

Office Memorandum • UNITED STATES GOVERNMENT

TO : Director, FBI

FROM : SAC, Los Angeles

SUBJECT: FOUNDRY ASSOCIATES, INC.
NEUTRALITY ACT
FRAUD AGAINST THE GOVERNMENT
CONSPIRACY

Declassified
Authority: 35942 By:
Britney Crawford Date:
04-08-2014

DATE: December 2, 1948

SECRET

Mr. W. DUVOISIN, officer in charge of the Zone Intelligence Office, Eleventh Naval District, 626 South Spring Street, Los Angeles, California furnished this office with intelligence reports containing information relative to the above-captioned case. The three reports bear the dates November 2, 9, and 10, 1948. (S)

DUVOISIN has advised that the source of the information in all three reports was WILFORD E. DOWLING whose identity is described in letter to SAC R. B. HOOD dated November 10, 1948, also herewith enclosed. (S)

ENCLOSURES TO THE BUREAU:

Intelligence reports dated November 2, 9, and 10, 1948
Zone Intelligence Office letter dated November 10, 1948 (S)

BMPmt
2-86

cc: New York (Encl)
Newark (Encl)

ENCLOSURE ATTACHED

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
EXCEPT WHERE SHOWN
OTHERWISE

RECORDED - 64
INDEXED - 64

12-875-721
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DATE: 12-10-2004
CLASSIFIED BY: 60267 UC/NLS/BJA/Com
DECLASSIFY ON: 25X3.3(1) 12-10-2029

SECRET

Assistant Attorney General Alexander M. Campbell
Criminal Division
Director, FBI

December 22, 1948

FOUNDRY ASSOCIATES, INC.
NEUTRALITY ACT
Bureau File 2-875

SECRET

RECORDED - 7221

Reference is made to my previous memoranda to you in the above-captioned matter.

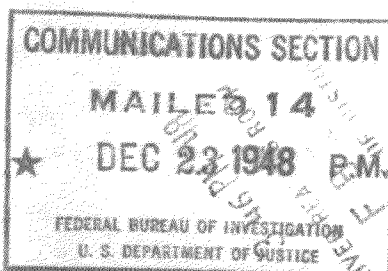
There are enclosed for your information two photostatic copies of intelligence reports received from the Office of Naval Intelligence dated as follows: November 2, 1948, November 9, 1948, November 10, 1948, November 16, 1948, and Zone Intelligence Office report dated November 10, 1948. You will observe that these reports relate to the activities of various individuals involved in the above-captioned matter. The data in these reports likewise concerns the investigation captioned "Palestine Situation, Recruitment Program, Neutrality Act, Registration Act". Accordingly, there are two additional photostatic copies of each report enclosed for your file regarding that matter. (5)

Enclosures

RWC:jmf

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DATE: 12-10-2004
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SECRET

RECEIVED

DEC 23 1948

DEC 23 1948

Tolson
Clegg
Glavin
Ladd
Nichols
Rosen
Tracy
Egan
Gurnea
Harbo
Mohr
Pennington
Quinn Tamm
Nease
Gandy

SECRET
CONFIDENTIAL

DIO-11ND

San Diego

2 November 48

See below.

Confidential Informant.

D-2

SUBJECT - Activities of, with Particular Reference to the Recruiting of U.S. Naval Reserve Personnel.

References: (a) 11ND WHI-96 rpt #106-48, dtd 4 Oct 1948, subj: **SUBJECT** - Local Activities of, with Particular Reference to the Recruiting of U.S. Marine Corps Tank Personnel.
(b) 11ND WHI-96 rpt #77-48, dtd 25 Aug 1948, subj: Service Airways Company - Operations in Czechoslovakia.

BRIEF: Source was first offered a position of Colonel in the Israeli Air Force, and now there is pending an offer for source to head "naval communications" for the Israeli government at a salary of \$10,000.00 per year, plus ---. This report indicates that the local Hagannah Headquarters insist on seeing Naval Reserve officers' records and papers, and that one Fred Katz (said to be a lieutenant, USNR, retired) is active in recruiting other naval reserve personnel. Some details are also given concerning financial transactions between Canada and the U.S. by Israeli representatives.

Note: This information is as of 29 October 1948.

SOURCE: A U. S. Naval Reserve Officer, who had many important aviation commands in World War II, and is a specialist in naval communications. He is believed to be reliable, discreet, loyal.

SUBJECT: **SUBJECT** - Activities of, with Particular Reference to the Recruiting of U.S. Naval Reserve Personnel.

Source was first contacted by letter in about June 1948, by one Ethel GROSSMAN of New York City (114th Street Hotel), who asked source if he would be interested in helping the Jewish Cause in Israel. Ethel GROSSMAN is a long time friend of source, who first knew her when she was an SLAF civil service pay-officer in Toronto, Canada. She has also, in years past, been source's representative in Canada, on personal and business matters. Correspondence with Miss GROSSMAN indicated that she is now in New York, working for the Israel Headquarters there.

NOTE: Source explains that he has the highest regard and personal friendship for Miss GROSSMAN and desires that the below information not be used in any manner to embarrass her. It is believed advisable, also, to point out that while source's name is not given in this report, it would be relatively simple for anyone familiar with subject matter to positively identify source through

ORI(Original & Master Copy); DIO-11ND; CIA-1A; FBI-1A.

(THIS REPORT CONSISTS OF THREE PAGES)

ALL FBI INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

DATE 12-22-86 BY 6026 JUC/PW/BJA/200

SECRET

DIO-1120 Serial

2 November 1948

Subject: HAGANAH - Activities of, with Particular Reference to the Recruiting of U.S. Naval Reserve Personnel.

Note: This information is as of 29 October 1948.

Information contained in this report.

Through correspondence with Miss GROSSMAN source was then offered the position of Colonel in the Israel armed forces, to command a section of the Israel Air Force.

About this time (July 1948) source wrote to the Chief of the Bureau of Aeronautics, explaining the offer made to source, with the Israel Air Force, asking for advice concerning his status in the Naval Reserves should he accept such a position. To date (1 November) source has not received an answer.

On 23 June 1948, source was advised from New York to get in touch with one Fred KATZ of 804 Alcott Street, Los Angeles (Phone: Cranstown 43157) to discuss an important command. On 24 June, Fred KATZ phoned source, and source subsequently personally called on KATZ. Conversation developed that Fred KATZ is a Lieutenant (jg), USNR (Retired), and that his "High Score" is a Mr. GROSSMAN. On 29 June, source received a telephone call from Mr. GROSSMAN, asking source if he would be interested in a job with the Israel forces at \$500.00 per month. Source advised he is not interested in anything with so low a salary.

On 24 October 1948, source received a telephone call from New York, and again another call on 24 October in which source was asked if he would head Naval Communications for Israel.

On 27 October, source received a call from Mr. GROSSMAN, asking source to visit him at 139 S. Beverly Drive, Beverly Hills, Calif. (Penthouse office, phone: Broadshaw 29922), concerning matters discussed with him by the New York office.

Source then called on Mr. GROSSMAN (28 October). Source recognized Mr. GROSSMAN as being one Bernie FINEMAN (Bernard Russell FINEMAN) formerly a motion picture producer at MGM. FINEMAN explained that he was in complete charge of recruiting operations for the Israel forces in this area (presumed to mean Southern California). He also said that he took this work over several months ago, on a part-time basis, but that he now finds himself devoting all his time to the work.

Source had been offered the following salary by the New York office: \$10,000.00 per year, plus a bonus (the details of which were not discussed), subsistence while abroad, and \$10,000.00 insurance paid for by the Israeli government. Source had also been told by the New York office that when he saw FINEMAN he should insist that he be sent to the New York headquarters for final determination of salary, duties, etc. In discussing the above matters with FINEMAN, source found FINEMAN reluctant on the salary. FINEMAN told source the above was more money than had been offered to anyone in the Israeli service. FINEMAN also explained that he was in full charge of recruitment in this area, with full authority, and saw no necessity of sending source to New York for any preliminary interviews.

FINEMAN asked source to return 30 October with the following papers: Source's Navy Separation records, his entire file of orders while on duty in the U.S. Navy (FINEMAN insisted on seeing these papers); also the following: Source's expired radio operator's licenses, and his files pertaining to his activities as training officer at the Naval Air Station, Terminal Island, and certain other papers, such as catalogues put out by RICO (Radio Installation Company, a radio engineering concern, which source owned at one time). FINEMAN explained that he would decide on what recommendation he would make to the New York headquarters after viewing source's records.

SECRET

CONFIDENTIAL

WFO-1188 Serial

2 November 1948

Subject: HAGAN - Activities of, with Particular Reference to the
Recruiting of U.S. Naval Reserve Personnel.

Note: This information is as of 29 October 1948.

Source then contacted FINEMAN again on 30 October. He found that FINEMAN's organization has several offices at 139 S. Beverly Drive, Beverly Hills. One of the offices in Suite 7112 is operated under the name of SIGNALS PROPRIETARY. The following names also appear on the door: Sydney YANKEE, Attorney; Philip WAIN; William SWIVAN; William SANNETT; Harry SMILICH.

Source was interviewed at great length by FINEMAN. Source is of the opinion that he will be recommended for the position of head of Naval Communications for the Israeli Forces. It is believed of interest that source was questioned carefully concerning his knowledge of radar. He was also given to understand that FINEMAN's organization had a radio transmitter for transmission of secret messages in the Hollywood Hills. Source was told that they recently had difficulty with their transmitter and had to use other means of conveying their secret message.

Details concerning transfer of funds between U.S. and Canada:

On 17 October source received a phone call from Ethel GOODMAN at Israeli Headquarters in New York (11th Street Hotel), in which source was asked to assist in transferring, from Canadian currency to U.S. currency, the equivalent of \$40,000 to \$75,000 in U.S. funds.

Leo BROOKS, described by source as a gambler-financeur, reputedly worth 3 or 4 million dollars, and believed to be "wanted" for income tax evasion, was said to be the Canadian in the transaction. The confidential phone number of the Toronto Headquarters was given as Kingsdale 4473.

BROOKS was said to have offered a premium of 8 1/2% for U.S. currency.

A U.S. draft was to be sent to source, payable to BROOKS's representative in Los Angeles (source believes Dale ROBERTSON is the Los Angeles representative, but is not certain of this name). The entire transaction was to be handled by means of a synchronized telephone call from Toronto, where BROOKS was to deliver the Canadian funds simultaneously with delivery of the dollar draft to his representative in Los Angeles.

To date, source has not heard further concerning this transaction. On asking FINEMAN concerning it source was told it was a matter concerning which he (FINEMAN) had no knowledge or responsibility.

NOTE: It is realized that the explanation of the above transaction is not at all clear and is confused. A confidential, reliable informant, familiar with transfers of funds from one country to another, explains that the "premium" mentioned indicates a willingness on the part of the Canadian to accept the unofficial exchange rate for Canadian drafts on Los Angeles — 91-3/4 cents per Canadian Dollar as compared to the official rate of 89-1/4 cents per Canadian Dollar. This informant also states that for a transfer of funds from Canada to this country of a sizeable amount the Canadian Exchange Control Board has to issue a permit. If such a permit were secured, there would be no need to go through intermediaries. Further, this informant believes that the use of a synchronized telephone call indicates an attempt to circumvent Canadian Exchange Control regulations, or that the transaction is sub-rosa in some respect.

Transmission by United States registered mail or registered guard mail is authorized in accordance with Article 7-5, United States Navy Security Manual for Classified Matter.

T. J. SHULTZ,
District Intelligence Officer,
Eleventh Naval District

SECRET

6-3-48

WFO-1180

San Diego, Calif.

5 November 48

48

Confidential Informant

B-1

SASAKI -- Activities of, with particular reference to the recruiting of U.S. Naval Reserve Personnel.

THIS INFORMATION IS AS OF 5 NOVEMBER 1948

Reference: (a) WFO-1180 SECRET ENI-24 Report, dated 2 November 1948, Serial 24-3-48; subj: SASAKI -- Local activities of, with particular reference to the recruiting of U.S. Naval Reserve personnel.

SUMMARY:

A U.S. Naval Reserve Officer, who had many important aviation commands in World War II, and is a specialist in Naval communications. He is believed to be reliable, discreet, loyal.

REPORT:

Source of reference report called this office on 5 November 1948 to report the following additional information:

FISHER contacted source 4 November 1948, and reported that the New York headquarters advised that they very much wanted source to head Communications for the Israeli government, but that they cannot now offer the salary of \$10,000 plus bonus, et cetera, as they had originally offered; that a recent campaign in the United States instead of producing an anticipated 250 million dollars (US), had brought in only 150 million dollars. FISHER asked source to cooperate, and take the job at a lesser amount. Source stated his finances were in a condition which made it impossible for him to take the position at any lesser amount, at which FISHER suggested that source communicate directly with the Canadian headquarters, which had originally so highly recommended source, and get them to underwrite source's salary.

Source now states that he has no intention of taking the job if it necessitates his resigning from the U.S. Naval Reserve, but volunteered to remain in contact with FISHER, New York, and the Canadian office, for purposes of getting what additional information he can concerning the activities of the Israeli government and its agents in this country.

Concerning the "radio transmitter for transmission of secret messages in the Hollywood Hills", source added that he questioned FISHER concerning the frequency used by this transmitter, but that FISHER did not know.

WFO(Original & Master Disto); WFO-1180; WFO-24; FBI-LA.
WFO-LA.

SECRET

Copy No. 3 of 3 copies.
Page No. 1 of 1 pages.

MC-118D Serial 98-2-48

9 November 1948.

Subject: MACLEAN -- activities of, with particular reference to the
recruiting of U.S. Naval Reserve Personnel.

THIS INFORMATION IS AS OF 9 NOVEMBER 1948

Source states he knows nothing more than this, except that it is a portable transmitter. Source added that this much information would be valuable to PCO, that it is like telling FBI that there is a Communist in San Pedro. Source suggests waiting until more specific information is obtained. In the event source does find out more concerning this transmitter he will advise this office. Source adds that it is entirely possible that he will be asked to assist in putting this transmitter into good operating condition.

According to source, Edward L. LINDEN is the head of PCO in Los Angeles; LINDEN is a gentile, and a good friend of his. This office should have no hesitancy in contacting LINDEN concerning this transmitter, according to source, if and/or when enough information is developed to be of use as a lead to PCO. Discussing this transmitter would be "safe" in source's opinion, even though source had given LINDEN as a reference to FINEMAN, and FINEMAN called LINDEN concerning source's qualifications.

Transmission by United States Registered mail or registered guard mail is authorized in accordance with Article 7-6, United States Navy Security Manual for Classified Matter.

T. J. SMULLEN,
District Intelligence Officer,
Eleventh Naval District.

DIO-11ND

San Diego

10 November 48

See below

Confidential Informant

B-2

HAGANAH - Activities of, with particular reference to financing of Israel war and recruiting of U.S. military personnel.

- Reference: (a) 11ND NNI-96 rpt #106-48, dtd 4 Oct 1948, subj: HAGANAH - Local Activities of, with Particular Reference to the Recruiting of U.S. Marine Corps Tank Personnel.
- (b) 11ND NNI-96 rpt #95-48, dtd 25 Aug 1948, subj: Service Airways Company - Operations in Czechoslovakia.
- (c) 11ND NNI-96 rpt #58-48(Secret), dtd 2 Nov 1948, subj: HAGANAH - Activities of, with Particular Reference to the Recruiting of U.S. Naval Reserve Personnel.

Note: This information is as of 10 November 1948

SOURCE: A U. S. Naval Reserve Officer, who had many important aviation commands in World War II. He is believed to be reliable.

REPORT: HAGANAH - Activities of, with particular reference to financing of Israel War, and recruiting of U. S. Military Personnel;

Recent conversations with Bernard M. FINEMAN of 139 S. Beverly Drive, Beverly Hills, California, who heads the recruiting activities of military personnel for Israel in the Southern California area, developed the following information:

A recent fund raising campaign in the United States to give Israel financial assistance, instead of producing an anticipated 250 million dollars (US), brought in only 150 million dollars.

The New York headquarters paid in one advance installment the sum of fifty million dollars to accounts in Czechoslovakia for the Messerschmitt airplanes, munitions, and services sold to Israel.

Commenting on a recent United Press release that American pilots deserting from the Israeli Air Force revealed that American aviators in the service of Israel are flying against Arab objectives from Czechoslovakian territory, and that Israel is obtaining Messerschmitt airplanes and arms from Russian factories, FINEMAN stated that the Russians have never been anti-semitic and the Jews of the world are very grateful to the Russians for their friendly cooperation.

ONT(Original & Master Ditto); DIO-11ND; FBI-LA; CIA-LA

(THIS REPORT CONSISTS OF TWO PAGES)

SECRET

DIO-11ND Serial

10 November 1948

Subject: HAGANAH - Activities of, with particular reference to financing
of Israel war and recruiting of U.S. military personnel.

Note: This information is as of 10 November 1948

FINEMAN made several references to "DAFNI" as heading the highest Israel command on the U.S. west coast. Note: "Major" Reuven DAFNI, 208 W. 8th Street, Los Angeles, is the recently appointed Consul of Israel at Los Angeles.

FINEMAN stated he received instructions very recently to greatly step up the recruiting of American Army and Navy officers. The following are in great demand by Israel, and FINEMAN is to procure them in increasing numbers: Army officers of all ranks, "preferably officers who have done things", have a good record in combat. It is preferable that these officers be Jewish, but since there is an insufficient number of American Jewish Officers, the stepped-up procurement program will have to include non-Jewish officers who are willing to fight for the salary involved. Navy officers are also desired, capable of commanding ships of the class of Corvettes.

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T. J. SHULTZ
District Intelligence Officer
Eleventh Naval District

