

TO: []
FROM: []
SUBJECT: Contact with Grallspice 1, 20 May 1953
Contact Report #23

Opening of Meeting:

1. As scheduled, case officer [] and agent Grallspice 1 met at 1000 hours 20 May 1953 in front of the Mirabell Kino. The meeting itself was conducted in the Mirabell Park.

Production:

2. None.

Operational Matters:

3. Case officer asked agent if he were still in contact with his friends in the Lindex Company. Agent replied that he wasn't at the present, but that he could easily renew the association with a letter. It was then explained to agent that since he was living in an apartment now (which means more people are aware of him and possibly his activities) more cover should be laid on. Agent was queried as to whether he thought that he could buy material (such as old iron or paper) in Salzburg and sell it to the Lindex Co. Agent readily agreed that this was possible. However, some difficulties would be encountered with customs. After a discussion of the problem the following temporary solution was reached:

[] will pass to Grallspice 1 a stipulated sum, perhaps 4,000 or 5,000 schillings. Grallspice 1, in keeping with his cover as a buyer, will visit the various business houses in Salzburg and buy old paper and iron. After purchasing the goods from a company, he will leave the material with that company and then sell it to the Lindex Co. in Salzburg, who will in turn take the material directly from the firm and send it to Germany under the name of Lindex, thus making the Lindex Co. responsible for handling the customs. Grallspice 1 in turn would request that Lindex pay him for the goods in DM's in Memmingen. Of course, in order to have Lindex do it this way a considerable reduction in selling price must be granted Lindex in order to cover their added expense of transporting the purchased goods to Munich and also of paying the customs. Grallspice 1 would turn the DM's over to us as repayment in our original investment.

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Thus, (a) by having Grallspace 1 buy the material and leaving it at the place of purchase, he does not have to transfer or handle the material himself, he would need no space for storage, and he would be acting only as middle man and would not become involved in any customs declarations; (b) by having Grallspace 1 paid in DM's in Germany no one person in any business (i.e., Lindex or customs or place of purchase) would know that he is selling at a loss, which of course would be a give-away as to Grallspace 1's activities; (c) Grallspace 1 would have bills, sales slips, receipts, letters, etc.....a fairly legitimate business activity in Salzburg.

4. In order to carry on the transaction in this way, we would have to suffer a loss in our original investment--Grallspace 1 estimates about 400 or 500 schillings per 5,000. However, that should be cheap enough loss for providing a fairly well backstopped cover. Naturally, this cover would not stand up to a detailed CE or police scrutiny, at least not any more than any other temporary back-stop.

Personal Matters:

5. Case officer reported that we now had suitable snapshots of agent's wife for her TTD. It would be only a matter of about two weeks before she would be brought to Salzburg.

Administrative Matters:

6. Agent was reimbursed 549 ANS for hotel bills. Agent submitted at the same time the last hotel bill (360 ANS) as he will be living in his own apartment from now on.

Close of Meeting:

7. Meeting ended at 1130 hours. It was agreed to meet again at 1000 hours on 28 May 1953 in Cafe Neutor.

Case Officer Comments:

8. None.

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