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DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCE METHODS EXEMPTION 3028
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

approved
10 July 68

MEMORANDUM FOR: Deputy Director for Plans
THROUGH : Special Support Assistant/DDS
SUBJECT : Fourth Revised Administrative Plan for
SB Division CA Project AERODYNAMIC

I. Project Objective

1. The objectives of this project are to exploit contacts with Soviet citizens for the purpose of encouraging existing national and intellectual unrest in the Soviet Union, with the aim of exerting pressure on the Soviet regime and attaining national, cultural and intellectual freedom for Soviet citizens.

II. Instrumentality

2. The instrumentality of this project is ABTENURE (formerly AEBEENIVE) a WOLADY-based emigre political group organized as a commercial taxable enterprise, and a corresponding group in Europe (AETERRACE).

III. Need for this Revision

3. To comply with the Katzenbach guidelines, SB Division was instructed to liquidate AEBEENIVE, the non-profit tax-exempt membership corporation used as the cover instrumentality under Project AERODYNAMIC since 1952, and to

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revised orig 27M 4/196
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reconstitute the group as a profit-making, commercial taxable enterprise. Funds to both AETENDRE and AETERRACE will be passed from headquarters through Swiss banks.

IV. Approval

4. This project was approved in the amount of \$161,500 for Fiscal Year 1968.

V. Recommendation

5. The attached revised Administrative Plan has been concurred in by the Agency components of interest and is recommended for your approval and authorization.

Attachment:
as stated

[Chief]
Soviet Bloc Division

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FOURTH REVISED ADMINISTRATIVE PLAN
FOR SB DIVISION CA PROJECT AERODYNAMIC

I. Terms of the Plan

1. The provisions of this Administrative Plan apply to the activities of AETENURE, an Agency-controlled mechanism within subsidy Project AERODYNAMIC and AETERRACE, the subsidized European office of AETENURE.

II. Organization and Management of Cover Corporation

2. AETENURE has been incorporated under the laws of New York as a commercial taxable enterprise for the (ostensible) purpose of research and study of international Communism as specified in the Certificate of Incorporation.

3. Basic policy guidance and direction of AETENURE activities is provided by WOFIRM through the project case officer in meetings with the President of AETENURE or with other officers, as appropriate. For cover purposes the Board of Directors has responsibility for conduct of AETENURE activities in accordance with its charter and by laws, and subject to the following limitations and requirements:

a. Amendments to the charter and by laws will require the prior approval of the SB Division and the concurrence of General Counsel.

b. AETENURE will not perform services for fees nor solicit for funds, ~~without the approval of SB Division and the concurrence of the Central Cover Staff.~~

c. All officers and directors shall be approved by SB Division. In addition, the treasurer shall be approved by the Office of Finance.

d. All funds received by AETENURE shall be deposited in an AETENURE WOLADY bank account. Withdrawal from this account shall require the signature of two of the officers of AETENURE,

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except that withdrawals of \$500 or less shall need only one signature. The SB Division shall advise the Office of Finance, upon request, of the name and address of the bank in which the AETENURE account is carried, the title of the account and the authorized signatories thereon. All AETHNURE bank accounts shall be reconciled, and if feasible, by persons other than those signing checks. The reconciliation shall be signed by the person preparing it, and shall be reviewed and signed by the person reviewing it.

e. AETENURE is not authorized to borrow or lend funds, except for occasional educational loans not to exceed \$500 each to students with operational potential.

f. The leasing of office space shall require the prior approval of SB Division. The purchase and disposal of real estate shall require the prior approval of SB Division and the Office of Logistics.

g. Any contract or commitments, other than for personal services, in excess of \$5,000 per year or in excess of six months shall require the prior approval of SB Division.

h. Travel and subsistence expenses incurred by the owners, officers, directors, employees and any individual retained in a professional or independent contractor capacity on a fee basis, shall be paid on an actual cost basis. Reimbursement for subsistence expenses shall not exceed \$10.00 per day in excess of the WOFIRM authorized per diem rate for the locality. Air transportation less costly than first class shall be used to the extent practicable. Travel expenses incurred by staff agents or contract personnel wholly integrated into the project (but not staff employees) may be reimbursed on the same basis. These expenses, as recorded on AETENURE's quarterly accountings, are equated with project personnel activities and production by the SB Division case officer to evaluate the reasonableness of such expenditures. Operational entertainment expenses

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incurred by any of the above personnel may also be reimbursed on an actual cost basis, in accordance with HNB 30-1, Chapter IX, to the extent that such expenses are reasonable and necessary to the accomplishment of operational objectives. Expenditures authorized in this paragraph shall be reviewed during periodic WOFIRM audits.

i. The requirements of HR 230-9 will apply to the salaries and other benefits of AETENURE employees, and no commitment regarding benefits or insurance coverage will be made to corporate personnel until such commitments have been reviewed and approved by DDP/MPS (CSX 20-41).

j. AETENURE employees who have completed one full year of continuous service participate in a group retirement plan to which the employees and the employer each contribute 6% of the employee's salary. The funds are invested in mutual funds stocks. The retirement plan was approved by the Director of Personnel on 23 July 1964, and by the Chief, DDP/PE on 28 July 1964.

III. Protection of WOFIRM Interest

4. Signed Memoranda of Understanding setting forth the relationship of AETENURE with WOFIRM are not required of the present members of the Board of Directors. WOFIRM has been supporting the organization since 1950, and during this entire period the AETENURE officials have been most cooperative and entirely willing to accept WOFIRM guidance and direction. It is felt that at this late date they would not understand the reasons for formal documentation of the relationship and the effectiveness of the operation would be impaired. It shall be the responsibility of the SB Division to ensure that the Chairman of the Board of Directors always is aware of the authorities and responsibilities imposed upon AETENURE by this Plan, and to provide a Memorandum of Oral Understanding to this effect to the Office of Finance and Office of General Counsel.

5. In the case of stock-issuing instrumentality, all ostensible shareholders of stock shall endorse in blank the

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stock certificates issued in their names. Dual declarations of trust shall be obtained for these stock certificates. In addition, the trustees, officers and directors of an instrumentality shall execute undated letters of resignation which shall be retained by the Agency component responsible for the project. The executed stock certificates, declarations of trust, evidencing Agency interest in instrumentalities will be forwarded promptly to the Proprietary Systems and Accounts Division, Office of Finance, for recording and custody.

IV. Budget

6. A basic budget detailing the estimated income and expenses for each office maintained by the organization shall be drawn up by the principal agent(s) on or before 1 February of each year for the ensuing fiscal year beginning 1 July. These estimates will be analyzed by the responsible case officer who, if the budget is satisfactory, shall request approval for the expenditure of funds for the fiscal year beginning 1 July and for the succeeding fiscal year through the inclusion of the financial requirements in SB Division's Annual Operational Program. Based on this basic budget, the case officer, in collaboration with the Budget Division, shall then prepare the detailed budget for the upcoming fiscal year, by category of expenditure, for incorporation in the annual formal presentation of the project to the approving authorities.

V. Funding

7. Funds shall be passed to AETENURE and AETERRACE by headquarters via Swiss banks, or by any other method approved by the SB Division, Central Cover Staff, and the Office of Finance. This method of funding to AETENURE will be covered by ostensible research services rendered by AETENURE to AETERRACE. The AETERRACE portion of the funding ostensibly will continue to come from AETENURE as in the past. At the time funds are disbursed to AETERRACE by the Swiss bank such funds will be recorded in the project memorandum accounts.

VI. Accounting and Reporting

8. AETENURE shall maintain financial records and accounts of a type consistent with its ostensible character,

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as prescribed or approved by the Office of Finance, and shall submit to the SB Division on a quarterly basis the following financial statements (except the annual statement of fixed assets) within 30 days following the close of each calendar quarter:

(1) Balance Sheet.

(2) Statement of Income and Expense. Disbursements made to AETENURE independent field contacts will be reported under the "research" category and will not be itemized. However, separate accounts will be maintained for these expenses.

(3) Statement of Cash Receipts and Disbursements prepared in a manner to clearly distinguish between funds received from WOFIRM and non-WOFIRM sources, if applicable.

(4) Annual Statement of Fixed Assets. The president of AETENURE, or his designee, shall attach to these financial statements his certification that, to his best knowledge and belief, they accurately reflect the financial status of AETENURE, and that the bank reconciliation has been reviewed through (date) the date of the most recent bank statement.

9. AETERRACE shall submit to AETENURE, within 15 days following the close of each calendar month, a Cash Receipts and Disbursement Statement to include cash on hand at the beginning of the period, income received in a manner to clearly distinguish between funds received from AETENURE and funds received from other sources, expenses by general categories and cash on hand at the end of the period. The principal agent of the overseas group, or his designee, shall attach to these financial statements his certification that, to his best knowledge and belief, they accurately reflect the financial status of AETERRACE activities and the disposition of funds during the reporting period. These reports shall be transmitted by AETENURE to SB Division along with AETENURE's quarterly reporting.

10 The headquarters case officer shall review the financial statements required under paragraphs 8 and 9

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above, and, if in order, attach his certification that the disbursed funds covered thereby were expended for the purposes authorized, and submit the statements to the Division Approving Officer for approval. When approved, the original of each report will be forwarded to the Office of Finance and a copy to the Budget Division within 60 days after the quarterly period.

VII. Writeoff

11. The Office of Finance is authorized to accept the quarterly financial statements submitted by AEBEENIVE, required under paragraph 8 above, when properly certified and approved, for appropriate recording in the account entitled "Investments in Agency-Controlled Activities within Subsidy Projects."

12. The Office of Finance is authorized to accept the quarterly financial statements from the overseas group, required under paragraph 9 above, when properly certified and approved, for appropriate recording in the Memorandum Account.

VIII. Writeoff (Equipment and Supplies)

13. In the event that equipment and supplies are issued by the Office of Logistics to AETENURE, accountability for such items shall be operationally expended at the time of issue and shall be recorded in the AETENURE system of accounts.

IX. Security Policy

14. In the utilization of individuals under the project, any exceptions to the security policy as set forth in CSI 10-5 shall require the prior authorization of the CI Staff or the Office of Security as appropriate. Because neither WOFIRM nor AETENURE can exercise the type of control over AETERRACE that would permit the enforcement of the security policy as set forth in CSIF 10-5, its provisions do not apply to AETERRACE.

X. Audit

15. An audit program shall be developed and implemented

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in accordance with the requirements of HR 31-1. The prior approval of the Chief, Audit Staff is required for the employment of either witting or unwitting public accountants for audit purposes.

XI. Legal Services

16. Any attorney used by the project shall be selected or approved by the Office of General Counsel. The Office of General Counsel shall at all times be kept advised of the current status of the legal affairs of the activity and shall be responsible in each instance for accommodating its legal problems and for approving the use and the fee of outside counsel.

XIII. Investments

17. Before any corporate funds of the companies under this project may be invested in non-WOLADY securities or in interest bearing accounts, the concurrence of the Office of Finance and the approval of the Deputy Director, WOPIRM, shall be obtained. All investments of project funds in WOLADY securities shall require the prior approval of the Office of Finance.

XIV. Liquidation

18. AETENURE shall not be liquidated without the prior approval of the DDP and the DDS and only on the basis of an approved liquidation plan.

APPROVED, by the Direction of DDP:

DDP/HPS

Date

APPROVED, by the Direction of DDS:

SSA-DD/S

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FOURTH REVISED ADMINISTRATIVE PLAN
FOR SB DIVISION CA PROJECT AERODYNAMIC

Concurrence Sheet

SB DIVISION _____

DATE _____

OFFICE OF FINANCE _____

DATE _____

OFFICE OF SECURITY
Investigations Support _____

DATE _____

CENTRAL COVER STAFF/NC _____

DATE _____

OFFICE OF GENERAL COUNSEL _____

DATE _____

OFFICE OF LOGISTICS _____

DATE _____

DDP/MPS _____

DATE _____

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