

DISPATCH NO 2434-224

CLASSIFICATION

DATE: 13 March 1963

TO : Chief, AK  
FROM : Chief of Base, Salsburg

SUBJECT: Operational/NIWAT  
Meeting with [ ] and Peter D. Lodwin

1. Please find attached hereto a contact report with Peter D. Lodwin. At the onset of the meeting, [ ] attended and thus, for convenience sake, topics discussed with the latter are also included in the report.

2. We plan to permit Lodwin to listen to Matyas DANKO's proposals, and also to maintain sporadic contact with Gyula MELKONY, an alleged British sponsored ZAKO affiliated intelligence operator.

T.H.H.

Distributions:

- 4 - Wash (w/attach.)
- 3 - Vien (w/l-attach.)
- 2 - Sals chron
- 1 - Fran
- 1 - DND, Attn: [ ] (w/attach.)
- 1 - Sals file

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FORM 61-28A

38-6-1-340

MEMORANDUM

TO :

FROM :

SUBJECT: Meeting with Peter U. Lodwein on 18-19 February

Meeting Arrangements

On 18 February 1953, Lodwein was summoned to the office of J. [redacted] at 1100 hours to discuss current operational matters and to have Lodwein assist in concluding the SZANTHO investigation. [redacted] and [redacted] were present at the first meeting, which was continued at various times and places during the course of [redacted] Frankfurt sojourn during the two days, 18th and 19th of February, as time permitted.

Operational Matters

DS-527

2. [redacted] brought up the case of DS-527 stating that the revised OB reporter had not reached the Salzburg base nor the casing report on the location of target personalities named by DS-527. Regarding the OB report, the finding was that the revised data obtained from DS-527 contains little factual information and even this can hardly be evaluated in view of the tendency DS-527 has to over-sell himself. The decision was made, with the concurrence of [redacted], that the material will be forwarded in memorandum form to Headquarters and Salzburg Base, and will not be published in report form until evaluation of the data has been received by URO.

3. Regarding the casing reports on the approaches and locations of the target personalities named by DS-527, Lodwein promised immediate action.

4. [redacted] handed to [redacted] a roster of the published WUNDER reports based on the material furnished by DS-527.

DS-539

5. [redacted] was informed that DS-539 was disgusted with the monastery life to which he was confined in the holding area and disappeared on 17 February. In the course of his handling he appeared to be sincere, manageable and very cooperative. He was striving to obtain greater freedom of movement but there were no signs that he planned to escape. The case was reviewed and the conclusion reached that DS-539's escape is not due to enemy control or ties but merely to his youthful unruliness. German, British, French and U. S. authorities were alerted and [redacted] expressed hope that he will be relocated because DS-539 could be easily spotted. He speaks only Hungarian and on one of his hands three fingers are mutilated.

6. [ ] Inquired whether PIR has been forwarded on DS-539 to G-2 Section, Headquarters USFA. He stated that Mr. BULL of the OR Section in G-2 found himself in an embarrassing position at one of the OR meetings with his British counterparts. The British had the PIR data on DS-539 on hand, yet Mr. BULL had not received it and knew about DS-539 only through the data forwarded to him informally by [ ]. A check was made on the spot by [ ] and it established that the PIR data was sent through channels to Headquarters USFA, Assistant Chief of Staff, G-2 Section. [ ] checked the channels through the registry office of the German Mission and according to the chief of registry, reports for G-2, USFA, are pouched from Frankfurt on Tuesday and Friday and carried by State Department courier to our Vienna station. The outside envelope is addressed to Chief of Station, Austria; the inside envelope to G-2, USFA. The PIR of DS-539 has possibly been mislaid in G-2's own channels. In order to reduce such possibilities in the future, it has been decided that all DMC dispatches will be marked, in addition to the old marking, Attention: OR Section. Mr. BULL agreed to see that proper local distribution is secured. DMC material distributed to the British is channelled by the German Mission registry to the BIO in Frankfurt who, in turn, send it to their colleagues in Vienna using British channels.

7. Lodwein was queried about additional details on the operational information furnished by DS-539. He stated that when sending the first memorandum on the leads furnished by DS-539 he realized that the details given were not sufficient. Yet, he did not wish to delay dispatch of the leads. On the other hand, his schedule did not permit at that time to spend more time with DS-539. A few days later additional information was dispatched in the Hungarian language under HQA-8257. The delay was caused primarily by the debriefing of DS-539 in whom the Czech, Soviet and Hungarian desks had interest but because DS-539 speaks only Hungarian, Lodwein must be at the disposal of all parties concerned. This, and the handling of DS-527, diverted Lodwein from DS-539.

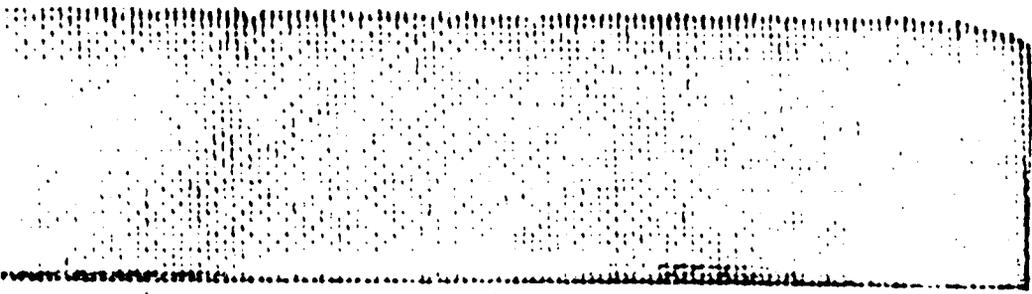
8. [ ] remarked, at this point, that DMC now carried a heavy work load and that, therefore, care should be taken in selecting cases for Masterhood treatment because border line cases require more time in handling and produce less. Present capabilities of DMC are now fully exploited.

9. Lodwein was questioned whether the answers to the XII prepared for DS-539 were obtained and forwarded? A check was made by [ ] and it was established that they were sent to Salzburg base via HQA-8257 on 2 February--possibly escaping [ ] attention in view of his absence from Salzburg from 6-20 February.

10. At this point, at approximately 1300 hours, the meeting ended. It was continued in Lodwein's apartment at 1500 hours, in the absence of [ ]

(Dr. Gyula KALLONY  
Address: Bergisch-Oldesbach near Köln, Hauptstr. 88, Phone 6178

11. Lodwein reported that on 2 February 1947, at the meeting...



to use the only empty seat in the restaurant at that time. In the course of the ensuing conversation, MELLECHY had no difficulty establishing that Lodwein is a Hungarian. When questioned, Lodwein stated that he is employed in Frankfurt by the Americans as translator. The following was learned by Lodwein in the course of this conversation:

12. MELLECHY was born in 1911 at Karad, Somogy County, Hungary. He is a graduate of the Budapest University for Economics, finishing his studies in the early thirties. After completion of his studies, he joined the Hungarian Army Intelligence as an officer of the reserve, on trial basis, with a rank of 1st Lieutenant. At the end of World War II he found himself with other Hungarian officers in Innsbruck, Austria, and made a living at first as instructor in a riding academy established for the French troops. MELLECHY claims to be a founding member of the MHBK. After a year or two in the Innsbruck area, he came to Germany and married the daughter of a rich German lawyer in the Bergisch-Gladbach area. From this marriage they have a small daughter named Christina. MELLECHY is now in the lace import business. He imports laces to Germany from France and Hungary. MELLECHY claims that an unidentified member of the British intelligence contacted him in Germany (on an unspecified date) and requested that he make contact with the Hungarian Trade Commission in Frankfurt in order to start importing textile goods from Hungary. After receiving a few shipments, he found that the merchandise received was, to a large extent, defective. On British advice, he did not refuse to accept these goods but did register a complaint with the Hungarian Trade Commission and used the occasion to request permission to have his own receiving office in Budapest so that defective merchandise could be eliminated on the spot. The British Intelligence compensated MELLECHY for the losses suffered by accepting faulty merchandise. Thus far, MELLECHY obtained no answer from the Hungarian Trade Commission. He is confident, he stated, that his business representative in Budapest could be developed into an intelligent agent. MELLECHY further related to Lodwein that he feels he is on the wrong side, working for the British. To his British superiors, MELLECHY suggested to contact the Americans in order to enlist American support for the project. This the British refused. At this point, MELLECHY asked Lodwein whether he has any contact with U. S. intelligence organizations and in case he would have such contacts he would like to submit to them, in the German language, his plans to build up an intelligence cover organization in Budapest.

13. Regarding the MHBK, MELLECHY told Lodwein that the organization is currently in great crisis. Morale is low and even the founding members of the organization no longer trust the leadership. The rank and file of the organization feels that something is wrong but find no other military organization to join. MELLECHY claims that in January of this year he paid a visit to Otto von HAPSBURG in Paris suggesting to him the formation of a Hungarian Governing Council, composed of Otto von HAPSBURG, HORTHY and former Prime Minister KALLAY which, in turn, would delegate someone to control the MHBK leadership. Otto von HAPSBURG remained cool to the proposal.

14. At this point, MELLECHY asked Lodwein if he knew one Janos BONIS. (The spelling of DB-527's name is different.) Lodwein's answer was "no". MELLECHY

went on to state that this RONIS claimed to be in American service and claims to have sufficient influence with U. S. authorities to be able to induce them to take over the Hungarian Guard Company formerly sponsored by the French. RONIS told MLLICHNY that his American office can be reached by phone and gave MLLICHNY the phone number of DRC which the latter repeated to Lodwein. (Comment: It appears from these facts that RONIS and DS-527 are identical.) MLLICHNY said he intended to meet RONIS again.

15. Lodwein described MLLICHNY as follows: Approximately 5'8", medium build, approximately 140 lbs., dark complexion, shaven face, brown eyes, no glasses, brown hair - combed straight back, oval face, good teeth, normal nose and ears, no special distinguishing marks, erect normal posture. MLLICHNY wears a duffle coat and has his own car with German license plates. The car was not seen by Lodwein, however.

Matthias DANKO

16. The former subordinate of Lodwein has kept in touch with the latter, through correspondence, for several years. DANKO resides in Lins and is a prominent member of the British and ZAKO's sponsored intelligence group directed by Antal/HAUNOCZY. In DANKO's recent letter, shown by Lodwein to Nettle (photostatic copy attached), DANKO presses for a meeting with Lodwein and states that he succeeded in locating Luppens' address in Lins and hopes that he can meet Luppens also. DANKO states in his last letter, dated 11 February, that he would like to talk to Lodwein regarding a very important matter and if Lodwein comes to Austria, he would be willing to meet him at any place.

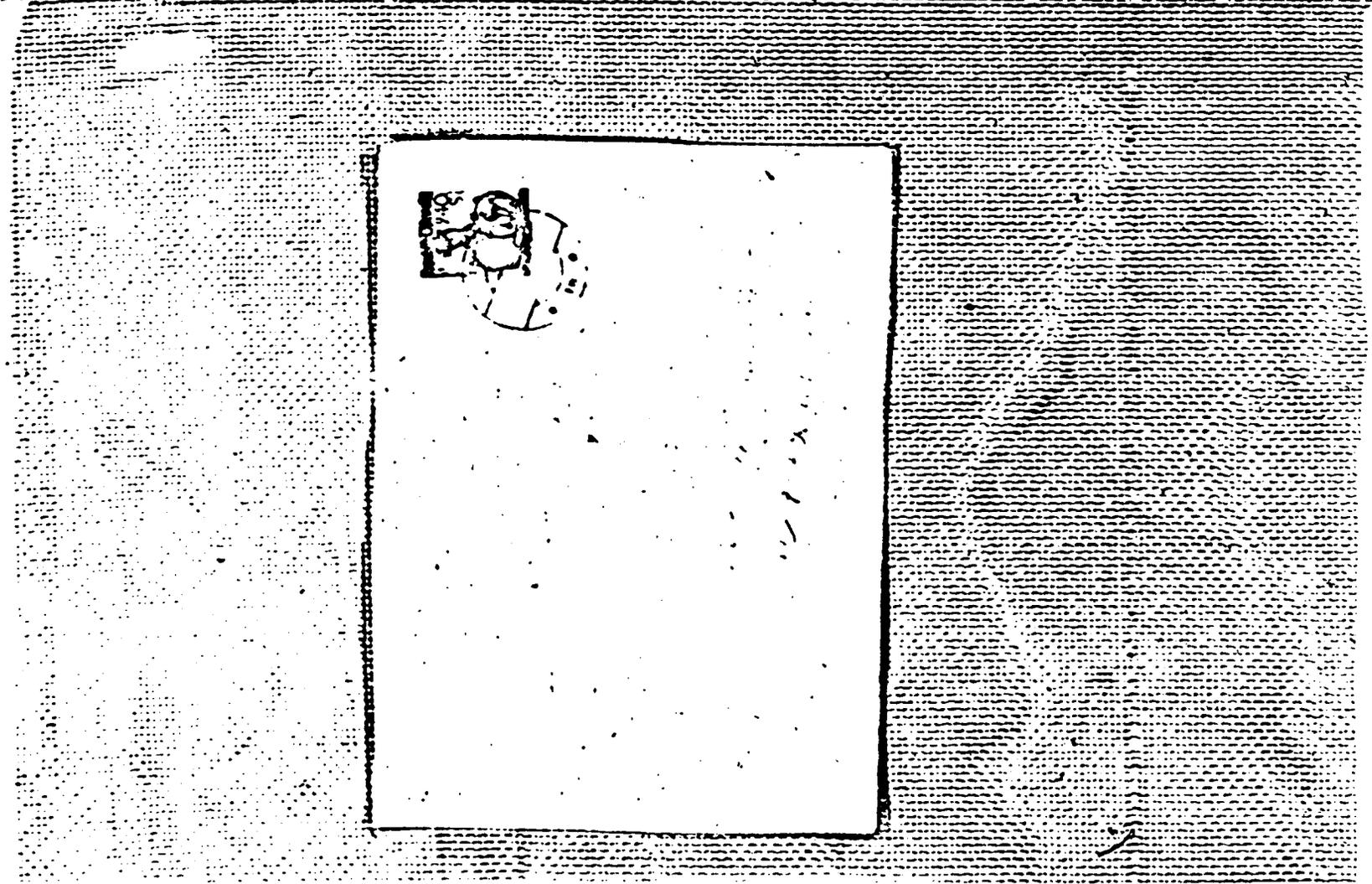
Conclusion

17. In case Lodwein controls himself sufficiently to retain the necessary degree of security, we could and should permit him to meet DANKO and listen to what he proposes.

18. It is planned to call Lodwein to Salzburg for a few days during March 1953 for additional briefing and security indoctrination.

19. Although MLLICHNY appears to be keeping in character with certain Hungarian officer types, the question should be raised whether Lodwein did not display more interest than would be normal and whether he maintained proper cover. MLLICHNY's question regarding the individual who appears to be DS-527 should not be dismissed as coincidental. MLLICHNY may be a provocation agent of MMBK or of another unidentified group. The incident will be analyzed at our next meeting with Lodwein and he will be given warning to avoid becoming a target of intelligence operators as it appears he has now become, illustrated by the approaches cited above.

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