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SOURCE METHODS EXEMPTION 3B2B
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OFFICIAL DISPATCH

VIA: AIR
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DISPATCH NO: MGM-A-882

SECRET
CLASSIFICATION

DATE: 30 December 1948

TO : Chief, FBM
FROM : Chief of Station, Karlsruhe Q
SUBJECT: GENERAL— Operational
 SPECIFIC— Project CAPELIN
REF : MGM-A-111, MGM-A-642, MGK-W-656

MICROFILMED
JUN 5 1962
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1. In MGK-W-656, dated 3 September 1948, the CAPELIN Project was tentatively approved, "pending CAPELIN's production during the next six months". To date, that production has been contained in the ICON Project Report MGM-A-793 and in MGM-A-863. On the basis of this production, the source obviously does not show much promise for future use.

2. MOB would now recommend the immediate closing out of this unproductive project were it not for the recently renewed interest in the feasibility of using dissident groups in operations directed at Lambda.

3. In early November 1948 CAPELIN allegedly resigned from his former position in SB/OUN/Bandera. A month later, CAPELIN states that he was asked by Vasyl OKREMOVICH, the positive intelligence chief of ZP-UHVR, to join him and a certain Prof. Victor YUREVICH of Munich in the formation of a more extensive ZP-UHVR intelligence section which would not only handle political intelligence for internal ZP-UHVR use on Russia and its satellites, as in the past, but also counter-intelligence and the debriefing of Ukrainians arriving out of the Ukraine.

4. CAPELIN has consistently made statements of friendship for ZP-UHVR and hostility towards the quasi-fascist Banderist group during the ten months he has been associated with the undersigned case officer. His alleged resignation and new affiliation with ZP-UHVR is plausible, but as yet there has been no evidence either to confirm his incorporation into the inner circle of ZP-UHVR or to explain why ZP-UHVR should desire his services.

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5. If CAPELIN has really received a counter-intelligence assignment in ZP-UHVR, he might very well aid in the assessment of ZP-UHVR's potentialities with relation to Lambda operations. If LEBED and CAPARISON, with whom CAPELIN is on friendly terms, are unaware of CAPELIN's connection to an American IS, and trust him, he might prove to be a valuable foil and reliability check on these two leaders of ZP-UHVR, for it is envisaged that any cooperation with ZP-UHVR on Lambda operations will demand person to person dealing with both LEBED and CAPARISON. With such a slot for CAPELIN in mind, his conditional retention is deemed advisable by MOB until answers can be supplied for the following two implied questions: whether ZP-UHVR will be of use in Lambda operations, and whether CAPELIN enjoys the confidence of LEBED and CAPARISON. The closing out of this project would be premature until these questions have been answered satisfactorily. If CAPELIN appears to be still of value, a new Developmental Project will be written up. If CAPELIN's value is found to be negligible a closing out report will be pouched.

6. Find attached a discussion of CAPELIN's present abilities keyed to Project Report MGM-A-111. This attachment will have to serve in lieu of the usual semi-annual project prospectus until CAPELIN's alleged membership in an embryo ZP-UHVR IS can be thoroughly assessed.


CMOB

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Inclosure to
MGM-A-882

PROJECT REPORT. MOB. SC. REF: MGM-A-111

1. a. CAPELIN is no longer in a position to secure information available to SB/OUN/Bandera or ABN on Russian intelligence agencies and agents. In the past two months, CAPELIN has been able to collect information of this type from ZP-UHVR only in one case. This information did not merit dissemination. CAPELIN no longer has any reliable access to SB/OUN/Bandera or to ABN, nor is it felt that those two organizations are receiving any worthwhile information which is not mongered to other American intelligence agencies.
- b. CAPELIN has not turned over any disseminatable positive intelligence on the Ukraine during the case-officership of the undersigned. It is not believed that any important information would be available to CAPELIN which is not already in the hands of LEBED and CAPARISON.
2. a. Neither CAPELIN nor SB/OUN/Bandera has had any luck worthy of mention in the indirect exploitation of MGB agents working within Ukrainian circles in Western Europe, to the case officer's best knowledge. In the one known case where an SB/OUN/Bandera courier was doubled by the RIS, SB/OUN/Bandera liquidated their own man upon discovering his duplicity after his return to Germany. The problem of developing couriers to and from the Ukraine will be considered in subsequent memoranda along with CAPELIN's possible role in such an operation.
- b. The most recent case of debriefing of a courier from the Ukraine was handled by ZP-UHVR through its military staff of UPA personnel and by LEBED and CAPARISON themselves. Therefore the last two mentioned are in a better position to report on the debriefing of couriers than CAPELIN. In view of the several known cases of liquidation during interrogation, it is CAPELIN's conviction that SB/OUN/-Bandera can no longer be considered able to handle a proper debriefing of any species of agent.
3. CAPELIN, an alleged member of the embryo intelligence staff of ZP-UHVR.
4. There have been no changes in the method of contact or control.

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MGM-A-882

5.
 - a. CAPELIN's cover job is described in Para 1 of MGM-A-642.
 - b. CAPELIN knows Case Officer as [] of US Intelligence.
 - c. CAPELIN is aware that he is not dealing with CIC.
6.
 - a. None.
 - b. Supplies per month: 2½ lbs lard, 5 lbs sugar,
5 lbs meat, 2 lbs coffee,
2 lbs tea, 6 cartons cigarettes.

For the sake of variety, a CARE
package is occasionally given in
place of all items except the
cigarettes.
 - c. None.
 - d. None.
 - e. Semi-annual renewal of Zuzugsgenehmigung.
 - f. None.
 - g. CAPELIN occasionally asks for reassurance that he will
be aided to obtain a visa to USA, if he is unable to
get one on his own hook. He fears that his association
with the German Abwehr will prove an insurmountable
obstacle to immigration unless he is given some support
by our organization. The case officer has indicated
that during the past ten months CAPELIN has not earned
such help.
7. None.

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