

OFFICIAL DISPATCH

VIA: Air Pouch
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DISPATCH NO: NSM-A-642

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CLASSIFICATION

DATE: 4 August 1948

TO : **FBI**

FROM : **COS, Karlsruhe, Germany**

SUBJECT: **GENERAL - Operational**

SPECIFIC - Monthly Progress Report - CAPELIN

1. CAPELIN now has part-time employment as assistant to Archbishop Yndibid PALLADIOS of the "Ukrainian Autocephalic Orthodox Church in Poland". Procurement of this job was made necessary by the effect of the currency reform on the treasury of CAPELIN's organization. The treasury was virtually wiped out and not only CAPELIN but most of his professional colleagues have had to look for part-time jobs.

2. During the latter part of June and the month of July CAPELIN's production has been limited to ICON Project material on his own co-nationals. CAPELIN's present employment, however, allegedly gives him access to clandestine church intelligence reports originating inside Poland and passing through Amson on their way to London. We are attempting to find out more about these channels of communication.

3. CAPELIN now receives six instead of four cartons of cigarettes per month in addition to his small allotment of groceries. This increase in operational supplies was occasioned by source's increased cost of living following the currency reform and the inability of his organization to pay salaries. Otherwise the servicing of source remains unchanged.

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In early April 1948 in the one case where CAPELIN's organization was in a position to debrief an KIS officer, namely one Lt. Michaelo SERBAN from LIGB/Uzhgorod, CAPANEUS decided to use strong-arm methods to make the man talk. The upshot was that the Lt. committed suicide at his earliest opportunity, before any positive interrogation could begin. In spite of his handicaps CAPELIN is more trustworthy than the other members of his organization whom we have tried. CAPANEUS for instance has in specific instances sold old reports to his present employer, KEYSTONE, after he has rennovated the dates. Other defunct sources refused to give any information which they believed detrimental to their cause.

6. On 4 March 1948 [] suggested to case officer that CAPELIN be dropped. Between November 1947 and 4 March 1948 CAPELIN's disseminated production was nil. He himself offered as an explanation the contention that winter weather was not conducive to the influx of Soviet agents, but that in the spring there would be newcomers. This contention proved correct. At the end of March four of CAPELIN's countrymen came as Russian agents into the American Zone. One of the four tipped off a member of CAPANEUS' group that all four including himself were Russian agents. The interrogation of these four men was abruptly broken off on 1 April 1948 upon the arrival of Lt. SERBAN. The interrogation reports of the four agents have not yet been made available to CAPELIN.

7. Greater frequency of arrivals from the east is not the only predisposing factor favoring CAPELIN's retention, however. This office has found CAPELIN the most reliable and least confused of all his group despite his limited access to information. Twice in April 1948 he did successful investigative work and was the source on our answers to requests for information from other stations and operational bases. Lastly, CAPELIN's organization will continue to intercept occasional Russian agents who would not come to our attention without CAPELIN's assistance.

8. The recommendation in Para 1 of KAPOK-^{under}NO-393 is being kept in mind, but no action has been initiated to date.

9. For reference CAPELIN's utilized output since MGH-W-521 has been the following:

MGM-32 (MSC-482).
MGM-33 (MSC-483).
MGM-A-457.
MGM-A-484.

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