

SAC, NEW YORK

September 19, 1949

DIRECTOR, FBI

**PALESTINE SITUATION - RECRUITMENT PROGRAM
NEUTRALITY ACT - REGISTRATION ACT**

Re Bureau Mail July 12, 1949.

10450 Bureau.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
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COMMUNICATIONS SECTION
MAILED 3
★ SEP 19 1949 P.M.
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE

- Tolson _____
- Glavin _____
- Ladd _____
- Nichols _____
- Rosen _____
- Tracy _____
- Belmont _____
- Quinn Tamm _____
- Nease _____
- Gandy _____

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Mr. SCHWIMMER stated that because of the Jewish lineage of both SELK and himself, there had been considerable idle talk around Lockheed as to the ultimate destination of the three Constellation planes undergoing modification. He stated that he had kept information regarding the ultimate use of the planes confidential inasmuch as he did not desire publicity given the fact that the Jewish Agency was purchasing airplanes in the United States, and he specifically did not desire that representatives of the Arab Nation should receive the information.

In regard to ALBERT MILLER, SCHWIMMER stated that about September 15, 1947, he received a telephone call from Mr. ALBERT MILLER, who was then in New York. The telephone call was made to his home in Bridgeport, Connecticut. He stated that at that time he had just arrived from Wilmington, Delaware, on termination from a flight across the Atlantic as an employee of TWA Airlines. MILLER advised SCHWIMMER that he would like to talk to him on a matter of great importance, and it was arranged that they would meet near Grand Central Station in New York.

At this meeting MILLER advised SCHWIMMER that he was in New York as a representative of the Jewish Agency (possibly Jewish Agency for Palestine) and that he resided in Palestine. He further commented that he was in the United States to start a nucleus airline in anticipation of ultimate transport service to Palestine.

He stated that he felt the Jews would establish a nation in the Palestine area soon thereafter. MILLER inquired as to SCHWIMMER's qualifications and seemed satisfied. MILLER stated that they were interested in long-range aircraft for the purpose of transporting freight to Palestine and desired that SCHWIMMER locate planes of this type. MILLER authorized SCHWIMMER to go to Los Angeles to look at Constellation planes at Lockheed.

SCHWIMMER returned to Los Angeles, then obtained \$45,000, that is \$15,000 for each of the Constellations, and went to Washington, D. C., where he purchased them from War Assets. Delivery was effected in Los Angeles. SCHWIMMER said that he received \$25,000 when the operation opened and subsequently received payments in the amounts of \$20,000, \$50,000, and \$35,000, which was a total of \$125,000 given to SCHWIMMER to ready the planes. SCHWIMMER stated that he desired to go on record as being quite aware of the fact that it was illegal to take certain types of planes out of the United States without proper State Department clearance. He said that he further contemplated a trip to Washington, D. C. for the purpose of licensing the proposed airline with the Civil Aeronautics Board.

SCHWIMMER said that he was, frankly, very surprised at the trust placed

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in him by MILLER, stating that all of the airplanes were purchased in his name and that the \$125,000 was also banked under his name exclusively. SCHWIMMER stated that he believed the trust was placed in him because of his Jewish lineage and his sympathy with the Jewish cause in Palestine.

SCHWIMMER advised that at that time he had numerous mechanics employed readying the Constellations at the Lockheed Company.

Assistant United States Attorney HERSCHEL E. CHAMPLIN in Los Angeles has advised that because of the involved nature of this case that the facts be set out in four specific phases, namely:

1. The Vineland School District Phase.
2. Forty-two Aircraft Engine Phase.
3. Aircraft Radio Parts Phase.
4. Two Constellation Phase.

In accordance with his wishes a narration of the four phases is herewith set out and the available testimony has likewise been placed in four categories.

RE: VINELAND SCHOOL DISTRICT PHASE

On March 18, 1948, Mr. PETER BANCROFT, Principal of the Sunset Vineland School District in Bakersfield, California, purchased a C-46 plane from War Assets Administration for \$200. Mr. HANPHYN CARLSON of the War Assets Administration said that aircraft had been released to educational institutions throughout the United States on condition that the planes would not be used for any actual flight purposes; that the property would be sold only as scrap, and then only after it should be rendered completely unfit and useless except for its basic material content. Sales consummated by any school district within a period of three years of the date of acquisition must have prior approval from the War Assets Administration.

Mr. PETER BANCROFT, Principal, Vineland Schools, Bakersfield, California, executed War Assets Administration Form 65 on June 25, 1946. This form was an agreement defining educational institutions as defined in paragraph 8304.1 of Surplus Property Administration Regulation No. 4 and was to be in force for all subsequent purchases by the school.

Mr. CARLSON advised that the Vineland School District had not requested that any part of the plane be disposed of.

ROBERT WAYNE FRIEBURG, an employee of Schwimmer Aviation Company, was told by REY SELK that a plane had been sold to the Vineland School. FRIEBURG

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was instructed to get the plane ready for immediate flight. SELK emphasized that the job was an urgent one.

Mr. BANCROFT of the Vineland School District has advised that he had frequently discussed his aviation program at the Sunset School with ELYNOR RUDNICK, who operated the Bakersfield Air Park. ELYNOR RUDNICK came to BANCROFT one day and said that she would supply the money to get a C-46 plane. BANCROFT was going to allow RUDNICK to remove certain parts and the main section of the plane was to be left for the school shop.

An examination of the sales document indicates that SAM LEWIS took delivery of this aircraft. Upon interview, SAM LEWIS, who has been associated with the Schwimmer Company, stated that he flew the C-46 to the Vineland School District. With LEWIS on the flight was AURIE ANTILLA. ANTILLA said that on the first day of his arrival at Bakersfield he met ELYNOR RUDNICK, who operated a flying school at the Bakersfield Air Park. RUDNICK told those working on the job to remove all of the instruments, flight control surfaces, engines, landing gears, propellers, hydraulic units, etc. He said that on each evening the small parts dismantled from the plane should be taken to RUDNICK's garage. RUDNICK further requested that the job should be finished during the Easter vacation period as there were no children around at this time. ANTILLA stated that the control surfaces, engines, landing gears, etc., were trucked away from the dismantling operation.

ANTILLA further stated that soon after the dismantling started ELYNOR RUDNICK and REY SELK arrived. ANTILLA was advised that CHARLES PHILLIPS was to be in charge of the dismantling operation. ANTILLA said that when he returned to the Schwimmer Company in Burbank he saw the parts that he had dismantled from the plane in Burbank.

CHARLES EVERETT PHILLIPS, was a mechanic for the Schwimmer Company and the man that SELK sent to Bakersfield to be in charge of the dismantling operation. Upon interview PHILLIPS said that SELK and he left Burbank by plane and flew to Bakersfield. Enroute, SELK told PHILLIPS that he was now working for ELYNOR RUDNICK and that at no time should he mention the name of SELK or SCHWIMMER around the job. In Bakersfield they were met by ELYNOR RUDNICK at the Bakersfield Air Park. The three men then got into RUDNICK's Navion plane and flew to the Vineland School air strip near Weedpatch, California.

After examination of the C-46, SELK stressed the necessity of hurrying the job and requested that curious persons be advised that the plane was being dismantled at the request of RUDNICK. Some of the dismantled parts were placed in ELYNOR RUDNICK's garage. PHILLIPS made arrangements with trucking companies to haul the parts to Burbank to the Schwimmer Aviation Company. After the

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dismantling was finished RUDNICK flew ANTILLA and PHILLIPS to Burbank.

It is pointed out that previous to this time, A. W. SCHWIMMER and REY SELK had purchased C-46 planes from the War Assets Administration. The Vineland plane was dismantled in March, and the embargo on exports as defined in Presidential Proclamation No. 2776, was scheduled to go into effect at midnight, April 14, 1948.

PHILLIPS said that at Burbank the two engines taken from the Bakersfield plane were loaded on C-46 plane No. RX130. Other control surfaces were loaded on other planes going to Panama. WILLIAM ZADRA, Foreman for SELK and SCHWIMMER, kept an account of all of the planes and engines, and the engine numbers of all planes belonging to SCHWIMMER. In a record of export it is noted that the numbers of the two spare engines are in agreement with those on the War Assets Administration records of the plane that was sold to the Vineland School.

It is important to note here that SELK also told ZADRA that the Schwimmer Company was flying the plane to Bakersfield in return for some airplane parts. ELYNOR RUDNICK was frequently seen around the Schwimmer Company and on one occasion asked SELK what she was going to get out of the deal. SELK answered, "You're working for the cause."

The C-46 planes with the engines and dismantled parts cleared Customs on April 13 and 14, 1948, for Panama and ultimately Zatec, Czechoslovakia and Palestine. The numbers on the outward manifest are in agreement with the numbers of one of the engines. The outward manifest made out by the Westland Company said that the engines were R2800 CA-15, which type could have been exportable. The engines were actually R2800-51, which were not on the free-list for export.

In a signed statement, SAM LEWIS advised that he flew plane No. RX130 from Los Angeles arriving in Panama on April 25, 1948. He also recalled that there were two spare engines aboard this plane.

DAVID CLARK COOK, another employee, advised that he was co-pilot for the plane which flew the two engines to Panama.

STATUTE OF LIMITATIONS

The Statute of Limitations will start to operate on this phase on April 14, 1948.

RE: FORTY-TWO COMBAT AIRCRAFT ENGINE PHASE

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Early in January, 1948, HERMAN M. GREENSPUN and WILLIE SOSNOW, representatives of the Schwimmer Company, went to Honolulu to purchase aircraft engines and accessories. On March 25, 1948, ninety-five crates of engines and accessories arrived in Los Angeles Harbor, consigned to the Universal Airplane Salvage Corporation, Los Angeles. This organization is not known to exist in Los Angeles.

Mr. ABE LEVIN, who resides in North Hollywood, California, advised that he has never been an employee of the Schwimmer Company, but has procured aircraft parts for SCHWIMMER, inasmuch as his business had been that of aircraft surplus. LEVIN said that he had been in Honolulu in January, 1948, and while there had purchased aircraft equipment for his boss, Mr. CHARLES BABB, who runs an aircraft surplus business in Glendale, California. While in Honolulu, LEVIN made purchases from Mr. NATHAN LIFF, who is a war surplus dealer.

Upon arrival back in Los Angeles, LEVIN received communications from LIFF telling him that representatives of the Schwirmer Aviation Company had purchased engines in Honolulu and were shipping them to Los Angeles. LIFF sent money to LEVIN requesting him to pay for the shipment to facilitate its early delivery. This was done by LEVIN. LEVIN then got in touch with REY SELK, who was SCHWIMMER's associate, and told him that the engines had arrived in Los Angeles. The engines were then hauled to Maxwell Associates, 2801 Santa Fe, in Los Angeles, for temporary storage.

At this point it is important to note that the engines were Pratt & Whitney R2800-LOW type, which type was not allowed for export, according to Munitions Board regulations in effect prior to midnight, April 14, 1948.

After they arrived at Maxwell Associates, Mr. REY SELK, in the company of CHARLES PHILLIPS, Jr., visited Maxwell Associates, where several boxes of engines were opened. PHILLIPS recalls that REY SELK said, in effect, "Those engines are all R2800-LOW engines and are just exactly what we need." This was approximately 10:00 AM on April 13, 1948.

SELK then contacted John L Westland Company, 354 South Spring Street, Los Angeles. WESTLAND is a Customs Broker and has the function of clearing articles for foreign shipment; that is, he makes out the export declarations and performs certain other paper work. SELK told WESTLAND that as a representative of Service Airways he desired to ship forty-two aircraft engines, blower cases, and parts, to Lineas Aereas de Panama, in the Panama Canal Zone.

It is important to note that this point that the R2800-LOW engine was not allowed for export, according to regulations then in effect; however, certain types of R2800 engines were allowed for export. In fact, the R2800 CA-15 type would have been exportable up until midnight, April 14, 1948. Facts concerning

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the attempt to obtain clearance for these has been investigated by the United States Customs Service and will be presented at the trial.

The engines could have been exported had they presented a State Department permit. This was not, however, presented. After conversations between REY SELK and WESTLAND, the engines were designated on the outward manifest as being R2800 CA-15, which type was on the State Department free-list.

Customs Agent GWINN examined the engines and noted that they were actually LOW combat engines. The engines were seized by Customs Service and export was denied.

It is also pointed out in this connection that during the day of April 14, 1948, when the organization was experiencing difficulty in the proposed export, Mr. AL SCHWIMMER contacted J. D. HARRIS of the Pacific Airmotive Company, and asked his help in export and at that time admitted that the engines were LOW's.

The engines are now under seizure by United States Customs and a civil suit for remission is pending. Assistant United States Attorney HERSCHEL E. CHAMPLIN advised, however, that the overt acts of this phase will be presented in the overall conspiracy.

STATUTE OF LIMITATIONS

The Statute of Limitations will start to operate on April 14, 1948.

RE: AIRCRAFT RADIO PARTS PHASE

Early in 1948, AL SCHWIMMER purchased five C-46 Curtis Commando planes from the War Assets Administration and took delivery at Cal-Aero Field in Ontario, California. One of these planes flew the North Atlantic and the other four went to Panama and thence to Czechoslovakia. About the same time REY SELK purchased four more C-46's from War Assets Administration and one from a private individual in Oakland, California. All of them were brought to the Lockheed Air Terminal to be reconditioned. While at Lockheed SCHWIMMER and SELK paid the Qualitron Company, aircraft radio engineers, Lockheed, Burbank, to replace defective wiring in the planes and to install needed radio equipment.

Presidential Proclamation No. 2776, which prohibited the export of aircraft and all component parts, was scheduled to go into effect at midnight on April 14, 1948. At this time the radio installations were not complete on two of the C-46's. The parts were made up by the Qualitron Company and SCHWIMMER and SELK made arrangements with Mr. FIELDING, President of the

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Qualitron Company, to take two employees to Panama to complete the radio installations. Mr. ROY BLANSCET and Mr. JOHN STALCUP went to Panama for the Qualitron Company. SCHWIMMER agreed to pay their expenses and salary while gone. They were to ride to Panama aboard C-46 planes which were to leave April 13 and 14.

The five C-46 planes left on April 13 and 14, 1948, after clearing with United States Customs. The planes were numbered RX130 through 134, plane No. RX132 having on board the necessary radio wiring to be installed in Panama. RX132 crashed in Mexico City while attempting to take off and the pilot and co-pilot were both killed. The last plane left on the evening of the 14th of April. Presidential Proclamation No. 2776, forbidding export of aircraft and aircraft parts, went into effect at midnight on the 14th.

On May 3, 1948, REY SELK was in Panama, and the four remaining C-46 planes had arrived there. On May 3, REY SELK telephoned Mr. WILLIAM ZADRA, Foreman for the company, and asked ZADRA to locate five mechanics and send them to Panama immediately. SELK also requested that the mechanics should bring one complete set of radio wires, cables, cannon plugs for a C-46, twelve astro-compass brackets, several navigator watch cases, and other things. They secured the services of five mechanics and scheduled them to fly to Panama on May 5.

ZADRA conveyed the message to LEO GARDNER, who was an associate of SCHWIMMER and SELK. It was decided that a box would be obtained and all of the radio equipment to be shipped would be placed in it and marked as the personal baggage of ELMER HOLT, Jr., who was one of the five mechanics going to Panama.

The radio equipment was obtained from the Qualitron Company and ROBERT W. FRIEBURG, a mechanic, picked it up at the request of GARDNER. It should be noted here that R. W. FRIEBURG, who was then employed by SCHWIMMER, called the Westland Company and asked if aircraft radio parts could be shipped. He was advised by Mr. VINCENT LYNN, an employee of WESTLAND, that there was an embargo and they could not go out of the country.

In a sworn statement, ELMER HOLT, JR., said, as follows: "On the morning of May 5, 1948, I appeared at the headquarters of the Schwimmer Company at Lockheed Air Terminal. Mr. ZADRA gave me my ticket to Panama and a visitor's visa. Mr. ABE LEVIN was there and told me that a box of electrician's tools was to be taken to Panama, and that I was to take them along. LEVIN further stated that I should declare the box to be my personal baggage. The box had a padlock on it and ABE LEVIN gave me the key. At this time I did not look into the box to examine its contents. ABE LEVIN said that I wouldn't have any trouble getting the box out of the country. At Mines Field a Customs inspector examined

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my baggage and asked the contents of the box. I replied that the box contained my personal baggage. After examination the Customs Agent seized the box and contents and would not allow it to be exported."

On May 7, 1948, Mr. LEO GARDNER called at the office of the Customs Service and stated that he was seeking information relative to the case of aircraft radio parts which had been seized. Mr. GARDNER talked to Mr. WILLIAMS and Mr. GORIN at Customs Service, at which time he identified himself as representing Service Airways, Incorporated, and stated that the merchandise under detention was parts for their aircraft in Panama. He freely admitted that the parts could not be considered personal effects of the individual. He stated further that the parts were urgently needed in Panama. Mr. GARDNER said that he desired release of the merchandise because the company had sent men to Panama to install the equipment. The Customs Service did not release the equipment.

Mr. JOHN F. HAUSSLER, Secretary and Treasurer of the Qualitron Company, said that on May 7, 1948, a representative of the Schwimmer Company placed another order for a complete set of C-46 radio parts and asked that they be made up and delivered on the evening of May 7, 1948. At about midnight on May 7, GARDNER appeared at the Qualitron Company and picked up the parts, paid \$325.00 cash, and left with the parts. It is not known who these parts got out of the country.

It will be recalled that ROY BLANSCET and JOHN STALCUP, Qualitron employees, were then in Panama awaiting the arrival of the parts for installation. Neither STALCUP nor BLANSCET know how the parts arrived; however, AL SCHWIMMER gave them the parts in Panama and they were installed on the C-46.

HAROLD WATERS, another employee of the company, then in Panama, stated that an unknown person told him that HERMAN GREENSPUN brought them to Panama. HERMAN GREENSPUN is a cousin of REY SELK and has been associated with the Schwimmer Company.

STATUTE OF LIMITATIONS

The Statute of Limitations will start to operate on May 7, 1948.

RE: TWO CONSTELLATION C-69's PHASE

A. W. SCHWIMMER purchased three Constellation aircraft from War Assets Administration in November, 1947, and had hired men to overhaul them. SAM LEWIS is a local Los Angeles man and was employed by SCHWIMMER and is also of Jewish extraction. It should be pointed out that practically all of the men who knew the activities of the organization were of Jewish extraction. Informants

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said that it was common talk among the Jews that they were "working for the cause." The fact is that the Jews were supposed to work for enough money to support their household while the Gentile mechanics got a flat salary.

SAM LEWIS has been interviewed, at which time he admitted flying the first Constellation from Los Angeles to Millville, New Jersey, from there to Panama, then Zatec, Czechoslovakia, and finally to Palestine. In Palestine SAM LEWIS saw SCHWIMMER and LEO GARDNER, whose activities will be mentioned more later in this report. This plane was inspected by Customs in Newark and was allowed to proceed.

On March 10, SAM LEWIS flew the second Constellation to Millville, New Jersey, where it remained.

United States Customs Service granted permission for the first Constellation to leave the United States. President TRUMAN issued Executive Order No. 2776, which prohibited the export of any type aircraft after midnight of April 14, 1948, without State Department permit.

In early June, 1948, the affairs of SCHWIMMER were completed at Lockheed and the third and last Constellation made ready to fly to Millville, New Jersey. About thirty-eight mechanics and other flight personnel were hired in the Los Angeles area to go to Rome, Italy, with the understanding that they would work on commercial aircraft and not on military types. On the morning of June 6, 1948, all boarded the last Constellation and took off for Millville, New Jersey, where they landed that night. On June 11, three men left for Europe by commercial airlines. On the 13th, two more men, and on June 17, four men left for Europe by commercial airlines.

Mr. WILLIAM ZADRA was a Foreman for the Schwimmer Company and was in charge of their mechanical overhaul work done by the various mechanics who were employed by SCHWIMMER. On the night of July 9, 1948, AL SCHWIMMER met Mr. ZADRA and told him that he had received some sort of clearance or authorization from Civil Aeronautics Authority to fly the Constellations. He requested that ZADRA go to Europe on one of the Constellations.

It will be recalled that Executive Order No. 2776 prohibited the export of all aircraft without State Department license.

WILLIAM ZADRA gave a statement to the authorities in which he said that he had been instructed to ready the planes to leave the United States.

After a series of events in the East the United States Customs Service impounded the two Constellations. Agents of the State Department also took

passports from those men who had not already left for Europe via commercial airlines. After the impounding of the two Constellations ZADRA was approached by SCHWIMMER regarding his having given the statement. In an interview with ZADRA on August 7, 1948, he gave a signed statement that he was requested by SCHWIMMER and his representatives to sign a statement on July 21, 1948 reflecting his statement given to customs which was, in fact, not true. ZADRA stated that he signed this statement under duress

STATUTE OF LIMITATIONS

The Statute of Limitations starts to operate on July 21, 1948.

PRELIMINARY PROSECUTIVE ACTION ALREADY TAKEN

Assistant United States Attorney HERSCHEL E. CHAMPLIN, Los Angeles, advised that on April 6, 1949 the Federal Grand Jury at Los Angeles returned indictments charging A. W. SCHWIMMER, REY SELK, J. LEONARD, ABE LEVIN, HERMAN GREENSPUN, SAM LEWIS, WILLIAM SOSNOW, LEO GARDNER and the corporation Service Airways, New York City, with conspiracy to violate the Neutrality Act and Export Control laws. CHAMPLIN stated prosecution would be effected under Title 22, Section 452 and 453, Title 50, Section 701, and Presidential Proclamation 2776 dated March 26, 1948.

A second indictment was returned charging ELYNOR RUDNICK, SAM LEWIS, REY SELK and A. W. SCHWIMMER with conspiracy to defraud the Government under Title 18, U. S. Code 88, Title 18, U. S. Code 371, Title 18, U. S. Code 1,000 and the Presidential Proclamation 2776.

CHAMPLIN advised that attorneys for the defendants have consulted with the Los Angeles Office of the United States Attorney and had agreed to surrender certain of the defendants named and are now endeavoring to locate the others. The United States Attorney has advised that the United States Marshal would make apprehension if necessary. Bond for the defendants was fixed at \$10,000 each with the exception of ELYNOR RUDNICK whose bond was set at \$1,000.

Assistant United States Attorney CHAMPLIN advised that SCHWIMMER, SELK, GARDNER, GREENSPUN, SOSNOW, RUDNICK LEVIN and LEWIS have all submitted themselves for arrest and all have pled not guilty. Though bond was originally set for \$10,000 on all subjects with the exception of ELYNOR RUDNICK, bond has now been reduced to \$1,000 for each of the subjects. The above mentioned subjects are all free after posting \$1,000 bond. CHAMPLIN advised on July 11, 1949 that the attorneys for the defense had not produced Mr. J. LEONARD for arrest but had advised that he is enroute to Los Angeles from New York and will present himself for arrest within a week or so.