

MEMORANDBUM

TO: EDS vs. Iran File  
FROM: John E. Howell  
DATE: October 26, 1981  
RE: Negotiations in Iran from January 13, 1979 through February 11, 1979

---

Ross Perot, Bob Young and I arrived in Tehran on the morning of January 13, 1979. After checking into the hotel and getting a quick briefing from Keane Taylor, Bob Young and I went to the EDS office in Tehran and then to the office of Dr. Ahmad Houman, the Iranian attorney who had been representing Paul Chiapparone and Bill Gaylord. We reviewed the situation with Dr. Houman and he advised us that it would not be wise to meet with Dadgar at this time because of the danger that he might arrest additional EDS representatives. However, Dr. Houman invited me to attend a meeting with Dadgar's boss, Dr. Kian, the public prosecutor, the next morning.

<sup>14 JAN</sup> The next morning Bob Young and I went to the EDS offices along with Keane Taylor and Rich Gallagher. Dadgar surprised us all by showing up at the EDS offices with some of his investigative staff at approximately 8:30 in the morning. After a quick telephone conference with Dr. Houman, we decided to be completely cooperative with Dadgar and his investigators, even to the point of breaking open a file cabinet that was locked and to which we could not find the key. I avoided meeting Dadgar at that time, primarily because of Dr. Houman's advice. I then left the EDS offices and accompanied Dr. Houman to meet Dr. Kian at the Ministry of Justice, after forcing our way through a crowd that was demonstrating against the Shah's regime and the holding of political prisoners. In the meeting with Dr. Kian, I tried to convince him that EDS was a reputable

company, had done nothing wrong, and was willing to cooperate with any reasonable investigation that would clear its name, but we needed to get the EDS employees out of jail, or at least get the bail reduced to a reasonable amount. Dr. Kian was not very helpful but indicated that he would look into the matter. He did give me a note authorizing me to visit Paul and Bill in the temporary detention facility where they were then detained. (Bob Young and I attempted to visit them that evening, but got there too late. However, throughout our stay in Iran, various people, including Ross, visited Paul and Bill, first in the temporary detention facility and later in the prison, on almost a daily basis to keep them informed, pass them money, and provide them with food, clothing, and reading material.)

When I returned to the EDS offices early that afternoon, I decided there was no use postponing the inevitable, and with [REDACTED] acting as interpreter, I went in to meet with Dadgar. Dadgar was polite but not very helpful. I explained again that EDS was a reputable company, had done nothing wrong, and would cooperate with any reasonable investigation necessary to absolve it of any charges. He expressed surprise that EDS had not already posted the approximately \$13 million bail that he had set for Chiapparone and Gaylord. I explained that the condition of the bail was not whether or not EDS had done anything wrong but only whether or not the two people would appear for trial at some unspecified later date, an event over which EDS had no direct control, and that the bail was astronomically high, especially in light of the fact that Chiapparone and Gaylord had done nothing wrong. Dadgar's basic reply was that he was conducting an investigation and would not be able to conclude whether or not they had done anything wrong until this investigation was complete. Dadgar and his staff spent most of the day at the EDS offices, leaving late that afternoon. While Dadgar himself did not come back to the EDS offices, over the next several days his investigative staff reviewed all the records in EDS' offices and asked a fairly large number of questions, and we located and provided the

answers to the questions as quickly as possible. Some of his staff members told us informally that there was no evidence against Chiapparone and Gaylord and they (the staff members) felt sorry for the two innocent people caught in the middle of the investigation.

Dr. Houman had convinced the public prosecutor, Dadgar's boss, to request that Dadgar review the amount of the bail and informally suggest that it be cut in half. Instead, Dadgar asserted that the issue was not whether the bail should be reduced but whether the bail should be increased even more. It was obvious to us that this was a ploy by which Dadgar had demonstrated his independence from any control by his supervisors. In the disorganized state of the Iranian government, nobody was in a position to, or was willing to, order Dadgar to reduce the bail, much less to release the prisoners.

Keane Taylor, [REDACTED], and I met at SSO headquarters with Dadgar and several SSO representatives. At first the SSO representatives wanted to talk only about EDS turning back over to SSO the small data center that EDS had been running to operate a payroll system and a pension system. We indicated that, while they were certainly welcome to go into the data center if they wanted to, we did not have the technical resources in the country to perform a proper transition and could not do so until our people were out of jail and we had assurances that no more would be arrested. Dadgar assured us that we could safely bring people back to Iran to accomplish the transition, but we said we would not be able to do that until Chiapparone and Gaylord were released. We asked if renegotiating the contract would help solve our problems. Dadgar said that would be a promising way to proceed, that if serious negotiations began he would be in a situation to review the bail and maybe get the people released. He stated that while that was not a

legal solution it was a practical solution and that it would be a shame to let all of the work that had been done on the computerization project go to waste. When we explained that it would not be possible to do much of anything until the jail situation was resolved, Dadgar said, "Yes, but if you commit to good faith negotiations, the Minister will call me and the charges might be changed, the bail might be dropped, and Chiapparone and Gaylord might even be released on their personal guarantees." Dadgar said that the situation at SSO had gotten out of hand, and he had told the people at SSO that. However, he hoped that EDS would cooperate in the turnover of the small data center. When we tried to explain to him the facts about the turnover of the data center which EDS had attempted to conduct, Dadgar wasn't interested in that type of information. Almost as an afterthought, he indicated that it would probably be helpful if the various project managers that worked on the Ministry contract would either come back to Iran so he could interrogate them or would submit reports to him of the status of the various projects. While he couldn't give us a legal guarantee, he gave us his word as a man that if the people came back they would not be harrassed or arrested.

At the conclusion of this meeting, I netted the situation to be that we had discussed three courses of action by EDS:

- (1) Cooperate with the turnover of the small data center--this would keep the situation from getting any worse.
- (2) Renegotiate the contract with the Ministry--this might make the situation better.
- (3) Provide Dadgar with information relevant to his investigation--this would have no direct effect, but would presumably give him legitimate justification for whatever action he might take pursuant to the other two courses of action.

At the same time that the discussions with Dadgar described above were going on, several other things were also taking place. One area of activity

was trying to get the banking mechanism in place to post the bail if that became necessary. At first the activity was primarily in the United States, dealing with US banks to establish a standby letter of credit mechanism to serve as collateral for a bank guarantee to be issued by an Iranian bank. In Iran, we had begun trying to draft a bank guarantee and had been discussing with Dadgar the form and terms that would be necessary in that document.

Another area we were following was a situation with an <sup>Italian</sup> ~~Iranian~~ named Randone who had also been arrested in Iran under a similar type of commercial hostage situation. An EDS representative had met with the president of his company in Italy to explore the situation and the way that they had gotten Randone out of jail. They gave us the name of the Iranian lawyer who had worked on that matter. Our conversations with the company in Italy had indicated the solution they found was not entirely a legal one, and they had repeatedly said that we should "Remember Iran is always the same." We met with Ali Azmayesh, the lawyer who had represented Randone, and discussed our situation with him. He indicated that we should approach it not as a legal problem but as a business problem. We should figure out the most attractive business arrangement we could offer the Iranians and he would attempt to convince Dadgar that it was in the best interest of Iran to release the two men and accept the advantageous business arrangement rather than proceed with the investigation.

Another, and more touchy, area that we were exploring was the possibility that Dadgar and/or others might be more interested in an under-the-table solution than anything else. Prior to our arrival in Iran, we had gotten indications from two different sources that what we needed was a "Persian solution" to the problem, i.e., that we needed to payoff the appropriate people. We had discussed that possibility with an Iranian lawyer in the United

States and he had advised us that it was a dangerous situation and there were two ways to go if it turned out that that was what the Iranian authorities were looking for. One was to play the game, make the payoff, and hope we got the desired results. The other was to appear to play the game, blow the whistle and uncover the situation at the last minute, and hope to discredit the entire investigation by exposing the motives of the people behind it. While the second approach was much more attractive to us, it was also the more risky.

Shortly after we arrived in Iran, we had some meetings with one of the sources that had previously contacted us about a "Persian solution." This source was an American citizen that had been living in Iran for some time and who claimed to have connections with the Ministry of Justice. After these initial meetings it was decided that he was not for real and we terminated those discussions. Subsequently, Keane Taylor and I had several meetings with the other source who had indicated that a "Persian solution" was in order. This source was an Iranian citizen who had previously done some work for EDS and approached us as a friend of EDS who had some friends who were friends of Dadgar. He explained that the proper approach was to attempt to obtain the goodwill of Dadgar. While there might be several ways to do this, the quickest and most direct approach was to buy that goodwill. At that time, he said he was several layers away from Dadgar and if we were interested in pursuing the matter he would have to work his way through the layers until he was sure that he was dealing with people who could deliver the desired results. We authorized him to proceed, and had a series of clandestine meetings with him during which he purportedly worked through several "layers" to get to the "nut" of the matter, while we discussed financial aspects -- he originally indicated that his people were asking for 6% of the contract price, or approximately 2.5 million dollars -- and signals by

which we would know that things were in place -- his people kept proposing ambiguous signals such as additional people being allowed to come into the country without being arrested, while we kept requiring definite signals such as having Dadgar appear at a certain meeting with one pink and one green sock and his tie on backwards. Finally, after four or five meetings, the Iranian source indicated that he had gotten through all the layers to a lawyer who was a good friend of Dadgar, and that all the representations of the outer layers had been erroneous, that Dadgar was not looking for a bribe, and that the lawyer was willing to represent us on a straight legal basis and felt that he could be helpful because of his familiarity with the Ministry of Justice and his friendship with Dadgar. After meeting with the attorney, whose name was Beni-Kazemi, we retained him on a straight hourly basis to represent Chiapparone and Gaylord.

During this same time period, Bob Young, [REDACTED] and I had a meeting with the SSO representatives to discuss turning over the small data center to the Iranians. After some discussions about getting IBM representatives to certify that the computer hardware was in serviceable condition and methods of duplicating tapes to establish what was there and not there, the meeting disintegrated into a gripe session in which it became obvious that the various SSO people there had personal grudges against some of the EDS employees who had replaced them in the jobs that the Iranians had previously had in the SSO data processing department.

Meanwhile, we were attempting to arrange meetings with Dr. Razmara, the then current Minister of Health and Social Welfare, and Dr. Emrani, the then acting Managing Director of the Social Security Organization, to attempt to follow up Dadgar's suggestions that we negotiate our business problems with the Ministry. Both of these gentlemen avoided meeting with us for a long period of time, with Razmara once refusing to meet

with us because he "knew nothing about our contract" the day after he had scathingly denounced it at a press conference, saying among other things that the management of EDS was hated even by the American people. When we were finally able to arrange a meeting with Dr. Emrani in early February, it was a fairly unproductive meeting because he was only interested in explaining that he did not have authority to do anything except to discuss turnover of the small data center and that discussion of anything else would have to be initiated by way of written proposals submitted by EDS to the Minister.

late  
6 FEB

During this same period of time we also had several other meetings. One meeting was with Dr. Alamy, acting Minister of Justice, who listened to our story and said that he would review the file and if appropriate contact either Dr. Kian or Dadgar. We also had a meeting with Charles Naas, the second-in-command at the U.S. Embassy in Iran, to discuss our attempts to have Paul and Bill released to the custody of the U.S. Ambassador, but all that Naas was interested in doing was defending the previous conduct of the Embassy and suggesting that we stop applying pressure in Washington that would reflect adversely upon what the Embassy had done previously.

late  
18 JAN

late  
18 JAN

We had also stepped up our activities to get the banking arrangements in place to be able to post the bail, but this became increasingly difficult. We had originally planned to have a U.S. bank extend a standby letter of credit to the U.S. branch of Bank Melli to serve as collateral for a bank guarantee to be issued by the Tehran branch of Bank Melli to the Ministry of Justice. However, when we discussed the situation and tried to reach agreement on documents with the Deputy Managing Director of Bank Melli in Tehran, who was a friend of [REDACTED] he indicated that Bank Melli was not interested in moving forward with the arrangement. In particular, he said the situation was too irregular and didn't make sense -- there were far too many political and other overtones involved. He was afraid that Bank Melli Tehran would have to pay the \$13 million to the Ministry of Justice and then, because of the irregularities in the arrest and detention of the two

late  
24 FEB  
18 JAN

\* (Handwritten note)

people, Bank Melli New York would not be able to collect on its standby letter of credit from the U.S. bank. Bank Melli was unwilling to take the risk of getting caught in the middle.

As an alternative, we began discussing the prospect of having Bank Omran issue the bank guarantee in Tehran. The people that we were dealing with at Bank Omran in Tehran indicated that they were willing to do this. The problem was in arranging to have a standby letter of credit issued from a U.S. bank to Bank Omran, since Bank Omran did not have a branch in the United States and the telex systems by which banks normally communicate internationally were not in service between the United States and Iran. After some discussion, we proposed to solve this problem by having the U.S. bank telex its standby letter of credit to the Dubai branch of Bank Omran, and then let the Bank Omran people in Tehran confirm by telephone call to Dubai that the standby letter of credit was in place and then issue a bank guarantee in Tehran. While this mechanism theoretically was workable, in practice, because of time zone differences, work day differences, communication difficulties, and the frequent strikes in Tehran, it became very difficult to get all of the documents drafted and approved and transmitted to the appropriate places. In particular, we kept running into one more layer of approval in Tehran that would be necessary before the arrangement could proceed.

We tried to keep in contact with a young lady named Bunny Flyshacker who was a former girl friend of an EDS employee and purportedly had contacts within the Ministry of Justice, evidently Iranian girl friends who worked as secretaries there. The fact that Bunny had given us some advance warning, unheeded at the time, that Paul and Bill would be arrested gave her some credibility as a source of information. From time to time, by irregular and surreptitious phone calls, she advised us that the phones at the EDS offices and at the homes of several EDS employees were being tapped, albeit rather sloppily, that it was not safe for EDS executives to be in Iran, that various people in the Ministry of

Justice intended to keep the pressure on EDS until the Shah's regime fell and then make a name for themselves with the new regime by exposing the EDS contract as an example of the evils resulting from the Shah's Westernization program, that these people intended to arrest more EDS representatives, and that we were not safe in our hotel (the Hyatt) and should move to the Hilton where most of the international news correspondents were staying.

All through this period of time, we continued to have meetings with Dadgar on a fairly regular basis to provide him information that he requested, to update him on our efforts to have meetings with the various Ministry people, and to attempt, mostly unsuccessfully, to negotiate the terms of the bail with him. As it became increasingly difficult to arrange a banking mechanism to post the bail, we convinced the U.S. State Department to propose to act as the financial intermediary in lieu of an Iranian bank. Under this arrangement, EDS would have a United States bank issue a standby letter of credit to the U.S. Government, and the U.S. Embassy in Tehran would issue to the Iranian Government a guarantee to pay the bail if Chiapparone and Gaylord did not show up for trial. We, along with representatives from the U.S. Embassy, met with Dadgar to explain this approach but Dadgar rejected it out of hand, explaining that his legal procedures allowed him to accept cash, a pledge of real estate, or a bank guarantee from an Iranian bank as bail, but did not say anything about accepting a governmental guarantee. (It is interesting to note that after the revolution and the escape of Chiapparone and Gaylord, Dadgar reversed his position and called upon the U.S. Embassy to make good on its promise to pay the bail.)

In our discussions with Dadgar, he became more and more interested in the relationship between EDS and its partner in Iran, Abolfath Mahvi. We explained that the relationship was completely above board and legitimate. He seemed convinced that, even if it did not involve us, we could provide him with some incriminating information about

Mr. Mahvi. He explained to us, complete with references to the applicable provisions of the Iranian legal code, that he would be able to reduce the bail, and even release Chiapparone and Gaylord completely if we cooperated with him and provided him helpful information about Mr. Mahvi. While we told him that we didn't have any information of the type he was looking for, we did undertake to put together a document describing the entire relationship between EDS and Mr. Mahvi and submit it to him. Thereafter, we proceeded to attempt to gather information from various sources. This process took some time and Dadgar became impatient for the report. He told [REDACTED] that unless we proceeded to voluntarily provide him with the information, he would obtain it himself through interrogation of the people in Iran and we would get no benefit from having volunteered the information.

Meanwhile, we had pursued the possibility of posting a bank guarantee through the Bank Omran and felt that we were almost there. We had obtained Central Bank approval for the deal and had obtained consent from a majority of the directors of Bank Omran. We became increasingly anxious as the circumstances in Tehran disintegrated. We were concerned that civil disturbances around the prison would break out and would endanger the safety of Chiapparone and Gaylord. Finally, on Saturday, February 10, 1979, we thought we had everything in place to meet with Bank Omran and get the letter of guarantee issued. We had things arranged so that we could take the letter of guarantee to Dadgar's office and get Chiapparone and Gaylord released immediately before the situation could further deteriorate. However, upon arriving at Bank Omran we found that the lawyer for Bank Omran had requested some minor language changes in the documents. While we were attempting to discuss and agree upon these changes and figure out how to get them reflected in the entire banking chain, word spread around the Bank Omran

offices that a general strike and curfew had been announced on the radio. Despite our arguments that it was important to finalize the arrangement, everybody that we were trying to have discussions with got up and left to go home. We found that extremely frustrating, but were in hopes that within a day or two we could have the banking arrangements in place to post the bail and get Chiapparone and Gaylord out of the prison.

On the morning of Sunday, February 11, 1979, we had a meeting with Dadgar in which we delivered to him and discussed with him the report that we had produced describing the relationship between EDS and Mr. Mahvi. Dadgar's general reaction was favorable and he asked us to provide him more information on a few areas. He indicated that we were laying the groundwork for him changing his attitude about EDS and that could result in very favorable consequences. If we provided him the additional information he had requested, it would very seriously change his view of the case. During the course of our meeting with Dadgar, we received a call from the EDS office to the effect that there appeared to be some civil disturbance in the area of the prison and we were again worried about the safety of Chiapparone and Gaylord. We pressed Dadgar to release the two people into the custody of the U.S. Embassy so that he would no longer be responsible for their safety, but he refused, saying that the U.S. Embassy could not be considered an Iranian jail and that he did not think there was much possibility of their being exposed to danger in the prison.

We left the meeting with Mr. Dadgar, went back to the EDS offices and watched the spreading civil disturbance from the roof of the building. When we began to hear bullets whistle by and saw two guys with automatic rifles run up the street on which the offices were located, we decided to go back to our hotel in the northwestern part of Tehran and watch from there. We did so until we got confirmation that Chiapparone and Gaylord were out of the prison and until they made their way to the hotel and joined us there.