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DISPATCH NO. MASA-1960

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TO : Chief, EE
Attention: []
FROM : Chief of Station, Vienna

DATE: 11 August 1952

SUBJECT: GENERAL— Operational

SPECIFIC— CAPOTE Organization in Austria and Willy HOETTL

Ref: MASA-1925

1. We are forwarding herewith copies of a memorandum dated 7 July 52 from Company "B", 533rd MIS Btn, Linz, entitled Report of Dr. Fink and Detachment 35 memorandum dated 17 July 52 entitled The New German Intelligence Service Contacts with G-2 Linz. The above documents relate the activities of the arch fabricator HOETTL in quite amusing detail. The whole episode would be quite amusing except for the fact that in this latest escapade, i.e. an attempt to find a new channel for peddling of spurious information to the U.S. intelligence agencies, HOETTL generated a rather full size flap involving G-2, Detachment 35, MIS, and, we are loathe to admit, the Salzburg DYCLEMATIS Base.

2. For Headquarters and German Station Action: It is recommended that Headquarters furnish Chief of Station in Germany with information cleared for passing to CAPOTE in order to "burn" Willy HOETTL and deprive HOETTL of CAPOTE's financial support.

It is recommended that Germany take every feasible step to induce CAPOTE to drop HOETTL or suffer the consequences (see paragraph 5 below).

3. The situation as affected us developed as follows:

On 12 June 52, [] and [] were visiting Linz to discuss the establishment of our office in the MIS installation there and to inspect the office space available. Both Major Victor Tuliszewski, CO of MIS Linz and Lt. Frank Hoinski asked for a discussion of some "special operational problems to which we agreed. At lunch in the Hotel Linzerhof, Tuliszewski, who basically is a very excellent officer but only experienced in "covert collection methods", and Hoinski, an intelligence operator of the "breathless" school, began by saying that they had some valuable information which one of their employees had picked up from an unidentified operative of "the German Intelligence Service". They were unable to identify the source of the reports which consisted primarily of SOVZONE and Hungarian OB, but felt it should be put to use and since they had been enjoined recently by Grueler to stick to their interrogation activities, they wondered if we would be interested. They were told basically that we were, although without source of info, we could not make full use of the material.

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Thinking that there was a strong possibility that the source of the reports was possibly a POB operative attempting to remarket his product on the side, we asked if we could examine the material. A cursory examination of the reports' format showed a distinct similarity to POB raw material. Although [] and [] both felt and remarked that it could be HOETTL, we could not be sure on the spot and consequently said that we would take the material for evaluation. The material was passed informally to [] for evaluation at POB after only a most cursory examination in Salzburg, since [] happened to be passing through Salzburg and conceived the possibility that one of his individual sources might be casting about for outlets, although he rather doubted that this was the case in this instance. We were horrified to learn later from Tuliszewski that the sum of 3,000 ANS had been paid out of his and Hoinski's pocket for the rather scurrilous reports, and since we now had the reports, he wished reimbursement from us. Since we were dependent on the goodwill of Tuliszewski and Hoinski for assistance in the establishment of Linz sub-base, and since we did receive the reports, we paid up albeit reluctantly, charging the expense to purchase of information. We did, however, strongly advise Tuliszewski that for heavens' sake he should buy no more of this material pending receipt of POB evaluation through us.

A week or so later we received word from POB that the material was worthless and so informed Tuliszewski, who had been calling us constantly to see if we were ready for further deliveries of the product. Tuliszewski, who had enjoined us to the strictest of secrecy vis a vis G-2, then carried the second batch to G-2 Opns, informing them that [] did not want this material and telling them about the delivery of the first batch to []. Tuliszewski was properly chastised for going out of channels in the delivery of this material to []. A few days later the G-2 analyst, most familiar with the spurious product of the master fabricator HOETTL, pronounced the definite opinion that beyond doubt HOETTL was the source of the material.

Baron E.O. Fink, formerly of the German Consulate Service, who has been master-minding a program of interrogation of returning Soviet PW residents in the SOVZONE of Austria, was called in by CIC and strongly interrogated as to his contacts. He revealed his contacts to be Baron Harry Mast and Willy HOETTL, a fact which he had not revealed to MIS. On 14 July, Major Flatley of G-2 Opns conferred with Tuliszewski, Hoinski and Fink and advised Fink of the unreliability of HOETTL and told him to break contact after the meeting already scheduled with HOETTL on the 15th of July (see first attachment). At the 15 July meeting (note in the attachment) MAST made some interesting allegations concerning their contacts in Germany, among others that HOETTL was going to approach SEPPINGS and obtain a certificate from him stating that the organization of CAPOTE was a bonafide agency of the German Government.

4. USFA again is extremely annoyed at HOETTL and are considering means of putting him out of business. They have requested that we use our best influence in Germany (i.e. with CAPOTE with whom they assume we have some contact) to induce him to sever contact with HOETTL. If persuasion is not enough, and the Germans persist in using HOETTL, who continually is a thorn in USFA's side, USFA is planning some unfavorable publicity for HOETTL and would not feel reluctant to mention his present connections with CAPOTE along with an elaboration of his past scurrilous record. We here can see no reason to dissuade USFA from this

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course since the elimination of HOETTL as an intelligence operator would be to the general good of intelligence in Austria. We suggest that Germany, after clearance from Washington if necessary, make every attempt to persuade CAPOTE's organization to drop HOETTL. If this is not favorable, we might well indicate to CAPOTE that he will have to suffer the consequences of any unfavorable publicity that USFA can devise.

[SQT]

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