By Bob Woodward,
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On Aug. 28, 1976, three American employees of Rockwell International Corp. were shot to death in Tehran, the capital of Iran. Richard M. Helms, who was then the American ambassador to Iran and who formerly was director of the Central Intelligence Agency, described the killings in a private conversation with another American three days later:

"A red VW pulled into the front of the car (carrying the Rockwell employees) and a minibus rammed from the side. Three or four men came out of the car and told the driver to lie down. The driver put his head up and was told to lie down again. Then the men fired through the front, killing one of the employees, who fell, out of the car and moved his hand. One of the men came and fired point-blank into his face."

"After shooting the two in the back seat through the rear window someone reached in with a pistol and shot each of them in the face. All three had powder burns in the face."

"One of the pistols was a stolen pistol from the United States Military Assistance Advisory Group (MAAG), the other, one believed from the car, cartridge cases, to be a Browning. The people were armed with Polish submachine guns. There were about .43 caliber cartridges of expended ammunition on the ground. They staggered in third car. The job was professional with the same modus operandi as in the past."

The newspapers reported the official explanation: the killings were the work of Islamic Moslem terrorists. But this later the shah of Iran was telling a different story to an American who visited him at 11 a.m. for a private audience at his lavish summer palace.

"The Russians," the shah told his visitor, "were behind this incident as well as (a)arrison." Two hours later Helms told the same American he agreed with the shah.

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**The Weather**

The Weather
The three victims of the terrorist attack were working on a secret project of truly Buck Rogers proportions at the CIA. Their names were mentioned in the press and then faded.

**IBEX**

It is a code name for a $200 million surveillance system for the borders of Iran. But it is also a symbol of the dangers and problems and corruptions that have afflicted the U.S. arms sales program in Iran and other parts of the world.

**IRAN, FROM A1**

Item: Rockwell agrees to pay a secret agent's fee of $4.5 million to a mail drop on Bermuda—Post Office Box 1178, Reid House.

Item: Some payments to the mail drop are forwarded to Mr. Tuntall, Chase Manhattan Bank, 63 Rue de Rhome, Geneva, Switzerland.

Item: The government of Iran deposits $5 million in the Riggs National Bank in Washington for “payment on demand” by signature of Mr. William Owens and Mr. Henry Plastee. Owens and Plastee work for the CIA.

Item: Donald Patterson, a former CIA employee, is paid $55,000 to authorize payments of $1.1 million to an auditing firm, Touche Ross and Co. This in turn triggers payments to U.S. defense contractors from another $47 million deposited at the Riggs bank by Iran.

Item: Helms sends a handwritten note to CIA Director George Bush requesting that a top CIA official come to Iran to hear a series of allegations about corrupt practices.

Item: Fifteen CIA employees in Iran, operating under cover as the United States Advisory Team (USATL), draw up and expand plans for the sophisticated and automated intelligence-gathering system.

These are all elements in the IBEX story. The arrangements are not unique. The Defense Department knows the multibillion-dollar U.S. military equipment sales program in Iran is wildly out of control. The CIA, known, from the shah’s own money, the multibillion-dollar U.S. military equipment sales program, is not the only consideration.
about $104.4 billion in the last five years—has been the subject of severe public criticism. But these documents show it in much worse shape than publicly reported.

The IBEX project is a case study in the kind of intrigue and under-the-table dealing which, on more than one occasion, have discredited the U.S. arms merchandising program. The story begins in early 1974.

By that time the shah had determined that he wanted electronic eyes and ears around his borders. He was influenced, in part, by the example of the CIA, which for many years had controlled various monitoring posts along the 1,290-mile border between Iran and the Soviet Union.

So he asked the CIA for assistance. A general plan was drawn up calling for 11 ground-monitoring posts, six airborne, units, and several mobile ground units. Robert B. Phillips of the CIA was sent to Iran to set up an advisory team for the project. Bids were invited, and four U.S. companies entered the competition: Rockwell International, GTE Systems and Mechanics Research Inc.

The companies were all warned by Phillips on Nov. 18, 1974, that the use of Iranian "middlesmen," meaning influence peddlers, would not be tolerated.

"It is quite clear," Phillips wrote to the contractors, "that the many pronouncements of Gen. Toufanian that use of local agents on Iranian government contracts is absolutely forbidden...any contractors discovered using local agents on the IBEX program will be barred from participation."

"The Gen. Toufanian referred to is Air Force Gen. Hassan Toufanian, the vice minister of war in Iran and the shah's point man in all weapons procurements.

The competition for the IBEX contract, by all accounts, was very keen. Perhaps for that reason, Rockwell International ignored the unequivocal warning it had received from Phillips. On Jan. 1, 1975, Rockwell signed a secret agents contract with Universal Aero Services Co., Ltd., known by its acronym UASCO. Its business address was Post Office Box 1178 at Reid House on Bermuda.

The contract stipulated that an agent's fee, ranging from 5 to 10 percent of sales, would be paid by Rockwell to UASCO for promotion of an "electronic surveillance and countermeasures program for the borders of Iran." Apparently.

"One of the people connected with UASCO was a wealthy Iranian named Abolfath Mahvi. He was the "middleman" who apparently persuaded Rockwell that he could provide the necessary marketing services to win the contract.

"As it turned out, Rockwell did win the IBEX contract on Feb. 17, 1975, apparently on the recommendation of the CIA team in Iran. The initial phase of the contract involved $3 million."

By July, 1975, Mahvi's role as the agent in the IBEX project became known to Gen. Toufanian, who wrote a letter to Phillips indicating the U.S. firms had been well warned.

"I have no information to indicate that U.S. contractors are engaged in any business or activity that may be contrary to the interests of the United States or of the government of Iran," Toufanian wrote Phillips. "I am authorized to state that, due to the interference of Mr. Abolfath Mahvi in the procurement of defense systems and requirements for the Imperial Armed Forces from United States industries, his name should be put on the blacklist."

That message obviously got to Rockwell. On Sept. 30, 1975, a letter terminating the UASCO agreement was sent to the Bermuda Post Office box by a Rockwell vice president, James C. Cozad.

The trouble was that the original agreement specified it was not subject to termination for five years. So two weeks after the "termination," one of Cozad's assistants informed him that Rockwell owed $4,534,758 on the agent's fee.

Cozad, who is living in California, refuses to talk about the matter. That is also the corporate posture of Rockwell, whose spokesman, Earl Houpt, said there would be no comment from the company.

The episode with UASCO and the forbidden agent's fee is merely one of the strange money transactions surrounding the IBEX deal.

Others involve the Riggs National Bank and the CIA.

"It has become a standard practice on "cover" projects, such as IBEX, to use a wide variety of illegal payments that go out to U.S. contractors. This is done in the interests of security."

"In the case of IBEX, letters of credit of more than $47 million were issued by Riggs to the firms."

The Iranians, from the shah on down, know. They all condemn it. They issue directives and commands to stop it, to slow it down, to bring some order to it. But the practices persist. Why? Why? Why? Why?
tractors follow this circuitous path are unknown. Nigra, Touche Ross and the CIA won't discuss the matter.

But documents show that the system has produced checks of $1.2 million for Hewlett-Packard and $23 million for Watkins-Johnson. They are both subcontractors for the IBEX project.

While the Pentagon system seems to work, doubts about IBEX have been growing ever since the project began. There was first the matter of the improper agent's fee negotiated by Rockwell with TRW.

Problems of greater magnitude have since surfaced. They involve allegations of widespread corruption in the project. Some grave doubts that the IBEX system is necessary or will work.

Ambassador Stilwell described the situation during the Spring-76 as a handwriting problem:

"The system is set up," he said, "so that malfeasers can operate in the system with virtual immunity. They can write a check and there is no one who can be held responsible." He said the system was "duped by the FBI..."

In our view, the system had completely washed its hands of IBEX. The project had turned over a very-senior CIA man from Washington to come check on it. He had been a very senior CIA man from Washington to come check on the system. He had sat down and taken notes of all charges and allegations he had heard. He then told the man he was too busy. The man then washed his hands of the responsibility. It would all rest on CDA-44.4. It killed. It was going to blow up on them. They could do what they wished.

One of the concerns has to do with the feasibility of IBEX. Could it ever be a $200 million deal?

Documents from the IBEX file raise the possibility it is feasible, for example, that Iran is being used as a technological dumping ground for equipment and concepts that the National Security Agency and other U.S. intelligence agencies have dumped impractical and overly sophisticated.

The IBEX system, for example, envisions the use of long-range cameras to be installed in airborne surveillance units. They are triggered to take pictures in response to intercepted communications and radar signals. But they cannot work at night in the clouds. Thus, one Pentagon official said, "garbage." 1/4

Moreover, the heart of IBEX is an extremely expensive and automated computer network which the United States has previously found unworkable.

So the ultimate value of IBEX is unproven, at least.

These difficulties and problems at corruption, waste and obfuscation in other U.S. projects in Iran have become a matter of serious concern and irritation to the shah.

He has been protesting for months.

To U.S. authorities and at the same time, has become suspicious of many of the Americans involved in his country's massive arms building. On Feb. 22, 1976, he ordered Gen. Townsend to send a six-page letter of complaints to Secretary of Defense Donald H. Rumsfeld. He was "so suspicious of leaks from Americans that he had the document sent by way of a U.S. diplomat with a Soviet passport.

In it, the shah charged top Pentagon officials in the arms sales program with "malfeasance" and "crude deception" in handling deficiencies in regard to that Westinghouse was trying to sell Iran.

By September, 1976, the shah was telling visitors that his disenchancement with American officials, Rumfeld in particular, was virtually complete.

Conversation with the shah on Sept. 1, the Iranian leader charged that, "the 4,000 members of the National Security Agency and other U.S. intelligence agencies have dumped impractical and overly sophisticated equipment on Iran, which they cannot work at night in the clouds. Thus, one Pentagon official fa