

As file

SECRET

10 April 1958

MEMORANDUM FOR: Chief, Plans Staff, FI
THROUGH : Projects Branch, Plans Staff
SUBJECT : Amendment to Project ARACHE

1. Attached herewith is a memorandum signed by the Chief, SR/6, requesting that approval be granted to use \$800 of the operational funds allotted to Project ARACHE for payment of hospital and doctor bills owed by Edmund B. GOTTHOLD (P), presently under contract to this Agency on behalf of SR/DOB. Also attached is a commendation for GOTTHOLD prepared by the outgoing chief of SR/6.

2. As will be noted, pending approval of an SR/6 project, GOTTHOLD has been on loan to that component for some months during which time he has conducted the Soviet Realities Orientation Course under their direction.

3. This office interposes no objection to such a suggestion, as presented, and recommends amendment of basic project to include approval to use \$800 of operational funds for GOTTHOLD. Additional funds are not requested to cover this payment.

[Signature]
Chief, SR/DOB

Attachments: Two, in dup.

Distributions:
2 - Addressee, w/atts. a/s
2 - SR/7, w/o
1 - SR/6/C [w/o]
1 - SR/6/CHRONO, w/o
JMN, SR/6:mg

DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCE METHOD EXEMPTION 3020
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

CONCUR:

OFFICE OF GENERAL COUNSEL

(DATE)

SECRET

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SR/6-58-223

10 April 1958

MEMORANDUM FOR: Chief, FI

SUBJECT : Request for Amendment to Project AEACRE

1. Purpose of the Amendment

It is requested that approval be granted to use \$800 of the operational funds allotted to Project AEACRE for the payment of hospital and doctor bills owed by a contract employee, Edmund B. GOTTHOLD (P).

2. Biographic Data - CIA Experience

a. GOTTHOLD, a former major in the Soviet Army, defected to the West in late 1951, and has been working for the Agency since early 1952.

b. While GOTTHOLD was working for the Agency in Frankfurt, it was discovered that two RIS agents had been sent to Germany to locate him. It was determined that he was definitely a target of the RIS, and he was brought to the U.S. in August 1956 under Section 8 of Public Law 110 to escape the RIS overtures.

c. During his employment with CIA, GOTTHOLD has served in Germany as a REDSOX trainer and interrogator of Soviet defectors, especially in the establishment of bona fides. Since his arrival in the U.S., he has been employed for SR/7/DOB's Project AEACRE as an agent trainer, and has assisted in REDSOX operations in research, analysis, and planning of specialized REDSOX techniques. He has been on loan to the SR/6 Support Branch since November 1957 where he has been assigned the responsibility of preparing briefing material on Soviet defector handling procedures, interrogation techniques, and Soviet realities. He has also organized and conducted three series of six week briefings of staff personnel on these topics. GOTTHOLD is thus broadly experienced in operational problems and techniques and this experience, combined with his native abilities and industry, make him one of the most valuable defector consultants in the possession of the SR Division. At the present time, GOTTHOLD is being included in a new SR/6 operational support project which will be submitted to the FI Staff for approval in the near future.

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3. Background

GOTTHOLD, on the direct advice of a staff officer, obtained a private hospitalization policy with Mutual of Omaha for his mother-in-law in April 1957. A physical examination was not required by Mutual for this coverage. The mother-in-law was subsequently hospitalized twice. It was necessary for the staff officer to work in the Russian language while assisting GOTTHOLD in filling out both the application and claim forms for the mother-in-law since GOTTHOLD speaks very little English. On 15 January 1958, Mutual of Omaha refused to pay the hospital bills and cancelled the policy, citing discrepancies in the original application and claim forms. A portion of their letter is quoted:

"While handling your request for benefits, information was obtained regarding your past health history prior to the issuance of the policy, and this important information was not included on your application for insurance. If your application had shown the facts brought out in your recent claim, our underwriters could not have issued the contract applied for, but would have refunded any money that you had deposited. Now that we have this information, it is necessary that we take the same action that would have been taken if the full facts had been given on the application, or as soon as you had received and read your policy with a copy of the application attached. Your policy has been set aside from the date of issuance, and the enclosed \$77 draft represents a return of all premiums paid."

Negotiations have been in process since January 1958, the date on which the above letter was received, to attempt to convince Mutual that they should pay the hospital bills. The staff officer has visited Mutual several times in an attempt to straighten out the details, and [redacted] of the Casualty Affairs Division has negotiated with Mr. Jones, the head of the Mutual Washington office. On 3 April 1958, Mr. Jones stated that Mutual of Omaha would definitely not pay the claim.

Meanwhile, the two hospitals involved (\$239.10 owed to one since July 1957 and \$390.49 owed to a other since August 1957) have become insistent about their long overdue bills. One hospital recently sent GOTTHOLD a notice that their bill was being turned over to a collection agency. The Office of Security was notified and one of its representatives visited the two hospitals who promised to take no further action until Friday, 18 April 1958. GOTTHOLD also owes \$106 to the doctor who took care of his mother-in-law when she was hospitalized.

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4. Justification

It is the belief of the SR/6 Support Branch that it is in the Government's interest to pay the hospital and doctor bills, for the following reasons:

- a. GOTTHOLD took out a hospitalization policy with Mutual of Omaha at the direct advice of his case officer;
- b. It was necessary for the staff officer to assist GOTTHOLD in the Russian language while filling out the original application and claim. Several errors in translating contributed to Mutual's refusal to pay the claims;
- c. From a security point of view, it is inadvisable for GOTTHOLD to become involved in any court action due to the fact that he was spotted by the RIS while working in Frankfurt, and was brought to the U.S. to escape their overtures; and
- d. GOTTHOLD is considered to be one of the most valuable defectors ever employed by this Division - (see attached commendation). It is of vital importance from the point of view of his future usefulness to the Agency that he not become embittered and hostile toward the Agency.

5. Administrative Arrangements

A representative from SR/6 will visit the two hospitals and the doctor's office with GOTTHOLD and will pay the bills in person. At the same time, a quit claim will be signed by GOTTHOLD stating that:

- a. There will be no court action by GOTTHOLD to recover funds from other sources for the bills covered by this project amendment; and
- b. He realizes that any future illnesses of his mother-in-law are his exclusive financial responsibility and that the Agency has no future responsibilities to assist in payment of hospital or doctor bills.

6. For further information, please contact [] 1604 "J" Building, extension 3362.

Distribution:

- 2 - Addressee
- 2 - SR/7/DOB
- 1 - SR/6/C/ []
- 1 - C/SR/6/CHRONO []

JMN:mg

[] Chief, SR/6 []

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SR/6-58-223

10 April 1958

MEMORANDUM FOR: Chief, FI

SUBJECT : Request for Amendment to Project AEACRE

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[] Chief, SR/6

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10 April 1958

MEMORANDUM FOR: Chief, Plans Staff, FI
THROUGH : Projects Branch, Plans Staff
SUBJECT : Amendment to Project AEACRE

1. Attached herewith is a memorandum signed by the Chief, SR/6, requesting that approval be granted to use \$600 of the operational funds allotted to Project AEACRE for payment of hospital and doctor bills owed by Edmund B. GOTTHOLD (P), presently under contract to this Agency on behalf of SR/DOB. Also attached is a commendation for GOTTHOLD prepared by the outgoing chief of SR/6.

2. As will be noted, pending approval of an SR/6 project, GOTTHOLD has been on loan to that component for some months during which time he has conducted the Soviet Realities Orientation Course under their direction.

3. This office interposes no objection to such a suggestion, as presented, and recommends amendment of basic project to include approval to use \$600 of operational funds for GOTTHOLD. Additional funds are not requested to cover this payment.

Chief, SR/DOB

Attachments: Two, in dup.

Distribution:

CONCUR: 2 - Addressees, w/atts. a/s

2 - SR/7, w/o

1 - SR/6/C] w/o

1 - C/SR/6/CHRONO, w/o

1 - JMN, SR/6:ing

CONCUR:

OFFICE OF GENERAL COUNSEL

(DATE)

SECRET