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EXHIBIT  
COW-2B

MEMORANDUM FOR RECORD

SUBJECT: Meeting on November 10, 1986, with the President, Vice President, Secretary Shultz, DCI Casey, Attorney General Meese, Don Regan, Admiral Poindexter, and Al Keel, in the Oval Office

[REDACTED]

The President said we did not do any trading with the enemy for our hostages. We do need to note that [REDACTED] (Khomeini) will be gone someday, and we want better leverage with the new government and with their military. That is why we felt it necessary to give them some small defensive weapons.

We can discuss that publicly, but no way could we ever disclose it all without getting our hostages executed. (We must make it plain that we are not doing business with terrorists. We aren't paying them or dealing with them.) We are trying to get better relations with Iran, and we can't discuss the details of this publicly without endangering the people we are working through and with in Iran. I pointed out we must bear in mind we have given the Israelis and the Iranians the opportunity to blackmail us by reporting selectively bits and pieces of the total story. I also pointed out that Congress could -and probably would -- hold legislative hearings. Admiral Poindexter pointed out that we do want a better relationship with Iran.

In <sup>Jan</sup> ~~June~~ 1986, the President <sup>agreed</sup> made a formal finding under Section 501 of the Arms Export Control Act which directs the DCI not to notify Congress until further notice, and authorizes discussion with friendly groups which are trying to get a better government in Iran. I had not known of this finding before ~~Nov 1986~~ -- Shultz said he had not known of it either. We needed to help those elements to get a more pro-U.S. government in Iran. Poindexter continued that we assisted Israel initially because we found Israel was sending arms to Iran [REDACTED] and also wanted the Iran-Iraq war to end as soon as possible. Admiral Poindexter said that McFarlane went to Iran in May 1986, and that was the only trip he made, and then we started working through [REDACTED] of Rasfanjani. Previously we had used an Israeli agent called Gorbanfar. We also used many channels to try to get the hostages back. [REDACTED] others proved no good because the Iranians always insisted that the Dafaan prisoners held by Kuwait be released. We finally did authorize the release of 500 TOWS sold by Israel to Iran, and another 500 were sent last week. This was all arranged as a result of a meeting with Rasfanjani's [REDACTED] came here to show that he was a legitimate representative of the government. Poindexter reported there were several meetings

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in Europe and elsewhere.

I reminded John that he had always told me that there would be no more weapons sent to Iran, after the first 500 TOWS, until after all of the hostages were returned, but unfortunately we did send a second 500 because it "seemed the only way to get the hostages out", according to Poindexter.

Poindexter pointed out the hostage taking had stopped for a year. I pointed out that they took three more quite recently. Poindexter pointed out that this was not done by the same people or Iranians.

[REDACTED] publicized Rasfanjani's contacts with the U.S. Rasfanjani then felt he had to speak out against the U.S. and the McParlane trip. Because of the obvious errors in Rasfanjani's speech, Poindexter thinks he is sending a message that he "wants to work with us." Colonel North thinks we can get two more hostages out by the weekend. I don't. (We didn't.) We have told all our friends in the Mid-East, and according to Poindexter they agree, they would like a negotiated settlement and the war to end.

[REDACTED]

The President said this is what you had to do to reward Iran for the efforts of those who could help. Actually the captors do not benefit at all. We buy the support and the opportunity to persuade the Iranians.

I again pointed out we will have to answer many questions and have Congressional hearings. The President said we need to point out any discussion endangers our source in Iran and our plan, because we do want to get additional hostages released. Mr. Shultz spoke up for the first time, saying that it is the responsibility of the government to look after its citizens, but once you do deal for hostages, you expose everyone to future capture. He said we don't know, but we have to assume the captors will get someone. He said he felt the Israelies sucked us up into their operation so we could not object to their sales to Iran. He pointed out there will be a lot of questions after any statement, even after a statement such as Mr. Casey

proposed to read. The President said we should release the statement, but not take any questions. Mr. Regan said we are being hung out to dry, our credibility is at stake, and we have to say enough. Shortly thereafter the meeting adjourned on the note that revised drafts of the Casey proposed statement will be sent to us.