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TOR: 122000Z JAN 00 CIA OFFICE #27607

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CIA OFFICE #2
CITE 7607

TO: IMMEDIATE LANGLEY

FOR:

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: MERLIN (M) - 10 JAN MEETING

REF: NONE

TEXT:

1. ACTION REQUIRED: PLS SEE BELOW.

2. SUMMARY: ON 10 JAN 00, C/O JEFFREY STERLING HELD A MEETING WITH M AT A MID-TOWN MANHATTAN HOTEL. DURING THE MEETING, THE FINAL TOUCHES WERE PLACED IN PREPARATION TO LAUNCH THE CP 1 OPERATION. DESPITE THE PROGRESS MADE AND M 'S APPARENT READINESS, ISSUES RELATED TO M 'S SALARY HAVE PLACED DOUBT AS TO WHETHER M IS WILLING TO CONTINUE WITH THE PROJECT. M 'S DISSATISFACTION WITH THE STATUS OF HIS SALARY DISCREPANCIES CULMINATED IN HIS EXPRESSED UNWILLINGNESS TO CONTINUE WITH THE PROJECT UNLESS THESE ISSUES ARE RESOLVED TO HIS SATISFACTION BEFORE PROCEEDING WITH THE OPERATION.

3. INITIALLY, C/O DISCUSSED THE TENTATIVE TIME LINE FOR M IN VIENNA. C/O EXPLAINED THAT M WOULD SPEND ANYWHERE BETWEEN THREE AND FIVE DAYS IN VIENNA; TWO OR THREE DAYS TO ORIENT HIMSELF WITH AND TAKE IN THE CITY, ONE DAY TO FIND THE IRANIAN MISSION TO THE IAEA AND DELIVER THE PACKAGE, AND THEN DEPART ON THE NEXT DAY. C/O EXPLAINED THAT THE BEST WAY WILL BE FOR M TO SIMPLY DROP THE PACKAGE OFF AND THEN DEPART THE MISSION WITHOUT ANY LENGTHY DISCUSSION WITH IRANIAN OFFICIALS. M AGREED THAT THE SIMPLEST WAY WOULD BE THE MOST APPROPRIATE. DURING THE DISCUSSION, M QUERIED AS TO THE EXACT DATE OF TRAVEL AS HE HAD TO NOTIFY HIS EMPLOYER WHEN HE WOULD NEED TIME OFF FROM WORK. M SAID HE WILL HAVE NO DIFFICULTY GETTING TIME, HE JUST NEEDED TO KNOW SPECIFIC DATES. C/O SAID THAT AT PRESENT, THE BEST TIME TO GO WILL BE SOMETIME WITHIN THE LAST WEEK OF JAN AND THE FIRST WEEK OF FEB. M WAS ALSO HOPEFUL THAT HIS WIFE WOULD RECEIVE HER COUNTRY A PASSPORT BY 15 JANUARY. HE HAS RECEIVED INFORMATION ON THE NECESSARY DOCUMENTATION FOR AUSTRIAN VISAS AND WILL UNDERTAKE

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THAT PROCESS AS SOON AS HE RECEIVES HIS WIFE'S PASSPORT. M WAS TOLD THAT IT WILL TAKE APPROXIMATELY ONE WEEK TO RECEIVE THE VISAS.

4. C/O ALSO SAID THAT IT WILL BE WORKED OUT THAT SOMEONE MEETS M IN VIENNA TO PASS HIM THE PACKAGE. M SAID THAT THE SITUATION HAS CHANGED AND THAT HE CAN NOW TAKE THE PACKAGE. M EXPLAINED TO HIS WIFE THAT HE HAS TO DELIVER SOME MATERIALS WHILE THEY ARE IN VIENNA. HE DID NOT GIVE HER ANY FURTHER EXPLANATION. M SAID THE REASON HE DECIDED TO TELL HIS WIFE WAS THAT HE THOUGHT IT MIGHT BE TOO RISKY TO HAVE SOMEONE MEET HIM IN VIENNA, SO HE FELT IT MORE SECURE TO HANDLE THE PACKAGE HIMSELF. M SAID THAT HE HAS NO APPREHENSIONS ABOUT BEING IN VIENNA ALONE, BUT THAT HE WOULD LIKE TO HAVE AN EMERGENCY CONTACT NUMBER JUST IN CASE.

5. M THEN PROVIDED THE FOLLOWING TEXT FOR THE LETTER TO BE INCLUDED IN THE PACKAGE OF MATERIAL:

"TO UNIVERSITY:

FIRST, LET ME INTRODUCE MYSELF. I AM A PERSON, WHO WORKED FOR MANY YEARS IN ATOMIC INDUSTRY. PLEASE CHECK OUT NEXT PAGE FOR MY PERSONAL INFO PLEASE.

I WOULD LIKE TO INFORM YOU I HAVE VERY VALUABLE INFORMATION ABOUT DESIGN AND PRODUCTION OF ATOMIC WEAPON. AT THIS TIME, I POSSESS A DESCRIPTION OF ONE OF KEY ELEMENTS OF MODERN SYSTEM, TBA 480, HIGH VOLTAGE AUTOMATIC BLOCK. DESCRIBED DEVICE IS KNOWN AS A FIRE SWITCH WHICH LETS TO INITIATE SIMULTANEOUSLY ALL DETONATORS AT A WEAPON CORE (SPHERICAL CHARGE). I AM SURE OTHER DEVICES CAN BE AVAILABLE FOR YOUR REVIEW IN THE FUTURE. I DID NOT CONTACT RIGHT PEOPLE IN YOUR COUNTRY DIRECTLY BECAUSE UNFORTUNATELY, I COULD NOT FIND THEM. OF COURSE I TRIED MANY OTHER WAYS TO ATTRACT ATTENTION TO THIS INFO BY TELLING LITTLE BIT ABOUT WHAT I HAVE BUT IT DOES NOT WORK. WHOLE MISUNDERSTANDING, AND, ACCORDINGLY, WASTING TIME AND DISAPPOINTING. SO I DECIDED TO OFFER THIS ABSOLUTELY REAL AND VALUABLE BASIC INFORMATION FOR IRANIAN SUBJECT 2 (I.S.2), ABOUT THIS POSSIBLE EVENT. PLEASE LET HIM KNOW YOU HAVE THIS PACKAGE. WHAT IS A PURPOSE OF MY OFFER? IF YOU TRY TO CREATE A SIMILAR DEVICE YOU WILL NEED TO ASK SOME PRACTICAL QUESTIONS. NO PROBLEM. YOU WILL GET ANSWERS BUT I EXPECT TO BE PAID FOR THAT. LET'S TALK ABOUT DETAILS LATER WHEN I SEE REAL INTEREST IN IT. NOW JUST TAKE YOUR TIME FOR PROFESSIONAL STUDY OF ENCLOSED DOCUMENTATION. MY CONTACT INFO ON NEXT PAGE."

ON THE NEXT PAGE, M NOTED THE FOLLOWING:

" M , FORMER ENGINEER/RESEARCHER,

ARZAMAS 16, RUSSIA

E-MAIL: M EMAIL ADDRESS"

6. SUGGEST THIS LETTER CAN BE PARED DOWN A BIT TO REMOVE THE PUFFERY LANGUAGE INCLUDED BY M. DEFER TO HQS ON FINAL VERSION OF THE LETTER. ALSO, M AND C/O DISCUSSED THE POSSIBILITY OF TWO LETTERS BEING INCLUDED WITH THE PACKAGE. THOUGH THE LETTERS WOULD ESSENTIALLY SAY THE SAME THING, QUERY HQS' THOUGHT'S ON HAVING ONE LETTER ADDRESSED TO IRANIAN SUBJECT 2 WITHIN THE PACKAGE ITSELF AND ANOTHER LETTER ADDRESSED TO IRANIAN SUBJECT 1 (I.S.1) IN A SEPARATE ENVELOPE. THE SECOND LETTER WOULD SERVE TO PROVIDE AN INTRODUCTION TO I.S.1 AND ESTABLISH THE IMPORTANCE OF THE PACKAGE AND THAT IT IS

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INTENDED FOR I.S.2 . FEEL THIS WILL ENSURE THAT I.S.1 ALSO TAKES NOTICE OF THE PACKAGE AS OPPOSED TO MERELY FORWARDING THE PACKAGE TO I.S.2 WITHOUT INTEREST.

7. FOLLOWING DISCUSSIONS ON THE VIENNA TRIP, C/O EXPLAINED THE CURRENT STATUS OF M 'S FINANCIAL ISSUES. C/O TOOK PAINS TO EXPLAIN TO M IN A REASONABLE FASHION THAT THE CURRENT PAYMENT SCHEME WAS CAUSING PROBLEMS AND THAT A NEW STRUCTURE HAD TO BE INTRODUCED. C/O ALSO EXPLAINED THAT M WOULD BE RECEIVING A ADDITIONAL INFORMATION REGARDING HIS 1998 SALARY.

M HAD NO DIFFICULTY WITH THE FACT THAT HIS FUTURE SALARY WOULD BE PAID TO HIM AS EARNED.

C/O THEN TOLD M THAT AS A RESULT OF THE MEASURES BEING TAKEN TO CORRECT HIS SALARY SITUATION, REVIEW OF HIS SALARY HISTORY INDICATED THAT HE HAD BEEN OVERPAID BY USD 5,000.00 IN FEB '98. AND, AS A RESULT, HIS '99 SALARY WOULD HAVE TO BE REDUCED BY 5,000.00. C/O HAD 60,000.00 FOR M REPRESENTING FEB - NOV '99 (6,000.00 PER MONTH). THOUGH M EARNED 66,000.00 FOR DEC '99, THIS AMOUNT WAS REDUCED BY 5,000.00 PER HQS INFORMATION THAT M WAS OVERPAID BY 5,000.00 IN FEB '98. C/O CHOSE NOT TO BRING THE REMAINING 1,000.00 IN ANTICIPATION THAT M WOULD NOT UNDERSTAND THE REDUCTION IN HIS SALARY AMOUNT. DURING THE CONVERSATION, C/O TRIED TO EXPLAIN THAT THE REMAINING AMOUNT (EITHER USD 1,000.00 OR 6,000.00) WOULD BE PAID AT THE NEXT MEETING ONCE IT IS CLEARLY DETERMINED THAT M HAD IN FACT BEEN OVERPAID BY 5,000.00.

8. M BECAME INCENSED AND SAID THAT C/O'S INFORMATION WAS NOT CORRECT. M SAID THAT THE MONEY HE RECEIVED IN FEB '98 WAS FOR A DEC '97 PAYMENT THAT HE HAD NOT RECEIVED AND THEREFORE HAD NOT BEEN OVERPAID IN 1998 AS CIA CONTENDS. M SAID THAT HE HAS WAITED TOO LONG FOR HIS FINANCES TO BE CORRECTED AND THAT HE DID NOT WISH TO PROCEED WITH PROJECT ANY LONGER. M THEN PROCEEDED TO BLAME C/O FOR THE SALARY PROBLEMS, HOWEVER, C/O QUICKLY REMINDED M THAT THE DIFFICULTIES EXPERIENCED WITH HIS FINANCES WERE A RESULT OF ACTIVITIES PRIOR TO '99, I.E. BEFORE C/O WAS INVOLVED. M REFUSED TO TAKE THE '99 SALARY C/O HAD FOR HIM AND SAID THAT HE DID NOT NEED THE MONEY AND THAT HE WOULD ONLY ACCEPT IT IF IT WAS THE CORRECT AMOUNT, 66,000.00. AFTER SOME BACK AND FORTH CONVERSATION AND C/O ASSURANCES THAT HE WOULD REVISIT THE ISSUE WITH HQS, M LEFT THE MEETING.

9. C/O CALLED M THE FOLLOWING DAY. EVIDENTLY IN A CALMER MOOD, M SAID THAT HE WILL NOT PROCEED WITH THE PROJECT UNLESS AND UNTIL HE RECEIVES ADDITIONAL INFORMATION ABOUT HIS SALARY AND USD 66,000.00 THAT HE BELIEVES HE IS DUE, OR A PROMISE FROM US THAT THESE ITEMS ARE COMING TO HIM. M SAID HE IS WILLING TO CONTINUE ON THE PROJECT'S PRESENT SCHEDULE, BUT NOT UNTIL HE AT LEAST RECEIVES A PROMISE FROM CIA THAT HE WILL RECEIVE THE MONEY HE BELIEVES IS OWED TO HIM, I.E. USD 66,000. SUGGEST THAT CP OFFICER MR. S. TRAVEL TO NEW YORK TO MEET WITH M TO DELIVER HQS POSITION DIRECTLY ON THE FINANCES WHICH WE BELIEVE WILL GO LONG WAY TO EASING M 'S CONCERNS AND SECURING HIS CONTINUED PARTICIPATION IN THE OPERATION. LOOK FORWARD TO THOUGHTS/COMMENTS FROM HQS.

10. FILE: CP 1 DECL ON: X1, CL REASON: 1.5(C), CL BY:
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END OF MESSAGE

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TO: CIA OFFICE #2

FROM:

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: MERLIN (M) - 10 JAN MEETING

REF: 07607. | 00 8503320 |
CIA OFFICE #2

TEXT:

1. ACTION REQUIRED: PLEASE ADVISE RE DESIRED DATES FOR C/O VISIT.

2. HQS REGRETS THAT STERLING WAS A VICTIM OF THE MURDERED MESSENGER SYNDROME AFTER BRINGING (NOT VERY) BAD NEWS TO M . ANY CONFUSION ABOUT M 'S SALARY IS LARGELY HIS OWN FAULT BECAUSE HE WANTED TO BE PAID DIFFERENT PARTS OF HIS SALARY IN DIFFERENT YEARS. THAT SAID, HE MAY BE RIGHT ABOUT THE EARLY 1998 PAYMENTS, AND HE IS EVIDENTLY QUITE EMOTIONAL BENEATH THE STOLID SURFACE AND NOT CAPABLE OF SORTING IT ALL OUT RATIONALLY. HE HAS HAD A LUCRATIVE RELATIONSHIP WITH US SINCE 1994 AND IS ACTING IN AN IMMATURE FASHION. NEVERTHELESS, WE NEED HIS SERVICES NOW AND MR. S. WILL SEEK TO PLACATE HIM. WE PROPOSE PAYING HIM THE DISPUTED SALARY. WE WILL CAREFULLY CONSIDER AN APPROPRIATE OPERATIONAL BONUS UPON THE SUCCESSFUL COMPLETION OF HIS VIENNA MISSION. MR. S. WILL ALSO TELL HIM TO STOP BLAMING STERLING FOR THINGS WHICH OCCURRED BEFORE HIS WATCH, AND TO AVOID THE TEMPTATION TO TRY TO PLAY ONE CIA OFFICER OFF AGAINST ANOTHER, SINCE THIS WILL ONLY HARM HIS OWN CREDIBILITY WITH THE ORGANIZATION. PLEASE ADVISE WHEN CIA OFF.#2 WANTS MR. S. TO MEET M . WE SUGGEST IT BE AFTER HE HAS OBTAINED ALL THE NECESSARY TRAVEL DOCUMENTS AND MADE HIS RESERVATIONS FOR VIENNA, SO WE CAN COMBINE THE DISCUSSION WITH SPECIFIC OPS PREPARATIONS.

3. THAT UNPLEASANTNESS ASIDE, HIS PROPOSED LETTER, NOW IN ITS FIFTH ITERATION, SHOWS REAL PROGRESS. WE AGREEE WITH STERLING'S COMMENTS THAT THE VERBIAGE NEEDS TO BE TIGHTENED UP STILL FURTHER TO MAKE SURE THE IRANIANS UNDERSTAND WHAT HE HAS AND ON WHAT TERMS. HE SHOULD SAY EXPLICITLY THAT HE IS OFFERING THE SCHEMATIC AND ASSOCIATED PARTS LIST FREE TO PROVE THAT HE CAN PROVIDE FURTHER INFORMATION, AND ACKNOWLEDGE THAT WHAT HE IS PROVIDING INITIALLY IS

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INCOMPLETE. THERE SHOULD BE A VERY CLEAR MESSAGE THAT HE EXPECTS TO BE PAID FOR THE REST OF THE DETAILS THEY WILL NEED IF THEY WANT TO BUILD THE DEVICE. WE BELIEVE THE PACKAGE SHOULD BE ADDRESSED TO IRANIAN SUBJECT 2 AT IRANIAN INST. 1, AND THAT BOTH AN E-MAIL AND A LETTER BE SENT TO HIM SAYING THAT M WILL DROP OFF A PACKAGE OF INFORMATION FOR HIM AT THE VIENNA MISSION. A SECOND LETTER ADDRESSED TO IRANIAN SUBJECT 1 BY TITLE ONLY CAN ACCOMPANY THE PACKAGE, WITH AN EXPLANATION THAT M HAS BEEN IN E-MAIL CORRESPONDENCE WITH IRAN SUB 2 (COPIES INCLUDED) AND HAS PROMISED TO SEND HIM SOME IMPORTANT INFORMATION, FOLLOWED BY A REQUEST THAT IRAN SUB 1 MAKE CERTAIN THE INFORMATION REACHES IRAN SUB 2 OR ANY OTHER INTERESTED PARTY. EACH ITERATION OF HIS DRAFT LETTER IS BETTER THAN THE PREVIOUS ONE, SO C/O'S PATIENCE SEEMS TO BE PAYING OFF. IT IS WORTH OUR WHILE TO TAKE THE EXTRA TIME TO MAKE SURE HE FINALLY GETS IT JUST RIGHT, SINCE THE LETTERS WILL HAVE TO DO MUCH OF THE WORK FOR US WITH THE TARGET.

4. WE ARE GLAD THAT M HAS COME BACK TO OUR POSITION THAT IT WOULD BE BEST FOR HIM TO TRAVEL TO VIENNA WITH HIS PACKAGE RATHER THAN BE MET THERE. WE WILL NEED TO REHEARSE WITH HIM HOW TO TRAVEL WITH THE DOCUMENTS WITHOUT DISPLAYING ANY NERVOUSNESS. GIVEN HIS IMPULSIVENESS, M IS NOT A NATURAL CLANDESTINE AGENT, AND WE FACE AN OPERATIONAL TRADEOFF BETWEEN THE RISKS OF MEETING HIM IN VIENNA AND THOSE OF LETTING HIM TRAVEL WITH THE PACKAGE. ON BALANCE IT WILL PROBABLY BE SAFER TO SEND HIM WITH IT, CAREFULLY PREPPED.

5. PLEASE ADVISE WHEN OFFICE #2 WOULD LIKE MR. S. TO VISIT FOR THE MEETING.

6. FILE: CP 1

CL BY: ID # , CL REASON: 1.5 (C); DECL ON: X1; DRV FROM:

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RELNO: 0000000034
 ORIG: CP/ (MR. S.); AUTH: CIA OFFICER 17 ; REL:
 CIA OFFICER 16; CL BY ID #

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TO: IMMEDIATE INFO
CIA OFFICE #2, CIA OFFICE #5 CIA OFFICE #7, CIA OFFICE #8
FROM:

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: LATEST TWISTS IN CP 1 PLANNING

REF: NONE.

TEXT:

1.

2. CIA OFFICE #2 OFFICER STERLING AND HQS CP 1 PROGRAM MANAGER MR. S. MET MERLIN (M) THE EVENING OF 14 FEBRUARY '00 IN A NEW YORK HOTEL ROOM. M CONTINUED TO OBJECT TO MINOR PROPOSED CHANGES IN HIS AGMT AND EVENTUALLY WALKED OUT. HE CALLED MR. S. THE NEXT MORNING TO SAY IT WAS ALL A MISUNDERSTANDING AND THAT HE HAD ALL THE TRAVEL DOCUMENTS READY AND HAD MADE PLANS FOR HIMSELF AND HIS WIFE TO TRAVEL TO VIENNA FOR THE CP 1 APPROACH ON # FEBRUARY.

MR. S. SET UP A MEETING WITH HIM FOR 21 FEBRUARY TO ASSESS HIS STATE OF PREPAREDNESS FOR THE OPERATION. IF THINGS LOOK GOOD WE WILL LAUNCH HIM AS DISCUSSED IF NOT MR. S. WILL DIRECT HIM TO POSTPONE THE TRIP AND WILL NOT PROVIDE HIM THE PACKET OF MATERIALS.

3. M 'S HISTRIONICS MAY HAVE BEEN AN EXCUSE TO DELAY THE ACTUAL APPROACH OUT OF FEAR (MORE OF TRAVEL THAN OF THE IRANIANS WE SURMISE) OR A DESIRE TO KEEP THE PAY COMING AS LONG AS POSSIBLE. C/O'S CHALLENGED HIM ON THIS AND HE DID NOT DISAGREE, BUT HE TOLD MR. S. THE NEXT MORNING THAT HE HAD THOUGHT ABOUT IT AND WAS NOT AFRAID TO PROCEED. HIS WIFE, ALWAYS A STEADYING INFLUENCE, MAY HAVE GOT TO HIM OVERNIGHT.

4. NONE OF M 'S DESIRES CONCERNING HIS AGMT ARE SHOW STOPPERS (CASH PAYMENT, A SMALL DISPUTED SUM) AND MR. S. PLANS TO BRING THE ONE HE AGREED TO LAST YEAR AND TELL HIM HE WILL GET THE SAME DEAL AGAIN, THOUGH POINTING OUT THAT HIS DESIRE FOR LATER PAYMENT MAY NOT WORK MR. S. WILL HAVE THE MONEY TO PAY HIS 1999 SALARY IN FULL. HE WILL THEN REVIEW IN DETAIL M 'S TRAVEL, LODGING, AND VIENNA TOURISM PLANS TO MAKE

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SURE HE IS AWARE OF WHAT HE NEEDS TO DO TO KEEP OUT OF TROUBLE. HE IS WORRIED ENOUGH ABOUT HERR HAIDER TO BEHAVE. WE WILL THEN GO OVER THE APPROACH TO THE IRANIAN MISSION WITH THE DOCUMENT PACKET, WHICH WILL CONTAIN A COVER LETTER TO IRANIAN SUBJECT 1 ASKING HIM TO PASS THE FIRESET PLANS TO IRANIAN SUBJECT 2 WHO HAS BEEN IN E-MAIL CORRESPONDENCE WITH M. C/O WILL DIRECT M TO E-MAIL IRANIAN SUBJECT 2 BEFORE HIS TRIP, TELLING HIM HE WILL BE IN VIENNA AND WILL DROP OFF AN IMPORTANT PACKET OF INFORMATION AT THE IRANIAN MISSION THERE. WE WILL REVIEW AGAIN THE LOCATION OF THE MISSION AND GO OVER WHAT HE SHOULD SAY TO IRANIAN SUBJECT 1 IF HE HAS THE OPPORTUNITY TO TALK TO HIM (NOT MUCH, SINCE WE DON'T WANT TO RAISE THE DEFENSES ANY MORE THAN NECESSARY). GIVEN HIS GENERAL NERVOUSNESS M SHOULD BE QUITE CONVINCING AS A MAN WHO WANTS TO DROP OFF HIS PACKAGE AND LEAVE BEFORE ANY ONE KNOWS HE WAS THERE. C/O WILL STRESS THAT WE NEED A FULL AND DETAILED REPORT OF HIS VISIT AND RECEPTION, AND WILL IMPLY THAT WE WILL BE WATCHING HIM "TO PROVIDE PROTECTION."

5. IF IN C/O ASSESSMENT M IS READY TO ACCOMPLISH THE MISSION HE WILL PROVIDE THE DOCUMENTS (A SCHEMATIC, DRAWINGS AND A PARTS LIST, ALL LABELED IN RUSSIAN) AND A TRAVEL ADVANCE, AND GO OVER HOW TO TRANSPORT THEM SAFELY AND WHAT TO SAY IF QUESTIONED (COMPUTER STORAGE DEVICE DESIGNED BY M FOR POSSIBLE SALE).

6. IN THE EVENT MR. S. ASSESSES THAT M IS NOT UP TO IT, HE WILL DIRECT HIM TO POSTPONE THE TRIP AND WILL MAKE ARRANGEMENTS FOR FURTHER TRAINING SESSIONS. THE MOST PROBABLE OUTCOME IS THAT M WILL BE READY.

7.

8. FILE: CP 1

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RELNO: 000000537

ORIG: CP, (MR. S.); AUTH: CIA OFFICER 18 ; REL:
DAVID SHEDD ; CL BY ID # .

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TOR: 221655Z FEB 00 CIA OFFICE #27682

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CITE CIA OFFICE #2 7682

TO: LANGLEY , CIA OFFICE #5

FOR:

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: FINAL PRE-APPROACH MEETING WITH MERLIN (M)

REF: LANGLEY 755554 | 00 8987417 |

TEXT:

1. ACTION REQUIRED: FOR THE RECORD.

2. HQS MR. S. MET M IN HIS NEW YORK CITY HOTEL ROOM THE EVENING OF 21 FEBRUARY AND MADE FINAL PREPARATIONS FOR HIS DELIVERY OF THE CP 1 DISINFORMATION PACKAGE TO THE IRANIAN MISSION IN VIENNA THE WEEK OF 28 FEBRUARY. M WAS IN GOOD SPIRITS AND APOLOGIZED FOR HIS "RUDENESS" THE PREVIOUS WEEK WHEN HE HAD WALKED OUT BRIEFLY OVER A MINOR AGMT ISSUE. C/O ADVISED HIM THAT WE COULD MEET HIM HALFWAY ON WHEN AND HOW HE IS PAID.

C/O PAID HIM \$66,000 FOR HIS 1999 EARNINGS AND PROVIDED \$5000 AS A TRAVEL ADVANCE.

3. ONCE THE FINANCIAL PART OF THE MEETING WAS OVER, M AND C/O WENT OVER HIS TRAVEL PLANS, COMPORMENT IN VIENNA AND APPROACH TO THE IRANIAN IAEA MISSION IN GREAT DETAIL. HE WILL DEPART NYC ON THE EVENING OF # FEBRUARY ON A NON-STOP FLIGHT TO VIENNA. ONCE THERE, HE WILL STAY AT THE INTERCONTINENTAL HOTEL ON THE STADTPARK. HE WILL DEPART AND RETURN DIRECTLY TO NYC ON # MARCH. C/O OUTLINED THE SORT OF THING WHICH COULD BRING HIM TO THE ATTENTION OF OTHERS , PRINCIPALLY ANY ASSOCIATION WITH SUSPECT RUSSIANS. M GOT THE POINT IMMEDIATELY AND AGREED TO AVOID HIS FORMER COUNTRYMEN. WE WORKED OUT A COVER STORY FOR THE SCHEMATICS AND PLANS IN THE DISINFORMATION PACKAGE (A DESIGN FOR A COMPUTER DATE STORAGE DEVICE). HE WILL CARRY ONLY A SANITIZED VERSION OF THE COVER LETTER AND WILL

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PREPARE A FINAL VERSION

IN VIENNA.

C/O DIRECTED M TO PLAY UP HIS AMERICAN RESIDENCE AND PRA STATUS IN THE EVENT OF ANY TROUBLE, AND PROVIDED HIM THE LOCATION OF THE U.S. CONSULATE. HE WILL LOOK LIKE A TOURIST AND BEHAVE ACCORDINGLY, AIDED BY HIS WIFE WHO IS FAR MORE INTERESTED IN SUCH MATTERS THAN HE IS.

4. C/O AGAIN PROVIDED DETAILS OF THE LOCATION AND DIRECTIONS TO THE IRANIAN IAEA MISSION, AND WENT OVER M'S ROLE IN DROPPING OFF THE PACKET. HE WILL INCLUDE A COVER LETTER TO IRANIAN SUBJECT 1 EXPLAINING HIS OFFER AND ASKING FOR HELP IN GETTING THE INFORMATION TO IRANIAN SUBJECT 2, WITH WHOM HE HAS BEEN CORRESPONDING. PERHAPS CHARACTERISTICALLY M HAD MISPLACED THE E-MAIL ADDRESS OF IRANIAN SUBJECT 2 AND C/O PROVIDED IT AGAIN ALONG WITH INSTRUCTIONS TO SEND OFF A BRIEF NOTICE TELLING IRANIAN SUBJECT 2 OF HIS PLANS TO DELIVER AN IMPORTANT PACKET TO THE MISSION IN VIENNA. C/O EXPLAINED THAT THE LESS TALKING M DOES AT THIS STAGE WITH WHATEVER IRANIAN HE ENCOUNTERS THE BETTER, SINCE HE DOES NOT WANT TO PROVOKE EITHER EXTREME REACTION: A. WE DON'T HAVE A WEAPONS PROGRAM AND AREN'T INTERESTED IN YOUR INFORMATION OR B. THIS IS GREAT, WHY DON'T YOU COME TO TEHRAN WITH US TOMORROW. M SAW THE POINT CLEARLY AND AGREED SIMPLY TO DROP OFF THE PACKET AND PLAY UP HIS NERVOUSNESS ABOUT GETTING OUT OF THERE UNOBSERVED.

5. M WILL FAMILIARIZE HIMSELF FIRST WITH THE CITY AND THEN WITH THE AREA OF THE MISSION BEFORE MAKING HIS APPROACH ON THE 1ST OR 2ND OF MARCH. C/O ADVISED HIM THAT "WE WILL BE KEEPING AN EYE ON YOU" FROM A DISCREET DISTANCE IN ORDER TO PROVIDE PROTECTION. THE POINT WAS BOTH TO PROVIDE REASSURANCE AND TO HINT THAT WE ARE MONITORING HIS PERFORMANCE. M EXPRESSED HIS SATISFACTION THAT WE WERE BACKING HIM UP, AND THEN ASKED FOR AN EMERGENCY CONTACT NUMBER. C/O PROVIDED HIS CELL PHONE NUMBER AS AN EMERGENCY RPT EMERGENCY ONLY CONTACT AND WARNED M OF ALL THE PITFALLS HE COULD STEP INTO IF HE MISUSED IT

IT IS UNLIKELY THAT M WILL MAKE USE OF THIS LIFELINE IN ANYTHING SHORT OF A LIFE-THREATENING SITUATION.

6. OVERALL, C/O WAS SATISFIED WITH M'S DEGREE OF PREPARATION AND COMMITMENT TO THE MISSION, AND RELEASED THE DOCUMENTS AND TRAVEL FUNDS TO HIM, SETTING UP A DEBRIEFING MEETING THE EVENING OF 9 MARCH IN NYC. HE AND THE INFORMATION HE IS CARRYING HAVE BEEN EXHAUSTIVELY PREPARED, AND NOW IT IS UP TO LUCK AND THE IRANIAN REACTION.

7. FILE: CP 1 DECL ON: X1, CL REASON: 1.5(C), CL BY: ID # DRV

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