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CONFIDENTIAL

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Date 9/18/50

OFFICE OF CHIEF OF NAVAL OPERATIONS
NAVY DEPARTMENT

INTELLIGENCE REPORT

CONFIDENTIAL

Serial _____ 34-50 _____
(Start new series each year, i. e. 1—49, 2—49)

Monograph Index Guide No. _____
(To correspond with SUBJECT given below. See O. N. I. Index Guide.
Make separate report for each main title.)

From _____ DIO-11ND _____ at _____ San Diego _____ Date _____ 14 July _____ 19__
(Ship, fleet, unit, district, office, station, or person)

Reference _____ (a) 11ND P-96 rpt #95-48 dtd 25 Aug 48, subj: Service Airways Co... _____
(Directive, correspondence, previous related report, etc, if applicable)

Source _____ Confidential Informant _____ Evaluation _____ A-3 _____
(As official, personal observation, publication, press, conversation with—   identify when practicable, etc.)

A-1 to 6-0 etc.
A9/EN 3-10; SER. 4312416—11-18-42

Subject _____ Israel Air Line: Procurement of Planes for in U.S. _____
(Nation reported on)   (Main title as per index guide)   (Subtitles)   (Make separate report for each title)

BRIEF.—(Here enter careful summary of report, containing substance succinctly stated; include important facts, names, places, dates.)

BRIEF: Four (4) Constellations are being readied in Los Angeles for service with an Israel civil air line. P-51 and other military airplane components are being purchased in Southern California for export to Israel. While the same principals are involved who previously exported war materiel in violation of U.S. laws, they are believed now to be operating within the

Note: This information is as of 30 June 1950

SOURCE: Confidential Informant, whose information in the past has always been very reliable.

REPORT: Israel Air Line; Procurement of Planes for in U.S.:

Reference (a) is one of many reports relative to the shipment of airplanes and munitions of war by Jewish interests to Israel, then in violation of U.S. laws.

Several sources have in months past advised that the same principals involved in previous violations would again attempt to export to Israel without securing the necessary State Department license, a number of Constellations, together with considerable components for P-51 fighter planes.

During the trial of Al SCHWIMMER et als at Los Angeles (one of the trials concerned with smuggling planes and munitions from the U.S. to Israel) several of the defendants advised that it was their intention to place three(3) Constellations in airworthy condition (at the Lockheed Air Terminal in Los Angeles) for use in an airline service with Israel, and that legal steps would be taken to secure the necessary permission and licenses to export these planes. Sam LEWIS (another of the defendants) stated that he had been hired as Chief Pilot for these operations. Other sources at the time advised that various personnel were being recruited locally for overseas duty in connection with the proposed air line.

Recent observations of activities at Lockheed and interviews with Al SCHWIMMER who heads the Israel activity at Lockheed, indicate that four (4) Constellations are now being readied for service with the Israel air line. At the present time air pressure and conditioning equipment is being installed, a

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Subj: Israel Air Line; Procurement of Planes for in U.S.

                Note: This information is as of 30 June 1950

various modifications are being made in compliance with CAA requests. It is
estimated it will be another three or four months before the four planes will
be ready to go. The weekly payroll on this operation is around $7,500 a week.

        One source stated, "We will want to carry on some traffic with
the Arab countries, and for that reason may disguise the ownership of the
air line, perhaps incorporating it under the Italian flag; so far, nothing
definite has been decided."

        Concerning the financing of this and other activities one source
stated that there is a fund of some nine and one-half million U.S. dollars,
deposited in banks in Switzerland, which came from contributions of Jewish
people all over the world, however, principally from Americans.

        P-51 and other military airplane purchases: Several reliable
reports have come to the attention of the Eleventh Naval District that
Al SCHWIMMER and "Willy" SOSNOW are buying up P-51 parts, including whole wing
structures, overhauling them, and shipping them east for transshipment to Israel.
These purchases are being made piece-meal from many war surplus dealers,
resulting in not a few suspicions that war material is again being brought
together for export without compliance with export regulations. The persons
involved locally in making the purchases are "closemouthed", but appear to be
perfectly willing to let any government agency see and know the details of their
operations. They appear to be willing to comply with all regulations, as long
as they are able to obtain export permits. It is said, however, that if permits
to export were not obtainable they would then probably smuggle the material out.

REPORTING OFFICER's COMMENT: This is in the nature of a "follow-up" or
progress report, not particularly significant, however, of possible interest
in watching Israel's war potential.

                        T. J. SHULTZ
                        District Intelligence Officer
                        Eleventh Naval District