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MEMORANDUM FOR THE RECORD

11/10/47

SUBJECT: Dropping of Projects "MONTGOMERY" and "MOUNT VERNON"

TO : Deputy Director of Intelligence

1. The attached IRS is a result of many months of careful watching of the two networks which were ordered to be discontinued. The ultimate agreement to discontinue these networks was the result of an operational conference attended by the various factions of CIC, CO 430th CIC, and the undersigned.

2. Also attached is a complete file on the background and the alleged connections of the chief cut-out of these networks, Dr. Wilhelm HOETTL. HOETTL is considered an excellent intelligence man, but an extremely dangerous one. We have been requested many times by other U.S. intelligence agencies in Europe to discontinue our support of HOETTL since he was an SD leader and is feared by all present intelligence factions representing the Abwehr or non-German sources. The reason that he is feared is that he was a notorious intelligence man in his day and actually a war criminal, who was exonerated at Nurnberg due to the fact that he became a State's witness.

3. The problem which climaxed the discontinuance of HOETTL's activities was the Oberweis meeting between the People's Party and the Nazi element, in which HOETTL was the main aspirant, and of which he failed to notify his CIC superiors.

4. His reports recently (six months) have been extremely poor and have been on a steady decline. The reason is that he has not been paying any attention to his work as an intelligence operative for the United States Forces in Austria, but has been engrossed in all sorts of political dealings. We have warned him time and time again that it is impossible for him to work as an intelligence operative and be mixed up with local politics.

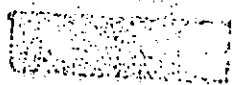
5. These networks were costing approximately \$2600 a month and in the opinion of the analysts of ODI are definitely not worth this amount of money. The project of dropping these networks was coordinated with the various sections of ODDI which received these reports.

6. Every consideration was given as to how much HOETTL might hurt us if cut away from his current projects. Due to the nature of his contacts and because of his background, we are in agreement that we do not believe that he will return and work for the Russians. We do believe that there is a possibility that he might try to ingratiate himself with either the British or French. We will watch HOETTL very closely to ascertain his future movements from our CI point of view.

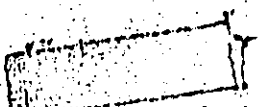
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7. Another factor which was instrumental in the elimination of these projects was that HO TTL was one of the few sources obtained by USFA who was never operationally honored with this Headquarters — i.e. it was practically impossible to learn the extent of contact and dealings of his sources as well as their identity. This information is extremely vital with reference to the evaluation of any report.

8. The plan for working out the details and arriving at the ultimate conclusion with reference to the dropping of these networks has been concurred in by the former Chief of Operations. The dropping of these two networks does not affect the current contemplated planning for the turn over of clandestine activities to CIA, since they are not willing to go along with subject due to his background and because of their knowledge of his present activities.

9. Plans have been initiated to build other activities which will compensate for these networks dropped. One plan is to build another OB network which will be parallel to "CHATTANOOGA". The reason being that we have only one network which covers OB in Austria; therefore, the reliability with reference to this information must be based on one group. A parallel group is being established as a check and also to intensify, as well as to extend, OB coverage of the Soviet Zone of Austria.

10. It is recommended that the above be brought to the attention of the Director of Intelligence verbally at the time of a future conference.

J. V. Milano
J. V. MILANO
Major AGD
Chief, Opns

