

Options:

- I Sale of entire operation and assets wherein CIA takes control of the entire operation plus assets valued at approximately \$4M. The price would be negotiated at some level below the \$4M.

- II CIA takes over operational control. We maintain the crews and assets and conduct the operations at the following rates:
 - C-7 at \$1300/hr, minimum of 50 hrs/mo.
 - C-123 at \$1800/hr, minimum of 50 hrs/mo.
 - Maule at \$300/hr, minimum of 50 hrs/mo.

Therefore, the basic cost per month to the CIA would be \$311,500 plus additive costs for operations in excess of the 50 hours per month.

Note 1: We prefer option I with the proceeds from the sale going back into a fund for continued similar requirements.

Note 2: With either option, the CIA should know that 4/C-123K's have very recently been delivered to Tucson (MASDIC). These should be procured by CIA as they are probably in good condition and there should be a good spare parts stock with them.

00015

ALL ACC'TS

Balance 7 Feb 86 — 87,000

Deposits 10 Feb 5M
 19 Feb 1M
 18 Feb 5M

11,087

DEBITS

2/13	Tony Green	35,000	(BP)
2/14	SAT	270,000	(Down payment on 207 project)
2/20	ERST	20,000	Fuel Fund
2/26	ERST	92,448	(35% fee for proj 207 + 52,440 for client's <small>commitment</small>)
2/26	FRK	2,000	EXPENSE
2/27	DCFE-X	222,000	(Munitions)
2/28	MXLE	4,576	(Spares)
2/10	UBS	1,850,000	(CIA)
2/11	UBS	1,850,000	(CIA)
2/17	Hotel (Israel)	1,584	(Phone, hotel)
2/17	Habalah bank	31,500	(loan for fuel)
2/17	ERST	10,000	(Fee for Doc Ak delivery)
2/17	Munitions	10,432	(Construction progress pay)
2/17	RRUZ	3,500	15 days of Feb
2/27	RQ	5,000	Feb
2/26	CASH	50,000	(15 to Liban; 30 to WEST, 5 TL to FR)
2/26	SAT	740,000	(Final SAT contract for Proj. 207)

2/17	Commercial Tulin 5M 5036	10,000	(Feb pay)
		4,728,712	
		+ 2,000,000	(C.D)
		6,728,712	as of 28 Feb
3/5	Hunter	30,000	(3XOK check for WEST)
3/7	ADAM	100,000	(ISRAEL)
3/15	Hunter	10,000	(Cash WEST)
3/16	ACE	29,000	(Salaries)
3/15	Comm Tulin	10,000	(March pay)
3/17	SAT	121,000	(MR Hunter's delivery)
		<u>300,000</u>	Subtotal
		+ 6,728,712	
		7,028,712	Debit as of 18 APRIL
		∴ 4,058,288	Cash Balance as of 18 APRIL

ANTICIPATED DISBURSEMENTS - APRIL / APRIL

150,000	TO	IAF
150,000	TO	WEST
2,300,000	TO	DEFEX & Shipping
1,000,000	TO	Aircraft
50,000	TO	Salaries
50,000	TO	MEDICAL EXPENSES
200,000	TO	BP
200,000	TO	INSURANCE FUND
<u>181,000</u>	TO	DEFEX
4,381,000		

Continuation Sheet

1991B

3/20	RQ	10,000	WEST
3/23	CRUZ	10,500	Fed/MAR 87K
3/27	DEA	15,000	LEB
3/31	MONTGRO	28,000	WEST
3/31	RQ	20,000	WEST & NEW Rome @ 100 PANG
3/28	ACE	475,000	CIRZ
3/31	SAT	400,000	C-7 payment
3/31	RQ	5,000	MAREH
3/7	DEFGX	101,000	Balance on 3 MAR shipment

Subtotal 1,124,500

∴ 2,733,288 Balance 31 MARCH

4/1	RQ	30,000	WEST + NO AMMO FUEL FUND
4/1	DEFGX	93,120	operation 707 (phase 6) delivery of 100 PANGS since 7 APRIL
4/1	CMA	28,000	AMMUNITION
4/2	ACL	17,602.50	
	ARTICIPATED	DISBURSEMENTS	APR/MAY/JUNE

• 4/7	DEFGX	280,000	100 PANGS AMMUNITION
• APR-JUN	Account of M	650,000	
• APR	IAF 707 W/I	150,000	
• APR	COMM package	100,000	
• APR	RAW PANGS	350,000	
• APR	MGA Supplies and operations	45,000	100 PANGS
• APR	INSURANCE FUND	200,000	
• 4/9	SAT	120,000	LISBON TO 100 PANGS
• APR-JUN	Monthly Salaries	72,000	
• APR	DEFGX	2,200,000	Ship load of ammunition
• ?	Israeli TONS	822,000	
		<u>4,989,000</u>	∴ \$2 million deficit

Continuation sheet #2

		BALANCE 4/9	2,771,066
4/9	SAT	150,000	C140
4/10	EST	35,000	Comma gear
4/11	SAT	120,000	LIS-160
4/16	ACE/EST	150,000	Salaries/hardware (MORCK)
4/11	RQ	5,000	Salary
4/15	Cuy	7,000	Salary
4/15	COMM TOWN	10,000	APR Salary
		BALANCE 4/21 (includes cost on 4/14)	2,944,066
4/10	SAT	200,000	C123IC spares
4/7	DISPER	126,000	monitors
4/22	Walker	110,000	crew (pilot)
4/25	INT	185,000	MC & fuel
4/25	RQ	5,000	Fee
4/25	INS TRUS	200,000	Fence
		Balanced 4/25	2,078,066

Current Obligations

4/10	DISPER	280	LIS-160	? 150000	822
APR-SUN	a/p/m	650			2,994
4/14	DANGER	110		APR KANT FOR 39	27K
APR	REP	150		APR-SAT ^{APR 1500}	-18000
APR	BP	250		APR - 251C BLDG	
APR	INS RUND	2000		APR - 311C Monitor	
4/10	SAT	120	LIS	MAY - SAT 551C	1000
APR-SUN	Salaries	72		MAY - ? SAT C-7A2400	
4/10	SAT	200	C123 spares		
APR-SUN	DIS/ACC	150			

Balance forward 4/25

2 078 066

5/5	Hortobala	100,000	XXXXXX Refund
5/1	Ship	? 350,000	
5/12	RQ	30,000	Cash for West 4/10
5/1	RQ	5,000	Salary
5/1	Cruz	7,000	Salary
5/15	Comm Tulin	10,000	Salary
5/12	CASH	100,000	Fuel, DEA, WEST , ETC
5/12	(Cash 25K to Robb; 30K to RKM; 6K to Goods 25K)		
5/16	Joe Rann Monto (CONC to Rann)	32,005	West construction
5/16	SAT	40,000	Fuel fuel
5/16	SAT	50,000	C140 payment
5/14	Mr Huefelin CBS	6.5M	ETA
5/22	CASH	260,000	Adlam
5/15	CASH	30,000	DEA in GVA
5/15	ACE	102,411.57	SUCS
5/14	EAST	84,894.58	SUCS
6/3	CASH RQ	10,000	Cincinnati construction
5/24	CASH Fuel, etc	60,000	IRAN OP
6/3	Monto	25,000	West
Deposits: 5/14 - 10M			
5/16 - 5M			
5/16 - 1.46M (owe 260K) fund to Israel			

Current obligations

May - Ship	300,000	
May - ISR	822,000	Tous
May - BP	1,000,000	Chik
May - SUN - Salaries	90,000	ACE
2600 - SUN	21M	600,000

Disbursements

5/20 - 4101C - SAT

(10 fuel, 50 C40, 30
DEA
(2))

5/21 4001C to BEPSX.

5/16 2301C DEA

5/29 2001C TO SAT

Unaccounted for

- ① 136 K TO DSEK
CIRCA 4 APRIL
- ② ~~2nd quarter payment~~
CIRCA 28 Feb of 21K
- ③ 30 VS 35 K for commission

184'8
- 180'1

4'7

- AUG - 4K TO R. HALL
 - AUG - 7K TO ON
 - AUG - 5K DOWN ON K.F.
 9 SEPT - Authority for \$25K TO RNB
 9 SEPT - 50,173.29 TO HALL
 9 SEPT - 4,000 TO R. HALL
 16 SEPT - 9,500 TO petty cash
 16 SEPT - \$220 TO Bill
 17 SEPT - 2K TO ON (for petty cash)
 17 SEPT - 5K (banking transaction) INWARDS
 20 SEPT - 7.8M
 26 SEPT - \$125K ea. AC (Barclay's bank PL)
 Miami Hwy, ^{BAC INT'L BANK} ~~Bank~~ to alpha SWKS SA, 005-003470-2982
 27 SEPT - \$25K TO AC HIA
 30 SEPT - \$470 TO OLANSGD (TVL)
 5 OCT - 3K - Goode
 7 OCT - \$100 (instead for Bacon boat trip)
 9 OCT - 1600 to Rafael for Oliver expenses
 8 OCT - 5K to HALL AIR (check) RNB
 15 OCT - 2K almost TVL
 15 OCT - 5K Goode
 20 OCT - 50,173.16 to HALL
 17 OCT - 4K (AS INGS)
 26 OCT - 9K (AS INGS)
 28 OCT - 3K to Goode
 4 NOV - 150K deposit
 15 OCT - 15K Monthly
 15 OCT - 5K Monthly
 10 OCT - 4K RQ
 1 NOV - 4K RQ
 12 NOV - \$902 RR Expenses
 16 OCT - 5K to Masuki
 15 NOV - 5.15K to ~~Bank~~ ^{Pana, et}
 13 NOV - 7K TO RUS
 13 NOV - 43K TO RNB
 13 NOV - 20K TO RNB (1st part)
 16 NOV - 5K to related for Carlos

CR DRAW
 AUG .195
 20 Sep 1.0
 10 Oct .1
 31 Oct 1,245 ~ 409
 ∴ ~ 887 balance
 2
 137
 as of 12 NOV
 2 @ 1040
 Cash balance
 as of 13 NOV
 balance of 887



Reports

65	July Columbia Joe Coors
1.0	26 K46 Energy
130	IBC 5 SEPT
280	ENERGY
7.0	20 Sept
100	from IBC 11 Oct
150	from Bentley 4 NOV

1.0 GENERAL DESCRIPTION

The KL-43 and KL-43A (hereafter referred to collectively as the KL-43(A)) are portable, electronic off-line encryption/decryption devices comprised of five components --- the KL-43(A) device, acoustic adapter, line patch cord, AC adapter, and carrying case. The KL-43(A) is intended to protect written communications (messages); it provides encryption for these messages for passing over unprotected channels. These encrypted messages can be spoken phonetically over any voice communications media or transmitted electronically over compatible circuits of good quality using the internal modem.

The KL-43(A) provides the following general features:

- * Entry and editing of either plain or cipher text.
- * Entry, storage, and updating of 16 keys.
- * Encryption of plain text.
- * Decryption of cipher text.
- * Standard centronics printer port.
- * Printing of either plain or cipher text (with use of optional printer).
- * Relay of a received cipher text message.
- * Challenge/reply authentication.
- * Conference call capability.

2.0 SYSTEM INFORMATION

2.1 SECURITY

The KL-43(A) is an unclassified Controlled Cryptographic Item (CCI) and controlled under the provisions of NTISSI 4001. A security clearance is not required for access to the unkeyed KL-43(A); however, access should be restricted to individuals whose duties require such access. The unkeyed KL-43(A) will be afforded reasonable protection against unauthorized access, theft, loss, copy or replication, tampering or unauthorized modification.

When key is loaded for secure KL-43(A) operations, the device assumes the classification of the key (1-16) and will be protected accordingly (see the safeguards and criteria of NACSI No. 4005). For access, users require security clearances commensurate with the classification levels of the keyed KL-43(A) devices and related keying material.

Printers used with the KL-43(A) do not automatically mark printed messages with the level of classification. The operator should use a classification header (see Para 3.3.2) when entering a plain text message to inform the recipient of the message classification.

REPRODUCED AT GOVERNMENT EXPENSE



The KL-43(A) should not be used if signs of tampering or other insecurities are detected or if the device malfunctions --- causing the display to read MALFUNCTION! DO NOT USE (see Para 4.0).

The routine and emergency destruction procedures of NACSI No. 4010 apply to the KL-43(A) and keying material. For routine and emergency destruction, the KL-43(A) and keying material will be treated as classified equipment and material.

The KL-43(A) must be zeroized (see Para 3.3.12) prior to transportation, except when operational use requires it to be delivered to the user in a keyed condition.

2.2 KEYS

Traffic Encryption Keys (keys used to pass operational traffic; also known as TEKs) are delivered to the user on paper tape and are entered by pressing the appropriate keys on the keyboard. Cryptoperiod and supersession information is packaged with each key canister.

The KL-43(A) has a Key Update feature which requires the use of a Traffic Production Key (key used to generate another operational key; also known as a TPK). Use of the Key Update feature requires prior approval by DIRNSA, ATTN: S04.

2.3 POWER REQUIREMENTS

The KL-43(A) operates with either the AC wall adapter provided or on internal battery power. Internal batteries can be either non-rechargeable alkaline cells or rechargeable nickel-cadmium (NICAD) cells. The KL-43 requires four size "AA" cells and the KL-43A requires four size "C" cells. The selector switch in the battery compartment, shown in Appendix A, should be set to indicate whether alkaline or rechargeable batteries are being used.

The NICAD batteries should be recharged using the AC adapter provided. For best results, the batteries should be completely drained (beeping tone) prior to recharging. Full recharge time is approximately 16 hours. It is not necessary to turn the device off to connect the AC adapter. Doing so will clear any message stored in the device.

NOTE: When operating with the AC adapter, the unit must have either alkaline or rechargeable batteries in place.



UNCLASSIFIED

EXHIBIT
RW0-1

Oliver L. North
National Security Council
RM 392
CEOB
Washington, D.C.

July 2, 1984

Dear Ollie:

[REDACTED]

Your commitment to this country, to truth and justice, and to man's freedom is an example that so many people can and should learn from. Your dedication is an inspiration to me and many others. Somewhere these ideals were instilled in you; I wouldn't be surprised if at least some of them came from your family.

Attached for your information is the information on Grenada with the appropriate references crossed out. Hope it is of some use in future planning.

As for the toys we talked about, I will be having a meeting this week to learn what clarifications are needed.

You may remember we talked briefly about [REDACTED]. I learned this weekend he has a "very high source" at the NSC who is feeding him information about Central America and possibly covert actions elsewhere. [REDACTED] is working on a piece on the Agency and its involvement in covert action. He will do neither the Agency or the Administration any favors. More importantly he is not to be trusted for he will take that trust and use it for his own good and not care who he hurts. Just thought I'd give you fair warning.

I spoke with [REDACTED] this morning. As can be expected, they are beginning to feel the heat from the decision to cut the aid. [REDACTED] is back peddling [REDACTED].

Granted they were moving [REDACTED] before the vote, but it is systematic of the feelings in [REDACTED]. [REDACTED] did say the media is playing on the decision and it is not helping at all. I did tell him there are people doing all they can to try and get them some help, but they have to understand between now and October it will be difficult.

I just returned from a meeting with the individual who has access to the contacts for the toys. If this is to be a reality, he would like a meeting with you. He does not know whom I'm dealing with and won't until it is necessary. He believes it can be done, but as you suspected there probably will be some quid pro quo. It may only be assurances that come December or January certain equipment could be purchased from here or possibly even from a third country. He does not speak for the party in question, but does have an idea what they might want.

Would suggest a meeting to hear him out, then the next move can be figured out. He will not make contact until there is an indication this possibility is known within certain circles. Will be happy to meet anytime and anyplace. Would suggest a neutral sight.

Tal-ke-d wi My typewriter went amok.

UNCLASSIFIED

633

BKO/FAI
1-2-85

Privacy

Privacy

Partially Declassified/Released on 7/27/93
by [REDACTED]
National Security Council

UNCLASSIFIED

I talked with our friend in Florida this afternoon and he gave me the following information:

Immediate needs for the next 2 weeks: \$100,000
This would pay for rentals, food, medicine and certain necessities such as phone bills.

They are figuring on \$5.50 perday per man for food as the majority are inside. Based on 10,000 people one month costs are: \$150,000

If they lowered the level of military actions they could get by on \$5.00 a day per man for firecracker costs. Per month this is: \$1,500,000
He believes this is the minimum.

As of yet nothing has come through from his fundraiser. To quote him, "Something must have got screwed up somewhere."

He plans on going to [redacted] on Thursday and probably won't be back up here for 2 weeks. Said if he is needed for a meeting with the individual on the toys, he would come up before.

Told him about the [redacted] idea. Thought it was good as he has never talked with them about money, but he did meet with them last year. His trip this weekend got him a pat on the back but according to him no money. "They are broke."

Any ideas and I'll be glad to help where possible. Would suggest a meeting does take place at the soonest about the toys. Obviously off-the-record with no promises, just feelers.

To close on a positive note, may I just say it is a pleasure and an honor working with you. I hope something positive comes out of all of this, but if nothing does we will have at least tried, although in this case that will not be good enough.

You and your family are in my prayers.

All the best,



P.S. Costs for refugees are estimated at \$6.00-\$10.00 a person per month. They estimate there are 7,000 refugees to look after. Therefore per month costs are between \$42,000-\$70,000.

UNCLASSIFIED

TO: The Hammer

April 1, 1985

FROM: T.C.

SUBJECT: Southern Front

The following paper discusses a series of meetings the author has had over the last several weeks concerning the future of the Southern Front. These meetings took place in the South and in Washington. The most recent ones were held on Friday and Saturday, March 29 and 30 in Washington.

Project for Reconstruction

The Project was conceived by seven people. They are:

- Leonel Poveda Sediles
- Carlos Coronel
- Guillermo Mendieta
- Luis Rivas Leal
- Alejandro Martinez Saenz
- Harold Martinez Saenz
- Juan Zavada

Meeting with me in Washington were: Poveda, Mendieta, and Alejandro Martinez.

The meeting was originally proposed and setup by Arturo Cruz Jr.

About four months ago some six of the seven came to Washington, at the urging of Nat Henry, to meet with Senator Helms. They gave the Senator the attached paper and discussed their idea but they never heard another thing from the Senator or his staff. Out of desperation they came one more time hoping to meet with the Hammer.

I had met Poveda during the summer of 1983 when I visited Costa Rica. He recognized me and was glad the meeting was with someone he knew. All three realized the reasons for the meeting with me instead of with the powers that be.

The concerns of these people and who they represent are valid. They include:

- Lack of leadership in the South
- An alternative to Pastora
- Lack of coordination between several small groups now operating
- The need for a new organization to mount operations

In essence, these people are offering their services to structure and organize a new southern front.

They say they represent El Negro Chamorro's camp, which now consists of some 43 men under the command of Jose Robelo (Chepon), and another camp which is under the command of the Cubans and Calero's people. This last camp is actually under the day to day command of a Nicaraguan named Jesus, but overall is under the wing of Pape.

EXHIBIT

RWO-7

Before coming to Washington, they said they had met with El Negro and had talked with the Cubans in Miami who are working the other camp. The former is true, but they did not come representing the Cubans or the other camp.

Poveda said he and Carlos Coronel had had breakfast with Calero on March 2 in Costa Rica and had discussed the possibility of building a new southern command structure. According to Poveda they have Calero's blessing.

The new organization would fall under the political leadership of UNIR and the new Nicaraguan Democratic Resistance. Militarily it would come under the command of Leonel Poveda, who along with the other seven would help structure and command the new force.

The crux of their plan is to develop small bases of no more than 100-150 men several hours away from each other on the Nicaraguan side of the border. See attached map. Initially they want to start with 150 men.

These groups would be resupplied by purchasing the food and other basic necessities from the small towns and villages along the Costa Rican and Nicaraguan border. They would not buy the food and other material in San Jose and truck it out like Pastora used to do.

Weapons and ammunition can be purchased on the black market to start. AK's go for about \$300 a piece. An inventory of their equipment is attached. Once things get moving, they believe material can be either airdropped or flown into small fields. This was done and is still being done to bring supplies into Pastora and the other groups. There are strips big enough to land a DC-3 on.

To accomplish this effort, Poveda would like to start with some financial backing on a monthly basis. He is more than willing to account for all funds spent. Attached is an initial estimate of immediate needs for funds. On top of this, they would like to start with a minimum of between \$150-200,000. This would cover the expenses of moving a couple high level people back to CR, including Luis Rivas and Martinez or Mendieta.

They believe the time is right to begin establishing a new structure. There are many people who are financially on their last legs and if this does not come through they will have to abandon the fight, so they are in hopes something will work out.

Obviously, they hoped for an answer in the near future. I put them off and said I or someone will get back to them in the next two to three weeks.

They believe they are capable, have the leadership and the knowledge necessary to undertake this effort. Although they will operate in the south, they will stay away from Pastora and not infringe on his territory. They will work closer to the Pacific. It was stressed they would work in concert with the North.

Southern Front

April 1, 1985

Page 3

One last comment that they made and has been made by others: some of Pastora's field commanders are ready to join any side which will provide them with food and medicines. They have not been resupplied in at least 8 months. In fact, several of his commanders want to leave and actually aren't controlled by Pastora, he just talks with them over the radio. These include according to Poveda: Lionel, Sam, Oscar, and Navegante.

Others who will leave include two Panamanians, [REDACTED] who between them have about 1000 men supposedly.

UPDATE APRIL 9, 1985

Sparkplug has decided to go with El Negro Chamorro as the military commander of the South. There will be a political/military council which will have supervisory capacity over Chamorro. This will be made up of:

- El Negro Chamorro
- Donald Lacayo
- Indalacio Pastora
- Picasso (who is married to Calero's wife's sister)
- Poveda (possibly and others)

Pape has broken down the camp that was under him into 4 small camps and thus spread the men around. He is waiting for equipment to start coming in from El Salvador. Moral is good and the men will start working in small teams.

The concern about Chamorro is that he drinks a fair amount and may surround himself with people who are in the war not only to fight, but to make money. People who are questionable because of past indiscretions include:

- Jose Robelo (Chepon): potential involvement with drug running and the sales of goods provided by USG.
- Carlos Coronel: Talks with all sides, potentially too much with the Sandinistas and is making \$ on the side.
- Leonel Poveda: Rumored to have been involved with the sale of goods and pocketing certain "commissions"
- Sebastian Gonzalez (Wachan): Now involved in drug running out of Panama
- Alvaro Cermeno (Tadeo).
- Julio Bigotes
- Hector Sanchez
- Sebastian Gonzalez (Wachan)

These are just some of the people Sparkplug and others should be wary about.

Whatever structure is established for the South, tight control must be kept on the money and resources. In the past it has been too easy to sell goods and too many people have learned how to make a good living off of the war. Money and equipment must be accounted for and when there are differences, examples should be made.

CMA

Posey has an individual willing to outright donate between 70,000 and 80,000 lbs. of medical supplies to the effort. It is a wide assortment of goods and someone will have to look at it to see what is good and what isn't. It is now located in South Carolina.

The material can be shipped as far as Alabama by the individual who is going to donate it, but it has got to get from Alabama to New Orleans.

Flako is back in business. He has established himself in New Orleans and is working on some new scams. He is staying at the Providence Hotel. It is time someone paid him a visit and told him to go back to the hole he comes from.

To: Steelhammer

August 7, 1985

From: TC

Subject: Indian Situation

The following information comes from a meeting I had with the Indians today after sitting in on a meeting they had with Adolfo. In attendance for the Indians were: Alejo Teofilo - Member of the Directorate
Rev. Molins Steth (sp?) - Pres. of the Elders
Raul Tobose - Chief of General Staff
Cirilo Wilson - Council of Elders (?)
Roger Herman - Political Council

w, diff page

Attending in the main meeting for the FDN were: Adolfo, Aristedes Sanchez, Oscar Montes, Indalacio Rodriguez, George and myself.

- The Indians want the Assembly to take place as soon as possible. They say they are getting lots of pressure from the refugees, the fighters and the people inside.
- They want Brooklyn, Steadman and Jennelee-Hodgson to participate so that later they cannot say the Assembly was not fair or honest, or that they were not included.
- The Assembly is to allow the people to choose what course they are to follow. It is to unite all the Indian and black factions into one organization. Afterwards there will be no Missoura, Missourasata, Missourasata SICC etc. There will be a new name and even ASALA will be no more. Even the Council of Elders may change. In essence, the Assembly will be wide open.

It is the hope of the Indians to choose a new directorate, probably 5 people with one being the chief spokesman. This group will still probably be under the Council of Elders. Underneath the Directorate will be a political staff and a military general staff. These groups will represent the whole Atlantic coast and all the Indians and Blacks.

They want the Assembly to take place in Nicaragua, just over the border. It will probably only last two or maybe three days. Approximately 700 - 800 people are expected.

- Those in attendance believe neither Brooklyn nor Steadman want the Assembly to take place. Their reasoning is neither one may think they have enough backing to be elected.
- On July 22, Steadman did tell me he didn't think they should have the Assembly for another two months as he wouldn't be ready.
- In Brooklyn's case, the belief is he is only somewhat popular where he comes from, not throughout the Coast as he would have you believe. They see his travels to Canada, Europe and elsewhere as delaying tactics. While I was with them they received a call from Armstrong saying Brooklyn would not be in Costa Rica for another week, and then it would be sometime before he could meet Wycliff in Miami to discuss the Assembly.

EXHIBIT

RWD-8

on political
an Situation
August 7, 1985
Page 2

- The group believes Steadman is trying to steal the Assembly with FDN money, as he is going around the Council of Elders and others and is not working towards making the Assembly a success. He is working only for Steadman.
- They did bring up the point that the three most vocal and visible Indians: Steadman in the North, Hazelow (sp?) with the Sandinistas, and Brooklyn in the South, all had gone to school together and still supposedly secretly communicate. Even though they are three of the most educated Indians, they no longer truly represent the people they say they do for their egos and their own importance comes first; the people second.
- On Friday August 9, Diego, Archibald and Teofilo are planning to fly to Miami and then come to Washington on Monday August 12 for meetings with the White House, or whoever will listen. They have asked the FDN for the money to make the trip. I suggested they check with George first to see if the timing is right.
- The main reason they are coming is to present a budget for the Assembly and to explain what they hope to accomplish with it. They said they were going to ask for \$120,000. I'm still not sure if they meant Limps or dollars. Either one is too much; told them to revise it way downward and if they come to come with a new budget.

The reason for the large sum is so they can invite Indians from the U.S., Canada, South America and then reporters and Europeans. They want to show the world they have democracy and who really speaks for them.

- Relations with the FDN are extremely strained. This is the fault of the Indians. They say they are getting no help, yet they have gotten an estimated \$30,000 and another L265,000, plus millions of Cordobas since last July. This does not include the money they have gotten in the States or transportation costs. When asked by Adolfo why they lie the response is to get more money which they say they need.
- Adolfo believes Steadman is the only way to combat Brooklyn, thus he is being backed with money, yet the Indians say Brooklyn will not be a factor. The risk is there.

Military Situation for the Indians

- After the Assembly it is their hope to reorganize the General Staff so that it will encompass the North and the South under one command.
- At present Alejo Teofilo is to be the coordinator for finances and military needs with the FDN. Roger Herman is to do it in his absence. One of the major problems to date is there have been too many people going to the FDN saying they need this or that for the troops or for political purposes. Thus there is confusion, there are no priorities and money does not necessarily go where it is supposed to.
- They desperately need communications equipment. The people in Tegu have a very difficult time communicating with Rus Rus. This week they had not been able to talk with Rus Rus since last Friday. There is no radio in Port Limpura, yet this is where most of the supplies and people go since the FDN doesn't want to fly into Rus Rus.
- They say they would like military advisors who are qualified and professional, not a bunch of Wackos. Will use whoever General Singlaub sends in providing there is verification and veto ability if the person turns out to be bad news.

They need demolition training, communications, administration, logistics, general staff, ie. the works.

- Most important they need uniforms and boots right now.
- There is little food. In fact they say they have received nothing from Friends of the Americas in the way of help, even for the families of the fighters. It has been almost two months since Nicaraguan Freedom Fund gave Woody \$50,000 and according to the Indians they have seen none of it.
- They have two trucks which barely are working, so transportation is important.
- Sam Hall is being asked to leave Rus Rus on account of not wanting Gringos around for the Assembly. Afterwards he will not be invited back as he wants to go inside too badly. See attached letter which has been sent out to him.
- I have suggested to Adolfo they get no more arms or ammunition until after the Assembly and they have a clearer idea where they are going. Would think if there are boots and uniforms they would be grateful.
- In conclusion, the Indian problem is a mess, the sooner there is an Assembly there better for all.

TO: BG: FOR YOUR EYES ONLY

August 25, 1985

FROM: TC

SUBJECT: August 19, 1985 Trip

Itinerary: August 19 - Washington-Miami
20 - Miami-San Jose
21 - San Jose
22 - San Jose-New Orleans
23 - New Orleans-Washington

Meeting with [REDACTED] and [REDACTED]

This took place in [REDACTED] office and in attendance were [REDACTED] and [REDACTED]. Very cordial meeting with the emphasis on where the best place to locate the farm. Two sites were discussed, but the decision was made to use just one, as there would be less chance of discovery.

The area decided on is on the west coast, bordered by a National Park on the north, the ocean to the west, the Pan American Highway to the east, and mountains and hills to the south. The property is owned by an American living in New York. It is managed by a Colonel in the Civil Guard who will be glad to turn it over to [REDACTED] who has been designated by [REDACTED] to be administrator for the project. Am presently waiting for the name of the American so information on him can be found out and he can be approached by a company wishing to rent the land for a year with the option to buy. A guess is the cost will run between \$10,000 and \$20,000 for a year.

The cover for the operation is a company, owned by a few "crazy" gringos, wanting to lease the land for agricultural experimentation and for running cattle. A company is in the process of being formed. It might be a good idea to have it be a Panamanian Company with bearer shares, this way no names appear as owners. The gringos will own two planes, registered to the company and duly registered in the country in question. Cattle will be purchased as will some farming equipment and some land plowed.

The main house, which sits next to the Pan American highway, will be vacated and used by the Gringos. It will be possible to use third country nationals, although this was not extensively discussed. The Colonel will provide a cook, the peones to work the farm, and security.

A number of improvements will need to be made to the property. They include:

- Building an airstrip next to the main house
- Putting in gas storage tanks by the house and a hangar and maintenance shed
- Building a road usable by 4 wheel drive to the 2nd site, about 10,000 meters
- Leveling and grading a second strip, about 800 meters
- Drilling a well by this site
- Building storage facilities
- Clearing a road to the beach

Once the new strip is completed it will be designated a military zone and will be guarded by the Colonel's people. The cover is it will be being used for mortar and rifle practice. There are no houses or farms near by and the strip is right off the water and in a draw between two ridge lines, so it is well out of sight.

BG

August 25, 1985

Page 2

Initial costs for the project include:

- Construction costs
- Purchase of at least two vehicles, both 4 wheel drive, a truck and pickup
- Cost of land, cattle and farming equipment
- Establishing the company, lawyers and registration costs
- Colonel's costs; should not be too high
- Salaries for gringos
 - Air ops (Spanish speaking)
 - 2 pilots
 - Mechanic
 - Loadmaster/packer/rigger
 - Civil engineer to oversee construction of the strips
- Registration of two planes in country
- Fuel

Requirements in the States for the project:

- Form company
- Off shore bank account
- Contact and negotiate with present owner
- Budget project
- Contract personnel

Next trip to the country should be with a civil engineer and air ops officer to begin the project with site survey, follow-up meeting with the Colonel, transfer of the property, establish company, begin construction.

The time table will depend on how quick the company is formed and personnel contracted.

The rest of the meeting was spent discussing the move of forces away from the border area. They want this done as soon as possible. They might be willing to help facilitate the move by providing trucks to take the people to a jumping off point. ██████ was more in front than his boss. It was left that they would be kept informed.

They were concerned with a base reported to be some 10 to 15 klics inside. If it was still there this weekend it was to be raided.

It was a very positive meeting and they want to work with us, but there are obvious concerns. The biggest on both sides is how long the operation will remain covert.

Meeting with Robelo

On the evening of the 21st I met with Robelo at the request of [REDACTED]. This followed our previous meeting and [REDACTED] thought I could reinforce the need for Negro and his boys to move quickly. A number of issues were covered and as we already discussed them I will just briefly mention the significant points.

The Move: On Friday a decision was supposed to be rendered as to how best to carry out moving the approximately 280 people and some 16,000 lbs of supplies. The only two viable options are either :

- Across the lake after an air drop to include rubber boats and motors.
- By truck at night without equipment to a location probably above Boca San Carlo, the equipment would follow. The heavy stuff could even be cached, then picked up later and air dropped in once they are settled.

Once a plan is finalized it will take a period of time to set up the logistics. Earliest possible time for a jump off is probably at least 10 to 14 days. Even then it is pushing it the way these people operate.

There is resistance against the move, especially by Negro and his staff. They will drag their feet as long as possible. They complain they don't know the area.

If they go by boat they will have to be supplied with the following:

- Between 8 and 10 18 ft. zodiacs
- The same number of motors plus an extra 3 in case of breakdowns. They should be probably around 50 hp.
- Fuel tanks to be used for the motors.

This could be done by air out of Salvador.

They would move across the lake to between San Miguelito and Morrillo. The trip would take about 6 hours each way and would require a number of trips depending on the number of boats.

Meeting with Pastora and Negro: Pastora wants Negro to join him and work with BOS. Says the Gringos are out to screw Negro, thus he should protect himself and his people and join BOS. He reminded Negro if he goes inside he goes into his territory.

Negro believes Pastora is finished. His people in the field only talk to him on the radio in hopes he will be able to supply them with ammo or whatever.

Human Rights Violation: The internal investigation shows Chepon did order the torture and the ultimate execution. It was decided Negro should decide what punishment he deserves and was supposed to decide by Friday. He gave Robelo indications if Chepon is forced out of the movement he may choose to resign. If this is the case, the whole movement may be better off. If Negro decides on this course of action, it was suggested to Robelo he and Cruz go public immediately to get a jump on the press.

BOS: It is thought the organization may be receiving as much as \$50,000 a month for expenses and travel; most probably from Perez.

Robelo's Personal Feelings: To quote Robelo, "I'm tired of the lack of equivalency in the Triple A. Cruz and I were integrated into the FDN to clean their face."

Major things he is concerned about include:

- He has not received his \$30,000 for August.
- Calero gave Fred budgets for the FDN in the Miami meeting, including one for an FDN Red Cross, not an UNO Red Cross.
- [REDACTED] took Calero's side in the meetings in Tegucigalpa on almost every issue.
- By the next meeting of the Triple A he wants an inventory of money funneled into the FDN and where it is going.
- Wants to be consulted on what is bought
- Made it very clear he will not accept anymore money from Calero.
- Is finding it extremely difficult to work with Calero as he believes Calero looks on him and Cruz as appendages, not equals.

He made it clear he was not threatening to quit, yet. But he also wanted the message conveyed that things must change and he expects Calero to be more accommodating, or at least to make a pretense of it.

Meeting with Wycho

I flew to New Orleans and spent about 6 hours with Wycho on Thursday night. I brought him as up to date as possible and answered his questions as best as possible.

His concerns were, what was going to be the CR's stand, would his financial situation be taken care of, and deep down he was subtly asking if he had what it will take, or was he walking into a no-win situation. I think this is his biggest concern; that is why I promised he would have a gringo by his side to advise him and provide him with as much help as possible.

If he decides, he would like someone to call or visit his boss to explain the situation as he believes he owes him a great deal, including an explanation.

His decision is due on Monday, August 26.

To: Ollie North

November 26, 1985

From: TE

Subject: Political and Military Report from Trip

I. Honduran Political/Military Situation

You should meet with Jerry Clark soonest to get a full briefing.

In essence, the Hondurans want a high level delegation to visit and let them know what the U.S. intentions are regarding our Nicaraguan policy and what we plan to do with the UNO/FDN forces. Without such a briefing, nothing will move. They will not be snowed; they want concrete answers.

This pressure comes at this time for several reasons. They include:

- Their elections
- They want to know if a deal was struck in Geneva regarding Nicaragua
- The problems with the last two shipments by plane

• [REDACTED]

The coming change of the Honduran Administration is as good a time as any for them to change their policy. Other signs and possibilities to consider as options are discussed include:

- Suazo still has time to cause problems before he turns over the presidency. He will not forget the U.S. is one of the reasons he cannot stay in power. It is not above him to apply pressure through squeezing the FDN.
- Azcona has been accused of not being Honduran or nationalist enough, therefore he may try to be more nationalist than anyone. To show this nationalist spirit, he may just decide to give the gringos a hard time with their pet project.
- [REDACTED] is now making the decisions regarding the FDN. [REDACTED] (sp?) has been pushed to the side and consensus now rules.
- The Agency is not trusted by the Hondurans

If a high level delegation goes, as it should, would suggest the following:

- A letter or some sign from the President
- A briefing on the Geneva talks



- Should the okay for a hospital and flight resumptions be given, a contact be established between NHAO and the Hondurans, or the ban be lifted preventing Arcos and NHAO staff from traveling to Honduras. If this cannot be done, setup a channel for a U.S.G. insider or another outsider to be able to make contact with the Hondurans if it should become necessary to discuss NHAO's work.

II. FDN

Presently there are some 10,000 armed fighters in Honduras. This is probably another concern of the Hondurans. It is a catch-22 because these people cannot go back inside with out the boots, ponchos, etc. which are in New Orleans, nor can they easily move without the uniforms, which the Hondurans may or may not have given to them by now.

Politically, there seems to be a growing schism within the FDN in Honduras. Aristedes Sanchez has taken over as the strong man when Adolfo is not there. Because of this, among the technocrats who get the job done, such as Frank Arana, Romano, Oscar Montez and so on, there is some discontent. According to [REDACTED] these problems will disappear if Adolfo were to spend more time in Honduras. He can put a stop to the backbiting and interse politicing. Without Adolfo, the problem grows.

There is tremendous concern among the cadre as to where this is all going. They see things stopped and they want to know why. The longer it goes on, the more the morale will drop.

Adolfo is feeling he is lied to by everyone. He doesn't trust the Agency, the Hondurans, Cruz and Robelo, or anyone. At this point the only one he may listen to is you. He also is finding it difficult to keep going to Honduras and having to tell people things will get better and the planes are on the way etc. when nothing is moving.

III. Kisan

A mess is the simplest explanation. Wycliff cannot carry it off as leader. He is listening to a fellow named Harry Bodon (sp?) who has taken over as his advisor. This week when JenneLee was in Miami trying to talk with Wycliff, she had to go through Bodon, and even then he was the one who would give her Wycliff's answer to questions she had.

Bodon is suppose to be a good friend of Valdevia's. Bodon also was supposed to be an advisor to Steadman.

Jennelee is frustrated by the whole Kisan movement. There is no coordination, no organization and nothing moving forward. Without Alejos Teofila, Roger Herman and Jennelee, Kisan would be a disaster.

There is a meeting on the 27th in Miami between Valdevia, JenneLee, Wycliff, Teofilo, Busby and Zelia f4om the south to try and work out the problems. I doubt anything good will come from the meeting. If this is the case, we may lose JenneLee.

Militarily there is movement in the North. The FDN has been supplying them with some necessary items, and another request has been made.

In the South, things look bright if we can supply the necessary items needed. Risa, a Panamanian friend of Spatafora's, is ready to go inside with a small group

Lt. Colonel Oliver North
NSC
OEOB 392
Washington, D.C.

January 31, 1985

Ollie:

The following info came in while you were gone. Thought it was something you should know.

- o Flacko is back in Miami. On Tuesday he met with Steadman Faggoth to work out an arrangement. In essence, Flacko is to assume the responsibility of training the Indians at Rus Rus. Supposedly the Council of Elders will agree to this. There are 4 people in Miami ready to go back to Honduras on Monday with Flacko and his side kick Tieador. Another 11 are supposed to fly into Miami tonight and then they all will go south on Monday and then on to Rus Rus.

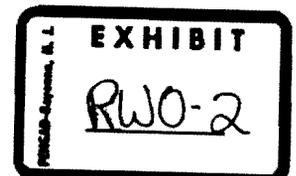
Flacko has been working on getting the support of some of the Cuban community, including: the Cuban Legion and Joe Contine (sp?); the Brigade; the Cuban Independent Movement, which is Montos's group; and Alpha 66. He hopes this support will be both financial and manpower.

Flacko's long term goal is to buildup the Miskito and train them to the point where they can start taking land. The area he wants them to concentrate on is where there is a port and where one of the operating gold mines is. The ultimate plan is to open the port and take the gold mine. Once the port is open a boat would sail from Miami directly to the port with men and supplies, drop them off and take out the gold which is captured.

Flacko is also setting himself up to be the one who handles all financial support for the Miskitos. Thus everything going to them in terms of support from groups in the U.S. goes through him. He and his buddy Tieador then have an opportunity to make a little on the side. At least some of the funds are to go through a company called Delphi Corporation which has P.O. Boxes in Alabama and Texas.

A Texas businessman named Mako Stewart, of Stewart Enterprises, provided Flacko with \$25,000 for financing his last trip and to begin to help the Miskito. Supposedly he is involved with the selling of bonds which supposedly just got approved by the SEC. The \$ from the sales of the bonds will be divided with 60% going to the FDN and 40% going to the Miskito. Mako will funnel the 40% through Flacko, who he thinks walks on water.

All this is being done under the guise of CMA.



Flacko came back from Rus Rus saying that there now would seem to be have a total effective fighting force of some two to three thousand. There are supposed to be another 600 to 1000 weapons going unused. Some of them are rusting because there is no oil; "they have more than what they know what to do with."

Flacko met with the Honduran consul in Miami today and he is supposed to be going back to Honduras in the next day or so to ensure Flacko and his people can get in on Monday.

Would seem a good idea to deal with Flacko as soon as possible. Probably will not be scared off as he believes he has done nothing to violate the neutrality act. If he is held probably will still move forward after he is let out, unless he can be locked up for a good long time. Best bet might be to dry up his funds, have someone talk to him about National Security and put the word out that he is not to be touched. But, if possible it might be wise to do this in some way that doesn't ruin whatever potential CMA has for the good of the cause.

Posey has been doing the best he can to either sit on Flacko or deal him out, but that is not possible because right now Flacko knows too much and it would do no one any good if he went to the press. He has got to be finessed out.

- o. I suggested to Sparkplug that he might want FR to go south for the meeting to provide expert counsel on security as that is his speciality. If he is available, it would be worth the trip. I don't believe leaving it to Robelo's people is the best idea. His group is probably as infiltrated as the rest. Such a meeting would be a perfect target to eliminate a lot of problems and it can be done easily by a dedicated few.
- o: Spivey is back in California pulling together loose strings. If the \$ is found he will probably go down on Monday. He wants to spend the majority of his time with the color crew that will come out of Miami. If necessary I can babysit him while our other friend watches over a news crew.

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My Friend:

This brief letter is being delivered via a trusted courier who has no knowledge of the contents but who can help carry out some of what this letter is about. He should not be made aware of the specific details in this letter.

And now the best news of all:

Next week, a sum in excess of \$20M will be deposited in the usual account. While this must be husbanded carefully, it should allow us to bridge the gap between now and when the vote is taken and the funds are turned on again.

EXHIBIT

RW0-3

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BKD
12-2-87
NS

Partially Declassified on 12/14/87

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So that we have a plan, I propose the following steps as highest priority:

The forces in the northern part of Nicaragua need to be dispersed so that they are not caught in the firestorm as the Sandinistas intend.

[REDACTED] If the high ground can be guarded, then those who harbor in those areas will be safe.

Meanwhile, the forces and volunteers who have arrived [REDACTED] can be outfitted, provided with some training, and [REDACTED]

[REDACTED] If a regular resupply program can be established using what will be deposited next week, we can start a regular logistics program of one flight every 10-15 days and the steady movement of supplies and ammunition to the forward bases.

Most important is saving the force from what I believe will be a serious effort to destroy it in the next few weeks. While I know it hurts to hide, now is the time to do it. While they are hiding, the man who is carrying this message can start the regular resupply process. I believe it would be wise to dedicate as much as \$9-10M for nothing but logistics. To coordinate a major effort such as this, I strongly urge that you bring aboard a logistics expert who is both knowledgeable and trusty. The courier should be able to help with this.

[REDACTED] Once the regular resupply system is in place and the troops familiar with a rotation system [REDACTED]

[REDACTED] hitting them hard as they phase down in frustration from their current operations and striking at selected strategic targets with your enhanced capability.

This new money will provide great flexibility we have not enjoyed to date. I would urge you to make use of some of it for my British friend and his services for special operations. I can produce him at the end of this month. [REDACTED]

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[REDACTED] You and I both recognize his value and limitations.
Some in our Congress are aware [REDACTED]

[REDACTED] This could be
devastating to our forthcoming campaign to restore the funding.
I will find out how much he is getting and let you know, but it
seems as though something should be set aside for this purpose.

[REDACTED]

Request you advise me soonest regarding the deposit and destroy
this letter after reading. The map can be passed [REDACTED] with
my best wishes. Please do not in any way make anyone aware of
the deposit. Too much is becoming known by too many people. We
need to make sure that this new financing does not become known.
The Congress must believe that there continues to be an urgent
need for funding.

Warm regards,
Steelhammer

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