

DD/A Registry
78-3982

OGC 78-5826

9-1-78

COMPT 78-0949

S E C R E T

31 AUG 1978

MEMORANDUM FOR: Deputy Director for Operations
Deputy Director for Administration

FROM: [C] Chief, Soviet/East European Division

SUBJECT: Liquidation Plan for DDO Operational Activity PDDYNAMIC

1. Action Requested: Approval of the attached Liquidation Plan for Operational Activity PDDYNAMIC.

2. Background: PDDYNAMIC is a Ukrainian-language publisher and distributor with the main office in New York City (Prolog Research Corporation) and the publishing and operational offices in Munich, Germany (Ukrainian Society for Studies Abroad). The association has been funded by the Agency since 1949. Our objective is to distance ourselves from the management of the company for operational security reasons, while continuing to maintain our support of the Activity through a noncontrolled subsidy.

The Agency will retain its role of funding the PDDYNAMIC activity, which will be accomplished with funds transferred to the company's account by OF/MD upon request from SE Division. The assets of the company have an estimated market value of less than \$10,000. The stock certificates held by OF/CSAD/PSB will be returned to the company for safekeeping when liquidation is completed.

3. Recommendation: The attached Liquidation Plan has been concurred in by the appropriate Agency components and is recommended for your approval.

DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCE METHOD EXEMPTION 3B2B
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

[C] []
[C] []

Attachments
A. Liquidation Plan
B. Concurrence Sheet

E2 IMPDET
CL BY [C] []

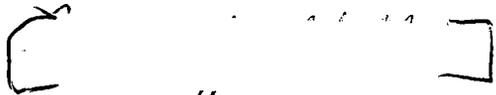
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APPROVED:

By the Direction of the DDA



SSA/DDA

17 OCT 1978

Date

By the Direction of the DDO



C/EPDS

NOV
Date

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LIQUIDATION PLAN FOR SE DIVISION OPERATIONAL ACTIVITY PDDYNAMIC

1. Terms of the Plan: The provisions of this Liquidation Plan apply to the dissolution of the Agency's proprietary relationship with PDDYNAMIC.
2. Background: PDDYNAMIC is a Ukrainian-language publisher and distributor with the main office in New York City (Prolog Research Corporation) and the publishing and operational office in Munich, Germany (Ukrainian Society for Studies Abroad). The Agency has been funding this activity since 1949 to support covert action operations. The New York office is incorporated under the laws of the State of New York as a commercial taxable enterprise with stock issued (the shareholders are employees of the company) and the Munich office is a non-profit association certified for operating in Germany.
3. Approval for Termination: SE Division recommendation for termination of the Agency's proprietary role in PDDYNAMIC, dated 9 June 1978, was approved by the ADDO on 10 June 1978.
4. Financial Statements: Financial statements as of 30 June 1978 are attached. Statements for the period ending 30 September 1978 will be provided to the Office of Finance when liquidation and transfer are completed.
5. Method of Liquidation: Agency proprietary interest in PDDYNAMIC will be liquidated by returning the signed stock certificates to the PDDYNAMIC stockholders. We will also transfer the PDDYNAMIC pension plan managed by [] to an outside insurance firm so that PDDYNAMIC can deal with them directly. Severance payments will be made to the New York employees (two weeks' pay for each year's service not to exceed one year's salary) when liquidation completed and funds are made available.
6. Disposition of Assets: Assets will remain in place as part of this continuing Activity.
7. Final Audit: Activity PDDYNAMIC is scheduled for Audit in early October 1978.
8. Accounting and Write-Off: The Office of Finance is authorized to accept the October 1978 financial statements for recording in the Agency's system of accounts.

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CONCURRENCE SHEET

7sl []
Office of General Counsel

6 SEP 1978
Date

[]
Director of Finance

11 Sep 78
Date

12 []
Office of Comptroller

15 SEP 1978
Date

for []
Chief, Central Cover Staff

4 OCT 1978
Date

* []
Director of Logistics

12 OCT 1978
Date

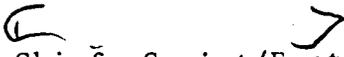
* On the basis that the Activity will continue operations and support Agency interest rather than be terminated in the normal sense, the write-off of property assets is authorized as an operational expenditure to the Project.

78-3782

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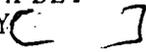
09 JUN 1978

MEMORANDUM FOR: Acting Deputy Director for Operations

FROM :  Chief, Soviet/East European Division

SUBJECT : Liquidation of PDDYNAMIC as a Proprietary Activity

1. This memorandum recommends approval to liquidate PDDYNAMIC (publisher and distributor of Ukrainian-language material) as a proprietary and to continue this special activity as a noncontrolled subsidy.
2. PDDYNAMIC is a Ukrainian-language publisher and distributor with the main office in New York City (Prolog Research Corporation) and the publishing and operational office in Munich, Germany (Ukrainian Society for Studies Abroad). The proprietary leaders were part of a Ukrainian underground council established in the Ukraine in 1944 who were sent to the West after World War II to establish a foreign representation and attempt to obtain help from Western powers. The Agency established a relationship with the council members in 1949 for use in "early warning" operations. After the roll up of the Ukrainian underground in 1953, the group established Prolog Research Corporation. The Agency has been funding this activity since that date for covert action operations. The New York office is incorporated under the laws of the State of New York as a commercial taxable enterprise with stock issued (the shareholders are employees of the company who have endorsed blank stock certificates issued in their names, which are held in OF/CSAD/PSB for safekeeping); the Munich office is a non-profit association certified for operating in Germany.
3. The Agency's guidance and management of this activity is through the activity's president who is a witting associate. The activity currently has a staff of 12 employees (10 in New York and 2 in Germany) of which four in New York are officially witting of Agency support. The assets of the company have an estimated market value of less than \$10,000.

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WARNING NOTICE
 SECURITY INFORMATION SOURCES
 MAY BE TRACES INVOLVED

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4. This activity publishes a monthly journal (Suchasnist) with a press-run of 2,000 copies and a quarterly Information Bulletin with a press-run of 2,000 copies. In addition, books (the majority of which are by Soviet Ukrainian authors who are unable to get their works published internally) and pamphlets are published by the activity. During a 12-month period approximately 25,000 items of activity-produced literature are distributed to the Soviet Ukraine. This material is highly regarded by the recipients.

5. Our objective in changing PDDYNAMIC from a proprietary to a noncontrolled subsidy is to further distance ourselves from the management of the company for operational security reasons while continuing to support their operations. The following changes need to be accomplished to effect an orderly transition:

- A. Return the signed stock certificates to the company shareholders.
- B. Transfer the PDDYNAMIC pension plan managed by C J to an outside insurance firm so that PDDYNAMIC can deal with them directly.
- C. Make severance payments to the New York employees (two weeks' pay for each year's service not to exceed one year's salary). This step is a safety measure to remove claims in the future from PDDYNAMIC employees for unpaid benefits.
- D. Finally, we plan to relocate the New York headquarters to Munich, Germany. This will simplify cover and minimize overhead costs.

APPROVED:


Acting Deputy Director for Operations


10 June 1978
Date

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00/078-4222

COMPT 78-0662

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26 JUN 1978

MEMORANDUM FOR: Comptroller
Deputy Director for Operations

FROM : Chief, Soviet/East European Division

VIA : Acting Chief, Evaluation & Program
Design Staff

SUBJECT : Request for Allocation of FY 1978
Year-End Savings

1. This memorandum recommends your approval to increase PDDYNAMIC's FY 1978 funding by re-programming DDO FY 1978 year-end savings. The allocation of these funds now will enhance SE Division's management of this activity.

2. On 20 June 1978 the Special Coordination Committee reviewed and endorsed the increase in FY 1978 funding for Operational Activity PDDYNAMIC to be used to relocate the Headquarters of the Ukrainian emigre organization from the U.S. to Munich, Germany, to compensate for loss in dollar purchasing power, and to include a modest increase in the Ukrainian-language publishing and distribution program. We request [] be added to PDDYNAMIC FY 1978 approved funding level: (A) [] to relocate the Headquarters in Munich, Germany and (B) [] to offset loss in dollar purchasing power and fund a modest increase in publishing and distribution.

3. This activity is part of the SE special activities program recently revalidated by the SCC and the President. The requested funds do not represent any increase in the operational level, and do not require further policy approval or Congressional notification.

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AND METHODS INVOLVED

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CONCUR:

John H. Stein

29 JUN 1978

Deputy Director for Operations

Date

APPROVED:

3 JUL 1978

Comptroller

Date

DDO/SE/SA/LE :pas (23 Jun 78)

Distribution:

Original - Addressees (to be returned to C/SE)

- 1 - Comptroller
- 1 - Executive Registry
- 1 - DDO
- 1 - ADDO
- 1 - DDO Registry
- 1 - AC/EPS
- 1 - C/SE
- 1 - SE/BF
- 1 - SE/SA/Memo Chrono
- 1 - SE/SA/PDDYNAMIC Development & Plans File
- 1 - C/SE/PO

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18 November 1977

MEMORANDUM FOR THE RECORD

FROM : []
C/EPDS/COMPT/MRB

SUBJECT : Operational Activity PDDYNAMIC - FY 78 Renewal

REFERENCE: Memorandum for the ADDO from C/EPDS, dated
14 November 1977; Subject: FY 1978 Renewal for
Activity PDDYNAMIC

1. On 16 November 1977 the ADDO approved the FY 1978 renewal of Operational Activity PDDYNAMIC in the amount of \$230,000 rather than the [] requested.

2. The referenced EPDS memorandum noted that only [] was available in the SE Division budget for this activity and recommended that it be approved for that budgeted amount. The ADDO concurred in the recommendation with the comment that an amendment above the budget level of [] could be submitted at a later date when the SCC issue is resolved.

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OPERATIONAL ACTIVITY ACTION

PDDYNAMIC

TYPE OF ACTION	FI/C	XX	CA	OTHER
NEW OPACT APPROVAL	DIVISION Soviet/East European		OBJECTIVE A.2	
AMENDMENT NO.	FIELD STATION		TARGET COUNTRY	
X RENEWAL FY 19 78	BRANCH SE/SAG		DESK CA	
EXTENSION	CASE OFFICER C JAK		DATE 12 Sept 77	
TERMINATION	ROOM NO. 3D0119	BUILDING HQS	TELL EXT. 1073	RED BLACK 6118
INTENDED SOLELY FOR COLLECTION PER SEC 662 OF FOR. ASSIST. ACT		X	NOT INTENDED SOLELY FOR COLLECTION PER SEC 662 OF FOR. ASSIST. ACT	

NOTE: ATTACH COPY OF DCI CERTIFICATION OF COMPLIANCE WITH SEC 662 OF FOR. ASSIST. ACT WHERE ACTIVITY IS NOT INTENDED FOR COLLECTION

CONCURRENCES OF DIVISIONS

ORGANIZATIONAL ELEMENT	TYPED NAME (and Signature)	DATES		MEMO ATTACHED	
		IN	OUT	YES	NO
C/SE/SAG	[Signature]	12 SEP 1977	12 Sep 77		✓
C/SE/BF	[Signature]	12 Sept 77	13 Sept 77		
C/SE/OSG Plans Officer	[Signature]	13 Sept 77	13 Sept 77		✓
DC/SE	[Signature]	14 Sept	14 Sept		✓
C/SE	[Signature]	15 SEP 1977			

CONCURRENCES OF OTHER COMPONENTS

(Type in Organizational Element and Name Below Only when Concurrence Obtained by Originating Element.)		DATE		MEMO ATTACHED	
		IN	OUT	YES	NO
AC/CAS	[Signature]		21/9/77	✓	✓
C/CCS/PRG	(Signed) [Signature]	22 Sept 77	29 Sept 77		X
C/EPDS/EG	[Signature]		27 OCT 1977		✓
EPDS/COMPT	[Signature]	27 Oct 77	27 Oct 77		✓
C/EPDS	[Signature]		11/4/77		✓
* With recommendations contained in the					
Evaluation & Program Design Staff's memorandum					

APPROVAL

FROM	PERIOD	AMT THIS ACTION	FY	TOTAL FUNDS AUTHORIZATION
1 Oct 77	TO 30 Sept 78	E 3 *	19 78	E 3
APPROVING AUTHORITY (Title & Signature)		FOR DDO USE ONLY		DATE
ADDO [Signature]		EXEMPT FROM P/S REVIEW	COMPARTMENTED P/S REVIEW	06/11/77

14 NOV 1977

MEMORANDUM FOR: Associate Deputy Director for Operations
FROM : C Chief, Evaluation & Program Design Staff
SUBJECT : FY 1978 Renewal of Activity PDDYNAMIC

1. Action Requested: SE Division requests renewal of Activity PDDYNAMIC for FY 1978 in the amount of C, although only C is available in the SE Division budget for this activity. This Staff recommends that PDDYNAMIC be approved for the budget amount of C.

2. Background: Activity PDDYNAMIC supports Prolog Research Corporation, located in New York, the publishing and operational element of the Ukrainian Liberation Group. An affiliate in Munich publishes a political-literary magazine, books, pamphlets and leaflets which are infiltrated into the USSR for clandestine distribution or passed to official Soviet representatives or travelers abroad. Prolog activities and publications are designed to provide intellectual and moral support to those Ukrainians inside Soviet Ukraine who seek moderation of the Soviet political system.

3. Four disseminations resulted from contacts by a PDDYNAMIC asset with Ukrainian travelers to the Soviet Union. A PDDYNAMIC asset in Munich, who is in touch with identified intelligence officers in the Chinese People's Republic Embassy in Bonn, passed Prolog materials to these contacts which was later published in the Peking Review. The Prolog group has also continued the effort begun in FY 1977 to extend their contacts and cooperation with other national minority groups abroad who are attempting to contact and influence their compatriots inside the Soviet Union.

4. A proposal before the SCC Special Activities Working Group which calls for expansion of this program has been referred to the State Department for preparation of a paper defining policy on minorities in the USSR. Should this expansion eventually occur, SE Division has plans to take initial steps to relocate the headquarters of Prolog from New York to Munich and to change the funding of the PDDYNAMIC

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activity from proprietary status to that of a non-controlled subsidy to simplify cover problems and minimize overhead costs.

6. Staff Position: The Evaluation and Program Design Staff recommends approval of this renewal request at the budgeted level of [] The Central Cover Staff concurs in this recommendation. Chief, Covert Action Staff advises that this activity is in accordance with the provisions of Section 662 of the Foreign Assistance Act.

[] JWJ

CONCUR:

- 1. As submitted _____
- 2. With recommendations contained in Paragraph 1 of the EPDS memorandum J. Shackley
- 3. Other ADDO comment In amendment above the budget level of [] can be submitted at a later date when SEC issue is resolved. J

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MEMORANDUM FOR: Associate Deputy Director for Operations

SUBJECT: FY 78 Renewal of Activity PDDYNAMIC

1. PDDYNAMIC is SE Division's operational activity for the support of a national minority emigre group, that of the ZP/UHVR (Ukrainian Liberation Council) and more directly its publishing and operational element, Prolog Research Corporation, which is located in New York. An affiliate in Munich, the Ukrainian Society for Studies Abroad, publishes a monthly political-literary magazine, Suchasnist (Contemporary Times), books, pamphlets and leaflets (primarily in Ukrainian) which are infiltrated into the USSR for clandestine distribution, or passed to official Soviet representatives or travelers abroad. Prolog activities and publications are designed to provide intellectual and moral support to those Ukrainians inside the Soviet Ukraine who seek moderation of the Soviet political system.

2. PDDYNAMIC activity is in furtherance of DDO Objective A.2 and is in compliance with the provisions of Section 662 of the Foreign Assistance Act of 1961 (as amended) in that it was covered by the first Presidential Finding of 10 January 1975 and subsequently reported to the appropriate Congressional committees. PDDYNAMIC is part of the SE Division covert action program targeted at the USSR and Eastern Europe, has been reviewed by the Special Coordination Committee of the National Security Council and was approved by President Carter on 4 March 1977.

3. A proposal is now before the Special Activities Working Group which calls for an expansion of this program with emphasis on increase of contact and support to other national minority groups abroad which are targeted at national minorities in the USSR. If the proposal is endorsed by the SCC and approved by the President, we intend to seek an amendment to this OPACT to increase FY 1978 funding by \$155,000 to a total of \$420,000. This increase is not contemplated in the FY 78 program and would have to be met by a reserve release.

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AND METHODS INVOLVED

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ACCOMPLISHMENTS:

4. During the twelve month period of FY 1977, an estimated total of 25,500 items of PDDYNAMIC-produced literature will be distributed to the target area. This includes copies of the Suchasnist, the Information Bulletin, and books and pamphlets published by Prolog and distributed through one of the following means: hand carried by travelers to the Ukraine; hand carried to East Europe and mailed to the Ukraine from there; mailed from the West; passed directly to Ukrainians traveling to the West; and other special methods.

5. During FY 1978, over 70 Prolog collaborators traveled to the USSR, many carrying in Prolog literature to relatives, friends and contacts in the Ukraine. Such visitors had over 400 contacts with Soviet citizens from whom they obtained information on conditions in the Soviet Union, news of dissident activity, and the treatment of arrested dissidents, including those subjected to psychiatric abuse. (See Annex A for a sample message smuggled out of a Soviet prison protesting the inhumane treatment of prisoners and relayed to Prolog contacts by relatives of the prisoners). Much of the material brought into the Ukraine by the visitors is then manually duplicated and circulated inside the country.

6. Prolog has published a total of thirteen books during FY 1978, the majority of which are by Soviet Ukrainian authors who are unable to get their works published internally. The range of titles include poetry, biography, novels, essays, and a variety of hard-hitting books on historical or contemporary topics such as "Chronicles of Life in Soviet Concentration Camps", Sosnovsky's "History of Ukrainian Political Thought", and items on Ukrainian politics and culture. In addition in FY 1977 the monthly Suchasnist was continued with a press run of 2,000 copies, each month, and the letter-sized Information Bulletin (for mailing to Soviet institutions and party leaders) was printed four times in a press-run of 2,000 copies each and mailed into the Ukraine.

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7. PDDYNAMIC/29 continued to spearhead the Prolog internal contact program by twice yearly trips to Europe to meet, vet, brief and debrief Ukrainian students, tourists and academics who travel to the Soviet Ukraine. This contact program has been continuing successfully for over 15 years with no serious incidents. The purpose of the program is to maintain personal contacts with both dissidents and non-dissidents in various parts of the Ukraine; the result has been a large variety of reporting about political and economic events in the more remote provinces of the Ukraine. This information was proved useful to SE Division reports officers for general background information on the Ukraine and has also resulted in four disseminations.

8. PDDYNAMIC/29 continued personal and mail contact with PDDYNAMIC/74 in Munich, whose organization, The Ukrainian Society for the Study of Asian Problems (USSAP), is in contact with identified intelligence officers of the Chinese People's Republic based in the PRC Embassy in Bonn. Materials on the Ukrainian nationality question prepared by Prolog were relayed to the PRC representative in Bonn and resulted in an article in the Peking Review 22 October 1976, entitled "Underground Ukrainian Organization: Soviet National Oppression Denounced". Soviet press reaction indicated their strong displeasure with Chinese exploitation of this troublesome nationality question. In June 1977, PDDYNAMIC/74 was introduced to a new PRC representative who had arrived to replace the former contact who was returning to Peking where he will be responsible for Soviet affairs.

9. In New York, PDDYNAMIC/64 has maintained periodic contact with a Soviet Ukrainian official at the United Nations and has provided a series of in-depth assessments of the official. PDDYNAMIC/57, a young and energetic officer, has continued his work among young people in Canada and Western Europe by encouraging and guiding their work in publicizing the abuses of the Soviet GULAG system. He has also maintained contact with Soviet deportee Leonid Plyushch, who was released from a Soviet psychiatric institute in February 1976. Plyushch has been enrolled as a contributor to Suchasnist and the Prolog book publishing program.

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10. There has been a continued drumbeat of attacks in the Soviet press against the "Ukrainian bourgeois nationalists" in general and the Prolog magazine Suchasnist in particular by such Soviet organs as Literaturna Gazeta, Radyanske Literaturoznavstvo, Vitchyzna and Vsesvit. Personal attacks (on PDDYNAMICS 2, 3, 4, 17, 29, and 30) and on the ZP/UHVR organization appeared in at least a dozen books and journals indicating that Prolog materials and activities are reaching their target. (Attached as Annex B is a resume of the most significant attacks).

11. Finally, the Prolog group has continued the effort begun in the last fiscal year of extending their contacts and cooperation with other national minority groups abroad who are attempting to contact and influence their compatriots inside the Soviet Union. A second volume of documents dealing with the nationality problems (similar to that published during FY 1976) has been collected and is being published in Russian. More active support to such groups, however, has not been possible due to severe budget restrictions in FY 1977.

PROBLEMS:

12. As in previous years, the major problem faced by the Prolog group has been the perennial lack of adequate funds, further aggravated by continuing inflationary increases in cost of living, publishing and overhead costs. The majority of personnel has been maintained at salary levels well below comparative salaries of other organizations. Although we are asking for a modest increase to cover inflationary costs, most of these funds will be utilized for overhead costs with little left for personnel increases.

PLANS:

13. PDDYNAMIC/29 will travel to Europe several times during the coming year to continue the program of vetting, briefing and debriefing regular sources and new travelers to the Ukraine. In addition, during his trips he will also widen his working contacts with other groups and individuals concerned with the nationalities problem in the Soviet Union. In the event that the proposal currently before the Special Activities Working Group for expansion of the minorities

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program is approved, he will be in a position to provide these groups (Baltic, Byelorussian, Crimean Tatar, Armenian, and Georgian) with operational support and with help in expanding their programs of contact operations and publication and distribution of materials in their native languages.

14. Also, in the event that the expansion is approved, we plan to take initial steps to relocate the headquarters of Prolog from New York to Munich and to change the funding of the PDDYNAMIC activity from a proprietary status to that of a non-controlled subsidy to simplify cover problems and minimize overhead costs. Such an arrangement would also put the Prolog leaders closer to the target areas and to the major centers of emigre activity in Europe. Such a relocation would necessitate the transfer of several Prolog officers to Munich with initial one-time travel and transfer costs which cannot be absorbed in the present budget.

15. Finally, Prolog plans to continue publication of the Ukrainian language journal Suchasnist, the Information Bulletin, and to publish as many of the twenty Ukrainian language manuscripts (which they have already reviewed, edited and prepared for printing) as the budget will allow. Included in this list is a wide range of titles including such samizdat materials as Snyehiryev's "Nen'ko Moya Nen'ko" (Mother, My Mother), the letters of imprisoned writers Lysoviy and Strilaniy, and various essays, poems and memoires. In connection with the 60th Anniversary of the Soviet Union, the group plans to publish Maystrenko's "Sixty Years of Nationalities Policy of the CPSU", and his "History of the Communist Party Ukraine, Vol III", Solchanyk and Hunchak's "Documents on the Development of the Ukrainian Political Thought", Koshelivec's "Literary Policy of the CPSU in the Ukraine", and several titles on economics, criticism of Marxism and political essays. The cost of this proposed publication is estimated at approximately , about double the amount the group has been able to devote to their publications in previous years. Should the proposal

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for the expansion of the minorities program be approved, it is planned to utilize a portion of those funds to cover this expansion of published materials.

COSTS:

16. It is requested that PDDYNAMIC be renewed for FY 1978 in the amount of [] .

Source of Funds

Funds for PDDYNAMIC were included in the SE Division Operational Program in the amount of [] . An additional sum of [] is required to maintain operations at the present level and to offset inflation (this increase is necessary due to budgetary restrictions in FY 1976 and FY 1977). Funds for PDDYNAMIC in FY 1978 were budgeted at [] less than current operational requirements indicated. This is presently an unfunded requirement. The FY 1979 program included [] to cover this activity. An additional sum of [] will be required in FY 1979 to maintain activity at the FY 1978 operational level.

Budget

See attached breakdown.

Foreign Funds

Approximately 48% of all PDDYNAMIC funds is expended in German or other West European currencies. Conversion from U.S. dollars is handled by PDDYNAMIC.

Funding

In accordance with the approved Administrative Plan.

Accountability

All funds are accounted for in accordance with Agency regulations and the PDDYNAMIC Administrative Plan.

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PDDYNAMIC BUDGET BREAKDOWN FY - 1978

	<u>FY-1977</u>	<u>FY-1978</u>	<u>FY-1979</u>
Cash Resources:			
Beginning Cash Balance	[]	[]	[]
Subsidy	[]	[]	[]
Income from Sales of Books & Subscriptions	57,000	60,000	62,000
Total Cash Available	[]	[]	[]
Less Expenditures	[]	[]	[]
Ending Cash Balance	[]	[]	[]
Expenditures:			
<u>Fixed Expenses New York Office:</u>			
Payroll & Fringe Benefits	\$ 132,050	\$ 138,900	\$ 145,800
Office Administration	[]	[]	[]
Sub-Total Fixed Expenses	[]	[]	[]
<u>Operating Expenses:</u>			
Operational Travel	[]	[]	[]
Purchase of Books & Publications	[]	[]	[]
Entertainment	[]	[]	[]
Publishing Costs	[]	[]	[]
Distribution Costs	[]	[]	[]
Affiliated Group (Munich) *	[]	[]	[]
Research & Contact Operations **	[]	[]	[]
Sub-Total Operating Expenses	[]	[]	[]
Total Expenditures	[]	[]	[]

* See Annex 1
** See Annex 2

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Annex 1

	<u>FY-1977</u>	<u>FY-1978</u>	<u>FY-1979</u>
<u>Payroll & Fringe Benefits:</u>			
Salaries	\$ 121,200	\$ 127,000	\$ 133,000
Contributions to Employees Pension Plan	[]	[]	[]
Insurance	[]	[]	[]
Dues & Registration	[]	[]	[]
Total Payroll & Fringe Benefits	\$ []	[]	[]

Fixed Expenses:

Rent	[]	[]	[]
Electricity	[]	[]	[]
Telephone	[]	[]	[]
Office Supplies	[]	[]	[]
Taxes & Licenses	[]	[]	[]
Maintenance & Repairs	[]	[]	[]
Miscellaneous Expenses	[]	[]	[]
Total Fixed Expenses:	[]	[]	[]

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Annex 2

Breakdown of Affiliated Group (Munich)

	<u>FY-1977</u>	<u>FY-1978</u>	<u>FY-1979</u>
Payroll & Fringe Benefits	\$ 31,400	\$ 32,800	\$ 34,000
Office Expenses	[]	[]	[]
Publishing Expenses: <u>Suchasnist</u>	[]	[]	[]
Total Affiliated Group Expenses:	[]	[]	[]

Breakdown of Research & Contact Operations (Munich)

Research	[]	[]	[]
Contact Operations	[]	[]	[]
Reverend I. Hryniokh (Stipend)	[]	[]	[]
Total Research & Contact Ops. Expense	[]	[]	[]

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ADMINISTRATIVE
PLAN

MEMORANDUM FOR: Deputy Director for Plans
Special Support Assistant, DDS

SUBJECT: Administrative Plan for CA Staff
Proprietary Project QRDYNAMIC

I. Objective

1. The objective of Project QRDYNAMIC is to exploit nationalistic, cultural and other dissident tendencies which exist in Ukraine, and to exert pressure on the Soviet regime for greater national and intellectual freedom. QRDYNAMIC appeals to dissident elements in Ukraine to whom it lends its moral, political and material assistance. It attempts to stimulate and widen the scope of their activities by publishing literary, political, historical works conducive to the awakening and growth of national consciousness.

II. Instrumentality and Background

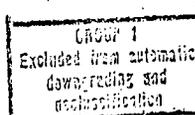
2. a. The publication activity of Project QRDYNAMIC is handled through QRTENURE of New York, New York, incorporated under the laws of New York as a commercial taxable enterprise for the purpose of research and study of international communism as specified in the Certificate of Incorporation.

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

(1) Amendments to the charter and by-laws will require the prior approval of the CA Staff and the concurrence of the General Counsel.

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(2) QRTENURE will not perform services for fees without the approval of CA Staff and the concurrence of the Central Cover Staff.

(3) All officers and directors shall be approved by CA Staff. In addition, the treasurer shall be approved by the Office of Finance.

c. All publications originate in Europe through QRTERRACE, in Munich, Germany. Operational contact is limited to the New York office, with no contact in Germany.

III. Need for Administrative Plan

3. In August 1970 the project formerly known as AERODYNAMIC was transferred from the Soviet Bloc Division to the Covert Action Staff, and redesignated QRDYNAMIC. Therefore, this Administrative Plan is written to reflect current operating procedures.

IV. Approvals

4. QRDYNAMIC was approved in the amount of \$231,000 for FY 1972 and is programmed for \$250,000 for FY 1973.

V. Recision

5. Concurrent with the approval of the Administrative Plan for CA Staff Proprietary Project QRDYNAMIC, the Fourth Revised Administrative Plan for SB Division CA Project AERODYNAMIC is hereby rescinded.

VII. Recommendation

6. The attached Administrative Plan for CA Staff Proprietary Project QRDYNAMIC has been concurred in by the Agency components of interest and is recommended for your approval.

SIGNED

Chief, Support Group
Covert Action Staff

ADMINISTRATIVE PLAN FOR
CA STAFF PROPRIETARY
PROJECT QRDYNAMIC

I. Budget

1. a. Annually, a proposed operating budget will be prepared for project QRDYNAMIC as a preliminary forecast of the requirements of the project for appropriated funds for the next two fiscal years. This proposed budget shall conform generally with the categories of expense as employed in the initially approved project renewals and/or amendments.

b. Upon approval of the CA Staff operating program an annual renewal of project QRDYNAMIC will be presented to the A/DDP for approval, within the limitations of the allocation of funds available to the CA Staff from appropriations. The operating budget, as included in the annual project renewal and approved by the A/DDP, shall constitute the approved operating budget. No increase in this total amount may be made except through a formally approved amendment of the project.

c. MPS/BG will provide OPPB with a copy of the most recently approved budget for the project.

II. Funding

2. Funds shall be passed in accordance with instructions provided by Central Cover Staff to bank accounts of the QRTENURE in New York or its branch office in Munich, Germany.

III. Agency Certification and Approval

3. The Headquarters case officer shall review the financial statements submitted by QRTENURE (New York office) and QRTERRACE (Munich office) and attach his certification that to the best of his knowledge and belief the statements are true and correct and the reported expenditures are within the scope of the project authorization. In addition, the financial statements shall be approved by an appropriate Agency approving officer and forwarded to the Proprietary Systems Branch, Commercial Systems and Audit Division, Office of Finance, at the earliest possible date and not

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later than ninety days after the close of the accounting period. A copy of the financial statements shall be forwarded to the Office of Planning, Programming and Budgeting.

IV. Accounting in Agency Records

4. The Office of Finance is authorized to accept the quarterly financial statements submitted by QRTENURE and QRTERRACE required under paragraph 3 above and paragraphs 12 a&b below, when properly certified and approved, for recording in the appropriate accounts.

V. Protection of Government Interest

5. a. Signed Memoranda of Understanding setting forth the relationship of QRTENURE with the Agency are not required of the present members of the Board of Directors. The Agency has been supporting the organization since 1950, and during this entire period the QRTENURE officials have been most cooperative and entirely willing to accept Agency 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.

b. It shall be the responsibility of the CA Staff to ensure that the Chairman of the Board of Directors always is aware of the authorities and responsibilities imposed upon QRTENURE by this plan, and to provide a Memorandum of Oral Understanding to this effect to the Office of Finance and Office of General Counsel.

c. All ostensible shareholders of stock shall endorse in blank the stock certificates issued in their names. 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 will be forwarded promptly to the Proprietary Systems Branch, Commercial Systems and Audit Division, Office of Finance, for recording and custody.

VI. Personnel Policy

6. The employment of personnel, direct or through contract, and establishment of salaries and other benefits

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shall be approved by CA Staff and shall be in accordance with HR 230-9. If cover employment is provided for Agency personnel, such action requires prior coordination with the Central Cover Staff for tax information and other matters on an individual basis.

VII. Insurance Coverage

7. a. A medical and hospital insurance program has been developed for QRDYNAMIC. This plan was approved by DD/P and the Office of Personnel.

b. The QRDYNAMIC proprietary has a pension plan which was qualified by the Internal Revenue Service in 1962. This plan was approved by the DDP and Director of Personnel. The Agency has approved an increase of employer and employee contributions from 6% to 7% of participants' earnings and has agreed to supplement the plan's assets by about \$28,000. The plan is in the process of being revised to reflect these changes. The investment of the pension funds are to be handled by []

VIII. Legal Services

8. The Office of General Counsel shall at all times be kept informed of the current status of the legal requirements of the instrumentality and shall be responsible for accommodating its legal problems and for approving the use and the fee of outside counsel. Any attorney used by QRDYNAMIC shall be selected or approved by the Office of General Counsel.

IX. Casualty Provisions

9. A casualty annex is not applicable to project QRDYNAMIC. The need for the Agency to provide assistance for any unusual sickness, injury or disability benefits will be established by separate memoranda or amendment to the project renewal as need arises.

X. Security Policy

10. In the utilization of individuals under this project the provisions of CSI 10-5 and CSIF 10-5 shall be followed; any exceptions thereto require the prior approval of the Office of Security or the CI Staff, as appropriate.

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XI. Audit

11. An audit program shall be developed and implemented 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 accountants for audit purposes.

XII. Financial Accounting and Reporting

12. a. QRTENURE shall maintain financial records and accounts of a type consistent with its ostensible character, as prescribed or approved by the Office of Finance, and shall submit to the CA Staff 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 QRTENURE independent field contracts will be reported under the "research" category and will not be itemized. However, separate accounts will be maintained for these expenses.

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

(4) Annual Statement of Fixed Assets.

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

b. QRTERRACE shall submit to QRTENURE, 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 Agency funding

reported as receipts from QRTENURE 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 the best of his knowledge and belief, they accurately reflect the financial status of QRTERRACE activities and the disposition of funds during the reporting period. These reports shall be transmitted by QRTENURE to CA Staff along with QRTENURE's quarterly reporting.

XIII. Borrowing, Lending, and Pledging Assets

13. QRDYNAMIC is not authorized to borrow or lend any funds, to mortgage or pledge any of its assets (except for occasional educational loans not to exceed \$500.00 each to students with operational potential), without prior Headquarters approval, which shall be in accordance with paragraph 4 o, HHB 230-1.

XIV. Investment Policy

14. There is no requirement for QRDYNAMIC to make any investments in securities or interest-bearing accounts.

XV. Real Property and Office Furnishings

15. The purchase or lease of real property and the purchase of office furnishings requires the prior approval of the designated CA Staff approving officer. The purchase or construction of real property requires also the prior approval of the Director of Logistics. Annual reports of real holdings shall be submitted to the Office of Logistics in accordance with HR 45-15.

XVI. Limitation on Individual Disbursements and Contractual Arrangements

16. Except for funding transactions, any disbursements in excess of \$5,000 or contractual arrangements of more than twelve months' duration shall require the prior approval of the appropriate CA Staff approving officer for project QRDYNAMIC

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ADMINISTRATIVE PLAN FOR
CA STAFF PROPRIETARY
PROJECT QRDYNAMIC

CONCURRENCE SHEET

C

J

15 DEC 1971

C/CA/EG

Date

/s/ C

J

16 Dec 1971

DC/CA/Staff

Date

/s/ C

J

20 Dec 1971

OF/PSB/CSAD

Date

/s/ C

J

21 Dec 1971

Chief, Commercial Group

Date

/s/ C

J

23 DEC 1971

Office of General Counsel

Date

/s/ Charles A. Briggs

5 JAN 1972

D/OPPE

Date

C

J

11 JAN 1972

Office of Security

Date

C
Central Cover Staff

14 JAN 1972

Date

C

J

18 JAN 1972

MPS/BG/Projects

Date

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