CENTRAL INTELLIGENCE AGENCY SOURCES METHODS EXEMPTION 3B2B NAZIWAR CRIMES DISCLOSURE ACT **DATE 2006**

EUDORECORD OUTGOING

STAFF

INFO: ODPD-D, VR, FILE, EUDORECORD, DC/EUR/N2, CONF: EUR/CA-2 EUR/BNL-2, EUR/G-2, EUR/REG, EUR/SEC, C/IAD, CCS/MCB, CCS/RB, CCS/REG, CI, CI/CL, CI/FL, CI/OC-2, CI/REG, EPS/EG-2, IAD/REG, SAG/MEB, SAG/PPB-2, SAG/SEB-4, (31/P)

83 1299996 ASR

/33/

PAGE 001

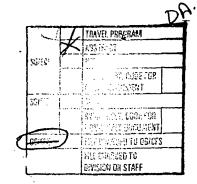
TOT: 262225Z MAY 83 DIRECTOR 575224

SECRET STAFF 262225Z DIRECTOR 575224 TO: [] INFO [

WNINTEL _

SUBJECT: HOS TRACES ON KARLHEINZ MARBACH

REF: A. BONN 42753 1167278 B. DIRECTOR 475229



- 1. FOLLOWING IS ADDITIONAL INFORMATION ON KARLHEINZ MARBACH (SUBJECT).
- PNEXCEL CONTACT WITH SUBJECT BEGAN IN 1950 WHEN HE WAS A FREE-LANCE JOURNALIST IN BERLIN WORKING FOR THE MINISTRY OF ALL-GERMAN AFFAIRS ON PUBLICATION OF A FALSIFIED EAST GERMAN MAGAZINE. AFTER PNEXCEL TOOK OVER THAT PROJECT IN 1952, SUBJECT WAS CLEARED TO BECOME THE PRINCIPAL AGENT IN THE ORGANIZATION (LCCOSSACK) WHICH CONTINUED PUBLICATION OF THE FALSIFIED MAGAZINE. IN THE YEARS FOLLOWING LCCOSSACK, FUNDED ALMOST ENTIRELY BY PNEXCEL. GREW TO INCLUDE ABOUT THIRTY PERSONS WORKING UNDER SUBJECT.
- DURING THE PERIOD FROM 1952 TO 1956, TWO INCIDENTS CONCERNING SUBJECT OCCURRED WHICH WERE NEVER ENTIRELY RESOLVED. ONE, MENTIONED REF B, AS AN ACCUSATION BY ALFRED ((FRIEDRICH)) THAT IN 1949 SUBJECT HAD RECRUITED HIM TO WORK FOR THE FRENCH INTELLIGENCE SERVICE. ALTHOUGH SUBJECT DENIED THIS ALLEGATION, THERE WERE ENOUGH HOLES IN BOTH STORIES TO RAISE SOME DOUBTS ABOUT SUBJECT'S TRUTHFULNESS. THE REACTION OF BERLIN BASE, WHEN THIS INFORMATION SURFACED IN 1953, WAS THAT SUBJECT COULD HAVE WORKED FOR THE FRENCH INTELLIGENCE SERVICE FOLLOWING HIS INTERNMENT IN A FRENCH POW CAMP. BUT THAT IT PROBABLY PRE-DATED HIS PNEXCEL ASSOCIATION AND THEREFORE WAS NOT SERIOUS ENOUGHT TO WARRANT SUBJECT'S DISMISSAL.
- 4. IN A SECOND INCIDENT IN 1955, A BERLIN BASE C/O DISCOVERED THAT PART OF FUNDS PASSED BY HIM TO SUBJECT AT A MEETING (DM5,000) NEVER SHOWED UP ON LCCOSSACK BOOKS. SUBJECT TOOK BLAME FOR THE ERROR. EXPRESSING CHAGRIN THAT POOR BOOKKEEPING PRACTICES MAY HAVE BEEN THE PROBLEM. (THE SITUATION WAS COMPOUNDED BY THE FACT THAT

BECOEN COPY

21. may83

D2001-126-129

SECRET

ASR

PAGE 002 TOT: 262225Z MAY 83 DIRECTOR 575224

THE MONEY WAS NOT COUNTED OUT BY C/O WHEN IT WAS GIVEN TO SUBJECT.) USING THE DISAPPEARANCE OF THE MONEY AS A GOOD EXCUSE, BERLIN BASE C/O ARRANGED AN SGSWIRL FOR SUBJECT IN MARCH 1956, TO WHICH HE WILLINGLY SUBMITTED. DURING TESTING HE WAS QUERIED ON THE MISSING FUNDS AND PREVIOUS CONNECTIONS WITH OTHER INTEL SERVICES. THE SGSWIRL OPERATOR DETERMINED THAT THE RESULTS MUST BE CONSIDERED "INCONCLUSIVE" BECAUSE SUBJECT REACTED INCONSISTENTLY TO PERTINENT QUESTIONS AND HIS PERSONALITY MAKE-UP MADE HIM A POOR SUBJECT FOR TESTING. HE NOTED: "SUBJECT APPEARS TO BE AN OUTSTANDING INDIVIDUAL AND SOMETHING OF AN AMAZING PERSONALITY...HE APPEARS TO BE PERSONALLY INCORRUPTIBLE; INDEED, THE QUESTION OF THE MISSING

DM5,000 EXERCISED SUBJECT MORE AS A LAPSE OF PROPER BUSINESS
PROCEDURE THAN AS A QUESTION OF THEFT. SUBJECT'S RAPID-FIRE THOUGHT
PROCESSES AND SUBTLELY OF MIND RENDER HIM AN INTERESTING CONVERSATIONALIST BUT A POOR CANDIDIATE FOR TESTING, I.E., HE REACTED IRRELEVANTLY MANY TIMES DURING TESTING DUE TO THE FACT HIS MIND RACED AHEAD OF THE QUESTIONS."

- 5. IN 1958, RESPONDING TO CHANGES IN COVERT ACTION OBJECTIVES, PNEXCEL CUT SIGNIFICANTLY ITS FINANCIAL SUPPORT FOR LCCOSSACK AND REDIRECTED SOME OF ITS ACTIVITIES. LCCOSSACK BEGAN PUBLISHING A JAZZ MAGAZINE, "SCHLAGZEUG", AS A COMMERCIAL VENTURE TO GENERATE ADDITIONAL FUNDING. SUBJECT RESISTED THESE CHANGES; HE APPEARED TO REGARD LCCOSSACK AS "HIS" ORGANIZATION (ALTHOUGH PNEXCEL FUNDED 76% OF IT) AND FELT THAT HE SHOULD HAVE FINAL SAY IN ITS ACTIVITIES. HE BEGAN SOME UNAUTHORIZED NEGOTIATIONS ON HIS OWN AND PURCHASED A SECOND PRINTING PRESS WITHOUT BASE APPROVAL, TO "SAVE" LCCOSSACK. WITH ALL OF THIS, THE RELATIONSHIP BETWEEN HIM AND HIS C/O DETERIORATED SERIOUSLY. SUBJECT WAS FINALLY TOLD HE WOULD HAVE TO GO ALONG WITH THE PROGRAM OR RESIGN, WHICH SOBERED HIM SOMEWHAT BUT DID NOT CHANGE HIS FEELINGS. PNEXCEL DETERMINED SOON AFTERWARD, IN 1959, THAT LCCOSSACK SHOULD BE PHASED OUT BECAUSE OF OVERALL SYMACE CHANGES IN COVERT ACTION ACTIVITIES IN GERMANY. SUBJECT WAS AMICABLY TERMINATED IN MARCH 1960.
- SUBJECT THEN WORKED BRIEFLY IN MUNICH FOR CASCOPE. HE WAS RELEASED IN MAY 1960, AFTER ONLY TWO MONTHS, FOR DISREGARD OF BASIC SECURITY PRACTICES (REVEALING HIS NEW EMPLOYMENT TO FORMER COLLEAGUES, AND ASSOCIATING WITH A FEMALE SECRETARY IN ANOTHER CASCOPE ORIGANIZATION DESPITE SEVERAL WARNINGS TO BREAK OFF THE RELATIONSHIP.) WHEN CHALLANGED WITH THESE ACTIVITIES, SUBJECT SAID HE HAD NO RESPECT FOR PEOPLE WHO MADE SUCH AN ISSUE ABOUT SECURITY, THOUGHT IN HIS CASE THE COMPLAINTS WERE TAKEN TO A "CHILDISH" EXTREME, AND WAS NOT ABOUT TO LET SILLY RULES AND REGULATIONS CRAMP HIS STYLE. HQS FILE DOES NOT CLEARLY INDICATE WHAT HAPPENED FOLLOWING THE MUNICH EXPERIENCE; REF A WOULD' INDICATE HE WENT TO WORK FOR THE DEFENSE MINISTRY SOON AFTERWARD.
 - REF A NOTES. THAT STATION INTENDS TO CONCENTRATE ON

SECRET

83	1299996	ASR	TOT:	PAGE 003 262225Z MAY	83	DIRECTOR	575224
SU PR HI TE IN HII FI	BJECT, WITO AT THE COST COLLABOR MINATION HIS MOUTH M, AND TO LE OF SEASEEDOM-LOVI	H WHICH WAS BUSINES RATION WIT SUGGEST SOLOTHING MAINTAIN GONED "COLOTHING MAINTAIN GONED "COLOTHING, ANTI-	ME AS A RECRUINE HEARTILY COSS", AND HE MANDER HEARTILY COSSUBJECT PERHAPTION MAY WISH COVER. OVERAD WARRIOR", SOVIET. WE LESTEE HE LEST	NCUR. SUBJE DE VALUABLE (TILL, EVENTS S LEFT PNEXC TO BE CAUTIO LL IMPRESSIO TRONGLY INDE	CT IS IND CONTRIBUT SURROUND EL WITH A US IN DEA NS IS FRO PENDENT,	EED "AN OLIONS DURING HIS BITTER TALING WITH M READING	NG ASTE
HUI OR I EUI	M 4 82. A	JI SECRET	;200-126 .> .UTH: C/E/CA				ORV