

From: NSOLN --CPUA
To: NSJMP --CPUA

Date and time 07/24/86 15:55:57

*** Reply to note of 07/15/86 14:07

NOTE FROM: OLIVER NORTH

Subject: PRIVATE BLANK CHECK

We are rapidly approaching the point where the PROJECT DEMOCRACY assets in CentAm need to be turned over to CIA for use in the new program. The total value of the assets (six aircraft, warehouses, supplies, maintenance facilities, ships, boats, leased houses, vehicles, ordnance, munitions, communications equipment, and a 6520' runway on property owned by a PRODEM proprietary) is over \$4.5M.

All of the assets - and the personnel- are owned/paid by overseas companies with no U.S. connection. All of the equipment is in first rate condition and is already in place. It wd be ludicrous for this to simply disappear just because CIA does not want to be "tainted" with picking up the assets and then have them spend \$8-10M of the \$100M to replace it - weeks or months later. Yet, that seems to be the direction they are heading, apparently based on NSC guidance.

If you have already given Casey instructions to this effect, I wd vy much like to talk to you about it in hopes that we can reclama the issue. All seriously believe that immediately after the Senate vote the DRF will be subjected to a major Sandinista effort to break them before the U.S. aid can become effective. PRODEM currently has the only assets available to support the DRF and the CIA's most ambitious estimate is 30 days after a bill is signed before their own assets will be available. This will be a disaster for the DRF if they have to wait that long. Given our lack of movement on other funding options, and Elliot/Allen's plea for PRODEM to get food to the resistance ASAP, PRODEM will have to borrow at least \$2M to pay for the food. That's O.K., and Dick is willing to do so tomorrow - but only if there is reasonable assurance that the lenders can be repaid. The only way that the \$2M in food money can be repaid is if CIA purchases the \$4.5M+ worth of PRODEM equipment for about \$2.25M when the law passes. You should be aware that CIA has already approached PRODEM's chief pilot to ask him where they (CIA) can purchase more of the C-135K A/C. The chief pilot told them where they can get them commercially from the USAF as excess - the same way PRODEM bought them under proprietary arrangements. It is just unbelievable. If you wish I can send you a copy of the PROJECT DEMOCRACY status report which includes a breakdown of assets. It is useful, nonattributable reading. Warm Regards,
North

GOVERNMENT
EXHIBIT

196 E.V.11