

~~CONFIDENTIAL~~
~~NATIONALS~~

MEMORANDUM FOR THE RECORD

3 November 1986

SUBJECT: Operation Tipped Kettle II (U)

1. ~~(S/NS)~~ On 28 Oct 86, (b)(3):10 USC §424 met with (b)(1) (b)(1). The meeting was at (b)(1) request and the subject was "Tipped Kettle II".

2. ~~(S/NS)~~ Reuter advised (b)(3):10 USC §424 that he was still waiting for payment for weapons and ammunition delivered to the U.S. in the summer of 1985. He stated that the GOI had placed a value of \$29.6 million on the transferred items and wanted PMS credits or something in exchange for them. He stated that he had contacted (b)(3):10 USC §424 as he was the last person in country connected with the operation. Z
June 89.

3. ~~(S/NS)~~ This is not the first time that payment or non-payment of TK II has become a subject. It was a problem during the operation. The subject came up after the operation was completed and again for a third time in the early spring of 1986. This is the fourth time.

4. ~~(S/NS)~~ Operation Tipped Kettle I was accomplished in the summer 1983 and moved large quantities of captured weapons and ammunition from Israel to the states. The captured stocks were from booty gained in the Peace of Galilee Operation in 1982. We are unaware of mode of payment.

5. ~~(S/NS)~~ Operation Tipped Kettle II was an ISA initiative and (b)(6) was the key element in the purchase. (b)(6) and a JCS Team flew to Israel and accomplished the identification, and later the packaging and movement of the captured items. Discussion of payment was handled by (b)(6) and we were unaware of any proposals or agreements. The IDP at that time priced the items purchased at close to \$70 million. (b)(6) and we concluded the value to be between \$20-30 million at prevailing world prices and estimates for unique items.

6. ~~(S/NS)~~ After departure of the JCS Team we were approached by ERD and SIBAT concerning payment. We deferred to ISA and (b)(6). Several months later we learned that a deal had been struck between ISA and the MILATT in Washington. The terms were that ISA would allow a US company "NUMAX" to retain its security clearance and government contracts after it had been purchased by Israel.

7. ~~(S/NS)~~ Early in 1986, the question of payment was raised through ERD with us. We queried ISA for an official answer and passed it to ERD. The answer was that (b)(1) and Mandy Meron had approved the payment of the NUMAX company security clearance for the items acquired in TK II. There was some grumbling by our ERD counterparts and some changes in IDF/MOD guidelines for cash before carry procedures. Some mention was made that (b)(1) had overstepped his authority but the matter was closed. (Essentially we understood that they felt that they had the worst of a bad bargain).

CLASSIFIED BY: (b)(2),(b)(3):10 USC §424

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8. ~~TOP SECRET~~ When (b)(1) called this time, we checked back with ERD to determine if they were aware of anything new on the subject of payment for TK II. Their response was that the matter was closed.

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