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DISPATCH NO. EGQW-33150

per CSN 43-43

SECRET

CLASSIFICATION

TO : Chief of Station, ~~Frankfurt~~
: Chief of Base, Munich
ATTN:
FROM : Chief, SR

DATE _____

SUBJECT { GENERAL : Operational/REDWOOD/LOIMPROVE/AERODYNAMIC
SPECIFIC : Information on Proposed Budget out/AERODYNAMIC for FY 1958
Transmittal of Revised Administrative Plan/AERODYNAMIC

Reference: EGMA 25212, Par 1, Att. B.

Action Required: **FRANKFURT ONLY:** See Par 6, 7, and 8.
MUNICH ONLY : See Par 10 and 12.

1. Under the current pressure for overall reduction of our budgetary appropriations, extensive discussions were held at Hqs by all parties concerned with the AERODYNAMIC project and a budget reduction for the fiscal year 1958 was undertaken in view of the fact that operational activities in this project are not immediately apparent. It is fully recognized by Hqs that AEGASSOWARY 1 and the AEDRUMMER 1 represent a political potential of Ukrainian emigres who have proved themselves politically and operationally qualified to conduct important operational activities for us in the past. However, the international situation has changed considerably during the last few years and it is felt that the overall activities of the group are directed in a lesser degree against the USSR at the present time than it was originally expected.

2. In view of the above, the decision of Hqs concerning the project results in the following practical measures: the overall budget for the fiscal year 1958 has been reduced by The approximate breakdown is transmitted as Attachment A.

3. The figures in Attachment A should be considered as the maximum appropriations for the FY 1958. It is expected and desired that even within these figures, a further reduction would be attempted on two special items; namely, the publication of the newspapers which should be reduced by another and the expenses for the distribution of the "Information Bulletin" which should also be reduced by As you will note the biggest budget out affecting the field is that of newspaper publication. This has been reduced from a total of to that of

(Releasing officer)

(Coordinating officer)

(Authenticating officer)

Removed from Project *Aerodynamic*
CS Classification: 74-124-29/1
JOB # 69-425/83
Box: 20 Fold: 2

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FORM NO. 51-29
JUN 1949

74-124-29/1^v

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DATE 2007

4. Because of the reduction of the budget, it is evident that the group will have to adjust itself to the new plan of operations. In order to off-set the reduced appropriations and to soften the demoralizing effect which it might have on the group and the emigres in general, a new Revised Administrative Plan for Project AERODYNAMIC (transmitted under separate cover as Attachments B, C, & D) has been introduced for the operation of this project beginning with the new fiscal year. This plan provides for guidance and direction of the project from headquarters in BG TOWN within the budgetary limitations allowed.

5. Under the above-mentioned Revised Administrative plan, the ABOASSOWARY group under project AERODYNAMIC has been legally incorporated as a non-profit organization (AEBEHIVE). All future financial support to the AERODYNAMIC and AERUNMER forces in SOCIDER will be funneled through this organization.

6. A representative of the Office of the Comptroller visited the PERRINE office of Project AERODYNAMIC during March 1957 for the purpose of establishing an accounting system suitable for consolidating the financial control of both the overseas and stateside activities as provided in the Revised Administrative Plan.

7. It was decided that the full implementation of the administrative plan should be postponed until the beginning of the Fiscal Year 1958 at which time the field allotment to your Station would be discontinued. Future funding of the overseas activities would be accomplished as provided in the Administrative Plan.

8. The change-over, therefore, will be effective as of July 1, 1957. In this connection, your cooperation is solicited in effecting this transition and it is requested that a copy of the last accounting from the overseas activity nearest 30 June 1956 be forwarded to Headquarters at the earliest possible date. It is also requested that the amount of unexpended funds as of the date of the last accounting be forwarded to Headquarters with a reconciliation of the same, in the event that the amount of cash on hand with the overseas activities does not coincide with the records maintained at your Station. The station should make every effort to obtain receipts for advances to the overseas activities and to clear all open items which have been suspended by the Station.

9. One of the primary purposes of the Revised Administrative Plan is to provide the legal means for a direct and concerted effort by Hqs and AEBEHIVE for seeking and obtaining financial support for AEBEHIVE activities from private sources. Since the group is set up as a non-profit organization, contributions from private sources would be tax-deductible. It is felt that by doing so the disadvantage of the reduced budget appropriations could be minimized and perhaps even further budgetary reductions could be made by relying on private financial support. This will also tend to preserve the morale of the group while at the same time possibly enlarge their operational scope.

10. Per Ref, AECASSOWARY 3 was asked to inquire about the money transfer via this new system to determine whether any difficulties might be encountered with German authorities with respect to taxes, etc. We would appreciate your comments re this matter.

11. The Hqs Case Officer of Project AERODYNAMIC is currently meeting with the AERECHEIVE group in FEPRIME to inform them of the budget cut and to discuss the Revised Administrative Plan. The field will be informed of the results of these discussions as soon as possible. Since the Revised Plan calls for guidance and direction of the project from AERECHEIVE Hqs in FEPRIME, the field will not be responsible for deciding the manner in which the budget appropriations for the newspapers will be cut. It is tentatively planned to send AECASSOWARY 2 to MUNICH prior to 1 July 1957 to facilitate the reorganization of the project and to aid in the problem of disposal of assets and personnel.

12. In the meantime, we would appreciate your advising the local group of the forthcoming budget cut and explain to them the main aspects of the Revised Administrative Plan. Please note that the reorganization at this time will in no way affect the budgetary commitments of the AECARTHAGE Project in Munich, inasmuch as this project is in effect until 1 November 1957. Related projects will be later adjusted in accordance with the above-mentioned revised plan. We would therefore, appreciate your comments concerning this whole matter as soon as possible.

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Attachments:

- Att. A (USC) - Project Budget Breakdown
- Att. B (USC) - AERODYNAMIC Admin. Plan (By split trans.)
- Att. C (USC) - Underlay for Admin. Plan
- Att. D (USC) - Identities A, B, C & D

Distribution:

- 2 - COS w/loy - Atts. A, B, C & D as stated above.
- 3 - MOB w/loy - Atts. A, B, C & D as stated above.
- ✓ 1 - RI w/o Atts. A, B, C & D
- 1 - SR/3-WA w/o Atts. A, B, C & D
- 2 - SR/3-W3 w/o Atts. A, B, C & D

SR/3-W3/AK;pj/21 May 1957

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