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AIR

3049-1293

Sep 1957

Chief of Base, Munich

Att:

Chief, DE

DEFO: Chief of Station, Germany

Operational/CART

CASTONE 4

REFS: EGWA-16057; EORW-771; EORW-23053; HGRW-1240

1. Although it is clear from first reference that more than the usual effort was made in the latest LOFLUTTER examination, we are not entirely re-assured by the results. In this connection we would also like to remind you that we are still without replies to references two and three.

2. Our continued anxiety in this case, in spite of the fact that we feel reasonably sure subject is not involved with a Soviet or Soviet-satellite service, knowingly at any rate, is due to several unusual factors:

a. We have a great many operational "eggs" in the CASTONE "basket" in the sense that CASTONE is our only surveillance asset in the area. Moreover, by this time CASTONE 4 must have gotten to know many secrets of importance so that, estimated by the standards usually applied to indigenous agents, he has long since passed the safe "saturation point".

b. CASTONE 4, who is the key man in the project, is a natural target for local German "operators". Certainly many of his former colleagues will have noted and pondered upon his continued freedom from want and general air of prosperity. So far as we are aware, CASTONE 4 has never secured his position. Subject's alleged rejection of von "BRILLER's" approach, which he would normally, if without income, have seized upon as a golden opportunity to achieve reinstatement in the ranks of the bureaucracy, must have given "BRILLER" much food for thought. It seems a little hard to believe that subject did not know that von "BRILLER" was actually (in all probability) Dr. Franz BRILLER, associate of the influential Theodor OBERLAENDER. In general, therefore, it is felt that even if nothing much in the way of further approaches has taken place, from many quarters in the jungle of the German intelligence and security services, inquisitive eyes are focussed on CASTONE 4.

NAZI WAR CRIMES DISCLOSURE ACT

EXEMPTIONS Section 3(b)

(2)(A) Privacy

(2)(B) Methods/Sources

(2)(G) Foreign Relations

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c. CASTONE 4's ultimate intentions, whether to remain in Germany or to emigrate, are not a matter of clear-cut record. Being the far-sighted and competent individual he is, he must have given much thought to the question of what might become of him if, as, and when we sever our connections with him. We feel it safe to assume he must at least have thought of the idea of coming to some kind of "arrangement" with the German authorities to forestall later persecution or exclusion as an "ex-American agent".

d. Although CASTONE 4's source of income is now adequately covered vis-a-vis the tax authorities and presumably was accounted for during his employment with IRC, he would still seem to be exposed on the issue of back-taxes for the time between the IRC employment-termination and the establishment of the new cover. The consequences of tax-evasion are slow in catching up with the evader. We do not have on record a clear statement of exactly how CASTONE 4 has handled the problem and how he has accounted for income derived from us.

e. CASTONE 4 is clearly a valuable asset, which we would like to preserve.

3. The latest LCPFLUTER report features a group of loosely-related questions which more or less circle around the problem of subject's possible connection with German officials, and to which subject shows some "sensitivity".

a. Other than Americans, are you working for someone else? No. (15)

b. Since 1952, have you ever been approached to work for someone else, which information you are intentionally withholding from us? No. (16)

c. Do you have secret contacts or agreements with anyone that we know nothing about? No. (17)

d. Have you disclosed your work with the Americans to any unauthorized person? No. (21)

e. Have you intentionally withheld any information in your reports from the Americans? No. (29)

f. Do you currently maintain any association with an official of a foreign government which is against our interest? No. (30)

The examiner stated: "Subject was sensitive to relevant and control questions that challenged his honesty and integrity with the Americans." We are not inclined at this point to feel that these recorded sensitivities can safely be dismissed as meaningless, especially when we note in previous LCPFLUTER reports that subject was never a "good reactor". We would have been much happier with the reported interrogation if it had focussed on the following key problems:

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A. Precisely what his relations with the German tax authorities have been - with full details, file copies submitted - on what he has reported.

B. What plans he has for the future, particularly such questions as: 1) emigration plans; 2) plans to open a bank account in the United States which he once stated he had; 3) plans to send his daughter to the United States for education, which he once alleged that he had; 4) plans for action if the United States is forced to withdraw from this type of activity in Germany.

C. Has he considered re-insuring himself with any of the German political or security authorities? What has he thought about this problem? What does he know further concerning BRILLER, and why has he allegedly closed his mind so firmly toward trying to get reinstated in the Police, especially after the "BRILLER" approach?

4. Presumably, you would be very reluctant to institute another LCPLINTER along these lines, and in that we sympathize. However, we feel that subject ought to be questioned in a friendly way, but in detail, on these three major aspects of the case. When that story is in the record, we can consider the next step with sounder information to go on. At all events, we feel that matters have now reached a point where we have to take the following steps:

- a. Get clear and detailed information on at least the points raised above and in the unanswered references;
  - b. Develop some kind of emergency plan as to what we will do if CASTONE 4 becomes unusable for some reason.
  - c. Set up "Exposure Chart", for CASTONE 4 and the other team members, if not already set up, to show continually what aspects of specific operations they have information on.
5. We also recommend the following additional actions:
- a. A POB check on subject, Ivan Dvachko, and BRILLER.
  - b. Initiation by you of a clearance-request for subject's wife. (See para 3, question 21 of first reference, indicating that Mrs. CASTONE 4 is privy to some secrets.)

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- c. Determine whether a technical, mail, or other surveillance of CASTOR 4 is feasible or necessary.

Approved \_\_\_\_\_

EE/G

22 September 1955

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