

**No. 18582**

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**UNITED STATES OF AMERICA  
and  
IRAN**

**Memorandum of Understanding concerning the revisions  
of Foreign Military Sales (FMS) letters of offer and ac-  
ceptance. Signed at Tehran on 3 February 1979**

*Authentic text: English.*

*Registered by the United States of America on 18 April 1980.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
IRAN**

**Mémoire d'accord relatif à la révision de lettres d'offre  
et d'acceptation touchant à la vente de matériel militaire  
à l'étranger (FMS). Signé à Téhéran le 3 février 1979**

*Texte authentique : anglais.*

*Enregistré par les États-Unis d'Amérique le 18 avril 1980.*

MEMORANDUM OF UNDERSTANDING<sup>1</sup>

This Memorandum of Understanding between the United States Government (USG) and the Government of Iran (GOI) provides for the revisions of the Foreign Military Sales (FMS) letters of offer and acceptance in force between the two Governments.

In consideration of the above, the GOI and USG agree that the USG expeditiously execute the following:

- Terminate and cancel all procurement actions for [the] following programs/items:
  - Peace Zebra Program: All FMS cases covering 160 F 16/A/B aircraft, spares, age, mods, technical assistance, training and support (depot and contractor).
  - Peace Sky Program: All FMS cases covering 7 E 3 A aircraft, spares, age, mods, technical assistance, training and support (depot and contractor).
  - Peace Roll Program: All FMS cases covering 16 R F 4 aircraft, spares, age, mods, technical assistance, training and support (depot and contractor).
- Reduce deliveries by quantities indicated below:

<i>Description</i>	<i>Quantity reduction</i>
Destroyers, CG 993, Spruance . . . . .	2
Submarine, Tang, SS563 . . . . .	1
Missile, Phoenix, AIM-54A . . . . .	444
Missile, Harpoon, RGM-84 . . . . .	209
Missile, Standard, SM-1 . . . . .	258
Missile, I-Hawk, XMIN-23B . . . . .	360
Missile, Sidewinder, AIM 9 . . . . .	362
Missile, Sparrow, AIM 7 . . . . .	362
Torpedo, MK 46 . . . . .	214
Torpedo, MK 37 . . . . .	174
ECM, ALQ 119 . . . . .	All Undelivered
Cargo Carrier, M 548 . . . . .	113
Bridge Launcher . . . . .	1
Howitzer, M 110, 8" SP. . . . .	9
Tow, Anti-tank . . . . .	1,182
Dragon, Anti-tank . . . . .	10,937
APC, M 113 . . . . .	108
Jeep, M 825 . . . . .	99
Trailers, M 118 A 1 (6 ton) . . . . .	117
Trailers, M 353 (3.5 ton) . . . . .	6
Ammunition: Suspend all automatic deliveries; deliver on request only	
90 MM (AP-T & Heat)	
155 MM	
175 MM	
105 MM (Howitzer)	
105 MM (for M-60 Tank)	
106 MM	

- Reduce all GOI FMS follow-on support logistics cases, including Cooperative Logistics Supply Support Plan arrangements, for those common weapons systems that can be supported by the USG under direct requisition procedures.

<sup>1</sup> Came into force on 3 February 1979 by signature, in accordance with its provisions.

- Reduce and restructure all contracts under FMS cases for contractor-furnished support and services to the following level of effort:

<i>Contractor</i>	<i>FMS Case</i>	<i>Systems</i>	<i>Personnel Ceiling</i>
Bell Helicopter International (BHI)	WAK, VZZ, WAL/WDC	Helicopter . . . . .	500
Grumman, Hughes, Pratt & Whitney, Harris Corporation, PRD Electronics Division, Telecom Systems Inc., Booz Allen	GFZ		
Raytheon	VSJ, WCC, VUU	F14/Phoenix. . . . .	60
Litton	WAG, WDM	I-Hawk Missile, TSQ 73 . . .	20
Lockheed Aircraft Services	ZAA	Peace Log. . . . .	97
Various	GJJ	Contractor Engineering Technical Services . . . . .	50

- Reduce the seven hundred thirty (730) USG military and civilian personnel presently assigned in Iran (against DOD manning authorizations for 969 personnel), and paid for by the GOI under FMS cases for MAAG, Technical Assistance Field Teams and Support, to a number of not more than 250 qualified personnel.

The USG, through the Defense Security Assistance Agency, and the GOI, through the Ministry of War, agree to initiate reviews within thirty (30) days of all other open FMS programs/cases to assure that only those defense articles and services are procured and delivered which best meet the immediate security requirements of Iran, and which represent the most prudent expenditure of GOI trust funds.

The USG will recover for the GOI trust fund account those expended funds that can be reimbursed (to the GOI trust fund) for terminated and cancelled procurement actions, for reduced deliveries, for reduced service and support contracts, and for reduced Letters of Offer and Acceptance.\* To the extent possible, the USG will divert any and all residual undelivered assets to USG Department of Defense and/or other Foreign Military Sales Program Accounts to obtain full and equitable reimbursements to the GOI trust fund. If the price to be reimbursed for the diverted item is less than the price paid by the GOI, the USG will notify the GOI and obtain GOI approval prior to diversion.

The GOI and the USG will review jointly, on or before 24 July 1979, the revised procurement plans and production schedules for suspended programs, including the impact on costs and delivery schedules, to enable the GOI to decide those programs/acquisitions that should be continued or terminated and cancelled, subject to the general conditions of the letters of offer and acceptance. The USG agrees to notify the GOI, promptly and in writing before 24 July 1979, if any program/acquisition must be entirely cancelled due to expiration of production options. The USG also agrees to provide recommendations to the GOI as to those programs/acquisitions where the benefit of continuing the procurement outweighs the burden of termination and cancellation of the item, due to non-availability of USG or other FMS requirement. It is understood that, in order to avoid contract termination and to obtain full and equitable reimbursement (to the GOI trust fund) from the diversion of residual undelivered assets, it may be necessary for the USG (during a short transition period) to continue obligations and expenditures from the GOI trust fund until approval is obtained for the USG Department of Defense or another FMS customer to assume the financial obligations and expenditures for the items to be diverted.

The USG will establish an interest-bearing account to earn interest for the GOI on those expended funds reimbursed to GOI not required in the trust fund account to meet

\* All necessary documents for justification of non-reimbursable funds will be provided to GOI for study and approval.

remaining obligations of the GOI. Also, the USG will transfer all GOI non-expended funds to this account. The GOI will be authorized to transfer the funds of this account to any other account designated by GOI for any FMS purpose.

The USG will keep the GOI fully informed as to the status of the GOI trust fund account, and the new established account.

This Memorandum of Understanding is effective immediately and shall remain in full force and effect until modified or cancelled.

Tehran  
Dated 3 February 1979  
United States Government:

*[Signed]*

ERICH F. VON MARBOD  
Deputy Director  
Defense Security Assistance Agency

Tehran  
1357.11.14  
Government of Iran:

Lt. Gen. J. T. TAVAKOLI  
Deputy Minister of War for Armament

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