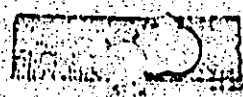


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HEADQUARTERS
COUNTER INTELLIGENCE CORPS
(430th CIC Detachment)
CITY OF VIENNA SUB-DETACHMENT
APO 777 U. S. Army

SOI 8826
AF/ez
16 November 1949

SUMMARY OF INFORMATION:

SUBJECT: Possible penetration of a Radio Operators School
in Gmunden, Land Upper Austria

The following information was obtained from Helene LOEBL, a casual Austrian informant who has recently reported to this office her several contacts with intelligence agents of the KAPO (Hungarian Military Political Group). Reference is made to MOIC-V-8800, dated 15 November 1949, Subject: KARVALY Karoly, Possible HIS Operative.

According to LOEBL's statement, on 9 November 1949, an unidentified, non-descript individual of approximately medium height and stature called at LOEBL's apartment, VIENNA VIII, Wickenburggasse 24/5 and requested that she transmit certain written material from Tibor KASA, a Hungarian resident of Gmunden, to her KAPO contact in Budapest, one Andras VIHAR (cf. reference MOIC).

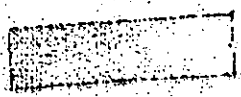
In compliance with her instructions LOEBL travelled to Gmunden on 10 November 1949 and met KASA at the latter's place of residence, the GASTHAUS HUBERTUS, Badgasse 4. When she identified herself to KASA in the corridor leading to his room by the prearranged sign of presenting him with four Hungarian football pool (TOTO) coupon blanks, KASA confided to her in hurried whispers that a female acquaintance of his, employed at the CIC Linz switchboard was in his room, whose intelligence exploitation he was just about to begin; therefore, he warned LOEBL to be circumspect while in the room. Subsequently, KASA conducted LOEBL into his quarters where she was introduced to the alleged CIC employee, concerning whom the following description was obtained: age 25 yrs., height 5'3", weight 110 lbs., eyes gray-blue, speaks English and German. With a flourish of simulated affection, KASA presented this woman to LOEBL as his fiancee.

In a subsequent private discussion, KASA told LOEBL that his salary and expense allotments had not arrived for some

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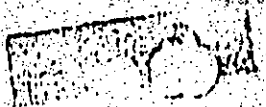
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SUBJECT: Possible Penetration of a Radio Operators School in GMLNDEN, Land Upper Austria, dated 16 November 1949

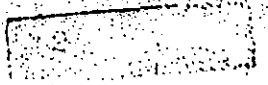
time and that he would furnish her with the requested material only if paid 5,000 Schillings. LOEBL left GMLNDEN and travelled to the Austro-Hungarian border, where she met VIHAR on 11 November 1949. VIHAR declined to advance any money for K/SA; he ordered LOEBL to notify K/SA that remuneration would be forthcoming only after the information had been received and evaluated by the KAPO.

LOEBL returned to GMLNDEN on 13 November 1949 and obtained from K/SA a sealed envelope with indelible pencil lines across the rear flap (containing the documents attached to the original copy of this report as Exhibits "A" and "B"). With this envelope in her possession, LOEBL returned to Vienna, where she discovered with surprise that her fiancée Karoly KARVALY (cf. reference WOLC) had unexpectedly arrived from Hungary on 13 November 1949 and was waiting at her apartment.

KARVALY had been sent to Vienna on a mission by the KAPO; both KARVALY and LOEBL decided to sever their contacts with the H/S and flee to the U.S. Zone of Austria. On 14 November 1949 LOEBL contacted this office and related the events contained in the body of this report; a contact with KARVALY was arranged, and on the same day KARVALY was contacted and interrogated. This questioning revealed that KARVALY had been sent to VIENNA by the KAPO with the mission of recruiting Hungarian acquaintances for espionage work. Primarily, KARVALY was under orders to enlist the services of one Csaba FARSZKY, currently residing at OBERWART, Land Upper Austria, for the H/S.

During the course of his interrogation KARVALY surrendered to the undersigned the documents which he had taken from LOEBL after their meeting in Vienna. KARVALY stated that he had opened the originally sealed envelopes and perused their contents immediately after having obtained them from LOEBL.

An examination of the above-mentioned documents revealed as their primary importance the implication that K/SA, apparently a Hungarian intelligence operative, has succeeded in penetrating a secret training school for field radio operators recently initiated under the auspices of the CIC GMLNDEN Field Office. The first paragraph of Exhibit "A" reads: "I reported to G. on 16 September 1949, where Erich, in charge of the Austro-Hungarian-American line, was expecting me. He related that I had been chosen to participate in the incipient radio training."



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SUBJECT: Possible Penetration of a Radio Operators School in
GMUNDEN, Land Upper Austria, dated 16 November 1949

The following synopsis and brief description of the intercepted documents was prepared:

General Description of Document

12 closely handwritten pages on both sides of blue-lined white notepaper; four and half pages in ink, seven and half in pencil. Undated, signed with code number 3032. Heat test, negative; no other tests applied.

Brief of Document

Two breakdowns, one obsolete the other apparently current, listing the U. S. personnel of the GMUNDEN C.I.C. Field Office. This T/O identifies the following Special Agents: Morrison, Wilson, Schuchmaker, Jalinko, Ray, Fouke, Duke, Balogh; the following interpreters: Ross HILL and Nelly BENG. The vehicle license plates C 27026 (registered by S/A Balogh) and C 26495 (registered by S/A Jalinko) are listed. The following home addresses are listed: S/A Jalinko, GMUNDEN, KURHOTEL; S/A Balogh and Ray, Esplanade 26, Turkey Villa, 1; S/A Duke, Pharr Platz 6.

The following operatives and informants of C.I.C. GMUNDEN and Land Upper Austria are identified:

- a). Hungarians: Lajos SOPF
Mendor BLATNYAK
Oszker HARPEL
Sender TARJANYI
Sender FEKETE
Zoltan NAGY
Balazs KOVACS
Joseph FISCHER
Pal ALITISZ
- b). Austrians: Erich KERNMAYER (field control operative)
Baron Arnold SINGER (cover name)
Franz SCHNEIDER
Dr (fnr) WIMMER

This report recommends that SCHNEIDER and WIMMER be intercepted by Soviet authorities at the ENNS River control point when enroute to Vienna. Furthermore, it is proposed that SOPF, described as a strategically placed interpreter, be approached with an offer of money in exchange for information on material submitted to C.I.C. GMUNDEN by Hungarian operatives.

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SUBJECT: Possible Penetration of a Radio Operators School in
GMUNDEN, Land Upper Austria, 16 November 1949

A group of miscellaneous personal remarks and requests, containing the following information of CI interest relative to the writer of Subject report:

The writer is a HIS operative of comparatively long standing in Austria who has never found the contacts with his control agency satisfactory; he disconsolately relates that on 5 May 1948 a courier appeared at the contact place (a VIENNA railway station) intoxicated and addressed him in a compromising manner with a drunken yell. The writer is a 1st Lieutenant, presumably in the Hungarian Army, and an enthusiastic soccer player who searches for contacts among football fans. He travels intermittently to Hungary for briefings; however, his last trip took place more than two months ago, for he bitterly remonstrates about the discontinuance of his salary and expense allotments during the last two months. During the course of his last briefing in Hungary, Subject was assigned the mission to approach and bring about the defection of indigenous personnel employed by U. S. security agencies in Austria.

The writer applies for permission to concentrate on the following intelligence targets in the near future:

- a). The penetration of U. S. switchboard through an Austrian telephone operator.
- b). Penetration of U. S. installations at HOERSCHING, Land Upper Austria.
- c). Establishment of close relations with Pal ALLTISZ who has attempted to enlist the writer for an unidentified Allied espionage network.
- d). Request for the employment of an Austrian female acquaintance of the writer in future contacts with the control agency.

The writer recommends the following maildrop for postal communications: Familie BRENNELS, Burggasse 5, WELS, Land Upper Austria.

An attached letter from ALLTISZ identifies the writer as Tibor KASA, GMUNDEN, Badgasse 4, 1st Steck, door No. 2.

A file check concerning KASA proved negative.

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SUBJECT: Post Penetration of a Radio Operators School in
QMU: Land Upper Austria, dated 16 November 1949.

AGENT'S NOTES:

Although factual confirmation of LOEEL's statement as contained in the body of this report will necessarily be suspended until an investigation by the C. I. C. GMUNDEN Field Office will corroborate or nullify its allegations, numerous circumstances observed during the course of her interrogation lead this Agent to believe -- in the absence of contradictory evidence -- that in the essential aspects her narrative is true.

It is recommended that KASA be apprehended and extensively interrogated by C. I. C. GMUNDEN without delay; in order to facilitate this investigation LOEEL and KARVALY will proceed immediately to CIC, Land Upper Austria Subdetachment and place themselves at the disposal of the authorities concerned. Subsequent exploitation of KASA as a double agent against the H/S is offered as a possibility dependent upon the outcome of his interrogation.

ANTON FRELHOFNER
Special Agent CIC

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