

SECRET

06066-0504
SSA 66-0459

*4 March
1966*

MEMORANDUM FOR: Deputy Director (Plans)
Special Support Assistant to the DD/S

SUBJECT : Third Revised Administrative Plan for SR
Division CA Project AERODYNAMIC

I. Project Objective

1. The objectives of this project are to encourage and exploit Ukrainian nationalist aspirations; to exert maximum pressure on the Soviet regime internally; to shake Bloc solidarity; and to exploit contacts with Soviet citizens.

II. Instrumentality

2. The instrumentality of this project is AEBEEHIVE, a PBPRIME propaganda panel organized as a non-profit tax-exempt membership corporation, and a corresponding group in Europe.

III. Need for this Revision

3. A recent KUBARK audit report on Project AERODYNAMIC requested that the Plan provide accounting requirements for disbursements made to individuals by AEBEEHIVE in its contact operations and mailing activities. These payments, which represent approximately 25 per cent of AEBEEHIVE's budget, are for the expenses of the individuals but SR Division feels that in the interests of security the payees cannot be required to account for the funds. The disbursements are supported only by cancelled checks. The revised Plan permits the inclusion of such payments as "Special Projects and Activities" on AEBEEHIVE's quarterly accountings without supporting documentation.

4. Further, the revised Plan deletes the provision for utilization of Project AERODYNAMIC to fund or to provide services or cover for other KUBARK projects. To the best of the Division's knowledge this provision has been used only once since it was incorporated into the Second Revised Administrative Plan in January 1958.

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

SECRET

06-03-0003
GROUP 1
Excluded from automatic
downgrading and
declassification

SECRET

-2-

5. Other minor alterations include replacing references to AECASSOWARY/2 and AECASSOWARY/3 with "principal agent of AEBEEHIVE" and "principal agent of the overseas group" respectively; and substituting "Office of Planning, Programming and Budgeting" or "Office of Finance" as appropriate for "Office of the Comptroller."

IV. Approval

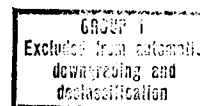
6. This project was approved in the amount of \$148,000 for Fiscal Year 1966.

V. Recommendation

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

[]
Chief, Support Staff, SR Division

SECRET



SECRET

THIRD REVISED ADMINISTRATIVE PLAN
FOR SR DIVISION CA PROJECT AERODYNAMIC

I. Terms of the Plan

1. The provisions of this Administrative Plan apply only to the activities of AEBEEHIVE, an agency-controlled mechanism within subsidy project AERODYNAMIC, except where specific reference is made to the subsidized overseas group.

II. Organization and Management of Cover Corporation

2. AEBEEHIVE has been incorporated under the laws of New York as a non-profit tax-exempt membership corporation, with offices in PBPRIME and overseas, for the (ostensible) purposes of research and study of International Communism, the publication and circulation of papers, periodicals, books, pamphlets, etc., and for other purposes specified in the Certificate of Incorporation.

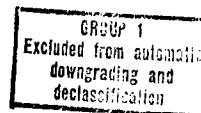
3. Basic policy guidance and direction of AEBEEHIVE activities is provided by KUBARK through the project case officer in meetings with the Chairman of the AEBEEHIVE Board of Directors or other officers, as appropriate. For cover purposes the Board of Directors has responsibility for conduct of AEBEEHIVE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

a. Amendments to the charter, constitution, and bylaws will require the prior approval of the SR Division and the concurrence of General Counsel.

b. The solicitation of contributions from sources other than KUBARK shall require the prior approval of SR Division with the concurrence of General Counsel and Central Cover Staff. AEBEEHIVE shall include and identify in their quarterly accounting the receipt of any outside contributions.

c. All officers and directors shall be approved by SR Division with the concurrence of Central Cover Staff and, in addition, the principal accounting officers shall also have the approval of the Office of Finance.

SECRET



SECRET

-2-

d. All funds received by AEBEEHIVE shall be deposited in an AEBEEHIVE PBPRIME bank account. Withdrawal from this account shall require the signature of two of the officers of AEBEEHIVE except that withdrawals of \$500 or less shall need only one signature. The SR Division shall advise the Office of Finance, upon request, of the name and address of the bank in which the AEBEEHIVE account is carried, the title of the account and the authorized signatories thereon.

e. The borrowing or lending of funds (other than occasional educational loans not to exceed \$500 each to students with operational potential) shall require the prior approval of SR Division, with the concurrence of Central Cover Staff (as to an individual borrower or lender) and the Office of Finance.

f. The leasing of office space shall require the prior approval of SR Division. The purchase of real estate shall require the prior approval of SR 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 SR Division.

h. Travel and subsistence expenses incurred by the owners, stockholders, 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 per day in excess of the ODYOKE 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.

SECRET

GROUP 1
Excluded from automatic
downgrading and
declassification

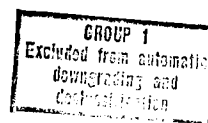
h. Cont'd. These expenses, as recorded on AEBEEHIVE's quarterly accountings, are equated with project personnel activities and production by the SR Division case officer to evaluate the reasonableness of such expenditures. The amounts involved are nominal; the KUBARK Report of Audit for the period 1 January - 31 December 1964 recorded \$630. Operational entertainment expenses incurred by any of the above personnel may also be reimbursed on an actual cost basis, in accordance with HHB 30-1, Chapter IX, to the extent that such expenses are reasonable and necessary to the accomplishment of operational objectives. Directors of the corporation may be paid a reasonable fee for their attendance at directors' meetings provided the directors concerned have no employment relationship with KUBARK. Expenditures authorized in this paragraph shall be reviewed during periodic KUBARK audits.

i. The requirements of HR 230-9 will apply to the salaries and other benefits of AEBEEHIVE 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/PG (CSN 20-41).

III. Protection of KUBARK Interest

4. Signed Memoranda of Understanding setting forth the relationship of AEBEEHIVE with KUBARK are not required of the present members of the Board of Directors. KUBARK has been supporting the organization since 1950 and during this entire period the AEBEEHIVE officials have been most cooperative and entirely willing to accept KUBARK 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. However, when any new chairman of the Board of Directors is appointed, he shall sign a memorandum of understanding. It shall be the responsibility of the SR Division to ensure that the Chairman of the Board of Directors is always aware of the authorities and responsibilities imposed upon AEBEEHIVE by this Plan, and to provide a Memorandum of Oral Understanding to this effect to the Office of Finance and Office of General Counsel.

SECRET



SECRET

- 4 -

IV. Budget

5. 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 inclusion of the financial requirements in SR 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

6. Funds shall be made available to the project in accordance with the project approval. The Office of Finance shall advance funds for the project, upon receipt of an approved request from SR Division, by one or more of the following methods:

- a. Through a Category I, Category II, or Category IV Funding Mechanism, as defined by HR 240-3, in coordination with Central Cover Staff;
- b. Through individuals and/or organizations ostensibly as donors and appropriately cleared with the Office of Security for use by Central Cover Staff;
- c. Through a "Fund-Raising Committee" created by the AEBEEHIVE Board of Directors;
- d. Direct, by means of checks and other instruments sterilized by multiple bank transactions. When this funding method is used, the SR Division Headquarters case officer, in coordination with Central Cover Staff, shall instruct the principal agent in PBPRIME to attribute these funds on the books of AEBEEHIVE to specific or anonymous donors who are interested in or are supporting the activities of AEBEEHIVE, or to a cleared local attorney acting in their behalf. Central Cover Staff shall arrange appropriate back-

SECRET

GROUP 1
Excluded from automatic
downgrading and
declassification

SECRET

-5-

d. Cont'd. stopping for this cover story.

The Request for advance in each case shall indicate in the "remarks" section which of the above funding methods is to be used.

7. AEBEEHIVE shall transfer funds periodically to the European field office engaged in psychological warfare activities against the Soviets.

VI. Accounting and Reporting

8. AEBEEHIVE 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 SR 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 AEBEEHIVE's independent field contacts will be reported as "Special Projects and Activities" and will not be itemized. Cancelled checks and any other supporting documents will be made available by AEBEEHIVE to the SR Division project case officer upon request and may be reviewed by the Office of Finance.

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

(4) Annual Statement of Fixed Assets.

The principal Agent of AEBEEHIVE, 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 AEBEEHIVE.

9. The overseas group shall submit to AEBEEHIVE, within 15 days following the close of each calendar quarter, 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

SECRET

GROUP 1
Excluded from automatic
downgrading and
declassification

SECRET

-6-

between funds received from AEBEEHIVE and funds received from non-AEBEEHIVE 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 the overseas activities and the disposition of funds during the reporting period. These reports shall be transmitted by AEBEEHIVE to SR Division.

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

VII. Writeoff

11. The Office of Finance is authorized to accept the quarterly financial statements submitted by AEBEEHIVE, 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," and for establishing memorandum accounts for the amounts reflected in the writeoff as funds physically advanced to the overseas group.

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.

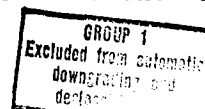
VIII. Writeoff (Equipment and Supplies)

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

IX. Security Policy

14. In the utilization of individuals under this 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 KUBARK nor

SECRET



AEBEEHIVE can exercise the type of control over the overseas group that would permit the enforcement of the security policy as set forth in CSIF 10-5, its provisions do not apply to the overseas group.

X. Audit

15. 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 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.

XII. Investments

17. Before any corporate funds of the companies under this project may be invested in non-ODYOKE securities, the concurrence of the Office of Finance and the approval of the Deputy Director, KUBARK, shall be obtained. All investments of project funds in ODYOKE securities shall require the prior approval of the Office of Finance. The requirement for concurrence of the Office of Finance and the approval of the Deputy Director, KUBARK of investments in securities as stated in this sub-paragraph does not extend to the acquisition of equity or creditor interest in going concerns engaged in various KUBARK activities, since such acquisitions will be made in the normal course of business, in accordance with the objectives of this project. All investments of project funds in interest-bearing deposits shall be in accordance with an investment policy to be approved by the Office of Finance.

APPROVED, by direction of DDP:

[]
DDP/C/PG

21 March 1966
Date

APPROVED, by direction of DDS:

[]
SSA-DDS

8 March 1966
Date

SECRET

-8-

THIRD REVISED ADMINISTRATIVE PLAN
FOR SR DIVISION CA PROJECT AERODYNAMIC

Concurrence Sheet

SR DIVISION

7 Feb 66
DATE

Office of Finance

9 Feb 1966
DATE

Office of Security
Investigations Support

1 Mar 1966
DATE

Central Cover Staff/NC

3 March 1966
DATE

Office of General Counsel

4 March 1966
DATE

* Office of Logistics

17 Feb '66
DATE

* The words "and disposal" should be added after "purchase" in para. II.3.f.

~~Domestic Operations Division~~

~~DATE~~

DDP/PG/CA

14 MAR 1966
DATE

GROUP 1
Excluded from automatic
downgrading and
declassification