

## **Grombach's Last Hoorah: the Pond and the Soviet Cipher Coup of 1954**

Colin Burke  
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In 1942 Brig. Gen. Hayes Kroner, the deputy of Maj. Gen. George Strong, the head of the American Army's intelligence department, ordered 'Colonel' John V. (Frenchy) Grombach to form a highly secret and politically sensitive foreign espionage organization, one independent of (and by design unknown to) the nation's new official foreign espionage group, the Office of Strategic Services (OSS). Strong, Kroner, and Grombach all agreed their separate organization was needed because they believed William Donovan's OSS had too close a relationship to British intelligence, was employing communists, and was so unprofessional it would be unable to keep secret any important information it might obtain.

Grombach was multilingual and already had some background in undercover operations, dating from the 1920s and 1930s when he did work for the army and the State Department. [12, 2, 11] His nickname, 'Frenchy', resulted from his being the son of France's counsel in New Orleans. His father's business and international shipping interests led to his son's knowing many important Europeans even before he graduated from West Point in 1923. Although he had built a record as a champion boxer and athlete, even gaining a position representing the Point on the United States' Olympic boxing team, Grombach graduated from the academy with restrictions, supposedly because of too many demerits--but perhaps because the army needed such an excuse in order to give him the 'legend' he would need for undercover work on corruption in the service. The true facts about his marred graduation may never be known.

Grombach's international connections increased after he left the army in 1927. He became involved in radio productions, sports promotion, his father's France-Indo China shipping business, and in managing the Olympics. He also maintained connections to the United States' military, serving as an officer in the New York National Guard. He was called back by the regular army before Pearl Harbor and groomed for high level command but he was loaned to the Office of the Coordinator of Information (the precursor of the OSS) for a few months to help establish its codemaking and codebreaking group at Bellmore, Long Island. The assignment was an unhappy one for Grombach, partly because of personal frictions that were intensified by his pugnacious reactions in any conflicts. His experiences with the failed Bellmore operation and contacts he made there, such as with the Soviet defector Alexander Barmine, deepened his anti-communism and his distrust of the OSS. [2]

Grombach was ready to begin another operation. So, when Strong and Kroner called on him he immediately formed his super-secret group, recruiting agents from his many army, international business, Olympic event, and émigré contacts. Worldwide businesses, such as Philips N.V. proved very useful because of their international offices. Grombach's new organization went by several names during the 1940s: Coverage and Indoctrination Branch and Special Services Branch eventually yielded to a colloquial, The Pond, a name that indicated the group was not as large as the OSS but effective.

By design, the Pond remained small and unknown to anyone except the few liaison personnel in the State Department and the Federal Bureau of Investigation. The State Department, also wary of the OSS, was the Pond's most useful ally. It allowed Grombach to use its foreign offices, its communications links, and some of its personnel. J. Edgar Hoover's FBI received and provided information because it also worried about the OSS' security and because

of its duty to monitor communists and fascists in the United States. [13] Grombach, always seeing the FBI as a partner in his battles against leftist radicals and the OSS, was soon giving the FBI much information about foreign influences in the United States. By the war's end, anti-communism, especially in America's intelligence establishment, became a major focus of the Pond.

That, and Grombach's ideological bent and aggressive personality, contributed to the Pond's tumultuous thirteen year life. Although Grombach was a West Point graduate and had learned the army rule of not defying authority, he alienated Col. Alfred McCormack, the newly appointed chief of the army's G-2 intelligence branch and in so doing challenged the army's hierarchy. In reaction, the army cut Grombach's funding in 1947. The Pond survived on less than half-rations after the State Department agreed to support what was left of it, barely saving it from being devoured by the new Central Intelligence Agency. Meanwhile, Grombach created private versions of the Pond. His Universal Service Corporation contracted with large businesses to supply intelligence on international affairs. His Industrial Reports Inc. provided security investigations on prospective employees to American firms. That work coincided with his and his colleagues' continued crusade against communists in the American government.

For unknown reasons, by the early 1950s Grombach had lost his financial base-of-support in the State Department. The Pond was cut loose, at least financially, saved only by a contract with the Central Intelligence Agency, the organization Grombach had lobbied against when it was being formed in 1947, and by the State Department allowing continued use of some of its facilities. The CIA contract lasted less than five years. By early 1954, exasperated by Grombach's refusal to reveal his agents' identities, his suspected links to Senator Joseph McCarthy who the CIA feared was about to attack its leaders, and Grombach's typically intransigent attitude, the agency gave him an 'either-or'. Grombach tried to mend relations but soon took the 'or'. He unsuccessfully canvassed the FBI and other agencies for jobs for his staff, and, then, officially closed The Pond in late 1954.

What the Pond accomplished in its troubled history and who most of its agents were remain unknowns, even though the CIA released to the National Archives a collection of the Pond's documents which, along with sources such as Grombach's papers at West Point's archives, have been mined by serious scholars. [11]

Grombach claimed that at the Pond's highpoint it had agents in thirty-two countries who managed some six hundred useful 'sources'. One of his agents is known to have rescued anti-communists from postwar Hungary. Grombach claimed his informants were the first to reveal the Soviet's massacre of Polish officers at the Katyn forest during World War II and the first to identify the activities at the German's missile site at Peenemunde. Some have asserted that it was the Pond that managed Raoul Wallenberg's rescue of Hungarian Jews destined for the concentration camps and sure death. Grombach also stated that after the war he continued to have an extensive intelligence network in eastern and central Europe and that he was even able to launch a 'black-bag' job to steal two cipher machines from the Czech government's Paris offices.

Most of the Pond's achievements remain in the realm of conjecture because of Grombach's self-censorship of his papers and because of the American government's continued refusal to release all it holds. That hesitancy even extends to the FBI's collection. A FOIA and Mandatory Review request of some years ago has resulted in a February 2015 release of just half of some six hundred relevant pages and with most of the released documents heavily redacted.

[3]

However, one of the FBI's documents suggests that one rumor about the Pond's achievements has some credibility. It and others in the FBI's release also indicate that while Grombach may have achieved a last intelligence 'hoorah' that could have made him one of the CIA's heroes, he could not constrain his self-destructive tendency to engage in bureaucratic infighting.

The FBI's archives hold so much on the 1950's activities of Grombach and the Pond because Grombach saw Hoover's organization as a possible resource for conquering his adversaries within the CIA. As he sought help in blocking the CIA's demand that he identify all of his sources and in convincing the agency to continue its financial support, he sent the FBI a copy of one document (see, "Memorandum of Agreement", below) that should have remained within the Pond's most secret files. But breaking his own secrecy pledge and sending it to the FBI seemed a way of criticizing the CIA's treatment of the Pond and a means of possibly gaining the FBI as a replacement sponsor. (see also, "To the Director", below)

If the promises in the January, 1954 document were fulfilled, Grombach should not have been cut-loose by the CIA a few months later and he should have received much more support than he did from the FBI that soon decided to keep him at a great distance.

The document details a 'contract' between the CIA, the Pond, and dissidents who promised to steal critical Soviet crypto materials. The agreement came at a grave time in the history of America's intelligence establishment. Since 1948, after a spy's revelations led to the Soviets changing their encryption systems, the nation sank into a long-lasting 'dark age' of intercept intelligence on the Soviets. America's major crypto-agency, the National Security Agency, lost control over all high level systems and its intelligence 'customers' such as the Central Intelligence Agency were furious. In reaction, the CIA decided to create a codebreaking team, to establish listening posts around the world, to invest in risky adventures such as the Berlin Tunnel phone-tapping operation of 1954, and to spend hundreds of millions of dollars in spy planes and satellite systems for photo-intelligence. [1, 4, 5]

The CIA's commitment to its own crypto-service, as well as its responsibility to help the hard-pressed National Security Agency with black-bag operations, give Grombach's document credibility and makes the CIA's seeming willingness to pay so much for the secrets of unidentified Soviet cryptosystems believable. But beyond 'credibility' there is no certainty about the document's legitimacy, the people involved, and the possible results of project Empire State. Given the Pond's range of contacts, the dissidents who were to steal the Soviet ciphers systems were likely in Hungary, but that is just a probability. Who 'Church' of the CIA was remains unknown; Dale and Finn of the Pond were probably Grombach and the chief of his East European work, Tibor Eckhardt, or Grombach's Pond associate, Walter O'Brien. 'Pills', the crypto-expert mentioned in the document, also remains unidentified. It could not have been Rosario Candela, Grombach's friend, who does seem to have aided the FBI. Candela died in October 1953. (see, obituary from the FBI file, below). Grombach's other crypto-friend, Herbert Yardley, was alive in 1954. [6, 7, 8, 9, 10]

Whether or not the Pond's contacts delivered the Soviet crypto secrets may never be known because such highly classified operations are and will remain guarded secrets. However, given that the CIA stopped supporting the Pond, it seems likely the project produced few results. That surmise is supported by Grombach's attempts in 1955 to discuss the project's fate with the Clark committee that was investigating negative reports about the nation's intelligence agencies, especially those concerning the CIA. (see, "For Mr. Belmont", below).

MEMORANDUM OF AGREEMENT

A Memorandum of Agreement entered into this twenty-ninth day of January nineteen hundred and fifty-four between the Central Intelligence Agency, as represented by Church, hereinafter referred to as the "Contractor", and Dale and Finn, individually and as co-directors of an organization, hereinafter referred to as the "Supplier".

1. This Agreement contemplates the purchase by the Contractor from individuals in a foreign country, hereinafter referred to as the "Dissident Principals", of Arcane cryptological materials which might be, if they are as represented, of great value to the United States. The Supplier is the representative of the Contractor for the purpose of negotiating and completing the acquisition of the materials specified above under the terms and conditions of the Agreement. The Supplier shall obtain from the Dissident Principals, with the materials, the following operational and descriptive data:

- a. An illustrative example for each cryptographic system provided, demonstrating, step by step, the modus operandi of employment and utilization of material, both in encipherment and decipherment.
- b. The information by which the specific messages transmitted in each said cryptographic system may be identified and selected.
- c. The effective dates of use and/or employment of the aforementioned systems.
- d. The communication facilities by which messages enciphered in the systems referred to in paragraph a., above, are transmitted; i.e., radio, land-line, cable or other.
- e. Points between which messages enciphered in the systems referred to in paragraph a., above, are transmitted.

The Supplier shall be entitled to payment or reimbursement of actual and necessary expenses incurred by reason of its undertakings hereunder in an amount not to exceed \$3,000, but the Supplier does not desire and will not be entitled to any commission, fee, or other compensation and will have no claim of any nature whatsoever on the funds used in connection with the acquisition of the materials. The Supplier and its personnel are acting solely from patriotic motives and from a desire to serve the national interests.

2. The Supplier will be responsible for all negotiations and arrangements for the purchase of the materials involved and for all

dealings with the Dissident Principals. The Supplier has full discretion in this regard, including the selection of a person or persons to represent it in any such transactions, and the Supplier shall at no time be under obligation to divulge any information in regard thereto to the Contractor. The Contractor agrees that it will make no effort to check, cover, protect, discover, trace, interfere with, assist, or divulge the project or any meetings therewith connected, nor the Supplier nor any of its personnel connected with this matter.

3. The Contractor hereby authorizes the Supplier, as its representative and agent, to offer to purchase from the Dissident Principals the materials in question on the following terms and conditions:

a. To pay \$50,000 in \$20 U.S. bills to the Dissident Principals upon delivery and acceptance of the materials by the Supplier.

b. To place \$50,000 in \$20 U.S. bills in escrow to be paid to the Dissident Principals six months after the delivery and acceptance of the materials, provided the materials are still deemed useful or authentic by the Contractor with or without further help of the Dissident Principals.

c. To pay an additional \$50,000 in \$20 U.S. bills to the Dissident Principals one year after delivery and acceptance of the materials, provided at that time the materials are deemed useful or authentic by the Contractor with or without the further help of the Dissident Principals.

d. Upon delivery and acceptance by the Supplier of the aforementioned materials, the Contractor undertakes to provide on 24-hour notice to the Contractor by the Supplier or its representatives for escape from the country in which the materials are sold and asylum for not more than seven persons involved with the Dissident Principals. This undertaking shall continue for the duration of this contract, provided that if demand for escape and asylum is made upon the Supplier, the Supplier will assume responsibility for the safety of the seven or less persons for a period of 48 hours from the time of notification by the Dissident Principals and shall forthwith notify the Contractor, who shall within 24 hours from notification by Supplier assume responsibility for these persons and for their safekeeping, transportation, and entry into the United States. The Contractor shall have continuing responsibility for their supervision, safety, and resettlement after arrival in the United States.

4. The provisions for the second and third payments of \$50,000 each and the provisions for escape and asylum shall be binding upon both the Contractor and Supplier in either of the following situations:

- a. If the materials are authentic cryptographic material or
- b. If the materials are useful cryptographic materials, and in arranging the purchase the Supplier shall so stipulate to the Dissident Principals.

The Supplier will accept the written statement of Pills as to the authenticity and usability of the material based on his personal examination. This statement will be furnished Supplier at the earliest practicable time.

5. In order to carry out its undertakings the Contractor shall deliver to the Supplier, on demand, a package of U.S. money, containing \$50,000 in unmarked and unrecorded \$20 U.S. bills, bearing nonconsecutive numbers. The Supplier will use this package to make the first payment, provided for in paragraph 3.a., upon acceptance of the materials. Another package containing \$50,000 in unmarked and unrecorded twenty-dollar bills bearing nonconsecutive numbers will be delivered by the Contractor to the Counselor of the U.S. Embassy in a country determined by the Supplier, who, in turn, shall deliver it under arrangements made with the Supplier to a responsible American citizen selected by the Supplier to be held in escrow by this latter party for the second payment, provided for in paragraph 3.b., which payment shall be made on the date specified unless the notice or statement given by the Contractor to the Supplier as provided in paragraph 4 adjudges the materials as neither useful nor authentic. Delivery of this package in escrow to the party indicated shall be done as soon as possible and must be prior to the meeting for delivery and acceptance of the materials by the Supplier with the Dissident Principals. The Supplier is responsible for the safekeeping of the funds described herein while in his custody and will exercise every reasonable precaution for the return of such portion or portions of the funds furnished Supplier as are not expended under the terms of this Agreement. Supplier or its agents being engaged in a hazardous mission are relieved of pecuniary responsibility resulting from such hazards.

6. The Supplier makes no representations of its own as to the materials to be delivered. He will have the normal responsibility of a non-technically qualified agent to his principal for exercising due prudence in regard to the determination of acceptability of the materials, but, if through the Supplier's lack of technical knowledge or his inability to transmit clearly necessary instructions from the Dissident Principals, the Supplier will not be held liable in any way if the materials prove to be worthless or not authentic. The Supplier shall further encourage overtures and further transactions, but shall in no way commit the Contractor to future purchases without specific approval by the latter in each instance. The Contractor accepts full responsibility for waiving pre-purchase inspection of the materials by technical experts as had been previously urged by the Supplier.

7. In the event of the death or disability of any of the principals of the Supplier, which death or disability is directly related to the performance of this contract, the Contractor undertakes to reimburse such principals or their proper beneficiaries the amount of any insurance for death or disability which cannot be collected by such principals or beneficiaries due to refusal of the insurance companies involved to pay because of circumstances relating to this Agreement. This undertaking, however, is limited to two members of the Supplier's personnel.

8. The Contractor agrees to limit the knowledge of this project to the minimum number of people who must have knowledge of it, in whole or in part, in order to enable the Contractor to carry out its undertakings herein. The Supplier likewise agrees to limit knowledge of the project to the fewest possible individuals in its organization and further acknowledges that all information relating to this Agreement and to the project contemplated herein is information relating to the national defense and security within the meaning of applicable U.S. laws and regulations, and the Supplier accordingly further acknowledges that such information may not be divulged to unauthorized persons within the meaning of such laws and regulations. These undertakings as to security shall be without limitation as to time or as to the duration of this Agreement.

9. If the purchase and delivery to the Contractor has not been accomplished within six months from the date of execution hereof, the mutual responsibilities and undertakings, except those relating to security, shall become void and of no effect. Should the purchase be completed within six months, this Agreement will continue in full force and effect for a further period of 18 months from the date the materials are delivered to the Contractor unless the notice or statement given by the Contractor to the Supplier called for in paragraph 4 determines the materials are worthless or not authentic. Nothing in this paragraph shall in any manner pertain to any other arrangements or agreements which may later result from the subject matter of this Agreement.

Contractor:

Supplier:

*Church*

*Dale*

Church

Dale

*Finn*

Finn

~~SECRET~~ (U)

~~SECRET~~

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR  
FROM : MR. L. V. BOARDMAN  
SUBJECT : COLONEL JOHN V. GROMBACH  
INFORMATION CONCERNING

ALL INFORMATION CONTAINED  
HEREIN IS UNCLASSIFIED DATE: July 15, 1954  
EXCEPT WHERE SHOWN  
OTHERWISE  
CLASSIFIED BY: [Signature]  
DECLASSIFY ON: 25X  
330,299  
CLASSIFIED BY: [Signature]  
DECLASSIFY ON: OADR  
7-1-85

- Tolson
- Boardman
- Nichols
- Belmont
- Harbo
- Mohr
- Parsons
- Rosen
- Tamm
- Sizoo
- Winterrowd
- Tele. Room
- Holloman
- Gandy

As you know, on June 28, 1954, Colonel John V. Grombach wrote to you advising that, among other things, he was discontinuing the operation of his organization as of August 1, 1954, and that he would like very much the privilege of a personal interview with you in the near future. By return letter, you advised him that due to the heavy pressure of official matters which made your schedule most uncertain, it would be extremely difficult to set a date; however, when he was next in Washington, to call you and you would be happy to see him if you were in town and, if not, one of your assistants would be available.

By memorandum dated July 6, 1954, from Mr. Belmont to me in the above-captioned matter, there were set out therein the topics which it was believed Colonel Grombach desired to discuss. i. e. :

[Redacted]

[Redacted] was further pointed out, the Bureau has studiously avoided becoming involved in this controversy. (S) (u)

At 2:00 p. m. July 15, 1954, I conferred with Colonel Grombach, who was accompanied by his Co-Director, Colonel Walter P. O'Brien (Confidential Source [Redacted]) Liaison Agent John F. Sullivan was also present. Colonel Grombach covered the points set forth in referenced July 6, 1954, memorandum and did not take up any new matters. I told him that I would pass on to you the points he mentioned and expressed your appreciation and mine for his having been so thoughtful in having called on the Bureau. I made no commitments whatever and merely listened to what he had to say. (S) (u)

[Redacted]

obtain a Russian code in return for the payment of \$150,000 in three installments (S) (u)

JFS:mpm  
- 319  
81 JUL 30 1954  
EX-123

RECORDED - 162 62-77306-72

~~SECRET~~ 13 JUL 20 1954

[Signature]

62-80750-1  
65-58725-1  
UNRECORDED COPY FILED IN 65-58725-1

~~SECRET~~

# ROSARIO CANDELA, ARCHITECT, IS DEAD

## Designer of Many Buildings Here, 63, Aided War Effort as a Cryptographer



ROSARIO CANDELA

Rosario Candela, architect and cryptographer, died unexpectedly Monday at his home, 299 Colling Avenue, Mount Vernon, N. Y. He was 63 years old.

Mr. Candela was associated in the practice of architecture with Paul Resnick, with offices at 614 Madison Avenue. Since his graduation from the Columbia University School of Architecture in 1915, Mr. Candela had designed many apartment houses and other buildings in the city.

He was associated with other architects in the plans for the Gowanus Houses, a project in Brooklyn. With Mr. Resnick, he designed the branch bank of the Fourth Federal Savings and Loan Association at Forty-fifth Street and First Avenue.

Among other buildings that were planned by Mr. Candela were the apartment houses at 890 Fifth Avenue, 960 Fifth Avenue and One East Sixty-sixth Street. He also designed some public schools here and apartment houses in other cities, including St. Louis, Chicago and Baltimore. In collaboration with John Russell Pope, Mr. Candela prepared plans for the United States Embassy building in Grosvenor Square, London. The lower part of the building was the work of Mr. Pope. The upper floors, divided into apartments, were designed by Mr. Candela.

Several years ago Mr. Candela became interested in codes and ciphers as a hobby. Later, he used his knowledge in this subject to help the country in World War II. He did intelligence work, in addition to having taught classes in cryptography for military personnel at Hunter College.

He wrote two books on the subject, "The Military Cipher of Commandant Bazeries" and "Isomorphism and Its Application in Cryptanalytics." At his death he was at work on a third book.

Born in Palermo, Sicily, Mr. Candela was educated in Tunisia, North Africa, and at the Institute of Fine Arts in Palermo. He came to the United States at the age of 12.

He was a member of the American Institute of Architects, New York Society of Architects, American Architects Association, and the honorary president of the New York Chapter Society.

Survivors are his widow, Mrs. Rosa Candela, 299 Colling Avenue, Mount Vernon; a son, Joseph, 11 East 110th Street, New York City; and a daughter, Elizabeth, 110th Street, New York City.

CAUTION - THIS INFORMATION MUST NOT BE DISSEMINATED - MR. LADD.

~~SECRET~~

62-7246-50  
ENCLOSURE

12

Memorandum for Mr. Belmont

Grombach also notes in his letter that General Carter ~~W. X~~ Clarke, a former Deputy of the Central Intelligence Agency, had also been refused a hearing by the Clark group. ~~(S)~~ (u) <sup>WA</sup> <sup>DC</sup>

Of interest is the fact that Grombach brings up the fact that he had wanted to discuss project Empire State and communications intelligence with General Clark's group or at least those who are cleared for such a discussion and had brought this to the attention of General Clark in a note for "his eyes only," but that Clark had ignored this memorandum. In conclusion, Grombach places the problem clearly at Clark's doorstep by summing up and stating that they had done all they could to bring this to the attention of the Clark Committee and since it had not chosen to hear them they (the Grombach group) had discharged its responsibility. ~~(S)~~ (u)

RECOMMENDATION:

For your information.

ABO JBO

## About the Author

Colin Burke had been interested in codebreaking's history for over two decades. He may be contacted at [burke@umbc.edu](mailto:burke@umbc.edu)

## References

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