

**SETTLEMENT AGREEMENT  
ARRANGEMENT AMIABLE**

SETTLEMENT AGREEMENT ON  
THE CASE CONCERNING THE AERIAL INCIDENT OF  
3 JULY 1988 BEFORE THE INTERNATIONAL  
COURT OF JUSTICE

The Government of the United States of America ("United States")  
and the Government of the Islamic Republic of Iran ("Iran"),

Having considered the settlement of the Case Concerning the  
Aerial Incident of 3 July 1988 currently pending before the  
International Court of Justice ("Court"), and noting that the  
United States recognized the aerial incident of 3 July 1988 as a  
terrible human tragedy and expressed deep regret over the loss of  
lives caused by the incident,

Agree as follows:

1. In full and final settlement of all disputes, differences,  
claims, counterclaims and matters directly or indirectly raised  
by or capable of arising between them out of or related to the  
Case Concerning the Aerial Incident of 3 July 1988 currently  
pending before the Court ("I.C.J. Case"), and directly or  
indirectly raised by or capable of arising out of or related to  
certain cases pending before the Iran-U.S. Claims Tribunal  
designated as "Tribunal Cases" in the Settlement Agreement on  
Certain Claims Before the Iran-U.S. Claims Tribunal, the United  
States shall pay the Settlement Amount of US \$131,800,000 (One  
Hundred Thirty One Million and Eight Hundred Thousand U.S.  
Dollars) as provided in the General Agreement on the Settlement  
of Certain I.C.J. and Tribunal Cases, which shall include US  
\$61,800,000 (Sixty One Million and Eight Hundred Thousand U.S.  
Dollars) for the heirs and legatees of the 248 Iranian victims of  
the aerial incident listed in Annex 1 ("Heirs"). Compensation to  
the Heirs shall be distributed in accordance with the terms and  
conditions set forth in Annex 2.

2. Upon payment of the Settlement Amount and issuance of the  
Order of Discontinuance by the Court, Iran and its affiliates,  
subsidiaries, agents, agencies, instrumentalities, predecessors,

successors and assigns shall release, quitclaim and forever discharge the United States and its affiliates, subsidiaries, agents, agencies, instrumentalities, predecessors, successors and assigns from and against any and all claims with respect to, arising out of, in connection with or related to the I.C.J. Case.

3. Upon payment of the Settlement Amount and issuance of the Order of Discontinuance by the Court, Iran shall indemnify and hold harmless the United States and its affiliates, subsidiaries, agents, agencies, instrumentalities, predecessors, successors and assigns against any claim, counterclaim, action or proceeding that Iran, its affiliates, subsidiaries, agents, agencies, instrumentalities, predecessors, successors and assigns may raise, assert, initiate or take against the United States with respect to, arising out of, in connection with or related to the I.C.J. Case.

4. Upon payment of the Settlement Amount and issuance of the Order of Discontinuance by the Court, Iran and the United States shall waive any and all claims for costs, including attorneys' fees, arising out of or related in any way to the prosecution or defence of any claim before any forum, including the Court, with respect to, arising out of, in connection with or relating to the I.C.J. Case.

5. This Settlement Agreement shall not in any manner prejudice the rights of the insured, their successors and assigns to pursue their claims against any insurance company.

6. This Settlement Agreement has been entered into for the sole purpose of settling the disputes at issue in the I.C.J. Case. This Settlement Agreement shall not constitute a legal precedent and shall not be used except for the purpose of giving effect to its terms.

7. The releases, indemnifications and waivers contained in this Settlement Agreement are self-executing upon the issuance by the

Court of an order discontinuing the I.C.J. Case and recording the terms of this Settlement Agreement.

8. For the purpose of construction or interpretation of this Settlement Agreement, the entire Agreement shall be read and construed as a whole without giving any specific effect to any paragraph separately.

9. The representatives of the United States and Iran hereby expressly declare that they are duly empowered to enter into and execute this Agreement.

10. This Settlement Agreement has been written and signed in both the English and Persian languages and each text shall have the same and equal validity.

11. This Agreement shall take effect upon signature by both Parties.

For the United States For the Islamic Republic of Iran

By: D. S. M. K. By: [Signature]

Date: Feb. 1, 1996 Date: 9.2.96

*[Annexes not reproduced]*