

3 AUG 1965

MEMORANDUM FOR : Office of General Counsel
ATTENTION : Norman Block
SUBJECT : Terence S. Crabanac --
Retention of Royalties by
a Contract Employee

1. Reference is made to the telephone conversation of 26 July 1965 between yourself and Rogers C. Brooks of this Office wherein background information relating to the assignment of Terence S. Crabanac was discussed.

2. Subject will apparently develop a **cover as a writer**, a field wherein he has an already demonstrated talent based upon several publications. The objective of the cover is to provide a basis of attribution for some of his income. At the time of the preparation of Mr. Crabanac's contract, the specific detail of his cover was unknown.

3. Request your opinion in regard to the retention of possible royalties earned by Crabanac as a result of his literary efforts or whether such income should be properly offset.

Joseph B. Ragan
Chief, Contract Personnel Division

Attachments.

OP/CPD: RCBrooks/cw: 2 August 1965.

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6 July 1965

FINANCIAL BRIEFING REPORT

DATE : 7 July 1965

STATUS: Contract Employee

SUBJECT : Terence CHABANEC

COVER: Non-Official - Writer

DESTINATION: Madrid, Spain

DEPENDENTS : Wife and four children
14, 12, 11 and 81 mos.

Subject was advised that this briefing was being held to review with him the official financial business and personal aspects created as a result of his assignment. He was told that the report of the briefing would be prepared and that a copy would be forwarded to the KUSA office responsible for his administration.

Subject is proceeding abroad as a retired GS-CID officer who is now pursuing a career as a writer.

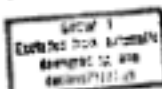
Subject had read his Contract. The persons present at the briefing were Subject and wife, Division Budget and Fiscal Officer, payroll representative, and the undersigned Certifying Officer.

The payroll representative briefed Subject regarding his compensation. Headquarters payrolled allowances, tax withholding and deductions. Proposed Foreign Duty Data Sheet was used and an official copy will be sent to the office administering Subject upon receipt of a notification Subject has arrived in place. The Tax Committee representative had briefed Subject as to the procedure by which he will fulfill his Federal tax reporting requirements - see below Section III entitled "Taxes." All questions raised by Subject during the briefing were answered to his apparent satisfaction. There were two points which were to be reviewed further by HQ, they were:

- Review of Supplement relative to quarters allowance being payrolled and non-accountable.
- Determination of authorization and amount of a Transportation allowance.

Plans call for Subject to establish through Monetary Division an operational bank account. This fund will serve his operational needs while in Madrid as he is to move up (or down) contact with the British. Dispoints of the briefing are discussed below:

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I. Funding and AccountingA. Headquarters

- (1) Will payroll Subject's compensation (and allowances) authorized deductions. (Specify allowances as applicable)
- (2) Will advance FBI travel funds and audit accounting which is to be submitted by Subject when accounting complete.
- (3) Will advance funds and receive accountings for operational fund. His first accounting will be upon moving into permanent quarters, and initially quarterly thereafter, unless activity warrants more frequent accounting period.

B. Station

Will provide only emergency support as needed.

C. Cover

- (1) Subject has no legitimate cover from which through agreement with KUBARK he would receive payments.
- (2) Paragraph 7 entitled OFFER is in question with contracting office as to what is intended as Subject's only income from cover activities appear to be income from his writings. Subject is under impression income from writings not to be refundable.

the problem: but will have no cover income from writing. In event he should get some future time income from other source, it would be offset.

D. Terms of Contract and Additional Items(11) Allowances -

Subject was informed that allowances were subject to fluctuation as a result of Standardized or KUBARK regulations changes.

- (11b.) Subject was advised to notify Headquarters of changes in his family status as such changes would effect allowances being payroll where rates are determined by Subject's family status.

(12) Receipts

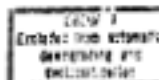
Subject was advised that a receipt is required where practicable or a certification in lieu of receipt should be submitted for all reimbursable expenses in the amount of \$15.00 or more.

(20) Travel

Subject was briefed in general regarding reimbursable incidental expenses and travel entitlements in regard to his proposed itinerary. Among the points covered were the following:

- A. Per Diem rates applicable to Subject's proposed itinerary
- B. Excess baggage provisions when economy/tourist flights are used

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C. Use of less than first class air travel accommodations

D. Use of American airlines

(30) Effects Shipment

Subject was briefed in general regarding his KUBARK authorizations as follows:

- A. The combined shipping and storage of household effects is limited to 13,500 pounds net for Subject.
- B. Full shipment is authorized.
- C. Subject was advised the total of the amount of the effects stored and shipped shall not exceed the limitations for shipment and storage set forth as 13,500 pounds net.

(31) Unaccompanied Baggage

300 pounds net per traveller which may be used as follows: When entire journey is by surface transportation the 300 pound authorization is to be shipped by surface transportation, or can be included with household effects shipment.

(32) FOREIGN CUSTOMS DUTIES

As Subject is under non-official cover he may be required to pay foreign import duty as this regulatory authorization was discussed.

(33) Transportation Allowance

Subject will be taking his personal car and reported he will be authorized a Transportation Allowance not yet determined by Division. The Allowance is to be paid monthly by Headquarters.

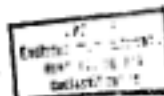
(34) Temporary Lodging Allowance

Subject was advised he would be entitled to this allowance and he was briefed as to its provisions as outlined in the standardized regulations.

(35) Permanent Personal Quarters

Subject was advised that his quarters would be administered in accordance with FM 49-100, and then the provisions of this regulation were explained to him. However, Division DAF Officer intends to review this point for possible contract amendment in providing a quarters allowance at maximum standardized rate and to be non-accountable.

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8 July 1965

MEMORANDUM FOR: Contract Personnel Division, O/P

SUBJECT: 1. general - Terence S. CRABANAC - Supplement
specific - Paragraph Entitled "OFFSET"

1. This office has a question as to the intent of including paragraph (7.) entitled "OFFSET" as appears in the Contract for Terence S. CRABANAC. The paragraph in question reads as follows:

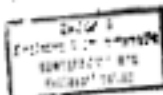
7. OFFSET

Emoluments (including benefits in kind) received from or through your cover activities are the property of the U.S. Government. Procedurally, such emoluments will be offset against amounts due you under this agreement and are acknowledged to be payment by the Government hereunder and for Federal income tax purposes. If cover emoluments exceed those due you under this contract, you will dispose of the excess amount in conformance with Governmental instructions.

2. Subject reportedly is proceeding abroad under the cover of a retired Foreign Service Officer and in pursuit of his ambition as a writer. Subject will receive all his contractual benefits through the Agency, there is no cover company, so therefore the only apparent emoluments to be received from or through his cover activities would be earnings received from articles, stories, or books written by him. Please inform this office if its interpretation is correct. If not, we would appreciate your interpretation and reasoning relative to the statement "Emoluments received from or through your cover activities are the property of the U.S. Government."

WILLIAM R. CAULFIELD
Chief, Covert Claims Branch

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CONTRACT INFORMATION AND CHECK LIST		CASE OFFICER		DATE	
<small>(Instructions) Use NR 20-53 and NR 20-1000 for guidance. Complete all items, including "Yes" when items are not applicable. Forward original and two copies for preparation of contract.</small>		Gene Stevens		W. JT	
		TELEPHONE EXTENSION		DATE	
		7357		2 June 1965	
SECTION I GENERAL					
1. NAME <input checked="" type="checkbox"/> PERSON <input type="checkbox"/> TITLE		2. PROJECT		3. ALLOTMENT NO.	
Terence S. GRAHAM		Medrid, Spain		6136-1347	
4. PREVIOUS CIA PSEUDONYM OR ALIAS		5. INDIVIDUAL HAS BEEN ENGAGED BY CIA OR ITS ALLIED ACTIVITIES IN SOME CAPACITY PRIOR TO THIS CONTRACT. <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO (If yes, describe and include dates and salary.)		6. SLOT NO.	
23-501		Staff Employee November 1949 - July 1965 Terminal Salary GS-15 step 7, \$14,800 per annum			
7. SECURITY CLEARANCE (Type and date)		8. MEDICAL CLEARANCE:		9. CONTRACT IS TO BE WRITTEN IN STERILE FORM I.E., "U.S. GOVERNMENT" <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	
Type A Granted 23 June 65		BETWEEN <input checked="" type="checkbox"/> INSTATED <input type="checkbox"/> NOT REG'D.			
10. INDIVIDUAL WILL WORK UNDER "CONTROLLED CONDITIONS" I.E., REGULAR OFFICE HOURS AWAY FROM SUBJECT'S HOME AND PERFORMED UNDER THE SUPERVISION OF A STAFF EMPLOYEE OR STAFF AGENT		11. PROPOSED CATEGORY (Contract agent, contract employee, etc.)		Contract Employee	
		<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO			
SECTION II PERSONAL DATA					
12. CITIZENSHIP		13. IF NOT U.S. CITIZEN, INDIVIDUAL IS A PERMANENT RESIDENT ALIEN <input type="checkbox"/> YES <input type="checkbox"/> NO		14. AGE	
U.S.				46	
15. LEGAL RESIDENCE (City and state or country)		16. CURRENT RESIDENCE (City and state or country)		17. DATE OF BIRTH (Month, day, year)	
Larro, Florida		Bethesda, Maryland		Oct. 9, 1918	
17. MARITAL STATUS (Check as appropriate)					
<input type="checkbox"/> SINGLE <input checked="" type="checkbox"/> MARRIED <input type="checkbox"/> WIDOWED <input type="checkbox"/> ANNULLED <input type="checkbox"/> SEPARATED <input type="checkbox"/> DIVORCED					
18. NUMBER OF DEPENDENTS (Not including individual) RELATIONSHIP AND AGE:			19. INDIVIDUAL IS RELATED TO A STAFF EMPLOYEE, STAFF AGENT OR AN INDIVIDUAL CURRENTLY WORKING FOR THE AGENCY IN SOME CAPACITY <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO		
Wife - 45 Dau - 14 Dau - 12 Son - 11 Son - 21 Mos.					
SECTION III U.S. MILITARY STATUS					
20. RESERVE		21. VETERAN		22. IF RETIRED, INDICATE CATEGORY (Longevity, combat disability, service disabling non-combat)	
No		Yes			
23. BRANCH OF SERVICE		24. RANK OR GRADE		25. DRAFT ELIGIBLE	
				<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	
26. BRANCH OF SERVICE		27. RANK OR GRADE		28. DRAFT DEFERMENT OBTAINED	
				BY CIA <input type="checkbox"/> YES <input type="checkbox"/> NO	
SECTION IV COMPENSATION					
29. BASIC SALARY		30. POST DIFFERENTIAL		31. COVER (Breakdown, if any)	
\$19,800 per annum		none		none	
32. FEDERAL TAX WITHHOLDING		33. COVER		34. CIA	
		YES		YES	
		NO		NO	
SECTION V ALLOWANCES (NORMALLY GRANTED ONLY TO RESIDENTS OF THE UNITED STATES)					
35. QUARTERS		36. POST		37. OTHER	
YES		YES		Cost-of-living, Education, TLA	
38. COVER (Breakdown, if any)					
NONE					
SECTION VI TRAVEL					
39. TYPES		40. DOMESTIC OPERATIONAL		41. FOREIGN OPERATIONAL	
<input checked="" type="checkbox"/> YES		<input type="checkbox"/>		<input type="checkbox"/>	
42. WHE TO BE SHIPPED		43. WHE TO BE STORED		44. PERSONAL VEHICLE TO BE SHIPPED	
<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO		<input type="checkbox"/> YES <input type="checkbox"/> NO		<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	
45. IF WITH DEPENDENTS STATE RELATIONSHIP, CITIZENSHIP, AGE AND DATE OF BIRTH					
Wife - U. S. - 45 - April 1, 1920 Dau - U. S. - 14 - March 9, 1951 Dau - U. S. - 12 - November 27, 1952 Son - U. S. - 11 - March 22, 1954 Son - U. S. - 21 mos. - September 1, 1963					
46. PAYMENT AND ACCOUNTABILITY WILL BE IN CONFORMANCE WITH					
<input checked="" type="checkbox"/> CIA REGULATIONS <input type="checkbox"/> COVER POLICIES AND PROCEDURES					
SECTION VII OPERATIONAL EXPENSES					
47. PURCHASE OF INFORMATION		48. ENTERTAINMENT		49. OTHER	
yes, when authorized		yes, when authorized			