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DISPATCH NO. EGMA-25402

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TO Chief, SR

DATE 18 February 1957

FROM Chief of Base, Munich

INFO: SR, COS/G

SUBJECT { GENERAL Operational/REDWOOD/LCIMPROVE/AEBATH  
SPECIFIC AEBATH Project Renewal

Reference: EGMW-3410, 26 January 1957

1. As regards paragraph 3 of the reference dispatch, the matter of AECAPELIN-1's escrow account has been discussed in detail with AECAPELIN-1 and the problem, we believe, has been satisfactorily resolved. The details will be contained in the AECAPELIN-1 progress report for January.

2. As regards paragraph 4, we feel that a few comments might be in order. It seems unfortunate that the question of a safehouse for meetings with AECAPELIN-1 somehow became as much of an issue as it did. We had hoped that the matter would be put into proper perspective by MUNI-0139, which pointed out that the cost would be considerably less than originally estimated and also would not have to be provided for in the AEBATH project, but could be paid for out of the CAUDO project. In any event, it was decided that it would be advisable to hold meetings with AECAPELIN-1 in an available CAUDO safehouse, at least so long as there was no other priority need for the safehouse, and for as long as this seemed appropriate for the proper and secure handling of AECAPELIN-1. Most of the factors mentioned in paragraph 4 of the reference dispatch were duly considered and we were aware of the advantages and disadvantages of a safehouse as well as the possible secure alternatives to not using a safehouse. As regards the latter point, it might be noted that many MOB operations are run without safehouses. However, it was felt that AECAPELIN-1 should be handled from a safehouse and that, after all, the question of which agents should be handled in safehouses is a field operational decision that is not necessarily dependent upon the allocation of funds for a safehouse in a specific project. We had, however, hoped that it might be possible, for administrative reasons, to incorporate the cost of the safehouse into the AEBATH project. The fact that this was not considered advisable poses no particular problem at this point.

3. As regards paragraph 5, we will be happy to comply with your request.

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2-EE 2-MOB

PDH:srf  
FORM NO. 51-28A  
MAR. 1949

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4 September 1957

MEMORANDUM FOR: Chief of Foreign Intelligence

SUBJECT : Project AEBATH (Renewal)

1. The attached project, originating in the SR Division, is designed to provide counterespionage leads and to backstop current double-agent operations. It is presented for your approval of renewal for the period 1 August 1957 through 31 July 1958.

2. Authority is requested to obligate \$7,300 from the DD/P - SR Division budget: \$6,725 for the current fiscal year, and \$575 for the fiscal year 1959, subject to the availability of funds.

3. The SR Division memorandum requesting renewal is attached. It summarizes the important factors involved and presents a detailed breakdown of the funds requested for the renewal period.

4. FI/OPS concurs in the renewal of Project AEBATH to enable the Munich Base and the SR Division to consider resettling the agent in another area where he can operate more productively and more securely. This recommendation was discussed with the case officer who has agreed that if the agent is not resettled during the renewal year the project should be terminated.

5. I recommend renewal of Project AEBATH with consideration of the comments in paragraph 4 above.

\* →

[ ]  
Chief, FI/OPS

\* Approved: [ ] 9 Sept 57  
Chief, FI Date

Attachment: Project Outline AEBATH

Staff Coordination:  
For C/FI/OPS - S, [ ]  
For CI/OA - S, [ ]  
CI/OPS/SOVSAT - S, [ ]  
For C/CI - S, [ ]

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PROJECT OUTLINE

CRYPTONYM AEBATH  
AREA DIVISION SR  
STATION MUNICH

HEADQUARTERS CASE OFFICER:  
C  
Room No. 1510 J  
Extension 3945  
Date: 20 June 1957

The attached Project Outline is presented for renewal.

[Signature]  
Branch Chief  
[Signature]  
Chief of Operations SR/CE  
[Signature]  
Chief of Operations. SR  
[Signature]  
Area Division Chief  
28 June 57  
Date

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20 June 1957

MEMORANDUM FOR: Chief of Foreign Intelligence  
SUBJECT : Renewal of Project AEBATH  
REFERENCE : See Attachments

1. It is requested that Chief, Foreign Intelligence, approve renewal of Project AEBATH for the period 1 August 1957 through 31 July 1958, with an authorization of \$7,300.00.

2. **BACKGROUND:** This Project, designed to provide counterespionage leads and backstopping of current double-agent cases, has been a very worthwhile and productive effort for several years, in large degree because of the ability and industry of the principal agent, AECAPELIN-1. Several important factors, however, suggest a review of this agent's status and raise the serious question of the propriety of his continued activity at Munich Operations Base. These factors include:

a. The recent mis-routing to UPSWING of a dispatch, a circumstance that creates the strong possibility that the UPSWING is now aware that Subject has been revealing his UPSWING activities to KUBARK.

b. The consequent embarrassment to Subject and increased UPSWING leverage over him.

c. The general desirability of extricating AECAPELIN-1 from German control, a job that can be accomplished adequately only if he leaves the Federal Republic.

d. The AECAPELIN-1 relationship since the latter's release from German custody has not been adequately described in dispatches from Munich, and this gap leaves room for speculation as to that exact relationship. (NOTE: Details pertinent to the above may be found in paragraph 5 a, last year's AEBATH Field Project Outline, attached hereto).

e. The dwindling emigre community in the Munich area suggests that AECAPELIN's usefulness at Munich might be on the wane, while his security is more and more jeopardized by the compactness, charged climate, and diminishing numbers of the emigre population.

f. Years of service in one area tend to generate security risks that become so over-riding that transfer or termination may be operationally imperative.

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- 2 -

3. PERSONNEL: Since last year's renewal, there have been no terminations or additional assignments of agent personnel within the project.

4. PURPOSE: There has been no change regarding the objectives of this project. Its purpose remains the acquisition, through AECAPELIN-1, of counterespionage information which will enable us to penetrate by clandestine means any level of foreign intelligence services (primarily Soviet) for the purpose of halting, monitoring and/or controlling their activities and/or assets.

5. PRODUCTION: In terms of counterespionage, definite progress has been made in furtherance of the aims of the Station's Related Mission Directive. Since AECAPELIN-1's primary responsibilities are as an informant, in West Germany, he has had no access to and hence has produced no Positive Intelligence information. The following are examples of AECAPLEIN-1's supporting role in helping to reach our intelligence objectives.

a. A long-time counterespionage informant, Subject continues to supply such information on Soviet and emigre affairs. Following several recent trips to Austria, he prepared informative reports on Soviet espionage and emigre activities in that country. These reports (or selected portions extracted therefrom) were translated and passed to the Austrian Desk as aids to its operations in the emigre field. Also included were reports dealing primarily with various Soviet diplomatic personnel and emigres who allegedly collaborate with the Soviet Consulate in Vienna.

b. During one of the above mentioned sojourns, Subject travelled in the company of several prominent emigre individuals who are members of the security staff of an emigre organization engaged in clandestine activities. Subject learned that an overland dispatch into Hungary had been effected by the emigre organization. Their task was to assist Hungarian patriots in Munich to make their way into Hungary, to join Hungarian radio propagandists and revolutionists make radio broadcasts to the Soviet Army, and assist the revolutionists in any way possible. This information was passed to the Hungarian Desk.

c. As a result of AECAPELIN-1's close association with the security staffs of various emigre organizations, we have received valuable information regarding their security organs, personalities and methods of operation. The penetration of these emigre groups through Subject has enabled us to combat more effectively the penetration of those American-sponsored units by hostile intelligence elements.

d. Since AECAPELIN-1 provides us with copies of all material passed to his UPSWING case officer, we have managed to monitor UPSWING interests in the emigre field. These interests include activities of emigre political organizations, religious affairs, emigre economic problems, emigre personalities, et cetera. This material is disseminated to or coordinated with the interested Headquarters Desk.

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- 3 -

e. AECAPELIN-1 has been valuable in supplying counterespionage data that has been used in support of several SR (CE, PP and FI) projects, e.g., AEQUOR, AERODYNAMIC, C 3 and AECARTHAGE. This political, biographic and operational material was also used as a means of confirming such information provided by other intelligence agents, for providing information for customer-agency name check requests, as a means of double-checking defector biographical reports, as an aid in our propaganda effort, et cetera.

f. In view of AECAPELIN-1's intelligence background, and his keen grasp of political, religious and economic situations, he has proved himself extremely helpful in his ability to predict Soviet intentions and interpret and constructively criticize Soviet policy. This has been especially true in our efforts to combat the machinations in West Germany of the East Berlin Committee for the Return to the Homeland.

g. Numerous counterespionage and operational leads were supplied by Subject during this period. In all cases where leads emanated from or let to other areas, appropriate Headquarters Desks were informed.

h. As a result of Subject's close association with the security staff of a certain emigre organization, we were informed that efforts by that emigre group (to which we are opposed) were being formulated to obtain American support in an operation designed to infiltrate agents into the USSR. We did not accept this offer.

i. AECAPELIN-1 learned from various Ukrainian sources that the East Berlin Committee for the Return to the Homeland was not conducting a campaign in Vienna to induce Ukrainians and other emigres to repatriate. This fact is interesting in view of the Committee's persevering efforts in other West European countries. This information was brought to the attention of the appropriate Headquarters Case Officer.

6. PLANS: Reference is made to paragraph 2, above, which prompts us to comment in the following manner. Once again, therefore, we recommend serious consideration of Subject's transfer or termination. We are open to any suggestions as to his future use elsewhere and have suggested that the Field Case Officer discuss Subject's personal preference and operational possibilities in other countries. Although loathe to terminate an agent of proved value, we feel that a low point is being reached in this instance, primarily because of security factors and the natural commitments on the agent's part to a country for which he has worked for years and in which he now resides. Should an informant of his stature be needed as a replacement, we have suggested that a serious effort be implemented to develop same.

7. SECURITY: Attention is invited to paragraph 2 a, above, in which mention is made of a KUBARK document mis-routed to UPSWING. The document indicated that AECAPELIN-1 passed to KUBARK copies of 19 German language reports which reportedly were passed to UPSWING. This fact, combined with the report that AECAPELIN-1 spent a 10-day vacation in Italy during the reporting period, could very well pinpoint AECAPELIN-1's

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- 4 -

identity. If such is true, then UPSWING could obtain a reading concerning the number of reports which Subject passed to us when compared to the actual number of reports which Subject passed to UPSWING. In this conjunction, we also wish to point out that UPSWING was aware of AECAPELIN-1's association with KUBARK as early as 1950. Additionally, if UPSWING till 15 April 1957 (date of mis-routing of document) was not a ware of AECAPELIN-1's broad scope of reporting and that one of AECAPELIN-1's important sources was also an informant of a sister security agency of UPSWING, then the document now makes this fact clear. In view of the above, measures taken to prevent embarrassment to Subject and increased UPSWING leverage over Subject are discussed in paragraph 6, above.

8. COVER AND CONTROL: Control is exercised over Subject by monetary considerations and his desire to emigrate to the United States. Subject is also ideologically motivated against Communism, which he has been fighting actively for over 20 years. Subject is by inclination and past experience a professional intelligence man, whose religious profession continues to provide him with a natural cover for this type of profession.

9. FINANCES: The financial status of this project was discussed with the SR Budget Office and a breakdown of the requested amount is presented herewith.

Estimated Annual Cost:

|   |                   |
|---|-------------------|
| a. Salary paid locally @ \$200.00 per month in local currency....                   | 2,400.00          |
| b. Salary in escrow @ \$200.00 per month.....                                       | 2,400.00          |
| c. Purchase of Information and allied operational expenses.....                     | 1,000.00          |
| d. Travels as directed by the case officer.....                                     | 750.00            |
| e. Contingency fund for transfer of AECAPELIN-1 and effects to another country..... | 300.00            |
| f. Key money for living quarters in another country.....                            | 150.00            |
| g. Material.....  | 300.00            |
| TOTAL.....  | <u>\$7,300.00</u> |

The above total figure represents neither an increase nor decrease in the annual cost estimate.

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25 June 1957

MATERIEL AND FACILITIES REQUIREMENTS ANNEX

PROJECT - AEBATH - FI

I. MATERIEL

A. Offshore

1. Office supplies

FY 1958

Total

\$ 300.00

\$ 300.00

II. SUMMARY - The logistics support for project AEBATH - FI as submitted for renewal for the period 1 August 1957 through 31 July 1958 is estimated at \$300.00 for materiel.

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Acting Chief, SR/Logistics

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