

# KNIGHT RIDDER.



Knight-Ridder, Inc.  
Washington Bureau  
700 National Press Building  
Washington, DC 20045

John,

here's The Dutton  
Testimony and another  
document that might  
interest you

Best regards  
Mark

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IRAN-CONTRA HEARINGS  
05/28/87 - A.M.

24-1

(11:26)  
(2450)

in front of you an exhibit which is marked "E", it's on the -- it's not in the book, it's right on the -- No, it's not in the book, Mr. Rodriguez, it's right on the table in front of you.

MR. RODRIGUEZ: All right.

SEN. RUDMAN: That represents an invoice to Lake Resources Incorporated from East Incorporated. And now let me -- let the record show that East Incorporated was a corporation formed by General Secord and his associate Mr. Hakim, but nominally owned by Mr. Gadd. And Lake Resources is a Secord-Hakim company. The reason I want to look at this exhibit with you is there seems to be some misunderstanding about why some members of this panel are very interested in how the money was used.

What the point, of course, is, that I think you understand, Mr. Rodriguez, is that when you privatize foreign policy -- be it selling arms to Iran, or helping the contras through all these private sources -- things go awry and the policies don't get executed. And in your situation, people that needed equipment didn't get it.

So I want to go through this invoice with you because you've been talking about hand grenades -- you didn't have personal knowledge -- here's some things you had personal knowledge of that will show, I think, vividly, what some people in this panel are concerned about.

If you turn to the first page of it, you'll notice that it is a billing called, "second billing support", and there are some names on there: "Bolton(?), Strupe(?), Schmidt(?), Smith, Wilson, Sawyer, Panod(?), Herrington(?), McCully(?), Hughes(?) and Van Haven(?)". Did you know those people?

MR. RODRIGUEZ: Yes, sir, some of them.

SEN. RUDMAN: And they were pilots and handlers?

MR. RODRIGUEZ: Yes, sir.

SEN. RUDMAN: And do you happen to know what they were paid?

MR. RODRIGUEZ: Sir, they never discussed that with me, but I think it's a matter of record that Hasenfus said that he was paid \$3,000 a month.

SEN. RUDMAN: That's correct. As a matter of fact the pay varied between \$3,000 and \$4,000 a month. Now what was happening here is that Lake Resources, which had money from the diversion of the Iranian arms sale, as well as from other donations -- from other places -- billed people at the rate of \$450 a day.

ERST, INC.

SECOND BILLING SUPPORT

FEEs:

BOLTON 31 DAYS @ 450	\$13,950.00
STROUP 40 DAYS @400	16,000.00
SMET 1 DAY @ 500	500.00
SMITH 6.75 DAYS @450	3,037.50
WILSON 31 DAYS @400	12,400.00
SAWYER 1.67 DAYS @ 450	751.50
PINARD 3DAYS @450	1,350.00
HARRINGTON 10 DAYS @ 450	4,500.00
MCCULLY 11 DAYS @400	4,400.00
HUGHES 5.34 @450	2,403.00
VON HAVEN 6 DAYS @450	2,700.00

TOTAL FEES

\$61,992.00

TRAVEL:

BOLTON	805.00
STROUP	2,339.36
STROUP	4,600.00
WILSON	805.00
SAWYER	852.73
PINARD	452.34
HARRINGTON	1,253.67
VON HAVEN	854.68
SMET	842.95
COOPER	580.75
MCCAULLY	766.62
CRWAFORD	319.70
MCCAULLY	1,545.03
SHUTT	131.10
SHUTT	570.40
SHUTT	272.55

TOTAL TRAVEL

\$16,991.88

EQUIPMENT:

1 WASHER	
4 AIR CONDITIONERS	
2 REFRI.	3,621.63
1 WASHER	542.80
1 DRYER	488.75
3 MEDICAL KITS	971.75

TOTAL EQUIPMENT

\$5,624.93

OTHER:

COMMUNICATION COST	404.85
INSURANCE	345.00
CASH ADVANCE-FUEL ACCT.	15,000.00

TOTAL OTHER

\$15,749.85

GRAND TOTAL

\$100,357.86

EAST, INC.

SECOND BILLING SUPPORT

FEEES:

3/1-31	BOLTON 31 DAYS @ 450	\$13,950.00
2/20-3/31	STROUP 40 DAYS @400	16,000.00
	SMET 1 DAY @ 500	500.00
6.75	SMITH 6.75 DAYS @450	3,037.50
3/31	WILSON 31 DAYS @400	12,400.00
12/27-28	SAWYER 1.67 DAYS @ 450	751.50
3/27-30	PINARD 3DAYS @450	1,350.00
DEC 85	HARRINGTON 2 DAYS @ 450	900.00
2/14-23	HARRINGTON 10 DAYS @ 450	4,500.00
3/3-13	MCCULLY 11 DAYS @400	4,400.00
	VON HAVEN 6 DAYS @450	2,700.00

TOTAL FEES

\$60,489.00

TRAVEL:

EST AIR	BOLTON	805.00
1/21-2/11	STROUP	2,339.36
2/11-3/11	STROUP	4,600.00
EST AIR	WILSON	805.00
12/27-28	SAWYER	852.73
3/27-30	PINARD	452.34
2/14-23	HARRINGTON	1,253.67
3/20-24	VON HAVEN	854.68
3/28	SMET	842.95
AIRFARE 3/28	COOPER	580.75
AIRFARE 4/2	MCCAULLY	766.62
AIRFARE 4/2	CRWAFORD	319.70
3/3-13	MCCAULLY	1,545.03
AIRFARE 3/1	SHUTT	131.10
AIRFARE 2/28	SHUTT	570.40
AIRFARE 3/4	SHUTT	272.55

TOTAL TRAVEL

\$16,991.68

EQUIPMENT:

1 WASHER		
4 AIR CONDITIONERS		
2 REFRI.	3,621.63	
1 WASHER	542.80	
1 DRYER	488.75	
3 MEDICAL KITS	678.50	

TOTAL EQUIPMENT

\$5,331.68

OTHER:

COMMUNICATION COST	404.05
INSURANCE	345.00
CASH ADVANCE-FUEL ACCT.	17,250.00

TOTAL OTHER

\$17,999.05

GRAND TOTAL

\$100,811.61

MOS

EASTAIRCRAFT  
EAGLE AVIATION SERVICES & TECHNOLOGY, INC.

INVOICE NO.

707083

LAKE RESOURCES INC.  
P.O. BOX 7284  
PANAMA, REP. OF PANAMA

DATE

06/23/86

YOUR ORDER

DATE	DESCRIPTION	AMOUNT
31 MAY 1986	FOR SERVICES RENDERED THRU THE PERIOD ENDING MAY 31, 1986  (SEE ATTACHED FOR DETAIL)	58,840.49
<i>Cancelled invoice</i> <b>PAID</b>		
TERMS	DUE UPON RECEIPT	
	TOTAL	

**EAST, INC.**

**FOURTH BILLING SUPPORT**

**FEE'S:**

<b>BOLTON 22 DAYS @ 450</b>	<b>\$9,900.00</b>
<b>WILSON 27 DAYS @400</b>	<b>10,800.00</b>
<b>MCKENNA 19 DAYS @ 450</b>	<b>7,600.00</b>
<b>MCCULLY 41 DAYS @400</b>	<b>16,400.00</b>

**TOTAL FEES**

**\$44,700.00**

**TRAVEL:**

<b>BOLTON</b>	<b>800.79</b>
<b>WILSON</b>	<b>431.69</b>
<b>MCKENNA</b>	<b>703.46</b>
<b>MCCULLY</b>	<b>847.95</b>
<b>STEVESON</b>	<b>577.01</b>
<b>WILSON</b>	<b>800.79</b>
<b>BOLTON</b>	<b>175.95</b>

**TOTAL TRAVEL**

**\$4,337.54**

**EQUIPMENT:**

<b>S SMITH &amp; HESSON MD 27</b>	<b>3576.04</b>
<b>AIRCREW SURVIVAL VEST</b>	<b>4,837.20</b>
<b>RADAR DETECTORS (2)</b>	<b>453.48</b>
<b>MISC EQUIPMENT **</b>	<b>160.67</b>

**TOTAL EQUIPMENT**

**\$9,027.39**

**OTHER:**

<b>COMMUNICATION COST</b>	<b>111.43</b>
<b>INSURANCE</b>	<b>150.00</b>
<b>FREIGHT (ALBERT' EQUIP)</b>	<b>514.13</b>

**TOTAL OTHER**

**\$775.56**

**GRAND TOTAL**

**\$58,840.49**

**\*\* FIGURE NOT INCLUDED IN THIRD  
EAST BILLING TOTALS**

EAST, INC.  
EAGLE AVIATION SERVICES & TECHNOLOGY, INC.  
INVOICE NO.

707074

LAKI RESOURCES, INC.  
P.O. BOX 7284  
PANAMA, REP. OF PANAMA

DATE 03/31/86

YOUR ORDER

DATE	DESCRIPTION		AMOUNT
01-31 MAR 1986	FOR SERVICES RENDERED THRU THE PERIOD ENDING MARCH 31, 1986  (SEE ATTACHED FOR DETAIL)		100,357.66
<u>TERMS:</u>	DUE UPON RECEIPT	TOTAL	100,357.66

*Paid  
4/17/86  
w/tt*

**EXHIBIT**  
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HEARING OF THE JOINT HOUSE/SENATE SELECT COMMITTEE  
INVESTIGATING THE IRAN-CONTRA AFFAIR

9:00 A.M. EDT  
WEDNESDAY, MAY 27, 1987

CHAIRMAN HAMILTON: The hearings of the House and Senate Select Committees will come to order. The witness this morning is Mr. Robert Dutton. Mr. Dutton, would you stand please and raise your right hand. Do you swear or affirm that the testimony you are about to give to this Committee will be the truth and the whole truth?

MR. DUTTON: I do.

CHAIRMAN HAMILTON: Thank you. You may be seated. Questions will begin by Mr. Ken Ballen.

MR. BALLEEN: Thank you, Mr. Chairman. Sir, did you serve in the Armed Forces of the United States?

MR. DUTTON: Yes, I did.

MR. BALLEEN: What branch did you serve in?

MR. DUTTON: The United States Air Force.

MR. BALLEEN: How long did you serve in the Air Force for?

MR. DUTTON: 26 and a half years.

MR. BALLEEN: And did you have any combat experience while you were in the Air Force?

MR. DUTTON: Yes sir, I did.

MR. BALLEEN: How many combat flying hours did you have?

MR. DUTTON: 412.

MR. BALLEEN: Sir, where did you have those combat -- where did you conduct your combat?

MR. DUTTON: My first experience was 1963. We were flying out of Benoit. And in 1966, I went back to Nakhon Phanom (?), Thailand. And we flew against the Ho Chi Minh trail.

CHAIRMAN HAMILTON: Excuse me. Mr. Dutton, that's a voice activated microphone, and so you have to speak right into it if you would, please. Draw it right up to your mouth and speak in, and then we can hear much better.

MR. DUTTON: Yes sir. I'm sorry.

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MR. BALLEEN: I'm sorry. Mr. Dutton, you were saying you had -- you were -- 1963 was your first combat --

MR. DUTTON: 1963 we flew out of Benoit. And in 1966, I went to Nakhon Phanom, Thailand, where we flew against the Ho Chi Minh trail.

MR. BALLEEN: Sir, did you, in fact, for those efforts, receive three distinguished flying crosses and 11 air medals?

MR. DUTTON: Yes, I did.

MR. BALLEEN: When did you retire from the United States Air Force?

MR. DUTTON: 1 May, 1986.

MR. BALLEEN: At what rank?

MR. DUTTON: Colonel.

MR. BALLEEN: Colonel Dutton, what is a "special operation," in the United States military?

MR. DUTTON: I'd say a special operations -- a special operation becomes a special operation when the element of secrecy, the fact that it's usually a very high risk operation, high pay-off if you're successful, low probability of success.

MR. BALLEEN: Sir, who conducts these operations?

MR. DUTTON: All branches of the armed services in cooperation with, I would say, basically, all of the agencies of the United States government.

MR. BALLEEN: On May 1st, 1986, did you begin work on a special operation?

MR. DUTTON: Yes sir, I did.

MR. BALLEEN: And for how long?

MR. DUTTON: Oh, I'd say we stayed with it until about mid-November.

MR. BALLEEN: What was this special operation?

MR. DUTTON: It was a -- an air resupply effort to

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support the -- I was most interested in the southern force of the contras, but we also supported the FDN in the northern part of Nicaragua.

MR. BALLEEN: And what were your duties in connection with this air resupply operation to support the contras?

MR. DUTTON: I was asked to manage the operation, to basically take an operation that was not working and get it to work.

MR. BALLEEN: Who commanded the operation, sir?

MR. DUTTON: General Secord and Col. North.

MR. BALLEEN: Who did you report to?

MR. DUTTON: General Secord and Col. North.

MR. BALLEEN: What was General Secord's role, sir?

MR. DUTTON: General Secord had a great deal of experience in air special operations, and I would have said that he was more of the operations director. Col. North dealt mostly on the policy side, but I dealt with them as co-equals. I could take just about any issue to either one of them, whoever was available.

MR. BALLEEN: So they were both in command in your understanding?

MR. DUTTON: That's correct.

MR. BALLEEN: Sir, did Col. North ever indicate to you who you were working for?

MR. DUTTON: He indicated to me that we were working for the President of the United States.

MR. BALLEEN: Now Col. Dutton, was this the first special operation you had ever engaged in for the President of the United States?

MR. DUTTON: No, sir, it's not.

MR. BALLEEN: What were the previous operations?

MR. DUTTON: In 1979, I was on the operations staff for the Iran rescue, code named "Rice Bowl." And at the completion of Desert I, when General Vaught (?) came back, he was instructed that since there were still hostages in Iran that we were to go into full operation to determine some way to get in to get them out. We code named an operation "Honey Badger," which lasted from April until November, and I was the J-3 or the operations officer for that operation.

MR. BALLEEN: Now you say Honey Badger was from April to November. What year would that be, sir?

MR. DUTTON: Nineteen eighty.

MR. BALLEEN: And what kinds of activities did you conduct in reference to Honey Badger?

MR. DUTTON: We conducted 10 major exercises. Each one was an option that we could have executed to go in and get the hostages out. We had varying information as to where the hostages were located, and each time we got new information we had to come up with a new plan of how we might get them out. Each time we did that, we would actually conduct the exercise -- or conduct the operation exactly the way we intended to do it, within the confines of the United States.

MR. BALLEEN: Now sir, who was your commander on Rice Bowl and Honey Badger.

MR. DUTTON: Lt. General Jim Vaught.

MR. BALLEEN: And sir, who was his deputy?

MR. DUTTON: General Secord.

MR. BALLEEN: What distinguished Honey Badger and Rice Bowl as special operations from normal military operations?

MR. DUTTON: I think in this case the chain of command, which was directly from General Vaught to the President; the fact that we had to deal in secret communications. It was very expensive. And again, it had the identity of being very high risk, high probability of failure, but a high payoff if we were successful.

MR. BALLEEN: Sir, who was the president at that time?

MR. DUTTON: President Carter.

MR. BALLEEN: And sir, how could the -- you testified that General Vaught reported directly to the President. How could the normal chain of command be bypassed in that operation?

MR. DUTTON: It was the desire of the President.

MR. BALLEEN: Sir, what access, if any, did General Vaught have to high-ranking officials in various branches of the government?

MR. DUTTON: General Vaught had very broad access to the major agencies of the United States government. It was necessary

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in order for us to be able to just do the things that we needed to do.

MR. BALLEEN: And, sir, what enabled him to have that kind of authority and access?

MR. DUTTON: Because the President gave him that authority.

MR. BALLEEN: Sir, and how was Honey Badger financed? What it appropriated funds, or how was it financed?

MR. DUTTON: It was appropriated funds, but it was -- since there had never been a program set aside for Honey Badger, we spent the money and they went back to the services and said, "Here's how much of the pie you owe," and they took it out of the service funding. I understood that, when it was over, the idea was to come back to Congress to ask for additional money to fill in what we had spent.

MR. BALLEEN: But it was not specifically appropriated?

MR. DUTTON: No, it was not.

MR. BALLEEN: And, sir, you testified, I believe, that your position in Honey Badger was J-3 in charge of operations?

MR. DUTTON: That's correct.

MR. BALLEEN: Who did you report to?

MR. DUTTON: I reported to Gen. Vaught.

MR. BALLEEN: And who did he report to?

MR. DUTTON: The President.

MR. BALLEEN: Did you ever meet the President?

MR. DUTTON: Yes, I did.

MR. BALLEEN: What was the occasion?

MR. DUTTON: After the force came back from Desert One, we got the operations staff and some of the operators together in the Pentagon. And President Carter came over and made a little presentation and came around and shook everybody's hand and said, "Thank you."

MR. BALLEEN: And, sir, after Honey Badger, what was your position in the United States Air Force?

MR. DUTTON: I was the Assistant Director for Special Plans for Headquarters, United States Air Force.

MR. BALLEEN: And what does that unit engage in?

MR. DUTTON: Highly classified, sensitive operations.

MR. BALLEEN: And, sir, what was your next assignment after Special Plans in the Air Force?

MR. DUTTON: I was transferred to Scott Air Force Base, Illinois, where I became the Deputy Chief of Staff for Operations for 23rd Air Force, Military Airlift Command.

MR. BALLEEN: And what is the business of the 23rd Air Force, sir?

MR. DUTTON: Special operations, rescue. We combined the rescue forces and the special ops forces under one command in order to get a sizeable -- a sized force that we could, in fact, conduct the special operations that were required for this country. We have some members here that have worked very hard with us on that issue.

MR. BALLEEN: And, sir, what were your responsibilities for these special operations in the 23rd Air Force?

MR. DUTTON: Well, as the Deputy Chief of Staff for Operations, I was responsible for any time we were operating -- if we were exercising, the fact that the force would be trained well enough, that they had the proper training, that the equipment was operating correctly, that we, in fact, were responsive to the needs of the people that we were supporting, which was basically the special forces.

MR. BALLEEN: Col. Dutton, how long did you serve in the United States Air Force?

MR. DUTTON: Twenty-six and a half years.

MR. BALLEEN: And how many of those years were in special operations?

MR. DUTTON: I'd say almost twenty of them.

MR. BALLEEN: And of those years, sir, how many were you in a position where you were responsible for conducting special operations?

MR. DUTTON: I'd say eight to ten.

MR. BALLEEN: Col. Dutton, would you say there are many officers in the United States Air Force that have your experience in special

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operations?

MR. DUTTON: I'd say there's less than a dozen.

MR. BALLEEN: How did you happen to come to work for the Central American air resupply operation?

MR. DUTTON: When I made the decision to retire from the United States Air Force, I informed

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General Secord that I was going to get out in the summer of '86. And we were on a trip to Colorado with the Secords, and he made an offer to me to come and work for him at Stanford Technology Trading Group International. At that time he mentioned that he was in the process of conducting a special operation that he could sure use my help at.

MR. BALLEEN: Now when General Secord asked you to assist him on this special operation, what was your job?

MR. DUTTON: I was then the DO of 23rd Air Force.

MR. BALLEEN: And what was your job to be on the special operation that he asked you to assist you on?

MR. DUTTON: I was to be the manager or the director of operations.

MR. BALLEEN: How did that compare to your previous experience in the Air Force?

MR. DUTTON: It's what I've been trained to do.

MR. BALLEEN: Did, in fact, you accept General Secord's offer and begin work on this special operation?

MR. DUTTON: Yes, I retired from the military on the first of May, and I reported to General Secord's office on the second of May.

MR. BALLEEN: Col. Dutton, could you please describe to the committee who worked in this operation? You mentioned Col. North and General Secord above you. Who else worked in the operation?

MR. DUTTON: The people that worked with me were mostly down at our Central American main operating base. We had air crew and maintenance people that -- the maintenance folks took care of our small fleet of aircraft. The air crews, of course, were flying the missions. Most of them had been hired before I came on board, and we had -- I found, to my pleasure, that some very highly experienced people had been hired. Our manager, Bill Cooper, had over 25,000 hours of flying time, much of it with Air America. He had conducted these kinds of operations all of his life. His deputy, John McCrainy (?), had 19,000 hours of flying time. And when you consider that in my 26 and a half years I ended up with something around 5,000 hours of flying time, you can see just how experienced these people were, and I was very glad to have them. The maintenance people had been pulled together. Fortunately they were the kinds of guys that could put together an operating aircraft with bailing wire and chewing gum.

MR. BALLEEN: And sir, how many pilots and flight crew were there?

... of guys that could put together an operating aircraft with  
bailing wire and chewing gum.

MR. BALLEEN: And sir, how many pilots and flight crew were there?

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MR. DUTTON: The average was about 19.

MR. BALLEEN: Now in managing this effort, as you testified you were going to do, what requirements, if any, did you impose on the operation?

MR. DUTTON: Over my years of experience, as I went through from working as a worker B (?) in special ops to trying to manage special ops, I had learned certain things. One of them was if an organization is going to work, it first of all has to be an organization. People have to understand who's in charge, and then

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you must be able to hold somebody responsible for whatever happens. People have to know who is responsible for maintenance, who is responsible for support, who is the director of operation, who is going to conduct the operations.

MR. BALLEEN: Did you establish any organizational chain?

MR. DUTTON: That was my first task, was to sit down and start doing that.

MR. BALLEEN: Did you impose any accounting requirements on the crew down in Central America who were conducting the operation?

MR. DUTTON: Yes sir, I did. In my experiences in headquarters Air Force, I had learned that slush funds, unaccounted for monies, were always going to be a problem. And that if you didn't demand an accountability for the money that was put in your charge, that you were going to end up with a problem.

MR. BALLEEN: Did you impose any financial --

MR. DUTTON: I did --

MR. BALLEEN: -- accounting requirements?

MR. DUTTON: I had our director of support, Ramone Medina (C), in fact, account for every penny we spent. I had been in -- it had been impressed on me by both General Secord and Colonel North that we were operating with donated funds, and that we had to have an accountability for how we spent them. And I passed that on to the people down there, and in fact, it's my understanding that we've turned over to the Committee somewhere around -- between 2 [thousand] and 3,000 documents that account for every penny we spent.

MR. BALLEEN: Now sir, did you impose any -- require the crew to have any safety requirements for their own safety in Central America?

MR. DUTTON: That's always a concern, especially when you've got as few aircraft as you have. Any accident of any kind can cripple you. So yes, I asked for after-mission reports, so that the crews could learn from each other what the dangers were, what we were learning when we were down in the operating area.

MR. BALLEEN: And you received these mission reports personally, sir?

MR. DUTTON: Yes, I did.

MR. BALLEEN: Who did you give reports to?

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MR. DUTTON: I passed reports to General Secord and to Colonel North.

MR. BALLEEN: Now how, sir, were communications conducted between yourself and General Secord and Colonel North and the other principals in this operation?

MR. DUTTON: We tried, to the greatest degree possible, to use the KL-43 encryption --

MR. BALLEEN: What -- I'm sorry, go ahead.

MR. DUTTON: -- encryption device that had been provided for us. We knew that all communications coming out of Central America were going through a microwave relay that was located in Managua, so we were quite certain that anything that was being said over the telephone was being read by the opposition. And the KL-43 allowed us to talk back and forth with some degree of security.

MR. BALLEEN: Now sir, where did you get the KL-43?

MR. DUTTON: General Secord gave me the one that I was using.

MR. BALLEEN: And where did he get that from?

MR. DUTTON: He got it from Colonel North.

MR. BALLEEN: Did you ever learn where Colonel North obtained the KL-43's?

MR. DUTTON: He got them ---

MR. BALLEEN: There's more than one, I take it.

MR. DUTTON: Yes, there were. There were a number. And he got them from NSA.

MR. BALLEEN: Sir, how did they operate? How was the code distributed and what was it?

MR. DUTTON: There was a tape that came in a cassette, one tape for each day of the month. In the

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morning you would pull out the tape for the day, clear the machine and load it, load it with the new code. And all the people that had the machines would load their own machines and then we could talk to each other.

MR. BALLEEN: Sir, where did you obtain the tapes?

MR. DUTTON: We got them from Colonel North's office.

MR. BALLEEN: And would that be on a monthly basis?

MR. DUTTON: Ah, yes. We tried to get them. There was, I believe, on one occasion we were actually able to get two months all at once. We would have our administrative assistant go down to Colonel North's office and pick the tapes up there, bring them out to us.

MR. BALLEEN: Sir, was this kind of secrecy normal for a special operation from your experience in special operations?

MR. DUTTON: I think secrecy in communications is -- I would call it critical for a special operation.

MR. BALLEEN: Now, Colonel Dutton, you testified -- if I have your testimony correctly -- that Colonel North operated as the policy commander of the special operation to resupply the contra forces. Is that an accurate description?

MR. DUTTON: If we were to have to divide it up, that's probably as good as any. As I said, I considered Colonel North and General Secord were my co-commanders. And if General Secord was out of the country, whether it be policy or any other problem I would have felt comfortable in going to Colonel North with it.

MR. BALLEEN: What was Oliver North's rank?

MR. DUTTON: Lt. Colonel.

MR. BALLEEN: And did you know his position at the National Security Council?

MR. DUTTON: I understand -- I didn't have the title at the time, I understand Deputy Director for political affairs or something on that order.

MR. BALLEEN: Sir, what access, if any, did Oliver North have to various officials in the Executive Branch, from your own observation?

MR. DUTTON: Colonel North had very broad contact and I would consider it at the very highest levels of the various branches of the government.

MR. BALLEEN: For example, who did he have contact with that you were personally aware of?

MR. DUTTON: I had heard him refer to "Bill" a couple of times and I didn't know who he was talking about until it was identified he was talking about Mr. Casey. He mentioned that he had talked --

MR. BALLEEN: In what context would he mention Bill?

MR. DUTTON: Discussions with the CIA about our project, about what we were doing, and towards the end when we were looking at the transfer of the operation over to the CIA.

MR. BALLEEN: Sir, what other individuals did Colonel North have access to, from your own observation, apart from Mr. Casey?

MR. DUTTON: He mentioned in a telephone conversation that he had talked with Mr. Meese when Southern Air was coming under investigation. Mr. Langton(?) had called me stating that there could have been a problem if they went into the records they could uncover some other classified operations that were being done with other departments of the United States government and asked me if there was something that I could do. I called Colonel North and in the context of getting the investigation turned off, he mentioned to me that he had talked to Mr. Meese.

MR. DUTTON: Colonel North mention talking to any other high officials of the United States government?

MR. DUTTON: Not directly, that I can recall.

MR. BALLEEN: How about in the Department of Defense?

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MR. DUTTON: I don't recall, specifically, that he named anybody. But in dealing with Col. Jim Steele(?), who was the commander of the military group in the Central American country where we were operating out of, to me it was obvious that Col. Steele could not be caused to either react or to back away, unless his chain of command understood what he was doing, and what we were doing.

MR. BALLEEN: And sir, was the kind of access you just described on the part of Col. North to high officials in the government unusual, in your experience?

MR. DUTTON: No. They were, I would say, for Col. North, to say that a Lieutenant Colonel had that sort of access would be unusual. To a man running this kind of operation, you couldn't get past first base, if you didn't have that type of access, and that type of support. And that has been true throughout every special operation I've ever worked.

MR. BALLEEN: Well, was it true with General Vaught?

MR. DUTTON: In fact, I would say Col. North had a little broader access than even General Vaught did. But, General Vaught had very, very broad access.

MR. BALLEEN: How did Col. North have broader access than General Vaught, to your knowledge?

MR. DUTTON: I don't recall General Vaught ever mentioning that he had contacts with the likes of Mr. Meese.

MR. BALLEEN: Now sir, was the legality of the, of your operation ever explained to you?

MR. DUTTON: Yes, it was, at the outset.

MR. BALLEEN: Who explained it?

MR. DUTTON: General Secord.

MR. BALLEEN: What did he say?

MR. DUTTON: When he gave me a first run-down on the operation, he basically said, "Here is what we're doing. It's a resupply operation. It's being done at the behest of the White House. And here are some of the rules that we operate by."

MR. BALLEEN: When did he tell you this?

MR. DUTTON: This was at our first, our very first meeting, on the 2nd of May. At that time, we discussed the Neutrality Act, and he subsequently gave me a copy of a legal opinion that he had had written, that drew out the rules of engagement that said, in fact,

if we did not deliver people into the combat, if we delivered only goods, even if it was arms, that we were legal as far as the Neutrality Act.

MR. BALLEEN: In fact, sir, your plan was to supply arms to the contra rebels. Is that correct?

MR. DUTTON: That's correct.

MR. BALLEEN: Did you ever discuss the legality of the operation with Col. North?

MR. DUTTON: Not in specific terms. I really didn't feel that I had to, once I had gone over the basics with General Secord. We also discussed the Arms Export Control Act, the fact that no arms came out of or transited the United States.

MR. BALLEEN: How about with Col. North? Did you ever discuss any of those items with Col. North?

MR. DUTTON: Once I discussed it with General Secord, it was, to me -- Col. North was operating out of the NSC. And as far as I understood, he was working at the, working for the President, and I had no need to question the legality of what we were doing. I just took it as an assumption, that it was legal.

MR. BALLEEN: And sir, how were you paid during the course of this special operation?

MR. DUTTON: My contract with STTGI was a one-year contract, at \$5,000 a month.

MR. BALLEEN: And did you conduct other STT -- Stanford Technology

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business, while running this air resupply operation?

MR. DUTTON: I did, but not as much as probably they would have liked.

MR. BALLEEN: And did Colonel North ever mention to you whether or not you would receive any recognition for your work on the -- on this special operation -- resupplying the contras?

MR. DUTTON: In September after -- what I considered we became successful -- and I came back from my trip to Central America, I met Colonel North out in our office and he said at that time, he said "you know this has been a success, you'll never get a medal for this, but some day the President will shake your hand and thank you."

MR. BALLEEN: Now sir, how did you understand Colonel North's remark at that point in time? How did you --

MR. DUTTON: -- It didn't surprise me. It had happened before, and to me that would have been sufficient. There wasn't any pay to be given or gotten for it. It was something that we were doing for the boss.

MR. BALLEEN: Colonel Dutton, when you first started working on the air resupply operation, what steps did you take? What did you first do?

MR. DUTTON: One of the first things I did was -- as I said -- went down and looked at the organization and determined that in fact, there wasn't an organization.

MR. BALLEEN: Did you go to Central America to do that?

MR. DUTTON: Yes I did.

MR. BALLEEN: And when was that?

MR. DUTTON: The 19th through the 23rd of May.

MR. BALLEEN: What was the purpose of this trip?

MR. DUTTON: You can't very well sit back in Washington and try to criticize or reconstruct an organization. You have to go down and put your eyes and your hands on it. I wanted to see the equipment. It was -- I understood that the equipment was not operating very well, that we were not getting aircraft in the air. There were problems in making contact with the forces we were supposed to be resupplying. I wanted to go down and see, for myself, exactly how the operation was being run and -- and who was being effective and who wasn't.

MR. BALLEEN: Sir, when you went down there, how many aircraft did the operation have?

MR. DUTTON: We had four.

MR. BALLEEN: What kind?

MR. DUTTON: We had one C-123, two C-7's, and one Maule.

MR. BALLEEN: And what kinds of planes are those?

MR. DUTTON: The C-123 is -- it's two recip engines, two jet engines, about a 2,000 mile range, 10,000 pound payload. C-7 is a twin-engine recip and about a 5,000 pound payload, maybe 8 or 900 mile range.

MR. : What is recip?

MR. DUTTON: Oh, reciprocating engine as opposed to a jet engine -- propeller aircraft -- The Maule was a single-engine, propeller-driven, and it was sort of our taxi when we needed to get out to the forward operating bases rather than flying one of the large aircraft, we would fly it.

MR. BALLEEN: Now sir, did you have -- did you observe a warehouse that belonged to the operation at that time?

MR. DUTTON: Yes I did, we had one at our main operating base.

MR. BALLEEN: What did the warehouse contain?

MR. DUTTON: When I first went down there, we had parachute rigging, uniforms, and an assortment of munitions.

MR. BALLEEN: What kind of munitions?

MR. DUTTON: We had light machine-guns, some rifles, ammunition for each. We had mortars, grenades, some C-4, which is a plastic explosive.

MR. DUTTON: Sir, did you have an airstrip as a forward operating base for the Southern Forces?

MR. DUTTON: Yes we did. We had built one up on the Northwest Coast of one of the neighboring countries.

MR. BALLEEN: And who did you learn had ordered the construction of the airstrip?

MR. DUTTON: It was my understanding that General Secord and Colonel North had ordered the construction.

MR. BALLEEN: How do you know that?

MR. DUTTON: They told me.

MR. DALLEN: Was the approval of the host government ever obtained, where the airstrip was located?

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(09:33)  
(0799)

MR. DUTTON: Not only the host government. But at this particular time, as I recall, there were elections coming up, and there was a just that there would be -- and, in fact, there was a change of government. And the understanding I was given was that that was not going to be a problem in that the opposition government was also aware that we had the base up there. And, as a matter of fact, they had their own national guard guarding the base for us. So it wasn't any secret to them.

MR. BALLEEN: Now, sir, who had told you about the permission being obtained?

MR. DUTTON: Gen. Secord and Col. North.

MR. BALLEEN: Both?

MR. DUTTON: Yes.

MR. BALLEEN: Did you ever travel to that airstrip, sir?

MR. DUTTON: Yes, I did, on two occasions.

MR. BALLEEN: And did you ever observe anyone protecting it?

MR. DUTTON: Yes. I saw the national guard troops out on the perimeter. They were in mobile -- mobile (stand?).

MR. BALLEEN: Sir, you say "national guard troops." Were these regular soldiers from the army of the country involved?

MR. DUTTON: As I understand it, the country involved doesn't have a standing army. Their national guard is their army. And it was my understanding that they were soldiers from that national guard.

MR. BALLEEN: Sir, when had the resupply operation begun, to your knowledge?

MR. DUTTON: In discussions with Mr. Gadd, I was able to determine that it probably had gone back to the January-February timeframe.

MR. BALLEEN: How many successful air-drops to the contra forces had been made by May 1st?

MR. DUTTON: In the north, there was quite a bit of business going on flying from our forward-operating base that the FDN manned out to their forward-operating bases. But these were all -- these were not inside Nicaragua. So there were a number of those

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missions. There were a few missions that I understood had gone into Nicaragua to make some resupplies to the northern troops. Our operation had not made any successful drops to the southern force. At one particular desperate point, I understand that Southern Air Transport to fly a mission out of our forward-operating base to make a resupply drop to the south. So, to my knowledge, that's the only one that had taken place.

MR. BALLEEN: Could you explain to the Committee, please, sir, what the difference was between the FDN in the north and the southern forces that you were referring to, and what purpose your organization had vis-a-vis both those groups?

MR. DUTTON: In my view, they were two separate forces. The FDN was by far the largest and the best organized. It was also taking the majority of the heat from the Sandinistas. In order to get some of that heat off them, and in order to expand the revolution, there were a number of commandantes that had started developing what we called the southern force or the southern front. There seemed to be some resistance between the FDN and this southern front. If the FDN could have controlled the southern commandantes, they would have been willing to support them more -- and this was told me by people that were working with them. The fact that they did not have control of the southern front, they were somewhat reticent.

Therefore, we had procured the munitions, stored them in the warehouse -- at our warehouse, and were basically delivering them at no cost to the southern front.

MR. BALLEEN: How many men were in the southern front at this time, that you know of?

MR. DUTTON: It was about two thousand to 2500. But Col. North had told me it was growing at a rapid rate -- on the order of 150 men a day.

MR. BALLEEN: Who commanded the FDN in the north?

MR. DUTTON: Well, I met ---

MR. BALLEEN: Who was in charge?

MR. DUTTON: There was Col. Gomez and Col. Bermudez.

MR. BALLEEN: And who was the director, to your knowledge?

MR. DUTTON: Adolfo Calero.

MR. BALLEEN: Now, sir, while you made your trip in May to Central America, did you meet three crew members who were from Great Britain?

MR. DUTTON: Yes, I did.

MR. BALLEEN: Why were they there?

MR. DUTTON: The initial plan had been that we would hire -- or that the Brits would be hired to fly the missions that would have to actually go inside Nicaragua. We did not want to have to expose Americans to those kind of flights. So we had hired two pilots and a load-master to fly those missions.

MR. BALLEEN: Whose plan was this?

MR. DUTTON: Gen. Secord and Col. North's.

MR. BALLEEN: Did they explain it to you?

MR. DUTTON: Yes.

MR. BALLEEN: And do you know who they paid for the Britain crew?

MR. DUTTON: I understand it was a Mr. David Walker.

MR. DUTTON: Sir, the problem -- did these British crews fly into -- inside Nicaragua, as per the original plan?

MR. DUTTON: No, they did. Once we got them on board, I flew with one of them. We thought we were flying highly experienced airlift pilots. And it turned out, the one with the most flying time was a helicopter pilot, and the other one did not have the experience that we required. And they just -- they didn't work out operationally, and then they had some problems with the local general,

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and were asked to leave.

MR. BALLEEN: Now sir, because of the problems you were having with the British crew, did there come a time by mid-June that Col. North authorized missions by American-manned crews inside of Nicaragua?

MR. DUTTON: Yes, in June.

MR. BALLEEN: And what did Col. North say to that effect?

MR. DUTTON: "We've got a southern force that is desperately in need of support. The idea of using the British crews has not worked out. We'll fly our own missions."

MR. BALLEEN: Now sir, during this same period of time, in June, was any additional construction needed at the main operating base?

MR. DUTTON: Yes, it was.

MR. BALLEEN: What was it?

MR. DUTTON: Right after my first trip, a load of munitions had been delivered. I departed on the 23rd. My understanding now is the load arrived on the 24th.

MR. BALLEEN: Do you know where the load arrived from?

MR. DUTTON: My understanding is it came from Portugal.

MR. BALLEEN: I'm sorry, go ahead about construction.

MR. DUTTON: With the addition of the new munitions, the warehouse was absolutely full. We had tried to jam some of our spare parts to take care of the aircraft into the warehouse. With the munitions, it became impossible. So therefore we asked the local commander, if we would pay for it, if he could assist us in adding an addition onto the warehouse whereby we could develop a maintenance facility for the aircraft, store our own spare parts, keep them in out of the weather.

MR. BALLEEN: Who had approved the construction back in the United States?

MR. DUTTON: On our side?

MR. BALLEEN: Yes.

MR. DUTTON: Col. North and General Secord.

MR. BALLEEN: Now sir, when did you return from your first visit to Central America?

MR. DUTTON: I returned on the 23rd of May.

MR. BALLEEN: After you returned -- I believe you mentioned this before -- but what, if anything, happened to the situation with respect to the southern front, the soldiers fighting there?

MR. DUTTON: As I mentioned, Col. North said that the force was growing in size, which sounds good except that they were having a terrible problem with mountain leprosy. They didn't have the weapons to give the troops that were coming on board. They didn't have uniforms for them. So it became a desperate situation to either get them resupplied or lose them.

MR. BALLEEN: Now sir, how did Col. North become aware of the needs of the southern forces inside Nicaragua, these contra forces? How did Col. North become aware of that need that they were having and their growing volumes?

MR. DUTTON: The contact we had for the southern force was what turned out later to be the chief of station, CIA, for that country. I only knew him as Joe. He transmitted a number of messages, both to Col. North and to Raphael Quintero, who was working with me, and Raphael would then retransmit the messages on to me. And one of them was a very desperate plea for help; in fact, claiming that we were playing with their lives. I mean, this is the way that the troops felt, when, in fact, we were flying down there trying to find them to make drops to them, and we just couldn't find them at night.

MR. BALLEEN: Now sir, at this time I would -- do you have an exhibit book before you, the exhibits in this matter?

MR. DUTTON: Yes, I do.

MR. BALLEEN: Col. Dutton, I'd like you to turn to, if you will, Exhibits two and three.

(Pause.)

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(09:42)  
(1033)

MR. DUTTON: Yes, I have them.

MR. BALLEEN: You have them before you?

MR. DUTTON: Yes, I do.

MR. BALLEEN: Do you recognize Exhibit Two?

MR. DUTTON: Yes, I do. It's a series of KL-43 messages.

MR. BALLEEN: And who's handwriting is that, sir?

MR. DUTTON: It's mine.

MR. BALLEEN: And how did these KL-43 messages come about to be hand-written by you?

MR. DUTTON: When we started the operation, we did not have a printer for the KL-43, and when I would either receive or send a message, while I could have it loaded in the machine and I could read it off of there, if I was going to save it, I had to hand write it.

MR. BALLEEN: Very good. And did you save the KL-43 messages, or most of them, that you had transmitted (inaudible) the operation?

MR. DUTTON: If there was something in there that I felt that I might need later, if there had been either policy guidance or if there had been a statement of the situation that I wanted to be able to recall, I would keep it. There were a number of messages, though, where I would send the message and the response may be a clear answer over the telephone that says, you know, reference your second sentence, no.

MR. BALLEEN: Did you turn over the KL-43 messages, the transcriptions thereof that you saved, to the Committee?

MR. DUTTON: Yes I did, all of them.

MR. BALLEEN: Now Colonel Dutton, I'd like to refer you to the bottom of the second page on this message. And ask you if that represents a KL-43 message, and ask you the date and who it's from and who it's to.

MR. DUTTON: It's a message from me to -- and it says "To Max." This is Max Gomez or Felix Rodriguez. And then retransmitted to Ralph, who is Rafael Quintero. The date was the 17th of June. And the message says, "Good advises Joe unable to determine exact location of the troops."

MR. BALLEEN: Sir, who is Good and who is Joe?

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MR. DUTTON: Okay. Joe was chief of station, CIA, for one of the neighboring countries.

MR. BALLEEN: Who is Good?

MR. DUTTON: That's Colonel North.

MR. BALLEEN: Was that his code name?

MR. DUTTON: That's correct.

MR. BALLEEN: I'm sorry. Proceed.

MR. DUTTON: "Therefore, tomorrow fly in support of the northern forces. We will fly the southern missions when we get the Number One TERe C-7 operating or use Number Two later in the week."

MR. BALLEEN: What does the bottom of the message there say? "Notes from Good" -- I take it that's Colonel North?

MR. DUTTON: That's correct.

MR. BALLEEN: What did Colonel North advise you of there?

MR. DUTTON: The UNO forces had a DC-4 and a DC-6, and evidently they were having some maintenance --

MR. BALLEEN: Who's UNO?

MR. DUTTON: UNO was the attempt at putting together all of the FDN, the southern force, under one umbrella, which would have been-- which was called "UNO" -- United Nicaraguan Opposition, but "UNO" means "one" in Spanish.

MR. BALLEEN: I'm sorry sir. Go ahead. What did the rest of the message -- what instructions did you receive from Colonel North?

MR. DUTTON: There were two things in this particular message. One was, he wanted me to ask -- and I believe in this case, it's Bill Cooper, if our maintenance people could help the UNO folks try and fix their two aircraft.

MR. BALLEEN: What else did ask you to do?

MR. DUTTON: The forward operating base that you referred to before, that was in a neighboring country, we called that "the plantation." And he wanted to know if there was any chance of us getting perforated steel plank to put down on this dirt strip runway that we had. We had run into a problem of subterranean water, it was going under the runway. And on one of our missions, Mr. Cooper had landed there and the aircraft had actually sunk into the runway.

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MR. BALLEEN: And did Colonel North ask you to do anything else in that message?

MR. DUTTON: He asked a question, and that is, "Do we need to buy another aircraft in order to support the southern operations?" And this was the first time it was mentioned. And it was a godsend as far as I was concerned, because it was critical that we -- the 123 was the only aircraft that could make that long a mission with a load big enough to do any good. And to have one of them, you were

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always at the risk of losing the mission for maintenance, or for anything. So, finally they had made the offer that we might get a second aircraft.

MR. BALLEEN: And sir, referring to exhibit number 3, do you recognize that document? Is that another KL-43 message?

MR. DUTTON: Yes, it is.

MR. BALLEEN: And from whom is to, and to whom is it directed?

MR. DUTTON: It is from me and it is to Colonel North.

MR. BALLEEN: And what's the date on it?

MR. DUTTON: The 18th of June, 1986.

MR. BALLEEN: And directing your attention to the last sentence in the KL-43 message, "I have Bill working jet engine plus looking for another TOW(?)" What does that mean, Colonel Dutton?

MR. DUTTON: Okay, we're on a different Bill now. This is Mr. Bill Langton(?), the President of Southern Air Transport. And Mr. Langton was brokering for us as far as -- he is an aircraft broker and he could go out and search the country for another C-123 for us. Plus, he was able to go out and procure spare parts. And in this case, we had torn up one jet engine in an accident and not only did I want to get that one replaced, but I'd convinced General Secord and Colonel North that we ought to have a spare jet engine standing by. So he was going to help us get those two items.

MR. BALLEEN: Now, sir, you communicated that to Colonel North the day after he asked you to start looking for another aircraft, is that correct?

MR. DUTTON: That's right, I wasn't going to let him off the hook.

MR. BALLEEN: By the end of June, were any successful missions flown to the Southern forces?

MR. DUTTON: We did fly one successful mission to the South.

MR. BALLEEN: How did that mission come about?

MR. DUTTON: As I stated, we'd had an accident with a C-123 and we'd actually finally had to return it to the United States to get some major repairs done on it. Therefore, we were left with only the two C-7s. We arranged to have -- arranged a C-7 mission that --

MR. BALLEEN: Is that a smaller aircraft than the 123?

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MR. DUTTON: Yes, and limited range.

MR. BALLEEN: Okay, I'm sorry. Go ahead. What did you arrange with respect to the C-7 aircraft?

MR. DUTTON: In order to make the flight down, get to the drop zone, with any kind of load that would have done the people any good, we had to make arrangements to have some sort of -- a refueling stop some where in order for the aircraft to return back home. So we made arrangements with the neighboring country that -- where Joe was the Chief of Station, and he and the Mil(?) Group commander in that country made arrangements for after the airdrop for us to land at their international airport and refuel. They arranged for our flight plan to return to our main operating base.

MR. BALLEEN: And when you say, "Mil Group Commander", what is a "Mil Group Commander"?

MR. DUTTON: That's the United States Military Group. In each of these countries as -- well, in each of the countries there was a military group that would work with the local military forces and be the United States US military representative in that country working with the ambassador.

MR. BALLEEN: Who made the arrangements for the C-7 to refuel with the CIA chief of Station and with the Military Group commander?

MR. DUTTON: I'm not sure I understand the question.

MR. BALLEEN: Well, who was it here in the United States that obtained the permission of those individuals, who in turn obtained permission of the local country for this refuel -- I assume that refueling couldn't happen without permission at the international airport?

MR. DUTTON: That is correct.

MR. BALLEEN: You couldn't just land a plane out of anywhere?

MR. DUTTON: No.

MR. BALLEEN: How did -- how was that permission obtained, to your knowledge, sir?

MR. DUTTON: To my knowledge Colonel North made the arrangements with the Mil Group commander and the Chief of Station.

MR. BALLEEN: Now, sir, was that mission carried out with the C-7?

MR. DUTTON: Yes, it was. And it was successful.

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MR. BALLEEN: How many missions in July and August -- successful missions -- were you able to conduct inside of Nicaragua to the southern forces? I take it you testified earlier the southern force was your main concern in terms of getting armaments and supplies to them?

MR. DUTTON: Yes, they were our primary concern. We continued to help the north on a regular basis, mostly with the C-7s. But our -- the critical part of the operation was getting the southern force to be a viable force.

MR. BALLEEN: Now, how many successful operations were you able to conduct in the southern forces in July and August, to your knowledge?

MR. DUTTON: To my knowledge we only had one.

MR. BALLEEN: Why was that?

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(09:51)  
(1240)

MR. DUTTON: Why were we successful, or why did we fail?

MR. BALLEEN: Well, why -- why didn't you have more? Let me ask you that one.

MR. DUTTON: Our successful mission was a repeat of the C-7 mission. And --

MR. BALLEEN: That was a refueling, that again, Col. North obtained permission for?

MR. DUTTON: That's correct. For the C-123 missions, we flew a number of missions. We would make arrangements with Joe to contact the force that we were to drop to. We would get instructions back that they would have three bonfires; in some cases they would even give us a pattern that they were going to be laid out in. We had radio frequencies that we were going to be able to talk to the ground force, and if we happened to be a little bit off, they could talk us right over their heads.

These were all conducted as night missions. We would fly them -- and these, by the way, are long missions. We're talking seven-hour missions, six- and seven-hour missions. We'd get down into the drop zone area, there would be no fires. They would fly all over the area, trying to make radio contact. There would be no radio contact. And it would have been rather wasteful just to throw the load out into a triple canopy jungle. So, we brought the load home.

MR. BALLEEN: And sir, you mentioned earlier that you were having, you were looking for another C-123 aircraft, and that you were having -- the other C-123 aircraft was involved in an accident. Did you seek to get that -- was that one of the reasons that you were having problems delivering to the southern forces, because of the disability of the C-123 that you had?

MR. DUTTON: That was part of our problem. We had maintenance problems with the aircraft. But when you've only got one, that is going to be part it. Another part was, we were unable to get weather information, which we felt was critical, that was of any use to us. When we would take off, when you got down to the area, you've got whatever you've got. There was nobody that could or would accurately predict -- what the weather would be. We went to the local CIA people, and to the local Mil Group, to try and get assistance on that. There were some efforts, but we were never successful at getting true, good intelligence, and good weather information.

.. Additionally, we had trouble being able to continue getting in, and on and off the base, just to do our work --

MR. BALLEEN: Why was that?

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MR. DUTTON: In the message that I read before, we referred to Max Gomez or Felix Rodriguez. It was a very touchy situation, working with the locals in Central America. We were truly guests on this airbase. And if anything happened that for one reason or another made the commander or any of the people unhappy, they'd simply lock the gate. And we couldn't get to the aircraft. This happened a number of times. And, for a varied number of reasons. One of them, we understood later that some of their military aid had been -- the decision had been made to transfer it to another Central American country. We didn't have much to do with that, but the end result was we got locked out of the base.

MR. BALLEEN: When you got locked out of the base, you couldn't perform any missions?

MR. DUTTON: We couldn't get to the aircraft. We couldn't do anything. We couldn't work on it --

MR. BALLEEN: You mentioned -- I'm sorry -- you mentioned Max Gomez or Felix Rodriguez. Who was -- what is his name, and who is he?

MR. DUTTON: I knew him as Max Gomez. I found out later that, I guess, his real name is Felix Rodriguez. I met him on my first trip down there. He had been sent down, I understand, to work with the local military. In the process of doing that, he had formed a very close relationship with the local commanding general. At the beginning, I thought that was going to be very beneficial. Unfortunately, Max was determined that he was going to be more of this operation than what we had planned. And --

MR. BALLEEN: And when you say "we," who was "we"?

MR. DUTTON: Colonel North, General Secord, and myself.

MR. BALLEEN: Sir -- I'm sorry --

MR. DUTTON: We had hoped to use Max as a liaison officer, to assist us in accomplishing the mission. He turned out to be somewhat of a detriment. In fact, he turned out to be a detriment.

MR. BALLEEN: Colonel Dutton, at this time I'd like you to turn to Exhibit 1, in the book before you. (Pause, pages turning.)  
Again,

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(09:56)  
(1346)

I'd like to ask you if you recognize the document.

MR. DUTTON: Yes, I do.

MR. BALLEEN: How do you recognize it?

MR. DUTTON: It is a -- it was initially written out as an after action report from my second trip to Central America.

MR. BALLEEN: When did you make that second trip to Central America?

MR. DUTTON: The fifth to the eighth of June, and I subsequently put this in a KL-43 message and sent it as an after action report.

MR. BALLEEN: And who did you send the KL-43 message to?

MR. DUTTON: As I recall, I sent it to Col. North. I don't know if General Secord was in-country at the time.

MR. BALLEEN: Now sir, what did you tell Col. North in this KL-43 message? And I direct your attention to the bottom of the first page of the message. This would be around the eighth of June, is that correct? Nineteen eighty-six?

MR. DUTTON: That's correct. It was right after I got back.

MR. BALLEEN: What did you tell Col. North?

MR. DUTTON: I told him that I had discussed the reorganization with Cooper, Ramon (?) and Max. I said Max is the only problem. He did not get an understanding of the concept, which means he didn't understand how we were reorganizing, whether I didn't explain it correctly. But he then had gone to inform Col. Steele and possibly others of this reorganization, and he had the story all wrong.

MR. BALLEEN: Who was Col. Steele, Col. Dutton?

MR. DUTTON: Col. Steele was the commander of the military group in our Central American country where we had the main operating base.

MR. BALLEEN: I'm sorry, what else did you inform Col. North of in this KL-43 message?

MR. DUTTON: Said that "I was informed that Max" -- and then

of the air force of this Central American country, and parentheses -- "has been made a deputy to Steele by Steele for this project. He has Steele's KL-43. He has a military group car. He has State Department mobile radio. And he now wants a \$10,000 emergency fund that he will control. He also wants partial control of our fuel fund, which is currently approximately \$50,000."

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MR. BALLEEN: Let me stop you there. What is the fuel fund? What is meant by that?

MR. DUTTON: In order to facilitate getting our aircraft in and out of the main operating base and get the refuelings done, we would take cash down and give it to the host air force. They established a fund that if we took, for example, in this case, if there was \$50,000 in there, then we would just -- after landing, they'd come out, refuel the aircraft; they'd give us a ticket receipt of how much had been put in, at what price, and then they would deduct that from our account. And we'd just refer to that as the fuel fund.

MR. BALLEEN: Now sir, you mentioned in your KL-43 message that Max wanted to control -- wanted an emergency fund of \$10,000 and wanted to control the fuel fund. Why was that a problem that you were writing to, in the KL-43, to Col. North?

MR. DUTTON: As I said, in all of my training in special operations, the idea of slush funds, emergency funds, to me read uncontrolled funds. And if you've got uncontrolled funds, you're going to end up with problems. And I had no intention of turning \$10,000 over to a man that I didn't know that well and hadn't worked with. I wouldn't do it with Mr. Cooper. Mr. Cooper had set up a pilot fund where the pilots could carry cash with them when they went on missions. And I had him pull all that money back and put it in the fuel fund.

I said there wasn't a single emergency they could have had that the amount of cash they were carrying could have gotten them out of. I mean, if they'd had to land in another Central American country, can you imagine them saying, "Here, I've got \$7,000 of cash. Would you put fuel in my airplane?" I don't think we'd ever heard from them again. So if you have an emergency like that, there's only one way we're going to get out of it, and that's get hold of the CIA and State Department, and we'll have to get them out that way. So here I had somebody coming after me saying -- and the red flag went up -- said, "I want an emergency fund." And I said, "No way." And it bothered me that the guy would come to me and ask for that and start bargaining for that; and then also to have control of the fuel fund, again, I saw us losing control of one of the most critical portions of the operation, and that's the money.

MR. BALLEEN: Now did Col. North subsequently make a request to you regarding Max Gomez or Felix Rodriguez?

MR. DUTTON: Yes, a little later in the month he asked that I have Max come up to Washington; that he had -- he, Col. North -- had information that Max had been on the open telephone discussing our

operation; he had intercepts to substantiate that, and that we thought it was time that we sit down and talk to Max about that, possibly because of Max's other connections within the United States government, which he flaunted. Possibly if Col. North talked to him in his office, in the Old Executive Office Building, that that would impress him enough that we could get him to stay off the air.

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MR. BALLEEN: Did that meeting take place in Col. North's office?

MR. DUTTON: Yes, it did.

MR. BALLEEN: And when, to your best recollection, did that occur?

MR. DUTTON: I believe that was on the 25th of June.

MR. BALLEEN: Who was present in the meeting?

MR. DUTTON: Col. North, Max, and myself.

MR. BALLEEN: What did Col. North say to Max or Felix Rodriguez?

MR. DUTTON: Col. North told him that he understand that he was valuable as a liaison with the host military, but that he was very concerned about Max's lack of what we call "com sec," or communications security. And he told that he had NSA intercepts that had Max on the phone talking about our operation with unauthorized people.

MR. BALLEEN: Did Col. North have access to NSA intercepts?

MR. DUTTON: Oh, I would have no doubt of that. You know, we had NSA gear, we had -- I think he was in contact with them on a regular basis.

MR. BALLEEN: And "NSA" is what, sir?

MR. DUTTON: National Security Agency.

MR. BALLEEN: Now, sir, how did Rodriguez respond?

MR. DUTTON: He didn't believe him. He didn't believe that Col. North had the intercepts.

MR. BALLEEN: And what, if anything, did Col. North decide would be Rodriguez's position in the organization, at this meeting?

MR. DUTTON: We wanted him -- we were going to have to keep him

in the operation because of the relationship with the West German office. The fear amongst all of the people that were aware of that relationship was that, if Max went, we went, and that they would just throw us off the base and say, "You're not welcome here any more." So we set him up as what we call "the host liaison officer," where he would act as a go-between between Bill Cooper, who was by then the manager down south, and the embassy and the local government officials and local military officials.

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MR. BALLEEN: And how did Mr. Rodriguez respond to that designation by Col. North of his position?

MR. DUTTON: He didn't like it. It wasn't -- he didn't want to work for anybody. He wanted to manage the operation.

MR. BALLEEN: And what happened after the meeting? Where did you go?

MR. DUTTON: I went with Max downstairs into the Vice President's office suite, and went back into one of the back offices. And I met who I understood was Don Gregg, said hello. I walked back out in the outer office and sat down. They closed the door, and he and Max had about a ten- or fifteen-minute meeting. Max came out, and we left.

MR. BALLEEN: Sir, as part of your duties managing this whole air resupply operation, did you ever attempt -- you talked about organization -- did you ever attempt to reorganize it, and draw up a plan to that effect?

MR. DUTTON: If there had been an organization, I would have called what we did a reorganization. But what we did was, we -- yes, we did a reorganization which we gave to a name to the operation. And I drew up the reorganization plan.

MR. BALLEEN: Col. Dutton, at this time, I'd like to direct your attention to Exhibit 14.

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MR. DUTTON: I have it.

MR. BALLEEN: Do you recognize this document?

MR. DUTTON: Yes I do. It's -- it is the reorganization plan.

MR. BALLEEN: And is this the reorganization plan that you drafted?

MR. DUTTON: Yes, the first portion of it is the reorganization plan; it has some additions to it.

MR. BALLEEN: And when you say "the first portion," what are you referring to, which pages?

MR. DUTTON: From the cover sheet back through page seven was the initial reorganization plan.

MR. BALLEEN: And when did you draft that?

MR. DUTTON: This was -- I started writing it, actually, in May, right after I came back from the first trip, when I realized, at least, what all the parts of the organization were. I finished it just before my second trip down there, and took a copy of it down and gave it to Mr. Cooper.

MR. BALLEEN: Now, sir, the page eight through page fourteen, dated 21 July, '86 --

MR. DUTTON: Yes sir.

MR. BALLEEN: When did you draft that?

MR. DUTTON: Probably during the latter part of June and through July until the date it was dated.

MR. BALLEEN: Okay, and what does that represent: pages eight through fourteen?

MR. DUTTON: Starting in, I guess, by the end of June, Colonel North was convinced that, in fact, the money was going to be voted by Congress, so that the --

MR. BALLEEN: Money for who?

MR. DUTTON: -- so that the \$100 million, so that the CIA could step back in and take over the operation. I'm sure if at this time discussions had taken place, but during this time there had been discussions with the CIA about -- what about the operation that is currently ongoing down there. The feeling at that point, and I really don't blame them, was that it was a tainted operation; it was unsuccessful. The aircraft looked terrible. It wasn't something that was very attractive.

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In order to put a frame around what the operation was we added the last -- I guess there's last six pages -- which basically outline what the operation was made up of, what the assets were, where they were, how much they were worth, in order to be able to give Colonel North one plan that says, "Here's the southern operation. Here, Mr. CIA Director, if you want it it's there for you." So we went through and did total up all of our assets, the recurring costs, went through an inventory of the warehouse to outline exactly how much of everything we had.

MR. BALLEEN: Sir, what was the total value that you had come up with?

MR. DUTTON: As I recall it was around \$4 million, but let me -- \$4.89 million.

MR. BALLEEN: And the -- so the purpose of this plan, the reorganization plan -- how did the -- what was the purpose of the initial reorganization plan, not the last six pages, but the initial one you drafted in May and early June, before talk of additional funding by Congress for the contras?

MR. DUTTON: The initial reorganization plan had a couple of purposes. The first one was that it allowed us to outline in one document exactly what the basically operating locations were and who the key people were, and what their responsibilities were. It also gave the wiring diagram, so that people could understand who was in charge, and who -- each guy could look and see who it was that he worked for.

At the very beginning of the plan there was a general statement. It says: "Due to recent changes in operational requirements and increased tasking, the -- quote, 'benefactor company' end quote -- here and after referred to as DC Washington,

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has taken more direct control of Project Democracy and its supporting elements.

MR. BALLEEN: Sir, who supplied the term "Project Democracy" to this plan?

MR. DUTTON: That was added. I wrote the initial draft, and it was -- Gen. Secord took it to Col. North. And when I got it back, the term "Project Democracy" was written in.

MR. BALLEEN: Whose term was that?

MR. DUTTON: I understand it was Col. North's term.

MR. BALLEEN: Now, referring to the page 14 of the document, this is in the last six pages, which you just testified the purpose was to submit -- for Col. North to submit to the CIA?

MR. DUTTON: That's correct.

MR. BALLEEN: Now, sir, who furnished you with the options on page 14?

MR. DUTTON: Gen. Secord.

MR. BALLEEN: And the first option -- sale of the entire operation and assets, wherein the CIA takes over, was that an option that Gen. Secord had furnished to you?

MR. DUTTON: That's correct, along with the notes.

MR. BALLEEN: And the note -- what does the note say, sir? Note One, I take it.

MR. DUTTON: Yes. Well, going on with the initial option, it said, "takes control of the entire operation, plus assets valued at approximately \$4 million. The price would be negotiated at some

level below \$4 million." In Note One, we said, "We prefer Option One with the proceeds from the sale going back into a fund for continued similar operations."

MR. BALLEEN: And what was meant by the proceeds going back -- what kind of fund? Was this a fund that would be under Col. North's direction, or whose direction?

MR. DUTTON: My understanding is, the assets were bought out of a fund, and wherever that money came out of, that's where the money was going to go back to be able to conduct other special operations.

MR. BALLEEN: Now, sir, did you show this plan to anyone, after you drafted it?

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MR. DUTTON: Yes, I showed it to Gen. Secord and Col. North.

MR. BALLEEN: Did Gen. Secord and Col. North approve this plan, as you had drafted it?

MR. DUTTON: Yes. It was my understanding it was approved.

MR. BALLEEN: And you mentioned that Col. North made the change to Project Democracy -- he had added that. Did he make any other changes to the plan, as presented to him?

MR. DUTTON: I don't recall any.

MR. BALLEEN: Now did Col. North ever say whether, in fact, he had discussed the plan to sell the assets to the CIA with people from the CIA?

MR. DUTTON: As far as a specific discussion, I don't recall him saying that, "On Wednesday, I talked with somebody about this." It was an ongoing discussion of what was going to happen with our organization when the CIA came in to take over. The indication I had was that there had been a number of discussions about what was going to happen when the takeover took place.

MR. BALLEEN: And Col. North conducted these discussions with CIA people?

MR. DUTTON: That's correct.

MR. BALLEEN: Now the options that are mentioned on this plan were the sale of the assets. Were these assets to be sold at any kind of a profit?

MR. DUTTON: No, we had them valued at 4.0889, I believe. And I think the note says -- or, excuse me, the option said price would be negotiated some level below four million.

fund that had been established for special operations.

MR. DUTTON: To me, my understanding was, it was a fund from which the money had come to procure the assets in the first place.

MR. BALLEEN: Now did Gen. Secord and Col. North ever discuss with you any other options on how to dispose of these assets?

MR. DUTTON: Yes. We discussed -- actually we discussed a number of options. One, of course, was one that we may not have had any control over, and that's if the CIA came in and said, "Get out of town. You know, we don't want you, and you figure out what you want to do with your assets on your own." The other one was that

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the assets would be given to the CIA, that they could come in and just take over the assets in place and keep the operation going as it was.

MR. BALLEEN: At the time you drafted these documents, the options that you were given were the options that are reflected in the document?

MR. DUTTON: That's correct.

MR. BALLEEN: Now, sir, did Felix Rodriguez or Max Gomez ever express an opinion to you on who the assets of this operation should be transferred to?

MR. DUTTON: They didn't so much discuss who they should be transferred to as he said that they already belonged to the contras.

MR. BALLEEN: And when did he say that?

MR. DUTTON: Oh, this was starting back, I'd say, as early as June.

MR. BALLEEN: And what was Gen. Secord's view as to who the assets belonged to?

MR. DUTTON: Gen. Secord's view was that the assets belonged to a private corporation. They were being used to aid the contras.

MR. BALLEEN: And what was Col. North's view on that?

MR. DUTTON: He agreed with Gen. Secord.

MR. BALLEEN: And did Col. North express an opinion on who the assets should be transferred to -- to the contras directly or to the CIA?

MR. DUTTON: His feeling was that -- my understanding of his feeling was that the assets should go to the CIA.

feeling was that the assets should go to the CIA, if, in fact, we were going to be able to continue supporting the southern front. If the assets were given to the FDN and they took total control of them, their interest was supporting the northern front. And we were afraid that the southern front would have been

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left to fend for themselves.

MR. BALLEEN: Now sir, when Felix Rodriguez expressed the opinion that the assets belonged to the contras, was that to the FDN or was that to the southern front?

MR. DUTTON: That would have been to the FDN.

MR. BALLEEN: Did the FDN have pilots equipped to run the planes that you had in Central America?

MR. DUTTON: No. At one time, they approached us. Colonel Bermudez had asked if we might train some of their pilots. And we said that in the C-7's, we would be glad to do that. And they never came forward with a pilot for us to train, so we lost the opportunity.

MR. BALLEEN: Colonel Dutton, during your management of the air resupply operation, how frequent was your contact with Colonel Oliver North?

MR. DUTTON: I guess when we were hard at it, and when he was in the Washington area, it would be, if not every day, every other day.

MR. BALLEEN: And your contact with General Secord?

MR. DUTTON: If he was in Washington, it would be every day.

MR. BALLEEN: Did you ever arrange for cash to be delivered to Oliver North at the White House?

MR. BALLEEN: Do you recall when that was? |

MR. DUTTON: I do not recall the date of it.

MR. BALLEEN: What would the -- how much cash was involved?

MR. DUTTON: I found out after the fact that it was, I believe \$16,000.

MR. BALLEEN: And what were the circumstances? How did this come about?

MR. DUTTON: General Secord called the office and said that --

MR. BALLEEN: Spoke to you?

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MR. DUTTON: He spoke to me, and said that he wanted to get Bill Olmstead an airline ticket to fly down to Miami and pick up a package and bring it up to Colonel North, and asked that I have Shirley Napier (?), our administrative assistant, get that taken care of. He called later in the day and said he was unable to locate Mr. Olmstead, and therefore, Shirley should cancel the ticket.

Shirley was standing there and made the comment that she could fly on an airplane down to Miami and back as easy as anybody else, and she'd be willing to do that. I mentioned that to General Secord, and he said all right, fine. Let her go ahead and fly down and pick up the package at Southern Air.

She went down, returned, and I don't recall if it was that evening or if it was the next morning, she came in and told me that she had signed a hand receipt for \$16,000 cash. And she had delivered it to -- I believe to Fawn Hall, Colonel North's secretary.

MR. BALLEEN: And did you ever have any discussions with North or General Secord afterwards as to the purpose of this cash being delivered to Colonel North?

MR. DUTTON: I can't recall a specific conversation, but I think I remember that Colonel North wasn't pleased that we had used Shirley, but that was General Secord's call, and that's what he had said to do, so we did it.

MR. BALLEEN: But you never had discussed the purpose of the cash --

MR. DUTTON: No --

MR. BALLEEN: -- with anyone?

MR. DUTTON: No.

MR. BALLEEN: So you don't know what -- why Colonel North was receiving --

MR. DUTTON: No, I do not.

MR. BALLEEN: Did there come a time in August of 1986 when you met with Colonel James Steele in Washington?

MR. DUTTON: Yes, in early August.

MR. BALLEEN: Now I believe you testified he was the military -- United States Military Group Commander in the Central American country where your main operating base was located?

MR. DUTTON: That's correct.

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MR. BALLEEN: And why did you meet with Colonel Steele in Washington?

MR. DUTTON: Colonel North and General Secord wanted me to meet with him. He was traveling up here with the ambassador, who was up for a week of meetings. Towards the end of the week, we were able to get time together, and they wanted me to sit down and talk to him about getting -- having him get back into the operation.

General Secord and Colonel North were very displeased with the problems we were having with Max and that -- the fact that Max had Colonel Steele's KL-43 and was basically the focal point of communications down there. We needed to get that changed, and so they asked that I sit down and talk to Colonel Steele and see if we couldn't -- if I could pass to them, or to him, their desires, if he wouldn't step back in and assist us.

MR. BALLEEN: Following Colonel North's and General Secord -- they both asked you to do this, sir?

MR. DUTTON: It's hard -- it's difficult to say if they both did. One or the other did.

MR. BALLEEN: Did you, in fact, have a meeting with Colonel Steele?

MR. DUTTON: Yes, I did.

MR. BALLEEN: Where was the meeting?

MR. DUTTON: It was in a hotel here in Washington.

MR. BALLEEN: And did you testify that this was the only meeting you had with Colonel Steele?