

*Mr. E. L. Farmer, Vice President Finance
 Mr. G. J. Lindsey, Contracts Adm'n. Mgr.
 Mr. R. G. Hodson, Contracts Administrator
 Mr. C. P. Gray, Contracts Administrator
 Mr. A. A. Hubbard, Chief Estimator

*Principal Negotiators

**Limited participation - confined primarily to first week's sessions.

3. Audit Report No. 110-04-3-0134 addressing the original proposal was issued on May 15, 1973. As time allowed, update information was furnished the Government team informally by update workpapers.

4. Prior to negotiations which commenced at AVSCOM, St. Louis, Missouri, on June 8, 1973, the Government and Bell Helicopter Company (BHC) held Fact Finding sessions at the contractor's facilities in Ft. Worth, Texas, during the week of May 21-24, 1973. Fact finding sessions resulted in the Government submitting a list of questions to the contractor for written reply. The contractor's answers to these questions were received on May 31 and June 1. The Government team assembled at AVSCOM on June 4 and 5 and reviewed the contractor's answers to the fact finding questions. On the morning of June 8th, the Government met with BHC to discuss in more detail twenty-one of the questions which were considered to be inadequately answered. Also, on this date the contractor presented a negotiation update proposal, which reflected movement of cost for receiving and inspection test parts from contract line item three (3) to line item one (1). The evening of June 6 and all of June 7 were spent by the Government team in analyzing the contractor's latest proposal and preparing the Government's update position and go-in offer. The Government's first offer was presented to the contractor on the morning of June 8th, and that afternoon the undersigned presented in detail the basis for the Government's position and reasons for our differences which are briefly summarized below:

a. Rates: Since plant-wide forward pricing rates had previously been negotiated, the only difference consisted of recognition by the Government of historical direct labor rate variances between FPI production contract average rates and plant-wide rates. Variances recognized by the Government were:

MSAV-PO 9 August 1973
 SUBJECT: Memo of Negotiations to Definitize Letter Contract No. DAAJ01-73-C-0248

<u>Labor Category</u>	<u>(Over)/Under Plant-Wide Rates</u>
Manufacturing - Prod. Phase	\$.02
Manufacturing - Development Phase	(.166)
Tool Make	.017
Production Engineering	.053
Engineering Test & Evaluation	.074
Engineering Design	.274
Pilots	.255
Tech. Pubs	(.025)
Spares & Photographic	(.046)

b. Direct Expense: Differences in direct expense costs of \$365 per unit were due to (i) \$30 for fuel and oil consumption per the technical review and (ii) \$315 for packing and crating cost due to impact of negotiated forward pricing rates.

c. Recurring Mfg. Direct Labor Hours per Unit: The contractor initially proposed 14,125 hours per unit. This value was subsequently updated to 13,962 hours to recognize a factual difference pointed out by audit in our exit conference. The Government's first offer was based on 10,865 hours per unit. The difference of 3,097 hours per unit was due to the following reasons:

<u>Reasons</u>	<u>Labor Hour Difference Per Unit</u>
Recognition of Steeper Curves	502
Recognition of Common Parts	114
Recognition of Drive System Peculiar Historical Curve Slope	947
Recognition of Nodal Beam Technical Evaluation	743
Nonrecognition of .25% Misc. Unidentified Parts and All of the 3% Bump Factor	411
Applicable Process Labor	380
	<u>3,097</u>
	<u>3,097</u>

d. Nonrecurring Engineering Hours: The following engineering direct labor hours differences were based on the results of the Government technical evaluation:

	<u>Nonrecurring Labor Hour Difference</u>
Tool Make	26,478
Production Engineering	36,168
Engineering Test & Evaluation	16,152
Engineering Design	54,727
Pilots	1,362
Tech Pubs	10,195
Spares Engineering	7,822
Photographic	678

AMSAV-FO

9 August 1973

SUBJECT: Memo of Negotiations to Definitize Letter Contract No. DAAJ01-73-C-0248

Additionally, there were 32,530 nonrecurring manufacturing hours for spare and test parts which had been questioned by audit for non-recognition of these quantities in the development program curve span.

e. Material and Subcontract Cost: The contractor's original versus negotiation update proposal reflected numerous changes in the material and subcontract recurring cost per helicopter as summarized below:

	<u>Cost Per Unit</u>	
	<u>Original</u>	<u>Neg. Update</u>
Mat'l - Engine (1)	\$157,008	\$158,435
Mat'l - Raw (2)	24,363	23,339
Mat'l - AN/Vendor (3)	98,917	60,146
Subcontract (4)	161,402	169,906

(1) The engine estimate was increased to recognize results of BEC's negotiation with the vendor.

(2) Raw Material was reduced to recognize factual differences discussed in audit exit conference.

(3) Hydraulic components valued at \$13,428 were reidentified as subcontract cost in update. The remaining reduction of \$25,343 per unit was in recognition of factual differences presented in the audit exit conference.

(4) The net \$8,504 cost per unit includes a reduction of \$4,924 due to factual differences discussed in audit exit conference offset by the hydraulic AN/Vendor dollars of \$13,428 which were reidentified as subcontract items. (See Note (3), above).

5. The Government recommended material and subcontract cost per unit and resulting differences per unit as presented below were due primarily to (i) difference in material/subcontract factor whereby BHC proposed 26% versus the Government's recommended 12% increase factor for escalation, vendor qualification and miscellaneous charges, (ii) recognition of only 75% of unsupported miscellaneous unidentified parts, and (iii) recognition of a budgetary quote received from HR & M for hydraulic parts. The HR & M quote amounted to a difference in subcontract cost of \$14,043 per unit. Total difference per unit is as follows:

	<u>Difference Per Unit</u>
Material - Raw	\$ 3,173
Material - AN/Vendor	10,277
Subcontract	37,101

AMSAV-FO

9 August 1973

SUBJECT: Memo of Negotiations to Definitize Letter Contract No. DAAJ01-73-C-0248

Other minor differences existing in nonrecurring cost areas were also explained in detail. After this briefing, the contractor requested and received our detailed computations. Based on the contractor's request, negotiations were terminated until the following Tuesday, June 12, so that they might have an opportunity to study the basis for our differences. The contractor returned to Ft. Worth and the Government team remained in St. Louis to prepare a maximum Government position. Negotiations resumed on Tuesday morning, June 12, with BHC attacking the Government's position. The initial implication by BHC was that our offer was too low and without foundation, thus the Government should adjust their first offer to reflect a more reasonable position. After more than six hours of debate as to the soundness and validity of each position, the contractor stated that they had not had enough time to properly evaluate the Government's position and apologized for not having prepared a counter offer. The Government had successfully supported the basis for their position in all except two technical areas, (Nodal beam labor hour and oil consumption reviews). The engineer who had performed the technical evaluation was not present; however, his supervisor called in corrected positions on June 13, 1973.

6. The Government, while preparing their maximum offer on Wednesday morning, found an \$8,900,444 math error in their update and first offer positions which resulted in the first offer being too high by that amount. Since our detailed computations had been given to the contractor on the preceding Friday, the Government was astonished that the contractor had not pointed out the error in their dissection of our position the previous day. To test BHC's credibility, the contracting officer decided to wait until after the contractor's next offer to see if they would make us aware of our mistake. The contractor presented their second offer without pointing out the mistake in the Government's position. From discussion at the table, it appeared that at least one member of their team was aware of the Government's mistake. The contracting officer advised BHC that our next offer (No. 2) would reflect a correction of the math error. BHC in subsequent offers found that armor seats from Norton Co. and other miscellaneous parts had inadvertently been omitted from their proposal. The costs of these items amounting to \$4,482,940 were verified as requirements and were recognized by the Government in later offers, based on Norton's quote which BHC had furnished as a handout.

7. Also in a subsequent offer (No. 3), the contractor recognized receipt of an updated quote from their sister division, RR & M, and reduced their proposed cost by \$2,110,035 or \$5,607 per unit unburdened. The RR & M quote purportedly was based on FPN rates approved by DCAA. The Government after analyzing the updated RR & M quote and the contractor's adjustment, determined that BHC had not properly adjusted their proposal for the RR & M quote. A handout reflecting the proper adjustment for the RR & M quote was presented by the Government with our fourth offer. This handout showed that the contractor's reduction of \$2,110,035 for RR & M should have been \$5,323,287; i.e., they owed the Government an additional save of \$3,213,252 or \$8,501 per unit unburdened. The contractor at this point (late Friday night) expressed a desire to terminate negotiations until the following Tuesday, June 19. Mr. Kurtz, the PCO, and Col. Newport stated that it was the Government's desire to continue negotiations. It was decided

ANSAV-PO

9 August 1973

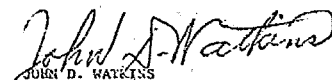
SUBJECT: Memo of Negotiations to Definitize Letter Contract No. DAAJ01-73-C-0248

to continue negotiations through Saturday. Final agreement was reached at a target cost of \$275,000,000, target profit of \$41,250,000 (15%); 80/20 share cost overrun, 40/60 share of cost underruns, ceiling price \$343,750,000 (125%). This was within 15% of the Government's objective. The difference is assumed to be an increase of 180 hours in detail parts and subassemblies specifically in the transmission area. The negotiated price is considered to be fair and reasonable since the Government's position recognizes that judgmental differences may exist in the projected effort.

8. Disposition of reported possible cost accounting standards (CAS) problems was as follows

a. Tooling Liaison Labor amounting to 5,000 hours and an undetermined number of direct engineering labor hours for C/SCSC administration as of the date of agreement had not been ruled on by the ACO. The aforementioned labor hours were included in the negotiated target cost. Should the ACO rule that these hours or effort are in non-compliance, then the negotiated target cost should be reduced accordingly.

b. The ACO ruled that the undetermined Bidding and Proposal cost was not in non-compliance. This decision was based on AVSCOM legal interpretation which stated in summary that the effort was not incurred under like circumstances.


JOHN D. WATKINS
Chief, Contract
Price Analysis Office


J. R. KURTZ
CONTRACTING OFFICER

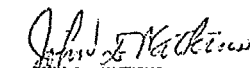
AMSAV-PO

SUBJECT: Addendum to Memo of Negotiations to Definitize Letter Contract
No. DAAJ01-73-C-0248

Other Comments:

a. The contractor furnished a Certificate of Current Cost or Pricing Data certifying that cost or pricing data furnished in support of his proposal was accurate, complete and current as of 18 June 1973. Factual data furnished by the contractor was verified by the Government negotiating team. There was no area where data was considered inaccurate, not complete or not current. Differences between the recommendations set out in DCAA's formal audit report of 15 May 1973 and the Government's negotiation objective are considered to be the result of updating proposals by RHC and the furnishing of additional supporting documentation. DCAA auditor reviewed these updated proposals together with the additional supporting data. Informal audit comments and recommendations resulting from this updated information was incorporated into the Government's negotiating objective. There were no unresolved significant exceptions taken by DCAA, to amounts included in the negotiated cost.

b. In consideration of the fact set out in this memorandum, the overall pricing arrangement on this procurement is considered reasonable.


JOHN D. WATKINS
Chief, Contract
Price Analysis Office


J. R. KURTZ
Contracting Officer



HELICOPTER COMPANY

POST OFFICE BOX 462 - FORT WORTH, TEXAS 76101

 A Textron COMPANY

 18 June 1973
 1M:RGH:jc-308

Subject: Contract DAAJ01-73-G-0248, Confirmation of Firm Target Price Negotiations
To: Department of the Army
 U. S. Army Aviation Systems Command
 P. O. Box 209
 St. Louis, Mo. 63166
Attn: AMSAV-PPPUU/J. R. Kurtz
Ref: (a) Negotiations Conducted 6 June 1973 through 16 June 1973
 (b) Negotiation Baseline for Definitization, BHC letter 1M:RGH:hf-898 dated 11 June 1973
 (c) Negotiation Update Proposal, BHC letter 22:AAH:nk-1009, dated 4 June 1973
 (d) Fact Finding Update Proposal, BHC letter 1M:RGH:jc-274, dated 17 May 1973
 (e) Proposal for Definitization of Model 214A Letter Contract DAAJ01-73-G-0248, BHC letter 1M:RGH:jc-186, dated 30 March 1973

Encl: (1) Certificate of Current Cost and Pricing Data

1. Reference (a) negotiations were conducted between representatives of AVSCOM and Bell Helicopter Company to establish the Firm Target amounts and Terms and Conditions as were proposed by references (b) through (e).

2. The Contractor confirms the following target cost, target profit, target price, share factors and ceiling amount that were agreed to:

<u>A. Contract Line Items</u>	<u>Unit</u>	<u>Total</u>
<u>Item 0001, 287 ea. Helicopters</u>		
Target Cost		
Target Profit		
Target Price	945,516	* 271,323,199

*Includes Dealer Commission @ \$287,000.

<u>Item 0002, 75 ea Spare Engines</u>	Unit	Total
Target Cost		
Target Profit		
Target Price	190,371	14,277,819

Item 0003, Qualification

Target Cost		
Target Profit		
Target Price		29,000,000

Items 0004 & 0005, to be priced at a later dateItem 0006, Data

Target Cost		
Target Profit		
Target Price	6,745	1,935,982

TOTAL TARGET COST

TOTAL TARGET PROFIT

TOTAL TARGET PRICE \$316,537,000

*TOTAL TARGET CEILING \$344,037,000

*Ceiling computation equals 125 % of target cost: less
 \$287,000.00 Dealer Commission then the add back of
 \$287,000.00 to the Ceiling Amount.

- B. Contract Type - Fixed Price Incentive (Firm Target).
- C. Share Factors - Over - 80/20
Under - 40/60
- D. Profit Rate of Target Cost

3. The above target amounts are based upon agreement of the statement of work and terms and conditions as reflected in references (b) through (e) except as stated below:

A. Term and Condition #9 (as stated in ref. (b))

Add the following sentences:

"The last billing will be less \$180,000. This final amount will be billed upon approval of all AQS test reports."

B. Term and Condition No. 3 (as stated in ref. (b))

Add the following paragraph:

"BHC and U. S. Government will meet sixty (60) days prior to delivery of 1st helicopter to review status of qualification of aircraft and/or components."

C. Term and Condition No. 1 U. (Ref (b))

Add the following to Para I.4(1)(d)

".....however, any part with a critical characteristic(s) (by definition a critical part) which has been rejected for non-conforming to other than a critical characteristic(s) is subject to MRB action."

D. Term and Condition No. 1 Z (Ref.(b))

Delete the last sentence of paragraph "c" as contained in Contractor's reference (e) proposal, Section J.12 which reads:

"The parties further agree that in the event the Contractor must change sources for the reasons specified herein that the parties will enter into negotiations to equitably adjust the contract schedule, price or both."

E. Term and Condition No. 1.G.G. (Ref. (b))

It was agreed that the Item 0006, Total Target Price, of Section E.2 of the Contract would reflect a unit price amount (total divided by 287 ea) that could be billed on the Item 1 DD 250 as a separate amount (if not prohibited by ALPHA).

4. As amended above, it was agreed that the Terms and Conditions as stated in reference (b) would be incorporated into the Definitive Contract.
5. Submitted herewith as enclosure (1) is the Certificate of Current Cost and Pricing Data executed by the Contractor. The Contractor reserves the right to review the resulting Definitive Contract for concurrence prior to execution.
6. Early receipt of a Definitive Contract will be appreciated.

BELL HELICOPTER COMPANY


E. L. Farmer
Vice President
Finance

ADAMANT THAT THE GOI WOULD NOT PAY COSTS MEASURED AS A PERCENTAGE OF SALES; EVEN 1/2 OF 1 PERCENT OF A \$100 MILLION TRANSACTION IS CLEARLY DISPROPORTIONATE TO REAL SERVICES AND REAL VALUE TO THE GOI. GEN TOUFANIAN DID NOT OBJECT TO THE PRACTICE OF U.S. FIRMS USING AGENTS IN IRAN FOR CIVIL SECTOR MERCHANDISE. HE MAKES HIS POINT ONLY IN REGARD TO THE IRANIAN PURCHASE OF MILITARY EQUIPMENT. BECAUSE OF THE INTENTIONS OF THE GOI TO USE THE FMS CHANNEL WHENEVER POSSIBLE, THE GOI SIMPLY SEES NO VALID SERVICE TO BE PERFORMED BY AN AGENT.

4. OUR DIFFICULTY IS THAT THE ASPR CURRENTLY PERMIT REASONABLE, VALID AND ACTUAL AGENTS' FEES AS A PART OF "COST OF SALES" ASSOCIATED WITH AN FMS TRANSACTION. WE POINTED OUT TO GEN TOUFANIAN THAT IT MAY NOT BE SIMPLE TO ELIMINATE ALL SUCH FEES. THEY MAY, FOR EXAMPLE, BE INCLUDED IN AGREED OVERHEAD. THEY MAY NOT BE ISOLATABLE AND IT IS POSSIBLE THAT THE U.S. CONTRACT OFFICIAL DOES NOT KNOW OF THEIR EXISTENCE. OUR DIFFICULTY IS NOT IN ELIMINATING UNREASONABLE FEES; IT IS THAT WE MAY NOT BE ABLE TO ASSURE COMPLETE ELIMINATION OF ALL FEES.

5. AS A RESULT OF THE ABOVE DISCUSSIONS THE FOLLOWING ACTIONS ARE UNDERWAY. A. FOR CONTRACTS CURRENTLY BEING NEGOTIATED WHICH ARISE FROM OR INCLUDE GOI FMS CASE REQUIREMENTS WHICH ARE ASSOCIATED WITH THE CONTRACTUAL OBLIGATIONS OF A U.S. FIRM EMPLOYING A REPRESENTATIVE IN IRAN, THE FEE WILL BE ISOLATED AND IDENTIFIED TO GOI FOR GOI APPROVAL PRIOR TO CONTRACT AWARD. DETAILED JUSTIFICATION AND OR EXPLANATION OF THE FEE WILL ACCOMPANY THE NOTIFICATION TO THE GOI. IT IS INTENDED THIS PROCEDURE BE INITIATED ONLY AFTER NEGOTIATION WITH THE FIRM INVOLVED. THIS PROCEDURE IS BEING IMPLEMENTED IMMEDIATELY. B. A. US/GOI MEMORANDUM OF UNDERSTANDING OR POSSIBLY A SIMPLER EXCHANGE OF LETTERS IS BEING PREPARED TO EXPRESS THE GOI REQUEST AND TO AUTHORIZE ACTIONS BEING CONTEMPLATED BY DOD. THIS WOULD BE REGARDED BY DOD AS AN "INTERNATIONAL AGREEMENT" WITHIN MEANING OF ASPR. PURPOSE OF THIS MOU OR SUCH LETTERS IS TO GAIN AUTHORITY FOR ACTIONS UNDER ASPR WHICH ARE NOT POSSIBLE UNLESS NORMAL PROCEDURES ARE OVERRIDEN IN ACCORDANCE WITH ASPR 6.705.3(D). C. NOTICE TO U.S. INDUSTRY WILL BE PROVIDED BY OASD(I&L) AFTER AGREEMENT IS CONSUMMATED. IN THE INTERIM, U.S. INDUSTRY MAY BE ADVISED OF THE GOI REQUIREMENTS REGARDING AGENTS' FEES AND THAT THE DOD IS INVOKING ASPR 6.705.3(D) CLAUSE (SUPREMACY OF INTERNATIONAL AGREEMENTS); IN ORDER TO CARRY OUT GOI REQUIREMENTS PLACED UPON THE DOD AS OUTLINED HEREIN, IT IS RECOMMENDED THAT U.S. DEFENSE INDUSTRY CONSIDER MAKING ALL FUTURE ARRANGEMENTS FOR REPRESENTATION ON A SALARY RATHER THAN A COMMISSION BASIS AND THAT THEY SHOULD ATTEMPT TO MODIFY ALL EXISTING ARRANGEMENTS TO THAT END. INFORMATION IN PARA 5.A. PARTICULARLY SHOULD BE PROVIDED AS APPROPRIATE TO U.S. DEFENSE INDUSTRY. 222132 JUN 73

BT

CC NO. 10N SHEET	REF NO. OF DOCUMENT CONTINUED DAAJ01-73-C-0248 (P2B)	PAGE 57 OF 76
NAME OF OFFEROR OR CONTRACTOR HELICOPTER COMPANY, DIVISION OF TEXTRON, INC.		
SECTION J. <u>SPECIAL PROVISIONS</u>		
<p>4.27 <u>OTHER COSTS</u></p>		
<p>The Contractor's proposal for definitization of this contract does not include costs or services of his authorized representatives associated with this contract. The parties hereby agree that in the event the Contractor elects to submit a proposal for the costs of such services, the proposal shall be negotiated in good faith and if appropriate, included as part of this contract.</p>		

SECURITIES AND EXCHANGE COMMISSION
REPLY OF INQUIRY INTO TEXTRON, INC.
TO SENATE COMMITTEE ON BANKING, HOUSING,
AND URBAN AFFAIRS

(361)



SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20543

February 22, 1978

The Honorable William Proxmire
United States Senate
Committee on Banking, Housing
and Urban Affairs
Washington, D.C. 20510

Re: Textron, Incorporated
File No. HO-1055

Dear Senator Proxmire:

On February 21, the staff of the Senate Banking Committee requested that we provide the Committee, for purposes of inclusion in the record of its pending proceedings into the nomination of G. William Miller, an indication of the scope of the Commission's inquiry into Textron, Incorporated. As I indicated to you in my letter of February 21, 1978, the Commission authorized an inquiry into this matter to determine, among other things, whether information that was referred to us by the Committee implicated Textron, or any of its subsidiaries or officials in violations of the federal securities laws. As you know, the Committee's information indicated that Bell Helicopter, a wholly-owned subsidiary in Textron's Aerospace Division, paid \$2.95 million over a two year period to Air Taxi, an Iranian sales agent, in connection with the sale in 1975 of 489 helicopters to the government of Iran for \$500 million.

With respect to the remaining areas of the Commission's inquiry, I should emphasize that to preserve the integrity of its investigative processes, it is essential that the premature or unwarranted public disclosure of the details of its investigations be avoided. Also, when such disclosures occur, individuals involved, many of whom may in the final analysis be determined to have engaged in no illegal or improper conduct, may have their privacy — and in some cases their safety — jeopardized and markets for securities may be unnecessarily impaired. Accordingly, while we have supplied the Committee's staff a Confidential Memorandum detailing the matters we have currently under investigation, we are reluctant to provide more than a general outline of those matters in a letter we understand is intended to be made a part of the Committee's public record. Those matters include:

- (a) 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;

(363)

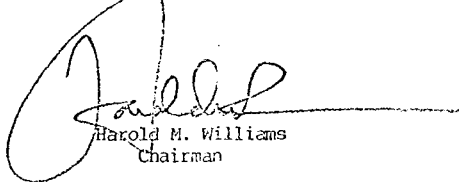
- (b) the use of "push money," salary contributions and other promotional practices by another Textron subsidiary;
- (c) the disclosure of instances of overbillings, underbillings and other billing practices apparently employed by several divisions of Textron, to accommodate their customers in the establishment of questionable funds of cash; and
- (d) 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, etc.

As you can expect, an investigation as comprehensive as the one I have outlined for you involving an entity as complex as Textron, could result in several additional areas of inquiry being undertaken by the staff before the investigation is finally concluded. That is not to suggest, however, that the culpability of any individual or entity can be properly resolved prior to a balanced assessment of the totality of the evidence obtained and a determination whether indications of violative conduct exist and are sufficiently strong and reliable to warrant enforcement action.

As I indicated in my letter to you of February 21, 1978, Textron has not conducted an extensive internal investigation to determine whether it engaged in any unlawful activities in connection with its overseas operations or those of its subsidiaries. Thus, the staff expects that at least four to six months, and perhaps more, will be required to complete the inquiry and to satisfy itself with respect to Textron's activities in various foreign countries.

If you or your staff has further questions on this matter, we shall be happy to attempt to answer them.

Sincerely,



Harold M. Williams
Chairman

RESPONSE FROM CITIBANK ATTORNEY
TO SUBPOENA FROM COMMITTEE

(365)

SHEARMAN & STERLING

53 WALL STREET

NEW YORK 10005

(212) 483-1000

CABLE: 'NUMLATUS' TELEX: ITT 421295 WU 128103

399 PARK AVENUE
NEW YORK 10022

21 AVENUE GEORGE V
75008 PARIS
261 53 48
'NUMLATUS PARIS'
TELEX: 642 680266

40 BASINGHALL STREET
LONDON EC2V 5DE
01 588 8885
'NUMLATUS LONDON EC2'
TELEX: 851 864274

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.

(367)

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:

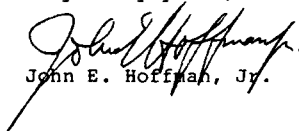
"I have no doubt that it is an implied term of the banker's contract with his customer that the banker shall not disclose the account, or transactions relating thereto, of this customer except in certain circumstances." Tournier v. National Provincial and Union Bank, 1 K.B. 461, 480, 12 B.R.C. 1021, 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.

