

Ronald Reagan Presidential Library
Digital Library Collections

This is a PDF of a folder from our textual collections.

Collection: Culvahouse, Arthur B.: Files
Folder Title: Iran/Arms Transaction: Congressional
Material: Joint Committee Report (4)
Box: CFOA 1130

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

THE WHITE HOUSE

WASHINGTON

November 2, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAUL *AR*

SUBJECT: Declassification of Report: "October 1986:
Exposure Threatened"

This section of the Report is 27 pages long and arrived for declassification on October 30. The salient points are noted below:

- P. 6 - "Poindexter called the Attorney General and asked him to delay the investigations of SAT [regarding Hasenfus flight] by the FBI and Customs. According to Meese, Poindexter told him that the SAT employees were needed for the Iran initiative. Meese also mentioned the Customs investigation to Treasury Secretary Baker, who apparently did not act on the request for delay. Meese told Associate Attorney General Steve Trott to ask FBI Director Webster to delay the SAT investigation for 10 days. On October 30 Trott called Webster and asked him to delay all non-urgent investigative activity regarding SAT, telling him that, without the delay, the investigation could compromise sensitive hostage negotiations. FBI headquarters checked with their Miami office and was told the investigation could be delayed for 10 days. After more than 10 days had passed, Trott raised the matter with the Attorney General at the FBI's request, and several days later Meese told him the FBI could proceed."
- P. 15 - "Poindexter testified that he and Casey did not discuss the diversion. Casey simply recommended, according to Poindexter, that Poindexter seek the advice of White House counsel with respect to disclosure of the diversion. Poindexter, however, did nothing because he did not trust the White House Counsel."
- P. 21 - "According to North, the meeting with Furmark triggered Casey to instruct North 'that this whole thing was coming unravelled and that things ought to be 'cleaned up'" In response, North testified that he 'started cleaning things up;' he 'started shredding documents in earnest after [this] discussion with Director Casey in early October"
- P. 23 - "The Fall Guy Plan - Throughout the events of the Iran/Contra affair, deception was viewed as a necessary component. At the same time, according to North's

he 'was not a party to any plan to make Colonel North or to make me, for that matter, a scapegoat.' He nevertheless admitted that '[periodically] Ollie would indicate that he was 'willing to take the rap.' McFarlane flatly denied that any 'fall guy plan' ever existed.


North testified that, but for the criminal investigation of the Iran/Contra affair, he was prepared to go through with the 'plan, resign in disgrace, and take the heat for the President.' (There is no evidence that the President was aware of or condoned the 'fall guy' plan.) Nevertheless, when an Independent Counsel was appointed an North was the only person specifically named in the order of investigation, North, who by then had retained counsel, changed his mind and decided to protect himself. North testified that he did not tell Casey or Poindexter of this change in attitude."

THE WHITE HOUSE

WASHINGTON

November 2, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAUL 

SUBJECT: Declassification of Report: "Taken to the Cleaners: The Iran Initiative Continues"

This section of the Report is 108 pages long and was received for declassification on October 30. This chapter represents a merger of two previous draft chapters reviewed by the declassification committee entitled, "HAWK Parts for a Hostage," and "The Second Channel." The text of the merged chapters is substantially identical to its components.


P. 85n - "In discussing the plan for the release of the hostages, North divulged to the Iranians classified materials of particular sensitivity."

THE WHITE HOUSE

WASHINGTON

November 2, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAUL 

SUBJECT: Declassification of Report:
November 1986: Concealment

This section of the Report is 53 pages long and arrived for declassification October 30. The salient points are listed below:

P. 1 - "The President, denying any arms-for-hostages trade, wanted to say no more than that."

P. 5 - "The issue of public comment on the arms sales was discussed during Poindexter's morning meetings with the President on November 6 and 7. The President agreed that 'no comment' was the best policy given his hope, bolstered by Poindexter, that additional hostages would yet be freed. According to notes of the briefings taken by Rodney McDaniel of the NSC staff, the President said that '[n]o way can comment without further damage to changes of getting hostages out.'

Accordingly, on November 6, at an unrelated bill-signing ceremony, the President stated in response to a reporter's question that, 'the speculation, the commenting and all, on [the Al-Shiraa] story' had 'no foundation,' although his comments fell short of an outright repudiation of that story. The President further stated that the speculation about arms transactions between the United States and Iran 'is making it more difficult for us to get our other hostages free.'"

P. 7 - "The President would have to make a statement. And so, on November 10, he convened a meeting at the White House to establish guidelines for that statement. Those in attendance, in addition to the President, were the Vice President, Shultz, Weinberger, Meese, Casey, Regan, Poindexter and Alton Keel, then Deputy National Security Adviser. The President said there was need for a public statement, but he instructed his advisers to 'stay away from detail.'"

P. 10 - "The meeting concluded as it began, when the President had outlined the type of statement he wanted: 'We have not dealt directly w[ith] terrorists, no bargaining, no ransom.

Some things we can't discuss because of long-term consideration of people w[ith] whom we have been talking about the future of Iran.'"

- P. 18 - "The President thus committed himself [in his Nov. 13 address to the nation] categorically to the proposition that there had been no trade of arms for the hostages and no violations of law. Certain members of the NSC staff and of the CIA, in turn, committed themselves to creating a version of the facts for internal and public consumption that would sustain this proposition."
- P. 20 - "On November 12, 1986, Cooper sent a legal memorandum to the Attorney General which concluded, among other things that, so long as there was a Finding pursuant to the Hughes-Ryan Amendment, the arms sales did not violate the law."
- P. 21 - "On November 17, Cooper received a draft chronology of events in the Iran initiative prepared by the NSC staff. In reviewing this chronology, Cooper learned for the first time that arms had been transferred by Israel to Iran prior to the January 17, 1986 Finding. Cooper informed the Attorney General, who said that he, too, had been unaware of any arms shipped to Iran prior to the January Finding."
- P. 22 - "In the morning on November 18, an executive branch general counsels' meeting was held in the office of White House Counsel Peter Wallison. This meeting was attended by NSC counsel Thompson and by State Department Legal Adviser Abraham Sofaer. Sofaer and Wallison expressed concern at the meeting when Thompson refused to inform them of the full facts surrounding the Iran arms sales. Sofaer pressed on this point, and Thompson replied that he was acting on instructions from Poindexter. He said that the Congressional leaders would be given all the information they needed to know, but that there was no need for the President's counsel or the State Department's Legal Adviser to know any more than Thompson was saying. Thompson sought to reassure Sofaer and Wallison, however, by asserting that, from a political standpoint, matters 'seemed calm and the [Congressional Intelligence] Committees seem to be accepting the position of the White House.' Sofaer did not accept this explanation and sought a meeting with Poindexter, which took place later that day."
- P. 23 - "During the same day, November 18, Poindexter and Casey spoke by secure telephone. A transcript of their conversation indicates that they discussed meeting to prepare for their Congressional briefings and for the DCI's scheduled November 21 testimony on Capitol Hill. Poindexter told Casey that the NSC staff had been 'putting together all the chronologies and all the facts that we can lay our hands on' With respect to the proposed preparation

meeting, Casey asked whether Poindexter intended to have a lot of people present, specifically mentioning 'State' and 'Defense.' Poindexter responded that, 'I'd like to spend some time just the two of us . . . Ed Meese indicated . . . he should want to be helpful and so he would like to be in at least one of the meetings.'"

- P. 24 - "In the morning on November 19, 1986, Regan and Wallison discussed the legal problems raised by the pre-Finding shipments of arms by the Israelis."
- P. 25 - "On November 19, the President vouched for facts which were wrong. In his nationally televised news conference, the President made the following assertions -- all of which were incorrect . . ."
- P. 26 - "Although the President denied any involvement in the sales and said he could not explain the role of Israel, the Israeli role had been mentioned prominently in the cover memorandum on the basis of which the President signed the January 17, 1986 Finding permitting the sales to go forward. Further, while the President also stated at his news conference that the United States had not condoned the pre-Finding Israeli shipments, he told the Secretary of State that day that he had known of the November 1985 shipment of HAWK missiles by Israel."
- P. 27, 54n - "According to contemporaneous notes made by Shultz's Executive Assistant, the President made this statement to Shultz on November 19 prior to the press conference."
- P. 31 - "Poindexter acknowledged only that he had instructed North to omit any reference to the diversion. Otherwise, both Poindexter and McFarlane claimed that they tried to paint a true picture in the chronologies, and that any failures were the result of faulty memory or, in the case of McFarlane, an effort to 'gild' the facts. The record refutes this claim -- for the 'errors' in the chronologies were not simply incorrect dates or imperfect renditions of meetings, but wholesale distortions of key events."
- P. 33 - "Then, three separate discussions occurred during the day on November 18, between North and each of Keel, Poindexter, and Armitage, concerning the legality of the 1985 sales. At 10:30 a.m., Keel and North reviewed the questions the President might be asked at the press conference on November 19. Two of the questions were, 'did Israeli shipments on our behalf violate the law?' and, 'did this violate the Arms Export Control Act?' At 5:30 p.m. North spoke to Poindexter, who referred to the pre-Finding period and told North that the 'big issue then was legality.' Then, at 6:00 p.m., Armitage called and told North the lawyers were asking him about the Israeli shipments in 1985

and wanted to know whether the United States knew about them."

- P. 37 - "However, following the three conversations North had on November 18 with Keel, Poindexter, and Armitage regarding the legality of the 1985 shipments, the story began to change. On November 18, the chronology asserted that the HAWK shipment was 'not an authorized exception to [U.S.] policy,' and was retrieved 'as a consequence of U.S. intervention.' North conceded in his testimony that these changes in the chronology were an attempt to deal with the Arms Export Control Act problems that had been brought to his attention in his earlier conversations.

After McFarlane's lengthy PROF message of November 18, the HAWK shipment reference disappeared altogether from the chronology and was replaced in its entirety with the precise language recommended by McFarlane -- which made no reference to arms at all . . ."

- P. 40 - "The fictional accounts in the chronologies were not limited to the 1985 shipments. For example, the chronologies omitted the President's December 1985 Finding (which retroactively 'authorized' the November shipment that the United States had supposedly objected to); affirmatively misrepresented that there had been consultation with 'all appropriate' or 'relevant' Cabinet officials during the initiative; and baldly asserted that all arms sales were 'within the limits of established policy and in compliance with all U.S. law.' In short, the chronologies were anything but accurate renditions of what actually had occurred."
- P. 41 - "As North testified, by creating an erroneous version of the facts in the chronologies, those responsible were 'committing the President of the United States to a false story.'"
- P. 44 - "Cooper then returned to his office, spoke by telephone to Sofaer, and asked if Shultz was certain of his November 1985 conversation with McFarlane. Sofaer replied that the State Department had a contemporaneous note written by Shultz's aide, Charles Hill, of a conversation between McFarlane and Shultz on November 18, 1985, which contained the word 'HAWKS.' Sofaer told Cooper that if Casey's testimony were given in its current form, 'he would leave the Government,' to which Cooper replied 'we may all have to.'

Cooper then telephoned Thompson, who advised that North and McFarlane each stuck by his earlier story; that is, that they had no contemporaneous knowledge that arms were shipped to Iran in November 1985. Cooper did not know who was right or wrong. In light of the uncertainty, he decided that

Casey could not testify as planned about the November 1985 shipment."

- P. 47 - "The record makes clear that North, Poindexter, Casey, and others were engaged in a deliberate attempt to falsify the facts concerning the November 1985 HAWKS shipment. This point was illustrated in Regan's testimony to the Committees. Thus, Regan testified that, although he was Chief of Staff, he was never consulted about the President's knowledge of the November 1985 shipment during the frantic effort to prepare a statement on what the U.S. Government knew for Casey's testimony and Poindexter's Congressional briefing. When asked at the hearing about the assertion that the U.S. Government believed that the November shipment contained oil drilling equipment -- Regan dubbed that claim, 'the cover story.'"

THE WHITE HOUSE

WASHINGTON

November 2, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAU *ACR*

SUBJECT: Declassification of Report: "November 1986:
The Attorney General's Inquiry"

This section of the Report is 90 pages long and arrived for declassification on October 30. The salient points are noted below:

- P. 1 - "Cooper briefed the group on the discrepancies between the proposed Casey testimony and the facts as recalled by others in the Administration. The Attorney General decided to propose to the President that he be commissioned to gather the facts so that the Administration would be speaking with one voice."
- P. 5 - "Meese advised [FBI Director Webster] that the President had asked him to conduct a factual inquiry because different participants had different pieces of knowledge which had to be reconciled. Meese declined an offer of FBI assistance from Webster, stating that he saw nothing criminal in the arms sales. Webster agreed that absent evidence of a crime, the FBI should not be involved. Meese did not relate the details surrounding Casey's testimony or the possible violations of the Arms Export Control Act arising from the 1985 shipments. Meese also testified that he did not bring in the FBI because he and Webster concluded that it would not be 'appropriate.'"
- P. 6 - "North said he had asked Meese, 'can I have or will I have 24 or 48 hours,' and Meese responded that he did not know whether North would have that much time. The Attorney General recalled no such conversation with North; North denied it; and there is no other evidence that North met with the Attorney General that day [Nov. 2]. Earl testified further that North asked for Earl's Iran file, remarking that '[i]t's time for North to be a scapegoat.' Earl stated that, when he gave his file to North, he could tell that he would never see it again. Earl was right."
- P. 9 - "North instructed his secretary, Fawn Hall, to alter a series of official action memoranda that he had written during the previous year to then-National Security Adviser McFarlane. These memoranda related to North's activities in raising funds and facilitating the provision of military

assistance for the Contras during the period of the Boland Amendment. McFarlane had told North a year earlier, during the 1985 Congressional inquiry, that these memoranda raised significant problems under the Boland Amendment."

- P. 11 - "The gist of his [North's] alterations was to eliminate references to the funds raised for the Contras from third countries during the Boland cut-off, and also to eliminate or obscure passages in the documents which showed the NSC staff's active role in facilitating the provision of military intelligence and other lethal assistance for the Contras during the same period."
- P. 14 - "Poindexter, too, destroyed evidence. At approximately 3:00 p.m. on November 21, the Attorney General telephoned Poindexter and requested that he make available for review all documents relating to the Iran initiative. Poindexter then ripped up the only signed copy of the President's December 1985 Finding, which retroactively authorized U.S. participation in the November 1985 arms shipment. Poindexter admitted at the public hearings that he destroyed this Finding because it described the Iran initiative as unambiguously arms-for-hostages, and therefore would have been politically embarrassing to the President. It also would have stripped away the cover story concocted by the NSC staff. It would never reach the investigators.

"Since the President had obviously been aware of the December 1985 Finding at the time he signed it, Poindexter could not explain why he thought that destruction of this Presidential record would nullify its existence -- unless he somehow felt confident that the President would either fail to recall the Finding or deny that he had ever signed it. As recently as a week before Poindexter's testimony, the White House announced that '[o]ur position is that [the Finding] never went to the President, period.'"

- P. 18, 48n - "Ledeen also recalled in his deposition that, prior to November 21, North had told him that the Justice Department was investigating the possibly illegal sales of HAWK missiles in 1985 and suggested that Ledeen retain an attorney. North told Ledeen that he also had been advised by someone from the Justice Department to get an attorney."
- P. 20 - "According to McFarlane, the Attorney General said it was preferable legally if the President had authorized the early shipments.

Immediately after leaving the Attorney General's office, McFarlane used a pay telephone outside of the Justice Department to call North. North's notes of that call indicate that McFarlane said he was told that the Arms Export Control Act was not a problem and that "RR" [Reagan] would be supportive of a 'mental finding.' McFarlane sent

Poindexter a PROF note later that evening similarly describing his meeting with the Attorney General. In that note he stated: '[I]t appears that the matter of not notifying [Congress] about the Israeli transfers can be covered if the President made a 'mental finding' before the transfers took place. Well in that sense we ought to be OK because he was all for letting the Israelis do anything they wanted at the very first briefing in the hospital. Ed [Meese] seemed relieved at that."

- P. 24 - "Regarding the November 1985 shipment, Shultz said that on November 18, 1985, McFarlane told him that Israel was going to send HAWK missiles to Iran in a trade for the release of U.S. hostages. Shultz also informed Meese and Cooper that the President had told him earlier that week that he [the President] had contemporaneous knowledge of the November 1985 HAWK shipment."
- P. 31 - "The Attorney General's methodology for conducting the inquiry changed at this point [on Nov. 22]. Before discovery of the diversion memorandum, all interviews were conducted by the Attorney General with another Justice Department official, and notes were taken. There after, with the exception of the North interview, all interviews conducted by Meese were one-on-one, with no notes taken -- including interviews of Casey, McFarlane, Poindexter, Regan and the Vice President."
- P. 43 - "Then the Attorney General showed North the 'diversion memorandum.' The first page referred to U.S. acquiescence in the August 1985 TOW shipment. Meese asked North to explain if this was an arms-for-hostages deal. North said that, although he discussed the strategic opening of Iran with President Reagan, with the President 'it always came back to the hostages.' North said the President was drawn to the linkage between arms and hostages and it was a terrible mistake to say the President wanted the strategic relationship with Iran because the President wanted the hostages."
- P. 44 - "The Attorney General asked North if he had discussed the diversion with the President. North replied that Poindexter was the point of contact with the President.

Meese pointed out that if the President had approved the diversion, North probably would have a record of it. North agreed and said he did not think it was approved by the President. The Attorney General asked whether other files might contain a document indicating Presidential approval, and North said he would check."

P. 52 - "Meese went to the White House at 11:00 a.m. [on Nov. 29] to meet with the President and Regan pursuant to an appointment he had made earlier that morning. Meese testified that he told the President that his team had found a memorandum at the NSC which included plans to divert excess funds from the Iran arms sales to the Contras. Meese also said that North and McFarlane had confirmed this diversion. The President, Meese said, was very surprised. Meese told the President there was more factfinding to do before he could give him a full report at the NSPG meeting.

Regan had quite a different recollection of the morning events. Regan testified that Meese told him about the diversion prior to meeting with the President. Regan described his own reaction to news of the diversion as 'horror, horror, sheer horror.' According to Regan, Meese told him that North had done the diversion, and Regan said the President needed to be immediately informed. Meese said he did not want to tell the President until he could nail down some other things. They went to see the President, but told him only that the factfinding inquiry had uncovered some serious problems and that they would need to meet later that afternoon."

P. 58 - "Poindexter testified that Meese never asked him if the President knew of the diversion. Although Meese testified at his deposition that he did ask that very question, he stated at the public hearings that he had not asked so direct a question, but only whether anyone else in the White House knew. Poindexter testified that he did not tell the Attorney General he actually approved the diversion, because he wanted the President and his staff to retain deniability."

P. 65 - "Regan then asked Poindexter [on Nov. 25] how the diversion could have happened. Poindexter replied that he had thought something was going on with North. Regan asked why he never looked into it; and Poindexter replied, according to Regan: 'I knew it would hurt the Contras, and the way those guys on the Hill are jerking around, . . . I was afraid it would hurt them too much, so I didn't look into it.' In Poindexter's testimony, however, he did not recall Regan asking him about the diversion. Both Regan and Poindexter agree that Regan never asked Poindexter whether the President knew."

P. 67 - "At 9:30 a.m. the Vice President, Regan, Meese, and Poindexter met with the President. Poindexter told the President that he was aware of the plan to divert funds to the Contras, and he tendered his resignation in order to give the President 'the necessary latitude to do whatever you need to do.' The President told Poindexter that it was in the tradition of a Naval officer to take responsibility. Poindexter then shook hands with those present and left.

Poindexter testified he did not tell the President that he had actually approved the diversion because matters were in flux and he wanted more time to think about it."

- P. 68 - "At 10:15 a.m. the President met with the National Security Council to brief them on developments. From 11:00 a.m. to noon, the President, Regan, Shultz, Meese, and Casey briefed Congressional leaders. Meese began by telling them about the diversion. Meese said North was involved with possibly one or two other NSC staff or consultants. The President said this was the only incident of this kind and that Poindexter, although not a participant, had known of it and had therefore resigned."
- P. 70 - "Just before the President's announcement, Secord receive word from North's office that Poindexter and North were resigning. Secord called Poindexter and urged him not to quit but to 'stand in there and fight' to get it all straightened out. Poindexter told Secord it was too late because he had already resigned. Secord demanded to speak to the President but Poindexter told him it was too late, 'they had already built a wall around the President.'"
- P. 72 - "Meese was specifically asked [at the Nov. 25 press conf.] about arms shipments prior to the January 1986 Finding. Meese responded that there was one transaction in which Israel shipped weapons without authorization from the United States, and that the weapons so shipped were returned to Israel. Meese added that the August-September and November 1985 shipments were between Israel and Iran and 'did not involve, at that time, the United States.'

Meese specifically stated that the President had not known about the November 1985 HAWK shipment until February 1986. Thus the Attorney General said: 'The President was informed generally that there had been an Israeli shipment of weapons to Iran sometime during the late summer, early fall of 1985, and then he later learned in February of 1986 details about another shipment that had taken place in November of '85, which had actually been returned to Israel in February of '86.'

These statements were contrary to what Meese and Cooper had learned regarding CIA participation in the November 1985 HAWK shipment and regarding McFarlane's conversation with Shultz on November 18, 1985. Meese's statements were also contrary to the information Meese had received from Shultz on November 22 that the President had told Shultz three days earlier that he (the President) had known of the November 1985 HAWK shipment at the time. Meese did not tell these facts to the press."

- P. 76 - "The Attorney General [on Nov. 25] instructed Deputy Attorney General Burns to call Wallison to ensure that documents belonging to North and Poindexter were secured. They agreed to meet again at 5:45 p.m.

When they actually did meet, at 6:40 p.m., Meese asked Burns if he had secured the White House documents. Burns indicated he had not done so and left the room to make the call. As it turned out, Burns did not get through to Wallison until the next afternoon, November 26. But the documents had in fact already been secured by an NSC staff officer. A letter requesting segregation of the documents was not sent until November 28, 1986, six days after discovery of the diversion memorandum."

- P. 77 - "North stood at attention while the President spoke to him. There is some dispute about the substance of this conversation. North testified that the President told him, 'I just didn't know,' which North understood to be a reference to the diversion. Earl testified that North had told him that the President said, 'it is important that I not know.' North testified that perhaps he told Earl that the President felt it was important that North know that he, the President, did not know of the diversion. Craig Coy, who was present when North related the Presidential conversation to Earl, testified that he did not recall North saying anything about the President's statements concerning his knowledge. Hall testified that North told her that President had said, 'I just didn't know.'"
- P. 78 - "There is no dispute, however, that during the phone call, the President told North that he was 'a national hero.' Indeed, the President has publicly acknowledged making this statement.

At 4:40 p.m., Meese was called by Israeli Prime Minister Peres. The Prime Minister told Meese that the Government of Israel was concerned about Meese's claims in his press conference and was about to issue a statement. Mr. Peres said the Israelis had transferred 'defensive arms' at the request of the United States. He also told Meese that the Israelis had not paid anything to any Contra account. The Prime Minister explained that the Iranians paid directly into an account in Switzerland maintained by an American company. He indicated that Israel -- which had been asked by U.S. officials early on to take the rap if the arms sales became public -- was not going to take the blame for the diversion."

- P. 85 - "November 27 was Thanksgiving. Fawn Hall received a telephone call at home from Jay Stephens, an attorney on the White House Counsel's staff. Press reports had appeared claiming that documents pertinent to the Iran-Contra affair

had been shredded at the NSC. Stephens asked Hall whether those reports were true. Hall told Stephens exactly what she had earlier told North's attorney her response would be to such a question: 'we shred everyday.' Hall admitted during the public hearings that she misled Stephens to believe that nothing unusual had occurred."

THE WHITE HOUSE

WASHINGTON

November 3, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: ALAN CHARLES RAUL *ACR*

SUBJECT: Declassification of Report: "How the NSC Staff Took Contra Policy Underground"

This section of the Report is 128 pages long and arrived for declassification on October 30. The salient points are noted below:

P. 3 - "Beginning in May 1984, when the CIA-appropriated funds for the Contras ran out, the National Security Council (NSC) staff raised money for Contra military operations from third countries with the knowledge of the President, supervised the Contras' purchase of weapons, and provided guidance for the Contras' military operations. The operational responsibilities fell largely to Lt. Col. Oliver North, a member of the NSC staff who reported to the National Security Adviser, Robert C. McFarlane, and his deputy, Vice Admiral John M. Poindexter.

In October 1984, the Congress passed and the President signed the second Boland Amendment prohibiting the expenditure of any funds in support of Contra military operations by any agency involved in intelligence activities. Rather than halting U.S. support for the Contras, the CIA's withdrawal was treated as a call for the NSC staff to take over the entire covert operation, raising more money from a third country, arranging for arms purchases, and providing military intelligence and advice. The NSC staff went operational -- and underground."

P. 13 - "Introduced by Representative Edward P. Boland, the amendment passed the House by a vote of 411-0, and was adopted, in December 1982, by a Conference Committee of the House and Senate. This first Boland Amendment prohibited CIA use of those funds 'for the purpose of overthrowing the Government of Nicaragua.'

P. 13, 22n - "In enacting the Boland Amendment, the Congress rejected a bill that would have barred all covert action funding, as well as an amendment that would have barred Administration support of any insurgent group having the purpose to overthrow the Nicaraguan Government."

- P. 13 - "The internal contradictions of the Administration's announced Nicaragua policy were carried forward in the new law: Congress appropriated funds that would be used by the CIA for Contra assistance, but at the same time rejected the Contras' objective to remove the Sandinista Government."
- P. 15 - "Challenged to defend the Administration's compliance with the law, the President asserted in April [1983] that there had been no violation of the Boland Amendment. There would be none, said the President, because even a law he disagreed with had to be observed: 'We are complying with the law, the Boland Amendment, which is the law.' '[W]hat I might personally wish or what our government might wish still would not justify us violating the law of the land.' When asked if his Administration was doing anything to overthrow the Government of Nicaragua, he replied, 'No, because that would be violating the law.'"
- P. 19 - "The Administration responded to the threat of an aid cut off in three different ways. First, the Administration established a public relations office in the State Department attempting to muster the public and Congressional support necessary for the Contras. Second, anticipating that a cut off might nevertheless occur, the Administration developed a secret plan to stockpile weapons for the Contras at the CIA. Finally, at the same time, to satisfy Congressional demands, the Administration agreed to draft a new Finding."
- P. 20 - "White Propaganda: In June of 1983, the Administration decided upon a new method of trying to win public support for the President's policy in Central America. On July 1, 1983, then National Security Adviser Clark announced that "the President had decided that the Administration must increase our efforts in the public diplomacy field to deepen the understanding of the support for our policies in Central America."

As a result, an office of Public Diplomacy for Latin American and Caribbean (S/LPD) was established in the State Department, headed by Otto Reich, who eventually was given the rank of Ambassador."

- P. 21 - "The mission of the office -- public diplomacy -- was a 'new, non-traditional activity for the United States government,' according to the State Department. In fact, 'public diplomacy' turned out to mean public relations-lobbying, all at taxpayers' expense. The office arranged speaking engagements, published pamphlets, and sent materials to editorial writers. In its campaign to persuade the public and Congress to support appropriations for the Contras, the office used government employees and outside contractors -- including Richard Miller and Francis Gomez who would later work with North to provide contra assistance."

- P. 22 - "Later, the Comptroller General would find that some of the office's efforts, in particular Johnathan Miller's 'White Propaganda,' were 'prohibited, covert propaganda activities,' 'beyond the range of acceptable agency public information activities . . .' In a September 30, 1987 letter, the Comptroller General concluded that there had been a 'violation of a restriction on the State Department's annual appropriations prohibiting the use of federal funds for publicity or propaganda purposes not authorized by Congress.'"
- P. 23, 5ln - "'The State Department's Inspector General concluded in Audit Report No. 7PP-008 (July 1987) that 'there is no evidence that S/LPD staff participated directly or indirectly in any unlawful lobbying or that IBC spent s/LPD contract funds for lobbying activities.'"
- P. 27 - "The new [1983] Finding also reflected a change of tactics. Congress would not accept a Finding broad enough to permit paramilitary operations conducted by U.S. citizens. The Administration gave its assurances that aid for paramilitary operations would be limited to third country nationals. Casey told the President, the 'new Finding no longer lets us engage in PM [paramilitary operations].'

Three days later, on September 19, 1983, the Finding was signed. The next day, the Intelligence Committees received briefings on it. Shortly thereafter, the Senate Intelligence Committee voted to provide aid for a continued covert operation in Nicaragua.

The new Finding, however, was not without problems. The Administration's stated objective in supporting the Contras was now to pressure the Sandinistas into accepting a treaty that had to include free elections. If, as the President believed, the Sandinistas could not win such an election, they would never agree to such a treaty. Only the prospect of a military defeat would push them toward a negotiating posture. Yet, the renunciation of a military victory was the price set by Congress for a bipartisan compromise. The Finding thus contained within it a paradox that would haunt the Administration's Nicaragua policy."

- P. 32 - "At the end of December [1983], the President officially authorized the mining of Nicaraguan harbors. Thereafter, the mining and other operations increased incrementally. In early January, the CIA proposed attacks against fuel supply depots and transmission lines along the 'entire Pacific coast of Nicaragua.' On January 7, three magnetic mines were placed in Sandino harbor; on February 3, an air attack destroyed a Sandinista 'communications and naval arms depot'; and on February 29 Q-boats placed more mines at Corinto."

P. 42 - "With or without appropriated funds, the Administration planned to continue supporting the Contras. In McFarlane's words, the President directed the NSC staff to keep the Contras together 'body and soul.'

115n - "McFarlane Test., 5/11/87, at 12, 44-46. McFarlane testified these were his words, expressing the President's 'sentiment.' McFarlane Test., 5/11/87, at 46. North testified that, "[a]s they were relayed to me,' the words 'body and soul' 'were the words of the President.'"

P. 42 - "In Poindexter's words, the President 'wanted to be sure that the contras were supported.'

McFarlane assigned this responsibility to North, who testified:

'I was given the job of holding them together in body and in soul.

. . . .

To keep them together as a viable political opposition, to keep them alive in the field, to bridge the time between the time when we would have no money and the time when the Congress would vote again, to keep the effort alive, because the President committed publicly to go back, in his words, again and again and again to support the Nicaraguan resistance.'"

P. 52 - "According to McFarlane, the President was informed of the Country 2 contribution shortly after it took place. McFarlane placed a note card into the President's morning briefing book. He chose this method of informing the President of the contribution to reduce any chance that others at the President's daily briefing might become aware of the funding scheme. After the meeting, McFarlane was called in to 'pick up the note card which,' he recalled, 'expressed the President's satisfaction and pleasure that this had occurred.'"

McFarlane also testified he informed selected members of the executive branch of the funding. 'Within a day or so,' he told Vice President George Bush, and at a weekly breakfast with the Secretaries of State and Defense, he 'drew them aside' and informed them that the Contras would be 'provided for' until the end of the year. Neither Secretary, according to McFarlane's testimony, asked the source of the funds. McFarlane testified that it was 'likely' he told then-Chief of Staff, James Baker, '[i]n the spring if '84,'

and that it was 'possible' he told then Counselor to the President Edwin Meese III of the Country 2 contribution.

But McFarlane's account was disputed by other witnesses."

- P. 54 - "On June 25, the National Security Planning Group met to consider options for funding the Contras. In attendance were the President, Vice President Bush, Secretary Shultz, Secretary Weinberger, Director Casey, the then-Counselor to the President Edwin Meese, and McFarlane. Director Casey urged the President to seek third-country aid. Secretary Shultz responded that he understood from Chief of Staff James Baker, who was not present, that soliciting nonappropriated funds was an 'impeachable offense.' Casey responded that a Finding would take care of it. Meese concurred, recalling that there was an opinion by Attorney General William French Smith that provided authority for using a Finding but Meese also noted that if an opinion were sought, Justice Department lawyers should be given guidance on what the opinion should say. The meeting ended without any firm conclusion. McFarlane advised that no one was to do anything without the necessary Justice Department opinion. Although McFarlane had already secured the contribution from Country 2, neither he nor anyone else mentioned it."
- P. 55 - "North made these plans to send Country 2 funds to Calero despite his apparent knowledge of the legal difficulties expressed earlier that day at the National Security Planning Group meeting. His notes reflect that he was advised of those discussions by Clarridge of the CIA. North recorded phrases such as 'impeachable offense,' (presumably referring to Secretary Shultz's remark) and 'going to French Smith -- reading on US seeking alternative funding.' The note continues: 'Seek 3d party funding.'"
- P. 56 - "Director Casey met with Attorney General French Smith along with members of the Justice Department and the CIA legal staff. In a memorandum recording the meeting, the CIA's general Counsel, Stanley Sporin, reported that in response to Director Casey's question about the 'legal limits' of funding options, the Attorney General stated:

that he saw no legal concern if the United States Government discussed this matter with other nations so long as it was made clear that they would be using their own funds to support the Contras and no U.S. appropriated funds would be use for this purpose. The Attorney General also said that any nation agreeing to supply aid could not look to the United States to repay that commitment in the future. The DCI [Director of Central Intelligence] made it clear that if there is a possibility this option might be used, he would advise the CIA oversight committees.

The Intelligence Committees were not advised of the Country 2 contribution until 1987."

- P. 59 - "The President has publicly stated that he was kept informed of efforts by private citizens to aid the Contras."
- 167n - "('As a matter of fact, I was very definitely involved in the decisions about support to the freedom fighters. It was my idea to begin with.')
- P. 59 - "Poindexter testified the President 'knew the contras were being supported . . . by third-country funds and by private support activity . . .' There is no evidence, however, to suggest that the President was ever informed about an 'off-the-shelf' covert operation."
- P. 63 - "In the summer of 1984, CIA covert assistance to the Contras began to wane as funds were depleted. Meanwhile, legislation -- the second Boland Amendment -- that would bar the Agency from future support for the Contras had been passed by the House in early August. According to McFarlane, as the CIA stepped out of the picture, the task of supporting the Contras fell to the NSC: '[t]he President had made clear that he wanted a job done. The net result was that the job fell to the National Security Council staff.'"
- P. 65 - "While Boland II cut off all funding for the Contras, it held out some hope for renewing Contra aid in the future by providing that the Administration could seek a \$14 million appropriation on an expedited basis after February 28, 1985. But, even as the bill held out a future hope, its sponsors made clear that the law was intended to achieve an immediate cut-off of aid. As Representative Boland put it, the law, 'clearly ends U.S. support for the war in Nicaragua. Such support can only be renewed if the President can convince the Congress that this very strict prohibition should be overturned.'"
- 183n - "Congressman Hyde, an opponent of the Boland Amendment, gave it a similar interpretation in urging members to reject it. He stated:
- '[S]ection 107 . . . forbids any assistance to the freedom fighters in Nicaragua Arm them and abandon them on a party line vote. No food, no medicine, no ammunition, not even moral support. We barely leave them a prayer.'"
- P. 66 - "Poindexter and North, who admitted assisting the Contras in their military activities, had a different view. Both testified that they did not believe that Boland II was applicable to the NSC staff and that while the CIA could no

longer provide any assistance to the Contras, the NSC staff was free to do so. Poindexter put it succinctly: 'I never believed, and I don't believe today, that the Boland Amendment ever applied to the National Security Council staff . . .'

Their superior, Robert McFarlane, was surprised by that view. McFarlane, who denied authorizing the NSC staff to provide military assistance to the Contras, maintained that the 'Amendment governed our actions.' In 'cutting off money for the Contras,' he understood Congress to say 'we don't want any money raised for the Contras.' McFarlane testified that he repeatedly addressed the NSC staff with 'a kind of litany of mine, . . . [not to] 'solicit, encourage, coerce, or broker'' financial contributions for the Contras. According to McFarlane, he specifically told North to 'stay within the law and to be particularly careful not to be associated with or take part in any fundraising activities.' He dismissed his instruction to North to keep the Contras 'together body and soul' as meaning nothing more than 'smoke and mirrors.' What he intended North to provide was only moral and political, not military, support."

P. 68 - "North stated that all of his acts were authorized by his superiors, and Poindexter, speaking as one of those superiors, confirmed that he had given North a 'broad charter' to support the Contras and had 'authorized in general,' North's actions in carrying out that charter. McFarlane testified he was unaware of the breadth of North's activities."

P. 69 - "Poindexter saw it the same way:

'Very frankly, we were willing to take some risks in order to kept the Contras alive, as I said, until we could eventually win the legislative battle.

So for all intents and purposes, Colonel North largely took over the -- much of the activity that [the] CIA had been doing prior to their being prohibited from carrying [on] activity because of the Boland Amendment.'

As Poindexter summed up North's role, '[O]nce the CIA was restricted,' North was the 'switching point that made the whole system work . . . the kingpin to the Central American opposition . . ."

Boland II did not deter North -- it simply reinforced the need to keep what he was doing secret from Congress, the public, and others in the Government."

- P. 76 - "North's role was not limited to assisting arms purchases. On direction from McFarlane, he gave political advice to the Contras on unifying the different factions and adopting a platform recognizing human rights and pledging a pluralistic society. Even more critical for the Contras, North provided military intelligence and advice.

The CIA and the DOD could not provide military intelligence directly to the Contras, so North provided it himself. North would obtain maps and other intelligence on the Sandinista positions from the CIA and DOD, ostensibly for his own use. North would then pass the intelligence to the Contras using Owen as a courier."

- P. 84 - "On November 28, Singlaub reported to North the reaction of Countries 3 and 5, informing him he 'was prepared to go and meet with senior officials in those governments.' According to Singlaub, North concurred and gave the plan 'his blessing. . . . [I]t was a good idea, he saw no objections. . . .'

Whether North was authorized to 'bless' Singlaub's [third country solicitation] efforts is a matter of conflicting testimony. According to McFarlane, to solicit or facilitate aid from a third country was barred by the Boland Amendment and he did not authorize North to pursue funding from third countries. But according to North, he believed McFarland had approved: 'he was aware of each and every one of [my] actions to obtain money from foreign countries and approved of it.' North defended his actions, testifying that Country 3 had offered to make a contribution; he had never made any 'solicitation' because that would be an improper act for a government official."

- P. 88 - "In early February 1985, Country 2 agreed to contribute an additional \$24 million. McFarlane informed the President of the contribution by placing a note card in the President's daily briefing book. The President again reacted with 'gratitude and satisfaction,' expressing no surprise. Unknown to McFarlane, Country 2 head of state had already informed the President directly of the new contribution. But the President did not mention this when he briefed the Secretary of State and McFarland on his meeting with the government leader."

- P. 90 - "When the President signed the Boland Amendment, he made it clear he would return to Congress for additional Contra support:

'I sincerely regret the inability of the Congress to resolve the issue of continuing certain activities in Nicaragua I am signing this act with every expectation that shortly after the next Congress convenes it will provide adequate support for programs to

assist the development of democracy in Central America.'" "

- P. 95 - "The pattern of weapons purchases from the Enterprise did not vary: North would review the list of weapons before the order was given; Calero would prepay the costs so that the Enterprise served only as a broker without any of its capital at risk; and the shipments would be made to a Central American country with false end-user certificates North arranged to supply to Secord.

In all, there were four shipments by the Enterprise -- two by air and two by sea. The weapons came from Europe and Asia, and consisted almost entirely of Soviet compatible weapons. The mix of arms that Secord provided were chosen after consultation with Contra leaders."

- P. 105 - "But even without such active encouragement, the secrecy shrouding North's efforts contributed to the appearance of Contra self-sufficiency. As funds arrived, and weapons were shipped, CIA intelligence reports confirmed that the Contras remained not only a viable force, but were surviving on their own, without apparent U.S. Government assistance. By March, close to a year after U.S. Government aid had ceased, Director Casey's subordinates provided Casey with briefing materials, reporting surprise at the Contras' survival, but noting there was little intelligence on how the Contras had managed to flourish:

Since the cutoff of official funds to the anti-Sandinistas in May 1984 they have been able to field a viable guerrilla fighting force, have increased their numbers, and improved their tactical efficiency. It is estimated that to maintain the level of activity that they have it would cost an estimated one and one half to two million dollars per month. There is, however, no intelligence on the source of this income, except that it comes from private groups, and possibly some U.S. business corporations."

- P. 108 - "In a memorandum to McFarlane, North noted that the Contras had sufficient funding for munitions to carry them through October 1, 1985, but they needed money for the following year. The fallback plan, sent to McFarlane on March 16, called for Country 2, described as the 'current donor,' to contribute an addition \$25 to \$30 million to the Resistance for the purchase of arms and munitions; for the President to appeal to the public for contributions instead of seeking a Congressional appropriation; and for a tax-exempt foundation to be established to receive the contributions. McFarlane rejected the idea of the Presidential appeal, expressed doubt about seeking more

money from Country 2, and approved the establishment of a tax-exempt foundation."

- P. 111 - "In early April [1985], the Administration submitted a Contra aid proposal to the Congress, along with its own peace plan modeled on the San Jose Declaration. The President pledged that lethal aid would only be provided if the Sandinistas rejected the proposal. The plan provoked controversy, and on April 23, the House rejected the Administration's proposal by a two-vote margin.

When the House rejected the bill, the President's first step was to reassure Central American leaders that he had not given up on Contra aid. As to one country, the President had special cause for concern: A military leader had seized ammunition intended for the Contras. The President telephoned the head of state and received an assurance that the ammunition would be delivered to the Contras.

Publicly, the President expressed his determination 'to return to the Congress again and again. . . .' Soon after the House defeat, the Administration was back on Capitol Hill hoping to mold a compromise in support of nonlethal aid.

Meanwhile, Nicaraguan President Daniel Ortega traveled to the Soviet Union, and throughout Europe, seeking renewed assistance for the Sandinista forces. President Ortega's visit to Moscow prompted the President to issue a warning to Congress:

'And whatever way they may want to frame it, the opponents in the Congress of ours, who have opposed our trying to continue helping those people, they really are voting to have a totalitarian Marxist-Leninist government here in the Americas, and there's no way for them to disguise it. So, we're not going to give up.'

President Orgeta's Moscow trip also prompted a renewed sense in Congress that something had to be done to support the Contras. With strong support from Congressional leaders, President Reagan announced the imposition of economic sanctions against Nicaragua on May 1, 1985."