

A NOTE ON SOURCES

Many people have criticized the use of anonymous sources of late. Yet all reporters know that the very best stories—the most important, the most sensitive—rely on them. This book would not be possible without the cooperation of many current and former officials from the Bush administration, the intelligence community, and other parts of the government. Many of them were willing to discuss sensitive matters only on the condition of anonymity.

**DEFENDANT'S
EXHIBIT**

tabbles®

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FRP:

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96 5480331 ASR PAGE 001
TOT: 231827Z SEP 96 Langley 951158

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231827Z Langley 951158

TO: CIA Office #16

FROM:

SUBJECT: QUERY REGARDING ASSET POSSIBILITIES

REF: NONE.

TEXT:

1. AS DISCUSSED WITH COS AND CIA Officer #320N 19 SEPTEMBER, CP IS
LOOKING FOR A RUSSIAN EMIGRE ASSET CANDIDATE WITH A BACKGROUND IN
NUCLEAR WEAPONS, PARTICULARLY IN THE ELECTRONICS/FIRING SET AREA.
OUR INTENTION IS TO HAVE THIS INDIVIDUAL, ONCE VETTED AND TRAINED,
OFFER "HELP" TO THE IRANIAN NUCLEAR WEAPONS PROGRAM. DOES CIA Office #16
HAVE ANY POSSIBILITIES AMONG YOUR SOURCES? THIS IS A TALL ORDER
BECAUSE WE ARE LOOKING FOR BOTH THE RIGHT BACKGROUND AND OPERATIONAL
SUITABILITY, INCLUDING BOTH CI AND PERSONALITY ISSUES. PLEASE ADVISE
IN THIS CHANNEL IF YOU BELIEVE YOU HAVE A CANDIDATE.

2. CL BY ID# REASON 1.5 (C) DECL X1 DRV

3. FILE:

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

CABLETYPE:

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RELNO: 00000008

ORIG: CP/OPS (ROBERT . S

; COORD: CIA Officer #94 ; REL:

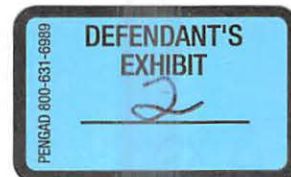
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FRP:

97 6520688 ASP PAGE 001 IN 6520688
TOR: 062025Z JAN 97 CIA OFFICE #1 5075

~~SECRET~~ 062011Z JAN 97

CITE CIA OFFICE #1 5075

TO: PRIORITY LANGLEY

FOR:

CLASSIFIED PROGRAM NO. 1

SUBJECT: APP REQUEST FOR OPERATIONAL USE OF MERLIN (M) AGAINST
IRANIAN NUCLEAR TARGET

REF: NONE

TEXT:

1. ACTION REQUIRED: PLEASE PROCESS APP FOR M
BASED ON THE FOLLOWING INFORMATION. AGREEMENT
AND SUMMARY OF 5 DEC 96 OPS MEETING WITH ASSET SUBMITTED IN
SEPARATE CABLES.

2. CIA OFFICE #1 C/O MS. D. HAS BEEN IN CONTACT
WITH M SINCE MARCH 1995, AS M'S PRIMARY CIA C/O INVOLVED
IN DEBRIEFING M ON HIS KNOWLEDGE OF RUSSIAN NUCLEAR WARHEAD
SYSTEMS. CONTACT EVOLVED VIA THE NORMAL
MECHANISM. IN NOVEMBER 1996, C/O APPROACHED M ON THE
IDEA OF WORKING FOR CIA IN A MORE OPERATIONAL CONTEXT, TO
WHICH HE AGREED IN PRINCIPLE. IN DECEMBER 1996, C/O AND CPD OFFICERS
MET WITH ASSET TO BRIEF HIM IN MORE DETAIL ON HAVING ASSET WORK WITH
CIA TARGETING THE MIDDLE EASTERN NUCLEAR TARGET, SPECIFICALLY
IRAN.

3. ASSET
WOULD BE USED TO CREATE AND SUSTAIN OPERATIONAL ACCESS TO THE IRANIAN
NUCLEAR TARGET. M'S GOALS, ON BEHALF OF CIA WILL BE TO GAIN
INSIGHT INTO THE STAGE OF DEVELOPMENT OF THE IRANIAN NUCLEAR PROGRAM
AND TO COLLECT INFORMATION ON THEIR CONTACTS WITH
FOREIGN NUCLEAR SCIENTISTS. ASSET WILL ALSO BE INVOLVED IN THE
ULTIMATE OPERATIONAL OBJECTIVE OF DELIVERY AND/OR DESIGN OF A PIECE
OF NUCLEAR EQUIPMENT NEEDED BY THE IRANIANS WHICH WILL HAVE FAULTS.
NOTE, HOWEVER, THAT ASSET HAS NOT YET BEEN APPRISED OF THIS PART OF
THE OPERATION. LOCATION FOR THESE POTENTIAL MEETINGS WITH THE
IRANIANS WILL BE OUTSIDE OF CONUS, PROBABLY IN EUROPE

4. M APPEARS TO HAVE THE SKILLS AND

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PERSONALITY NECESSARY TO CARRY OFF THIS TYPE OF OPERATIONAL ACTIVITY. HE HAS THE EXPERIENCE AND TECHNICAL KNOWLEDGE TO CONVINCE THE IRANIANS THAT HE IS A GENUINE RESOURCE FOR THEIR WEAPONS PROGRAM.

M'S OPERATIONAL MOTIVATION FOR THIS ACTIVITY IS ALMOST PURELY FINANCIAL, AND HIS DESIRE TO CONTINUE EARNING INCOME FROM CIA SOMETHING THAT M WAS VERY FRANK AND HONEST ABOUT DURING HIS MEETINGS WITH C/O AND CPD OFFICERS. SUBJECT APPEARS, ON THE SURFACE, TO BE A NARROWLY FOCUSED INDIVIDUAL, WITH THE STEREOTYPICAL ENGINEERING/TECHNICAL MINDSET, BUT HE IS A PERSON OF MORE DEPTH AND BREADTH THAN WHAT APPEARS. HE IS A SERIOUS-MINDED PERSON WHO WILL TAKE HIS JOB, OR IN THIS CASE, HIS OPERATIONAL DUTIES, VERY SERIOUSLY AND WILL BE CONSCIENTIOUS IN COMPLETING THEM. M UNDERSTANDS THAT ANY RELATIONSHIP HE HAS WITH CIA IS A BUSINESS ARRANGEMENT AND THAT HE WILL FULFILL HIS PART OF THE AGREEMENT. CONVERSELY, HE WILL ALSO EXPECT CIA TO DO THE SAME. M CAN WORK WITH SOME AMBIGUITY, AND ACCEPTED THAT PLANNING FOR THIS OPERATION WILL HAVE TO REMAIN SOMEWHAT FLUID, DEPENDING ON THE CIRCUMSTANCES, AND HAD NO PROBLEM WITH THIS ONCE IT WAS EXPLAINED TO HIM.

5. M HAS TRAVELED TO PENNSYLVANIA, NEW JERSEY, NEW YORK AND CONNECTICUT SINCE HIS ARRIVAL IN CONUS

6. THIS INFO IS CONTAINED IN HQS' RECORDS AND IS NOT AVAILABLE. NO NEGATIVE INFO SURFACED, BASED ON C/O'S RECOLLECTION.

7. AN EVALUATION WAS CONDUCTED ON M IN 1996

IN THE INTERIM, HQS SHOULD PROCURE A COPY OF THE REVIEW THAT WAS DONE OF THE ASSET'S REPORTING ON SOVIET NUCLEAR WEAPONS ISSUES. THIS REVIEW CONCLUDED THAT ASSET WAS, IN FACT, PROVIDING ACCURATE, AND HIGHLY VALUABLE DATA

C/O HAS EMPHASIZED THE SENSITIVE NATURE OF THIS PROPOSED OPERATION, TO WHICH M IS IN FULL AGREEMENT. IN FACT, HE HAS NOT ADVISED HIS WIFE OF THE DETAILS OF HIS NEW RELATIONSHIP WITH CIA, EXCEPT TO TELL HER THAT HE WILL BE DOING SOME DETAILED TRANSLATION WORK. IN HIS PREVIOUS ARRANGEMENT WITH CIA, MRS. M WAS FULLY APPRISED OF M'S ACTIVITIES. WE BELIEVE THAT HIS STRONG SENSE OF SENSITIVITY ON HIS RELATIONSHIP WITH CIA WILL BE ADVANTAGEOUS.

8. CL BY: ID # DECL:X1 CL REASON 1.5 (C) DRV FRM

5. FILE: M DECL OADR DRV

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FRP:

97 8043150 ASR

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TOT: 281744Z MAY 97

LANGLEY 366538

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281744Z LANGLEY 366538

TO: INFO ROUTINE CIA OFFICE #3 .
CIA OFFICE #1 CIA OFFICE #2

FROM:

SLUGS: CLASSIFIED PROGRAM NO.1

SUBJECT: MERLIN (M) EVALUATION , C/O CHANGE PLANNING

REF: CIA OFFICE #1 . | 97 7948698 |

TEXT:

1. ACTION REQUIRED: FOR THE RECORD.
2. PER REF, MR. S. WILL TRAVEL TO NEW YORK ON 3-4 JUNE FOR DISCUSSIONS WITH C/O'S AND OFFICE MANAGEMENT AND C/O CHANGE MEETING WITH M , ARRIVING IN MID-AFTERNOON AND STAYING AT A HOTEL . HE WILL ALSO BE AVAILABLE LATER IN JUNE FOR FURTHER MEETINGS WITH M AND HIS WIFE, AS NEEDED.

3. ON THE OTHER SIDE OF THE PROJECT AND CONTINENT, DURING THE WEEK OF 19 MAY CP, CIA OFFICER 2 , CP OFFICER Mr. F. AND Mr. S. MET HUMAN ASSET 2 (HA 2) AND Mr. G. AND PARTICIPATED IN HIS FURTHER DEBRIEFINGS BY NATIONAL LABORATORY (LAB) PERSONNEL. PER THE LAB EXPERTS, HA 2 HAS PROVIDED EXCELLENT ASSISTANCE IN THEIR DESIGN OF A COPY OF THE RUSSIAN TBA-486 FIRE SET, ALLOWING THEM TO BUILD A BREADBOARD MODEL WHICH C/O'S SAW TESTED SUCCESSFULLY. THEY ARE VERY PLEASED WITH HIS COOPERATION AND BELIEVE THEY WILL BE ABLE TO CONSTRUCT A HIGHLY CREDIBLE, THOUGH FATALLY FLAWED, KNOCK-OFF OF THE TBA-486 DESIGN BY EARLY 1998, WELL WITHIN OUR PROJECTED OPERATIONAL DEADLINE. ONCE THIS DESIGN HAS BEEN RED-TEAMED BY ANOTHER (UNWITTING) GROUP OF LAB EXPERTS AND THEY CERTIFY THAT IT CANNOT WORK OR BE MADE TO WORK, WE WILL PROVIDE IT TO M WITH A SUITABLE EXPLANATION AS FEED MATERIAL FOR HIS CONTACT WITH THE IRANIANS, CONTINUING TO STRESS THAT COLLECTION IS OUR PRIMARY GOAL AND STEERING HIM AWAY FROM ANY

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NOTION THAT THE DESIGN IS FLAWED. THE GOAL IS TO PLANT THIS SUBSTANTIAL PIECE OF DECEPTION INFORMATION ON THE IRANIAN NUCLEAR WEAPONS PROGRAM, SENDING THEM DOWN BLIND ALLEYS, WASTING THEIR TIME AND MONEY, AND DISCREDITING RUSSIAN DESIGNS AND EQUIPMENT IN THEIR EYES. THE TERMINOLOGY AND LIST OF PARTS ARE SUFFICIENTLY SPECIFIC THAT WE STAND A GOOD CHANCE OF LEARNING WHETHER THE IRANIANS HAVE IN FACT ADOPTED THE DESIGN AND ARE TRYING TO MAKE IT WORK. THE LAB SCIENTISTS EXPRESSED THEIR CONFIDENCE THAT WITH HA 2'S COOPERATION THEY CAN CREATE A HIGHLY CREDIBLE "RUSSIAN" DESIGN WHICH WILL NEVER FUNCTION. NOTE THAT THE WHOLE OPERATIONAL CONCEPT HERE IS DECEPTION

; WE WILL BE OFFERING A SET OF PLANS RATHER THAN HARDWARE, SINCE IT IS NOT CREDIBLE THAT M AND HIS SHADOW PARTNER HA 2 WOULD ACTUALLY HAVE ACCESS TO THIS HIGHLY CONTROLLED PIECE OF A RUSSIAN NUCLEAR WEAPON. AS THE LAB EXPERTS EXPLAINED IT, THE TBA-486 FIRE SET

IS AT LEAST TWENTY YEARS BEYOND THE TYPE OF SYSTEM A BEGINNING PROLIFERATOR COULD USE, AND CANNOT BE MADE TO WORK ON A FIRST GENERATION WEAPON EVEN IF IT WERE NOT INTENTIONALLY FLAWED BY THE LAB. IN THE LAB'S OPINION IT WOULD TAKE THE IRANIANS A LONG TIME TO REALIZE THAT THE MORE ADVANCED DESIGN WON'T WORK ON A SIMPLE WEAPON, AND THEY WOULD MOST LIKELY SPEND A LOT OF VALUABLE RESEARCH EFFORT TRYING TO DO THE INHERENTLY IMPOSSIBLE MADE HARDER BY THE LAB'S COVERT DEGRADATIONS. WE BELIEVE THE COMBINATION OF THE DESIGN AND M WILL BE VERY ATTRACTIVE TO THE IRANIANS AND DISRUPTIVE TO THEIR NUCLEAR WEAPONS PROGRAM.

4. FILE: CLASSIFIED PROGRAM 1

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

CABLETYPE:

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RELNO: S R 000000041

ORIG: CP/ (MR. S.); AUTH: CIA OFFICER 2
MR. F. ; COORD: CIA OFFICER 3 , CIA OFFICER 4 ; REL: MR. S.
; CL BY ID NUMBER.

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TOT: 021250Z FEB 98

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TO: CIA OFFICE #2

FROM:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: 15 JANUARY LAB TECHNICAL REVIEW

REF: NONE.

TEXT:

1. ACTION REQUESTED: NONE, FOR THE RECORD ONLY.

2. ON 15 JANUARY, CP 1, SPECIAL PROJECTS AND NR OFFICERS MET WITH THE CP 1 TECHNICAL TEAM AT THE LAB FOR AN EXTENSIVE PROJECT REVIEW SESSION. THE TEAM COMPLETED THEIR DESIGN OF THE MODIFIED FIRING SET AND EXPLAINED THAT WHILE THE PLANS SEEM TO REFLECT THE RUSSIAN TBA-480 PEDIGREE EXACTLY, THERE ARE APPROXIMATELY # PLUS MULTIPLE NESTED FLAWS OF AN ELECTRICAL, MATERIAL, OR DESIGN NATURE CONCEALED WITHIN THE PLANS. IN FACT, THE NUMBER OF POTENTIAL FLAWS IS SIGNIFICANTLY HIGHER BECAUSE NOT ALL THE FAILURE PERMUTATIONS HAVE BEEN EXPLORED. THAT IS, FIXING ONE PROBLEM MAY CAUSE OTHER COMPLICATIONS NOT YET MODELED BY THE TEAM. FURTHERMORE, EVEN IF THE TARGET SHOULD SOMEHOW MANAGE TO COBBLE TOGETHER A FIRING SET DESIGN THAT APPEARS TO WORK ON PAPER, A FINAL FATAL FLAW (FAILURE DURING FINAL STAGES) ENSURES THAT IT WILL NOT DETONATE THE NUCLEAR WEAPON. IT WAS CLEAR THAT THE DESIGN AND ASSEMBLY OF A FIRING SET IS AS MUCH AN ART, INVOLVING ESOTERIC KNOWLEDGE ABOUT ELECTRICAL ACTIVITIES, FOR EXAMPLE, AS A HARD SCIENCE.

3. THE COMPLETED "TBA-480" DESIGN WILL NOW BE TURNED OVER TO A FULLY INDEPENDENT AND UNWITTING EVALUATION TEAM, ALSO COMPOSED OF LAB FIRING SET EXPERTS. THEY WILL BE PRESENTED WITH THE PLAN AND A PARTIAL LIST OF COMPONENTS (IN THE INTEREST OF TIME) AND TASKED TO MAKE A WORKABLE FIRING SET. THEIR PROGRESS, QUESTIONS, AND ACTIONS AS THEY DISCOVER AND ATTEMPT TO FIX THE FLAWS WILL BE FULLY DOCUMENTED. THIS PHASE OF THE PROJECT IS SCHEDULED TO END IN LATE MARCH OR EARLY APRIL. OBVIOUSLY, THE PURPOSE OF THIS RED TEAM EFFORT IS TO DETERMINE HOW WELL THE FLAWS HAVE BEEN HIDDEN AND WHETHER THE PLANS CAN BE REALISTICALLY ALTERED TO CREATE A VIABLE FIRING SET. GIVEN THAT BOTH THE DESIGN AND EVALUATION TEAMS ARE STAFFED WITH THE

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WORLD'S EXPERTS ON THIS TECHNOLOGY, IT IS ACCURATE TO CALL THIS A RIGOROUS AND TRUSTWORTHY TEST OF THE PLAN. THEY FEEL CONFIDENT THAT THE TARGET'S EXPERTS, EVEN WITH THE ASSUMED ASSISTANCE OF RUSSIAN SCIENTISTS, WILL HAVE FAR GREATER DIFFICULTIES THAN THE RED TEAM.

4. AS THIS PROJECT BEGINS TO MOVE OUT OF THE TECHNICAL AND INTO A MORE OPERATIONAL PHASE, THE LAB TEAM LEADER IS COGNIZANT OF CIA'S NEED FOR A STATEMENT FROM THE LAB WHICH MAKES VERY CLEAR THAT THE FIRING SET PLANS ARE NOT AND CAN NOT BE ENABLING TECHNOLOGY FOR THE TARGET. THIS CERTIFICATION IS CRUCIAL TO ENSURING THAT THIS OPERATION OBTAINS ALL THE NECESSARY POLICY APPROVALS. ONCE THE RED TEAM SUBMITS ITS FINAL REPORT, THE PROJECT LEADER WILL DRAFT A FULL STATEMENT OF THE EVALUATION.

5. THE REVIEW SESSION PARTICIPANTS ALSO DECIDED THAT IT WOULD BE VALUABLE TO SHOW HUMAN ASSET 2 THE FINISHED PLANS IN THE NEAR FUTURE. THE OBJECTIVE WOULD BE TWOFOLD: FIRST, TO DETERMINE WHETHER ANY FLAWS ARE READILY APPARENT TO HIS TRAINED EYE, AND SECONDLY TO ENSURE THAT ALL THE RUSSIAN TERMS AND NOMENCLATURE ARE PERFECTLY ACCURATE. THE TEAM ALSO REQUESTED THAT THEY BEGIN THE TECHNICAL BRIEFING FOR IC MR. G. AS SOON AS POSSIBLE IN PREPARATION FOR HIS LATER TRAINING SESSIONS WITH M. PLANS ARE NOW TO HAVE MR. G. MEET WITH SEVERAL TEAM MEMBERS AT THE LAB ON 11 FEBRUARY FOR THE INITIAL BRIEFING.

6. CP OFFICERS EXPRESSED THEIR PLEASURE WITH HOW THIS PROJECT HAS BEEN MANAGED FROM ITS INCEPTION; IT IS ON TIME AND ON BUDGET. THE OPERATIONAL STRAND IS MOVING ALONG SMOOTHLY, AND THE INITIAL STEPS IN THE POLICY REVIEW PROCESS HAVE BEEN TAKEN. COOPERATION FROM ALL ELEMENTS OF THIS OPERATION HAS BEEN EXCELLENT, AND THE LAB PROMISES TO KEEP US APPRISED OF THE RED TEAM'S ACTIVITIES OVER THE NEXT FEW WEEKS.

7. FILE. CLASSIFIED PROGRAM 1

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

CABLETYPE: !

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RELNO: 000000089

ORIG: (CIA OFFICER 5); AUTH: CP (CIA OFFICER 6);

COORD: CP, (MR. F.); REL: MR. S. ; CL BY

ID # .

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FRP:

98 1167631 ASR PAGE 001
TOT: 152330Z APR 98 LANGLEY 773594

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TO: CIA OFFICE #2 152330Z LANGLEY 773594

FROM:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) - DRAFT LETTER TO TARGETS IN IRAN

REF: CIA OFFICE #2 06326. | 98 1140438 |

TEXT:

1. ACTION REQUIRED: SEND THE LETTER.
2. M'S DRAFT LETTER TO TECHNICAL AND OTHER TARGETS IN IRAN SOUNDS THE RIGHT NOTE, AS MR. W. SUGGESTED, AND WE RECOMMEND THAT HE SEND IT ALONG. WE SUSPECT THERE WILL BE LITTLE RESPONSE, SINCE HE LOOKS LIKE JUST ONE MORE RUSSIAN ENGINEER BEGGING FOR A JOB, BUT WE MIGHT GET LUCKY.

HQS
TEAM WILL BE AT THE NATIONAL LAB ON 13 MAY FOR THE NEXT MEETING WITH THE LAB FIRE SET DESIGNERS/CORRUPTERS. PRELIMINARY REPORTS ARE THAT THE LAB RED TEAM OF FIRE SET EXPERTS WAS ABLE TO FIX SOME BUT NOT ALL THE FLAWS IN THE DESIGN, AND THAT WE HAVE A VERY CREDIBLE BUT ULTIMATELY UNWORKABLE PRODUCT ABOUT READY FOR DEPLOYMENT. ONCE THIS IS CERTIFIED WE WILL BEGIN THE LEGAL APPROVAL PROCESS AND TAKE MORE CONCRETE OPERATIONAL STEPS. IT SEEMS THAT MR. W. HAS M RIGHT ON TRACK IN PREPARATION FOR THE NEXT PHASE.

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

CABLETYPE:

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RELNO: 000000268
ORIG: CP, (MR. S.); AUTH: CIA OFFICER 7 ;
COORD: CIA OFFICER 3 ; REL: DAVID SHEDD : CL BY ID # .

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FRP:

98 1473047 ASR

PAGE 001
TOT: 152010Z MAY 98

LANGLEY 814017

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152010Z LANGLEY 814017
TO: CIA OFFICE #2 INFO CIA OFFICE #3 .

FROM:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: RESULTS OF LAB RED TEAM REVIEW; MERLIN (M) 'S NIBBLE

REF: CIA OFFICE #2 6384. | 98 1403463 |

TEXT:

1. ACTION REQUESTED: FOR THE RECORD. CIA OFFICE #3 : PLEASE
PASS TO IC MR. G. . THANK YOU.

2. ON 13 MAY, THE PROJECT "RED TEAM" TECHNICAL REVIEW WAS
HELD AT THE NATIONAL LAB . THE INDEPENDENT EVALUATION TEAM
ENCOUNTERED SIGNIFICANT DIFFICULTIES IN THEIR ATTEMPTS TO MAKE THE
FLAWED FIRE SET WORK; SOME OF THESE PROBLEMS WERE RESOLVED DUE TO THE
MORE THAN 200 YEARS OF COMBINED NATIONAL LAB EXPERIENCE OF THE RED
TEAM. AT NO TIME DID THE TEAM SUSPECT THAT THERE HAD BEEN ANY
DELIBERATE EFFORTS TO SABOTAGE THE DESIGN, WHICH THEY REGARDED AS A
LEGITIMATE RUSSIAN SYSTEM. AFTER THREE MONTHS OF INTENSE EFFORT, AND
BY FINDING AND FIXING SOME OF THE DESIGN FLAWS, THE
TEAM WAS ABLE TO GET A BREADBOARD VERSION OF THE FIRE SET TO WORK IN
A LABORATORY SETTING. THE TEAM NOTED THAT THEY HAD NOT TRIED TO
BUILD THE FIRE SET INTO A WEAPONS-STYLE CASING BECAUSE OF TIME
CONSTRAINTS, AND THEY EXPRESSED CONCERN THAT TRYING TO DO SO WOULD BE
VERY DIFFICULT. INDEED TRYING TO WEAPONIZE WOULD BRING THE REMAINING
OF THE ELECTRICAL PROBLEMS AND THE NUMEROUS MATERIALS SCIENCE FLAWS
BUILT INTO THE DESIGN INTO PLAY, SO EXPECTED PROBLEMS
WOULD CASCADE, RENDERING THE DESIGN
ULTIMATELY WORTHLESS TO IRAN'S NUCLEAR PROGRAM. FURTHERMORE, IF THE
IRANIANS ARE SOMEHOW ABLE TO GET THE DESIGN TO WORK ON A BREADBOARD,
IT WOULD PROVIDE A FALSE SENSE OF CONFIDENCE IN THEIR ABILITY TO GET
THE DESIGN TO WORK IN A WEAPON. AS A CONSEQUENCE, THEY WOULD BE
DRAWN INTO SPENDING INCREASING RESOURCES ON THEIR EFFORTS, MOST
PROBABLY BLAMING THEIR CONTINUING FAILURES ON THEIR OWN LACK OF
HANDS-ON TECHNICAL EXPERTISE.

3. THE AFTERNOON SESSION WAS PRIMARILY DEVOTED TO ANSWERING
VARIOUS QUESTIONS POSED BY CP WHICH ARE NECESSARY TO ADVANCE
THIS OPERATION THROUGH POLICY CHANNELS. ESSENTIALLY, THE DESIGN WILL
NOT MATERIALLY ASSIST THE IRANIANS, THERE IS NO TRANSFER OF

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RESTRICTED DATA, AND ANY DISCOVERED FLAWS COULD BE EXPLAINED CREDIBLY AS A MEMORY LAPSE BY THE ROGUE DESIGNER, OR SIMPLY PECULIAR TO THE OSTENSIBLE RUSSIAN PLANS. MR. C. PROJECT MANAGER AT THE LAB, WILL DRAFT A MEMO WHICH WILL PROVIDE THE CONCLUSIONS OF THE EVALUATION TEAM AND RELEASE THE DESIGN TO THE CIA .

4. AS A FINAL CHECK, HUMAN ASSET 2 (HA 2) WILL REVIEW THE LAB'S DESIGN AND ACCOMPANYING EQUIPMENT LIST, AND TRANSLATE THE TECHNICAL SYMBOLS AND TERMS INTO AUTHENTIC RUSSIAN NOMENCLATURE. THIS WILL BE HA 2'S OVERT TASK, BUT ANOTHER OBJECTIVE IS TO DETERMINE WHETHER DURING HA 2'S REVIEW, HE DETECTS ANY OBVIOUS FLAWS, I.E. HE NOTICES THAT THE FINISHED DESIGN DIFFERS FROM THE DIRECTIONS HE PROVIDED THE LAB TECHNICIANS. OBVIOUSLY, HA 2 WILL NOT BE TOLD THAT THE DESIGN IS FLAWED; ANY DISCREPANCIES CAN BE ACCREDITED TO SIMPLE MISCOMMUNICATION. THEREFORE, REQUEST THAT IC. MR. G. AND HA 2 PREPARE TO TRAVEL TO THE LAB FOR THESE MEETINGS IN THE NEAR FUTURE (FOUR TO SIX WEEKS TIME FRAME).

5. THE NATIONAL LABORATORY WAS TOP-RATE, AND IT WAS A CONTINUAL DELIGHT TO WORK WITH THEM.

6. CIA OFFICE #2; WE, TOO, ARE PLEASED THAT M GOT THAT INTERESTING NIBBLE FROM IRAN, AND CONCUR WITH YOUR GUIDANCE TO HIM. WE WILL BE IN TOUCH SHORTLY ABOUT ARRANGING A MEETING. REGARDS.

7. FILE: CLASSIFIED PROGRAM 1

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

CABLETYPE:

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RELNO: 000000109

ORIG: CP, (CIA OFFICER 5); AUTH: CIA OFFICER 3 ; COORD:
MR. F. ; REL: MR. S. CL BY ID # .

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FRP:

98 3232475 ASR PAGE 001 IN 3232475
TOR: 291217Z OCT 98 CIA OFFICE #26757

~~SECRET~~ 291217Z OCT 98
CITE CIA OFFICE #2 5757 (MR. S 2 ACTING)

TO: LANGLEY

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) : 27 OCTOBER MEETING

REF: CIA OFFICE #26713 | 98 3024891 |(09 OCT)

TEXT:

1. ACTION REQUIRED: SEE PARA THREE, FYIO.
2. ON 27 OCT, C/O MR. W. MET WITH M AT AN UPPER WEST SIDE RESTAURANT. UNFORTUNATELY, M 'S PERSONAL COMPUTER HAS BEEN UNDERGOING REPAIRS FOR APPROXIMATELY THE LAST TWO AND A HALF WEEKS, THUS LIMITING HIS REGULAR EFFORTS ON THE INTERNET. M SAID THAT THE COMPUTER HAD A NUMBER OF PROBLEMS AND REQUIRED NEW PARTS. M WAS PLEASED TO REPORT, HOWEVER, THAT EVERYTHING WAS COVERED BY THE MANUFACTURER'S WARRANTY. M ADDED THAT HE HAD BEEN ABLE TO CHECK E-MAIL FROM HIS OFFICE COMPUTER BUT THAT HE DID NOT INITIATE NEW EXCHANGES WITH THE VARIOUS INDIVIDUALS IDENTIFIED IN RECENT TRAFFIC.
3. AS DISCUSSED DURING CP 1 OFFICERS' TRAVEL TO NEW YORK IN SEP, C/O ADVISED M THAT EVERYTHING WAS ON TRACK FOR TRAVEL TO SAN FRANCISCO 12-15 NOV FOR M 'S TECHNICAL TRAINING. C/O INSTRUCTED M TO BEGIN TO INVESTIGATE AIRFARES TO SAN FRANCISCO BUT NOT TO PURCHASE HIS TICKET UNTIL C/O HAD CONFIRMED THE DATES. (C/O UNDERSTANDS THAT HQS OFFICERS WILL NOT KNOW FOR CERTAIN WHETHER THOSE DATES ARE GOING TO WORK UNTIL 02-03 NOV. C/O WILL BE ON DOMESTIC TDY 02-05 NOV AND WILL CONTACT HQS CIA OFFICER 5 DURING THAT PERIOD FOR CONFIRMATION OF THE SAN FRAN TRIP.) C/O AND M WILL TRAVEL TO CALIFORNIA SEPARATELY BUT C/O WILL ARRANGE FOR LODGING FOR THE TWO OF THEM.
4. C/O ALSO TOOK THE OPPORTUNITY DURING THE 27 OCT MEETING TO ADVISE M THAT C/O WOULD BE LEAVING CIA OFFICE #2 IN THE MIDDLE OF DECEMBER FOR ANOTHER POSTING IN CIA OFFICE #4. C/O DESCRIBED HIS REPLACEMENT AS AN OFFICER WELL VERSED IN IRANIAN ISSUES AS WELL AS THE COUNTER PROLIFERATION FIELD. C/O ALSO SAID THAT ARRANGEMENTS HAD BEEN MADE FOR HIS REPLACEMENT TO PARTICIPATE IN THE MEETINGS IN SAN

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FRANCISCO SO THAT HE AND M COULD GET TO KNOW EACH OTHER OVER A FEW DAYS. M LIKED THAT IDEA. M, NOW FAMILIAR WITH THE C/O CHANGE CONCEPT, ACCEPTED THE NEWS WELL BUT DID EXPRESS REGRET THAT HE AND C/O WOULD NOT SEE THE PROJECT TO ITS CONCLUSION TOGETHER. C/O BELIEVES THAT M AND C/O STERLING WILL GET ON WELL AND THAT WE WILL NOT SEE ANY CHANGE IN M'S COMMITMENT TO THE CP 1 PROJECT WITH THE ARRIVAL OF M'S NEW HANDLER.

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

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FRP:

98 3316096 ASP PAGE 001
TOT: 051833Z NOV 98 LANGLEY 145865

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051833Z LANGLEY 145865
TO: PRIORITY CIA OFFICE #3 INFO CIA OFFICE #2

FROM:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) TRAVEL TO SAN FRANCISCO

REF: NONE.

TEXT:

1.

2. CP PROPOSES THAT HQS CP OFFICERS A AND B AND OFFICER C TRAVEL TO SAN FRANCISCO WITH M FROM 12 - 16 NOVEMBER 1998 TO TRAIN AND PREPARE M IN THE CP 1 EQUIPMENT AND FOR HIS IMPEDING INTRODUCTION OF THE EQUIPMENT TO THE IRANIANS.

3. REQUEST ALERT IC MR. G. TO THE DATES OF THE IMPENDING TRIP AND REQUEST HE TRAVEL TO SAN FRANCISCO TO BE AVAILABLE FOR THE TRAINING SESSION.

4. A AND B WILL TRAVEL TO SAN FRANCISCO ON 12 NOVEMBER VIA , ARRIVING LOCAL TIME. THEY WILL STAY AT THE HOTEL. C AND M WILL TRAVEL FROM NEW YORK, ARRIVING ON THE EVENING OF 12 NOV. THEY WILL STAY AT THE HOTEL NEAR . THEY TRAINING WILL TAKE PLACE IN A'S ROOM . M AND B PLAN TO DEPART SAN FRANCISCO ON THE MORNING OF 16 NOV. PLEASE ADVISE.

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

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RELNO: 000000001

ORIG: CP/ (CIA OFFICER 8); AUTH: CIA OFFICER 3
CP, ; COORD: CIA OFFICER 7 ; REL: CIA OFFICER 8 ; CL BY
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FRP:

98 3347858 ASR

PAGE 001
TOT: 091314Z NOV 98

LANGLEY 148974

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091314Z LANGLEY 148974

TO: CIA OFFICE #3

FROM:

CLASSIFIED PROGRAM NO. 1

SUBJECT: MERLIN (M) TRAVEL -

REF: CIA OFFICE #3 02384. | 98 3331889 |

TEXT:

1. NAMES , MYSTERIOUSLY DETACHED FROM OUR OUTGOING, ARE AS FOLLOWS:

- A. MR. S.
- B. MR. JEFFREY STERLING
- C. MR. W.

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

CABLETYPE:

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RELNO: 000000001

ORIG: CP, (MR. S.); REL: MR. S. ; CL BY ID #

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FRP:

98 3436315 ASR PAGE 001 IN 3436315
TOR: 171745Z NOV 98 CIA OFFICE #26800

~~SECRET~~ 171746Z NOV 98

CITE CIA OFFICE #26800

TO: LANGLEY INFO CIA OFFICE #3

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) : TRAINING AND C/O CHANGE MEETINGS IN SAN FRANCISCO

REF: HQS 145865 (05 NOV)

TEXT:

1. ACTION REQUIRED: NONE, FYI.

2. ON 13 AND 14 NOV, C/O MR. W. HQS OFFICERS MR. S. AND STERLING AND IC MR. G. MET WITH M AT A HOTEL (ROOM) TO BRIEF HIM ON THE FIRE SET PLANS AND BEGIN TO WORK ON HIS LEGEND. THEY ALSO TOOK THE OPPORTUNITY TO INTRODUCE HIM TO MR. W. 'S SUCCESSOR TO-BE, STERLING, WHO WILL TAKE OVER HANDLING RESPONSIBILITIES FOR M IN EARLY JANUARY. THE MEETINGS WENT VERY WELL. M RAISED SEVERAL QUESTIONS ABOUT THE PLANS AND THE ACCOMPANYING TECHNICAL SPECIFICATIONS WHICH MR. G. WILL BE FOLLOWING UP ON SHORTLY. ALL PARTIES, INCLUDING M 'S WIFE, MRS. M , ENJOYED SEVERAL DINNERS TOGETHER WHICH GAVE M THE CHANCE TO GET TO KNOW STERLING BETTER. ON 15 NOV, MR. S. AND STERLING TOOK MRS. M AND M ON A DAY TRIP TO WINE COUNTRY, ALLOWING STERLING'S RAPPORT WITH M TO GROW. THE NEXT MEETING WITH M WILL BE ON 23 NOV IN NEW YORK CITY.

3. AS PLANNED, ALL PARTIES CONVENED IN SAN FRANCISCO MORNING 13 NOV FOR THE FIRST SERIES OF MEETINGS. AFTER AN OPS BREAKFAST MEETING TO INTRODUCE M TO STERLING AND MR. G. , THE GROUP RETIRED TO MR. W. 'S SUITE AT THE HOTEL. THE GROUP SHOWED M THE FIRE SET PLANS. IN GENERAL DISCUSSIONS, THE STORY (LEGEND) THAT THEY INTEND FOR M TO USE WITH THE IRANIANS BEGAN TO TAKE SHAPE. THIS WAS FOLLOWED BY ABOUT AN HOUR BETWEEN M AND MR. G. REVIEWING THE TECHNICAL ASPECTS OF THE APPROVED FIRE SET PLANS. M RAISED SEVERAL CLARIFYING QUESTIONS AND MR. G. SCHEDULED A SESSION WITH HUMAN ASSET 2 (HA 2) TO OBTAIN THE ANSWERS.

4. AFTER A LUNCH BREAK AND A BIT OF SIGHTSEEING, MR. W. , STERLING AND MR. S. RETURNED TO THE SUITE WITH M FOR A FULL AFTERNOON OF

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LEGEND WORK. C/OS COLLECTIVELY WORKED WITH M ON THE STORY HE WOULD ULTIMATELY USE WITH THE IRANIANS. THE FIRE SET PLANS WERE NOT OF HIS DESIGN BUT CAME FROM OTHER RUSSIANS WHOM HE HAD MET AND WHO WANTED TO MARKET THEM FOR FINANCIAL GAIN. M WAS SERVING AS THE MIDDLE MAN. THE PLANS WERE "INCOMPLETE" BUT WOULD BE FOUND TO BE TRUE AND ACCURATE UPON IRAN'S CAREFUL REVIEW. BASICALLY, IF THE IRANIANS WANTED THE INFORMATION THAT WOULD MAKE THE PLANS COMPLETE, THEY WOULD HAVE TO PAY M AND HIS "UNNAMED COLLEAGUES." THIS WAS THE CORE OF THE STORY AND ONE WITH WHICH M WAS GENERALLY COMFORTABLE. AFTER STERLING AND MR. S. LEFT FOR THE AFTERNOON, MR. W. AND M SPENT ABOUT TWENTY MINUTES DISCUSSING THE C/O CHANGE. M EXPRESSED HIS POSITIVE IMPRESSION OF STERLING AND WAS CONFIDENT THAT THE TWO WOULD WORK WELL TOGETHER. C/OS HOSTED MRS. M AND M FOR DINNER EVENING 13 NOV.

5. MORNING 14 NOV, IC MR. G. TOOK THE MERLINS ON A TOUR OF THE RICHMOND AREA AND THE LOCALES POPULATED BY THE LARGE RUSSIAN COMMUNITY IN SAN FRANCISCO. THIS WAS FOLLOWED BY LUNCH AFTER WHICH MR. G. AND M JOINED THE OTHER C/OS FOR AN AFTERNOON OF OPERATIONAL DISCUSSIONS IN MR. W. 'S SUITE. MR. G. BRIEFED THE GROUP ON THE TECHNICAL INFORMATION HE HAD OBTAINED FROM HA 2

OVERALL, M 'S QUESTIONS CONCERNED THE FACT THAT THERE WERE TECHNICAL SPECIFICATIONS PROVIDED IN THE PACKAGE THAT DID NOT ACTUALLY APPEAR ON THE FIRING SET PLANS THEMSELVES. C/OS ASSURED M THAT WE WOULD REVIEW THIS POINT WITH THOSE WHO HAD CREATED THE PACKAGE AND CLARIFY IT AT A LATER DATE. C/OS' SENSE WAS THAT THE ITEMS WERE INCLUDED "ON PURPOSE" AS PART OF THE "INCOMPLETENESS" OF THE FIRE SET PLANS. (MR. G. WILL FOLLOW-UP ON THIS DIRECTLY WITH THE APPROPRIATE CONTACTS AT THE LAB.) C/OS REVIEWED WITH M THE

LEGEND WE INTEND FOR HIM TO USE WITH THE IRANIANS AND THE VARIOUS LEVEL OF DETAIL THAT HE WOULD BE WILLING TO PROVIDE IF PRESSED. EVENING 14 NOV, ALL PARTIES GATHERED FOR A FINAL DINNER, HOSTED BY C/OS.

6. ON 15 NOV, C/O MR. W. RETURNED TO NEW YORK AS STERLING AND MR. S. TOOK THE MERLINS ON A CAR TRIP INTO WINE COUNTRY. THE THREE DAY-TRIP PROVIDED OFFICERS THE RIGHT COMBINATION OF SERIOUS OPERATIONAL DISCUSSIONS AND RAPPORT BUILDING BETWEEN M AND STERLING. THE STAGE IS SET FOR THE FORMAL C/O CHANGE MEETING WITH M (CA 09 DEC) TO GO WELL. MR. W. WILL MEET WITH M ON 23 NOV TO GATHER HIS RECEIPTS FROM THE TRIP AND COMPLETE HIS ACCOUNTING PRIOR TO STERLING'S ARRIVAL IN NYC.

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

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98 3528327 ASR PAGE 001
TOT: 251533Z NOV 98 LANGLEY 170882

~~SECRET~~ 251534Z LANGLEY 170882

TO: CIA OFFICE #2, CIA OFFICE #3

FROM:

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: FOLLOW-UP FROM LAB ON FIRESET PLANS

REF: CIA OFFICE #206800. | 98 3436315 |

TEXT:

1. ACTION REQUIRED: ADVISE MERLIN (M) AS FOLLOWS

2. THE NATIONAL LABORATORY (LAB) CP NO. 1 MANAGER MR. C. CALLED CP. OFFICERS ON 23 NOVEMBER TO ADVISE THAT HIS OFFICE HAD BEEN CONTACTED BY IC MR. G. ACTING ON OUR REQUEST TO VERIFY THE ACCURACY OF THE SCHEMATIC AND PARTS LIST PRESENTED TO M DURING REF TRAINING SESSIONS. AS WE HAD SUSPECTED, THE INCLUSION OF CERTAIN ASSEMBLIES ON THE PARTS LIST BUT NOT ON THE SCHEMATIC WAS INDEED INTENTIONAL, WITH THE GOAL OF SUGGESTING THAT THE ANONYMOUS FIRESET DESIGNER KNEW THAT THESE TWO ASSEMBLIES (NUCLEAR COMPONENT #1 AND NUCLEAR COMPONENT #2) WERE ESSENTIAL, BUT DID NOT KNOW HOW TO MAKE OR SPEC THEM IN ANY DETAIL. IN FACT THESE TWO COMPONENTS WERE DESIGNED IN DIFFERENT PARTS OF HUMAN ASSET 2'S (HA 2) INSTITUTE, AND HE DOES NOT KNOW HOW TO MAKE THEM, WHICH IS FORTUNATE SINCE THEY ARE TWO OF THE HARDEST PARTS OF A FIRESET TO DESIGN AND BUILD.

3. PLEASE ADVISE M OF THIS OUTCOME AND SUGGEST THAT HE PLAN TO ACKNOWLEDGE THIS OMISSION IN HIS EVENTUAL PRESENTATION TO THE IRANIANS IF THEY ASK ABOUT IT, KEEPING WITH OUR STORY THAT HE IS OFFERING THEM ONLY PART OF WHAT THEY WILL EVENTUALLY NEED FOR FREE, WITH FOLLOW-UP DETAILS AVAILABLE LATER FOR THE RIGHT PRICE.

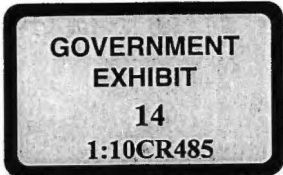
4. MR. G. IS STILL AUTHORIZED TO TRAVEL TO THE LAB TO MEET MEMBERS OF THE FIRESET TEAM TO LOOK INTO SOME OTHER MINOR DETAILS OF THE PLANS WHICH M AND HA 2 HAVE NOTICED OR QUESTIONED, BUT PER AGREEMENT BETWEEN CP OFFICERS AND MR. C. WE WILL MAKE NO CHANGES TO THE PLANS AND LISTS UNLESS A SERIOUS DISCREPANCY ARISES.

5. FILE: CP 1

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

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RELNO: 000000002

ORIG: CP, (MR. S.); AUTH: CIA OFFICER 8 ;

COORD: STERLING ; REL: MR. S. : CL BY ID # .

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98 3698128 ASR

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TOR: 112035Z DEC 98 CIA OFFICE #26852

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CIT/CIA OFFICE #26852

TO: LANGLEY

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: 10 DECEMBER C/O CHANGE MEETING WITH MERLIN (M)

REF: LANGLEY 170882 | 98 3528327 |

TEXT:

1. ACTION REQUIRED: NONE/FYI.

2. ON 10 DECEMBER, C/OS MR. W. AND STERLING MET WITH M AT A LOCAL UPPER WEST SIDE RESTAURANT. PURPOSE OF THE MEETING WAS TO SETTLE ACCOUNTING ISSUES AND FURTHER UPDATE M ON THE STATUS OF THE CP 1 C/OS AND M WERE SCHEDULED TO MEET AT 1930 HRS, HOWEVER, THE MEETING WAS DELAYED AN HOUR, AS M WAS INVOLVED IN A MINOR TRAFFIC ACCIDENT WHILE PARKING HIS CAR. THE NEXT MEETING WITH M IS SCHEDULED FOR 12 JAN IN AN UPPER WEST SIDE HOTEL. THIS MEETING WILL BE HANDLED SOLELY BY STERLING.

3. AFTER DINNER, PER REF COMMENTS, MR. W. PROCEEDED TO INFORM M THAT ACCORDING TO THE LABS, THE DISCREPANCIES BETWEEN THE FIRESET SCHEMATIC AND PARTS LIST (AS NOTED BY M DURING THE RECENT MEETINGS IN SAN FRANCISCO) WERE INTENDED. IT WAS EXPLAINED TO M THAT IT MAKES SENSE FOR THE DESIGNER OF THE FIRESET TO KNOW THAT CERTAIN PARTS (MAINLY NUCLEAR COMPONENT #1 AND NUCLEAR COMPONENT #2) ARE INCLUDED WITHIN A FIRESET DESIGN, BUT THAT HE WOULD NOT NECESSARILY KNOW HOW TO CONFIGURE SUCH ELEMENTS. IN OTHER WORDS, THE DESIGNER KNOWS WHAT THEY ARE AND WHERE THEY GO IN A SCHEMATIC, BUT HE WOULD NOT KNOW HOW TO DESIGN SUCH PARTS HIMSELF, THEREFORE NEGATING THEM FROM THE PARTS LIST. FOR THE MOST PART, M ACCEPTED THIS EXPLANATION AND SEEMED COMFORTABLE WITH IT. EVER THE ENGINEER, M THEN SUGGESTED THAT IF THE DISCREPANCY SHALL REMAIN, THEN MAYBE IT WOULD MAKE BETTER SENSE TO HAVE THE SCHEMATIC COMPILED NOTING RUSSIAN PARTS AND HAVE THE PARTS LIST PROVIDE ONLY VERY BRIEF, UNINFORMATIVE DESCRIPTIONS. M OPINED THAT WITH SUCH A SCHEMATIC AND PARTS LIST, THE IRANIANS WOULD HAVE TO INITIATE FURTHER CONTACT IN ORDER TO ASCERTAIN THE MODERN (U.S. OR JAPANESE) EQUIVALENT PARTS AS THE RUSSIAN PARTS NO LONGER EXIST. C/OS COMMENTED THAT M 'S THOUGHTS WERE GOOD ONES AND TOLD

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HIM THAT SUCH A CHANGE WOULD BE DISCUSSED, BUT THAT HE SHOULD BE PREPARED TO DEAL WITH AND PRESENT THE PLANS AS IS, ESPECIALLY IN LIGHT OF THE CONSIDERABLE EFFORT THAT HAS GONE INTO THE DESIGN OF THAT SPECIFIC FIRESET. M ALSO ACCEPTED THIS, BUT C/OS COULD TELL THAT HE WAS HOPEFUL THAT WE WOULD TAKE HIS SUGGESTIONS INTO SERIOUS CONSIDERATION.

4. CONTINUING WITH THE MEETING, MR. W. PASSED M A RECENT ARTICLE ABOUT IRANIAN ATTEMPTS TO RECRUIT RUSSIANS WITH EXPERTISE IN CHEMICAL/BIOLOGICAL WEAPONS TECHNOLOGY AND DEVELOPMENT. MR. W. NOTED TO M INFORMATION ON IRANIAN SCIENTIST/RECRUITER, IRANIAN A WHO WAS IDENTIFIED IN THE ARTICLE, AND SUGGESTED THAT M SEND ONE OF HIS INTRODUCTORY LETTERS TO THE BUSINESS ADDRESS NOTED FOR IRANIAN A. M AGREED THAT IT WOULD BE NATURAL TO SEND A LETTER TO IRANIAN A BASED ON THE ARTICLE AND M 'S YEAR-LONG EFFORTS. ALL AGREED THAT THOUGH IRANIAN A MAY NOT BE DIRECTLY INVOLVED WITH THE IRANIAN NUCLEAR PROGRAM, HIS EXPERTISE IS NONETHELESS IN AN AREA WHICH MAY LEND ITSELF TO LATERAL EXPOSURE AMONG HIS COLLEAGUES. IN ADDITION, PUBLICITY BROUGHT ON BY THE FULL-PAGE ARTICLE MAY PROMPT IRANIAN A TO CHANGE HIS ADDRESS; HAVING M SEND A LETTER NOW IS CONSISTENT WITH HIS ONGOING WORK TO CONTACT IRANIAN SCIENTISTS.

5. DURING THE MEETING, M NOTED THAT HE FINALLY GOT HIS COMPUTER FROM THE REPAIR SHOP AND THAT THOUGH IT SEEMS SLOWER, IT IS WORKING AGAIN. M SAID THAT HE HAS NOT RECEIVED ANY RECENT EMAIL MESSAGES. MR. W. INSTRUCTED M TO CONTINUE HIS EFFORTS TO SEND EMAILS TO ADDRESSES THAT MAY BE OF INTEREST. M WAS ALSO PASSED A NEW LIST OF IRANIAN INSTITUTIONS WHICH MAY BE HELPFUL IN HIS SEARCH EFFORTS FOR THE PROJECT.

6. NEAR THE END OF THE MEETING, C/OS REIMBURSED M FOR HIS EXPENSES RELATED TO THE SAN FRANCISCO TRIP. STERLING ALSO SET THE NEXT REGULARLY SCHEDULED MEETING FOR 12 JAN AT AN UPPER WEST SIDE HOTEL. STERLING INSTRUCTED M TO ARRIVE AT THE LOBBY OF THE HOTEL AT 1800 HRS AND USE A HOUSE PHONE TO CALL STERLING FOR THE ROOM NUMBER. STERLING WILL CALL M ON 11 JAN TO CONFIRM M 'S AVAILABILITY FOR THE MEETING.

7. IN ALL, FEEL THAT THE OPERATION IS PROCEEDING NICELY WITH M. THOUGH M 'S ENGINEER-ESQUE PERSPECTIVE WILL LIKELY CONTINUE THROUGHOUT THIS PROJECT, FEEL THAT M IS CLEARLY SHOWING SIGNS OF COMFORT AND REMAINS EAGER TO UNDERTAKE THIS OPERATION. HIS CONCERNS AS NOTED ABOVE, SEEM TO SHOW THAT M IS THINKING SERIOUSLY ABOUT THE BEST AVENUES TO PRESENT THE FIRESET TO THE IRANIANS WHILE ALSO ENSURING FOLLOW-ON CONTACT DOES INDEED TAKE PLACE. REALIZE THAT THE FIRESET PLANS HAVE BEEN DESIGNED WITH A SPECIFIC INTENT, BUT FEEL THAT IT WILL BE ADVANTAGEOUS TO ENSURE THAT ALL OF M 'S CONCERNS AND SUGGESTIONS ARE ADDRESSED AS THEY COME ALONG. M ALSO EXPRESSED A SENSE OF COMFORT WHEN HE WAS TOLD THAT THE DESIGNERS WERE QUITE PLEASED WITH HIS ATTENTION TO THE PLANS, AND ARE INTERESTED IN ANY CONCERNS THAT HE MAY HAVE. BELIEVE THIS GAVE M A SENSE OF BEING AN INTEGRAL PART IN THIS OPERATION BEYOND HIS ROLE AS A MIDDLEMAN WITH THE IRANIANS.

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

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98 3775856 ASR PAGE 001
TOT: 182112Z DEC 98 LANGLEY 201443

~~SECRET~~ 182113Z LANGLEY 201443
TO: CIA OFFICE #5 INFO CIA OFFICE #2

FROM:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: PROPOSAL TO APPROACH IRANIAN SUBJECT 1 IN THE CP 1 OPERATION

REF: 201804Z NOV 98.

TEXT:

1. ACTION REQUIRED: COMMENTS PER BELOW.

2. AS DISCUSSED WITH MANAGEMENT DURING MR. S.'S RECENT TRIP, CP WOULD LIKE TO SUGGEST THAT WE APPROACH IRANIAN SUBJECT 1 IN THE CP 1 OPERATION. THIS OPERATION IS DESIGNED TO INTRODUCE FLAWED-BUT-AUTHENTIC-LOOKING PLANS FOR A NUCLEAR WEAPONS FIRE SET INTO THE IRANIAN PROGRAM, WITH THE INTENTION OF ENCOURAGING THE IRANIANS TO INVEST CONSIDERABLE TIME, MONEY AND EFFORT IN PURSUING THIS TECHNICAL DEAD END. DEPENDING ON HOW THE CASE DEVELOPS, WE MIGHT ALSO OBTAIN VALUABLE INFORMATION ON THE IRANIAN NUCLEAR WEAPONS PROGRAM AND SUCCEED IN PARTIALLY DISCREDITING FORMER SOVIET NUCLEAR TECHNOLOGY AS WELL.

3. OVER THE PAST TWO YEARS CP DIVISION HAS USED THE EXPERTISE OF A FORMER SOVIET FIRE SET DESIGNER, HUMAN ASSET 2 (HA 2) -

TO DEVELOP DETAILED

PLANS FOR A CURRENTLY DEPLOYED RUSSIAN FIRE SET, THE TBA-480. THESE PLANS HAVE IN TURN BEEN CORRUPTED BY THE NATIONAL LABORATORY (LAB) SO THEY STILL LOOK GENUINE BUT WILL NEVER WORK. CIA OFFICE #2 ASSET MERLIN (M) IS ANOTHER FORMER SOVIET NUCLEAR WEAPONS ENGINEER, AND WAS INVOLVED WITH THE ASSEMBLY OF THE DEVICES AT ARZAMAS-16. HE HAS BEEN TRAINED AND VETTED

OPERATIONALLY AND WILL BE THE VEHICLE FOR INTRODUCING THE FIRE SET DESIGN TO THE IRANIANS, CITING HIS TRUE BACKGROUND AND A LEGEND ABOUT SERVING AS AN INTERMEDIARY FOR THE (UNNAMED AND UNAVAILABLE) HA 2.

M HAS RAISED HIS PROFILE WITH IRANIAN NUCLEAR-RELATED INDIVIDUALS AND INSTITUTIONS BY MAIL, INTERNET AND CONFERENCE ATTENDANCE FOR THE PAST YEAR, AND HAS NOW BEEN TRAINED ON THE FIRE SET PLANS.

4. WE BELIEVE THAT IRANIAN SUBJECT 1 IS AN IDEAL CANDIDATE FOR AN APPROACH BY M, GIVEN HIS NEW PUBLIC POSITION AND WHAT WE KNOW ABOUT HIS ROLE IN THE IRANIAN COVERT WEAPONS PROGRAM. REF INDICATED THAT HE

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ANTICIPATED ARRIVING IN VIENNA IN MID-DECEMBER TO ASSUME HIS NEW DUTIES.

THIS WILL BE ESSENTIALLY A WALK-IN SCENARIO, BUT M WILL HAVE COPIES OF HIS NUMEROUS EXCHANGES WITH IRANIAN ENTITIES AND WILL EXPLAIN THAT HE HAS BEEN LOOKING FOR JUST THE RIGHT PERSON TO APPROACH WITH HIS REAL OFFER, SOMETHING HE COULD NOT DO OVER THE NET. HE WILL HAND OVER THE FIRE SET PLANS AND A PARTS LIST, SAYING THAT THEY ARE LIKE THE DEMONSTRATION VERSION OF SOFTWARE, ACCURATE BUT INCOMPLETE. IF THE IRANIANS WANT THE REST OF THE STORY THEY CAN CONTACT HIM VIA HIS P.O. BOX AND THEN PAY HIM HANDSOMELY. IN FACT, WE WILL BE SATISFIED IF IRANIAN SUBJECT 1 SIMPLY ACCEPTS THE STORY AND THE PLANS AND SENDS THEM BACK FOR STUDY, SINCE THIS WILL BE A SUCCESSFUL PLANT OF DISINFORMATION. MORE OPTIMISTICALLY, THE IRANIANS MAY DECIDE TO COME BACK TO M WITH QUESTIONS AND ASK FOR FUTURE MEETINGS, WHICH WOULD PROVIDE US VALUABLE INFORMATION ABOUT THEIR M.O. AND PERHAPS FURTHER INDICATIONS OF WHERE EXACTLY THEY ARE IN THEIR NUCLEAR WEAPONS PROGRAM. THE MAJOR HURDLE HERE IS THAT NEITHER WE NOR M WANT HIM TO GO TO IRAN, WHICH WOULD ALMOST CERTAINLY BE THEIR REQUEST, BUT IF WE HAVE PLANTED THE INFORMATION AND STRUNG THEM ALONG A BIT BEFORE FACING THIS ISSUE WE WOULD BE PREPARED TO LET THE OPERATION END AT THAT POINT IF NECESSARY.

5. THESE ARE PRELIMINARY THOUGHTS ABOUT AN APPROACH TO IRANIAN SUBJECT 1 AND OF COURSE SUBJECT TO EXTENSIVE REFINEMENT. WE WELCOME CIA OFFICE #5 INPUT, PARTICULARLY IN REGARD TO THE BEST WAY TO FIND AND MEET IRANIAN SUBJECT 1 IN A NON-ALERTING WAY

ANY PUBLICATION OR INTERNET MENTION OF HIS NEW JOB WOULD BE PARTICULARLY HELPFUL TOWARDS EXPLAINING HOW M FOUND HIM.

6. FILE: CP 1

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

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RELNO: 000000590
ORIG: CP, (MR. S.); AUTH: CIA OFFICER 5 ; COORD:
JEFFREY STERLING, TELECORD 18 DEC, TELECORD 18 DEC; REL:
DAVID SHEDD ; CL BY ID #

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TOR: 192138Z JAN 99 CIA OFFICE #2 6899

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CITECIA OFFICE #26899

TO: PRIORITY LANGLEY

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) - 12 JAN MEETING

REF: NONE

TEXT:

1.

2. ON 12 JAN 99, C/O JEFFREY STERLING HELD A MEETING WITH M AT AN UPPER WEST SIDE HOTEL IN MANHATTAN. DURING THE TWO AND A HALF HOUR HOTEL ROOM MEETING, M UPDATED STERLING ON THE ONGOING YET SOMEWHAT SLOW EFFORT ON M 'S PART TO ESTABLISH CONTACT WITH IRANIANS WHO MAY BE INTERESTED IN HIS BACKGROUND. THE REMAINDER OF THE MEETING WAS USED TO ESTABLISH RAPPORT. THERE WERE NO INCIDENTS BEFORE, DURING OR AFTER THE MEETING. STERLING SCHEDULED THE NEXT MEETING FOR 2 FEB.

3. M REPORTED THAT DURING HIS INTERNET SEARCHES, HE CAME ACROSS A WEB SITE FOR IRANIAN INSTITUTION 1. WITHIN THE IRANIAN INSTITUTION 1 SITE, HE FOUND INFORMATION ON AN ORGANIZATION . M WAS UNSURE WHAT THE PURPOSE OF THIS ORGANIZATION WAS, BUT HE SENT TWO INTRODUCTION EMAILS TO BOTH THE DIRECTOR AND ANOTHER INDIVIDUAL. M COULD NOT RECALL THE NAMES OF THE INDIVIDUALS. HE TOLD C/O THAT HE COMPOSED THE EMAIL MESSAGES THROUGH USING LINKS TO THEIR EMAIL ADDRESSES. HE ADDED THAT HE WILL DO ADDITIONAL RESEARCH TO GATHER MORE INFORMATION ON THIS ORGANIZATION. TO DATE, M HAS NOT RECEIVED ANY RESPONSES TO THOSE TWO INQUIRIES.

4. M PROVIDED C/O WITH A COPY OF A RESPONSE TO A 27 DEC 98 INQUIRY HE SENT TO IRANIAN INSTITUTION 2 . ON 27 DEC 98 M WROTE:

"DEAR SIR/MADAM:
I AM AN EXPERIENCED RESEARCHER WITH MANY YEARS OF EXPERIENCE IN

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FOR CONTACTS WITH YOUR DEPARTMENT. RUSSIA. I AM LOOKING
NUCLEAR PHYSICS. MY MAJOR IS PRACTICAL
BEST REGARDS, (SIGNED M)

THE RESPONSE (2 JAN 99):

"DEAR MR. M :
YOU CAN CONTACT THE EMPLOYEES OF IRANIAN INSTITUTION 2
THROUGH OUR HOME PAGE.
IRANIAN INSTITUTION 2 "

M SAID THAT HE WILL SEND INQUIRIES AS INSTRUCTED BY THE RESPONSE.

5. M WAS SOMEWHAT ENCOURAGED WITH THE RESPONSE HE RECEIVED BUT NOTED SOME FRUSTRATION WITH THE SLOWNESS, OR LACK OF RESPONSES THAT HE HAS RECEIVED TO DATE. M SAID THAT AT THE ONSET OF THE PROJECT, HE FELT THAT HE WOULD RECEIVE NUMEROUS RESPONSES AND THE WHOLE PROJECT WOULD PROCEED RATHER QUICKLY. C/O EXPLAINED THAT THE PROJECT IS A RATHER TIME CONSUMING EFFORT AND THAT RESULTS MAY NOT BE QUICKLY FORTHCOMING. C/O FURTHER REITERATED THAT THE MOST IMPORTANT THING WAS THAT M GET HIS NAME AND QUALIFICATIONS OUT THERE; THE RESPONSES MAY BE SLOW, BUT CONSIDERING THE PROJECT, IT IS BETTER TO PROCEED IN A SLOWER MANNER AS OPPOSED TO A HURRIED AND POSSIBLY COUNTERPRODUCTIVE EFFORT. M AGREED AND SAID HE WOULD CONTINUE WITH HIS EFFORTS.

6. HE GAVE C/O COPIES OF TWO LETTERS THAT HE RECENTLY SUBMITTED TO IRANIAN INSTITUTION 3 AND A FOLLOW-UP LETTER TO IRANIAN B THE LETTERS FOLLOWED THE SAME FORMAT AS HIS OTHER INQUIRY LETTERS, BUT IN THIS GROUP HE DID INCLUDE INFORMATION ON THE ARTICLE ABOUT RUSSIAN SCIENTISTS BEING ACTIVELY SOUGHT BY IRAN.

7. REGARDING HIS INTERNET SEARCHES, M REPORTED THAT HIS SEARCHES HAVE BECOME LESS TIME CONSUMING AS SOME OF THE IRANIAN SITES HAVE BEEN REDESIGNED IN ORDER TO DECREASE THE TIME IT TAKES TO ACCESS THEM. M ALSO OPENED ANOTHER EMAIL ACCOUNT THROUGH HOTMAIL. M OPENED THE NEW ACCOUNT SO HIS FAMILY, WHO ALSO UTILIZES HIS AOL ACCOUNT, CANNOT ACCESS HIS EMAIL RELATED TO THE PROJECT. C/O AGREED WITH M'S REASONING AND INSTRUCTED M TO MAKE THE APPROPRIATE CHANGES TO THE CLASSIFIED ADVERTISEMENTS THAT HE PLACED SOME TIME AGO. THOSE ADS WERE PLACED IN TWO SEPARATE IRANIAN SITES THE CONTACT INSTRUCTIONS FOR THESE SITES LISTED M'S PREVIOUS EMAIL ACCOUNT. M SAID THAT HE WILL ALSO CONSIDER UPDATING HIS INFORMATION ON THOSE SITES TO MAKE THEM MORE ATTRACTIVE. C/O TOLD M THAT UPDATING THE ADS IS APPROPRIATE BUT TO TAKE CARE IN NOT MAKING THE ADS APPEAR SUSPICIOUS.

8. THE REMAINDER OF THE MEETING FOCUSED ON RAPPORT BUILDING BETWEEN C/O AND M. C/O TOOK THE TIME TO EXPLAIN TO M HOW THERE MAY BE SOME SUBTLE DIFFERENCES BETWEEN THE WAY THE PREVIOUS HANDLING OFFICER (MR. W.) AND HE (C/O) WOULD CONDUCT MEETINGS. M AGREED TO MOVING THE MEETING VENUES AT THIS POINT, M PROVIDED C/O WITH STATEMENTS FOR PHONE BILLS AND POSTAGE RELATED TO HIS INTERNET SEARCHES AND INQUIRY LETTERS.

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10. PLANS: C/O IS ENCOURAGED THAT M CONTINUES TO SHOW AN EAGERNESS AND RESOURCEFULNESS WITH REGARD TO THE PROJECT. THOUGH HE HAS BEEN SOMEWHAT FRUSTRATED, HE IS UNDERSTANDING OF THE FACT THAT THIS IS THE NATURE OF THE PROJECT. C/O INSTRUCTED M TO CONTINUE HIS EFFORT VIA THE INTERNET AND LETTERS. C/O SCHEDULED THE NEXT MEETING FOR 2 FEB AT ANOTHER UPPER WEST SIDE HOTEL.

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

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"DEAR MR IRANIAN C
I WOULD LIKE TO CONTACT TO SOMEBODY FROM YOUR DEPT. I
AM A FORMER ENGINEER/RESEARCHER FROM
RUSSIA. I WORKED ON HUGE PROJECTS FOR REMOTE
CONTROL SYSTEMS. YOU CAN FIND MORE INFORMATION ABOUT INSTITUTE ON
ITS WEBSITE:
THANK YOU VERY MUCH FOR YOUR TIME AND COOPERATION.

M
P.S. THE SECOND TIME APPLYING"

IN RESPONSE, M RECEIVED THE FOLLOWING DATED 17 JAN FROM EMAIL
ADDRESS :

"DEAR M
THANK YOU FOR YOUR MAIL. I HAVE FORWARDED YOUR LETTER TO
DEPT. AND YOU WILL BE INFORMED IN THE FUTURE. BUT YOU CAN
CONTACT WITH THE DEPARTMENT YOURSELF BY THE E-MAIL ADDRESS GIVEN
BELOW. THIS E-MAIL BELONGS TO CHAIRPERSON OF THE DEPT.

IRANIAN D

EMAIL ADDRESS

SINCERELY YOURS
IRANIAN E
ASSISTANT DIRECTOR"

M PROVIDED INFORMATION ON THE ORG. AT I.I.1, HOWEVER THERE WAS NO LISTING
FOR IRANIAN D). ON 26 JAN, M RECEIVED THE FOLLOWING
EMAIL FROM EMAIL
ADDRESS :

"DEAR M ,
ACCORDING TO YOUR RECENT LETTER, PLEASE SEND US YOUR RESUME AND MORE
INFORMATION ABOUT YOUR EXPERIENCE AND ABILITIES.
BEST REGARDS

DIVISION OF IRANIAN INSTITUTION 4

MUST NOTE THAT IT IS NOT CLEAR WHETHER THIS EMAIL IS A RESPONSE TO
M 'S EMAIL INQUIRIES TO IRAN. INST. 1 OR FROM THE MANY OTHER INQUIRIES
HE HAS SENT VIA EMAIL OR DIRECT MAIL, INCLUDING THE SUMMER '98
EXCHANGES WITH Iranian F . IT IS CERTAINLY POSSIBLE THAT
INDIVIDUALS AT THE THE ORG. AT I.I.1 REFERRED M'S INQUIRY TO IRAN. INST. 4. IN
RESPONSE, M SENT THE FOLLOWING ON 27 JAN:

"DEAR SIR/MADAM:
NO PROBLEM WITH SENDING RESUME. BUT I PREFER TO DO IT BY MAIL,
CONFIDENTIALLY.
PLEASE GIVE ME ANY ADDRESS, PO OR SOMETHING ELSE.
BEST REGARDS, (HERE M ONLY ENTERED INITIALS)"

ON 30 JAN, M RECEIVED THE FOLLOWING, ALSO FROM EMAIL
ADDRESS

"DEAR M ,
OUR MAIL ADDRESS IS:
IRANIAN F
IRANIAN INSTITUTION 4
STREET
ADDRESS
TEHRAN, IRAN.

BEST REGARDS"

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4. M WAS CERTAINLY EXCITED TO RECEIVE THE ABOVE RESPONSES, HOWEVER; HE NOTED SOME CONCERN THAT THE EMAILS MAY BE COMING FROM IRANIAN INTELLIGENCE. M SAID THAT SOME STRANGE THINGS HAVE BEEN HAPPENING SINCE HE RECEIVED THE FIRST RESPONSE. ON TWO OCCASIONS, M HAS BEEN UNABLE TO OPEN HIS HOTMAIL ACCOUNT. ON BOTH OCCASIONS, HE RECEIVED ERROR MESSAGES STATING "INTRUSION DETECTED". M SAID THAT IT WAS EXPLAINED TO HIM THAT EVIDENTLY AT LEAST TWO PEOPLE HAD TRIED TO OPEN THE ACCOUNT. AFTER SOME DELAY, M WAS ABLE TO OPEN HIS EMAIL ACCOUNT. ALSO, M IS SUSPICIOUS THAT THERE IS NO NAME SIGNED ON EITHER OF THE EMAILS FROM IRAN. INST. 4. IN THAT SAME REGARD, M WANTED TO KNOW WHERE THE PROJECT STOOD AND IF WE WERE READY TO CONTINUE WITH A RESPONSE FROM HIM. C/O EXPLAINED THAT EVERYTHING WAS WORKING IN ACCORDANCE WITH THE PLAN. C/O SAID THAT BEFORE THE PROJECT COULD PROCEED ALL ASPECTS HAD TO BE CONSIDERED.

5. M THEN RAISED CONCERN ABOUT HIS PROFILE. M SAID THAT IT MAY BE APPROPRIATE TO CHANGE THE PROFILE IN HIS RESUME AS IT INDICATES INFORMATION THAT WILL NOT BE ABLE TO WITHSTAND THE SCRUTINY WHICH MAY COME FROM THE IRANIANS. M WAS PARTICULARLY CONCERNED ABOUT THE SCIENTIFIC ASPECT OF HIS RESUME THAT HE SAID WAS NOT ENTIRELY ACCURATE. M SAID THAT THE INFORMATION ON HIS RESUME RELATING HIS EXPERIENCE WITH ARZAMAC 16 IS TOO SCIENTIFIC AND THEY WOULD KNOW HE DID NOT HAVE SUCH EXPERIENCE IF THEY SHOULD CHECK. C/O SAID THAT THERE SHOULD NOT BE MUCH CONCERN WITH REGARD TO WHAT IS ON THE RESUME, BECAUSE THE OVERALL PURPOSE IS TO PRESENT M AS SOMEONE WITH A BUSINESS OPPORTUNITY AND NOT SOMEONE SEEKING EMPLOYMENT. C/O EXPLAINED THAT THE RESUME WOULD ONLY BE NECESSARY TO SHOW THE IRANIANS THAT HE (M) DOES HAVE THE NECESSARY BACKGROUND AND AT LEAST A BASIC KNOWLEDGE OF THE ITEMS AND INFORMATION HE CAN MAKE AVAILABLE TO THEM. M UNDERSTOOD, BUT STILL EXPRESSED HESITANCY IN SENDING HIS RESUME.

6. C/O AND M DISCUSSED THE BEST FORM OF RESPONSE THAT SHOULD BE SENT. M OPINED THAT IT WOULD BE BEST TO GET A RESPONSE OUT AS SOON AS POSSIBLE CONSIDERING THE QUICK RESPONSES THAT WERE SENT TO HIM. BEING EVER CAUTIOUS, M THEN EXPLAINED WHY HE SIGNED HIS 27 JAN EMAIL WITH ONLY INITIALS AS OPPOSED TO FULL NAME. M SAID THAT IN ANY MAIL RESPONSE, HE WILL ONLY USE INITIALS SO THAT IF THE LETTER REACHES THE WRONG HANDS, NO CONNECTION CAN BE MADE TO HIM. HE SAID THAT ONLY IRANIAN F OR SOMEONE ELSE FAMILIAR WITH HIS EMAIL SHOULD BE ABLE TO MATCH INITIALS WITH THE LETTER AND EMAIL. C/O TOLD M THAT THE BEST RESPONSE MAY BE ONE IN WHICH M CLARIFIES HIS REASON FOR CONTACTING IRANIAN F 'S ORGANIZATION AND THE OTHERS. A LETTER FROM M CAN EXPLAIN THAT HE (M) IS NOT INTERESTED IN EMPLOYMENT, BUT RATHER A BUSINESS DEAL FOR THOSE IN IRAN WHO MAY BE PARTICULARLY INTERESTED. THE LETTER CAN EXPLAIN THAT M, THROUGH HIS BACKGROUND AND CONTACTS SINCE HE DEPARTED RUSSIA, HAS PROVIDED HIM WITH ACCESS TO TECHNOLOGY AND INFORMATION WHICH MAY PROVE HELPFUL TO IRAN'S EFFORTS IN THE FIELD OF NUCLEAR ENGINEERING. IN THIS TONE, THE LETTER SHOULD BE ENOUGH TO PROMPT THE IRANIANS TO CONTINUE THEIR DIALOG WITH M AND POSSIBLY REQUEST A MEETING WITH M TO DISCUSS THE DEAL. IN EXPLAINING THE APPROPRIATE TYPE OF RESPONSE, C/O EMPHASIZED TO M THAT ONCE THE IRANIANS REALIZE THAT HIS (M 'S) INTEREST IS BUSINESS AS OPPOSED TO EMPLOYMENT, THE NEED AND IMPORTANCE OF A RESUME WILL LESSEN, NEGATING THE POSSIBILITY OR NEED OF AN EXTENSIVE BACKGROUND INVESTIGATION. C/O INSTRUCTED M TO CONTINUE HIS WORK ON A LETTER TO SEND TO IRAN. INST. 4 AND THAT HE SHOULD BE PREPARED TO SEND A RESUME ALONG.

7. PLANS: CONSIDERING THIS IS ESSENTIALLY THE SECOND TIME THAT

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M HAS HAD CORRESPONDENCE WITH IRANIAN F , WE BELIEVE THAT SOME TYPE OF RESPONSE SHOULD BE SENT AS SOON AS POSSIBLE IN ORDER TO KEEP TAKE FULL ADVANTAGE OF THIS LATEST ROUND OF EXCHANGES. THAT SAID, NOW MAY NOT BE THE OPPORTUNE TIME TO ACTUALLY SEND DETAILS ABOUT WHAT M CAN PROVIDE PRIOR TO THE REQUISITE APPROVALS BEING OBTAINED FROM THE HQS END. IN THE INTERIM HOWEVER, C/O HAS SUGGESTED THAT M SEND AN EMAIL EXPLAINING THAT HE WILL SEND A LETTER WITH THE REQUESTED INFORMATION, BUT THAT HE MAY NEED SOME TIME TO GATHER IT. ONCE A CORRESPONDENCE IS SENT, M WILL NOTIFY IRANIAN F VIA EMAIL AND REQUEST CONFIRMATION OF ITS RECEIPT. M WAS NOT ENTHUSIASTIC ABOUT SUCH AN INTERIM LETTER, BUT THIS MAY BE THE ONLY OPTION AT THIS POINT. C/O WILL CONTACT M ON 5 FEB WITH FURTHER INSTRUCTIONS ON HOW TO PROCEED. A MEETING CAN BE SIGNALLED FOR 6 FEB TO HAMMER OUT DETAILS OF A CORRESPONDENCE TO BE SENT TO IRAN. INST 4 REQUEST HQS COMMENTS REGARDING THE ABOVE.

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

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TOR: 162052Z FEB 99 CIA OFFICE #26954

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CITE CIA OFFICE #2 6954 (MR. S. 2 ACTING)

TO: PRIORITY LANGLEY

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) - BRIEF MEETING ON 6 FEB

REF: CIA OFFICE #2 6932 | 99 4243491 |

TEXT:

1. ACTION REQUIRED: REQUEST HQS INPUT ON AN APPROPRIATE RESPONSE TO BE FORWARDED BY M PER BELOW.

2. ON 6 FEB, C/O JEFFREY STERLING HELD A BRIEF ENCOUNTER WITH M AT AN UPPER WEST SIDE COFFEE SHOP IN MANHATTAN. DURING THE MEETING, M PASSED A PROPOSED RESPONSE LETTER TO THE MOST RECENT EMAIL CORRESPONDENCE HE HAS RECEIVED FROM IRAN (REF). DURING THE MEETING, C/O INSTRUCTED M TO CONTINUE HIS EFFORTS DIRECTED AT OTHER IRANIANS WHO MAY BE INTERESTED IN HIS CREDENTIALS AND THAT AN APPROPRIATE RESPONSE WILL BE FORMULATED.

3. FOLLOWING IS THE VERBATIM TEXT OF THE LETTER THAT M PROPOSES (PASSED TO CIA OFFICER 5 DURING C/O TDY TO HQS AREA):

"DEAR MR. IRANIAN F :

I AM APPLYING TO YOU TO TELL MORE ABOUT MY EXPERIENCE AND ABILITIES ACCORDING TO RECENT E-MAIL FROM A DIVISION OF IRANIAN INSTITUTION 4. HONESTLY SPEAKING, AT THIS TIME I AM NOT LOOKING ANY MORE FOR JOB OPPORTUNITIES BECAUSE I CHANGED MY MIND BUT ADDITIONALLY TO IT I HAVE A GREAT BUSINESS PROPOSITION FOR YOU OR PEOPLE WHO CAN BE INTERESTED IN IT. I HAVE BEEN GETTING AN EXCELLENT AND USEFUL INFORMATION RELATED TO MY PREVIOUS EXPERIENCE. THAT IS NOT COMPLETED BUT ALREADY THIS REAL DEVICE HAS DOCUMENTATION, MATERIAL'S DESCRIPTION AND SOME OTHER ASPECTS. THAT, IT SEEMS LETS TO PRODUCE THEM IN THE FUTURE. THIS DEVICE IS USED FOR INITIATION OF GAS DYNAMIC PROCESSES TO GET AN APPROPRIATE STARTING ENVIRONMENT FOR A FAMOUS REACTION. AT THIS TIME I AM NOT ON EXPERT LEVEL IN NP BUT I WORKED OVER 20 YEARS IN THIS FIELD, MOST OF THEM IN THE SECONDARY NUCLEAR PRODUCTION, AND I CAN DO THIS EVALUATION PROPERLY.

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I AM SURE THIS ON CAN SAVE A LOT OF MONEY ON YOUR RESEARCH AND DESIGN EXPENSES. THAT IS ONE OF MOST IMPORTANT AND SOPHISTICATED DEVICES IN A TECHNOLOGICAL CHAIN.

ALSO LET ME TO TELL YOU ABOUT MYSELF.

CURRENTLY, IN THIS COUNTRY, I HAVE BEEN WORKING AS A

YOU UNDERSTAND I HAD TO CHANGE MY PROFILE BECAUSE MY PREVIOUS PROFESSION IS ABSOLUTELY NOT HOT THERE AND I HAD NO CHANCE WITH MY BROKEN ENGLISH TO FIND ANY APPROPRIATE POSITION. BUT WHEN I WORKED IN INSTITUTE WE USED SOME PROGRAMMING LANGUAGES FOR COMPLICATED CALCULATIONS AND STATISTIC DEVELOPMENT AND IT HELPED ME TO FIND A GOOD JOB WITH A PERFECT SALARY AND SECURE FUTURE. THANKS A GOD FOR THAT. IN PAST I WORKED ALSO AT THE SECONDARY NUCLEAR ASSEMBLY PRODUCTION

I AM THINKING THAT IS GOOD ENOUGH FOR FIRST IMPRESSION.

THANK YOU VERY MUCH FOR YOUR TIME, COOPERATION AND FUTURE ASSISTANCE.

BEST REGARDS, (M INITIALS) "

4. M HAS OBVIOUSLY PUT SOME THOUGHT INTO THE FORMULATION OF THIS LETTER. THOUGH M HIT ON SOME KEY AREAS IN HIS LETTER, IT MAY IN FACT SAY TOO MUCH. C/O'S SUGGESTS A RESPONSE THAT INITIALLY MAKES IT CLEAR THAT M IS NOT INTERESTED IN A JOB, BUT RATHER A BUSINESS OPPORTUNITY. THE LANGUAGE SHOULD BE SPECIFIC ENOUGH THAT THE PARTICULAR INTEREST OF THE IRANIANS IS CAPTURED, BUT VAGUE ENOUGH THAT THE IRANIANS WILL CONTINUE INTEREST IN M TO ASCERTAIN WHAT EXACTLY IT IS HE HAS TO OFFER. CONSIDERING THE NECESSARY PROCESS FOR CONTINUING WITH THE PROJECT, FEEL THE LONGER THE IRANIANS CAN BE STRUNG ALONG, THE BETTER. REQUEST HQS INPUT TO THE ABOVE LETTER.

5. C/O TOLD M THAT HIS TEXT WILL BE CONSIDERED IN THE FORMULATION OF AN APPROPRIATE RESPONSE. C/O ALSO TOLD M THAT AN IMMEDIATE RESPONSE WILL NOT BE SENT OUT. C/O EXPLAINED THAT IT IS OBVIOUS THAT HE (M) NOW HAS AN ADDRESS. WHEN THE APPROPRIATE RESPONSE IS SENT, THE IRANIANS WILL KNOW FROM WHOM IT COMES, NO MATTER THE TIMING. M ACCEPTED THIS EXPLANATION AND AGREED TO CONTINUE HIS EFFORTS TO CONTACT OTHER IRANIANS OF INTEREST.

6. PLANS: C/O WILL NOT MEET WITH M UNTIL CA 23 FEB. DURING THIS MEETING, FEEL IT WILL BE APPROPRIATE TO HAVE SOME SORT OF RESPONSE FOR M TO SEND. FEEL THAT PROLONGED INACTIVITY ON OUR PART WILL CAUSE M TO HAVE SOME SECOND THOUGHTS ABOUT OUR PREPAREDNESS FOR THIS PROJECT. M DOES APPEAR TO BE SOMEWHAT EXCITED ABOUT THE PROSPECT THAT THE PROJECT IS COMING TO FRUITION AND IT WILL ONLY BEHOOVE THE PROJECT TO BE ABLE TO BUILD UPON HIS ENTHUSIASM. LOOK FORWARD TO HQS THOUGHTS/COMMENTS.

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

END OF MESSAGE

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TOR: 262046Z FEB 99 CIA OFFICE #26970

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CITE CIA OFFICE #26970

TO: PRIORITY LANGLEY

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) - NEXT CONTACT WITH IRANIAN INSTITUTION 4

REF: LANGLEY 277216 | 99 4408903 |

TEXT:

1. ACTION REQUIRED: REQUEST HQS REVIEW OF BELOW LETTER AND REPLY ASAP.
2. DURING THE 24 FEB 99 MEETING, C/O JEFFREY STERLING AND M DRAFTED A RESPONSE LETTER TO BE SENT TO IRANIAN F AT IRAN INST. 4 BASED ON THE MOST RECENT EMAIL CORRESPONDENCE. PER REF, THE PERSONAL INFORMATION ON M WAS OMITTED IN LIEU OF HIS RESUME AND INFORMATION ON M'S FAVORABLE FINANCIAL STATUS WAS ALSO DELETED. WE BELIEVE THAT THE FOLLOWING VERSION SAYS JUST ENOUGH TO PIQUE THE IRANIANS' INTEREST IN WHAT M HAS TO OFFER THEM. LARGELY BASED ON REF, C/O AND M EDITED THE ORIGINAL VERSION AS FOLLOWS:

"DEAR MR. IRANIAN F

THANK YOU FOR YOUR RESPONSE AND ATTENTION TO ME. BUT, HONESTLY SPEAKING, AT THIS TIME I AM NOT LOOKING ANYMORE FOR JOB OPPORTUNITIES. MY REASON FOR CONTACTING YOU IS THAT I HAVE A GREAT BUSINESS OPPORTUNITY FOR YOU OR PEOPLE WHO CAN BE INTERESTED IN IT.

I HAVE BEEN GETTING AN EXCELLENT AND USEFUL INFORMATION ABOUT A REAL DEVICE RELATED TO MY PREVIOUS EXPERIENCE. IT WAS USED IN SOME REAL SYSTEMS AND THIS DEVICE IS ONE OF KEY ELEMENTS OF MODERN TECHNOLOGICAL CHAIN. THIS INFORMATION IS NOT COMPLETED, BUT IT HAS DOCUMENTATION AND MATERIALS DESCRIPTION. I AM SURE THIS ONE CAN SAVE A LOT OF MONEY ON YOUR RESEARCH AND DESIGN EXPENSES. THAT IS ONE OF MOST IMPORTANT AND SOPHISTICATED DEVICES.

I CAN NOT TELL YOU ABOUT DETAILS BECAUSE YOU UNDERSTAND IT CAN BE TOO RISKY FOR ME IN MY SITUATION. ALSO, I PREFER TO GET A CLEAR

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RESPONSE FROM YOU USING YOUR AND MY PRIVATE MAIL ADDRESSES, NOT YOUR ORGANIZATION. YOU HAVE MY MAIL ADDRESS IN MY PREVIOUS LETTERS.

THANK YOU FOR YOUR TIME, CONSIDERATION AND FUTURE ASSISTANCE.

BEST REGARDS, (M 'S INITIALS) "

3. DURING FORMULATION OF THIS LETTER, M RAISED SEVERAL CONCERNS. HE INITIALLY OBJECTED TO SENDING HIS RESUME ALONG WITH IT. IN A SOMEWHAT PERSISTENT MANNER, C/O EXPLAINED TO M THAT A RESUME IS IMPORTANT WITH THE COVER LETTER BECAUSE MOST OF M 'S PERSONAL DESCRIPTION HAS BEEN TAKEN OUT. TO APPEASE M 'S CONCERNS, C/O EXPLAINED THAT ONCE THE IRANIANS REALIZE THAT M IS NOT INTERESTED IN EMPLOYMENT, THE FOCUS WILL BE ON THE PRODUCT BEING OFFERED. THE RESUME WILL BE USED ONLY TO PROVIDE THE IRANIANS AN IDEA OF WHAT TYPE OF ITEM IS BEING OFFERED AND TO CONFER THAT M IN FACT DOES HAVE KNOWLEDGE OF THE WARES THAT HE IS TRYING TO PEDDLE. AS SUCH, ANY SCRUTINY INTO M 'S BACKGROUND WILL NOT BE AS NECESSARY. M FINALLY AGREED TO INCLUSION OF A RESUME WITH THE CAVEAT THAT HE SHOULD BE PREPARED WITH NAMES SUCH AS SUPERVISORS, COWORKERS, ETC. AT THE INSTITUTES SO THAT HE APPEARS GENUINE. C/O SAID THAT AS PART OF PREPARATION FOR THE PROJECT, M WILL HAVE APPROPRIATE LEGEND THAT WILL BE USED TO COUNTER POSSIBLE IRANIAN SCRUTINY. TO ASSUAGE M , C/O INSTRUCTED M TO START DEVELOPING HIS OWN LEGEND RELATED TO HIS RESUME.

4. M IS ALSO VERY RELUCTANT TO PLACE HIS P.O. BOX ADDRESS IN THE BODY OF THE LETTER. M REASONED THAT THEY (THE IRANIANS) HAVE HIS ADDRESS FROM THE PREVIOUS LETTERS AND OMITTING THE ADDRESS WILL PROTECT HIM AND HIS FAMILY SHOULD THE LETTER FALL INTO THE HANDS OF SOMEONE OTHER THAN THE INTENDED AUDIENCE. M WAS QUITE UNWAVERING DESPITE C/O'S EXPLANATION THAT THE ADDRESS MAY BE NECESSARY TO EXPEDITE A RESPONSE. C/O ALSO NOTED THAT THE PREVIOUS LETTERS HAVE GONE TO VARIOUS ADDRESSES AND THAT IT IS POSSIBLE THEY HAVE BEEN LOST. NONETHELESS, M DOES NOT WANT TO PLACE THE ADDRESS IN THE LETTER.

5. M 'S CONCERNS OVER THE LETTER AND WHAT SHOULD BE INCLUDED SHOWS THAT HE IS INDEED PLACING THOUGHT INTO THE PROJECT, EVEN IF HE WANTS TO BE SOMEWHAT TOO SURREPTITIOUS. M 'S OVERLY CAUTIOUS TENDENCIES MAY REFLECT HIS BELIEF THAT THE PROJECT IS REACHING A STAGE WHERE HE MAY ACTUALLY HAVE TO MEET WITH THE IRANIANS. THIS IS NOT TO SAY THAT M IS SHOWING AN UNWILLINGNESS TO CONTINUE THE PROJECT; HE IS JUST LETTING HIS CAUTIONS BE KNOWN. M CONTINUES TO DEMONSTRATE HIS EAGERNESS FOR THE PROJECT. THE DILIGENT WORK ON 24 FEB ON THE LETTER CLEARLY DEMONSTRATED THAT TO C/O.

6. PLANS: C/O EXPLAINED TO M THAT THE ABOVE VERSION WILL BE REVIEWED. AFTERWARDS, M WILL BE CONTACTED ON WHAT CHANGES IF ANY ARE TO BE MADE AND THEN INSTRUCTED TO FORWARD THE FINAL VERSION ALONG WITH HIS RESUME. C/O WILL CONTACT M ON 1 MAR 99 WITH A STATUS UPDATE AND INSTRUCTIONS TO EDIT OR SEND. LOOK FORWARD TO INPUT FROM HEADQUARTERS.

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

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CIA OFFICE #2
CITE 6973 (MR. S. 2ACTING)

TO: LANGLEY

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) - 24 FEB MEETING

REF: A. CIA OFFICE #2 | 99 4502607 |
B. LANGLEY 286924 | 99 4482038 |

TEXT:

1. ACTION REQUIRED: HQS THOUGHTS/COMMENTS ON A SALARY INCREASE FOR M PER BELOW.

2. ON 24 FEB, C/O JEFFREY STERLING HELD A THREE HOUR PERSONAL MEETING WITH M AT AN UPPER WEST SIDE HOTEL IN MANHATTAN. DURING THE MEETING, C/O AND M EDITED A VERSION OF A RESPONSE LETTER TO BE SENT TO IRANIAN INSTITUTION 4. ALSO DURING THE MEETING, C/O AND M DISCUSSED SEVERAL FINANCIAL ISSUES RELATED TO M 'S WORK WITH CIA . THE NEXT SCHEDULED MEETING WITH M WILL BE 9 MARCH IN MANHATTAN.

3. A MAJORITY OF THE MEETING WAS SPENT ON THE LETTER TO BE SUBMITTED IN FURTHERANCE OF THE CP 1 PROJECT (REF A). PRIOR TO WORK ON THE LETTER, M INFORMED C/O THAT HE HAD RECEIVED NO FURTHER RESPONSES TO HIS EMAILS OR LETTERS. M SAID THAT HIS INTERNET SEARCHES CONTINUE AND HE HAS SENT EMAILS TO SOME EMPLOYEES OF IRAN. INSTITUTION 1 AND OTHER INSTITUTIONS OF INTEREST IN IRAN. M AGREED WITH C/O SUGGESTION THAT IT WILL BE IN ORDER FOR M TO SEND FRIENDLY REMINDERS TO THOSE EMPLOYEES TO WHOM HE HAS SENT INQUIRY MESSAGES.

4. EMAIL ACCOUNTS: M SAID THAT HE HAS NOT RECEIVED FURTHER "INTRUSION" MESSAGES ON HIS HOTMAIL ACCOUNT. HE DID SAY THAT HE IS HAVING SOME DIFFICULTY WITH HIS AOL ACCOUNT. M SAID THAT ONCE HE NOTIFIED THE AOL OPERATOR THAT HIS ACCOUNT WAS WORKING PROPERLY, HE WAS NOT OFFERED MUCH ASSISTANCE WITH REGARD TO SECURITY ON HIS INTERNET ACCOUNT. C/O TOLD M TO REMAIN COGNIZANT OF ANY ABNORMALITIES ON HIS EMAIL ACCOUNTS AND REPORT THEM ACCORDINGLY. C/O DID REITERATE THAT THE DIFFICULTY MAY POSSIBLY LIE IN MOMENTARY

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GLITCHES OR OPERATOR ERROR.

5. FINANCIAL MATTERS: DURING THE MEETING C/O PAID AND RECEIVED A RECEIPT FROM M FOR ONE-THIRD OF HIS '98 SALARY (USD 20,000.00); PHONE BILLS (USD 186.57), COMPUTER SOFTWARE PURCHASE (USD 64.34) AND RUDIMENTARY REIMBURSEMENT FOR TRAVEL INTO MANHATTAN (USD 30.00). AFTERWARDS, C/O DISCUSSED THE MATTER OF REIMBURSEMENT FOR M'S PHONE BILLS. C/O EXPLAINED THAT ANY REIMBURSEMENTS MADE TO M HAD TO BE FOR EXPENSES MADE IN FURTHERANCE OF THE PROJECT. C/O SAID THAT IT WAS QUITE CONFUSING THAT M WAS BEING REIMBURSED FOR TWO PHONE BILLS WHEN INTERNET ACCESS IS USUALLY OBTAINED VIA LOCAL TELEPHONE CALLS.

M SEEMED TO UNDERSTAND C/O'S INQUIRY AND SAID THAT SOMETIMES HE HAS TO USE LONG DISTANCE TO LOGON BECAUSE THE NUMBERS IN HIS AREA ARE SOMETIMES BUSY AND THAT MR. W. PAID THE BILLS. C/O WENT ON TO SAY THAT FROM THAT MOMENT ON, M WOULD ONLY BE REIMBURSED FOR THE PHONE LINE DEDICATED FOR USE BY M IN FURTHERANCE OF THE PROJECT. C/O FURTHER EXPLAINED THAT M WOULD CERTAINLY BE REIMBURSED FOR ANY OTHER EXPENSES RELATED TO THE PROJECT SUCH AS POSTAGE, HIS INTERNET ACCOUNT FEES AND TRAVEL AND OTHER EXPENSES, AS NECESSARY. M SAID THAT HE UNDERSTOOD.

6. ALMOST IMMEDIATELY, M SAID THAT RELATED TO SUCH MATTERS, HE HAS SOME ISSUES REGARDING HIS SALARY. M SAID THAT HE HAS BEEN MAKING THE SAME AMOUNT FOR THE PAST TWO YEARS AND THAT SOME ADJUSTMENT MAY BE IN ORDER. M MENTIONED THAT HIS EXPENSES HAVE GROWN DURING HIS WORK FOR CIA, YET HIS SALARY HAS NOT. RELATED TO HIS REIMBURSABLE EXPENSES, M SAID THAT AN APPROPRIATE SALARY INCREASE WILL OBIVIATE THE NEED TO CONTINUE WITH SUCH COMPLICATED AND TIME-CONSUMING ITEMS SUCH AS TELEPHONE BILLS AND TRAVEL INTO THE CITY. M WOULD THEN JUST HAVE HIS SALARY AND LARGE EXPENSES SUCH AS AIRLINE TRAVEL. M ADDED THAT AT A MINIMUM HE WOULD LIKE TO HAVE SOME LIFE INSURANCE FOR HIS FAMILY CONSIDERING THE POSSIBILITY OF HAVING CONTACT WITH THE IRANIANS IN FURTHERANCE OF THE PROJECT. C/O TOLD M THAT THOSE WERE VERY VALID ARGUMENTS AND THAT EVERYTHING WOULD BE CONSIDERED.

7.

8. AS IS TYPICAL WITH M IT APPEARS THAT HE HAS TAKEN AN AMOUNT OF TIME TO PRESENT HIS ARGUMENTS FOR A SALARY INCREASE. GIVEN THAT M HAS NOT RECEIVED A SALARY INCREASE IN TWO YEARS AND HIS CONTINUING EAGERNESS WITH THIS CRUCIAL PROJECT; A SALARY INCREASE MAY BE WARRANTED. A SALARY INCREASE SHOULD AT LEAST ENCOMPASS M'S RUDIMENTARY OPS EXPENSES SUCH AS TELEPHONE AND TRAVEL FOR OPS MEETINGS (APPROXIMATELY USD 100 PER MONTH). WITH THIS IN MIND, CIA OFFICE #2 RECOMMENDS A RAISE OF AT LEAST USD 250 PER MONTH FOR M. C/O WILL CONTINUE TO REIMBURSE FOR ITEMS SUCH AS THE P.O BOX, NECESSARY COMPUTER PURCHASES; OPS RELATED TRAVEL, AND ANY OTHER SIZABLE RELEVANT EXPENSES. SHOULD HQS AGREE WITH THE ABOVE, OFFICE #2 WILL ADJUST M'S AGMT ACCORDINGLY. ALSO, REQUEST HQS

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COMMENTS ON THE LIFE INSURANCE OPTION FOR M .

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IN 4776897

TOR: 221952Z MAR 99 CIA OFFICE #2 7011

~~SECRET~~ 221951Z MAR 99

CIA OFFICE #2
CITE 7011

TO: LANGLEY

FOR:

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: MERLIN (M) - 16 MARCH MEETING

REF: LANGLEY 293632 | 99 4543087 |

TEXT:

1. ACTION REQUIRED: NONE/FYI.
2. ON 16 MAR 99, C/O JEFFREY STERLING HELD A PERSONAL MEETING WITH M AT AN UPPER WEST SIDE HOTEL IN MANHATTAN. THERE WERE NO SECURITY INCIDENTS. DURING THE MEETING, M PROVIDED INFORMATION ON THE MATERIALS HE SENT TO IRAN INST. 4 AND RECENT CONTACTS VIA HIS EMAIL ACCOUNT. THE NEXT MEETING IS SCHEDULED FOR 06 APR 99.
3. AT THE ONSET OF THE MEETING, C/O REQUESTED AN UPDATE FROM M ON THE LETTER SENT TO IRANIAN F AT IRANIAN INSTITUTION 4 . BEING EVER SECURITY CONSCIOUS, M MAILED THE LETTER AND HIS RESUME SEPARATELY. M MAILED THE RESUME FIRST ON 5 MARCH AND THE LETTER (EDITED PER REF) WAS MAILED A FEW DAYS LATER. M WAS UNSURE OF THE EXACT DATE BUT BELIEVED THAT IT WAS 08 MAR 99. PRIOR TO THE MAILINGS, M/2 SENT AN EMAIL TO IRANIAN F EXPLAINING THAT TWO SEPARATE LETTERS WILL BE COMING. C/O TASKED M TO SEND ANOTHER MESSAGE REQUESTING ACKNOWLEDGMENT OF RECEIPT OF THE LETTERS AND M AGREED. M APPEARED EXCITED ABOUT SENDING THE LETTERS AND IS ANXIOUS TO GET A RESPONSE. M DID EXPRESS A BIT OF CONCERN ABOUT THE TIMING OF THE LETTERS. HE FELT THAT HIS LETTERS MAY GET LOST BECAUSE NO ONE WILL LOOK AT THEM MAY ARRIVE DURING THE IRANIAN NEW YEAR CELEBRATIONS. C/O ADDRESSED M 'S CONCERNS BY EXPLAINING THAT THE EMAIL CORRESPONDENCE WILL SERVE AS ADEQUATE ALERT THAT THE LETTERS ARE COMING AND IRANIAN F SHOULD THEREFORE BE EXPECTING THEM IRRESPECTIVE OF THE FACT HE MIGHT TAKE SOME HOLIDAY FOR NOWRUZ CELEBRATIONS.
4. M SHOWED C/O COPY OF AN EMAIL MESSAGE DATED 5 MARCH. THE MESSAGE WAS FROM IRANIAN G AT EMAIL ADDRESS: ;

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"DEAR (M),

I SAW YOUR AD. CAN YOU SEND ME BETTER ABOUT YOU. OUR WORK IS ABOUT POWER LASER, CNC CONTROL STEP AND DC MOTOR, ...

THANKS,
IRANIAN G

M SAID THE MESSAGE IS MOST LIKELY IN RESPONSE TO THE AD ABOUT HIMSELF HE PLACED ON THE WEB PAGE. M NOTED THAT HE RECENTLY UPDATED THAT AD AND HAS NOT INCLUDED HIS RESUME IN THE AD. C/O INSTRUCTED M TO SEND A RESPONSE STATING THAT HE WILL BE HAPPY TO SEND MORE INFORMATION, BUT PRIOR TO THAT HE WOULD LIKE TO KNOW INFORMATION ABOUT IRANIAN G AND WHAT TYPE OF ORGANIZATION OR COMPANY HE REPRESENTS. M AGREED TO SEND THE MESSAGE SOON. C/O ALSO INSTRUCTED M TO BRING COPIES OF ALL CORRESPONDENCE HE SENDS AND RECEIVES

5. M SAID THAT HE HAS NOT RECEIVED REPLIES TO THE MESSAGES HE HAS SENT TO THE EMPLOYEES AT IRANIAN INSTITUTIONS 1 AND 2

M THEN SUGGESTED THAT IN SOME OF HIS FUTURE MESSAGES, HE MAY MAKE MENTION OF THE RECENT REVELATION THAT ANOTHER COUNTRY HAD SECURED NUCLEAR SECRETS FROM THE U.S. M 'S REASONING WAS THAT OTHERS NOW SEE THAT IT IS POSSIBLE TO OBTAIN NUCLEAR SECRETS WHICH CAN ADVANCE THEIR PROGRAMS; AND THAT THE PROJECT CAN BUILD UPON THAT SUPPOSITION TO ENTICE THE IRANIANS. C/O LAUDED M FOR HIS THINKING, BUT SAID SOME THOUGHT WOULD NEED TO BE GIVEN TO SUCH A PROPOSITION PRIOR TO M IMPLEMENTING IT.

6. FINANCIAL MATTERS: C/O MENTIONED TO M THAT WHEN READY, M 'S NEW AGMT WILL INCLUDE AN INCREASE OF USD 1000.00 IN HIS MONTHLY SALARY. C/O SAID THAT WITH SUCH A SIZABLE RAISE, THERE WOULD BE SOME CHANGES WITH REGARD TO THE REIMBURSEMENTS THAT M HAS BEEN RECEIVING. C/O EXPLAINED THAT M WOULD NO LONGER BE REIMBURSED FOR PHONE EXPENSES RELATED TO HIS USE OF THE INTERNET FOR THE PROJECT. C/O ADVISED M THAT HE WOULD BE REIMBURSED FOR MAJOR EXPENSES SUCH AS TRIPS AND THOSE EXPENSES DIRECTLY RELATED TO HIS WORK FOR THE PROJECT (I.E., P.O. BOX, POSTAGE EXPENSES, AND PURCHASES FOR HIS COMPUTER) WHICH MUST BE PRE-APPROVED BY C/O. M SAID THAT THE LITTLE EXPENSES ARE OF NO IMPORTANCE AND THEY CAN BE FORGOTTEN INCLUDING AOL

C/O ALSO TOLD M THAT WITH SUCH A SIZABLE RAISE, M WAS ON HIS OWN WITH REGARD TO LIFE INSURANCE.

7. AS USUAL, C/O IS ENCOURAGED BY THE EFFORT AND THOUGHT THAT M IS PUTTING INTO THE PROJECT. AT THE NEXT SCHEDULED MEETING, C/O WILL PAY M THE FINAL INSTALLMENT FOR HIS '98 SALARY.

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

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TOR: 121528Z APR 99 CIA OFFICE #2 7040

~~SECRET~~ 121529Z APR '99

CITE CIA OFFICE #2
7040

TO: LANGLEY

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) - 6 APRIL MEETING

REF: CIA OFFICE #2 7011 | 99 4776897 |

TEXT:

1. ACTION REQUIRED: PLS PROVIDE AN UPDATE ON STATUS OF PROJECT APPROVALS AND AGMT PROCESSING.

2. ON 6 APR 99, C/O JEFFREY STERLING HELD A MEETING WITH M AT A MIDTOWN MANHATTAN HOTEL. DURING THE MEETING, M DISCUSSED HIS MOST RECENT CONTACT WITH A DIVISION OF IRANIAN INSTITUTION 4 (DIV)

A GOOD PORTION OF THE MEETING WAS ALSO SPENT DISCUSSING PERCEIVED DISCREPANCIES WITH REGARD TO M'S '98 SALARY. THE NEXT MEETING IS SCHEDULED FOR 29 APRIL.

3. AT THE ONSET OF THE MEETING, M TOLD C/O THAT HE HAD HAD A RECENT CONTACT FROM THE DIV. WITH REGARD TO THE LETTERS HE SUBMITTED (REF). M SAID THAT ON 3 APRIL, HE RECEIVED AN EMAIL FROM EMAIL ADDRESS: M DID NOT HAVE A COPY OF THE EMAIL WITH HIM, BUT SAID THAT THE NOTE INDICATED THAT THEY RECEIVED HIS FIRST LETTER (RESUME), BUT THAT THE SECOND LETTER HAD NOT BEEN RECEIVED. THE SECOND LETTER INTIMATED THAT M HAD A BUSINESS DEAL IN MIND FOR INTERESTED IRANIANS. IN AN EMAIL HE SENT PRIOR TO MAILING THE LETTERS, M INDICATED THAT THE SECOND LETTER WAS MORE IMPORTANT. THE EMAIL FROM THE DIV. REFLECTED THIS BY REPEATING THE ASSERTION MADE BY M AND REQUESTED THAT HE RESEND IT AS SOON AS POSSIBLE.

4. M SAID THAT HE CONTEMPLATED CONTACTING C/O TO GET GUIDANCE AS FAR AS WHAT TO DO, BUT HE SENT THE BELOW RESPONSE THE FOLLOWING DAY (4 APRIL) VIA EMAIL:

"HI EVERYONE,

I AM WONDERING WHY YOU DID NOT GET IT. YOU SHOULD HAVE THIS PAPERS

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ALREADY. LET'S WAIT FOR A COUPLE OF DAYS AND I WILL SEND OVER AGAIN. PLEASE THINK ABOUT SENDING THIS INFO TO A PRIVATE ADDRESS, PRIVATE PERSON WITH THE SAME FINAL APPROPRIATE DESTINATION. YOU KNOW AN ABBREVIATION THAT I USED CAN BE INTERESTING FOR MANY OTHERS, VERY UNDESIRE FOR ME PEOPLE. I MEAN A NAME OF YOUR ORGANIZATION. I AM VERY WORRIED IF THIS PACKAGE GOT LOST. IF I WILL NOT GET YOUR CONFIRMATION ABOUT GETTING AT APRIL 10 I SEND IT AGAIN SIGNED SSB AND M. ASFARI.

THANK YOU"

WITH REGARD TO RESENDING THE LETTER, M PRESENTED ANOTHER OPTION. M SUGGESTED ESTABLISHING AN EMAIL ACCOUNT FROM WHICH TO SEND THE LETTER TO THE DIV. M MENTIONED THAT IT WOULD BE BETTER ALSO TO SEND IT FROM A PHONE NUMBER OTHER THAN HIS HOME NUMBER. AS THE PROJECT SEEMS TO BE COMING CLOSER TO FRUITION, M IS CONCERNED THAT THE IRANIANS MAY BE ABLE TO TRACK HIM TO HIS RESIDENCE VIA THE EMAILS.

C/O AGREED WITH M 'S REASONING, BUT SAID IT WOULD PROBABLY BE BEST TO MAIL THE LETTER AS WAS DONE INITIALLY. WE BELIEVE THAT SENDING THE LETTER VIA EMAIL WILL BE A DEPARTURE FROM THE CORRESPONDENCE PATTERN ALREADY ESTABLISHED. THE CURRENT PATTERN REFLECTS A CONCERN FOR CONFIDENTIALITY TO WHICH AN EMAIL WOULD BE SOMEWHAT CONTRARY. SHOULD M NOT RECEIVE NOTIFICATION THAT THE ORIGINAL LETTER HAS BEEN RECEIVED, C/O WILL CONTACT M ON 10 APRIL AND INSTRUCT HIM TO MAIL THE LETTER. THE EMAIL OPTION WILL BE TRIED SHOULD THE SECOND MAILING NOT WORK.

5. THIS IS CERTAINLY A POSITIVE DEVELOPMENT OF EVENTS FOR THE PROJECT. M IN FACT EXPRESSED EXTREME PLEASURE AND EXCITEMENT THAT THE IRANIANS ARE SHOWING INTEREST AND THE PROJECT IS PROCEEDING. THE NECESSITY TO CONSIDER AND EXPLORE THE NEXT STEPS OF THE PROJECT IS BECOMING VERY APPARENT. GIVEN THE INTEREST SHOWN TO DATE, IT IS QUITE CONCEIVABLE THAT THE IRANIANS WILL WANT TO MEET WITH M . PREPARING FOR SUCH AN EVENTUALITY, C/O ASSURED M THAT EVERY POSSIBILITY WILL BE EXAMINED WITH REGARD TO ANY DIRECT CONTACT WITH THE IRANIANS. AS SUCH, REQUEST AN UPDATE ON THE PROJECT'S PROGRESS FROM THE HQS STANDPOINT.

6. M ONCE AGAIN NOTED HIS CONCERNS ABOUT THE LEVEL OF SCRUTINY THE IRANIANS WILL PLACE UPON M AND HIS BACKGROUND NOTED IN THE RESUME. C/O EXPLAINED TO M THAT WHAT WILL TRANSPIRE IS A BUSINESS DEAL FROM WHICH THE IRANIANS SHOULD BE MORE INTERESTED IN WHAT M HAS TO OFFER AS OPPOSED TO PERSONAL CREDENTIALS. M CAN ALWAYS INDICATE A DESIRE TO PEDDLE HIS WARES TO ANOTHER INTERESTED PARTY . C/O IS PLEASED AT THE LEVEL OF EFFORT BEING PUT FORTH BY M . HE HAS CERTAINLY IMMERSSED HIMSELF IN THE PROJECT AND IS FOR THE MOST PART MAKING APPROPRIATE DECISIONS. THOUGH M IS SOMETIMES A LITTLE OVER SURREPTITIOUS, AS NOTED IN THE ABOVE EMAIL RESPONSE, C/O DOES NOT BELIEVE THAT HE HAS REACHED A LEVEL AS TO RAISE POSSIBLE IRANIAN CONCERNS.

7. FINANCIAL MATTERS: AFTER SUBSTANTIVE DISCUSSION ON THE PROJECT, C/O HAD TO INFORM M THAT THE BALANCE OF HIS 1998 SALARY IS USD 55,000.00 AS OPPOSED TO USD 60,000.00. UPON HEARING THE AMOUNT, M THREATENED TO QUIT SINCE THE MONEY DISCREPANCIES SEEM TO CROP UP EVERY YEAR. C/O IMMEDIATELY CHALLENGED M ON HIS STATEMENT ASKING M IF HE WAS READY TO QUIT BASED ON A MERE USD 5,000.00 (ESPECIALLY IN LIGHT OF THE TOTAL AMOUNT OF HIS SALARY). C/O REQUESTED A POINT BLANK ANSWER FROM M ON WHAT HIS ACTIONS WILL BE. M CALMED DOWN AND SAID THAT HE IS WEARY OF THE SAME PAY DISCREPANCIES OCCURRING YEAR AFTER YEAR, BUT SAID THAT HE WILL NOT QUIT THE PROJECT. C/O

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TOLD M THAT THE REASON FOR THE DISCREPANCY WILL BE FOUND, AND THAT IT IS NOT BEYOND THE REALM OF POSSIBILITY THAT M HAS ALREADY BEEN PAID FOR ONE MONTH OUT OF '98 WHICH WOULD MAKE HIS '98 TOTAL USD 55,000.00. M THEN SIGNED A RECEIPT FOR USD 35,000.00. TO DATE, C/O HAS PAID M USD 55,000.00 REPRESENTING HIS 1998 SALARY.

8.

ALSO, REQUEST A STATUS
UPDATE ON AGMT PROCESSING FOR M/2'S FEB 1999 - JAN 2000 AGMT
PERIOD.

9. FILE: CP 1 DECL ON: X1, CL REASON: 1.5(C), CL BY:
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TOR: 131435Z MAY 99 CIA OFFICE #27084

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CIA OFFICE #2
CITE 7084

TO: LANGLEY

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) - 05 APR 99 MEETING

REF: CIA OFFICE #2 7040 | 99 5037738 |

TEXT:

1. ACTION REQUIRED: NONE, FYI.
2. ON 05 APR 99, C/O JEFFREY STERLING HELD A MEETING WITH M AT AN UPPER WEST SIDE RESTAURANT. DURING THE MEETING, M INDICATED THAT HE HAD NOT RECEIVED ANY ADDITIONAL RESPONSES FROM HIS MOST RECENT MAILINGS. C/O SCHEDULED THE NEXT MEETING FOR THE WEEK OF 24 MAY 99.
3. M PROVIDED C/O WITH COPIES OF THE LETTER THAT HE SUBMITTED A SECOND TIME PER REF. M EXPLAINED THAT FOR SECURITY REASONS, HE MAILED THE LETTER FROM NEW JERSEY. M ADDED THAT HE MAILED THE INITIAL SET OF LETTERS (PER REF) FROM CONNECTICUT AND NEW JERSEY. ON 3 MAY, M SENT AN EMAIL MESSAGE TO IRANIAN F) AT EMAIL ADDRESS NOTING THAT THE SECOND LETTER HAD BEEN MAILED AND THAT IT SHOULD BE EXPECTED THE WEEK OF 3 MAY AND REQUESTED CONFIRMATION OF RECEIPT. AS OF THE TIME OF THE MEETING, M HAD RECEIVED NO CORRESPONDENCE. M SAID THAT HE HAD SENT AROUND TWO OTHER INQUIRIES TO OTHER ADDRESSES FOUND ON THE INTERNET; ALL WITH NO RESPONSES. M PROVIDED C/O WITH COPIES OF THE LETTERS THAT HE SUBMITTED, INCLUDING AN ADDITIONAL LETTER. M SAID THAT HE WOULD LIKE C/O TO SEND THE LETTER EITHER VIA POST (M EVEN PROVIDED AN AIR MAIL STAMP) OR EMAIL FROM A DIFFERENT LOCATION SHOULD THE IRANIANS NOT RECEIVE HIS SECOND LETTER. C/O AGREED WITH M 'S LOGIC, BUT SAID THAT THE NECESSITY OF SUCH WILL BE WEIGHED DEPENDING ON THE IRANIAN RESPONSE.
4. C/O TOOK THE OPPORTUNITY TO CONGRATULATE M ON HIS FINE WORK AND NOTED THAT THE PACE OF THE PROJECT WAS GOING AT A COMFORTABLE LEVEL. THIS WAS MAINLY IN RESPONSE TO M 'S INQUIRY ABOUT WHAT THE NEXT STEP WILL BE SHOULD HE RECEIVE A RESPONSE FROM

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IRANIAN F OR THE DIVISION OF IRANIAN INSTITUTION 4 C/O EXPLAINED THAT EVERY ASPECT OF THE PROJECT HAS BEEN CONSIDERED AND THAT THE NECESSARY STEPS WILL BE TAKEN AS WARRANTED. C/O MENTIONED THAT M SHOULD BE PREPARED POSSIBLY TO TRAVEL AT SOME POINT TO MEET WITH SPECIFIC INDIVIDUALS WHO MAY BE INTERESTED IN WHAT M OSTENSIBLY WILL HAVE TO OFFER. (C/O HAS NOT MENTIONED SPECIFIC NAMES TO M WITH REGARD TO THIS ASPECT OF THE PROJECT IN AN EFFORT NOT TO GIVE M THE FEELING OF BEING RUSHED). C/O THEN MENTIONED TO M THAT AS THE PROJECT DEVELOPS, M SHOULD EXPECT A VISIT FROM MR. S. WHO WILL PROVIDE AN UPDATE ON THE DEFINITE DIRECTION OF THE PROJECT. M UNDERSTANDS THAT THERE ARE ASPECTS OF THE PROJECT THAT REQUIRE CERTAIN APPROVALS BEYOND THE PURVIEW OF C/O. M SAID THAT HE LOOKED FORWARD TO SEEING MR. S. ONCE AGAIN AND NOTED HIS OWN PLEASURE AT THE PACE OF THE PROJECT.

5. M CONTINUES TO SHOW AN EAGERNESS TOWARDS THE PROJECT AND HIS INTEREST IS CERTAINLY PIQUED AT WHAT THE NEXT STEPS WILL ENTAIL. WE BELIEVE THAT A VISIT BY MR. S. WILL BE A DEFINITE PLUS FOR M AND HIS ATTITUDE WITH REGARD TO THE PROJECT. BASED ON AN ANTICIPATED VISIT BY MR. S. C/O SCHEDULED THE NEXT MEETING FOR THE WEEK OF 24 MAY. C/O TASKED M TO CONTINUE HIS EMAIL EFFORTS AND EFFORT TO FIND INFORMATION ON OFFICIAL IRANIANS

6. FINANCIAL MATTERS: C/O PAID M USD 5,000.00 AS THE BALANCE OF HIS 1998 SALARY (USD 60,000.00). C/O BELIEVES THAT THE PREVIOUS CONFUSION WITH REGARD TO THE AMOUNT OF M 'S 1998 SALARY WAS BASED ON THE FACT THAT HIS AGMT SPANS A FEB - JAN TIMEFRAME WHICH IS SOMEWHAT DIFFERENT FROM THE NORMAL FISCAL YEAR TIMEFRAME OF JAN - DEC. WHATEVER THE REASON FOR THE PREVIOUS DISPARITY, IT IS NOW SETTLED AND M IS SATISFIED THAT HE HAS RECEIVED ALL OF HIS 1998 SALARY. C/O TOLD M THAT HIS AGMT WILL BE READY FOR SIGNING DURING THE NEXT MEETING. WITH REGARD TO THE AGMT, M REQUESTED THAT THE LANGUAGE OF THE AGMT BE CHANGED TO NOTE THAT HE DOES "COMPUTER CONSULTING" WORK FOR THE USG. M EXPRESSED CONCERN ABOUT WHAT SHOULD HAPPEN IF HIS AGMT IS EVER DISCOVERED BY SOMEONE AND HOW HE WOULD BE ABLE TO EXPLAIN HIS WORK FOR THE USG. C/O SAID THAT M SHOULD NOT WORRY ABOUT HIS CONTRACT EVER SURFACING OUTSIDE OF CIA

7. FILE: CP 1 DECL ON: X1, CL REASON: 1.5(C), CL BY:
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TOR: 281726Z MAY 99 CIA OFFICE #2 7116

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CITE CIA OFFICE #2
7116

TO: LANGLEY INFO CIA OFFICE #5.

FOR:

CLASSIFIED PROGRAM NO.1 (CP 1)

SUBJECT: MERLIN (M) - 25 MAY MEETING

REF: NONE

TEXT:

1.

2. ON 25 MAY, C/OS JEFFREY STERLING AND MR. S. MET WITH M AT A MIDTOWN MANHATTAN HOTEL. DURING THE MEETING, MR. S. AND STERLING EXPLAINED THE NEXT STEPS OF THE CP 1 OPERATION INCLUDING A SPECIFIC IRANIAN OFFICIAL M WILL EVENTUALLY ATTEMPT TO CONTACT. M ONCE AGAIN DISPLAYED EAGERNESS AT THE PROJECT AND EXPRESSED READINESS TO MOVE TO A MORE PROACTIVE STANCE WITH THE PROJECT. STERLING SCHEDULED THE NEXT MEETING FOR APPROXIMATELY THREE WEEKS. DATE AND PLACE WILL BE DETERMINED.

3. AT THE ONSET OF THE MEETING, M SAID THAT HE HAS HAD NO NEW CONTACTS VIA EMAIL OR POST. MR. S. EXPLAINED TO M THAT THE PROJECT HAS PROGRESSED SUCH THAT THE NEXT STEPS WILL ENTAIL M MAKING DIRECT CONTACT WITH AN IRANIAN OFFICIAL WHO WOULD BE INTERESTED IN THE CP 1 DEVICE. MR. S. SAID THAT M WILL BE DIRECTED TO MAKE CONTACT WITH IRANIAN SUBJECT 1.

THE ACTUAL MECHANICS AND MOST APPROPRIATE AVENUE FOR M TO MAKE CONTACT WITH IRAN SUB 1 WILL BE DETERMINED. M UNDERSTOOD THAT THE LEGEND FOR HIS CONTACTING IRAN SUB 1 WILL ESSENTIALLY ENTAIL HOW M HAS TRIED FOR QUITE SOME TIME TO INDIRECTLY (VIA THE INTERNET) CONTACT IRANIAN OFFICIALS WHO MAY BE INTERESTED IN THE DEVICE, BUT HAS MET WITH FRUSTRATION. BEING MORE PROACTIVE, M RESEARCHED IRANIAN OFFICIALS WHO: 1) WOULD BE INTERESTED IN THE DEVICE; AND 2) ARE IN AN AREA THAT M WOULD BE ABLE TO REACH, AND CAME UP WITH IRANIAN SUBJECT 1.

MR. S. REITERATED THAT M WILL HAVE TO TRAVEL TO VIENNA OR ANOTHER APPROPRIATE VENUE TO CONTACT IRAN SUB 1, BUT BY NO MEANS WILL M HAVE TO TRAVEL TO IRAN. TO DEVELOP THE LEGEND, M WAS INSTRUCTED TO

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RESEARCH IRANIAN SUBJECT 1 USING OPEN SOURCES SUCH AS THE INTERNET,
LIBRARIES THIS
IS TO ESTABLISH THAT M CAME ACROSS IRAN SUB 1'S NAME ONLY THROUGH HIS
OWN RESEARCH. M EXPRESSED NO CONCERNS ABOUT THE NEXT STEPS WITH
THE PROJECT AND SEEMED AS EAGER AS ALWAYS TO PROCEED.

4.

5. ADDITIONAL ITEMS: DURING THE MEETING, M SIGNED HIS AGMT
COVERING THE PERIOD 1 FEB '99 THROUGH 31 JAN '00 (INCLUDING A SALARY
INCREASE).

6. FILE: CP 1 DECL ON: X1, CL REASON: 1.5(C), CL BY:
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National Laboratory

National Laboratory

Mr. N.

Phone:
Fax
Internet

June 9, 1999

Mr. F.
Mr. S.
CIA/CPD
Mail Channel

Export Control of Design

Per your request we have researched the question of whether the modified fireset design being considered would be subject to U. S. export controls. The design, as delivered, is not subject to U. S. export controls including the Commerce Control List, the Nuclear Suppliers' Group Dual Use List, and the U. S. Munitions List. However, in the very remote possibility that the end user can acquire the critical specifications intentionally omitted from the design, and if the user can also acquire the necessary fabrication technologies to successfully fabricate a fully functional device, the end product would then be subject to the above controls.

If you have further questions, don't hesitate to contact me.

Sincerely,

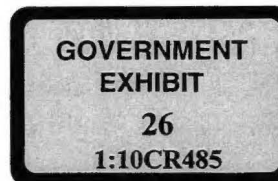
Mr. N.

Mr. N.

cc:

Classified by:
Derived from: CDCG dated 6 June 1996
Declassify by: X1

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CERTIFICATION REGARDING BUSINESS RECORDS

Pursuant to 28 U.S.C. § 1746, I, the undersigned, declare:

My name is Mr. C. I am a United States citizen, and I am over 18 years of age. I am a custodian of records for the business named below, or I am otherwise qualified as a result of my position with the business named below to make this declaration.

I have reviewed certain records produced by the National Laboratories to federal investigators. Pursuant to Rules 902(11) and 803(6) of the Federal Rules of Evidence,¹ I hereby certify that the records attached hereto:

1. were made or compiled at or near the time of the occurrence of the matters set forth by, or from information transmitted by, a person with knowledge of those matters;¹
2. were kept in the course of the regularly conducted business activity; and
3. were made or compiled by the regularly conducted business activity as a regular practice;

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 19th day of September, 2011.

Signature:

Mr. C

Name:

Mr. C

Title

Distinguished Member of Technical Staff

Name and address
of business:

The National Laboratory

Address

¹As used in this declaration and as defined in Fed. R. Evid. 803(6), the term "record" includes memoranda, reports, records, or data compilations, in any form, of acts, events, conditions, opinions, or diagnoses; the term "business" includes business, institution, association, profession, occupation, and calling of every kind, whether or not conducted for profit.

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TOR: 291417Z JUN 99 CIA OFFICE #2 7176

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CITE CIA OFFICE #2
7176

TO: LANGLEY

FOR:

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: MERLIN (M) - 17 JUNE MEETING

REF: NONE

TEXT:

1. ACTION REQUIRED: NONE/FYI.

2. ON 17 JUN 99, C/O JEFFREY STERLING HELD A MEETING WITH M AT A MIDTOWN MANHATTAN HOTEL. DURING THE MEETING C/O TOOK THE OPPORTUNITY TO GET AN UPDATE FROM M ON ANY NEW CONTACTS HE RECEIVED FROM IRAN. C/O ALSO DISCUSSED POTENTIAL SCENARIOS AND AVENUES FOR THE CP 1 OPERATION. M REMAINS AT THE READY AND PROVIDED HIS OWN THOUGHTS ON THE DIRECTION OF THE EFFORT DIRECTED AGAINST IRANIAN SUBJECT 1. THE NEXT MEETING WAS TENTATIVELY SCHEDULED FOR THE WEEK OF JULY 5.

3. AT THE ONSET OF THE MEETING, M SAID THAT HE HAS RECEIVED NO FURTHER CONTACTS FROM IRAN. DESPITE THE LACK OF RESPONSE, M DID NOT APPEAR DISHEARTENED. IN FACT, M SEEMS MORE EXCITED BY THE PROSPECT OF THE IRAN SUB 1 DIRECTION OF THE PROJECT AS OPPOSED TO WHAT HAS SO FAR TRANSPIRED. M SAID THAT HE WAS UNABLE TO FIND ANY DIRECT INFORMATION ON IRANIAN SUBJECT 1.

4. WITH REGARD TO ACTUALLY TRAVELING TO VIENNA, M MADE HIS OWN SUGGESTIONS ON WAYS IN WHICH THE DEVICE MATERIALS CAN BE PRESENTED TO IRAN SUB 1. M SUGGESTED THAT A POWER POINT PRESENTATION INCLUDING GRAPHICS AND SOUND WOULD BE MORE IMPRESSIVE. M SAID THAT A FULL PRESENTATION COULD BE MADE TO IRAN SUB 1 USING A LAPTOP AND A CD-ROM CONTAINING THE PRELIMINARY INFORMATION. C/O EXPLAINED THAT

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THOUGH THIS WAS A GOOD IDEA AND IT SHOWS THAT M IS THINKING ABOUT THE PROJECT, A PROFESSIONAL TYPE PRESENTATION MAY MAKE IRANIAN SUBJECT 1 OR ANYONE ELSE OF INTEREST SUSPICIOUS ABOUT M 'S TRUE OBJECTIVE. IT WOULD BE BETTER TO PORTRAY M AS A NOVICE BUSINESSMAN LOOKING TO MAKE SOME MONEY ON A DEAL HE JUST HAPPENED TO HAVE COME ACROSS. IN THIS WAY, M WILL ASSUME A MUCH MORE BELIEVABLE AND LESS SUSPICIOUS POSTURE. C/O CONCLUDED BY SAYING THAT THE PROPOSAL WOULD BE CONSIDERED.

5. DURING THE MEETING, C/O PAID M USD 216.62 AS REIMBURSEMENT FOR THE COMPUTER MODEM. M SAID THAT THE NEW MODEM MAKES A BIG DIFFERENCE IN HIS ABILITY TO DO HIS RESEARCH ON THE INTERNET. C/O INSTRUCTED M TO WAIT ABOUT A WEEK AND SEND A SIMPLE ONE SENTENCE EMAIL STATING THAT HE IS STILL WAITING FOR A RESPONSE TO THE MAILINGS HE SENT TO IRAN. M WILL ALSO CONTINUE HIS RESEARCH ON IRANIAN SUBJECT 1. C/O SCHEDULED THE NEXT MEETING FOR THE FIRST WEEK OF JULY.

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

END OF MESSAGE

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National Laboratory

Ms. G.

National Laboratory

Phone:
Fax:
Internet:

July 28, 1999

Mr. F.
Mr. S.
CIA/CPD
Mail Channel

Enabling Technology

Per your request we have researched the question of whether the modified fireset design being considered would provide enabling technology to the final User. The design, as delivered, will not materially aid the intended User by providing enabling technology. This conclusion is based on the preposition that the User already has a basic understanding of either commercial or nuclear fireset design, and likely already possesses a simple working laboratory fireset. This conclusion is supported by assessments throughout the Intelligence Community.

The significant design details that might materially aid the User have been intentionally omitted from this design. This includes such critical information **necessary** for use in a delivery system.

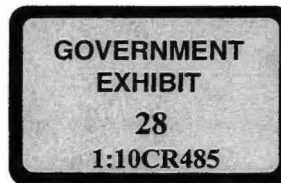
If you have further technical questions, please contact my project manager **Mr. C.** at

Sincerely,

Ms. G.
Ms. G.

Classified by:
Derived from: CDCG dated 6 June 1996
Declassify by: X1

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X00010

CERTIFICATION REGARDING BUSINESS RECORDS

Pursuant to 28 U.S.C. § 1746, I, the undersigned, declare:

My name is Mr. C. I am a United States citizen, and I am over 18 years of age. I am a custodian of records for the business named below, or I am otherwise qualified as a result of my position with the business named below to make this declaration.

I have reviewed certain records produced by the National Laboratories to federal investigators. Pursuant to Rules 902(11) and 803(6) of the Federal Rules of Evidence,¹ I hereby certify that the records attached hereto:

1. were made or compiled at or near the time of the occurrence of the matters set forth by, or from information transmitted by, a person with knowledge of those matters;¹
2. were kept in the course of the regularly conducted business activity; and
3. were made or compiled by the regularly conducted business activity as a regular practice;

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 19th day of September, 2011.

Signature:

Mr. C

Name:

Mr. C

Title

Distinguished Member of Technical Staff

Name and address
of business:

The National Laboratory

Address

¹As used in this declaration and as defined in Fed. R. Evid. 803(6), the term "record" includes memoranda, reports, records, or data compilations, in any form, of acts, events, conditions, opinions, or diagnoses; the term "business" includes business, institution, association, profession, occupation, and calling of every kind, whether or not conducted for profit.

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IN 6302502

TOR: 231920Z JUL 99 CIA OFFICE #27211

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CIA OFFICE #2

CITE 7211

TO: LANGLEY

FOR:

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: MERLIN (M) - REQUEST FOR APP EXTENSION

CIA OFFICE #1

REF: A. 38160

B. 5258

CIA OFFICE #1

TEXT:

1. ACTION REQUIRED: PLEASE PROCESS APP EXTENSION.
2. PLEASE EXTEND APP FOR M

FOLLOWING
IS CURRENT C/O JEFFREY STERLING'S ASSESSMENT (BELOW) AND OTHER PERTINENT
INFORMATION BELOW.

3. C/O MR. B. , WITH
FORMER CIA OFFICER 11 , KNOCKED ON SUBJECT'S DOOR IN AUGUST
1994 AND INTRODUCED THEMSELVES AS CIA REPRESENTATIVES. M
HAS A BACKGROUND IN NUCLEAR ENGINEERING WHICH HAS BEEN THE BASIS OF
HIS RELATIONSHIP WITH CIA

4. APP EXTENSION IS
REQUESTED FOR M TO: ASSIST CIA WITH A CLASSIFIED
OPERATION AGAINST IRAN'S NUCLEAR WEAPONS PROGRAM. M WILL BE ALSO
BE TASKED TO MAKE CONTACT WITH IRANIANS OF INTEREST FOR CIA
WITHIN THE AREA OF WMD.

5. M IS AN INTELLIGENT INDIVIDUAL,
KNOWLEDGEABLE IN A HIGHLY SPECIALIZED AREA OF EXPERTISE, AND
ENTHUSIASTIC IN HIS SUPPORT FOR AND WORK WITH CIA . M IS
ALSO MOTIVATED BY THE FINANCIAL REMUNERATION HE RECEIVES. M IS
DILIGENT IN THE WORK HE DOES ON CIA 'S BEHALF AND IS
CONTINUALLY THINKING OF OTHER METHODS THAT CAN BE USED FOR
CIA 'S PURPOSES. M IS RESPONSIVE TO TASKING AND BRINGS THE

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KEY ELEMENTS OF HIS OWN EXPERIENCES AND KNOWLEDGE TO HIS WORK FOR
CIA

6. M IS SENSITIZED
TO SECURITY ISSUES AND ALWAYS ERRORS ON THE SIDE OF CAUTION. AT
TIMES, M WILL, ON HIS OWN INITIATIVE, IMPLEMENT SECURITY MEASURES
CONSISTENT WITH THE OVERALL OBJECTIVES OF CIA

7. FILE: CP 1 DECL ON: X1, CL REASON: 1.5(C), CL BY:
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99 7675060 ASR PAGE 001 IN 7675060
TOR: 052250Z NOV 99 CIA OFFICE #2 7464

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CIA OFFICE #2
CITE 7464

TO: LANGLEY

FOR:

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: MERLIN (M) - 4 NOV 99 BRIEF MEETING

REF: NONE

TEXT:

1. ACTION REQUIRED: NONE, FYI.
2. ON 4 NOV 99, C/O JEFFREY STERLING HELD A BRIEF MEETING WITH M AT A MANHATTAN COFFEE SHOP. DURING THE MEETING, C/O BROUGHT M UP TO SPEED ON THE CURRENT STATUS OF THE CP 1 OPERATION AND M UPDATED C/O ON THE EFFORT TO SECURE TRAVEL DOCUMENTS. THE NEXT MEETING IS SCHEDULED FOR 18 NOV.
3. AT THE ONSET OF THE MEETING, C/O ADMONISHED M FOR HIS LACK OF CONTACT OVER THE PAST FEW WEEKS. C/O HAD BEEN UNABLE TO CONTACT M DURING THE EARLY PART OF OCT AND M MISSED A SCHEDULED MEETING ON 28 OCT. M LEFT CIRCA 4 OCT TO VISIT HIS WIFE IN FLORIDA FOR TWO WEEKS. C/O MADE IT CLEAR THAT M NEEDS TO GIVE C/O PRIOR NOTICE ABOUT HIS TRAVEL PLANS. C/O EXPLAINED THAT IT IS VERY IMPORTANT TO KNOW M 'S WHEREABOUTS AND ACTIVITIES ESPECIALLY AS THE PROJECT NEARS LAUNCHING. M SAID THAT HE HAD FORGOTTEN C/O'S NUMBER AND WAS UNABLE TO CALL. M ALSO ADVISED THAT HE HAS SECURED NEW EMPLOYMENT. C/O IS NOW ABLE TO REACH M DURING WORKING HOURS. C/O ASKED M IF HE WAS GETTING NERVOUS OR HAVING COLD FEET AT THE PROSPECT OF ACTUALLY LAUNCHING THE PROJECT. M SAID THAT HE WAS NOT GETTING COLD FEET AND THAT HE WAS STILL ENTHUSED ABOUT THE PROJECT. M WILL NOTIFY C/O WELL IN ADVANCE OF ANY INTENDED PERSONAL TRAVEL. M SAID THAT SINCE HIS NEW EMPLOYER IS FARTHER AWAY, HIS ARRIVAL TIME FOR MEETINGS IN MANHATTAN WILL BE LATER.
4. M PROVIDED AN UPDATE ON THE STATUS OF HIS EFFORT TO SECURE TRAVEL DOCUMENTS. ON C/O'S INSTRUCTIONS, M CALLED THE COUNTRY A CONSULATE TO FIND OUT THE STATUS OF HIS PASSPORT RENEWAL. THE CONSULATE TOLD M THAT THE PROCESS WAS COMPLETE AND THAT HE SHOULD RECEIVE THE RENEWED PASSPORT SOON. M EXPECTS TO RECEIVE THE

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PASSPORT WITHIN THE NEXT FEW DAYS. M ALSO RECEIVED A NOTICE FROM INS STATING THAT HIS APPLICATION HAD BEEN RECEIVED AND WAS BEING PROCESSED.

5. M THEN PRESENTED C/O WITH THE INTRODUCTION LETTER TO BE PLACED ALONG WITH THE DEVICE PLANS. FOLLOWING IS THE VERBATIM TEXT OF M 'S LETTER:

"TO WHOM IT MAY CONCERN

I AM LOOKING FOR CONTACT DIRECTLY OR BY MIDDLEMAN TO GOVERNMENT AGENCIES OR GOVERNMENT REPRESENTATIVES OF YOUR COUNTRY. I POSSES VERY IMPORTANT TECHNICAL INFORMATION ABOUT ONE OF THE MOST KEY DEVICES IN MODERN NUCLEAR TECHNOLOGY (DEVELOPMENT OF ATOMIC WEAPON). I SPENT SO MUCH TIME, ALMOST 2 YEARS, TO TRY TO FIND APPROPRIATE WAYS TO CONTACT A RIGHT PERSON. I TRIED TO CONTACT TO IRANIAN INSTITUTION 4, OTHER INSTS., AND PEOPLE. I HAD SENT A LOT OF LETTERS AND E-MAILS. I HAVE USE AN INTERNET AND OTHER POSSIBILITIES. OF COURSE I DID EVERYTHING VERY CAREFULLY BECAUSE I DO NOT WANT ANY UNDESIRE AND UNEXPECTED RISK. UNFORTUNATELY I DID NOT GET ANY INTEREST IN MY OFFER. PROBABLY BECAUSE OF I COULD NOT CALL THINGS THEIR RIGHT NAMES. FROM OTHER SIDE, I UNDERSTAND THIS INFORMATION BECOMES OLDER AND CAN LOOSE ITS IMPORTANCE, ACTUALITY AND, ACCORDINGLY, PRICE. SO, NOW I OFFER PART OF THIS INFO TO YOUR ATTENTION TO CONFIRM THAT IS A REAL DEVICE AND IT REALLY CAN BE VERY USEFUL TO SPEED UP DEVELOPMENT PROCESS. I AM SURE THE PROFESSIONAL STUDY WILL CONFIRM MY WORDS. IF YOUR GOVERNMENT WILL BE INTERESTED TO GET COMPLETE INFORMATION OR GET ANSWER ON ANY TECHNICAL QUESTIONS LET ME KNOW PLEASE. OF COURSE YOU WANT TO KNOW ABOUT OF ORIGINAL SOURCE OF THIS SCHEMATICS, DRAWINGS, CHARTS, DESCRIPTIONS AND SO ON. DIRECTLY FROM DESIGNERS. I WORKED IN THIS INDUSTRY FOR MANY YEARS BUT I AM NOT ON TECHNICAL EXPERT LEVEL. MY CONTACT INFORMATION IS ENCLOSED."

C/O INSTRUCTED M TO WORK ON DIFFERENT VERSIONS SO THAT THE MOST APPROPRIATE VERSION CAN BE DETERMINED AT THE NEXT MEETING.

6. DESPITE THE LACK OF CONTACT, M MAINTAINS HIS INTEREST IN THE PROJECT. M QUERIED C/O ON THE NECESSARY VISAS HE WILL NEED TO TRAVEL IN FURTHERANCE OF THE PROJECT. M ALSO MENTIONED THAT HE HAS BEEN CONTINUING HIS INTERNET RESEARCH INTO OTHER IRANIANS WHO MIGHT BE INTERESTED IN WHAT HE IS OFFERING. M APOLOGIZED FOR THE LACK OF CONTACT WITH C/O. BELIEVE THAT THE LACK OF CONTACT MAY HAVE JUST BEEN M 'S TYPICAL INATTENTIVENESS. HOWEVER, ALSO FEEL THAT IT WILL BE PRUDENT TO BE ON THE ALERT FOR OTHER SUCH SIGNS, ESPECIALLY AS THE PROJECT NEARS REALIZATION.

7. FILE: CP 1 DECL ON: X1, CL REASON: 1.5(C), CL BY:
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TO: CIA OFFICE #5 INFO CIA OFFICE #2

FROM:

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: IRANIAN SUBJECT 1 IS IN VIENNA

REF: 04894. | 99 7877792 |
CIA OFFICE #5

TEXT:

1. ACTION REQUIRED: ADVISE PER PROPOSAL BELOW.
- 2.

3. DURING AN 18 NOVEMBER MEETING WITH M

OFFICER JEFFREY STERLING AND HQS CPD OFFICER MR. S. M PROVIDED TWO PIECES OF GOOD NEWS. THE FIRST WAS THAT HE HAS OBTAINED A NEW COUNTRY A PASSPORT (WHICH HE SHOWED C/O'S) AND WILL SOON APPLY FOR AN AUSTRIAN VISA. HIS POSSESSION OF A GREEN CARD SHOULD FACILITATE THE ISSUANCE OF THE LATTER. THE SECOND AND MORE SIGNIFICANT DEVELOPMENT WAS AN E-MAIL DATED 7 NOVEMBER WHICH M HAD RECEIVED FROM IRANIAN INSTITUTION 1 PROFESSOR IRANIAN SUBJECT 2 (I.S.2) I.S.2 SAID HE HAD BEEN GOING THROUGH OLD E-MAILS AND FOUND A 1998 MESSAGE FROM M. HE ASKED M TO RESPOND AND PROVIDE MORE INFORMATION ABOUT HIMSELF. M DID SO IN A GENERIC FASHION. THIS CONTACT FROM I.S.2 PROVIDES US AN EXCELLENT OPPORTUNITY TO EASE M 'S (AND HIS DISINFORMATION PACKET'S) WAY IN TO IRANIAN SUBJECT 1 (I.S.1) WHO UNTIL RECENTLY WAS ALSO AT IRANIAN INSTITUTION 1 AND IS STILL FEATURED ON ITS WEBSITE.

4. SHORTLY BEFORE HE PREPARES TO LAUNCH IN VIENNA (SEE BELOW RE TIMING AND MECHANICS) WE WILL HAVE M ADVISE I.S.2 VIA E-MAIL THAT HE IS GOING ON VACATION IN VIENNA WITH HIS WIFE AND WILL STOP BY THE

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IRANIAN IAEA MISSION THERE WITH A PACKET OF INTERESTING INFORMATION FOR I.S.2, ASKING I.S.2 TO ALERT THE MISSION TO EXPECT M. WHEN HE SHOWS UP AT THE MISSION M WILL HAVE THE PACKET CONTAINING THE CP 1 DISINFORMATION IN AN ENVELOPE ADDRESSED TO I.S.2 AND WILL ASK TO SEE I.S.1 TO MAKE SURE THE PACKAGE GETS DELIVERED TO THE RIGHT MAN. I.S.1 IS LIKELY TO ACKNOWLEDGE THAT HE TOO IS FROM IRANIAN INSTITUTION 1 AND THAT HE KNOWS I.S.2. THIS WILL LET M PLANT HIS STORY (OF REPEATED EFFORTS TO FIND A RECEPTIVE AUDIENCE IN IRAN) MORE FIRMLY AND GIVE THE IRANIANS A CHANCE TO SEE THAT M IS INDEED A RUSSIAN AND A NUCLEAR WEAPONS VETERAN. EVEN IF I.S.1 DOES NOT SEE M PRESENTING A PACKAGE WITH A KNOWN ADDRESSEE AT A PRESTIGIOUS IRANIAN INSTITUTION CAN ONLY HELP ADVANCE OUR PLAN TO HAVE THE INFORMATION TAKEN SERIOUSLY.

5. PER DISCUSSION AT HQS AND WITH STERLING, WE BELIEVE IT BEST TO SEND M TO VIENNA WITH HIS WIFE IN EARLY JANUARY (AFTER THE AUSTRIAN CHRISTMAS PAUSE AND THE ISLAMIC HOLIDAY OF RAMADAN, WHICH BEGINS ON 9 DECEMBER AND ENDS ON 8 JANUARY) TO MAKE THE APPROACH TO I.S.1. HIS WIFE, MRS. M., WAS INSTRUMENTAL IN GETTING HIM TO COOPERATE WITH CIA IN THE FIRST PLACE AND IS A DEFINITE CALMING INFLUENCE ON HIM. M IS NO ONE'S IDEA OF A CLANDESTINE OPERATIVE AND WE BELIEVE IT WISER TO REFRAIN FROM MEETING HIM WHILE HE IS IN VIENNA. THAT SAID, HE NEEDS TO BE THOROUGHLY PREPARED. ONE OPTION--CONTINGENT ON AVAILABLE RESOURCES--WOULD BE FOR MR. S. AND STERLING TO VISIT VIENNA DURING THE FIRST WEEK OF THE NEW YEAR

SO HE CAN GIVE THE RATHER DIFFERENTLY-ORIENTED M AS MUCH CONCRETE DETAIL ABOUT WHERE HE HAS TO GO AND WHAT HE HAS TO DO AS POSSIBLE.

6. WE HAVE MEANWHILE DIRECTED M TO OBTAIN AN AUSTRIAN VISA, A NEW COUNTRY A PASSPORT FOR HIS WIFE, AND A VISA FOR HER TOO. HE IS ALSO REDRAFTING HIS COVER LETTER, WHICH WE WANT TO MAKE THE RIGHT POINTS INCLUDING THE NEW REFERENCE TO I.S.2, WHILE RETAINING HIS WONDERFULLY CRACKED ENGLISH DICTION. WE TOLD HIM TO PREPARE A RUSSIAN VERSION TOO TO MAKE SURE HE GETS THE POINT ACROSS IN ONE LANGUAGE OR THE OTHER. ALL IN ALL THINGS ARE SHAPING UP WELL FOR THE APPROACH TO I.S.1, WHICH WE WILL CONDUCT AT THE EARLIEST OPPORTUNITY.

7. FILE: CP 1

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

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RELNO: .0000000006

ORIG: CP (MR. S.); AUTH: CIA OFFICER 8

; COORD: CIA OFFICER 12 , CIA OFFICER 13

CIA OFFICER 14 , CIA OFFICER 15 ; REL: CIA OFFICER 16;

CL BY ID # .

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CIA OFFICE #2
CITE 7513

TO: LANGLEY INFO CIA OFFICE #5

FOR:

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: MERLIN (M) - 18 NOV MEETING

REF: LANGLEY 656944 | 99 7916024 |

TEXT:

- 1.
2. ON 18 NOV, C/O JEFFREY STERLING AND HQS OFFICER MR. S. HELD A MEETING WITH M. DURING THE MEETING, MORE DETAILS ON THE MODALITIES OF THE FORTHCOMING APPROACH TO IRANIAN SUBJECT 1 (I.S.1) WERE IRONED OUT. M ALSO PROVIDED AN UPDATE ON HIS TASKING TO ACQUIRE PROPER TRAVEL DOCUMENTATION. M ALSO PROVIDED INFORMATION ON A LATEST E-MAIL CONTACT HE HAS RECEIVED.
3. AT THE ONSET OF THE MEETING, M NOTED THAT HE HAS RECEIVED HIS RENEWED COUNTRY A PASSPORT. M SAID THE PROCESS TOOK APPROXIMATELY THREE WEEKS. HE IS STILL AWAITING THE REENTRY PERMIT FROM INS. MR. S. THEN PROVIDED M WITH ADDITIONAL INFORMATION THAT SHOULD BE INCLUDED IN THE LETTER WHICH WILL BE INCLUDED IN THE PACKAGE BEING PREPARED FOR I.S.1 IN VIENNA. M AGREED TO MAKE THE NECESSARY REVISIONS. IN PREPARATION FOR A POSSIBLE MID-JANUARY '00 TRIP TO VIENNA, STERLING AND MR. S. INSTRUCTED M TO PROCEED WITH OBTAINING A VISA FOR TRAVEL TO AUSTRIA. AS IT MAY BE NECESSARY FOR M'S WIFE (MRS. M.) TO JOIN HIM ON THE TRIP TO VIENNA, M IS TO UNDERTAKE THE SAME PROCESS TO OBTAIN A RENEWED COUNTRY A PASSPORT FOR HIS WIFE.
4. DURING THE MEETING, M MENTIONED THAT HE HAD RECEIVED THE FOLLOWING EMAIL MESSAGE FROM IRANIAN SUBJECT 2 (I.S.2) FROM IRANIAN INSTITUTION 1 DATED 7 NOV:

"DEAR M
I WAS REVIEWING MY OLD MAIL. I FOUND YOU LAST YEAR EMAIL. I WANT

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TO KNOW MORE ABOUT YOU. COULD YOU LET ME HAVE MORE INFORMATION
REGARDING YOUR WORK, YOUR HOBBY, YOUR INTEREST, ETC?
REGARDS,

IRANIAN SUBJECT 2

I.S.2 'S E-MAIL ADDRESS IS:

5. FEEL THIS IS A FORTUITOUS TURN OF EVENTS FOR THE OPERATION.
AS A PRELIMINARY THOUGHT, THE CONTACT FROM I.S.2 CAN BE EXPLOITED
TO EITHER PROVIDE ANOTHER PERSON TO PRESENT THE MATERIAL TO, OR
SOMEHOW UTILIZE THIS CONTACT TO PROVIDE A MORE DEFINITE ENTREE TO I.S.1
FOR M .

6. FILE: CP 1 INDEX:

DECL ON: X1, CL

REASON: 1.5(C), CL BY: ID # DRV

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TOR: 161714Z DEC 99 CIA OFFICE #2 7554

SECRET 161707Z DEC 99
CIA OFFICE #2
CITE 7554

TO: LANGLEY , CIA OFFICE #5
FOR:

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: MERLIN (M) - 14 DEC 99 MEETING .

REF: NONE

TEXT:

1.

2. ON 14 DEC 99, HQS OFFICER MR. S. AND JEFFREY STERLING HELD A MEETING WITH M AT A MIDTOWN MANHATTAN HOTEL. DURING THE MEETING, MR. S. AND STERLING DISCUSSED WITH M THE PLAN FOR THE OVERALL APPROACH TO IRANIAN SUBJECT 1 (I.S.1) AND THE RELATED DETAILS. ITEMS DISCUSSED INCLUDED THE LETTER TO BE INCLUDED IN THE OFFERED PACKAGE, LOCATION OF THE IRANIAN MISSION TO THE INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA) IN VIENNA AND M'S APPROACH.

3. PART OF THE MEETING WAS SPENT REVIEWING/REVISING THE LETTER THAT IS TO BE INCLUDED WITHIN THE PACKAGE OF MATERIALS FOR PASSAGE. IT WAS DISCUSSED THAT THE LANGUAGE SHOULD BE SPECIFIC ENOUGH TO ABSOLUTELY CATCH I.S.1'S AND THE IRANIANS' ATTENTION, YET NOT TOO MUCH SO AS TO GARNER SUSPICION. M IS TO TAKE REVISIONS AND FORMULATE THE LETTER IN HIS OWN PARTICULAR PROSE FOR THE SAKE OF AUTHENTICITY.

M WAS ALSO PROVIDED WITH MAPS AND DIRECTIONS AS TO THE LOCATION OF THE IRANIAN MISSION AS WELL AS A GENERAL LAYOUT OF THE BUILDING. M HAS AND WILL BE PROVIDED WITH ENOUGH INFORMATION SO THAT ANY CONCERNS HE WILL HAVE ABOUT FINDING THE BUILDING SHOULD BE ALLEVIATED.

4. WHEN ASKED, M EXPRESSED AS HIS MAIN CONCERN ACTUALLY CARRYING THE DOCUMENTS ON HIS PERSON WHEN HE TRAVELS TO VIENNA. M'S PREFERENCE IS THAT HIS WIFE (MRS. M) NOT KNOW ANY SPECIFICS ABOUT HIS WORK FOR CIA. HE FEELS CERTAIN THAT SHE WILL DISCOVER THE PACKAGE AND HAVE MANY QUESTIONS THAT HE WOULD PREFER NOT TO HAVE TO ANSWER. M HAS ALREADY INFORMED HIS WIFE OF A TRIP TO VIENNA IN JAN

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'00 AND HAS UNDERTAKEN THE NECESSARY PROCESS FOR HER TO OBTAIN A NEW COUNTRY A PASSPORT. M SUGGESTED THAT IT MAY BE BETTER TO HAVE SOMEONE MEET HIM IN VIENNA AND PASS THE DOCUMENTS. MR. S. AND STERLING SAID THAT HIS CONCERN WOULD BE CONSIDERED. THE MERITS OF M 'S CONCERN SHOULD BE CONSIDERED NOT SOLELY FROM HIS REASONING, BUT MORE SO FROM THE STANDPOINT OF ELIMINATING ANY POTENTIAL SNAGS. AS M IS THE LINCHPIN TO THE OPERATION, HIS COMFORT LEVEL MUST BE ATTENDED TO. INDEPENDENT OF M, MR. S. AND STERLING DISCUSSED THE POSSIBILITY OF MR. S. BEING IN VIENNA ONLY TO PASS THE DOCUMENTS TO M.

5. FEEL THAT WE ARE MAKING GOOD PROGRESS TO THE EVENTUAL LAUNCH IN MID-JAN '00. M IS EXPRESSING HIS CONCERNS, BUT AS THEY ARE MORE RELATED TO LOGISTICAL REALITIES, NONE ARE SHOW-STOPPERS. M CONTINUES TO EXPRESS HIS WILLINGNESS TO UNDERTAKE THE OPERATION. ANTICIPATE THE NEXT MEETING WILL BE WITHIN THE FIRST WEEK OF JAN FOR FINAL PREPARATIONS.

6. FILE: CP 1 DECL ON: X1, CL REASON: 1.5(C), CL BY:
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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 CONTENTS. 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 VERBAGE 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:

CABLETYPE:

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

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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, COMPORIMENT 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:
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Widerrrechtlich abgestellte
Fahrzeuge werden
kostenpflichtig entfernt

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Tag u. Nacht
halten!

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**GOVERNMENT
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I/10 KAPKA	II/4 Fam.KUNTER	II/14 Appartement	
I/9 SCHUTZ	II/3	II/13 HAMMERER	
I/8 Mag.KNIPP	II/2 GARBER	II/12	III/4 SCHLOGL
I/7 SEIDL	II/1 HB KOZIOL	III/11 UNTERDECHLER	III/3 SLENSBY
I/6 MITROVIC	I/15	II/10 BAKOS	III/2 Lichtenwörther
I/5 WENDL	I/14	II/9 FENT	III/1 HOSEK
I/4 LOIBL	I/13 DOTSCHE	II/8 PARIS	II/17 RIBININ
I/3 Fam.THURNER	I/12 Minihold/Michtmayr	II/7 Dr.BERISHA	II/16 MACHEINER
I/1 P.M. IRAN	I/11 DOTSCHE	II/6 Fam.KUNTER	II/15 SCHWARZ

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CITE CIA OFFICE #2 7725

TO: PRIORITY LANGLEY , CIA OFFICE #5, CIA OFFICE #7, CIA OFFICE #8

FOR:

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: MERLIN (M) - MISSION ACCOMPLISHED

REF: NONE

TEXT:

1.

2. ON 9 MARCH, C/O JEFFREY STERLING AND HQS OFFICER MR. S. HELD A MEETING WITH M AT A MIDTOWN MANHATTAN HOTEL. DURING THE MEETING, M PROVIDED DETAILS ON HIS TRAVEL TO VIENNA IN ORDER TO DROP OF THE PACKAGE OF MATERIALS FOR THE IRANIANS.

3. M, WHO AS ADDEES WILL RECALL IS INVOLVED IN THIS OPERATION NOT BECAUSE OF ANY SPECIAL AGENT SKILLS, BUT BECAUSE OF HIS GENUINE BACKGROUND AS A SOVIET NUCLEAR WEAPONS ENGINEER, HAD DIFFICULTY FINDING THE IRANIAN MISSION TO THE IAEA DESPITE EXPLICIT DIRECTIONS FROM MR. S. , WHO HAD HIMSELF VIEWED THE BUILDING IN PREPARATION FOR THE APPROACH. THIS DIFFICULTY RESULTED IN M'S USING HIS EMERGENCY PLAN TO CALL MR. S. 'S CELL PHONE, AND FROM HIS HOTEL PHONE RATHER THAN FROM A PUBLIC PHONE AS INSTRUCTED. MAKING THE BEST OF A BAD SITUATION, MR. S. KEPT THE CONVERSATION COMMERCIAL AND TOLD M THAT HE INDEED HAD BEEN PROVIDED THE RIGHT ADDRESS AND THAT HE SIMPLY HAD TO GO INSIDE THE BUILDING. A RATHER SHEEPISH M ACKNOWLEDGED AT THE 9 MARCH MEETING THAT ONCE HE DID SO HE FOUND THE MISSION, THOUGH HE NOTED WITH PETULANCE THAT IT WAS UP SEVEN STEPS RATHER THAN THE FOUR HE HAD BEEN TOLD TO EXPECT.

4. HAVING FINALLY LOCATED THE MISSION AFTER SEVERAL VERY OBVIOUS SEARCHES IN THE VICINITY, M AT ONE POINT NOTED THAT THERE WAS SOMEONE IN THE OFFICE, BUT ON THAT OCCASION HE HAD NOT BROUGHT THE DOCUMENT PACKAGE WITH HIM. WHEN HE RETURNED ON TWO SUBSEQUENT DAYS HE FOUND THE OFFICE UNOCCUPIED AND FINALLY LEFT THE PACKAGE,

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VERY CLEARLY ADDRESSED TO IRANIAN SUBJECT 1 , IN THE LOCKED MAILBOX RIGHT OUTSIDE THE MISSION DOOR. ACTING ON HIS OWN INITIATIVE, HE TOOK A SERIES OF PHOTOGRAPHS OF THE BUILDING, ENTRANCE WAY, MISSION DOOR, AND THE LOCKED MAILBOX, AND PRESENTED THESE TO C/O'S. AT LEAST WE KNOW HE FOUND THE RIGHT PLACE AT LAST.

5. DESPITE HIS CONFUSION WHILE IN VIENNA, HIS ACTIVITIES IN AND AROUND THE IRANIAN MISSION ONLY ADD CREDENCE TO THE FACT THAT M IS NOT A PROFESSIONAL. IF THE IRANIANS LEARN OF HIS CLUMSY ATTEMPTS TO FIND THEM THEY WILL BE LESS LIKELY TO SUSPECT THAT HE WAS ACTING ON ANYONE'S BEHALF. WE DIRECTED HIM TO SEND A FOLLOW-UP E-MAIL TO

IRANIAN SUBJECT 2 AT IRANIAN INSTITUTION 1 INFORMING HIM THAT HE HAD DROPPED OFF AN IMPORTANT PACKET OF INFORMATION IN VIENNA AND ASKING IRANIAN SUBJECT 2 TO CONFIRM ITS RECEIPT. WE DO NOT EXPECT ANY QUICK ANSWER FROM THE IRANIANS, BUT ALERTED M TO BEGIN CHECKING HIS MAILBOX REGULARLY AND TO ADVISE US AT THE FIRST SIGN THAT ANYONE WAS CHECKING HIM OUT.

6. OVERALL, M REMINDED US ONCE AGAIN OF HIS INABILITY TO FOLLOW EVEN THE SIMPLEST AND MOST EXPLICIT DIRECTION, THOUGH HE SEEMS TO HAVE MADE A GENUINE EFFORT AND TO HAVE CARRIED THROUGH HIS MISSION. HE CERTAINLY LOOKS REAL AND UNDIRECTED, THOUGH WE NEED TO BEAR HIS OPERATIONAL DISABILITIES IN MIND WHEN PLANNING FOR WHAT WE HOPE WILL BE HIS FUTURE CONTACT WITH THE IRANIANS.

7.

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

END OF MESSAGE

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FRP:

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PAGE 001 IN 9656897
TOR: 062029Z APR 00 CIA OFFICE #2 7793

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S E C R E T 062022Z APR 00

CITE CIA OFFICE #2 7793

TO: LANGLEY INFO CIA OFFICE #5, CIA OFFICE #8, CIA OFFICE #7
FOR: CIA OFFICE #9

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: MERLIN (M) - 5 APRIL MEETING

REF: NONE

TEXT:

1. ACTION REQUIRED: FOR THE RECORD

2. M WAS MET IN A MIDTOWN HOTEL ROOM THE EVENING OF 5 APRIL. HE HAD TOLD C/O IN A BRIEF TELEPHONE CONVERSATION THAT HE HAD RECEIVED A "BLANK E-MAIL" FROM A KNOWN ADDRESS. IT TURNED OUT THAT THE E-MAIL DID PRINT OUT AND WAS JUST A CHAIN LETTER WITH NO APPARENT CONNECTION TO IRAN. IN REALITY IT IS PROBABLY TOO SOON FOR THE IRANIANS TO HAVE DONE A SERIOUS EVALUATION OF THE FIRESSET PLANS M DELIVERED ON 3 MARCH, AND WE WILL CONTINUE TO BE PATIENT.

3. HQS CP 1 OFFICER MR. S. ASKED M IF HE WOULD BE WILLING TO HE AGREED WITHOUT HESITATION. OF COURSE, THIS MEANS THAT HIS INCOME STREAM WILL CONTINUE FOR A WHILE LONGER, BUT C/O'S WERE GLAD THAT HE POSED NO OBJECTION TO A RATHER MORE ADVENTUROUS EXTENSION OF THE CURRENT OPERATION. WE WILL WANT TO SEE HOW THE IRAN PART OF THE CASE PLAYS OUT BEFORE MAKING AN APPROACH, BUT GIVEN THE LENGTHY APPROVAL PROCESS FOR ANY SUCH EFFORTS WE WILL HAVE PLENTY OF TIME. C/O EXPLAINED THAT WE WERE JUST AT THE INITIAL PHASE OF THINKING ABOUT THE OPTION, BUT THOUGHT THAT MIGHT BE A GOOD PLACE TO APPROACH THEM. M WONDERED WHERE WAS, AND WAS REASSURED WHEN C/O EXPLAINED THAT IT IS RIGHT NEXT TO AND NOT IN SOME REMOTE CORNER OF THE WORLD. AS THIS CONVERSATION AND HIS EARLIER PERFORMANCE IN VIENNA DEMONSTRATE, M WILL NEED A LOT OF COACHING IF HE IS TO MEET THE IRANIANS OR APPROACH THE IN THE FUTURE.

4. M SIGNED THE NEW AGMT AND OTHER DOCUMENTATION , AND SUBMITTED HIS RECEIPTS FOR HIS VIENNA TRIP. C/O WILL PROVIDE THE BALANCE DUE HIM AND WELL AS \$2000

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FOR THE INCOME HE LOST DURING THE WEEK HE WAS IN VIENNA, SINCE HIS
JOB
PAYS HIM NO LEAVE OR OTHER BENEFITS.

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

END OF MESSAGE

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HQS IS IN THE LOOP.

5. FILE: CP 1 CL BY: ID # , CL REASON: SECTION
1.5 (C), DECL ON: X1, DRV FROM:
HQCOORD: CP 1
CABLETYPE:
>
RELNO: 000001977
ORIG: CP/ (MR. S.); AUTH: CP 1 (MR. S.
) ; REL: CP 1 (MR. S.).

END OF MESSAGE

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FRP:

00 0299131 ASR PAGE 001 IN 0299131
TOR: 251534Z MAY 00 CIA OFFICE #2 7925

~~SECRET~~ 251519Z MAY 00

CIA OFFICE #2
CITE 7925

TO: LANGLEY , CIA OFFICE #11 INFO CIA OFFICE #5, CIA OFFICE #7, CIA OFFICE #8

FOR:

CLASSIFIED PROGRAM NO. 1 (CP 1)

SUBJECT: MERLIN (M) - 24 MAY C/O CHANGE MEETING

REF: NONE

TEXT:

1. ACTION REQUIRED: FOR THE RECORD.

2. JEFFREY STERLING TURNED M OVER
TO MR. Y. ON 24 MAY. HQS CP 1
PROGRAM MANAGER MR. S. ALSO PARTICIPATED IN THE MEETING.
M EXPRESSED NO CONCERNS ABOUT THE C/O CHANGE AND PROMISED TO CONTINUE
TO WORK TOWARDS THE PROGRAM'S GOALS. C/O'S DID NOT/NOT INFORM HIM
THAT WE HAD LEARNED THAT THE IRANIANS TOOK HIS PACKET OF INFORMATION
SERIOUSLY AND ARRANGED TO COURIER IT BACK TO IRAN, BUT SUGGESTED
INSTEAD THAT M BE ALERT TO ANY SIGN OF MONITORING OR ANY EFFORTS AT
CONTACT BY THE IRANIANS, SINCE THEY WOULD PROBABLY BE CHECKING HIM
OUT RIGHT NOW.

3. WE PROVIDED M A CALLING CARD AND INSTRUCTED HIM TO CALL
IN THE EVENT OF ANY CONTACT OR SUSPICIOUS EVENTS. WE
INSTRUCTED HIM TO AGREE TO ANY MEETING IN THE NEW YORK AREA WHICH THE
IRANIANS MIGHT PROPOSE, BUT TO DELAY FOR A WEEK AND CONTACT US SO
THAT WE COULD CONSIDER OUR PLANS MR. Y. ALSO
EXPLAINED THAT THEY WOULD BE MEETING CIRCA LATE JUNE IN NEW JERSEY,

THIS WAS FINE WITH M , AS WAS OUR REQUEST THAT HE AND HIS
WIFE MEET AGAIN WITH USG PERSONNEL (IN A CIA SETTING)
FOR SOME FOLLOW-UP DEBRIEFINGS ON THE INFORMATION THEY PROVIDED IN
1996. MR. Y. WILL PROVIDE THE FIRST HALF OF M 'S 2000 SALARY IN CASH
AT THIS MEETING, WITH FUTURE PAYMENTS TO BE MADE

4. CIA WILL COORDINATE AGAIN WITH FBI TO ALERT THEM TO
THE POSSIBILITY OF IRANIAN CONTACT WITH M .

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GIVEN M 'S IMPETUOSITY HE MAY NEED SOME CLOSE SUPERVISION SHOULD IRANIAN CONTACT MATERIALIZE, BUT IN THE END BELIEVE THAT HE WILL PLAY THE ASSIGNED ROLE CREDIBLY.

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

CABLETYPE:

END OF MESSAGE

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4.

5.

6.

7.

8. CITY A : PENDING TIMING OF OTHER MATTERS
MR. S. WILL PROPOSE THAT HE RETURN TO
CITY A TO SURVEIL THE IRANIANS THERE

AVOIDING ALL
BUT EMERGENCY CONTACT WITH THE OFFICE SO WE CAN PRESERVE THE
OPTION OF A UNILATERAL APPROACH FOR AS LONG AS POSSIBLE. THE LAST
WEEK IN MARCH MIGHT BE A WINDOW, BUT HE NEEDS TO MEET MERLIN AND MR. Y.
AGAIN BEFORE MAKING A SPECIFIC PROPOSAL.

9.

10. THIS MESSAGE WAS ORIGINATED BY CP. AND COORDINATED

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WITH NR AND CE.

11. FILE: CL BY: CL REASON: SECTION
1.5 (C), DECL ON: X1, DRV FROM:
CP 1

>

ORIG: CP/ MR. S.); AUTH: CP 1
(CIA OFFICER ; COORD: CP 1 (MR. S.),
CP 1 , CP 1 (; REL: CP 1 (

CIA OFFICER 16

END OF MESSAGE

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State of War, Chapter Nine
by James Risen

Government Exhibit 132

GOVERNMENT
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A ROGUE OPERATION

- ¹ SHE HAD PROBABLY done this a dozen times before. Modern digital technology had made clandestine communications with overseas agents seem routine. Back in the Cold War, contacting a secret agent in Moscow or Beijing was a dangerous, labor-intensive process that could take days or even weeks to arrange. But by 2004, it was possible to send high-speed, encrypted messages directly and instantaneously from CIA headquarters to agents in the field who were equipped with small, covert personal communications devices. So the officer at CIA headquarters assigned to handle communications with the agency's spies in Iran probably didn't think twice when she began her latest download. With a few simple commands, she sent a secret data flow to one of the Iranian agents in the CIA's spy network. Just like she had done so many times before.
- ² But this time, the ease and speed of the technology betrayed her. The CIA officer had made a disastrous mistake. She had sent information to one Iranian agent meant for an entire spy network; the data could be used to identify virtually every spy the CIA had inside Iran.
- ³ Mistake piled on mistake. As the CIA later learned, the Iranian who received the download was actually a double agent. The agent quickly turned the data over to Iranian security officials, and it enabled them to "roll up" the CIA's agent network throughout Iran. CIA sources say that several of the Iranian agents may have been ar-

rested and jailed, while the fates of some of the others is still unknown (although the CIA has reportedly denied suffering any damage from this incident).

4 This espionage disaster, of course, was not reported in the press. It raises questions about whether the CIA is blind in Iran, unable to provide any significant intelligence on one of the most critical issues facing the United States—whether Tehran was about to go nuclear.

5 In fact, just as President Bush and his aides were making the case in 2004 and 2005 that Iran was moving rapidly to develop nuclear weapons, the American intelligence community found itself unable to provide the evidence to back up the administration's public arguments. On the heels of the CIA's failure to provide accurate prewar intelligence on Iraq's weapons of mass destruction, the agency was once again clueless in the Middle East. In the spring of 2005, in the wake of the CIA's Iranian disaster, Porter Goss, the CIA's new director, told President Bush in a White House briefing that the CIA really didn't know how close Iran was to becoming a nuclear power.

6 The Bush administration has never publicly disclosed the extent to which it is now operating in the blind on Iran. But deep in the bowels of the CIA, someone must be nervously, but very privately, wondering: *Whatever happened to those nuclear blueprints we gave to the Iranians?*

7 The story dates back to the Clinton administration and February 2000, when one frightened Russian scientist walked Vienna's winter streets. Enveloped by the February cold, he dodged the bright red and white Strassenbahn, the quaint electric tramcars that roll in slow circuits around the city, while he debated whether to go through with his secret mission.

8 *I'm not a spy, he thought to himself. I'm a scientist. What am I doing here?*

9 He fingered the package stuffed in his overcoat, making certain

the priceless documents were still there and that this crazy job wasn't just a bad dream.

10 The Russian pulled the note out of his pocket, looked at the address one more time, and then plowed ahead, confused. He knew nothing about Vienna and quickly found himself lost along the operatic city's broad avenues. Was he looking for something called Rueppgasse, or was it called Heinestrasse? Was he supposed to take Strassenbahn 21? He rode two full circuits on the S-Bahn 21 train, searching in vain for the right stop. Should he switch to the U-Bahn, Vienna's subway? The Permanent Mission of the Islamic Republic of Iran to the International Atomic Energy Agency (IAEA) wasn't the easiest office in Vienna to find.

11 *They could have at least given me good directions.*

12 As he stumbled along into Vienna's north end, in the unglamorous neighborhood surrounding the Praterstern U-Bahn station, the same question pounded in his brain again and again, but he couldn't find an answer.

13 *What was the CIA thinking?*

14 The Russian had good reason to be afraid. He was walking around Vienna with blueprints for a nuclear bomb.

15 To be precise, he was carrying technical designs for a TBA 480 high-voltage block, otherwise known as a "firing set," for a Russian-designed nuclear weapon. He held in his hands knowledge needed to create a perfect implosion that could trigger a nuclear chain reaction inside a small spherical core. It was one of the greatest engineering secrets in the world, providing the solution to one of a handful of problems that separated nuclear powers such as the United States and Russia from the rogue countries like Iran that were desperate to join the nuclear club but had so far fallen short.

16 He still couldn't believe the orders he had received from CIA headquarters. The CIA had given him the nuclear blueprints and then sent him to Vienna to sell them—or simply give them—to the Iranian representatives to the IAEA. With the Russian doing

Langley's bidding, the CIA appeared to be about to help Iran leapfrog one of the last remaining engineering hurdles blocking its path to a nuclear weapon. The dangerous irony was not lost on the Russian—the IAEA was an international organization created to restrict the spread of nuclear technology. The IAEA's Vienna headquarters, inside the United Nation's sprawling concrete compound, a jumble of geometric-shaped buildings assembled like a Christmas pile of children's toys along the Danube River just outside the city center, was the leading forum for international debate over the proliferation of nuclear weapons technology. It was the place where the United States came to level charges against rogue nations such as Iran and North Korea over their clandestine nuclear programs. IAEA experts traveled the world to try to police the use of nuclear power, to make certain that peaceful energy-generation programs weren't providing cover for the clandestine development of nuclear weapons. In 2005, the IAEA and its chief, Mohamed ElBaradei, would win the Nobel Peace Prize for their counter proliferation efforts.

17 But in 2000, the CIA was coming to Vienna to stage an operation that could help one of the most dangerous regimes in the world obtain a nuclear weapon.

18 The Russian stood out like a poor eastern cousin on Vienna's jeweled cityscape.

19 He was a nuclear engineer who had defected to the United States years earlier and quietly settled in America. He went through the CIA's defector resettlement program and endured long debriefings in which CIA experts and scientists from the national laboratories tried to drain him of everything he knew about the status of Russia's nuclear weapons program. Like many other Russian defectors before him, his tiresome complaints about money and status had gained him a reputation within the CIA of being difficult to manage. But he was too valuable for the CIA to toss away.

A Rogue Operation

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- 20 One secret CIA report said that the Russian "was a known handling problem due to his demanding and overbearing nature." Yet the same report stated that he was also a "sensitive asset" who could be used in a "high-priority covert-action operation."
- 21 So despite their disputes, the CIA had arranged for the Russian to become an American citizen and had kept him on the payroll, to the tune of \$5,000 a month. It really did seem like easy money, with few strings attached. Life was good. He was happy to be on the CIA gravy train.
- 22 Until now. The CIA was placing him on the front lines of a plan that seemed to be completely at odds with the interests of the United States, and it had taken a lot of persuading by his CIA case officer to convince him to go through with what appeared to be a rogue operation.
- 23 The case officer worked hard to convince him—even though the officer had doubts about the plan as well. As he was sweet-talking the Russian into flying to Vienna, the case officer wondered whether he was being set up by CIA management, in some dark political or bureaucratic game that he didn't understand. Was he involved in an illegal covert action? Should he expect to be hauled before a congressional committee and grilled because he was the officer who helped give nuclear blueprints to Iran? The code name for this operation was MERLIN; to the officer, that seemed like a wry tip-off that nothing about this program was what it appeared to be. He did his best to hide his concerns from his Russian agent.
- 24 The Russian's assignment from the CIA was to pose as an unemployed and greedy scientist who was willing to sell his soul—and the secrets of the atomic bomb—to the highest bidder. By hook or by crook, the CIA told him, he was to get the nuclear blueprints to the Iranians. They would quickly recognize their value and rush them back to their superiors in Tehran.
- 25 The plan had been laid out for the defector during a CIA-financed trip to San Francisco, where he had meetings with CIA of-

ficers and nuclear experts mixed in with leisurely wine-tasting trips to Sonoma Country. In a luxurious San Francisco hotel room, a senior CIA official involved in the operation walked the Russian through the details of the plan. He brought in experts from one of the national laboratories to go over the blueprints that he was supposed to give the Iranians.

26 The senior CIA officer could see that the Russian was nervous, and so he tried to downplay the significance of what they were asking him to do. He told the Russian that the CIA was mounting the operation simply to find out where the Iranians are with their nuclear program. This was just an intelligence-gathering effort, the CIA officer said, not an illegal attempt to give Iran the bomb. He suggested that the Iranians already had the technology he was going to hand over to them. It was all a game. Nothing too serious.

27 The Russian reluctantly agreed, but he was still clearly suspicious of the CIA's motives.

28 He was afraid because he fully understood the value of the information he was supposed to pass to the Iranians. He certainly understood it better than did his CIA handlers. Before he defected, he had worked as an engineer at Arzamas-16, the original center of the Soviet nuclear weapons program and the Russian equivalent of Los Alamos, the home of the Manhattan Project. Founded in 1946, when Soviet dictator Joseph Stalin was rushing to catch up with the Americans and trying to turn the Soviet Union into a nuclear power, Arzamas-16 had once been so secret that it was known only as the "installation" or the "site." Built on the grounds of a czarist-era monastery, about 400 kilometers from Moscow at the old town of Sarova, the complex's first name was Arzamas-60, since it was 60 kilometers from the town of Arzamas; but the Soviets realized that name was too revealing about its location, so they changed it to Arzamas-16. In 1947, the entire city of Sarov officially disappeared from Russian maps.

29 Arzamas-16 was where the Soviets built their first atomic and hydrogen bombs, and today, 30,000 people still work at nuclear

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weapons-related facilities located within a restricted area in the heavily guarded Arzamas-16 district. It wasn't until 1995 that Russian President Boris Yeltsin changed its name back to Sarov.

30 After the collapse of the Soviet Union, the United States feared that poverty-stricken scientists from Arzamas-16 and other facilities like it would be tempted to work for Iraq, North Korea—or Iran. Weapons proliferation really meant the spread of scientific knowledge and the spread of scientists.

31 The end of the Cold War meant the end of regular paychecks for Russian nuclear scientists, and there was a real danger that Russian technical expertise would spread like a virus to the totalitarian states of the third world. In the 1990s, in fact, the director of one Russian nuclear institute killed himself, reportedly over the government's failure to meet his payroll. There were Russian press accounts of uranium being stolen from Arzamas-16. What was to stop underpaid Russian scientists from walking off with technical expertise, and perhaps the blueprints and even the fissile material needed to help rogue states build a bomb?

32 Fortunately, at just the right moment, two centrist American senators, one Democrat and one Republican, saw the danger and came up with one of the most farsighted U.S. foreign relations programs since the Marshall Plan. In 1991, Sam Nunn, a Georgia Democrat and the party's leading voice on national security, and Richard Lugar, a cautious Republican and former mayor of Indianapolis who had turned himself into a foreign affairs specialist in the Senate, crafted legislation that helped prevent a massive drain of nuclear technology out of the former Soviet Union. Known as the Nunn-Lugar Cooperative Threat Reduction Program, the legislation created joint U.S.-Russian programs to deactivate thousands of nuclear warheads in the former Soviet Union, and helped rid the Ukraine, Kazakhstan, and Belarus of the nuclear weapons they had inherited at the time of the breakup of the Soviet Union.

33 Equally important was Nunn-Lugar's impact on the lives of

Russian scientists. Nunn-Lugar helped more than twenty thousand Russian experts involved in Soviet weapons programs find alternative, and more peaceful, forms of research. Arzamas-16 even forged new, cooperative ties with Los Alamos. By 1993, Los Alamos and Sarov were officially sister cities.

34 Behind the public face of Nunn-Lugar, the CIA was also doing its part, quietly helping Russian nuclear scientists to defect and resettle in the United States, rather than go to Iran or Iraq, providing them new lives and enough money to keep their talents off the open market. It was this CIA defector program that brought the Russian to the United States.

35 But now, the CIA was no longer keeping the Russian engineer off the nuclear market, nor was it keeping Russian know-how under wraps. The blueprints the Russian was to hand over to the Iranians were originally from the Arzamas complex, brought to the CIA by another defector.

36 What better way for the CIA to hide its involvement in this operation than to have a veteran of Arzamas personally hand over the Russian nuclear designs?

37 His CIA case officer had coached the Russian as best he could on how to make contact with the Iranians. It wasn't easy; you don't just look up the address for the covert Iranian nuclear weapons program in the Yellow Pages. Still, maybe there was a way you could make contact on the Internet. Maybe it really was as simple as sending out e-mail.

38 At the case officer's urging, the Russian started sending messages to Iranian scientists, scholars, and even Iranian diplomats stationed at the IAEA in Vienna. In his e-mails, he would explain that he had information of great interest to Iran and that he was seeking a meeting with someone who could hear him out. The messages were designed to be playfully intriguing, but not quite revealing. Just enough to prompt a response.

39 He also started attending academic conferences in the United

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States attended by Iranian-American scientists. These conferences sometimes attracted scientists visiting from Iran, and they might be good contacts. The Russian stood out like a sore thumb among the Iranian academics, but that was the point. He wanted people to notice him. He was a nuclear salesman, ready for business.

40 Of course, it wasn't unusual for Russian and Iranian scientists to mix, and that was another point the CIA was counting on. There was a well-established channel of Russian technical support for Iran's nuclear power generation program. Moscow had an \$800 million contract to help Iran build a light water reactor at Bushehr. The United States had publicly complained that Iran was using Bushehr and the country's commercial nuclear program to advance its nuclear weapons development efforts. American officials, in both the Clinton and Bush administrations, consistently asked why Iran needed a nuclear power program when it had so much oil and natural gas; in one State Department statement, Washington noted that Iran annually flares off more natural gas than Bushehr could produce. For at least a decade, a key sticking point in U.S.-Russian diplomatic relations has been Russia's ties to Iran and Moscow's willingness to view Iran as an eager customer for Russian arms, rather than as a growing strategic threat in the Middle East.

41 With Tehran serving as a major shopping bazaar for Russia's post-Cold War arms sales, it certainly wasn't unusual to find Russian and Iranian technicians and bureaucrats mingling. The Russian defector could exploit that tendency to make inroads with the Iranians.

42 As he mingled with the scientists and other academics, the Russian picked up business cards and e-mail addresses. The Russian began to e-mail his new contacts, sending intriguing messages explaining that he wanted to talk with them about his ability to provide materials of interest to Iran. Finally, at one conference, he hit pay dirt when he met a physics professor visiting from Tehran.

43 After the CIA checked out his background, the agency decided that the contact with the Iranian professor was promising. The CIA

hoped the Iranian academic might serve as the Russian's entrée into the secret world of Tehran's nuclear program. At the least, he might be able to put the Russian in contact with the right people in Iran.

44 The Russian followed up his chance encounter with e-mails to the scientist back at his university in Iran. The Russian explained that he had information that was extremely important, and he wanted to make an offer. After some delays, the Iranian finally responded, with a wary message, asking what he had in mind.

45 That was enough for the CIA. Now the Russian could tell Iranian officials in Vienna that he had been in touch with a respected scientist in Tehran before he showed up on their doorstep.

46 The CIA had discovered that a high-ranking Iranian official would be traveling to Vienna and visiting the Iranian mission to the IAEA, and so the agency decided to take the next step and send the Russian to Vienna at the same time. It was hoped that he could make contact with either the Iranian ambassador to the IAEA or the visitor from Tehran.

47 The CIA sent him to Vienna without any backup. Langley didn't want to risk exposure. The CIA station in Vienna wasn't asked to play any role to support the Russian; this operation was dubbed a "special access program," and its existence was a tightly held secret. Only a handful of CIA officers knew of the existence of MERLIN. Better to let the Russian get lost and fumble his way around town than tell more officers about the operation. Sending him to Vienna without any minders would also convince anyone watching that he was just what he appeared to be—an amateur at this game, freelancing.

48 The Russian's cover story was that he was the go-between for the other Russian scientist who had brought the nuclear blueprints out of Arzamas. In truth, he had never met the other defector, but that didn't matter. The story would help answer any questions the Irani-

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ans might have about how he came to acquire the blueprints, which were not easy to access or remove from Arzamas.

49 The Russian was also told not to try to hide the fact that he now lived in the United States. His story should be as close to the truth as possible. Just because he was living in America didn't mean he was working for the CIA.

50 But now that he was in Vienna, he was playing the role of bumbling scientist too well, unable to find the Iranian mission, uncertain even where to get off the train. "I spent a lot of time to ask people as I could [language problem] and they told me that no streets with this name are around," the Russian later explained to the CIA, in his imperfect English.

51 Maybe deep down, he didn't want to get off the tram, and didn't want to find the right office. He had to find time to think.

52 He could not stop thinking about his trip to San Francisco, when he had studied the blueprints the CIA had given him. Within minutes of being handed the designs, he had identified a flaw. "This isn't right," he told the CIA officers gathered around the hotel room. "There is something wrong." His comments prompted stony looks, but no straight answers from the CIA men in the room. No one in the San Francisco meeting seemed surprised by the Russian's assertion that the blueprints didn't look quite right, but no one wanted to enlighten him further on the matter, either.

53 In fact, the CIA case officer who was the Russian's personal handler had been stunned by the Russian's statement. During a break, he took the senior CIA officer aside. "He wasn't supposed to know that," the CIA case officer told his superior. "He wasn't supposed to find a flaw."

54 "Don't worry," the senior CIA officer calmly replied. "It doesn't matter."

55 The CIA case officer couldn't believe the senior CIA officer's an-

swer, but he still managed to keep his fears from the Russian, and he continued to train him for his mission.

56 After their trip to San Francisco, the case officer handed the Russian a sealed envelope with the nuclear blueprints inside. The Russian was told not to open the envelope under any circumstances. He was to follow the CIA's instructions to find the Iranians and give them the envelope with the documents inside. Keep it simple, and get out of Vienna safe and alive, the Russian was told. But the defector was more worried than ever about what kind of game the CIA was getting him into. And he had his own ideas about how he might play that game.

57 In Vienna, the Russian went over his options one more time and made a decision. He unsealed the envelope with the nuclear blueprints and included a personal letter of his own to the Iranians. No matter what the CIA told him, he was going to hedge his bets. There was obviously something wrong with these blueprints—so he decided to mention that fact to the Iranians in his letter. They would certainly find flaws for themselves, and if he didn't tell them first, they would never want to deal with him again. In his badly broken English, the Russian addressed the Iranians as if they were academic colleagues. He later gave a copy of his letter to the CIA.

58 *To University:*

59 *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.*

60 *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 di-*

rectly 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 free now and you can evaluate that. Also I sent e-mail to inform [the Iranian professor] about this possible event. Please let him know you have this package.

61 *What is purpose of my offer?*

62 *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 a real interest in it.*

63 *Now just take your time for professional study of enclosed documentation. My contact info on next page.*

64 The Russian was thus warning the Iranians as carefully as he could that there was a flaw somewhere in the nuclear blueprints, and he could help them find it. At the same time, he was still going through with the CIA's operation in the only way he thought would work.

65 The Russian slid his letter in with the blueprints and resealed the envelope.

66 After his day of floundering around Vienna, the Russian returned to his hotel, near the city's large Stadtpark. He did a computer search and found the right street address for the Iranian mission. His courage bolstered, he decided he would go back and finish the job in the morning.

67 By 8:00 A.M., he found 19 Heinstrasse, a five-story office and apartment building with a flat, pale green and beige façade in a quiet, slightly down-at-the-heels neighborhood in Vienna's north end. The street was crowded with tobacco shops, bars, and cafes, a tanning salon, even a strip club. Now the Russian realized why he had missed it; there was no sign announcing the Iranian mission. The only proof that this was the right place was a mail directory, with three rows of

tenants' names on the wall beside the building's front door. Amid the list of Austrian tenants, there was one simple line: "PM/Iran." The Iranians clearly didn't want publicity.

68 The Russian's fevered rush of adrenaline as he approached the building suddenly cooled when he realized the Iranian office was closed for the day for some unexplained reason. Once again, he spent the day walking Vienna, and once again mulling over the CIA's orders. He returned to his hotel again that night, still clutching the undelivered documents.

69 He returned one last time to the Iranian mission early the next morning and stood for a few agonizing minutes on the empty sidewalk outside.

70 He came back that afternoon, and an Austrian postman finally helped him make up his mind. As the Russian stood silently by, the postman opened the building door, dropped off the mail, and walked quietly away to complete his neighborhood rounds. His courage finally reinforced, the Russian decided to follow suit; he now realized that he could leave his package without actually having to talk to anyone. He slipped through the front door, and hurriedly shoved his envelope through the inner door slot at the Iranian office.

71 "At 1:30 P.M. I got a chance to be inside of the gate," at the entrance to the Iranian mission, the Russian later explained in writing to the CIA. "They have two mailboxes: one after gate on left side for post mail (I could not open it without key) and other one nearby an internal door to the mission. Last one has easy access to insert mail and also it was locked. I passed internal door and reached the mission entry door and put a package inside their mailbox on left side of their door. I cover it old newspaper but if somebody wants that is possible to remove this package from mailbox, in my opinion. I had no choice."

72 The Russian fled the mission without being seen. He was deeply relieved that he had finally made the handoff without ever having to come face to face with a real live Iranian. He flew back to the United

States without being detected by either Austrian security or, more important, by Iranian intelligence.

73 From its headquarters at Fort Meade, Maryland, the National Security Agency monitors global airline reservation databases, constantly checking on the travel arrangements of foreign officials and others targeted by American intelligence around the world. In February 2000, the NSA was also eavesdropping on the telephone lines of the Iranian mission in Vienna. It could intercept communications between the mission and Tehran. In addition, the NSA had broken the codes of the Ministry of Intelligence and Security, Iran's foreign intelligence service. The Americans had several different ways to track the movements of Iranian officials in and out of Vienna.

74 Just days after the Russian dropped off his package at the Iranian mission, the NSA reported that an Iranian official in Vienna abruptly changed his schedule and suddenly made airline reservations and flew home to Iran. The odds were that the nuclear blueprints were now in Tehran.

75 The Russian scientist's fears about the operation were well founded. He was the front man for what may have been one of the most reckless operations in the modern history of the CIA, one that may have helped put nuclear weapons in the hands of a charter member of what President George W. Bush has called the "axis of evil."

76 Operation MERLIN has been one of the most closely guarded secrets in the Clinton and Bush administrations. And it may not be over. Some officials have suggested that it might be repeated against other countries.

* * *

77 MERLIN was born out of frustration. For more than a decade, one post-Cold War CIA director after another went before Congress and the nation to vow that America's spies were now focused on new, gathering threats posed by a set of "hard targets." Terrorists. Rogue nations. Weapons of mass destruction. Each new director promised that the CIA was changing rapidly to adapt to this complex new world in which the Soviet Union was no longer the main enemy. But the CIA has failed in its new mission and has never found out enough about any of these new targets. Iran's nuclear program remains one of the most impenetrable of them all.

78 Even before the disastrous collapse of its Iranian spy network in 2004, the CIA was able to pick up only fragmentary information about Iran's nuclear program. Officials who are critical of the CIA's efforts say that the agency's counterproliferation programs have relied far too heavily on intelligence collected from technical methods—spy satellites, eavesdropping, and code breaking, as well as "measurement and signature" intelligence, which includes the collection and analysis of data from hidden equipment like remote ground sensors. Lacking definitive answers about Iran's atomic program, the CIA has instead offered a series of safe and cautious estimates. Over the years, the agency has repeatedly stated that Iran was within five to ten years of becoming a nuclear power. Those five to ten years keep stretching and expanding.

79 The Counterproliferation Division within the CIA's Directorate of Operations, the agency's clandestine espionage arm, came up with MERLIN and other clandestine operations as creative, if unorthodox, ways to try to penetrate Tehran's nuclear development program. In some cases, the CIA has worked jointly with Israeli intelligence on such operations, according to people familiar with the covert program. None are known to have worked.

80 One bizarre plan called for the sabotage of Iran's electrical grid in areas of the country near its secret nuclear installations. The CIA

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conducted tests of the electrical sabotage equipment at the U.S. government's Nevada nuclear test range. The plan called for an electromagnetic pulse device that could be smuggled into Iran and then hidden next to large power transmission lines carrying electricity into the country's nuclear facilities. The CIA would later remotely detonate the device, which would send a massive electrical pulse down the power lines, shorting out the computer systems inside the Iranian nuclear complex.

81 The CIA worked with Mossad, Israel's spy service, on the plan, and Mossad agents volunteered to smuggle the devices into Iran. The Israelis told the CIA that they had Iranian agents who would carry out the plan on their behalf.

82 But there were major technical problems that made the plan unworkable. The electromagnetic devices were so large that they had to be carried in a large truck, and then parked next to the power lines; the CIA realized that was impossible.

83 Then there was MERLIN. On paper, MERLIN was supposed to stunt the development of Tehran's nuclear program by sending Iran's weapons experts down the wrong technical path. The CIA believed that once the Iranians had the blueprints and studied them, they would believe the designs were usable and so would start to build an atom bomb based on the flawed designs. But Tehran would get a big surprise when its scientists tried to explode their new bomb. Instead of a mushroom cloud, the Iranian scientists would witness a disappointing fizzle. The Iranian nuclear program would suffer a humiliating setback, and Tehran's goal of becoming a nuclear power would have been delayed by several years. In the meantime, the CIA, by watching Iran's reaction to the blueprints, would have gained a wealth of information about the status of Iran's weapons program, which has been shrouded in secrecy.

84 It's not clear who originally came up with the idea, but the plan was first approved by President Bill Clinton. After the Russian scien-

tist's fateful trip to Vienna, however, the MERLIN operation was endorsed by the Bush administration, possibly with an eye toward repeating it against North Korea or other dangerous states.

85 The CIA had obtained genuine Russian nuclear weapons blueprints from a Russian scientist and had forwarded them to one of the national laboratories—almost certainly Sandia National Laboratories in New Mexico—to be scrutinized by American nuclear experts. Sandia, in Albuquerque, is one of the jewels in the crown of the American nuclear establishment. Its origins were in the so-called Z Division of the Los Alamos National Laboratory during the Manhattan Project. Z Division conducted the engineering and design work for the nonnuclear portions of the first atomic bomb, including the weapons assembly. Sandia thus houses the U.S. government's institutional memory for how a nuclear bomb is put together.

86 Scientists at the national laboratory were asked to implant flaws into the Russian blueprints. The flaws were supposed to be so clever and well hidden that no one could detect their presence.

87 Next, the agency needed to figure out how to get the designs to the Iranians without Tehran realizing that the blueprints were coming from the CIA.

88 That job was assigned to the CIA's Counterproliferation Division. The CPD chose the Russian defector.

89 That was the idea behind MERLIN, anyway. But like so many of the CIA's other recent operations, this one didn't go according to plan. First, of course, the Russian spotted flaws in the blueprints. Second, the CIA never maintained adequate controls over the nuclear blueprints—or over the Russian. The Russian was supposed to believe that he was handing over genuine nuclear designs. Instead, his cover letter may have convinced the Iranians to be wary of the blueprints. Furthermore, the CIA also gave the blueprints to the Iranians without any certain way of monitoring their use by Iranian scientists. The CIA was flying blind—dangerously so. In effect, the CIA asked

the Russian to throw the blueprints over the transom, and then the agency just hoped for the best.

90 Several former CIA officials say that the theory behind MERLIN—
handing over tainted weapons designs to confound one of America's
adversaries—is a trick that has been used many times in past opera-
tions, stretching back to the Cold War. But in previous cases, such
Trojan horse operations involved conventional weapons; none of the
former officials had ever heard of the CIA attempting to conduct this
kind of high-risk operation with designs for a nuclear bomb. The
former officials also said these kind of programs must be closely
monitored by senior CIA managers in order to control the flow of in-
formation to the adversary. If mishandled, they could easily help an
enemy accelerate its weapons development.

91 That may be what happened with MERLIN.

92 The CIA case officer was deeply concerned by the ease with
which the Russian had discovered flaws in the designs. He knew that
that meant the Iranians could, too, and that they could then fix and
make use of the repaired blueprints to help them build a bomb. If so,
the CIA would have assisted the Iranians in joining the nuclear club.
He grew so concerned about whether he had aided the Iranian nu-
clear program that he went to the Senate Select Committee on Intel-
ligence to tell congressional investigators about the problems with
the program. But no action was ever taken.

93 For his part, the Russian never understood why the CIA wanted
him to give the Iranians blueprints that contained such obvious mis-
takes. It made no sense. And so he wrote the Iranians his personal
letter.

94 It is not known whether the Russian ever communicated again
with the Iranians, or whether they tried to contact him. But after re-
ceiving his letter warning them that they would need further help to

make the blueprints useful, it is entirely possible that the Iranians showed the plans to other experts familiar with Russian nuclear designs and thereby identified the defects.

95 Iran has spent nearly twenty years trying to develop nuclear weapons, and in the process has created a strong base of sophisticated scientists knowledgeable enough to spot flaws in nuclear blueprints. What's more, the Iranians have received extensive support for years from Russian and Chinese nuclear experts who could help the Iranians review the material. In addition, Tehran also obtained nuclear blueprints from the black-market network of Pakistani scientist A. Q. Khan, and so already had workable blueprints against which to compare the designs obtained from the CIA.

96 Even if the Iranians were interested in using the blueprints provided by the mysterious Russian, they would certainly examine and test the data in the documents before ever actually trying to build a bomb. Nuclear experts say that they would thus be able to extract valuable information from the blueprints while ignoring the flaws.

97 "If a country of seventy million inhabitants [Iran], with quite a good scientific and technical community, got [nuclear documents with supposedly hidden flaws], they might learn something," warned a nuclear weapons expert with the IAEA. "If [the flaw] is bad enough, they will find it quite quickly. That would be my fear."

98 MERLIN has been conducted in the darkest corner of the American national security establishment at one of the most significant moments in the long and bitter history of U.S.-Iran relations. Iran has bedeviled American presidents since Jimmy Carter and the embassy hostage crisis, and neither Bill Clinton nor George W. Bush have based their policies on an adequate understanding of the volatile political dynamics under way in Iran.

99 Throughout the late 1990s, the Clinton administration was convinced that political reformers and youthful moderates were ascen-

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dant in Iran, and so the White House twisted itself in knots trying to open back-channel talks with Tehran. But in order to reach out to the Iranians, Clinton had to downplay evidence that Tehran was still the world's leading state sponsor of terrorism, that Iran was still an Islamic republic whose security apparatus was controlled by powerful, conservative mullahs who wanted nothing to do with the United States, and that the Iranian regime was eager to become a nuclear power.

100 Critics say that Clinton and his lieutenants repeatedly tried to ignore intelligence indicating that Iran was linked to the deadly Khobar Towers bombing in Dhahran, Saudi Arabia in June 1996, which killed nineteen American military personnel. Saudi Hezbollah, an offshoot of the Lebanese-based extremist group backed by Iran, carried out the attack, and it did so with training and logistical support from Iran.

101 Senior CIA officials played an important role in the Clinton administration's efforts to downplay evidence of Iran's terrorist ties in the late 1990s, according to several CIA sources. In 1996 or 1997, a well-placed officer with the Ministry of Intelligence and Security, Iran's foreign intelligence service, was cooperating with the CIA. In meetings in Europe, just months after the Khobar attack occurred, the Iranian source provided the CIA with evidence that Iran was behind the bombing, according to CIA officials. The Iranian told the CIA he had been meeting with several senior Iranian officials after the bombing, and they were celebrating their successful operation. He also told his CIA contact that sometime after the Khobar bombing, an American government aircraft had secretly landed in Tehran, carrying a senior American official. Several top Iranian officials went out to the airport to meet the American, the source said.

102 To the officers working on the CIA's Iran Task Force handling the reporting from this Iranian source, it appeared that the Clinton administration was cutting a secret deal with Tehran just after nineteen Americans had been murdered by the same regime. Senior CIA

officials responded to this explosive intelligence by suppressing it, according to several CIA sources. According to one CIA source, reports from the Iranian source were delivered to high-ranking CIA officials, but none of the reports was disseminated throughout the intelligence community, and no record of the reports was distributed inside the CIA. It is not known whether President Clinton or other top White House officials were ever told about the reports from the Iranian source. Certainly, then-FBI Director Louis J. Freeh believed that President Clinton and his lieutenants were downplaying intelligence concerning Iran's involvement in Khobar Towers. As he has recently detailed in his memoirs, his anger over the way the Khobar case was handled by the Clinton administration was at the heart of his long-running dispute with the White House. It is not known whether Freeh was ever told about the reports from the source who detailed Iran's role, however.

103 It wasn't until June 2001, five years after the bombing, and after Clinton had left office, that the Justice Department issued indictments of fourteen people in the Khobar bombing that alleged that unidentified Iranian officials were behind the terrorist attack.

104 The indictment notwithstanding, in its first few months, the new Bush team largely ignored Iran while obsessing over Iraq. It was only after 9/11 that senior Bush administration officials began to pay attention to low-level, back-channel talks with Iran that had been under way in Geneva since the Clinton days.

105 Through those Geneva meetings, the Bush team discovered that Iran was strongly supportive of the U.S.-led invasion of Afghanistan, because of Tehran's deep hatred for the ruling Taliban, Sunni Muslims heavily dependent on Pakistani support to retain power in Kabul. Shia-dominated Iran long feared the Taliban's radical influence on its own Sunni minority. Tehran also wanted to retain its influence over western Afghanistan, particularly the trading center of Herat.

106 In 1998, Iran and the Taliban had come close to a shooting war. After nine Iranian diplomats were murdered in Afghanistan and

thousands of Shiites were killed following the Taliban seizure of the northern city of Mazar-i-Sharif, Iran massed troops on the border for a military "exercise," and Pakistan had to step in to calm things down. At the time, Iran's leader, Ayatollah Ali Khamenei, made it clear that Iran's patience with the Taliban was wearing thin. "I have so far prevented the lighting of a fire in this region which would be hard to extinguish, but all should know that a very great and wide danger is quite near," he declared, prompting a response from the Taliban that the cleric's statements reflected his "mental ineptitude."

107 Iran had also supported the opposition Northern Alliance against the Taliban, and after 9/11, Iranian officials at the Geneva meetings were actually impatient with the sluggish start to American military operations in Afghanistan. Publicly, the Iranians said little about the war and provided little overt support to the Americans, apart from promising to allow rescue operations for any downed pilots over its territory. But in Geneva, Iranian officials were eager to help and even brought out maps to try to tell the United States the best targets to bomb.

108 Iran also held some al Qaeda operatives who tried to flee Afghanistan into Iran. In early 2002, Iran detained about 290 al Qaeda fighters who had been picked up as they crossed the border. They weren't willing to turn them over directly to the United States, but they eventually did hand over some to third countries, such as Egypt, Saudi Arabia, and Pakistan, which were working with the United States.

109 But by that time, the Bush administration's attitude toward Iran was changing, hardening. Iran was now a member of the "axis of evil." The Iranians responded to Bush's axis of evil speech with pique; Tehran released Gulbuddin Hekmatyar, a ruthless Afghan warlord who had been on the CIA payroll during the 1980s but who was now opposed to the American occupation of Afghanistan. Soon after his

release, Hekmatyar's Hezb-i-Islami forces were battling U.S. troops in Afghanistan, and in May 2002 the CIA launched a missile from an armed Predator drone in a vain effort to try to kill him.

110 The 2003 U.S. invasion of Iraq, on Iran's other border, was met with deep ambivalence in Tehran. The Iranians were happy that the United States was getting rid of their old enemy Saddam Hussein, opening the door for Iraq's majority Shia population to gain power, with, of course, the guidance of Iran. But two consecutive wars in two neighboring countries, first in Afghanistan and now Iraq, had placed thousands of American troops on Iran's exposed flanks, and so it was not hard to see why the Iranians might be getting a little paranoid about the Bush administration's intentions.

111 In May 2003, one month after the fall of Baghdad, the Iranians approached the United States once again, offering to turn over top al Qaeda lieutenants, including both Saif al-Adel, al Qaeda's chief of operations, and Saad bin Laden, Osama bin Laden's son. This time, the Iranians wanted a trade; in return for the al Qaeda leaders, Tehran wanted the Americans to hand over members of the Mujahedin-e Khalq (MEK), an Iranian exile terrorist organization that had been supported by Saddam Hussein and based in Iraq since 1986. After the fall of Baghdad, the U.S. military had disarmed the MEK's thousands of fighters and taken custody of the group's heavy military equipment, more than two thousand tanks, artillery pieces, armored personnel carriers, and other vehicles provided by Saddam Hussein. But the Bush administration was divided over what to do with the group next.

112 In a principals committee meeting at the White House in May, the Iranian prisoner exchange proposal was discussed by President Bush and his top advisors. According to people who were in the meeting, President Bush said that he thought it sounded like a good deal, since the MEK was a terrorist organization. After all, the MEK had been a puppet of Saddam Hussein, conducting assassinations and sabotage operations inside Iran from its sanctuary in Iraq. The MEK was offi-

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cially listed as a foreign terrorist group by the State Department; back in the 1970s, the group had killed several Americans living in Iran, including CIA officers based there during the shah's regime.

113 Before any exchange could be conducted, the United States would need solid assurances from the Iranians that the MEK members would not be executed or tortured; in the end, that obstacle may have made any such prisoner trade impossible.

114 But the idea never got that far. Hard-liners at the Pentagon dug in and ultimately torpedoed any talk of an agreement with the Iranians. Defense Secretary Donald Rumsfeld and Deputy Secretary Paul Wolfowitz seemed to think that the MEK could be useful in a future war with Iran, and so they appeared eager to keep the group in place inside Iraq. CIA and State Department officials were stunned that the Pentagon leadership would so openly flaunt their willingness to cut a deal with the MEK; they were even more surprised that Rumsfeld and Wolfowitz paid no price for their actions. At the White House, officials soon learned that the Pentagon was dreaming up excuses to avoid following through on any further actions to rein in the MEK. One argument was that the military was too busy, with too many other responsibilities in Iraq, to devote the manpower to dismantling the MEK. The Pentagon basically told the White House that "we will get around to it when we get around to it," noted one former Bush administration official. "And they got away with it."

115 The bottom line was that the United States lost a potential opportunity to get its hands on several top al Qaeda operatives, including Osama bin Laden's son. It became clear to frustrated aides that National Security Advisor Condoleezza Rice was not only failing to curb the Pentagon, but was also allowing decision making on Iran policy to drift.

116 The MEK's political arm, the National Council of Resistance of Iran, understands how to gain attention in the West, particularly after

watching the prewar success of the Iraqi National Congress, the Iraqi exile group headed by Ahmed Chalabi. Like Chalabi's group, the Iranian exiles have used the American press to issue claims about Iran's nuclear weapons and ballistic missile programs in order to build the case for a tougher U.S. policy toward Tehran.

117 While the war in Iraq has overshadowed the issue and forced the Bush administration to move slowly, some administration officials have been advocating a more forceful policy of pressuring the Iranians to disarm. The odds of a confrontation between the United States and Iran seemed to increase in the fall and winter of 2004, when the IAEA reported that Iran was not fully cooperating with international inspectors, and there were new reports that Iran was going ahead with plans to produce enriched uranium despite past assurances to the IAEA that it would freeze such activity. By 2005, Iran's apparent intentions to continue to develop its nuclear program was inevitably leading to a full-fledged diplomatic crisis.