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Collection Name

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IRAN/ARMS TRANSACTION: KHASHOGGI LETTER-
GHORBANIFAR

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
164275	MEMO	WILIAM CASEY TO DEPUTY DIRECTOR	1	12/10/1985	B1

The above documents were not referred for declassification review at time of processing

- Freedom of Information Act - [5 U.S.C. 552(b)]
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STATEMENT OF MANUCHER GHORBANIFAR:

I am giving this information [REDACTED] for several reasons.

- (1) I hope it can help President Reagan who, I feel, did the right thing.
- (2) I hope it will help President Reagan in his future dealings with Iran.
- (3) I hope, in these future dealings, President Reagan will realize, because of all the information I am giving now, that I can be trusted.
- (4) In the case of my death, I will want [REDACTED] to make this information public. Until then, no one must know, and this must be for President Reagan's eyes only.

During the time of the Shah, I was a very active businessman, with American partners, such as Transcontinental² in Texas. I made \$10 million in deals with American companies. I was very happy with my American partners. At the time of the Revolution, all my money was confiscated, \$100 million. I also had 57 Israeli employees. I was out of business. It has been reported I was a member of the Shah's Savac. That is untrue. I was a businessman. I joined the opposition to the Ayatollah Khomeini and was part of a coup to kill him. When the coup was discovered, I escaped to Turkey and lived there two years, bringing many Iranians out of Iran through Turkey. Then a new Prime Minister came to Iran in 1981, the current Prime Minister. He had been an employee of mine, and we were good friends, so my whole position changed. Because the country was at war with Iraq, the Prime Minister asked me to buy arms and anything else I could. I had all of the contacts throughout Europe. I also was able to tell the Prime Minister of the dealings of the Tudor (Communist) Party in Iran, so I won the confidence of the Prime Minister. I also had very good relations with the various Mullahs, and I spent a lot of my own money on these relations. I am close to the Iranian intelligence officers. My brother-in-law is a full Colonel in Iran. I gave political analyses to the Prime Minister, always trying to bring Iran closer to the West.

When William Buckley was taken hostage, I knew the details. Taking Buckley was the beginning of Iran's trying to export the revolution into Lebanon. The hostages in that section of Lebanon are under the control of

Iran, not Syria. When this happened with Buckley, I called an Iranian ex-Commander of Naval Forces, living in Washington. I told him I was willing to help America with the Buckley situation. I could tell him how it was done and that it was done by the Iranians, and he should find a way of getting this word to America. At this time, I was in Hamburg, Germany. ^(where I have an office) The next day, I received a call from an American who said he was with the CIA. He wanted me to come to Frankfurt. When I went, I was given a lie-detector test and was treated as a criminal instead of a friend. (By the way, the Iranians took Buckley to get information. They didn't want to kill him, but they tortured him so terribly that he bled to death.)

Around this time, one of the big Mullahs, the Ayatollah Karbouli, came to Frankfurt. He is close to the son of Khomeini. I convinced him to let me try to open the door to America. I said it is good for our country. He agreed. Now, I called my friend, the Admiral, whose name is Habib Ulahi, and said I got the "big fish." Again, I got a call from the CIA jerk to come to Frankfurt and, again, the same treatment. The CIA didn't understand that I couldn't tell everything. After all, I am part of the Iranian establishment. I never got an answer from the CIA. They never called me back. They would say the man was away on a two-month vacation. They treated me like a dog.

I told Habib Ulahi that the Iranians were totally responsible for bombing the Marine barracks. The people who did it were paid by the Iranians. I trusted that the Admiral would tell the CIA, and they would understand they could trust me, but nothing ever came of this, so I realized I could not trust the CIA, that the average agent was stupid and had no understanding of the complexity of the situation.

I became friendly with an American businessman, Roy Furmack. I did business with him in Frankfurt. We had some oil deals. I talked to him about some of these things I have mentioned, and he said I should tell the CIA. I said I don't trust the CIA, because they trust no one.

Roy Furmack put me in touch with Adnan Khashoggi. ^(He works with Khashoggi) He told Khashoggi that I could help give the Saudis intelligence information. Khashoggi asked me to write him a detailed memo and tell him what was going on in Iran,

** This seems to be the opening of the whole transaction.*

about the different factions. (NOTE BY INTERVIEWER: [REDACTED]) "I am enclosing a copy of this memo, which Khashoggi sent to Robert McFarlane ^{July 10, 1985} It gives the details of the different factions in Iran." * The American CIA knows nothing about Iran. To make it brief, there are three separate factions, all working under the Ayatollah. ^{Khomeini} There are the radicals and two different sections of moderates. Rafsanjani, Speaker of the House, is thought of as a moderate ^{but isn't}. When the Ayatollah Khomeini dies, there will be a scramble for power. The radicals will carry on the anti-American, ultra-conservative work of the Ayatollah Khomeini. The moderates will want to bring Iran closer to the West. Should the moderates come to power, I personally will have great power, and I will also be able to recover much of my money, so I have personal reasons, as well as a general desire to be closer to the West.

Khashoggi sent my memo, with a covering letter, to Robert McFarlane, who was then head of American National Security Council. At about this time, a story concerning me and ex-CIA agent, Theodore Shakley, began to come out. Shakley later accused me of trying to trade ^{money} ~~arms~~ for hostages. He is a liar. The truth is that he was high up in the CIA and had the possibility of becoming its head, should Casey leave. He told me that, if I could get Buckley out, he would have the power to take over the CIA. I said I want no business with the CIA, leave the CIA out if it, and I don't need the money, but I will try to do what I can for Buckley. I arranged for Shakley to meet one of the top Ayatollahs. But instead of coming back to me, Shakley began to deal directly with the Ayatollah for his own cause. My friend, the Ayatollah, said to me, "Don't trust this man, because he wants to do the deal himself. Don't you see from him you cannot trust any Americans." I then called Shakley and told him he is a pig and that is why, today, Shakley is mad at me. (INTERVIEWER'S note: [REDACTED]) "It was recently reported in the newspapers that an ex-CIA agent, Theodore Shakley, said that Ghorbanifar tried to trade hostages for money in 1984. Ghorbanifar says he is still trying to discredit him to cover his own tracks. Furthermore, Ghorbanifar says the CIA knows he has no use for them and vice versa."

After the memo from Khashoggi to Robert McFarlane in July ¹1985, I received word to see what I could do. Khashoggi felt McFarlane would not believe my memo, but he would believe the Israeli intelligence. So, he set up a meeting between that top Ayatollah, his assistant, David Kimche, Director of the Israeli Foreign Office, Al Schwimmer representing the

YAAKOV NAMRODI (the middle -
man)

Prime Minister Shimon Peres, and Khashoggi's assistant, Robert Shaheen. I knew these people were from Israel, but the Iranians did not. They thought they were Americans. I then flew to Israel for further meetings with Kimche and Schwimmer. ^{AND NAMRODI} Kimche said "I will fly to Washington and convince McFarlane, and you try to convince the Iranians." I said "I need something to show that America is serious. I need a sign for Iran and, if that happens, I will try to help both in Lebanon and in Iran." I went back to my country and discussed this situation with all three of the factions, for all three had to agree, or it wouldn't work. I told Line 1, the radicals, "You will get arms and support, and you will stay in power." I told Line 2, who are my friends, headed by the Ayatollah Multazari, ^{SP?} "You can prove the radicals were helping America when they said they wouldn't, and beyond that, if there is any profit from this deal, I will give it to you." Line 2 needed money very badly to keep their group together, for meetings, etc. I told Line 3 (Rafsanjani), and he was happy for the arms and also for the opportunity to screw the radicals. All three lines knew I could do what I said.

When this was finished, I told the Israelis that, from here on, I wanted to meet with the top Americans, and so David Kimche introduced me to an American named Michael Ledeen, who was representing McFarlane. I told Ledeen the whole story. I told him the CIA are terrible and know nothing, and he must tell the President that the CIA know nothing about Iran. I told him I wanted to go back to Iran and convince my country to deal with America. Ledeen said, "If we give arms, we want these conditions: no more terrorism, no more hostile acts, and you must give us a sign and release a hostage." Ledeen said he would talk to McFarlane, but I told him, if the CIA knows about this, they will cut us out and destroy us. Ledeen and I agreed to meet in Paris in July, two weeks before the first shipment. Ledeen gave us the go-ahead. It was supposed to be a small shipment of only 100 TOW missiles. Ledeen said he discussed it with McFarlane. The Israelis will give Iran their older TOWs and the US will give them new ones. That is why Israel agreed to do the job. (Israel had given arms to Iran under the Shah. They also shipped some arms after the revolution, but Iran didn't know the arms came from Israel. They thought they came from private companies.)

I was told I must put up \$1 million. I got this money from Khashoggi. In return, I gave my check to Khashoggi. I do not think President Reagan knew about all of this. These arms cost less money than a truck, and they

were only to give a sign to Iran.

When I got the \$1 million from the Prime Minister of Iran, I put it into the ^{Iran's} account of Yaacov Nimrodi. He was to be the middleman, the cover. Iran wanted desperately to have the TOWs. They had been trying to even get a picture of them. I told them "when the TOWs come, I will come with them myself." I went on the plane with that first shipment. It was an old, old DC-8 .. I thought it wouldn't fly. Israel pretended it was coming from Greece and going to Pakistan. They really came through Turkey and landed in Iran. We landed in Tabriz. The Deputy Prime Minister and others were there. They kissed me. I flew in the Prime Minister's Falcon jet to Tehran. It was a big success. Everyone was very happy.

In Tehran, the arms were delivered to the revolutionary guards, not the Army. Two days later, I went to the Prime Minister and said, "This is a sign of America's willingness to establish relations," and I gave him the terms. (1) Stop all hostility towards America. (2) Help release the hostages. (3) Be prepared for bigger relations with America.

Khomeini and Rafsanjani were informed. They had told Khomeini that the TOWs had come from an American base in Europe. We told them the second shipment came from the Philippines. The Prime Minister said, "OK, if you help us, we will help you. But, to prove you want to help, get us 400 new TOWs and, the same day, we will give you one hostage." I went back to Kimche and Ledeen (in all, I ~~had met~~ ^{would meet} with Ledeen more than 30 times). I reported that the Iranians had told America that they can only influence those who hold the hostages .. but this is a lie .. they do more than influence .. they have control.

Israel now asks for \$4 million for the TOWs. Khashoggi advances the \$4 million. Nimrodi says that is not enough. They milk another \$250,000, and it is now \$4,250,000. The same old plane, with the same pilot, delivers the second shipment. ^{INTERVIEWERS} ~~note:~~ note: "Ghorbanifar gave extensive account of the route of the plane, how it had to come back again ~~et~~ He has every detail." A half hour after the plane took off to return from Tabriz, Benjamin Weir was dropped out of a car door in front of the British Embassy. I, Ghorbanifar, have said that I did this hostage deal on my own, so my country does not look as if they are involved.

Ledeen now says "You are right, it is a great job, the CIA knows nothing. Now Israel and the U.S. know you are right and not a fake (for the CIA had said I was a liar), and this proved I was right. (INTERVIEWERS note: "At this point in the conversation, I asked Ghorbanifar why he is taking these chances. He said "to get even with the CIA bastards in America, to prove myself, as a matter of honor, and because I have over \$100 million gone in the wind in Iran. If my people get into control, / set my money back - I can make more, and I will be the powermaker.")

After the second shipment, Kimche asked me to come to Israel and I asked, on behalf of my country, that he give us bigger shipments. By now, I think President Reagan must know. I do not know Ronald Reagan knew of the first time, for the first time Israel gave the arms from there own stock and didn't need permission of the American President. Now they will.

Now, Ledeen asks me to come to the U.S. He arranges a visa for me in a fake name, so the CIA will not know. I arrive October 7, 1985, under the name Nikolaos Kralis, ^{a Greek passport. (He shows me passport + date)} I met with Ledeen at the Hotel Madison. Kimche, Schwimmer and Nimrodi were there. Now, I have proven myself and I can negotiate myself for the bigger shipment. I say Iran wants spare parts for the F-14 Harpoon, Phoenix Missiles, and more, in return for hostages. (INTERVIEWERS note: "Ghorbanifar discusses financial part of this with me. I will give it to you if you want. It is not necessary to the story right now, in my opinion.") Ledeen is grateful, says it will help him if he can meet a top Iranian. I said "Not an official meeting, but I will try to arrange a top Mullah," Ledeen says the most important hostage is Buckley, a very close friend of McFarlane. If Buckley is freed, McFarlane will do anything. I fly back to Paris and arrange for Ledeen to meet in Geneva with Ayatollah Kabouli, who will give him a full picture. This is the end of October 1985.

Ledeen now meets in Paris with me and, for the first time, Khashoggi. From there, he goes to the Hilton in Geneva. Kabouli drives from Hamburg to Geneva. They have a three-day secret meeting. Ayatollah Kabouli tells who the radicals are, who took the hostages, and asks U.S. for certain technical help to be able to take over the power when the time comes. Kabouli is the Number 2 man in Iran. Kabouli also says he needs Iranian money to give to religious schools, and bazaars and masses, to bring the people

together, to put him in power. He also asks for certain drops to put in drinks to try to kill Khomeini. Ledeen says the U.S. does not have these drops. Ledeen says, for the technical help, communications systems and equipment, high explosives, he must check with McFarlane, who must get permission from the President. He tells me to give Kabouli \$300,000 and says when the U.S. delivers arms, we will send the \$300,000 on that day to me. (^{INTERVIEWER'S} note: "Ghorbanifar tells me about all his extra expenditures, travel expenses, telephone calls, entertainment of Iranians. He says, "When they are not in Iran, they spend like hell." Ghorbanifar tells me also that he got the necessary drops from Israel.)

Before Ledeen goes, he says we must now tell Casey, because this technical and communications equipment must come from the CIA. And the CIA is beginning to know you have proven yourself.

As a favor, I tell Ledeen about one Kangarlou, ^(sp?) who is responsible for hostages, terrorism, exporting hostility, etc. I tell Ledeen where he will be outside of Iran, ^(DUBAI) and arrange for U.S. to take secret pictures of him, which they want. One year later, I learn that Lt. Col. North was also there. It was in Dubai, in the Emirates.

Back in Iran, I tell the Prime Minister's man about Buckley. He goes white and says "What a pity. They should have told us earlier. He died from bleeding. But don't tell the Americans, or they won't give us arms." I met then with Ledeen in London, and I told him I felt Buckley was dead. Ledeen said "You are right. We have evidence he died recently."

By now, November 1985, Ledeen has told the CIA. So far, there have been two shipments .. 100 and then 400 TOWs. ^{*} Next, we have a meeting in Israel. Kimche, Schwimmer and Nimrodi tell me Americans refuse to give Phoenix and spare parts for F-14s. Instead, they say, they will give Hawk Missiles for air defense. I return to Iran and tell the Prime Minister "We can get 600 new Hawk Missiles, and you will even ^{be able to destroy} get Mosquitos." The Prime Minister said, "Give us these missiles, and we will free all hostages and you will have no problem in Lebanon." This is the end of November.

* COST \$5,250,000

The deal is, for each 100 missiles, 600 in all, one hostage will be freed. By now, of course, the U.S. knows Iran is totally in control of hostages, but the U.S. cannot say this, because hostages are still being held. The Prime Minister sends his assistant to Geneva under false passport. I stay with him at the Hotel Hilton for 21 days to prepare for the shipment. Schwimmer and Nimrodi arrive. We pretend they are Americans. ([REDACTED] note: "I can give you the breakdown of financial costs.") In all, the 600 missiles come to about \$200 million. Nimrodi tells me I must put over \$21 million in his account, or the Israelis will not ship. I give the Iranians my check. They put \$21 million in my account. I put that money in a Credit Suisse Nimrodi account. I have all the documents.

Before this third transaction, I met in December at the George V Hotel with General Secord. Schwimmer and Nimrodi bring him. I am told he is Assistant to a top guy in the White House. He wants to hear about the whole deal.

Now the plans are delayed. We wait for 6 days while the money sits in Nimrodi's account. Finally, the plane comes with only 18 missiles out of 600, a little over \$5 million. But the Prime Minister, after examining the missiles, is furious. He says they are two years older than the ones he has here. "This is how America treats us? We will kill the hostages." I realized then that Schwimmer and Nimrodi did it on purpose, thinking the Iranians were stupid and not realizing that the current Iranian officers had been trained by the U.S. Army. The Prime Minister says "We have 540 missiles even younger than these. The Shah bought them from the same bastard." General Secord had been head of the Hawk Missiles in Iran under the Shah.

Ledeen said "Give us one hostage. You cheated us. It is a slap in the face." Further, Israel refused to refund the money. No hostages were released.

I told Ledeen, "We are in great trouble." I am asked to come to London and there, in Nimrodi's house, I meet a General Nir, Head of Israeli Anti-terrorism. He has now been assigned by Prime Minister Peres to control the project. Nir visits McFarlane, still NSC Chief, to straighten things out. He is a first class man. Nir tells me how, out of the first \$4,250,000, Nimrodi only paid \$1 million to America, to Lake Resources account. I gave

him all the documents. I said "Let Iran return the old missiles, get a refund and start over." This is around the time McFarlane resigned. Now, I am told to go to a meeting in London at Nimrodi's house. There is Kimche, Nimrodi, Schwimmer, Nir, McFarlane and, for the first time, I meet Lt. Col. North. McFarlane has now resigned, and says he will work on the hostages from the outside. I tell McFarlane the U.S. ^{not} does know how to deal with Iran, I give him a 20-minute lecture, and he says at the end, "Sir, you are right. I have to go report to the President." and he leaves.

I am told to stay in London. Four days later, Nir returns. He says to forget Nimrodi, Schwimmer and Kimche. New guys will come. The next day, the Hotel Intercontinental, I am asked to breakfast with Ledeen, North, Nir and Secord. Secord is now in charge of operations. He says "Nimrodi and Schwimmer have screwed things up. Now we will try to please your people, make them happy, and try to get the hostages out." ("Hostages were first discussed at the meeting with Ledeen in Israel.")

I am pleased with the new man and tell them I can also help with Libya, because I have important friends in Libya. Secord and North say they are not involved with this, but will introduce me to Charlie Allen, Head of Anti-terrorism in Lebanon for the CIA. He comes to London. We meet at the Hotel Churchill. At his request, on December 22, 1985, with my same Greek passport, I come to Washington. I am met by Allen, and George Kidde⁽⁷⁵⁰⁾ of the CIA, and taken to the Four Seasons Hotel. The next day, I am introduced to a tall man from the CIA named Patrick and taken to a "guest house." And damn, if I'm not given another lie detector test! I am asked if I "condone" terrorism. I don't speak the language that well. I think they say, do I "condemn" terrorism, and I say yes. I am then told I have failed the lie detector test. I am furious that I am still given the lie detector test at this stage, and one that lasts for three hours. It is like a blood pressure machine, and I am black and blue. I complain to North and he said "The CIA will push you to come out negative. They do not want you to pass, because they know you are going over their heads to the White House, and you criticize them, so they want to kick you out."

I am also told that Ledeen is out, and Admiral Poindexter is [!] now in the deal. North says we will give Iran information on Russians on the Iraqi border and Iranian border, and 1,000 TOWs. We expect the hostages out.

North also says we want you to set up direct negotiations with Iran. After much convincing with the Prime Minister, who does not trust Americans since the old missiles, a meeting is set up in Frankfurt, January 1985, between North, Secord, a CIA man with full white hair, and an interpreter. I objected to the interpreter and was told he must be there to report to the President "the spirit of the meeting." From Iran, there are two special assistants to the Prime Minister and two colonels from the J-2 Intelligence Department of the Army, plus myself .. five in all. General Nir is also there, but the Iranians think he is an American. The Iranians say "Why did you mess us up with the missiles?" The Americans cannot say it is because of Israel, so they blame it on me as the middleman, and I take the blame. Before the meeting, Nir tells me Nimrodi paid \$1 million to America for cost, and pocketed the rest. But we cannot force ^{to give money back} him because he might make a scandal. Before this meeting, North seems very nervous, keeps going to the phone. I ask what is wrong, and Nir tells me North is under pressure because he is in charge of the Contras in Nicaragua and cannot get money. Also, before the meeting, North asks how much will I pay for 1,000 TOWs, and I say \$10 million. His eyes light up. I know that it only costs America \$6,500,000 for 1,000 TOWs. That means \$3½ million difference. When North hears this, he is very happy. He phones someone in America. I surmise he will send the \$3½ million to Nicaragua.

At the meeting, North says the President believes in Iran, wants a strong and independent Iran, etc. "To show our honesty, we will give you 1,000 TOWs and take back the lousy ones." I give North \$10 million, which I had already borrowed from Adnan Khashoggi. I am told, for the first time, to put the money in an account called "Lake Resources." General Secord writes it down on a piece of paper. In this transaction, no hostages are mentioned. We are all trying to get back in good shape, back into each other's trust.

Now, the fourth shipment arrives, with 500 TOWs, and they take back the lousy units. The same day, a meeting is held in Frankfurt with Iranian military officers with J-2, the Iranian Intelligence of the Army, and General Secord and other Americans. Secord gives the U.S. military intelligence about Iraq. It is a good meeting. (North is still in Frankfurt with me and General Nir.)

The fifth shipment arrives the next day, another 500 TOWs, totalling

1,000 TOWs. By the way, this meeting in Frankfurt in the Sheraton Hotel is the first meeting of Iranians and Americans since the revolution.

~~XXXXXXXXXX~~ note: "At this point, Ghorbanifar gives me the financial breakdown, which is complicated, but I can give it to you if you want."

Now, a new meeting in Frankfurt. After the second shipment of TOWs, ~~and~~ Secord tells Iranians "I used to be in Iran," and he speaks in Farsi. Days later, the Prime Minister tells me "the U.S. intelligence information was good three months ago. It is ^{now} bad information." He is angry with the U.S. again. He says the U.S. does not want to give us good information. They do not want Iran to win this war. They think we are dumb. They will find out we are not."

A few days later, the "interpreter" phones from America to the Prime Minister's assistant and introduces himself. He says he has a message from the President and gives his own phone number. He is trying to deal directly and get rid of me. He is a CIA man.

The Prime Minister's man says to me, "What the hell is this? Every day, we are saying 'Death to America' and then the interpreter says 'call Washington'?"

I call North and Nir, and I say "Stop this game. The CIA is trying to get me out, and North tells Nir the CIA does not like me." Now, North says we want all the hostages out. What is the next step? The Iranians gave a huge list of 299 items, all for spare parts for the Hawk's radar system. I sent the copy of the Iranian list to Nir and, travelling under my own passport to Washington to bring the list to North, March 1986. I say, "If you deliver all of this, you get the hostages." I also want the CIA to get off my back. So I give Charlie Allen a list of pictures of all the Libians in the U.S. and Europe whom the Libians want to kill. I got these photos from the Libians. I also gave him a full biography and more than 100 pictures of the man who is in charge of anti-American operations in Kuwait. I say "Here, I give you this as a present." I also tell him of the number two man in Libya, who was willing to have a meeting with him to try to solve the Libyan problems. I tell him I could also give him the name of the head of Iranian Intelligence in Europe, and thought they could work together. I thought I was a hero. The CIA never answered me.

Two weeks later, North says we can provide everything in one month but we must discuss this with the Iranians in Tehran directly. The price of what we can supply is \$15 million net. Time: end of March. North says we will come in a private plane and stay in Iran like hostages. When Iran releases the real hostages, 8 hours later, the whole cargo of spare parts will arrive, and we will leave. This is the condition, and from then on the door is open and we can discuss the future.

So far, Khomeini knows nothing of all of this. His son, the Prime Minister, the Prime Minister's guy, Rafsanjani and the heads of the other Lines all know. Khomeini does not. Iran says "Come, but not with U.S. passports." The Israelis say "We must come too." The CIA does not want them. A big fight erupts between President Reagan and Prime Minister Peres. Peres wins. U.S. still needs Israeli planes. They cannot ship the stuff themselves.

I say I will come with North and Nir to Tehran to make the arrangements, but the day we are to leave is the day the President and Poindexter are in Japan, and our trip is cancelled. The Iranians think the meeting will never happen, so there is no reason to tell Khomeini. North asks for the \$15 million to be put into Lake Resources account. Khashoggi^{has} raised the \$15 million with the help of Canadian and Cayman Island backers.

Finally, the meeting ^{in Iran} McFarlane, North, Nir, George Kidde of the CIA, two specialists in Russian affairs from the Pentagon, one specialist for communications and three in airplane crew, and me. They are supposed to stay in a house, but it is the holiday of Ramadan, when everyone fasts, and it is hard to bring food into the house ^{without arousing suspicion.} So a wing on the top floor of the new Hilton is cleared for them. They are supposed to come at 9:30am, but arrive two hours earlier. They are angry at having to be kept waiting. ^{until 9:30.} North, as a joke, brings a chocolate cake to the Prime Minister's man because he had teasingly asked North "what will you bring me." ^{He says this cake is the key to food relations.} North also brings 3 walnut wood boxes with the seal of the U.S. President. Inside the boxes are Colt revolvers. The Iranians are shocked that such a high level group has come to Iran. They are afraid, too, that if Khomeini hears, he will kill them. So now, Khomeini's son and Rafsanjani tell Khomeini. Khomeini

says "Don't accept them. Don't talk to them. So the Prime Minister's guy says to me "Wait, cool it, we will get Khomeini to agree." They tell McFarlane to be patient. On the evening of Day 2, the second man in Parliament, Head of the Foreign Relations Committee, Dr. Hadi Najafabdi, comes.

Day 3, they make an agreement to release our hostages and discuss future relations. Negotiations all day, conversations with Washington, with Rafsanjani.

Day 4, McFarlane loses patience. He says "if you don't release hostages, I go." (He brought about 10% of the total Hawks, 5 boxes.) Dr. Hadi comes back, pleads for patience. "We will release two hostages now, you order the plane with rest of cargo. When it arrives tomorrow, we give you two more hostages and then you wait here, we go through the intelligence information you give us, and then you go home."

By then, Khomeini has given his OK. McFarlane says "No, I want all the hostages now, or I go." Dr. Hadi pleads, almost in tears. "Wait" says Hadi, "We give you two now and two tomorrow." McFarlane says "No deal, orders from my President." Hadi asks McFarlane to sleep on it. "Tomorrow, I try to convince Khomeini to release all 4." McFarlane says OK.

Day 5; 6am, Hadi returns, says couldn't see Khomeini. "I will see him later, but take the 2 hostages now." I, Ghorbanifar, was there and I heard this. Nir also was close to crying. North was trying to convince McFarlane. McFarlane said no. Hadi pleads with him to stay. McFarlane and everyone leave.

I am left alone. I thought they would kill me or I would have to go to an embassy for safety. I go to the Prime Minister and say it was a great development. "They brought 10% and will come back. I will go and convince them. Don't worry."

I leave Tehran and go to Frankfurt, where I call Nir and North. They say it is McFarlane, what can we do? I think McFarlane feels, now we have the \$15 million. They need the cargo. We know all the right people. We don't need Ghorbanifar. McFarlane is also probably afraid to stay longer would leak out in Washington, so he felt he had to get out.

From now on, the talks continue between Kidde of the CIA, who speaks Farsi, and the Prime Minister's man, Kangarlou. Kibbe says "better you release some hostages." The Iranians say "no, you send the cargo." I call for a meeting with Nir and North, and North recognizes the problem, asks me to get one of the hostages out and then we send the cargo, which is sitting in Israel. North is in charge. I say I will try, but Kibbe (code name: Sam) is interfering, calling on his own. He wants me out. I am beginning to want out, too. I am tired. This has been sixteen months, day and night. My money. Trips all over the world. I have been reporting everything to Lines 2 and 3. And I warn North, "If your people screw me up, you will have a bigger problem than Watergate. Don't try to do this to me. My people know, when it comes to friendship, I will die for you. But, if you make an enemy of me, I will be very dangerous."

I now went to work on the hostages. General Nir said "Be careful. The CIA and the NSC are monitoring you, bugging all your calls." I informed Ledeen and Roy Furmack. I didn't want to be the only witness. I needed others. I worked day and night to get my people to release the hostages. I knew George Kidde was still talking to the Iranians. I finally got them to agree on two hostages but, believe it or not, George said "We'll settle for one." I had told my people that I wanted the hostage priest out. I reported this to North and to Nir that the priest would get out, and he did, to the day. Charlie Allen told Casey we got the hostage out only because of me. North also told me that. And now, the equipment was sent to Iran. It arrived, and we charged Iran \$20 million...\$15 million for the cargo, \$3 million for finances, and \$2 million for the Israelis to pay them back for earlier costs. Iran checked out the cargo. There were 63 defective items, and items that didn't fit. That amounted to \$3 million. There were 290 pieces also missing. That was good for \$6½ million. The other pieces wouldn't arrive until January. And so, the Iranians were all upset again.

The Iranians then only gave me \$8 million. I gave the financiers \$8,100,000. That means we still owed them \$10 million, as \$18 million had been the total amount. We still do owe them the \$10 million.

I went back to Washington at that point. I saw North and Charlie Allen, and I said "You're trying to arrange a new route. I know the CIA doesn't want me. And I also know that North wants the money that is owed

to be forgotten, because, I said, the money was given to the Contras. George said the Prime Minister was lying, that we had delivered the defective items and we left out items, because you didn't pay us yet. I said "That's a lie. I have the checks." And those checks, by the way, were deposited in Lake Resources. George, today, denies that he said this. I then said to North, "If you don't get him out, I will leave." I had concluded everything for the two hostages, and it was George who said only one. The Prime Minister's assistant then told me that someone had messed everything up. "I have documents for U.S. contractors" he said "and it shows that we overpaid by 600%. I have the microfilm, giving the ceiling price that the Defense Department would have to pay. We paid 600 times what these items are worth." Iran now thinks that I took the money. I showed the Prime Minister all the documents. I had never known that the extra money had gone to the Contras. I called North and Nir, and I said "What the hell is going on?" North said, "It can't be. Come to London." And so I met in London with North and Nir, and showed them the microfiche of the overpayments. North said "Well, this is the Pentagon costs. But it's not the Iranian cost." I said "You should give them the right price. If they're releasing hostages, you should do them a favor, not overcharge them."

It is now late July or early August of 1986. I go back again to Iran. The Prime Minister believes me. He knows I have paid \$8,100,000 out of my own pocket. Iran now says "Give us 1,000 TOWs for the overpayments and the missing parts." They were supposed to come January 1987. And we were then to release the hostages. But North says no. He says they have to pay another \$10 million. The Iranians say they will pay \$6½ million more, and I am ready to give \$5 million myself for one hostage. But America is stalling. They are stalling with me, because they have now made contact themselves with Rafsanjani. After all, there is no history behind them with Rafsanjani. They can try to get the hostage out, and they don't have to give arms. This is ten days before Jacobson is out.

I can't reach North, and I call Nir. I told Nir, "You'd better not do this with this new channel." Nir said "Let it be. If they make the deal with Rafsanjani, and all the hostages get out, they will pay you." I said "No, I have to defend myself, and my life, and my financiers. They cannot now do this to me." Nir says, "Don't make problems."

It is now November 4th. Rafsanjani has arranged for Jacobson's release. And North meets with Rafsanjani's people in Europe. I tell Roy Furmack to tell Casey that I know of these meetings, and they'd better watch out now. I also phone Nir and I tell him. Nir says "Look, I'm not a part of this new party." And I tell him "Whatever you send Rafsanjani, charge him double, so I can pay back my financiers. We owe them \$10 million." And now North is dealing directly with Rafsanjani. Rafsanjani's agents have asked for one plane load of 500 TOWs, and North said "In return, I want one hostage, and I want him released on November 2nd, two days before the American elections."

Now, North charges Iran only \$4,050,000, instead of what I would have had to charge, which would have been \$5 million. It's a reduction of almost \$1 million. But it's alright now, because Congress has approved \$100 million for the Nicaraguan Contras, and North doesn't have to raise the money. Furthermore, Israel is now out of the deal, North is dealing directly with the Iranians, the deal is made and I am out. ^{Jacobson is released.} North himself takes Jacobson, the hostage, from Cyprus to Frankfurt. The CIA tells Poindexter "We have a better channel than Ghorbanifar, and let's just forget Ghorbanifar." The CIA, I think, got to Rafsanjani, through the United Nations Ambassador to Iran. For me, it was worse than killing me.

The next day, I talked to all of my people, in my Line, ~~Two~~, in Iran, and I told them what was happening, that there was a direct deal with Rafsanjani, and that they were all being cut out. I said "Rafsanjani will screw us all in the end and take the power himself. We are all finished. And the Ayatollah who was our friend, the Ayatollah ~~Montazora~~ ^{Montazori}, his power is greatly diminished. I phone Nir and I say "They ~~have~~ ^{are trying to} assassinated me politically in Iran. And now they will see my power." Nir says, "Do nothing. It isn't wise."

Jacobson is out. But all of my people know what has happened. They know, after all of my work, I have been excluded and Rafsanjani is now in power. My people feel we have to kill the deal that is coming up, or we are all finished. At 4am, Nir calls. He says "I am coming to see you in Paris. I have a message from the White House. They have evidence you are damaging the interests of the United States, and they will make your life impossible. Stay out of this. In the future, they will make good your debts, otherwise you will be in terrible trouble. Wait another few

months." But I say "Give me my money back. I have nothing to lose. At this point, it doesn't matter what happens. Our people feel they want to blow the deal." That night, 5,000 pamphlets are delivered all over Iran, telling about the deal and how Rafsanjani is involved with the United States. Seven top members of the Parliament ask the Government to resign. There are big questions about what McFarlane was doing in Iran. And one of the men from Line 2 gives all of the information to the Lebanese paper in Beirut.

Rafsanjani then went to Khomeini to defend himself, and to have him call off the vote of confidence in Parliament. Rafsanjani has taken credit for the relations with the United States, but no one in Iran believes him. I told the Prime Minister about the money, and Iran knows now also about the Contras. Rafsanjani knows that I am clean, that everything I have done, I have done for the good of the country, and that I have not pocketed the extra money myself. But Rafsanjani must continue to deal with the United States, as he is finished if he doesn't get more cargo. Rafsanjani says to me that I must return \$7 million to him, and I have said "Your money is in the jungles of Nicaragua."

Now, the financiers through Khashoggi are out \$10 million. They got \$8 million against the \$18 million guaranteed by Khashoggi. It is my feeling that Nir knew about the Contras. I also think the CIA knew, because I gave the price to Charlie Allen, and Charlie knew it was too high. ([REDACTED] note: "I can give you a breakdown of the money as Ghorbanifar gave it to me.")

Secord and North had access to the Lake Resources account. They gave the money to the CIA to pay the Defense Department. In the last few days, Rafsanjani has arrested the man who was in charge of returning money from me secretly to build up the proper Line. This man was put in jail and tortured, and he has told everything that we have done. Rafsanjani has sent a group to Germany to kill me. That is why, when I did the interview with Barbara Walters, I appeared so conciliatory to Rafsanjani. I wanted him to know that I would not talk. I said to him four days ago, "I won't talk and you don't talk. Let's make peace. You do a favor for me, and I will do a favor for you. You must forget the past and, for the future, don't let President Reagan down. What he did all along was the right thing to do. Release the American hostages.

Release one of them on Christmas night. The statement ^{FROM LEBANON} should say "The hostage was released to prove that all the news media were wrong, that there was never a deal of hostages for arms, (2) because it is Christmas night and Christ's birthday, (3) because this is a goal for all governments, including the Government of Kuwait, to follow and (4) to prove to the head of the imperious Government of America that, when he makes the right decision, we appreciate it, and the more he does, the more we do. And, I said to Rafsanjani, "In return, I will not talk about the whole story, I will not expose that Iran knew about the hostages for arms deal, and I will finalize the arms deal for the TOWs."

(██████████) note: "I, ██████████ was then told that, if I leak this, the American hostages will die, there will be more terrorism, that relations of Ghorbanifar's will be killed and that, most of all, the relations between the U.S. and Iran will be killed. Ghorbanifar tells me he thinks Casey knows everything. Ghorbanifar would like for the hostage to be released and for the relations with the United States to continue, especially trusting him and his faction, because all along he did everything he promised to do. He says that, after the Ayatollah dies, the successor to him is the Ayatollah Montazora. He is the one who is a very close friend of Ghorbanifar. Ghorbanifar tells me he told both General Nir and Charlie Allen what he has done ^{AND ABOUT THE HOSTAGE RELEASE. HE THINKS YOU, MR. PRESIDENT, KNOW ALL ABOUT IT.} If one hostage does get released, everyone will know the power he, Ghorbanifar, has. And Ghorbanifar says Casey has now learned that a man named Abu'Bafa is now Commander in Chief of the Iranian Revolutionary Forces in Lebanon. He is the man who Ghorbanifar said he knew so well, and said he could have helped the CIA with. He said Casey sent his apologies and said "We should have believed you. Please try to have relations with him." Finally, Ghorbanifar says he thinks the CIA finally believes he knows every movement in Iran. Ghorbanifar wants me to tell you, Mr. President, that he has the future of Iran in his hands."

December 24

Dear President and Mrs Reagan

As much as possible, I have written what Maruckas Gherbenifer told me about the financial transactions.

The only part unclear to me is the mention of \$18,000,000 rather than a previously noted \$15,000,000 payment for the last big transaction. In any event, it seems \$10,000,000 is still owed to the Canadian & Cayman Island financiers.

I checked again with Adnan Khassoggi and have listed his version of the money loaned and received in return.

The other long version is Gherbenifer's.

K - in this script is KHASSEJI
G - " " " - GORBANIFAR.

Adnan Khasseji (known here as K.)
Kasim of Forward transaction.

K's contributions are simple, to say.
He describes himself as the financial
"bridge-maker" - as follows

\$1,000,000 given by K. (out of his
own pocket) to Gorbaniyar to pay for
1st shipment of Tows via Israel to
Iran. Gorbaniyar later refunded
K's money (100 ~~TOWS~~ TOWS)

\$4,000,000 given by K for 2nd
shipment of Tows. K. directed by Israeli
Al Shurmma to deposit this money
to a credit Swiss Account in
Zurich. Gorbaniyar refunded this
money to K. (400 TOWS)

[\$250,000 paid directly by
Gorbaniyar to Yacov Nimrodi as
commission. (K. not involved.)]

\$10,000,000 (3rd shipment) K.
advanced this money to Gorbaniyar. (2nd.)
G. returned this money to K.
in stages. Israel's General Neri
directed K. to put this money in
a Swiss account called
Lake Resources. All money returned.

An additional 10% was given

2

by the banks in behalf of
Iran to K's bankers for their
interest, expenses etc. K. says
these bankers were various Arab
business men & bankers.

(4th shipment)

\$15,000,000 / K. tried to raise this
money through British publisher
tiny Rowland. Rowland checked
with the U.S. State Dept and
backed away from the loan. K.
then mortgaged his home in
Marbella & O.C. 9 plane and raised
the money from Canadian and
private individuals and private banks
in the Cayman Islands. He gave
a check for \$15,000,000
directly to Lake Resources
account.

A 10% interest, \$1,500,000
was also paid by the Iranians to
K. to give to his bankers for
interest on this money

this money (the \$15,000,000)
K. says came back in portions.
Only \$5,000,000 was returned
plus the 10% directly to the
Cayman Island bankers.

An additional \$10,000,000 is
still owed to the bankers via K.
END Kharogis version

Morcanfair's version (known as G.)

In fruit shipment of 100 TONS
(via Israel) G. gets \$1,000,000 from
Kharsoji. (G. gives his personal check
back to K.) + puts that \$1,000,000
into account of Yaakov Nimrodi.

K. ^{later} then gets the 1,000,000 back from
Iran's Prime Minister. Nimrodi acts as
the middle man. He covers. Prime Minister
does not want to do business directly
with America. Thinks he is dealing with
K.

In point of fact, Iran puts
\$1,200,000 in G.'s private account.

Second shipment for 400 TONS.
Israel asks \$4,000,000. (Check ^{covers} from
K.) Achumina & Nimrodi ask for
an additional \$250,000

(After this shipment, hostage
Benjamin Weir is released)

~~third shipment.~~

When plane landed in Tebriz,
Iran, G. got \$6,000,000. from Iran.
He says this covered K's \$4,000,000
plus the \$250,000

Hide Note (towards the end of Oct. 1985.
 A. arranges a meeting with Michael
~~Tudeen~~ Tudeen and an Iranian,
 Ayatollah Karubi - described as a
 number two man in Iran. This meeting
 is in Geneva. Karubi says he needs
 money to put to religious schools,
 mosques, the "masses" to keep these
 moderate elements together for the day
 they will need them to put the right
 figures in power. Tudeen tells
 A. to give the Ayatollah
 \$300,000 (C. says in the Irania
 black market, that's like \$3,000,000)
 Tudeen tells A. when they deliver
 the next arm shipment, they'll add
 the \$300,000 on to that so C. can
 get his money back. ~~He~~ A. does this
 exchange in London & gives all the
 papers to Tudeen. A. says he
 changed \$270,000 into Iranian
 money because that's all he had
 on him.)

So far only two shipments have
 taken place. 100 + then 400 tons

Next. Hawk missiles

Iran wants 100 Hawk missiles.
A. has told Iran's Prime Minister,
for each 100 missiles, one hostage will
be released.

A. is told by Nimrod (unclear if
it was actually Nimrod) to ask
\$275,000 per missile. A. makes it
\$300,000 to take care of shipment.
On 600 missiles, that would be
\$200,000,000

Side note

(Nimrod tells A. to tell
Behrmies, the ^{other} Israeli arms dealer,
that each missile costs ^{only} \$240,000
& he, Nimrod & A. will divide the
difference - Nimrod says he'll also get
another 10% from Israel. A. agrees
to divide that 20% plus the
difference between \$300,000 & \$240,000)

Nimrod says A. must put
\$21,000,000 in his (Nimrod's) account
or Israel won't ship the missiles.
A. discusses this with ~~Iran's~~ Iran's
Prime Minister & says we must get
the money in advance or no missiles.
Prime Minister says, you give us
your personal check & we'll advance the
money. So Iran must put \$21,000,000
in A.'s personal account & A.
puts the money in a Credit Suisse
Nimrod account. A. still has all
these documents.

(Before this 3rd shipment, A. meets in George V Hotel in Paris in Dec 1985 with General Secord. Tchurina + Nimrodi bring him. A. is told he is the assistant to a top man in the White House.

\$21,000,000 is now in Nimrodi's account. (A. says Khassaji knows nothing about this.)

Finally, after much delay, a plane arrives in Iran with 18 missiles out of the 600 - about \$3,000,000 worth.

Iranians check & say missiles are two years older than ones they already have. They explode one to see if it is any good & find it only goes 39⁰⁰ feet. They wanted ones that hit 60⁰⁰ feet. (No hostages in return)

After this, Nimrodi refuses to ship the money paid excluding the 18 missiles. Iran furcivis. Asked for 18 good missiles. Now charged for 18 lousy ones.

As a result of this, Yaacov Nimrodi & Al Tchurina are removed from the transaction. Now General N.K. is in charge from Israel. ~~N.K. tells A. that~~

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~~out of the original \$5,250,00 for the
first two shipments, Nimrod only
paid America \$1,000,000. (G. gives
him all the documents.)~~

Just before this,
(~~this~~ around the time McFarland
resigns. Dec 1985. G., ~~around this time~~,
attends a meeting ~~in London~~ at Nimrod's
home in London. There are Kimche, Nimrod,
Schwimmer, Nir, McFarland - & for the
first time, G. meets Lt. Col. North.

Two days later, in London - Han
Nir, having gone back to Israel in the
meantime, tells H. to forget about
dealing with Nimrod, Schwimmer,
even Kimche. Also Tedden is out.

One day later, H. attends a
meeting at the Inter Continental Hotel in
London with North, Secord & Nir.
H. is told Secord is now in charge of the
operations)

Jan 1985; H. has set up
the first direct meeting between
Americans & Israelis. It is in
Frankfurt, Germany. North, Secord
CIA man (described as having full
white hair) and an "interpreter"
Also Han Nir, whom Israelis think
is America.

On Israel's side, a special
assist. to the P.M.

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A. Mr. Mohamedi from the P.W.'s
This.

2 Colonels from J2 - the
intelligence dept of the Army.

Before the meeting begins, A. says
North seems very nervous. Keeps going to
the phone. Gen. Nir tells A. that
North is under pressure because he is in
charge of arrangements in Nicaragua &
needs money but hasn't gotten it.

North then asks A. how much
will A. pay for one thousand
tons. (Iran has asked for this.)

A. says ~~200~~ \$10,000,000.

A. says "North's eyes lit up."

A. says he knew the price to
America was \$6,500,000 for
1,000 units. that means a difference
of \$3,500,000. A. surmised
(all this is his words) that the
difference would be sent to Nicaragua.
A. says when North heard the
price, he was very happy & phoned
someone in America.

North ^{then} at the meeting says -
we will give you 1,000,000
tons and take back the Lousy missiles.

Everyone shakes hands. North
asks A. for the \$10,000,000. A. has
already arranged this money through
Khasroji. A. is now told to

deposit this \$10,000,000 to a Swiss account called Fake Resources.

First time he is told of such an account. Second writes down the name of this account for A. on a piece of paper.

Fourth shipment: 500 ~~units~~ ^{HAWK} TOWS 17 units of of old, lowly ^{HAWK} missiles taken back. (Remember 1 unit was exploded.)

Fifth shipment next day. 500 TOWS total 1,000 TOWS

A. pays Khassaji now \$12,000,000. \$2,000,000 is "profit for risk & interest etc. to the financiers."

(to for the various transactions have cost \$15,250,000. A. has paid \$17,250,000 which includes the extra for the "bridge-money.")

On this last shipment - the 5th - A. received \$12,500,000 from Iran. That is \$500,000 more than he paid Khassaji. A. uses the extra \$500,000 plus \$300,000 of his own money to give to his factor known as Amir 1 - in Iran. Amir 1 needed \$500,000 a month to compete with Amir 2 (the more

radical faction ^{that is} - Lapajanis
 faction) & gave him 1,
 this money because he had the
 power in this faction. He was
 never reimbursed for this money.
 He says he told the U.S. he
 was doing this (Not that second) & was
 told, "someday when everything is
 going well, we'll reimburse you."

Still with me, Folks?

Side
 Note

After all this, A. tells Sen. Nix - you
 got back your money 17 units. Now
 give us our refund of 17 units at \$225,000.
 Nix says I can only give \$225,000 for
 each. Nimrod kept the rest of the
 money. A. tells Nimrod to come to
 Paris - says he will expose Nimrod.
 Says you were even cheating on your
 partner's testimony. Nimrod finally
 reimburses the money except for the
^{COMMISSION}
~~commission~~ on the one unit that was
 exploded. A. says of Nimrod:
 "What a dirty man."

that takes care of the transactions
 so far.

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March 1986. Iran asks for ~~the~~
299 items of spare parts for Hawk
missiles. H. delivers list to North in
Wash. Says if U.S. delivers all the parts,
all his toys will be released.

two weeks later, North says, we can
provide this. But we must have a
direct meeting in Tehran.

North asks \$15,000,000 for the
spare parts.

Kharozi raises the \$15,000,000
as earlier described in his account.
This money is, as directed by North +
Secord, put into the Lake Resources
account.

May 26 n 27 Meeting in Iran -
Mc Farlane, North, Mir etc.

Americans bring about 10% of the
parts promised. Rest of cargo is
supposedly sitting in Israel.

North pleads with H. to get a
hostage released. (Earlier statement
describes all this.)

Finally agreement arrives. H. was to
~~change~~^{change} Iran \$20,000,000 -
\$15,000,000 for the cargo itself,
\$3,000,000 for finances + \$2,000,000

to pay them back for earlier costs (?). Iran checks cargo. Finds 63 items defective or not fitting. that costs \$3,000,000. Another 290 pieces were missing. Cost \$6,500,000. were told other pieces wouldn't arrive until Jan. 1982.

Iran then only gave A. \$8,000,000. A. gave the financiers \$8,100,000. Still owed them \$10,000,000. \$18,000,000 was the total amount. (Note: this is unclear to me)

A. says he has all the check deposit slips from the Lake Resources account.

Iranians by now have learned they have been greatly overcharged. they got the "micro fish" with the ceiling prices from the U.S. Refund ACP.

At first they think A. took the difference. But A. showed all the documents to the Prime Minister. ~~He then legalized the money and~~
~~actually gave to the contractors.~~

Now H. meets in London with North & his & shows them the microfilm proof of over payment.

North says "this is the Pentagon cost - not the Iranian cost."

~~James~~ H. has paid \$1,100,000 out of his own pocket.

Prime Minister believes H. Iran now says, give us a thousand more tons for the overpayment & missing parts.

North says no. Pay \$10,000,000 more.

H says America is stalling. H. says, because they have made their own contract with Rapsanjani. they can get a hostage without arms.

Jacobson released Nov. 2
(H. says North dealing directly with Rapsanjani had delivered no plane load of 500 tons & gotten release of Jacobson. U.S. charged

Rapsanjani only \$4,050,000.

H. would have had to pay in the past \$5,000,000 for the same amount

Remember the first two shipments

of 500 tons cost \$5,000,000. H.

also said North could charge this new

lower amount because by now
Casper had allocated the money for the
Contras.)

As a result of the U.S. (North)
dealing directly with Ropayan,
H. says "I was ~~assumed~~ associated
politically in Lebanon." Feeling there was
a "conspiracy between the U.S. &
Ropayan to take over power" instead of
his father, H. had five thousand
pamphlets distributed all over Lebanon &
gave the news of the U.S. dealings
to the paper in Beirut.

H. says now the Canadian &
Cayman Island financiers are out
\$10,000,000. they got \$1,000,000
against \$15,000,000 guaranteed by
Kharsoji.

Epilogue: H. thinks Niri knew about the
money going to the Contras. He also
thinks the C.I.A. knew because he
gave the payments to "Charles"; his
contact at the C.I.A. & Charles
knew the actual prices of the arms.

Following is A's account of just how much money U. S. was paid.

1) No money for the first 500 tons (\$5,000,000 charged) because arms came from Israeli stock. But North got \$1,000,000 from Nimrod for "expenses" & put that in the Lake Resources account.

2) \$10,000,000 transaction.
CIA paid \$3,500,000 for the actual arms. So \$6,500,000 is unaccounted for.

3) \$15,000,000 transaction
CIA paid \$6,500,000

4) \$4,000,000 transaction
CIA paid \$2,000,000.

Total paid to CIA for arms ~~\$12~~ \$12,000,000

A. and Secord & North had access to Lake Resources account. ^{they} paid CIA
CIA paid Defense Dept.

A. also ^{paid} ~~paid~~ he told Roy Roy Ferman (Kharosji's former partner & the man who introduced A. & Kharosji) of the \$35,000,000 payment by Iran. Ferman told Casey. Casey told Meese.

I talked to Khassoji on
Dec 22. Asked about release of
hostage on Christmas day. Khassoji,
who is in touch with A. said
"things are even more complicated
now in Iran. Doesn't look good."

End.

December 24, 1986

Dear President and Mrs. Reagan:

As much as possible, I have written what Manucher Ghorbanifar told me about the financial transactions.

The only part unclear to me is the mention of \$18,000,000 rather than a previously noted \$15,000,000 payment for the last big transaction. In any event, it seems \$10,000,000 is still owed to the Canadian and Cayman Island financiers.

I checked again with Adnan Khashoggi and have listed his version of the money loaned and received in return.

The other long version is Ghorbanifar's.

Adnan Khashoggi (known here as K.) version of financial transactions.

K's contributions are simple, he says. He describes himself as the financial "bridge-maker" as follows.

\$1,000,000 given by K. (out of his own pocket) to Ghorbanifar to pay for 1st shipment of TOWS via Israel to Iran. Ghorbanifar later refunded K's money (100 TOWS).

\$4,000,000 given by K for 2nd shipment of TOWs. K. directed by Israeli Al Schwimmer to deposit this money to a Credit Suisse Account in Zurich. Ghorbanifar refunded this money to K. (400 TOWS)

[\$250,000 paid directly by Ghorbanifar to Yaacov Nimrodi as commission. (K. not involved.)]

\$10,000,000 (3rd shipment) K. advanced this money to Ghorbanifar (G.) G. returned this money to K. in stages. Israel's General Nir directed K. to put this money in a Swiss account called Lake Resources. All money returned.

An additional 10% was given by Ghorbanifar on behalf of Iran to K's backers for their interest, expenses etc. K. says these backers were various Arab business men and bankers.

\$15,000,000 (4th shipment) K. tried to raise this money through British publisher Tiny Rowland. Rowland checked with the U.S. State Department and backed away from the loan. K. then

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mortgaged his house in Marbella and D.C. 9 plane and raised the money from Canadian and private individuals and private banks in the Cayman Islands. He gave a check for \$15,000,000 directly to Lake Resources account.

A 10% interest, \$1,500,000 was also paid by the Iranians to K. to give to his backers for interest on their money.

This money (the \$15,000,000) K. says came back in portions. Only \$5,000,000 was returned plus the 10% directly to the Cayman Island bankers.

An additional \$10,000,000 is still owed to the backers via K.

End Khashoggi's version.

Ghorbanifar's version (known as G.)

The First shipment of 100 TOWS (via Israel) G. gets \$1,000,000 from Khashoggi. (G. gives his personal check back to K.) and puts that \$1,000,000 into account of Yaacov Nimrodi. K. later then gets the \$1,000,000 back from Iran's Prime Minister. Nimrodi acts as the middle man, the cover. Prime Minister does not want to do business directly with America. Thinks he is dealing with K.

In point of fact, Iran puts \$1,200,000 in G.'s private account.

Second shipment for 400 TOWS. Israel asks \$4,000,000 (check comes from K.) Schwimmer and Nimrodi ask for an additional \$250,000.

(After this shipment hostage Benjamin Weis is released)

When plane landed in Tabriz, Iran, G. got \$6,000,000 from Iran. He says this covered K.'s \$4,000,000 plus the \$250,000.

Side Note (Towards the end of October 1985, G. arranges a meeting with Michael Ledeen and an Iranian, Ayatollah Karubi - described as a number two man in Iran. This meeting is in Geneva. Karubi says he needs money to give to religious schools, bazaars, the "masses" to keep these moderate elements together for the day they will need them to put the right factions in power. Ledeen tells G. to give the Ayatollah \$300,000 (G. says in the Iranian black market, that's like \$3,000,000) Ledeen tells G. when they deliver the next arms shipment, they'll add the \$300,000 on to that so G. can get his money back. G. does this exchange in London and gives all the papers to Ledeen. G. says he changed \$270,000 into Iranian money because that's all he had on him.)

So far only two shipments have taken place: 100 and then 400 TOWS.

Next. Hawk Missiles

Iran wants 600 Hawk missiles. G. has told Iran's Prime Minister, for each 100 missiles, one hostage will be released.

G. is told by Nimrodi (unclear if it was actually Nimrodi) to ask \$275,000 per missile. G. makes it \$300,000 to take care of shipment. On 600 missiles, that would be \$200,000,000.

Side Note (Nimrodi tells G. to tell Schwimmer, the other Israeli arms dealer, that each missile costs only \$240,000 and he, Nimrodi and G. will divide the difference - Nimrodi says he'll also get another 10% from Israel. G. agrees to divide that 10% plus the difference between \$300,000 and \$240,000)

Nimrodi says G. must put \$21,000,000 in his (Nimrodi's) account or Israel won't ship the missiles. G. discusses this with Iran's Prime Minister and says we must get the money in advance or no missiles. Prime Minister says, you give us your personal check and we'll advance the money. So Iranians put \$21,000,000 in G's personal account and G. puts the money in a Credit Suisse Nimrodi account. G. still has all these documents.

(Before this 3rd shipment, G. meets in George V Hotel in Paris on December 1985 with General Secord. Schwimmer and Nimrodi bring him. G. is told he is the assistant to a man in the White House.

\$21,000,000 is now in Nimrodi's account. (G. says Khashoggi knows nothing about this.)

Finally, after much delay, a plane arrives in Iran with 18 missiles out of the 600 - about \$3,000,000 worth.

Iranians check and say missiles are two year older than ones they already have. They explode one to see if it is any good and find it only goes 39,000 feet. They wanted ones that hit 60,000 feet. (No hostage in return)

After this, Nimrodi refunds to Iran the money paid excluding the 18 missiles. Iran furious. Asked for 18 good missiles. Now charged for 18 lousy ones.

As a result of this, Yaacov Nimrodi and Al Schwimmer are removed from the transaction. Now General Nir, is in charge from Israel.

Just before this, (around the time McFarlane Dec. 1985.) G. attends a meeting at Nimrodi's house in London. There are Kimche, Nimrodi, Schwimmer, Nir, McFarlane - and for the first time, G. meets Lt. Col. North.

Five days later, in London - Gen. Nir, having gone back to Israel in the meantime, tells G. to forget about dealing with Nimrodi, Schwimmer, even Kimche. Also Ledeen is out.

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One day later, G. attends a meeting at the Inter Continental Hotel in London with North, Secord and Nir. G. is told Secord is now in charge of the operations.

January 1985. G. has set up the first direct meeting between Americans and Iranians. It is in Frankfurt, Germany. North, Secord, CIA man (described as having full white hair) and an "interpreter". Also Gen. Nir, whom Iranians think is American.

On Iran's side, a special Assistant to the P.M. A.M. Mohammadi from the P.M.'s office.

2 Colonels from J2 - the intelligence department of the army.

Before the meeting begins, G. says North seems very nervous. Keeps going to the phone. Gen. Nir tells G. that North is under pressure because he is in charge of arrangements in Nicaragua and needs money but hasn't gotten it.

North then asks G. how much will G. pay for one thousand TOWS. (Iran has asked for this.) G. says \$10,000,000. G. says "North's eyes lit up."

G. says he knew the price to America was \$6,500,000 for 1,000 units. That means a difference of \$3,500,000. G. surmised (all this is his words) that the difference would be sent to Nicaragua. G. says when North heard the price, he was very happy and phoned someone in America.

North then at the meeting says - we will give you 1,000,000 TOWS and take back the lousy missiles.

Everyone shakes hands. North asks G. for the \$10,000,000. G. has already arranged this money through Khashoggi. G. is now told to deposit this \$10,000,000 to a Swiss account called Lake Resources. First time he is told of such an account. Secord writes down the name of this account for G. on a piece of paper.

Fourth shipment: 500 TOWS 17 units of old, lousy HAWK missiles taken back. (Remember 1 unit was exploded.)

Fifth shipment next day 500 TOWS, total 1,000 TOWS.

G. pays Khashoggi now \$12,000,000. \$2,000,000 is "profit for risk and interest, etc. to the financiers."

(So far the various transactions have cost \$15,250,000. G. has paid \$17,250,000 which includes the extra for the "bridge - money.")

On this last shipment - the 5th - G. received \$12,500,000 from Iran. That is \$500,000 more than he paid Khashoggi. G. uses the extra \$500,000 plus \$300,000 of his own money to give to his faction known as Line 1 in Iran. Line 1 needed \$500,000 a month to compete with Line 2 (the more radical faction - that is Rafsanjani's faction) G. gave Line 1 this money because he had

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the power in this faction. He was never reimbursed for this money. He says he told the U.S. he was doing this (North & Secord) and was told, "someday when everything is going well, we'll reimburse you.)

Still with me folks?

Side Note -- After all this, G. tells Gen. Nir - you got back your lousy 17 units. Now give us our refund of 17 units at \$275,000. Nir says I can only give \$225,000 for each. Nimrodi kept the rest of the money. G. tells Nimrodi to come to Paris - says he will expose Nimrodi. Says you were even cheating on your partner Schwimmer. Nimrodi finally reimburses the money except for the commission on the one unit that was exploded. G. says of Nimrodi "what a dirty man."

That takes care of the transactions so far.

March 1986. Iran asks for 299 items of spare parts for Hawk missiles. G. delivers list to North in Washington. Says if U.S. delivers all the parts, all hostages will be released.

Two weeks later, North says, we can provide this. But we must have a direct meeting in Tehran.

North asks \$15,000,000 for the spare parts.

Khashoggi raises the \$15,000,000 as earlier described in his account. This money is, as directed by North and Secord, put into the Lake Resources account.

May 26 or 27. Meeting in Iran - McFarlane, North, Nir, etc.

Americans bring about 1070 of the parts promised. Rest of cargo is supposedly sitting in Israel. North pleads with G. to get a hostage released. (Earlier statement describes all this.)

Finally equipment arrives. G. was to charge Iran \$20,000,000. \$15,000,000 for the cargo itself, \$3,000,000 for finances and \$2,000,000 to pay them back for earlier costs (?). Iran checks cargo. Finds 63 items defective or not fitting. That costs \$3,000,000. Another 290 pieces were missing. Cost \$6,500,000. Were told other pieces wouldn't arrive until January 1987.

Iran then only gave G. \$8,000,000. G. gave the financiers \$8,100,000. Still owed them \$10,000,000. \$18,000,000 was the total amount. (Note: this is unclear to me)

G. says he has all the check deposit slips from the Lake Resources account.

Iranians by now have learned they have been greatly overcharged. They got the "microfish" with the ceiling prices from the U.S. Defense Dept.

At first they think G. took the difference. But G. showed all the documents to the Prime Minister.

Now G. meets in London with North & Nir and shows them the microfilm proof of overpayment.

North says "this is the Pentagon cost - not the Iranian cost."

G. has paid \$8,100,000 out of his own pocket.

Prime Minister believes G. Iran now says, give us a thousand more TOWS for the overpayment and missing parts.

North says no. Pay \$10,000,000 more.

G. says America is stalling. G. says, because they have made their own contact with Rafsanjani, they can get a hostage without arms.

Jacobson released November 2. (G. says North dealing directly with Rafsanjani had delivered one plane load of 500 TOWS and gotten release of Jacobson. U.S. charged Rafsanjani only \$4,050,000. G. would have had to pay in the past \$5,000,000 for the same amount. Remember the first two shipments of 500 TOWS cost \$5,000,000. G. also said North could charge this new lower amount because by now Congress had allocated the money for the Contras.)

As a result of the U.S. (North) dealing directly with Rafsanjani, G. says "I was associated politically in Iran." Feeling there was a "conspiracy between the U.S. and Rafsanjani to take over power" instead of his faction, G. had five thousand pamphlets distributed all over Iran and gave the new of the U.S. dealings to the paper in Beirut.

G. says now the Canadian and Cayman Island financiers are out \$10,000,000. They got \$8,000,000 against \$18,000,000 guaranteed by Khashoggi.

Epilogue: G. thinks Nir knew about the money going to the Contras. He also thinks the C.I.A. knew because he gave the payments to "Charlie", his contact at the C.I.A. and Charlie knew the actual prices of the arms.

Following is G's account of just how much money U.S. was paid.

- 1) No money for the first 500 TOWS (\$5,000,000 charged) because arms came from Israeli stock. But North got \$1,000,000 from Nimrodi for "expenses" & put that in the Lake Resources account.
- 2) \$10,000,000 transaction. C.I.A. paid \$3,500,000 for the actual arms. So \$6,500,000 is unaccounted for.
- 3) \$15,000,000 transaction C.I.A. paid \$6,500,000
- 4) \$4,000,000 transaction C.I.A. paid \$2,000,000

THE WHITE HOUSE
WASHINGTON

7/9/87

TO:

A.B.

FROM

WILLIAM B. LYTTON III
Deputy Special Counsellor
to the President

☒ FYI

☐ COMMENT

☐ ACTION

Total paid to C.I.A. for arms \$12,000,000

G. said Secord and North had access to Lake Resources account. They paid C.I.A. C.I.A. paid Defense Department.

G. also says he told Roy Furmak (Khashoggi's former partner and the man who introduced G. to Khashoggi) of the \$35,000,000 payment by Iran. Furmak told Casey. Casey told Meese.

I talked to Khashoggi on December 22. Asked about release of hostage on Christmas Day. Khashoggi, who is in touch with G. said "things are even more complicated now in Iran. Doesn't look good."

End

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ID	Document Type Document Description	No of pages	Doc Date	Restric- tions
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