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Description of document: FBI File No. 58-HQ-1548, 1940's FBI Leak Investigation Focusing on Lawrence E. Kerley, an editor with the New York Journal-American newspaper, and former FBI Special Agent

Released date: 22-September-2010
17-November-2010

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21-November-2011

Source of documents: Federal Bureau of Investigation
Attn: FOI/PA Request
Record/Information Dissemination Section
170 Marcel Drive
Winchester, VA 22602-4843
Fax: (540) 868-4995/4996/4997
E-mail: foiparequest@ic.fbi.gov

Note: First release: FBI File 58-HQ-1548 Sections 1-3
Second release: Sections 4-6 and Enclosures Behind File EBF 163 Section 1 and EBF 19 Section 1

Second release material begins on page 453

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U.S. Department of Justice

Federal Bureau of Investigation

Washington, D.C. 20535

September 22, 2010

Subject: FILE NUMBER 58-HQ-1548

FOIPA No. 1144399- 000

The enclosed documents were reviewed under the Freedom of Information/Privacy Acts (FOIPA), Title 5, United States Code, Section 552/552a. Deletions have been made to protect information which is exempt from disclosure, with the appropriate exemptions noted on the page next to the excision. In addition, a deleted page information sheet was inserted in the file to indicate where pages were withheld entirely. The exemptions used to withhold information are marked below and explained on the enclosed Form OPCA-16a:

Section 552

- ☐ (b)(1)
☒ (b)(2)
☐ (b)(3) _____

☐ (b)(4)
☐ (b)(5)
☒ (b)(6)

- ☐ (b)(7)(A)
☐ (b)(7)(B)
☒ (b)(7)(C)
☒ (b)(7)(D)
☒ (b)(7)(E)
☐ (b)(7)(F)
☐ (b)(8)
☐ (b)(9)

Section 552a

- ☐ (d)(5)
☐ (j)(2)
☐ (k)(1)
☐ (k)(2)
☐ (k)(3)
☐ (k)(4)
☐ (k)(5)
☐ (k)(6)
☐ (k)(7)

444 page(s) were reviewed and 444 page(s) are being released.

- ☐ Document(s) were located which originated with, or contained information concerning other Government agency(ies) [OGA]. This information has been:
- ☐ referred to the OGA for review and direct response to you.
 - ☐ referred to the OGA for consultation. The FBI will correspond with you regarding this information when the consultation is finished.

☒ You have the right to appeal any denials in this release. Appeals should be directed in writing to the Director, Office of Information Policy, U.S. Department of Justice, 1425 New York Ave., NW, Suite 11050, Washington, D.C. 20530-0001. Your appeal must be received by OIP within sixty (60) days from the date of this letter in order to be considered timely. The envelope and the letter should be clearly marked "Freedom of Information Appeal." Please cite the FOIPA Number assigned to your request so that it may be easily identified.

☐ The enclosed material is from the main investigative file(s) in which the subject(s) of your request was the focus of the investigation. Our search located additional references, in files relating to other individuals, or matters, which may or may not be about your subject(s). Our experience has shown, when identified, references usually contain information similar to the information processed in the main file(s). Because of our significant backlog, we have given priority to processing only the main investigative file(s).

If you want the references, you must submit a separate request for them in writing, and they will be reviewed at a later date, as time and resources permit.

☒ See additional information which follows.

Sincerely yours,



David M. Hardy
Section Chief
Record/Information
Dissemination Section
Records Management Division

Enclosure(s)

In response to your Freedom of Information Act (FOIA) request submitted to Winchester, VA, enclosed is a processed copy of the FBI Headquarters file 58-HQ-1548, Sections 1-3. This represents the first interim release of information responsive to your FOIA request.

To minimize costs to both you and the FBI, duplicate copies of the same document were not processed.

Upon receipt of the enclosed CD-ROM, please make a check or money order payable to the Federal Bureau of Investigation in the amount of \$15.00 and remit payment to the Work Process Unit, Record Information/Dissemination Section, Records Management Division, Federal Bureau of Investigation, 170 Marcel Drive, Winchester, VA 22602. Please include the FOIPA request number(s) with your payment. If we do not receive this payment within thirty (30) days from the date of this letter, your request will be closed. If you wish to discuss alternative payment methods for the remaining material, please contact David P. Sobonya, Public Information Officer, at (540) 868-4593.

EXPLANATION OF EXEMPTIONS

SUBSECTIONS OF TITLE 5, UNITED STATES CODE, SECTION 552

- (b)(1) (A) specifically authorized under criteria established by an Executive order to be kept secret in the interest of national defense or foreign policy and (B) are in fact properly classified to such Executive order;
- (b)(2) related solely to the internal personnel rules and practices of an agency;
- (b)(3) specifically exempted from disclosure by statute (other than section 552b of this title), provided that such statute (A) requires that the matters be withheld from the public in such a manner as to leave no discretion on issue, or (B) establishes particular criteria for withholding or refers to particular types of matters to be withheld;
- (b)(4) trade secrets and commercial or financial information obtained from a person and privileged or confidential;
- (b)(5) inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency;
- (b)(6) personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy;
- (b)(7) records or information compiled for law enforcement purposes, but only to the extent that the production of such law enforcement records or information (A) could be reasonably be expected to interfere with enforcement proceedings, (B) would deprive a person of a right to a fair trial or an impartial adjudication, (C) could be reasonably expected to constitute an unwarranted invasion of personal privacy, (D) could reasonably be expected to disclose the identity of confidential source, including a State, local, or foreign agency or authority or any private institution which furnished information on a confidential basis, and, in the case of record or information compiled by a criminal law enforcement authority in the course of a criminal investigation, or by an agency conducting a lawful national security intelligence investigation, information furnished by a confidential source, (E) would disclose techniques and procedures for law enforcement investigations or prosecutions, or would disclose guidelines for law enforcement investigations or prosecutions if such disclosure could reasonably be expected to risk circumvention of the law, or (F) could reasonably be expected to endanger the life or physical safety of any individual;
- (b)(8) contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions; or
- (b)(9) geological and geophysical information and data, including maps, concerning wells.

SUBSECTIONS OF TITLE 5, UNITED STATES CODE, SECTION 552a

- (d)(5) information compiled in reasonable anticipation of a civil action proceeding;
- (j)(2) material reporting investigative efforts pertaining to the enforcement of criminal law including efforts to prevent, control, or reduce crime or apprehend criminals;
- (k)(1) information which is currently and properly classified pursuant to an Executive order in the interest of the national defense or foreign policy, for example, information involving intelligence sources or methods;
- (k)(2) investigatory material compiled for law enforcement purposes, other than criminal, which did not result in loss of a right, benefit or privilege under Federal programs, or which would identify a source who furnished information pursuant to a promise that his/her identity would be held in confidence;
- (k)(3) material maintained in connection with providing protective services to the President of the United States or any other individual pursuant to the authority of Title 18, United States Code, Section 3056;
- (k)(4) required by statute to be maintained and used solely as statistical records;
- (k)(5) investigatory material compiled solely for the purpose of determining suitability, eligibility, or qualifications for Federal civilian employment or for access to classified information, the disclosure of which would reveal the identity of the person who furnished information pursuant to a promise that his/her identity would be held in confidence;
- (k)(6) testing or examination material used to determine individual qualifications for appointment or promotion in Federal Government service the release of which would compromise the testing or examination process;
- (k)(7) material used to determine potential for promotion in the armed services, the disclosure of which would reveal the identity of the person who furnished the material pursuant to a promise that his/her identity would be held in confidence.

Federal Bureau of Investigation (FBI) File No. 58-HQ-1548,
1940's FBI Leak Investigation Focusing on Lawrence E. Kerley
Section 1

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. LADD *EL*

DATE: December 3, 1945

FROM : R. W. Bachman *RWB*

Call: 4:00 PM

12-3-45

SUBJECT: UNKNOWN SUBJECTS
RUSSIAN ESPIONAGE

RWB:DA

b7D

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Gandy	

At this time, Mr. Dick Thornburg, Scripps-Howard representative, Washington, D. C. telephone DIstrict 7750, telephonically contacted me and stated that he understood Fred Woltman of the New York World Telegram had previously talked with me. Mr. Thornburg inquired as to whether any information was available regarding the above captioned matter. I told him that as far as I knew nothing was available, but that I would have someone call him back.

ACTION TAKEN

I telephonically contacted M. A. Jones, gave him the foregoing information and he stated that he would see that Mr. Thornburg was called back.

ACTION TO BE TAKEN

I recommend that this memorandum be brought to the attention of Mr. Nichols and Supervisor Whitson.

ADDENDUM — 4:45 PM

Mr. Thornburg again called me and stated that he had heard nothing further on his previous call and I had same, at his request, transferred to Supervisor M. A. Jones.

972844
ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 3/14/03 BY 60280 BCF/ALP/MS

INDEXED

RECORDED

58-1548-X

EX-2

347
62 MAR 30 1946*JPM*

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. LADD

FROM : R. W. Bachman

SUBJECT: UNKNOWN SUBJECTS
RUSSIAN ESPIONAGE

DATE: December 3, 1945

Call: 2:00 PM
RWB:DA

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Mohr
Mr. Carson
Mr. Hendon
Mr. Mumford
Mr. Jones
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

b7D

At this time I spoke with [redacted]
[redacted] on a call from New York City, which was referred to me
from the Director's Office.

[redacted] stated that he had received information that the New York Journal American was going to press at 2:00 PM today, December 3, 1945, carrying a front-page story with two main column heads and headlines dealing with a surveillance by the FBI for the past two years of an unknown person engaged in Russian espionage. He stated that the Russian secret agent has supposedly been attempting to gain information relative to the atomic bomb. The story will indicate that the individual was picked up in Chicago in 1942 when G-2 was trailing him, at which time he passed over a package to another individual. The unknown subject was released and later proceeded to Portland, Oregon, to board a ship for Russia, but due to the large number of FBI men present, did not leave the country. The story will further indicate that this individual has been working for the past several months in an obscure Communist bookshop in New York for \$75 per week. [redacted] requested information as to whether the FBI had any information regarding same and also wondered whether he should call the State Department or the Office of the Attorney General. I told [redacted] that this would not be necessary, that I had no knowledge of any such story or activity, but that in the event there was any information available he would be given a call at the New York number [redacted]

ACTION TAKEN

In the absence of Mr. Nichols and Mr. McGuire, I telephonically furnished the foregoing to Supervisor M. A. Jones and he stated that he would see that same was brought to the attention of Mr. Nichols.

ACTION TO BE TAKEN

I suggest that this memorandum be routed to the office of Mr. Nichols and also to Supervisor Whitson.

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 3/14/03 BY 60290 BCE/CA/TMS

INDEXED

58-1548-X1

January 2, 1946

PERSONAL AND
CONFIDENTIAL

58-1548-X2

Mr. E. E. Conroy
Special Agent in Charge
Federal Bureau of Investigation
234 U. S. Court House, Foley Square
New York 7, New York

RECEIVED BY 60290 BOE/CALPMS
JAN 3/14/03

Dear Mr. Conroy:

In conformity with our agreement with the New York Telephone Company, I am attaching a letter to Mr. O. M. Taylor, Operating Vice President of the New York Telephone Company, requesting leased-line facilities for a surveillance on Larry E. Kerley. You should arrange for a representative of your office to present my letter to Mr. Taylor, in accordance with the procedure outlined in my letter of March 2, 1944.

If for any reason you do not utilize this surveillance, the Bureau should be notified in order that its records may be maintained in a current status.

Very truly yours,

J. Edgar Hoover

John Edgar Hoover
Director

Enclosure

JDD:del

RECEIVED
JAN 3 1946

RECEIVED-DIRECTOR
JAN 3 11 13 AM '46
U.S. DEPT. OF JUSTICE

Office Memorandum • UNITED STATES GOVERNMENT

DML: BM

TO : Mr. E. A. Tamm

DATE: 1-1-46

FROM : Mr. D. M. Ladd

SUBJECT:

At 1:10 P.M. on December 31, 1945, Special Agent [] of the New York Office telephonically advised that they needed a letter requesting a leased line to 35-30 - 81st Street, Jackson Heights on Larry E. Kerley.

[] advised that he does not believe that they had previously received an authorization since it came to light on Saturday. [] advised that Mr. Connelly was very anxious to have this right away, and requested that it be made available on Wednesday morning, if possible.

Mr. Tolson _____
 Mr. E. A. Tamm _____
 Mr. Clegg _____
 Mr. Coffey _____
 Mr. Glavin _____
 Mr. Ladd _____
 Mr. Nichols _____
 Mr. Rosen _____
 Mr. Tracy _____
 Mr. Mohr _____
 Mr. Carson _____
 Mr. Hendon _____
 Mr. Mumford _____
 Mr. Jones _____
 Mr. Quinn Tamm _____
 Tele. Room _____
 Mr. Nease _____
 Miss Gandy _____

RECEIVED
 FBI - NEW YORK
 DATE 3/14/63 BY 60290 BCE/CAL/TMS

EX - 63

158-1548-112
 32 JAN 9 1946

1-2-46-288-cc

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

FROM : Mr. Edw. A. Tamm

SUBJECT:

DATE: 1/2/46

Call: 10:17 A.M.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/14/83 BY 60306 EAL/MS

Mr. Tolson ✓
Mr. E. A. Tamm ✓
Mr. Clegg ✓
Mr. Coffey ✓
Mr. Glavin ✓
Mr. Ladd ✓
Mr. Nichols ✓
Mr. Rosen ✓
Mr. Tracy ✓
Mr. Carson ✓
Mr. Egan ✓
Mr. Gurnea ✓
Mr. Hendon ✓
Mr. Pennington ✓
Mr. Quinn Tamm ✓
Tele. Room ✓
Mr. Nease ✓
Miss Beahm ✓
Miss Gandy ✓

SAC E. E. Conroy of New York called at the above time with reference to the Kerley (phonetic) matter. He said in order to determine his bank they placed a mail cover on him and they are getting daily reports from the postman himself so that they are not asking for tracings, just return addresses.

Mr. Conroy stated [] (phonetic) called Mr. Ladd last Monday concerning the technical on Kerley and he did not know whether the letter has come up or not. I told him it was coming up today but I thought they should go ahead without the letter if at all possible. He said they would not hook them up so I advised him we would get it up there today.

Kirkland is checking on the technical on Lewis (phonetic) but he has not been able to get in touch with the contractor by telephone as yet this morning. He said they are also checking the credit agencies there in an effort to uncover the bank account and if they are unable to uncover it there they will probably place stops with the telephone company and Consolidated Edison on any checks that Kerley may send in in payment of monthly accounts. He said they are checking with the Manufacturer's Trust Company there where the Agents in the office normally have their accounts.

Mr. Conroy stated they would like to have someone at the Bureau make a review of the files for information of any kind regarding Kerley, Lewis or Sibley, which may be pertinent to the investigation. I inquired as to the full name of Lewis and he stated it was James Campbell Lewis (phonetic). Mr. Conroy did not have the other full names at hand but will obtain this information and later advise me.

He said he thought it would also be advisable to have Louisville review their files, that he had talked to Louisville regarding the automobile license number, and he had been down there as Resident Agent and probably had contact, etc. I instructed him to call Louisville and request this check of their files and to send a summary of everything they have to Mr. Conroy.

He advised they are getting out a report today, starting the dictation this afternoon just as soon as the Agents are free from other tasks, and they planned to carry it as "Larry E. Kerley, Bribery" (phonetic). I told him this was all right.

Another thing, Mr. Conroy would like to call Kansas City in order to check on any toll calls which Kerley made while he was out there. I told him to do this by all means. He said he intended

b6
b7C

5 JAN 22 1946

Memorandum for the Director

to have Kansas City check the records of leave which he may have taken and any addresses indicated by him on the leave slips. Mr. Conroy stated they are saving the Number Three cards and the Assignment Cards there on Kerley for possible use as evidence later. They are going to hold in abeyance the checking of long distance calls on Kerley, ~~Hushmore~~, ~~Shoenstein~~, ~~Lewis~~, ~~Sibley~~ and the "Journal-American" for the present time because they are afraid it might get back to them.

They are also holding in abeyance the checking of bank accounts other than Kerley's the same way. I told him I thought this was right.

Mr. Conroy would like to obtain from the Bureau the dates and the amounts of the pay, salary and terminal checks paid to Kerley since a year ago November so that they can readily eliminate these when checking his bank account. I advised him this was all right.

Another way to determine the bank, if possible to do it down here, would be go to the Treasury Department and have his checks dug out to find out what bank endorsements were on them Mr. Conroy stated. I told him we would try that but that I saw a newspaper article to the effect that they had three million checks which they hadn't even sorted alphabetically yet, that we would try it anyway to see what we could do.

EAT:dmg

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED *on envelope*
DATE 3/14/03 BY 61208E/SLT/s

4 Enclosures to Bureau

RE: LARRY E. KERLEY
BRIBERY

Kansas City letter 1-3-46

58-1548-2

L. D. TELEPHONE CHARGE

Charged by

Charge to

Room No.

Phone Connection with

Name

No.

Time

Operator

10 Minutes

\$ 5.60

22 1945

509

New York N.Y.

James C. Lewis Res

22 E. 73 St

G. P.

ANNUAL LEAVE REQUEST

CC-318

Division

F. B. I.

Section

Date

9-6-45

I, KERLEY, HARRY E.

(print last name, first name, initial)

to be granted for

2

days

hours

commencing

9 A M

9-24-45

(date)

ending

6 P M

9-25-45

(date)

My address will be

be

40 Miss W. Emmons

4522

45

St

Kansas City, Mo

Signed

Harry E. Kerley

Working hours

9:00 - 6:00

Approved

[Signature]

Federal Bureau of Investigation
United States Department of Justice

Kansas City 13, Missouri
January 3, 1946

DECLASSIFIED BY 60290 BCE/CAL/TWS
JAN 3/17/03

PERSONAL AND CONFIDENTIAL

Director, FBI

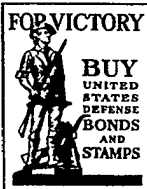
Dear Sir:

RE: LARRY E. KERLEY
BRIBERY

On January 2, 1946, Special Agent in Charge E. E. CONROY of the New York office telephonically requested that it be determined whether former Special Agent LARRY E. KERLEY had a bank account in Kansas City and to check all long distance toll telephone calls made by KERLEY during the time that he was assigned to the Kansas City office, as well as to ascertain from the records any addresses which KERLEY may have given at the time that he was on any vacation or leave taken which would absent him from Kansas City.

It was determined from the records of the Kansas City office that former Special Agent KERLEY reported for duty in the Kansas City office on July 27, 1945, having arrived in Kansas City at 9:15 P.M. on July 26, 1945; that he resigned from the Bureau and active duty ceased at the close of business on October 1, 1945; that he resided during the time he was assigned to the Kansas City office at the Schuyler Hotel, 1017 Locust Street, Kansas City, Missouri; that he remained in Kansas City from July 27, 1945, until 8:00 P.M. of September 6, 1945, when he departed for Murray, Kentucky, on compensatory leave. He was to be in care of VAN BARNETT, 1105 Olive in Murray, Kentucky, from 10:00 A.M., September 7, 1945, until 10:00 A.M., September 8, 1945, when he was to go from Murray, Kentucky, to Washington, D. C., for attendance at In-Service training. He was scheduled to report for In-Service training at 9:00 A.M. on September 10, 1945.

On September 6, 1945, KERLEY submitted a request for annual leave, which was granted, which was to commence at 9:00 A.M. on September 24, 1945, and was to end at 6:00 P.M. on September 25, 1945. He indicated that his address would be in care of Miss L. EMMONS, 4522 45th Street, Kansas City, Missouri. It is believed that this address should have been New York City rather than Kansas City, inasmuch as he stated orally to me that he intended going to New York City for a couple of days following his In-Service training. This belief is further borne out by the fact that there is no address in Kansas City as 4522 45th Street. Inquiry to determine if there is a 4522 East 45th Street or a 4522 West 45th Street, Kansas City, has likewise proved negative. A check of the 1945 Kansas City, Missouri,



58 JAN 25 1946

5-124

RE: LARRY E. KERLEY
BRIBERY

January 3, 1946

city directory, as well as a check of the December, 1945, telephone directory fails to reflect any one by the name of L. EMMONS as residing in Kansas City.

According to the No. 2 Register in the Kansas City office, KERLEY returned to the Kansas City Field Division at 1:15 A.M. on September 27, 1945, and he reported for duty at the Kansas City office at 8:40 A.M. on September 27, 1945.

There is no other record in the files of this office to indicate any additional leave for former Special Agent KERLEY than that as indicated above.

A check of the records of the Schuyler Hotel, Kansas City, Missouri, reflects that he registered into this hotel on July 26, 1945, where he remained until September 6, 1945. On September 26, 1945, he is shown as again registering at the Schuyler Hotel where he remained until October 3, 1945, and checked out of the Schuyler Hotel leaving a forwarding address of Murray, Kentucky, in care of VAN BARNETT, 1105 Olive Street.

The records of the Schuyler Hotel further reflect that during the period of time that he resided in the hotel he made four long distance telephone calls. These telephone calls are as follows:

July 29, 1945, he telephonically contacted VAN BARNETT, 544J, Murray, Kentucky.

August 7, 1945, he placed a long distance call to telephone 544R at Murray, Kentucky, which call was made from Victor 4686, the telephone number of the Kansas City office of this Bureau, which call was charged to KERLEY at the Schuyler Hotel.

August 22, 1945, he placed a long distance call to JAMES C. LEWIS, 22 East 73rd Street, New York City, at which time he talked a period of ten minutes and the toll charges were \$5.40. The call was placed at 9:50 P.M.

September 28, 1945, he placed a telephone call to Mrs. LARRY E. KERLEY at 409 East 48th Street, Savannah, Georgia.

RE: LARRY E. KERLEY
BRIBERY

January 3, 1946

Inquiry of Mr. JOSEPH GORMAN of the Columbia National Bank, Kansas City, Missouri, reflects that on July 28, 1945, KERLEY opened a checking account with the deposit of \$100.00. This account was opened in the name of LARRY E. KERLEY and Mrs. LARRY E. KERLEY and was a joint checking account. The account was closed on November 16, 1945, with the notation that KERLEY had moved to New York City, but no address in New York was given. At the time the checking account was closed there was \$1.45 remaining in the account.

The entries, both deposits and withdrawals, as shown on the transcript maintained by the Columbia National Bank of Kansas City, are as follows:

<u>Withdrawals</u>		<u>Deposits</u>	
8-7-45	2,700.00	7-28-45	100.00
8-13-45	17.43	8-7-45	108.24
8-17-45	10.72	8-7-45	2,593.50
8-18-45	58.55	8-11-45	100.00
8-18-45	10.00	8-27-45	115.00
8-22-45	32.50	9-27-45	275.00
8-25-45	1.76		
8-27-45	30.00		
9-4-45	25.00		
9-4-45	10.00		
9-6-45	75.00		
9-7-45	5.83		
9-8-45	14.43		
9-11-45	20.00		
9-13-45	20.00		
9-21-45	17.00		
9-24-45	4.00		
9-25-45	1.02		
9-26-45	25.00		
10-2-45	100.00		
10-3-45	26.81		
10-5-45	6.81		
10-16-45	35.00		
10-24-45	.80		
11-16-45	1.45		

A check of the records of the Columbia National Bank of Kansas City further reflects that KERLEY formerly maintained a bank account at the Manufacturers Trust Company, Park Row Branch, city not given, but apparently New York City.

RE: LARRY E. KERLEY
BRIBERY

January 3, 1946

The item deposited on August 7, 1945, in the amount of \$2,593.50 was, according to the records of the Columbia National Bank of Kansas City, a number of War Saving Bonds which were cashed by the Columbia National Bank. According to Mr. GORMAN, the serial numbers of these bonds were not retained by the bank. The item of \$275.00 made in the form of a deposit on September 27, 1945, was shown on the deposit slip as being a check drawn on the Columbia National Bank of Kansas City. There was nothing additional in the files of the bank to further describe this deposit.

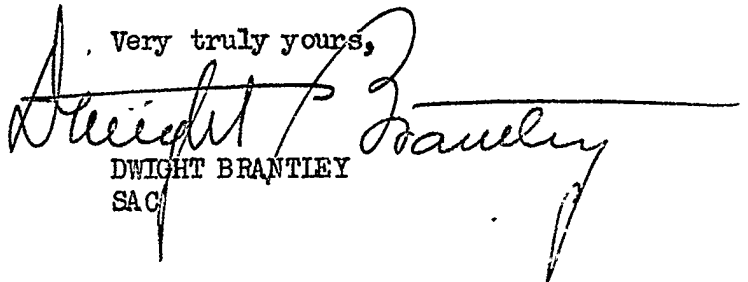
A receipt signed by KERLEY, exhibited by Mr. GORMAN and dated September 27, 1945, reflected that he was issued all of the canceled checks which he had drawn on the bank prior thereto. For this reason there was no way to determine what the \$2,700.00 withdrawal of August 7, 1945, was.

Two photostatic copies of the long distance toll charge made by former Special Agent KERLEY to JAMES C. LEWIS, 22 East 73rd Street, New York City, on August 22, 1945, are being forwarded as enclosures with this communication to the Bureau and the New York office. Likewise, two photostatic copies of the only leave slip submitted by KERLEY while assigned to the Kansas City office, which has been more completely described hereinbefore, are being enclosed with this communication to the Bureau and to the New York office.

It is suggested that the New York office may desire to check through the Inspection and Training Division of the Bureau to determine what address was given by former Special Agent KERLEY at the time he went on annual leave following the completion of his In-Service training on or about September 21, 1945.

It is further suggested that the New York office may desire to have checked through appropriate sources the War Saving Bonds which were purchased by the former Special Agent KERLEY through the Bureau and likewise outside of the Bureau.

Very truly yours,


DWIGHT BRANTLEY
SAC

HCB:B

Encs. 4

AMSD

cc - New York (Encs. 4)

AMSD

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. EDW. A. TAMM

FROM : Mr. D. M. Ladd

SUBJECT: LARRY E. KERLEY MATTER

DATE: 1/7/46

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Call: 5:25 P

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

SAC E. E. Conroy of New York called me at the above time in order to advise of developments in this matter. He stated there were no developments on the Rushmore technical surveillance today at all that would amount to anything. The letter authorizing the Kerley technical was received by that office on Saturday and they are unable to do anything with the Telephone Company on Saturday. Their contact at the Telephone Company has been in so much of a dither today on account of the strike business that they were unable to get it in - they are so upset over there that Mr. Conroy explained they are not in much of a position to press things. He said it would probably go in tomorrow. He said the letter on the Lewis technical will probably be in tomorrow and maybe they will be able to get them both in at the same time. I advised him to let the Bureau know when they are put in. I told him we are sending the letters through tonight on the other one.

He stated a report came in from the Louisville Office by Chipman dated January 4, 1946, and there isn't much in there that we didn't have before except that it is very interesting to note he kept his bank account down there until May 17, 1945, some time after he was there with a balance of \$1672.54, but that principally is a Treasury check which was deposited on April 24, 1945, for a deposit of \$1470, which was the remainder of a Treasury check of \$1520 which was put in there. Mr. Conroy said this was probably his wife's retirement fund accumulated and she perhaps had been working and quit before the 5-year period. This is merely an assumption. He said if they could run this out down there it might clear that item.

Mr. Conroy advised they do find that there were some War Bonds deposited. He stated he had talked with you in connection with the letter from Kansas City on Friday last. Mr. Conroy said apparently there was a fairly large deposit made out there which amounted to about \$2700 and the cashier out there said it was War Bonds. If there is no Bureau objection, Mr. Conroy said he was going to call the Chicago Office and have them check with the section of the Treasury out there which keeps the records on War Bonds in order to determine whether he was paid by the "Journal-American" in bonds. Mr. Conroy said he believed they have the bonds listed out there by name in order to find them. Mr. Conroy said they would like to do this for elimination and to find out just what records they have of any bonds ever held by Larry E. Kerley or Mrs. Dorothy Kerley. He said he would call them the first thing in the morning and I told him this would be all right to go ahead.

JAN 25 1946

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Memorandum for Mr. Edw. A. Tamm

On the mail cover he advised only three letters came in one of which was addressed to Kerley from the Bureau apparently postmarked January 5th, or dated January 5th. The letter was registered under #497544. He said he wondered what the Bureau would be writing to him about. I told Mr. Conroy I would check on this. He stated there was a letter from a Dr. Chester Myron, M.D. at 35-37 86th Street, Jackson Heights, dated January 5th. He said he would be afraid to make any inquiry there, that this is probably a bill, but that doctor may know him so well that he would tip him off if they tried to find out. I advised Mr. Conroy to let this go for the time being. There was a letter to the subject's wife from 409 East 48th Street, Savannah, Georgia, postmarked January 5th. He said her home is down in Savannah, and this is pretty well eliminated.

Mr. Conroy then stated it is significant that yesterday Supervisor Marchessault of the Communist Section there in the office and who is familiar with this investigation received a telephone call from John Keenan, former Agent of the Bureau and who resigned 2 or 3 months ago. In a very highly confidential manner, telling Marchessault he was giving him this information not to be given to anyone else to the effect that the name of the man who gave the story to the "Journal-American" began with "C". Marchessault jockeyed around with him a while and he finally said the man's name was "Kerley" probably phonetic. Mr. Marchessault couldn't obtain any more information from him. He told Mr. Conroy about this and then called Keenan back to inquire if he could divulge this information to Mr. Conroy at which time Keenan said "no" and that he merely gave this information to Marchessault in confidence. Mr. Conroy said they did not want to press him on this because he told Marchessault he might be able to give him some more information later and also told him that this information came strictly from newspaper sources and it did not come from the Bureau. Mr. Conroy said he was wondering if there might be another leak or something around there, but Keenan definitely said it was obtained from newspaper sources and he might be able to give him further information on it. As a matter of fact, Mr. Conroy was of the opinion it might be a little unfortunate because it seems at least Kerley's name has gotten out into newspaper sources some place and it might bounce back to him putting him on guard.

Mr. Conroy added that Mr. Keenan is practicing law in Brooklyn with his father. SAC Conroy stated he is a reliable boy.

DML:dmg

1/8/46
Mr. Tamm
JL

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

DATE: January 2, 1946

FROM : Mr. Edw. A. Tamm

Call: 11:05 A.M.

SUBJECT:

SAC E. E. Conroy of New York called at this time to give me the full names of individuals involved in the Kerley matter. The names are:

James Campbell Lewis and his wife is Mrs. Elizabeth Barbara Lewis. They reside at 22 East 73rd Street, City

George H. Sibley, who resides at 9 East 81st Street
Both of the above-mentioned men have offices at 745 Fifth Avenue.

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Mohr _____
Mr. Carson _____
Mr. Hendon _____
Mr. Mumford _____
Mr. Jones _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Beahm _____
Miss Gandy _____

EAT:dmg

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INDEXED

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DATE: 1/5/46

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FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT

NEW YORK

NY FILE NO. 67-13301 228

REPORT MADE AT NEW YORK	DATE WHEN MADE 1/3/46	PERIOD FOR WHICH MADE 12/3/45 - 1/2/46	REPORT MADE BY T. SCOTT MILLER, JR.
TITLE LARRY E. KERLEY			CHARACTER OF CASE BRIEBERY

SYNOPSIS OF FACTS:

PERSONAL AND CONFIDENTIAL

On December 24, 4th and 5th, 1945, the "New York Journal-American" published articles written by HOWARD RUSHMORE, which set out in detail investigation being conducted by the New York Field Division concerning Russian espionage, namely ARTHUR ADAMS, ANDREI SCHEVCHENKO and GERHARD EISLER. Information contained in the articles made it apparent the information was obtained from an individual who had access to reports submitted in these investigations. Physical surveillance of HOWARD RUSHMORE reflected that on Dec. 22, 1945, he went to the home of JAMES CAMPBELL and ELIZABETH LEWIS, 22 East 73rd St., New York, New York and there spent the evening, at which time GEORGE H. SULLIVAN and an unknown woman and a man believed to be LARRY E. KERLEY, former Special Agent of the FBI were present. The records of the New York Office reflect that KERLEY had intimate knowledge of the cases from which material was published in the "Journal-American". KERLEY is presently Assistant to the President of E. R. SQUIBB & Sons of which LEWIS and SULLIVAN are executives. The records of the New York Office further reflect that KERLEY

[REDACTED]

to the ADAMS case. KERLEY first met the LEWISES in August of 1942. KERLEY resigned from the FBI on October 1, 1945 and is presently residing in New York. His Terminal Leave expires on January 31, 1946.

APPROVED AND FORWARDED	SPECIAL AGENT IN CHARGE	DO NOT WRITE IN THESE SPACES	
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DETAILS:

This report reflects the joint investigation of Special Agents [redacted] and the writer.

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The investigation was predicated upon a conversation between Director J. Edgar Hoover and Special Agent in Charge R. E. Conroy in Washington, D. C. on December 7, 1945, at which time Mr. Hoover requested the New York Office to endeavor to find out where certain information had come from, which had been given to the "New York Journal-American" newspaper concerning investigations being carried on by the New York Field Division.

On December 3, 1945, there appeared in the "New York Journal-American" a detailed article concerning the activities of ARTHUR ADAMS, who is a subject of an investigation in connection with the CO'TRAP Case in the New York Office. The article was under headlines of the first page of the paper and carried HOWARD RUSHMORE as the writer of the article. It might be stated that this article set out a very accurate account of the investigation of the Federal Bureau of Investigation concerning the activities of ADAMS and presumably came from someone who had detailed knowledge concerning the investigation or else had access to all of the reports submitted in connection with this investigation. It might be stated, however, that there were a few inaccuracies in the article, although it is not known whether these were made when the story was written by RUSHMORE or whether he received inaccurate facts from his informant.

On the following day, December 4th, there appeared another article, which undoubtedly described the activities in part of ANTONI SCHEVCHENKO, the head of the AMTORG TRADING CORPORATION in New York City. SCHEVCHENKO is the subject of a current case in the New York Field Division and both SCHEVCHENKO and ADAMS were under surveillance at the time the articles appeared in the "Journal-American". This article was also written by HOWARD RUSHMORE and likewise indicated that the information must have come from someone who had detailed knowledge concerning the investigation of SCHEVCHENKO.

The following day, December 5th, a third article appeared, also written by HOWARD RUSHMORE, which while not quite as accurate as the first two, described in part the activities of an individual who presumably was being investigated by the Federal Bureau of Investigation. It is believed by the New York Office that the article was referring to GERALD STONE. STONE, likewise, is a subject of an investigation by the New York Field Division. However, his activities are not being followed as closely as the other two individuals. It may be noted that there were a few inaccuracies in the releases of December 4th and 5th also.

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Copies of the above three articles are being maintained in the instant file in the New York Office.

HOWARD RUSHMORE was formerly a member of the Communist Party and was a writer for the "Daily Worker" in New York City until about 1940, at which time he was expelled from the Party for refusing to write an unfavorable review of the picture, "Gone With The Wind". Therefore, RUSHMORE is presumably thoroughly acquainted with the operation of the Communist Party and during the time he has been a reporter for the "Journal-American" he has written many articles concerning the activities of the Communist Party and individuals who are members or associated with it. From time to time he has supplied this office with information in connection with investigations by this office of that type.

On December 5, 1945, at the request of Assistant Director D. M. Ladd, the ADAMS and SCHWARTZKO files were checked for missing serials with negative results.

On December 4, 1945, at 8:45 PM, which was shortly after the second release, HOWARD RUSHMORE telephonically communicated with Special Agent [redacted] with whom he has had contact on several cases before, at which time he wanted to tell Agent [redacted] of the reaction of ERIC REBNAY upon being interviewed by reporters of the "Journal-American". It is pointed out that ERIC REBNAY is a close associate of ARTHUR ADAMS.

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During the course of the conversation, RUSHMORE stated that the facts he had in the two articles were accurate and that he had spent three days getting them and checking them. He stated that the information did not come from the FBI and said, "I can give you my word of honor on that". RUSHMORE said that he had not checked the facts with the Bureau before printing the articles and stated that Mr. SCHWARTZKO (the editor of the Journal-American) had called Mr. Nichols of the Bureau and had advised him and also had called Mr. Conroy at the New York Office and told them about the story.

RUSHMORE stated that he did not take into consideration that the disclosure of the story might seriously effect any existing investigations by this office and then stated, "Why the ARTHUR ADAMS case is over two years old and the SCHWARTZKO case has been in the hands of the State Department since last July".

It is pointed out that Agent [redacted] mentioned no names to RUSHMORE during the conversation and RUSHMORE referred to the two cases as set out in the quoted material above, which were the two cases set out in the two articles.

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RUSHMORE told [] that REEFAY was the one who went with ADAMS to Chicago on the train and "whose phone was tapped", and that he is the one who was riding the car through the red lights and, "who gave the agents such a ride at eighty miles an hour".

It is pointed out that the Agents assigned to the REEFAY surveillance had extreme difficulty in keeping up with REEFAY.

Also during the conversation, RUSHMORE stated that he had other names in the case and mentioned the name of HESLEY, (NICKIA SAND HESLEY).

It should be stated that at no time during the conversation did Agent [] in any way indicate to RUSHMORE that the facts printed in the two articles were correct or that any such types of investigations were being carried on by the New York Office.

On December 6, 1945, Mr. LOUIS SHAPPE of the FRANK S-SHAPPE ADVERTISING AGENCY, advised Special Agent Donald D. Sharnon that on the same date NELSON FRANK, a reporter for the "New York World Telegram" newspaper, came into the office of SHAPPE and interviewed him relative to SHAPPE's knowledge of SAMUEL NOVICK.

It is pointed out that SAMUEL NOVICK is a contact of ARTHUR ADAMS and the subject of an investigation by the New York Office.

During the conversation between FRANK and SHAPPE, FRANK told SHAPPE that the radar manufacturer, the electrical manufacturer and the Atom bomb spy were actually SAMUEL NOVICK, ERIC REEFAY and ARTHUR ADAMS, respectively, mentioning each by name.

Subsequently FRANK advised Agent [] that he had obtained his information concerning the individuals from FREDERICK WOLTMAN, another writer for the "New York World Telegram". WOLTMAN had been advised of the identities of the individuals mentioned in RUSHMORE's articles by RUSHMORE himself.

Former Special Agent [] who is now employed by the TIME and LIFE PUBLICATION, advised Special Agent I. B. Hale of this office that one of the staff writers for TIME MAGAZINE had contacted RUSHMORE and had congratulated him upon his "scoop", and in the course of the conversation RUSHMORE stated that he had not gotten his information from a FBI agent, but had gotten it from Army Intelligence officials.

PAUL SCOTT WITKIN, the editor of the "Journal-American", resides at 210 West 73th Street, New York, New York, telephone number SCHuyler 4-4747, which is a special number not published. Inasmuch as

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information had been developed that SCHWARTZ had stated that the person who had given the information to the "Journal-American" had been in his home recently, a physical surveillance of SCHWARTZ's apartment house was instituted. Special Agents [redacted] and Leffert W. Kuhrtz as well as the writer maintained the surveillance of the apartment house from December 8, 1945 to December 16, 1945, but no person known to the Agents was observed to enter the apartment house.

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HOWARD RUSHMORE, the reporter in whose name the articles were carried, resides at 32-17 84th Street, Jackson Heights, Long Island, New York, telephone number HAVEMeyer 9-5268, a special non-published number. This neighborhood was inspected with the end in view of maintaining a physical surveillance on the RUSHMORE home. However, in view of the fact that the neighborhood is one where a physical surveillance would be inappropriate and not very secure, no such physical surveillance was maintained.

CONFIDENTIAL INFORMANT [redacted]

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The information being set out below was furnished the New York Field Division by Confidential Informant [redacted] whose services commenced on December 22, 1945. It is pointed out that in all the information supplied by this informant in the report is only that information which might be an aid in this investigation of this case. This informant reports part of the activity of HOWARD RUSHMORE and his wife at their home, 32-17 84th Street, Jackson Heights, Long Island, New York.

DECEMBER 22, 1945

At 3:38 PM on the above date Mrs. RUSHMORE attempted to confer with a Miss CARTERIGHT (ph.), but was unsuccessful. According to the informant, Miss CARTERIGHT might possibly be available at PR 3-6141. The informant further stated that later on Mrs. RUSHMORE was able to confer with Miss CARTERIGHT and he believed that Miss CARTERIGHT's first name was MABLE and that her address was 35-25 77th Street, Jackson Heights, Long Island, New York, apartment B 28.

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At 10:18 PM on the same day HOWARD RUSHMORE sent a telegram to a MRS. JOE TROPLETON, 215 Blair Street, Anderson, South Carolina. The telegram was a birthday greeting.

DECEMBER 23, 1945

Confidential Informant [] advised on this date at 12:40 PM HOWARD RUSHMORE attempted to contact a Mrs. LORTON (ph.), but that Mrs. LORTON was out of town for about ten days. b2

At 4:05 PM HOWARD RUSHMORE invited one CHARLIE over to his house for Christmas eve. However, CHARLIE had a dinner engagement for that night and stated they would meet after the holidays.

At 3:50 PM Mrs. RUSHMORE had a social conversation with one NERLE (ph.). During the course of this contact, NERLE advised Mrs. RUSHMORE that RALPH had gotten in Friday night and would stay for a week and that KITTY's ED had come home last night and that JOE and CATHERINE might come up from South Carolina after Christmas to visit with Mr. and Mrs. RUSHMORE.

At 5:27 PM HOWARD RUSHMORE contacted one FRANK and they discussed a meeting or a rally which was to be held in the future. FRANK was having difficulty getting enough tickets. He had inquired from RUSHMORE if the latter had heard about the vote, which was 300,000 and all the Irish Societies. FRANK stated that ATWELL is with us and stated that if they had the Yankee Stadium they could fill it. FRANK then discussed with RUSHMORE the fact that the Irish had been incensed because they had been kicked around. It also appears that FRANK has a secretary who wants to go to Florida on the 29th. In speaking further of the rally FRANK stated that JOE STACK was coming up with three or four Congressmen. RUSHMORE asked him if he had gotten BUDENZ, and FRANK stated that BUDENZ had larynitis, but would probably be all right. FRANK advised RUSHMORE that SCOTT had sent the professor of Loyola here and Father DONAVAN (ph.) from San Francisco and SOKOLSKY (ph.) He further stated also present would be Congressmen from Michigan and Minnesota. HOWARD RUSHMORE inquired of FRANK what the Commission in Washington was doing and FRANK told him that they were getting after them, but told RUSHMORE not to crack that one yet, "until you hear from us". FRANK then went on to tell RUSHMORE that DONAVAN (ph.) and some other persons are demanding an office and some help, and that he hoped to get Governor Warren of California. FRANK stated he would keep RUSHMORE advised as to anything of importance that might arise.

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At 8:10 PM HENRY RUSHMORE attempted to contact one ELLIOT who was not in at the time of his contact. RUSHMORE made arrangements to have ELLIOT stop at his house on Christmas eve and ELLIOT would call him on the morning of December 24th before she went to work.

DECEMBER 24, 1945

At 12:53 PM on this date, according to [redacted] Mrs. RUSHMORE contacted her husband at his office and told him that they had gotten a Christmas present from the FAYLORS and she hoped it would be a, "bottle".

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DECEMBER 25, 1945

At 10:10 AM on this date Mrs. RUSHMORE attempted to contact one ELIZABETH A. TWIBLETON at Anderson, South Carolina. However, due to technical difficulties she was unable to contact this person.

At 10:30 AM on this date RUSHMORE contacted a Mr. L. P. EVERETT at the Mayfair Hotel in Charlotte, North Carolina. He contacted him at a shoe store, Wisley 2-1768. RUSHMORE had a personal conversation with EVERETT and thanked him for his gifts and EVERETT advised that he would try to call Thursday or Friday night.

DECEMBER 26, 1945

At 8:27 AM on this date RUSHMORE contacted his wife and advised her that he was at the office and would have to get in touch with her later as PAUL was in his office. (Probably PAUL SCHWENSTUBER).

At 10:03 AM RUSHMORE contacted his wife and she advised him that she might contact KITTY and her brother MILE (ph.) for lunch.

At 10:09 AM Mrs. RUSHMORE contacted one RALPH FAYLOR at a hotel and made plans for cocktails that afternoon.

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At 7:55 PM HOWARD RUSHMORE contacted one BETTY and told her that he had a brilliant streak of inspiration and that he would like to talk this inspiration over with her and "our friend". He made arrangements with BETTY so that he could drop in on her with his wife sometime next week. A date was finally made for Friday night at 8:30 PM. In one part of their conversation RUSHMORE stated the time for the appointment would necessarily depend upon BETTY's getting hold of "him" too, and to see if, "he" could do it. RUSHMORE further inquired of BETTY whether she knew a FRED CLARK, whom he described as an insurance man and who is interested in things, "we are interested in". BETTY did not know this CLARK. RUSHMORE explained he had an invitation to dinner on January 3d, to which he had been invited by CLARK, at which time there was something to be discussed of interest to RUSHMORE and all very much on the "Q. T.". According to RUSHMORE, this individual CLARK has, "plenty of dough". He further stated that the Editorial writer evidently knows him and he is all right. BETTY asked RUSHMORE if he had ever gotten, "a line" on any ERALD MUDALL. RUSHMORE said he had not. BETTY said MUDALL was the son of a tailor. RUSHMORE advised her that he was talking to someone the other day who met the attorney who was supposed to figure in this, "case" and that he would tell her more about it later. He stated that he had never heard of the name. He went on further to say that the whole thing had been rather disappointing to him and asked BETTY if she had ever talked to the other fellow who suggested the "American Weekly" business. BETTY advised that she had and they were supposed to get together to discuss it. RUSHMORE said he thought the whole business had fallen rather flat and was being rather subjective, looking at it from a newspaperman's standpoint. BETTY said there must have been terrific pressure. RUSHMORE said he knew there was, but he did not know whether that was the reason or not and in any event he wanted to talk to her about it.

The New York Office had no record of ERALD MUDALL and no record of an individual who might possibly be the FRED CLARK referred to by RUSHMORE. The Manhattan Telephone Directory lists a FRED G. CLARK in the insurance business at 55 John Street, New York, New York.

The details concerning the covering of the RUSHMORE meeting with "BETTY" by physical surveillance will be set out elsewhere in this report.

DECEMBER 27, 1945

At 3:05 PM RUSHMORE contacted one PAUL at the City Desk, (probably Paul Schoenstain) and RUSHMORE advised PAUL that he has a good story on the Young Communist League, which is having a big scientist who worked on the Atomic bomb. The scientist will speak at a meeting of the Young Communist League.

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At 3:15 PM RUSHMORE attempted to contact Miss DEWITT only to find that she was ill. RUSHMORE stated the only reason for his contacting Miss DEWITT was to inquire whether she had tickets for Sunday afternoon.

At 6:50 PM contact was had with a Mrs. DOWIC (ph.) in an attempt to get her to come over on December 28th at 7:30 to stay with the children.

DECEMBER 28, 1945

According to Confidential Informant [] at 4:50 AM on this date RUSHMORE contacted his wife and told her he was writing a story on FAY BUNCOCK, a Powers' model and asked his wife if she knew her. (It should be noted that Mrs. RUSHMORE is a Powers' model) Mrs. RUSHMORE advised that she did not know the girl.

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At 2:35 PM on this date a Mr. FAY (ph.) tried to contact RUSHMORE at his home. RUSHMORE's young daughter advised him that neither RUSHMORE nor his wife were at home.

At 5:22 PM RUSHMORE attempted to contact Mrs. STARK with negative results.

At 7:50 PM some relatives of the RUSHMORES contacted them from Charlotte, North Carolina and talked of personal things.

At 8:00 PM on this date [] advised that RUSHMORE contacted a Mr. LEWIS and advised him that he, RUSHMORE, and his wife were on their way to the home of LEWIS.

b2

At 8:03 PM RUSHMORE contacted one BETTY and advised her that she should tell FRANK that he, RUSHMORE, was on the Re-write desk this week and FRANK could get in touch with him at the office after 12:30 AM.

DECEMBER 29, 1945

On this date at 12:43 AM a person named FRANK FLY attempted to contact the RUSHMORE home, but could only reach a woman who was minding the children.

At 1:05 AM Mrs. RUSHMORE contacted the City Desk and left a message for her husband that she had arrived home safely.

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At 1:25 PM Mrs. RUSHORE contacted Room 312 of some hotel. The conversation was about Mrs. RUSHORE's modeling appointments. The number possibly called was PLaza 5-4900.

At 7:37 PM RUSHORE attempted to contact a Mrs. BENNETT (ph.) possibly at FOrdham 7-8782. However, RUSHORE ascertained that the Mrs. BENNETT was very ill and had been sick for ten days or so and could not speak to him.

DECEMBER 30, 1945

According to [redacted] at 2:47 PM on this date, an individual by the name of ED furnished RUSHORE with information relative to plans and developments of a proposed, "Friends of Frank Fay" meeting to be held in Madison Square Garden on January 10, 1945. ED advised RUSHORE that they had a meeting last night that lasted until two. ED claims that they have the backing of 355 organizations representing over a million and a half people. These organizations include the American Legion. He advised RUSHORE that the "Left Wingers" are worried and that PAUL ROBESON and others are having a meeting at the Henry Miller Theater next Sunday to combat this fight against the Communists. RUSHORE advised ED he would write the story tonight.

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DECEMBER 31, 1945

On this date the only thing of interest that [redacted] could advise was that at 9:30 AM a woman named VELANIE (ph.) contacted RUSHORE's wife and tried to arrange an appointment for lunch, but Mrs. RUSHORE could not make it.

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JANUARY 1, 1946

At 2:53 PM an unknown man contacted RUSHORE and advised him that LEN SMITH is ill and would not be in for a week. The unknown man asked RUSHORE to come in on Wednesday. RUSHORE said he would do this.

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At 7:10 PM RUSHMORE called Melrose 5-5757 and talked to ED at the office. He advised ED that he, RUSHMORE, is doing an article on ARTHUR ROPE and the "IRANIAN INSTITUTE". RUSHMORE further advised ED that he had observed that MORRIS CHILDS was the new editor of the "Daily Worker" with "LETTIE HOWARD" as the assistant editor and BILL LAWRENCE as the new manager.

At 7:25 PM RUSHMORE contacted PAUL at the office (probably PAUL SOMMERSTEDT, editor) and RUSHMORE discussed with him the article in the "Daily Worker" of January 1st, attacking the new cabinet of Mayor O'Dwyer and PAUL reminded RUSHMORE that they are still under instructions to be for O'Dwyer. RUSHMORE also discussed the article in the January 1st issue of the "Daily Worker" attacking General McArthur. At this time PAUL advised RUSHMORE that this would be the last week that RUSHMORE would have night work.

JANUARY 2, 1946

At 12:17 AM RUSHMORE contacted one BOB and asked for messages, at which time BOB told him that he had to write a story for some magazine. BOB did not know the name of this magazine. RUSHMORE advised BOB that he is scheduled to go to a dinner tomorrow night.

At 12:22 AM RUSHMORE contacted a Mr. HERSCHE MAXER (ph.) of the Northwestern Mutual Life Insurance Company and they had a conversation concerning RUSHMORE being rejected on an application for insurance because of the change in his weight and height in the past four years. It was arranged that RUSHMORE would stop at the Graybar Building and see a Mr. LAWRENCE SYKES in the medical office for a re-examination.

At 12:31 AM RUSHMORE contacted an unknown man and asked for Mr. CLARK, who was not in. The unknown man gave RUSHMORE CLARK's telephone number, which is LE 2-1350 and his address, 295 Madison Avenue.

At 12:33 AM RUSHMORE talked to a woman and asked for Mr. CLARK, but RUSHMORE was advised that neither Mr. CLARK nor his secretary was in. RUSHMORE asked that if CLARK's secretary could be reached that she be advised to call him, RUSHMORE, at 5:00 PM today.

At 2:44 PM RUSHMORE was contacted by one LARRY, at which time LARRY asked him if he knew anything about BENJAMIN FRIEDMAN who got the job of Commissioner of Licenses in the O'Dwyer Cabinet. RUSHMORE advised LARRY that he did not know much about him, except that he was one of SIDNEY HILLMAN's men and had handled publicity for the CIO for a while, and while he is not a "Commie" he does what SIDNEY HILLMAN tells him to do.

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(2:44PM)

In other words, FILLMORE would carry out the "line" if he ever wanted to. LARRY stated that he thought about the same thing, but had heard from one of his "sources" that the "Comies" are trying to get more propaganda in the Broadway plays and shows and it seems that it would be logical to put one of their own in there. He stated that there might be a story. FILLMORE agreed but stated that they must wait until there is something. LARRY agreed with him and stated it was like the "City Manager" thing in Yonkers where the guy hasn't done anything yet and they can't win anything on him. FILLMORE asked LARRY how he was doing and LARRY told him he was not working and had not been working for two months, but was going out looking for a job. FILLMORE asked him if anything was doing at the STU. LARRY told him nothing was doing and that he would not work with HALL down there as HALL is, "always on your neck". He has the idea he wants to be a big-shot newspaperman and thinks that the "two-bit" sheet he runs is the most glorious thing on earth -- and the other two boys down there are all bothered about it. LARRY advised that he wants to look up some people, including STELLER and wants to go to the morgue. FILLMORE tells him to see MIKE C. STOLL at the morgue. LARRY then tells FILLMORE, "of course, I'm not over there any more".

It should be noted that Agents handling this case who know subject, LARRY E. KERRY and possibly would recall his voice, have listened to recordings made by the informant [] and do not recognize the voice of LARRY in this last conversation as being that of the subject in the instant case. It is pointed out that LARRY, whose last name is unknown, definitely had a New York accent, while subject in instant case has a somewhat Southern accent.

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PHYSICAL SURVEILLANCES

The only physical surveillance of individuals conducted during the period of this report was on the night of December 28, 1945, for the purpose of identifying the BETTY referred to in RUSHMORE's conversation of December 26, 1945, and possibly identifying the individual referred to by RUSHMORE as, "our friend".

Special Agents [redacted] and the writer instituted a physical surveillance in the vicinity of the RUSHMORE home, 32-17 84th Street, Jackson Heights, Long Island, New York and at approximately 8:15 PM, HOWARD RUSHMORE and a woman believed to be his wife, left 32-17 84th Street and walked toward Northern Boulevard. Upon arriving there they turned right and began walking toward 83rd Street. However, they reversed their direction several times. The surveilling Agents have noticed that a number of subjects under surveillance by the New York Office have used these tactics in an effort to determine whether they are being surveilled and it was obvious that RUSHMORE was looking in back of him and appeared to be nervous.

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A few moments later RUSHMORE and his wife jumped in a cab, which was proceeding toward Manhattan on Northern Boulevard. The cab was driven at a very rapid rate and the driver "weaved" in and out of traffic sometimes at a speed of sixty to sixty-five miles an hour on a relatively congested artery. The cab was a De Sota Skyview, bearing 1945 tags 027-421. Upon crossing the Queensborough Bridge and arriving in Manhattan, the cab zigzagged in a northwesterly direction until it arrived at 22 East 73rd Street, New York, where RUSHMORE and his wife got out of the cab, and this time without looking around as they had in Queens, walked directly to the above address, rang the bell and after a few moments wait were admitted to this address by a woman dressed in a maid's clothing. The agents were able to observe the maid take the RUSHMORES' coats and escort them to a private elevator, where they disappeared from sight upon the door of the elevator closing. It is pointed out that 22 East 73rd Street is a private dwelling of four stories, commonly called a New York town house and one which could be maintained only by an individual of considerable means.

The agents immediately noted the license numbers of five or six automobiles parked in the immediate proximity of 22 East 73rd St. and during the course of the evening all but one were eliminated. This one car was a 1940 or 1941 large General Motors car, possibly a Pontiac or an Oldsmobile and bore Kentucky tags "K - 8955 Fayette". It was not possible to ascertain the exact year of issue of the tags inasmuch as a snow storm was in progress at that time, which impaired visibility. This particular car was

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parked within ten feet of the address 22 East 73rd Street.

It was later ascertained that 22 East 73rd Street is occupied by one JAMES CAMPBELL LEWIS and his wife ELIZABETH. Further details concerning these individuals will be set out later in this report.

At approximately 10:38 PM on the same evening, a man believed to be JAMES CAMPBELL LEWIS appeared in the doorway of 22 East 73rd Street without a hat or an overcoat. He stood at the door for a short period of time and at 10:40 PM, a 1941 cream colored Super De Luxe Ford convertible, bearing NY 1945 tags 7N 6659 was observed to drive up on the South side of 73rd Street, just West of Madison Avenue, and stop. A man subsequently identified as GEORGE H. SIBLEY, who presumably was alone in the car, got out, walked to 22 East 73rd Street, where he was greeted by the man believed to be LEWIS. They entered the house and disappeared upon LEWIS closing the inner doors, which were equipped with curtains.

SIBLEY appeared to be about forty to fifty years of age, five feet eight inches in height, medium-stocky in build, and was wearing a dark overcoat and dark Pomburg hat.

At 10:55 PM SIBLEY was observed to leave 22 East 73rd Street, get back into his car and drive very rapidly to 9 East 81st Street, New York, New York and during the trip there ran through three red lights on Fifth Avenue. At 9 East 81st Street, SIBLEY got out of the car, leaving the automobile lights on and entered this address.

The surveillance of SIBLEY was discontinued by Agent [] at this time inasmuch as the circumstances surrounding the meeting did not seem to indicate that SIBLEY was the individual in whom PERCIVAL was interested. Agent [] rejoined the surveillance at 22 East 73rd St.

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During the time that SIBLEY was riding to his house, no further activity was noted at 22 East 73rd Street, with the exception that nearly all of the time SIBLEY was gone, LEWIS continued to stand in the doorway, looking up and down the street as he had before SIBLEY had arrived at his house the first time.

At 11:02 PM SIBLEY and a woman were observed to drive up in the Ford and park directly in front of 22 East 73rd Street. The woman was wearing a three-quarter length fur coat and upon approaching the door with SIBLEY was greeted by the man believed to be LEWIS and the three entered the house, disappearing from sight.

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At 11:30 PM a youngish appearing man about six feet to six feet one inches in height and LEWIS appeared in the doorway at 22 East 73rd Street. The young man was wearing a large dark bulky overcoat, a soft felt-type hat, brim appearing to be turned up all around. He presented a rather dumpy appearance and walked with his body bent slightly forward from the hip. He shook hands with LEWIS and then walked rapidly to the above-mentioned car bearing the Kentucky tags. The car drove west on 73rd Street and made a left turn on Fifth Avenue, which is in a southerly direction. The surveilling agents were unable to follow the Kentucky car inasmuch as LEWIS continued to stand in the doorway and look after the Kentucky car until it turned at Fifth Avenue, and continued to do so for two minutes after that. In view of the fact that the automobile being utilized by the surveilling Agents was the only car parked in the block at that time it was deemed inadvisable to attempt to follow the Kentucky automobile so as not to jeopardize the security of the surveillance.

At 12:05 AM (12-29-45) RUSHMORE and his wife left 22 East 73rd Street, having been shown to the door by LEWIS. RUSHMORE and his wife walked east on Madison Avenue and upon passing under a lighted marquee, the Agents observed that RUSHMORE appeared to be in a very happy mood when conversing with his wife. Upon reaching Madison Avenue they disappeared around the corner and no attempt was made by the surveilling Agents to follow the RUSHMORES.

At 12:50 AM (12-29-45) STIRLEY and the same woman with whom he had entered, left 22 East 73rd Street, LEWIS showing them to the door. STIRLEY and the woman got in the above-mentioned Ford automobile which was driven to 9 East 81st Street.

It might be mentioned here that when STIRLEY and the woman left the LEWIS home, it was noted that she was carrying an article believed to be a notebook.

Upon arriving at 9 East 81st Street, the two got out of the car, entered this address and a few seconds later, STIRLEY left the address alone, got back into the car and drove to a garage on the north side of East 82nd Street between Park and Lexington Avenues. He got out of the car, entered the garage and talked with the attendant, after which he left and walked to 9 East 81st Street. A few moments after he entered, the lights on the second floor of this address were observed to be turned on.

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Under a suitable pretext it was ascertained from the garage attendant that the above-mentioned Ford automobile was regularly parked at that garage by a man named SIPLEY.

It should be noted however that Motor Vehicle Bureau records reflect that license 7 N 6659 is registered to a JANET RAFT at 9 East 81st Street, New York City.

It should be stated that a short period of time after SIPLEY and the woman left 22 East 73rd Street, the lights were observed to be turned off by the agent who had remained there to determine if anyone else was at the LEWIS home.

The surveillance was maintained a sufficient length of time after the lights went out to be assured that the individuals living there had apparently retired.

It was telephonically ascertained from the Louisville Field Division that the Kentucky license N-8955 "Mayette" was registered to LARRY E. KERLEY, 107 Cochran Road, Lexington, Kentucky and that the plate was a 1944 plate which had a 1945 sticker on it. It was also determined that the car in question was a 1941 Pontiac Coupe.

GENERAL INFORMATION

GEORGE H. SIPLEY

It will be noted in the previous portion of this report that on the night of December 28, 1945, the above individual was at the home of JAMES CAMPBELL LEWIS at a time when both HOWARD BUSING and an individual believed to be LARRY E. KERLEY was at the same home.

The 1945 edition of the Directory of Directors in the City of New York, lists GEORGE H. SIPLEY as having his office at 745 Fifth Avenue and residing at 9 East 81st Street, New York, New York. He is Vice President, member of the Executive Committee, General Attorney and Director of the E. R. SQUIBBS & SONS. He is an officer of various other subsidiaries and Foreign branches of the SQUIBBS corporation and is also Vice President, member of the Executive Committee, General Attorney and Director of the JOHN S. ESTLINE CORPORATION; holds the same offices in

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LEATHERIC, INC. (a cosmetic corporation) and is an officer of various foreign branches of LEATHERIC. He is also trustee of the PRINCETON ELM CORP.; Director of POWERTEX CORPORATION OF AMERICA and President and Director of the Society for the Prevention of Crime.

The files of the New York Field Division contain several references to GEORGE H. SIPLEY. These references merely reflect that SIPLEY is connected with E. R. SQUIBB & SONS and its related corporations and contains no information concerning SIPLEY which has not already been set out. SIPLEY's home telephone number is REgent 4-6089.

JAMES CAMPBELL LEWIS

ELIZABETH BARBARA LEWIS

The above two individuals are husband and wife and reside at 22 East 73rd Street, New York, New York, telephone number BUTterfield 8-5979.

The above-mentioned edition of the Directory of Directors indicates that JAMES C. LEWIS has his office at 745 Fifth Avenue and resides at the above-mentioned address. He is Vice President and Director of E. R. SQUIBB & SONS and is an officer of several of the subsidiaries and related corporations of the SQUIBB COMPANY, including LEATHERIC. He is Vice President and Director of the GIBALTER CORRUGATED PAPER CO. INC. and is President and Director of the GLOBE COLLAPSIBLE TUBE CORPORATION.

The files of the New York Field Division reflected numerous references on Mrs. LEWIS, which indicate that she continuously called the New York Office giving complaints concerning alleged subversive individuals.

All the references on Mrs. LEWIS were reviewed by the Agents and only that information which appears to be of value to the instant investigation is going to be set out in this report.

Mrs. LEWIS was born in Budapest, Hungary and the files indicate two former names: Miss KRAUZ-ERZOI and VON KRAUS. She presumably has a sister named Baroness SUZANNE de STRASSER, the head of a department at LOEB AND TAYLORS Department Store at New York, New York. Mrs. LEWIS is supposed to have married a man named ADLER for the purpose of expediting her entry into this country and obtaining United States

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citizenship. She has stated that she never did live with ADLER and ultimately got a divorce from him, after which she married JAMES CAMPBELL LEWIS. Mrs. LEWIS is a well known clothing designer in New York City. Both Mr. and Mrs. LEWIS have a farm named LAKEVIEW FARM, Rural Route 4, Lancaster, Kentucky, where they spend three months of each year.

[redacted] a Confidential National
Defense Informant of the New York Office [redacted]

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In New York File # 100-16164, in which Louisville, Kentucky is the office of origin, there is a case entitled [redacted] WAS, ET AL, INTERNAL SECURITY - C, ALIEN ENEMY CONTROL, which was presumably assigned to Special Agent LARRY E. KERLEY when he was assigned to the Louisville Field Division.

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In a report dated August 24, 1942 made by Special Agent LARRY E. KERLEY investigation in this case was carried on from August 14th to August 21, 1942. A review of this file reflects that Mrs. JAMES LEWIS of Lakeview Farms, Lancaster, Kentucky and her husband, JAMES G. LEWIS, were interviewed by Special Agent KERLEY concerning [redacted] who was employed by them [redacted] of their four hundred and fifty acre farm. In this report Mr. and Mrs. LEWIS gave information concerning various pro-Nazi remarks made by [redacted] and his wife, who was co-Subject in that case. It should be very interesting to note here that in one part of the report one of the remarks attributed to [redacted] by Mrs. LEWIS was that "DASCH, one of the eight saboteurs should have been electricuted twice for telling on his countrymen." The date of this remark was made prior to August, 1942. This report further reflects that Special Agent KERLEY on August 19, 1942, questioned [redacted] and at no time did he ask them about the remarks concerning DASCH and the eight saboteurs attributed to him by Mrs. LEWIS.

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In the file concerning the same case, [redacted] there is another report dated November 7, 1942, at Louisville, Kentucky by KERLEY reflecting investigation from a period of August 22nd to September 30, 1942. This report reflects that Mr. and Mrs. JAMES LEWIS were both present at the Alien Enemy Hearing Board on August 28, 1942, to testify in the hearing of [redacted] and his wife. It also reflects that KERLEY again contacted Mrs. JAMES LEWIS at Lakeview Farms during this investigative period.

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In another report in this file written by Special Agent KERLEY dated January 30, 1943 and reflecting investigation from December 8, 1942 and January 8, 1943, indicates that a request was made by

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the Attorney General's office to conduct further investigation to determine whether or not witnesses against the subject had an ulterior motive in reporting unfavorably on the subjects, as well as to determine the basis for the information that they gave.

The report reflects that on or about November 12, 1942, the home of Mr. and Mrs. JAMES LEWIS on their farm at Lancaster, Kentucky had completely burned; also that there was some rumor that there was, "something funny" about the fire because the LEWISES had stored about seven or eight thousand dollars worth of furniture in a Danville storage house, a few days previous to the fire. Mrs. JAMES LEWIS telephonically contacted LARRY E. KERLEY to advise him that her home had burned and stated she realized the Bureau had no jurisdiction in this matter but desired that the information be brought to the Bureau's attention since the fire itself might shed some light on a previous investigation conducted by the Louisville office. Further investigation concerning the burning of the house by KERLEY reflected that there was nothing more than rumor concerning it and nothing of a substantial nature was uncovered by KERLEY to reflect any duplicity on the part of the LEWISES.

In checking on the LEWISES at the request of the Attorney General, as mentioned above, KERLEY interviewed various individuals, one of whom was "EUGEN HELL", formerly manager of the LEWIS farm, who had resigned in July of 1941 and stated that at the time he resigned it was because of his inability to get along with Mrs. LEWIS, in view of the fact that she was very critical of his work. He stated that he had overheard her make one remark that would indicate that she was pro-German. This was when, in a conversation with another individual, he had made a remark concerning a "Jew", whereupon Mrs. LEWIS upbraided him and accused him of making derogatory statements against the Jewish race. Mrs. LEWIS also advised him that he had been making statements against "Tr. HITLER."

The investigation by KERLEY further reflected that the derogatory remarks which are going about the countryside where the LEWISES had their farm were possibly started by a Mrs. TOX MC ALLEN, a sister of Mr. LEWIS, who resides in Danville, Kentucky; that Mr. and Mrs. LEWIS had had a falling out with his sister in the latter part of 1936 when LEWIS brought ELIZABETH to his farm as his bride.

Mrs. MARGARET JACKSON, a sister of JAMES LEWIS, was also interviewed by LARRY KERLEY and she advised that she had heard many of the rumors circulating in the area concerning the LEWISES and she did not believe any of them.

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On April 24, 1944, Mrs. LEWIS was interviewed by Special Agent William H. Harper and Russell S. Garner for the purpose of receiving a complaint from her. During the course of the interview Mrs. LEWIS said that GEORGE H. STUBBY, Vice President of STUBBY COMPANY, told her that if THOMAS DEWEY were elected president of the United States, he, DEWEY, would make STUBBY Director of the Federal Bureau of Investigation. Mrs. LEWIS said that she thought this would be a catastrophe.

On October 25, 1943, Mrs. LEWIS registered a complaint at the New York Field Division relative to Special Agent Daniel F. Lucking, who had been contacting her, usually at Mrs. LEWIS's request, relative to information concerning individuals who were possibly subversive. Mrs. LEWIS stated that she did not like Agent Lucking's attitude [redacted]

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The Bureau was advised of Mrs. LEWIS's complaint by letter dated October 30, 1943. [redacted]

(Bureau file 66-2542).

Supervisor Robert E. Granville recalls that about January 1, 1945, DEWEY told him that he knew of a woman he had met in [redacted] who was a very reliable individual and could be utilized in the investigation of Russian espionage cases. DEWEY stated that he had used this woman on numerous cases [redacted] and that she could be utilized to ascertain information [redacted]

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Supervisor Granville does not recall whether DEWEY mentioned the name of the individual. However, upon learning of the identity of the informant used [redacted] Mr. Granville advised DEWEY and other agents who were working on the case to cease contacting her because of past experience agents had had with her.

It might be pointed out that VICTORIA STONE was mentioned, although not by name, in the first article published by the "Journal-American," in which she is described as one of the important aids of ARTHUR ADAMS, who maintained a jewelry shop in the midtown area. VICTORIA STONE actually maintains a jewelry shop at 510 Madison Avenue, New York City [redacted]

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A review of the New York case entitled: "REBECCA VICTORIA SINGER, with aliases: Mrs. Harry Stone, Victoria Stone, INTERNAL SECURITY - R" dated March 7, 1945, by Special Agent [redacted] reflects the following information, which was furnished by Confidential Informant T1, who is listed as [redacted]

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"Confidential Informant T1 advised that on January 7, 1945, she had carried a string of pearls to VICTORIA STONE's jewelry store and had requested of VICTORIA STONE that she restring the necklace and indicated that she would wait for the pearls, meantime engaging STONE in conversation.

"This informant advised that she indicated in her conversation that she was somewhat inclined to be pro-Communist, which appeared to place the subject more at ease and cause her to exhibit a more friendly attitude. As a result of a conversation lasting approximately two hours, STONE, among other things, stated to her, 'I wonder why the Hungarian people fight the Russians. Don't they know World Socialism is coming?'

"Subsequently the subject states, 'You don't know how many people will die before this war is over. But it is all for the best because we need a planned economy and a different system. I hate Roosevelt, though I voted for him because I didn't want Dewey to come in. But he is the very man who put Stettinius in the State Department and I remember when he wanted American boys to lose their citizenship because they fought Franco in Spain. He is an old, sick politician'.

"Informant further stated that the subject said in substance that if any visitors returned from Russia, for example, ERIC JOHNSON or AVERILL HARRIMAN, and indicated a favorable attitude for Russia, it is forgotten the next day, whereas if an unpleasant thing is stated, it is printed again and again. She stated that people say Russia will turn into a capitalistic nation, but that this is not true; rather the whole world will be socialistic. 'Only a great revolution can compensate the masses for their sufferings and America will have to suffer too. She never knows what suffering is. You will see'.

"The subject stated that Russia was the only country having trade unions as the trade unions in the United States were only a mockery and a sellout to industry, and later stated, 'I was in Russia eight years. It's paradise'.

"She stated that the people should not believe what they hear about Russia and added, 'Why don't people realize, and I mean all of them, that the Soviets are the only system. I know they will overthrow the world too, real soon'. She stated the masses are fed up with politicians and want a bright future

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"For all, but they want their enemies punished, no matter what the cost. She also said that most people were stupid and had to be led. She stated that her mother was dead and she was glad of it because of the things that are going to happen in this country.

"The subject indicated that the only hope for America is a man like HARRY WALLACE, as he would be acceptable to JOSEF STALIN, and that ROOSEVELT doublecrossed 'us', and 'we' are grooming WALLACE for 1948.

"Confidential Informant T1 further stated that during her lengthy visit, with the subject she proceeded to the ladies room and ascertained while there, that the subject maintained a large safe which was apparently enclosed in a steel structure having heavy steel doors, and at this time the safe was open, and she observed a number of jars and bottles sitting on shelves inside the safe and that in one compartment papers were stacked up and the safe contained a number of drawers and shelves, and appeared to contain a large quantity of material.

"It is noted that this informant furnished the writer with her original notes as she prepared them, as the result of her conversation with the subject, which notes are being retained in the files of the New York Office, along with a detailed diagram furnished by informant reflecting the contents and location of the furniture and safe and floor plan of VICTORIA STONE's jewelry store located at 510 Madison Avenue.

"This informant advised that she had ascertained that both the safe, as well as the store, were protected by the HOLMES ELECTRIC PROTECTIVE AGENCY. "

The above is the only information which was reflected in the VICTORIA STONE file which reflects a contact with [redacted] with this case.

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There are being made an exhibit in this case the original notes of [redacted] which are three typewritten sheets containing the aforementioned information and also containing [redacted]

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It should also be noted that this exhibit contains much handwriting [redacted] and also contains [redacted]

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[redacted] Photostatic copies of this exhibit are being prepared and will be forwarded to the Bureau as enclosures with the next report.

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Particular attention is called to the above information coming from the VICTORIA STONE file inasmuch as it is one of the important cases being investigated by the New York Field Division in connection with ARTHUR WEISS and his associates, which was the subject of the first release in the "Journal-American".

Attention is further called to the fact that KERLEY was the individual who suggested using [redacted] and therefore there is a possibility at least, that KERLEY at the time he made the contact [redacted] to conduct the inquiry, that he gave her information concerning the activities of ADAMS and other principals related to the ADAMS investigation.

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It might be noted in this connection that the No. 3 card of KERLEY for January 2, 1945, indicates that he left the office at 10:25 AM, scheduled to return at 2:30 PM to contact [redacted] in connection with New York File 100-68393, [redacted] He returned at 2:50 PM.

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LARRY E. KERLEY

KERLEY entered on duty as a clerk at the Bureau on October 19, 1937 and as an Agent on September 22, 1941. During 1942, 1943 and 1944, he was assigned to the Louisville Field Division and during part of that time he was Resident Agent at Lexington, Kentucky, where he presumably met the LEWISES. He arrived in New York City on transfer from Louisville on November 29, 1944. His first known residence in New York was 50-24 48th Street, Woodside, Long Island, until about February, 1945, at which time he removed to 35-30 81st Street, Jackson Heights, Long Island, New York, where he presently resides. During the

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entire time he was in the New York Office he was assigned to Section 6 under the supervision of Special Agent Robert H. Granville. It is pointed out that Section 6 of the New York Field Division handles Russian espionage cases exclusively.

Special Agent Granville advised that due to KERLEY's size he was used on surveillance only as an emergency and was assigned several cases which were being handled by Agent Granville's section.

During the time KERLEY was in New York he was in administrative difficulties on several occasions and finally on July 18, 1945, he was transferred to Kansas City Field Division.

A review was made of KERLEY's No. 3 cards from December 18, 1944 to July 18, 1945 to determine all pertinent contacts made by him. At the time this review was made all of the files reviewed by KERLEY, all cases in which he covered leads and all surveillances which he participated in were noted. A complete digest is presently being prepared, setting forth the nature of all the above cases and will be reported subsequently. It might be stated at this time, however, among the surveillances which KERLEY was on were the ARTHUR ADAMS and the MARCIA SAND HICKS surveillances, both of which were mentioned in the "Journal-American" release.

KERLEY resigned as a Special Agent of the Bureau and his active duties ceased on October 1, 1945. However, his terminal leave runs through to January 31, 1946. The address he gave upon resigning was in care of VAN BURETT, 1105 Olive, Murray, Kentucky.

While KERLEY was in New York his personal physician was Dr. EUGENE FOLDEN, 898 Park Avenue, New York, New York.

On November 28, 1945, KERLEY received a lump sum payment for his accumulated annual leave.

From May 19, 1945 to July 6, 1945, KERLEY was on extended sick leave and stated he could be reached at 45-22 42th Street, N. W. Washington, D. C., care of MARY WICKES.

A review was made of KERLEY's administrative file and the following items of possible interest were noted:

On July 20, 1945, the New York Office received

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a telegram from KERLEY in Lexington, Kentucky which read as follows:

"at Lexington tonight care of F. X. JOHNS".

Daily reports indicate that KERLEY was in Lexington, Kentucky on April 21st, 1945; Richmond, Kentucky, April 23rd, 24th; Louisville, Kentucky, April 25th, 1945, in connection with testifying in cases at those places. On April 26th, 27th, 28th, 1945, KERLEY was on sick leave in Louisville, Kentucky. He left Louisville, Kentucky on April 29, 1945 enroute to New York City.

Mr. RICHARD TRING, Legal Department, Consolidated Edison Company, 4 Irving Place, New York City, stated that the records of that company indicated that they originally began billing electricity service to LARRY E. KERLEY of 35-30 81st Street, Jackson Heights, Long Island, New York December 30, 1944 and continued to do so until July 19, 1945, at which time KERLEY left for Kansas City. From then until December 4, 1945, the service was billed to BETH GOSSETT, a sub-tenant of KERLEY. Since December 4, 1945, the company has recommenced billing KERLEY. The records of the Consolidated Edison Company reflected that KERLEY was a Special Agent of the Federal Bureau of Investigation. The Cashier's Office at Mr. TRING's request was able to locate a notation that KERLEY had paid his April, 1945 bill by check. The bank on which it was drawn was unknown.

Mr. TRING ascertained from the Cashier's office that stop notices to ascertain KERLEY's bank when he pays his next bill to the Consolidated Edison Company would be very ineffective because of the numerous individuals handling incoming mail at the Consolidated Edison Company. Therefore, it was not requested of Mr. TRING that attempts be made to ascertain KERLEY's banking connection.

Mr. G. T. METZ, Legal Department of the New York Telephone Company, 140 West Street, New York, New York stated that KERLEY still had a phone at 35-30 81st Street, Jackson Heights, Long Island, N.Y. 9-5181 and that as of January 2, 1946, he had not paid his bill. He stated that the administrative setup of the Telephone Company was such that a stop could be maintained to be on the lookout for the identity

NY 67-13301

of the bank on which KERLEY draws a check to pay his telephone bill. Mr. MERTZ immediately placed such a stop notice and will advise Agents working on this case when such payment is received from KERLEY. It might be stated here that the records of the New York Telephone Company reflected that KERLEY was a Special Agent of the Federal Bureau of Investigation.

Special Agent H. Ross Arnold, Jr., advised that as of December 29, 1945, KERLEY, his wife and baby were residing in apartment 3-0 at 35-30 81st Street, Jackson Heights, Long Island, New York. He stated that on the evening of December 28, 1945, Mrs. ARNOLD was requested by Mrs. KERLEY to go up to the KERLEY apartment because Mrs. KERLEY had been stricken with what was believed to be a case of food poisoning and wanted help from Mrs. ARNOLD. She told Mrs. Arnold that KERLEY was not home at the time. Mrs. ARNOLD went to the KERLEY apartment and remained there until shortly before midnight. Mrs. ARNOLD told Agent Arnold that between 11:45 PM and midnight on December 28, 1945, LARRY KERLEY entered his apartment and that this was the first time she had seen him that evening.

It is pointed out that on the same night, December 28, 1945, a person closely resembling LARRY KERLEY was observed to leave 22 East 73rd Street, New York City at which place HOWARD RUSHMORE was present, get into a car, registered in KERLEY's name and make a Southward turn at Fifth Avenue on 73rd Street. KERLEY left 22 East 73rd Street at 11:30 and due to the weather conditions at that time, it would take from twenty to thirty minutes to drive from Fifth Avenue and 73rd Street to KERLEY's apartment house in Jackson Heights.

It should be called to the Bureau's attention that Agent ARNOLD was not advised as to the nature of the inquiry concerning KERLEY and further that Agent Arnold was not on good terms with KERLEY.

Subsequently Mrs. ARNOLD was advised by LARRY KERLEY that he is presently assistant to the President of the SQUIBB Company. It is recalled that LEWIS and SIPLEY are both executives of the SQUIBB Company.

It should be noted that the address 35-30 81st Street is three long blocks and three short blocks from the residence of HOWARD RUSHMORE, which is 32-17 82nd Street, Jackson Heights, Long Island, New York.

NY 67-13301

The Credit Bureau of Greater New York had no information concerning LARRY E. KERLEY.

BANK RECORDS

As explained above attempts are being made to ascertain what banks KERLEY has accounts with at the present time.

Mr. ROBERTS, Assistant Manager of the Manufacturers Trust Company Branch Bank located at Park Row, New York City, where most of the Agents of the New York Office carry checking accounts, was interviewed, at which time he stated that his files reflect that KERLEY had a Special Checking Account #5461 and that he opened it with a \$100 deposit on January 2, 1945, in the name of LARRY E. or DOROTHY E. KERLEY. At the time he opened his account he gave his address as 50-24 48th Street, Woodside, Long Island. This address was changed to 35-30 81st Street, Jackson Heights, Long Island, apartment 3-0 on February 19, 1945. There was no information concerning KERLEY's banking background due to the fact that he was a FBI Agent and no investigation is made of such accounts. It should also be noted that no cancelled checks were available in the files. The account, according to Mr. ROBERTS is now a dead one and his balance sheet shows that on the last day of August, 1945, he had a balance of \$116.60. On September 22, 1945, three checks were drawn on this account, closing it out, leaving a balance of no dollars and no cents. No Recordak or other record is kept of checks in Special Checking Accounts. Mr. ROBERTS checked the name location files in the Main Office of the Manufacturers Trust Company for a name check to be made to ascertain whether or not KERLEY or his wife had another account in the Manufacturers Trust Company in any other branches. No such record was found.

MAIL COVER

A mail cover was placed with the Jackson Heights Branch Post Office to obtain the return addresses of mail directed to the KERLEY apartment. This cover was placed prior to the morning delivery on January 2, 1946, and the only results obtained during the period of this report was a letter addressed to KERLEY with the following return address:

L. E. KERLEY
31-01 Hyde Park, Los Angeles
care of OLIE F. HUPP

NY 67-13301

PHYSICAL DESCRIPTIONS

The following is a composite physical description of LARRY E. HEBLEY obtained from Agents working on this case and Supervisor Robert R. Granville:

Age:	30
Born:	February 18, 1915
Place:	Waynard, Arkansas
Height:	6' - 6' 1"
Weight:	210 lbs.
Eyes:	Blue
Hair:	blond - sparse high forehead
Complexion:	light
Features:	large lips clean shaven
Build:	wide hips heavy
Glasses:	none
Dress:	Presents a rather sloppy appearance Usually wears wide brimmed hats with brim turned up all around.
Marital status:	married wife, MARGERY E. HEBLEY Child: one baby about 18 months of age
Residence:	35-30 81st Street Jackson Heights, Long Island Apartment 3-0 Telephone number: Newtown 9-5181
Employment:	Assistant to the President of E. R. SQUIBB AND SONS, 745 Fifth Avenue, New York, New York
Photograph:	Full face photo made approximately December, 1944 available in the file of this case in the New York Field Division.

NY 67-13301

The following is a description of MR. ARD BUSHNAP, which is being given by Agents working on this case:

Age: 35
Height: 6'3" to 6'4"
Weight: 180 lbs.
Build: slender
Hair: dark
Face: thin
Carriage: straight
Dress: neat
Residence: 32-17 84th Street, Jackson Heights, Long Island, N.Y.
Marital Status: married - 2 children
Occupation: Newspaper reporter for the "Journal-American"

The following is a description of Mrs. BUSHNAP, which is being given by Agents working on this case:

Age: 28
Height: 5' 5" to 5' 6"
Weight: 120-125 lbs.
Build: slender
Hair: blond- combed long
Appearance: very attractive
short turned up nose
Occupation: Photographers model with John R. Powers

On January 2, 1946, the Kansas City and the Louisville Field Division were requested to conduct appropriate investigation to determine KENLEY's residences at those two places; toll calls he might have made from those residences, with particular emphasis being placed on obtaining any banking connections which he might have had.

It was also requested that his administrative file in those offices be checked for any activity and any contacts he had been making, particularly in New York or Kentucky.

P E N D I N G

NY 67-13301

UNDEVELOPED LEADS

No undeveloped leads are being set out in this report inasmuch as the case is receiving continuous expeditious investigation. Logical leads which would be covered by offices other than the New York Field Division are being requested by telephone for security reasons.

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

FROM : Mr. Edw. A. Tamm

SUBJECT: LARRY E. KERLEY MATTER

DATE: January 4, 1946

Call: 9:23 A.M.

Mr. Tolson	✓
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

SAC E. E. Conroy of New York called at the above time and advised me that in connection with the "technical" on Rushmore it developed that Betty Lewis met Paul Shoenstein and his wife at the induction of the Mayor but didn't know who he was at the time and apparently Shoenstein didn't know who she was at the time.

He stated Fred G. Clark was eliminated on the "technical". It developed that he was with the Crusaders and he is an insurance man, General Chairman of the American Economic Foundation at 295 Madison Avenue. Clark conducted a radio program, "The Voice of the Crusaders" from 1934 to 1936. Rushmore said that was bad and he was not going to that dinner party.

Mr. Conroy called Kansas City and Louisville yesterday and they are getting together material.

There was no mail at all for Kerley yesterday.

I inquired whether they had received the letter authorizing the "technical" on Kerley yesterday and Mr. Conroy stated they had not received it yet. I advised him it was sent up and they should receive it by today. He inquired whether the authorization for a "technical" on Lewis had come through and I told him it had not.

Mr. Conroy advised there were no other developments in this matter and the report is being typed.

EAT:dmg

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/18/03 BY 60290 PCE/KAL/TMS

RECORDED
&
INDEXED

EX - 30

158-1548-16
39 JAN 15 1946357
60 JAN 22 1946

FEDERAL BUREAU OF INVESTIGATION

1-4-1946

✓ The Director
 Mr. Tolson
 Mr. Ladd
 Mr. ~~CONLEY~~ Harbo
 Mr. Rosen
 Mr. Clegg
 Mr. Glavin
 Mr. Nichols
 Mr. Tracy
 Mr. Hendon
 Mr. Pennington
 Mr. Quinn Tamm
 Mr. Nease
 Mr. Welch
 Miss Gandy

Records Section
 Personnel Files
 Send File
 Bring file up-to-date
 Search, serialize, and route
 Reading Room
 Mechanical Section

Call me re this
 Note and return

Miss Stalcup
 Miss Gray
 Miss Butcher

Stamp and mail
 Prepare tickler
 Call these files

See Me

Mr. Tolson
 Mr. E. A. Tamm
 Mr. Clegg
 Mr. Glavin
 Mr. Ladd
 Mr. Nichols
 Mr. Rosen
 Mr. Tracy
 Mr. Carson
 Mr. Egan
 Mr. Gurnea
 Mr. Harbo
 Mr. Hendon
 Mr. Pennington
 Mr. Quinn Tamm
 Mr. Nease
 Miss Gandy

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 3/18/03 BY 60300 JMS

Edward A. Tamm
 5734

FEDERAL BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE

To: COMMUNICATIONS SECTION.

JANUARY 15, 1946

URGENT
COMM IN FILE

Transmit the following message to: SAC, NEW YORK

**RECORDED
EX-30**

LARRY E. FLIPNEY, BRIEFLY, REURTEL JANUARY FIFTEENTH LAST INDICATING TECHNICAL

INSTALLED ON JAMES CATHERALL LEWIS

[REDACTED]

BUREAU RECORDS

INDICATE

[REDACTED]

PREVIOUSLY GIVEN TECHNICAL SURVEILLANCE ON

[REDACTED]

IN SILVERMASTER CASE. CUTEL MAY SYMBOL

NUMBER FOR

[REDACTED]

b2
b6
b7C

HOOVER

ENCLOSURE

JED:del

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/18/03 BY 60290 PCE/CAL/MS

- Mr. Tolson _____
- Mr. E. A. Tamm _____
- Mr. Clegg _____
- Mr. Coffey _____
- Mr. Glavin _____
- Mr. Ladd _____
- Mr. Nichols _____
- Mr. Rosen _____
- Mr. Tracy _____
- Mr. Carson _____
- Mr. Egan _____
- Mr. Hendon _____
- Mr. Pennington _____
- Mr. Quinn Tamm _____
- Mr. Nease _____
- Miss Gandy _____

RECEIVED 22 1946

9:17 PM

Per *[Signature]*

[Handwritten signature]

DATE 05-10-2010

COM 4a

Mr. Tolson _____
 Mr. E. A. Tamm _____
 Mr. Clegg _____
 Mr. Coffey _____
 Mr. Glavin _____
 Mr. Ladd _____
 Mr. Nichols _____
 Mr. Rosen _____
 Mr. Tracy _____
 Mr. Acers _____
 Mr. Carson _____
 Mr. Harbo _____
 Mr. Hendon _____
 Mr. Mumford _____
 Mr. Starke _____
 Mr. Quinn Tamm _____
 Mr. Nease _____
 Miss Gandy _____

F.B.I. TELETYPE

~~CLASSIFIED BY 60267AAG~~
~~DECLASSIFY ON~~

DECODED COPY

3/18/03

WASHINGTON FROM NEW YORK 3 15 10-40 AM
 DIRECTOR URGENT

[REDACTED] INSTALLED 5:30 PM 14 INSTANT COVERING RESIDENCE
 OF JAMES CAMPBELL LEWIS, 22 EAST 73 STREET, BUTTERFIELD 8-5979.

CONROY

RECEIVED: 1-15-46

11:27 AM EST

RECORDED

INDEXED

EX-30

FAG

If the intelligence contained in the above message is to be disseminated outside the Bureau, it is suggested that it be suitably paraphrased in order to protect the Bureau's coding systems.

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

FROM : Mr. Edw. A. Tamm

SUBJECT: LARRY E. KERLEY MATTER

DATE: 1/3/46

Call: 9:35 A.M.

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 3/19/03 BY 60390 BCE/CAL/KMS

Mr. Tolson _____

Mr. E. A. Tamm _____

Mr. Clegg _____

Mr. Coffey _____

Mr. Glavin _____

Mr. Ladd _____

Mr. Nichols _____

Mr. Rosen _____

Mr. Tracy _____

Mr. Carson _____

Mr. Egan _____

Mr. Gurnea _____

Mr. Hendon _____

Mr. Pennington _____

Mr. Quinn Tamm _____

Tele. Room _____

Mr. Nease _____

Miss Beahm _____

Miss Gandy _____

SAC E. E. Conroy of New York called me at the above time and stated Consolidated Edison shows that he was billed at his present apartment December 30, 1944, which is a little over a month after he arrived, until July 19, 1945, the date of his departure to Kansas City. The records show that he went to Kansas City and that the sub-lessee was one Ruth Gossert. He began to be billed again on December 4, 1945, although he may have moved in a little before then.

I inquired the date of the first story in the "Journal-American" and Mr. Conroy stated it was right about that time which appears to be significant. He said they tried to place a stop with Consolidated Edison to pick up any checks he was paying on his account, but due to their accounting system it is an impossibility. It can be paid almost any place in the city to any clerk and they just send those checks on through. Mr. Conroy advised they were able to place a stop with the Telephone Company and as soon as his check is received in payment on his account they will notify the New York Office.

Mr. Conroy said the check of the Manufacturer's Trust Company (their Park Road Branch used by most Agents), where he had an active account, disclosed that his account "went dead" on ~~December~~ 22, 1945, and he never re-activated it. Mr. Conroy stated there were no unusual deposits and also mentioned they had in addition checked with their main files, (they have a central file on all accounts), and there is no active account with any of the branches of Manufacturer's Trust Company at the present time.

A check with the Credit Agencies was negative, Mr. Conroy advised, and there was no record of him at all.

On the mail cover, about the only thing they got was a letter apparently from his father in Los Angeles. It was the same name. Mr. Conroy said it is possible he may be in communication with some other Agents of the Bureau and they are keeping this in mind. It might be well, Mr. Conroy thought, if the Bureau could obtain a list of his relatives from his investigative and personnel files for elimination purposes. I told Mr. Conroy the Bureau would send this information to him.

Mr. Conroy advised the letter on the Kerley technical has not arrived yet. He stated Mr. Kirkland had called the Bureau and talked with Mr. Callan, he thought, in connection with the Lewis technical which is secure. Mr. Conroy said there are five reappearances.

36
60 JAN 22 1946

EX-30

INDEXED

88-548-8

Memorandum for the Director

He apparently chose the safest one.

The report is in process of dictation now and they should finish typing it in an hour or so.

Mr. Conroy stated Mr. ~~Bushmore~~ is having a meeting tonight with a man by the name of Fred ~~Clark~~. He discussed it with Mrs. Lewis but she is not going to be there so the New York Office is not going to cover that. They do not want to cover any more than absolutely necessary. I asked him if he knew who Fred Clark was and he said no, but he is, according to their conversations, a prominent insurance man who has a lot of money. Mr. Conroy stated he is having an inquiry made through a personal friend of his in the insurance world - one Harry Frank (phonetic) who knows all of those people downtown. As soon as Mr. Conroy has the results of this inquiry he will advise the Bureau.

SAC Conroy stated he is supposed to report for In-Service Training next Monday, but he did not think he had better go. He said if you wanted him to go it was all right with him, that he is all ready to go, but inasmuch as he has been directing this matter personally he doubted he should go. I advised Mr. Conroy I would speak to you about this to determine what your opinion is and then advise Mr. Conroy whether he should report for In-Service Training or not.

EAT:dmg

*He should defer it for
2 weeks & then we can
consider it again.*

*I advised
him
1/3*

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

FROM : Mr. Edw. A. Tamm

SUBJECT: LARRY E. KERLEY MATTER

DATE: 1/5/46

Call: 5:16 P.M.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/18/03 BY 60320 KRC/CAJ/ms

Mr. Tolson ✓
Mr. E. A. Tamm ✓
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Miss Gandy

SAC E. E. Conroy of New York called me at the above time and advised that a 31-page report was being mailed from New York this afternoon. He inquired if he should mark this for my personal attention and I told him I did not think this necessary but that he could mark it for my attention which might result in its being handled a little sooner. The report is entitled "Larry E. Kerley, Bribery".

He stated the letter authorizing the Kerley "technical" was received but it was not possible to get it in today inasmuch as the Telephone Company was not working today. He inquired regarding the Lewis authorization for a "technical" and I advised him this letter had been sent through, that authorization had been given for it and that he certainly should have it by Monday morning.

Mr. Conroy advised that they received a copy of a letter from Kansas City dated January 3rd. I told Mr. Conroy I had seen this letter with names of his relatives, leave record, et cetera. Mr. Conroy said in that letter it was shown that he went on leave September 6, 1945 and stated he could be reached in care of Miss L. Emmons, 4522 - 45th Street, Kansas City, and there is no such address in Kansas City. In the New York Office he went on leave from May 19th to July 6, 1945, and stated he could be reached in care of Lucy Emmons, 45-22 - 44th Street, Northwest, Washington, D. C. Mr. Conroy said this was probably his wife's name since she worked for the Department of Justice and formerly resided in Washington, D. C. He lived in Washington, D. C. from 1937 to December 1941.

The Kansas City letter shows that Kerley attended In-Service School beginning at the Bureau at 9:00 AM, September 10th and upon completion of the training he was to have annual leave from 9-24 to 25, 1945 at 6:00 P.M. He stated orally he was going to New York City for a few days following In-Service. Mr. Conroy explained. He would like to have the Bureau check for a memorandum at the Training School or possibly his leave records to determine the address he gave when he left In-Service on September 21, for New York.

On the mail cover, Mr. Conroy stated there was nothing but a rather bulky letter from the Standard Oil Company of New Jersey, St. Paul Place and Franklin Street, Baltimore 1936, Maryland. It was probably road maps or something of that kind.

Mr. Conroy said this included developments to date

EAT:dmg

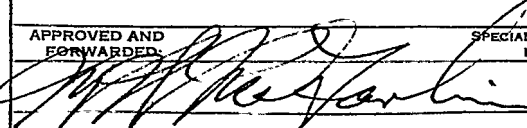
60 JAN 22 1946

FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT **New York**

FILE NO. **58-18**

REPORT MADE AT Louisville, Kentucky	DATE WHEN MADE 1/4/46	PERIOD FOR WHICH MADE 1/3/46	REPORT MADE BY LYMAN M. CHIFMAN LMC:bl
TITLE LARRY E. KERLEY 3/18/03 60290BCFCALPMS			CHARACTER OF CASE BRIBERY
<p>SYNOPSIS OF FACTS: <u>PERSONAL AND CONFIDENTIAL</u></p> <p>KERLEY opened a checking account at the First National Bank and Trust Co., Lexington, Ky. in the name of Mr. and Mrs. LARRY E. KERLEY 2/8/43. Account closed 5/17/45. Average monthly balance was approximately \$400 to \$500. Deposits over \$100 set forth in details. Also carried a safety deposit vault with wife listed as deputy, which was closed 11/24/44. His contacts with Mr. and Mrs. JAMES LEWIS set forth herein.</p> <p style="text-align: center;">-RUC-</p> <p>REFERENCE: Telephone call from SAC E. E. CONROY, New York Field Division January 2, 1946.</p> <p>DETAILS: This investigation is predicated upon a telephone call received from Special Agent in Charge, E. E. CONROY, New York Field Division, requesting that subject's bank accounts at Lexington, Kentucky be determined, and information contained in the records of the Louisville office concerning his contacts with Mr. and Mrs. JAMES LEWIS, who were contacted on several occasions relative to the investigation of two German alien enemies by the name of [redacted] and [redacted] the Lakeview Farms, owned by JAMES LEWIS at Lancaster, Kentucky.</p> <p>Mr. J. S. YELLMAN, Vice President of the First National Bank and Trust Company, Lexington, Kentucky, exhibited records which disclosed that a checking account was opened at that bank on February 8, 1943 in the name</p>			
APPROVED AND FORWARDED 		SPECIAL AGENT IN CHARGE	DO NOT WRITE IN THESE SPACES <div style="font-size: 2em; font-weight: bold; text-align: center;">58-1548-10</div>
COPIES OF THIS REPORT 3-Bureau 3-New York 2-Louisville			

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b7C

Ls

58-18

of Mr. and Mrs. LARRY E. KERLEY. Their residence was given as 107 Cochran Road, Lexington. The account was opened in the amount of \$116. It was closed May 17, 1945 with a balance of \$1672.54. It carried an average monthly balance of approximately \$400 to \$500.

The writer obtained a transcript of deposits of \$100 and over, which are as follows:

<u>Date</u>	<u>Deposit</u>
2/16/43	\$124.50
2/17/43	226.70
3/16/43	197.00
4/8/43	177.00
5/5/43	134.00
5/21/43	182.00
6/19/43	200.00
7/26/43	130.00
8/1/43	310.00
8/5/43	142.00
8/23/43	290.00
9/3/43	125.00
10/2/43	115.00
10/20/43	100.00
11/3/43	110.00
11/18/43	110.00
1/7/44	125.00
1/19/44	115.00
2/4/44	160.00
2/18/44	115.00
3/8/44	125.00
4/15/44	150.00
4/19/44	125.00
4/20/44	120.00
5/16/44	125.00
6/2/44	125.00
7/7/44	140.00
8/2/44	120.00
8/12/44	100.00
8/17/44	100.00
9/2/44	100.00
9/18/44	105.00

Ls
58- / 8'

10/3/44	\$105.00
10/18/44	100.00
11/3/44	125.00
11/17/44	100.00
4/24/45	1470.00

It was ascertained that the deposit of \$1470 made on April 24, 1945 consisted of a United States Treasury check in the amount of \$1520 of which \$50 was taken out in cash and the remaining amount deposited.

A safety deposit box was also maintained at this bank by subject with his wife, DOROTHY KERLEY listed as deputy. It was closed on November 24, 1944 and there were only four entries to this box indicated as follows:

August 2, 1944
August 28, 1944
October 3, 1944
November 24, 1944

Subject maintained no savings account with this bank.

There are six other banks in Lexington, Kentucky and officials of these banks were contacted as hereinafter set forth. It was established that subject had never had any checking or savings account with any of these banks.

A. S. MITCHELL, Executive Vice President, Second National Bank; C. N. MANNING, Chairman of the Board, Security Trust Company; A. G. MAINOUS, Vice President, Citizens Bank and Trust Company; Mrs. CLARENCE COX, Bookkeeper, Union Bank and Trust Company; WILLIAM H. WELLS, Assistant Cashier, Bank of Commerce; L. D. NICKLES, Vice President, Exchange Bank.

A review of the file entitled [redacted] alias. [redacted]

[redacted] with aliases, [redacted]

[redacted] Internal Security - G, Alien Enemy Control, disclosed that subject in August of 1942 interviewed Mr. and Mrs. JAMES LEWIS concerning [redacted] and his wife, who were under an investigation as German alien enemies, it being noted that [redacted] at the time was [redacted] the Lakeview Farms, owned by JAMES LEWIS at Lancaster, Kentucky. These interviews are reported on pages 3 to 6 of report of Special Agent LARRY E. KERLEY dated at Louisville August 24, 1942.

In the same case, subject, by report dated November 7, 1942 on page 15 thereof, sets forth an interview with Mrs. JAMES LEWIS at the Lakeview Farms concerning

b6
b7C

Ls

58-18

certain circumstances which transpired in connection with [redacted] being returned^{b6}_{b7C} to the farm by guards to obtain her personal effects.

By report dated at Louisville, January 30, 1943 submitted by Special Agent LARRY E. KERLEY, a telephone contact is reported on page 2 thereof with Mrs. JAMES LEWIS in which she advises subject that her home had been burned.

The New York office has copies of the aforementioned reports and the above are the only contacts on record in the Louisville Field Division subject had with Mr. and Mrs. JAMES LEWIS.

The indices of the Louisville office are negative with respect to GEORGE H. SIBLEY.

-REFERRED UPON COMPLETION TO THE OFFICE OF ORIGIN-

Office Memorandum • UNITED STATES GOVERNMENT

TO : E. A. Tamm

DATE: January 10, 1946

FROM : D. M. Ladd

SUBJECT: ARTHUR ADAMS

INTERNAL SECURITY - R

Larry E. Kerley
Bribery

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	b6
Mr. Rosen	b7C
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Nease	

At the above time, SAC Conroy, New York, called to report that the mail cover on Curley (phonetic) has developed nothing significant to date. Last Tuesday there was a letter postmarked January 5, 1946, from apparently a sister of Mrs. Ora S. Kirk, from Oklahoma, the town Will Rogers comes from and where the parents lived. January 9, there was letter from E. A. Dickinson, 371 Station Hospital, APO 494, c/o Postmaster, New York, postmarked December 24, 1945, which letter was addressed to Mr. and Mrs. On the same date there were also two letters from the Bureau postmarked December 12 and December 30, 1945, which were forwarded from Van Barnett (phonetic), 1105 Olive Street, Merry, Kentucky, which was the forwarding address Curley gave the Bureau.

Mr. Conroy stated he had called the Chicago Office and asked them to check on the bonds they have and was advised it would take until January 18, 1946 before this could be done.

Mr. Conroy advised the technical on Curley went in on Tuesday and there have been no developments thus far. There have been no developments on the Rushmore wire either. He stated the letter for the lease line on Lewis has not yet been received. I advised Mr. Conroy this letter should have gone out and that I would check on the matter.

Mr. Conroy stated one matter of interest was on January 2, Rushmore in talking to Betty Lewis said, "Yes, I will give you a ring back as soon as you hear from those other people. I am sort of interested to hear what they found out. You know - in Pawling." Mr. Conroy stated Mrs. Lewis, two or three years ago called the office and said she understood if Dewey were elected President, Sibley (phonetic) would be Director of the FBI, so apparently Sibley and Dewey are friends. Dewey's home is in Pawling, New York. Mr. Conroy stated further in a memorandum dated December 6, re "Governor Dewey, Information Concerning" Nelson Frank, of the "World Telegram" quoted that Dewey is very conversant with Communist matters. Mr. Conroy stated there might be a pipeline from Curley through the Lewises and Sibleys to Dewey, Thomas E.

I advised Mr. Conroy we would like to get the first matter straightened out first and should not be concerned with this last bit of information at the present time. He advised they will submit a report early next week setting out the results of the file reviews.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/18/63 BY 60390BCE/CAL/tus

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158-1548-11
JAN 23 1946

DML:CAB

56 JAN 24 1946

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Rosen *MR*

DATE: 1/8/46

FROM : Mr. Callan *Callan*

Telephone Call: 5:25 PM, 1/8/46

SUBJECT:

~~LARRY CURLEY~~ *KERLEY*; *Bulby*
TECHNICAL SURVEILLANCE

Mr. Tolson	_____
Mr. E. A. Tamm	_____
Mr. Clegg	_____
Mr. Coffey	_____
Mr. Glavin	_____
Mr. Ladd	_____
Mr. Nichols	_____
Mr. Rosen	_____
Mr. Tracy	_____
Mr. Mohr	_____
Mr. b2 son	_____
Mr. b2 don	_____
Mr. b6 ford	_____
Mr. b7C Tamm	_____
Mr. b7E	_____
Miss Beahm	_____
Miss Gandy	_____

In my absence Special Agent James Kirkland of the New York Division telephonically advised Supervisor [redacted] that the technical surveillance on the above captioned individual was installed at 3:45 PM today. He advised that it was [redacted] and that the symbol number was [redacted]

WMM:MCM

~~ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 11/18/03 BY 60267 AAG~~

SE 1

58-1548-12

CLASSIFIED BY A15/A3/MS/60267 AAG

DECLASSIFY ON: 25X

INDEXED

50 JAN 25 1946

~~SECRET~~

Verlag
3-11
CJ

100-6

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. EDW. A. TAMM
 FROM : Mr. D. M. Ladd
 SUBJECT: LARRY E. KERLEY MATTER

1/11/46

A.M.

b6
b7C

Mr. Tolson
 Mr. E. A. Tamm
 Mr. Clegg
 Mr. Coffey
 Mr. Glavin
 Mr. Ladd
 Mr. Nichols
 Mr. Rosen
 Mr. Tracy
 Mr. Carson
 Mr. Egan
 Mr. Gurnea
 Mr. Hendon
 Mr. Pennington
 Mr. Quinn Tamm
 Tele. Room
 Mr. Nease
 Miss Gandy

you by all means H. Staph
 SAC E. E. Conroy of New York called at this time and stated he thought it would be well if the Bureau would place a stop on the War Service Certificate if it has not already gone out to Kerley because he didn't think we would want to certify he had had honorable service.

On the mail cover he said there was just one letter which apparently was from Kerley's wife's brother, Captain Joseph T. Rivers, Jr., which had an APO number in care of Postmaster, New York, and which was addressed in care of her mother and then forwarded from Savannah.

With regard to the Kerley and Rushmore "technicals" Mr. Conroy said there was nothing and the Lewis "technical" should go in today. He said the letter came in yesterday but because of the telephone company disturbances there were not able to put it in.

SAC Conroy advised that Rushmore is suspicious that a "tap" is in on his wire. I inquired how he arrived at this conclusion. Mr. Conroy stated on January 2nd, Rushmore called Betty Lewis and engaged in a somewhat lengthy conversation. An excerpt from the conversation follows:

Betty: I had a little experience this morning, a tinkling on the wires, etc. I was wondering if it was not tapped for some "damned" reason.

Rushmore: I'm sure mine is, but I'm past the stage of caring.

Betty: I don't either. I don't give a "damn".

Rushmore: They are using a lot of records if they've got mine tapped.

Betty: I'm hoping one of these days they are going to get to tapping the wires of the right people, people who hurt this country, not only those who help the country.

Rushmore: That's right - oh, they're good boys, they have a job to do.

Betty: They're swell boys, the only thing is the most idiotic thing, et cetera.....

158-1548-13

19 JAN 16 1946

56 JAN 24 1946

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 3/13/03 BY 60290 BCE/KAL/STW

Memorandum for Mr. Edw. A. Tamm

Mr. Conroy stated one of the Agents, Russell S. Garner, who knows Rushmore was on his way downtown to the Office bowling when Rushmore came into the subway and seated himself next to Garner. First he asked Garner if he was going out on a job, perhaps because he had on old clothes, and Garner replied that he wasn't, that he was going bowling. Garner's memorandum states that Rushmore then said "I know your office is dying to know where I got my story (referring to the "Journal-American" story) and I know you fellows have a tap on my home telephone and on the City Editor's." Garner said, "Really, what makes you say that." Rushmore stated, "Oh, we have our contacts". Mr. Conroy said it was incorrect, of course, that they have a tap on the City Editor's phone and that perhaps Rushmore is just "shooting in the dark on the thing". Mr. Conroy said when they picked up the information as to the meet Rushmore also said to Betty Lewis "I just had one of those brilliant streaks of inspiration which may not be brilliant or an inspiration. There is something I would like to talk over with you and our friend." Later in his conversation he said, "I've got something I want to talk over with you too, something may come up or something may not - something we can't talk about over the phone." Mr. Conroy said he was positive in his own mind that this is just a suspicion on Rushmore's part. I told him I also thought it was.

DML:dmg

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. A. Rosen
FROM : Mr. G. C. Callan
SUBJECT:

~~CONFIDENTIAL~~
LARRY KERLEY
Technical Surveillance

DATE: January 11, 1946

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Mohr _____
Mr. Carson _____
Mr. Hendon _____
Mr. Mumford _____
Mr. Jones _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Beahm _____

In connection with the surveillance on Kerley's contact James C. Lewis, we previously furnished a leased line letter to New York at the address from Madison Avenue [redacted] Supervisor James Kirkland of the New York Office called me at 4:50 p.m. and advised me that they had not been able to effect the installation on Lewis' telephone because of technical difficulties. It seems that the Madison Avenue address is a bank and the sound man could not gain access to the premises in order to make the installation.

[redacted]
[redacted] They have declined to even touch the proposition without another leased line letter. There is therefore attached a leased line letter requesting the rental of a line from 910, Fifth Avenue [redacted] (U)

Attachment

CLASSIFIED BY NLS/DG/KMS/60267-AG
DECLASSIFY ON 25X
3/18/03

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/18/03 BY 60290 BCF/KAL/TLS

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38-1548-14

SP/

~~SECRET~~

January 11, 1946

~~ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED EXCEPT
WHERE SHOWN OTHERWISE~~

51-1548-14

Mr. O. M. Taylor, Operating Vice President
New York Telephone Company
140 West Street
New York 7, New York

CLASSIFIED BY ~~NSA/CSS/6367-APG~~
DECLASSIFY ON: ~~2011/03/18~~

Dear Mr. Taylor:

In connection with an investigation relating to violations of Federal statutes which is being conducted by the Federal Bureau of Investigation, you are requested to furnish the Federal Bureau of Investigation at the usual commercial rates leased-line facilities between the points stated below.

This request is made on the specific authorization of the Attorney General of the United States for the purpose of obtaining information relating to violations of Federal statutes. Your cooperation in this matter will be greatly appreciated.

It is requested that leased-line facilities be furnished as follows:

From: 910 - Fifth Avenue, New York City

b2
b7E

(U)

Very truly yours,

J. Edgar Hoover
John Edgar Hoover
Director

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Mohr _____
Mr. Carson _____
Mr. Hendon _____
Mr. Mumford _____
Mr. Jones _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Gandy _____

JDD:del

RECORDED COPY FILED IN

January 11, 1946

58-1548-14

PERSONAL AND
CONFIDENTIAL

DECLASSIFIED BY 60290 BJC/MS
ON 5/18/03

Mr. E. E. Conroy
Special Agent in Charge
Federal Bureau of Investigation
234 U. S. Court House, Foley Square
New York 7, New York

Dear Mr. Conroy:

In accordance with the telephone call on this date from Special Agent James L. Kirkland, I am attaching another letter to Mr. O. M. Taylor, Operating Vice President of the New York Telephone Company, requesting leased-line facilities for a surveillance on James C. Lewis.

According to Mr. Kirkland, another leased-line letter is necessary since it has become impossible to use the previous leased-line letter. It was suggested that this surveillance may now be installed using a tie-in at 910-Fifth Avenue, New York City. This new letter should therefore, be transmitted to Mr. Taylor in accordance with the procedure outlined in my letter of March 2, 1944.

If for any reason you do not utilize this surveillance, the Bureau should be notified in order that its records may be maintained in a current status.

Very truly yours,

J. Edgar Hoover
John Edgar Hoover
Director

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Mohr _____
Mr. Carson _____
Mr. Hendon _____
Mr. Mumford _____
Mr. Jones _____
Mr. Quinn Tamm _____
Mr. Nease _____
Gandy _____

Enclosure

JED:del

RECORDED COPY FILED

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. EDW. A. TAMM

1/16/46

b6
b7C

FROM : Mr. D. M. Ladd

SUBJECT: LARRY E. KERLEY MATTY

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 3/13/03 BY 60290 BCE/AS

Mr. Tolson _____
 Mr. E. A. Tamm _____
 Mr. Clegg _____
 Mr. Coffey _____
 Mr. Glavin _____
 Mr. Ladd _____
 Mr. Nichols _____
 Mr. Rosen _____
 Mr. Tracy _____
 Mr. Carson _____
 Mr. Egan _____
 Mr. Gurnea _____
 Mr. Hendon _____
 Mr. Pennington _____
 Mr. Quinn Tamm _____
 Tele. Room _____
 Mr. Nease _____
 Miss Beahm _____
 Miss Gandy _____

SAC E. E. Conroy of the New York Field Division called me at the above time and advised there is one rather interesting development in this matter. In connection with the "technical" on the Lewis' phone, January 15th, the conversation which came in at 6:55 P.M. cannot be figured out at present, but has possibilities. The call was an incoming one from Henry to Mrs. Betty Lewis and they exchanged greetings after which he said he was late in getting in and had to sit around for the Personnel Officer to tell him where to go. She asked if he was at Camp Lee and he said he was and also said his address was Headquarters Detachment, Quartermaster School, Camp Lee. He asked about Jim (James Campbell Lewis) and she then said "The General is probably going to be here on Sunday and we are looking forward to it". Henry then asked "How did he sound when you talked to him?" He said "Was he pretty favorable" and Betty said, "Yes" and she then said, "The General said they had absolutely no right to go through with the procedures such as they had with you, that nobody, Colonel or otherwise, has the right to do those things without a hearing or court-martial". Henry said, "Yes, it was supposed to go to the Quartermaster General first. I thought that would make them mad you see." Betty said, "Well, it did." She said, "They went over to the White House and spoke to the Aide of the President there and so everything is O.K." She cautioned him not to talk to anybody about it and said that they would talk it over Sunday and would send him a telegram as to when he should call them. Mr. Conroy said at this time they cannot figure out what this is, but it may have some possibilities. I told him perhaps we might get along further through a call on Sunday if they have one. Mr. Conroy stated they would follow this thing through.

With reference to Kerley's bank account, he has bank account, Number 3390, is located at the National City Bank on Park Avenue and 57th Street Branch. That is in the locality of the Squibb Company and the account is a special checking one and was opened on November 3, 1945. He gave as his reference the Manufacturer's Trust Company, Park Row, New York City, which is his old bank account and James C. Lewis of 22 E. 73rd Street, New York City. He stated he was employed as a business manager by James C. Lewis. On the analysis of the account Mr. Conroy stated first, there was a \$250.00 deposit when he opened it, November 3, 1945; there was \$1100.00 on December 5, 1945; thirdly, \$100.00 on December 19, 1945; fourth, \$400.00 on January 3, 1946; and fifth, \$100.00 on January 8, 1946. Mr. Conroy said the deposit slips show the item 2, the \$1100.00 on December 5, 1945, consisted of a \$74.80 cash deposit, a check for \$39.87 drawn on the National City Bank of New York and a U. S. Treasury check for \$985.33 (his terminal leave check). The deposit slip of item 4, \$400.00 shows that it

56 JAN 24 1946

5-101

Memorandum for Mr. Edw. A. Tamm

consists of \$34.00 in cash and \$34.68, a check for \$262.15 and a check for \$103.17 with no notation on the deposit slips to show what banks they were drawn from. The account now has a balance of \$1560.28. All of the checks drawn by him were examined and, incidently, there has not been a check returned to him as of this date. They are to be returned January 20th and the Agents will go back there on the 20th. In most cases the checks were drawn for utility companies, milk company and rent, with two small checks were made payable to his mother. There were two checks on insurance policies. Mr. Conroy stated an interesting observation was that of two checks payable to Van Barnett (phonetic), that is the brother-in-law, and in connection with that a mail cover and a telephone conversation the Bureau received reflected that Kerley is in business with Barnett in Murray, Kentucky, and the name of that firm is "The Firestone Home and Auto Supplies Company, Barnett and Kerley, Owners." Mr. Conroy stated it is possible he might have taken the money he cashed in on his bonds and set up this company with the brother-in-law. He said the mail covers haven't developed a thing and in the past three days nothing was of note.

An interesting observation is that Kerley's son was born in June of 1944, when Kerley was down there as a resident agent and the boy was named Michael Lewis Kerley.

On the "technicals" outside of what Mr. Conroy has already given there is nothing of very great importance. He stated they have received a teletype message from the Bureau this morning on this case stating that the technical surveillance of the number was wrong on it. Mr. Conroy said the Bureau is in error in stating [redacted] has already been given to [redacted] in the Silvermaster Case. New York teletype of December 20, 1945, advised the Bureau that it was [redacted] rather than [redacted] which was assigned to [redacted]. He said they would not answer this teletype if I would make a note of this. I told him I would make a note of it.

DML:dmg

No record of such a teletype.
Code & Teletype room searched from 12-19-45 to 1-1-46. [redacted]
not assigned according to our records.
On basis of this memo cards will be made showing [redacted] assigned to [redacted]
JDS

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b7C

b2
b6
b7C

January 17, 1946

Standard Oil Company
Birmingham 2, Alabama

Gentlemen:

Attached hereto is your invoice No. 99151-A in the amount of \$3.06 together with supporting sales ticket which represent charges in connection with the purchase of gasoline.

Also attached is the personal check of Mr. Larry L. Kerley in the amount of \$3.06 in payment of the above mentioned charges.

Very truly yours,

John Edgar Hoover
Director

Enclosures

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/18/03 BY 60290 BCE/CAL/JUS

RECORDED

58-1548-16

REL:rl

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Gandy _____

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. EDW. A. TAMM *E*

FROM : Mr. D. M. Ladd

SUBJECT: LARRY E. KERLEY MATTER

DATE: 1/15/46

Call: 4:56 P.M.

Mr. Tolson _____
 Mr. E. A. Tamm _____
 Mr. Clegg _____
 Mr. Coffey _____
 Mr. Glavin _____
 Mr. Ladd _____
 Mr. Nichols _____
 Mr. Rosen _____
 Mr. Tracy _____
 Mr. Carson _____
 Mr. Egan _____
 Mr. Gurnea _____
 Mr. Hendon _____
 Mr. Pennington _____
 Mr. Quinn Tamm _____
 Tele. Room _____
 Mr. Nease _____
 Miss Gandy _____

I called Mr. E. E. Conroy of New York at the above time and advised him that we have a check which he sent in to pay for some gas billed to him. Apparently Kerley has an account at the National City Bank of New York, the Park Avenue Branch, and the check has on the bottom of it "Special Checking Department". Mr. Conroy said they have the mail cover on and they only send the checks out on the special checking accounts once every three months. They were wondering whether it was at his office. As a matter of fact, he said, on Friday of last week they got a rumble from the telephone company that he had paid his phone bill with the Brooklyn Trust Company and they rushed out there and couldn't find any account there. Finally this morning they found out that the attorney for the telephone company had also received a request from the Police Department for a cover on the check coming in and he had gotten the two of them mixed up. Kerley's check in payment of his telephone bill had never come in. On the mail cover at the home he may be having his bank statement sent to the office instead of at home. He said they hesitated to put a mail cover on the office because the carrier to the Scribner (phonetic) Company may have been employed 12 or 15 years.

I advised Mr. Conroy he also wrote in a letter in which he said that he wanted his statement as to the amount of taxes withheld etc. because he had to file a statement by January 15th, and I told Mr. Conroy the only time this would be necessary was if you had more income than has been deducted so that in this situation he must have had some side income or he would not have had to file such a report by January 15th. I requested him to look into this and suggested he might find something of interest in this account. He said this is what they have been looking for. Mr. Conroy said Kerley had nerve enough to call Gertrude Fouhy at the office, who handles hospitalization to ask her some questions about it, telling her he was employed by Squibb and Company and wondering whether he might get the same thing down there. He did have a check sent in for the hospitalization before they identified Kerley as the individual.

DML:dmg

ALL INFORMATION CONTAINED
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 DATE 3/18/03 BY 60393/CE/CA/MS

56 JAN 25 1946

RECORDED
 &
 INDEXED
 EX-49

158-1548-17

JAN 20 1946

What interest has the
 Police Dept?

COM-4a

DECLASSIFICATION AUTHORITY DERIVED FROM:
FBI AUTOMATIC DECLASSIFICATION GUIDE
DATE 06-14-2010

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Acers _____
Mr. Carson _____
Mr. Harbo _____
Mr. Hendon _____
Mr. Mumford _____
Mr. Starke _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Gandy _____

F.B.I. TELETYPE

DECODED COPY

WASH FROM NEW YORK 14 1 502 P

DIRECTOR

URGENT

ATTENTION MR. CALLAN.

CONFIDENTIAL

INSTRUCTIONS

DISCONTINUED 2:45 PM THIS DATE PER BUREAU IN-

CONROY

RECEIVED 1-10-46 5:13 PM EST

HOC

158-1548-18

If the intelligence contained in the above message is to be disseminated outside the Bureau, it is suggested that it be suitably paraphrased in order to protect the Bureau's coding systems.

FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT **NEW YORK**

NY FILE NO. **67-13301 DMS**

REPORT MADE AT NEW YORK	DATE WHEN MADE 1/17/46	PERIOD FOR WHICH MADE 1/3-13/46	REPORT MADE BY <div></div>
TITLE LARRY E. KERLEY			CHARACTER OF CASE BRIBERY
SYNOPSIS OF FACTS: <div style="text-align: center;">9/29/03 <i>AUC602903CE/AG/MS</i> PERSONAL AND CONFIDENTIAL</div> <div style="float: left; width: 30%;"><i>2/6/16</i> <i>Classified by 602903CE/AG/MS</i> <i>Declassify on: OADR</i> <i>25/1/58</i> <i>11/3/88 SP6/MS/NA</i></div> <p>Additional information on <div></div> and GEORGE H. WISEY reported. Information furnished by Confidential Informant <div></div> regarding WISPORE set out. Confidential Informant <div></div> now furnishing information regarding WISPORE. Detailed analysis of the cases assigned to KERLEY and his No. 3 cards while in New York, reflect he could easily get facts which were published by WISPORE in the "Journal-American"; participated in physical surveillances of ARTHUR ADAMS, AL CLELAND HICKS, JACOB ARONSON and PAVEL KERNITOV, all of whom were mentioned in WISPORE's articles. KERLEY's New York (S)(u) bank account not located. Results of mail cover set out.</p> <p style="text-align: center;">P</p> <p>Report of Special Agent <div></div> New York, 1/5/46</p>			
APPROVED AND FORWARDED:	SPECIAL AGENT IN CHARGE	DO NOT WRITE IN THESE SPACES	
COPIES OF THIS REPORT		58-1548-19	
3- Bureau (encls. 6)		TRUE COPY	
2- New York			
		SECRET	

~~SECRET~~

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b7D

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b2

174

NY 67-13301

DETAILS:

This is a joint report of Special Agents
[redacted] and the writer.

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b7C

[redacted]
b7D

New York file 62-1377 is a file which was maintained
[redacted] of the New York Office.

Included in this file is a memorandum dated September 29, 1943, by Special Agent Daniel H. Lucking, which was written at the time [redacted] made some derogatory statements about Agent Lucking's attitude. It was noted that Agent Lucking stated that [redacted] was originally contacted as a result of a lead set out by Special Agent LARRY E. KERLEY of the Louisville Field Division regarding New York file 65-12318 entitled: "BARBARA HUTTON, WAS; ESPIONAGE - C". [redacted] had made a statement that KERLEY told her to hold information in readiness for a New York agent, but Lucking did not know of this arrangement and for that reason [redacted] constantly called Agent Lucking to pass information on to him.

b7D

Throughout Agent Lucking's memorandum it is noted that he said [redacted] was constantly asking him about the status of investigations, which she presumed were being carried on as a result of complaints she had given.

b7D

It should also be noted from Agent Lucking's memorandum that it would appear that [redacted] tried to make personal friends of Agent Lucking by visiting his home and when they heard he had a new baby offered to send him a crib.

In reference to New York Field Office file 65-12318, Bureau file 100-5210, there is a report therein written by Special Agent LARRY E. KERLEY dated February 15, 1943, at Louisville, Kentucky. This report covers a period from January 9th to February 3, 1943. It is entitled: [redacted] WAS; ESPIONAGE - C" in which Los Angeles was the office of origin. In this report KERLEY carries [redacted] who at that time resided at [redacted] New York City, as Confidential Informant T1. According to this report, KERLEY states

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b7C
b7D

~~SECRET~~

NY 67-13301

he interviewed her when [redacted] concerning her knowledge of the subject of NY 65-13313 and she supplied him with a great deal of background information concerning the subject of that case and various contacts of hers, as well as individuals in the so called, "International Set".

The file also reflects that KERLEY received a letter [redacted] dated January 14, 1943 and was written to him personally, addressing him as, "Dear Mr. Kerley", and giving him some more information concerning contacts of the subject in the Espionage-G case.

Another report of the same file by Agent KERLEY, dated April 1, 1943, which covers a period from March 4th and March 21, 1943, reflects [redacted] was in contact with KERLEY by letter, in view of the fact that KERLEY reports a letter from her postmarked February 10, 1943 and addressed to him personally. It would appear that she had sent him besides information concerning subjects in the espionage case, clippings from various newspapers in New York City. It would also appear that there was a letter dated February 8, 1943 [redacted] KERLEY in this report also reports that on February 16, 1943, he was telephonically contacted [redacted] at his residence to give him information concerning the arrival of the subject of the espionage case in New York City. This latter report also reflects that KERLEY received a letter dated March 21, 1943, [redacted] also concerning subject of the espionage case. It was in this report that KERLEY sets out a lead for the New York Office to maintain contact with Confidential Informant T1, who was [redacted] This report dated April 1, 1943 was an RUC report.

Continuing with New York file 62-7977, there is a letter to the Bureau dated October 30, 1943, wherein there was set out the result of a conversation between [redacted] and Assistant Special Agent in Charge T. J. Donagan. It is noted in this letter [redacted] wanted Agents to contact her regularly to obtain information which she had concerning subversive matters. She was, of course, advised that this would not be possible, but that any time she did want an agent to contact her for the purpose of obtaining information, that would be done.

In a letter dated October 24, 1944, it is noted that [redacted] stated that she had tried to be of every service to the Bureau since 1937.

~~CONFIDENTIAL~~

NY 67-13301

GEORGE H. SIBLEY

In New York file 62-7977, in a letter to the Bureau dated October 24, 1944, there was set out information obtained from the Credit Bureau of Greater New York concerning SIBLEY. It indicated that he was employed as general attorney and director of E. R. SQUIBB and SONS company, 745 Fifth Avenue, New York City since December 1937. He was formerly connected with J. and W. SEFTON COMPANY, a banking concern at 54 Wall Street, New York City, as attorney and comptroller. According to the credit records, he had his account at the Chase National Bank.

HOWARD RUSHMORE

GENERAL INFORMATION

On January 9, 1946, Special Agent Russell S. Garner, who is assigned to the New York Field Division, was enroute from his home to Manhattan, when he encountered HOWARD RUSHMORE on the subway train. Agent Garner is acquainted with RUSHMORE inasmuch as he has contacted him several times in connection with Communist matters. According to Agent Garner, RUSHMORE asked him if he was, "on a tail job", since he had observed Garner was wearing a windbreaker and khaki shirt. Agent Garner advised that he was going bowling.

RUSHMORE asked Agent Garner whether he had read his series of articles in the "Journal-American" early in December of 1945, and Garner said he had read the first two stories, but had not read the others. RUSHMORE said, "I know your office is dying to know where I got my stories". Agent Garner said nothing and RUSHMORE continued. "I know you fellows have a tap on my home telephone and on the City Editor's". Agent Garner replied, "Well, what makes you say that?" RUSHMORE then said, "Oh, we have our contacts". RUSHMORE said that he had probably been indiscreet in mentioning the code word for Comintern apparatus in one of his articles and that there were some other details he should not have revealed. He averred that as far as he was concerned the SCHENCKENBERG case was closed any how and that he saw no harm in relating the story. RUSHMORE said, "I was thinking about sending the draft of my series of articles over to

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"some of the Agents in your office working on Communism, whom I know well".

Agent Garner stated that RUSHMORE appeared to be apologetic and that he expressed the feeling that he thought that these articles of his had precipitated Mr. Hoover's recent reference to Communism and Communist groups in speeches, much more so than Mr. Hoover had done in the past. RUSHMORE asked Garner whether he had heard of Mr. Hoover's condemnation of AMERICAN YOUTH FOR DEMOCRACY in a speech made before the CATHOLIC YOUTH ORGANIZATION in New York City on the evening of January 8, 1946. Agent Garner told him that he had read an account of the speech in the "New York Herald Tribune" on January 9th.

RUSHMORE wanted to know whether Agent Garner knew that IRVING GOFF, former member of the Abraham Lincoln Brigade, had been appointed Veterans Director of the New York State Communist Party.

RUSHMORE also commented on the fact that apparently at least one Army officer in the Pacific was of the opinion that the protest rallies of that theater had been stirred to near mutiny by Communists in their midst.

RUSHMORE got off the subway at the Lexington Avenue stop and according to Agent Garner, the conversation had lasted no more than three or four minutes.

During the time of the conversation Agent Garner, of course, did not indicate to RUSHMORE that the information contained in his articles was correct, or did he indicate in any way that we are conducting investigations as stated by RUSHMORE.

Mrs. HOWARD RUSHMORE's picture appeared in the "New York Times" for January 2, 1946. One of these pictures was obtained and is being maintained as an exhibit in the instant case. Agents [redacted] and the writer are of the opinion that the woman with RUSHMORE on the night of December 28, 1945, is identical with the woman in the instant picture, which is of Mrs. RUSHMORE.

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CONFIDENTIAL INFORMANT

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The Information being set out below was furnished the New York Office by Confidential Informant who reports information concerning part of the activities of Mr. and Mrs. RUSHMORE at their home, 32-17 84th Street, Jackson Heights, Long Island, New York.

JANUARY 2, 1946

At 3:53PM this date, RUSHMORE attempted to contact a Mr. BERNSTEIN, who, however, was not available. RUSHMORE left word for him to call back if he had anything he wanted to talk to RUSHMORE about.

At 4:10 PM a woman contacted RUSHMORE on behalf of Mr. SEIGAL (ph.) in reference to RUSHMORE's article for, "their" magazine.

At 5:05 PM RUSHMORE was contacted by a person named CLARA in reference to a story RUSHMORE was doing on the "Sandhog". RUSHMORE advised CLARA that he had given it up.

At 6:40 PM RUSHMORE was contacted by his office and was advised that a telegram had been received from one FRED CLARK reminding RUSHMORE of CLARK's invitation of December 10th to attend a dinner on January 3rd at the University Club.

At 7:53 PM RUSHMORE contacted BETTY LEWIS, who advised him that she had met PAUL SCHOENSTEIN and his wife at City Hall, but that SCHOENSTEIN did not know her and she did not know Mr. SCHOENSTEIN until later and she advised RUSHMORE she would like to meet SCHOENSTEIN personally sometime in the future.

During the course of this contact RUSHMORE asked her if she had heard, "from the folks who were over that night". (Probably referring to the night of December 28th, when the reporting Agents had the LEWIS home under surveillance. It should also be remembered that there were present RUSHMORE and his wife, LARRY E. KERLEY, GEORGE H. SIBLEY and a woman, either his wife or secretary, and the LEWISES.) BETTY LEWIS advised him that she had, but nothing of particular importance. She

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further stated that she had a little experience this morning--that there was a little tinkling on her wires and she was wondering if it was not tapped for some reason. RUSHMORE advised her that he was sure that his was, but he was past the stage of caring. She said she did not care either. RUSHMORE went on to say that if they had his wires tapped, they will use up, "a lot of records".

They had further conversation about RUSHMORE's wife and BETTY stated she wanted to see her again. RUSHMORE said he would see to it that they got together.

During this conversation RUSHMORE asked BETTY if she knew a fellow by the name of FRED G. CLARK, whom he called a big insurance broker and who was having dinner on the night of January 3rd and had invited RUSHMORE to attend, saying it was a subject that RUSHMORE was very much interested in and that the dinner would be at the University Club. BETTY then looked up FRED G. CLARK in the "Businessmen's Directory" and read the article therein to RUSHMORE. It would appear from this that CLARK was at one time National Commander of the CRUSADERS, from 1929 to 1937, after which RUSHMORE stated that sounded pretty bad to him and he would not attend the dinner.

Near the end of the conversation RUSHMORE stated he would ring her back and told her that as soon as she heard, "from these other people" she should let him know as, "I am sort of interested to hear what they found out. You know---in Pawling". BETTY thereupon stated that she would let him know as soon as she heard anything, "as they haven't even gotten back". Whereupon RUSHMORE replied, "Yes, I know. When they get back." He then advised BETTY that he would give her a ring in a day or two.

In respect to this information the fact should be noted that NELSON FRANK, a reporter for the "New York World Telegram" on Communistic affairs in New York City, on December 6, 1945, advised Special Agent [redacted] of the New York Office that he had a conversation with Governor THOMAS E. DEWEY of New York and during the conversation it was very obvious that DEWEY was accurate and well informed on the subject of Communism and knew all the Communist personalities and their functions within the Communist Party. It should be noted that FRANK is in contact with RUSHMORE concerning Communist activities in New York City and more than likely has advised RUSHMORE of his interview with Governor DEWEY.

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As has been set out in reference report, GEORGE H. SIBLEY, who is an executive of SQUIRE COMPANY with JAMES C. LEWIS, and who was present at the LEWIS home on the night of December 28, 1945, with the RUSHMORE, KERLEY and the LEWISES, is apparently a contact of Governor DEWEY, due to [REDACTED]

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It should also be noted that Governor DEWEY's home is at Pawling, New York, and according to newspaper accounts spent the Christmas holidays at his home in Pawling, New York. It would therefore be probable that information was given to SIBLEY on the night of December 28th for him to present to DEWEY at Pawling, New York over the Christmas and New Year holidays.

JANUARY 3, 1946

On this date Confidential Informant [REDACTED] advised that at 7:05 AM RUSHMORE talked to his wife and complimented her on her picture in the January 3d edition of the "New York Times".

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At 9:29 AM RUSHMORE contacted a Miss McCABE, secretary to a Mr. CLARK and advised Miss McCABE that he would not be at the dinner tonight because he was working nights.

At 10:32 AM RUSHMORE talked to a woman and asked her for a "Mr. NEU-STEIN (ph.)" but was advised that NEU-STEIN was not in and the woman advised RUSHMORE that she has the affidavit. RUSHMORE advised that he would be in town around 4:00 PM and would call about three o'clock.

At 12:01 PM on this date a woman at POWERS, (probably the POWERS model agency) engaged RUSHMORE in conversation and advised him that a letter was received from RUSHMORE's [REDACTED] by [REDACTED]

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The letter stated that [REDACTED]

[REDACTED] RUSHMORE replied that he is totally wrong. He told the woman to forget about the letter, saying [REDACTED] wrong.

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At 12:09 PM RUSHMORE contacted a Mr. BERNSTEIN. There was a conversation concerning insurance policy, alimony and attorney's fees in connection with a pending action by [redacted] attorney, and that [redacted] attorney is seeking [redacted] in lieu of the separation agreement made. The date of the hearing would be January 14th, and RUSHMORE would check to find out who the judge was and phone JIM CONNOR. RUSHMORE further talked about the previous conversation he had with the woman at 12:01 PM regarding [redacted] receiving a letter [redacted] RUSHMORE stated that [redacted] was concerned about the letter since it came on the heels of the shooting in the Fay Hancock case.

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JANUARY 4, 1946

On this date at 12:23 PM one EDDIE ATWELL spoke to RUSHMORE regarding literature to be passed out at the Madison Square Garden and the fact that the "Left Wingers" are distributing subversive literature under FAY's name.

At 2:55 PM RUSHMORE made an appointment to appear in BERNSTEIN's office at 551 Fifth Avenue on the twentieth floor at 4:30 PM.

At 6:10 PM RUSHMORE contacted one BETTY and FRANK LEWIS, at which time BETTY told him that she had a couple of tickets for him to see "Colonaise" for January 5th. RUSHMORE told her he would pick up the tickets tomorrow and come back to see BETTY after the show. BETTY advised him that "Colonaise" was in its last week in New York City and they were going to California and she was going along. FRANK LEWIS then discussed material with RUSHMORE on an article RUSHMORE is doing.

At 6:37 PM one THOMAS SMITH contacted RUSHMORE and discussed the fact that he was handling FRANK FAY's case and that OTIS, FRANK FAY's butler, had spread a rumor that SMITH was suing FAY for \$500 bill. They discussed this matter and work of the "Friends of Frank Fay Rally".

At 9:40 PM Mrs. M. W. WOOD contacted a Mrs. SEASH and told her she wanted ELMER to come over tonight about 7:30 PM to stay with the children.

JANUARY 5, 1946

At 10:27 AM FLEANNOR called RUSHMORE and advised him that she was bringing over a nice young lady to care for the children while RUSHMORE and his wife went to the theater.

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At 1:29 PM [redacted] received a contact from one CHARLES LEWIS, at which time RUSHMORE advised he and his wife were going to the show, "Polonaise" tonight and were going back-stage later, as the star in the show was a friend of theirs. CHARLES advised that he was having some friends and RUSHMORE stated he would try to drop in later. (It would appear that the BETTY [redacted] mentioned in the conversation on January 4, 1946, is not identical with Mrs. JAMES C. LEWIS, in view of the fact that there was a BETTY LEWIS in the show, "Polonaise" a then current show on Broadway.)

JANUARY 6, 1946

On the above date Confidential Informant [redacted] had nothing of importance to report.

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JANUARY 7, 1946

At 9:28 AM on this date, RUSHMORE contacted his wife at home and gave her BETTY's phone number, Bitterfield 8-5979. (This is the telephone number of Mrs. JAMES C. LEWIS).

JANUARY 8, 1946

At 6:50 PM this date a man, who was probably [redacted], contacted his home and spoke to the girl who was staying with the children. This individual stated, "We are going to see, 'Strange Fruit' and won't be home until midnight."

JANUARY 9, 1946

At 6:07 PM Mrs. [redacted] contacted her husband. They made an appointment to meet at eight o'clock near the third floor ballroom where she is in a fashion show tonight. He stated he would leave the house about 7:00 PM. She advised that she had arranged for him to sit with STEVE REYNOLDS to watch the show. (It would appear that Reynolds' wife is also a model).

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JANUARY 10, 1946

At 12:40 PM one FRANK contacted RUSHMORE about the story on the meeting and from the conversation, both expected the story to receive a better position in the paper than it had received. FRANK advised RUSHMORE that Mrs. RAY SPENCER had written the "Telegram" demanding that they retract an item by WOLTON in the January 9, 1946 issue. RUSHMORE told FRANK that he would be at this thing tonight, which will be sensational and probably crack what he, Rushmore, wants. It will start at 8:30 PM. (This most likely refers to the Friends of Frank Fay Rally which was being held that night at the Madison Square Garden at 8:30 PM.)

JANUARY 11, 1946

On this date at 10:10 AM RUSHMORE was in contact with his wife and advised that he had been out until 3:00 AM this morning at the "Friends of Frank Fay Rally" at Madison Square Garden.

At 10:36 AM RUSHMORE advised his wife that he had gotten the monthly prize for his story. The prize was \$10.00.

JANUARY 12, 1946

On this date at 10:00 AM one PHIL McGUIRE (ph.) of the "Journal-American" attempted to contact RUSHMORE with negative results. However, McGUIRE left a message for RUSHMORE to call DISTASIO at BRocver 2-4100. (This number was checked and it is the number listed to the firm of SATTERLEE, WARFIELD and STEPHENS, attorneys, 49 Wall Street, New York, New York.

At 10:20 AM RUSHMORE contacted one DISTASIO, an attorney, and DISTASIO advised that he was representing the "Farm Journal" in a libel suit, the trial of which is to come up next week. From information furnished by Confidential Informant [redacted] it would appear that the "Farm Journal" had called ARCHIE BRIGHT a Communist and DISTASIO was endeavoring to obtain information concerning BRIGHT and Communism in general. RUSHMORE advised him that he would attempt to find some material for him, but advised that he refused to act as a witness.

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At 1:05 PM one RUTH McGUIRE (ph.) advised RUSHMORE that the action concerning her husband was off for Monday and will take place the following Monday.

[Handwritten signature]

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JANUARY 13, 1946

At 8:30 AM someone in the MASHUPE household called NY 7-6597. The party being contacted was a DOROTHY, who was not at home and a message was left for her to get some stockings.

LARRY E. KERRY

CONFIDENTIAL INFORMANT

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The services of this informant was secured on January 8, 1946. He will report information concerning part of the activities of LARRY E. KERRY and his wife at their home at 35-39 81st Street in Jackson Heights, Long Island, New York. It is pointed out that not all of the information supplied by this informant is being set out in the report, but only that information which appears to be pertinent to the instant investigation. The complete logs of information furnished by the informant are maintained in appropriate files in the New York Field Division.

JANUARY 8, 1946

At 4:02 PM KERRY conferred with his wife at which time he indicated that he had just seen someone who apparently had returned from overseas.

JANUARY 10, 1946

At 9:15 AM on the instant date KERRY contacted the 110th Precinct, New York City Police and requested that they send a squad car to his address, inasmuch as the family in the adjoining apartment were having domestic trouble and the woman is now in his, KERRY's, apartment.

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At 9:45 AM a woman wanted to know if KERLEY was going to work today and he said that he was, but he would be a little late.

At 12:35 PM, Mrs. KERLEY requested that Captain RIVERS, Room 1619, Lincoln Hotel, New York City, communicate with her upon his return to the hotel.

At 10:03 PM an individual believed to be Captain RIVERS told KERLEY that he was coming over for a game of rummy. KERLEY addressed RIVERS as ALEX, ALEC (ph.)

(It should be stated that in Bureau letter to the New York Field Office, dated January 4, 1946, J. T. RIVERS, Jr., was listed as subject's wife's (DOROTHY KERLEY) brother.

JANUARY 11, 1946

At 10:55 AM on this date Confidential Informant [redacted] advised that a woman in the KERLEY apartment gave her name as Mrs. LEWIS and stated she lived in Apartment 3J at the same address as the subject. She advised that she had gotten a summons against a woman who struck her and was afraid to serve it herself. A police officer advised that some police officer would be over to serve it for her.

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At 4:53 PM a Mr. LEWIS talked to a woman and asked for a Mr. JACOBS, who was not in at the time. LEWIS had a long talk with the woman in reference to the eviction of a neighbor tenant who had disturbed LEWIS's wife. LEWIS during the course of this conversation stated he lived at the Century apartments. He stated that if it did not take too long to evict the tenant he would stay at the apartment, but if not, he would move his family out temporarily until the family had been evicted. He said he worked in Philadelphia during the week and was only home on week-ends. (As mentioned hereinafter, the Mr. and Mrs. LEWIS, who reside in KERLEY's apartment house, are not identical with Mr. and Mrs. JAMES G. LEWIS.)

At 5:12 PM Mr. LEWIS again called the same woman he had called at 4:53 PM and told her the name of the woman to be evicted was [redacted] (ph.) who was an alcoholic. LEWIS advised this woman

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that he and his wife would testify against [] and subject, KERLEY, and a Miss SMITH would also testify.

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At 6:58 PM LEWIS called Haddonfield, New Jersey 2157 and talked to a woman who appeared to be LEWIS's mother. He explained to her the difficulty they were having at the apartment house. During the course of the conversation he advised that KERLEY had accompanied Mr. and Mrs. LEWIS to the judge to get the summons and had spoken to the judge.

At 7:55 PM KERLEY received a communication from a man, who told KERLEY that he did not get back to the office until 5:30 and had called KERLEY, but that KERLEY had left his office by 4:45 PM. KERLEY and this man discussed going to a Furniture Exchange on Lexington Avenue and 32nd Street. Agent KERLEY wanted to get a line on furniture because, "We are going to open a furniture store down there". The man stated that he was going over to see McLAUGHLIN's baby today.

At 8:15 PM a woman named RUTH from "downstairs" contacted KERLEY and asked him about a crate for a mirror that she had left there. (Probably in KERLEY's apartment) (This individual, RUTH, is probably the RUTH GOSSETT, who was formerly a sub-tenant in KERLEY's apartment.)

JANUARY 12, 1946

At 2:40 PM on this date Mr. LEWIS, evidently a tenant in the apartment adjoining the subject, called a Mr. FISHER, a photographer. (It would appear that the LEWIS family use the KERLEY phone at will.)

At 3:12 PM KERLEY made a telephone call to someone who apparently lived in the same building. He advised him that he was ready and would meet the man downstairs.

JANUARY 13, 1946

On this date Confidential Informant [] advised that up until 6:40 PM there had been nothing of a nature that would be of interest to this investigation.

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NY 67-13301

GENERAL INFORMATION

Special Agent H. Ross Arnold, Jr., advised that the KERLEYS are friendly with a family by the name of OLIVER and JUNE LEWIS, who reside in the same apartment house with the KERLEYS. LEWIS was an enlisted man in the Coast Guard, but presently is a civilian and is employed in Philadelphia.

By letter dated January 3, 1946, in connection with the instant case, the Kansas City Field Division set out information concerning KERLEY's leave record, toll calls and bank account.

KERLEY reported for duty at the Kansas City Office on July 27, 1945 and took up residence at the SCHUYLER HOTEL, 1017 Locust Street, Kansas City, Missouri. On September 6, 1945, he departed for Murray, Kentucky on compensatory leave. He was to be in care of VAN BARNETT, 1105 Olive, Murray, Kentucky, September 7th and September 8th. At that time he was to go to Washington, D. C. for attendance at In-Service Training, scheduled to report at 9:00 AM on September 10, 1945. KERLEY had submitted a request for annual leave, which was granted and which was to commence at 9:00 AM, September 24, 1945 and to end at 6:00 PM on September 25, 1945. His address was to be in care of Miss L. ECKONS, 4522 45th Street, Washington, D. C. Prior to his departure from Kansas City he orally advised Special Agent in Charge Dwight Brantley that he intended going to New York for a couple of days following his in-service training.

According to the No. 2 Register in the Kansas City Office, KERLEY returned there at 1:15 AM, September 27, 1945.

It is pointed out that KERLEY's In-Service class was over sometime in the afternoon of September 21, 1945. It will be recalled that KERLEY closed his Special Checking Account at the Manufacturers Trust Company, New York, September 22, 1945, which is the day following the last day of in-service. September 23rd was Sunday and on September 24th and 25th KERLEY had annual leave as set out above. In light of this, it is very possible that KERLEY came to New York after his in-service training in sufficient time to conduct his business at the bank between the hours of 9:00 AM and noon. There are no other records available at the present time which would indicate the length of time KERLEY stayed in New York. However, the Bureau has been requested telephonically to ascertain if KERLEY left a forwarding address in New York City when he left in-service training school.

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Continuing with the Kansas City letter, it stated that upon returning to Kansas City from In-Service, KERLEY again registered at the Schuyler Hotel and remained there until October 3, 1945, at which time he checked out and left the VAN BARNETT address above as his forwarding address.

The records of the Schuyler Hotel reflect that during the period of time he resided there KERLEY made four long distance telephone calls as follows:

July 29, 1945	He called VAN BARNETT.
August 7, 1945	He placed a long distance call to 544-R, Murray, Kentucky.
August 22, 1945	He placed a long distance call to JAMES C. LEWIS, 22 East 73rd Street, New York City, at which time he talked for a period of ten minutes and the toll charges were \$5.40. The call was placed at 9:50 PM.
Sept. 28, 1945	He placed a telephone call to Mrs. LARRY E. KERLEY, 409 East 48th Street, Savannah, Georgia.

KERLEY maintained a checking account at the Columbia National Bank, Kansas City, Missouri, having opened it on July 29, 1945. This was a joint account in the name of Mr. and Mrs. LARRY E. KERLEY. This account was closed on November 16, 1945, with a notation that KERLEY had moved to New York City. No specific address was given at this time. At the time the checking account was closed there was \$1.45 remaining in it.

A schedule of withdrawals and deposits made in connection with the account was set out. However, they will not be reiterated in the report. Attention is called to a deposit on August 7, 1945, of \$2,593.50. On the same day a withdrawal of \$2,700 was made from the account. The deposit mentioned above represented cash KERLEY received upon cashing a number of War Savings Bonds, which the Columbia National Bank had cashed for him. There was no way to determine what the \$2,700 withdrawal was.

The Kansas City Field Division made two photostatic copies of the long distance toll charge made by KERLEY to LEWIS and sent them to the New York Office. Also two photostatic copies of the annual leave slip submitted by KERLEY when he was assigned to the Kansas City Office, were forwarded to the New York Office. These are being maintained as exhibits in the New York file.

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By letter dated January 8, 1946, the Kansas City Field Division was requested to make arrangements to maintain the originals of all records mentioned in the referenced letter above, which included the record of telephone calls made by KERLEY from the Schuyler Hotel, as well as all administrative matters pertaining to KERLEY in the Kansas City Field Division.

A report of Special Agent Lyman M. Chipman dated January 4, 1946 at Louisville, Kentucky in connection with the instant case sets out information concerning KERLEY's checking account at the First National Bank and Trust Company, Lexington, Kentucky. This account was opened on February 8, 1943 and closed on May 17, 1945. KERLEY and his wife also maintained a safe deposit box at the instant bank, the box having been given up on November 24, 1944.

The instant report set out a schedule of the deposits made in the account and it was noted that on April 24, 1945, a deposit of \$1,470 was made. It was ascertained that on this date a Treasury check in the amount of \$1,520 was presented to the bank for deposit in KERLEY's account and at that time a request for \$50. cash was made, hence the entry for \$1,470.

On January 8, 1946, the Chicago office was telephonically requested to make a check with the Treasury Unit in Chicago for any War Bonds cashed by LARRY E. KERLEY or Mrs. DOROTHY R. KERLEY. It was requested that the period from November, 1944 to the present time be covered. All of the addresses where KERLEY had been during that period were made available to the Chicago Office. It was also requested that, if possible, the serial numbers of all bonds issued to either of the two individuals be obtained. The full names of SIBLEY and the two LEWISES were given to the Chicago Office so that if any of these names appeared on one of KERLEY's bonds all of the details should be obtained.

On January 9, 1946 the Chicago Office advised Special Agent in Charge E. E. Conroy of New York that an attempt had been made to cover the above lead, but that the records of the Treasury Unit handling the War Bonds were not up-to-date and the lead could not be covered until about January 18, 1946, at which time it would be given expeditious attention.

By letter dated January 4, 1946, the Bureau made available to the New York Office information contained on its personal status report dated September 1, 1945.

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Under the heading, "Names of parents, brothers and sisters" was the following:

Father: JOHN D. KERLEY (deceased)
Mother: LOU E. KERLEY
Brothers: HOMER and
LESTER KERLEY
Sisters: Mrs. ORA KIRK
Mrs. ANN THOMPSON
Mrs. VERA CARR
Mrs. LELA ALPHIN
Mrs. JEAN BARNETT
Mrs. WYNONA HUFF

Under the heading, "Maiden name of wife, together with names of wife's parents, brothers and sisters" the following were listed:

Wife: DOROTHY ANN RIVERS
Father: J. T. RIVERS, SR.
Mother: Mrs. LUCY RIVERS
Brother: Captain J. T. RIVERS, Jr.
Sisters: LUCY RIVERS
MARIAN RIVERS

KERLEY's personnel file reflects that his son, MICHAEL LEWIS KERLEY, was born on

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By letter dated March 20, 1945, KERLEY requested a transfer to the Los Angeles Field Division in order that he might be with his mother, whose health declined since the death of his father in 1943, in Cologah, Oklahoma.

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When KERLEY submitted his resignation by letter dated September 27, 1945, he indicated his forwarding address to be in care of VAN BARNETT, previously mentioned.

On January 6, 1946, (Sunday) Supervisor Warren T. Marchessault of the Communist Section, received a telephone call from JOHN G. KEENAN, a former Special Agent attached to the New York Field Division, who resigned on November 30, 1945. KEENAN advised Mr. Marchessault that he had some highly confidential information which he wanted to pass on to him and asked that he, Marchessault, not divulge the information to anyone else. KEENAN stated that he had heard that the name of the individual who divulged the information to the "Journal-American" relative to investigations being conducted by the FBI was KERLEY. KEENAN stated that the information had come from "newspaper sources" and did not come from any Agent of the Bureau.

Agent Marchessault had previously submitted a list of individuals who were attached to his section who had been in contact with HOWARD RUSHMORE of the New York "Journal-American". It is noted that KEENAN's name is among that list.

It is pointed out that Agent Marchessault was familiar with the instant investigation prior to his being contacted by KEENAN.

KEENAN is presently practicing law with his father in New York.

Several copies of the photograph of KERLEY have been made by the New York Office and are being maintained in the files of the New York Field Division. Four copies of this photograph are being forwarded to the Bureau as enclosures with this report.

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Supervisor Robert A. Granville advised that the following cases were assigned exclusively to L. L. L. while he was in the New York Field Division:

New York File 100-21124
Bureau File 65-40512

[REDACTED] ...S
INTERNAL SECURITY - R
New York origin - Case pending.

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Subject in this case was allegedly [REDACTED] to an unknown person named "BORIS". The latter was allegedly connected with the Russian Secret Service or Military Intelligence while living in Chicago in 1925. The case is still pending, but to date BORIS is unidentified and nothing has been uncovered to connect subject with BORIS. (X)(u)

KERLEY dictated a report in the above case dated May 25, 1945, at New York City. There were no contacts reflected in this case with any persons involved in instant investigation.

New York File 100-59589
Bureau File 100-11146

ANTONINA THOMAS, WAS
INTERNAL SECURITY - R
New York origin - Case pending.

New York file entitled, "FALGER PRIVITSKY, WAS INTERNAL SECURITY - R" reflects that PRIVITSKY was an official of the Russian Government from 1919 to 1937 and joined the Communist Party in Moscow in 1920. He was active in the Military Intelligence Division of the Soviet Army. In connection with the investigation of PRIVITSKY's widow, KERLEY in New York report entitled, "ANTONINA THOMAS, WAS INTERNAL SECURITY - R" dated May 25, 1945, reflects an investigation into the activities of PRIVITSKY's widow. It should be noted that this investigation was made in connection with the COMSEC investigation. Mrs. PRIVITSKY had directed a letter (X)(u)

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on March 28, 1945, to [redacted] New York City,
who is a frequent contact of ARTHUR ADAMS. (S)(u)

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It should also be mentioned that the "New York Journal-American" in one of the references on the ADAMS case mentioned that one of his contacts resided on East 1st Avenue.

It should also be stated here that KERLEY utilized the services of informant WHITTAKER CHAMBERS, former Soviet Intelligence Agent, who is presently an Associate Editor of "Time" Magazine.

New York File 100-68231
Bureau File 100-335140

[redacted] WAS
INTERNAL SECURITY - R
New York origin - Case pending.

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In this file it is reflected that subject was employed in June, 1944,
as [redacted]

[redacted] Subject was a close friend of CLARENCE
HISKEY, [redacted] DSM employee, a contact of ADAMS, alleged Russian espionage
agent in the COMRAH Case. Subject was also an associate of DSM employees,
who are reportedly CPA members. A review of this file gave no indication
that KERLEY had submitted a report on this case.

It is pointed out that HISKEY was described in the
first of HUSHMORE's articles as the Chicago scientist who was working on
the Atomic Bomb and whose wife lives in Brooklyn, (Marcia Sand Hiskey),
who was a contact of ARTHUR ADAMS.

New York File 100-68408

[redacted]
INTERNAL SECURITY - R
New York origin - Case closed February 23, 1945

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This case is crossed referenced with the SCAC Case in New York City.
A review of this file revealed that the subject on August 4, 1945, was
telephonically advised by an unidentified Russian Consulate employee in
New York City to call at the Consulate. The investigation in this matter
was for the purpose of identifying subject and ascertain his activities. (S)(u)

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KERLEY made a closing report dated February 23, 1945, covering a period of November 29th; January 9th and 10th and February 3 and 5th, 1945. No contacts of interest to instant investigation were noted in this file.

New York File 100-69119

[REDACTED] WAS
INTERNAL SECURITY - R

New York Origin - Case closed May 18, 1945.

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In this case subject was employed [REDACTED] by the United States Army and was found to be a member of the CPA.

KERLEY wrote a pending report dated February 23, 1945 and covers the following period: December 7, 9, 12; February 3, 5, 1945. He also wrote a closing report dated May 18, 1945 covering the following period: February 23, 25, 30; May 1, 9, 1945. No contacts of interest were noted in this file.

New York File 100-69099

ALEXANDER VICTOR PETROFF

INTERNAL SECURITY - R

Buffalo origin - Case RUC'd May 18, 1945

In this case subject, PETROFF, was employed as an Aero-Dynamicist at the CURTIS-WRIGHT CORPORATION at Chatham, New York. [According to this file a surveillance on this subject had showed him to be a frequent contact of ANDREI SCHEVCHENKO.] (S)(U)

It is pointed out that the activities of SCHEVCHENKO was the subject of the second of HUSHORE's articles. (S)(U)

PETROFF had received a letter from one WALTER SPILLMAN from New York City. The investigation at New York City was to identify and ascertain the occupation of SPILLMAN.

There are two reports in this file, one a pending report, dated February 19, 1945, no contacts of any importance were noted, and an RUC report by KERLEY dated May 18, 1945.

It should be noted here that in the original report from the Buffalo Office, setting out a lead to ascertain the activities of

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[redacted] a small amount of information was given concerning the background of SCHEVCHENKO's activities. It should be stated that in the article of RUSHMORE in the "Journal-American" concerning SCHEVCHENKO, there was not as complete information as that given concerning the ADAMS subjects. (S) (u) (S) (u)

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New York File 100-70068

[redacted] WAS
INTERNAL SECURITY - R
New York origin - Case closed May 25, 1945.

In this case subject had made a contact at San Francisco with one LOUISE R. BRANSTEN and others involved in the COWRAP investigation.

KERLEY wrote one closing report dated May 25, 1945, and no contacts of interest were made by him in this matter.

It is pointed out that the review of the files as shown above was made by the Agents working on this case and Agent Granville obtained the original assignment cards for the above cases, initialed them and put the date on which he had taken them from the assignment card box. They are being maintained as exhibits in connection with this case.

As stated in the referenced report, the Agents made a very detailed review of KERLEY's No. 3 Cards, which he had prepared while assigned to the New York Field Division, which covers the period from December 28, 1944 to July 17, 1945. Every case which KERLEY indicated on his No. 3 Card that he reviewed, conducted investigation or surveillance was thoroughly reviewed for any information which might be pertinent to instant investigation and also for the purpose of checking how KERLEY was in a position to be thoroughly acquainted with the facts set out in RUSHMORE's articles and how he would be in a position to review files containing that information without any suspicion being attached to it. A close study was made of all leads which KERLEY had signed out on. However, the only one which appeared to be pertinent was the contact he had [redacted] on January 2, 1945, which has been explained in the previous report. Therefore, under each case there will be given the date or list of dates with no explanation, which will mean that KERLEY was in the office reviewing a file or had signed out to cover leads in connection with that particular case. If KERLEY had signed out for a surveillance in connection with a case, the details of that will be reported behind that particular date.

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New York file 56-240

This file relates to the Harlan County, Kentucky election law conspiracy in the investigation of which KERLEY took part while he was Resident Agent at Lexington, Kentucky. The files of the New York Office only contain general information concerning this matter. It is pointed out, however, that KERLEY went back to Harlan County during 1945 on subpoena in connection with this case.

The No. 3 Cards reflect that KERLEY reviewed this file on January 13th, February 16th and February 28, 1945.

New York file 65-6766
65-6766-33
Bureau file 100-25824

WHITTAKER CHAMBERS, WAS
ESPIONAGE - R

This file contains information relative to CHAMBERS' background and connection with Soviet Intelligence. CHAMBERS has been used by the Bureau as an informant in connection with Russian underground movements and has been cooperative. CHAMBERS was formerly an underground worker in the CPA and is presently employed as Senior Editor of "Time" Magazine, with offices at Time and Life Building, Rockefeller Plaza, New York City.

It should be noted that KERLEY had used the services of informant CHAMBERS in New York report entitled: "ANTONINA THOMAS, WAS INTERNAL SECURITY - R" dated May 25, 1945.

Serial 33 in the WHITTAKER CHAMBERS case is a letter from New York to New Haven dated December 1, 1942, re: J. PETERS, WAS INTERNAL SECURITY - C, CUSTODIAL DETENTION. This serial reflects that CHAMBERS said that the person who headed the underground in the United States was SMITH, who was identical with the man mentioned in the book, "I Was A Soviet Worker" by ANDREW SMITH. SMITH is a former Communist Party member. It should be mentioned that the author of the above book, ANDREW SMITH, is of Hungarian descent.

There is nothing in any of KERLEY's assigned cases to show why he was particularly interested in this above serial.

The No. 3 card reflects that KERLEY reviewed 65-6766-33 on February 8, 1945.

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[New York File 100-24] (X) (u)

This case is entitled "SODAC" and concerns the investigation of the employees at the USSR Consulate in New York City. (S) (u)

KERLEY's No. 3 card shows activity in connection with this case on February 8, 1945. (S) (u)

A review of the physical surveillance logs maintained in connection with the COBAP and the SODAC cases indicated that on January 11, 1945, KERLEY was assigned to the physical surveillance of the USSR Consulate from 10:00 AM to 7:00 PM on the instant date. He was accompanied by Special Agents [redacted] and [redacted]. During his activities he surveilled an unknown woman who was observed to come out of the Consulate. It should be pointed out that on the same date the Agents on this surveillance also submitted surveillance logs in connection with the physical surveillance of PAVEL PERPOVICH MIKHAILOV, the acting Consul General in Charge of the USSR Consulate who resides there. It might be pointed out that MIKHAILOV is the Russian official whose contacts with ADAMS were described in great detail in the first of RUSHMORE's articles. However, according to the logs submitted by Agents, MIKHAILOV was not observed on that day. (S) (u)

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On February 7, 1945, KERLEY was conducting the surveillance of the USSR Consulate from 9:40 AM to 2:30 PM and during that time surveilled an individual identified as GEORGE FIDINSKY from the Consulate to the American-Slav Congress. (S) (u)

The above two surveillance logs which KERLEY had initialed are maintained in New York File 100-24, Sub-file D - 2 (S) (u)

New York File 100-4727

This case involves Communist Infiltration of the American Newspaper Guild.

KERLEY's No. 3 card reflects that he reviewed this case on February 8, 1945.

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New York File 100-5767

This case is entitled: "MARCEL E. SCHERER, WAS SECURITY MATTER - C". SCHERER is a Key Figure in the New York area and is employed as District Reconversion Coordinator of the United Electric, Radio and Machine Workers of America, CIO #4. This case is handled by the Communist Section and not by Mr. Granville's Section, the section handling Russian Espionage. Nothing of interest to the present investigation could be found in the file.

The No. 3 cards reflect KERLEY reviewed this case on July 9, 10, 11, and 13, 1945.

New York File 100-7798
Bureau file 100-17765

J. PETERS, WAS
INTERNAL SECURITY - C
CUSTODIAL DETENTION

J. PETERS, the subject of this case, has been definitely identified as ALEXANDER STEVENS, WA, who is a leading underground officer of the Communist Party in the United States. This particular case is closed and investigation of STEVENS is now being conducted in the case entitled: "ALEXANDER STEVENS, WA, Alexander Goldberger, INTERNAL SECURITY - R, CUSTODIAL DETENTION," New York File 100-24753. STEVENS contacted HERBERT BIBERMAN of Hollywood, through whom Russian couriers between the United States and Mexico cleared.

The No. 3 card reflects that KERLEY reviewed this file on February 8, 1945.

New York File 100-21124

This case has been identified above as being one assigned to KERLEY when he was in New York.

KERLEY's No. 3 cards reflected that he reviewed the file or covered leads in connection with this case on the following dates: February 10th, March 9, 19, 28, 29; May 8, 9, 10, 15, and 18th, 1945. On May 16th KERLEY was on a surveillance in connection with this case at 615 West 115th Street and on May 17th KERLEY was on a surveillance in connection with this case at 601 West 115th Street.

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It should be noted in reference to this case that KERLEY's No. 3 card for May 15, 1945, reflects that he signed out of the office at 10:40 AM in the morning and went to an address on the upper West side of New York and one lead at 125 Canal Street, which is within a few blocks of the New York Field Office. On this date KERLEY signed out from the office at 5:50 PM by telephone and stated that he was signing out from 1100 Lexington Avenue, telephone number RE 4-9541. A check of this telephone number reflected that it was listed to H. F. KLEPZOLD who owns a stationery store located at 1100 Lexington Avenue. It should also be noted that 1100 Lexington Avenue is located on the corner of 77th Street and Lexington Avenue, New York City and that a Lexington Avenue subway stop is on the same corner. This stop is the nearest subway station to the home of Mr. and Mrs. JAMES C. LEWIS and is nowhere near any of the places where KERLEY signed out on his No. 3 card for leads.

New York File 100-31551

The above case is entitled the ALTO CASE and is concerned with the exchange of secret written and ciphered messages between individuals in New York, Mexico and Latin-American countries.

KERLEY's No. 3 Cards showed that he covered leads or reviewed the file on the following dates: July 7, 9, 10, 11, 13, 14 and 16. It should be noted that on July 9th KERLEY's No. 3 card reflects that he had a conference with Special Agent [redacted] to whom the ALTO case was assigned.

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Supervisor Granville stated that KERLEY was scheduled to leave New York on July 18, 1945 and instructed him to report to Agent [redacted] for some leads in the ALTO Case, which did not require extensive investigation and which KERLEY could work on prior to his departure.

A review was made of the unassigned leads of the ALTO CASE and it was noted that four of them had been assigned to KERLEY on July 7, 1945 and were placed in an unassigned status on July 18, 1945. These duplicate lead cards are being made exhibits in the instant case.

New York file 100-47315

The above case is entitled COMEAP, which is, of course, the code word for the Comintern Apparatus.

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KERLEY was on physical surveillance in connection with this case and from his No. 3 cards, spent a considerable amount of time reviewing the file. It is pointed out that the COMRAP case proper is more or less of a master file and all of the suspects in the COMRAP case are subjects of separate cases and are handled as individual investigations, ARTHUR ADAMS and VICTORIA STONE being examples.

KERLEY's No. 3 cards show that he either covered leads or reviewed files in connection with the Comrap Case on the following dates: December 18, 1944, December 19th and 20th, 1944. January 3, 5, 10, 17, 29; February 1, 3 and 25th, 1945; May 10th and 17th, 1945.

There are being set out below KERLEY's entries on his No. 3 Cards, showing his working on a surveillance, at which time he would indicate "100-47315" and then would give a description of his contemplated activity.

December 18, 1944

The notation on KERLEY's No. 3 card was, "Surveillance vicinity 66 Leonard Street re: Philip Levy".

The sub-file of the COMRAP case which contains physical surveillance logs submitted in connection with the PHILIP LEVY surveillance reflects that on December 18, 1944, the surveillance was instituted by agents at 10:00 AM to 7:15 PM. The log indicated that KERLEY participated on this surveillance for the instant date.

The sub-file in addition to this date contained logs submitted in connection with surveillances on December 2, 11, 13, 14, 15, 19 and 20th, all of which surveillances KERLEY participated in. On these particular surveillances he was working with Special Agents [redacted] John F. Baker, [redacted] and [redacted]

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January 6, 1945

The notation on KERLEY's No. 3 card was, "Surveillance in the vicinity of 400 West End Avenue".

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It is pointed out that [redacted] is the home of [redacted] who is mentioned in the first of RUSHMORE's articles as the physician who resided on West End Avenue.

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A review of the physical surveillance log section of the COMRAP case showed a physical surveillance log submitted for January 6, 1945 on Dr. LEWIS WILSON. It was submitted by KEMLEY and Special Agent [redacted] who conducted this surveillance from 8:00 AM to 5:30 PM.

January 8, 1945

The entry on this card is the word, surveillance.

Sub-file A-96 of the COMRAP Case, which contains logs on physical surveillances of ARTHUR ADAMS reflects that on January 8, 1945, the physical surveillance of ARTHUR ADAMS was conducted by the following Special Agents: [redacted]

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[redacted] and LARRY M. KERLEY. It might be stated here that while KERLEY was on that surveillance, VICTORIA STONE visited ARTHUR ADAMS.

January 9, 1945

The notation is made on KERLEY's No. 3 Card --
"Surveillance re: Hickey, vicinity of J and 13th Streets, Brooklyn."

The earliest physical surveillance log submitted in connection with the MARCIA SAND HICKEY surveillance was dated January 17, 1945. However, prior to this time spot checks were made of her activities, but no regular physical surveillance logs were submitted, but the activities of the subject were dictated from regular investigative notes.

It is pointed out that MARCIA HICKEY was mentioned in the first of RUSHMORE's articles.

[January 11, 1945] (S) (u)

The entry on KERLEY's No. 3 card shows the fact that KERLEY was on a surveillance in this case. As explained above KERLEY was surveilling the USSR Consulate on instant date, which logs were filed in the SODAG file. (S) (u)

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January 14, 1945

YERLIN's No. 3 card, on the above date contains the word, surveillance.

A review of the physical surveillance logs in the Comrap Case shows Special Agent William H. Curran and KERLEY conducted a surveillance at the subject's, JOSEPH FREEMAN, home at 301 East 35th Street, New York, New York. The identity of JOSEPH FREEMAN will be explained later on in this report.

January 19, 1945

KERLEY's No. 3 card for this date reflects that he went on a surveillance in connection with this file.

In sub-file AN 95 of the above case there appears a physical surveillance log on JACOB MOSKOWS ARONOFF, 29 East 11th Street, New York City. It is pointed out that ARONOFF is the attorney of ARONOFF AN 17 and is mentioned by inference in the first of MOSKOWS' articles.

A log was submitted for the instant date by Special Agents [redacted] Patrick E. Thorpe, [redacted] and Larry E. Kerley.

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January 22, 1945

KERLEY's No. 3 Card reflects the words, "Waldorf Astoria".

January 23, 1945

KEALLY's No. 3 card states, "Davies surveillance".

January 24th and 25th, 1945

KERLEY's No. 3 Card reflects the word, surveillance.

The review of all physical surveillance logs maintained in connection with the Comrap Case does not disclose a DAVIES surveillance. The identity of this surveillance will be reported in the next report.

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January 26, 1945

KERLEY's No. 3 card shows the words, "Surveillance vicinity of Pennsylvania Station".

January 27, 1945

KERLEY's No. 3 Card states the word, surveillance.

No log could be located for the above two dates of a surveillance. However, it is pointed out that in the early morning hours of the 25th, ARTHUR ADAMS was lost, at which time various surveillances were instituted by Agents throughout the city at spots where the ADAMS surveillance might be reinstituted. No logs were submitted in connection with this activity.

January 30, 1945

KERLEY's No. 3 Card reflects the word, "Consulate". No surveillance log submitted by KERLEY was found for this date. (S)(u)

[February 7, 1945] (S)(u)

The entry on this No. 3 card reflects, "surveillance vicinity Madison and 62nd Street. As explained above, KERLEY was surveilling the USSR Consulate. (S)(u)

February 10, 1945

This No. 3 card contains the notation, surveillance.

No physical surveillance logs for this date can be found with KERLEY's name on them.

[February 17, 1945] (S)(u)

KERLEY's No. 3 card states, surveillance at 3:15PM. It should be noted, however, that KERLEY signed out on this date from the Pierre Hotel, at which hotel a plant was being operated on that date on the Russian Consulate. (S)(u)

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NY 67-13631

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February 24, 1945

On this date a notation on KIBLEY's No. 3 card states, "Surveillance MICHAEL BLUMENFELD, 295 Central Park West."

Sub-file 1A 101 of the COMRAP Case contains a physical surveillance log for February 24, 1945, which indicates that Special Agents [redacted] and LARRY F. KIBLEY conducted a surveillance on the above individual. BLUMENFELD was a suspect in connection with the COMRAP Case.

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February 26, 1945

KIBLEY's No. 3 card shows a notation, "Adams surveillance, 181st Street and Broadway".

Sub-file 1A 87 of the COMRAP case, which contains the physical surveillance logs on ERIC BRENNER reflects a physical surveillance log dated February 26th, 1945, showing a surveillance of BRENNER by Special Agents [redacted] James C. Dunlap, Alvin D. Hewitt and LARRY F. KIBLEY.

February 27, 1945

A notation on this No. 3 Card states, "Adams surveillance".

In Sub-file 1A 87 above, there was a physical surveillance log for February 27, 1945, showing the surveillance of BRENNER by Special Agents Joseph C. Walsh, James C. Dunlap, Alvin D. Hewitt and KIBLEY.

It is pointed out that ERIC BRENNER is a close associate of ARTHUR LOEB and was mentioned in the first of BRENNER's articles by inference.

March 1, 1945

KIBLEY's No. 3 card contained the notation, "Surveillance re: EDWARD SMITH, Atlantic Basin, Brooklyn". His number three cards for March 2, 3, 4, 5, 6, 7 and 8th contain the same notation.

EDWARD SMITH is a suspect in the Comrap Case.

Sub-file 1A 59 of the Comrap Case, which contains the physical surveillance logs on EDWARD SMITH shows logs for the above dates,

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and indicates that the surveillance of SMITH during that time was conducted by the following Special Agents: Eldon J. Mueller, [redacted], H. Courtenay Clinch, [redacted] Morgan J. Lacey, [redacted] and LARRY T. KERLEY.

March 11, 12, 13, 14, 15, 16, 17,
18, 25 and 26th.

The No. 3 Cards of KERLEY for the above dates indicate that he was on the "Shoreham Plant".

It is pointed out that the Shoreham Plant is the technical plant maintained in connection with the investigation of VICTORIA STONE.

Sub-file AA 84 of the Comrap Case, which contains the plant activity logs of the VICTORIA STONE plant indicates that on the above dates the following Agents were on duty: [redacted]

[redacted] and [redacted] as well as [redacted] and LARRY T. KERLEY.

It might be stated that a review of the above logs indicates ARTHUR ADAMS and JULIUS HEIMAN both were in contact with VICTORIA STONE.

New York File 100-57258

PAUL SCHERER, SA
SECURITY MATTER - C
New York origin -- Closed case

In this case subject was reported to be a veteran member of the GFA and graduate of the Lenin School of Moscow and brother of MARCEL SCHERER, a known Communist. No indication is apparent in the file, showing that KERLEY was involved in the investigation of this matter.

KERLEY's No. 3 Cards reflect that he reviewed the file on this case on July 9, 10 and 11th.

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New York File 100-51408

[REDACTED]
SECURITY MATTER - C
Miami office of origin

In this file Miami had advised that the subject had received mail from a Tom Paine Club, CPA Branch located in New York City. The only request made of the New York Office was to check its indices as to the subject, which was done and in a RUC letter to the Miami Field Division dated February 26, 1944, the information in the New York indices was forwarded to Miami. Letter indicated that [REDACTED] had been reported by the United States Army as being a GPD Agent. There was no indication in this file that KERLEY was actively investigating this case.

KERLEY's No. 3 Card indicated that he reviewed this file on January 5, 1945.

New York File 100-58657
Bureau file 100-287275
JOSEPH FREEMAN, WAS
INTERNAL SECURITY - R

JOSEPH FREEMAN resided in New York City at 301 East 34th Street. This case was investigated in connection with the COMRAP case inasmuch as FREEMAN had been contacted by [REDACTED] on May 26, 1943. (X)(u)
This case was handled by Supervisor Branville's section and the file indicated that KERLEY participated in spot surveillances of FREEMAN.

As indicated above, sub-file AA 55 of the Comrap Case had a surveillance log submitted by KERLEY on January 14, 1945. It also contained a surveillance log submitted by KERLEY and Special Agent Edward J. Distelhorst. The extent of KERLEY's activities in connection with this investigation was participating in physical surveillances.

KERLEY's No. 3 card for the 15th of January shows that he signed out for a surveillance in connection with this case.

New York File 100-59589

The above case was assigned to KERLEY and has been explained above. His No. 3 cards reflect that he reviewed this file on January 1, 1945.

NY 67-13301

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New York File 100-61260
Bureau file 65-41753

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INTERNAL SECURITY -- R
Newark origin - Closed case

The subject herein is alleged to be a Communist, having made pro-Soviet and anti-American statements. He attended the United States Maritime School at New London, Connecticut and later was disenrolled from the school. Subject sailed as a Second Mate aboard the SS WILLIAM JENNINGS BRYANT on July 10, 1945 for an unstated destination.

This file reflects that Special Agent KERLEY was on a surveillance of the subject with Special Agent Henry W. Gregg on July 9, 1945 and the surveillance was maintained in the vicinity of 22 West 10th Street, New York City.

Mr. KERLEY's No. 3 Card reflects the surveillance as listed above for this date.

New York File 100-63983

The above case is the investigation of ARTHUR ADAMS in connection with the COFFIN Case. Mention of KERLEY's activities in connection with the Adams case and his associates have been reported under NY 100-47315.

It is pointed out that ADAMS was the main subject of HOWARD BUSHNELL's article published on December 3, 1945.

KERLEY's No. 3 Card reflects that he reviewed the file on January 19, 1945.

KERLEY's No. 3 Card for January 18, 1945 has a notation, "Surveillance vicinity 39th and Lexington Avenue".

A physical surveillance log on ADAMS on January 18th, indicates that KERLEY was on this surveillance, working with Agents J. P. Carnes and R. J. Quirk.

It is pointed out that ADAMS resides at the Hotel Cooper Hotel 39th Street and Lexington Avenue.

NY 67-13301

New York File 100-68231

This case has been explained inasmuch as it was one of the cases assigned to KERLEY.

KERLEY's No. 3 Card reflects that he reviewed the file or covered leads on February 27, 1945.

New York File 100-68393

The nature of this case has been explained in the previous report, inasmuch it is concerned with the investigation of VICTORIA STONE. In this connection it might be stated that there are being forwarded with this report, as enclosures, photostatic copies of the original notes made [REDACTED]

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KERLEY's No. 3 Cards reflect that he was reviewing files or covering leads on the above case on January 2, 1945 and January 18, 1945.

New York File 100-68405

[REDACTED] 1945
INTERNAL SECURITY - R

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[REDACTED] is a member of the Communist Party of Great Britain and was very prominent in the affairs of the National Union of Seamen of Great Britain. He was suspected of being a Communist courier.

The report of Special Agent Emory M. Gregg dated August 28, 1945 in this case reflects that KERLEY covered a lead at 54 West 53rd Street, New York City.

In connection with the above case KERLEY's No. 3 Cards reflect that on July 14th he conducted a surveillance at 54 West 53rd Street and reviewed the file on July 17, 1945.

New York File 100-68408

This case was assigned to KERLEY when he was in New York and the nature of it has been explained above. KERLEY's No. 3 Cards reflect that he reviewed this file or covered leads on January 1, 10, 17; February 3, 5, and 23, 1945.

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New York file 100-69099

The above case was assigned to KERLEY as explained above.

KERLEY's No. 3 Cards reflect he was covering leads or reviewing file in this case on the following dates: January 3, 10, 13, 20; February 1, 5, 6; March 9, 20, 22 and 23; May 8, 9, 10.

New York File 100-69232
Bureau File 65-54257

INTERNAL SECURITY - R

[redacted] is an American businessman, who operated in Buenos Aires and was arrested by the Argentine Police as an Espionage Agent (Communist). He came to the United States on December 18, 1944 and stayed in New York. He was under surveillance from December 20th to the 30th, 1944. He resided at [redacted] and [redacted]

The report of Special Agent [redacted] dated January 22, 1945 at New York City in connection with this case, indicated the following Agents participated in the surveillance: Karl L. Meixner, [redacted] Bernard J. Traeger, Joseph V. Waters, John F. Baker, Emory M. Gregg, [redacted] Francis W. Zangle and LARRY E. KERLEY.

KERLEY's No. 3 Cards indicate that he was reviewing the file in the above case or covering leads on December 21, 1944 and January 1, 1945.

KERLEY's No. 3 Cards reflect that he was on surveillance in the above case on the following dates: December 21, 22, 23, 27, 28, 29 and 30th, 1944.

New York File 100-70068

The above case was assigned to KERLEY and has been summarized above.

A review of KERLEY's No. 3 Cards reflect that he was covering leads or reviewing instant case on the following dates: February 16, 17, 19, 20, 22, 23 and 28th; March 1, 9, 22, 23, 28; May 7, 8, 9, 14, 15, 18, 1945.

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New York File 100-70152

INTERNAL SECURITY - R

(S) (U)

Subject in this case was a former press attache of the USSR legation in Havana, Cuba and was active in Communist matters in Cuba. She arrived in New York City on January 26, 1945 enroute to Moscow. She sailed for Russia on February 27, 1945 on the SS KAMENETS. The case is closed in this office, and a review of the file reflects that KERLEY was on surveillance. Surveillance logs reflect that he was on surveillance in connection with this case from January 26th the 29th, 1945, inclusive. (S) (U)

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b7C

KERLEY's No. 3 Cards reflect one surveillance on this case on February 12, 1945. Agents who accompanied KERLEY were [redacted]

New York File 105-372

SECURITY MATTER - C

This case merely alleges that the above named subject was a member of the CPA. There is no indication in the file that KERLEY was assigned to this case or had ever done anything actively in the investigation thereof.

KERLEY's No. 3 Cards reflect that he was covering leads or reviewing the file in this case on February 7th and 8th, 1945.

It might be stated here that a review of the No. 3 cards discloses that while KERLEY was in New York he only called the office after hours on two occasions to state where he would be for the evening. On both of these occasions he indicated that he would be at a movie. When a review of the number three cards was made the addresses and telephone numbers of PAUL SCHENSTEIN, JAMES G. LEWIS, GEORGE H. SIBLEY and HOWARD RUSHMORE were available and at no time when KERLEY signed off duty by telephone did he give an address or telephone number identical with any of those of the above individuals.

As stated in the previous report, all of KERLEY's No. 3 Cards, which he prepared while in New York, are being maintained as exhibits in this case.

~~SECRET~~

NY 67-13301

~~SECRET~~

As stated previously, KERLEY was not assigned regularly to any surveillance because of his size and for this reason he participated in quite a number of surveillances being handled by Section Six in the New York Office. It can readily be seen from the above analysis of KERLEY's activities in New York that he would have a fair picture of ADAMS, of his activities and his contacts and could review any file maintained by the New York Office in connection with any of the related cases in the normal course of his work. It is pointed out above that he handled the case which grew out of the SCHEVCHENKO investigation. *JX(4)*

To date a review of the GERHARDT EISLER file has not been made inasmuch as it has not been available to agents working on this investigation.

On January 11, 1946 at approximately 10:30 AM KERLEY telephonically communicated with [redacted] a clerical employee of the New York Field Division. It is pointed out that [redacted] handles the Group Hospitalization Insurance made available to employees of the New York Field Division. KERLEY told [redacted] that he was presently employed by a subsidiary of the E. R. SQUIBB COMPANY and that some of the employees there desired to take out hospitalization and wanted to know how he should go about getting it started. He was referred to the Hospitalization Insurance Company.

b6
b7C

BANK RECORD

To date the New York Office has been unable to locate any New York Bank accounts of KERLEY. However, the stop placed with the New York Telephone Company, as mentioned in the previous report, is still being maintained, and as of the writing of this report, KERLEY has not paid his telephone bill.

NY 67-13301

~~SECRET~~

MAIL COVER

There is being set out below the result of a mail cover maintained on KERLEY's apartment. It is pointed out that the results of this mail cover are obtained daily by Agents at the Jackson Heights Branch Post Office.

<u>SENDER</u>	<u>DATE OF POSTMARK</u>	<u>ADDRESSEE</u>
L. E. KERLEY 3101 Hyde Park Los Angeles, Calif. Care of CLIN F. HUFF	No date given	Larry E. Kerley

(This was reported in the previous report, however, the name of HUFF was erroneously given by the Postal Authorities as HEPP. L. E. KERLEY is LARRY KERLEY's mother and Mrs. HUFF is his sister.

CHESTER WITON, P.D. 35-37 86th Street Jackson Heights	1/3/46 Long Island City	Larry E. Kerley
---	----------------------------	-----------------

STANDARD OIL COMPANY OF NEW JERSEY St. Pauls Place and Franklin St. Baltimore 3, Maryland	1/4/46 Baltimore, Maryland	Kerley
--	-------------------------------	--------

409 East 48th Street Savannah, Georgia	1/5/46 Savannah, Georgia	Mrs. L. E. Kerley
---	-----------------------------	-------------------

(The above address is that of Mrs. KERLEY's mother, Mrs. J. T. Rivers, Sr.)

FBI U. S. Department of Justice Washington, D. C. (Registered letter 497544)	1/5/46 Washington, D. C.	Kerley
---	-----------------------------	--------

~~SECRET~~

~~SECRET~~

NY 67-13301

SENDER

DATE OF
POSTMARK

ADDRESSEE

Mrs. CRA S. KIRK
Oologah, Oklahoma
Box 105

1/5/46

Mr. and Mrs. KERLEY

(It is pointed out that the above individual, CRA KIRK, is KERLEY's sister)

FBI
U. S. Department of Justice
Washington, D. C.

12/12/45

To KERLEY
Care of Van Barnett
1105 Olive St.
Murray, Kentucky

(This letter was forwarded to Kerley to his New York address)

E. A. DICKINSON
371st Station Hospital
APO 494
Care of Postmaster, New York, NY 12/21/45
APO, 494

Mr. and Mrs. KERLEY

FBI
US Department of Justice
Washington, D. C.

12/23/45
Washington, D. C.

KERLEY
care of VAN BARNETT
1105 Olive St.
Murray, Kentucky

(This letter was forwarded to KERLEY at his New York address)

JOSEPH T. RIVERS, JR.
Capt. A. C. 0-903086
86th Fighter Group
APO 374
Care of Postmaster, New York

no date

Mr. and Mrs. KERLEY
care of Mrs. J. T.
Rivers, Sr. 409
East 40th St.
Savannah, Georgia

(This letter was forwarded to KERLEY at his New York address—
Captain Joseph T. Rivers, Jr. is Mrs. KERLEY's brother.)

~~SECRET~~

NY 67-13301

SENDER

DATE OF
INTERVIEW

ADDER NAME

FIRSTONE HOPE AND
LARRY KERLEY
Barraque and Kerley, owners
Murray, Kentucky

1/8/46
Murray, Kentucky

KERLEY

(two places)

No sender

12-3-45
Winchester, Kentucky

Mr. and Mrs. Kerley

New York City
Defense Rental Area
9230 Union Hall Street
Jamaica, Long Island

1/10/46
Jamaica, New York

KERLEY

ENCLOSURES - BUREAU (6)

4 Copies of a full face picture of subject,
LARRY E. KERLEY

2 photostatic copies of the original report
submitted by [redacted]
made in connection with the investigation
of [redacted] WAS.

b7D

P E N D I N G

~~SECRET~~

INDEX GUIDE

TITLE: LARRY E. KERLEY

CASE: BRIBERY

S.A.:

DATE : JANUARY 17, 1946

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12

[Handwritten signature]

Office Memorandum • UNITED STATES GOVERNMENT

b6
b7c

TO : MR. TOLSON

DATE: 1/23/46

FROM : R. C. HENDON

SUBJECT: LARRY E. KERLEY

Mr. Tolson
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

I telephoned SAC Conroy at New York today to inquire as to whether Special Agent George L. Strain had yet reported that he had been contacted by Kerley. Conroy stated that Strain had not made such a report but that only those people directly working on the case, which was a very limited number, in the New York Office were familiar with the Kerley situation. He said it was entirely possible that Strain had no knowledge whatsoever about this and that he was entirely innocent or oblivious of anything out of the ordinary in connection with the contact with Kerley.

Conroy stated that very careful attention was being given to the serials which are charged out to Strain and to the serials which he turns in each evening. In addition the New York Office will know if Strain appears at the Squibb Building to contact Kerley at any time in the future. A further check is being made each evening of Strain's desk, file drawers and the like to make certain that he is not involved. Conroy indicated to me that he did not feel Strain should be transferred from New York at this time in view of these facts. He also pointed out that it would take at least from two to four weeks for Strain to depart from the New York area and that he had high hopes that this case within that period of time would be completely ~~wiped out~~. He thought that if Strain or the other Agents whom Kerley might contact were transferred it might interfere with the investigation and development of the case. He thought it would be better for the thing to go along normally with close watch on the part of the New York Office in each instance. He pointed out that Strain was presently working on deserter cases and ordinarily was not in contact with or familiar with material which might be of interest to Kerley.

In view of this I recommend that Strain not be transferred at this particular time.

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DATE 3/18/03 BY 60290 BCK/AL/ms

RCH:DW

OK. but I don't like it.

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50 JAN 28 1946RECORDED
INDEXED58-1548-20
JAN 28 1946

EX-30

Office Memorandum • UNITED STATES GOVERNMENT

TO : E. A. Tamm

DATE: January 18, 1946

FROM : D. M. Ladd

Call: 9:00 a.m.

SUBJECT: LARRY E. KERLEY

At the above time, SAC Conroy, New York, called to advise a three or four page report is coming to the Bureau today.

He stated with regard to getting into Kerley's apartment, such would be extremely difficult and the security of the job would not be good unless they had some type of cover. The Kerleys live in apartment 3-O and live next to apartment 3-J in which a couple by the name of Olive and June Lewis, no relation to the other Lewises in this case, live. The Kerleys have an eighteen-month old child and when the Kerleys go out, the Lewises watch Kerleys' child and when the Lewises go out, the Kerleys watch the Lewis child. Mr. Conroy stated under these circumstances, the Lewises would probable have a key to the Kerley apartment when the Kerleys are gone which would make it extremely dangerous to go into the apartment. The Lewises also use Kerleys' telephone very freely and they are close friends. Lewis was formerly with the Coast Guard and is employed at the present time as a civilian in Philadelphia and he goes to Philadelphia during the week, living with his mother at Haddonfield, New Jersey, coming back to New York on weekends.

On January 10, the technical reflected that at 9:15 a.m., Kerley got in touch with 110th Precinct, New York Police Department, and requested them to send a squad car to his address inasmuch as the family in an adjoining apartment was having domestic trouble and the woman involved was now in Kerley's apartment. That family is named Johnson and the woman involved was Mrs. Lewis. On January 11, at 10:55 a.m., Mrs. Lewis was in Kerley's apartment and stated that she lived in apartment 3-J at the same address as Kerley and advised that she had obtained a summons against the woman who struck her and that she was afraid to serve it herself. A police officer advised that some police officer would come over to serve it. Later that same day at 4:53 p.m., Mr. Lewis talked to a woman in reference to the eviction of a neighbor tenant who had disturbed Lewis' wife. He stated if it would not take too long to evict the tenant he would stay at the apartment and if not, he would move his family out temporarily until the family had been evicted. He said he went to Philadelphia during the week and that his wife was alone during this time.

At 5:12 p.m. that same day, Lewis again ~~called~~ ^{EX-10} the same woman and said the name of the woman to be evicted was Mrs. Johnson (phonetic), who was an alcoholic. Lewis advised this woman that he and his wife would testify against Johnson and that Kerley and Miss Smith would also testify. At 6:58 p.m., this day, Lewis called Haddonfield and talked to his mother and explained the difficulty they were having and during the course of this conversation, he advised that Kerley had accompanied them to the judge to get the summons, etc. From a detailed record it appears that the Lewises have either just left or are anticipating leaving probably Sunday and Lewis will come up from Philadelphia, take Mrs. Lewis and the child down to the mother's home in Haddonfield, and remain there for a period of approximately three weeks which they say may be required to effect the eviction of the other tenant.

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Beahm
Miss Gandy

50 JAN 28 1946

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 3/18/03 BY 60290 BCK/KAL/TMS

MEMORANDUM FOR MR. LADD

Mr. Conroy stated the only possible way they can see to get into Kerley's apartment is through an agent by the name of [redacted] who has just received orders of transfer to Charlotte and has indicated he will leave February 1. [redacted] is the only agent who is still living in the same apartment block with Kerley. [redacted] was seen by Agent [redacted] on Saturday afternoon, January 12, with Kerley, watching the 82nd Airborne Division parade in New York. The two got into Kerley's automobile together. Mr. Conroy stated they also had a call on the technical at 8:25 p.m., January 16, from Kerley to [redacted] asking him to come over and play a game of rummy. [redacted] said he was too busy; that he just received a transfer to Charlotte that day; and that he was angry because he just sold his car. He said he might come over and talk.

Mr. Conroy stated that SA [redacted] has worked on Communist activities for a while but that he never worked on any of the cases involved in the Kerley case and everyone in the office that is familiar with this case and knows [redacted] definitely swears by him. Mr. Conroy advised he is convinced that [redacted] has no idea what Kerley is doing. Mr. Conroy stated since [redacted] is going to Kerley's apartment, they are considering using [redacted] in the following manner.

It could probably be arranged for [redacted] and his wife to take care of the Kerley baby while they are out at a movie one night soon and while the Lewises are away. Agents could then go to the apartment without any danger at all. If Kerley or his wife should come back to the apartment, the agents could just say they had dropped by the [redacted] apartment to see him and had been told [redacted] was at the Kerley place.

Mr. Conroy's recommendation in this matter was that they go ahead and take a chance as soon as such arrangements could be effected. He stated he feels such an undertaking would be secure and he emphasized that the people who have recommended [redacted] to him are people he has implicit confidence in.

I advised Mr. Conroy I would take this matter up and would advise him of the results.

I am afraid this is too risky
L. J. Conroy
E. J. Conroy
H.

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

DATE: January 21, 1946

FROM : J. K. MUMFORD

10:00 AM

SUBJECT: LARRY E. KERLEY

Mr. Tolson	_____
Mr. E. A. Tamm	_____
Mr. Clegg	_____
Mr. Coffey	_____
Mr. Glavin	_____
Mr. Ladd	_____
Mr. Nichols	_____
Mr. Rosen	_____
Mr. Tracy	_____
Mr. Carson	_____
Mr. Egan	_____
Mr. Gurnea	_____
Mr. Hendon	_____
Mr. Pennington	_____
Mr. Quinn Tamm	_____
Tele. Room	_____
Mr. Nease	_____
Miss Beahm	_____
Miss Gandy	_____

SAC Conroy called from New York and stated there will probably be another meeting with Rushmore on Friday night. He also advised that Friday night Kerley called ^{SA} Emery Gregg and wanted him to come over to his place but Gregg refused. When Gregg got to the office this morning he told Supervisor Granville that Kerley had called him. Mr. Conroy stated that apparently Gregg does not know of this investigation and that he is pretty substantial. Gregg told Granville he may have lunch with Kerley sometime this week. Mr. Conroy stated he is inclined to believe Kerley is contacting the Agents in order to get additional information to give out at the conference on Friday night.

Mr. Conroy stated Kerley also called another Agent named George, whose wife's name is Helen and who has a baby named Sharon. Kerley and George spoke about a package and Kerley told George that he could mail it to him and George told him not to do it, that he would drop by his office in the next few days and pick it up.

10:25 AM

At the above time Mr. Conroy telephonically advised Mr. Strickland they have determined that undoubtedly the Agent named George is George L. Strain, whose wife's name is Helen Frye Strain and who has a daughter Sharon. He stated that Strain has worked on some Communist matters here but not recently and that he had worked with Kerley in the Louisville Office.

ALL INFORMATION CONTAINED

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DATE 3/19/03 BY 60290 BCE/CA/TMS

Any employee with whom Kerley has contact should be at once transferred unless such employee promptly advises us as Gregg did -

JKM:EOD

50 JAN 28 1946

EA-30

RECORDED 58-1548-22

FEDERAL BUREAU OF INVESTIGATION

Room 5744

11/24

1946

To: ☒ Director
 _____ Mr. Edward Tamm
 _____ Mr. Clegg
 _____ Mr. Glavin
 _____ Mr. Ladd
 _____ Mr. Nichols
 _____ Mr. Rosen
 _____ Mr. Tracy
 _____ Mr. Carson
 _____ Mr. Hendon
 _____ Mr. Jones
 _____ Mr. Nease
 _____ Miss Gandy
 _____ Personnel Files Section
 _____ Records Section
 _____ Mrs. Skillman

Mr. Tolson.....
 Mr. E. A. Tamm.....
 Mr. Clegg.....
 Mr. Glavin.....
 Mr. Ladd.....
 Mr. Nichols.....
 Mr. Rosen.....
 Mr. Tracy.....
 Mr. Carson.....
 Mr. Hendon.....
 Mr. Jones.....
 Mr. Nease.....
 Miss Gandy.....

See Me

For Appropriate Action

Send File

Note and Return

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 3/18/03 BY 60290 BCE/CAL/JAS

Clyde Tolson

SAC, New York

January 10, 1946

John Edgar Hoover - Director, Federal Bureau of Investigation

LARRY H. KERLEY
BRIEFING

PERSONAL AND CONFIDENTIAL

Reference is made to the telephonic communication had by you with Mr. Tamm on January 2, 1946, at which time you requested the Bureau files be reviewed for pertinent information concerning the subject, Mr. James Campbell Lewis, Mrs. Elizabeth Barbara Lewis, and George W. Sibley. Reference is also made to your telephone call to Mr. Tamm on January 5, 1946, at which time you requested a check of the Bureau records as to any address given by Kerley on the occasion when he took annual leave on September 24 to 25, 1945, after attending In-Service Training in Washington. Reference is further made to your inquiry of Mr. Ladd on January 7, 1946, as to the contents of a registered letter, No. 497544, postmarked January 6, 1946, and addressed by the Bureau to Kerley.

There is enclosed as of possible assistance a copy of a resume of the information appearing in Kerley's personnel file as well as a copy of a record of the salary and expense checks sent to him.

A review of the Bureau's files has been completed without disclosing pertinent information concerning Mr. James C. Lewis, his wife, or Mr. George W. Sibley. It is noted that many references are made in the files to the numerous reports which have been made by [redacted] to your division. b7D

A check of the Bureau records does not disclose any address furnished the Bureau by Kerley when he took annual leave on September 24 to 25, 1945. In this connection, attention is directed to the letter from the Kansas City Field Division dated January 3, 1946, a copy of which was designated for your division and from which letter it would appear that the leave slips for this period were submitted to the Kansas City Office and at which time he indicated his address would be in care of Miss L. Simons, 4522 45th Street, Kansas City, Missouri.

The Bureau by registered letter bearing number 497544 dated January 5, 1946, forward to Kerley in New York two differential checks and an October salary check which had previously been mailed to him and then returned to the Bureau.

Encl. sure

BEST AVAILABLE COPY

ACH:edm

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Gandy _____

RECORDED
INDEXED

58-1548-2

4 29 PM '46
DIRECTOR

6028036/105

3/19/03

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. LADD

FROM : J. K. Mumford

SUBJECT: LARRY KERLEY
BRIBERY

DATE: January 23, 1946

Call: 12:15 PM
1-23-46
JKM:da

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/19/03 BY 60290 BCK/KAL/jms

ASAC Donegan of the New York Field Division called at the above time relative to Agent Gregg and the captioned case. He advised that Gregg contacted Agent [redacted] and made the following statements: "I don't want you to tell me anything and I'm not fishing, but ever since this publicity broke, I've had two suspects in mind. One of them is Kerley. I dismissed him because he was so dumb. I spoke to Granville the other day about Kerley calling me and I'm putting two and two together and with everything else, I'm very much concerned. Kerley wanted me to go to lunch with him and I don't know whether to do it or not to do it, and stated that he didn't have any use for Kerley. Gregg stated that he had never called him before and apparently wanted information."

Donegan stated that their views relative to this matter was that there was to be a meeting on Friday -- the Rushmores are going to the Lewises and it appears that the Lewises invited the Rushmores rather than the Rushmores initiating it. Kerley is in a position where he is going to have to supply more information which may be of a particular nature, and the only way he is going to get that is through some Agent contact. Kerley is liable to proposition Gregg and if he does, we will have a bribery case against Kerley.

Donegan stated that when SAC Conroy talked to Strickland yesterday he mentioned the impersonation angle, inasmuch as Kerley was having his watch repaired and when the jeweler asked him if he was with the FBI, he grunted indicating that he was. The jeweler, upon being interviewed, was somewhat in doubt about Kerley's reply so when Kerley comes back for the watch he, the jeweler, is going to say "Didn't you say you were with the FBI?" to see what answer he will give in this regard.

Donegan said that it was apparent that Kerley was a "con"man and that Gregg wasn't in a very favorable position. Mr. Donegan said that he understood that sometime ago when Kerley was still with the Bureau he asked Gregg to get him some information from a file, but Gregg kept putting it off and finally just dropped it, and Donegan stated that if Gregg was still smart, he would not keep this luncheon engagement with Kerley.

Donegan was most anxious to find out what the Bureau's opinion was in this regard and I advised him that I would check on the matter and let him know promptly.

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50 JAN 30 1946

58-1548-24
F B I
30 JAN 29 1946
FIVE

Office Memorandum • UNITED STATES GOVERNMENT
58-1548

TO : Mr. D. M. Ladd

FROM : J. C. Strickland

SUBJECT: LARRY E. KERLEY
BRIBERY

DATE: January 28, 1946

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

It is noted that on January 18, 1946, SAC Conroy of New York advised that Special Agent [] was seen by Special Agent [] with Kerley on January 12, 1946, watching a parade in New York. He further mentioned that [] is under transfer to Charlotte and will probably leave about February 1, 1946.

SAC Conroy stated that as a result of a technical surveillance on Kerley, it was learned that on January 16, 1946, [] received a telephone call from Kerley asking him to come over and play a game of rummy. At that time, [] declined but mentioned that he had just received a transfer that day to Charlotte. SAC Conroy mentioned that [] has worked on Communist activities but never worked on any of the cases involved in instant case. He further stated that everyone at the office acquainted with [] definitely swears by him.

RECOMMENDATION:

In view of the fact that [] has been contacted by Kerley and has not reported the contact to the New York Office, it is suggested that SAC Conroy be telephonically contacted and instructed to closely check the activities of Special Agent [] and to also give careful attention to the files being reviewed by him and to the serials which are being charged out to him.

JJM:WMJ

RECORDED
&
INDEXED

EX-5

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/19/03 BY 60290 BCE/CAL/MS

FEB 6 1946

cc Mr. Tamm
Mr. Ladd
Mr. Mumford

January 30, 1946

MEMORANDUM FOR THE DIRECTOR

Re: Larry E. Kerley

From the attached, it would appear probable the "Journal-American" will have a follow-up story to the effect that Schevchenko has left the country.

Respectfully,

D. M. Ladd

Attachment

JKM:CAB

RECORDED 58-1548-26
FEB 1 1946

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/19/03 BY 60290 BCE/CAL/MS

Mr. Tolson	✓
Mr. E. A. Tamm	
Mr. Clegg	✓
Mr. Coffey	✓
Mr. Glavin	
Mr. Ladd	✓
Mr. Nichols	✓
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Mr. Nease	
Miss Gandy	

Office Memorandum • UNITED STATES GOVERNMENT

TO : D. M. Ladd

FROM : J. K. Mumford

SUBJECT: LARRY E. KERLEY

DATE: January 30, 1946

Call: 3:00 p.m.

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

At the above time, ASAC Donegan, New York, called to advise that a pertinent call was made yesterday 12:45 p.m. from James C. Lewis to his wife, Mrs. Betty Lewis, and the conversation was furnished as follows:

JL: Do you remember those articles you were interested in in the paper?

BL: Yes.

JL: That chap has disappeared (clearing of throat) The one who was in the other location. He went back home.

BL: Oh.

JL: So I'll tell you about it more when I see you.

BL: Well, as a matter of fact you can tell me all you want on the phone, Jim, because (clearing of throat)

JL: Well, that's all I know about it.

BL: Yes?

JL: Nobody knows about it so I didn't want to discuss it.

BL: Does that man know who was here for dinner (pause) and his wife?
(Donegan stated this is Rushmore and his wife)

JL: No, they don't know it. (Long pause) And I thought, I thought on those, well, that all I know about that, I thought. I suggest that, it might be that on those rentals we were talking about that you might like to talk to the agent.

(Donegan explained here that Kerley is running a building for Lewis and is more or less in the position of an agent for the building so they were referring to Kerley in double talk.)

BL: Yes, why don't you. It's very important that he come over.

JL: Well, suppose I leave word for him to come up this afternoon.

BL: Yes
That's fine.

Mr. Donegan stated Kerley called Betty Lewis at 12:48 p.m., making it obvious Kerley was in James Lewis' office, and made an appointment to see her at 2:00 in the afternoon. At 2:06 p.m., the agents saw Kerley go in Mrs. Lewis' residence.

- 64

At 11:16 a.m. today, Mrs. Lewis made a telephone call to the City Desk of the "Journal-American" and asked for Rushmore and he was not there. She asked where he could be reached and was told this was not known but that he would probably be back this afternoon. Mrs. Lewis stated she would call again.

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HEREIN IS UNCLASSIFIED
DATE 3/19/03 BY 60290 BCF/CA/TMS

JKM:CAB

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD *DL*

FROM : J. K. MUMFORD *JKM*

SUBJECT: LARRY KERLEY; BRIBERY

DATE: Jan. 30, 1946
11:45 a.m.

9/11

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Mohr	
Mr. Carson	
Mr. Hendon	
Mr. Mumford	
Mr. Jones	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

ASAC Donegan, NYC, while calling on another matter, advised he did not have the record itself as yet but has been told the surveillance disclosed that Kerley, while at the Lewises house made reference in an indirect way to one having disappeared and one having left. Donegan pointed out that all this does not connect directly with Rushmore. It would appear the conversation may refer to Schevchenko actually having departed and Adams having disappeared.

RECORDED

158-1548-2-6

FEB 1 1946

EX-64

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 3/19/03 BY 60290 BCD/CHL/JUS

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. LADD *DL*

FROM : J. K. Mumford *JKM*

SUBJECT: LARRY KERLEY
BRIBERY

DATE: February 1, 1946

all: 10:00 AM
2-1-46
JKM:da

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Gandy _____

ASAC Donegan of the New York Field Division called at the above time and stated that Howard Rushmore of the Journal-American had called and stated "that he had some information he thought we probably knew about and would be interested in"; "that ~~Alfred~~ Adams has been reported missing for several days"; "that no doubt I (Donegan) was personally aware of it", and asked Donegan if he had any comments to make in this regard.

Donegan stated that he informed Rushmore that he was not aware of the details of what he was talking about and that he had no comments to make. Rushmore then told Donegan that Schevchenko had left for his home by plane and stated that he didn't know whether Adams had left the country or not but he was in hopes that he had not.

Donegan then advised Rushmore that he was a little puzzled as to why he had called and Rushmore stated he wanted to be sure that we had no comments to make and he was advised by Donegan that if we had any to make on an investigation, it was done by a press release.

*W. Nichols
advised 10:20 AM
2/1/46*

*D. A.
2/1/46
JKM*

70 FEB 6 1946

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/19/03 BY 60290 BCS/CAL/JWS

58-1548-27

32 FEB 4 1946

5 JKM

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. LADD *[Signature]*

FROM : J. K. Mumford *[Signature]*

SUBJECT: LARRY KERLEY
BRI BERY

DATE: February 1, 1946

Call: 11:55 AM
2-1-46

[Handwritten initials]

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

ASAC Donegan called at the above time and advised that at 11:25 AM, this date, a confidential informant called and advised that Howard Rushmore called Mrs. James Campbell Lewis and stated that he had written his story and was waiting to see what happened. Rushmore asked Mrs. Lewis if she told Kirsch B. (Donegan stated they knew nothing of this party and this was only phonetic) and she advised that she tried to call him but could not get in contact with this individual. Donegan said it was their belief that Kirsch B. was somebody connected with the Journal-American. Mrs. Lewis stated that she had discussed this with Jim (her husband) and they were afraid it would interfere with Rushmore's man (possibly Rushmore's editor, Schoenstein). Mrs. Lewis then discussed an article appearing in today's New York Times by Senator Pepper and indicated that Rushmore's paper should be interested in this item. Donegan stated that Rushmore and Mrs. Lewis briefly mentioned Rushmore's story again and they both agreed that they wanted to break it as soon as possible, either today, tomorrow or Sunday (Donegan advised they received no information relating to the subject matter of this article.).

RECORDED

INDEXED

158-1548-28

FEB 5 1946

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 3/19/03 BY 60290 BCE/CAL/PAS

EX-11

FEB 6

JRM:DA
5/45

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD
FROM : J. C. STRICKLAND
SUBJECT: LARRY E. KERLEY

~~SECRET~~

DATE: February 4, 1946

4:10 PM

~~ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED EXCEPT
WHERE SHOWN OTHERWISE~~

Mr. Tolson ✓
Mr. E. A. Tamm ✓
Mr. Clegg ✓
Mr. Coffey ✓
Mr. Glavin ✓
Mr. Ladd ✓
Mr. Nichols ✓
Mr. Rosen ✓
Mr. Tracy ✓
Mr. Carson ✓
Mr. Egan ✓
Mr. Gurnea ✓
Mr. Hendon ✓
Mr. Pennington ✓
Mr. Quinn Tamm ✓
Tele. Room ✓
Mr. Nease ✓
Miss Beahm ✓
Miss Gandy ✓

SAC Conroy called with regard to the captioned case and stated that yesterday Howard Rushmore called the Lewis apartment and told Mrs. Lewis that the story was not in the Sunday paper because the boss (Paul Schoenstein) was very much interested in the whole thing and was going to take it up with Mr. Hoover. Rushmore stated that Schoenstein also wants to see Jimmy Byrnes on the matter. Rushmore then asked Mrs. Lewis if she had heard from "our Bronx friend." Mr. Conroy stated they apparently refer to Kerley in their telephone conversations as "our Bronx friend." Mrs. Lewis said she had not but she was going to speak again to the other girl at the end of the week - that she had just had a baby. Mr. Conroy stated Gregg's wife has just had a baby and Mrs. Lewis apparently was referring to Mrs. Gregg. Mrs. Lewis will call Rushmore if she hears anything.

Mr. Conroy stated he talked to Gregg this morning and Gregg has prepared a rather lengthy memorandum setting forth all of his dealings with Kerley. Mr. Conroy has instructed him that he should not approach Kerley but to wait for any calls Kerley may make to him. Mr. Conroy stated he so instructed him because if the case later comes to trial they might possibly charge entrapment. He told Gregg if Kerley calls him and invites him to lunch, etc., he should go along with him, but he was not to take any definite stand, that is, if Kerley asked him for anything, he was not to give him a definite answer in order that we might learn Kerley's mode of operating.

Mr. Conroy stated he had talked to Mr. Hendon regarding [redacted] rating of excellent on his efficiency report on his transfer. Conroy stated the Supervisor knows nothing of this case and was grading him on his work since he is a competent Agent and he wanted to put the Bureau on notice.

b6
b7C

Mr. Conroy also advised they had learned today [redacted] a telephone is listed under Kerley's name as the manager of a building for the Lewises. The building is owned by the Squibb Company and the New York Office has been under the impression this would be a Squibb Company telephone. Some of the men are checking on this matter now and, in the event it is secure, etc., Mr. Conroy is going to ask authority for a technical on this telephone. He will contact the Bureau as soon as they finish their check.

b2
b7E

The New York Office will submit a report bringing everything up to date within the next few days.

JCS:EOD

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DECLASSIFY ON: 25X
3/19/03

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INDEXED
70

58-1548-29

70 FEB 6 1946

~~SECRET~~

JCM

5.1/1/41

FEDERAL BUREAU OF INVESTIGATION

1946

☒ The Director
☐ Mr. Tolson
☐ Mr. Ladd
☐ Mr. Rosen
☐ Mr. Clegg
☐ Mr. Glavin
☐ Mr. Nichols
☐ Mr. Tracy
☐ Mr. Harbo
☐ Mr. Hendon
☐ Mr. Pennington
☐ Mr. Quinn Tamm
☐ Mr. Nease
☐ Mr. Welch
☐ Miss Gandy
☐ Mr. Carson

☐ Records Section
☐ Personnel Files
☐ Send File
☐ Bring file up-to-date
☐ Search, serialize, and route
☐ Reading Room
☐ Mechanical Section
☐ Bureau Supply Section

☐ Call me re this
☐ Note and return

☐ Miss Stalcup
☐ Miss Gray
☐ Miss Butcher

☐ Stamp and mail
☐ Prepare tickler
☐ Call these files
☐ File

☐ See Me

Edward A. Tamm
5734

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/19/03 BY 60322/PLS

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD *DL*
 FROM : J. K. MUMFORD *JKM*
 SUBJECT: LARRY E. KERLEY

DATE: February 5, 1946

9:10 AM

Mr. Tolson	✓
Mr. E. A. Tamm	✓
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	✓
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

SAC Conroy called from New York and advised that Kerley called Gregg about 9:10 PM last night and first congratulated him on having a new son and then asked him to have lunch with him today. Gregg said he would be glad to and Kerley then suggested that Gregg come up and look over his new office at about 12:30 PM and then go across to Reubens for lunch. Kerley's office is at 5 East 57th Street. Mr. Conroy has instructed Gregg not to give any information to Kerley but to string along with him; for instance, Kerley will probably mention the fact that he understands Adams is lost and possibly Schevchenko and Gregg will ask him where he learned that. Mr. Conroy also stated he has instructed Gregg to indicate to Kerley that he is getting rather fed up with the Bureau. Gregg is to make no statements to the effect that he is broke since this might constitute entrapment, but he is being instructed to casually bring into the conversation that his baby is costing him a lot of money and he is having to cash all of his war bonds.

Mr. Conroy stated that immediately after Kerley called Gregg he called Betty Lewis and told her he had gotten in touch with "the other girl" and they are having lunch. They refer to Gregg as "the other girl" in their conversations.

Regarding Kerley's office telephone, the New York Office has gone to the telephone company to find out whether there are any reappearances on it and they will undoubtedly know this morning. Mr. Conroy stated he is waiting to learn how secure it would be before he suggested coverage.

RECORDED
&
INDEXED
47

158-1348-310
31 FEB 6 1946

JKM:EOD

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/19/03 BY 60220 BEX/AC/vms

9 FEB 8 1946

2-5

✓ The Dire

_____Miss Stalcup	_____Stamp and mail
_____Miss Gray	_____Prepare tickler
_____Miss Butcher	_____Call these files
	_____File

____ See Me

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HEREIN IS UNCLASSIFIED
DATE 3/19/03 BY 60290BCE/CAL/JMS

Edward A. Tamm
5734

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

FROM : J. C. STRICKLAND

SUBJECT: LARRY E. KERLEY;
BRIBERY

DATE: February 6, 1946

3:30 PM

Mr. Tolson	_____
Mr. E. A. Tamm	_____
Mr. Clegg	_____
Mr. Coffey	_____
Mr. Glavin	_____
Mr. Ladd	_____
Mr. Nichols	_____
Mr. Rosen	_____
Mr. Tracy	_____
Mr. Carson	_____
Mr. Egan	_____
Mr. Gurnea	_____
Mr. Hendon	_____
Mr. Pennington	_____
Mr. Quinn Tamm	_____
Tele. Room	_____
Mr. Nease	_____
Miss Beahm	_____
Miss Gandy	_____

SAC Conroy called and requested authority for a technical surveillance on the reappearances of the telephone listed to Larry E. Kerley - telephone Plaza 5-9412 located at 11 - 13 East 57th Street. He stated the security is OK. I advised him the matter would be taken up and he would be advised.

JCS:EOD

158-1548-31
31 FEB 7 1946

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

DATE 3/19/03 BY 60290 BCF/KAL/MS

NO FEB 7 1946

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. TOLSON

DATE: December 30, 1945

FROM : MR. CLEGG

SUBJECT: ALLEGED DISCLOSURE, BY A FORMER SPECIAL AGENT, OF CONFIDENTIAL INFORMATION CONCERNING SURVEILLANCES OF A RUSSIAN ESPIONAGE AGENT.

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	b6
Mr. Pennington	b7C
Mr. Quinn Tamm	

Pursuant to instructions from Mr. Hendon to Mr. Carlson the above problem has been studied to determine if there is any criminal liability on the part of the former agent, or if any disciplinary measures be imposed.

1. The information allegedly disclosed was obviously of national Defense character. Subsection d, Section 31, Title 50, U.S.C. provides:

"whoever, lawfully or unlawfully having possession of, access to, control over, or being intrusted with any document, writing, code book, signal book, sketch, photograph, photographic negative, blueprint, plan, map, model, instrument, appliance, or note relating to the national defense, willfully communicates or transmits or attempts to communicate or transmit the same to any person not entitled to receive it **** shall be punished by imprisonment for not more than ten years and may, in the discretion of the court, be fined not more than \$10,000."

The preceding subsections of Section 31, Title 50, U.S.C. require intent to injure the United States or benefit a foreign nation. Subsection d, however, does not require such intent. This question has not been judicially interpreted. It is believed that a newspaper comes within the meaning of "person not entitled to receive it."

CONCLUSION: The disclosure of this information, particularly if any reports or documents were turned over to the newspaper, constitutes a technical violation. It must be appreciated that this statute is one of the Espionage Statutes and some judges would be reluctant to conclude that the acts of this agent constituted espionage. It should also be realized that prosecution might be embarrassing to the FBI because it would be necessary to establish the accuracy of the information which would further publicize these activities.

2. If the information was disclosed for money or other thing of value while the agent was still an employee of the FBI it might possibly be a violation of the Bribery Statutes.

3. If the information was disclosed after the agent was no longer an employee of the FBI but represented himself as such it might possibly be a technical violation of the Impersonation Statute.

4. The Lump Sum Payment Bill, December 21, 1944, does not specifically state that employment ceases upon payment of accrued annual leave, but Mr.

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HEREIN IS UNCLASSIFIED
DATE 8/3/99 BY SP6/AM/ky
437189

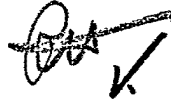
RECORDED

58-1548
59 FEB 8 1946

Robert E. Lee of the Administrative Division advises it is so interpreted.

Departmental Order No. 3229 from the Attorney General provides that the records and information of the FBI are confidential and shall not be disclosed by an employee other than for the performance of his official duties, except in the discretion of the Attorney General. Obviously, disclosures of the nature in this particular case constitute a violation of this order by an employee and subject the employee to disciplinary action.

Section 216, Title 18, U.S.C. makes it unlawful for an employee of the government to disclose information concerning the operations, style of work, or apparatus of any manufacturer or producer visited during his official duties, or information concerning income. This statute is not however broad enough to be applicable in the present case.

A handwritten signature, possibly "R. Lee", is written above a large checkmark.

Office Memorandum • UNITED STATES GOVERNMENT

LBN:hbm

TO : MR. TOLSON

DATE: February 5, 1946

FROM : L. B. NICHOLS

SUBJECT:

Paul Schoenstein called on February 1. He stated that he had a report which he was not printing to the effect that their friend Adams had flown the coop and one of the individuals they had exposed who was involved with jet propulsion was already in Russia. I told him this was very interesting. He then wanted to know if there was any basis for this. I told him that I could not comment on it, that he should be guided by his own sources, who seemed to have good information. I did not give Schoenstein the satisfaction of asking again for the source. He was deliberately baiting me for this, I am sure, when he said the report had been thrown at him and he had not been out asking for it, and he again stated he wished he had not printed the other material.

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

b6

b7C

RECORDED

INDEXED

158-1548-34
FEB 11 1946

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/19/03 BY 60290RCE/KAL/ms

FEB 12 1946

58m

COPY:FC

OFFICE OF THE DIRECTOR - UNITED STATES GOVERNMENT

TO : THE DIRECTOR

DATE: January 24, 1946

FROM : Mr. A. Rosen

SUBJECT: LARRY KERLEY
REPLY

3/19/63 60203CE/CAL/JWS

With reference to the attached information furnished by Donovan it has been ascertained that Agent Gregg has not been told of the possible implication of Kerley in this matter. Agent Gregg suspects Kerley. He has been asked to go to luncheon with Kerley but realizes that he, of course, should not keep this engagement in view of the fact that Kerley is no longer in the Bureau.

RECOMMENDATION:

It is recommended that Gregg be informed by Donovan of the possible implication of Kerley and he thereafter be told to accept the luncheon engagement with Kerley and merely listen in order to pick up whatever information he can. It is entirely possible that a Friberg Case may develop as Kerley has called Gregg for the engagement. There can be no entrapment in view of the fact that Kerley has approached Gregg and Gregg has not sought out Kerley. We have a chance of definitely establishing the source of the New York articles by busman if Kerley makes any overtures.

AR:DMG

58-1548-

Director's Notation: "O. H."

BEST AVAILABLE
COPY

Office Memorandum • UNITED STATES GOVERNMENT

58-1548

TO : THE DIRECTOR

DATE: 2-6-46

FROM : D. M. LADD

SUBJECT: LARRY ERNEST KERLEY
BRIBERY

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 8/3/01 BY SP7AUX/ly
437189

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

b6
b7C

Pursuant to your request there is set out below a summary of the present status of this case and the prospects for possible prosecution.

As you will recall on December 3, 4 and 5, 1945, the New York Journal American published articles regarding several Soviet espionage cases being investigated by the Bureau. As you know, these articles were written by Howard Rushmore, who was formerly a member of the Communist Party and a writer for the "Daily Worker" until about 1940, at which time he was expelled from the Party for refusing to write an unfavorable review of the motion picture "Gone With the Wind." From time to time Rushmore has supplied the New York Field Division with information in connection with Communist investigations.

In an effort to identify the source of this information in view of its importance, a technical surveillance was placed by the New York Field Division on the home of Howard Rushmore on December 22, 1945. As a result of this surveillance it was learned that at 7:55 p.m. on December 26, 1945, Rushmore contacted one Betty and told her that he had a brilliant stroke of inspiration and he would like to talk it over with her and "our friend." He made arrangements with Betty so that he could drop in on her with his wife on Friday, December 28, 1945, at 8:30 p.m. In one part of the conversation Rushmore stated the time for the appointment would necessarily depend upon Betty's getting hold of "him" also and to see if "he" could do it.

Through a physical surveillance maintained by the New York Field Division it was learned that on Friday evening, December 28, 1945, Howard Rushmore and his wife went to the home of James Campbell Lewis and his wife, Elizabeth Barbara Lewis, 22 East 73rd Street, New York, New York. Also present at the Lewis home that evening were former Special Agent Larry E. Kerley, George H. Sibley and a Janet Patt, as yet not fully identified, but apparently a woman with whom Sibley lives.

As you will recall Mr. Lewis and Mr. Sibley are both executives of E. R. Squibb and Sons. As you will further recall, former Special Agent Larry Ernest Kerley was born on February 18, 1915, at Maynard, Arkansas. He comes from a large family, being the second youngest of ten children. His Father, John D. Kerley, was a poor man but very highly regarded in his community and was a Deacon in the Baptist Church.

Kerley entered on duty as a special employee with the Bureau on October 21, 1937, thereafter he served as a messenger, worked in administrative files, personnel files and in various other clerical capacities. On June 8, 1940, he was married to Dorothy Ann Rivers in Washington, D. C.

JJM:mod

FEB 14 1946

5 Jm

Memorandum for the Director

He entered on duty as a Special Agent with the Bureau on September 22, 1941. He was assigned to the Butte Field Division December 20, 1941, and to the Louisville Field Division on March 30, 1942, being designated as Resident Agent at Lexington, Kentucky, on July 19, 1942.

On November 29, 1944, he was assigned to the New York Field Division and worked on the squad handling Internal Security-R investigations until July 26, 1945, when he departed on transfer to Kansas City. An analysis of his activities while assigned to the New York Field Division reflects that he could have reviewed any of the related cases mentioned in Rushmore's articles and he did actually perform work in connection with several of the cases mentioned.

On March 19, 1945, Kerley refused to initial the Efficiency Report submitted on him by the New York Field Division, claiming that he should have been given a rating of "excellent" instead of "very good." On the following day he asked for a transfer to the Los Angeles Field Division, claiming that his Mother was ill. On April 9, 1945, the Bureau advised him by letter that the Efficiency Report as submitted by the New York Office was proper and at the same time he was transferred to the Kansas City Field Division. The above is set forth to show that Kerley was probably disgruntled. He did, however, depart for Kansas City on July 26, 1945, the delay being caused by extended sick leave.

In view of the individuals present at the Lewis home on December 28, 1945, it would appear that on December 26, 1945, when Rushmore contacted Betty, he was actually speaking to Mrs. Elizabeth Barbara Lewis, who is commonly called Betty, and "our friend" might have referred to former Special Agent Kerley, Mr. Sibley or Mr. Lewis.

On September 27, 1945, Kerley submitted his resignation. It was accepted and his active duty ceased at the close of business on October 1, 1945. On November 23, 1945, he advised the Bureau by letter that his forwarding address was 35-30 81st Street, Apartment 3-0, Jackson Heights, Long Island, New York. As you will recall, the present inquiries being conducted reflect that he was also employed at this time by E. R. Squibb and Sons of New York City.

CIRCUMSTANTIAL EVIDENCE INDICATING KERLEY'S INVOLVEMENT

In view of the possibility that Kerley may have been instrumental in getting material for the articles for Rushmore, you will of course recall that Kerley first became acquainted with Mr. and Mrs. Lewis in Lancaster, Kentucky, during the summer of 1942, when he interviewed them in connection with an Alien Enemy Control investigation. [REDACTED] b7D

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] It is interesting to note that Victoria Stone is an intimate contact of Arthur Adams, subject of the case entitled "Arthur Alexandrovich Adams, with aliases; INTERNAL SECURITY - R." Victoria Stone was mentioned, although not by name, in the first article written by Rushmore in which

Memorandum for the Director

she was described as one of the important aids of Arthur Adams who maintained a jewelry shop in the midtown area. Stone actually maintains a jewelry shop at 510 Madison Avenue, New York City, and on January 7, 1945 [redacted]

[redacted] This was done on the suggestion of Kerley and before the New York Field Division was aware of the [redacted] Kerley and the other Agents working on the case were told to cease [redacted]

b7D

As Kerley suggested [redacted] there is the possibility he gave her information concerning the activities of Arthur Adams and other principals relating to the Adams investigation.

On January 6, 1946, SAC Conroy of the New York Field Division advised that Supervisor Marchessault of the Communist Section of the New York Office received a telephone call from John Keenan, a former Special Agent who resigned two or three months ago. In a very highly confidential manner, Keenan advised that the name of the man who gave the story to the Journal American began with "C." He finally said the name was "Curley" (phonetic). Mr. Conroy was advised of this conversation and requested Marchessault to recontact Keenan for additional information. Keenan refused to give any additional information and stated that he merely gave it to Marchessault in confidence. Keenan, however, advised that he might be able to give Marchessault more information later and also told him that the information he had came strictly from newspaper sources.

Recently Kerley has contacted several Agents in the New York Field Office but there is no evidence to show that any of these Agents gave him information or that he attempted to get information from them. On January 18, 1946, Kerley telephoned Special Agent Emery Gregg and invited him to Kerley's home but Gregg refused. As you will recall, Gregg reported this contact to the New York Office and indicated that some time in the near future he might have lunch with Kerley.

You will also recall that Special Agent [redacted] was seen with Kerley watching a parade in New York City on January 12, 1946, and on January 16, 1946, Kerley telephoned [redacted] and asked him to come over and play a game of Rummy. [redacted] declined the invitation but mentioned he had just received a transfer to Charlotte. SAC Conroy was instructed to check the activities of [redacted] until the time he left on transfer.

b6
b7C

In this connection you will also recall that on January 18, 1946, Kerley telephonically contacted Special Agent George L. Strain and mentioned to Strain that he was mailing him a package. Strain informed him that he should hold the package and in the near future he, Strain, would pick it up. Strain has never reported this contact to the New York Field Division and SAC Conroy has stated that he does not believe Strain knows that Kerley is being investigated. Strain's activities are being closely checked at the present time and any unusual developments will immediately be reported to you.

Memorandum for the Director

As a result of a technical surveillance it was learned that on January 29, 1946, at 12:45 p.m., James C. Lewis spoke to his wife, Betty Lewis, and asked her if she remembered those articles in the newspaper in which she had been interested. She stated that she did. Mr. Lewis then mentioned that the chap had disappeared. He also indicated in "double talk" that it might be a good idea if Betty spoke about the matter with Kerley.

At 12:48 p.m. on the same day, Kerley telephonically contacted Betty Lewis and made an appointment to see her at 2:00 p.m. (Kerley apparently was in Lewis' office when Lewis spoke to his wife at 12:45 p.m.) Kerley was seen entering the residence of Betty Lewis at 2:06 p.m. the same day.

On the following day at 11:16 a.m., Betty Lewis called the "Journal American" and asked for Rushmore who was not available. She advised she would call again. From the above it appears probable that the Journal American would have a follow-up story to the effect that Schevchenko has left the country or that Adams has disappeared. You will recall that Arthur Adams did recently disappear and Andrei Schevchenko, whose activities were mentioned in Rushmore's second article and who is the Vice Chairman of Amtorg in New York City, recently departed for the Soviet Union.

On February 4, 1946, SAC Conroy advised that as a result of a technical surveillance it was learned Rushmore contacted Betty Lewis on February 3, 1946, and told her that the story was not in the Sunday paper (apparently referring to a follow-up story on his original articles) because the boss (Paul Schoenstein, Editor of the Journal American) was very much interested in the whole thing and was going to take it up with Mr. Hoover. He also stated that Schoenstein wanted to see Jimmy Byrnes on the matter.

CIRCUMSTANTIAL EVIDENCE POSSIBLY INDICATING KERLEY NOT INVOLVED

On December 4, 1945, Howard Rushmore telephonically informed Special Agent [] that the two articles then printed were accurate and that he had spent three days getting them and checking them. He also said that he did not get the material from the FBI.

b6
b7c

At a later date, former Special Agent [] who is now employed by the Time and Life publications, advised an Agent of the New York Office that one of the staff writers for Time magazine had congratulated Rushmore upon his "scoop." During the course of the conversation Rushmore stated that he had not gotten the information from the FBI but had gotten it from Army Intelligence officials.

Paul Schoenstein, Editor of the New York Journal American, mentioned that the person who gave the information to the Journal American had been in his home recently. In this connection the home of Schoenstein was under surveillance from December 8 to 16, 1945, and at no time was Kerley seen near it.

There is no indication that to date Kerley has received any unusual sums of money.

Memorandum for the Director

PRESENT STATUS AND RECENT DEVELOPMENTS

On February 5, 1946, SAC Conroy advised that Kerley called Special Agent Emery Gregg on the previous evening. He first congratulated Gregg who just recently became a father, and then asked him to have lunch with him on February 6, 1946. Gregg agreed and Kerley suggested that Gregg meet him in his new office at about 12:30 p.m. It is noted that Kerley's new office is at 5 East 57th Street and it appears that he is managing an apartment building from this office for E. R. Squibb and Sons.

SAC Conroy instructed Gregg not to give any information to Kerley but to string along with him. Gregg was also instructed by SAC Conroy to indicate to Kerley that he, Gregg, is getting rather fed up with the Bureau and casually mention that his new baby is costing him a lot of money.

Immediately after Kerley spoke to Gregg, he, Kerley, contacted Betty Lewis and told her he had gotten in touch with "the other girl" and they are having lunch. SAC Conroy indicated that "the other girl" is Gregg.

On February 6, 1946, SAC Conroy advised that Gregg had lunch with Kerley yesterday, February 5, 1946, and Kerley tried to get information from Gregg. Kerley asked Gregg about the Adams case to which Gregg replied that everything was under control. Gregg of course did not give Kerley any information and finally Kerley told Gregg he thought that he, Gregg, should meet the Lewises some time and Gregg advised that he would be glad to meet them. Gregg also mentioned to Kerley that he had been thinking about going back into law practice and mentioned the fact that his new baby has been very expensive. Kerley indicated to Gregg during this conversation that he was making a lot of money.

SAC Conroy also stated that at 6:45 p.m. on February 5, 1946, Rushmore contacted Betty Lewis and asked her if she had anything new. Betty stated that she had not as yet heard from Kerley although he had lunch with "the other girl." She stated she would advise Rushmore of any new developments. SAC Conroy further informed that Rushmore told Betty Lewis that he had obtained information from "another fellow who had been with that outfit" to the effect that Adams had been bumped off and that he had written a story on it. Mrs. Lewis replied that this was ridiculous. She also stated that she was beginning to distrust Paul Schoenstein and was going to have her dealings with the "American Weekly."

In the remarks made by Rushmore above, there is a possibility that in referring to "another fellow who had been with that outfit" he may have been referring to another ex-Agent.

At present there is a technical surveillance on Kerley and Mr. and Mrs. James C. Lewis. As you will recall, the surveillance on Rushmore was discontinued on January 18, 1946.

Memorandum for the Director

POSSIBLE PROSECUTION

You will, of course, recall the memorandum from Mr. Clegg to Mr. Tolson dated December 30, 1945, in this matter setting forth information regarding the possibilities of prosecution. In this memorandum it was mentioned that Kerley might be prosecuted under Subsection d, Section 31, Title 50, U. S. Code, which in brief provides punishment by imprisonment ~~by imprisonment~~ for not more than ten years and in the discretion of the Court a fine of not more than \$10,000 for anyone who lawfully or unlawfully having possession of any document, writing, et cetera, relating to the national defense wilfully communicates or attempts to communicate the same to any person not entitled to receive it. This particular Subsection does not require intent to injure the United States or benefit a foreign nation, but you will of course also recall that the question regarding the necessary intent has never been judicially interpreted.

Under the law as mentioned in this memorandum, Kerley ceased to be an employee of the FBI on October 1, 1945. Therefore, in order to prove a violation of the bribery statutes it would be necessary to show that he illegally obtained money prior to this date.

There does not appear to be any other Federal violation for which Kerley could be prosecuted in the event it is definitely proven that he is the person involved.

CONCLUSIONS

Investigation to date indicates that Kerley was in a position to obtain the facts contained in the Rushmore articles and could have passed the information on to either Betty Lewis or Howard Rushmore as he was in New York City at least nine days prior to the publication of the first article. However, there is no direct evidence to show that he ever contacted Paul Schoenstein and as far as the facts show, he has only been in the company of Rushmore on one occasion, namely, December 28, 1945. There is also no evidence to show that Kerley has received any unusual sums of money.

The file reflects that Howard Rushmore appears to be very friendly with Betty Lewis, the wife of James C. Lewis, and in turn, Betty Lewis appears to be very friendly with Kerley. As you know, Betty Lewis is also desirous of being an amateur detective. It is possible that Betty Lewis got information from Kerley which recent trends bear out, and she passed it on to Rushmore. It is also possible that Kerley gave Betty Lewis the information out of gratitude for the position he now has with E. R. Squibb and Company as he apparently obtained it through the help of either Betty Lewis, her husband, or both.

ACTION

It is recommended that the technical surveillances on Kerley and the Lewises be maintained for a reasonable period to determine more definitely their

Memorandum for the Director

activities. Betty Lewis apparently contacts Howard Rushmore frequently and in the near future she may inadvertently furnish information indicating that Kerley is definitely involved in this case.

Discreet inquiry is being conducted to determine if Kerley has received any unusual sums of money and any contacts made by Kerley with Special Agents of the New York Office are being closely followed.

OK.
K.

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

FROM : Mr. D. M. Ladd *DL*

SUBJECT: LARRY ERNEST KERLEY
BRIBERY

DATE: February 7, 1946

Mr. Tolson	✓
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

Larry Ernest Kerley is a former Special Agent who is presently employed by E. R. Squibb and Sons in New York City. He is suspected of having given confidential information from the files of this Bureau to Howard Rushmore, a writer for the "New York Journal American."

You will recall that at present there is a technical surveillance on Kerley's residence, and there is also one on the residence of Mr. and Mrs. James C. Lewis. Mr. Lewis is an executive of E. R. Squibb and Sons, and Mrs. Lewis is an intimate of both Kerley and Rushmore. Approval for both of these surveillances was obtained from the Attorney General.

On February 6, 1946, SAC Conroy advised that Kerley now has a new office at 11-13 East 57th Street, New York, New York, from which he manages a building for E. R. Squibb and Sons. The telephone in this office is listed to Larry E. Kerley, the number being Plaza 5-9412. SAC Conroy advised that security is assured and requested authority for a technical surveillance.

ACTION:

It is believed that Kerley will contact Mrs. Lewis and possibly Howard Rushmore from his office and thus furnish pertinent information concerning this case. Therefore, it is recommended that you request authority from the Attorney General for a technical surveillance on the business telephone of Larry E. Kerley.

Attached for your approval is a memorandum to the Attorney General.

Attachment

ALL INFO
HEREIN IS UNCLASSIFIED
DATE 3/19/03 BY 60290 RCE/CAL/jaw

RECORDED
&
INDEXED

47

JJM:edm/la
58-1548

FEB 13 1946

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD
FROM : J. C. STRICKLAND
SUBJECT: LARRY E. KERLEY

DATE: February 6, 1946

2:45 PM

~~SECRET~~

Mr. Tolson ✓
Mr. E. A. Tamm ✓
Mr. Clegg ✓
Mr. Coffey ✓
Mr. Glavin ✓
Mr. Ladd ✓
Mr. Nichols ✓
Mr. Rosen ✓
Mr. Tracy ✓
Mr. Carson ✓
Mr. Egan ✓
Mr. Gurnea ✓
Mr. Hendon ✓
Mr. Pennington ✓
Mr. Quinn Tamm ✓
Tele. Room ✓
Miss Nease ✓
Miss Beahm ✓
Miss Gandy ✓

SAC Conroy telephonically advised that Gregg had lunch with Kerley yesterday and Kerley tried to get information from Gregg. He asked Gregg about the Adams case, to which Gregg replied that everything was under control. Kerley asked Gregg to come up to his office at 5 East 57th Street, which Gregg did. Everytime Kerley was going to ask Gregg something, he telegraphed the question, that is, he would sit and study it out first. Kerley finally told Gregg he thought he should meet the Lewises sometime and Gregg said he would be glad to do so. Kerley also asked Gregg what he was going to do and Gregg said he had been thinking about going back into law practice and that his new baby has been very expensive. Gregg said Kerley predicated most of his statements on the fact that he was making a lot of money, etc.

Mr. Conroy stated [redacted] had advised Granville that the reappearances of the telephone listed to Kerley at 5 East 57th Street, telephone Plaza 5-9412, are at 11 - 13 East 57th Street and that the telephone company leased a line to there prior to any installations. Gregg noticed while he was in Kerley's office there was another telephone, Eldorado 5-4946, Ext.3 listed to A. J. Vandugteren and Sons, Jewelers, 5 East 57th Street.

At 6:45 PM yesterday Rushmore contacted Mrs. Lewis and asked if she had anything new. She stated she had not heard from Kerley as yet, although he had lunch with "the other girl" (Gregg), and that she would advise Rushmore as to any developments. Rushmore then told her he had obtained information from another ex-Agent ("another fellow who had been with that outfit") that Adams had been bumped off and that he had written a story on it. Mrs. Lewis said that was ridiculous. She further stated she was beginning to distrust Paul Schoenstein and was going to have her dealings with the "American Weekly."

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WHERE SHOWN OTHERWISE~~

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DECLASSIFY ON: 25X

3/19/03

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&
INDEXED

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JCS:EOD

70 FEB 13 1946

February 7, 1946

~~PERSONAL AND CONFIDENTIAL~~

MEMORANDUM FOR THE ATTORNEY GENERAL

In connection with the inquiries being conducted to determine the source of the leak in the Arthur Adams Case, a current investigation to ascertain the identity of Soviet agents in the United States, authorization is requested to place a technical surveillance on the business telephone of Larry E. Korley.

I recommend authorization of this technical surveillance on the business telephone of Larry E. Korley, 11-13 East 57th Street, New York, New York, to ascertain all the facts concerning this recent disclosure of confidential information.

Respectfully,

J. Edgar Hoover

John Edgar Hoover
Director

DECLASSIFIED BY 60290 BCE/CAL/PAS
ON 3/19/03

RECEIVED-DIRECTOR
FEB 8 5 40 PM '46
58-1548-38
FEB 13 1946

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Mr. Nease
Miss Gandy

SENT FROM D. C.
TIME 7:22 PM
DATE 2-8-46
BY [signature]

JJM:edm
58-1548

RECEIVED FEB 14 1946

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

DATE: February 1, 1946

FROM : J. W. Yeagley

SUBJECT: HOWARD RUSHMORE; MRS. JAMES C. LEWIS.
Telephone conversation, 8:30PM, 1/31/46.

At 12:10AM, February 1, 1946 Mr Granville of the New York office called to furnish the text of the aforementioned conversation as reported by [redacted] This text as furnished by Mr. Granville is attached hereto.

In substance Mrs. Lewis told Rushmore that both Adams and Schevchenko had eluded the FBI and that Schevchenko had left by plane. Rushmore said that this is big and he would get busy on the phone. He added that it would be a little test to see whether the boys down in Washington put the heat on them if they go ahead on it and that bringing it out in the open would be the biggest break the Bureau ever had. He stated that if they could show the tremendous job the Bureau had been doing it would show what position the Bureau should occupy. At 9PM Rushmore called back and said that the Peter Cooper Hotel said that Adams hadn't been in for several days and that he had left word for Paul Schoenstein to call him at once. Mrs. Lewis thought it would be a good idea to find Senators Wherry and Bridges. Rushmore said that it might be a good idea to call "F.B.", that he would like to get to work on this tonight (Thurs.) and break it tomorrow as it is important to break it right away. The conversation ended after some speculation about getting ahold of "him", probably Schoenstein, Managing Editor of the Journal American, and getting him excited about it. At 9:15PM Mrs. Lewis called back to suggest contacting [redacted] of the State Dept. as he is very indebted to "International",

ACTION. Mr. Nichols and Mr. Mumford were telephonically advised.

RECORDED

58-1548-39

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DATE 3/19/03 BY 60290K5/CML/JMS

JWY

8:30PM. 1/31/46.

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Mrs. Howard Rushmore called Mrs. James C. Lewis. After a long conversation about a luncheon date for tomorrow the following conversation ensued.

Mrs. Lewis. I have a very important thing for Howard.

Howard Rushmore comes to the telephone.

Mrs. L. Two of the guys beat it. Freddie did and Schevchenko. Schevchenko immediately after the appearance of the paper, by plane. Adams for the first time last Thursday eluded them.

Rushmore. He disappeared?

L. He disappeared last Thursday from the boys.

R. Oh, they haven't found him yet?

L. I don't know yet. What's his name is trying to find out but he doesn't think so.

R. Well I better call my (indistinct), (possibly Paul Schoenstein)

L. It seems that there was some leak out of State about some proposed arrest Walter Winchell had last Sunday, anyhow, but just before that this rat got away.

R. Adams has left then?

L. Yes.

R. No indication he got out of the country or just --

L. No.

R. Well that is something. Schevchenko broke through, no doubt about it.

L. No doubt about Schevchenko. There is a doubt that Adams eluded them for a particular time or whether he is back. But my girl friend thought that you could check on this at the hotel.

R. You mean *** girl friend? I think I'll give the hotel a ring and see if he is there. That is big. Well I'll have to get busy on the phone. Then we'll see what happens. This is a little test to see whether or not

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DATE 8/19/03 BY 60290 BCF/ALJMS

58-1548-39

[] continued. R. talking.

the boys down in Washington put the heat on us if we go ahead on this. Then that shows we are not afraid of them. I am just curious to see the reaction when I make the call.

L. Why should they be afraid for Heaven's sake? This shows the clear guilt of these people.

R. Yeah. Well I know as I told you HOOVER put a lot of pressure on us.

L. I don't know how much Mr. Hearst is interested in HOOVER other than giving him a break. Bring this out in the open which in my opinion and in everybody's opinion is the biggest break the Bureau ever had. Particularly due to the great favoritism now for this terrible Mc Cormack of the State Department who is supposed to head up foreign intelligence and I think if we could just show the tremendous job the Bureau has been doing to save this country and to save us from all these filthy saboteurs, both on the Nazi and Communist side, then we really would show what the position should be that they should occupy.

R. That would put the State Department on the spot if both of them got away.

L. To Hell with the State Department bunch of bungling idiots.

R. Yeah. That's what I want to do. I will call and give you a ring back.

9PM Howard Rushmore to Mrs. J.C. Lewis.

R. I called the hotel and they said he hadn't been in for several days. Now I think I will see what I can do from now on. I left word for Schoenstein to give me a ring as soon as he gets in and we can get going on this.

L. There is a lot of excitement about it.

R. Uh huh. Do you think it advisable if I call that guy in the Bronx?

L. No. Everything I told you, that is all there is - what I told you.

R. Thought I'd call to say hello.

L.. No.

R. Well then I'll - - -

L. Well except the one from Washington. He went back to the Embassy. He left from there.

R. He left from Washington?

[] continued.

- L. Not this one. Not the little rat. The other one.
- R. No attempt was made to stop him?
- L. I don't know.
- R. Apparently not. He left.
- L. Well the way I had it was that he evaded them or slipped through.
- R. Yeah? Do you mean Schevchenko?
- L. No. Schevchenko. No.
- R. No? Adams?
- L. Schevchenko - he was a very important person with a completely completed case against him.
- R. Oh yes. I know in some ways the case against him was. You know what they told us of course later on, that the case against Schevchenko is still wide open. It was important. It went to the military chiefs of staffs of all allied armies during war. They took it up direct to them.
- L. Well that had been completed last July.
- R. Yeah. I know that. That was the FBI's excuse you see, rather than the State Department I guess in effect, that we shouldn't have brokeh it.
- L. Oh well that was an indication it was a military secret. That is not true.
- R. Oh well it's no longer one.
- L. Right now it is no secret because it is out. It seems to me that it would be a good idea to find Senator Wherry and Styles Bridges of New Hampshire. I would go ahead and get the opinion. Who was the senator that said 'I hope we won't wake up one morning and find that there has been a little conference on the secret of the atomic bomb like on the Kuriles Islands'?
- R. I have just been wondering. Have you been in touch with our other friend?
- L. No. Nothing has been happening there. That guy is scared to death to do anything in this direction (or connection). That was the opinion of this man that he may be, so I can see from a certain point -

continued.

R. Oh you don't know what I'm talking about. The one that I relayed the message that I got on your original story to your friend.

L. Oh, you mean F.B.?

R. Yes.

L. No I haven't. Not now.

R. I wonder if it wouldn't be a good idea. He can put some wheels in motion you know.

L. I can call him in the morning. I don't think I can call him now.

R. I would like to work on this tonight and break it tomorrow. I think that it is important that it be broken right away.

L. I wonder if he would be at the paper?

R. He might be. Do you have his home 'phone?

L. At this point I would like to get them excited about this.

R. ?

L. Oh I'm going to. I think that this is important because this clinches the story. I think you'll find that you'll get him very excited on the merit of this.

R. Well that's what I mean. I can't get in touch with him right now. I'll have to wait for him to call. (Possibly Schoenstein)

L. You don't think you will have it ready even if you spoke with him tomorrow morning?

R. I think it is a very immediate thing and we should pull it right away.

L. Call me in the morning. (End)

At 9:15PM Mrs. Lewis called Mr. Rushmore.

L. I have just had an idea. Benton has only one service to fall back on now.

R. Who?

L. Bill Benton - State, because A.P. and U.P. have stopped their services to him and International is the only one giving him wire service.

R. That's an idea too.

[] continued.

L. It seems to me that he probably doesn't know anything about this thing.

R. He has probably been briefed don't you think?

L. I doubt it.

R. They wouldn't brief him would they?

L. No.

R. That's an idea. Of course that will have to wait until the morning.

L. I just thought I would point out that angle because he is very indebted to international for not having followed AP and UP.

R. Well you are going to call.

L. Yeah. I thought I should tip you off to this in case you should want to mention it.

R. Yeah. Good idea. I want to get my all clear signal from the office first. I would like to do it tonight. I think it is worth it. The sooner the better.

End.

ND At 9:30PM the manager of the Peter Cooper Hotel in New York advised an agent of that office that the Journal American had called and asked for Adams and that he told them he hadn't been around for several days.

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. LADD *[Handwritten initials]*
 FROM : J. C. Strickland *[Handwritten initials]*
 SUBJECT: LARRY KERLEY
 BRIBERY

DATE: February 11, 1946

Call: 5:10 PM
2-11-46

Mr. Tolson ☒
 Mr. E. A. Tamm ☒
 Mr. Clegg ☒
 Mr. Coffey ☒
 Mr. Glavin ☒
 Mr. Ladd ☒
 Mr. Nichols ☒
 Mr. Rosen ☒
 Mr. Tracy ☒
 Mr. Carson ☒
 Mr. Egan ☒
 Mr. Gurnea ☒
 Mr. Hendon ☒
 Mr. Pennington ☒
 Mr. Quinn Tamm ☒
 Tele. Room ☒
 Mr. Nease ☒
 Miss Beahm ☒
 Miss Gandy ☒

ASAC Donegan of New York called and stated that a woman identifying herself as Mrs. Paul Gallico called Adela Rogers St. John at Metro-Goldwyn-Mayer, Culver City, California, and said that she was contemplating getting someone, possibly in Hollywood, to run a series of pictures, the heroine of which would be a woman foreign espionage agent working out of the U. S. Embassies in various foreign countries. Each picture would be concerned with the woman's adventures in the one country. Mrs. Gallico stated that she had the inside information on matters like that and that the facts would be real and not fiction. She is the wife of Paul Gallico, a former sports writer and creator of the Golden Gloves.

Mrs. Gallico advised Mrs. St. John that she had not told her husband about this and if she wanted to communicate with her to write or telegraph her in care of Mr. James Campbell *[Handwritten initials]*, 22 East 73rd Street, New York City. Mrs. St. John seemed very enthused about this contemplated arrangement.

ASAC Donegan was advised that this would be made a matter of record.

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 DATE 3/19/03 BY 60390 BCP/KAC/MS
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 47
 58-1548-810
 100-10000

70 FEB 16 1946

JCS:DA

Federal Bureau of Investigation (FBI) File No. 58-HQ-1548,
1940's FBI Leak Investigation Focusing on Lawrence E. Kerley
Section 2

~~PERSONAL AND CONFIDENTIAL~~

February 7, 1946

SAC, New York

John Edgar Hoover - Director, Federal Bureau of Investigation

LARRY ERNEST KERLEY
ERIBERY

For your assistance in connection with the investigation of the instant case, the expense account of former Special Agent Kerley submitted for September, 1945, was reviewed and it reflects that he left Washington, D. C. after completing In-Service training at 7:00 P.M. on September 21, 1945. He traveled via Pennsylvania Railroad and arrived at New York City at 11:00 P.M. on the same day. This expense account further reflects that he left New York City at 10:00 A.M. via United Air Lines on September 26, 1945, for Kansas City, Missouri.

A review of his administrative file at the Bureau reflects that by letter dated November 23, 1945, he advised the Bureau that his new address was 35-30 81st Street, Apartment 3-0, Jackson Heights, Long Island, New York. This would indicate that Kerley has been residing in New York City since November 23, 1945.

It is requested that a report in this matter be submitted to the Bureau in the very near future. It is also requested that you furnish the Bureau by letter with copies of all memoranda submitted by Special Agent Emery Gregg reflecting his contacts with Kerley.

JJM:mr
58-1548

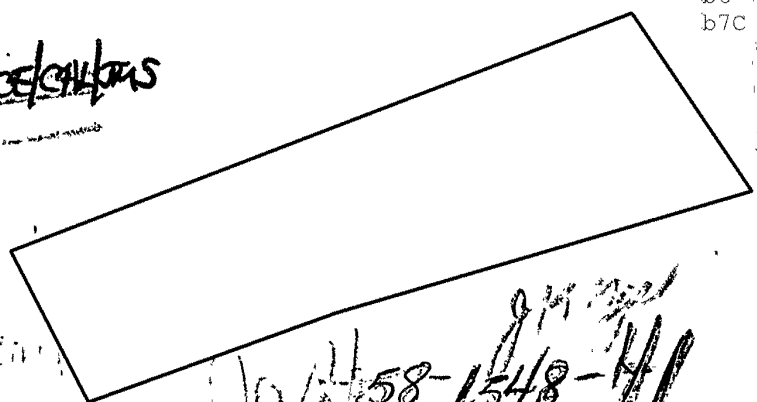
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ON 3/6/83

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b7c

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Gandy _____

ml F ml

57



58-1548-411

Office Memorandum

FEDERAL GOVERNMENT

b6
b7c

TO : MR. LADD

FROM : J. K. Mumford

SUBJECT: LARRY KERLEY
BRIBERY

DATE: February 14, 1946

Call: 3:55 PM
2-14-46

J. K. Mumford

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

At the above time I called the Louisville Field Office and talked with ASAC Segura relative to the captioned matter. I advised him that we had sent a letter down dated February 11, 1946, in which the Bureau requested that they discreetly determine if Van Barnett of the Firestone Home and Auto Supply Company had received any unusual sums of money since August 1, 1945. I told Segura that I had just talked with New York and they advised that by memorandum of February 6, 1946, there was reflected information which indicated that Kerley had paid \$5300 and his brother-in-law had paid \$5300. I advised Segura that this request be held in abeyance pending further instructions from the Bureau, unless of course the Field Office was on exceptionally friendly terms with the Murry Bank and someone could ask to look over the books and casually determine the desired information. I also told Segura to let us know if this were done.

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DATE 3/21/03 BY 60290 BSE/KAL/JMS

158-1548-43

FEB 15 1946

FEB 20 1946

JKM;da

5-88m

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : D. M. Ladd *[initials]*
FROM : E. G. Fitch *[initials]*
SUBJECT: LARRY E. KERLEY
BRIBERY

DATE: February 14, 1946

EGF:OME

Call 3:45 PM

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Mohr _____
Mr. Carson _____
Mr. Hendon _____
Mr. Mumford _____
Mr. Jones _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Gandy _____

b2
b7E

ASAC Belmont called from New York with reference to this case and to a teletype received from the Bureau today requesting necessary data for the installation of a technical surveillance. Mr. Belmont pointed out that [redacted]

[redacted] The ~~(S)~~ (U)
telephone number of the subject is Plaza 5-9412, located at 5 East 57th Street.

The installation time and symbol number for this coverage will of necessity be furnished at a later date. Mr. Belmont requested that the letter for these line facilities be expedited.

b6
b7C

ACTION

It is recommended that this matter be referred to Mr. Donohue for appropriate attention.

~~CLASSIFIED BY NLS/AG/MS/60267AAG
DECLASSIFY ON: 25X~~

~~10/2/03~~

~~ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED EXCEPT
WHERE SHOWN OTHERWISE~~

158-1548-44

February 14, 1946

~~PERSONAL AND
CONFIDENTIAL~~

58-1548-44

Mr. E. E. Conroy
Special Agent in Charge
Federal Bureau of Investigation
234 U. S. Court House, Foley Square
New York 7, New York

DECLASSIFIED BY AUC6023CE/AG/MS
ON 10/2/03

Dear Mr. Conroy:

In conformity with our agreement with the New York Telephone Company, I am attaching a letter to Mr. O. H. Taylor, Operating Vice President of the New York Telephone Company, requesting leased line facilities for a surveillance on Larry L. Kerley. You should arrange for a representative of your office to present my letter to Mr. Taylor, in accordance with the procedure outlined in my letter of March 2, 1944.

If for any reason you do not utilize this surveillance, the Bureau should be notified in order that its records may be maintained in a current status.

Very truly yours,

John Edgar Hoover
Director

Enclosure

Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Mohr _____
Mr. Carson _____
Mr. Hendon _____
Mr. Mumford _____
Mr. Jones _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Gandy _____

JDD:del 5/1

FEB 15 1:22 PM '46

RECORDED COPY FILED IN 7-2-46

February 14, 1946

58-154-8-44

Mr. O. H. Taylor, Operating Vice President
New York Telephone Company
140 West Street
New York 7, New York

~~ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 06-03-2010 BY 60322~~

Dear Mr. Taylor:

In connection with an investigation relating to violations of Federal statutes which is being conducted by the Federal Bureau of Investigation, you are requested to furnish the Federal Bureau of Investigation at the usual commercial rates leased-line facilities between the points stated below.

This request is made on the specific authorization of the Attorney General of the United States for the purpose of obtaining information relating to violations of Federal statutes. Your cooperation in this matter will be greatly appreciated.

It is requested that leased-line facilities be furnished as follows:

From: 11-13 East 57th Street, New York City

(S) (U)

b2
b7E

Very truly yours,

J. Edgar Hoover

John Edgar Hoover
Director

~~CLASSIFIED BY NLS/AG/RS/60267-PAAG~~
10/2/83

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Mohr _____
Mr. Carson _____
Mr. Hendon _____
Mr. Mumford _____
Mr. Jones _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Gandy _____

JDD:del

RECORDED COPY FILED IN 100-363

JOHN EDGAR HOOVER
DIRECTOR



Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.

February 7, 1946

PERSONAL AND CONFIDENTIAL

Mr. Tolson.....
Mr. E. A. Tamm.....
Mr. Clegg.....
Mr. Glavin.....
Mr. Ladd.....
Mr. Nichols.....
Mr. Rosen.....
Mr. Tracy.....
Mr. Carson.....
Mr. Egan.....
Mr. Harbo.....
Mr. Hendon.....
Mr. Pennington.....
Mr. Quinn Tamm.....
Mr. Nease.....
Miss Gandy.....

MEMORANDUM FOR THE ATTORNEY GENERAL

In connection with the inquiries being conducted to determine the source of the leak in the Arthur Adams Case, a current investigation to ascertain the identity of Soviet agents in the United States, authorization is requested to place a technical surveillance on the business telephone of Larry E. Kerley.

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I recommend authorization of this technical surveillance on the business telephone of Larry E. Kerley, 11-13 East 57th Street, New York, New York, to ascertain all the facts concerning this recent disclosure of confidential information.

DECLASSIFIED BY AUC60290RE/AG/PLS
ON 10/2/03

Respectfully,

John Edgar Hoover
Director



KEEP IN F. B. I. FILES

2/14/46 G.F.S.

Xerox copy
7-14-66
ph

158-1548-45
19 12 18 1946
J. Edgar Hoover

FEDERAL BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE

CC-150

JDD:FVB
TO: COMMUNICATIONS SECTION.

Transmit the following message to:
FEBRUARY 13, 1946

mk
URGENT

100-1548-45
SAC, NEW YORK

CODE IN FULL

LARRY E. KERLEY, BRIBERY. AUTHORIZATION GRANTED INSTALLATION TECHNICAL
SURVEILLANCE ON BUSINESS TELEPHONE OF LARRY E. KERLEY, ONE ONE DASH ONE THREE
EAST FIFTY SEVENTH STREET, NEW YORK, PROVIDED FULL SECURITY ASSURED. SUTEL
TIME AND DATE OF INSTALLATION, TELEPHONE NUMBER, SYMBOL NUMBER, LOCATION OF
PLANT, AND ADDRESS FOR LEASED LINE LETTER.

HOOVER

10/2/03 AUG 60 290 BCE/AS/UTS

Folson
T. A. Tamm
JDD:FVB

Nease
Coffey
Egan
Gadd
Nichols
Rosen
Tracy
Harbo
Mohr
Winterrowd
Tele. Room
Holloman
Gandy

SENT VIA *Teletype* *2/4/46 2:17 A* M

Per *AB*

LEW:hbm

MR. TOLSON

December 6, 1945

L. B. NICHOLS

NEW YORK JOURNAL-AMERICAN

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 3/21/03 BY 60290 BCE/KAL/mjs

On Tuesday evening, December 4, pursuant to previous arrangements, I called on Dick Berlin at his home, 835 Fifth Avenue, unlisted phone Rhinelander 4-6660. I told Mr. Berlin that over the years the Hearst papers have supported the Bureau; that on one occasion they saved our appropriations; that there has always been a close understanding between the Director and the Hearst organization; in fact, that the Director has always looked to the Hearst organization as a strong ally; and that I was calling upon him on the instructions of the Director as we now found ourselves in a crisis.

I pointed out that the Bureau has met many powerful enemies in the past; that so far we have been able to meet them on their own terms and come out ahead; that this has been primarily because of the Director's ability to keep the Bureau above reproach. I pointed out that the Communists have attempted time and again to penetrate our ranks, and that the Director had a fear that they had succeeded; that the Communists in this country were now confronted with the possibility of knowing that the Bureau is the last bulwark against their making any progress; and that we had succeeded in not only penetrating their ranks but getting very close to their heartthrobs; and that the possibility existed that somebody in the Bureau planted the story on the Journal-American with the view of having the Communists and those engaged in Russian espionage thoroughly warned; that the Journal would be the last paper in the world which would be suspected of conveying a warning to Communists, which made it doubly important to find out the source of the story.

I told him, likewise, that we did send reports on highly confidential investigations to other Government agencies; that not only the security of the Bureau but the security of the nation demanded that those reports be inviolate; that the Director had sent me to him with the assurances that anything that he furnished would be kept strictly personal and confidential, and that they could trust the Director not to violate any confidences. I made it clear that we were not concerned with news sources; that the freedom of the press was not involved in any way whatsoever, but that the security of the Bureau was involved.

Berlin stated that he had suspected that the call had been made with the Journal-American story, and he had checked on everything. He had a typewritten list of the names of the individuals involved in the story, which we already knew. He at first stated that he thought that the story had originally been given to the Bureau by the Hearst

ORIGINAL COPY FILED IN

58-1548-46
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE
RECEIVED
DEC 18 1945
WASHINGTON, D. C.

Tolson _____
A. Tamm _____
Clegg _____
Glavin _____
Ladd _____
Nichols _____
Rosen _____
Tracy _____
Harbo _____
Mohr _____
Tele. Rm. _____
Holloman _____

Memorandum to Mr. Tolson

organization, that we had developed the facts, and that now the Journal-American was publishing the story. I told him this definitely was not the case. He stated that he frankly did not know the source of the story but that he would make inquiries and would see what he could do to help. He was very cordial and appeared to be sincere and conscientious. He stated that Bill Curley, the editor of the Journal-American was then on the West Coast and that he had called Curley's assistant to secure information on the story.

He asked me if the Journal-American had been in touch with us on the story. I told him that Schoenstein had called to tell us about the story, but that we had told him that we could make no comment on it--that is, we would not confirm or deny, but that we would appreciate withholding from publication anything pertaining to this subject matter at this time inasmuch as it would upset work presently being carried on.

As we were talking his private phone rang. He went upstairs to answer it. When he came back he stated that that was Paul Schoenstein, who had called; that Paul had been out in the afternoon and had learned of his inquiry regarding the background of the story and had called Berlin to see if he could be of any assistance. Berlin stated he had told Schoenstein I was with him at the moment and that Schoenstein had asked if he could be of any help, that if he could be he would be very happy to come over immediately. Berlin asked that I come back to his home around 10 minutes to 9 and we would talk to Schoenstein there.

At 18 minutes to 9 I reported back to Berlin's home as I wanted to get there a few moments ahead of Schoenstein; however, Schoenstein had just arrived. I do not think they had had any time to talk. Berlin outlined the situation to Schoenstein. Schoenstein turned to me and told me that he would help in any way he could and asked what did we want to know. I told him frankly, after reiterating that our meeting and everything said was strictly confidential and off the record, to which both Berlin and Schoenstein agreed, that we wanted to know where the information came from. Schoenstein immediately stated that he was sorry, that he could not divulge his sources. He then turned to Berlin and asked if he understood. Berlin stated he understood his position.

I asked Schoenstein what was back of the story, and told him that we seriously doubted that it was given out primarily for the purpose of making news. Schoenstein stated that the hands of the Director were tied by the State Department; that a lot of our Agents were boiling mad over inability of the Bureau to do anything against the Communists; that this was the sole motivation of the furnishing of the information. Schoenstein talked all around the central theme but said very little of any substance.

Memorandum to Mr. Tolson

At this point Berlin left to serve drinks. Schoenstein leaned over and in a very subdued voice stated, "There are a lot of things you can't ask me here." I then stated to him, "Well, Paul, as a personal favor to the Director I want you to give us the story on this." He stated, "Not here. I want to see you afterwards."

Berlin returned. Both Berlin and Schoenstein were very vehement in their denunciation of the Communists. Schoenstein asked me if it were not a fact that the State Department had restricted and circumscribed the Bureau's activities. I told him I could not comment on that. He asked me as a matter of policy the State Department had to pass on espionage prosecutions. I told him this depended on the case, that obviously in a major case involving a friendly or neutral foreign government the State Department would have to be consulted; however, I was not making any statement pertaining to case or cases presently being handled.

He asked me if the Director did not have a feeling against Communists. I told him as he well knew the Director was about the only person in Washington who had been outspoken against Communists and that probably in his way the Director had been able to do more to circumscribe Communists than any single force in America; that the Hearst papers had done a tremendous job in exposing Communists, but that the Director had done a tactful, strategic job in blocking them; that the stories that had been published, frankly, came close to completely throwing on the water to well-laid plans that had been worked on for a period of years; that we were dealing with a ruthless group who would not hesitate in the least to sacrifice any of their members if by doing so they could warn the heart of their organization, and in that respect the Daily Worker could not have done a more effective job than did the Journal American, and that Earl Browder in his heyday could not have wrecked more havoc; that what we were concerned with now was not what had been done, as this was water over the dam, but that we were concerned with what might happen in the future. I told him that the whole situation was much bigger than the Journal American or the Bureau, that it struck at the very heart of our internal security.

At this point Paul left to call his office. While he was out Berlin told me to let him talk to Schoenstein for a while after I left and for me to see him on Wednesday morning, that he would try to find out something. When Schoenstein returned he then told off the record the story of a call from the city editor of the Daily News and of a call from the city editor of the World Telegram, who inquired about the story, and both of whom stated that they were on the verge of breaking the story themselves and had had the substance of it for some time.

Schoenstein then stated that John Clements was now claiming that he had furnished the story to Curley several months ago. Schoen-

Memorandum to Mr. Tolson

stein said he doubted that this was the case as Curley had never said anything to him. Schoenestein stated he had worked the story up completely by himself and that he was solely responsible for the story. This of course is inconsistent with the story Schoenestein told me last Saturday--namely, that it was out of his hands and was in the hands of higher authority on the Journal-American. It will also be recalled that he told me on Saturday that their wire service had the story. This of course again is inconsistent with his general statement.

Berlin referred to his recent trip to Europe and stated that he had spent considerable time with an old schoolmate, Major-General Ralph Smith; that they discussed worldwide intelligence, and General Smith asked Berlin if something could not be done by him to help get worldwide intelligence started on a sound basis and have it under Mr. Hoover.

I left Berlin's home at 10:20, and approximately thirty minutes later Schoenestein came out. We went to Schoenestein's apartment. His wife had already retired; however, he got her up. She made coffee, and we visited on general matters until approximately 1 o'clock, when he sent his wife to bed. After his wife had gone to bed he turned to me and asked me what I wanted to know. I told him that I wanted to know his source. He stated that he could not identify names. I then asked him the direct question, "Did it come out of the Bureau?" He stated that he would reply by answering that it came from "in and out of the Bureau."

He then stated very definitely again that the motivation of the story centered around the fact that Agents in our service, "and some of them are still there," have a feeling that the Director's hands are tied by the State Department and that they wanted to see the Communist-Russian espionage picture exposed because maybe that way something could be done. He then stated that he would tell me the genesis of the story:

In the summer, in late July or August, an individual came to his apartment and told him the story, substantially as it appeared in the paper. At that time he stated they could not touch it. Approximately "a week ago," which would mean the week beginning November 26, another individual came to him with the story but with more details. He stated that he knew that this person did not have a Communist background, and he felt certain there were no political ramifications involved; that he, at first, feared a plant and accordingly checked the story very carefully and verified such part of the story as he could. He stated this individual showed him letters from the Director, that the letters contained the Director's signature. He was even suspicious of the letters and got out correspondence which he had had with the Director and checked the Director's signature. He stated he

Memorandum to Mr. Tolson

knew that they had the story essentially correct and that there was a basis for it.

At Dick Berlin's home Schoenstein stated, when he was assuming the responsibility for the story, that it was developed under his supervision and some of his people worked on it; that they had contacts with some of our people; that some of our people had such a strong feeling the story should be published and the situation exposed that they wanted to come to Schoenstein, but that Schoenstein would not have anything to do with them. This, of course, is inconsistent with the statement he made in his home when he conveyed the very definite impression that the individual who came to him was a Bureau Agent.

I asked him if the "person" from the Bureau who gave him the story was still in our service. He stated, "Don't say 'person', say 'persons'." He stated that some of the individuals were still in the service and that if he told me who they were it would "blow your hat off."

I asked him how many more cases he had. He stated they did not have much more. Later on, I told him that if they published the wrong thing they would be doing the cause far more damage than they would be doing it good. He then stated that they had no more cases; that they were going to taper off; that he did not even know what the story would be for the following day but would let me know early in the morning.

At 8:15 the following morning, Wednesday, December 5, he called me on the phone and told me about the story regarding the courier. I asked Schoenstein whether there were any Army sources involved. He stated there was one; that this one source furnished information on the scientist. I asked him if there were any State Department sources involved. He stated there was one but declined to furnish any idea of the nature of the information furnished by this source. He did say that some day he would give me all the facts but that for the moment he could not do so. I told him he had promised to tell me his source when I talked to him on the phone Saturday and Sunday. He stated that he just could not identify the individual, that it would be a violation of every code of ethics and every principle he had as he had promised to protect the identity of his sources of information. He used the definite word "sources." He said that he would reconsider the whole matter when I pointed out again the damage that had been done and the possibility of a Communist plot, and that he would see if his conscience would permit him to tell me; that if he thought for one moment that there was anything like this that he would bring it right out in the open.

Throughout the whole evening Schoenstein professed the greatest amount of friendship. He stated that he would not have even gone to

Memorandum to Mr. Tolson

Dick Berlin's had it been anybody other than the writer. I told him not to pass out that line of stuff. Paul jokingly asked if there was any possibility of his going to jail. I told him that he of course knew as much about this as I did.

On Wednesday morning I called on Dick Berlin. Berlin was as cordial as he was on the previous evening. He stated that he would like to be helpful but that under the circumstances he could not get Schoenstein to reveal his sources. I pointed out to him that since talking to him I had talked to the Director; that the Director had informed me it was within the past month or six weeks that he had received information from two sources of a contemplated expose of Communist intelligence and what they are doing for the purpose of conveying to the public that the Bureau could not keep confidence; that the Bureau was the only anti-Communist organization that was being presently considered to participate in the worldwide intelligence field, and that the very people who were fighting to keep the Bureau out wanted to do everything they could to discredit us or find a basis for not letting us into this field; that the Director did not put much credence nor could he believe that the Journal-American story was a sincere attempt to expose Communism; that, on the other hand, it was planted on the Journal-American as part of a deliberate plot to cripple the Bureau; that through this effort the Bureau's adversaries could make a contention that the FBI could not be trusted to keep confidential that which is confidential. I told him that the Director had always thought that the expose would come as a result of our South American work, and he had no idea there would be such a brazen expose as that carried on in the Journal-American, and that he is convinced there is treachery in the background.

Berlin stated he thought he could assure the Director that there was no Communistic infiltration in the Bureau; that there was no part of a counter-espionage attack on the Bureau in the Journal-American story; that the worldwide intelligence situation did not figure in the Journal-American story but that, on the other hand, he was unable to assign a motive. He stated that he would like to be of assistance but just did not see hardly how he could be of assistance. I then asked him the direct question as to whether Schoenstein had furnished him with his sources of information. He stated that he had, but that Schoenstein had put him under confidence and that the only thing he knew to do would be for Schoenstein to get a release from his source of information; that if he could do that then they could tell the Bureau.

I asked Berlin if he would again talk to Schoenstein and get Schoenstein's permission for him, Berlin, to tell the Director personally the source of the story; that he could call the Director

Memorandum to Mr. Tolson

on the phone and that he could hear from the Director's own lips the Director's pledge of keeping this confidential. He stated that he would do this and that if he learned anything he would communicate either with the Director or with me. He then handed me the attached mimeographed memorandum entitled "A Fellow Traveler and the Atomic Bomb." He stated this was what he had in mind when he made the statement on the previous evening that the Hearst papers had given the Bureau the story and we had then developed it. He stated that he felt that in a month or so the Director would admit that he was glad they had made the expose. He again apologized for his inability to be of service. Berlin did tell me on the following evening when I went back to his house that he had called the Director to check on me, and he would tell Schoenstein that he had talked to the Director and the Director had expressed the hope that they could be of assistance.

Attachment

FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT **NEW YORK**

NY FILE NO. 67-13301 mes

REPORT MADE AT NEW YORK	DATE WHEN MADE 2/14/46	PERIOD FOR WHICH MADE 1/14/46-2/5/46	REPORT MADE BY <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
TITLE LARRY E. KERLEY			CHARACTER OF CASE BRIBERY
<p>10/2/03 <i>AUC6030303/AS/MS</i></p> <p>PERSONAL AND CONFIDENTIAL</p>			
<p>SYNOPSIS OF FACTS:</p> <p>Confidential Informant disclosed that JAMES LEWIS ascertained on 1/29/46 that ARTHUR ADAMS had been lost and ANDREI SCHEVCHENKO had returned to the USSR. LEWIS advised BETTY LEWIS, who in turn passed the information on to HOWARD RUSHMORE. RUSHMORE immediately made arrangements to write an article for release in the "New York Journal-American". RUSHMORE indicated that an individual with the initials S.R. had relayed information on original articles to him. Story not published to date. KERLEY made luncheon engagement with SA EUGENE M. GREGG in obvious attempt to obtain further details of ADAMS' loss and SCHEVCHENKO's departure. GREGG, with knowledge of investigation, accepted invitation and was asked about both ADAMS and SCHEVCHENKO by KERLEY. No information was given by GREGG to KERLEY. KERLEY also in contact with Special Agents and GEORGE L. STPAIN. Analysis of KERLEY's bank account with the National City Bank, New York City and results of mail cover on KERLEY's residence set out.</p> <p style="text-align: center;">P</p>			
<p>REFERENCE: Report of Special Agent 1/17/46, New York.</p>			
<p>DETAILS: This report reflects the joint investigation of Special Agents and the writer.</p>			
APPROVED AND FORWARDED:	SPECIAL AGENT IN CHARGE	DO NOT WRITE IN THESE SPACES	
<p><i>8.6 [Signature]</i></p>		<p>58-1548-47</p>	
COPIES OF THIS REPORT			
3 - Bureau			
2 - New York			

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NY 67-13301

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NY 67-13301

ELIZABETH B. LEWIS

CONFIDENTIAL INFORMANT [REDACTED]

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The information being set out below was furnished by Confidential Informant [REDACTED] who covers part of the activities of ELIZABETH B. LEWIS and her husband, JAMES CAMPBELL LEWIS, who reside at 22 East 73rd Street, New York, New York. The services of this informant were secured on January 15, 1946. It is pointed out that not all of the information furnished by this informant is being set out in instant report. Only that information which is apparently pertinent to the investigation, or which could aid in the investigation of this case is being set out. The complete information furnished by this informant is maintained in appropriate logs in the files of the New York Field Division.

JANUARY 15, 1946

At 11:50 AM a female contacted Mrs. LEWIS inviting her to lunch at the Marguery Hotel. This woman was Vice President of some organization and the purpose of the luncheon was for Mrs. LEWIS to meet one LOUISE MORGAN, who is President of the organization.

At 6:55 PM Mrs. LEWIS was contacted by one HENRY LEWIS, who told her that he had been sitting around for the Personnel Officer to tell him where to go. (It would appear that HENRY LEWIS is a relative of the LEWISES, who was a Sergeant in the United States Army and had been [REDACTED]) Mrs. LEWIS asked HENRY LEWIS if he was at Camp Lee and he said he was there attached to the Headquarters Detachment, Quartermasters School, Camp Lee. Mrs. LEWIS told him that the General was probably going to be at the LEWIS home on Sunday. HENRY asked her how did he, (the General) sound when Mrs. LEWIS had talked to him. He wanted to know if he was pretty favorable. Mrs. LEWIS stated he was and that the General stated that they had no right to go through procedures that they had gone through with HENRY, that nobody, Colonel or otherwise, has the right to do those things without a hearing or a Court Martial. HENRY agreed and stated that it was supposed to go to the Quartermaster General first. Mrs. LEWIS stated that this had made the General who was visiting her mad and that "they" went over to the White House and spoke to the aid of the President there and so everything

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was going on. She cautioned him not to talk to anybody about it and she would keep him advised of developments.

At 8:59 PM Mrs. LEWIS called the New York Station WINS and talked to a woman. She advised this woman that she was a minority stockholder of General Motors and had just heard the Union program. The woman stated that the station would give an equal amount of time to General Motors if General Motors requested it.

At 10:55 PM Mrs. LEWIS received a contact from subject, LARRY KERLEY. This conversation was a lengthy one concerning renting of space which they hold on 57th Street between Madison and Fifth Avenues. (This was later ascertained to be an office building, about twenty-two stories, located at 5 East 57th Street, New York City, which the LEWISES own and which KERLEY is now operating on their behalf.) This conversation was purely a business one and nothing concerning instant case was discussed.

JANUARY 16, 1946

Nothing of interest in this investigation was furnished by Confidential Informant [] on this date.

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JANUARY 17, 1946

At 10:45 AM on this date, Mrs. LEWIS was contacted by EVELYN RICHMOND, at which time EVELYN advised Mrs. LEWIS that one SPLAINE, (Ph.) saw the Mayor and ANNA ROSENBERG concerning space to be occupied by the Veterans' Project in a building in which Mrs. LEWIS is interested. In this conversation Mrs. LEWIS launched into a tirade against Communism, Russia, rioting GIs, etc., and criticizing the appointments of New York City's Mayor O'Dwyer.

JANUARY 18, 1946

At 2:05 PM Mrs. LEWIS contacted a Mrs. SENTRO (ph.) and they discussed Mrs. LEWIS's nephew's [] and also discussed Communist action in the recent strikes and Mrs. LEWIS's views on Philip Murray, Sidney Hillman, Norman Thomas, etc. They also discussed the Jewish situation, principally Palestine, and British politics.

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NY 67-13301

Mrs. LEWIS was of the opinion we should demand a free election in the USSR and demand that all AMTORG Agents, who are all spies any way, be taken back to the USSR. They go on and talk about the GI situation abroad and of HEARST's patriotic treatment of the problem.

At 4:15 PM one FRED contacted Mrs. LEWIS and she advised that her niece, who is Admiral King's aid, is getting married and wants them to come to Philadelphia on Sunday for the reception.

At 8:40 PM Mrs. LEWIS was contacted by HOWARD RUSHMORE and his wife. RUSHMORE talks with Mrs. LEWIS and discusses the story which he had written about the Browder brothers. Arrangements were also made for him and his wife to visit BETTY LEWIS's home for dinner the following Friday at 7:30 PM. Mrs. LEWIS asked him for some information concerning Congresswoman HELEN GAHAGAN's husband, MELVIN DOUGLAS, about whom LEONARD LYONS, columnist for the New York Post, had an article in the January 18th issue concerning DOUGLAS doing some radio part for a Squibb Company broadcast. RUSHMORE gave her some information he had concerning DOUGLAS' connection with the CPA and told her he would look over his files and call her on the next day.

At 8:58 PM Mr. LEWIS contacted one PAT GARNER (ph.) and Mr. LEWIS told him about the article in the New York Post concerning MELVIN DOUGLAS' proposed part in a Squibb program. LEWIS asked GARNER if DOUGLAS was being considered for such a part and GARNER stated not to his knowledge. LEWIS then stated that if such a thing was in the process of being completed, he would put a stop to it. He then gave GARNER some information concerning DOUGLAS' radical tendencies. LEWIS further stated that when the Squibb people were running their radio program, which was a musical program, it had been called to his attention by the FBI that the Squibb radio program was playing a lot of Russian music and had inquired as to who was suggesting this music presented on the program. According to LEWIS, the particular thing the FBI called to his attention was that the "March of the Red Army" was played over and over again on the program and that the FBI had been simply making an inquiry as to who was selecting the music for the program. LEWIS requested GARNER to read the article in the "Post" and if it was not correct LYONS should be requested to make a correction in his column.

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At 9:39 PM one DAVID KAHN contacted Mrs. LEWIS. (It would appear that KAHN has very good connections in Washington and has access to high-ranking individuals in the Army and White House employees. During the course of this contact, Mrs. LEWIS and KAHN spoke of Mrs. LEWIS' brother-in-law, whom they were trying to get in as Quartermaster General at Camp Lee. KAHN advised her that he had called the White House on the matter. They had a long discussion concerning the Army and this Administration. He promised to send a copy of the book, "Starling of the White House" to Mrs. LEWIS. A political discussion ensued concerning a number of prominent politicians. According to KAHN, the family of his girl escaped the Nazis and he and BETTY discussed ways of getting money to them. She advised she had a friend who was going over and might be able to take money to them.

JANUARY 19, 1946

At 9:02 PM on this date, subject, KERLEY contacted Mrs. LEWIS and advised her that he had written to the State Bar and wanted to know if Mrs. LEWIS' attorney had anything to do with the Bar as to admissions of attorneys. KERLEY then spoke to Mr. LEWIS concerning business of various tenants in the building which he is managing for the LEWISES. KERLEY also asked Mr. LEWIS concerning the New York Real Estate Brokers Board examination. (He evidently contemplates taking the examination in the near future.) Mr. LEWIS advised him not to take the examination for about two months. KERLEY made a date with Mr. LEWIS for Monday at 11:00 AM.

JANUARY 20, 1946

At 11:40 AM Mrs. LEWIS received a contact from Subject, KERLEY, at which time he discussed with her an article in the Society Column of the "New York Times" for January 20, 1946, referring to a picture and an article announcing the marriage of Ensign MARCIA MORSE LEWIS, who is a niece of Mr. and Mrs. LEWIS and the daughter of Mr. and Mrs. GEORGE C. LEWIS of Bryn Mawr, Pennsylvania. The rest of the conversation concerned business activities.

At 12:25 PM Mr. LEWIS contacted GEORGE C. LEWIS at Bryn Mawr, Pennsylvania and extended his congratulations concerning his daughter's wedding. He advised him that Mrs. LEWIS and he would not be able to attend the reception due to Mrs. LEWIS' cold.

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JANUARY 21, 1946

At 10:03 AM on this date Mrs. LEWIS received a call from EVELYN RICHMOND, at which time they again discussed Labor, Communism, etc. and criticized EDWARD PAULEY's appointment in the Navy Department.

At 12:35 PM Mrs. LEWIS contacted her husband at his office and requested that he have KERLEY draw up a schedule on the rentals for the building at 5 East 57th Street. He said he would do this.

At 1:50 PM Mrs. LEWIS received a call from subject, KERLEY, who advised that he would not be up to see her at her home, but that he had given the schedule to Mr. LEWIS to give to her.

At 5:20 PM Mrs. LEWIS contacted Mr. KERLEY at his office and had another discussion with him concerning the 57th Street building.

Confidential Informant [] advised that Mrs. LEWIS had been contacted by HENRY LEWIS from Camp Lee, Virginia, at which time HENRY told her he had a new job handling memorandum receipts. She told him that his new address had been given to the General in case the General would want to communicate with HENRY. According to Mrs. LEWIS all papers were with the General and were being handled by his aid who was a Colonel and they hoped to hear any minute.

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JANUARY 22, 1946

At 12:30 PM on this date KERLEY contacted Mr. LEWIS and told him he would meet him in his office at about 2:00 PM.

JANUARY 23, 1946

At 12:20 PM on this date Confidential Informant [] advised that Mrs. LEWIS was contacted by DAVID KAHN, who advised her that he had received a letter from General C. L. CORBIN in which the General stated he was interested in those papers and is turning them over to the Personnel Officer. KAHN and Mrs. LEWIS were quite upset about CORBIN being released of his command as Quartermaster General. They hold a lengthy conversation concerning the possibility of having contacts made so that General CORBIN could retain his position for another month until his retirement. They also discuss various personalities in Washington, D. C. KAHN speaks of friendship with the families of very high

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Government officials and his familiarity with such people.

JANUARY 24, 1946

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At 8:43 PM Mrs. LEWIS was contacted by HENRY LEWIS from Camp Lee, Virginia and again discussed the matter of [REDACTED] and what action had been taken with regard to [REDACTED]

At 8:50 PM Mr. and Mrs. LEWIS contacted DAVE KAHN and discussed HENRY LEWIS's situation in Camp Lee, Virginia. KAHN advised that he had a copy of a letter to Major General CORBIN, the Acting Quartermaster General, instructing him to [REDACTED]. According to Mr. KAHN the General might be up to New York on this weekend. They stated that the General was very anxious to become Quartermaster General and decided that they would write some letters to help him. Mrs. LEWIS advised that she had lunch with Mrs. JUNIUS MORGAN, Chairman of Citizens For Soldiers and Sailors Committee. KAHN and Mrs. LEWIS discussed the possibility of Mrs. MORGAN financing their new furniture factory. Mrs. LEWIS further advised that she was having lunch with General PHILLIPSON (ph.) on Tuesday. KAHN advised her that he knew him very well and they had a mutual friend in General STARLING and they discussed how valuable these contacts will be.

JANUARY 25, 1946

At 2:55 PM Mr. LEWIS contacted his secretary asking her if anything new had come up. She advised that KERLEY had left something on his desk concerning a visit KERLEY had had with the Commissioner, (probably Real Estate Commissioner).

At 8:22 PM KERLEY attempted to contact Mrs. LEWIS with negative results.

It is pointed out here that on this date the RUSHMORES visited the LEWIS home from 7:20 PM until 12:35 AM on January 26, 1946, as will be shown hereafter in this report. So at the time of this attempt by KERLEY to contact Mrs. LEWIS at her home, Mrs. LEWIS was in the house.

At 9:40 PM HOWARD RUSHMORE, who was at the home of Mrs. LEWIS, contacted one ELEANOR, who was staying at the Rushmore home, and asked her if she had received any news and when she said that she had not, he told her he would be home in a little while.

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JANUARY 26, 1946

At 6:50 PM HENRY P. LEWIS at Camp Lee, Virginia, contacted Mr. and Mrs. LEWIS, at which time HENRY advised that nothing important had happened. Mrs. LEWIS advised him that it was being investigated and will be taken care of and things were going to happen very fast and suggested that he not discuss it at Camp Lee and also advised him that the General was interested [REDACTED]

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JANUARY 27, 1946

At 11:35 AM Mrs. LEWIS was contacted by DAVE KAHN, at which time they discussed the strategy of getting [REDACTED] at which time KAHN also gave details of his connections with the War Department. They also discussed the incoming GI brides being shipped to the United States and Mrs. LEWIS that there will be widespread smuggling by these women. KAHN suggested that such a situation should be reported to the FBI, at which time Mrs. LEWIS retorted, "The FBI my eye." KAHN then related to her a big deal he was interested in involving furniture and radio .

At 9: 18 PM Mrs. LEWIS attempted to contact KERLEY at his home with negative results.

JANUARY 28, 1946

At 7:12 PM Mrs. HOWARD RUSHMORE contacted Mrs. LEWIS and thanks her for her past entertainment and made a tentative date for the following Friday at 12:30 PM. Mrs. RUSHMORE was to take Mrs. LEWIS to lunch. No definite place was decided.

JANUARY 29, 1946

On this date at 12:45 PM Mr. LEWIS contacted his wife and they discussed the death of HARRY HOPKINS. The following conversation took place:

Mr. LEWIS asked her if she remembered the articles she was interested in in the paper. Mrs. LEWIS said she did. Mr. LEWIS then stated, "That chap has disappeared". After some pauses and mumbling

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by Mr. LEWIS he stated, "In the other location, that fellow went home".

It is believed that in all likelihood, Mr. LEWIS is referring in the first instance to ARTHUR ADAMS, who has not been seen by surveilling Agents since January 23rd, and in the second instance to ANDREI SCHEVCHENKO, who has left the United States to return to Russia. These two individuals were subjects of HOWARD RUSHMORE's articles in the "Journal-American".

After this, Mr. LEWIS told her he would tell her more about it when he saw her and that he did not know anything more about it at the present time. He also told her that nobody knew about it and so he did not want to discuss it. Mrs. LEWIS then asked him if the man who was here to dinner with his wife knew about it. (Probably referring to RUSHMORE and his wife who had dinner with the LEWISES on the night of January 25, 1946.) Mr. LEWIS replied that RUSHMORE did not know it and after a long pause he stated: "I suggest that it might be er--that you would want to talk to the Agent concerning the rentals. Mrs. LEWIS then stated, "Yes. It's very important that he come over." Mr. LEWIS then said he would leave word for the Agent to come up this afternoon.

In the opinion of the informant, it was very obvious that Mr. LEWIS was engaging in "double talk" when he was referring to sending the Agent up concerning the rentals. This is pointed out by the information being set out below which was furnished by the same informant.

At 12:48 PM KERLEY contacted Mrs. LEWIS and told her he would see her that afternoon. She told him to come at any time and he suggested 2:00 PM.

As shown in the Physical Surveillance Section of this report, KERLEY's contact at the LEWIS home was covered by Agents and he was observed to enter the LEWIS home at 22 East 73rd Street at 2:06 PM and to leave at 5:00 PM.

At 1:48 PM one CELE (ph.) contacted Mrs. LEWIS, at which time Mrs. LEWIS told her that she had a man coming to her house at 2:00 PM on a confidential matter, which she would tell CELE about when she saw her. She advised that the interview with this man would take up one to one and one-half hours and that Mrs. LEWIS would call CELE at the shop when she was ready.

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JANUARY 30, 1946

At 11:16 AM Mrs. LEWIS attempted to contact HOWARD RUSHMORE at the "Journal-American". She was advised that he was not in and it was suggested that she call back later in the afternoon.

At 2:50 PM KERLEY contacted Mr. and Mrs. LEWIS, at which time KERLEY outlined to LEWIS a plan whereby he could make a lot of money out of buying Government Bonds. In brief the plan was that KERLEY would, with \$5,000, buy a \$100,000 Government Bond on margin and with this bond he would be able to obtain a loan of large sums of money from a bank which would cost him less interest than he would receive from the Government for his bond. He intended obtaining other bonds in the name of his wife and child.

At 3:35 PM DAVE KAHN contacted Mr. and Mrs. LEWIS at which time he stated he received a letter from General CORBIN on this date and the letter was addressed to General CORBIN from General HOBKIN (ph.). The letter concerned [REDACTED]

[REDACTED] (It would appear that [REDACTED])
[REDACTED] They
discussed the possibility of [REDACTED] KAHN
advised that General CORBIN would be in New York on Monday and KAHN and JIM LEWIS made plans to take him to lunch at the Metropolitan Club, 30 East 60th Street at 1:00 PM on that day.

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JANUARY 31, 1946

At 11:55 AM one LILLIAN contacted Mrs. LEWIS and LILLIAN told her about someone, the name was not mentioned, who had come here from England and was staying at the Essex House in New York City. They discussed the probability of his being involved in some crooked business and that he was allegedly involved in Black Marketing while in England.

At 8:30 PM Mrs. HOWARD RUSHMORE contacted Mrs. LEWIS and they made an appointment to lunch the following day, February 1st, at 12:30 PM at the Gramercy Park Hotel. Mrs. RUSHMORE advised that she had a two o'clock appointment and therefore would have to leave for lunch at that time. Subsequently, HOWARD RUSHMORE spoke to Mrs. LEWIS and Mrs. LEWIS gave him the following information:

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She said, "Two of the guys beat it." RUSHMORE, after a brief pause, says, "Oh, yeah" and asked her, "Who?" She stated, "ALFRED, FREDDY did and er----SCHEVCHENKO. RUSHMORE said, "Oh yes--SCHEVCHENKO went back to Russia?" Mrs. LEWIS told him yes and that SCHEVCHENKO had left immediately after the appearance of the newspaper articles and had left by plane. (It should be noted here that this is not true information.) HOWARD RUSHMORE asked if she had anything else and she stated that ADAMS had gone for the first time last Thursday and had, "eluded them". RUSHMORE asked if they had found him yet. Mrs. LEWIS told him she did not know that as yet, but that "What's-his-name is trying to find out". She said that, "What's-his-name" did not think so. She further advised RUSHMORE that she had tried to reach him at the paper in view of the fact that she had lost his home phone number. RUSHMORE then gave her his home phone number. Mrs. LEWIS then stated that there was some leak out of the State Department of some proposed arrest, which WALTER WINCHELL had on his program last Sunday, but just before that this rat got away. RUSHMORE asked if ADAMS had left as yet. BETTY said he did. RUSHMORE asked her if there was any indication that ADAMS had gotten out of the country. Mrs. LEWIS said no. RUSHMORE then asked her if there was any doubt about it. Mrs. LEWIS stated no doubt about SCHEVCHENKO, but there was some doubt about ADAMS in view of the fact that he had just eluded them for that particular period, but they did not know whether he was back. She said, "My girlfriend thought you might be able to check on this around the hotel".

(It should be noted here in subsequent conversations reference to KERLEY as "my girlfriend" is made.)

RUSHMORE then stated he thought he would give the hotel a ring to see if he was there.

(As will be noted hereinafter, RUSHMORE did contact the PETER COOPER Hotel where ARTHUR ADAMS formerly resided to ascertain whether ADAMS was still at the hotel.)

RUSHMORE further stated that he had better get to work and that they would see what would happen. "This is a little test to see whether or not the boys down at Washington will put the heat on us if we go ahead on this and show that we are not afraid of them." He stated he would be curious to see the reaction when he made the phone call. Mrs. LEWIS stated she could not understand, "Why they should be afraid, as this showed the clear guilt of these people." RUSHMORE then stated that HOOVER had put a lot of pressure on us, (probably referring to the newspaper). To this Mrs. LEWIS replied, "Sorry, we are not interested," and stated that she did not know how much Mr. HEARST was interested in

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Mr. HOOVER other than giving him a break in bringing this out into the open, which in her opinion and everybody's opinion is the biggest break the Bureau ever had, particularly due to the great favoritism now for this, "terrible" MC CORMICK (ph.) in the State Department, who was supposed to head all of the Intelligence Divisions of the Government. It was Mrs. LEWIS' opinion as expressed to RUSHMORE that she thought that this whole thing should show the tremendous thing the Bureau was doing to save this country of saboteurs of "azi or "Commie" side, and the article would really show what the position should be that the Bureau should occupy. RUSHMORE observed that it would certainly put the State Department on the spot if both of them got away. Mrs. LEWIS to this replied, "To H--- with the State Department---they are a bunch of bungling idiots." RUSHMORE stated he would see her subsequently.

At 9:00 PM HOWARD RUSHMORE contacted Mrs. LEWIS at which time he advised her that he had called the hotel and that he had also left word for PAUL SCHOENSTEIN (City Editor of the Journal-American) to give him a ring. RUSHMORE asked her if she thought that he ^{should} call, "our friend in the Bronx". (It is believed that this friend in the Bronx is LARRY E. KERLEY. Although KERLEY lives in Queens, it is believed that RUSHMORE speaks this way to throw off suspicion.) She advised him he should not because she had told him everything that was known. He asked her if she had any details. She said no, except that the one from Washington, "he went back to the Embassy" and that he had left from there. She told RUSHMORE she did not refer to "this little rat" but to the, "other one". (It is believed that the "little rat" refers to ADAMS and the "other one" to SCHEVCHENKO.) RUSHMORE asked if any attempt had been made to stop him and BETTY LEWIS said she did not know, at which time RUSHMORE commented that apparently no attempt had been made in view of the fact that he had left. To this BETTY stated she did not know but the way she had it was that, "He evaded them or slipped away". RUSHMORE asked, "Who, SCHEVCHENKO?" She said no, the other one, ADAMS. Mrs. LEWIS stated that SCHEVCHENKO was a very important person with a completed case. RUSHMORE stated that, "You know what they told us, of course later on, that the case against SCHEVCHENKO is still wide open and it is so important that it went to the Military Chief of Staff to the Allied Army during the War. They took it direct to them." To this Mrs. LEWIS replied, "Well that has been completed last July." RUSHMORE stated he knew that but that was the FBI's excuse and that they should not have broken it. Mrs. LEWIS then said, "Oh well that was an excuse that it was a military secret. That's not true." Mr. RUSHMORE agrees that it is no longer one, and states that jet propulsion is no longer a military secret.

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Mrs. LEWIS replied, "Well, right now to begin with, it is no secret, because he is out, gone." Mrs. LEWIS said she thought it would be a good idea to find Senator Wherry and Styles Bridges and get their opinion. She also thought it would be a good idea to look up the Senator who had made the statement concerning the United States giving out the secret of the Atomic Bomb. RUSHMORE then asked her if she had gotten in touch with, "our other friend". She stated, no, that nothing had been happening there and that "that guy is scared to death to do anything on this case." RUSHMORE did not think that Mrs. LEWIS knew whom he was talking about and stated that he was talking about, "the one that relayed the message that I got on the original story". RUSHMORE continued, "Your friend", at which time Mrs. LEWIS stated, "Oh you mean SB" and RUSHMORE replied, yes. She stated she had not contacted him on this particular story and RUSHMORE stated he believed it would be a good idea, "because he could put some wheels in motion". RUSHMORE further stated he would like to get to work on the story that night and break it the next day as he believed it was a point that should be broken immediately. She stated that she did not think "he" would be at the office and from further conversation it would appear that "he" works for a paper. RUSHMORE asked her if, "She had his home phone" and BETTY stated she did. RUSHMORE stated that at this point he would like to get them excited about this, and BETTY replied that she was going to, there was no question. She thought it was very important because this information clinches the story and she thought it should get them all excited. RUSHMORE promised BETTY he would let her know as soon as he got any further information and she advised that he could call her in the morning and she believed that she would probably have some information from, "what-you-call-it." He said that as soon as he got "a green light" he would go to work on his typewriter.

At 9:15PM Mrs. LEWIS contacted HOWARD RUSHMORE at which time she stated that BENTON (ph.) has only one service to fall back on now at the State Department and that is the International News Service and she thought he should be interviewed on the story. She referred to this party as BILL BENTON of the State Department and the fact that the Associated Press and the United Press have stopped the service to him and INS was the only one giving him wire service. RUSHMORE thought this was a pretty good idea. Mrs. LEWIS thought that BENTON did not know anything about the whole situation. RUSHMORE thought he had been briefed on it and asked her opinion as to this. Mrs. LEWIS advised that she doubted it. Mrs. LEWIS said the reason that she pointed out this whole angle was because BENTON was very deeply indebted to INTERNATIONAL NEWS SERVICE for not having followed UP and AP. RUSHMORE asked if she would call a certain party and she said she would. RUSHMORE stated he would

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have to clear things at the office before he started on the story and he would like to get as much information as he could that night.

FEBRUARY 1, 1946

At 11:25 AM on this date HOWARD RUSHMORE again contacted Mrs. LEWIS and told her that he had written the story and he was just waiting to see what happens. He stated that he had checked the hotel that morning and that no one was there. He asked her if she had talked to "S. B. " BETTY LEWIS stated she had not and could not reach him last night, but that possibly he might be at the office after twelve. She further told him that she did not think it would be good policy that it might so effect "your guy" (probably PAUL SCHOENSTEIN) so that he, (SCHOENSTEIN) would be more against it than for it. RUSHMORE then commented that he had written a story that pretty well outlines the situation. She asked him if he had shown it to JIM (ph.) and he said no he had written it this morning. She said the reason she had asked was because she had been discussing it back and forth with him after it did not get in last night's paper and he felt that if there is any difficulty it is better that way. He thought it was better the way it was going. RUSHMORE commented that probably the story would be held for tomorrow or Sunday, but that he thought they should break it right away. Mrs. LEWIS then stated that it should be broken right away, particularly because it is very amusing in view of the fact that recently some Senator had made some speech that anybody who criticized Russia was the greatest enemy of the world.

At 6:10 PM Mr. and Mrs. HOWARD RUSHMORE contacted Mrs. LEWIS, at which time RUSHMORE tells her about his attempt to see if ADAMS was at the hotel and states, "It's quite obvious that the FBI told them to keep their mouths shut, but I think we are getting something done on it". BETTY then points out to RUSHMORE that the newspapers show that the Russians have split the Uranium Atom.

At 7:45 PM HENRY LEWIS, of Camp Lee, Virginia, contacted Mr. LEWIS and talked for a long time concerning HENRY's situation and the manoeuvring going on behind the scenes concerning promotions. Mrs. LEWIS put in a few words in on this also.

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At 9:25 PM this date HOWARD RUSHMORE contacted Mrs. LEWIS and inquired if she had heard from "our friend" this evening. He explained that he went by there this afternoon and saw a parked car. I was just wondering why it was there. (Rushmore is probably referring to the Peter Cooper Hotel at which ARTHUR ADAMS was staying.) BETTY replies that she knows why they were there. "In case he would not have escaped for good, which I think is an idle dream. HOWARD RUSHMORE then asks her if, "The girl in the Bronx is sure of that". She replies that he thinks that it definitely may have a connection with the other one but they would have a report if he would have shown up anywhere else. RUSHMORE offers the opinion that, "I would think, of course, they could have picked up a trail and our friend in the Bronx would not have heard about it. BETTY says that she would have heard that, and advises him that the only thing he can say is "that he may have been just on one of his devious things, just doubtful. There's no way of telling--The only thing is that if you say that, it gives such a bad impression about the Bureau. That they are uncertain about it, whether he has gone or not and actually they can't help it." RUSHMORE states that he has written one story and he thinks he'll change that around if SCHOENSTEIN is willing and just say that he has "disappeared." Mrs. LEWIS agrees and says if he returns we'll know it and then you can always say it. However, she does not think he will. She states, "Actually, you know, that we all expected him to get out of here right away and at that time he should have been arrested and we hoped he would be, because right now I don't think the feeling toward these b-----is going to come to useful value. You see what Bevins said to them and everything. I mean this is really the end of all the shinanigans. RUSHMORE comments that, "The fact you said the Russian split the Atom maybe our people realize that maybe this had some connection. BETTY replies not only that, but this story is a blind, because if you remember in BILL WHITE's book, "Report on the Russians" he reports that in one of the factories which they have he found an atom smasher. She states, "Well that atom smasher was there to split the atom". Now they announce the belief that the Atom is smashed, well it was smashed a long time ago. She relates that what really happened is that one of their spies or more, probably got out, because if you notice in the "Journal-American" story it said that foreign observers were puzzled by the fact that a certain Russian divided the second prize of one hundred thousand rubles. This meant that the first prize of two hundred thousand rubles had to be paid to somebody who broke the atom for them. Mrs. LEWIS states that she thinks the first prize has been paid to ADAMS or that they are holding it for him until he arrives. The remainder of the conversation concerns articles of RUSHMORE's concerning the JEFFERSON SCHOOL and WILLIAM Z. FOSTER.

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Nothing of interest to this case was obtained from
Confidential Informant

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FEBRUARY 3, 1946

At 4:45 PM HOWARD RUSHMORE contacted Mrs. LEWIS, at which time he asked her if there was anything new. She stated there was nothing very much and stated that she was looking for his story. He stated that the way he got it, "They're going to take the whole thing to HOOVER". Mrs. LEWIS thought this would be a very good idea, at which time RUSHMORE stated he thought they were going to do it that way and put the whole thing up to him and ask, "What goes on here". He further commented they are really after JIM BYRNES and BETTY thought this was a good idea. RUSHMORE said that this is what he had been told. He said he had written the story and was curious to see what happened and what was going to happen. He said they are going to try to get a little action in Washington. RUSHMORE then asked her if she had talked to "our friend in the Bronx". BETTY said she had not and that, "He doesn't know anything more" and that he was going to "speak to the other girl in the middle of the week", and the "other girl" just had a baby and was a little busy with that. At this she chuckled.

It should be noted that the "friend in the Bronx" believed to be KERLEY and the "other girl" he was to speak to and had just had a baby refers to Special Agent EMORY M. GREGG of the New York Office.

RUSHMORE then stated that if she heard anything she should call him at his home.

At 7:10 PM Mrs. LEWIS contacted HOWARD RUSHMORE advising him she had just listened to DREW PEARSON. She stated that PEARSON announced that a top Russian Agent surrendered in Canada and McKenzie King came down to Washington to tell the White House and our authorities that he admitted a complete espionage ring, Soviet, inside the United States and Canada. He was supposedly sent directly from the Soviet Government and responsible only to the top people in the Government. BETTY advised RUSHMORE that she thought he ought to get a script on this broadcast because, "Hereafter, I don't see how you can be stopped in saying anything." RUSHMORE asked if PEARSON said it was one spy. To this Mrs. LEWIS replies that one man surrendered, one Soviet spy surrendered to the Canadian authorities and he gave all the data and all details on a small group of spies operating within

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the United States and Canada. RUSHMORE wonders if they could have gotten ADAMS. He states "maybe he surrendered. It would be safer in Canada." Mrs. LEWIS speculates whether or not McKenzie King told our authorities who it was and the whole thing. Continuing with the subject of PEARSON's radio broadcast Mrs. LEWIS quotes DREW PEARSON as saying, "This is just to serve notice on the American people and I hate to do it, but these people are just not satisfied with the conquest in Iran but they are looking much farther and there are other territories they want to take,-- Alaska. This spy had admitted all the American continent is mapped out by them for the Soviet Army." Mrs. LEWIS comments that this was a very strong announcement, the strongest so far that she has ever heard. HOWARD RUSHMORE states, "Well we had it first, we just should have had this other thing. If we had the story yesterday, about this tonight--" To this BETTY replies, "That's why I thought I'd let you know. Maybe you can get ABC and get a copy of it and then I'd certainly shove that on the City Desk tomorrow." RUSHMORE advises that he will give SCHOENSTEIN a ring. BETTY tells him to ask SCHOENSTEIN if he heard PEARSON and if he didn't just say that the whole thing was said on the radio and not only that, but it was a strong recommendation that "we get tough" with the Russian Government. Both BETTY and RUSHMORE comment on the fact that this stand is unusual for DREW PEARSON who is more or less considered pro-Russian.

At 7:16 PM Mrs. LEWIS contacted LARRY E. KERLEY, asking him if he had listened to DREW PEARSON and advising that she had just contacted somebody else on that. They both seem rather elated and BETTY tells KERLEY, "You know, I think it is one of those rats that they sent from over there." KERLEY says it could be. BETTY thinks the "Journal" should be able to do something there, and relates that the story is that "this man is going up to Washington to see HOOVER and say, 'Now let's get together with BYRNES and let's come out with this'". KERLEY comments that "there is no question but that the Army ~~are~~ Russian scheme in the whole thing." She states that there will probably be something in the news tomorrow, to which KERLEY replies he hopes so and says, "We've got to get our head out of the fan". KERLEY further comments that it is the first news heard out of Washington.

KERLEY then tells Mrs. LEWIS that a neighbor of his has just returned from Persia and Iran. He knows a-z everything that has been happening in Iran and how they are just running rough shod over everything. They discuss the fact that UNRRA is Russian controlled. KERLEY states that he would like to get his neighbor and "our friend" together as it might make a good story. Mrs. LEWIS and KERLEY then

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engage in a purely business conversation regarding rentals at 5 East 57th Street and Mrs. LEWIS advises that she will communicate with KERLEY at the office tomorrow about 2:30 PM.

FEBRUARY 4, 1946

At 9:40 AM on this date HOWARD RUSHMORE communicated with BETTY LEWIS and told her that he heard that "our friend ADAMS was arrested". Mrs. LEWIS asks him when and where but RUSHMORE is unable to tell her. She then tells him that she is "lunching with my girlfriend. I'll find out," and promises to get in touch with RUSHMORE.

At 11:06 AM this date Mr. LEWIS contacted a Mr. CARLETON PALMER (ph.) telling him that the Acting Quartermaster General, Major General CORBIN was meeting him in the afternoon and Mr. LEWIS wanted Mr. PALMER to come and meet him.

At 11:46 AM Mrs. LEWIS contacted LARRY KERLEY and invited him to lunch. She advises him that, "What's his name...called me early this morning and they got information that 'Sonny boy' was arrested by the FBI". KERLEY wonders if it is a rumor but she assures him that when "it gets to these boys it's usually true." After some hesitation KERLEY agrees. She tells him that "They(probably the New York Journal-American) have not accepted it as yet. I would not be surprised whether that would have started on the basis of Pearson's broadcast last night." BETTY then relates that she had entertained the Hungarian Press Attache and his wife who related various Russian atrocities in Hungary. LARRY comments that, "If this thing is supported by the Government, they could get the ball rolling and then get enough anti-Russian feeling to do something about it." Mrs. LEWIS relates that the Hungarian Press Attache asked, "Why does your Government accept these people like they accepted Hitler at Munich? Why do you stand by while these things are going on." According to the Press Attache the Cultural Attache in the Hungarian Legation in Washington is of the Russian order. He has not been in Hungary for twenty-five years; formerly lived in Moscow and has a Russian wife. Mrs. LEWIS then asks KERLEY if this Cultural Attache, who has been forced on these people, would be part of the FBI activities. BETTY thinks it would come under the heading of Internal Security. LARRY says, "Except they are travelling under the Diplomatic...." BETTY tells LARRY that she suggested that the Hungarian Attache tell it to the State Department and particularly suggested JAMES DUNNE, and comments that BYRNES is terrible. LARRY agrees saying that "BYRNES is the worst thing that's been in Washington." BETTY and LARRY discuss BYRNES and HAROLD ICKES, whom BETTY classifies as the "only Democrat I love". LARRY comments, "I think we can really do something", to which she replies, "...if we are not going to get into this fray and really do something, we're nuts." They both agree this is their last chance.

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Mrs. LEWIS then accuses the Czechs of "selling out" to the Russians, mentioning the wealth of uranium in Czechoslovakia and criticizes the fact that we are scheduling a loan to Czechoslovakia while the Hungarians starve. She then suggests that LARRY go ahead and give a ring to PAUL (probably PAUL SCHOENSTEIN) one of these days, because she has developed a series of question marks in her mind about the "other one", "not about the first one we met but the other one. (It might be pointed out here that BETTY in referring to the "Other one" has reference to HOWARD BUSHMORE and is suggesting that LARRY go directly to PAUL SCHOENSTEIN the City Editor of the Journal-American with any information he may have.)

LARRY and BETTY plan to meet at the lobby of the Madison Hotel on 58th Street at 12:40 for lunch.

As will be set out in the surveillance portion of this report, Mrs. LEWIS and KERLEY were observed having lunch by agents handling this case at the Madison Hotel on East 57th Street, New York City.

At 6:28 PM on this date Mr. MC KENZIE of 5 East 57th Street contacted Mr. and Mrs. LEWIS to obtain the telephone number of KERLEY.

At 7:00 PM Mr. LEWIS contacted KERLEY regarding this contact from Mr. MCKENZIE. This contact was purely business in nature.

At 7:52 PM KERLEY contacted the LEWISES and discussed plans for Saturday evening. It is decided that Mr. and Mrs. FINN (ph.) who are friends of KERLEY, will join the KERLEYS for dinner at the LEWIS home at about 6:30 PM or a quarter to seven. The entire party is going to the Theater. (From the conversation it would appear that they are going to "Hamlet" which is being shown in a theater on 59th Street and Columbus Circle. BETTY then asks him if he is "Going to get a line on that thing," to which KERLEY replies that he will try to make a luncheon appointment for tomorrow. Mrs. LEWIS tells him that she would like to find out because, "I thought I'd phone S. B. when you have a complete thing on this and knowledge that he has been arrested". She advises him to have lunch with "him" tomorrow if he can and to phone her. KERLEY tells her he will call her as soon as he finds out anything. Mr. LEWIS and KERLEY engage in a business discussion concerning rentals at 5 East 57th Street by Mr. MCKENZIE.

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At 9:18 PM KERLEY contacted Mrs. LEWIS at which time he advised her that he had a luncheon engagement with "their friend" tomorrow and would call her after the luncheon.

FEBRUARY 5, 1946

At 10:40 AM Mrs. RUSHMORE conferred with Mrs. LEWIS about a luncheon date for Wednesday, but Mrs. LEWIS was unable to keep the date. They said they would try to arrange a date for the latter part of the week.

At 11:18AM Miss QUINN, who is apparently the secretary of Mr. LEWIS, wanted to know if he was coming to the office as a Mr. LAVERE (ph.) from Marietta, Ohio wants an appointment. Mrs. LEWIS told Miss Quinn that Mr. LEWIS did not want to see the man from Marietta and that Miss Quinn should act accordingly.

At 11:30 AM Miss Quinn told Mrs. LEWIS that a Mr. BRADSHAW (ph.) was at the Lexington Hotel, Room 2103, and that he had an appointment with Mr. LEWIS for Wednesday morning.

At 11:53 AM Miss Quinn again conferred with Mrs. LEWIS to advise her that KERLEY was in the office, but has to leave at 12:15PM. She advises that he will return this afternoon when Mr. BRADSHAW leaves as he has some checks to be signed.

At 11:56 AM one EVELYN conferred with Mrs. LEWIS and arranged to lunch at the Ritz and to meet in the Oval Hall at 1:15 PM. EVELYN indicated she was at her office, but was being evicted as the State had bought the building.

At 3:35 PM a man believed to be HOWARD RUSHMORE attempted to confer with Mrs. LEWIS but was unsuccessful.

At 6:35 PM HOWARD RUSHMORE conferred with BETTY at which time she stated that she had no news since she had not heard from "our friend" (probably KERLEY) but he had lunch with the fellow (Special Agent Emory M. Gregg) today and is to call her. RUSHMORE said that he had heard through another friend that (A) (ADAMS) had been bumped off. BETTY claimed that this was ridiculous and that she would know by tonight. RUSHMORE said his story came from another friend who had been retired. (Probably referring to another ex-Agent). BETTY then stated, "You know this man has been away from his place for several days and the other man

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"went back to Russia". RUSHMORE stated, "This is the kind of story you would like, but it has to pass the Editor". BETTY said she was getting "leary" of the City Editor (PAUL SCHOENSTEIN) and thinks she will go to the "Weekly" and her friend BILL. BETTY advises that if she learns anything on instant evening she will get in touch with RUSHMORE who said he would be at home, otherwise he was supposed to get in touch with her the following morning.

SEYMOUR BERKSON

It will be noted in the section of this report dealing with information supplied by Confidential Informant [] that in several conversations between Mrs. LEWIS and HOWARD RUSHMORE they referred to an individual as "S. B. ". In one of these conversations, RUSHMORE referred to this "S.B." as being the individual who could, "set some wheels in motion on this", (Referring to the possible release of the story that ARTHUR ADAMS had been lost and ANDREI SCHEVCHENKO had returned to Russia). Mrs. LEWIS said that she would call "S.B." the following morning and indicated there was a slight possibility that he might be at the "paper" on the evening of January 31st, which was the time of this particular conversation. Shortly after this conversation, Mrs. LEWIS again communicated with HOWARD RUSHMORE, at which time she indicated that BILL BENTON (ph.) of the State Department, owed a lot to INTERNATIONAL NEWS SERVICE inasmuch as they had continued news service when the Associated Press and the United Press had discontinued giving him service. Mrs. LEWIS said that RUSHMORE should know this for the following day.

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In view of this, it is very possible that "S.B." is connected with the newspaper business and further, possibly with the INTERNATIONAL NEWS SERVICE. He is probably a fairly important individual or RUSHMORE would not have used the expression, "set some wheels in motion on this".

The building directory of the building located at 235 East 45th Street, which houses the "Daily Mirror" and the INTERNATIONAL NEWS SERVICE disclosed that INTERNATIONAL NEWS SERVICE occupies the eleventh

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floor. Only two individuals are also listed on the eleventh floor, one being SEYMOUR BERKSON, whose initials, of course, are S. B.

SEYMOUR BERKSON, according to "WHO'S WHO 1945", is Managing Editor of INTERNATIONAL NEWS SERVICE. It is pointed out that INTERNATIONAL NEWS SERVICE is a subsidiary of KINGS FEATURES SYNDICATE, both of which are organizations related to HEARST PUBLICATIONS, of which organization, the "Journal-American" is a part.

The files of the New York Field Division indicated that a highly confidential source available to the Bureau ascertained that [redacted] was a subject of the ALCASE, had mentioned [redacted] "SEYMOUR BERKSON" Foreign Editor of INTERNATIONAL NEWS SERVICE, New York City. In connection with that case, information was obtained concerning BERKSON and is set out in the report of Special Agent Charles H. Stanley dated October 27, 1943, at New York City in connection with the ALCASE.

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BERKSON has been connected with the newspaper business practically all of his adult life and has been on several assignments in Europe, including Italy and France. He is presently married to ELEANOR LAMBERT who is in the publicity business. BERKSON's first wife, from whom he is divorced, is JANE NOBLE EADS, who is presently a newspaper woman in Washington, D. C. BERKSON is apparently a man of some means and it was noted in 1943 he was paying a rental of \$500. a month. BERKSON is the author of several books including, "The Royal Merry-go-round" and is a contributor to magazines.

All of the information developed about BERKSON will not be set out in this report.

Another reference in the New York files was a memorandum dated July 14, 1943 written by Special Agent Daniel H. Lucking concerning information given Agent Lucking by [redacted]

[redacted] The complaint concerned a [redacted] who had married [redacted] [redacted] stated that [redacted] was a Fascist and recently returned to this country and purchased a tremendous estate in Virginia near Warrenton. He was supposed to have hired [redacted] [redacted] said that [redacted]

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[redacted] lived two years in Italy with Mussolini.

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[redacted] indicated she got her information from [redacted] who got the information from [redacted]

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Another reference to SEYMOUR BERKSON was a letter dated May 5, 1941 from Confidential Informant A, who stated that SEYMOUR BERKSON, Managing Editor of INTERNATIONAL NEWS SERVICE advised that [redacted]

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By letter dated April 29, 1942, SEYMOUR BERKSON sent a pamphlet to this office, which he believed to be subversive.

The Manhattan Telephone Directory for 1946 indicates that SEYMOUR BERKSON resides at 1060 Fifth Avenue, telephone number ATwater 9-1633.

HOWARD RUSHMORE

CONFIDENTIAL INFORMANT [redacted]

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JANUARY 14, 1946

At 8:48 PM RUSHMORE attempted to confer with PAUL SCHOENSTEIN but was unsuccessful.

At 8:51 PM RUSHMORE conferred with one NELSON. RUSHMORE stated that he will write an article for the "Leader" on the Citizens Committee on Arts, Sciences and Professions and wanted NELSON to help him. RUSHMORE said that they have, "Commies" on the Board of Directors and that he had heard something about BROWDER in a business enterprise. NELSON said he was working on that.

At 9:23 PM RUSHMORE told PAUL SCHOENSTEIN that he had written an article about the BROWDER brothers, (EARL and WILLIAM) and read it to SCHOENSTEIN. SCHOENSTEIN told him to dictate it to WALTER and stated it could be put on page one.

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The major portion of the remainder of the evening, the informant stated, RUSHORE consumed by dictating the above-mentioned article to WALTER, who is presumably a man stenographer at the "Journal-American".

JANUARY 15, 1946

No activity of any interest was noted by the informant on the instant date.

JANUARY 16, 1946

At 8:22 PM RUSHORE conferred with one Mrs. STORY (ph.) concerning an ELEANOR's audition. The informant believed ELEANOR was possibly the daughter of Mrs. STORY.

JANUARY 17, 1946

No activity of any interest was noted by the Informant on the above date.

JANUARY 18, 1946

The services of this informant were discontinued on the instant date.

GENERAL INFORMATION

It will be noted in the section of this report dealing with Confidential Informant [] that on January 31, 1946, HOWARD RUSHORE told BETTY LEWIS that he would call ARTHUR ADAMS' hotel and ascertain if ADAMS was still there.

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Special Agent [redacted] who was on surveillance at the Peter Cooper Hotel, 39th Street and Lexington Avenue, where ARTHUR ADAMS resided, telephonically advised Supervisor Robert R. Granville, who handles the Russian Espionage Section, that he had been advised by the night clerk of the Peter Cooper Hotel that HOWARD RUSHMORE of the "Journal-American" had called up the Peter Cooper Hotel in an attempt to talk with ARTHUR ADAMS and then asked questions concerning how long it had been since ADAMS had been at the hotel. According to Agent BAUGHMAN, the night clerk stated that he was evasive in talking to HOWARD RUSHMORE of the Journal-American and merely indicated to him that he had not seen ADAMS for a couple of days. This occurred during the evening of January 31, 1946.

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On February 1, 1946, Mr. GOULD, Manager of the Peter Cooper Hotel, telephonically advised Special Agent William J. McCarthy, who is assigned to Mr. Granville's Section, that he had just received a call from HOWARD RUSHMORE of the "Journal-American" who had made inquiries if ADAMS was still at the Peter Cooper Hotel. Mr. GOULD said that RUSHMORE told him that he, Rushmore, understood that ADAMS had slipped away from the FBI. According to Mr. GOULD, RUSHMORE asked him a number of leading questions relative to the whereabouts of ADAMS. Mr. GOULD told RUSHMORE that ADAMS still had a room at the hotel and that he personally did not know ADAMS so he would not know if he was in or not. RUSHMORE asked Mr. GOULD if ADAMS had picked up his mail, but GOULD said he did not check on this as it was a resident hotel and the guests handled their own mail. RUSHMORE, according to Mr. GOULD suggested that he, RUSHMORE, come to the Peter Cooper and talk with some of the employees about ADAMS. Mr. GOULD told RUSHMORE that this would not do much good since most of the employees are new and do not know ADAMS. RUSHMORE told GOULD that he had called ADAMS a number of times but had not been able to reach him.

Mr. GOULD said that RUSHMORE had called the Peter Cooper Hotel on the previous night, (January 31, 1946) and talked with the night desk clerk and by asking leading questions, RUSHMORE was able to get from him that ADAMS had not been around for several days. According to Mr. GOULD he did not advise RUSHMORE that the FBI was looking for ADAMS.

It is pointed out that neither Agent [redacted] nor Agent McCarthy are acquainted with the instant investigation, but gave this information to Mr. Granville inasmuch as both of them were working on the ADAMS case in an attempt to locate him and had passed this information on to Mr. Granville for his information.

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On February 1, 1946, HOWARD RUSHMORE telephonically communicated with Assistant Special Agent in Charge T. J. Donegan of the New York Office, at which time he told Mr. Donegan that he had a tip on something, which he, Mr. Donegan, probably would know about and might be interested in. RUSHMORE stated that the tip was that, "our friend, ADAMS" had been reported missing for the past several days and that Mr. Donegan was, no doubt, perfectly aware of this. Mr. Donegan told Mr. RUSHMORE that he was not aware of the details of the investigation, if there was one, and told Mr. RUSHMORE he had no comment to make. RUSHMORE then said that he also had a report that, "our old friend, SCHEVCHENKO of Amtorg" had also left for his homeland by plane some time ago, which removed both the objects of our double-barreled attacks from the scene at the moment. RUSHMORE said he did not know whether ADAMS had left the country, but that he supposed he had. He said that he did not expect a comment, but just wanted to be sure. Mr. DONEGAN stated that he had no comment to make in this regard.

On February 4, 1946, RUSHMORE telephonically communicated with Special Agent in Charge E. E. CONROY, at which time he said that he "was just wondering casually what you boys did with my friend ADAMS-- I have been looking for him--he has disappeared." Mr. Conroy stated that he had no comment to make on this. RUSHMORE said that he had expected this, but that he had, "just missed him---we have a warm feeling towards him now."

It will be seen in the physical surveillance section of this report that both Mr. and Mrs. RUSHMORE made personal contacts with the LEWISES during the period of this report.

LARRY E. KERLEY

CONFIDENTIAL INFORMANT

The information being set out below was furnished by
Confidential Informant

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JANUARY 15, 1946

At 10:55 PM KERLEY conferred with BETTY LEWIS. However, the details of this conversation were set out in that section of this report dealing with Confidential Informant [REDACTED]

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JANUARY 16, 1946

At 8:25 PM KERLEY conferred with Special Agent [REDACTED] of this office and invited him to come over and play a game of Gin Rummy. [REDACTED] stated that he was too busy; he referred to a transfer to Charlotte, North Carolina and was very sorry that he had sold his car. He said he might come over and talk a while with KERLEY.

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JANUARY 17, 1946

Nothing of any importance was developed by the informant on this date.

JANUARY 18, 1946

At 9:03 PM KERLEY asked [REDACTED] for both of them to come over for a game of Gin Rummy. [REDACTED] stated that they had just gotten in and had not eaten as yet. She said that she would communicate with him later.

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At 9:27 PM KERLEY communicated with Special Agent EMORY M. GREGG at which time he stated that he wanted to know why GREGG had not come up. GREGG said he had been busy at the office. GREGG then asked KERLEY how the import-export business was coming along. KERLEY said he hasn't been able to do much. KERLEY said he was busy with the real estate business and was making a lot of money on the building. KERLEY asked GREGG how many men were on the "Squad" (referring to Mr. Granville's section) and after some hesitation Agent Gregg said fifty-six. KERLEY suggested that he call GREGG sometime in the near future and have lunch together, but GREGG stated that it would be better if he, GREGG, would call KERLEY the first part of the following week, inasmuch as not only was he busy at the office, but that his wife, Mrs. GREGG, was going to have a baby in the next four or five days and he would not have much free time.

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JANUARY 20, 1946

At 12:25 PM KERLEY contacted Special Agent GEORGE L. STRAIN and inquired of the health of GEORGE and his family. KERLEY asked GEORGE if he needed "that thing" back and if GEORGE wanted him, KERLEY, to drop it in the mail. GEORGE said that that would not be necessary inasmuch as he would come by KERLEY's office, within the next few days and pick it up. KERLEY told GEORGE he had just been talking with EMORY GREGG.

It will be explained in another part of this report, the surveillance maintained on KERLEY's office in an attempt to ascertain what KERLEY was referring to when saying, "that thing" resulted negatively. It will also be noted that during the luncheon engagement of Agent GREGG and KERLEY "that thing" was ascertained to be an affidavit which STRAIN had requested KERLEY to make.

JANUARY 21, 1946

At 11:20 AM a man believed to be OLIVER LEWIS (a neighbor of KERLEY) ascertained that the telephone number of GRANVILLE COLLINS of 78-11 35th Avenue was Havemeyer 9-5868.

At 10:08 PM Mrs. OLIVER LEWIS communicated with Mrs. D. B. MC KENZIE who resides at 44-60 North Oakland Avenue, Shorewood, Milwaukee, Wisconsin. It was indicated that Mrs. MC KENZIE was Mrs. LEWIS' mother.

At 10:25 PM the informant advised that OLIVER LEWIS' father was W. M. LEWIS, 38 Lafayette Avenue, Haddonfield, New Jersey, telephone number Haddonfield 2157.

JANUARY 22, 23, 1946

No information of importance was developed by the informant on this date.

JANUARY 24, 1946

At 8:48 PM KERLEY communicated with at which

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time [] said that she and Agent [] were leaving Thursday night for Charlotte, North Carolina. She indicated that J. B. was over in their apartment now and that they are planning to sublet the apartment to J. B. KERLEY said that he would communicate later with [] about coming over some evening if he could get someone to take care of his child.

JANUARY 25, 1946

At 8:22 PM KERLEY attempted to communicate with BETTY LEWIS but was unsuccessful.

JANUARY 26, 1946

At 8:18 PM Agent [] conferred with KERLEY, at which time the latter invited [] over. [] said that he could not come inasmuch as he still had a cold. [] said that J. B. had left.

(It is pointed out that J. B. is Lt. Colonel J. B. HENSON. This information was obtained by Assistant Special Agent in Charge A. H. Belmont of this office, which had come to his attention as a result of Agents wanting apartments contacting the superintendent of [] apartment building, at which time they were advised that [] had sublet his apartment to a Colonel whom [] had known for years. HENSON was to live there on a month to month basis and [] was leaving his furniture. It is also pointed out that KERLEY and [] live in the same apartment house.)

JANUARY 27, 1946

At 12:35 PM KERLEY communicated with [] AGENT [] (wife), at which time [] said that [] wanted KERLEY for something and that she and [] would communicate with him when he is free.

At 4:30 PM [] asked KERLEY to come over and help him take a trunk up from the basement.

At 9:18 PM Mrs. BETTY LEWIS attempted to communicate with KERLEY but was unsuccessful.

JANUARY 28, 1946

No information of any interest was developed on instant date.

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JANUARY 29, 1946

At 1:52 PM Mrs. KERLEY told KERLEY that there was a letter at the house for him addressed to Mr. JAMES C. LEWIS in care of him, Kerley. She indicated that the letter was from AL BROWN.

It will be seen in the section of this report dealing with the mail cover on KERLEY that AL BROWN is a plumber.

At 5:40 PM a woman believed to be Mrs. KERLEY communicated with another woman named DAY (ph.) at which time a dinner engagement at the KERLEY home was confirmed for 6:30 PM on instant evening.

JANUARY 30, 1946

No information of any value was obtained on this date.

JANUARY 31, 1946

At 2:14 PM Mrs. KERLEY told KERLEY that "uncle GEORGE", is coming to town to visit the Sportsmen's Exhibit and wanted KERLEY to make reservations at a downtown hotel.

FEBRUARY 1, 1946

The informant reported no information pertinent to instant investigation on the above date.

FEBRUARY 2, 1946

At 10:00 AM KERLEY communicated with Mr. FINN (ph.) and stated that everything was cleared on those tickets and that next Saturday night would be fine. He then invited him to come over to his place so that they could have dinner at Louise's a nearby restaurant, or some place before going to the play. FINN then said that his suggestion should be carried out, but KERLEY stated, "No, this is my party." (Finn's suggestion was probably that he pay for the evening.) FINN then said that, "We'll have to cut your salary---Maybe the FBI ought to check up on your past activities." KERLEY then said it looks like a little graft. (According to the informant, the two men were apparently joking). FINN

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said he would come over thinks they should make it for about 6:30 PM. KERLEY said they were all to stop at LEWISES first and he would communicate with him the following week to set a definite time.

FEBRUARY 3, 1946

At 7:16 PM BETTY LEWIS conferred with KERLEY. The details of this conversation were set out in that section of the report dealing with Confidential Informant [redacted]

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FEBRUARY 4, 1946

At 6:37 PM Mrs. KERLEY conferred with one ANN and stated she and Mr. KERLEY were going out Friday night and wanted ANN to come over and stay with the baby. Mrs. KERLEY said she would recontact ANN later in the week as to the time ANN should come over.

At 7:05 PM Mr. MC KENZIE conferred with KERLEY relative to rentals, leases and sub-leases of the property at 5 East 57th Street.

At 7:10 PM Mrs. LEWIS conferred with KERLEY. Details of this conversation are set out in that section of the report dealing with Confidential Informant [redacted]

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At 8:07 PM Mrs. KERLEY told ANN that they had changed their plans and they were not going out Friday night. Mrs. KERLEY inquired if ANN could suggest someone for Saturday night and she suggested BETSY FEUSS of Hampton Gardens, Havemeyer 4-3800.

At 8:35 PM Mrs. KERLEY was unsuccessful in getting BETSY FEUSS to act as a "sitter" for Saturday night. She indicated to Mr. FEUSS that she had been referred to BETSY by ANN WILTON.

At 9:07 PM KERLEY communicated with Special Agent EMORY M. GREGG, at which time the two agreed to meet at KERLEY's office at 12:30 PM on the following day, at which time they would have lunch together.

It should be noted that a few moments after talking with GREGG, KERLEY immediately communicated with Mrs. LEWIS as shown in the section of the report dealing with Confidential Informant [redacted] and said that he had just talked to, "our friend" and was having lunch with

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him on the following day. It is obvious that KERLEY had an ulterior motive in contacting GREGG and taking him to lunch inasmuch as he told Mrs. LEWIS that he would let her know what he found out immediately after luncheon.

FEBRUARY 5, 1946

At 1:23 PM an individual addressed as "uncle George" conferred with Mrs. KERLEY and said he was at the Hotel New Yorker at the present time but has a room at the Holland Hotel for the night. He said he was going back tomorrow. She invited him to come to dinner about six or six thirty and he accepted.

At 2:08 PM Mrs. KERLEY attempted to confer with KERLEY but was unsuccessful. She left a message that he should communicate with her upon his return to his office.

At 2:49 PM KERLEY conferred with his wife, at which time she advised him that uncle George was coming to dinner.

At 8:45 PM Mrs. KERLEY made arrangements with MAUDE to stay with the KERLEY child on Saturday night from 5:30 PM until 1:30 AM.

GENERAL INFORMATION

By letter dated January 18, 1946, The Chicago Field Division advised the New York Office that at the present time the Bureau of Public Debt was unable to search for bond purchases subsequent to February, 1945 and that the filing of bonds is approximately one year behind schedule, but it is felt that by the middle of this year the records would be in such shape so that information would be approximately six months late. The Chicago Office is going to contact the Bureau of Public Debt every two weeks for further information as to bond purchases made subsequent to February, 1945.

Included with this letter was a schedule of bond purchases made by KERLEY prior to February, 1945 and it was indicated that all of these bonds listed had been redeemed by KERLEY. A complete schedule is not going to be set out, but only information which might be of value is going to be reported.

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In June, 1941 a \$100 bond serial number C-528408, Series E, was purchased by LARRY E. KERLEY from the Morris Plan Bank, Washington, D. C. The alternate payee of this bond was Mrs. DOROTHY R. KERLEY, 1717 G Street, N. W., Washington, D. C.

In January, 1943 a \$500 bond, Serial Number D-3779217 was purchased at the First National Bank and Trust Company, Lexington, Kentucky by KERLEY.

Another \$500 bond serial number D-4877010 was purchased at the same branch in March, 1943, by KERLEY.

In January, 1942, KERLEY purchased a \$100 bond serial number C-4178719 at the First National Bank, Butte, Montana.

In April, 1942, a \$100 bond, serial number C-7977806 was purchased by KERLEY from the Fidelity and Columbia Trust Company, Lexington, Kentucky.

In June, 1942, KERLEY purchased a \$100 bond, Serial Number C-12413611 from the Morris Plan Industrial Bank, Louisville, Kentucky.

The remainder of the bonds were either \$100 or \$50. bonds and were purchased from the Treasury Department, Division of Disbursement or some of the banks mentioned above.

The purpose of reporting these banks is that at a later date it might be desired to check these banks for accounts of KERLEY.

On January 22, 1946, Special Agent [redacted] of the New York Office was at the Spiro Jewelry Shop, 198 Broadway, New York, New York to pick up his wife's wristwatch which was left there for repairs. Mr. SPIRO inquired of him if there was an Agent by the name of L. KERLEY in this office inasmuch as KERLEY had left a watch to be repaired and said that he could be notified when it was ready through the FBI office in New York. Mr. SPIRO said that when he called this office he was advised that there was no Agent KERLEY at this office. Mr. SPIRO requested Agent [redacted] to ascertain if there was such an agent and if so advise him to pick up his watch. Mr. SPIRO stated that KERLEY had left the watch at his place only the previous Friday, (January 18, 1946).

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Upon returning to this office, Agent [] contacted [] who is Mr. Conroy's secretary, and asked her to check the records to see if Agent KERLEY was assigned to the New York Office. She advised Agent [] that there had been an Agent KERLEY in the New York Office but that he had been transferred to Kansas City.

It is pointed out that [] is familiar with the instant investigation whereas Agent [] was not familiar with it, and it was not indicated to him that any investigation was being made of KERLEY or even that KERLEY was no longer an Agent of the Federal Bureau of Investigation.

M. J. SPIRO, 198 Broadway, telephone BEeckman 3-0765 was contacted by Special Agent [] and the writer in an attempt to ascertain what representations KERLEY had made to SPIRO upon taking his watch to be repaired. Mr. SPIRO stated that when KERLEY came into his shop, approximately January 18, 1946, he (Spiro) thought that he had seen KERLEY before and told him that he remembered him as being from the FBI. He said that KERLEY gave no answer to this. KERLEY left with SPIRO a man's Hamilton wristwatch with the following inscription on the back, "Dot to Larry 12/25/40". SPIRO gave him receipt ticket #3141 made out to "L. KERLEY c/o FBI". Mr. SPIRO said that he told KERLEY that he would call the FBI Office and leave a message for him when the watch was fixed. He said that KERLEY merely said, "O. K."

It is pointed out that a number of Agents in this office have their watches repaired in this shop.

Mr. SPIRO was requested by the Agents to telephonically advise them when KERLEY called again for his watch and whether he made any representation that he was a FBI Agent. He was cautioned by the Agents that he should in no way indicate to KERLEY that an inquiry had been made about him by the FBI. Mr. SPIRO stated that he understood the confidential nature of the inquiry and would treat it accordingly.

The above inquiry was made inasmuch as the facts at hand indicated a possible violation of the Impersonation Statute by KERLEY.

Reference is made to that part of this report which sets out a conversation between Mr. and Mrs. JAMES C. LEWIS at 12:45 PM on January 29, 1946, at which time Mr. LEWIS told Mrs. LEWIS, in effect, that ARTHUR ADAMS had been lost and ANDREI SCHEVCHENKO had gone back to Russia.

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It is very likely that Mr. LEWIS had just received this information probably from LARRY KERLEY inasmuch as their offices are in buildings located only around the corner from each other and immediately upon getting the information from KERLEY he communicated with his wife.

An examination will be made at a future date of the number three cards of the New York Field Division for the evening of January 28 and for the morning of January 29th to determine if anything of interest can be noted.

From the information obtained during the period of this report concerning KERLEY's knowledge of the loss of ADAMS or the return of SCHEVCHENKO to the USSR it would appear that it was not too accurate (inasmuch as he apparently told Mr. and Mrs. LEWIS that SCHEVCHENKO had returned to the USSR by plane.) It is pointed out that this is not true inasmuch as SCHEVCHENKO left by boat.

Reference is made to the information concerning Confidential Informant [] on January 29th, wherein it is indicated that two unknown people were having dinner at 6:30 PM at the Kerley apartment.

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Special Agent Meffert W. Kuhrtz, who is familiar with this investigation, having participated in the surveillance of the house of PAUL SCHOENSTEIN, examined all of the number three cards of the Agents for January 29th to determine if any of them were visiting the KERLEY home, but nothing of significance was noted, with the exception that Special Agent John B. Frisch called in and stated he was going out walking for a while. It is pointed out, however, that Agent Frisch's wife's name is RUTH, whereas the woman who was going to have dinner with the KERLEYS was named DAY (ph.)

Relative to the luncheon engagement Special Agent Emory M. Gregg had with subject, KERLEY, upon returning to the New York Office after this luncheon, GREGG immediately made available all of his observations during this luncheon. There will be explained in that section of this report dealing with Special Agent GREGG the preparations made prior to his coming in contact with KERLEY.

GREGG said that upon arriving at the address 5 East 57th Street, he made inquiry of the elevator operator as to where he could find Mr. KERLEY. GREGG said that the name of LARRY KERLEY was on the building directory but no room number was designated for him. The elevator operator referred GREGG to the basement where he found KERLEY in the company of a young man by the name of FITZGERALD, whom KERLEY later described as a real estate Agent through whom the purchase of instant building was made by Mr. LEWIS.

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KERLEY, FITZGERALD and Agent GREGG went to the ground floor entrance of the building where KERLEY took a key from his trousers' pocket and unlocked a copper base door immediately to the west of the street entrance. They went up one short flight of stairs to what KERLEY referred to as the mezzanine floor of the building. Immediately at the top of the stairway was a hall on which several doors of office holders of that building opened for fire escape purposes only. KERLEY unlocked the door on the east side immediately at the head of this stairway with another key attached to the chain in his left trousers' pocket and they entered a small office which he described as his temporary quarters. This office was approximately nine feet east by west and twenty feet north and south, divided evenly in the center by an archway. It had a small oval window opening to the front and an entrance to the down stairs jewelry shop on the west side. KERLEY explained to GREGG that this office had formerly belonged to the jewelry shop but was not included in the lease and that he had had the entrance boarded up. The inner or front portion of the office is occupied by a table and two chairs, a typewriter, boxes of paper and envelopes and a large number of miscellaneous papers which appeared to deal solely with the operation of the building itself, the payment of taxes and collection of rents. There were two telephones in the office, one of which bore the number Eldorado 5-4946, Extension 3. KERLEY stated that this phone was an extension from the jewelry shop and passed through the jewelry shop switchboard and that he used it only on rare occasions, placing all his business calls from a telephone in the basement. KERLEY stated that if GREGG ever wanted to get in touch with him he could call him on the telephone in the basement the number of which was Plaza 5-9412. GREGG said that in the rear portion of the office there were two chairs, a cupboard space and a false fire place. KERLEY explained that he was getting a steel filing cabinet and other furniture and that he was going to move into another office sometime in March and that he hoped to get space on the seventeenth floor.

While in the office KERLEY, FITZGERALD and GREGG talked solely of KERLEY's plans for redecorating. KERLEY said that Mr. LEWIS had purchased the property for \$600,000 and recently received an offer for the building, which would net Mr. LEWIS a profit of a quarter of a million dollars.

Upon leaving the office GREGG noted that the door which was equipped with a Yale lock, had a sliding glass panel approximately 16" by 10" capable of being raised in grooves made for that purpose.

After leaving the office KERLEY invited FITZGERALD to have lunch, but he declined because of a prior engagement. KERLEY and

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GREGG then went to Reubens Restaurant in the Squibb Building between Madison and Fifth Avenues on East 58th Street, where they had lunch.

During the lunch KERLEY inquired as to the progress of GREGG's wife and son and the expected date of their return to their home. GREGG asked him to pay his respects to Mrs. BETTY LEWIS and remarked that in his opinion (Gregg's) she appeared to be a very shrewd, capable woman.

It will be noted in that section of this report dealing with Special Agent GREGG that he had met Mrs. LEWIS on a previous occasion.

Continuing, KERLEY said that Mrs. LEWIS had been born in Hungary and was the daughter of the President of the National Bank of Hungary. She had been trained and worked for a period of two years in financial circles in that country. KERLEY said following the Bolshevik uprising in 1919 her father had been seized as a hostage, which subsequently resulted in his death, thereafter causing her to have an almost fanatical hatred of the Communist Government of the USSR. In 1921 Mrs. LEWIS had come to the United States where she first obtained a position at twenty-five dollars a week. He said that because of her brilliant mind she had gone into the millinery and designing business and had almost increased her income to \$38,000 a year. As an example of her business sense, KERLEY stated that following her marriage to LEWIS she had purchased for \$44,000 a house on 54th Street, which a short time later she sold for \$109,000.

GREGG inquired of KERLEY as to his success and he advised that before his resignation he had invested \$5,300 in a small business with his brother-in-law in Kentucky and that his brother-in-law had put up a similar sum. He stated that from this business he was presently receiving an income of \$100 a month profit and could, if he wished withdraw an additional \$100 to \$150. He said that this profit was largely due to the employment of ex-servicemen, whom they hire as "apprentices" at \$135 a month, of which sum the United States Government was paying \$90. per month each for their training over a four-year period. As to the \$5,300 which he had invested KERLEY stated that he raised the money by selling the war bonds which he had accumulated while a Bureau employee.

It is pointed out that KERLEY is probably referring to the FIRESTONE HOME AND AUTO SUPPLIES COMPANY in Murray, Kentucky, which is presumably owned by VAN BARNETT and LARRY KERLEY as shown in the results of a mail cover in a previous report.

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Following the above conversation about KERLEY's business in Kentucky, KERLEY with apparently marked casualness, asked, "How are you coming with A?" (Referring to ARTHUR ADAMS). GREGG advised, "Things are about the same. He comes and he goes, but we have things under control." KERLEY then said that they would probably let him (ADAMS) leave the country like all the others. GREGG asked to what he referred. KERLEY then said, "Oh, you remember the Jap agent whom they loaded aboard the boat prior to Pearl Harbor." According to GREGG this was the only remark during the lunch that was pertinent.

KERLEY then discussed the possible purchase of a German pharmaceutical manufacturing house which is presently in the hands of the United States Alien Property Custodian. He said that several United States concerns were bidding for the business which was presently being operated by the United States Government and that there was a lot of politics involved. In spite of this Mr. LEWIS had some powerful connections and had someone in Washington working on it for him. KERLEY said that he believed that they had a fifty-fifty chance of buying the business for seven million dollars. KERLEY said if this was successful Mr. LEWIS assured him a position as vice-president in charge of personnel.

The balance of the conversation during the luncheon dealt solely with a plan which KERLEY had conceived whereby he could borrow five thousand dollars at four per cent interest, which he could in turn pay a margin payment on a \$100,000 United States War Bond. He stated that he could then go to the Federal Reserve Bank and borrow \$95,000 on this bond at a rate of interest between one and one and one-quarter per cent, which would net him an annual income of around \$1,360. He said that he had talked to an official of the Federal Reserve Bank who advised him that such was possible and that he felt that he could raise \$25,000 within the next six months, with which he intended to buy five \$100,000 bonds to be placed in his name and the names of his wife and son. According to GREGG, KERLEY appeared very enthusiastic.

Upon the termination of lunch GREGG and KERLEY proceeded to KERLEY's office. KERLEY had suggested that they go back to the office, "where we could put our feet on the desk and talk." In the office KERLEY said that practically all of the Agents in his neighborhood had either moved away on transfer or else had resigned. He then said that a neighbor of his by the name of LEWIS (OLIVER and JUNE LEWIS) had told him that Special Agents [redacted] and [redacted] had obtained jobs through a downtown employment agency, the name of which KERLEY could not recall. During this conversation GREGG received the impression that [redacted] had had dinner with this LEWIS family, during this time the subject of [redacted] success had arisen. As a result Agent [redacted] had through the same source obtained a connection with PACIFIC MILLS.

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It is pointed out that KERLEY is referring to former
Special Agents [redacted] and [redacted]

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KERLEY then asked whether GREGG was still busy down at the office and when GREGG said that he was, KERLEY asked, "Are you still tailing SCHEVCHENKO?" GREGG said, "No, we never did because of his official position, it seemed impracticable under the circumstances." KERLEY said that while he was in Kansas City he had heard that the investigation was practically completed. To this GREGG replied, "I know very little about the case inasmuch as there is no continuous surveillance which would be my primary concern."

GREGG asked KERLEY how he liked his present position, to which KERLEY said he was presently receiving an income of \$7,500 per year, but that he expected to receive a \$5,000 raise within the next two or three months. He said that he was East for retraining and following that he had come to New York where he had remained from Saturday until the following Tuesday, during which time he stayed at Mr. LEWIS' club. At that time he spent the bulk of his time at the LEWIS home and had lunch with Mr. LEWIS on which occasion Mr. LEWIS had suggested that he resign from the Bureau to act as his personal assistant at a salary of \$6,000. KERLEY said that Mr. LEWIS assured him that within a relatively short period of time he could expect an annual salary of \$10,000 and would share in the profits of the LEWISES' personal investments.

KERLEY then asked, "Have you ever lost ADAMS again?" GREGG said that ADAMS had continued to be one of our greatest problems and is moving around more than he ever did before but that we had managed to keep things in hand. KERLEY inquired as to how many surveillances were presently being conducted. GREGG said, "It varies a great deal from month to month, but we usually have our old stand-bys. During the latter part of December, over the Christmas season, we were extremely busy--new subjects are continually coming to New York for short periods of time." KERLEY said that in a Sunday night broadcast DREW PEARSON had stated that a Russian agent had surrendered in Canada and had named names and places of NKVD operations in Canada and the United States. He said that PEARSON had stated that the Canadian Prime Minister had journeyed to Washington and he wondered if that had been reflected in increased business for us. GREGG told him that he had not heard the broadcast and there had been no apparent results inasmuch as our work in the New York Office was concerned.

In connection with GREGG's remark as to the busy Christmas season, he purposely told KERLEY that he had worked eighteen hours on Christmas day and that on the 26th of December, anybody who had seen fit to offer an annual salary of \$2,000 would have had a ready acceptance. GREGG said that following V-J Day that he had thought seriously of tendering

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his resignation for the purpose of resuming the practice of law, but that he had postponed taking such a drastic step until the birth of his child. He added that nothing had occurred to change his mind but that the expenses in connection with the anticipated birth had been great and he was somewhat reluctant to leave the Bureau until he had been able to recuperate and establish a little "nest egg" to see him through the first difficult period of his efforts to re-establish a practice.

It is pointed out that GREGG was instructed to create the impression with KERLEY, without being obvious, of course, that he was more or less, "fed up" with the Bureau and that the recent birth in his family had been rather expensive.

Continuing with this conversation, KERLEY said that he wanted to keep in touch with GREGG and if this pharmaceutical business which Mr. LEWIS was presently attempting to purchase would materialize he would have something good to offer GREGG. He said they were presently retaining a lawyer for \$1,500 and he was sure GREGG would be interested.

During the conversation KERLEY asked GREGG if he knew GEORGE STRAIN. GREGG told him he knew STRAIN slightly. KERLEY told GREGG that STRAIN had requested him to execute an affidavit for his admission to the New York Bar and that he had done so. However, he had called GEORGE and told him it was ready and asked him if he should mail it, to which GEORGE had suggested that he keep it at the office and that he (George) would pick it up later. KERLEY said that STRAIN had not been around at all and he had been unable to contact him and requested that GREGG deliver the executed affidavit to STRAIN at the office.

KERLEY told GREGG that he had known GEORGE while they were attending law school in Washington and that they had subsequently been agents together in the Louisville and New York offices and that on the basis of this he had executed the affidavit.

GREGG said that KERLEY then penciled a brief note on a corner torn from an envelope and sealed it together with the affidavit in an envelope addressed to GEORGE STRAIN and handed it to GREGG.

Relative to this it might be stated that the penciled note read as follows: "Come on up you dope. L. K. "

Upon leaving GREGG asked KERLEY to pay his respects to Mr. and Mrs. LEWIS and that sometime when he was free he would like to see Mrs. LEWIS. KERLEY said that as soon as GREGG's wife and baby returned

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home, he would give GREGG a call and that he and Mrs. KERLEY would drop out to see them.

At this point GREGG left KERLEY's office and returned to the New York Office.

GREGG stated that during the entire contact with KERLEY he always knew when KERLEY was getting ready to ask a question concerning ADAMS, SCHEVCHENKO or some other question about the office. He stated that KERLEY would obviously attempt to appear very casual upon asking this type of question.

Further details concerning KERLEY's contacts with GREGG will be set out in the portion of the report dealing with Special Agent EMORY M. GREGG.

BANK RECORDS

The Bureau telephonically advised that a check had been received at the Bureau from LARRY KERLEY in payment of a gas bill, which check reflected that he has an account with the National City Bank of New York, Park Avenue Branch, in the Special Checking Department.

Special Agents [] and [] ascertained that the above branch of the National City Bank, located at Park Avenue and 57th Street, has an account in the name of LARRY E. KERLEY, which has Special Checking Account number 3390. This account was opened on November 3, 1945 and the references which he gave when opening the account were the Manufacturers Trust Company, 100 Park Row, New York City (his former bank) and JAMES C. LEWIS, 22 East 73rd Street. He stated he was employed as business manager by Mr. LEWIS.

It was also noted that Mr. LEWIS had O.K.'d KERLEY's signature, further that Mr. JAMES C. LEWIS also had an account with this National City branch.

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The following is a transcript of KERLEY's bank account from the time of opening on November 3, 1945, showing deposits and checks drawn up through January 16, 1946:

11-3-45 INITIAL DEPOSIT - \$250.00

<u>CHECKS</u>		<u>DEPOSITS</u>		<u>BALANCE</u>
\$ 2.00		\$250.00		
9.31	12/5/45	1,100.00	11-3	\$248.00
3.06	12/19/45	100.00	11-1	238.69
24.72	1/3/46	400.00	11-1	235.63
3.25	1/8/46	75.00	11-2	210.91
15.00			11-2	207.66
10.00			11-2	189.60
3.06			12-1	179.60
57.50			12-5	1,279.60
15.00			12-10	1,222.10
20.00			12-12	1,207.10
2.72			12-15	1,184.38
4.93			12-17	1,179.45
7.40			12-19	1,279.45
6.98			12-20	1,265.07
15.00			12-21	1,244.07
6.00			1-3-46	1,642.07
2.00 check charge			1-4	1,558.74
83.33			1-5	1,501.24
57.50			1-7	1,494.28
6.96			1-8	1,485.28
9.00			1-8	1,560.28
10.20				
4.50				
BALANCE AS OF 1/16/46				\$1,545.58

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Further, it should be noted that KERLEY deposited \$1,100 on December 5, 1945. A check of this deposit slip reflected that this amount was made up of \$74.80 in cash, a \$39.87 check drawn on this National City Bank branch and a United States Government Treasury check for \$985.33. This latter amount was the amount of KERLEY's accumulated terminal leave check.

It should also be noted that on January 3, 1946, KERLEY deposited \$400. A check of this deposit slip reflected that the \$400 consisted of a check of \$262.15, a check of \$103.17 and cash in the amount of \$34.68.

The canceled vouchers in connection with KERLEY's account, which were on hand at the bank at the time the Agents were there, were examined and are being set forth in the schedule below.

CANCELED VOUCHER

<u>PAYEE</u>	<u>AMOUNT</u>	<u>DATE</u>
New York Telephone Co.	\$9.31	11/8/45
Sheffield Farms	3.06	11/28/45
State Farm Mutual Insurance Company (on policy #39681-MS-17)	24.72	11/8/45
Periodical Publishers Service Bureau, Inc.	3.25	11/8/45
VAN BARNETT	15.00	11/9/45

(It should be noted in regard to this VAN BARNETT item that it was endorsed by Firestone Home and Auto Supplies by VAN BARNETT and cleared through the Bank of Murray, Murray, Kentucky. 73-207)

Sheffield Farms	3.06	11-13-45
<u>LOU E. KERLEY</u>	10.00	11-14-45

(This item was endorsed by O. HUFF and cleared through the Bank of America at Los Angeles, California.)

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<u>PAYEE</u>	<u>AMOUNT</u>	<u>DATE</u>
Edgeware Estates, Inc. (For rent)	\$57.50	12-5-45
L. DE ROSE (Car repair) Auto-Radiator Company 76-01 Northern Blvd. Jackson Heights, N. Y.	15.00	12-5-45
LOU E. KERLEY	20.00	12-8-45
(This item was endorsed by HUFF and THOMPSON and GAIBEL)		
Sheffield Farms	2.72	12-12-45
New York Telephone Co.	4.93	12-10-45
Consolidated Edison Power and Light Company	7.40	12-15-45
Standard Oil of New Jersey (For November 27th statement)	6.98	12-15-45
Depart of Commerce and Justice Policies 10697-106971 F 204-226 G	15.00	12-12-45
F. X. O' DONNEL	6.00	12-17-45
(F. X. O'Donnel is a Special Agent assigned to the New York Field Division to whom all checks are made payable by employees of the New York Office who are taking out hospitalization insurance.)		
GEORGE I. GARBER COMPANY (For tables and chairs)	83.33	12-31-45
Edgeware Estates (For rent)	57.50	1-1-46

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<u>PAYEE</u>	<u>AMOUNT</u>	<u>DATE</u>
Standard Oil of New Jersey, Baltimore, Maryland (December statement)	\$6.96	1-1-46
VAN BARNETT	9.00	12-26-45
New York Telephone Company	10.20	1-10-46
Brooklyn Union Gas Company	4.50	1-10-46

All canceled vouchers which KERLEY had made since the account was opened have been examined.

Further information in regard to the activity of this account will be set forth in a subsequent report inasmuch as arrangements have been made whereby Agents can examine KERLEY's canceled vouchers prior to the bank mailing them to him.

MAIL COVER

The following is the result of the mail cover maintained on KERLEY's home during the period of this report.

<u>SENDER</u>	<u>DATE OF POSTMARK</u>	<u>ADDRESSEE</u>
Mrs. J. O. MILLIKEN 21 West 36th Street Savannah, Georgia (Parcel)	1-10-46 Savannah, Ga.	Mrs. L. E. KERLEY
4522 44th Street, N. W. Washington, D. C.	1-15-46, Washington	Mrs. L. E. KERLEY

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SENDER

DATE OF POSTMARK

ADDRESSEE

O. L. (post card)

1-15-46, Camden, N. J.

LARRY KERLEY

(O. L. here is OLIVER LEWIS, who resides in the apartment building where the KERLEYS live.)

O. C. LEWIS

431 Market Street.
Camden, New Jersey

1-19-46, Haddonfield, N. J. LARRY KERLEY

Federal Bureau of Investigation
United States Dept. of Justice
Washington, D. C.

1-16-46, Washington

LARRY KERLEY

KESBEC, INC.
202 West 76th Street
New York, New York
(ESSO)

1-24-46, NYC

LARRY E. KERLEY

Mrs. TOM KIRK
Oologah, Oklahoma
Box 105

1-23-46, Oologah, Okla.

Mr. and Mrs. L.E. KERLEY

4522-44th Street, N. W.
Washington, D. C.

1-25-46
Washington

Mrs. L. E. KERLEY

Standard Oil Company
St. Pauls Place and Franklin
Street,
Baltimore, Maryland

1-28-46, Baltimore, Md.

LARRY E. KERLEY

Railway Express Agency
Claims Bill
219 East 42nd Street,
New York 17, N. Y.

1-31-46, NYC

Mr. LARRY KERLEY

Box 724
Church Street Annex
New York 8, N. Y.

1-22-46, NYC

LARRY E. KERLEY

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<u>SENDER</u>	<u>DATE OF POSTMARK</u>	<u>ADDRESSEE</u>
FIRESTONE HOME AND AUTO SUPPLIES KERLEY-BARNETT, owners Murray, Kentucky (Air mail)	1-21-46 Murray, Kentucky	Mr. and Mrs. LARRY KERLEY
3101 Hyde Park Los Angeles, 43 California	1-19-46 Los Angeles	Mr. and Mrs. LARRY KERLEY and family
AL BROWN & SONS 1146 2nd Avenue New York 21, N. Y.	1-28-46 NYC	Mr. JAMES C. LEWIS, c/o LARRY KERLEY
(The New York Telephone Directory lists AL BROWN and Sons as a plumbing and heating establishment.)		
J. H. SCHACKLEFORD AND CO. Tax Consultants, Murray, Kentucky	1-23-46 Murray, Kentucky	Mr. L. E. KERLEY
Home and Firestone/Auto Supplies Kerley and Barnett owners Murray, Kentucky	2-1-46 Murray, Kentucky	LARRY KERLEY
409 East 48th Street Savannah, Georgia	2-4-46 Savannah	Mrs. LARRY E. KERLEY

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[REDACTED]
SPECIAL AGENT

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It will be noted in the section of this report dealing with [REDACTED] that KERLEY has been contact with Special Agent [REDACTED] who resides in the same apartment house with KERLEY.

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Supervisor [REDACTED] who is familiar with the instant investigation, advised that on the afternoon of January 12, 1946, he was in the vicinity of 57th Street and Madison Avenue with his young son, at which time he recognized Agent [REDACTED] entering a car with KERLEY. At that time Agent [REDACTED] did not make his presence known to either KERLEY or [REDACTED].

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On the same evening Agent [REDACTED] was attending a social function at which Agent [REDACTED] and his wife were also in attendance. In a discussion with Agent [REDACTED] mentioned to him that he had observed [REDACTED] downtown about 3:00 PM entering a car. [REDACTED] stated that he thought he recognized the fellow [REDACTED] was with but could not remember who he was. [REDACTED] replied that he was with a former Agent by the name of LARRY KERLEY and that they were downtown to see the parade. (Parade of the 82nd Airborne Division). He said that KERLEY resided in the same apartment house with him in Jackson Heights and that KERLEY formerly worked in the New York Office for about six or eight months.

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[REDACTED] entered on duty as a Special Agent on December 29, 1941 and arrived at the New York Office on transfer from Detroit on September 18, 1944. At that time he was assigned to the Selective Service Section and since that time has, in addition to working on Selective Service Cases, worked on the Accounting Section and the Communist Section. [REDACTED] is not an accountant but has worked on special investigations being handled by the Accounting Section. It is noted he has never worked on Mr. Granville's section. He was transferred to the Charlotte Field Division and left New York on January 31, 1946.

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Reference is made to the conversation reported by Confidential Informant [REDACTED] on January 29, 1946, wherein it was indicated that Mr. LEWIS had found out that ADA'S was lost and SCHEVCHENKO returned to the USSR. A review of [REDACTED] number three card for instant date reflected that he signed out at 8:10 AM and listed his probable return as 12:30 PM.

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The file number of the investigation on which he signed out was New York file 46-1221 and he listed as his destination: JAMES H. DOYLE, 2430 Eastern Parkway, Brooklyn, New York. JAMES H. DOYLE, 12 Trinity Place. He called in at 10:30 AM and 12:30 PM. In another handwriting there is listed the following interviews in connection with the same file number: C. BRONZO, 2837 West 57th Street; I. MILKIN, 438 Grand. He called in at 3:25 PM and again at 5:30 PM. The latter time he signed out from the garage, where he had signed out for home.

A review of [] number three cards for the pertinent period will be examined and reported in the next report.

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GEORGE L. STRAIN
Special Agent, F. B. I.

On January 20, 1946 as reflected in the Confidential Informant [] Section of this report, KERLEY contacted GEORGE STRAIN, at which time he indicated to GEORGE that he had something of GEORGE's and wanted to know if he should drop it in the mail to GEORGE. STRAIN said that he would come to see KERLEY in the next couple of days and get it.

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In an attempt to determine what this particular item was which KERLEY was going to give to STRAIN the Agents working on this case maintained a physical surveillance at 5 East 57th Street from January 21st to January 25th, 1946, with negative results.

As an extra precaution in an attempt to ascertain the nature of the article KERLEY was going to give to STRAIN, it was deemed advisable to apprise Supervisor [] supervisor of the Deserter Section of the nature of this investigation. It is pointed out that the desks utilized by the Agents of this section are all in the one room as is the desk of Supervisor [] Agent [] was requested to note when STRAIN arrived back at the office at the end of the days work and ascertain, if possible, the nature of any material which STRAIN might throw in the boxes utilized by Agents for returning serials, files

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or other material to another part of the office. Supervisor [] maintained this coverage for the week following January 20, 1946.

It is pointed out that all three of the Agents know STRAIN by sight and he was not observed to enter the office building of KERLEY. However, particular reference to this has been noted in the section of this report dealing with Agent GREGG's luncheon engagement with KERLEY. STRAIN and KERLEY very likely had reference in their conversation to an executed affidavit by KERLEY for STRAIN's admission to the New York Bar Association.

GEORGE L. STRAIN entered on duty as a clerk at the Bureau on February 19, 1940 and as a Special Agent on December 29, 1941. He arrived at the New York Office on transfer from Louisville, Kentucky on March 22, 1944, at which time he was assigned to the Section in the New York Office handling Communist investigations. In addition to working on Communist cases, STRAIN, who is still assigned to the New York Field Division, has also worked on Deserter Cases. He is presently assigned to the Deserter Section.

In reference to the conversation of Mr. and Mrs. LEWIS of January 29, 1946, which has been mentioned above, the number three card prepared by STRAIN for January 28, 1946, shows that from 8:35 AM until 5:30 PM STRAIN worked with Special Agent [] returning to the office at approximately 5:25 PM. He had signed out to work on cases bearing New York File Numbers 42-1529; 42-461 and 42-3371. He returned to the office at 5:25 PM and at 5:30 PM [] signed out for home, but STRAIN signed out for a surveillance at 295 Tompkins Avenue, Brooklyn, New York, New York File 42-3421. STRAIN worked on this surveillance with Special Agent [] The number three cards of [] and [] indicate their activity with STRAIN.

STRAIN signed off duty from the Kent Garage where Bureau automobiles are stored at 12:30 AM, January 29, 1946. According to Supervisor WOODS, STRAIN had not signed in until 1:00 PM on January 29, 1946 and worked until 2:15 AM on the morning of January 30th.

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EMORY M. GREGG
SPECIAL AGENT, FBI.

KERLEY's first contact with Agent GREGG since the investigation of this case was on January 19, 1946, as reported in the [redacted] Section of this report. b2

GREGG entered on duty as a Special Agent on September 14, 1942 and arrived at the New York Office on transfer from Miami on October 19, 1944, at which time he was assigned to Section 7, which was handling Communist matters. However, upon the formation of the Russian Espionage Section, GREGG was transferred to that section and has been there since then. At present GREGG prepares the physical surveillance schedules for Section 6, not only those regularly maintained in connection with cases on this section, but all temporary surveillances of subjects visiting New York or any other type of surveillance which comes up on Mr. Granville's section. It can be seen that from the position which GREGG occupies on this section, he would have a thorough knowledge of developments on all of the important investigations on Mr. Granville's section. GREGG had been assigned these duties on the instant section at a time when LARRY KERLEY was assigned to the New York Field Division and working on the same section and therefore, he would know that GREGG is probably in as good a position as any Agent in the New York Office to know the status of all the important Russian espionage investigations.

The circumstances surrounding the suggestion by the New York Office that GREGG be contacted for any knowledge he has of KERLEY has been discussed with officials of the Bureau at length which culminated in the decision that he should be contacted and will not be reiterated in this report.

GREGG said he first became acquainted with LARRY KERLEY upon his transfer to the New York Field Division and his assignment at that time to Section 6. Subsequently he and KERLEY worked together on several surveillances in connection with the COYRAP investigation and the various subjects associated with that case.

To Agent GREGG's recollection, the instances of interest to the present inquiry can logically be divided into three phases.

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On the first occasion KERLEY was assisting GREGG in attempting to identify several of the contacts of CHARLES PAGE, a subject of an investigation in this office. On that date they contacted several hotels and draft boards in the midtown area with only partial success. In the late afternoon, KERLEY suggested that they contact a Mrs. LEWIS, whom he had known for several years [REDACTED]

[REDACTED]
[REDACTED] could probably be of assistance in identifying some of the individuals with whom they were concerned. KERLEY advised that [REDACTED]
[REDACTED]

[REDACTED] KERLEY and GREGG then proceeded to the residence of Mrs. LEWIS on 73rd Street in New York City, at which time GREGG was introduced to Mrs. LEWIS.

Mrs. LEWIS is a small, slight woman of approximately forty years of age. She speaks with an accent and from the conversation Agent GREGG gathered that she was the daughter of an Hungarian family who had formerly been possessed of considerable wealth, the loss of which she credited to the Bolshevik Government of Russia. Mrs. LEWIS has a rather Asiatic appearance and on this occasion was dressed in a long, flowing Chinese robe. She walks with extremely short, quick steps and carries herself in a very stooped position.

On this occasion she expressed a great deal of admiration for Director Hoover of the Federal Bureau of Investigation, but was outspoken in her expression of antipathy for the United States State Department and the Roosevelt administration. She appeared extremely fanatical concerning the present Russian Government and the Communists in the United States.

[REDACTED]

After remaining at the LEWIS home for approximately forty-five minutes, Mr. LEWIS returned home, at which time GREGG was introduced

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to him. He is a handsome, erect man of approximately 5' 11" and has grey hair. He impressed GREGG as being a typical progressive businessman and impressed him favorably in every respect. However, from this contact with Mr. and Mrs. LEWIS, GREGG gathered the impression that Mr. LEWIS was greatly influenced in a passive way by her extreme anti-Bolshevist, anti-Communist ideas, and was to a great extent governed by her ideas as to politics and international affairs. He spoke with respect of her business acumen and knowledge of finance and world affairs. However, his stand in this respect appeared non-aggressive as far as he was personally concerned, but favorable as to any action she might feel advisable.

After a brief tour of the library, living room, hall and dining room to admire the numerous paintings which Mrs. LEWIS had collected, KERLEY and GREGG excused themselves.

Subsequently KERLEY advised GREGG that he had first met Mr. and Mrs. LEWIS while he was a Resident Agent at the Louisville Field Division where they owned a "palatial" summer residence. He stated that at that time one of the employees at the LEWIS home was under investigation as a Nazi sympathizer and that Mr. and Mrs. LEWIS had been extremely cooperative in that matter. As a result of this he had become extremely well acquainted with both of them and had a great respect for Mrs. LEWIS' knowledge of the internal politics of this country as well as of Russia, England and the Continental nations. KERLEY said that upon his transfer to the New York Field Division, he immediately renewed his acquaintance with the LEWISES and that he and his wife had been frequent dinner guests at the LEWIS home. On one occasion KERLEY stated that he and his wife and their infant son were going to the LEWIS home for Christmas dinner and that he was having considerable difficulty in choosing an appropriate gift because of their extreme wealth. GREGG presently recalls that this conversation concerning the Christmas present for the LEWISES took place while KERLEY and he were engaged on the [redacted] surveillance in 1944, just prior to the Christmas holidays.

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At this same time GREGG believes that KERLEY first got the idea of going into a foreign export-import business. In this he was prompted by the success of [redacted] who in a relatively short space, (as revealed by investigation in that case) had accumulated several thousands of dollars in the export-import trade. KERLEY advised that he had discussed this matter with Mrs. LEWIS and that she was extremely enthusiastic and willing to back him financially in such a venture. He believed that because of the LEWIS connection with the Squibb Company and its subsidiaries, and the extensive financial backing Mrs. LEWIS was able to offer that he could interest some of the Agents who had formerly been engaged on SIS work to become associated with him and that success would be inevitable.

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Sometime following KERLEY's transfer to Kansas City, GREGG received a call from him at the office, at which time he advised that he had been sent to Washington for retraining and had taken that opportunity to come to New York to contact the LEWIS family with the idea of submitting his resignation from the Bureau in order to devote his time to the organization of a company to go into the export-import business. He advised that he was staying at one of Mr. LEWIS' clubs, which GREGG recalls as located on the Northeast corner of 60th Street and 5th Avenue in New York City and suggested that GREGG meet him there in order that they might have lunch together. Accordingly, GREGG contacted KERLEY at that club and they proceeded from there to an office building on 57th Street, which KERLEY advised had been recently purchased by Mr. LEWIS. At that time KERLEY stated that Mr. LEWIS had suggested that he, (Kerley) temporarily serve as a superintendent in charge of the office building, which would give him an income equal to that which he was presently receiving as an Agent of the Bureau, but would allow sufficient time for him to proceed in the organization of his proposed company. However, upon visiting the building KERLEY and GREGG found that it was being picketed by striking elevator operators, so they proceeded to have lunch in that vicinity.

On that occasion KERLEY stated that prior to his transfer he had read [] file in an attempt to obtain information which might be of value to him in the export-import business and suggested that GREGG attempt to obtain from the file a list of contacts and business firms through whom [] was dealing, both in the United States and in South American countries. GREGG told KERLEY that he had no particular interest in that matter and KERLEY made no further comment.

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Explanatory of the above paragraph, it might be mentioned that on a prior occasion, KERLEY, having knowledge of GREGG's practice of law prior to becoming a Bureau Agent, had solicited his opinion and advice as to the purchase by him of a small Firestone Home and Auto Supply business in Kentucky, which was to be operated by his brother-in-law. Thereafter, while working together on the [] surveillance he had conceived the idea of going into the export-import business and he and GREGG had discussed the legal aspects of financing and incorporation. Consequently, it is GREGG's impression that upon KERLEY's return to New York from retraining he had again contacted him for the purpose of discussing further details of organization. However, GREGG did not gain the impression that KERLEY contemplated a business association of GREGG with the proposed company.

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his, (Gregg's) failure to keep the appointment on the day specified.

In this connection, it should be pointed out that subsequent to that contact with KERLEY at the time of his return to New York from retraining and prior to his resignation, [redacted]

[redacted] had some information concerning an individual [redacted] would be of interest to [redacted]

[redacted]

[redacted] whom she believed to be a Communist, had [redacted]

[redacted]

[redacted] and felt that he should be investigated by the Bureau.

[redacted]

[redacted] conversation was general in its nature and [redacted]

[redacted]

Except for a telephone call which KERLEY made to Agent GREGG at his home about two weeks ago, at which time KERLEY had expressed his desire to see him, GREGG has not seen or contacted KERLEY since his transfer from the New York Field Division, other than as above mentioned nor has he ever had the occasion to meet or talk with either [redacted] except as set forth herein.

Agent GREGG stated that he believed that KERLEY had told him that he was going to contact two former Special Agents, who might be interested in the import-export business venture which he contemplated going into. GREGG said that he thought KERLEY said they were: [redacted] and [redacted] Both of these agents have resigned from the New York Field Division Office and Agent [redacted] was assigned to Mr. Granville's Section at the time that KERLEY was.

It might also be stated that both [redacted] and [redacted] had been in Latin American countries on SIS assignment and had married women of Latin American nativity.

Relative to GREGG's luncheon engagement with KERLEY, GREGG was instructed that he was not to give any information to KERLEY at all; that GREGG was to indicate to KERLEY that he was getting, "fed up" with the Bureau and that he is being financially pressed to indicate to

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indicate to KERLEY that the recent birth of GREGG's son has cost him a lot of money. GREGG was also instructed not to do anything which would cause KERLEY to refrain from making future appointments with him.

PHYSICAL SURVEILLANCES

There are being set out below the results of physical surveillances conducted by Agents working on this case, covering contacts by the individuals of interest to this investigation.

JANUARY 25, 1946

Confidential Informants [] and [] had developed information that Mr. and Mrs. HOWARD RUSHMORE were to spend the evening of instant date at the home of Mr. and Mrs. JAMES C. LEWIS. b2

The Agents stationed themselves in a discreet manner in the vicinity of 22 East 73rd Street, where the LEWISES reside. At 7:22 PM HOWARD RUSHMORE and his wife, FRANCES, were observed on 73rd Street coming from Fifth Avenue. They proceeded into the LEWIS home and Agents maintained a continuous surveillance at the LEWIS residence after their entrance. At 12:35 AM (January 26, 1946) RUSHMORE and his wife were observed leaving the LEWIS home and a man, without coat or hat, believed to be JAMES LEWIS, saw them to the door and came out with them to the entrance porch. RUSHMORE and his wife made their departure from the LEWIS home, LEWIS returning to his home. The walked to 73rd Street and Madison Avenue and hailed a taxicab going South on Madison Avenue. Mrs. RUSHMORE carried a large black hat box, the kind which John Powers models usually carry and it is therefore believed she probably met RUSHMORE somewhere in Manhattan just prior to coming to the LEWIS home. The RUSHMORES appeared to be in a jovial mood. Shortly after the RUSHMORES left the LEWIS home the lights were observed to go out.

JANUARY 29, 1946

It will be recalled that Confidential Informant [] advised that Mr. LEWIS advised BETTY LEWIS that he would leave a message for a man to come up to the LEWIS home to talk to her about some rentals. It was obvious to the informant that this was double talk and therefore, a surveillance was instituted at the LEWIS home. b2

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At 2:06 PM on instant date LARRY E. KERLEY was observed to enter 22 East 73rd Street, having first been observed walking North on Madison Avenue between 72nd and 73rd Streets. He remained until 5:05 PM, at which time he left and walked to 72nd Street and Madison Avenue, at which point the surveillance was discontinued.

The surveillance of the LEWIS home was maintained until 6:10 PM, at which time it was discontinued so that a surveillance could be instituted at the KERLEY home located at 35-30 81st Street, Jackson Heights, Long Island, New York, in view of the fact that the KERLEYS were expecting company for dinner that evening.

This surveillance was maintained until 8:15 PM, at which time it was discontinued. It is pointed out that a large number of Agents assigned to the New York Field Division reside in this particular area and the surveillance was discontinued in order not to jeopardize the discreet character of the investigation.

FEBRUARY 1, 1946

At twelve noon of instant date Agents instituted a surveillance at the Gramercy Park Hotel, Lexington Avenue and 21st Street, New York City, in order to cover a meeting between BETTY LEWIS and FRANCES RUSHMORE, which was scheduled to take place at 12:30 PM. Neither Mrs. LEWIS nor Mrs. RUSHMORE were observed to appear on time and finally at 1:15 PM Mrs. RUSHMORE was observed to enter the lobby of the hotel. She looked around and proceeded to one of two telephone booths, deposited a nickel and dialed. Agent Miller was able to enter the adjoining booth and overheard Mrs. RUSHMORE ask someone on the telephone for HOWARD RUSHMORE. After waiting a short while she began talking to someone, who in all probability was RUSHMORE. She said that she had just shown up late and could not find, "BETTY"; that she told BETTY there would be a possibility that she would be late. She then said, "How's everything going--How's the story?" She remained quiet for about twelve seconds and said, "Oh, good. That's marvelous, Honey". It is believed that the story referred to above is the story which RUSHMORE was then working on concerning the loss of ARTHUR ADAMS and the return of ANDREI SCHEVCHENKO to the USSR.

FRANCES then asked RUSHMORE for BETTY's telephone number and she repeated it back to him as Butterfield 8-5979. She said that she would give BETTY a ring. After leaving the telephone booth without

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attempting to make another call, she looked around the lobby for a short period of time, then went into the booth again and made a call. The adjacent booth was occupied, consequently the nature of this call could not be ascertained. She was in the booth only a short period of time then left and contacted a bell boy in the lobby who immediately began paging "Mrs. LEWIS". He came back to Mrs. RUSHMORE shaking his head in a negative manner. She then looked around again, sat down at a table in the dining room and had something to eat. After this she got up at approximately 1:53 PM, left the hotel and walked in the direction of 20th Street and Fourth Avenue, where she apparently made a telephone call. Thereafter she walked to the American Woolen Building, 225-27 Fourth Avenue.

It is pointed out that Mrs. RUSHMORE indicated to BETTY LEWIS that she a 2:00 appointment in the vicinity of 19th Street and Fourth Avenue.

FEBRUARY 4, 1946

It will be noted in the Confidential Informant Section of this report that on the instant date KERLEY was to meet BETTY LEWIS at the Madison Hotel at 12:40 PM.

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At 12:25 PM the Agents instituted a surveillance in the vicinity of the Madison Hotel at 15 East 58th Street. At 12:37 PM KERLEY was observed entering the Madison Hotel, having entered the hotel from the direction of Fifth Avenue. At 12:42 PM Mrs. LEWIS was observed walking West on 58th Street from Madison Avenue and proceeded into the Madison Hotel. At 1:05 PM LARRY KERLEY and Mrs. JAMES C. LEWIS were observed eating lunch in the Northwest corner of the dining room of the Madison Hotel. Mrs. LEWIS appeared to be talking very emphatically to KERLEY and KERLEY would nod in assent. The latter was dressed in a light grey suit. At 1:50 PM the surveillance was discontinued by the Agents.

It should be stated here that to date HOWARD RUSHMORE's story on the loss of ARTHUR ADAIS and the return of ANDREI SCHEVCHENKO to the USSR has not been published in the "New York Journal-American".

P E N D I N G

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The next and final occasion on which GREGG saw KERLEY GREGG believes to have been immediately following KERLEY's resignation from the Federal Bureau of Investigation and his return to New York City. As Agent GREGG recall, KERLEY had telephonically contacted him at the office in the early part of the week and suggested that GREGG have lunch with him. GREGG advised him that he was completely tied up on that day, but that if KERLEY would give him a call the following morning, he believed that he could get away for an hour at noon. Consequently, the following day KERLEY called and they made arrangements to meet at the Grand Central Terminal at twelve o'clock. When GREGG arrived at Grand Central, KERLEY was waiting and they had lunch at the Oyster Par, after which they walked together to the upstairs waiting room and talked together for approximately thirty minutes.

On that occasion KERLEY advised that he was glad to be returned to New York City and felt that because of his association with the LEWIS family he could make a great deal of money in the export-import business, as well as in the real estate business, in which both Mr. and Mrs. LEWIS were presently interested. On this occasion GREGG does not recall that KERLEY asked any questions concerning ARTHUR ADAMS or ANDREI SCHEVCHENKO. Their conversation consisted almost entirely of a monolog on his part concerning his proposed activities as superintendent of the office building on 57th Street and his organization of the export-import company. He stated that both Mr. and Mrs. LEWIS had a large number of financial interests and had need of such a person as he, Kerley, to do the leg work. KERLEY stated that Mr. LEWIS had been negotiating for the purchase of a wholesale drug supply business, which as GREGG recalls, was under the control of the Alien Property Custodian. KERLEY also mentioned a drug manufacturing business, which was organized and operating in Spain with which Mrs. LEWIS was making arrangements to become United States representative. KERLEY was under the impression that Mr. and Mrs. LEWIS contemplated placing him in active charge of either of these two companies which happened to materialize. KERLEY said, however, that he was temporarily going to act as superintendent of the 57th Street building and would probably arrange to set up a small office in that building and to organize a corporation for the LEWISES' personal individual operations.

On this occasion also KERLEY mentioned that [redacted]

[redacted]

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New York, New York

February 4, 1946

MEMO FOR SAC E. E. CONROY

RE: LARRY E. KERLEY
PRISON

I first became acquainted with LARRY KERLEY upon his transfer to the New York Field Division and his assignment at that time to Section 6. Subsequently we worked together on several surveillances in connection with the COIRAP investigation and the various subjects associated with that case.

As I recall, the instances of interest to the present inquiry can logically be divided into three phases.

On the first occasion KERLEY was assisting me in attempting to identify several of the contacts of CHARLES PAGE, a subject of an investigation in this office. On that date we contacted several hotels and draft boards in the midtown area with only partial success. In the late afternoon, KERLEY suggested that we contact a Mrs. LEWIS, whom he had known for several years [redacted] b7D

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Federal Bureau of Investigation
United States Department of Justice
New York, New York

PERSONAL AND CONFIDENTIAL
February 15, 1946

Director, FBI

RE: LARRY E. KERLEY
BRIBERY

Dear Sir:

Reference is made to your letter dated February 7, 1946, wherein it was requested that the Bureau be furnished copies of all memoranda submitted by Special Agent EMORY M. GREGG reflecting his contacts with KERLEY.

There are enclosed with this letter one copy each of two memoranda submitted by Agent GREGG. One reflects his association with KERLEY prior to the time he had lunch with him on February 5, 1946. The second memorandum reflects the events which took place on February 5th when Agent GREGG contacted KERLEY at the latter's invitation.

Very truly yours,

DECLASSIFIED BY 60290 BCE/KAL/MS
ON 3/25/03

E. E. CONROY
SPECIAL AGENT IN CHARGE

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At this same time I believe that KERLEY first got the idea of going into a foreign export-import business. In this he was prompted by the success of [] who in a relatively short space, (as revealed by investigation in that case) had accumulated several thousands of dollars in the export-import trade. KERLEY advised that he had discussed this matter with Mrs. LEWIS and that she was extremely enthusiastic and willing to back him financially in such a venture. He believed that because of the LEWIS connection with the Squibb Company and its subsidiaries, and the extensive financial backing Mrs. LEWIS was able to offer that he could interest some of the Agents who had formerly been engaged on SIS work to become associated with him and that success would be inevitable.

Sometime following KERLEY's transfer to Kansas City I received a call from him at the office, at which time he advised that he had been sent to Washington for retraining and had taken that opportunity to come to New York to contact the LEWIS family with the idea of submitting his resignation from the Bureau in order to devote his time to the organization of a company to go into the export-import business. He advised that he was staying at one of Mr. LEWIS's clubs, which I recall as located on the Northeast corner of 60th Street and 5th Avenue in New York City and suggested that I meet him there in order that we might have lunch together. Accordingly, I contacted KERLEY at that club and we proceeded from there to an office building on 57th Street, which he advised had been recently purchased by Mr. LEWIS. At that time he stated that Mr. LEWIS had suggested that he, (KERLEY) temporarily serve as a superintendent in charge of the office building, which would give him an income equal to that which he was presently receiving as an Agent of the Bureau, but would allow sufficient time for him to proceed in the organization of his proposed company. However, upon visiting the building we found that it was being picketed by striking elevator operators so we proceeded to have lunch in that vicinity.

On that occasion KERLEY stated that prior to his transfer he had read the [] file in an attempt to obtain information which might be of value to him in the export-import business and suggested that I attempt to obtain from the file a list of contacts and business firms through whom

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[redacted] was dealing, both in the United States and in South American countries. I told KERLEY that I had no particular interest in that matter, and he made no further comment.

Explanatory of the above paragraph, it might be mentioned that on a prior occasion, KERLEY, having knowledge of my practice of law prior to becoming a Bureau Agent, had solicited my opinion and advice as to the purchase by him of a small Firestone Home and Auto Supply business in Kentucky, which was to be operated by his brother-in-law. Thereafter, while working together on the [redacted] surveillance he had conceived the idea of going into the export-import business and we had discussed the legal aspects of financing and incorporation. Consequently, it is my impression that upon his return to New York from retraining he had again contacted me for the purpose of discussing further details of organization. However, I did not gain the impression that he contemplated a business association of myself with the proposed company.

The next and final occasion on which I saw KERLEY I believe to have been immediately following his resignation from the Federal Bureau of Investigation and return to New York City. As I recall, he had telephonically contacted me at the office in the early part of the week and suggested that I have lunch with him. I advised him that I was completely tied up on that day, but that if he would give me a call the following morning, I believed that I could get away for an hour at noon. Consequently, the following day he called and we made arrangements to meet at the Grand Central Terminal at twelve o'clock. When I arrived at Grand Central, KERLEY was waiting and we had lunch at the Oyster Bar, after which we walked together to the upstairs waiting room and talked together for approximately thirty minutes.

On that occasion he advised that he was glad to be returned to New York City and felt that because of his association with the LEWIS family he could make a great deal of money in the export-import business, as well as in the real estate business, in which both Mr. and Mrs. LEWIS were presently interested. On this occasion I do not recall that KERLEY asked any questions concerning either ARTHUR ADAMS or ANDREI SHEVSCHEVSKO. Our conversation consisted almost entirely of a monolog on his part concerning his proposed activities as superintendent of the office building on 57th Street and his organization of the export-import company. He stated that both Mr. and Mrs. LEWIS had a large number of financial interests and had need of such a person as he to do the leg work. He stated that Mr. LEWIS had been negotiating for the purchase of a wholesale drug supply business, which as I recall, was under the control of the Alien Property Custodian. He also mentioned a drug manufacturing business, which was organized and operating in Spain with which Mrs. LEWIS

NY 67-13301

was making arrangements to become United States representative. KERLEY was under the impression that Mr. and Mrs. LEWIS contemplated placing him in active charge of either of these two companies which happened to materialize. He said, however, that he was temporarily going to act as superintendent of the 57th Street building and would probably arrange to setup a small office in that building and to organize a corporation for the LEWISSES' personal individual operations.

On this occasion also KERLEY mentioned that [redacted]
that during his absence in Kansas City [redacted]

[redacted] I advised him that

[redacted]
[redacted] (In this connection, I would like to
state that subsequent to that contact with KERLEY at the time of his return
to New York from retraining and prior to his resignation, [redacted]

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[redacted] whom she believed to be a Communist, had [redacted]

[redacted]
and felt that he should be investigated by the Bureau. [redacted]

[redacted]
[redacted] conversation was general in its nature [redacted]
[redacted]

Except for a telephone call which KERLEY made to me at my home about two weeks ago, at which time he had expressed his desire to see me, I have not seen or contacted him since his transfer from the New York Field Division, other than as above mentioned, nor have I ever had occasion to meet or talk with either Mr. or Mrs. LEWIS except as set forth herein.

EMORY W. GREGG
Special Agent

New York - New York

EMG:GU

February 6, 1946.

MEMORANDUM FOR SAC:

RE: LARRY E. KERLEY
BRIBERY

3/25/03 62290BCE/CAL/MS

On February 5, 1946 I left the office at 12 noon to keep an engagement made on the previous evening with Larry E. Kerley at 5 East 57th Street, New York City. I arrived at this address at 12:35 and upon inquiry of the elevator operator was referred to the basement where I found Mr. Kerley in the company of a young man by the name of Fitzgerald whom he later described as the real estate agent through whom the purchase of that building was made by Mr. Lewis.

Kerley, Fitzgerald and myself then went to the ground floor entrance of the building where Kerley took a key from his trousers pocket and unlocked a copper base door immediately to the west of the street entrance. We then went up a short flight of stairs to what Kerley referred to as the mezzanine floor of the building. Immediately at the top of the stairway was a hall on which several doors of office holders of that building opened for fire escape purposes only. Kerley unlocked the door on the east side immediately at the head of this stairway with another key attached to the chain in his left trousers pocket, and we entered a small office which he described as his temporary quarters. This office was approximately nine feet east by west and twenty feet north and south, divided evenly in the center by an archway. It had a small oval window opening to the front and an entrance to the down stairs jewelry shop on the west side. Kerley advised that this office had formerly belonged to the jewelry shop but was not included in the lease and that he had had the entrance boarded up. The inner or front portion of the office is occupied by a table and two chairs, a typewriter, boxes of paper and envelopes and a large number of miscellaneous papers which appeared to deal solely with the operation of the building itself, the payment of taxes and the collection of rents. It had a phone, the number of which was Eldorado 5-4946, Extension 3. Kerley stated that the phone was an extension from the jewelry shop and passed through the jewelry shop switchboard and that he used it only on rare occasions, placing all his business calls from a telephone in the basement on which I could call him at any time and the number of which was Plaza 5-9112.

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In the rear portion of the office there were two chairs, a cupboard space and a false fireplace. It was barely furnished and undecorated but Kerley advised that it was his plan to obtain a steel filing cabinet which he had ordered, some leather chairs and a leather davenport. He said that he expected to remain in that office at least until sometime in March when he hoped to set up offices in the front portion of the seventeenth floor of that building.

While in this office Kerley, Fitzgerald and myself talked solely of his plans for redecorating and the increased valuation of the property, which he stated had been purchased by Mr. Lewis for \$600,000 and for which Mr. Lewis had allegedly received an offer by which he would make a profit of a quarter of a million dollars.

Upon leaving the office it was noted that the door, which was equipped with a yale type lock, had a sliding glass panel approximately 16" by 10" capable of being raised in grooves made for that purpose.

After leaving the office Kerley invited Fitzgerald to have lunch with us, which he declined because of a prior engagement. Kerley and I then walked to Reubens Restaurant in the Squibb Building on East 58th Street, where we had lunch. During the lunch period Kerley inquired as to the progress of my wife and son and the expected date of their return to our home. I then asked him to pay my respects to Mrs. Lewis and remarked that in my opinion she appeared to be a very shrewd capable woman. He stated that she had been born in Hungary, the daughter of the President of the National Bank of Hungary, and had been trained and worked for a period of two years in financial circles in that country. However, following the Bolshevik uprising in 1919 her father had been seized as a hostage, which subsequently resulted in his death, thereafter causing her to have an almost fanatical hatred of the Communist Government of Russia. He said that in 1921 she had come to the United States where she at first obtained a job at twenty-five dollars a week. However, because of her brilliant mind she had gone into the millinery and designing business and had almost increased her income to \$38,000 a year. As an example of her business sense, he stated that following her marriage to Lewis, she had purchased for \$44,000 a house on 54th Street, which a short time later she sold for \$109,000.

I inquired of Kerley as to his success and he advised that before his resignation he had invested \$5300 in a small business with his brother-in-law in Kentucky and that his brother-in-law had put up a similar sum. He stated that from this business he was presently receiving an income of \$100 a month profit and could if he wished withdraw an additional \$100 to \$150. He stated that this profit

was largely due to the employment of ex-servicement which they hire as "aporentices" at \$135 a month, of which sum the US Government was paying \$90 per month each for their training over a four year period. As to the \$5300 which he had invested Kerley stated that he raised the money by selling the war bonds which he had accumulated while a Bureau employee.

Following this conversation, with apparent marked casualness, Kerley asked "How are you coming with A?" I advised that "things were about the same; that he comes and goes but that we have had things under control." Kerley then said they will probably let him leave the country like all the others. I asked him to what he referred and he said "Oh, you remember the Jap agent who they loaded aboard the boat prior to Pearl Harbor." This is the only remark during the luncheon conversation that I recall as being particularly pertinent to this matter.

Kerley then discussed the possible purchase of a German pharmaceutical manufacturing house which was presently in the hands of the U.S. Alien Property Custodian. He said that several United States concerns were bidding for the business which was presently being operated by the US Government and that there was a lot of politics involved. He said that in spite of this Mr. Lewis had some powerful connections and had someone in Washington working on it for him and that he (Kerley) believed that they had a 50-50 chance of buying the business for a figure in the neighborhood of seven million dollars. He stated that if this was successful Mr. Lewis had assured him a position as vice-president in charge of personnel.

The balance of the conversation dealt solely with a plan which Kerley had conceived whereby he could borrow five thousand dollars at four per cent interest, with which he could in turn pay a margin payment on a \$100,000 US War Bond. He stated that he could then go to the Federal Reserve Bank and borrow \$95,000 on this bond at a rate of interest between 1 and 1 $\frac{1}{4}$ per cent, which would net him an annual income from the investment of \$1360. He said that he had talked to an official of the Federal Reserve Bank who advised him that such was possible and that he felt that he could raise \$25,000 within the next six months, with which he intended to buy five \$100,000 bonds to be placed in his name and the names of his wife and son. He dwelt at length on this plan and appeared very enthusiastic.

Upon termination of the lunch we then proceeded to 57th Street where Kerley asked that I come up to his office where "we could put our feet on the desk and talk." In the office he said that practically all the agents had moved away from his neighborhood, either on transfer or resignation. As to this he mentioned that a neighbor by the name of LEWIS had told him that Special Agents [redacted] and [redacted] had obtained jobs through a downtown employment

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agency; the name of which he could not recall. During this conversation I received the impression that the [redacted] had had dinner with this Lewis family, during which time the subject of [redacted] success through this employment agency had arisen, as a result of which the following week Special Agent [redacted] had through the same source obtained a connection with Pacific Mills.

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After this more or less trivial conversation, Kerley asked whether I was still busy down at the office and I stated that I was. He then inquired "Are you still tailing Schevchenko?" To this I said "No, we never did-because of his official position it seemed impracticable under the circumstances." He said that while in Kansas City he had heard that the investigation was practically completed, to which I answered "I know very little about the case inasmuch as there is no continuous surveillance which would be my primary concern."

Answering my inquiry as to how he liked his present job, he advised that he was presently receiving an income of \$7500 but expected to receive a \$5000 raise within the next two or three months. He said that while he was in New York for retraining he had remained from Saturday until the following Tuesday, during which time he had stayed at Mr. Lewis' club. At that time he had spent the bulk of his time at the Lewis home and had lunch with Mr. Lewis, on which occasion Mr. Lewis had suggested that he resign from the Bureau to act as his personal assistant at a proposed salary of about \$6000. He said that Mr. Lewis had assured him that within a relatively short period he could expect an annual salary of \$10,000 and would share in the profits of the Lewises personal investments.

Following this conversation Kerley asked "Have you ever lost Adams again?" I said that of course Adams continues to be one of our greatest problems and is moving around more than he ever did before but that we had managed to keep things in hand. He inquired as to how many surveillances we were presently conducting, to which I replied that "it varied a great deal from month to month but that we usually had our old stand-bys; that during the latter part of December over the Christmas season we were extremely busy - new subjects are continually coming to New York for short periods of time and that we never seemed to be able to catch up on all our compensatory leave." He said that in a Sunday broadcast Drew Pearson had stated that a Russian agent had surrendered in Canada and had named names and places of NKVD operations in Canada and the United States. He stated that Pearson had said that the Canadian Prime Minister had journeyed to Washington and he wondered if that had been reflected in increased business for us. I stated that I had not heard the broadcast and that insofar as I knew there had been no apparent results from such a conference insofar as our work in New York was concerned.

In connection with my remark as to our busy Christmas season, I purposely told him that I had worked 18 hours on Christmas day and that on the 26th of December anybody who had seen fit to offer an annual salary of \$2000 at regular hours would have had a ready acceptance. I said that following V-J Day I had thought seriously of tendering my resignation for the purpose of resuming the practice of law but that I had postponed taking such a drastic step until the birth of our child. I added that nothing had occurred to change my mind but that the expenses attending the addition of a new son to our family had been great and that I was somewhat reluctant to leave until I had been able to recuperate and establish a little nest-egg to see me through the first difficult period of my efforts to re-establish a practice. He said that he wanted to keep in touch with me and that if this pharmaceutical business which Mr. Lewis was presently attempting to purchase from the Alien Property Custodian would materialize he would have something good to offer me. He said that they were presently retaining a lawyer for \$1500 and that he was sure I would be interested.

During the conversation at the office Kerley asked if I knew George Strain. I said that I believed that I knew him when I saw him, but had not had the opportunity to become very well acquainted with him. He said that he had requested him to execute an affidavit for George's application for admission to the New York Bar and that he had done so. However, he said he had called George and told him that it was ready and asked him if he should mail it, to which George had suggested that he keep it at the office and that he (George) would pick it up later. He said, however, that George had not been around at all and that he had been unable to contact him and requested that I see that the executed affidavit was delivered to him at the office. Kerley stated that he had known George while they were attending law school in Washington and that they had subsequently been agents together in the Louisville and New York offices and that on the basis of this he had executed the affidavit. Kerley then penciled a brief note on a corner torn from an envelope and sealed it together with the affidavit in an envelope addressed to George Strain and handed it to me.

Upon leaving I asked Kerley to pay my respects to Mr. and Mrs. Lewis and said that sometime when he is free I would like to see her. He said that as soon as my wife and baby return home he would give me a ring and that he and his wife would like to drop out and see us.

I returned to the office, as shown on my #3 card, at 3:20 PM.

EMORY M. GREGG
Special Agent.

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. LADD

FROM : J. C. Strickland

SUBJECT: LARRY KERLEY
BRIBERY

DATE: February 18, 1946

Call: 2:00 PM
2-18-46

Mr. Tolson ✓
Mr. E. A. Tamm ✓
Mr. Clegg ✓
Mr. Glavin ✓
Mr. Ladd ✓
Mr. Nichols ✓
Mr. Rosen ✓
Mr. Tracy ✓
Mr. Carson ✓
Mr. Egan ✓
Mr. Hendon ✓
Mr. Pennington ✓
Mr. Quinn Tamm ✓
Tele. Room ✓
Mr. Nease ✓
Miss Gandy ✓

SA Granville of the New York Office called and furnished the most recent information relative to the captioned case. He stated that Kerley called Mrs. James Campbell Lewis and they discussed Rushmore's article of today appearing in the Journal-America attacking the State Department. (Granville attempted to give a brief dissertation of this article but there was too much telephone interference to understand the gist of his story. He advised, however, that a teletype had been furnished the Bureau giving the full details.) Mrs. Lewis told Kerley that Rushmore had said that Paul (possibly Paul Shaugnessy) wanted Kerley to write an article with a by-line. She told Kerley she didn't think it was the thing to do at this time and he told her he had better come up and talk it over with her. Kerley apparently is to go to the Lewis home at 4:30 PM today. Granville advised that Rushmore called Mrs. Lewis and stated that he was wondering if the Russian Agent referred to by Drew Pearson several weeks ago as leaving Seattle, couldn't be Adams. Rushmore also told Mrs. Lewis that Alger Hiss of the State Department was one of the top Communists there and further advised that he thought Hiss was Secretary to the San Francisco Conference. Rushmore told Mrs. Lewis to find out if "our girl friend" knew anything about Hiss. Granville stated that during the call at 1:25 PM today that Mrs. Lewis asked Kerley if he knew Hiss and he advised that he didn't.

Granville called at 3:45 PM and advised that in view of the many difficulties involved that the meeting between Kerley and Mrs. Lewis would not be covered.

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HEREIN IS UNCLASSIFIED
DATE 3/25/03 BY 6020 BCD/afms

58 MAR 28 1946

JCS:DA

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

FROM : J. C. Strickland

SUBJECT: LARRY KERLEY
Bribery

DATE: 2-19-46
JCS:TD

Mr. Tolson ✓
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd ✓
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Beahm
Miss Gandy

Supervisor Granville of the New York Office called for the purpose of furnishing recent information obtained in the above matter. He advised that at 7:50 PM on February 18, 1946, Mrs. Lewis called Rushmore and reviewed her previous conversation had with him concerning "our girl friend writing a story." The conversation indicated that both she and Rushmore were of the opinion that if they had a story with a by-line they could actually set forth names and the matter would not be so easily digested by the Senate. Rushmore inquired of Mrs. Lewis as to the possibility of the four of them (possibly Schoenstein, Kerley, Lewis and Rushmore) having a meeting. Mrs. Lewis informed Rushmore that there is one person who has to go ahead and get some goods, apparently indicating that information for a story would have to be obtained thru some other source and she indicated that the person would have to be well taken care of. Mrs. Lewis informed Rushmore that there is a great deal of information which is not being used, particularly in other phases of Soviet espionage, some of which she claimed is extremely important. She did not elaborate on this statement. At the conclusion of this conversation, it was agreed between Rushmore and Mrs. Lewis that if possible arrangements would be made for four of them to get together and talk the matter over. Mrs. Lewis also mentioned the possibility of obtaining pictures of Victoria Stone and Barney Josephson.

According to Supervisor Granville, at 7:55 PM on February 18, Mrs. Lewis again called Rushmore and indicated that a picture could be obtained of Beatrice Herman and Julius Herman, whom you will recall are involved in the Silvermaster case. She also discussed with Rushmore the possibility of a libel suit. Rushmore informed her he would not worry if they had a by-line and they had a witness who could testify, possibly meaning Kerley.

At 11:50 AM on February 19 Rushmore called Mrs. Lewis and informed her that he had talked to Paul, apparently Paul Schoenstein, and Paul suggested that he, Rushmore, Mrs. Lewis and the girl in the Bronx get together this afternoon (February 19th) and go over the whole situation. Rushmore related further that he informed Paul that he was of the opinion that "our friend" did not want any money. Rushmore stated that Paul is quite willing to pay but he thought it would read better if nothing was involved. Mrs. Lewis informed Rushmore that was correct; the only question being that our girl friend has a girl friend whom she wants to have a contact with and it may be that the kid, who is an excellent pianist, may be thrown out. Mrs. Lewis stated that she thought Paul should be at the meeting; that she was of the opinion that Paul would want to discuss the whole thing. Mrs. Lewis informed Rushmore that it would be perfectly all right if he made every arrangement but that the "girl" had just one particular demand - that it would be given prominent space. Rushmore stated no doubt such consideration would be granted. It appears from the conversation between Mrs. Lewis and Rushmore that possibly Kerley may have informed them that he might have to obtain

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/25/03 BY 60290 BCE/KAL/ES

70 FEB 26 1946

Mr. Ladd

2-19-46

further information from another contact who could possibly be a Special Agent of the New York Office in an effort to obtain further information for a story, and that the financial consideration mentioned would be for this third party. It appears from these conversations that Kerley will write the story, but that he desires prominent space and, of course, use photographs and names.

According to Supervisor Granville, a meeting is scheduled at 5:00 PM today at the home of Mrs. Lewis on 73rd Street and Special Agents of the NY Office will endeavor to cover this meeting and obtain, if possible, photographs or moving pictures of persons entering the residence of Mrs. Lewis.

Office Memorandum • UNITED STATES GOVERNMENT
DML:DS

TO : THE DIRECTOR

DATE:

FROM : D. M. Ladd

February 22, 1946

SUBJECT: Re: Larry Kerley
BriberyALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/25/03 BY 60290 BSE/CAL/VMS

Mr. Tolson	✓
Mr. E. A. Tamm	✓
Mr. Clegg	✓
Mr. Coffey	✓
Mr. Glavin	✓
Mr. Ladd	✓
Mr. Nichols	✓
Mr. Rosen	✓
Mr. Tracy	✓
Mr. Carson	✓
Mr. Egan	✓
Mr. Gurnea	✓
Mr. Hendon	✓
Mr. Pennington	✓
Mr. Quinn Tamm	✓
Tele. Room	✓
Mr. Nease	✓
Miss Beahm	✓
Miss Gandy	✓

SAC Conroy and the writer have conferred at length with reference to the handling of the above entitled case and the following procedure is proposed:

1. It is believed that the New York office should continue to follow the activities of Kerley until approximately March 15th, for several reasons -- one being there is a possibility at the present time that an attempt may be made through Kerley to bribe a present employee of the Bureau for further information concerning the Bureau's work. Secondly, it is believed desirable to wait until this time in order that the New York office may arrange to check the income tax return filed by Kerley on or before March 15th, for the year 1945, which should show if he has received any payment for the articles which appeared during December in the Journal-American.

2. Subsequent to this date, it is believed that Special Agent Gregg of the New York office, who is still maintaining a semblance of friendship with Kerley, should call Kerley down to the office allegedly for a luncheon or friendly visit, at which time the New York office will thoroughly interview Kerley and simultaneous with this interview, it is proposed that Special Agent Strain in the New York office, who may be the contact of Kerley in the New York office, should be interviewed and Special Agent [] who is presently assigned to the Charlotte office, should likewise be interviewed because of his past association with Kerley, and it is believed desirable that an Agent from the New York office familiar with this matter should proceed to Charlotte for this purpose.

Mr. Conroy is of the opinion that it would not be desirable to put a close, physical surveillance on Kerley prior to questioning him, as he feels that to do so would only result in having Kerley contact the Lewises, Rushmores, or others, and that it would give him an opportunity to secure legal advice which might result in making it considerably more difficult to secure any statement or interview with him.

In the event you approve the above recommendations, this case will be followed in this manner and the action thereafter will be largely dependent upon the results of any interview with Kerley, Strain or []

all of above approved. 5/11/46
March 15 submit
some again before we
actually interview Kerley. 4.

2/25/46
J. Ladd
Conroy
J. Ladd

70 FEB 26 1946

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. D. M. LADD

FROM : J. C. Strickland

SUBJECT: LARRY KERLEY;
Bribery

DATE: 2-19-46
JCS:TD

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Beahm _____
Miss Gandy _____

Supervisor Granville of the New York Office called and advised that the technical surveillance on the office of Kerley was instituted at 4:30 PM, February 18, 1946, and is known as [REDACTED] This covers telephone Plaza 5-9412, located at 5 E. 57th Street, Manhattan, New York.

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31 FEB 26 1946

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 10/2/03 BY

AUC/ROBCE/AG/MS

20 FEB 26 1946

5 JPM

PERSONAL AND CONFIDENTIAL

SAC, New York

February 11, 1946

John Edgar Hoover - Director, Federal Bureau of Investigation

LARRY ERNEST KERLEY

BRIBERY

62-20325/CAL/MS
3/25/03

Reference is made to the report of Special Agent Lyman T. Chipman, dated at Louisville, Kentucky, January 4, 1946, in the case entitled, "Larry E. Kerley, Bribery."

For the information of the Louisville Field Division, Larry E. Kerley has a brother-in-law, Van Barnett, who resides at 1105 Olive Street, Murray, Kentucky. As a result of a mail cover, the New York Field Division ascertained that Kerley received a letter postmarked January 8, 1946 at Murray, Kentucky, bearing the return address of "Firestone Home and Auto Supply, Barnett and Kerley, Camers, Murray, Kentucky." From this, it appears that Larry E. Kerley and his brother-in-law, Van Barnett, may be the owners of the Firestone Home and Auto Supply.

The Louisville Field Division is requested to discreetly determine if Van Barnett or the Firestone Home and Auto Supply have received any unusual sums of money since August 1, 1945.

The New York Field Division will continue to check on Kerley's bank account in New York City for any unusual activity.

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Gandy _____

cc - Louisville

58-1542

JJM:omw

RECORDED
INDEXED
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58-1548-54
FEB 13 1946

574

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. LADD

FROM : P. J. Shine

SUBJECT: Russian Espionage Activities, Canada

DATE: February 16, 1946

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Beahm
Miss Gandy

At 12:25 P.M., on February 16, 1946, the writer received the following information concerning the above captioned matter from Special Agent Grandville of the New York Division by telephone.

Shortly after nine o'clock this morning Agent Grandville advised that the New York Division received two telephonic inquiries from Howard Rushmore of the New York Journal American inquiring whether the New York Division had seen the articles appearing in the morning newspapers in New York City, advising of the apprehension of 22 individuals yesterday by the Royal Canadian Mounted Police in Canada who are charged with engaging in espionage activities. Mr. Rushmore desired to know whether the New York Division had any comment to make concerning these articles. SAC Conroy informed Mr. Rushmore telephonically that the Bureau had no comment to make.

During the course of these conversations with the New York Division Mr. Rushmore also advised that he had contacted the Cooper Hotel in New York City looking for Adams but that he was unable to ascertain Adams' present whereabouts.

Agent Grandville further advised that Mr. Rushmore thereafter communicated with Mrs. James C. Lewis, his informant, and asked her if she had any comment to make concerning the articles appearing in the New York morning newspapers. When she stated that she did not Rushmore told her that he was going to write another article for the Journal American depicting Adams as the head of the entire spy ring in North America and then asked Mrs. Lewis if she could verify this information for him. She said that she could not but would make an additional inquiry and advise him.

Thereafter Mrs. Lewis called former Special Agent Larry Kerly and asked him if Adams was in fact the head of the espionage operations in this country. Agent Grandville stated that former Agent Kerly seemed to be elated upon receipt of this inquiry and advised Mrs. Lewis that Adams was the head of the whole thing. Thereupon Mrs. Lewis called Mr. Rushmore back and furnished him with this data.

Agent Grandville stated that he believes a supplementary article is now being prepared by Mr. Rushmore for publication in the Journal American late this afternoon which will depict Adams as the head of the whole espionage ring in the North American continent. He said the night edition of the Journal American which is presently on the news stands in New York City merely carries the Associated Press story which appeared in the morning papers and contains nothing which might have been prepared by Mr. Rushmore.

ACTION TAKEN:

The writer requested Agent Grandville to keep the Bureau promptly and fully advised of all developments in this matter. He stated that after gathering additional data he would call the Bureau again and advise it of all recent developments.

PJS:rlh

FEB 27 1946

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DATE 12-30-85 BY 9142 JF/626/bat

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FEDERAL BUREAU OF INVESTIGATION

1946

_____ The Director	_____ Records Section
_____ Mr. Tolson	_____ Personnel Files
_____ Mr. Ladd	_____ Send File
_____ Mr. Rosen	_____ Bring file up-
_____ Mr. Clegg	_____ to-date
_____ Mr. Glavin	_____ Search, serial-
_____ Mr. Nichols	_____ ize, and route
_____ Mr. Tracy	_____ Reading Room
_____ Mr. Harbo	_____ Mechanical Section
_____ Mr. Hendon	_____ Bureau Supply Section
_____ Mr. Pennington	_____
_____ Mr. Quinn Tamm	_____
_____ Mr. Nease	_____ Call me re this
_____ Mr. Coyne	_____ Note and return
_____ Miss Gandy	_____
_____ Mr. Carson	_____
_____ Mr. Mumford	_____

_____ Miss Stalcup	_____ Stamp and mail
_____ Miss Gray	_____ Prepare tickler
_____ Miss Butcher	_____ Call these files
	_____ File

_____ See Me

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HEREIN IS UNCLASSIFIED
DATE 3/25/03 BY SP3903CE/CA/JMS

7/2/46

Edward A. Tamm
5734

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. LADD

FROM : P. J. Shine

SUBJECT: Russian Espionage Activities, Canada

DATE: February 16, 1946

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
EXCEPT WHERE SHOWN
OTHERWISE

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Beahm _____
Miss Gandy _____

At 1:25 P.M., on February 16, 1946, Special Agent Grandville of the New York Division telephonically advised that the Wall Street edition of the New York Journal American which hit the street at approximately 1:10 P.M., carried an article on the first page by Howard Rushmore captioned, "Link Red Ring to Atom Leak, Spy Head Traced to This City By FBI." This article is quoted verbatim as follows:

"While Canadian officials were questioning 22 persons detained on charges of giving atom bomb information to Russia, the ring leader of this international spy network is living in a midtown hotel surrounded by FBI Agents. This man, the New York Journal American revealed last December 3, is Alfred Adamson who entered the United States illegally on forged Canadian papers in 1938. This Russian-born and NKVD trained spy is head man of the ring which since 1941 has made every effort to steal plans of atomic development. Adamson, whose real name and whose place of residence are known to this newspaper, disappeared from his midtown hotel about three weeks ago. He reappeared last week after an absence which may be connected with the Canadian arrests.

"Another Russian who obtained vital jet propulsion secrets while serving as a Soviet Trade Commisar at an up-state aircraft company, has gone back to Russia with the State Department making no attempt to stop him. Although the FBI had watched this Russian whose name is Chevchenko closely for two years and had seized blue prints of secret airplane plans in his 36th Street rooming house, the State Department refused to allow his arrest. Chevchenko left for Moscow by plane three weeks ago.

"Adamson, who is registered at his local draft board as a Canadian citizen born in Toronto, continues to keep in touch with American members of his spy ring. It is also known that through a mail drop system of contacting his subordinates, Canadian members also were advised of the progress of his espionage activities. That this mail drop system of Adamson may have led Canadian officials to the trail of Canadian suspects seems probable.

"One of Adamson's most efficient lieutenants who attempted to buy atomic data from the University of California on Adamson's orders, now is in New York and yesterday attended a National Committee meeting of the Communist Party. Another link in Adamson's network of spies is now facing court martial by the Army when he returns from a tiny Pacific island where authorities isolated him two years ago after this man had given Adamson confidential data on the atomic bomb. At the time this Army officer was working as a scientist in a secret Chicago laboratory where the atom bomb was being perfected. After he was caught passing blue prints and other information to Adamson, this man was hastily sent out of the United States by the Army and placed under observation.

"Another important link in the Adamson case is the official of an electrical manufacturing company. This man was with Adamson when the latter

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on 10/2/03

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59 FEB 28 1946

Memorandum for Mr. Ladd

2/16/46

attempted to elude his FBI guard a year ago. He is also under surveillance. The case against Adamson was closed by the FBI more than a year ago and a full report recommending the arrest of Adamson and that of his compatriots was submitted to the State Department. The State Department refused to act. Unlike the Canadian Government, which is now prepared to prosecute its allegedly disloyal citizens and foreign spies, the United States has not yet moved despite a mountain of evidence against Adamson."

In clarifying the above quoted article, Agent Grandville stated that the name Schevchenko spelled Chevchenko in the article should be Schevchenko and that as a matter of fact this individual left the United States for Russia a few weeks ago by boat and not by plane as indicated in the article. (X)(u)

Agent Grandville identified the New York individual who attempted to buy atom information on the West Coast, as Steve Nelson, a key figure Communist and the Army officer who was exiled to a small island in the Pacific for attempting to obtain atomic bomb information for the Russians as Clarence Hiskey. He said Hiskey is now in Hawaii and that his wife, Marcia, is presently under investigation by the New York Division in connection with her Communist activities. Agent Grandville stated that the head of the electrical manufacturing company referred to in this article may be Samuel Novick or could possibly refer to Eric Bernay who is head of a record manufacturing company. For the most part, Agent Grandville indicated that the information contained in Mr. Rushmore's article is a rehash or a series of articles published by him in the New York Journal American on December 3, 4, and 5, 1945.

ACTION TAKEN:

The writer requested Agent Grandville to furnish the Bureau with appropriate clippings from the New York Journal American immediately and to keep the Bureau advised of all pertinent developments this afternoon. Agent Grandville stated that after he had an opportunity to review the technical logs he would again communicate with the Bureau to furnish it with all important data.

PJS:rhr

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. LADD

FROM : P. J. Shine

SUBJECT: Russian Espionage Activities, Canada

Call 3:30 P.M.
DATE: February 16, 1946

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 12-30-85 BY 9115 JEP/24

FOIA # 257,519

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Beahm
Miss Gandy

At 3:30 P.M., on February 16, 1946, the writer received the following supplementary information concerning the above captioned matter from Special Agent Grandville of the New York Division telephonically after Agent Grandville had completed his review of the technical logs. The following information was received from [redacted]

At 9:05 A.M., Howard Rushmore called Mrs. James C. Lewis, directed her attention to articles appearing in the morning papers concerning the apprehension of 22 individuals in Canada, advised her that he was going to prepare another story to be published in the Journal American concerning this matter and then told Mrs. Lewis that he was desirous of getting in touch "with our girl friend in the Bronx." Agent Grandville stated that they were referring to former Special Agent Kerly by this reference.

During this conversation Rushmore told Mrs. Lewis that he had checked Adams' hotel in midtown New York but found that Adams was not in. Then he told Mrs. Lewis that he wanted to characterize Adams as the head of the entire spy ring in the North American continent in his proposed article but she replied that this was not true.

Later in this conversation Mrs. Lewis stated that she was out with some friends recently who had lunch with "a lady friend high up in the News" (probably referring to the New York Daily News). Mrs. Lewis stated that this individual was very close to the FBI and had informed her that the FBI was checking the leak which led to the publication of Rushmore's original articles. Agent Grandville expressed the belief that the person referred to on the Daily News staff was in all probability Norma Abrams but stated that she had been furnished absolutely no information by the New York Division at any time concerning this matter.

At 10:24 A.M., Mrs. Lewis called former Special Agent Larry Kerly in the Bronx and asked him if he had read the stories appearing in the morning papers. He said that he had not read the stories and after she furnished him with the substance thereof, he expressed great elation. Then Mrs. Lewis told him that Rushmore contemplated writing another story concerning this matter and asked him if Adams was really the head of the espionage activities in this country. Kerly replied that there was no doubt that Adams was the head of the spy ring in the North American continent. Then Mrs. Lewis inquired if this included Canada to which Kerly assented. Kerly further stated that if there were a Canadian head that "at best he is only Adams' Lieutenant."

Continuing this conversation, Mrs. Lewis stated that she tried to discourage Rushmore from making the categorical statement that Adams was actually the head of all espionage activities in this continent, whereupon Kerly replied that if it is going to appear in black and white that maybe the statement should be qualified somewhat. Then Kerly stated that he would like very much to proceed

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58 APR 15 1946

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to Washington and throttle Byrnes, Secretary of State.

At this point Mrs. Lewis asked Kerly if it might not be desirable for Rushmore to play up the Canadian angle in his forthcoming story with particular reference to the "jeweler." Agent Grandville stated that the individual referred to in the phrase the "jeweler" was in all probability Victoria Stone. There was no further comment at this point.

At this point Kerly stated that he thought it might be desirable to bring the whole matter to the attention of the Congressional Committee on Un-American Activities and they in turn could take it up with Secretary of State and the President and give Byrnes and Truman "hell." In concluding this observation Kerly wound up with the statement, "It's time to marshal our forces."

As they were concluding this conversation, Mrs. Lewis and Kerly discussed referring this matter to the Congressional Military and Naval Affairs Committees and in particular to Senator David I. Walsh, Chairman of the Senate Naval Affairs Committee. However, Agent Grandville stated that according to [redacted] no decision was actually reached concerning this point. b2

Continuing the conversation Mrs. Lewis stated that her husband, Jim, had suggested that it might be a good thing for Senator Meade of New York to use in his bid to become the next Governor of the State of New York. Mrs. Lewis indicated that Meade was definitely pro-labor in his attitude but by no means pro-CIO. She also pointed out that since this was a Manhattan project that it might be a very good thing for Meade to consider.

At 10:52 A.M., Mrs. Lewis called Howard Rushmore and told him that she had been doing some checking "with their girl friend in the Bronx" and that it would be all right for him to name Adams as the head of espionage activities in the North American continent provided he qualified it somewhat. Rushmore told her that he was writing the story at that time and Mrs. Lewis urged him to recommend Congressional action somewhere in the article. Rushmore stated that he thought it more appropriate to make Congressional action the subject of editorial comment and that he was working upon a proposed editorial to be published today or tomorrow. In this editorial Rushmore indicated that the New York Journal American would urge immediate Congressional action in an effort to move the State Department to legal action.

At 2:00 P.M., former Special Agent Larry Kerly called Mrs. Lewis informing her that he had read the articles appearing in the morning papers and suggesting that if she wished to consult him further that they could confer later this afternoon. Mrs. Lewis made no specific reply to this suggestion.

ACTION TAKEN:

The writer requested the New York Division to follow this matter closely and to inform the Bureau telephonically of all major developments. The writer also requested Agent Grandville to prepare and submit the complete transcript of the aforementioned calls to the Bureau as soon as possible and to ascertain whether

Memorandum for Mr. Ladd

2/16/46

the proposed editorial comment appears in the next edition of the New York Journal American. He stated this would be done.

PJS:rhr

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. D. M. Ladd

DATE: February 17, 1946

FROM :

SUBJECT: Russian Espionage Activities, Canada

At 4:55 P.M. on February 17, 1946, Agent Granville called from New York to give the following information on the above-captioned case.

At 1:35 P.M. Howard Rushmore got in contact with Mrs. James Campbell-Lewis. They discussed, in general, Rushmore's articles on the above case. Rushmore said he had a picture of Adamson but none of Victoria Stone and Mrs. Lewis said she had two pictures of Adamson and also a blueprint of Victoria's place drawn by the FBI. Rushmore said he was going to call Senator Bridges of New Hampshire to see if he could get Bridges started on an investigation and bring this case out in the open. Rushmore said he would be glad to go to Washington as a witness and wondered if "the girl friend" in the Bronx would also go down. Mrs. Lewis said she was sure he would and thought it could be arranged. Rushmore wants to keep the story going.

At 3:00 P.M. Rushmore called Mrs. Lewis and said he could not get in touch with Bridges and she referred him to George Sipley who could give him Bridges' telephone number in New Hampshire. Rushmore then told her that he wanted to go over and see "our girl friend" but Mrs. Lewis said, "Don't go there", that she would call her and have her call Rushmore.

Immediately thereafter, Mrs. Lewis called Kerly and said, "Your girl friend wanted to call you", and they discussed getting Bridges and Connally together on this matter. Mrs. Lewis informed Kerly that a check revealed that Adamson had gone and she wondered if he was being held. Kerly said he could probably find out if Adamson were being held (there being a possibility of his being held by the FBI). Mrs. Lewis and Kerly agree to keep in close touch with one another and Mrs. Lewis tells Kerly to call Rushmore through an outside telephone.

Agent Granville is of the opinion that these individuals will get in touch with Senator Bridges as soon as possible, and will keep the Bureau informed of any pertinent developments.

HWS:VPS

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DATE 12-30-85 BY 9145 STE/AG/60
FOIA # 857,519

76 APR 15 1946

Mr. Tolson ✓
Mr. E. A. Tamm ✓
Mr. Clegg ✓
Mr. Coffey ✓
Mr. Glavin ✓
Mr. Ladd ✓
Mr. Nichols ✓
Mr. Rosen ✓
Mr. Tracy ✓
Mr. Carson ✓
Mr. Egan ✓
Mr. Gurnea ✓
Mr. Hendon ✓
Mr. Pennington ✓
Mr. Quinn Tamm ✓
Tele. Room ✓
Mr. Nease ✓
Miss Beahm ✓
Miss Gandy ✓

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INDEXED

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58-1548-58
FEB 20 1946

Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

FROM : D. M. Ladd

SUBJECT: LARRY E. KERLEY;
Bribery

DATE: 2-20-46
JCS:TD

Mr. Tolson	✓
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	✓
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

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HEREIN IS UNCLASSIFIED EXCEPT
WHERE SHOWN OTHERWISE~~

You will recall that on February 19, 1946, the New York Office advised that there was to be a meeting at the home of Mrs. Lewis at 5:00 PM and it was thought Howard Rushmore, Paul Schoenstein, Larry Kerley and Mrs. Lewis would have a discussion concerning further stories pertaining to Russian activities.

Supervisor Granville of the New York Office called and advised that thru the technical surveillance maintained on the home of Mrs. Lewis at 6:05 PM on February 19, Mrs. Rushmore spoke to Howard Rushmore at the home of Mrs. Lewis, at which time Rushmore told her that they were discussing the matter. At 6:08 PM, Howard Rushmore called Paul Schoenstein and informed him that a number of questions had arisen which he was unable to answer and Schoenstein wanted him to come over to his place. Rushmore said he would take it up with the others and call him back. At 7:03 PM Mrs. Lewis had a call from Howard Rushmore, apparently from a telephone booth, and he informed her that he had a long talk with Paul and that they would get together at 8:30 PM; that he and "K" (possibly Kerley) are together and that they would call their respective wives. At 8:50 PM Howard Rushmore called his wife from the home of Mrs. Lewis and cautioned her she should be very careful in using the telephone. He informed her that he was just sitting there and letting Paul and Mrs. Lewis talk. He also stated he thinks Paul realizes he has something. Also thru the technical surveillance being maintained on the home of Larry Kerley it was disclosed that at 7:05 PM on February 19th Kerley called his wife and explained that he was being detained by his appointment with "this woman." He made some remark that he was trying to get someone (the name not clear). He informed her he was unable to locate this individual.

At 9:30 AM on February 20, 1946, Paul Schoenstein called Mrs. Lewis and said that everything had been settled except the price and that such matter will have to be taken up with superiors. Shortly thereafter, at 9:47 AM, Rushmore called Mrs. Lewis and told her that they should all be very careful and not say anything over the phone because when they left her home last night they saw a car on the street and after they got into a cab and drove thru Central Park they noticed the car following them. Rushmore continued to state that this car followed the cab containing Schoenstein, Rushmore and Kerley and when they got to Kerley's house they observed a car parked in front of his residence and that when he, Rushmore, got home he saw several cars in front of his house. He also told Mrs. Lewis to watch out for a surveillance. She remarked that she did not care and that if she saw a Special Agent she would approach him and ask him in for a cup of coffee.

You will recall that the New York Office advised that they would endeavor to con-

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INDEXED 27 FEB 26 1946

70 FEB 28 1946

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The Director

2-20-46

duct a surveillance of the meeting to be held at Mrs. Lewis' residence on February 19 and Supervisor Granville advised that at 4:15 PM Special Agents took their position across the street and up a few doors from Mrs. Lewis' place. He stated that they were off the street entirely and were in an apartment which they were using as a plant and could not be seen by anyone. He advised no Bureau car was in the vicinity of Mrs. Lewis' residence; that at approximately 5:02 PM Rushmore arrived at Mrs. Lewis' residence at 22 E. 73rd Street and approximately twenty seconds later, Kerley and Mr. Lewis also arrived and greeted Rushmore at the front door and they entered the residence together. However, before entering they all looked up and down the street for quite sometime. This surveillance was discontinued at 6:00 PM. [REDACTED]

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[REDACTED] The ~~(S)~~ (U) surveillance thereafter was maintained at a discreet distance in a Bureau car about one block from the residence of Mrs. Lewis. The Special Agents were unable to continue the use of the apartment and the Bureau automobile had no Bureau equipment thereon. At 10:15 PM, Kerley, Rushmore and Schoenstein left the home of Mrs. Lewis and took a yellow cab and proceeded south on Madison Avenue to 72nd Street and west on 72nd Street until they were out of sight of the surveilling Agents. The Special Agents did not surveill the cab; however, they proceeded in their car to Madison Avenue, to 79th Street and west thru Central Park and two of the Agents got out and walked past Schoenstein's residence located at 210 W. 78th Street, at which time they observed a cab similar in color to the cab in which Kerley, Rushmore and Schoenstein had left the home of Mrs. Lewis. They observed one man got out of the cab at which time he looked up and down the street. They also observed a car was parked near the entrance to Schoenstein's residence and an individual was noticed wiping snow off the rear window. It is interesting to note that at the time the Agents were surveilling the home of Mrs. Lewis from 8:30 to 10:00 PM they observed a car parked in front of the Lewis residence and noticed that someone was in the car. This individual occasionally got out of the car and wiped off the rear window. The Special Agents observed Rushmore, Kerley and Schoenstein leave the home of Mrs. Lewis and they did not go to Rushmore's residence or the residence of Kerley after they left the residence of Mrs. Lewis. Supervisor Granville also advised that it was practically impossible last night for Agents to be observed as from 6:00 PM to 12 midnight it snowed continuously and an individual's vision was distracted considerably.

From the actions of Schoenstein and Rushmore it is possible that Kerley has no doubt informed them to watch out for surveillances as it appears that they are now surveillance conscious.

Federal Bureau of Investigation
United States Department of Justice

New York, New York

March 1, 1946

PERSONAL & CONFIDENTIAL

APPROPRIATE AGENCIES
AND FIELD OFFICES
ADVISED BY ROUTING
SLIP (S) OF declass.
DATE 12/9/82

Director, FBI

RE: LARRY ERNEST KERLEY
BRIBERY

Dear Sir:

There is being enclosed with this letter the report of Special Agent [redacted] dated March 1, 1946 at New York.

It will be noted in the [redacted] section of this report that BETTY LEWIS holds several conversations in Hungarian with unknown individuals. An Hungarian-speaking Stenographer will listen to the recordings of these conversations and any pertinent information will be reported subsequently.

It will be noted on page 26 that BETTY LEWIS mentions a "top situation in Westchester". It is possible that she could be referring to either RALPH BOWMAN or LEN HARRIS, principals in the COMRAP case.

It will be noted on page 30 that RUSHMORE told BETTY LEWIS how they had "made the surveillance" the previous night. The Bureau has previously been advised how it would be impossible for the surveillance to be made.

It will be noted on page 54 that MRS. ADRIAN C. SMITH is possibly still living in the same apartment house with KERLEY. It is requested that the Bureau check the personnel file of former Special Agent [redacted] and determine if his wife's name is [redacted] (Phonetic).

Very truly yours,

E. E. CONROY
SAC

TSM:els
67-13301



12 1946

Mr. Tolson.....
Mr. E. A. Tamm.....
Mr. Clegg.....
Mr. Glavin.....
Mr. Ladd.....
Mr. Nichols.....
Mr. Rosen.....
Mr. Tracy.....
Mr. Carson.....
Mr. Egan.....
Mr. Gurnea.....
Mr. Hendon.....
Mr. Jones.....
Mr. Mumford.....
Mr. Quinn.....
Mr. Nease.....
Miss Gandy.....

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b2

b6
b7C

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INDEXED
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158-1548-62

5/2/46

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. EDW. A. TAMM

DATE: 2/20/46

FROM : Mr. D. M. Ladd

Call: 3:30 P.M.

SUBJECT:

Mr. Tolson	✓
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	✓
Mr. Nichols	✓
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

SAC E. E. Conroy of New York called me at this time to advise he had received a telephone call from Paul Shoenstein at 12:55 PM and made reference to the call which Mr. Conroy had received from Mr. Rushmore. He said he wanted to give Mr. Conroy one more call, that he had received a wire from the City Editor of the Ottawa Journal stating they had picked up Arthur Adams. He wanted to be pretty certain of his ground if he could and was appealing to Mr. Conroy for some help. Mr. Shoenstein asked if that was "the" Arthur Adams and Mr. Conroy stated he had no comment to make. He further stated that it would be a good story for his paper and it wouldn't do the Bureau any harm either. It was said that this was the same Arthur Adams, but Mr. Shoenstein did not know definitely. Mr. Conroy advised he then inquired as to the story which Mr. Shoenstein received. He said the story was to the effect that Adams was picked up in Ottawa, Canada, Sunday night by "Mounties" and was being held incommunicado and presumably is "the Arthur Adams" the Bureau had been "tailing" for several years at the Peter Cooper Hotel. Mr. Shoenstein added if it were the same man he could see no harm to be done by printing the story and he desired to have this confirmed by Mr. Conroy, if possible, without "putting him on the spot or involving" Mr. Conroy in any way. Mr. Conroy stated he said he had no comment to make and suggested he might desire to call the Bureau in this regard. Then Mr. Shoenstein advised he had called the Bureau but had received a quick "no comment".

Mr. Shoenstein said he was looking for some way that he could definitely say it was "the Adams" certainly without discredit to the FBI and that the Canadian paper is very anxious to know what the story is. Mr. Conroy reiterated that he had no comment to make and Mr. Shoenstein apologized for bothering Mr. Conroy and thanked him for listening.

DML:dmg

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58-1548-61

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Handwritten signatures and initials, including a large "J" and "M" with a checkmark.

10 MAR 6 1946

Office Memorandum • UNITED STATES GOVERNMENT

DML:MAB

TO :

MR. EDW. A. TAMM

DATE: February 20, 1946

FROM :

D. M. Ladd

Call: 12:30 p.m.

SUBJECT:

LARRY KERLEY

Mr. Tolson	✓
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	✓
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Gandy	

SAC Conroy advised at this time that he had received a call from Howard Rushmore who stated he expected another "no comment" and that he was going to check with the information he had received from Canada from an "unimpeachable" source to the effect that Arthur Adams had been picked up and held there and that he is confined by the Canadian authorities. Rushmore advised that they had confirmed this with the RCMP. I told Mr. Conroy that Schoenstein had called Mr. Nichols on the same thing a few minutes ago and that it looked as if they were just shopping around for a story. I advised him that we had talked to Mr. Bethel in Ottawa this morning and there was no indication then that Adams had been picked up, that we would be advised immediately if he had been.

Rushmore stated that he didn't see any point in Agents surveilling him, since the record of his actions and cooperation with the FBI was good, at least until December 3rd of last year and that he still has a high regard for the FBI. He stated he didn't have anything to hide and would be perfectly willing to report all of his daily actions. Since he is a newspaperman with the freedom of the press and since there are so many other people in the U.S. who ought to be under surveillance, Rushmore didn't feel he should be under suspicion and resented being followed. When Conroy told him he was mistaken in the foregoing, Rushmore said of course he valued Conroy's veracity, but he had to go on what he saw and wanted to make the complaint that a surveillance of him was unnecessary.

Conroy stated that the only time, in his knowledge, that we did have Rushmore under surveillance was the evening of December 27th when we determined Kerley's identity to the case and followed him from his home to the Lewis's.

According to Mr. Conroy, there was a meeting last night with Schoenstein, Rushmore, the Lewises, and Kerley at the Lewis home. Agents were parked outside the house, but the Bureau had no Bureau identification and no markings or equipment which might have caused suspicion. The Agents secured the license number of a car parked near the Lewis home, to which some man came from the Lewis home and brushed off the windows once. Mr. Conroy stated that they had talked on the phone later about a surveillance on them from Central Park, but that it was definitely not us. The subjects are apparently suspicious, but they have discovered no surveillance that we have had, and Mr. Conroy has instructed the Agents to exercise extreme caution, that if there is ever any possibility of any surveillance being observed and detected that they should immediately drop it. However, he stated that there is no indication that our men have ever been discovered.

70 MAR 6 1946

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The Director

2-20-46

duct a surveillance of the meeting to be held at Mrs. Lewis' residence on February 19 and Supervisor Granville advised that at 4:15 PM Special Agents took their position across the street and up a few doors from Mrs. Lewis' place. He stated that they were off the street entirely and were in an apartment which they were using as a plant and could not be seen by anyone. He advised no Bureau car was in the vicinity of Mrs. Lewis' residence; that at approximately 5:02 PM Rushmore arrived at Mrs. Lewis' residence at 22 E. 73rd Street and approximately twenty seconds later, Kerley and Mr. Lewis also arrived and greeted Rushmore at the front door and they entered the residence together. However, before entering they all looked up and down the street for quite sometime. This surveillance was discontinued at 6:00 PM. at which time arrangements were made [redacted]

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[redacted] The surveillance thereafter was maintained at a discreet distance in a Bureau car about one block from the residence of Mrs. Lewis. The Special Agents were unable to continue the use of the apartment and the Bureau automobile had no Bureau equipment thereon. At 10:15 PM, Kerley, Rushmore and Schoenstein left the home of Mrs. Lewis and took a yellow cab and proceeded south on Madison Avenue to 72nd Street and west on 72nd Street until they were out of sight of the surveilling Agents. The Special Agents did not surveill the cab; however, they proceeded in their car to Madison Avenue, to 79th Street and west thru Central Park and two of the Agents got out and walked past Schoenstein's residence located at 210 W. 78th Street, at which time they observed a cab similar in color to the cab in which Kerley, Rushmore and Schoenstein had left the home of Mrs. Lewis. They observed one man got out of the cab at which time he looked up and down the street. They also observed a car was parked near the entrance to Schoenstein's residence and an individual was noticed wiping snow off the rear window. It is interesting to note that at the time the Agents were surveilling the home of Mrs. Lewis from 8:30 to 10:00 PM they observed a car parked in front of the Lewis residence and noticed that someone was in the car. This individual occasionally got out of the car and wiped off the rear window. The Special Agents observed Rushmore, Kerley and Schoenstein leave the home of Mrs. Lewis and they did not go to Rushmore's residence or the residence of Kerley after they left the residence of Mrs. Lewis. Supervisor Granville also advised that it was practically impossible last night for Agents to be observed as from 6:00 PM to 12 midnight it snowed continuously and an individual's vision was distracted considerably.

From the actions of Schoenstein and Rushmore it is possible that Kerley has no doubt informed them to watch out for surveillances as it appears that they are now surveillance conscious.

The Director

D. M. Ladd

LARRY E. KERLEY;
Bribery

2-20-46

JCS:TD

You will recall that on February 19, 1946, the New York Office advised that there was to be a meeting at the home of Mrs. Lewis at 5:00 PM and it was thought Howard Rushmore, Paul Schoenstein, Larry Kerley and Mrs. Lewis would have a discussion concerning further stories pertaining to Russian activities.

Supervisor Granville of the New York Office called and advised that thru the technical surveillance maintained on the home of Mrs. Lewis at 6:05 PM on February 19, Mrs. Rushmore spoke to Howard Rushmore at the home of Mrs. Lewis, at which time Rushmore told her that they were discussing the matter. At 6:08 PM, Howard Rushmore called Paul Schoenstein and informed him that a number of questions had arisen which he was unable to answer and Schoenstein wanted him to come over to his place. Rushmore said he would take it up with the others and call him back. At 7:03 PM Mrs. Lewis had a call from Howard Rushmore, apparently from a telephone booth, and he informed her that he had a long talk with Paul and that they would get together at 8:30 PM; that he and "K" (possibly Kerley) are together and that they would call their respective wives. At 8:50 PM Howard Rushmore called his wife from the home of Mrs. Lewis and cautioned her she should be very careful in using the telephone. He informed her that he was just sitting there and letting Paul and Mrs. Lewis talk. He also stated he thinks Paul realizes he has something. Also thru the technical surveillance being maintained on the home of Larry Kerley it was disclosed that at 7:05 PM on February 19th Kerley called his wife and explained that he was being detained by his appointment with "this woman." He made some remark that he was trying to get someone (the name not clear). He informed her he was unable to locate this individual.

At 9:30 AM on February 20, 1946, Paul Schoenstein called Mrs. Lewis and said that everything had been settled except the price and that such matter will have to be taken up with superiors. Shortly thereafter, at 9:47 AM, Rushmore called Mrs. Lewis and told her that they should all be very careful and not say anything over the phone because when they left her home last night they saw a car on the street and after they got into a cab and drove thru Central Park they noticed the car following them. Rushmore continued to state that this car followed the cab containing Schoenstein, Rushmore and Kerley and when they got to Kerley's house they observed a car parked in front of his residence and that when he, Rushmore, got home he saw several cars in front of his house. He also told Mrs. Lewis to watch out for a surveillance. She remarked that she did not care and that if she saw a Special Agent she would approach him and ask him in for a cup of coffee.

You will recall that the New York Office advised that they would endeavor to con-

Tolson _____
E. A. Tamm _____
Clegg _____
Glavin _____
Ladd _____
Nichols _____
Rosen _____
Tracy _____
Carson _____
Egan _____
Gurnea _____
Harbo _____
Mohr _____
Winterrowd _____
Tele. Room _____
Mr. Holloman _____
Miss Gandy _____

~~DECLASSIFIED~~ NLS/AS/JAS-60367-AA9
3/25/03

FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT **NEW YORK**

NY FILE NO. **67-13301 mes.**

REPORT MADE AT NEW YORK	DATE WHEN MADE 3-1-46	PERIOD FOR WHICH MADE 2/6-25/46	REPORT MADE BY <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
TITLE CHANGED: LARRY ERNEST KERLEY			CHARACTER OF CASE BRIBERY

SYNOPSIS OF FACTS:

PERSONAL AND CONFIDENTIAL

[redacted] disclosed on 2/6/46 that KERLEY advised BETTY LEWIS that ADAMS had been found. On 2/10/46 LEWIS passed this information on to RUSHMORE. On 2/16/46 RUSHMORE advised LEWIS of Canada's arrest of spy ring; that he had found out that ARTHUR ADAMS was no longer at the hotel; wanted to say in article that ADAMS was head of the Canadian ring. Same date LEWIS talked with KERLEY who said that there was no question but what ADAMS was head of the Canadian ring. RUSHMORE's articles in "Journal-American" for Feb. 16th, 17th, 18th, and 19th, 1946 set out. Conversation between RUSHMORE and LEWIS indicates they are trying to get money for a contact of KERLEY's. On 2/19/46 SCHOENSTEIN, RUSHMORE, KERLEY and LEWIS met at the LEWIS home, presumably to discuss this. KERLEY, RUSHMORE and SCHOENSTEIN all thought they were surveilled home after this meeting. [redacted] advised on 2/7/46 that KERLEY asked STRAIN about ARTHUR ADAMS; that on 2/8/46 STRAIN and KERLEY were together during the evening; that RUSHMORE has conferred with KERLEY on several occasions. [redacted] reported several conversations of KERLEY with RUSHMORE and LEWIS. Analysis of KERLEY's bank account set out, showing repayment of \$600 loan. Mail cover set out.

APPROPRIATE AGENCIES
 AND FIELD OFFICES
 ADVISED BY ROUTING
 SLIP (S) OF
 DATE **12/9/82**

DECLASSIFIED BY **SA3 CUC/yr**
 ON **12-1-82** **213,776**

~~RECORDED~~ ~~RECORDING~~

REFERENCE: Report of Special Agent [redacted] 2/14/46 at New York.

DETAILS: The title of this report is being marked changed to reflect the full name of the subject as shown above, which was formerly carried as LARRY E. KERLEY.

APPROVED AND FORWARDED: <div style="border: 1px solid black; height: 40px; width: 100%;"></div>	SPECIAL AGENT IN CHARGE	DO NOT WRITE IN THESE SPACES
COPIES OF THIS REPORT		<div style="font-size: 2em; font-weight: bold;">58 1548 62</div> <div style="font-size: 1.5em; font-weight: bold;">204</div>
3- Bureau 2- New York		

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. LADD

FROM :

SUBJECT: LARRY KERLEY
BRIBERY

DATE: FEBRUARY 18, 1946

Call: 9:00 PM
2-18-46

Mr. Tolson	_____
Mr. E. A. Tamm	_____
Mr. Clegg	_____
Mr. Coffey	_____
Mr. Glavin	_____
Mr. Ladd	_____
Mr. Nichols	_____
Mr. Rosen	_____
Mr. Tracy	_____
Mr. Carson	_____
Mr. Egan	_____
Mr. Hendon	_____
Mr. Pennington	_____
Mr. Quinn Tamm	_____
Mr. Nease	_____
Miss Gandy	_____

SA Granville of the New York Office called at the above time and gave the following information relative to the captioned case. He advised that Howard Rushmore called Mrs. James Campbell Lewis and told her that he had contacted Bridges and he, Bridges, was very enthused about his proposition. Bridges didn't want to do anything about it until Connally came back. Styles Bridges asked Rushmore if he would be in Washington this week and Rushmore said that he probably would. Bridges then advised Rushmore to be sure and get in touch with him as he wanted to talk to him fully. Rushmore told Mrs. Lewis that he had advised Bridges that the information he had was documentary type. Rushmore also advised Mrs. Lewis that his paper didn't want to do anything about this until Senators Bridges and Connally had talked this matter over and decided what action the Committee would take. Granville stated he believed this Committee was the Foreign Affairs Committee. Mrs. Lewis asked Rushmore if he had talked "to our girl friend" and he said "Yes" and as a result of this talk he was of the opinion that Adams was in Canada singing. Rushmore stated he based this presumption on the fact that Adams would not want to return to Russia and be shot because of the fact that he was a Canadian citizen. Rushmore told Mrs. Lewis that Kerley was trying to get more information but that he was aware of the fact that there is a movement to plant some wrong information.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/25/03 BY 61908CE/CAL/MS

HWS:DA

FEB 25 1946

58-1548-47
FEB 20

FEDERAL BUREAU OF INVESTIGATION

1946

<input checked="" type="checkbox"/> The Director	<input type="checkbox"/> Records Section
<input type="checkbox"/> Mr. Tolson	<input type="checkbox"/> Personnel Files
<input type="checkbox"/> Mr. Ladd	<input type="checkbox"/> Send File
<input type="checkbox"/> Mr. Rosen	<input type="checkbox"/> Bring file up-
<input type="checkbox"/> Mr. Clegg	<input type="checkbox"/> to-date
<input type="checkbox"/> Mr. Glavin	<input type="checkbox"/> Search, serial-
<input type="checkbox"/> Mr. Nichols	<input type="checkbox"/> ize, and route
<input type="checkbox"/> Mr. Tracy	<input type="checkbox"/> Reading Room
<input type="checkbox"/> Mr. Harbo	<input type="checkbox"/> Mechanical Section
<input type="checkbox"/> Mr. Hendon	<input type="checkbox"/> Bureau Supply Section
<input type="checkbox"/> Mr. Pennington	
<input type="checkbox"/> Mr. Quinn Tamm	
<input type="checkbox"/> Mr. Nease	<input type="checkbox"/> Call me re this
<input type="checkbox"/> Mr. Welch	<input type="checkbox"/> Note and return
<input type="checkbox"/> Miss Gandy	
<input type="checkbox"/> Mr. Carson	

MR.

<input type="checkbox"/> Miss Stalcup	<input type="checkbox"/> Stamp and mail
<input type="checkbox"/> Miss Gray	<input type="checkbox"/> Prepare tickler
<input type="checkbox"/> Miss Butcher	<input type="checkbox"/> Call these files
	<input type="checkbox"/> File

See Me

Edward A. Tamm
5734

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 3/25/03 BY 60328 BCC/CAL/JMS

NY 67-13301

This is a joint report of Special Agents [redacted]
[redacted] and the writer.

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ELIZABETH B. LEWIS

CONFIDENTIAL INFORMANT

b2

The information being set out below was furnished the New York Office during the period of this report by Confidential Informant

February 6, 1946

At 9:57 AM a Miss LAWRENCE and DIXSON (ph.) conferred with BETTY LEWIS in an attempt to get information concerning families who lived here prior to the Revolution. She gave some background information concerning herself and JAMES CAMPBELL LEWIS.

At 10:00 AM Mrs. LEWIS conferred with an individual believed to be Dr. BERTIE POWERS, a woman who was presumably formerly employed by the "government". It was indicated that she gave lectures and writes books or pamphlets. She stated that it took her approximately two weeks to write one book. She said she is to speak on the 17th, (presumably February) before the Psychology Forum. She indicated that her husband was named SAM and also has a son named BERNARD. During the conversation it would seem that domestic difficulties exist in her family. The conversation between Dr. POWERS and Mrs. LEWIS lasted about one and one-half hours, during which time they talked about the Communist threat; Dr. POWERS' marital problems and current events.

Nothing of immediate interest to instant investigation was discussed and according to the informant Dr. POWERS' telephone number was Trafalgar 7-7392. This telephone number is listed to Reverend BERTIE POWERS, 310 West 72d Street, New York, New York.

At 12:10 PM HOWARD RUSHMORE conferred with BETTY LEWIS, at which time he asked her, "What's new?". She said that she had no news at all and that that was the reason she had not gotten in touch with him. She said, "I'm going to try to er--make another attempt this afternoon from somebody else to find out." She added, "The only thing that's definite is that he is gone." (Probably referring to ARTHUR ADAMS.) RUSHMORE said, "He's gone--yeah, well, that's all we know up to now, huh?" RUSHMORE then indicated that, "We'll just wait then."

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RUSHMORE told BETTY about a story he has in the "Journal-American" on instant date which she might be interested in. He said that he gave a little background information on all these CIO Unions who will be involved in the strike next Monday and stated he wanted to, "knock them around a little bit." RUSHMORE mentions SAM MALCHAK (ph.) as being the Right-Wing head of the International and said he was with one of the locals at Gimbel's (Department Store).

RUSHMORE and Mrs. LEWIS discuss some statements made by BEVIN in London and remarked that the "Times" said that the Russian papers in Moscow had but one-third of a column on BEVIN's statements. They mention VANDENBERG as "standing up pretty well" and then make disparaging remarks about STEFFINIUS.

At the end of the conversation Mrs. RUSHMORE discussed with Mrs. LEWIS the possibility of getting together for luncheon.

At 12:17 PM on the same date LARRY KERLEY conferred with Mrs. LEWIS at which time he made the statement that Mrs. LEWIS has been quite busy this morning, to which Mrs. LEWIS said that, "a hundred people have been calling me, including our girlfriend", (indicating to LARRY that HOWARD RUSHMORE had called). She said, "He heard a very---, she heard a very cute story yesterday, er---that, er---someone of your ex-colleagues that this baby was killed". (It is believed that Mrs. LEWIS is referring to the possible rumor that ADAMS had been killed.)

KERLEY said that that this was all wrong and that, "They seem to have a lot of rumors." KERLEY then said that, "Everything, er--- is the same as it was before. No change." Mrs. LEWIS then asks, "Not even gone" to which LARRY said, "No---found again." Mrs. LEWIS thought this was good and LARRY said that that was all and everything else is the same. BETTY said, "Yeah, but not shot." KERLEY said, "Just hopeful because of the release from Canada that there will be a break, but otherwise, they'll still be beating their heads against the wall."

(It is believed that LARRY is referring to either the actual surveillance Agents working on the ARTHUR ADAMS surveillance or to the Bureau in general with particular reference to the ARTHUR ADAMS case.

Mrs. LEWIS said that she saw yesterday the same thing by DANTON WALKER that, We are doing that now, that now we are watching a

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certain group who is mapping (indistinct). But how much we don't know. I mean it's not said." She said that this was coming to a head now and she was sure that they can't go on doing these things. KERLEY wondered where these rumors were coming out of and BETTY said, "Well, it's coming from one of the boys." LARRY said, "That left, huh? or is there?" BETTY said, "No, that's there, that one of them just got mad and shot him". Both of them laugh at this. LARRY said, "I should have been happy to do it many times."

(It might be stated that as a matter of fact KERLEY was on the ARTHUR ADAMS surveillance proper but very few times as shown in previous reports.)

BETTY said that it didn't have to be one of those boys, that anybody would have been glad to do that. LARRY said, "Of course, that's quite possible---if I were still there, I'm sure I would be crazy enough." Mrs. LEWIS said that she could imagine someone doing it, (shooting ADAMS), but she couldn't imagine telling it to wires with the greatest circulation in the world. LARRY said, "Well I wanted you to know that because of our other discussions, so, well he just---We'll just have to mark time, I guess."

It is believed that the above statement is attempted double talk on the part of KERLEY in an attempt to tell her that he wanted her to know that he had gotten information that ADAMS had been found and inasmuch as he had previously advised her that ADAMS had been lost, she should have that information.

Mrs. LEWIS stated that she thought there would be a change in the attitude toward Russia in Great Britain because of the action of "ERNIE BEVIN".

BETTY wanted to know if LARRY had read the "Times" this morning wherein it stated that Moscow had one-third of a column on Mr. BEVIN, whereas they had four columns on what VISHINSKY said. She stated that that was reported by BROOKS WATKINSON, "who is an American Commie", and he reports that the "average Soviet citizen thinks that it was just a very pleasant little conversation."

The two of them discuss various reactions, "when Britain voted Socialist".

They also conversed about the conference going on in London, at the present time, and during the discussion mention was made of STEPTENUS, "JIMMY" DUNNE, BEVIN and JAMES BYRNES.

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Changing the conversation, LARRY said, "well, that's strange what he heard about this fellow being shot," at which time BETTY said, "Yeah, I think it was just wishful thinking." LARRY said, "Yeah, certainly sounds like it. But everything is er---just as it was, except that they are er---they are just quiet, ever thinking, hoping and planning, they just er---punch in and punch out, now all their service (indistinct) is mechanical, no interest or incentive at all---which was almost the state when ---" BETTY interrupted him and said, "Yes, well naturally that would not change, that would get only worse." LARRY said, "Just worse that's all."

BETTY said, "I tell you it looks as if er, er---that they may get a little more authority or at least that's part of their publicity because, did you read PEARSON's column yesterday?" LARRY said that he had and BETTY said, "And er--- it indicates that, HOOVER would get a little more authority or should." BETTY indicated that that was PEARSON's suggestion, which is a big thing for PEARSON. BETTY said she thought that, "He's so scared of Military Intelligence getting hold of everything he'd rather suggest HOOVER".

The two ended the conversation by stating that they would see each other at 6:30 PM on the following Saturday night.

At 3:34 PM, a woman believed to be Mrs. PAUL GALLICO, conferred with Mrs. ADELA ROGERS ST. JOHNS, who is connected with Metro-Goldwyn Mayer at Culver City, California. The two indicated that they are well known to each other and Mrs. GALLICO said that she was conferring personally with ST. JOHNS; that PAUL (Gallico) knows nothing of it and she didn't want him to know about it.

During the conversation it was indicated that Mrs. GALLICO's name was PAULINE. Pauline said that she has a friend with whom she, "made a company" and "we are going to work on several projects and I thought I'd let you know what do you think of this and how could you tell it to "Pappa" (indistinct). There's one story---. "Is there any interest for a story like this, about the World Intelligence American Organization?" PAULINE then corrected herself and said, "The World Intelligence Women's Organization". She went on to say that it's about an American woman Agent who is working in several countries and that the pictures could be a series, something like the "Andy Hardy" series. She said that one picture would cover the woman's activities in each country. Mrs. GALLICO said that the woman would work out of the United States Embassy in foreign countries. ST. JOHNS said that it sounded like a very good idea. PAULINE suggested Greer Garson for the lead.

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PAULINE then said, "But I have the inside dope on all those things, I mean it's not a fantasy thing. It's not an imaginary story, but all based on true stories." "This is one." St. JOHNS said that she thought it sounded very exciting.

The second project which PAULINE explained to St. JOHNS was about the "House of Worth" which apparently is a fashionable dressmaking shop in Paris, which story would be a history of this establishment. PAULINE said that if St. JOHNS were interested, she could give her a ring or write her at the following address:

MRS. JAMES CAMPBELL LEWIS
22 East 73d Street
New York, New York
Telephone number BUTterfield 8-5979.

PAULINE said that everyone was fine and "Bogie" and PAUL are getting together inasmuch as PAUL is very interested in the idea "Bogie" has and indicated that it was a big advertising project.

It is pointed out that PAUL GALLICO was formerly a writer for the "New York Daily News" and is presently a free-lance writer. Mrs. ADELA ROGERS ST. JOHNS was formerly connected with the King Features Syndicate, which is a subsidiary of the HEARST Publications.

At 4:45 PM one CELIA conferred with BETTY, at which time they indicated that they wanted to get together for luncheon the following week.

At 5:08 PM a woman (unknown) conferred with Mrs. LEWIS in Hungarian.

At 10:23 PM Mrs. HOWARD RUSHMORE conferred with BETTY LEWIS, at which time they agreed to have lunch together on the following day at the Biltmore.

FEBRUARY 7, 1946

At 9:40 AM Mr. LEWIS cancelled Mrs. LEWIS luncheon engagement with Mrs. RUSHMORE.

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FEBRUARY 7, 1946 (continued)

At 11:05 AM Mrs. LEWIS conferred with a Mrs. JOSEPH VERGARA of 1215 California Road, Tuckahoe, New York. Mrs. VERGARA's first name is BETTE. During the conversation, which was wholly personal, it was indicated that Mrs. VERGARA's husband was a furrier who had just started a business under the name of BARNETT, VERGARA and LEVIANT.

At 12:25 PM a woman named MADINE BANDLER conferred with Mrs. LEWIS, at which time they discussed theatrical work and it was agreed that they would lunch at the St. Regis at 1:00 PM with one Mrs. PAUL GARRETT, whose first name, according to the conversation was LILLIAN.

At 12:40 PM a woman (unknown) conferred with Mrs. LEWIS in Hungarian.

At 4:47 PM Mr. RICHER (ph.) who presumably was a real estate man, judging from the conversation, conferred with Mrs. LEWIS, at which time they made a tentative date on the following day at her home to go over some things about the property on 57th Street.

At 8:05 PM Mrs. MEYERS (ph.) had a conversation with Mrs. LEWIS in a foreign language.

FEBRUARY 8, 1946

At 10:55 AM a Mrs. WISNIAK (ph.) told Mrs. LEWIS she would be in town on Tuesday and they might possibly get together at Mrs. LEWIS' home.

At 10:58 AM a Mrs. WAGNER (ph.) told Mrs. LEWIS that she would be up for a short talk prior to the time that Mrs. LEWIS has to leave her home to keep a one o'clock appointment at the St. Regis.

At 6:20 PM Mr. LEWIS told DOROTHY KERLEY (wife of LARRY KERLEY) that he and Mrs. LEWIS would be unable to go to the theater with them on Saturday night because of the lack of heat in the theater. He asked Mrs. KERLEY to ask LARRY to come by his house the following day at 2:00 PM and they would go look over the building. (Presumably the building owned by LEWIS at 5 East 57th Street.)

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FEBRUARY 9, 1946

At 10:15 AM a woman, stating she represented ALEXANDER KORDA, tried to obtain office space at 5 East 57th Street from Mrs. LEWIS, but was unsuccessful.

At 11:06 AM Mrs. LEWIS made inquiry at La Guardia Field concerning the arrival of some friends of hers, Count and Countess Charles Szechenyi (ph.).

At 12:20 PM Mr. LEWIS advised KERLEY that he would not go to the building on instant date in view of the weather. Mr. LEWIS said that he got a check from one of the tenants and would have at at the office on Monday. It was agreed that the two men would see each other on the following Monday. It was indicated that the KERLEYS were going to a show this evening.

FEBRUARY 10, 1946

At 2:00 PM Mrs. LEWIS ascertained at the Hotel Duane that Count and Countess SZENCHENYI were expected that afternoon.

At 3:05 PM LILLIAN GARRETT told Mrs. LEWIS during a lengthy conversation that she was running an opera company and had "too many irons in the fire". LILLIAN cancelled their luncheon engagement for Monday, but will get in touch with Mrs. LEWIS later on in the week.

At 6:15 PM HOWARD RUSHMORE asks Mrs. LEWIS if anything was new, to which Mrs. LEWIS said, "Nothing, he did get away and got back." (undoubtedly referring to ARTHUR ADAMS) BETTY said, "and again under the same thing." (Probably referring to a physical surveillance on him.) RUSHMORE then wanted to know if he had been arrested and BETTY said that he had not been. RUSHMORE then asked if SCHEVCHENKO was away and BETTY said that he was. BETTY said that otherwise, there was nothing new.

They then talk about one of STALIN's recent speeches and discuss the similarity of it with one HITLER made when he declared war on everybody.

After the above conversation, they then talked about the possibility of ADAMS having been arrested, to which RUSHMORE said, "O.K., BETTY, I'll see if I can get something on that." BETTY said, "Yeah, I think that you can get around that by er --- (unintelligible word).

The remainder of the conversation was concerned with JOHANNES STEELE's possibility of being elected and his alleged pro-Nazi tendencies.

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According to the informant, Mrs. LEWIS for the remainder of the afternoon unsuccessfully tried to get in touch with Count and Countess SZENCHENYI.

FEBRUARY 11, 1946

At 9:50 AM Mr. LEWIS advised his office that he would like to see a Mr. BRADSHAW (ph.) at about 10:30 AM.

At 10:40 AM Mrs. LEWIS inquired for a Mrs. FARRIS (ph.) at Roth's Market (ph.)

At 10:47 AM a woman believed to be Mrs. FARRIS mentioned above, conferred with Mrs. LEWIS, at which time they conferred in a foreign language. However the Agents handling the informant noticed that during the conversation the names DREW PEARSON, GABRIEL HEATTER and Pan-American were mentioned.

At 11:00 AM MADINE BANDLER, previously mentioned, conferred with Mrs. LEWIS, at which time they discussed LILLIAN GARRETT. Informant ascertained that GARRETT is a lyric song writer and her husband is vice-president of General Motors. The two women thought that Mrs. GARRETT was mentally unbalanced. They spoke of the trend toward Bolshevism and the fact that the French Republic is about to collapse. Mrs. LEWIS spoke for a short time with a man who was in Mrs. BANDLER's presence, at which time she told him that this is the time to write letters to Congressmen combating the CIO-Political Action Committee pressure. He told Mrs. LEWIS that Mrs. GARRETT was not sufficiently well posted to take an active part in any women's movement. Mrs. LEWIS then told him about her work with the American Federation of Women's Clubs and of their active support of J. Edgar Hoover's fight against subversive influences in this country.

Mrs. BANDLER said that her husband has a general apathy toward taking an active part in any movement, but she still feels keen enthusiasm for organizing groups and block leaders. Mrs. LEWIS said, "I have had a conversation on it with a Special Agent of the FBI and he said this, '...if that could ever be done it would be done with ninety per cent of the people who finally get in being Communists or Fascists. You can't keep them out in a block, and they're trying to get in and they always get in and within two months they would take over the organization.'" It was indicated that a Mrs. GOOD was a leader in the movement and was strong politically.

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Mrs. ~~BANDLER~~ indicated that her husband, DAVID, was a lawyer and he was associated with Oppenheim and Collins many years ago. Mrs. LEWIS said that the Communists infiltrate every organization, unless it is a federal organization, because they try to keep them out, but even Army Intelligence failed to do so and OSS came along to pull them out. Mrs. LEWIS said that for that reason she doesn't put too much faith in the Federation and considers herself a "lone wolf".

At 12:36 PM Mrs. LEWIS conferred with a woman, whom she called, "Monkey". They spoke in a foreign language. The telephone number of "Monkey" is REgent 4-6471.

At 2:35 PM Mrs. LEWIS conferred with another woman in a foreign language. This individual's telephone number was possibly PLaza 8-0830.

At 7:00 PM Mrs. LEWIS conferred with Countess SZENCHENYI, who is staying at the Hotel Duane, New York. The conversation was in a foreign language.

At 8:28 PM an unknown individual, whose name was possibly ALICE, conferred with Mrs. LEWIS in a foreign language.

At 10:30 PM LARRY KERLEY conferred with Mrs. LEWIS, at which time they held a lengthy conversation concerning O'Dwyer's proclamation to close all business houses in New York during the fuel shortage, LUCY LUCIANO's departure from New York City, property repairs and rentals concerning the LEWIS property at 5 East 57th Street, pending resignations in the State Department and stated that the Atomic Bomb Agents were to be prosecuted in Canada within the next three weeks. Relative to this last item they are concerned with some statements made by DREW PEARSON.

No conversation dealing with the instant investigation was engaged in by either Mrs. LEWIS or LARRY KERLEY.

The remainder of the evening, according to the informant, Mr. LEWIS tried to find out information concerning the possibility of keeping the Squibb plant open the following day.

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At 12:05 PM and at 12:20 PM Mrs. LEWIS engaged in conversations with individuals in a foreign language.

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At 2:35 PM Mr. LEWIS and LARRY KERLEY discussed their right to operate the building during the existence of O'Dwyer's proclamation and the possible reaction on the part of the tenants. Nothing of interest was noted by the informant during this conversation.

At 8:06 PM Mrs. LEWIS conferred with an individual connected with Radio Station WHN in New York City and identified herself as MARIA JAINES. She made disparaging remarks about Johannes Steele and was advised to get in touch with Mr. RANSON the following day.

At 11:50 PM Mrs. LEWIS talked with a Mr. DRISCOLL, (Ph.) who is connected with Radio Station WOR and told Mr. DRISCOLL that she wanted to register a complaint concerning the station cutting off an individual and said that it, "might have been done by dirty work on the part of Colonel McCormack (ph.), who (she states) is one of your backers." After considerable argument with Mr. DRISCOLL, Mrs. LEWIS cut off the conversation.

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At 11:16 AM Mrs. LEWIS told a Mrs. KUFFER (ph.) that she and Mr. LEWIS were having dinner on instant evening with Count and Countess SZENCHENYI. During the conversation, it was noted by the informant that Mrs. KUFFER's first name was LILLIAN.

At 11:47 AM, the informant believed that Mrs. LEWIS attempted to get in touch with the same Mrs. KUFFER, who presumably is connected with CURTISS ENGINEERING.

At 12:03 PM HOWARD RUSHMORE conferred with Mrs. LEWIS, at which time they discussed Congresswoman, CLARE BOOTH LUCE.

Changing the conversation, RUSHMORE asked her if there was anything new, to which BETTY said, "Nothing very much". RUSHMORE asked, "Our friend is still at the hotel I suppose?" BETTY said, "Yeah, I imagine so, I didn't inquire at all. Did you have anything on it?" RUSHMORE said, "No, I haven't heard. I told SCHOENSTEIN that he was back and everything and he said it was a good thing we didn't break the story and I said that the other fellow did get away and we should have something on that. He said that he'd think it over."

BETTY said, "Well, not only that, but apparently this thing is going to break in three weeks in Canada".

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It is obvious that the two were talking about ARTHUR ADAMS and ANDREI SCHEVCHENKO in the above conversation.

The two then discussed the fact that the UNO has suspended publication of their newspaper because VISHINSKY did not wish his speeches to be recorded. They also discussed Johannes Steele and the material that appeared in the "World Telegram".

It should be pointed out here that in conversations mentioned above, KERLEY, Mrs. LEWIS and RUSHMORE are under the impression that ADAMS at that time is at his hotel and that he was still under surveillance by Agents of this office. It is pointed out that ADAMS was not at his hotel and had not been seen since lost as explained in previous reports.

It is very possible that they are under this impression due to the fact that when LARRY KERLEY had lunch with Special Agent EMORY M. GREGG, KERLEY asked GREGG two questions concerning ADAMS. The first question was, "How are you coming with 'A'?" GREGG advised him, "Things are about the same. He comes and he goes, but we have things under control." Later on during the meeting, KERLEY asked GREGG, "Have you ever lost ADAMS again?" GREGG told KERLEY that ADAMS had continued to be one of our greatest problems and is moving around more than he ever did before, but that we had managed to keep things in hand. KERLEY, from the answers GREGG gave, probably believed that ADAMS at that time was under surveillance and from this advised Mrs. LEWIS as stated above that, "Things were the same", who in turn, told RUSHMORE. //

As will be shown later, RUSHMORE definitely determined that ADAMS was missing.

At 12:22 PM Mrs. LEWIS engaged in a conversation in a foreign language with Mrs. HILTON.

At 2:07 PM Mrs. LEWIS inquired for a Miss KAY BROWN (ph.). According to the informant, Miss BROWN was available at ELdorado 5-4100.

At 2:11 PM Mrs. LEWIS attempted to get in touch with JACK GOLDSTEIN, who is connected with RKO. She was unsuccessful.

At 2:20 PM Mrs. LEWIS attempted to confer with MONROE GREENTHAL at J. ARTHUR RANK Organization (Rank Motion Pictures), but was advised that Mr. GREENTHAL was connected with UNITED WORLD PICTURES.

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At 2:33 PM Mrs. LEWIS attempted to confer with one PEGGY, who either works or lives on East 87th Street, telephone number, ATwater 9-5622. She was advised that PEGGY was in Mexico at the present time.

At 3:02 PM JACK GOLDSTEIN conferred with BETTY, at which time the latter stated that she had been with DAVID and is now with ANNA CROSS of the Federation. She indicated that she wanted to get back in picture work and he said that it would be good. They arranged a luncheon date for the following Tuesday at 1:00 PM at the Metropolitan Club.

At 3:10 PM Mrs. LEWIS converses with Mr. DONEGAN (ph.). They had a long discussion about property for sale, real estate and the like. At the end of the conversation she tells him that the man in charge of her building is a former FBI Agent who was in charge of the Bureau personnel and is a great protection to her. According to the Informant, Mr. DONEGAN's telephone number is Murray Hill 2-2677.

At 3:47 PM one FRED conferred with BETTY in a foreign language believed to be Hungarian.

At 4:30 PM a woman/^{un-}identified, conferred with BETTY in a foreign language and during the conversation, DAVID KAHN (previously mentioned) was mentioned.

At 4:45 PM one ROSEMARY BLOW (ph.) asked Mrs. LEWIS to have lunch with her the following day, to which Mrs. LEWIS said that she would get in touch with her the following morning.

At 7:05 PM one FREDERICK (ph.) asks Mrs. LEWIS if JIM (Mr. LEWIS) had spoken to SIBLEY. (Possibly GEORGE SIBLEY of SQUIBB).

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At 4:50 PM Mr. LEWIS conferred with Dr. JONAS, who seems to be, from the conversation overheard by the informant, in the export-import line. Dr. JONAS remarked that he became a citizen last year. Mr. LEWIS asked about a firm in Switzerland named ZIELAG owned by a man named YCOOS. Dr. JONAS wondered if they were connected with I. G. FARBEN.

At 8:00 PM one FRED conferred with Mrs. LEWIS, at which time the conversation was concerned with some business venture of one ROSE MARIE's. FRED indicated he was trustee and wanted to bring a law suit to have one SCHWARTZ and one SIBLEY out so that ROSE MARIE could realize fifty per cent of the profits. Mrs. LEWIS recommends against it. FRED said he would pick up BETTY at 12:30 the following day at the Ritz.

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FEBRUARY 15, 1946

At 11:00 AM DAVID KAHN had a social conversation with Mrs. LEWIS.

At 11:20 AM Mrs. LEWIS attempted to confer with a Mr. STAFFER (ph.) at the Volney Hotel on East 74th Street, but was unsuccessful. The telephone number of the Volney Hotel is BUTTERFIELD 8-7500.

At 11:24 AM Mrs. LEWIS cancelled a date with Mr. STAFFER, who was connected with the DAVIS ENGINEERING COMPANY.

At 11:29 AM Mrs. LEWIS told one FRED that she and JIM (Mr. LEWIS) are going to Greenwich, Conn. the following day and will stay until about 8:00 PM.

At 11:50 AM Mrs. LEWIS attempted to confer with Mrs. HILTON at the Madison Hotel, but was unsuccessful.

At 12:30 PM a Mrs. FRITZIE HENEKER (ph.) conferred with Mrs. LEWIS, at which time they indicated that the Democratic Party was dying a slow death. They made a tentative date for the following week. HENEKER remarked that she received, "LESTER STONE's announcement."

FEBRUARY 16, 1946

At 9:05 AM HOWARD RUSHMORE conferred with BETTY LEWIS, at which time he said, "The thing's in the open now, you know".

It is pointed out that on the instant date the majority of the New York newspapers carried an Associated Press release concerning government authorities in Canada arresting a number of individuals who were surreptitiously obtaining vital data concerning the atomic bomb.

He informed her that twenty-two individuals were arrested in Canada for passing on atomic bomb information. He said that it was in the "Times" and that he was writing a story then. He said that he checked at the hotel and that ADAMS had left the hotel. RUSHMORE indicated that he was at his office.

BETTY congratulated him, "for the big, big scoop". She asked him

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if he wanted to get together with someone. RUSHMORE said, "er--- yeah. What I wanted to check on our gal in the Bronx. If this er--- as I remember she told us that er---he came down from Canada naturally and I checked later that he is er---the Draft Board shows that he was born in Toronto, which is phony as we know. But I wanted to say in the Journal that he is also head of the Canadian ring, which I am sure is true." BETTY said, "We can't say that unless we say, 'we presume'". BETTY said that she thought RUSHMORE should say, "presume" or "we imagine", because he would ruin the accuracy of this, "terrific forecast with something that may not be at all like that. I tell you why, because there has been no indication of his having that at all." BETTY said that she was telling RUSHMORE because he (ADAMS) has come in from there and he has tried to get away, but not to Canada. RUSHMORE said that he thought that ADAMS was pretty much the head of the North American group. BETTY said, "No, I don't think that went as far as North America. I think that it meant that he was the head of everybody here." She continues, "You see, if you say that he was the head of the North American group, er---it may be good newspaper writing, I don't know, I always hated that sort of thing. Because then all of a sudden it will come out that 'Mr. J. Smith' is the head of the Canadian thing." Continuing BETTY says, "and then if you say another thing, then it is not as important as it could be. Because after all, this was on December 6th or 8th wasn't it?" RUSHMORE said that PEARSON had a story in the "Mirror" which said that SCHEVCHENKO went back to MOSCOW. RUSHMORE said that "PEARSON named SCHEVCHENKO only he spelled it SCHEV---" and he, RUSHMORE thought that it was SCHEVchenko. BETTY wanted to know if PEARSON mentioned SCHEVCHENKO as being in the Canadian ring, but RUSHMORE said, no, that the fact was merely mentioned that he had stolen jet-propulsion stuff and had then gone back to Russia. RUSHMORE indicated that PEARSON did not connect SCHEVCHENKO with the atomic bomb business, but indicated SCHEVCHENKO may have taken back information, but there was no proof on that.

BETTY then said, "One of the heads of the 'News' (New York Daily News), a woman, I forget her name, had dinner with some friends of mine---very important people---and she mentioned how close she is to the FBI and she said that the FBI would love to find out who possibly could have given any information to the 'Journal-American', did I hear anything about it and I did not. They mentioned that to me and I said isn't that funny, what a strange story." (It is possible that the woman to whom Mrs. LEWIS had reference is NORMA ABRAMS of the "New York Daily News") RUSHMORE then said, "That's C H E V isn't it? he's got SCHEV---." BETTY said that it was C H E V with a "v" as in Victor and added that she thought that it was VICTOR SCHEVCHENKO.

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RUSHMORE asked her to get in touch with him later on if she wanted to check that name. BETTY indicated that she would do so.

At 10:24 AM Mrs. LEWIS contacted LARRY KERLEY, at which time she asked him if he had seen the "Daily Mirror". It was noted by the informant that Mrs. LEWIS was very excited. She then asked, "May I read it to you?" — "The entire front page, three lines, 'RED SPY PLOT ON ATOM' HOLDS 22 IN CANADA'". Mrs. LEWIS then reads the entire article to LARRY KERLEY, the article being DREW PEARSON's article in the "Daily Mirror" of February 16, 1946. Two copies of this paper are being maintained in the files of the New York Field Division in connection with this case. The entire article will not be set out in this report; however, inasmuch as KERLEY and Mrs. LEWIS make remarks pertaining to certain material contained in this article, certain portions of the article will be set out about which LEWIS' or KERLEY's comments were concerned.

BETTY read the leading statement on the inside of the paper. "Canada Seizes 22 in Sale of Secrets to Reds; Agent names 1,700 other Spies." KERLEY said, "Only 1,700, huh?" to which BETTY said, "That's all."

During the reading of the article BETTY said, "...isn't that a shame that we could not have done that in this country?" to which LARRY said, "The country that we are."

When BETTY came to the part of the article which stated that, "Serious secret differences inside the United States Government have resulted from these revelations, with the State Department anxious not to disrupt Russian relations, but the Justice Department anxious to arrest and prosecute.", LARRY said, "Oh, good".

BETTY continued reading the article. "One Russian Agent named Shimishenko was negotiating for the purchase of the blueprints of an American jet-propelled plane." LARRY asked, "Shimishenko?" to which BETTY said, "Shimishenko, yeah, but they got the name wrong. Maybe this is also because of libel, I don't know."

BETTY then read the portion of the article which stated that the FBI had detected SCHEVCHENKO, proposed arresting him, but the State Department ruled against it. It may be stated that the article contained the statement that another Russian Agent was found at Bremerton, Washington; that he not only had plans of the atomic bomb, but samples of the metal from which the bomb is made.

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It is pointed out that this particular statement caused RUSHMORE and LARRY at a later date to wonder if that Russian Agent in Washington could be ARTHUR ADAMS.

Mrs. LEWIS and KERLEY wonder why PEARSON did not give the name of the Russian Agent who left from Bremerton, Washington.

At the end of the reading of the article, LARRY commented that it was quite an article, to which BETTY added that it also appeared in the "New York Times," but was not given "the spread" that was in the Mirror. BETTY indicated that the "Times" and the "Mirror" ran the article, but the "News" and the "Tribune" did not. LARRY said the "Journal" really ought to have something. BETTY said, "Well RUSHMORE already called me up at 9:15." LARRY said, "I'll bet he's jumping up and down." BETTY said, "Jumping, he's dying. What he wanted to know, incidentally, do you think we have anything on that whether ADAMS was the head of the whole thing in Canada, too?" To this LARRY said, "I don't believe there would be any question. He's really some operator." When BETTY asked if there could be any question about it, LARRY said, "I don't think so, Betty." BETTY said she wanted to be sure because "if RUSHMORE makes a categorical statement and it is proven through this investigation that he was not, then, I'm afraid everything he has said before would be kind of nullified." LARRY said, "Yeah, well he has no superior (indistinct) certainly in this country." LARRY said that they got him through Canada on a false certificate up there and so, of course, there may be a leader in Canada, but he must be a Lieutenant to this "bird" here. BETTY said, "This man, who? A Lieutenant to who?" to which LARRY said, "To ADAMS."

LARRY said he thought this was the case because in 1932 ADAMS was already very high in the Russian Government as evidenced by "this Purchasing Commission over here, you see, and his station has grown ever since then."

KERLEY probably has reference to the fact that in 1932, ADAMS was connected with a Russian Purchasing Commission, as uncovered by the investigation in the ADAMS' case.

Continuing, KERLEY said that he did not think that they (Russia) have many men, "certainly with that experience over in this country who speaks so well and gets around so well as ADAMS, ---there is no question of his being head of the whole thing here." LARRY continued saying, "And working through the Embassy Consul, so that he couldn't go any higher without being in the Diplomatic Service." BETTY said, "Yes and Canada was always at his disposal."

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LETTY said that she thought she would call RICK ONE and tell him that because she had discouraged him on the categorical statement, that of saying that ADAMS was the head of everything.

LARRY then said, "Well, er---, or---, of course, if we think it is sticking our necks out too far--because in black and white I haven't --- (indistinct) there may be er--- a Canadian head, but there is no question on that ADAMS is the superior. LETTY said, "It would have to be checked with ADAMS, no question," and LARRY added, "Yes, because he certainly is the head one in this show.

LETTY said, "Well, he may say at this particular point that the jeweler also is Canadian."

It is believed that Mrs. LETTS is referring to VICTORIA STAN, one of ADAMS' contacts who is in the jewelry business.

Continuing, LETTY said, "I would not like to have it develop as an attack on Canada or the loyalty of the Canadians against the Government, but I must say this to you. I don't know whether you remember that original issue of Life Magazine in which there were pictures of Canadians making Nazi uniforms with Swastika armbands and of a Canadian tailor whose baby is in a little cradle and over it was a huge picture of Hitler dedicated to the baby, which he sent to Canada. They're certainly the lowest crackpots in the world up there." LARRY said, "Well this sort of thing exasperates me. I want to rush down to Washington and grab JAMES BYRNES by the collar.

LETTY then wanted to know if LARRY didn't think it was a good idea to go ahead and contact the Committee for Un-American Activities inasmuch as, "They really need a shot in the arm because everyone is going after them." She said, "After all they are sitting there to do a job on Congressional appropriations. Yesterday they were attacked because they don't like the Jews.... It wouldn't it be a good idea to have those people conduct an investigation on it. They're perhaps the only ones that would." LARRY indicated that they would be the answer. LETTY said that she was perfectly happy to go down there and testify.

LETTY said, "If the State Department does not act on this---of course, this is what it said from Washington,

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W. F. Reliable sources said tonight that if confidential information Canada says has been disclosed pertains to the atom bomb, serious consequences of it result should it fall into irresponsible hands. The State Department had no comment on Prime Minister King's announcement. Government officials declined to say whether the announcement concerned the atomic bomb. "You know what the 'Times' said, that the State Department said that this is a Canadian affair." To this LARRY said, "Oh, my, my. These sour rats." BETTY added to this, "The dirty swine. They're not sour, they're traitors." LARRY said, "To think of it. A man is trained as an espionage agent, who gets out of that damned country and sees what the world is like and the time comes by when he has to be recalled, he can't face even going back to the damned place." BETTY said, "You see the way we have to say this with ADAMS is that he was such an important man that it stands to reason that he was the head of this because he has come in through Canadian---through collusion with the Canadian officials, to begin with who gave him the birth certificate and his citizen papers, but if you say categorically that it was supervised from here, we may get a flat denial from everywhere." LARRY indicated that this was right.

Continuing, BETTY said, "Under his authority here, anybody working in Canada would at best be a lieutenant to him," to which LARRY said, "Yeah, sure." BETTY wanted to know if that would be the best way to put it and LARRY said that it would be quite a rationalization without making an actual statement on it. BETTY said that it was very important that they do say it to again force the State Department---. BETTY then indicated that the reason WELMORE wanted to say it was that it forced the State Department's hand. WELMORE said that if the Un-American Committee could start a big enough howl, then certainly the Republicans would take it up and "tell Truman and the State Department to hell all over again." The two of them then discuss the Committee for Un-American Affairs and especially its leadership and WELMORE came to the conclusion that it was about fifty percent Democratic and fifty percent Republican. BETTY wondered whether there was any other Committee--The House Military Affairs Committee or the House Naval Affairs Committee, or possibly Senator WELSH could be contacted. LARRY said that "he did not know how much they knew, but certainly---(indistinct) knows about the damned thing and maybe they haven't told him anything."

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BETTY then said that "JIM" had just given an interesting point and said, "Can't this make LALE the next governor. We're going to have a Democratic Governor. When we have JOHNSON, we're going to get the biggest old bum in the world. He is MARY LEE'S pal and is opposing LALE. MARY said, "The Party could really take a forward step and do something for LALE." BETTY then said, "Well, considering that this was the Manhattan project, I think the Senator from New York should be the person to do it."

After a break in the conversation, LARRY said, "I guess we'd better marshal our forces," to which BETTY said, "We have to---I'm going to call RUSHMORE on this. I'm going to call him before he puts the thing to bed and I'll call you back."

At 10:52 AM BETTY LEWIS conferred with RUSHMORE who was at the "Journal-American" and stated that she had done some checking for him, which was very important and said, "Now, it seems that no matter who was heading it in Canada, at best he could have been a lieutenant to this guy, (referring to ADAMS.) because Canada---in Canada an official helped him to get his phony papers to come here, so he was already bossing them around and obviously the official who got his papers was already one of these boys. Now, he was a high Purchasing Agent in 1932, which was clearly indicated by the photo-group picture from which the FBI picked him out and identified him."

It is pointed out that ADAMS was identified from a group picture at the inception of the investigation of ARTHUR WEISS.

RUSHMORE stated that he was, "Trying to speculate, you see, build up a little bit to make it hot for the boys in Washington." RUSHMORE added that, "ADAMS may be, I say may be the leader of this international ring, you see, and indicating why the hell don't the United States try to find the real leader."

BETTY said, "Not only that---Why don't you say this. Why don't you say this that a good many people, er---who will be very happy at this point of the game now that the State Department is weasel-wording to go to bat for this thing and to bring it to the attention either to the Committee of Un-American Activities or any group that wishes to investigate it." RUSHMORE said, "We're giving it a terrific play today." BETTY said, "Why don't you say that, RUSH, because through you, I know that LARRY and I would go up to testify at this point."

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RUSHMORE indicated that they were going to have an editorial thing and say just that. He said that as soon as the editorial writer, "wakes up" and "gets going on this." RUSHMORE indicated that at the present time the editorial writer was trying to make up a news story tying up this Canadian affair.

LEWIS said that it was especially important to say that in 1932 he (ADAMS) was already a Purchasing Agent, unless RUSHMORE wanted to run that the following day. RUSHMORE indicated that he was going to point that out and that he would get in touch with LEWIS later inasmuch as he was trying to make the next edition.

At 11:06 AM the informant indicated that Mrs. LEWIS tried to get in touch with DAVID LEWIS at telephone number Butterfield 8-9341 or Butterfield 8-9190.

At 2:00 PM KIRLEY conferred with BETTY LEWIS, at which time she said that she was still waiting to hear from RUSHMORE. It was indicated that the "Journal" was going to demand action in Washington and ask why President Truman and Secretary Byrnes can't explain to the people what is going on. They discuss the story in the "Post" and the "Times," as well as the "Telegram" and other papers. Each of them stated that they had bought all the papers and are following developments closely. KIRLEY said that BETTY should call him if they needed to get together over the week-end.

At 3:13 PM RUSHMORE conferred with BETTY and told her very excitedly that the "Journal-American" expects to keep the story alive now and on Monday, they are really going to "tee off" on the State Department. He said that he has definitely determined that ARTHUR ADAMS has checked out of his hotel. They both agree that perhaps ARTHUR ADAMS has been picked up. RUSHMORE said that he had just spoken to his friend on the "Toronto Star" who was very much excited over the "Journal-American" stories. Mrs. LEWIS said that she expected to get something the following day (Sunday) as she expects that some people may be taken in. She said her girlfriend thinks that the "guard" may be pulled in.

Relative to the above-mentioned guards, it is possible that Mrs. LEWIS was referring to the possibility of the surveillance on the ARTHUR ADAMS' hotel being discontinued.

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FEBRUARY 17, 1946

At 1:35 PM, RUSHMORE conferred with BETTY LEWIS, at which time they discussed the newspaper publicity on the Canadian spy story. BETTY mentioned the activity of GEOLYKO and VISHINSKY and the fact that one Canadian factory has stopped work on one manufacturing contract with the Soviet government. RUSHMORE said that he was going to "Keep on playing up the story in a big way." He said that he had a picture of ARTHUR ADAMS, but none of VICTORIA STONE. BETTY said that she has a picture of ARTHUR ADAMS [REDACTED]

[REDACTED]

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They wonder what became of ARTHUR ADAMS. BETTY read DREW PEARSON'S story in the Sunday Mirror.

RUSHMORE said that he is going to call BRIDGES in Washington this afternoon or tonight relative to the action being taken on the investigation in this matter in the United States.

RUSHMORE is referring to Senator BRIDGES.

RUSHMORE said that he would be glad to be a witness and asked BETTY if she thought they might get "the girl in the Bronx" to talk to BRIDGES (referring to LARRY KERLEY). BETTY said, "Sure." RUSHMORE said that he would get in touch with BETTY after he had talked with BRIDGES if it wasn't too late.

At 3:00 PM, RUSHMORE advised BETTY LEWIS that he couldn't get in touch with Senator BRIDGES, but is sending a telegram to him now. BETTY suggested that RUSHMORE call GEORGE SIBLEY (previously mentioned in this case) on 83rd Street who can give him BRIDGES' phone number. RUSHMORE asked BETTY the address of "their girl friend" (LARRY KERLEY), inasmuch as he was unable to recall it at the moment, but could only remember that it was in the neighborhood of East 83rd Street. BETTY warned him not to go there. She said that she would get in touch with the "girl friend" and have her go to a phone booth and call RUSHMORE, who indicated that he was home at the present time. BETTY said that she would get in touch with "LILLY" immediately (probably referring to KERLEY).

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At 3:05 PM, BETTY got in touch with KERLEY and advised him that his girl friend (referring to RUSHMORE) wants him to get in touch with her immediately. She instructed KERLEY to go outside and call from the telephone booth. They discussed the idea of getting Senator BRIDGES and CONNELLY together. BETTY told KERLEY a check had revealed that ARTHUR ADAMS is gone, but she thinks he may be held somewhere. KERLEY said that he would find out. They then had a discussion concerning the State Department and the JAFFE case.

BETTY then said, "Call the boy and see what you can get," to which LARRY said, "I'll call him and see what I can get."

At 8:30 PM, RUSHMORE got in touch with MRS. LEWIS and said that he had called Senator BRIDGES, having obtained the number from SIBLEY. He said that BRIDGES was very enthusiastic about his proposition, but that he would wait for TOM CONNELLY to get back. RUSHMORE said the Journal-American will not announce it until later. RUSHMORE said that he and KERLEY had arrived at the conclusion that ARTHUR ADAMS is the person who is "singing" in Canada. MRS. LEWIS then reviewed MAX LEWIS'S broadcast. She then wondered whether VICTORIA STONE would go to Canada.

RUSHMORE said that he had told BRIDGES that he may be in Washington during the week and Senator BRIDGES wanted to see him as soon as he could. RUSHMORE said that he had told BRIDGES that the evidence he has is not "of the old Dies Committee type." RUSHMORE said that KERLEY had told him that he was going to try to get some information the following Monday and also that he, KERLEY, was aware of the fact that "There was a movement to plant some wrong information."

It is pointed out that KERLEY has probably found out that ARTHUR ADAMS has not been found as yet and remembered that GREGG intimated to him that ADAMS was still under surveillance.

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At 10:20 AM, RUSHMORE told BETTY LEWIS that everything was coming along okay, "That MACKENZIE KING is coming out today naming Russia as the country conducting the espionage in Canada." They mentioned the possibility of DREW PEARSON'S statement about the Russian agent who left Seattle about a week ago and said that that person might have been SCHEVCHENKO. RUSHMORE said that he had a talk with Representative BRADLEY of Michigan from whom he got a statement blasting the appeasement

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attitude of the State Department, naming ALGER HISS as the "top Commy" in the State Department who served as Secretary of the San Francisco Conference and went to Europe to assist in setting up the UNO. RUSHMORE said that he had just talked to a friend of his who is still connected with the State Department and said that HISS is undoubtedly very powerful. RUSHMORE said that some time ago an individual "of the same sort as our girl friend" had told him that HISS was a Communist. RUSHMORE said that he had forgotten to ask "their girl friend" about this and wanted BETTY to find out. BETTY said she would ask her the next time she talks to her. RUSHMORE indicated he was getting out a story on the State Department.

A check of the indices of the New York Office indicates that New York File 101-141 is entitled "ALGER HISS, Department of State, Washington, D. C.; Hatch Act - Internal Security." Washington is office of origin in this case and the Bureau file number is 101-2668.

At 11:00 AM, on the above date, RUSHMORE told BETTY that SCHOLNSTEIN had requested him to ask if the "gal in the Bronx" is prepared to have a by-line story run now. BETTY said that she did not think it should be done at the present time. RUSHMORE said that SCHOLNSTEIN had probably thought this would be a good thing to get out before the Senate Relations Committee met.

At 12:35 PM, KERLEY conferred with BETTY relative to the Journal-American story. BETTY stated she had received a call from the man for PAUL asking about a by-line story from KERLEY, but she had advised the man that she did not think it was a good idea. KERLEY'S only remark to this was that he should see BETTY as soon as possible and discuss it with her. BETTY asked KERLEY about ALGER HISS, but he said that he did not know him. BETTY said that she and Mr. LEWIS were going for a drive, but would be back about 4:30 or 5:00 PM, and it was agreed that KERLEY would come over at that time and they would talk it over.

At 7:50 PM, RUSHMORE conferred with BETTY LEWIS, at which time they mentioned that there was quite a story out of Canada tonight in which the Attache, named in the release, "squealed to police." RUSHMORE said he may do something along that line tomorrow. MRS. LEWIS reviewed her talk with KERLEY set out above, and they decided that unless there is some additional pressure brought, "It will be quite routine." They said that if they had a by-line story naming names, it would not be so easily digested by the Senate. They said that as the matter stands, the Senate will look at it as a Canadian matter, and that they have had no requests for investigation by the FBI, and, considering the elections are coming up,

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they will do nothing. RUSHMORE said in view of the rude treatment HURLEY got from CONNELLY last year, the Senate will not touch it. MRS. LEWIS said that she wants RUSHMORE to take the matter up with PAUL which may be embarrassing to the "kid." She then said, "There's one person who has to get his - her goods out, her dictation out, you know where. Still she will have to be sacrificed, left by the wayside by some other people - not by us. She must be taken care of. This friend of mine doesn't want any money, but must take care of the other one who's scared to death." MRS. LEWIS said that there is a great amount of information not yet used dealing with Russian espionage. RUSHMORE wants to get together with her, KERLEY, and PAUL to go over the whole thing. MRS. LEWIS asked RUSHMORE if he knew BARNEY JOSEPHSON who was an Agent. She mentioned him in connection with STONE. She said a person was coming up to see her, STONE, and his apartment was raided and the citizenship papers of both the JOSEPHSONS were found therein.

At 7:55 PM, MRS. LEWIS conferred with RUSHMORE, at which time she mentioned "a top situation out in Westchester which is not connected with this, but ties in." In the course of her talk with KERLEY, she said that inasmuch as they had "aired this much, they want to air the whole thing while they were at it." She said that INGERSOLL is trying to play the whole thing down in his attitude of considering they only want information on armaments. LEWIS mentioned a "guy" who wants not only information on armaments, but who holds mass meetings in cellars and is working with chorus girls from all the universities.

RUSHMORE said that while PAUL is a newspaper man first and a politician second, he is wholly patriotic, but doesn't see the implications of the whole thing. RUSHMORE further explained that he and MRS. LEWIS look first at the political side of the picture. MRS. LEWIS said there are a lot of sensational things here and she then mentioned JULIUS HYMAN (a principal in the COMRAP case and an associate of ADAMS and VICTORIA STONE) who has a daughter working at the Embassy. MRS. LEWIS suggested that they get a photographer to take HYMAN'S picture and then a picture of his daughter and then get a picture of VICTORIA STONE.

They considered the possibility of a libel action in the event they name names in the article, but agreed there would be no chance of a libel action if it were all under a by-line and RUSHMORE added they would also have a witness who could testify (KERLEY). MRS. LEWIS said that they would never dare to sue but RUSHMORE says he wishes they would.

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The two then arranged a tentative date at MRS. LEWIS' home at 2:00 PM for MRS. LEWIS, KERLEY, RUSHMORE, and SCHOENSTEIN. RUSHMORE says that he will let PAUL do all the talking inasmuch as PAUL is his boss.

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At 9:20 AM, HOWARD RUSHMORE got in touch with BETTY and asked her to get "our gal in the Bronx" and have lunch together with him and PAUL SCHOENSTEIN. BETTY said that "he - I mean she couldn't make it until after 5 o'clock." They agreed that her place would be the best place to meet. RUSHMORE said that KERLEY had questioned the advisability of PAUL'S being there, but he, RUSHMORE, did not see any reason against it. RUSHMORE then said, "I know the FBI tapped SCHOENSTEIN'S wire, but I don't think they have a tail on him." BETTY said that there would be no need for anyone's being upset because the whole thing is being done for the FBI. RUSHMORE said that PAUL was not upset, but he just didn't want to tip anything over. RUSHMORE said that he would check with their friend about tonight and call BETTY back and let her know. He said that he had a story in today's paper linking the Russian Embassy with this thing.

At 9:35 AM, a woman, who described herself as MRS. WISHNACK'S sister, said she wanted to come over and see BETTY, who advised her that she would be free until 5 o'clock.

At 11:16 AM, a Miss STEVENSON, Secretary of DORIS BYRNE (Phonetic), Vice-Chairman of the Democratic State Committee, Biltmore Hotel, conferred with BETTY LEWIS and told her that the proper person to write for an appointment with President Truman was MATTHEW CONNOLLY, his personal secretary.

At 11:20 AM, BETTY conferred with Bach photographers and told them that MATT CONNOLLY was the proper person to write re an appointment with President Truman to take his photograph.

At 11:50 AM, RUSHMORE conferred with BETTY, at which time he told her that he had talked with PAUL and PAUL suggested that RUSHMORE, BETTY, and the "gal in the Bronx" get together this afternoon and go over the whole thing. He said that if any questions came up, they could call PAUL. RUSHMORE said, "On the angle of the financial thing, I told PAUL that I didn't think our friend (possibly KERLEY) wanted any money." RUSHMORE said that PAUL is quite willing to pay it, but it might eventually

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At 8:50 PM, RUSHMORE talked with his wife and told her he did not know how long this conference would last. He said to her that they must be very careful in using telephones. He said that he had been sitting there and letting PAUL and MRS. LEWIS talk. He also cautioned her about locking the house if she happened to leave for a short period of time.

At 9:05 PM, PAUL SCHOENSTEIN conferred with an unknown woman and the entire conversation consisted of each person's directing endearing remarks to the other. It is very possible that this is a girl friend of SCHOENSTEIN, and, according to the informant, her telephone number might possibly be Schuyler 4-1930. This telephone is listed to a DR. PHILIP LEHRMAN, 275 Central Park West.

At 9:10 PM, SCHOENSTEIN conferred with his wife and gave her BETTY LEWIS' telephone number where he could be reached. He said that he would be there for the next hour or so.

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FEBRUARY 20, 1946

At 9:30 AM on instant date PAUL SCHOENSTEIN conferred with Mrs. LEWIS and asked her how she felt about, "it." She said that she feels they definitely should go ahead with it because of the lack of trend among the newspapers. PAUL said he has not had a chance to discuss it with any of the "brass" because they don't get in until "tea time." He says the question in his mind at the moment is the price. Mrs. LEWIS said that it is a question of "his" money. PAUL said he would get in touch with her.

It will be noted above that at the meeting, the four individuals were presumably supposed to discuss obtaining money for a contact of KERLEY, although, of course, this could be double talk to cover up the fact that KERLEY himself is to get the money for the information he is furnishing.

At 9:47 AM RUSHMORE conferred with Mrs. LEWIS, at which time he said that because of what happened after they left her house last night, he is positive that all of their wires are tapped. He then related that as soon as they left her house KERLEY immediately made a FBI car and then they got in a cab and went through Central Park and while going through there, he got the cab driver to manoeuvre and definitely ascertained that the car was following them. He said that when the car got on the West side of Central Park it stopped and KERLEY and RUSHMORE were able to get down in the subway "kiosk" without being seen by the individual who was following them, because the FBI car continued to follow SCHOENSTEIN, who was alone in the cab. Continuing, RUSHMORE said that when he and KERLEY got out to KERLEY's house, KERLEY definitely made an FBI car parked outside of his house and when he, RUSHMORE, got home he saw three suspicious cars which he thought were FBI cars, in front of his house.

Mrs. LEWIS said that they have nothing to hide, but they were trying to help the FBI in every way they can. They said that the FBI should be tailing STEVE NELSON and WILLIAM FOSTER rather than newspaper men.

At 10:50 AM Mrs. LEWIS got in touch with KERLEY and they agreed to meet in the lobby of the St. Regis Hotel at 12:30 PM for a drink, after which KERLEY would drive Mr. LEWIS to the latter's Board Meeting in New Jersey. Mrs. LEWIS indicated that she was having lunch with PAULINE GALLICO after that.

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FEBRUARY 21, 1946

At 10:06 AM RUSHMORE conferred with BETTY LEWIS relative to the publication of a story they were getting up. BETTY LEWIS then makes some very derogatory remarks about the State Department and said she hoped her wires were "tapped on this statement." RUSHMORE mentioned his article in the "Journal-American" stating that ARTHUR ADAMS had been arrested in Canada. (This article was published a few days previous to instant date.)

RUSHMORE sent a picture to a reporter in Ottawa this morning for confirmation of ADAMS identity. RUSHMORE said that this reporter on the "Ottawa Journal" has a close friend in the RCMP who had told this reporter that they had arrested ARTHUR ADAMS and further that the FBI had asked that the RCMP be on the lookout for ARTHUR ADAMS.

RUSHMORE said that he would get in touch with BETTY as soon as he gets confirmation from Ottawa on the identification.

At 7:43 PM RUSHMORE conferred with BETTY LEWIS, at which time they discussed the possible identification of ARTHUR ADAMS and described the situation as very serious. RUSHMORE said he had a story in mind which would be very wonderful especially in view of President Truman's statement. He said that he had proposed to PAUL SCHOENSTEIN that they run two big boxes with TRUMAN and BYRNES' statements in one and their story (the Journal-American story) in the other. Mrs. LEWIS then entered into a tirade that the American people must know about this. RUSHMORE said he would know by Friday whether the identification of ADAMS had been made in Canada and then they might have to have another, "huddle". They discussed the columns of GEORGE SOKOLSKY and LEONARD LYONS, the latter being in the "Post". RUSHMORE said that LYONS' article looked like a "plant" in that LYONS said that RUSHMORE's articles of early December in the "Journal-American" had sabotaged the FBI and were premature. RUSHMORE stated that when he told PAUL this, PAUL was very, very angry and RUSHMORE then made the statement that the "Post" would pay for that statement.

FEBRUARY 22, 1946

At 2:10 PM KERLEY advised Mrs. LEWIS that he was coming right over to talk to her.

At 4:55 PM LARRY KERLEY (who presumably was at BETTY LEWIS' home) tried to ascertain the telephone number of [redacted] Long Island. It is pointed out that very likely he was trying to get in touch with Lt. Colonel J. R. Henson who took over [redacted] apartment.

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read better if nothing was involved. BETTY said that was right, but the only question being that the girl friend (KENLEY) has one girl friend with whom she wants to have contact and "It may be that that girl, who is an excellent pianist, may be thrown out." RUSHMORE said he knew how that was and recalled that he had raised that question the first time they met. BETTY said, "It doesn't mean anything to her because she has nothing to do with them anymore." (Possibly referring to KENLEY). BETTY said that she thought that PAUL should be there inasmuch as this would be a bad thing to handle by "remote control." The two then went into a discussion as to whether the story would be given prominent space in the paper and said that that was one thing "her girl friend" demanded. RUSHMORE assured her of this. RUSHMORE said that he would try to get in touch with PAUL and would try to have him come with RUSHMORE at 5 PM to BETTY'S house.

At 3:42 PM, KENLEY conferred with BETTY LEWIS, at which time she asked him if he knew about being at her place at 5 o'clock. He said no, but that he had talked to JIM (JAMES LEWIS) and JIM had told him that she had talked to their friends. KENLEY asked if PAUL was coming and she said that RUSHMORE was going to talk to him again and see if he would. She said that one or the other or both would be over at 5 o'clock. BETTY then said, "I have already given the situation that we discussed and I will tell you what was said when I see you." KENLEY said he would be there promptly.

At 6:05 PM, MRS. RUSHMORE conferred with HOWARD RUSHMORE, the latter telling his wife that they're just getting into discussion of the thing and he will call her as he is leaving for home. He said that inasmuch as KENLEY did not have his car, they would have to come out on the subway.

At 6:08 PM, RUSHMORE conferred with PAUL SCHOENSTEIN and told him that some questions had arisen which he is not able to answer. PAUL suggested they all come to his apartment for a drink either before or after dinner. RUSHMORE cautions PAUL about what he says at the present time.

At 7:03 PM, RUSHMORE, who apparently had left the LEWIS' home for a short period of time, conferred with MRS. LEWIS and said that he had had a long talk with PAUL. He further said that he and PAUL were together and were going to call their respective wives telling them they would not be home for dinner. He said that they, together with PAUL, would be at her house at 8:30 PM.

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At 5:55 PM KERLEY, who evidently was still at the LEWIS home, advised his wife that he expected to be home about seven o'clock.

FEBRUARY 23, 1946

At 11:43 AM BETTY LEWIS made inquiry at the Pan-American Airlines relative to the arrival of MARIS LISA and PIERRE TEISSEIRE from Lisbon.

FEBRUARY 24, 1946

During the morning of instant date Mr. LEWIS conferred with Count CZECHENYI previously mentioned.

It is pointed out that Countess Czechenyi was born GLADYS WANDERBILT and in the "Journal-American" dated February 26, 1946, there appeared a double column on the Count and Countess CZECHENYI in the column called, "The Smart Set"- CHOLLY ENICKERBOCKER OBSERVES."

At 12:25 PM the informant advised that Mr. and Mrs. LEWIS were going to have dinner on instant evening with PIERRE and LISA TEISSEIRE.

At 2:48 PM Mrs. LEWIS conferred with Mrs. KERLEY and told her of the arrival of the family governess on the Gripsholm and the letter she brought for BETTY from her mother. BETTY related to her a story of two hundred American soldiers camping near her mother's home in Budapest during last December. She stated that the Russian soldiers descended on them and stole all their possessions, including watches and other personal items. She said that the American commanders made no complaint for fear of offending the Russians. BETTY said she thought the governess should be interviewed.

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No conversation of a parent interest was noted by the informant on instant date.

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HOWARD RUSHMORE

Previously in this report it was explained that the New York papers of Saturday, February 16, 1946, carried a story from the Associated Press concerning arrests made in Canada of . . . individuals who had sought information relative to the atomic bomb. It was also noted that HOWARD RUSHMORE advised BETTY LEWIS early on that date that he was busy writing an article. This article appeared in the "New York Journal-American for Saturday, February 16, 1946.

The Wall Street, Special Edition of the "Journal-American for that date carried a large headline, "LINK RED RING TO ATOM LEAK". The sub-headline read, "Spy Head Traced in this City by FBI" by HOWARD RUSHMORE. The article appearing in this particular edition will not be set out inasmuch as it was set out in a subsequent edition of instant date, at which time a more complete article was written by RUSHMORE.

The "New York Journal-American" edition called the Seventh Sports Racing, Sports Special carried the headline as, "LINK RED SPY HERE TO CANADA ATOM ARRESTS" with the sub-headline, "Ottawa Acts To End Leak With 22 Held". The sub-sub-headline is as follows: "Probe Started FBI Keeps EYE on ADAMSON by HOWARD RUSHMORE."

This article was right beside the article captioned: Ottawa, Feb. 16 concerned with an AP release concerning the arrests made in Canada.

RUSHMORE's article is being set out verbatim as follows:

"While Canadian officials were questioning 22 persons detained on charges of giving atomic bomb information to Russia, the ringleader of this international spy network is living in a midtown hotel surrounded by the FBI agents.

"This man, the N. Y. Journal-American revealed last Dec. 3, is Alfred Adamson, who entered the United States illegally on forged Canadian papers in 1938.

"This Russian-born and NKVD trained spy is head man of the ring which since 1941 has made every effort to steal plans of atomic development.

REAPPEARS IN CITY.

Adamson, whose real name and whose place of residence are known to this newspaper, disappeared from his midtown hotel about three weeks ago. He reappeared last week after an absence which may be connected with

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"the Canadian arrests.

"Despite ample evidence submitted by the FBI in a report urging the State Department to order Adamson's arrest, the pro-Communist faction in that department refused to sanction the spy's seizure by the FBI.

"It is believed the same violently pro-Stalin group named by Maj. Gen. Patrick Hurley as dupes of Russian imperialism blocked the arrest on the grounds that such an arrest would antagonize the Kremlin's dictator.

"The FBI repeatedly urged the arrest, fearing Adamson might leave the country with atomic bomb plans.

"Time after time the State De- (Continued on Page 2, Column 6.)

RED SPY CHIEF TRAILED HERE

by Howard Rushmore.

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"partment was consulted and the answer was, 'no arrest.'

"Another Russian who obtained vital jet propulsion secrets while serving as Soviet trade commissar at an up-State aircraft company, has gone back to Russia with the State Department making no attempt to stop him.

"Although the FBI had watched this Russian, whose name is Chevchenko, closely for two years and had seized blueprints of secret airplane plans in his 36th st. rooming house, the State Department refused to allow his arrest.

AGENT LEFT COUNTRY.

"Chevchenko left for Moscow by plane three weeks ago.

"E. E. Conroy, head of the FBI's New York Office would not comment on Chevchenko's departure or the Canadian arrest.

"Adamson, who is registered at his local draft board as a Canadian citizen born in Toronto, continues to keep in touch with American members of his spy ring.

"It is also known that through Adamson's 'mail-drop' system of contacting his subordinates, Canadian members also were advised on the progress of his espionage activities.

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" That this 'mail-drop' system of Adamson's may have led Canadian officials to the trail of Canadian suspects seems probable.

" One of Adamson's most efficient lieutenants—who attempted to buy atomic data from the University of California on Adamson's orders—now is in New York and yesterday attended a national committee meeting of the Communist party.

ARMY ISOLATES SUSPECT.

" Another link in Adamson's network of spies is now facing court martial by the Army when he returns from the tiny Pacific island where authorities isolated him two years ago after this man had given Adamson confidential data on the atomic bomb.

" At the time, this Army officer was working as a scientist in a secret Chicago laboratory where the atomic bomb was being perfected.

" After he was caught passing blueprints and other information to Adamson, this man was hurriedly sent out of the United States by the Army and placed under observation.

U. S. ACTION HELD UP.

" Another important link in the Adamson case is the official of an electrical manufacturing company. This man was with Adamson when the latter attempted to elude his FBI guard a year ago. He is also under surveillance.

" Unlike the Canadian Government, which is now prepared to prosecute its allegedly disloyal citizens and foreign spies, the United States has not yet moved despite a mountain of evidence against Adamson.

The headlines of the "Journal-American for the 7th Sports Racing--Sports Complete Edition for December 3, 1945 was set out in photograph form on Page 2, above the continuation of the RUSHMORE article.

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The New York Journal-American" edition called the Sunday Final, dated Sunday February 17, 1946, carried the headline: "CANADA BARES RED SPY NETWORK" The sub-heading was as follows: "Soviet Atom Agent Flees N. Y. Haunts" and the sub-sub-headline read as follows: "Adamson Eludes FBI Hotel Vigil by Howard Rushmore".

RUSHMORE's article is being set out verbatim as follows:

" The whereabouts of the chief of an international Soviet spy ring believed linked to the 22 persons now under questioning by Canadian officials on charges of giving atomic bomb secrets to Russia, was a mystery last night after he had hurriedly fled his midtown hotel room.

" Named in the N. Y. Journal-American last Dec. 3 as Alfred Adamson, whose mission was exposed by this newspaper as seeking out atomic information, the fugitive escaped almost from under the eyes of FBI agents.

" Adamson, it was learned, skipped from his hotel room three weeks ago so hurriedly that he left behind some of his clothing and neglected to pay a number of bills.

" He had been under surveillance of FBI experts for more than two years, and their desire to arrest him had been balked several times by State Department dictates.

LISTED AS EMPLOYEE.

" The Russian agent did not even inform his office of his departure. At that headquarters, a small Communist musical shop where he was listed as an employee to cover up his operations, a series of telephone calls were made to his hotel after his disappearance in efforts to reach him.

" For two weeks after his precipitate flight, FBI agents kept watch on the hotel in hopes that he would return. They discovered no signs of the man, who entered the United States illegally on forged Canadian papers in 1938.

" Despite a documented FBI report, based on complete evidence of his activities, this man was not ordered arrested by the State Department although the FBI recommended his seizure as one of the most dangerous spies in the history of espionage.

" Adamson was exposed by the N. Y. Journal-American last Dec. 3 in a series of articles which revealed his desperate attempts to obtain atomic developments for Stalin.

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" That the FBI insisted upon his arrest a year ago is known by this

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SOVIET ATOM AGENT ESCAPES N. Y. HAUNTS
Continued from First Page

" newspaper. At that time, the pro-Communist faction in the Department turned down the request on the grounds that Stalin would be antagonized.

" The FBI, Army Intelligence and other agencies pointed out to the State Department that Stalin was fully implicated, since Adamson was one of his agents. The argument to the State Department was that America's national security should be of paramount interest.

" However, the faction named by Maj.-Gen. Patrick Hurley in Senate hearings as dupes of Russian imperialism, refused to sanction Adamson's arrest.

" In the report to the State Department, the FBI presented evidence which conclusively revealed that Adamson had:

(in bold print)

1. Obtained atomic bomb secrets from a Chicago scientist now in the army.
2. Contacted a member of the Russian consulate here and probably passed on information obtained by members of his ring;
3. Built up a super-contact system whose chief operatives are the proprietor of a Manhattan jewelry store and a Brooklyn housewife;
4. Spent unlimited money out of numerous accounts in Manhattan and Brooklyn banks.

TIPOFF TO DOMINION.

" It is believed Adamson, classified by the FBI as one of the most clever espionage agents ever to work within the United States, may have unwittingly led Canadian authorities to his Dominion confederates.

" Through the Brooklyn housewife, who is actually the wife of the Chicago scientist from whom Adamson obtained atomic bomb secrets, Adamson keeps in contact with his operatives in may States coast to coast.

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" Mail for Adamson is forwarded to the Brooklyn address and then turned over to the Russian spy by another contact. He sends code instructions through the same address.

" Code messages via cable are also sent Adamson's wife in Moscow by the wife of a prominent Russian-born doctor who lives on West End Ave.

" Adamson for the past three years has been on the payroll of a Communist organization specializing in left-wing musical recordings. This is believed by the FBI to be a 'cover' for his real activities and Adamson seldom appears at his 'office'.

" In Jan. 1945, Adamson, with an official of an electrical manufacturing company, slipped out of New York and headed for the West Coast. His trail was picked up by the FBI in Chicago.

" The electrical manufacturer returned to New York but Adamson, virtually surrounded by FBI agents, went on to Portland. He attempted to board a Soviet ship there, but was confronted by dozens of FBI men. Adamson turned back at the docks, spent another day in Portland and returned to New York.

" Since that time the FBI has maintained a 24-hour watch on his hotel. Other members of the Adamson ring have been similarly guarded. "

The headlines of the Journal-American for the 7th Sports, Racing-- Sports Complete Edition for December 3, 1945 likewise appeared on page 2, above the continuation of the RUSHMORE article.

The New York Journal-American, latest news edition for Monday, February 18, 1946, carried a headline, "CANADA TO ACCUSE RUSSIA IN SPY PLOT" with a sub-headline, "Premier May Make Formal Charge Today" by MICHAEL GRIFFIN. This article concerned an International News Service release relative to the arrests in Canada. However, alongside this article appeared another article captioned, "STATE DEPT. FACES SPY PROBES BY CONGRESS by Howard Rushmore."

The article by RUSHMORE is as follows:

" The State Department's failure to order the arrest of a Soviet spy, believed head of the Russian espionage ring in the United States and Canada, today brought heated criticism from Congress.

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" Accused flatly of appeasing the Soviets, the State Department and its pro-Communist clique soon may face a thorough investigation by both Senate and House as to why Alfred Adamson, Kremlin espionage leader, had not been arrested during the eight years he sought to obtain vital military secrets.

" Adamson was named by the N. Y. Journal-American last Dec. 3 as a trained Russian spy who obtained atomic bomb information in Chicago in 1942. This newspaper revealed that Adamson, surrounded by FBI agents, had been living in a midtown hotel for two years. He disappeared from this hotel three weeks ago.

'PASSING THE BUCK'

" In Washington, Rep. Bradley (R-Mich) accused the State Department—which turned down repeated FBI requests that Adamson be arrested—of 'passing the buck' to Canada in the matter of the current roundup of Russian espionage agents in Ottawa.

" Now that Canada, with the FBI working in close collaboration, has seized the alleged Soviet agents, Bradley predicted the spy ring would spill over into Washington, New York and other cities, with arrests made 'in the name of Canada'.

" The State Department was

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STATE DEPT. FACES QUIZ IN SPY CASE

by Howard Rushmore

Continued from First Page

"called upon by Bradley to drop its 'childish appeasement policy toward the USSR', and Russia was asked by the Michigan Congressman to 'lay its cards face up on the diplomatic table in the interest of world peace.'

(in bold print)

" 'Russia must be shown', Bradley declared, 'that the American people have no thought of another war, unless attacked. But we must also convince her that we are prepared by retaining a strong post-war army and navy —and through a stronger diplomatic policy.'

" Sen. Bridges (R. N. H.) told the N. Y. Journal-American he would press for a full-fledged investigation into the lack of action on the part of the State Department in the Adamson case.

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(Bold print)

" 'It is time the proper agencies of the United States Government investigated the strange doings of our State Department,' Bridges said. 'I'm going to ask that the Foreign Relations Committee of the Senate take up this matter at once.'

" This newspaper's exposure of Adamson was commended by Bridges, who indicated he will take up the matter in the Foreign Relations Committee of which he is a member, as soon as the Committee's chairman, Sen. Connally (D. Tex.) returns from the UNO meeting in London.

(Bold print)

" 'If the State Department prevented the FBI or any other agency from arresting Soviet spies bent on getting atomic data, something should be done immediately in the interests of national security,' Bridges added.

SPEED UP ARRESTS

" Meanwhile, in Canada, authorities speeded up the arrests and questioning of about 30 major and minor government officials named as part of a gigantic spy ring, with Russia believed to be the foreign power involved.

" The presence of a number of FBI agents in Ottawa indicated America is involved in the seizures and Adamson probably is a key figure in the case.

" This newspaper has evidence that points conclusively to the fact that the FBI, disgusted with the State Department's appeasement of Russia, attempted to get Adamson back to Canada a number of times during the past year.

" It was in Canada that Adamson obtained forged passports and other credentials in 1938. He entered the United States illegally from that nation, claiming he was born in Toronto, although he was born in Russia and trained under the Bolsheviks.

NOTIFIED IN 1942

" Canadian police and the Department of External Affairs were notified in 1942, after Adamson obtained atomic data from a scientist in Chicago, that the Russian spy was using forged Canadian papers.

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" Canada at that time promised to arrest the spy if he re-entered Canada. After the State Department refused to allow Adamson's arrest, despite a carefully-documented FBI report showing his activities and his wide circle of confederates, the FBI then sought to drive him to Canada.

" The plan developed by the FBI was for two agents to ride in the same train or plane with Adamson, while other agents sped ahead to Canada to prepare Dominion authorities with data for the arrest.

" That Adamson, reportedly nervous and 'jumpy' because of the constant FBI cordon around his hotel, may have gone to Canada, and was arrested there, was seen as a possibility.

FACES FIRING SQUAD.

" If he does succeed in returning to the Soviets he faces a firing squad, it was pointed out. Kremlin espionage agents who are exposed, as was Adamson by this newspaper, are liquidated by Stalin as inefficient bunglers.

" Communist history is replete with the names of OGPU and NKVD agents who, despite a long record of loyalty to the Kremlin, made one mistake and then 'disappeared' when they returned to Russia.

" It has been more than a year ago that Adamson made his last attempt to shake off his FBI guard and flee to Russia. At that time he got as far as Chicago before the FBI picked up his trail and remained with him until Adamson reached Portland, Ore. He made a futile attempt to board a Soviet ship there and then returned to New York.

" Since that time the FBI has maintained a 24-hour watch on his hotel. About three weeks ago Adamson disappeared, leaving his clothing and unpaid bills, it was learned.

MANY AT LARGE.

" Dozens of his confederates are still at large, however. One of them, a member of the Communist Party's national committee, is now in New York. This Red, who corresponded with Adamson through a Brooklyn 'mail drop' attempted to buy atomic information from the University of California in 1943.

" Other members of Adamson's ring are:
(Bold print)

" A U. S. Army officer, now in the South Pacific, who, while working in a Chicago atomic bomb laboratory, gave highly confidential blue

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"prints to Adamson;

" This officer's wife, who uses her Brooklyn address as a 'mail drop' for the spy ring, received mail for Adamson and for sending letters from him to other members of the espionage circle;

" A woman employe of the Russian embassy in Washington, thought to be Adamson's 'contact' in supplying the Soviet ambassadors material obtained by the spy ring;

" The wife of a West End Ave. doctor who regularly cables code messages to Adamson's wife in Moscow.

" A Madison Ave. jewelry store owner who serves as a 'front' for Adamson and transmits much of Adamson's confidential material;

" Labor union officials who cooperated with Adamson in getting atomic information through union members who worked on the bomb project.

" Hundreds of other persons, the majority of them American citizens, also are implicated.

The Afternoon Edition (latest scratches) the 7th Sports, Wall Street Special and the 7th Sports Racing Sports Extra editions of the New York Journal American for Monday, February 18, 1946, carried much smaller articles than the one set out above and the entire article appeared on page 2 of the editions. It was noted that the article was merely concerned with the possibility of an investigation of the State Department and nearly all the information concerning "ADAMSON" had been deleted.

The editions of the Journal-American mentioned above are being maintained in the files of this office as exhibits in connection with this case.

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The latest news edition of the New York Journal-American for Tuesday, February 19, 1946, carried an article by HOWARD HUSHMORE on Page #2. This article was captioned, "Red Diplomats Linked to Spies," by HOWARD HUSHMORE. This article is being set out verbatim as follows:

"Stalin's use of his diplomatic service as a clearing house for espionage within the democratic nations was again confirmed in the Canadian police announcement that a Soviet Embassy attache had 'tipped' them off regarding the spy ring in the Dominion.

"For a year the State Department in the United States has had before it a documentary report of the FBI charging that Alfred Adamson, believed head of the Kremlin's espionage ring in North America, maintained contacts with the Russian Embassy in Washington.

"Adamson, the N. Y. Journal-American revealed last Dec. 3, entered this country from Canada on forged papers in 1938, and since that time has built up a far-flung spy ring organized to obtain the secret of the atomic bomb.

"Arrest refused.

"Despite proof by the FBI that Adamson obtained highly confidential atomic plans, the State Department refused to order his arrest. The Soviet agent disappeared from his midtown hotel three weeks ago.

"In their request to the State Department for permission to arrest Adamson, the FBI charged that:

"The Soviet spy's 'contact' with the Russian Embassy in Washington was the daughter of a wealthy New York business man who is believed by the FBI to be the person who 'relayed' Adamson's information to Stalin's ambassador.

"This information, gathered by members of the ring in many different states, was then placed in Russian diplomatic pouches immune to search and then flown to Russia.

"A few months after Adamson obtained atomic bomb data from a Chicago scientist in 1942, the FBI trailed Adamson from his hotel and saw him give a brief case to a member of the Russian consulate here.

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"Carrying the case which the FBI is positive contained information vital to America's national security, U. S. agents saw Adamson pick up the Russian diplomatic representative in Adamson's car.

"They trailed Adamson's machine to the Russian consulate."

As a matter of record it should be pointed out that RUSHMORE'S articles for December 3rd and December 4th appear in Volume 91-#218-December 10, 1945 of Congressional Record - 79th Congress, First Session, Page 11,889. These articles were entered on the motion of Senator Wherry.

Agents working on this case examined editions of the Journal-American put out on February 20, 21, 22, 23, and 25, 1946 for any articles by RUSHMORE which might be of interest to this case, but none was found in the papers.

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LARRY L. KELLEYCONFIDENTIAL INFORMATION [REDACTED]

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The information being set out was furnished during the period of this report of Confidential Informant [REDACTED]

FEBRUARY 6, 1946

No information of any value was obtained by the informant on the above date.

FEBRUARY 7, 1946

At 9:35 PM on the instant date, LARRY KELLEY conferred with Special Agent GEORGE L. STEIN, at which time STEIN stated that he got "that thing" from GELCO the previous day.

It is pointed out that "that thing" is an affidavit which KELLEY had prepared for STEIN in connection with the latter's contemplated admission to the New York Bar Association.

STEIN stated that he was going to bring it back to KELLEY because of inaccuracies, inasmuch as KELLEY had STEIN living in Washington in 1938 whereas he was actually in Colorado at that time.

The two then discussed old times in the Louisville Field Division and STEIN mentioned that [REDACTED] was in town working for an insurance company. It was indicated [REDACTED] was a former special agent.

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KELLEY told STEIN that he had accompanied [REDACTED] and his wife to Penn Station (Special Agent [REDACTED] upon the latter's departure from New York on transfer to Charlotte, North Carolina.

KELLEY then stated, "Old GELCO says they're still plugging on ALBERT." STEIN then said, "Yeah, yeah, that's right," and then KELLEY said, "Wishing the world would come to an end." STEIN immediately and very obviously changed the conversation by saying, "He just had a new son (referring to GELCO)." KELLEY said that he had asked GELCO, when he, KELLEY, did not get a cigar, where the shortage was, in the funds or in the cigars. KELLEY then

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said, "I imagine that's it. He says it's really rough."

STRAIN then said, "You know that boy that I had up with me the other time - that ARTHUR WILLIAMS - he got transferred to the Bureau. He left yesterday. He's going down there in the publicity section, newspapers, press releases."

STRAIN is probably referring to Special Agent ARTHUR F. WILLIAMS who was transferred to the Bureau on February 6, 1946.

It should be pointed out that during the conversation KERLEY asked STRAIN whether he had gotten his Certificate of War Service as yet. When STRAIN told him he had, KERLEY wanted to know how long STRAIN had had it. KERLEY indicated that he would wait two or three weeks and then write again.

During the conversation STRAIN said that the following day he had a Commissioner's hearing at 11:00 AM and he would be up to KERLEY'S office after that. It was indicated that he and KERLEY would see about taking the brokerage course (real estate brokerage).

FEBRUARY 8, 1946

At 12:10 PM, Special Agent STRAIN conferred with MRS. KERLEY, at which time he wanted LARRY'S office telephone number, inasmuch as he, STRAIN, had to call off his luncheon date with KERLEY. No other pertinent conversation took place.

At 6:20 PM, Mr. LEWIS asked MRS. KERLEY to have LARRY come by LEWIS' house the following day at 2:00 PM.

At 6:25 PM, LARRY KERLEY conferred with MRS. KERLEY, at which time he stated he would not be home for dinner and laughingly said he was downtown at Stouffer's getting drunk with GEORGE STRAIN.

It should be pointed out that the Agents had under observation the building located at 5 East 57th Street, where KERLEY'S office is situated, from about 11:00 AM until 5:00 PM in the afternoon. This was done in view of the information supplied by Informant [] that STRAIN expected to go to KERLEY'S office after his Commissioner's hearing. Even though STRAIN got in touch with MRS. KERLEY at 12:10 PM to cancel his luncheon date, the Agents remained there with the thought in mind that KERLEY might persuade STRAIN to

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come on up even though it was a little late for lunch.

It was deemed advisable by the Agents to discontinue the surveillance at 5:00 PM because of the neighborhood wherein the building is situated. At that time of day 57th Street is very congested and crowded, and it is impossible to see everyone entering or leaving the doorway of the building KERLEY manages when viewed from the opposite side of the street. For security reasons the Agents did not cover the entrance from the same side of the street on which the building is located.

FEBRUARY 9, 1946

No information of any value was obtained by the Informant on the instant date.

FEBRUARY 10, 1946

At 3:15 PM, KERLEY conferred with a woman believed to be the wife of Colonel J. B. HENSON who moved into the apartment vacated by Special Agent HENSON was not there, but was expected back shortly.

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At 5:45 PM, OLIVER LEWIS conversed with JOHN MCKENNA, whose telephone number was Humbolt 3-4931.

FEBRUARY 11, 1946

No activity of any interest on instant date.

FEBRUARY 12, 1946

At 3:00 PM, LARRY KERLEY conferred with J. B. HENSON, who has been looking for an apartment in Westchester. KERLEY indicated that he would like to move out to that vicinity. He asked J. B. if he wanted to drive up to Westchester, but the latter declined and KERLEY obtained from him the name of the apartment house, the Westchester Courts, and driving directions as to how to get there.

FEBRUARY 13, 1946

At 2:15 PM, MRS. KERLEY conferred with a woman named PAT who is presumably the wife of J. B. HENSON. They engaged only in social talk.

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FEBRUARY 14, 1946

No information of any value was developed by the Informant on the instant date.

FEBRUARY 15, 1946

No pertinent information.

FEBRUARY 16, 1946

The Informant had no information of value on the above date.

FEBRUARY 17, 1946

The informant had no information of value on this date.

FEBRUARY 18, 1946

At 4:15 PM, KERLEY advised his wife that he was stopping at BETTY'S (BETTY LEWIS) at 4:30 or 5:00 o'clock and would not be home until 7:00 PM.

FEBRUARY 19, 1946

At 7:05 PM, KERLEY conferred with his wife, and explained to her that he would be delayed by his appointment with "this woman" (BETTY LEWIS). He said that he will have dinner and that he had been trying to get away, but couldn't.

It should be pointed out that at the time this conversation took place, KERLEY was presumably in the company of HOWARD HUSHMORE at a place near the LEWIS home at 22 East 73rd Street.

FEBRUARY 20, 1946

At 9:45 PM, HOWARD HUSHMORE conferred with LARRY KERLEY, at which time he asked KERLEY if KERLEY had anything further to tell him on the case. KERLEY said that he had nothing new. They both wondered if the right man was really in custody in Canada (referring to the possibility of ARTHUR ADAMS' being one of the individuals who was arrested recently in Canada as foreign espionage agents).

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They then discussed the fact that they were under observation the previous evening and decided that since their activities were known, they might as well "come out in the open." RUSHMORE wanted to know if it would make any difference to KERLEY if it is the right man who is in custody in Canada, and added, "You know the other matter we had in mind." KERLEY assured him that it would make no difference.

It is not known what the other matter they had in mind was, but there is the possibility that it refers to a by-line story which they are contemplating KERLEY should write for the Journal-American or it could possibly be the payment of a sum of money to an individual presumably still connected with the New York Field Division.

FEBRUARY 21, 1946

At 7:40 PM HOWARD RUSHMORE conferred with KERLEY and stated that he wanted to tell KERLEY that the picture (of ADAMS) had been sent to Ottawa and that it should be there now; that he, RUSHMORE, was waiting to hear about the identification. KERLEY said that he had nothing new, but would get in touch with RUSHMORE if he has to. RUSHMORE added that there were two men picked up using the alias of ARTHUR ADAMS. RUSHMORE asked KERLEY if he saw any reason that they should get together again, but LARRY said that he saw no reason why this should be done.

It might be stated here that RUSHMORE has picked up information from newspaper contacts in Ottawa that an individual believed to be ARTHUR ADAMS was one of the 22 individuals arrested in Canada. RUSHMORE, who had one of the Journal-American photographers take a picture of ADAMS as he was stepping off the elevator at the Peter Cooper Hotel in New York prior to his disappearance, sent this picture to Canada in an attempt to effect an identification.

FEBRUARY 22, 1946

At 5:15 PM, a MRS. BROWDER of the Red Cross conferred with MRS. KERLEY and asked the latter if she would take over her building for the Red Cross drive. MRS. KERLEY declined until she could talk with her husband. The two then held a long conversation and during this conversation it was indicated that [redacted] was still living in the same apartment house as KERLEY. It should be pointed out that this is probably the wife of former Special Agent [redacted] who resigned from the Bureau late last year and went with ALCOA. It should be pointed out that at the time [redacted]

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resigned from the Bureau and for a period prior to that the SCHEVCHENKO case was assigned to him.

FEBRUARY 23, 1946

No information of any value reported by the Informant on the instant date.

FEBRUARY 24, 1946

At 9:20 PM, KERLEY conferred with RUSHMORE, at which time he asked the latter if he had heard WINCHELL'S broadcast. RUSHMORE indicated that he had not and KERLEY stated it was one of the best broadcasts he has ever heard WINCHELL give. He said the entire broadcast was concerned with "World War III" and that during the broadcast WINCHELL had "dared JAMES BYRNES, Secretary of State, to state under oath that there were not 1,700 Soviet espionage agents in this country." KERLEY said, "It seems everyone is trying to steal the thunder," and then referred to the fact that WINCHELL had stated he had "prescooped" the Journal-American spy stories of early December, 1945 when he had given a statement about this in November of the same year. RUSHMORE and KERLEY seemed very pleased over this.

FEBRUARY 25, 1946

At 9:30 PM, RUSHMORE conferred with KERLEY and asked him if he had talked to the other fellow. KERLEY said yes, that "He will call you." RUSHMORE said that he had told him about the JIMMY BYRNES thing KERLEY had shown him and they wondered if they could get it to show to the boss. KERLEY said yes, but he would not want them to do anything on it. RUSHMORE then said, "No, he only wanted it to show the boss and would return it to KERLEY." RUSHMORE then said he would go to KERLEY'S office at 10:00 AM to get it.

It is believed that "the other fellow" referred to in the conversation is possibly PAUL SCHOLNSTEIN, the City Editor of the Journal-American.

CONFIDENTIAL INFORMANT

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The services of the above informant were secured on February 18, 1946. This informant will furnish information concerning part of the

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activities of Subject LARRY KERLEY at his office located at 5 East 57th Street, New York, New York.

FEBRUARY 18, 1946

Nothing of importance in this matter was reported by on this date.

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FEBRUARY 19, 1946

On this date KERLEY called BETTY LEWIS at her home and they discussed the 5 o'clock meeting that afternoon with HOWARD RUSHMORE and possibly SCHOENSTEIN. BETTY LEWIS advised KERLEY that she had discussed the situation with RUSHMORE and would explain it more fully to KERLEY when she saw him. KERLEY agreed to be at her home at 5:00 PM.

FEBRUARY 20, 1946

On this date KERLEY contacted MRS. LEWIS at her home, at which time they discussed the fact that their phones might be tapped and they agreed to meet in the lobby of the St. Regis Hotel at 12:30 on the same date, and KERLEY advised he would drive Mr. LEWIS to a board meeting in Jersey.

On this same date HOWARD RUSHMORE made several attempts to contact KERLEY with negative results. On one of these occasions RUSHMORE secured the home phone number of KERLEY. However, later in the day RUSHMORE was successful in contacting KERLEY at his office, and RUSHMORE told him he had a report from the Ottawa Journal saying that a man by the name of ARTHUR ADAMS was in custody in Canada, but when the paper hit the street, the authorities immediately issued a denial. RUSHMORE asked KERLEY if he thought the new development would be reason for getting together the same night. KERLEY did not believe it would be necessary. RUSHMORE advised him he had called the New York Office on this date and had taken the opportunity to give quite a "soliloquy" about what had happened last night. RUSHMORE stated that he was told that such a thing was impossible. RUSHMORE thought that he might have been mistaken. RUSHMORE also advised KERLEY that as a result of the Ottawa-Toronto reports, the Journal-American had rushed a photograph of ARTHUR ADAMS which had been taken in December in the Peter Cooper Hotel in order to make an identification of the ARTHUR ADAMS mentioned in the Journal-American story of December 3rd with the ADAMS who was in custody of the RCMP in Canada at the present time. KERLEY told RUSHMORE he would be in his office

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about 10:30 the following morning and RUSHMORE advised KERLEY that in the event KERLEY wanted him for any reason, he could call him at home.

FEBRUARY 21, 1946

Nothing of interest in this case was reported by [] on this date.

FEBRUARY 22, 1946

On this date KERLEY contacted BETTY LEWIS and told her that he was coming right over to talk to her (most likely at her home).

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FEBRUARY 23, 1946

Nothing of interest reported by [] on that date.

FEBRUARY 24, 1946

Nothing of interest reported by [] on that date.

FEBRUARY 25, 1946

On this date HOWARD RUSHMORE contacted KERLEY at his office and told him to go out and call "our other friend" who was over the other night. RUSHMORE stated he had no reason to fear a call from his end (RUSHMORE'S) as it was a large switchboard.

GENERAL INFORMATION

By letter dated February 7, 1946, the Bureau advised the New York Office that the expense account of former Special Agent KERLEY submitted for September, 1945 was reviewed and it reflected he left Washington, D.C., after completing In-Service Training at 7:00 PM on September 21, 1945. He travelled via Pennsylvania Railroad and arrived at New York City at 11:00 PM on the same day. He left New York City at 10:00 AM via United Airlines on September 26, 1945 for Kansas City, Missouri.

Continuing, the letter advised that a review of KERLEY'S administrative file at the Bureau revealed a letter dated November 23, 1945 from KERLEY advising the Bureau that his new address was 35-30 81st Street,

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Apartment 3-0, Jackson Heights, Long Island, New York.

It will be noted in reference report on pages 34 and 35, there is set out information concerning KERLEY'S contact with a jeweler named M. J. SPIRO, at which time there was a possibility that KERLEY indicated to SPIRO that he, KERLEY, was connected with the FBI.

On February 13, 1946, Mr. SPIRO telephonically advised the writer that on the same date LARRY KERLEY called for his watch which had been left there for repair, and that he, Mr. SPIRO, had asked KERLEY if he was still connected with the Bureau inasmuch as he had called the FBI Office in New York and they stated they had no Agent by the name of KERLEY there. KERLEY told SPIRO he had been transferred to Kansas City, but had now reported "back to New York." Mr. SPIRO did not ask for a more direct statement as to his connection with the Bureau in view of the request made of him by Agents that he not press any inquiries to KERLEY which might make the latter suspicious.

BANK RECORDS

A check of the records of KERLEY'S checking account at the National City Bank, Park Avenue Branch, on February 18, 1946, reflected that his total bank balance as of that date was \$1,416.05. A check of the ledger sheet and deposit slips reflected the following information:

On January 23, 1946, there was a deposit of \$300.00. This consisted of one check for \$231.65 drawn on the same Branch of the National City Bank. The remainder of the deposit was \$68.35 in cash.

On January 31, 1946 was a total deposit of \$260.00 which consisted of two checks for \$99.93 and \$125.00. Both of these checks were also drawn on the Park Avenue Branch of the National City Bank. The remainder of this deposit was \$35.07 in cash.

On February 21, 1946, there was a \$105.00 cash deposit.

The following checks were drawn on KERLEY'S account and all signed by the subject:

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<u>Date</u>	<u>Amount</u>	<u>Payee</u>
1/5/46	\$10.00	MRS. LOU E. KERLEY.
1/10/46	3.06	STANDARD OIL CO. OF NEW YORK.
1/20/46	37.50	DAYE C. SMITH

(It will be recalled on a previous date that a woman named DAYE (Phonetic) told MRS. KERLEY that she would be right up for dinner after 6:30 PM. A surveillance was instituted at KERLEY'S residence in an attempt to ascertain the identity of this individual with negative results. It would appear from the conversation of DAYE and MRS. KERLEY that DAYE lives in the same apartment house as KERLEY. A check of the cross index phone book reflects that there are two SMITH families living in the KERLEY apartment house. They are [redacted] formerly Special Agent of the New York Office, as mentioned above, and RAYMOND D. SMITH.)

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1/26/46	50.00	MORTON KULICH.
1/28/46	10.00	MRS. LOU KERLEY.
1/31/46	618.00	COLUMBIA NATIONAL BANK OF KANSAS CITY, MISSOURI.

(There is a notation on this check apparently in the handwriting of KERLEY saying that the check was for interest and principal on a \$600.00 note due February 6, 1946.)

2/1/46	10.72	NEW YORK LIFE INSURANCE CO.
2/1/46	11.49	NEW YORK TELEPHONE CO.
2/9/46	57.50	EDGEWARE ESTATES, INC. (Rent)
2/10/46	2.26	STANDARD OIL CO. OF NEW JERSEY.

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MAIL COVER

The following is the result of the mail cover maintained on KERLEY'S residence during the period of this report:

<u>Sender</u>	<u>Date & Place of Postmark</u>	<u>Addressee</u>
COLUMBIA NATIONAL BANK N.W. Corner 10th St. & Grand Avenue Kansas City, Missouri.	2/4/46 Kansas City, Missouri	LARRY KERLEY
ALBROWN SONS, INC. 1146 Second Avenue New York, New York	2/5/46 New York	LARRY KERLEY
MRS. JOSEPH T. RIVERS 409 East 48th Street Savannah, Georgia	2/6/46 Savannah, Georgia.	MRS. KERLEY
3101 Hyde Park Blvd., Los Angeles, California	2/6/46 Los Angeles, California	Mr. & Mrs. KERLEY
MANUFACTURERS TRUST CO. 100 Park Row, New York City	2/8/46 New York	LARRY E. or DOROTHY KERLEY
(Details concerning the association of KERLEY with this bank have been set out previously.)		
4522 44th St., N.W. Washington, D. C.	2/9/46 Washington, D.C.	MRS. KERLEY
P.O. Box 348 Murray, Kentucky	2/9/46 Murray, Kentucky	LARRY KERLEY
J. H. FRIEMAN, JR. Highland Avenue Cuthbert, Georgia	2/11/46 Cuthbert, Georgia	LARRY KERLEY
HATTIE L. RIVERS 409 East 48th Street Savannah, Georgia	2/11/46 Savannah, Georgia	MRS. KERLEY

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<u>Sender</u>	<u>Date & Place of Postmark</u>	<u>Addressee</u>
KATHELINE ELMONS 4522 44th Street, N.W. Washington, D.C.	2/16/46 Washington, D.C.	LARRY KEELEY

SPECIAL AGENT

The #3 cards submitted by the above Agent from November 1, 1945 to January 31, 1946 were examined for any information of interest with negative results. It is pointed out that during the entire time [redacted] was assigned to the case entitled "JOHN MANTON CO.; [redacted] et al; FRAUD AGAINST THE GOVERNMENT," and all of his leads were concerned with this investigation. The leads on which he had signed out were all examined, but nothing of interest was noted.

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It should be noted that Agent [redacted] left New York on January 31, 1946 on transfer to Charlotte, North Carolina.

GEORGE L. STRAIN
SPECIAL AGENT

From the #3 cards submitted by the above Agent for the period from November 1, 1945 to January 31, 1946, it was noted that all of STRAIN'S activities were concerned with Deserter cases. The activity of STRAIN other than investigative activity as shown on his #3 cards is being set out herein-after:

<u>Date</u>	<u>Activity</u>
11/4/45	In-Service.
12/1/45	Shopping, three hours - On Compensatory Leave, c/o [redacted] [redacted] Brooklyn, New York, [redacted]
12/7/45	7:40 PM, COLONY MOVIE, Jackson Heights.
12/10/45	1 PM to 5:35 PM, file review, no file given.

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12/15/45 During the afternoon can be located at ROBERT GIBBONS,
Edgewood, New Jersey, Telephone Edgewood 6-6742 M.

12/29/45 Compensatory Leave for 12/28/45.

12/31/45 Out for a while, 8 PM to 1:30 AM.

1/14/46 During the evening at the movies, 31st St. and Ditmars Ave.,
Long Island City.

For the month of February the #3 cards of STRAIN for
February 1st to February 20th were examined with the following exceptions:

February 16th and 17th (Saturday and Sunday).
February 19th, 21st, 22nd, 23rd, 24th, 25th, 1946.

The #3 cards on the dates specified above will be obtained at
a later date and examined for any pertinent information.

The following is a result of the analysis of STRAIN'S #3 cards
for February:

<u>Date</u>	<u>Activity</u>
2/2/46	At 6:00 PM, STRAIN stated he would be available at 55 North Elliott Street, Apartment 13-A, Brooklyn, New York.

All of STRAIN'S investigative activity, whether concerned
with file review, dictation, or covering leads, dealt with Deserter cases.

Relative to the above notations made by STRAIN that he would
be available c/o [] it is pointed out that Special Agent []
was assigned to the New York Office from 1943 until January 14, 1946, at which
time he was transferred to the Oklahoma City Field Office. Agent [] was
never assigned to the Russian espionage section (section #6) in the New York
Office.

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EMORY M. GREGG
SPECIAL AGENT

Special Agent GREGG has been advised that in the event he is
contacted in the future by KERLEY, he, GREGG, is to maintain his relations

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with KERLEY in conformance with the instructions given to him at the time he was to have the luncheon engagement with KERLEY.

PHYSICAL SURVEILLANCE

The only physical surveillance maintained during the period of this report was during the evening of February 19, 1946, at which time information had been developed that HOWARD RUSHMORE, PAUL SCHENSTEIN, BETTY LEWIS, and LARRY KERLEY were to meet at the LEWIS residence, 22 East 73rd Street, New York, New York.

On the above date, at approximately 4:15 PM, the Agents working on this case contacted Mrs. ROBERT H. RIDDLE, who resides at 29 East 73rd Street, in order to arrange for the use of one of Mrs. RIDDLE's front rooms inasmuch as the LEWIS home can be seen from the front of the above building. Mrs. RIDDLE was advised that the agents were interested in someone who might possibly come out of the building located at the address, 28 East 73rd Street, which is directly across the street from Mrs. RIDDLE's home. This was done so that Mrs. RIDDLE would not know of the agents' interest in Mrs. LEWIS' address. It was deemed advisable to do this inasmuch as the NYT informants had indicated that the individuals involved in this case were very guarded in their conversations and indicated the possibility of their being aware they were being watched. Mrs. RIDDLE was very cooperative in this regard and in this way Agents were able to get off the street during the pertinent period of this evening. It is pointed out that the car was parked several blocks away and could not be seen from the vicinity of the LEWIS home.

At 5:03 PM, HOWARD RUSHMORE was observed to approach the LEWIS home from the direction of 5th Avenue, walk into the door, and ring the bell, and for a short period of time following that he very carefully looked up and down the block and at all the automobiles parked in the vicinity. While RUSHMORE was still waiting, JAMES LEWIS and LARRY KERLEY walked to the entrance of the LEWIS home from the direction of 5th Avenue, and LEWIS was observed to shake hands with RUSHMORE. All three entered the LEWIS home and the surveillance was continued until approximately 6:00 PM with efforts to see if PAUL SCHENSTEIN entered, with negative results.

Inasmuch as Mrs. RIDDLE had to use the room which the Agents were utilizing, they had to leave the house at 6:00 PM, at which time they proceeded to a restaurant about four blocks away from the LEWIS home where they maintained continuous contact with Confidential Informant [redacted] for any information developed concerning the possibility of PAUL SCHENSTEIN's entering the LEWIS home.

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It will be noted in another section of this report that arrangements had been made for SCHOENSTEIN to go to the LEWIS residence at approximately 8:30 PM. It was also indicated that KERLEY and RUSHMORE had left the LEWIS home in order to eat, but were expected to return to the LEWIS home at about the same time SCHOENSTEIN was expected there. It was not desired by the Agents to be in the neighborhood at the time these individuals entered inasmuch as it was not known from which direction they would approach the LEWIS home. Therefore, the surveillance of the LEWIS home was instituted shortly after 8:30 PM from a distance of approximately a city block and a half. It might be mentioned here that the car which has been utilized by the Agents working on this case was one which has no Bureau equipment on it, and, therefore, cannot be readily made as a Bureau car. There were at least 18 to 20 cars parked on both sides of 73rd Street between the Agents' car and the LEWIS home.

During the time that the Agents had the LEWIS home under observation after 8:30 PM, it was noted that a car was parked directly in front of the LEWIS home in which a man was sitting who frequently would get out of the car and brush the snow off the rear window. It should be stated here that a very heavy snowstorm was in progress at the time and throughout the remainder of the evening visibility was very poor and vehicles were entirely covered with snow. Inasmuch as it was possible that this car parked outside the LEWIS' home was SCHOENSTEIN'S and that the man was possibly his chauffeur or an employee of the Journal-American, the Agents obtained the license number of this car, which bore New York 1946 License Tags 5-N-87-82. An attempt is being made to ascertain the holder of this license plate, but at the present time the records of the New York Motor Vehicle Bureau are not complete. This will be checked on at a later date.

At approximately 11:15 PM, RUSHMORE, KERLEY, and a man believed to be PAUL SCHOENSTEIN left the LEWIS residence, walked to the corner of 73rd Street and Madison Avenue, where they all three got into a cab which was proceeding south on Madison Avenue. The cab, after picking up the three men, made a right turn on 72nd Street and disappeared from the view of the Agents. This time the Agents drove directly to 79th Street and Amsterdam Avenue via the 79th Street Transverse in Central Park. No cab of any description was noted by the Agents during their trip through the 79th Street Transverse to 79th Street and Amsterdam Avenue. At the intersection of 79th Street and Amsterdam Avenue, two of the Agents got out of the car, walked to 78th Street, and then toward Broadway. It is pointed out that SCHOENSTEIN'S residence, 210 West 78th Street, is between Amsterdam Avenue and Broadway.

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While the Agents were in this block a cab similar in color to the one which had picked up SCHOENSTEIN, RUSHMORE, and KERLEY, stopped in front of 210 West 78th Street, and it was noted there was only one passenger in the cab. He got out, paid the cab driver, and prior to entering, looked around at a car which was parked about 35 feet from 210 West 78th Street. Just as the man believed to be SCHOENSTEIN entered the apartment house, the driver of the above-mentioned car jumped out of it and began brushing the snow off his windshield. After a moment's hesitation, SCHOENSTEIN entered the apartment house.

The Agents continued walking to the corner of 79th Street and Broadway where they got into the Bureau car, which had been kept out of sight at all times.

The Agents immediately drove the car to the contract garage and engaged in no further investigative activity on that date.

It will be noted that in other sections of this report KERLEY and RUSHMORE indicated they not only made a Bureau car outside of the LEWIS' home, but also one through Central Park, at the subway stop where SCHOENSTEIN left them, outside of KERLEY'S house and outside of RUSHMORE'S home.

PENDING

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S.A.: T. SCOTT MILLER, JR.

DATE : 3/1/46

CASE: BRIBERY

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Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. D. M. Ladd

FROM : J. C. Strickland

SUBJECT: LARRY E. KERLEY;
Bribery

DATE: 2-26-46
JCS:TD

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Beahm
Miss Gandy

Supervisor Granville of the New York Office called and advised that thru the technical surveillance on the business phone of Kerley it was determined that Howard Rushmore at 4:56 PM on February 20, 1946, called Kerley and related that he had a report from the Ottawa Journal saying that a man named Arthur Adams is in custody in Canada but when the paper hit the streets the authorities immediately issued a denial. Rushmore wanted to know if Kerley thought this new development should be a reason for their getting together. Kerley said he did not think it would be necessary. Rushmore said he called somebody today about the situation and took the opportunity to give quite a soliloquy about what happened last night. Rushmore is no doubt referring to a previous conversation when he mentioned the fact that he thought he was under surveillance. Kerley informed him that such a thing was impossible but Rushmore said he thought he might have been mistaken. Rushmore mentioned that as a result of the Ottawa report, they had rushed a photograph of Adams to Ottawa in an effort to make an identification.

Thru the physical surveillance on the residence of Kerley it was determined that Rushmore called Kerley at 9:45 PM on February 20 and asked Kerley if he has anything further to tell him on the case and Kerley said he had nothing new. Then they wondered if the right man is in custody. They did not reach a decision. They also discussed their surveillance on Rushmore last night and they decided that since their activities are known they might as well "come out in the open". Rushmore asked Kerley if it would make any difference if it is the right man, and Kerley said it would make no difference. Rushmore said "You know the other matter we had in mind". (They were possibly talking about money for the third party or by-line Kerley is planning to write).

On February 21, 1946, Rushmore called Mrs. Lewis at 2:06 AM and they discussed the publicity their story is getting and he said there is a reporter on the Ottawa Journal who is a close friend and contact of his (Rushmore) who has a close friend in the RCMP who told him they had arrested Arthur Adams and that the FBI had asked the RCMP to look out for him. You will note that they are no doubt referring to the story to the effect that Arthur Adams was in custody in Canada and from the above conversation it appears that a reporter of the Ottawa Journal has some contact with the RCMP and it is possible that this might be the source of the unfounded story. If you agree, this information will be furnished to the RCMP.

At 9:20 PM on February 24, 1946, Kerley called Rushmore and referred to Winchell's broadcast which had just been completed. Rushmore said he guesses "Walter Winchell and Hoover talked it over."

RECORDED

58-1548-63

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/25/03 BY 60290 BSE/CA/TJS

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. D. M. Ladd

FROM : J. C. Strickland

SUBJECT: LARRY E. KERLEY;
Bribery

3:00 PM
DATE: March 5, 1946

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/25/03 BY 60390 BCE/CAL/DMS

Mr. Tolson ✓
Mr. E. A. Tamm ✓
Mr. Clegg ✓
Mr. Coffey ✓
Mr. Glavin ✓
Mr. Ladd ✓
Mr. Nichols ✓
Mr. Rosen ✓
Mr. Tracy ✓
Mr. Carson ✓
Mr. Egan ✓
Mr. Gurnea ✓
Mr. Harbo ✓
Mr. Pennington ✓
Mr. Quinn Tamm ✓
Tele. Room ✓
Mr. Nease ✓
Miss Beahm ✓
Miss Gandy ✓

Supervisor Granville called from New York and furnished the following information received from the technical coverage on Mrs. Betty Lewis and Larry E. Kerley. According to Granville, Rushmore called Mrs. Lewis and stated from a report received from Canada there are to be some more arrests today. Rushmore stated there are rumors that the Secretary of State has resigned and that General Marshall is taking over his job. Rushmore stated he has talked with Paul Schoenstein and they agree that now is the time to break the story they have in mind. Mrs. Lewis said she had talked "to the man" (meaning Kerley) and there was no longer a question of money involved at this point of the game. Rushmore stated he had a telephone conversation with Senator Bridges who advised that Senator Vandenberg is interested in this story. Rushmore said he wanted to go to Washington and speak with Bridges but that when he brought this question up with his superiors on the Journal American they insisted the matter be handled thru their Washington bureau. Mrs. Lewis is very strongly of the opinion that the whole thing should come out today or tomorrow or it will go to sleep again as it did the last time. Rushmore stated they couldn't do anything until Paul Schoenstein gives them the word and he is awaiting word from a superior on the Journal American. Rushmore said as far as he can gather, the money has been a sort of a hitch in the thing and this is the kind of information they do not like to pay money for, but that he does not think the man asked for too much money. Mrs. Lewis asked if there is a legal aspect involved and he said he did not hear of any such question but that the question was the money and that \$10,000 was the top figure they would go. She said regardless of the money they should go ahead with the story today.

58-1548-64

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Mrs. Lewis said she discussed the matter with him (Kerley) and she told him they would have to go ahead with the thing at the present time whether there is anything in it for him or not. Rushmore said you mean just under a by-line and she said yes. He brings up the story that Paul Schoenstein suggested that the whole story be handled as an interview and that it might take the "heat" off Kerley. He does not mention any names but it is understood they mean Kerley. Both Lewis and Rushmore agree that this would not be too good unless under the by-line. Rushmore asked her "Are you positive about the money" and she said yes; that she believes now is the time for the story. She said she had spoken to this man (Kerley) and she told him that in her opinion he had nothing to worry about; that the FBI would never penalize a man for doing a decent job. Rushmore said even if they did they would run a risk.

Rushmore suggested that before anything is done they demand some assurance (evidently from the Journal American) that they would give some backing if anything is done to him for giving this story out. Rushmore was of the opinion that the assurance would be readily given and that the newspaper would back them up. However, Rushmore is also of the opinion that the FBI, whom he refers to as the "opposition boys" if it did anything it would do it so cleverly that to pin them down and accuse them flatly would be difficult to do and he felt that this should be discussed before any story was given out. Mrs. Lewis then stated she was pretty sure the Bureau would not do anything and that it had decent people. She then said that the FBI is the only organization that stands for decency and honesty and she cannot see where there would be any sinister purpose on the part of the FBI to harm someone who does nothing but tell the truth. She then stated they (FBI) could have stopped this whole thing if they wanted to. Rushmore said when he talked to Kerley, Kerley was of the opinion that the Bureau would be pretty vindictive about the whole thing and she disagreed. She intimates from her conversation that Kerley is probably putting out this story so that he can fall back on this money idea. She said "I think that he thinks that the only way he can get any money is thru saying that they are going to harm him and his future. She told Kerley she thinks it is a lot of "bunk" and in her last conversation with Kerley she said "here is Leon Turrou who has become one of the most important intelligence officers in the Army" and that if the FBI wanted to be vindictive with him they could have given him a bad reputation. Rushmore was surprised to hear this sort of thing and said as far as he can see, speed is essential at the present time. She stated she told Kerley that anything other than getting the story out at the present time is ridiculous and Rushmore in a joking mood stated that he will always assure Kerley of a spare room and a loaf of bread and thinks it would have been very nice if his outfit (Journal American) had bought Kerley some ice cream cones. He also said if it is the money question which is going to clip the story he agrees with Lewis that the story is the thing and not money. To this she answered it is too important a matter to have

hanging fire just because someone wants to make a few dollars. Rushmore then promised to talk to Schoenstein and try to get something definite from him and will call her back.

In another conversation at 10:13 AM today between Kerley and Rushmore they discussed the story again and Rushmore related to Kerley the contents of the phone conversation with Bridges and Bridges' statement that Senator Vandenberg is very much interested. Kerley and Rushmore are disgusted with the way the Journal American is carrying on the situation thru the Washington bureau, but evidently this is the policy of the Journal American. Rushmore's plan was to go down and talk to the Senators without mentioning any names. He said, concerning the money, there has been no word from up above yet but he will try to get something definite on it today. Kerley maintains that he only wants to do it as originally planned.

The following items were discussed in a conversation between Kerley and Lewis at 10:25 AM. Kerley is very much dejected at the entire situation and believes the Journal American is gumming up the entire works. It seems from the tenor of the conversation that Lewis is doing a little pushing now on Kerley. She told him they are holding the story because they do not want to go on with it and she suggested that Kerley call Schoenstein and tell him not to worry about the consideration involved, but to go ahead with the story. Mrs. Lewis stated she believes the time is now ripe for the story to be broken and that another 48 hours will be too late. Mrs. Lewis in discussing the Journal American said they have gone as far as they can with the information they now have and that before they can print this by-line story of Kerley's they have to have a follow up story and that the follow up story does not depend upon the Journal American; that inasmuch as they have gone as far as they possibly can on the material they now have, Kerley said he believes they could have a follow up story if they would hold the proper meeting down in Congress. She said no, it is not a Congressional story. The story is in your (Kerley's) hands, and they know it. Kerley said no but the support they get would have a lot to do with its effects. Mrs. Lewis said they have all the support they want that the call to Bridges indicates support; that the only reason that Bridges was on the phone was that he wants more and more information and that is the only reason she can see why Senator Bridges would want to meet them other than the fact he believes more information would be forthcoming. She said when the story hits the papers it would mean that Bridges could then ask for an appearance of the witnesses before Congress. She indicated that Rushmore in the phone conversation only gave him a resume more or less of what they had and that when Bridges inquired if they could substantiate their story Rushmore evidently assured him that there would be witnesses and that Bridges probably now wants to meet the witnesses. She suggested once more that Kerley call Paul Schoenstein and tell him to go ahead with the story. Kerley still seems to be bewildered and he will come to her house at 3:00 PM today to talk it all over with her.

SAC, New York

~~CONFIDENTIAL & SENSITIVE~~

March 7, 1946

John Edgar Hoover, Director - Federal Bureau of Investigation

LARRY ERNEST KILLEY
Bribery

7800

Reference is made to your letter dated March 1, 1946, requesting that a check be made of the personnel file of former Special Agent [redacted] to determine his wife's name.

The personnel file of former Special Agent [redacted] has been reviewed and it was noted that he refers to his wife both as [redacted] and [redacted]

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MAR 9	
U. S. DEPARTMENT OF JUSTICE	

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58-1548

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Federal Bureau of Investigation (FBI) File No. 58-HQ-1548,
1940's FBI Leak Investigation Focusing on Lawrence E. Kerley
Section 3

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. D. M. Ladd

FROM : J. C. Strickland

SUBJECT: LARRY KERLEY;
BRIBERY

Call: 2:30 P.M.

DATE: 3/7/46

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

ASAC Belmont called from New York and advised of the following developments in this matter.

On March 6, 1946, Howard Rushmore called Mrs. Betty Lewis at 11:08 A.M. and advised her that he has a "green light" on contacting Senator Bridges. They discussed where they will meet and Rushmore said that he cannot very well invite a Senator to have dinner because he hasn't that much money. Mrs. Lewis then put her place at Rushmore's disposal and said she prefers a meeting in New York City but if necessary they will go to Washington.

Rushmore told Mrs. Lewis that he had talked the situation over with Paul Schoenstein and they discussed the advisability of having Kerley keep out of the picture until things have straightened out, and they were wondering whether they should wait to see what the Senator's reactions are before they reveal his identity to him. Mrs. Lewis sees no objection to this, but wants the Senator to include Senator Vandenberg from Michigan in the meeting. She is now starting to play a political angle, thinking if the opposed gets the story it won't help Vandenberg's political aspirations.

Rushmore told Mrs. Lewis when he can reach Senator Bridges he will call her back; however, he did not call back that day.

Rushmore called Larry Kerley at 10:05 P.M. on March 6, 1946 and advised Kerley that he had talked to Senator Bridges in Washington and it has been decided that Senator Bridges, Senator Vandenberg, and a couple more, are coming up soon to see the people they were talking about (from what can be gathered - the Lewises, Kerleys, and others). Kerley inquired whether there would be a conference and Rushmore said there would be and that the meeting would take place at Mrs. Lewis' home. They talked about Vandenberg being a good person to be present at such a meeting because he evidently has experience in cross examining people.

Kerley mentioned he is a little bit afraid of the whole thing because of his professional career. Rushmore then advised him that he spoke to Schoenstein and he, Schoenstein, thinks the new way they have the thing set up is much better because there won't be any "kick back" since it puts Kerley in a better light as there will be no money involved in the whole thing; as it will be more on a patriotic basis than on a mercenary basis.

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HEREIN IS UNCLASSIFIED
DATE 3/26/03 BY 60290BCE/KAL/TWS

JCS:EW
70 MAR 13 1946

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. D. M. Ladd

DATE: 9:10 AM
3-12-46

FROM : J. C. Strickland

SUBJECT: LARRY KERLEY;
Bribery

Mr. Tolson	✓
Mr. E. A. Tamm	✓
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	✓
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

SA Granville called from New York with further reference to the contemplated visit to New York of Senators Bridges and Vandenberg. On March 10, 1946, at 3:16 PM, Howard Rushmore called Mrs. Lewis, at which time he said he was going to call Bridges a week from March 10 (March 17) and that they would probably be in New York on March 18th or 19th (referring to Bridges and Vandenberg). He further stated "we are getting the material together and see if we can get them to take some action."

Mr. Granville said they were going to try to check Kerley's income tax forms which he files on March 15th but that the district is so large and it will be a matter of luck as to whether they locate the forms.

Mr. Granville stated it appears from conversations that possibly Kerley is not going to get any immediate payment of money and he is worried about the risk involved; that it looks as tho they are not going to run the by-line story, that they are probably going to handle it thru a Congressional Committee hearing.

JCS:TD

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ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/26/03 BY 60290 BCP/ALP/MS

FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT **NEW YORK**

NY FILE NO. **67-13301-135**

REPORT MADE AT NEW YORK	DATE WHEN MADE 3/6/46	PERIOD FOR WHICH MADE 2/26-3/4/46	REPORT MADE BY <div style="border: 1px solid black; height: 1.2em; width: 100%;"></div>	<div style="border: 1px solid black; padding: 2px;"> Mr. Tamm Mr. Clegg Mr. Glavin Mr. Ladd Mr. Nichols Mr. Rosen Mr. Tracy Mr. Egan Mr. Gurnea Mr. Harbo Mr. Hendon Mr. Pennington Mr. Quinn Tamm Mr. Nease Miss Gandy </div>
TITLE LARRY ERNEST KERLEY			CHARACTER OF CASE BRIBERY	
SYNOPSIS OF FACTS: 60070800/12 <div style="text-align: center; margin-top: 10px;"> 3/26/53 PERSONAL AND CONFIDENTIAL </div> <p style="margin-top: 20px;">The information furnished by Confidential Informants indicates very little activity on the part of BETTY LEWIS, HOWARD RUSHMORE and LARRY KERLEY, which is pertinent to instant investigation. RUSHMORE did intimate, however, that he had obtained something from KERLEY's files. RUSHMORE called the New York City office relative to Canadian arrests and was advised, "no comment." Results of mail cover on KERLEY's residence set out.</p> <p style="text-align: center; margin-top: 20px;">-P-</p>				
REFERENCE: Report of Special Agent New York, 3/1/46.				
DETAILS: This is a joint report of Special Agents and the writer, 				
APPROVED AND FORWARDED: <div style="display: inline-block; text-align: center; vertical-align: middle;"> SPECIAL AGENT IN CHARGE </div>		DO NOT WRITE IN THESE SPACES		
COPIES OF THIS REPORT 3- Bureau 2- New York		58-1548-68 <div style="font-size: 2em; font-weight: bold; margin-top: 5px;">FBI</div>		

NY 67-13301

ELIZABETH B. LEWIS

CONFIDENTIAL INFORMANT [redacted]

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The information being set out below was furnished the New York Office by Confidential Informant [redacted] during the period of this report.

FEBRUARY 26, 1946

At 7:45 PM on instant date, a Mr. PRESTON NEILSON conferred with Mr. LEWIS relative to registration of trade marks, patents and papers of incorporation. During this conversation, nothing of pertinence was noted by the informant.

At 8:25 PM RUSHMORE talked with BETTY LEWIS, at which time he said he was presently working on MIKE QUILL, (who at this time was instrumental in the contemplated transit strike in New York City). RUSHMORE stated, "I talked to our friend (KERLEY) today and took something down to the office which he let me have from his files---. He told you about telling me?" BETTY indicated that he had had. They then discussed how the transit strike was an old Communist trick to divert interest and attention from the Canadian spy situation. RUSHMORE said that he had not received any positive identification on the picture of ADAMS, which he sent to Ottawa, but thinks now that, "it's not our ARTHUR ADAMS" who is still missing. RUSHMORE told BETTY that Mrs. RUSHMORE's picture was on the Women's Page of the "Journal-American" of instant date.

FEBRUARY 27, 1946.

At 11:57 AM HOWARD RUSHMORE conferred with Mrs. LEWIS, at which time he told her he had just received a report from his friend up in Ottawa on the picture (of ARTHUR ADAMS) which RUSHMORE had forwarded to him. RUSHMORE said that the man in custody up there is not the same, but that his name is [redacted] that [redacted] claimed he was raised in Toronto of Roumanian parents and educated in Russia. BETTY said, "It couldn't be ERIC BERNAY could it?" (ERIC BERNAY was a close associate of ARTHUR ADAMS.) Continuing, RUSHMORE said that [redacted] was [redacted] for [redacted] in Canada, a Government project; also [redacted] the War Development Extensive Board. (indistinct) RUSHMORE said that at one time he worked as [redacted] for

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NY 67-13301

a firm of [REDACTED]
RUSHMORE said that that's all that the "Journal-American" had at that time and he was going to check with [REDACTED] firm to see what they knew about [REDACTED] RUSHMORE said it was indicated, however, that [REDACTED] was one of the top men of the spy ring in Canada. BETTY said that it couldn't be the same person as ARTHUR ADAMS and RUSHMORE agreed with her.

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BETTY said that she is going to meet, "her friend" (KERLEY) in about five minutes. RUSHMORE said, "Well perhaps you can talk to her and see what goes on there." (last three words very indistinct.)

On the same date, Mrs. LEWIS sent a cable to her mother, STEPHANIE KRANSZ, Becsi Ucca #3, Budapest, Hungary. The cable indicated that BETTY's mother was contemplating a trip to New York.

FEBRUARY 28, 1946.

At 11:57 AM Mrs. LEWIS told Mr. LEWIS that he and Mrs. LEWIS would have lunch with LARRY KERLEY at the Madison in a few minutes.

MARCH 1, 1946

At 12:20 PM the informant advised that Madame LISA TESSIERE, previously mentioned, was staying at the Plaza Hotel. The informant reported several conversations on the instant date and on previous dates between these two individuals, but the contents of these conversations revealed nothing of importance and the results were not set out.

At 12:28 PM Mr. and Mrs. LEWIS held a long discussion, during which they talked of the formation of a company to manufacture vitamin pills. It seemed to the informant that Mr. and Mrs. LEWIS were contemplating bringing an Hungarian Nobel Prize winner to do research work for this new company. BETTY said he was a member of the Hungarian Embassy and also of Parliament.

Mr. LEWIS then said that KERLEY was in this morning and brought those two letters. LEWIS said that he had signed them and had mailed them Registered Mail to "those two ladies". BETTY said, "Ladies --- hah, that's a good one."

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It is believed the above conversation refers to some tenants in the building at 5 East 57th Street, which KERLEY manages. The two then discussed a law suit by a woman, who presumably was previously a stockholder in the Canada Dry Corporation, and talked of Black Market activities on the part of individuals connected with this organization. According to the Informant, most of the remarks concerning the details of this suit by the woman and of the activities of officials of the corporation had been discussed previously by LEWIS and his wife in such a manner that the informant could not overhear the conversation and therefore, it was difficult for the informant to comprehend fully the present conversation.

At 7:49 PM BETTY conferred with KERLEY, at which time they engaged in a business discussion concerning the building.

MARCH 2, 1946

No information of any importance was noted by the informant on the above date.

MARCH 3, 1946

No information given by the Informant was deemed pertinent on the above date.

MARCH 4, 1946

The informant reported no information of value on this date.

NY 67-13301

HOWARD RUSHMORE

On March 1, 1946, HOWARD RUSHMORE telephonically contacted Special Agent in Charge E. E. Conroy and stated that the morning's news carried stories to the effect that there had been arrested twenty-two employees of the Canadian Government by the Royal Canadian Mounted Police for selling secrets on the atomic bomb to a foreign nation. RUSHMORE inquired as to whether there were any local angles on the case. Mr. Conroy informed him that he had no comment to make in this regard.

RUSHMORE then stated that he had called the Peter Cooper Hotel and that ARTHUR ADAMS was not there and that he wished to state that he hoped that "we had him in tow". Mr. Conroy stated that he had no comment to make.

The editions of the "Journal-American" for all the dates during the period of this report were examined for articles by RUSHMORE, which would be of interest to the instant investigation with negative results.

LARRY ERNEST KERLEY

CONFIDENTIAL INFORMANT

b2

The information being set out below was furnished during the period of this report by the above informant.

FEBRUARY 26, 1946.

No information of value was obtained by the informant on the above date.

NY 67-13301

FEBRUARY 27, 1946

At 10:55 AM KERLEY conferred with Mrs. LEWIS, at which time he suggested to her that she come down (probably to KERLEY's office) at 3:00 PM the following day. He said that he had spoken to the decorator on the eleventh floor and that the tenant wanted her partner to see BETTY. According to the informant, the conversation dealt entirely with business and the two agreed that they would lunch together the following day and will discuss what to tell "her." (probably the tenant.)

FEBRUARY 28, 1946

Nothing of value was noted by the informant on instant date.

MARCH 1, 1946

Informant ☐ No pertinent information was reported by Confidential on the above date.

b2

MARCH 2, 1946

Nothing of value was obtained by the informant.

MARCH 3, 1946

The informant observed no activities on the part of subject, KERLEY, on instant date.

MARCH 4, 1946

At 8:19 PM KERLEY conferred with HOWARD RUSHMORE, at which time he said that Mackenzie King's announcement was titanic. (referring to a charge made by the Prime Minister of Canada that the Soviet Espionage Agents were attempting to obtain detailed information concerning secret military and intelligence matter of the United States. RUSHMORE said he was going to do an article on it the following day and tie it up with SCHEVCHENKO. They agreed that BEVIN is behind the Canadian matter. RUSHMORE asked KERLEY if he is still ready for the trip they talked about. (Probably referring to a trip to Washington for a conference with Congressmen or Senators.) KERLEY said that he was ready and wondered if there was any possibility of, "what we discussed." RUSHMORE said he talked to

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"that guy" (probably referring to Senator Styles Bridges) who spoke to Vandenberg. RUSHMORE said the matter was discussed with PAUL (SCHOENSTEIN) and the Washington Bureau (Washington Bureau of the New York Journal-American) will handle it. KERLEY suggested they arrange to go to BETTY with PAUL to go over the matter. RUSHMORE said he would get in touch with BETTY and KERLEY said he would get in touch with RUSHMORE the following morning.

~~CONFIDENTIAL INFORMANT~~

b2

The information being set out below was furnished by the above informant, who reports information concerning part of the activities of KERLEY at his office at 5 East 57th Street, New York, New York.

FEBRUARY 26, 1946

The majority of the information reported by the informant on the instant date was in connection with the operation of the building which KERLEY manages. However, at 1:23 PM he attempted to get in touch with BETTY LEWIS, but was unsuccessful inasmuch as she would not return until 6:00 PM.

FEBRUARY 27, 1946

At 10:31 AM KERLEY conferred with an individual in Inspector GUERIN's office (ph.) at the United States Post Office, relative to a shipment of drugs from Lisbon to Mr. LEWIS. KERLEY^{was} informed that these drugs were seized because of opium content and KERLEY indicated they were destined for the LEWIS laboratories. The shipment was identified as Seizure number 1446 and Detention Number 2156. It was seized on January first and LEWIS will be advised when he can get any part of the shipment. KERLEY described himself to the individual as LEWIS' business manager.

At 11:15 AM KERLEY invited BETTY LEWIS to lunch. However, she said she already had a luncheon engagement, but would meet him at twelve noon in the lobby of the Madison Hotel.

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At 11:55 AM, a man who did not identify himself but was undoubtedly HOWARD RUSHMORE, attempted to confer with KERLEY at the latter's office, but was advised that KERLEY was out. RUSHMORE said he would attempt to get in touch with KERLEY a little later on.

FEBRUARY 28, 1946

At 4:17 PM Mrs. LEWIS attempted to confer with KERLEY but was unsuccessful. She left a message for KERLEY to get in touch with her when he comes back.

MARCH 1, 1946

No pertinent information was reported by the informant for the above date.

MARCH 2, 1946

The informant advised that he observed no activity on the part of KERLEY on the above date.

MARCH 3, 1946

No information was reported by the informant on this date.

MARCH 4, 1946

The only activity of KERLEY observed by the Informant on the instant date was in connection with the operation of the building and of no particular importance to the instant case.

NY 67-13301

MAIL COVER

The following is the result of a mail cover maintained on the KERLEY residence during the period of this report.

SENDER	DATE AND PLACE OF POSTMARK	ADDRESSEE
409-48th Street, East Savannah, Georgia	2-26-46 Savannah	Mrs. KERLEY
Mrs. HARRY REEBE Box 49, RFD 4 Hervey Heights Wheeling, West Virginia	2-26-46 Wheeling	Mrs. KERLEY
AL BROWN SONS, INC. 1146 Second Avenue New York	3/4/46 New York	LARRY KERLEY

GEORGE L. ~~X~~STRAIN
SPECIAL AGENT

It will be noted on page fifty-seven of the reference report that some of STRAIN's number three cards during the period of that report could not be located at that particular time. Supervisor who is familiar with the instant investigation, and who is the supervisor to whom Agent Strain is assigned, obtained No. 3 Cards submitted by STRAIN.

b6
b7C

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for February 19th, 21st, 23d, 25th, 27th, 28th; March 1st and 4th, 1946; February 16th and 17th being Saturday and Sunday, STRAIN presumably did not work and did not call in the office to make known his availability in the event he left his home, or else a No. 3 card would have been prepared for him. February 22d was a legal holiday and there is no indication STRAIN worked on that day. February 24th was a Sunday, on which date STRAIN presumably did not work.

An analysis was made of the number three cards enumerated above and it was noted that all of the investigative activity was concerned with Deserter Cases.

On February 23d (Saturday) STRAIN indicated to the office that he was going to dinner and then would see "Oklahoma" at the St. James Theater.

On February 25th STRAIN signed out from the Kent Garage, where Bureau automobiles are stored, at 5:30 PM and 8:00 PM called and stated he would be away from his home until 11:00 PM.

On March 1, 1946 he called the office at 7:40 PM and said he was going to a movie.

PHYSICAL SURVEILLANCE

Because of the fact that the individuals involved in this case are under the impression that they were being closely watched, no attempt to cover any of their meetings during the period of this report was made. It is pointed out that in the future, no surveillance will be conducted either of places or persons, unless the furtherance of this case can definitely be assured.

P E N D I N G

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. E. A. TAMM

DATE: 3/14/46

FROM : Mr. D. M. Ladd

Call: 5:00 P.M.

SUBJECT: LARRY E. KERLEY
BRIBERY

Mr. Tolson	✓
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	✓
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

SAC E. E. Conroy of New York called me at the above time and I advised him with reference to the above matter the Director stated it is all right to proceed with these qualifications:

Rather than having Kerley invited surreptitiously to the office they should have a couple of Agents go up and invite him down. If he refuses to come then there is nothing to be done on it. Mr. Conroy said he was inclined to go along on that very well;

To tell Kerley that they are starting an investigation, that we are interested in what, if anything, he has disclosed and not to bring up Rushmore's name or Berlin's name, that they should not ask Kerley if he told Rushmore this, did he tell Berlin that, etc. - they should discuss these names only if Kerley brings them into conversation. Neither should they bring up Lewis' name unless he volunteers them himself;

The interview should be very general, Kerley should be told there has been a disclosure of information and the Bureau wants to know if he has disclosed any information to anyone;

If Kerley elaborates any names, then the Bureau Office can discuss these names;

Permission has been granted to record the interview;

Mr. Conroy should participate in the interview himself;

Permission has been granted to continue the "tech" on these people for a reasonable time afterwards;

Authorization is given for the Agent to proceed to Charlotte.

I requested Mr. Conroy to advise the Bureau as soon as this interview is completed.

DML:dmg

76 MAR 19 1946

RECORDED

158-1548-69
F B I
19 MAR 19 1946

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/26/03 BY 60303 BCE/ALB/BS

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. EDW. A. TAMM *E*

DATE: March 14, 1946

FROM : Mr. D. M. Ladd *jt*

Call: 5:55 P.M.

SUBJECT: LARRY E. KERLEY
BRIBERY

Mr. Tolson	✓
Mr. E. A. Tamm	✓
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	✓
Mr. Nichols	✓
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

SAC E. E. Conroy of New York called me at the above time to advise of a development in this case. On their technical, this afternoon Kerley was in a conversation with Mrs. Lewis and discussed a complaint relative to Russian activities which Mrs. Lewis wanted to give to the Office there. She asked Kerley to get in touch with Agent Gregg and to suggest to Gregg that she and Kerley and Gregg have dinner together at which time she can furnish him the facts concerning the complaint. There is no indication that it has any connection with the Adams or related matters. Kerley advised that he would get in touch with Agent Gregg probably tonight to make arrangements for this meeting.

The Agents have suggested that this could be used as a pretext to bring Kerley in to the Office and Mr. Conroy said no to this suggestion that the Director has ruled against bringing Kerley in to the Office on pretext. Mr. Conroy said they are going to instruct Gregg to go ahead if they want to get in touch with him. He will see what he can find out from them.

DML:dmg

RECORDED 158-1548-70
F B I
39 MAR 1946

76 MAR 19 1946

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/26/03 BY 60290 BCE/CAL/jms

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. EDW. A. TAMM *E*

DATE: 3/15/46

FROM : Mr. D. M. Ladd *DL*

Call: 5:21 P.M.

SUBJECT: LARRY E. KERLEY
BRIBERY

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

At the above time I called SAC Conroy of New York to obtain the results of the luncheon engagement which Agent Gregg had with Mrs. Lewis and Kerley today.

Mr. Conroy said a memorandum is being prepared on this and is not completed at this time. However, Mr. Conroy has talked with Agent Gregg who stated they did not mention anything concerning the Adams case and as a matter of fact Kerley did not say 25 words which is natural inasmuch as nobody could get a word in with Mrs. Lewis around. He did mention the COMRAP case once by name and the tenor of this rather far-fetched thing is that Mrs. Lewis said she thought she was being investigated and she was wondering if she was being investigated by friends of Victoria Stone. A rather intangible connection with Victoria Stone and Agent Gregg got the impression she was just trying to feel him out to find out if he might drop any hint that the office was investigating her.

DML:dmg

RECORDED
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76 MAR 19 1946

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/26/03 BY 60290 BCE/CAL/MS

FEDERAL BUREAU OF INVESTIGATION

1946

<input checked="" type="checkbox"/>	The Director	Mr. Tolson
<input type="checkbox"/>	Mr. Tolson	Mr. E. A. Tamm
<input type="checkbox"/>	Mr. Ladd	Mr. Clegg
<input type="checkbox"/>	Mr. Rosen	Mr. Glavin
<input type="checkbox"/>	Mr. Clegg	Mr. Ladd
<input type="checkbox"/>	Mr. Glavin	Mr. Nichols
<input type="checkbox"/>	Mr. Nichols	Mr. Rosen
<input type="checkbox"/>	Mr. Tracy	Mr. Tracy
<input type="checkbox"/>	Mr. Carson	Mr. Carson
<input type="checkbox"/>	Mr. Egan	Mr. Egan
<input type="checkbox"/>	Mr. Harbo	Mr. Gurnea
<input type="checkbox"/>	Mr. Hendon	Mr. Harbo
<input type="checkbox"/>	Mr. Pennington	Mr. Pennington
<input type="checkbox"/>	Mr. Quinn	Mr. Tamm
<input type="checkbox"/>	Mr. Nease	Mr. Quinn Tamm
<input type="checkbox"/>	Mr. Welch	Mr. Nease
<input type="checkbox"/>	Miss Gandy	Miss Gandy
<input type="checkbox"/>	Mr. Carson	

Records Section
 Personnel Files
 Send File
 Bring file up-
 to-date
 Search, serial-
 ize, and route
 Reading Room
 Mechanical Section
 Bureau Supply Section

<input type="checkbox"/> Miss Stalcup	<input type="checkbox"/> Stamp and mail
<input type="checkbox"/> Miss Gray	<input type="checkbox"/> Prepare tickler
<input type="checkbox"/> Miss Butcher	<input type="checkbox"/> Call these files
	<input type="checkbox"/> File

☐ See Me

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 3/26/03 BY 60290 BCE/CAL/PLS

Edward A. Tamm
 5734

Office Memorandum • UNITED STATES GOVERNMENT

TO : D. M. Ladd

FROM : [REDACTED]

SUBJECT: ^{ARRY} ~~Lewis~~ Kerley

DATE: March 16, 1946
Call: 2:25 P.M.

b6
b7C

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

[REDACTED] of the New York office called at 2:25 P.M. today and advised that Betty Lewis, the employer of Kerley, contacted Special Agent Emory Gregg and had lunch with him on Friday. Friday night information was picked up over tech of a conversation between Betty Lewis and Kerley. Lewis advised Kerley that Gregg was very downhearted during the entire luncheon probably because of the futility of everything, probably referring to the investigation. Kerley made the comment he was glad "it's all out," probably referring to the story. Both Lewis and Kerley agreed that Gregg appeared very much on his guard. It is supposed the purpose of the meeting was to see if Bureau aware they were involved.

She also called Kerley and told him he should send a telegram to the Metropolitan Club in New York City protesting the fact that Grover A. Whalen was of such minor importance to introduce Churchill. Kerley was to sign the telegram with his true name and title as a former Agent of the FBI. It is unknown if such telegram was sent. Kerley stated he did send another telegram to Churchill in which he praised Churchill's stand in this matter. Kerley signed just his name to this telegram with no title.

At the present time SAC Conroy plans to interview Special Agent George Strain simultaneously with Kerley in separate rooms on Monday. Questioning of Strain is to be done by Supervisors R. R. Granville and W. T. Marchessault. SAC Conroy will question Kerley.

The investigative reports in this matter have been mailed from New York and should be in the Bureau Monday morning together with the information related above.

RECORDED

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ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 3/26/03 BY 60290BCE/JAL/JWS

Office Memorandum • UNITED STATES GOVERNMENT

TO : D. M. Ladd *LM*

FROM : J. C. Strickland *Strickland*

SUBJECT: LARRY KERLEY
BRIBERY

DATE: March 18, 1946

JCS:OME
Call 12:10 PM *Call*

Mr. Tolson	_____
Mr. E. A. Tamm	_____
Mr. Clegg	_____
Mr. Coffey	_____
Mr. Glavin	_____
Mr. Ladd	_____
Mr. Nichols	_____
Mr. Rosen	_____
Mr. Tracy	_____
Mr. Carson	_____
Mr. Egan	_____
Mr. Gurnea	_____
Mr. Hendon	_____
Mr. Pennington	_____
Mr. Quinn Tamm	_____
Tele. Room	_____
Mr. Nease	_____
Miss Beahm	_____
Miss Gandy	_____

SAC Conroy called from New York at the above time and spoke with the writer concerning the captioned case. He stated that Special Agents [] and [] went to Kerley's office this morning and talked with him for approximately one-half hour. Kerley flatly refused to go to the New York Office stating that if Conroy desires to see him he could come to his office or he, Kerley, would go to Washington and talk with Mr. Hoover. Conroy stated that during the above interview Kerley made one indirect admission. Kerley stated that he was still loyal to Mr. Hoover and to the FBI and that anything he did or would do would be for the benefit of the Bureau. Conroy stated that Kerley spoke about the fact that later after the articles were published that he was dealing with the journal American for the publication of a by-line but said that in view of the change in the international situation in the last two or three weeks, that wasn't necessary. He indicated that he could have gotten a couple of hundred thousand dollars for that.

Conroy stated that a detailed memorandum is being prepared and would be submitted to the Bureau immediately.

As soon as the Agents left Kerley's office he called Mrs. Lewis and made arrangements to proceed immediately to her home.

Conroy stated that George ~~X~~Strain is now being interviewed by Agents Marschessaut and Granville but that so far nothing of significance had been determined.

Conroy stated that stops had been placed for Kerley's income tax returns with two districts, one where he lives and one where he works. Through a confidential source it was learned that Kerley has never previously filed an income tax return in New York.

He advised that he has had nothing from Charlotte regarding their interview with [] and would contact the Charlotte Office today. Conroy stated that he does not plan to contact Kerley unless advised by the Bureau to do so. *LM*

I advised Conroy to submit the above mentioned memorandum as soon as it was prepared for the Bureau's further consideration on the action deemed advisable.

RECORDED

&
INDEXED

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/26/03 BY 60393CE/CAL/pls

158-1548-73
F B I
19 MAR 19 1946

51 MAR 20 1946

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b7C

Office Memorandum • UNITED STATES GOVERNMENT

DML:dmg

TO : MR. EDW. A. TAMM

DATE: 3/18/46

FROM : Mr. D. M. Ladd

Call: 12:40 P.M.

SUBJECT: LARRY E. KERLEY
BRIBERYALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 3/26/83 BY 60220 E/CAL/vms

Mr. Tolson	✓
Mr. E. A. Tamm	✓
Mr. Clegg	✓
Mr. Coffey	✓
Mr. Glavin	✓
Mr. Ladd	✓
Mr. Nichols	✓
Mr. Rosen	✓
Mr. Tracy	✓
Mr. Carson	✓
Mr. Egan	✓
Mr. Gurnea	✓
Mr. Hendon	✓
Mr. Pennington	✓
Mr. Quinn Tamm	✓
Tele. Room	✓
Mr. Nease	✓
Miss Beahm	✓
Miss Gandy	✓

SAC E. E. Conroy of New York called at this time and advised me he had talked previously with Mr. Strickland and advised him that Kerley refused to come to the office when Agents [] and [] went to him. Kerley said if SAC Conroy wanted to see him he could go to see Kerley or that Kerley would go to Washington to talk with the Director. Mr. Conroy stated they are writing this matter up and he will give it to me in detail later.

Kerley then called Mrs. Lewis and went over to her apartment. About ten minutes ago, Mr. Conroy received a call from Kerley who advised that Agents [] and [] had been up to see him and they wanted him to come to the office. He said he felt that he could not go with them without conferring with some of the people whom he knew and that he would come down to the office and bring them with him. Mr. Conroy inquired as to whom he was going to bring down and Kerley stated Mrs. Lewis after much stammering. SAC Conroy advised Kerley that he did not care to talk to Mrs. Lewis at the present time, that he (Mr. Conroy) would be glad to see Kerley if he wanted to come down and that it would give him an opportunity to clear himself since his name had come up in connection with this matter. Kerley said that they could not get the complete story without having Mrs. Lewis come along after which Mr. Conroy stated they would consider talking to her later. Inasmuch as this was Bureau business Mr. Conroy advised Kerley he did not care to have any outsiders in on this matter when he discussed it with Kerley. Mr. Conroy stated this was about the only stand he could take on this matter and apparently Kerley is not coming down to the office.

RECORDED 158-1548-74

I inquired whether they had talked to Strain and Mr. Conroy said they were ready to talk to him at approximately 9:00 A.M. and at about 8:55 A.M. he received a Grand Jury subpoena. SAC Conroy stated they started to talk to Strain at 11:50 A.M. just as soon as he was released. He advised that up to this time nothing pertinent has been gone over but that Agents Marchessault and Granville are now talking to Strain.

Mr. Conroy stated he has been trying to contact Mr. Scheidt but inasmuch as the circuits are busy he has not reached him yet.

In connection with the income tax Mr. Conroy said their source checked back through previous years and they find that Kerley did not file his income tax return in either one of those districts in previous years.

76 MAR 19 1946

Mr. Conroy will call back to advise in detail of Agents [] and [] conversation with Kerley.

FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT **NEW YORK**

NY FILE NO. **67-13301 mes**

REPORT MADE AT NEW YORK	DATE WHEN MADE 3-12-46	PERIOD FOR WHICH MADE 3/5-10/46	REPORT MADE BY <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
TITLE LARRY ERNEST KERLEY			CHARACTER OF CASE BRIBERY

SYNOPSIS OF FACTS:

PERSONAL AND CONFIDENTIAL

Confidential Informants advised that HOWARD RUSHMORE has made arrangements to have Senators Bridges, Vandenberg and possibly one or two more come to New York for a conference, at which time they will presumably discuss information KERLEY has made available to BETTY LEWIS and HOWARD RUSHMORE. Informants also advised that RUSHMORE and LEWIS have indicated that the story which they intend to release is too important to be held up because someone is, "looking for a couple of bucks". Conversations indicated that the money was probably to be paid to KERLEY for himself rather than for an individual from whom he has been getting information. Informants advised that the "Journal-American" has been reluctant to authorize payment of money for the information. RUSHMORE published one article which contained no new information not previously published.

3/24/46
62-20000-10000

REFERENCE:

Report of Special Agent
New York, 3/6/46.

DETAILS:

This is a joint report of Special Agents and the writer.

APPROVED AND FORWARDED: <div style="text-align: center;"></div>	IN CHARGE	DO NOT WRITE IN THESE SPACES
COPIES OF THIS REPORT 3 - Bureau 2 - New York <div style="text-align: right;">1 copy to Trueman 4/9/46</div>		<div style="font-size: 1.5em; font-weight: bold;">58-1548-75</div> <div style="border: 1px solid black; height: 40px; width: 100%;"></div>
		<div style="border: 1px solid black; padding: 5px;"> <div style="display: flex; justify-content: space-between;"> RECORDED INDEXED </div> <div style="text-align: center; font-size: 1.2em;">EX-101 3/14</div> </div>

NY 67-13301

ELIZABETH B. LEWIS

CONFIDENTIAL INFORMANT

b2

During the period of this report, information being set out below was given to the New York Office by the above informant.

MARCH 5, 1946

At 10:02 AM on the instant date HOWARD RUSHMORE contacted BETTY LEWIS at which time they talked about more arrests, which RUSHMORE stated were to take place in Canada concerning the Russian Spy Espionage ring. BETTY LEWIS asked him what about here in the United States, to which RUSHMORE replied in a sarcastic way, "No arrests here, that would be contrary to justice."

BETTY LEWIS also mentioned that she heard rumors that BYRNES had resigned and General Marshall will take over his job. They then talk about the Russian Colonel who was formerly military Attache of the Russian Consulate in Ottawa and compare him with the Gromyko situation in the United States.

Thereupon, RUSHMORE informs that he has talked with PAUL SCHOENSTEIN and they are of the opinion that now is the time, "we can break the thing we have in mind." BETTY LEWIS stated that she had talked to "that man" (KERLEY) and says that there can be no question of remuneration at this point. RUSHMORE then says there are other things still hanging in the fire in Washington and advised he has talked to Senator Styles Bridges, who stated to him that he had talked to Senator Vandenberg, who has just returned to the Senate. Senator Vandenberg was extremely interested in the story and Bridges had suggested coming to New York for a meeting with everyone involved. However, RUSHMORE stated that he felt it was not proper for a United States Senator to come to New York to talk to him, a reporter, and private individuals and suggested that he, RUSHMORE, come to Washington and talk to Bridges. However, the "Journal-American" had told RUSHMORE that the "proper channel" was the Washington Bureau of the "Journal-American" and that all RUSHMORE could do was write a memorandum to the Washington Bureau of the "Journal-American". BETTY LEWIS thought that the meeting should be held and should be in New York. RUSHMORE said he would see what he could do to have it arranged.

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BETTY LEWIS was strongly of the opinion that the story should come out today or tomorrow because if it is not done at that time, the whole matter would then go to sleep. RUSHMORE replied that nothing could be done until PAUL receives word from someone higher up in the "Journal-American" organization. BETTY then told him that he should tell SCHONSTEIN that SCHONSTEIN could go ahead with the story because the other situation no longer exists and PAUL could print the story without any question of money being involved. RUSHMORE stated that he believed that maybe the question of money was the thing that was holding up the breaking of this story; whereupon BETTY asked RUSHMORE if it were not true that this was not the type of information that the "Journal-American" would want to pay for. RUSHMORE advised her it was not the question of paying money, but merely the amount involved.

BETTY LEWIS then asked whether or not there was a legal aspect that the "Journal-American" didn't want to get involved in. RUSHMORE said that nobody had mentioned anything to him about legal complications and that the whole thing was up to, "what-you-call-him" (KERLEY). He also mentioned here that \$10,000 was the top figure that the "Journal-American" would consider. BETTY says that they should go ahead with the story today without any further research. BETTY also states that she talked to "him" (KERLEY) and had told KERLEY that it would have to be done whether or not there was anything in it for "her" on it. Whereupon RUSHMORE stated, "You mean under a by-line?" BETTY replied, "Yes." RUSHMORE stated he had talked to SCHONSTEIN and SCHONSTEIN had suggested that possibly, to take the heat off KERLEY, the proper way to bring out the story would be through an interview type of article, but that he, RUSHMORE, thought a by-line would be better and would be more effective. BETTY agreed with him on this.

RUSHMORE then asked BETTY if she were positive about the idea of no remuneration being involved and BETTY said she was. RUSHMORE frankly stated all he wanted was a front page story and he believed that now was the time to do it. BETTY said she spoke to this man (probably KERLEY) and had told him, in her opinion, she could not see that he would have anything to worry about and the FBI would not penalize a man for being a decent American. RUSHMORE stated, even if they did they'd run an awful risk, whereupon BETTY stated, "that would be the time when you people (Journal-American) could do your stunt for a man who has been crucified by people like this. Then you'd really have something to put your teeth into ---and an organization like the Hearst papers---nobody has to be afraid if they're behind him. This is worth a good deal more than a couple of lousy dollars."

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Whereupon RUSHMORE stated, "If I were the person involved, I'd demand that assurance if anything is done." BETTY LEWIS then stated that she herself would demand that. RUSHMORE answers that, "I'd get it very quickly." He states that the paper wouldn't let him down and that as a matter of policy, they couldn't do so. However, he stated that the FBI, whom he referred to as the "Opposition Boys", "if they did anything, they'd do it so cleverly, that to later pin them down and accuse them flatly would be something else again." He thought this was a matter that should be definitely discussed by everyone involved. BETTY stated that they, (the FBI) wouldn't do that because they're a magnificent organization. "They're decent, honest and elegant." RUSHMORE agreed, whereupon BETTY said that the FBI is the best bet for decency and honesty and she can't see why the FBI ought to have any sinister purpose, just because someone tells the truth and they (the FBI) could have stopped this whole thing if they wanted to.

RUSHMORE then stated, "Who-do-you-call-him" (probably KERLEY) says that they would be pretty vindictive. He knows the organization better than I do. BETTY disagreed. She stated that KERLEY is probably saying these things about the repercussions from the Bureau because, "he thinks that's the only way he can get any money." She stated she had a conversation, "with him" and stated, "Here was LEON TURROU, who has become one of the most trusted intelligence officers in the Army. If the FBI wanted to be vindictive with any one, they could have given him a bad recommendation, but they didn't do it, and the Army has relied on him all the time." RUSHMORE stated he was surprised to hear this as he had never heard that story and stated that in his opinion, under the present circumstances, "speed is essential".

BETTY went on to say that she had told "him" (KERLEY) that anything other than getting the story out was ridiculous and that she had been waiting for RUSHMORE's call. RUSHMORE then stated in a joking way that he could promise KERLEY that he could always assure him that he had spare room and an extra loaf of bread and stated that it would have been very much nicer if "my outfit" had bought "him" some ice cream cones and stated that if it was a question of money that was going to kill the story, he agreed with BETTY that they should go ahead without any thought of money. Whereupon BETTY said it was too important to have anything hanging on, just because someone "is looking for a couple of bucks".

RUSHMORE closed the conversation by stating he would get in touch with PAUL SCHOENSTEIN and would speak to her later in the day.

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At 10:25 AM on the same date LARRY KERLEY conferred with BETTY LEWIS, at which time KERLEY stated that he had talked to RUSHMORE concerning RUSHMORE's telephone conversations with Senator BRIDGES. KERLEY was of the opinion that the "Journal-American" was "gumming up the whole works". Whereupon BETTY stated that, "they (Journal-American) are holding the story because they don't want to go on with it." She suggested that they call and tell them not to worry about the consideration, but just to go ahead with the story.

It ought to be stated that during this entire conversation KERLEY appears very dejected and BETTY does all the pushing, trying to get him to give the story out right away. BETTY also tells him that, "the 'Journal-American' feels that as long as they can't do it with you, they're not going to do it at all." She states that she believes the time is ripe for the story to break and that if another forty-eight hours elapses before the story is printed, it would be no good. KERLEY makes the statement that RUSHMORE can only go so far and that "they", referring most likely to the superiors of RUSHMORE, were vacillatory and RUSHMORE could not stop it. BETTY tells him she believes that there is more than that to the reasons why it is not being printed. The two then discuss Senators Vandenberg and Bridges and Secretary Byrnes.

In further discussing the "Journal-American", BETTY LEWIS states that they had gone as far as they could with the story as they now have it and it must be kept in mind that from a newspaperman's angle, there would have to be a follow-up story on that story and the follow-up doesn't depend on them. "They've gone as far as they could on the material they now have." KERLEY suggested that they could have a follow-up story by having a proper meeting down there in Congress. BETTY stated she did not believe that this was a Congressional story and states, "The story is in your hands and they know it." Whereupon KERLEY states that the support that they would get in Washington would have a lot to do with its effect. BETTY then tells him that they have all the support they need; that the call from Senator BRIDGES in itself indicates some support in Washington, and that the reason for Senator BRIDGES' call was just to get some more information. She states, "That's the reason why he wants to meet the people involved personally." She could not see any other reason why he would have to meet them. She stated that when the story hit the papers, it would immediately be demanded that they appear in front of a Congressional Committee. She then stated that all RUSHMORE had done was give him the story in a package when he spoke to BRIDGES on the phone and had evidently told him that there would be witnesses and possibly now BRIDGES was interested in meeting these witnesses.

She ended the conversation by suggesting that KERLEY contact

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PAUL SCHOENSTEIN and tell him to go ahead with the story. KERLEY stated that before he did anything else, he would come up to see her this afternoon and go over the whole situation.

At 7:53 PM HOWARD RUSHMORE conferred with BETTY LEWIS, at which time they discussed Churchill's speech. Mrs. LEWIS stated that it was only the Canadians and the British who were doing anything and she would not be satisfied until she heard President Truman coming out and taking a stand. RUSHMORE advised that he had a letter from a friend of his in the State Department today who said that there were several advisors to the Atomic Committee of the United States Senate who are Communist Party members and at least one of the so-called advisors was known to attend various Communist Party meetings. RUSHMORE then states that he is going to do a little bit more "digging" on this information.

Then BETTY LEWIS stated to him that, in her opinion, there is nothing more that LARRY KERLEY can give to the "Journal-American" and it is now up to the "Journal-American" to use all their sources of information to dig further into the background of these various people involved in the Russian Espionage ring. She also states that it would be "marvelous" if Senators VANDENBERG and BRIDGES would follow through on this thing.

RUSHMORE closes the conversation by saying that he will get in touch with PAUL SCHOENSTEIN and advises that he will keep in touch with Mrs. LEWIS and inform her of any new developments.

MARCH 6, 1946

At 10:15 AM on this date KERLEY contacted Mr. LEWIS, at which time the latter told KERLEY to hold up on a certain lease KERLEY was handling for him. During this contact Mr. LEWIS advised KERLEY that the statement in the lease, which KERLEY had negotiated, to the effect that the "rent was fair and reasonable" was superfluous and as a matter of fact was not true and advised KERLEY that it should be stated differently.

At 10:45 AM BETTY LEWIS contacted her husband at his office regarding the renting of space at the building located at 5 East 57th Street, which KERLEY manages for the LEWISES. During the course of this conversation, Mrs. LEWIS stated that she herself would handle this matter because KERLEY "would make an ass out of himself."

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At 10:58 AM Mr. HOWARD RUSHMORE contacted BETTY LEWIS in an attempt to arrange a meeting for luncheon some day.

At 11:08 AM BETTY LEWIS was contacted by HOWARD RUSHMORE, at which time RUSHMORE advised her that he had gotten "the green light" from his newspaper on contacting Senator BRIDGES and RUSHMORE and Mrs. LEWIS discuss the advisability of having the meeting with the Senator in New York City. However, both were willing to go to Washington if necessary to lay the story before him. RUSHMORE also told her that he had discussed the situation with SCHOENSTEIN and he and SCHOENSTEIN were wondering whether or not KERLEY should appear in the picture at the present time or whether he should wait until all the details are straightened out before his identity is known. BETTY LEWIS saw no objection to this, but stated to RUSHMORE that she would like to have it arranged that Senator Vandenberg be present with Senator Bridges at any meeting that might be arranged. She also discussed the fact that Vandenberg would possibly be the next presidential candidate for the Republican Party and it would be a feather in STYLES BRIDGES' cap if he could do something to further Vandenberg's candidacy with such a matter as they had in mind. During the course of this conversation, Mrs. LEWIS mentioned to RUSHMORE that she had a couple of things to show RUSHMORE which he had not seen as yet. RUSHMORE advised that he would keep her advised of all developments.

At 9:35 PM one DAVE KAHN contacted Mrs. LEWIS and talked to her at great length about his big business deals.

At 3:50 PM LARRY KERLEY conferred with BETTY LEWIS, at which time he stated he had talked to HOWARD RUSHMORE the previous night and that RUSHMORE had said that, "their two friends" down in Washington want to come up for a conference, not next week, but probably the first of the following week.

It is pointed out that this would be the week beginning with Sunday, March 17, 1946. The two friends referred to are probably Senators BRIDGES and VANDENBERG.

BETTY then refers to a book which she is presently reading concerning the OSS by Donovan. She reads several parts of the book to KERLEY and terms them "ridiculous". KERLEY said, "I told you how they operated down in Washington". They then made several favorable comparisons of the FBI and the OSS and BETTY said that this book is probably the greatest compliment that the FBI had ever received.

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Then they conversed about Mc Cormick and Central Intelligence in the State Department. They also discussed a project which FRANKLIN ROOSEVELT, JR. and JOSEPH LASH were actively sponsoring. They also make derogatory statements concerning former advisors of President Roosevelt, namely, DAVID K. NILES, ROBERT SHERWOOD and SAMUEL ROSENMAN. They also discuss Secretary of State James Byrnes and BETTY said that he was having pressure both from the Reactionaries and the Communists to oust him. LARRY said, "Well, with both of us working on him he should be out." LARRY said that RUSHMORE was fairly certain that VANDENBERG was coming to New York and BETTY said for him to let her know if anything new develops "on the two friends coming up."

At 8:40 PM an individual believed to be GEORGE LEWIS, brother of JAMES LEWIS, conferred with Mr. LEWIS, at which time they discussed GEORGE's daughter, MARCIA (previously referred to in this case) who is to be married on May 11th to a man who is in the FBI in Huntington or Washington. LEWIS said that the groom was a member of several organizations and clubs, according to some FBI associate of the LEWISES. LEWIS also told GEORGE that the announcements should not mention MARCIA's membership in the United Nations Club. He said he would tell GEORGE why when he sees him.

MARCH 8, 1946

Confidential Informant [] had nothing of importance to report on this date.

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MARCH 9, 1946

[] had nothing pertinent to report on the above date.

MARCH 10, 1946

At 3:16 PM HOWARD RUSHMORE contacted BETTY LEWIS, at which time she congratulated him on a story (which will be explained in another part of this report), and then read him an article on the Tass News Agency which appeared in the "Herald Tribune" written by one SIMONDS.

RUSHMORE said that next week should be very interesting. (Referring to the fact that Senators BRIDGES and VANDENBERG might possibly come to New York then, to discuss the story based on information presumably furnished by KERLEY.) BETTY then said, "we're getting all the material together ---this LARRY---and see if we can really get them to take some action."

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The two then discuss current newspaper articles and the fact that WINSTON CHURCHILL is going to speak at the Metropolitan Club of which JAMES LEWIS is a member. BETTY and RUSHMORE then decide what question they want LEWIS to propound to CHURCHILL and decide that they want to ask a question concerning Soviet espionage in either the United States or Great Britain. They thought of asking CHURCHILL if Great Britain had any espionage agents in the Soviet Union.

RUSHMORE then said, "they (referring to BRIDGES and VANDENBERG) will arrive next Monday or Tuesday". RUSHMORE said that he is going to call "him" (BRIDGES) at his home a week from today (March 17, 1946).

BETTY said that she was having lunch with FRANCES RUSHMORE the following day and invited HOWARD to come along, but RUSHMORE refused, stating he was doing an article on the pulp shortage, inasmuch as there was a labor angle involved and he was doing a "little gum-shoeing".

HOWARD RUSHMORE

In the Sunday edition of the "Journal-American" for March 10th, 1946, there appeared an article on the front page by HOWARD RUSHMORE, which was concerned with the United States Army's policy of banning Communists. The article mentions several individuals who are known Communists and there was a short "re-hash" of information previously set out by RUSHMORE which deals with the instant investigation. Inasmuch as no new information was set out in this article, it will not be set out here, but a copy of this paper will be made an exhibit in this case.

(This is the article RUSHMORE had written, which BETTY LEWIS congratulated him about as stated above.)

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LARRY ERNEST KERLEY

CONFIDENTIAL INFORMANT

b2

During the period of this report, the information being set out below was furnished the New York Office by Confidential Informant who reports part of the activities of KERLEY at his home.

MARCH 5, 1946

At 10:05 PM HOWARD RUSHMORE conferred with KERLEY, at which time the former said that he had called his friend in Washington, the friend from New England and that he and VANDENBERG and one or two more were coming up to New York the week after next to see, "the people we were talking about".

It is believed that RUSHMORE refers to Senator Styles Bridges of New Hampshire when he referred to his friend in Washington and "the people we were talking about" probably means KERLEY, RUSHMORE, LEWIS and SCHOENSTEIN.

KERLEY wanted to know if "we" would have a conference, at which time RUSHMORE said that the would and the meeting would probably be uptown at "her" suggestion.

RUSHMORE is probably referring to the meeting which will take place when the Senators got to New York and "her" referred to is probably BETTY LEWIS.

RUSHMORE said that the Senators were very interested in the matter and were making photostatic copies of the story which would probably be in the Congressional record. RUSHMORE said that BRIDGES, referred to by inference, is going to remind Senator Connally of Texas that he is up for re-election in a state that does not like Communists. He said that they were definitely coming up.

KERLEY said that things are breaking so well, "We've decided in the last day that maybe we had better not go into the other aspect--- but this is what we all hoped for."

Part of the statement made by KERLEY is indistinct but it is believed that the other aspect referred to was the possibility of KERLEY getting money for the information that he has been supplying to the "Journal-American".

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RUSHMORE said, "If this guy and BYRNES do as we hope they do, that will be the best way and that will be best for you too, LARRY." Relative to the Senators coming to New York, RUSHMORE said that they will probably make a motion in Congress and that when the motion is made a hearing on it would be forced. RUSHMORE said that "he" (probably BRIDGES) had checked with certain sources which he had down "on your story, er my story and it was completely correct."

RUSHMORE is probably referring to either his original story on ARTHUR ADAMS or possibly the new one which will, according to previous conversations have names of the subjects involved.

The two then discussed personal problems, such as getting someone to watch their children and finally LARRY said that RUSHMORE had called him the other day and had wanted to know "how this other was looking" and it was all right if RUSHMORE wanted to handle it.

It is believed that KERLEY is referring to the attempts by RUSHMORE to get STYLES BRIDGES and other Senators to come to New York to discuss the ARTHUR ADAMS case and possibly other cases.

Continuing, LARRY said, "I wanted to know about this other because things are shaping up better and (pause) there's too much risk."

It is believed that KERLEY here is referring to the advisability of his accepting money for the information he has supplied.

RUSHMORE said he thought this way was the best and KERLEY added that he had a professional career he had to watch. RUSHMORE said, "yes, and as PAUL said, under this new plan we have, you will have less kickback and automatically you will be in a better light and there will be no accusations of any mercenary motive.

The two agreed to keep in touch with each other.

MARCH 7, 1946

The informant had nothing to report on this date.

MARCH 8, 1946

On the above date Confidential Informant had nothing pertinent to report.

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MARCH 9, 1946

The informant had nothing of importance to report on this date.

MARCH 10, 1946

On this date at 8:30 PM HOWARD RUSHMORE contacted LARRY KERLEY, at which time they discussed the "Journal-American" and the "New York Times" editorials. KERLEY advised RUSHMORE that he had no news on anything else. RUSHMORE then stated that they would just have to wait for the Washington man to get back.

RUSHMORE is probably referring to STYLES BRIDGES who was unable to come to New York the instant week because he had to leave Washington.

RUSHMORE then stated that he would call BRIDGES upon the latter's return and hoped that BRIDGES would bring VANDENBERG to New York City with him. RUSHMORE told KERLEY he would keep in touch with him.

~~CONFIDENTIAL~~ INFORMANT

b2

The information being set out below was furnished the New York Office by the above informant during the period of this report. This informant reports part of the activities of KERLEY at his office located in the building at 5 East 57th Street, New York City.

MARCH 5, 1946

At 10:13 AM on the instant date KERLEY conferred with RUSHMORE, at which time they discussed the developments in the story generally and RUSHMORE advised KERLEY that he had talked with STYLES BRIDGES, who in turn had seen Senator VANDENBERG and the latter was very interested in the story. He said that BRIDGES wanted to come to New York, but that RUSHMORE had said he would rather go down to Washington. RUSHMORE said that PAUL SCHOENSTEIN had vetoed this and told him he had to go through the proper channels, the Washington Bureau of the Journal-American. RUSHMORE said that he had written a memorandum and SCHOENSTEIN had sent it to

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Washington. They both agreed that this was not a good way to handle this matter inasmuch as the Washington officials would not have a full background of the story and would not be prepared to discuss it fully. It was his plan to go to the various Senators who were sympathetic and tell the story without mentioning names and if they were interested then they could, "talk turkey".

RUSHMORE then advised KERLEY that relative to the money, there was no word from "up there" as yet. He said he would try to get something definite today and would get in touch with KERLEY. KERLEY said he would only want to do it as originally planned.

MARCH 6, 1946

No information of any importance was furnished by the informant on the instant date.

MARCH 7, 1946

The informant on this date corroborated the information given by Confidential Informant [] at the same time and date, which was 3:50 PM, March 7, 1946.

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MARCH 8, 1946

At 10:12 AM KERLEY contacted the Pennsylvania Railroad Station at New York for rate information on a one-way ticket with lower berth to Kansas City, Missouri.

MARCH 9, 1946

Nothing of interest was noted on this date.

MARCH 10, 1946

Nothing of interest was reported by the informant on the above date.

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GENERAL INFORMATION

By letter dated March 7th, the Bureau advised that the Personnel File of former Special Agent [redacted] had been reviewed and that it was noted that [redacted] referred to his wife both as [redacted] and [redacted]

It will be recalled that previously a woman referred phonetically as [redacted] was to have dinner with the KERLEYS. Undoubtedly this was [redacted] inasmuch [redacted] still maintain their apartment at [redacted] New York, [redacted]
[redacted]

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MAIL COVER

During the period of this report KERLEY received no mail.

P E N D I N G

FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT

NEW YORK

NY FILE NO.

67-13301 mes

REPORT MADE AT NEW YORK	DATE WHEN MADE 3/15/46	PERIOD FOR WHICH MADE 3/13-14/46	REPORT MADE BY <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
TITLE LARRY ERNEST KERLEY			CHARACTER OF CASE BRIBERY

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SYNOPSIS OF FACTS:

PERSONAL AND CONFIDENTIAL

SUMMARY REPORT

On 12/3,4,5,6/45 NY Journal-American ran stories by HOWARD RUSHMORE containing detailed and fairly accurate information relative to investigations being conducted by FBI in connection with Russian Espionage. No names mentioned but apparent that articles referred to FBI cases on ARTHUR A. ADAMS, ANDREI SCHEVCHENKO and GERHARDT EISLER, known Russian Agents. KERLEY, who presumably supplied RUSHMORE with information for articles entered on duty as a clerk at Bureau 10-19-37 and as Special Agent 9-22-41. Was Resident Agent, Lexington Kentucky '42, '43, '44, where he met Mr. and Mrs. JAMES C. LEWIS; LEWIS is a wealthy Squibb Company executive; Mrs. LEWIS, Hungarian born is rabid anti-Communist and frequent complainant to the New York Office. KERLEY arrived NYC 12-23-44 and worked exclusively Russian Espionage cases, including cases written up by RUSHMORE.

b7D

Analysis of KERLEY's investigative activity NYC set out. KERLEY transferred Kansas City 7-18-45; was in NYC 9/45 contacting LEWIS; returned Kansas City 9-27-45 and resigned from Bureau effective 10-1-45. Presently working for LEWIS as agent for LEWIS building in New York. On 12-26-45 RUSHMORE arranged with Mrs. LEWIS for a meeting her home with KERLEY. Meeting took place 12-28-45. KERLEY in contact SAS [redacted] and STRAIN of NYFD. 1/29/46 Mr. LEWIS advised wife that SCHEVCHENKO and ADAMS were missing; she requested him to have KERLEY contact her immediately; KERLEY at her home three hours same date. 1/31/46 Mrs. LEWIS advised RUSHMORE of new developments; RUSHMORE then attempted to

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APPROVED AND FORWARDED: <div style="text-align: center;"></div>	SPECIAL AGENT IN CHARGE	DO NOT WRITE IN THESE SPACES <div style="font-size: 2em; font-family: monospace;">58-1548-76</div>	
COPIES OF THIS REPORT 5- Bureau 5- New York			

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ascertain if ADAMS still at his hotel. KERLEY at request of Mrs. LEWIS lunched with SA E. M. GREGG 2/5/46, and asked questions concerning SCHEVCHENKO and ADAMS; GREGG gave KERLEY inaccurate information. KERLEY gave information to Mrs. LEWIS who gave it to RUSHMORE 2-7-46. KERLEY also attempted to gain information from SA STRAIN concerning ADAMS. 2/7/46 KERLEY advised wife he was spending evening with STRAIN. 2/16/46 RUSHMORE published article stating ADAMS was still under surveillance; 2/17/46 published article stated that ADAMS eluded FBI; both stated SCHEVCHENKO returned to Russia. KERLEY planning to publish in Journal-American by-line story, possibly on information previously given RUSHMORE. [redacted] informants reported attempts being made to obtain money from Journal-American for contact of KERLEY for his supplying them with information; later informants indicated the money was probably for KERLEY, but when Journal-American officials seemed reluctant to pay money Mrs. LEWIS persuaded KERLEY story to be published more important than his obtaining money. At present KERLEY presumably will receive no money. RUSHMORE gave resume of story to Senator Bridges who in turn gave it to Senator Vandenberg. The latter two have a tentative arrangement to be in NYC during week following 3/17/46.

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REFERENCE: Report of Special Agent [redacted] P
NYC, 3/12/46

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DETAILS: This is a joint report of Special Agents [redacted]
[redacted] and the writer.

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P R E D I C A T I O N

On December 3, 1945, there appeared in the New York Journal-American newspaper a detailed article concerning the activities of an alleged Soviet Union Espionage Agent, who was referred to in the newspaper article as "ALFRED ADAMSON". The paper indicated that HOWARD RUSHMORE was the author of the article. This article set out a seemingly very accurate account of the investigation of the Federal Bureau of Investigation concerning the activities of "ADAMSON" and it presumably came from someone who had detailed knowledge concerning the investigation, or else had access to all reports submitted in connection with it.

After reading the article, it was very apparent that it described the active investigation being carried on by the New York Field Division of the FBI investigation of ARTHUR A. ADAMS and his associates. The investigation of ADAMS, which was being carried on to a great extent at the time of the publication of this article, had been going on for quite some time, inasmuch as ADAMS was in contact with individuals who were working on the DSM Project, which is a term used to describe the research project relative to the atomic bomb.

A short resume of the article will be given, together with an explanation of the discrepancies between the actual facts as known by the New York Office concerning the activities of ARTHUR ADAMS and those which were written up by RUSHMORE in the aforementioned article.

The article stated that ADAMSON was employed by an obscure Communist music shop on 5th Avenue.

RUSHMORE probably had reference to the KEYNOTE RECORDING COMPANY, which is located at 522 Fifth Avenue and which is owned by ERIC BERNAY. ERIC BERNAY also owns a small music shop on 44th Street, but ADAMS was receiving \$75. a week from the Recording Company.

The article stated that a scientist working on the Atomic Bomb in Chicago, unwittingly lead the FBI to ADAMSON, when he gave a package containing information on the atomic bomb to ADAMSON. The article stated that the scientist had been sent to an obscure South Pacific Island by the Army upon their learning of these contacts with ADAMSON.

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RUSHMORE is undoubtedly referring to CLARENCE L. HISKEY, a principal in the COMRAP investigation. However, HISKEY did not give a package to ADAMS at the time he contacted him.

The article stated that ADAMSON had contacts with a member of the Communist Party National Committee, doctors, lawyers and an electrical manufacturing executive, workers in the Soviet Embassy and Soviet Vice Consuls.

ADAMS is not known to have ever contacted a member of the National Committee of the Communist Party.

The doctor probably refers to [REDACTED]

The lawyer probably refers to JACOB ARONOFF.

The electrical manufacturing executive probably refers to SAMUEL NOVICK of the ELECTRONICS CORPORATION.

The worker in the Soviet Embassy is probably BEATRICE HEIMAN, the daughter of JULIUS HEIMAN and the Soviet Vice Consul probably refers to PAVEL MIKHAILOV.

All of these individuals have been investigated in connection with the COMRAP investigation, which is more or less of a master file of information obtained during the investigation of individuals who are possibly connected with a Soviet-directed espionage ring.

The article stated that the wife of a prominent Russian born doctor living on West End Avenue sends cables to ADAMSON's wife in Moscow.

This refers to [REDACTED] who lives at [REDACTED] but whose wife, [REDACTED] lives at [REDACTED] [REDACTED] has sent cables to ADAMS' wife.

RUSHMORE stated in the article that the owner of a Madison Avenue jewelry shop serves as an intermediary for ADAMSON and contacts.

This refers to VICTORIA STONE, who has a jewelry shop on Madison Avenue, although it is not positively known that she served as an intermediary between ADAMS and his contacts.

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The article said that the wife of a Chicago scientist serves as ADAMSON's "post office" from her Brooklyn home and receives mail from ADAMSON's out of state contacts.

This undoubtedly refers to MARCIA SAND HISKEY, the wife of CLARENCE L. HISKEY, who has contacted ADAMS on several occasions, but there is no indication that she has acted as a mail drop for ADAMS.

The article stated that one night ADAMSON entered a car of an executive of a company which manufactured radar equipment during the war. The article said that ADAMSON entered the car at Fifth Avenue, at which time he had a brief case. ADAMSON was let out of the car at his hotel and the car was driven a few blocks where the Vice Consul for the Soviet Union entered, at which time the car was driven to the Soviet Consulate in New York, where the Vice Consul got out, at which time he was carrying a brief case, which ADAMSON originally had. It was intimated that atomic bomb secrets were in the bag. The article stated that shortly thereafter, this Soviet Official left for Moscow.

The true facts as they took place are as follows:

ADAMS left the home of JACOB ARONOFF in Greenwich Village, New York and entered a car which went into maneuvers in an obvious effort to lose any surveillance. The car was lost, but a check of the license plate revealed that it was a car attached to the Soviet Consulate and was registered in the name of PAVEL MIKHAILOV. At the time ADAMS entered the car he was carrying a case, not a brief case and it is not known whether he gave the case to the individual who was driving the car. PAVEL MIKHAILOV did not leave the United States until shortly after the publication of RUSHMORE's article in the "Journal-American", whereas the above-described incident took place approximately a year prior to that time.

The article said that the owner of the Jewelry Store (VICTORIA STONE) had a friend in the Soviet Embassy in Washington, D. C.

This is probably BEATRICE HEDMAN, daughter of JULIUS HEDMAN, who is VICTORIA STONE's paramour and a man of some wealth.

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The article stated that a prominent California Communist is in touch with ADAMSON and the FBI had checked on this Communist and found he had attempted to buy atomic bomb secrets from scientists attached to the University of California. It said that the California Communist was a Political Commissar of the ABRAHAM LINCOLN BRIGADE in Spain and was in constant touch with ADAMSON.

From the description of this California Communist, RUSHMORE is probably referring to STEVE NELSON, who is an important principal of the COMRAP investigation, but has never been known to be in touch with ARTHUR ADAMS. NELSON did obtain information on the atomic bomb from one WEINBERG, a scientist attached to the University of California and who is being investigated in connection with the COMRAP Case. NELSON is known to have turned this information over to an official of the Soviet Government.

The article related how ADAMSON had eluded the surveillance the FBI had on him and was found in Chicago, where he had made the trip with an executive of a radar company. The article stated that when the two found that they were under surveillance, ADAMSON continued on to the Pacific coast and the radar executive returned to New York, where he told ADAMSON's contacts that they had been followed. The article stated that ADAMSON continued on to the Pacific Coast where he was under constant surveillance by the FBI and in Portland, Oregon had gone down to the docks and had looked at a Soviet vessel, but seeing that he was tailed, turned around and after two days in Portland, returned to New York.

The New York Office has no definite information that ADAMS was accompanied on this trip. ADAMS had eluded the surveillance and was observed by Chicago Agents getting on a train going to Portland, Oregon. He remained in Portland one day, did not go to the waterfront and then returned to New York. The New York Office has considered it quite possible that ERIC BERNAY might have made the trip from New York to Chicago with ADAMS, although there is no definite proof on this. However, SAMUEL NOVICK is an executive of an electronics corporation, whereas ERIC BERNAY is the owner of the Keynote Recording Company.

Throughout the article statements were made that information concerning the activities of ADAMSON had been given to the State Department, but they did not take any action on his arrest.

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Though it will be seen that there are a number of discrepancies between the article of RUSHMORE'S and the facts as they actually existed in the ARTHUR ADAMS case, generally speaking, it was a fairly accurate account of the investigation of ARTHUR ADAMS.

In addition to the above information set out in the article, there were two pictures of recording and listening devices, with a statement intimating that they were the type used by the F.B.I.

On December 4, 1945, there appeared another article in the "Journal-American" by HOWARD RUSHMORE, which bore the headline, "REDS SEEK JET SECRETS---SPIES BRIBE U. S. ENGINEERS---FBI KEEPS WATCH ON ATOM AGENT."

This article generally stated that a Russian now living in the United States allegedly as a member of a Soviet Trading Company, spent several months in a large airplane manufacturing plant as an observer. The plant was working on Jet Propulsion and a year ago, this Russian contacted technicians and left large sums of money with them pending delivery of secret blueprints and data. The article said that the FBI had obtained confessions from at least two of the individuals who said the Russian had offered them money. According to RUSHMORE, this information had been given to the State Department, but no action had been taken. The remainder of the article was a "re-hash" of the article which had appeared the previous day and which has been described above.

In this article RUSHMORE was undoubtedly referring to ANDREI SCHEVCHENKO, who at that time was a subject of a very active investigation. SCHEVCHENKO was Vice President of the AMTORG TRADING CORPORATION, which has semi-Soviet Government status. He actually was attached to an airplane plant for quite some time. Evidence had been obtained from individuals that he had first paid their expenses and gave them small gifts in return for information concerning Jet Propulsion. Later he was known to have given them as much as \$200. Shortly after the appearance of this article ANDREI SCHEVCHENKO returned to the Soviet Union.

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On December 5, 1945, a third article by RUSHMORE appeared, the headline being, "RED COURIER SYSTEM BARED---SOVIET LINK UNCOVERED IN SPY HUNT". This article was also by HOWARD RUSHMORE and spoke of the existence of a highly secret Soviet Courier System, which may be involved in relaying information to Moscow. It was indicated that this system had been uncovered in the investigation of ALFRED ADAMSON (ADAMS). The article stated that the head of this Communist Courier System lives in Woodside, Queens under an assumed name. It stated that he employed the services of officials of a Left-Wing Maritime Union, businessmen and even Armed Service personnel, who worked closely with the Soviet Espionage leader. RUSHMORE said that for twenty years, "this Queens Courier and his subordinates had shuttled back and forth to the major cities of the world with Government and military secrets. RUSHMORE said that ADAMSON was in close touch with this "Queens leader".

In all probability RUSHMORE is referring to GERHARDT EISLER, WAS, who is the subject of an investigation in the New York Office inasmuch as in all probability he is a Soviet Agent. However, there never has been any indication that "he has shuttled back and forth as a courier". Likewise, GERHARDT EISLER has never been in touch with ARTHUR ADAMS.

The article also contained a "re-hash" of the previous two articles and it is noted that RUSHMORE stated that the Russian Trading official (SCHEVCHENKO) paid people \$200 each for plans involving the development of Jet-Propulsion and that these documents were seized by the FBI in the Russian's possession in a 36th Street rooming house last July and a "closed case" of espionage was presented to the State Department.

No such documents "were seized" by the New York Office in the possession of SCHEVCHENKO and there is no definite knowledge that he had such documents in his possession. Also no closed report was submitted in connection with the SCHEVCHENKO case.

On December 6, 1945, a fourth article by HOWARD RUSHMORE appeared in the "Journal-American". This one was entitled: "WHERRY DEMANDS RED SPY PROBE". The article quoted Senator KENNETH S. WHERRY as saying that it was becoming increasingly necessary for a probe in the State Department in view of the laxity of their action in regard to espionage.

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After this date no further articles by RUSHMORE dealing with this matter appeared for quite some time.

Inasmuch as it was apparent that someone who either had FBI reports connected with the investigation of ARTHUR ADAMS in his possession or else had worked on the investigation of ARTHUR ADAMS had made this information available to HOWARD RUSHMORE, the Bureau requested an immediate investigation in an attempt to find out where RUSHMORE had obtained this information.

HOWARD RUSHMORE is a reporter for the "New York Journal-American" and prior to 1940, he was one of the Editors of the "Daily Worker", organ of the Communist Party of the United States. He was also a member of the Communist Party, but was expelled around 1940 and discharged from his job at the "Daily Worker" because of refusal on his part to write an unfavorable review of the motion picture, "Gone With The Wind". RUSHMORE as a reporter on the "Journal-American" specializes in articles against Communism and has been carried as a contact of the New York Office relative to this type of matter. He has been in contact with several agents in the New York Field Division.

His superior is PAUL SCHOENSTEIN, the City Editor of the "Journal-American".

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LARRY ERNEST KERLEY

LARRY ERNEST KERLEY entered on duty as a clerk at the Bureau on October 19, 1937 and during the time he was at the Bureau he was at one time assigned to the Personnel Section. He entered on duty as a Special Agent on September 22, 1941. Upon completion of his training period, he was assigned to the Butte Office. It should be noted that while there he made an indiscreet contact with a United States District Court Judge. After a short period of time in Butte, he was transferred to the Louisville Field Division and was there during 1942-1943 and 1944, and most of the time was Resident Agent at Lexington, Kentucky.

While in Lexington, Kentucky, he presumably met JAMES CAMPBELL LEWIS and his wife, ELIZABETH BARBARA LEWIS. JAMES CAMPBELL LEWIS is Vice President and Director of E. R. SQUIBB and Sons, a pharmaceutical corporation and is an officer of several other subsidiaries and related corporations of the Squibb Company. He is quite wealthy and maintained a home near Lexington, Kentucky. Mrs. LEWIS was born in Budapest, Hungary presumably of a large banking family and has been in the United States since the 1920's. Mr. and Mrs. LEWIS presently reside at 22 East 73d Street, New York, New York. [REDACTED]

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[REDACTED] and when the LEWISES returned to New York, KERLEY presumably kept in contact with them by mail. The records of the New York Office indicate that Mrs. LEWIS has given innumerable complaints to the New York Office concerning alleged subversive individuals and from a review of these complaints it would appear that she is a very rabid anti-Communist.

In November of 1944, KERLEY was transferred to New York and arrived in New York for duty on November 29, 1944. He first took up residence at 50-24 48th Street, Woodside, Long Island, New York until about February of 1945, at which time he moved to 35-30 81st Street, Jackson Heights, Long Island, New York, where he presently resides. In a separate section of this report, the particular type of work KERLEY did while in New York will be set out.

During the time KERLEY was in New York he was in administrative difficulty on several occasions and finally on July 18, 1945, he was transferred to the Kansas City Field Division. He arrived in Kansas City on July 26, 1945. On August 22, 1945, he telephonically contacted Mrs. JAMES C. LEWIS in New York.

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On September 10, 1945, he arrived at the Bureau for In-Service Training and on September 21, 1945, he left Washington, D. C. at 7:00 PM and arrived in New York at 11:00 PM, travelling by train.

On September 22, 1945, KERLEY was living at the Metropolitan Club of which Mr. LEWIS is a member.

Sometime between September 22nd and September 25th, 1945, KERLEY contacted Special Agent EMORY M. GREGG. At this time he told GREGG he was going to resign and would probably begin working with the LEWISES.

On September 26, 1945, KERLEY left New York at 10:00 AM via the United Airlines and returned for duty at the Kansas City Field Division on September 27, 1945 on which date his letter of resignation from the Bureau was written. On October 1, 1945, he ceased active duty with the EBI and on October 3, 1945, he left Kansas City for Murray, Kentucky, where his brother-in-law and sister, Mr. and Mrs. VAN BARNETT, reside.

On November 23, 1945, KERLEY advised the Bureau that he was living at 35-30 81st Street, Jackson Heights, Long Island, New York, apartment 3-0. At about this same time KERLEY again contacted Special Agent GREGG and stated that he was working for the LEWISES.

KERLEY is presently residing at the 81st Street address and is the manager of a building located at 5 East 57th Street, New York, New York, which is owned by Mr. LEWIS.

Relative to KERLEY's financial condition, he told Agent Gregg recently that he was making \$7,500 per annum and within the next two or three months was expecting a \$5,000 raise.

On April 24, 1945, KERLEY deposited in his account at a bank in Lexington, Kentucky, \$1,470. The deposit was in the form of a United States Treasury check in the amount of \$1,520. (KERLEY obtained cash at the same time as the deposit.) This is probably a check which his wife, DOROTHY R. KERLEY, received in connection with her previous Government employment.

On about August 7, 1945, he cashed his War Bonds and received approximately \$2,700 cash.

On November 28, 1945, a Treasury check in the amount of \$985.33 was given to KERLEY which represented his accumulated annual leave. He deposited this in his account in New York at the National City Bank.

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His account at the Park Avenue Branch of the National City Bank as of February 18, 1946, had a balance of \$1,416.05. During the investigation of this case KERLEY indicated to Mr. LEWIS that he had \$5,000 which he wanted to speculate in the investment of War Bonds. On January 31, 1946, he wrote a check in the amount of \$618. to the Columbia National Bank of Kansas City, Missouri, which was interest and principal on a \$600 note due February 6, 1946. KERLEY maintained an account in this bank while he was in Kansas City.

KERLEY is married to DOROTHY R. KERLEY, originally of Savannah, Georgia and they have one son, MICHAEL LEWIS KERLEY, an infant.

KERLEY'S INVESTIGATION IN NEW YORK ON CASES
INVOLVING ACTIVITIES REPORTED BY HOWARD RUSHMORE

When KERLEY arrived in New York for general assignment, he was assigned to Section Six of the New York Office, which is supervised by Special Agent Robert R. Granville. Section six handles cases which are classified as Russian Espionage Cases and on this section are handled important cases such as the COMRAP CASE, THE CINRAD CASE, THE ALTO CASE and the case involving the investigation of the AMTORG TRADING CORPORATION and the Soviet Government Purchasing Commission. Any case which has an indication that Soviet inspired espionage is being conducted would be assigned to Mr. Granville's section. As a result of this numerous surveillances are handled on this section. However, Mr. Granville was reluctant to use KERLEY on regular surveillances because of his physical appearance, KERLEY being a rather large individual. For this reason KERLEY was only used on surveillances only as an emergency measure and therefore did not participate for any great length of time on any one surveillance. He was assigned several cases which were being investigated under the supervision of Mr. Granville.

There is being set out an analysis of the investigative activity of LARRY KERLEY while he was in New York Office, which would be directly or indirectly connected with information which was presumably supplied HOWARD RUSHMORE prior to the time he wrote the aforementioned articles. Investigative activity will be broken down into the cases assigned to him, physical surveillances in which he participated and other investigative activity.

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CASES ASSIGNED TO KERLEY

The case entitled ANTONINA THOMAS, WAS, INTERNAL SECURITY-R is a case handled in connection with the investigation of the COMRAP CASE. No information in this case appeared in RUSHMORE's articles. However, it is pointed out that the majority of information in RUSHMORE's articles dealt with the COMRAP CASE. It is noted that Mrs. WALTER KRIVITSKY, a principal in the THOMAS Case, directed a letter to [redacted] New York City, who was a contact of ARTHUR ADAMS.

The case entitled [redacted] WAS, INTERNAL SECURITY-R, involved a chemist in the Research Department of the DSM Project who was a close friend of CLARENCE L. HISKEY a contact of ARTHUR ADAMS.

The case entitled [redacted] WAS, INTERNAL SECURITY-R involved an individual who was employed on the DSM Project by the United States Army. It is pointed out that one of the principal activities of ADAMS was to obtain information concerning the DSM Project.

The case entitled ALEXANDER NICHOLAS PETROFF, INTERNAL SECURITY-R was a case originating in Buffalo Field Division, which involved an Aero-Dynamicist at the CURTISS-WRIGHT Corporation, who was a former contact of ANDREI SCHEVCHENKO. It is pointed out that the second of RUSHMORE's articles, (December 4, 1945) dealt with the activities of ANDREI SCHEVCHENKO.

The case entitled [redacted] WAS, INTERNAL SECURITY-R involved an individual who was a contact of LOUISE R. BRANSTEN and others involved in the COMRAP investigation on the Pacific Coast.

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PHYSICAL SURVEILLANCES CONDUCTED BY
KERLEY

There is being set out below the physical surveillances participated in by KERLEY which were directly or indirectly connected with information contained in RUSHMORE's articles.

PAVEL MIKHAILOV

On January 11, 1945, KERLEY was assigned to the surveillance for this date only of PAVEL MIKHAILOV, who resided at the Russian Consulate in New York. KERLEY did not observe MIKHAILOV on that date.

RUSSIAN CONSULATE

In addition to the date mentioned above of PAVEL MIKHAILOV, KERLEY was assigned to the surveillance of the Russian Consulate on February 7, 1945, at which time the only activity on KERLEY's part was to identify GEORGE PIRINSKY, who came out of the Consulate and went to the American-Slav Congress.

[REDACTED]
KERLEY participated in the physical surveillance of [REDACTED] on January 6, 1945. It is pointed out that [REDACTED] is a contact of ARTHUR ADAMS and was mentioned in RUSHMORE's articles by inference.

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ARTHUR A. ADAMS

KERLEY participated in the physical surveillance of ARTHUR ADAMS only on two days. The first date was January 8, 1945, at which time he did not observe ARTHUR ADAMS, but he did know that VICTORIA STONE visited ADAMS during the time that KERLEY was on the surveillance.

The next date was on January 18, 1945, at which time KERLEY saw ARTHUR ADAMS leave the Peter Cooper Hotel where ADAMS resides at 39th Street and Lexington Avenue, New York at

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12:30 PM and noted he arrived at 522 Fifth Avenue at 12:47 PM.
KERLEY left the surveillance before ADAMS left the latter address.

MARCIA SAND HISKEY

This individual was mentioned in RUSHMORE's article as being the wife of a Chicago scientist. KERLEY presumably participated in a spot surveillance of her home on January 9, 1945, although there is no indication that he saw her.

JACOB ARONOFF

ARONOFF is ADAMS' attorney and KERLEY participated in the surveillance of ARONOFF on January 19, 1945.

ERIC BERNAY

BERNAY is the owner of the KEYNOTE RECORDING COMPANY from which ADAMS received \$75. a week. KERLEY participated in the surveillance of ERIC BERNAY on February 26th and 27th, 1945, but no activity was reported.

VICTORIA STONE

KERLEY never participated in a physical surveillance of VICTORIA STONE, however he was assigned to a confidential plant concerning the activities of VICTORIA STONE on March 11th-18th, 25, 26, 1945. During this time ARTHUR ADAMS and JULIUS HEDMAN were both in contact with VICTORIA STONE.

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ACTIVITIES PERTINENT TO THIS INVESTIGATIONDECEMBER 26, 1945

On this date Confidential Informant [] advised that HOWARD RUSHMORE contacted BETTY LEWIS and asked her to arrange a meeting with, "our friend" (KERLEY). A meeting was set for December 28, 1945 at 8:30 PM and was to take place at the LEWIS home at 22 East 73rd Street, New York City.

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DECEMBER 28, 1945

As a result of a surveillance by reporting Agents, HOWARD RUSHMORE and his wife were observed entering the home of BETTY LEWIS at 22 East 73rd Street at approximately 8:30 PM. Later that night at 10:42 PM, GEORGE H. SIBLEY, an attorney and evidently in prominent Republican political circles and also an executive of the Squibb Corporation, also entered the LEWIS home. Reporting Agents on this night also observed an automobile in front of the LEWIS home bearing Kentucky tags N-8955 Fayette. A subsequent check of this tag through the Louisville Office reflected that the car was registered to former Special Agent LARRY ERNEST KERLEY.

On this same night a man was observed to leave the LEWIS home and have a few minutes' conversation with Mr. JAMES C. LEWIS at the door. There was a close resemblance between this individual and Special Agent KERLEY, who was well known to the reporting Agents. He entered the KERLEY car and drove off. At 11:45 PM this same night, it was ascertained from former Special Agent H. Ross Arnold that KERLEY entered his own apartment in Jackson Heights after having been away for the evening.

DECEMBER 29, 1945

At 12:05 AM, HOWARD RUSHMORE and his wife left the LEWIS home and at 12:50 AM, GEORGE SIBLEY left the LEWIS home.

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JANUARY 2, 1946

RUSHMORE called BETTY LEWIS and they talked about PAUL SCHOENSTEIN, City Editor of the "Journal-American. Mrs. LEWIS stated she wanted to meet SCHOENSTEIN personally. RUSHMORE asked her if she heard from "those people who were over that night" (probably referring to KERLEY and SIBLEY). BETTY told him she had seen them but there was nothing of importance to relate. It would appear from the conversation that one of the persons there that night, probably SIBLEY, was to see someone in Pawling, New York (possibly New York Governor Thomas E. Dewey who has a home at Pawling, New York).

JANUARY 12, 1946

On this date Special Agent JAMES J. RYAN of the New York Office observed subject, KERLEY with Special Agent [redacted] at 59th Street and Madison Avenue, where they were ostensibly going to see the parade of the 82nd Airborne Division. From this date until January 31, 1946, when Special Agent [redacted] departed from New York on Transfer to the Charlotte, North Carolina Field Division, several contacts between [redacted] and KERLEY were reported by informants, but there were no conversations dealing with official business. It should be noted that [redacted] resided in the same apartment house where KERLEY now resides.

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JANUARY 16, 1946

KERLEY contacted [redacted] and invited him over for a game of cards. [redacted] advised him that he was too busy, but might visit his apartment later. At this time [redacted] advised KERLEY that he had been transferred from New York to Charlotte, North Carolina.

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JANUARY 18, 1946

HOWARD RUSHMORE contacted BETTY LEWIS and made an appointment to visit the LEWIS home and the date was arranged for January 25, 1946.

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On this same date KERLEY contacted Special Agent EMORY M. GREGG of the New York Office who is assigned to the Section which handles Russian Espionage cases and who has a wide knowledge of most of the cases along this line. He had a discussion with GREGG concerning his, KERLEY's, present job and the large amount of money he, Kerley, is now making. GREGG stated he would contact KERLEY at a later date to arrange for a luncheon appointment.

JANUARY 19, 1946

KERLEY contacted Mr. LEWIS on this date and discussed his application for admission to the New York State Bar and the advisability of taking an examination for a Real Estate Broker's License in New York.

JANUARY 20, 1946

KERLEY contacted Special Agent GEORGE L. STRAIN of the New York Office. The conversation was personal and it should be noted here that KERLEY knows STRAIN for quite a long time and that they worked in the Louisville Field Division together. During the course of this conversation, KERLEY told him that he had, "that thing" for him and asked STRAIN if he should drop it in the mail and send it to him. STRAIN said no, he should keep it in his possession and he would call for it. It was subsequently ascertained that "that thing" referred to an Affidavit which KERLEY had made out for STRAIN, which STRAIN would have to send to the Bar Examiners on the New York State Bar's Character Committee, STRAIN having recently passed the written part of the New York State Bar examination.

JANUARY 24, 1946

On this date [redacted] wife of Special Agent [redacted] contacted KERLEY and invited the KERLEYS over to the [redacted] apartment. KERLEY accepted the invitation.

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JANUARY 25, 1946

At approximately 7:20 PM HOWARD RUSHMORE and his wife were observed entering the LEWIS home. The surveillance was maintained at the LEWIS home subsequent to the time the RUSHMORES left at 11:40 PM.

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No other person was seen to leave the LEWIS household. During the course of the evening Confidential Informant [redacted] advised that KERLEY attempted to contact the LEWIS home by telephone, but could not get an answer.

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JANUARY 26, 1946

[redacted] contacted KERLEY and KERLEY invited [redacted] to his home. However, [redacted] said that he was ill and invited KERLEY to his home.

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JANUARY 27, 1946

[redacted] contacted KERLEY at his home and requested that he come to his home and assist him in carrying a trunk from the basement of the apartment building. KERLEY said he would help.

JANUARY 29, 1946

At approximately 12:45 PM Mr. JAMES C. LEWIS contacted his wife BETTY and in a rather secretive and furtive manner inquired if she had heard that, "that chap has disappeared" and also "in the other location, that fellow went home". There is no doubt that the two individuals referred to were ANDREI SCHEVCHENKO and ARTHUR ADAMS. Mrs. LEWIS was very anxious to learn of all the details, but Mr. LEWIS stated he knew no more than he had mentioned and in obvious double talk he asks her if she didn't want the "agent" to talk to her concerning the rentals. (It should be noted that at this time KERLEY is working for the LEWISES and is agent for one of their office buildings and deals with the rentals and leases of that particular building at 5 East 57th Street, New York City. Mrs. LEWIS stated, "yes" that it would be very important that the "agent" come over; to which Mr. LEWIS replied he would leave word for the "agent" to come up this afternoon."

at 12:48 PM LARRY KERLEY contacted BETTY LEWIS at her home and told her he would see her that afternoon. They made an appointment for 2:00 PM.

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At 2:05 PM on this date the reporting Agents observed LARRY KERLEY enter the home of BETTY LEWIS at 22 East 73rd Street, where he stayed until 5:00 PM, at which time he was observed to leave to go to his home. No other persons were observed to leave the LEWIS home.

JANUARY 30, 1946

At 11:16 AM BETTY LEWIS tried to contact HOWARD RUSHMORE at the "Journal-American" office, but could not reach him.

JANUARY 31, 1946

HOWARD RUSHMORE contacted Mrs. LEWIS at which time she told him she had lost his home phone number and had attempted to contact him at his office. At this time she advised RUSHMORE that, "two of the guys had beat it". She mentioned the name of SCHEVCHENKO and stated that SCHEVCHENKO had left immediately after the appearance of RUSHMORE's articles and he had left by plane. She also advised him that ADAMS had disappeared also and Adams "had eluded them". RUSHMORE wanted to know if he had been found as yet. Mrs. LEWIS stated she did not know but that, "What's-his-name is trying to find out." (This probably refers to KERLEY). She further stated that, "What's-his-name did not think so". RUSHMORE also wanted to know if ADAMS had left the country as yet. Mrs. LEWIS did not know. RUSHMORE asked her if there was any doubt about it and she replied there was no doubt about SCHEVCHENKO, but there was some doubt about ADAMS. There was a possibility he might be back. She further stated that, "my girl friend thought you (RUSHMORE) might be able to check on this around the hotel." It should be noted here that in conversations between RUSHMORE and Mrs. LEWIS, they refer to KERLEY as "my girl friend" or "my girl friend in the Bronx". RUSHMORE then stated he would give the hotel a ring to see if ADAMS was there.

Subsequently on this date the management of the Peter Cooper Hotel, where ARTHUR ADAMS had resided, advised one of the surveilling agents that RUSHMORE had called the Peter Cooper Hotel to ascertain whether or not ADAMS was still living there. Subsequently, RUSHMORE contacted Mrs. LEWIS and told her that he had called the hotel and he had been advised that ADAMS had not been around for a couple of days. RUSHMORE wanted to know whether or not he should contact, "our girl friend in the Bronx". She

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advised him not to do this as she had all the information that the "girl friend" had at that time. Before the end of this conversation BETTY suggested that RUSHMORE contact her the following morning as she believed she would probably have some information from "what-do-you-call-it".

FEBRUARY 1, 1946

At 11:25 AM RUSHMORE contacted BETTY LEWIS and told her that he had written a story and was just waiting around to see what happens. He stated that he had again checked the hotel where ADAMS had lived and no one was there. He asked her if she had talked to "S. B." (S. B. probably refers to SEYMOUR BERKSON, managing editor of International News Service, a Hearst subsidiary and it would appear from various conversations that BETTY had first contacted BERKSON with the instant story and that BERKSON had gotten her in contact with the Journal-American).

During the morning of February 1st, RUSHMORE contacted Assistant Special Agent in Charge T. J. Donegan, advising him that he had a tip that ADAMS had been lost and wanted to know if there was any comment to be made by the New York Office. He was told there was no comment.

It was also ascertained that on this date City Editor, PAUL SCHOENSTEIN, of the "Journal-American" contacted Assistant Director Nichols at the Bureau and advised him that he was not going to publish the proposed article.

On this date HOWARD RUSHMORE also called the Peter Cooper Hotel in an attempt to find out if ADAMS was missing.

At 6:10 PM that same date RUSHMORE again talked to Mrs. LEWIS and related to her his attempts to find out if ADAMS was at the Peter Cooper Hotel and also made the statement that it is quite obvious that the FBI told them (the hotel management) to keep their mouths shut. He said he was pretty sure they were going to get something done on it (the story).

FEBRUARY 3, 1946

RUSHMORE again contacted BETTY LEWIS to find out if there was anything new. He also asked her if, "her girlfriend" had anything new. She said "the girlfriend had nothing new but that the girlfriend was going to contact a girlfriend of hers who just had a baby and that the contact would probably take place next week.

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(The girlfriend who just had the baby, evidently refers to Special Agent Emory M. Gregg, whose wife had just given birth to a baby.)

FEBRUARY 4, 1946

On this date by pre-arrangement KERLEY and BETTY LEWIS had lunch at the Hotel Madison, at which time they were observed by reporting Agents in conversation. The conversation could not be heard.

On the same date RUSHMORE contacted BETTY LEWIS and advised her that he had heard that ARTHUR ADAMS has been arrested. He stated he got this information at his office. She advised that she had been in contact with "my girlfriend" and if "he" had any information she would pass it on to RUSHMORE.

On the same date BETTY had a conversation with KERLEY, at which time she told him he should contact SCHOENSTEIN, the City Editor of the Journal-American, direct as she was losing confidence in RUSHMORE. KERLEY said he would call SCHOENSTEIN.

On the same date also BETTY contacted KERLEY and asked him, "if he was going to get a line on that thing". She suggested that KERLEY try to have lunch with "him" tomorrow if it were possible and to phone her. KERLEY advised her he would telephone her if he was able to ascertain the information.

Subsequently on this same date KERLEY called Special Agent EMORY M. GREGG and made a luncheon appointment with him for the following day.

After this call to GREGG, KERLEY contacted BETTY LEWIS at her home and told her that he had a luncheon engagement "with their friend" the following day and that he would call her after the luncheon.

FEBRUARY 5, 1946

On this date, acting under instructions of Special Agent in Charge E. E. CONROY, Special Agent GREGG had lunch with KERLEY. During the time of this contact KERLEY with pretended casualness

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asked GREGG three questions concerning the various subjects mentioned in RUSHMORE's articles.

The first one was:

"How are you coming with 'A'?" (referring to ADAMS.)

GREGG answered this by saying that things were about the same and that the office had everything under control.

The second, which was asked some considerable time after the first question was:

"Are you still tailing SCHEVCHENKO?"

To which GREGG replied, "No, we never did because of his official position."

Sometime later KERLEY asked a third question:

"Have you ever lost ADAMS again?"

To which Agent GREGG replied that ADAMS had always been a problem but that the office managed to keep things in hand.

Later the same day RUSHMORE contacted BETTY LEWIS and she advised him she had no news, but that KERLEY had had lunch with the "other fellow", meaning GREGG and that KERLEY would probably call her later. During this conversation, RUSHMORE advised her that he had heard that ADAMS had been "bumped off". She did not believe this but stated she would probably find out tonight. During this conversation, she also told RUSHMORE she was becoming suspicious of SCHOENSTEIN and was considering whether or not she would go to her friend, "BILL" at the "Weekly".

FEBRUARY 6, 1946

During the morning RUSHMORE again contacted BETTY LEWIS. She advised she still had no further news.

At 12:17 PM KERLEY contacted BETTY LEWIS and advised her that he had spoken to "our girlfriend" and that "he" had said that "ADAMS was back under surveillance again". BETTY related to him the story that RUSHMORE had told her to the effect that ADAMS had been shot. KERLEY said he did not believe this and told her that the status quo existed as to ADAMS.

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FEBRUARY 7, 1946

KERLEY contacted Special Agent GEORGE L. STRAIN of the New York Office. STRAIN, it should be noted is assigned to the Deserter Section of the New York Field Office and has never been assigned to the section handling espionage matters, although at one time he worked on Communist matters. During this conversation they discussed the Affidavit which KERLEY had made out for STRAIN's admission to the New York Bar and STRAIN advised KERLEY that he would come to his office the following afternoon. KERLEY further discussed [redacted] departure from New York to Charlotte, North Carolina. During the course of the conversation, KERLEY mentions to STRAIN that GREGG had told him that they are still working on ADAMS. STRAIN immediately changed the subject.

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FEBRUARY 8, 1946

GEORGE STRAIN contacted Mrs. KERLEY at the KERLEY home. He advised her that he had to break a luncheon date with LARRY KERLEY and requested KERLEY's office phone number from her. It was given to him.

At 6:25 PM on this date KERLEY contacted his wife at her home and told her he would not be home for dinner as he was downstairs in a restaurant with GEORGE STRAIN.

FEBRUARY 10, 1946

At 6:15 PM on this date RUSHMORE contacted BETTY LEWIS at which time she advised him that ADAMS was back—that ADAMS had gotten away, but he was back and the fellows were on him but that SCHEVCHENKO had actually gone.

FEBRUARY 12, 1946

KERLEY contacted BETTY LEWIS. During the conversation he gave her the inside story on the VAN JOHNSON case, advising her that the Bureau was in possession of a statement by JOHNSON that he, JOHNSON, was a homosexual.

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FEBRUARY 13, 1946

BETTY had a conversation with a man who evidently was in the real estate business. During this conversation, which was most entirely of business, she advised that she had a man in charge of her building at 5 East 57th Street, where KERLEY is the Agent, and she stated that this man was formerly in charge of the FBI personnel with the Bureau and that he was a great protection to her building.

On this same date HOWARD RUSHMORE contacted BETTY LEWIS and he asked if there was anything new and she said nothing very much. They discuss the fact as to whether or not ADAMS was still at his hotel. Neither of them knew if he was. They agreed that he, ADAMS, was back under surveillance and that the other fellow, meaning SCHEVCHENKO, was gone. They agreed that they would have to wait until the espionage case in Canada broke before they could break their story.

FEBRUARY 16, 1946

On this date the majority of the New York newspapers carried a press release concerning the Canadian Government arresting a number of individuals who were allegedly obtaining vital data concerning the atomic bomb.

At 9:05 AM HOWARD RUSHMORE contacted BETTY LEWIS, at which time he stated that "things were out in the open now." He thereupon stated that when he received the story he had checked the hotel and found that ADAMS was not there. She asked if he wanted to get together with "someone". He stated that he wanted to check with our "girlfriend in the Bronx", as he had remembered that this "girlfriend" had told "us" that he, evidently referring to ADAMS, had come down from Canada and that he, RUSHMORE, had subsequently checked with the draft board and found that ADAMS was born in Toronto, "which was phoney as we know." He stated that he was going to print a story to the effect that ADAMS was head of the Canadian ring. BETTY said that they should not say this unless they were sure, and that if they printed he was head of the ring and it was subsequently disproved, the accuracy of all that he had said before would be questioned. They also discuss a story which appeared in DREW PEARSON's column in the "Daily Mirror" concerning a person whom PEARSON had called SCHEVCHENKO and they were of the opinion that he

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was referring to SCHEVCHENKO. BETTY also related that a woman connected with the "New York Daily News" had been a dinner guest with BETTY LEWIS at the home of some mutual friend and the woman from the "News" mentioned how close she was to the FBI and had said that the FBI would love to find out who possibly could have given the information to the "Journal-American". BETTY stated that she had remarked to these friends, "Isn't that funny, what a strange story". (It is probable that the woman connected with the "News" is NORMA ABRAMS, who covers the New York Office for the "Daily News".)

Later, Mrs. LEWIS contacted LARRY KERLEY, at which time she read to him the DREW PEARSON article in the February 16th issue of the "Daily Mirror". During the course of the reading of the PEARSON article she gave the wrong spelling in PEARSON's column and KERLEY immediately questions that, but BETTY tells him that they got the name wrong, but it was apparently because they wanted to forestall any possible libel action. She told him that she had a conversation with RUSHMORE concerning the news release of the Associated Press concerning Canadian spies and LARRY KERLEY remarked, "I'll bet he, (meaning RUSHMORE) is jumping up and down. She also stated that RUSHMORE had asked her to find out whether or not ADAMS was head of the spy ring in Canada also. LARRY replied to this, "I don't believe there would be any question. He's really some operator". LARRY also remarked that they had gotten ADAMS through Canada on a false certificate and that while there might be another leader in Canada, he would be a Lieutenant to ADAMS. KERLEY further told her this was probably true because in 1932 ADAMS was already very high in the Russian Government as evidenced by "this Purchasing Commission over here, you see, and his station has grown ever since then". BETTY said she would call RUSHMORE and tell him that. BETTY then wondered if it were not advisable to go ahead and contact the Committee for Un-American Activities and let them do an investigation on the thing. LARRY indicated that that probably would be the answer to the whole problem, to which BETTY replied she would be perfectly happy to go to Washington and testify. BETTY also mentions that ADAMS had probably gotten his Birth Certificate and Citizen Papers through collusion with Canadian officials. BETTY then indicated that the reason they wanted to say that ADAMS was the head of the whole system in North America was to force the State Department's hands and KERLEY observed that the Un-American Committee could start a big enough howl then certainly the Republicans would take it up and "tell Truman and the State Department to Hell all over again". KERLEY indicates that the make-up of the Un-American Committee is half Republican and half Democratic.

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BETTY also mentions several other committees in Congress who might be contacted and also mentions the names of one or two Senators.

At 10:52 AM BETTY LEWIS conferred with RUSHMORE and advised him that ADAMS was probably the head of the espionage ring in North America and also that a Canadian Official had helped ADAMS get his phoney papers to come to the United States.

On this date an article appeared in the "Journal-American" under the by-line of HOWARD RUSHMORE. This article carried the headline as "LINK RED SPY HERE TO CANADA ATOM ARRESTS", with the sub-headline "Ottawa Acts To End Leak With 22 Held." The sub-sub-headline is as follows: "Probe Started- FBI Keeps Eye on ADAMSON" by HOWARD RUSHMORE.

Generally speaking the article was concerned with the possible tie-up between ADAMSON (ARTHUR ADAMS) and the twenty-two alleged Russian spies who were arrested by Canadian officials. RUSHMORE stated that ADAMSON was still living at a mid-town hotel surrounded by FBI Agents.

It should be pointed out that ADAMS' whereabouts were not known to the FBI at this time and RUSHMORE was probably basing his information on what KERLEY had told BETTY LEWIS shortly after KERLEY's luncheon with Special Agent Emory M. Gregg. It will be noted that GREGG intimated to KERLEY that ADAMS was still under surveillance. As a matter of fact the article states that ADAMS re-appeared after an absence of approximately three weeks.

The article made mention of the fact that the Russian who had obtained vital Jet Propulsion secrets (ANDREI SCHEVCHENKO) while serving as a Soviet Trade Commissar at an up-state Aircraft factory had gone back to Russia with the State Department making no attempt to stop him.

It was noted that RUSHMORE spells SCHEVCHENKO name as "CHEVCHENKO" and stated that he left the country for Moscow by plane. It is pointed out that this is erroneous inasmuch as SCHEVCHENKO did not leave by plane.

At 8:13 PM RUSHMORE contacted BETTY LEWIS and they agreed that it was most likely that ARTHUR ADAMS had been picked up. Mrs. LEWIS stated she expected to get something the following day and she stated that "her girl friend" thinks that the "guard" (most likely surveilling Agents) will be pulled in. Once more RUSHMORE tells her that he had definitely determined that ARTHUR ADAMS had checked out of his hotel.

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FEBRUARY 17, 1946

On this date the "New York Journal-American" carried another article by HOWARD RUSHMORE with the headline, "CANADA BARES RED SPY NETWORK"; sub-heading stated that "Soviet Atom Agent Flees New York Haunts." The sub-sub-headline states, "Adamson Eludes FBI Hotel Vigil".

In this article RUSHMORE states that the whereabouts of ADAMSON were "a mystery last night, after he had hurriedly fled his mid-town hotel room". The article further stated that for two weeks after his flight FBI Agents kept watch on his hotel in the hopes that he would return, but that they had discovered no signs of the man.

At 1:35 PM on this date RUSHMORE conferred with BETTY LEWIS and while discussing the Canadian spy story, RUSHMORE stated he was going to keep on playing up the story in a big way. He told her he had a picture of ARTHUR ADAMS, but none of VICTORIA STONE. BETTY LEWIS said she had a picture of ARTHUR ADAMS [REDACTED]

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[REDACTED] RUSHMORE stated that he was going to call Senator Styles Bridges of New Hampshire in Washington that afternoon or evening, relative to the action being taken on the investigation in this matter in the United States. RUSHMORE stated he would be glad to be a witness for BRIDGES and asked Mrs. LEWIS if she thought they might get the "girl in the Bronx" to talk to BRIDGES. BETTY said she was sure KERLEY would. RUSHMORE stated he would get in touch with BETTY after he had talked with BRIDGES.

At 3:00 PM on this date RUSHMORE advised BETTY LEWIS that he had been unable to get in touch with BRIDGES and BETTY suggested that he contact GEORGE SIBLEY who would probably have BRIDGES' phone number. RUSHMORE then asked for the address of "our girlfriend" (LARRY KERLEY) as he could only remember that it was in the neighborhood of East 83rd Street. BETTY warned him not to go there. She stated that she would get in touch with the "girlfriend" and have "her" go to a phone booth and call RUSHMORE who was at home. BETTY said she would contact the "girlfriend" immediately.

Immediately thereafter BETTY contacted KERLEY and advised him that his "girlfriend" referring to RUSHMORE, wanted him to get in touch with "her" immediately. She suggested that KERLEY get in touch with RUSHMORE from a phone booth. She advised KERLEY that a check has been made and ARTHUR ADAMS has gone and might possibly

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be held somewhere. KERLEY said he would find out. They also discussed the State Department and the JAFFE Case, which is also known as the AMERASTIA Case. BETTY then told him to, "Call the boy and see what you can get." KERLEY said he would call him and see what he could get.

At 8:30 PM this date, RUSHMORE contacted MRS. LEWIS and stated he had obtained Senator Bridges' phone number from GEORGE SIBLEY, and after his call, BRIDGES appeared to be very enthusiastic about the proposition. RUSHMORE further stated that he and KERLEY had arrived at the conclusion that ADAMS was the person "who was singing," in Canada. (Probably referring to IGOR GOUSENKO, the employee of the Russian Government who gave information concerning the Soviet espionage ring in Canada.) RUSHMORE further stated that KERLEY had told him that he, KERLEY, was going to try to get some information the following noon and that he, KERLEY, was aware of the fact that there was a movement on to plant some wrong information. (Probably referring to information furnished KERLEY by Special Agent Gregg to the effect that ADAMS was still under FBI surveillance.)

FEBRUARY 18, 1946

At 10:20 AM RUSHMORE in a conversation with BETTY LEWIS, stated that there was a possibility that the Russian agent mentioned in DREW PEARSON'S column heretofore referred to, was possibly SCHEVCHENKO. RUSHMORE further stated that he had talked with Representative BRADLEY of Michigan and had obtained a statement from the Representative protesting the appeasement policy of the State Department, and also naming ALGER HISS as the "top Commie" in the State Department. RUSHMORE further stated that he had forgotten to ask "their girlfriend" about this and wanted BETTY to find out. BETTY promised to ask the next time she talked to "her."

On this date there appeared in the "New York Journal-American" another article by HOWARD RUSHMORE under the headline, "State Department Faces Spy Probes by Congress." In this article he mentions the statement made by Representative Bradley of Michigan as well as Senator Bridges of New Hampshire concerning the need for a full-fledged investigation of the State Department in the ADAMSON case.

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At 11:00 AM on this date RUSHMORE advised BETTY LEWIS that SCHOENSTEIN had requested him to ask if "the gal in the Bronx" is prepared to have a by-line story run now. BETTY did not think it should be done at this time.

At 12:35 PM KERLEY conferred with BETTY LEWIS concerning the "Journal-American" story. BETTY advised him that she received a call "from the man" (RUSHMORE) for PAUL, asking about a by-line story from KERLEY. She said that she did not think it was a good idea and KERLEY only remarked that he should see her as soon as possible and discuss it with her. BETTY then asked if he had any information concerning ALGER HISS. KERLEY stated he did not know him.

At 7:50 PM RUSHMORE conferred with BETTY LEWIS and she stated that she wanted RUSHMORE to take the matter up with PAUL, the matter, "Which may be embarrassing to the 'kid'." She further stated that, "there is one person who has to get his—her goods out, her dictation out, you know where." ... "Still she will have to be sacrificed, left by the wayside by some other people—not by us. She must be taken care of. This friend of mine doesn't want any money, but must take care of the other one who is scared to death." MRS. LEWIS stated that there was a great amount of information not yet used dealing with Russian espionage. They both stated that they wanted to get together with KERLEY and PAUL and go over the whole matter.

At 7:55 PM MRS. LEWIS again conferred with RUSHMORE, at which time she stated that in the course of her contact with KERLEY that he had stated that inasmuch as they "had aired this much they want to air the whole thing while they are at it." She also mentioned a "Top situation out in Westchester which is not connected with this but ties in."

MRS. LEWIS is probably referring to either RALPH BOWMAN or LEM HARRIS, principals of the Comrap Case, when she refers to the situation in Westchester. She further stated that there are a lot of sensational things involved and then she mentions the name of JULIUS HEIMAN (a principal in the Comrap Case and an associate of ADAMS and VICTORIA STONE) who has a daughter working at the Embassy. MRS. LEWIS suggested that a photographer take a picture of HEIMAN as well as his daughter and a picture of VICTORIA STONE.

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FEBRUARY 19, 1946

At 9:20 AM RUSHMORE got in touch with BETTY LEWIS and asked her to get "our girlfriend in the Bronx" and have lunch with him and PAUL SCHOENSTEIN. BETTY advised she would not be able to make the luncheon engagement. RUSHMORE said that KERLEY had questioned the advisability of PAUL being at the meeting, but that he, RUSHMORE, did not see any reason against it. They finally agreed that five o'clock at the LEWIS home would be the best time and place to meet. RUSHMORE said that he had a story in today's paper linking the Russian Embassy with "this thing."

The Latest News Edition of the "Journal-American" dated February 19, 1946, carried an article by HOWARD RUSHMORE captioned: "RED DIPLOMATS LINKED TO SPIES". The article was merely a "re-hash" of previous information touched upon by RUSHMORE in previous articles. It was noted however, that in the article RUSHMORE stated, "The Soviet Spy's 'contact' with the Russian Embassy in Washington was a daughter of a wealthy New York businessman, who is believed by the FBI to be the person who relayed ADAMSON's information to Stalin's Ambassador."

The above probably refers to BEATRICE HEIMAN, the daughter of JULIUS HEIMAN. BEATRICE works in the Russian Embassy in Washington. There never has been any indication that HEIMAN was connected with ADAMS relative to the latter's espionage activity.

At 11:50 AM RUSHMORE conferred with BETTY LEWIS, at which time he said that the "gal in the Bronx, BETTY and himself (RUSHMORE) would get together and go over the whole thing and if any questions came up they could call PAUL. RUSHMORE then said, "on the angle of the financial thing, I told PAUL that I didn't think "our friend" (KERLEY) wanted any money. RUSHMORE said that PAUL was quite willing to pay it but it might eventually read better if nothing was involved. BETTY said that was right, the only question being that the "girlfriend" (KERLEY) has one girlfriend with whom she wants to have contact and "it may be that that kid, who is an excellent pianist, may be thrown out". RUSHMORE said that he knew how that was and recalled that he had raised that question the first time they met. BETTY said, "It doesn't mean anything to her because she hasn't anything to do with it any more. (Probably referring to KERLEY's connection with the Bureau.) BETTY said that it was imperative that PAUL

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be there at the meeting and further stated that her "girlfriend" (KERLEY) demanded that the story be given prominent space in the paper.

At 3:42 PM KERLEY conferred with BETTY LEWIS, at which time he stated he would be up at her house at five o'clock for the meeting.

On the instant date at approximately 5:03 PM HOWARD RUSHMORE was observed to ring the bell at the LEWIS home located at 22 East 73rd Street and while waiting there he was joined by LARRY KERLEY and JAMES C. LEWIS. All three entered together.

At 6:08 PM RUSHMORE conferred with PAUL SCHOENSTEIN (at which time the former was at the home of BETTY LEWIS) and told him that some questions had arisen which he was unable to answer.

At 7:03 PM (RUSHMORE, who had apparently left the LEWIS home for a short period of time) conferred with Mrs. LEWIS and said that he and KERLEY would be at her house at approximately 8:30 PM and that PAUL SCHOENSTEIN also would be there at that time.

At approximately 11:15 PM RUSHMORE, KERLEY and a man believed to be PAUL SCHOENSTEIN left the LEWIS residence.

FEBRUARY 20, 1946

At 9:30 AM on instant date PAUL SCHOENSTEIN asked Mrs. LEWIS how she felt about "it" and she said that she felt that they definitely should go ahead with it because of the lack of trend in the newspaper. (Advisability of publishing KERLEY's story). PAUL said he has not had a chance to talk with any of the "brass" (probably referring to higher officials of the Journal-American). He said that the question in his mind at the moment is the price and that he would get in touch with her.

At 9:45 PM HOWARD RUSHMORE asked LARRY KERLEY if he had anything further to tell him on the case. KERLEY said he had nothing new. The two then discussed whether or not ARTHUR ADAMS was the individual who was in custody in Canada and RUSHMORE wanted to know if it would make any difference to KERLEY if it's the right man who is in custody in Canada and added, "You know the other matter we had in mind". KERLEY advised him it would make no difference.

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FEBRUARY 21, 1946

At 7:40 PM RUSHMORE conferred with KERLEY and wanted to know if there was anything new and KERLEY said that he had nothing new but would get in touch with RUSHMORE if he has to.

FEBRUARY 25, 1946

At 9:30 PM RUSHMORE asked KERLEY if he had talked to the other fellow (probably referring to PAUL SCHOENSTEIN, City Editor of the Journal-American). KERLEY said yes and "he will call him". RUSHMORE said that he had told him about the JIMMY BYRNES thing KERLEY had shown him and they wondered if they could get it to show to the boss. KERLEY said yes, but that he did not want them to do anything on it. RUSHMORE then said, "No, he only wanted it to show the boss and return it to you." RUSHMORE said he would go to KERLEY's office at ten o'clock to get it.

FEBRUARY 26, 1946

At 8:25 PM RUSHMORE told BETTY LEWIS that he talked to "our friend" (KERLEY) today and took something down to his office which KERLEY let him have from his (KERLEY's) files. BETTY indicated that KERLEY had told her about it.

FEBRUARY 27, 1946

At 11:57 AM RUSHMORE told BETTY LEWIS that the individual in Canada was not identical with ARTHUR ADAMS, but was one [redacted] [redacted] BETTY said that she was going to meet "her friend" (KERLEY) in about five minutes and RUSHMORE said, "Well perhaps you can talk to her and see what goes on there".

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MARCH 4, 1946

At 8:19 PM KERLEY got in touch with HOWARD RUSHMORE at which time the latter asked KERLEY if he was still ready for the trip they talked about.

RUSHMORE was probably referring to the possibility of KERLEY going to Washington for a conference with Congressmen and Senators.

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KERLEY said he was ready and wanted to know if there was any possibility "of what we discussed". RUSHMORE said that he had talked to "that guy" referring to Senator Styles Bridges, who spoke to Vandenberg. KERLEY suggested that they arrange to go over the matter with BETTY (LEWIS) and PAUL (SCHOENSTEIN).

MARCH 5, 1946

At 10:02 AM RUSHMORE contacted BETTY LEWIS, at which time he told her that he had talked with PAUL SCHOENSTEIN and they were of the opinion that now is the time "we can break the thing we have in mind". BETTY said that she had talked to "that man" and said there can be no question of remuneration at this point. RUSHMORE said that Senator BRIDGES had informed him that he talked to Vandenberg, who was extremely interested in the story and BRIDGES suggested coming to New York with Vandenberg for a meeting with everyone involved. RUSHMORE said that his paper has advised him that the Washington Bureau should handle it and therefore he had written a memorandum to the Washington Bureau of the "Journal-American" concerning the story they had to present to the Senators. It is pointed out that the story they have in mind is based on information supplied by LARRY KERLEY.

BETTY said that the story should be broken today or the following day, but RUSHMORE said that PAUL (SCHOENSTEIN) had not received word from the higher ups of the Journal-American. BETTY said that PAUL should go ahead and print the story inasmuch as "the other situation" no longer existed and the story can be printed without any mention of money being involved. RUSHMORE indicated that the story had been held up because of the question of money. RUSHMORE said that nobody had mentioned anything to him about legal complications and the whole thing was up to "What-you-call-him" (KERLEY) and mentioned that \$10,000 was the top figure the Journal-American would consider. BETTY thought that the Journal-American would not want to pay anything for that type of information. She said that they should go ahead with the story today "without any further research", and that she had told KERLEY that it would have to be done whether or not there was anything in it for him. RUSHMORE said, "you mean under a by-line", to which BETTY said, "yes."

RUSHMORE wanted BETTY to be positive about the idea of no remuneration being involved and she said she was. BETTY said that she did not think KERLEY had anything to worry about because the FBI would not penalize a man for being a decent American. RUSHMORE advised

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BETTY that the Journal-American would "stand by him" (KERLEY). BETTY said that inasmuch as the FBI had not stopped publication of ^{the} stories they probably would not be vindictive about the information being given out. BETTY said that KERLEY probably told RUSHMORE that the FBI would be vindictive because, "he thinks that's the only way he can get any money." She then cited the case of LEON TURRQU and said the FBI could have given him a bad recommendation to the Army Intelligence if they had wanted to. She said that this story was far too important to have anything "hanging on just because someone is looking for a couple of bucks".

At 10:13 AM KERLEY conferred with HOWARD RUSHMORE and they discussed the developments of the story. RUSHMORE advised KERLEY he had talked with Senator BRIDGES, who in turn had seen Senator Vandenberg and the latter was very much interested in the story. He also advised him that his editor had instructed him that all contacts with Washington should be channelled through the Journal-American Bureau in Washington, D. C. RUSHMORE said that it had been his plan to go to see various Senators who were sympathetic, relate the full story to them, without mentioning names and if they were interested then they could, "talk turkey". RUSHMORE advised KERLEY as to the money that there had been no word from "up there" as yet, and he would advise KERLEY when he received any word on it. KERLEY replied he only wanted to do it as originally planned.

At 10:25 AM KERLEY conferred with BETTY LEWIS, at which time he told her that the Journal-American was "gumming up the whole works". According to the informant he was in a very dejected mood. BETTY suggested that they call and tell "them" (RUSHMORE and SCHOENSTEIN) not to worry about the consideration, but just to go ahead with the story. BETTY said that they might be holding the story up because they have no follow-up, inasmuch as they have gone as far as they can on the material they have.

At 7:53 PM RUSHMORE talked with BETTY LEWIS, at which time the latter told RUSHMORE that in her opinion there is nothing more that LARRY could give the Journal-American and that it is now up to the Journal-American to use all their sources of information to dig further into the background of these various people involved in the Russian espionage ring.

At 10:05 PM HOWARD RUSHMORE conferred with LARRY KERLEY, at which time RUSHMORE advised he had called his friend in Washington, evidently

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referring to Senator Bridges and that BRIDGES and VANDENBERG and possibly one or two more were coming up to New York the week after next "to see the people we were talking about". This evidently refers to LARRY KERLEY, RUSHMORE AND BETTY LEWIS. KERLEY inquires whether there would be a conference on this. RUSHMORE said that there would be and it would probably take place uptown at her suggestion, evidently referring to Mrs. LEWIS. RUSHMORE further stated that the Senators were very much interested and were making photostatic copies of the story for the Congressional Record. RUSHMORE also said that BRIDGES was going to speak to Senator Tom Connally about the matter and that the other Senators were definitely coming up. KERLEY observed that things were breaking very well and stated, "We have decided on the last day that maybe we had better not go into the other aspect—but this is what we all hoped for". (It would appear from the conversation as a whole that the other aspect mentioned above probably refers to KERLEY receiving money from the Journal-American for supplying information.) RUSHMORE further observed that BRIDGES had checked with certain sources which he had down there "on your story—er—my story—and it was completely correct."

During the course of this conversation, KERLEY further observed, "I wanted to know about this other because things are shaping up better and —there's too much risk". It is believed that KERLEY here is referring to the advisability of his accepting money for the information he had supplied. RUSHMORE observed that in his opinion the way things were going at the present time was best, to which KERLEY made the statement that he had a professional career to think of. RUSHMORE replied, "Yes, and as PAUL said, under this new plan we have, you will have less kickback and automatically you will be in a better light and there will be no accusations of any mercenary motive."

MARCH 6, 1946

At 11:08 AM RUSHMORE contacted BETTY LEWIS and told her he had gotten the "green light" from his newspaper on contacting Senator BRIDGES. They both stated that they were willing to go to Washington if necessary to lay the story before him. RUSHMORE said that PAUL SCHOENSTEIN had wondered whether or not KERLEY should appear in the picture at the present time or whether he should wait until all the details are straightened out before his identity is known. BETTY saw no objection to this but said she would like to have it arranged that Senator Vandenberg

NY 67-13301

be present with Senator BRIDGES at any meeting that might be arranged. During the conversation Mrs. LEWIS mentioned to RUSHMORE that she had a couple of things to show RUSHMORE which he had not seen as yet.

At 3:50 PM KERLEY told BETTY LEWIS that RUSHMORE had told him that "their two friends" (Senators Bridges and Vandenberg) want to come up for a conference the week after the following week.

MARCH 10, 1946

At 3:16 PM RUSHMORE contacted BETTY LEWIS at which time he said that the following week should be very interesting, (referring to the fact that Senators Bridges and Vandenberg might possibly come to New York then). BETTY said, "We're getting all the material together--this LARRY--and see if we can really get them to take some action." RUSHMORE said "they will arrive next Monday or Tuesday", (referring to Bridges and Vandenberg), and that he, Rushmore, was going to call BRIDGES at his home a week from today (March 17, 1946).

The Sunday edition of the Journal-American for March 10th, 1946, published an article on the front page by HOWARD RUSHMORE, which was concerned with the United States Army's policy of banning Communists and was a "re-hash" of information previously set out by RUSHMORE which deals with the instant investigation.

At 8:30 PM RUSHMORE contacted KERLEY and they discussed the Journal-American editorials. KERLEY advised RUSHMORE that he had nothing new. RUSHMORE then stated that they would just have to wait for the Washington man to get back. (This refers to BRIDGES who was unable to come to New York the instant week because he had to leave Washington. RUSHMORE stated he would call BRIDGES on the latter's return and ask him to bring VANDENBERG with him. RUSHMORE told KERLEY he would keep in touch with him.

P E N D I N G

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. EDW. A. TAMM

DATE: 3/18/46

FROM : Mr. D. M. Ladd

Call: 5:36 P.M.

SUBJECT: LARRY E. KERLEY
BRIBERY

~~SECRET~~
CLASSIFIED BY ~~151/AS/ONS/16037AAG~~
DECLASSIFY ON: ~~25X~~
5/12/03

Mr. Tolson ✓
Mr. E. A. Tamm ✓
Mr. Clegg ✓
Mr. Coffey ✓
Mr. Glavin ✓
Mr. Ladd ✓
Mr. Nichols ✓
Mr. Rosen ✓
Mr. Tracy ✓
Mr. Carson ✓
Mr. Egan ✓
Mr. Gurnea ✓
Mr. Hendon ✓
Mr. Pennington ✓
Mr. Quinn Tamm ✓
Miss Gandy ✓
b2
b7E

SAC E. E. Conroy called at this time and advised at 3:00 P.M. [redacted]

[redacted] The call was made by Howard Rushmore to his paper asking if there were any calls there. Apparently Rushmore is very concerned about this whole matter.

At 3:30 P.M. they found out Kerley had an appointment with Jim Lewis [redacted] Howard [redacted] (U) b7E
Rushmore called Larry Kerley at Kerley's office at which time he told Kerley he had called Schoenstein and it looked as though it would be a good idea for both he and Schoenstein to have a meeting with the "big boss" tomorrow at 12:00 noon at the "Journal-American" office. He asked Kerley whether he could attend and Kerley said he would. Rushmore called off the meeting at Kerley's home this evening saying it would give Kerley an extra night to think the whole thing over. Rushmore said he would try to call "whatcha ma' callit" [redacted] 1548-77
Washington at his home instead or rather because he was not at his office and he would try to have him attend the meeting also. This probably refers to Styles Bridges, Mr. Conroy added. 20 1946

Mr. Conroy said Mr. Scheidt had just about the same luck with his interview as they had in New York. The man said he couldn't recall discussing this with Kerley, possibly he might have, but if he did he probably didn't say much to him and so just evaded the questions leaving loopholes. He said Agent [redacted] would make the report from New York. Mr. Conroy said a report would be out tomorrow.

56 MAR 21 1946

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WHERE SHOWN OTHERWISE

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. EDW. A. TAMM

DATE: 3/19/46

FROM : Mr. D. M. Ladd

Call: 3:35 P.M.

SUBJECT: LARRY E. KERLEY
BRIBERYALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 5/12/03 BY 60270 BCF/BA/PS/mjg

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

SAC E. E. Conroy of New York called at this time and advised that Howard Rushmore called Betty (Lewis) at her home at 9:25 P.M. last night. He advised her he had contacted Senator Bridges who was coming to New York on Wednesday, March 20, 1946, for a meeting with them at 9:00 P.M. Senator Bridges will attempt to bring Senator Vandenberg with him. Apparently they are coming to a Republican meeting in New York at the same time.

In talking about yesterday's developments and the interview with Kerley, Betty stated she had told Kerley that he should not say a word and that she had offered to come down to the New York Office and speak to SAC Conroy herself but that Mr. Conroy had refused. Rushmore then stated he was meeting Kerley today and they were going to sound out the Washington possibilities. He further indicated that the action in going up to see him (meaning the questioning of Kerley) was "a lousy trick". Betty stated it was blackmail and that they threatened to keep him from the New York Bar. Rushmore said "the S... o... B...'s I would like to see them threaten him."

As far as that alleged threat is concerned, Mr. Conroy said it will be noted in that other memorandum during the interview with Kerley he opened up the subject of the Bar with [] by asking him if he could recommend any cram course for the Bar in view of the fact that Kerley intended to take it in June or November.

[] recommended the name of a cram course he had taken in preparing for the New York Bar and advised Kerley that they had a very high record of successful students. [] further mentioned during the course of the general conversation regarding the Bar that the district in which Kerley lived was also the same one in which [] had been admitted and that the Character Committee was very tough and would require quite a bit of work on the arrangement of papers that [] was just mentioning the one he had gone through and said that it was tough, so they are just twisting that around.

39 MAR 21 1946

I inquired about the matter of Mrs. Lewis saying she wanted to see Mr. Conroy and that he would not see her. Mr. Conroy said that was the call he received from Kerley in which he said he wanted to bring her down to the office and in which Mr. Conroy advised Kerley he wished to discuss a Bureau matter with him and he did not care to have any outsiders present. Mr. Conroy said Mrs. Lewis hasn't called to see him.

Mr. Conroy advised they sent to the Bureau the statement of
54 MAR 21 1946
DML:dmg
I can't understand why our Agents have to be so chatty when on such a mission & particularly when dealing with a person like Kerley. H
social events.

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. EDW. A. TAMM

FROM : Mr. D. M. Ladd

SUBJECT: LARRY E. KERLEY
BRIBERY

DATE: 3/13/46

Call: 5:30 P.M.

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Beahm
Miss Gandy

SAC E. E. Conroy of New York called at the above time and advised that Senators Bridges and Vandenberg may be in New York sometime next week. Probably the final arrangements between Rushmore will be made on Sunday, that he, of course, wants them to come up Monday or Tuesday but Mr. Conroy doubted whether they would be able to come up on such short notice as that.

Mr. Conroy said he was inclined to believe that the Bureau should interview Kerley before they get a chance to talk with him. He said he would like to set up interviews for Monday. SAC Conroy stated the chronological summary which will be about all which will be necessary for use in the questioning will be prepared and ready to mail out by Friday. They had intended to have Agent Gregg call Kerley early Monday to try to have him keep a luncheon engagement and get him into the office where they would have him step into a room and "give him the works". I told Mr. Conroy this would be all right. Mr. Conroy stated it is possible that Kerley will not come down, since conversations have indicated that the Bureau was trying to lead them astray and about the only thing a finger could be put on is where Gregg had told him the Bureau had the Adams situation in hand.

If Kerley does not fall for the above plan, SAC Conroy thought he would have [] and [] go up to Kerley's office right away and tell him his name was involved in something and that Mr. Conroy wanted to see him. They would tell him it would be best for him to come down to the office in order to clear his name, if he was clear, or otherwise explain himself. Mr. Conroy is of the opinion that if anybody could talk [] down, those two boys could do it. Mr. Conroy said it is possible that Kerley will flatly refuse.

RECORDED

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He advised he planned on having Strain (phonetic) held in the office that day on some pretext so that they can question him after Kerley is questioned. Mr. Conroy figures that they will probably take Agent [] (phonetic), the third Agent working on this matter and who was never friendly with either, and send him to Charlotte on Saturday with the chronological summary. At that time Mr. Conroy said he would call Ed Scheidt and have him there a day or so ahead of time in order that he could go over the report with Scheidt. Mr. Conroy believes it would be better to have Scheidt to take the lead in the questioning because he is the Agent in Charge and then [] with his knowledge of the case would be invaluable to Scheidt. Mr. Conroy did not see how Mr. Scheidt could handle this very well without him. Meanwhile Mr. Scheidt could take

56 MAR 21 1946

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DATE 5/18/83 BY 60300 BCF/ALW

Memorandum for Mr. Edw. A. Tamm

steps to see that [] could be called in almost any time.

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As far as the income tax return is concerned, Mr. Conroy stated they contacted their contact in the Intelligence Unit of the Treasury Department who has stops in for the two income/districts where that one might show up. This contact advised it might take 30 days in view of the fact they have thousands of thousands which come through before this one would probably show up. He advised Mr. Conroy if they wait until after the 15th they can be sure it was filed anyway. Mr. Conroy said he did not think the Bureau could afford to delay this matter much further.

I advised Mr. Conroy I would submit this information to the Director for his opinion in this matter.

SAC Conroy further advised there is another report coming out today. He said there are 3 questions which should be considered:

- (1) Should the "technical" continue over the period over the questioning and afterward for a short time? Mr. Conroy stated he had talked the matter over with Mr. Kirkland in detail and Mr. Kirkland has assured Mr. Conroy the security is good, that even if they tried to find them he doubted if there were any possibility they could. I inquired what Mr. Conroy's opinion on this was and he said he thought we might pick up some good conversations particularly on the Lewis telephone. I told him I also thought this would be good. *OK*
- (2) If they do get Kerley to come to the Office there are 3 places in the office where he could be questioned, the office where Mr. Belmont is, the office where [] and Room 217, where they could take a recording of the questioning. They figured on possibly getting him into Room 217, inasmuch as if they put him in one of the other two offices he would be suspicious of those rooms having recording devices. Mr. Conroy said they wondered if there would be any objection to a recording of the interview with him. I told him I could see no objection to doing this but that the matter would be submitted to Mr. Hoover for his opinion concerning it. *OK*
- (3) Mr. Conroy said he doubted very much if the Bureau should interview the Lewises at this time. I told him that I did not believe we should, that we should confine it to the three interviews. *Agree*

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Mr. Conroy said he wanted to furnish a complete picture on this matter and stated they would be ready to go ahead but they would

Memorandum for Mr. Edw. A. Tamm

appreciate having word by Friday on this matter in order to be able to get [] out, that they might run into difficulties obtaining reservations, et cetera. I advised him this would be submitted to the Director immediately and that I would then call Mr. Conroy to advise him of Mr. Hoover's instructions concerning this.

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b7c

DML:dmg

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

FROM : J. C. STRICKLAND

SUBJECT: LARRY E. KERLEY;
BRIBERY

DATE: March 18, 1946

5:00 PM

ALL INFORMATION CONTAINED
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DATE 5/12/03 BY 60290 BJE/CAL/bms

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Beahm
Miss Gandy

SAC Scheidt called from Charlotte and furnished the following information as a result of the interview with Agent [redacted]

Mr. Scheidt stated they are preparing a rather lengthy memorandum, in which [redacted] went into all the background of his knowledge of Kerley and the Lewises, together with anything he knows about the time the series of articles appeared in the Journal American. According to [redacted] he was not a particularly close friend of Kerley, that he lived in the same apartment with Kerley and visited back and forth but he did not consider himself an intimate friend. Mr. Scheidt read the following portion of the memorandum which he thought might be of some particular significance:

"There is a possibility of some mention having been made in a conversation between Kerley and myself to the effect that Adams was missing but it is very doubtful in my mind that such conversation took place. If such a conversation did take place, it was a very short one which I believe might have been incidental to my having returned a copy of 'Persons in Hiding' which I had borrowed from Kerley to read while I was sick. If the Adams matter came into the conversation, I do not recall specifically how it happened to be mentioned. However, I know I would not have volunteered this information to Kerley inasmuch as he is no longer with the Bureau. If I had such a conversation with Kerley, it was around January 29 or 30 inasmuch as I left New York City on transfer on January 31 and it would have been just a few days before I left that I returned the book I had borrowed. As I indicated above, I am not sure I did have a conversation with Kerley regarding Adams being missing as it might have been another Agent with whom I talked and the fact just remains in my subconscious mind that I had talked about it with someone at about that time. I do not even remember from what sources I got the information that Adams was missing but this fact was common knowledge at the time to the personnel of the New York Office."

He was astonished at the appearance of the stories in the Journal American and had no knowledge as to how they could have gotten into the papers. He did not have other discussions with Kerley about the Bureau's work. On one occasion Kerley asked him if there were a lot of resignations and he told him there were quite a few but gave him an indefinite answer. He did not discuss any Bureau cases with Kerley. Kerley had told him about his employment with the Lewises but he had never met them.

Agent [redacted] of the New York Office also talked with Agent [redacted] who left New York City sometime ago but who had worked on some of the matters with Kerley. [redacted] prepared a memorandum giving some interesting background on Lewis and Kerley but the information does not shed any direct light on the current case.

JCS: EOD MAR 21 1946 The Charlotte Office will send these memoranda in as soon as possible.

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Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. EDW. A. TAMM

DATE: 3/15/46

FROM : Mr. D. M. Ladd

Call: 12:16 P.M.

SUBJECT: LARRY E. KERLEY
BRIBERY

~~SECRET~~

CLASSIFIED BY ~~NS/PJ/MS/KAS/VAAG~~
DECLASSIFY ON: 25X
5/12/03

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Mr. Beahm _____
Gandy _____

While discussing another matter with me, Mr. E. E. Conroy of New York advised they find there is an Agent named [redacted] who, while Kerley was in the Bureau, was investigating Victoria Stone and worked with Kerley. He, [redacted] is now in Charlotte and Mr. Conroy stated there is nothing wrong as far as he is concerned. Mr. Conroy thought it might be advisable for Agent [redacted] to talk with [redacted] also while he is down there in Charlotte.

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RECORDED

I told Mr. Conroy that it would be all right for Agent [redacted] to talk to [redacted]

INDEXED

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158-1548-81

Last night Agent Gregg advised he received a telephone call from Kerley asking him to lunch today at 12:00 noon at the St. Regis Hotel. The call was received at approximately 10:10 A.M. He made the appointment to meet Mrs. Lewis and Kerley there today. He was advised of the Bureau's instructions regarding this matter and was told it was merely to take information they might have to offer and to be noncommittal with respect to the Bureau's investigation.

At 9:00 A.M. this morning Mr. Conroy stated [redacted]

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[redacted] a call reflected that Kerley called George (probably George Strain) requesting him to see whether he could obtain tickets for the basketball game at the Garden on Saturday night. Strain will see what he can do and will call Kerley today at his office. Mr. Conroy stated this will fit into the picture better on Monday.

52 NDAL:emg 1946

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

DATE: 3/18/46

FROM : Mr. D. M. Ladd

Call: 2:21 P.M.

SUBJECT: LARRY ERNEST KERLEY
BRIBERY

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

SAC E. E. Conroy called at this time in connection with the Kerley matter and read the following memorandum which was submitted by Special Agent [redacted]

"At approximately 10:30 A.M. on the instant date, the writer and Special Agent [redacted] contacted subject Larry Kerley at his office at 5 E. 57th Street. After a few opening remarks Kerley was advised that Mr. Conroy would like to talk with him at the New York Office at which time Kerley wanted to know what it was about. He was advised that there had been some accusations concerning the giving out of information concerning confidential investigations being conducted by the Bureau and that some suspicion had been directed toward him.

Kerley immediately said "you are probably having reference to the articles which appeared in the 'Journal-American' in early December and which were written by Howard Rushmore." It should be noted that when he did mention Rushmore's name he did it hesitantly. With marked obviousness he tried to recall the name of Rushmore and after 10 or 15 seconds said the articles were written by Rushmore, Howard Rushmore.

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158-1548-82

Without any comments by the Agents he stated "I have some information. I will probably be able to help you." When he was asked to come to the New York Office as Mr. Conroy would like to discuss the matter with him at which time he stated rather hesitantly he didn't think he wanted to come to the New York Office. However, if Mr. Conroy would come to his office he would be more than glad to answer any questions. He also added he would be more than glad to go to Washington to see Mr. Hoover and talk the matter over as he once intended to do this. Kerley said that he would tell the Agents this much, that some time after the publication of Howard Rushmore's articles he was approached by Rushmore possibly the latter part of December or early part of January. Rushmore stated that he found out that Kerley had worked on the matters which he, Rushmore, had published in the newspaper and wanted Kerley to talk to his, Rushmore's, City Editor Schoenstein. Kerley said that they ultimately did get together in the early part of January at which time Schoenstein and Rushmore said in view of the international situation and the threat Russia was to be to a peaceful world Russian activities in the United States should be laid before the American public. They asked him, according to Kerley, if the facts as stated in the "Journal-American" articles were true. Kerley said he advised them the information in the articles was true and that the FBI had been investigating such matters. They then asked him if

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DATE 5/12/03 BY 60290 BCE/KAL/TJS

→ This is into later mem. &c.

Memorandum for the Director

he would be willing to write a by-line story on information which he had obtained while he was an Agent of the Bureau and working on the matters which were published in the "Journal-American". Kerley said in view of his feeling about the international situation and because of the fact that he realized the threat Russia was to the United States and that the Bureau's hands were tied in doing anything about Russian espionage he thought at that time he would write such a by-line article. Kerley said that he realized with the present structure of the State Department nothing would ever be done toward letting the American people know what a dangerous position they were in relative to Russia.

Kerley said that a very attractive monetary offer was made to him by Schoenstein and Rushmore and then aside to the Agents he said "you fellows realize that I could have made \$200,000." He said, however, that he was not interested in money that his motives were purely for the sake of the Bureau and the country and then added that, "even if the 'Journal-American' had not come out with the stories in the early part of December I would have done so for the good of the United States." He said he had planned on going to Washington to talk with Mr. Hoover to see if something couldn't be worked out so that the American people could be made aware of Russian espionage going on in the United States as well as other countries and would tell the Director that he realized that his hands were tied in giving such information out and that he had necessary contacts here in New York to give wide publicity. Kerley said about three weeks ago when Vandenberg, Connally, Byrnes and John Dulles came out with their firm stand against Russian policies the need for such a by-line story by him was no longer present and it was at that time he decided not to write the by-line story and so advised Rushmore. He said that Rushmore and Schoenstein have been practically begging him to write the story and again offered him a "very large sum of money."

He further stated that the way things were now he had decided to drop the whole matter and nothing else was going to be forthcoming from him to Rushmore.

Kerley was specifically asked if he had given the information to Rushmore with which Rushmore had written the original articles and he stated he had not given the information to Rushmore but that he knew the identity of the individual who had. He stated he would not be interested in him because "he is not in the Bureau now." He said that he did not feel that he wanted to divulge the name of this person to the Agents.

It would appear that Kerley is referring to Betty Lewis when he stated he knew the individual who had given the information to Rushmore and that the party being a former member of the Bureau is just merely a sham.

Memorandum for the Director

He was specifically asked if at any time since the publication of the articles he had attempted to obtain information concerning the investigations reported in the newspaper or any other investigations being carried on by the Bureau but he stated that he had not. It was pointed out to him by the Agents that he had specifically asked Special Agent Emory M. Gregg as to the status of certain investigations in the New York Office and very hesitantly he stated that if he did ask Gregg any question it was merely a matter of carrying on conversation rather than trying to obtain information from Gregg. It was then he added that if he wanted to get information about Arthur Adams (this is the first time the name of Arthur Adams was mentioned) he could have gotten the information very easily. He was asked where and he stated he could have gone down to the hotel and found out if Adams was around. It was pointed out to him that some inquiries had been made concerning Adams being at the hotel and if he knew about this. He stated he did not make the inquiries but that they were probably made by Rushmore adding that "Rushmore is quite a digger". He also mentioned during the early part of questioning he was in contact with Rushmore at least once a week but later stated Rushmore contacted him on several occasions.

Kerley stated that he realized he was no longer in the Bureau and although he felt great admiration for the Bureau he knew they were in no position to "push him around". He said, however, he wanted the Agents to know "that anything I did (at this point Kerley hesitated, flushed slightly) or would do would be entirely for the benefit of the Bureau and Mr. Hoover".

It should be noted that he made a remark that by the time this interview got down to the Bureau it probably would be changed around a bit and he was told if he wanted to guard against that it would be better if he came down and gave a statement to Mr. Conroy and insured that the story would be as he gave it. He refused to come and a resume of the statements he made to the Agents was recited to him and he was asked if that was a fair statement of the facts. He stated that it was. The resume is the same as set out hereinabove. He further stated if at any time the Agents had any further questions to ask him or if Mr. Conroy wanted to come up to his office or if Mr. Hoover wanted him to come to Washington to talk to him he would be available.

During the course of the conversation Kerley further stated that he understood from Schoenstein that a Bureau official had come up one night to New York City to speak to Schoenstein and that at that time the "Journal-American" had attempted to induce the Bureau to put the whole story before the public. He stated he did not know what answer had been made in view of the fact that Schoenstein had not told him. He said he did not know who the Bureau official was but thought it would probably be Assistant Director Nichols or one of the public relations men.

Memorandum for the Director

During the entire time the Agents were in contact with Kerley he seemed very anxious to impress on the Agents that any thoughts he entertained of writing a by-line story were purely for patriotic reasons and it was because of his constant repeating this he made the one slip above when he intimated he had done something.

The above information was obtained from Kerley with Agents being required to ask very few questions and when the interview came to a point where Kerley was not talking unless he was asked a question it was deemed advisable to discontinue the interview inasmuch as it was not desired to talk to him too much at this point. It should be stated that during the entire time of this interview the conversation was carried on in a friendly manner and at no time did either the Agents or Kerley become sarcastic or irritated toward one another.

DML & EEC:DMG

Mr. Conroy also advised that at approximately 12:40 P.M. Kerley called Howard Rushmore and advised him that Mr. Conroy wanted to see him and that he had a couple of Agents to his office this morning in this regard. He advised Rushmore that he had declined to go with the Agents to see Mr. Conroy. Rushmore asked if he had told the Agents anything to which Kerley advised he had told them everything. Rushmore commented that they probably knew it anyway and Kerley replied in the affirmative. Kerley said he wanted to see Rushmore about that other thing and an appointment was made for Rushmore to go to Kerley's apartment at 8:00 P.M. tonight. Rushmore said that he had called Senator Bridges last night to set the appointment for New York but was unable to reach him and asked that in view of this development "do you still want to handle it that way?" Kerley said that he still wanted to handle it that way. Mr. Conroy said they are apparently talking about the fact that they are not going to use a by-line but instead of that Kerley is going to give this information to Senators Bridges and Vandenberg.

Strain has been questioned at some length Mr. Conroy said but they have not obtained anything very significant from him pertaining to the case. About the only place where he really "stuck his neck out" is where he admits in the past Kerley had told him that the Lewises had a man and woman who were Japs from Ossining, New York working for them and that they were wondering what kind of people they were. He asked Strain to check the records of the office to find out about it. Strain said he wrote the name down and that Kerley asked him later if he had checked on it and he told Kerley he had not had time. He admits he had not told his supervisor about it.

Memorandum for the Director

In a telephone conversation where Kerley had called Strain at one time he mentioned the fact that he had been talking to Gregg about Arthur Adams and during that telephone conversation Strain changed the subject right away. Mr. Conroy stated they have been questioning Strain about telephone conversations he has had with Kerley about Adams. He double-talks on this and says he may possibly have asked him about Adams, he doesn't recall specifically and they just can't pin him down to this thing. Mr. Conroy said, of course, they do not want to divulge to him or anyone else what they have obtained on the "taps".

SAC Conroy advised he had talked to SAC Scheidt and he had instructed him to call me when they have finished. Mr. Conroy stated Mr. Scheidt is having just about as much luck down there as the New York Office is having with Strain, although [redacted] has mentioned that at one time Kerley did ask him about Adams. I advised Mr. Conroy of course the Bureau has nothing on these two boys with the exception that they have been in touch with Kerley since he left the Bureau. Mr. Conroy agreed and stated there were certain developments which occurred about that time but we do not have anything definite on these two men. He stated the only thing the Bureau has on Strain is that Kerley did mention Adams to him on the telephone once and Strain changed the subject. Mr. Conroy advised he is having a written statement prepared from Strain. b6 b7C

DML:dmg

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. D. M. Ladd

FROM : J. C. Strickland

SUBJECT: LARRY KERLEY;
Sedition

4:45 PM
DATE: 3-12-46

Mr. Tolson	✓
Mr. E. A. Tamm	✓
Mr. Clegg	✓
Mr. Coffey	✓
Mr. Glavin	✓
Mr. Ladd	✓
Mr. Nichols	✓
Mr. Rosen	✓
Mr. Tracy	✓
Mr. Carson	✓
Mr. Egan	✓
Mr. Hendon	✓
Mr. Pennington	✓
Mr. Quinn Tamm	✓
Tele. Room	✓
Mr. Nease	✓
Miss Beahm	✓
Miss Gandy	✓

Supervisor Granville of the New York Office called and reported the following call at 8:45 PM on March 11, 1946 from Howard Rushmore to Mrs. James Campbell Lewis.

Rushmore stated he wished next week was here. Mrs. Lewis asked him if he (Rushmore) didn't want to call "the other guy" (probably Senator Vandenberg). Rushmore stated he wanted to talk to Senator Bridges first and see what his plans are then he will call the other one (probably Senator Vandenberg). Mrs. Lewis said if Rushmore tells it to Bridges alone he, Bridges, might consider it his own information. Rushmore agreed and said he would like to have both here at the same time. Mrs. Lewis said "the other fellow is in charge of all foreign relations" and as long as one is coming you might as well call the other one. Rushmore agreed and stated that he (Vandenberg) will probably come because he knows me and the Journal American. Rushmore said he could not get in touch with Bridges this week to see what day he is coming. Mrs. Lewis stated Bridges would come on any day that Vandenberg would come. Rushmore agreed to call Vandenberg about "a very quiet meeting next week" and stated he wants to put his cards on the table and will tell them the Journal American is not selling anything any more than Vandenberg or Bridges are. Rushmore said they have all probably read his story and that Bridges had told him he had the story photostated and distributed to other members of the Committee. He said he would call Vandenberg on March 12th. Mrs. Lewis said "this is the big thing - a much better issue than the way the Democratic Party collected for the advertising in the campaign bag." Rushmore and Mrs. Lewis decided that George Sibley, an attorney for Squibb, will be at the meeting because he is a friend of Bridges. They also stated it would be good campaign material altho it is not necessary to sell these two men (Bridges and Vandenberg) on politics.

Rushmore stated he called the hotel today and asked for Arthur Adams and they said he is no longer with us. He then said he talked to an ex (his voice dropped off) friend of mine who also worked a little bit on that thing and he told me that he heard on the grapevine that Adams had been picked up in Canada. Rushmore said he told him that they probably read it in the Journal American and we were wrong. Rushmore then stated that they are throwing out a lot of false information down there and I am quite aware of that. He said he would call Mrs. Lewis back and let her know what Arthur (probably Vandenberg) says.

Supervisor Granville also stated that in the 10:15 conversation on March 6th between Rushmore and Kerley, Rushmore said that he (probably referring to Bridges) had checked with certain forces and "your story was completely correct". It is believed this refers to the fact that Bridges had made some inquiries as to the veracity of the story.

JCS:TD 56 MAR 21 1946

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DATE 5/12/03 BY 60270BCE/KAL/pas

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD *WJL*
 FROM : J. C. STRICKLAND *JS*
 SUBJECT: LARRY E. KERLEY;
 BRIBERY *Ent*

DATE: March 20, 1946

3:05 PM

Mr. Tolson	✓
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	✓
Mr. Nichols	✓
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

SAC Conroy called and advised that at 10:25 this morning Rushmore called Betty Lewis and stated he was in Kerley's office, that Kerley was going to be with him for the remainder of the morning, and suggested they have a meeting around 5:00 PM today at Lewises' house to arrange for the meeting with the Senators tonight. Rushmore stated they still did not have a definite time when the Senators would arrive but he expected a wire from Senator Bridges setting a time.

Mr. Conroy stated that Betty Lewis said she was having lunch at the St. Regis and hoped the FBI was listening and taking proper notes. She further stated that last night she and her husband left the house and parked almost directly in front of their house and that there was a fish truck in which two young men dressed in street clothes and snap-brim hats were seated near the house. When they saw the Lewises coming out they tried to pull their hats down. She said it was very foolish for the FBI to act like that and if we wanted to interview them, all we would have to do would be to call them and they would tell us all they knew. She made the statement if the Bureau had to act like this, they were certainly losing their grip and pulling this "House on 92nd Street" stuff. Mr. Conroy commented that, of course, our Agents were not there.

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58-1548-84
 FBI
 39 MAR 21 1946

JCS:EOD

51 MAR 22 1946

70

LADD

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD
FROM : J. C. STRICKLAND
SUBJECT: LARRY E. KERLEY;
BRIBERY

DATE: March 20, 1946

5:25 PM

~~SECRET~~

~~CONF. INFO.~~

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

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b7E

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WHERE SHOWN OTHERWISE

Special Agent Granville of the New York Office called and stated that [redacted] Howard Rushmore telephonically contacted Betty Lewis at her home and told her he had just received a wire from Senator Bridges stating that the Senator is arriving in New York City at 4:05 PM today. Rushmore said he would meet him and find out his plans and arrange for a nine o'clock meeting at Betty Lewis' home. He said he would keep her advised and would try to get up to her place about 7:00 or 7:30 to go over the material with Betty and Kerley. At this point, he also mentioned he was going to bring his wife, Frances, with him as she wanted to meet Senator Bridges. Betty objected to this and stated he should not have his wife present at this meeting, that there probably would be other meetings when Frances could meet Bridges. Rushmore acted rather surprised and irritated at this and stated he kept no secrets from his wife.

Betty then went on to tell him she still insisted that Frances Rushmore should not be present because Larry said the other night Rushmore had told him he was bringing Frances along and Larry had asked her to tell Rushmore not to do this because Kerley did not want this to happen. She stated that Kerley would have a tough enough time talking to the Senator under normal conditions without having a stranger present and that Kerley does not even discuss this matter with his own wife. She also stated that the things which have recently come up have unnerved Kerley and he is the type person who takes a long time to make friends and that he is like "the rest of them - they keep everything in so long, it is difficult to get it out of them." Betty stated that if Rushmore wanted her to, she would explain to his wife. Rushmore stated no, that he thought Kerley should be the one to explain to his wife that he did not want her present. He further stated that Paul Schoenstein would not be present, and then said that this was good.

[redacted] Betty Lewis called her husband and they discussed the arrangements being made to impress the Senator when he arrives. During the course of this conversation, she told her husband she had seen the same truck in front of the house, that this time it was a laundry truck and it had different license plates, and that there was "man" sitting in it. She said, "Don't you think that is going to extremes." Mr. Lewis stated he did not think there was any connection between the trucks at all.

JCS:EOD

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DECLASSIFY ON: 25X

5/12/03

~~SECRET~~

58-1548-85
39 MAR 21 1946

51 MAR 22 1946

**Federal Bureau of Investigation
United States Department of Justice
New York, New York**

March 18, 1946

Personal and Confidential

Director, FBI

RE: LARRY E. KERLEY
BRIBERY

Dear Sir:

Transmitted herewith is a signed statement of Special Agent George L. Strain dated March 18, 1946 concerning his association with Subject of instant case.

This is being submitted to the Bureau for its information in connection with instant matter.

~~CONFIDENTIAL~~
Very truly yours,

E. E. CONROY
SAC

Encl. (3)

RRG:els
67-13301

SPECIAL DELIVERY
REGISTERED MAIL

DECLASSIFIED BY 60290CE/CAL/JS
ON 5/12/03

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&
INDEXED 314
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158-1548-86
F B I
32 MAR 22 1946



51 MAR 25 1946

LADD

New York, New York
March 18, 1946

I, Special Agent George L. Strain, do make the following voluntary statement to Special Agents Warren T. Marchessault and Robert R. Granville:

The facts which are set forth in this statement concerning my associations with Larry E. Kerley are true and correct to the best of my knowledge and belief.

I first became acquainted with Larry Kerley during the spring of 1940, at which time we were both clerical employees at the Bureau in Washington. We worked together in the Personnel Files Section for several months. During this time we were both attending Law School and on occasions would get together socially or for review of law subjects.

As I recall, he became a Special Agent during the summer or fall of 1941 and went to his first office of assignment in Butte, Montana. I do not recall, however, seeing him between that period of time and June or July of 1943 when I was assigned to the Louisville Field Division, to which KERLEY was also assigned. At that time he was a Resident Agent in Lexington, Kentucky, and I used to see him when he would come to the Louisville Office for dictation and conferences.

When he was present in Louisville, we would often have meals together or be together socially. After my leaving Louisville during the first part of 1944, I returned to that office on at least two occasions as a witness. It is possible that I saw Kerley on these two occasions; however, other than that I do not recall seeing him again until he was assigned to the New York Field Office.

From the time of his assignment in the New York Field Office until he was transferred to the Kansas City Office, I would see him several times a week, if not daily, in the New York Field Division. During this period we were again friendly socially.

Subsequent to his transfer to the Kansas City Office, I did not receive any communications from him, nor do I recall ever seeing him in New York until after his resignation from the Bureau and his return to New York City.

Sometime after his return, he telephoned me at my residence, and advised me of his resignation from the Bureau and that he was working for Mr. JAMES LEWIS. During this conversation I recall his talking about the Kansas City Office and his dislike for it there. Subsequent to this

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58-1548-86
ENCLOSURE

SSA

call, on one occasion my wife, infant daughter and myself were in Jackson Heights waiting at a bus stop when he passed this bus stop in an automobile and stopped to buy a paper; noticing us, he suggested that he take us home. On this occasion we went to his apartment and visited there with him and his wife while our children played together for perhaps 30 to 45 minutes. To the best of my knowledge, the general tenure of ~~my~~^{our} conversation during this visit was purely in a social way, together in which our wives entered into the conversation, and his discussion of his new employment with Mr. LEWIS.

The next contact I had with Kerley was, I believe, after the 12th of January, at which time I took to him an affidavit form I wished him to fill out concerning his acquaintanceship with me. This affidavit was to be furnished to the New York Bar Association previous to my being admitted to the bar. Several affidavits were needed from my associates. On this occasion I took this affidavit to him at his office building, 5 East 57th Street, New York City. On this occasion I visited with him, shortly pointing out what was needed in the affidavit, which he advised he would fill out. As I recall, this contact was very brief, and other than discussion of the affidavit, I do not recall any conversation specifically.

A few days after this, Kerley telephoned me and advised me that the affidavit was ready, to which I replied I would come and get it shortly.

About two weeks later, Special Agent Emory Gregg advised me he had an envelope for me which Kerley had sent to me by him. He told me it was the affidavit and I obtained it from him. Upon looking the affidavit over, I noted that Kerley was in error as to the length of time he had known me, inasmuch as he stated he had known me since 1939, when, in reality, it had only been since 1940. I either called him or he called me and I told him of this error, and advised him that I would have to return it to him for correction.

A few days later, I did return the affidavit to his office in the evening and inasmuch as he was about ready to proceed home, we stopped in a restaurant next door to his office and had dinner. At this meeting to the best of my belief, our discussion concerned mostly his efforts in the betterment of the building of which he was Manager, his describing how he had increased the revenue of the building, and further, some of his ideas concerning an export-import business which he believed Mr. LEWIS was going to help him set up. I don't recall any time during this meeting in which he ever asked me any questions concerning the Adams Case or the office or any of the other cases under investigation. I might point out that the reason for my delay in obtaining the affidavit was the fact that I had several affidavits to

G. L. S.

obtain from acquaintances out of the State and I had not obtained them yet. Consequently, I was not pressed to get his immediately. On this occasion after our dinner, we walked to the subway and went to our respective homes.

As I recall, my next contact with him was about a week later, at which time I went back to his office to pick up the affidavit and he did not have it completed. He completed it and we went together to a notary there in that building and had it notarized. At this time I had obtained all but one of the necessary affidavits and upon obtaining the last one, I filed with the Bar Committee. This date was February 18th.

A few days later, I received notification from the Bar Committee to appear before them for correction of papers, at which time I had Kerley's affidavit and two other papers rejected for correction.

I telephoned Kerley that I would have to return the affidavit to him for correction, and the following day or the day after I returned the affidavit to him. He corrected it, we again went to the notary, and had it notarized, and I refiled it with the Committee. This was my last personal contact with him.

On March 14th, late in the evening, Kerley telephoned me and asked me if I had heard the radio broadcast of a basket ball game played that same night at Madison Square Garden. When I answered in the negative, he told me the outcome and wanted to know if I could go to a game on the night of Saturday, March 16th, at the Garden. I told him I had tentative other plans, but I would see. The following day I telephoned Madison Square Garden, and learned that they had no available tickets and I then telephoned Kerley and told him of this fact.

G.S.S.

To my knowledge the only other contacts he has had with Agents of the Bureau are with Special Agents Emory Gregg and [redacted] I have never been present at any time which he has contacted either one of these Agents; however, in conversations with Kerley I have learned that he has contacted them. In respect to [redacted] formerly lived in the same apartment with Kerley. I know nothing whatsoever concerning the contacts of [redacted] and Kerley inasmuch as I never was with them together on any occasion. As to Agent Gregg, the only reason I know he has contacted Kerley is that he did deliver the above mentioned affidavit to me and Kerley advised me that he had given it to him.

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b7C

During my contacts with Kerley since he returned to New York from Kansas City he has expressed a general interest in the international Communist situation, and upon one occasion he inquired if I believed we would eventually go to war with Russia or how soon we would go to war with Russia. To this question I recall answering that I had no idea. Concerning current investigations of the office, in particular the Adams case, I do not recall his asking me anything specifically concerning it although it is entirely possible that he did inasmuch as he worked on the same squad that was handling it while he was in New York City, which fact I knew, and also inasmuch as it was a well-known case around the New York Office. Insofar as the Kravchenko or Schevchenko case, I am positive he never did ask me any questions concerning these cases. The reason I am positive of this is that I myself did not know of the distinction between the cases until subsequent to the publication of the articles in the "Journal American" during the first part of December. It is for this reason that I am certain that I would recall specifically if he had ever mentioned either one of these names to me.

During any of my contacts with him he did not ask me to obtain any information for him concerning investigations of the office. Likewise he never made an offer or proposition to me to obtain for remuneration any information for him. At no time did I ever see or have reason to believe he had in his possession any Bureau files, reports, copies of memoranda, notes, or other Bureau material concerning investigations he had made. During my contacts with him I at no time had any suspicion to believe that he had furnished information to the "Journal American" and we never discussed this situation or the articles. I wish to point out that if I had had the slightest suspicion or indication that it was Kerley who had furnished the information to the "Journal American" I most certainly would not have requested him to make a character affidavit for me and obviously would not have had any contact with him whatsoever.

I do not recall the date, but during one of the contacts with Kerley in New York City a month or more ago, he did advise me that a Chinese boy who had been working for Mr. and Mrs. Lewis began using dope and they had to dismiss him. They subsequently obtained a Japanese man and wife for their housekeeper and cook and Kerley wanted to know if we possibly had anything in the indices about them. He gave me their names at the time but I do not

G. L. S.

recall them. However I do recall that they did live in Ossining, New York. I made no check whatsoever of these names and a short while later he followed it up. I recall telling him I had been too busy and had not gotten around to it. I had no intention of doing it in the first place inasmuch as I recalled an admonition a few months ago regarding a former Special Agent who had attempted to receive information from Agents of the Bureau and all present Agent personnel were instructed to be on guard against furnishing other ex-Agents information of the Bureau.

I would further like to state at this time that if at any time in the future I may be of assistance in the investigation of this matter, I am more than anxious and willing to cooperate in any way whatsoever.

I have read the above statement consisting of five pages as attested by my initials on each page and signature at the end, and this is to further certify as to its truthfulness and accuracy to the best of my knowledge.

Georges L. Strani
Special Agent, FBI, 3/18/46

Witnesses:

Robert H. Granville, Special Agent, FBI, 3/18/46

Warren T. Marchessault Special Agent, FBI, 3/18/46

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

FROM : D. M. Ladd *Wye* *Eot*

SUBJECT: LARRY ERNEST KERLEY
BRIBERY

DATE: March 19, 1946

Mr. Tolson	
Mr. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

As you will recall, arrangements were made to interview Special Agent George L. Strain in New York City, at the same time Kerley was interviewed. In accordance with these arrangements, Strain was interviewed on March 18, 1946, in the New York Office and he furnished a five-page signed statement concerning his relationships with Kerley.

According to this signed statement, Strain became acquainted with Kerley in the Spring of 1940, when they were both clerical employees at the Bureau. Between this time and the Fall of 1941, when Kerley became a Special Agent, they got together socially on several occasions. About June or July, 1943, Strain was assigned to the Louisville Field Division where Kerley was also assigned. While both were assigned to this office, they again met socially on several occasions. Strain left Louisville in the early part of 1944, and did not see Kerley again until they both met in the New York Field Office. While together in New York, Kerley and Strain saw each other daily and were also friendly in a social manner.

After Kerley was transferred to the Kansas City Field Division, Strain did not see him until after his resignation from the Bureau and his return to New York City. Sometime after Kerley's return to New York City, he telephonically contacted Strain and mentioned that he had resigned from the Bureau and also mentioned that he did not like the Kansas City Office. Subsequent to Kerley's telephone call, Strain met Kerley by accident when he was waiting for a bus in Jackson Heights, Long Island and on this occasion Kerley drove him home after he, Strain, had first visited at Kerley's apartment. About January 12, 1946, Strain again met Kerley, at which time Strain requested Kerley to sign an affidavit for him so that he, Strain, could be admitted to the New York Bar Association. Several times after January 12, 1946, Strain met Kerley in connection with the above-mentioned affidavit. These contacts were necessary as Kerley had improperly filled out the affidavit when he returned it to Strain the first time.

Strain stated Kerley has contacted no other Agents from the New York Office except Special Agents Emory Gregg and J. Holmes Eleazer. Strain did not know any of the details concerning Kerley's contacts with these Agents. Strain mentioned since Kerley returned to New York from Kansas City, he has expressed a general interest in the international Communist situation. Concerning current investigations of the New York Office and in particular the Arthur Adams case, Strain was unable to recall if Kerley ever specifically questioned him regarding it. He stated that it was possible Kerley may have asked him something regarding the Adams case because they had both worked on it while assigned to the New York Field Division. Strain was positive, however, that Kerley had never asked him any questions concerning any other cases being investigated by the New York Office.

JJM:rol

51 MAR 25 1946

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Kerley also did not ask Strain to obtain any information for him concerning any of the investigations of the office nor did he make an offer to Strain to obtain for remuneration any information. Kerley never indicated to Strain that he, Kerley, had in his possession any Bureau files, reports, copies of memoranda or notes. During the various contacts between Strain and Kerley, the articles printed in the "New York Journal American" were never discussed and Strain stated he never had any suspicion or indication that Kerley might have furnished the information on which these articles were based.

On one occasion, date not recalled, Kerley mentioned that a Japanese man and his wife had recently been hired as housekeeper and cook by Mr. and Mrs. James Lewis and Kerley requested that Strain check the New York indices to see if there was any derogatory information on them. Strain was given their names by Kerley but never had the indices in the New York Office checked. Sometime later when Kerley asked him what he had found out, he told him that he had been too busy and had never gotten around to checking the indices. Strain mentioned that he never had any intention of checking the indices in the first place inasmuch as all Special Agents of the New York Office had been instructed not to give out such information to former Special Agents of the Bureau. Strain also mentioned that he never would have requested Kerley to sign a character affidavit for him nor would he have had any contact with Kerley if he had the slightest suspicion that he, Kerley, was the one who had furnished any information to the "New York Journal American." Strain concluded by stating that if at any time in the future he may be of assistance in the investigation of this matter, he is more than willing to cooperate in any manner whatsoever.

TO: THE DIRECTOR

Date: March 19, 1946

FROM: D. M. Ladd

SUBJECT: Arthur Alexandrovich Adams

I talked to Senator Bridges this morning, at which time I told him the whole story with reference to the facts in the Adams case. I told him that Larry Kerley, a former Agent, had betrayed his trust and was now under investigation by the Bureau as a result of that betrayal. I called his attention to the articles which had appeared in the Journal American and advised him that you had suggested that they not be published prior to their publication but that the newspaper printed them anyhow; that as a result of this, Adams had now gone and his present whereabouts was unknown. I told Senator Bridges that you thought he was too good a friend of the Bureau to let him be drawn into something without knowing what the facts were and that you had asked me to discuss the case with him in extreme confidence and to advise that the facts of this case had not at any time been presented to the State Department and the State Department had not asked us to withhold any action.

Senator Bridges stated that Rushmore had contacted him on several occasions and he understood he had also contacted Senators Cherry and Vandenberg; that in fact, he and Vandenberg were going to see Rushmore tomorrow, Wednesday, March 20, 1946, in New York. Senator Bridges stated that a group of 25 Senators and Congressmen were going to be in New York tomorrow in connection with some activities of Hook La Azim and that at this time he and Vandenberg had agreed to talk to Rushmore in order that they could get the full story from him. Senator Bridges stated that he appreciated very much your permitting me to discuss this case with him in confidence; that in view of the facts I had outlined to him, he would listen to the story, make no commitments and then return and take no action, inasmuch as his only interest in the matter was to take a "class at the State Department", since he was convinced the place was full of Reds. I told him that you were sure that this was his view and that it was for that reason you wanted him to know the true facts in this matter.

Senator Bridges again expressed extreme appreciation for your kindness in this matter and assured me that he would treat it in confidence.

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DATE 5/12/03 BY 60270 BCF/KAL/pas

158-1548-88
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76 MAR 25 1946

ORIGINAL COPY FILED IN 158-1548-88

51 MAR 26 1946

BEST AVAILABLE COPY



IN REPLY, PLEASE REFER TO

FILE NO. _____

United States Department of Justice
Federal Bureau of Investigation
914 Johnston Building
Charlotte 2, North Carolina
March 18, 1946

PERSONAL AND CONFIDENTIAL

Director, FBI

Attention: Assistant Director D. M. LADD

Re: LARRY ERNEST KERLEY
BRIBERY

Dear Sir:

Pursuant to my telephone conversation today with Mr. STRICKLAND of the Bureau, I am transmitting herewith copies of the memorandum submitted by Special Agent [redacted] and also the memorandum submitted by Special Agent [redacted] relative to this matter.

Both of these memoranda are dated March 18, 1946.

Very truly yours,

Edward Scheidt
Special Agent in Charge

DECLASSIFIED BY 60290RCE/KAL/TLS
ON 5/13/02

CC New York

ES:WRH

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INDEXED

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Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	
Mr. Jones	
Mr. Mumford	
Mr. Quinn	
Mr. Nease	
Miss Gandy	

Charlotte, N. C.
March 18, 1946

MEMORANDUM

The following represents to the best of my recollection all of the knowledge or information in my possession relative to the series of articles which appeared in the New York Journal American by Howard Rushmore in December 1945 and the latter part of January 1946.

The earlier part of December I was working in an accounting squad on a War Fraud case concerning John Lanton Company, et al. I believe that on the day the article first appeared in the New York Journal American I was working in Brooklyn with Special Agent [redacted]. I bought a copy of the paper which I believe was an early edition, the headline having attracted my attention. Agent [redacted] also bought a copy and we read the article at the same time and both of us were amazed that such information was appearing in the paper.

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Upon the conclusion of my day's work I returned with Agent [redacted] to Room No. 5 or 7 of the New York office. I recall that there were comments among the personnel there about this article and the general feeling of surprise and amazement was expressed by the participants in the discussion relative to the fact that such an article had appeared. I do not recall specifically who was at the office at that time, but I am under the impression that Glade Helzer and [redacted] were there.

In the following two days further articles appeared which caused even more comment because of the fact that they were two different cases and for the far-reaching amount of information they furnished the general public. By this time every agent you saw that you know made some comment regarding the fact that there was too much of that information appearing in the paper.

The second series of articles appearing in January in the same paper caused a recurrence of comments among the agents. I might add that I read each article with great interest, and at the time I was very surprised to find that such information was appearing in the paper. I was not too familiar with the facts of the cases on which the articles had appeared and for this reason they were of great interest to me. At the time neither I nor any of the agents with whom I talked could fathom how this information was getting into the papers and for several days after the period that the articles did appear there was a great deal of discussion among the fellow agents concerning the pros and cons as to how such information could have appeared; however, I never heard anything that would throw any light on how those articles did appear.

ALL INFORMATION CONTAINED

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DATE 6/13/03 BY 60390 JEP/ALP/MS

58-1548-89

From the time the articles appeared up to the present time the explanation for how these articles got into the paper is a complete mystery to me. If I had any information which would shed any information as to how these articles appeared I would be more than willing to and would feel it my duty to give this information. I cannot think of any circumstances or events that came to my attention that would throw any light whatever on this matter.

I have been asked to furnish any information in my possession relative to former Special Agent Larry Ernest Kerley, and it is as follows:

In the early part of August 1944 shortly after attending In-Service I was assigned by the Bureau to transport a car which was being sent from the Atlanta Field Division to the Detroit Field Division to which place I was assigned at that time. I made the trip with four other special agents who were all driving cars and our itinerary carried us through Lexington, Kentucky, where we spent one night of the trip while on the road. It had been our practice to contact various offices through whose territory we passed for any messages which might be held or sent to us while en route, and it was at the Lexington resident agency that I met Kerley. He at that time was one of the resident agents assigned to Lexington, and I met Kerley in a group with agents I was driving through the country with.

I did not see Kerley again until I had been transferred from Detroit to New York when I met him in the halls of the New York office and he advised me that he had been transferred to New York from the resident agency at Lexington. I believe at the time there had to be a reintroduction for I recalled seeing him somewhere but could not remember his name.

We never worked on the same squad together and I do not recall having seeing him over once or twice until he moved into the same apartment building at 3530 - 81st Street, Jackson Heights. I had no knowledge that he was going to move into that apartment building until I met him in the hall one day and he told me that he was going to move into an apartment at 3530 - 81st Street and I remarked, "That's a coincidence; I am living in the same apartment building."

After Kerley moved there, our paths did not cross very much as we did not work on the same squad and visits to each other's homes were very infrequent. Because we had separate groups of friends, I did not see very much of him, and also because his apartment was on the third floor on the opposite side of the building from where I resided and there was no connecting hallway. The only means of entrance to the apartments was by separate elevators which were divided by a lobby. I resided on the second floor on one side of the building, and he lived on the third floor of the opposite section of the building.

During the time Kerley was a special agent, I do not believe that I visited him until he had a serious illness which I believe was some blood disease in which the white corpuscles were overpowering the red corpuscles or vice versa. I heard that information at the office and out of courtesy dropped around to see how he was getting along. I played rummy with him several night to try to help him pass the time away. During the time he was an agent living in the same apartment building, I would say that I possibly visited him at his apartment approximately six times over a period of several months.

Toward the latter part of his illness he went to Washington for a convalescent period and stayed at Virginia Beach with an agent named Mossburg whose first name I do not recall who was then connected with the Washington Field Office.

Prior to Kerley's illness it is my understanding that he worked on a good many surveillances, and as a result worked irregular hours which was possibly another reason why I did not see him more often, even though I was living in the same building with him.

During the time Kerley was ill he received a transfer to Kansas City which had been deferred for some period which I believe was a month or so until he had recovered sufficiently to go back to work. After he recovered enough he left on transfer to Kansas City, but at the time he did not give up his apartment but merely sublet it, furniture and all.

I went to In-Service I believe the first part of October 1945 and upon returning to New York was advised by my wife that Kerley had been by the apartment building to check up on the tenants to whom he had sublet his apartment and had called her while there. However, until the time he returned to New York after resigning from the Bureau I did not see him nor did I receive any communications from him.

The next word I had from Kerley was when I saw him in the lobby of the apartment building one night and he said that he had resigned and was moving back into the apartment house and was accepting a job with a man named Lewis; this was sometime after I got back from In-Service. At the time he advised me that he had met this man Lewis during the time he was resident agent at Lexington, Kentucky, through an investigation that he had conducted and at the time had been offered a job by Lewis. He said he had turned down this job but that after coming to New York he contacted Lewis on several occasions and made tentative arrangements to accept a job in an export firm that Lewis was forming. The foundation of this company was to be rights to certain chemical formulas that were then the property of the I. G. Farben Company; these formulas were to be sold at auction by the Government. Kerley

said that this company had not yet been formed as the property had not been put up for auction and meanwhile he was going to manage some property that this individual, Mr. Lewis, had bought which consisted of an office building on East 57th Street near Fifth Avenue.

On every occasion after this that I saw Kerley the general topic of conversation was what a good job he was doing managing this property and the manner in which he was raising the rents on the tenants who were then occupying the building.

At the time the articles appeared in the Journal American I believe Kerley made some comments to me which were along the lines of the amazement that everyone else had exhibited that such articles were appearing, but I did not discuss to any great length the material that appeared in these articles as I did not feel free to do so with someone not connected with the Bureau.

I was confined to my bed with influenza around the second week of December, during which time Kerley came over on several occasions, possibly two or three times, and we played a form of rummy. Although we were not gambling, I noticed that on two or three occasions he would overcount the number of points he had. Even though I said nothing about it, I thought it rather odd to cheat at playing rummy.

The only occasion I believe that I went out with Kerley alone was one Saturday when there was an Army parade up Fifth Avenue. On that occasion we went over the Queensboro Bridge and parked a short distance from the building that Kerley managed, and after watching the parade he showed me a new space he was taking over as his office in the building. I believe this whole period of time did not take in over two hours - we saw the parade, went into the building, and went back home.

The weekend before Christmas I left New York to go to my home in South Carolina on two weeks' annual leave. After returning to New York approximately January 3 or 4, my wife and I went out with Kerley and his wife on one occasion and that was to a movie at which time we drove some distance to see the movie which was somewhere in the Long Island City Section.

The night I left New York on January 31, 1946, on transfer to Charlotte, North Carolina, Kerley offered to drive me to the station because of the large amount of bags we were carrying and I accepted; that is the last time I have seen or heard from him. It was more or less a coincidence that Kerley drove me to the station inasmuch as I had previously made arrangements for the person to whom I had rented my apartment to drive me there, but at the last moment he could not take me. Since Kerley offered to drive me to the station at about that time, I accepted his offer. Before Kerley offered

to drive me to the station, I had arranged to meet Special Agents August J. Licox and [redacted] and former Agent [redacted] at the Pennsylvania Bar which is directly across from Penn Station for a farewell drink. Since Kerley was with me, he went with me to join this group of agents at the Pennsylvania Bar. I had one or two drinks with the group, this meeting taking place approximately fifteen or twenty minutes before train time.

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After returning from South Carolina on leave, I don't believe that I saw Kerley on more than two or three occasions as we were trying to make the rounds of our close friends before leaving for Charlotte.

As far as I was concerned Kerley was a neighbor and a casual friend rather than a close personal friend. My association with him was more on the basis of being a neighbor than that of being a close friend. I have tried to recall all incidents of my association with him and did see him numerous times, but because of the casual nature of our visits with each other, they seemed relatively unimportant and my memory is not too clear as to the specific dates, places, and details when I had occasion to be with him.

During the time that Kerley was a special agent and was living in the same apartment building with me at Jackson Heights, I was driving a number of agents to and from work in my car and, as an illustration of the casual nature of my relationship with Kerley, I might mention that he was not among the agents who were being driven by me to and from the office. I mention this because it is obvious that had he been a close personal friend, he naturally would have been included in this car pool.

My general impressions and the general information I have of Kerley are these:

Upon meeting Kerley in Lexington, Kentucky, I was somewhat favorably impressed with his general demeanor because he was an excellent conversationalist and convincing talker; but after meeting him again in New York, I somewhat changed my opinion inasmuch as I got to know him a little better and could see that he was a lot more talk than he was action. He seemed to be the kind of individual who was greatly impressed with the things he did and wanted to impress that fact upon everyone else. After resigning from the Bureau and taking this job with Mr. Lewis, the general impression that he tried to create to me was what a fine job he was doing in managing the property and how shrewd an operator he was. I might add at this time that generally that was the trend of the conversation that was followed and all I had to do was agree with what he said and he would carry on the entire conversation regarding his business.

He also seemed to be the type fellow who spent his money to please himself, not caring too much about the appearance his wife presented. His

apartment was very poorly furnished and he had received a gift of an oil painting from Mr. Lewis which by contrast made the appearance of the apartment look ridiculous.

After returning from leave during Christmas, he also showed me a coat which was supposedly presented to him by Mr. Lewis; this was a very fine and expensive overcoat. He also stated that some gift had been given to his wife by Mr. Lewis, which I believe was three pairs of nylon hose, which were extremely scarce at that time.

Also during the time I had known Kerley he had told me that he had formerly been a clerk in the FBI before entry on duty status as a special agent, and he knew much about Bureau matters and also knew much about outstanding personnel in the Bureau.

After Kerley's return to New York after resigning, he advised me that he had opened a business with his brother, consisting of selling Firestone products - household and automobile supplies - somewhere in Kentucky and that he had cashed in his War Bonds to help finance the buying of this business. He advised me that the business was doing exceedingly well, and he was making a lot of money on his investment but I do not recall his giving me any figures on the amounts involved.

Politically, Kerley was very anti-administration. I don't know whether this was due to the fact that Mr. Lewis felt the same way and he was hopping on the bandwagon or whether he was expressing his own sentiments, but he was very caustic on his views of the Roosevelt and Truman administration.

From his general comments, I feel that he felt very keenly over the Communist situation, indicating that it was an unsafe and unsavory condition existing in this country. I remember, however, that he felt that President Roosevelt had been, as he thought, partially responsible for allowing Communism to come into greater power in this country, and he felt that something should be done to curb this situation. He also had attacked Secretary of State Brynes, and as I did not agree with his views about President Roosevelt and Secretary Brynes, after two or three such outbursts on his part, I always avoided political conversations to avoid heated arguments.

With reference to Kerley's close friends within the Bureau, the only real close friend I know he has is Agent Lonsburg who, the last I knew, was assigned to the Washington Field Office. I have heard him mention the names of people in the Bureau who were friends of his but it seemed so unimportant at the time that I do not recall them.

As for his friends in the New York office, I don't believe he had any close friends as agents, and, if you could consider me as a friend of his, I

believe I would be the closest thing he had to a friend in the New York office. I do not know of any agents in the New York office with whom he might have gone out socially. He, of course, did not work as an agent in the New York office very long.

With reference to friends of his outside of the Bureau in New York, there was an Oliver Lewis who resided across the hall from him in the apartment building. Lewis was an enlisted man in the Navy stationed somewhere in New York, and, as far as I know, there is no connection between this Lewis and his employer Lewis. From conversation with Kerley he indicated that the Kerleys and the Lewises, who lived just down the hall, played rummy together frequently and they were the closest friends that I knew of which Kerley had in New York. I recall that Kerley was on speaking terms with an agent named [redacted] who lived directly across the hall in the same apartment building but do not know the relationship that existed between them. McGregor resigned as a special agent and left New York City sometime between December 26, 1945, and January 1, 1946. I also know that Kerley was not on speaking terms with Special Agent Ross Arnold who resided in the same section of the building as Kerley due to some misunderstanding regarding a subpoena to testify in Kentucky on which they both were to appear.

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From remarks that Kerley and his wife made regarding Oliver Lewis, who resided across the hall, they were very intimate because they both had children approximately the same ages and were in and out of each other's apartments several times a day and possibly more and the four of them played cards together at night.

From conversation with Kerley it was quite apparent that he was very impressed with the Lewis man by whom he was employed and also his wife, often referring to the money and influence they had in New York City and also the persons with whom they associated. According to Kerley, along with Mr. Lewis' other activities, he was also Vice President of Squibb, Inc. Kerley has also stated with some pride on some occasions that he had been out to dinner with the Lewises and had been to their home in Manhattan. He also said that the Lewises were very intimate with the higher people in New York City, Mrs. Lewis having served on a committee with Mayor O'Dwyer of New York City. I recall on one occasion that Kerley advised me that Mrs. Lewis had gone to lunch with President Truman I believe regarding some work that Mrs. Lewis was doing in New York City regarding juvenile delinquency or some housing matter. Kerley also advised that she is reported to be acquainted with Robert Lannegan, chairman of the Democratic Party. All of these remarks seemed odd to me due to the fact that Kerley had said that they were so anti-administration and so strongly Republican.

Kerley seemed tremendously impressed with the money and influence of Mr. and Mrs. Lewis, and I believe that possibly his views were somewhat

shaped by the way they thought. He often stated that Mrs. Lewis was one of the smartest women he had ever met in his life. I personally have never met Mr. and Mrs. Lewis, the former being the employer of Kerley.

To the best of my recollection, there may have been a casual mention of Rushmore's name at the time the articles appeared inasmuch as the articles carried Rushmore's by-line. I am positive that at no time in any of our conversations did Kerley state or intimate that he was personally acquainted with either Rushmore or any other newspaper man in New York City. I personally have never met Rushmore.

During my association with Kerley after he had resigned as an agent, I never specifically talked over any of the Bureau's work with him. I do recall that one day he asked me how many agents were resigning and I gave him an indefinite answer to the effect that there were quite a few.

There is a possibility of some mention having been made in a conversation between Kerley and myself to the effect that Adams was missing, but it is very doubtful in my mind that such a conversation took place. If such a conversation did take place, it was a very short one, which I believe might have been incidental to my having returned a copy of "Persons in Hiding" which I had borrowed from Kerley to read while I was sick.

If the Adams matter came into the conversation, I don't recall specifically how it happened to be mentioned; however, I know I would not have volunteered this information to Kerley inasmuch as he was no longer with the Bureau.

If I had such a conversation with Kerley, it was around January 29 or 30 inasmuch as I left New York on transfer on January 31 and it would have been just a few days before I left that I returned the book I had borrowed.

As indicated above, I am not sure that I did have a conversation with Kerley regarding Adams being missing as it might have been another agent with whom I had talked, and the fact just remains in my subconscious mind that I had talked about it with someone at about that time. I do not ever remember from what sources that I got the information that Adams was missing but this fact was common knowledge at the time to the personnel of the New York office.

In all the times I was in Kerley's apartment, the only official documents of the Bureau I have seen was a letter from the Bureau regarding final payment of his annual accrued leave. There was some discussion regarding this payment as he felt that he had not received the total amount coming to him in the way he mathematically handled the problem from his deductions. At no time did I see files, papers, memoranda, investigative notes, clippings, or any other type of Bureau property at Kerley's apartment nor did he ever mention to me having any Bureau property, files, serials, or notes relating to the Bureau's work in his possession.

At no time did I ever discuss with Kerley the Bohovchenko case or the Gerhardt Elster case, nor did he ever ask me any questions about any of these cases.

I believe Kerley at one time stated to me subsequent to the time he left the Bureau service that he had told some of the agents that when they were on surveillance and wanted to get out of the cold to come to his place, which I took to mean his office, and use his toilet. He did not elaborate on this nor did he mention the names of the agents to whom he had told this, and I do not have any knowledge as to who they might have been. I have never been by Kerley's office during office hours or any other time except the one Saturday I was there, as I have previously mentioned.

The information which I have furnished about this entire matter is true and correct to the best of my knowledge and if I had any other information regarding him which might be pertinent I would be only too glad to furnish it.

Witnesses:

Edward Scheidt, SAC, FBI, Charlotte, N. C.

SA, FBI, New York

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Charlotte, North Carolina
March 18, 1946

MEMORANDUM

The following information is being furnished relative to my knowledge of the dealings with BETTY LEWIS and former Special Agent LARRY KERLEY prior to my transfer from the New York City Field Division on March 10, 1945.

Agent KERLEY advised me that he was intimately acquainted with Mrs. LEWIS and her husband due to close and long association while he was assigned to the Louisville Field Division. KERLEY indicated to me that due to some German Nationals living in the vicinity of the LEWIS home, he had conducted investigation there, which accounted for his acquaintanceship with the LEWIS'. [REDACTED]

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I accompanied Agent KERLEY to Mrs. LEWIS' home on at least two occasions [REDACTED] at which time she greeted him in a manner indicating they were very close friends. I recall their conversation indicated she had apparently seen KERLEY several times previously, since his arrival in New York City, and had also been with KERLEY and his wife prior to this time in New York, apparently at the LEWIS home. Mrs. LEWIS talked with KERLEY very familiarly about the incident near Louisville wherein her home was destroyed by fire, and indicated that she and KERLEY had apparently discussed this matter a number of times and very thoroughly. On one of these occasions, Mr. JAMES LEWIS, husband of BETTY LEWIS, arrived at the LEWIS home while the writer and Agent KERLEY were present and he likewise indicated that he was well known to Agent KERLEY, addressing him as "LARRY".

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It is my best recollection Mrs. LEWIS indicated she was personally acquainted with an agent named [REDACTED] who was then a supervisor at the Bureau, as she mentioned one incident wherein she had contacted the Bureau telephonically and conversed with this agent. It is also my impression that Mrs. LEWIS indicated she was personally acquainted with Inspector HANCO. At all times she expressed the highest admiration for the Bureau, its work and its personnel.

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DATE 5/12/03 BY 60203CE/KAL/BS

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Mrs. LEWIS indicated that she was personally acquainted with a number of very prominent persons in New York City, particularly in New York social circles, including ALFRED GWYNNE VANDERBILT, CLIFTON FADIMAN, and Mrs. HARRY HOPKINS whom she described as a very close personal friend of longstanding, and a number of others whose names I cannot now recall. She mentioned having attended a small dinner at the Biltmore Hotel which was also attended by Mrs. FRANKLIN D. ROOSEVELT. She also stated that she was a close acquaintance of BARBARA HUTTON and indicated that she had assisted the Bureau in some way in conducting inquiries concerning BARBARA HUTTON. Agent KIRLEY seemed very much impressed by these statements of Mrs. LEWIS and expressed several times that she was acquainted with many prominent people

[REDACTED]

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At no time were any ramifications of the COLLEAP case discussed with Mrs. LEWIS in the writer's presence [REDACTED]

Mrs. LEWIS stated that some years ago she was employed as chief dress designer for the Simplicity Pattern Company, at which time JACOB B. ARONOFF was attached to this company in some unknown manner, perhaps in a legal capacity. She stated that while associated with this company, she became well acquainted with ARONOFF and indicated she had attended parties and social functions either at his home or where he was present. She expressed the very deep and apparent dislike of ARONOFF. She was acquainted with some of the intimate personal details of his life, which information she had apparently obtained through fellow employees or from her own knowledge while associated with the Simplicity Company. In this connection, Agent KIRLEY on one occasion advised me that Mrs. LEWIS was about the fourth highest salaried woman in the United States during her association with the Simplicity Company, when she earned a salary of approximately \$36,000 per year.

While at In-Service Training during September 1945, the writer roomed with Agent KIRLEY. During this period Agent KIRLEY stated to the writer that upon his return to Washington from Quantico, he planned to carry out an appointment with Mr. and Mrs. JAMES LEWIS, who had previously talked to him about some kind of job, but he furnished no further details and I did not ask him any questions about this.

Inasmuch as I had worked on the COINAP Squad in New York for some time and particularly in handling the VICTORIA STONE case, it appeared to me that Agent KEFLEY was constantly endeavoring to curry favor with me. He impressed me as being rather boastful of his past achievements, which I felt were possibly more fictitious than true. It was my impression that he was making every effort to become important in some way in the New York office and apparently had the idea I could be of some help to him. He did not strike me as a particularly sincere person and I personally disliked him for the reasons stated above and because of his own inherent personality. Apparently, KEFLEY acted this with time and appeared to be resentful and more or less stayed away from me and I never saw him other than on rare occasions in the office, always on official business. I do know that other agents, whose opinions I respect, also came to me and expressed a similar opinion of KEFLEY and a dislike of having to work with him. Although I am unable to recall the names of these agents, I do remember on several occasions this opinion was expressed by agents working on the physical surveillance of WILLIAM J. LADD.

I never recall having heard Mrs. LEWIS mention any friendship with newspapermen nor do I ever recall having heard KEFLEY indicate that he was in any way acquainted with newspapermen.

Since leaving New York City on March 10, 1945, I have had no contact whatsoever with Mrs. LEWIS and none with Agent KEFLEY other than at In-Service as described above.

Special Agent

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Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

FROM : D.M. Ladd

SUBJECT: LARRY ERNEST KERLEY
BRIBERY

DATE: March 20, 1946

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HEREIN IS UNCLASSIFIED

DATE 5/13/03 BY 60290CE/pal/jws

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Gandy	

As you will recall, arrangements were made to interview Special Agent [redacted] in Charlotte, North Carolina, at the same time Kerley was interviewed in New York City. In accordance with these arrangements, [redacted] was interviewed on March 18, 1946, in the Charlotte Office by Special Agent in Charge Edward Scheidt and Special Agent [redacted] and furnished a signed memorandum consisting of nine pages concerning his relationships with Kerley.

In this memorandum [redacted] advised that when the series of articles written by Howard Rushmore appeared in the New York Journal American in December, 1945, and January, 1946, he discussed them with other Agents assigned to the New York Office and was very much surprised to find that such information was appearing in the daily papers. He stated that during these discussions, however, he never heard anything which would throw any light on how Rushmore obtained his material for these articles.

[redacted] stated he first met Kerley in August, 1944, when he, [redacted] was driving a Bureau car from Washington, D. C., to Detroit, Michigan, and it became necessary to spend the night at Lexington, Kentucky, where Kerley was then the Resident Agent. At a later date [redacted] again met Kerley in the New York Office when both of them were assigned to that office. [redacted] and Kerley, however, never worked together on the same squad and never visited each other's homes until Kerley moved to the same apartment building, 35-30 81st Street, Jackson Heights, Long Island, New York, where [redacted] was residing.

[redacted] advised that he and Kerley had separate groups of friends, that they lived on different floors in the apartment building, and [redacted] never visited Kerley until Kerley had a serious illness when, out of courtesy, he dropped around to see how he was getting along. That was the first time [redacted] ever visited the Kerley home. Subsequent thereto he played rummy with him, Kerley, on several occasions and probably visited him a total of six times over a period of several months.

[redacted] informed that when the articles appeared in the New York Journal American in December, 1945, he believes Kerley made some comments to him which were along the lines of the amazement that everyone else had exhibited that such articles were appearing. He never discussed these articles with Kerley as he did not feel free to do so with a person not connected with the Bureau.

During the second week of December, 1945, [redacted] was sick and Kerley visited him on two or three occasions when they played rummy. [redacted] stated that although they did not gamble he noticed that on two or three occasions Kerley would cheat in counting the number of points he had. [redacted] made no remark about it but thought it rather odd to cheat at playing rummy especially when no stakes were involved. He stated that outside of these visits, above mentioned, he was only out with Kerley alone on one occasion and that was to watch an Army parade on Fifth Avenue.

JJM:WMJ

[] stated that Kerley was more a neighbor and a casual friend rather than a close personal friend. He stated that because of the casual nature of the visits he had with Kerley and because they seemed relatively unimportant, it was now rather difficult to name specific dates and places. [] stated that he never heard Kerley mention that he, Kerley, was personally acquainted with Howard Rushmore or any other newspapermen in New York City. [] personally does not know Rushmore. [] also stated that in his conversations with Kerley he has no recollection of Kerley ever asking him for information concerning espionage cases being investigated by the New York Office.

While in Kerley's apartment on the occasions previously mentioned, [] never saw any Bureau property except one letter which had been forwarded to Kerley by the Bureau regarding final payment on his accrued leave. [] stated also that he never discussed with Kerley any cases being investigated by the New York Office.

[] mentioned that from general comments made by Kerley he feels that Kerley is very keen concerning the Communist situation and Kerley indicated that an unsafe and unsavory condition was existing in this country. Kerley also in his comments mentioned that former President Roosevelt was partially responsible for the present condition and Kerley also made derogatory remarks concerning Secretary of State Byrnes. [] stated that he did not agree with the views taken by Kerley regarding former President Roosevelt and Secretary of State Byrnes and, therefore, always avoided political conversations in order to avoid arguments.

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With reference to Kerley's close friends within the Bureau, [] advised that the only real close friend he can recall that Kerley had is Agent Mossburg, who he understands is presently assigned to the Washington Field Division and who was at Virginia Beach with Kerley a short time prior to Kerley's transfer from New York City to the Kansas City Field Division. Special Agent [] was transferred on March 10, 1945, from New York City to the Charlotte Field Division where he is presently assigned. Prior to leaving New York City he was acquainted with Kerley and worked with him on the Victoria Stone case. [] was also interviewed on March 18, 1946, and furnished a three-page signed statement.

In his statement Johnson mentioned that he met Mrs. James Lewis through Kerley [] b7D

[] stated that he was never particularly friendly with Kerley and as a matter of fact disliked him. He stated that Kerley impressed him as being a boastful type of individual who was not sincere and who liked to talk of his past achievements, which [] believed were more fictitious than true. [] stated that he did not recall that Mrs. Lewis ever mentioned any friendship she had with newspapermen nor does he recall Kerley ever indicating that he had any such friends. [] stated he has had no contact with either Mrs. Lewis or Kerley since March 10, 1945, except during September, 1945, when he roomed with Kerley while in In-Service training. He stated that at this time Kerley mentioned he had an appointment with Mr. and Mrs. James Lewis and intended to see them after his In-Service training was over. Kerley indicated that they had some kind of a job to offer him but he furnished none of the details regarding this matter to [] and [] did not ask him any questions concerning it. b6
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U.S. Department of Justice

Federal Bureau of Investigation

Washington, D.C. 20535

November 17, 2010

Subject: FILE NUMBER 58-HQ-1548

FOIPA No. 1144399-000

The enclosed documents were reviewed under the Freedom of Information/Privacy Acts (FOIPA), Title 5, United States Code, Section 552/552a. Deletions have been made to protect information which is exempt from disclosure, with the appropriate exemptions noted on the page next to the excision. In addition, a deleted page information sheet was inserted in the file to indicate where pages were withheld entirely. The exemptions used to withhold information are marked below and explained on the enclosed Form OPCA-16a:

Section 552

- ☒ (b)(1)
☒ (b)(2)
☐ (b)(3) _____

☐ (b)(4)
☐ (b)(5)
☒ (b)(6)

- ☐ (b)(7)(A)
☐ (b)(7)(B)
☒ (b)(7)(C)
☒ (b)(7)(D)
☒ (b)(7)(E)
☐ (b)(7)(F)
☐ (b)(8)
☐ (b)(9)

Section 552a

- ☐ (d)(5)
☐ (j)(2)
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627 page(s) were reviewed and 571 page(s) are being released.

☒ Document(s) were located which originated with, or contained information concerning other Government agency(ies) [OGA]. This information has been:

- ☒ referred to the OGA for review and direct response to you.
☒ referred to the OGA for consultation. The FBI will correspond with you regarding this information when the consultation is finished.

☒ You have the right to appeal any denials in this release. Appeals should be directed in writing to the Director, Office of Information Policy, U.S. Department of Justice, 1425 New York Ave., NW, Suite 11050, Washington, D.C. 20530-0001. Your appeal must be received by OIP within sixty (60) days from the date of this letter in order to be considered timely. The envelope and the letter should be clearly marked "Freedom of Information Appeal." Please cite the FOIPA Number assigned to your request so that it may be easily identified.

☐ The enclosed material is from the main investigative file(s) in which the subject(s) of your request was the focus of the investigation. Our search located additional references, in files relating to other individuals, or matters, which may or may not be about your subject(s). Our experience has shown, when identified, references usually contain information similar to the information processed in the main file(s). Because of our significant backlog, we have given priority to processing only the main investigative file(s).

If you want the references, you must submit a separate request for them in writing, and they will be reviewed at a later date, as time and resources permit.

☒ See additional information which follows.

Sincerely yours,



David M. Hardy
Section Chief
Record/Information
Dissemination Section
Records Management Division

Enclosure(s)

The enclosed documents contained in FBI Headquarters file 58-HQ-1548, sections 4, 5 and 6, and EBFs 19 and 163, represent the final release of information responsive to your Freedom of Information Act (FOIA) request.

To minimize costs to both you and the FBI, duplicate copies of the same document were not processed.

Some of the responsive material has been exempted from disclosure and marked "OTHER" because the information is not under the purview of the Freedom of Information Act (FOIA) and is, therefore, not accessible under the FOIA.

For your information, court records maintained under seal are not eligible for release under the Freedom of Information/Privacy Act(s) (FOIPA). Some of the material responsive to your request has been withheld and marked "OTHER - Sealed" pursuant to United States Court Order.

Upon receipt of the enclosed CD-ROM, please make a check or money order payable to the Federal Bureau of Investigation in the amount of \$15.00 and remit payment to the Work Process Unit, Record Information/Dissemination Section, Records Management Division, Federal Bureau of Investigation, 170 Marcel Drive, Winchester, VA 22602. Please include the FOIPA Request Number(s) with your payment. Failure to pay for this release will close any pending FBI FOIPA requests from you. Nonpayment will also cause an automatic denial of any future FOIPA requests.

Federal Bureau of Investigation (FBI) File No. 58-HQ-1548,
1940's FBI Leak Investigation Focusing on Lawrence E. Kerley
Section 4

DIVISION OF INVESTIGATION

From:

UNIT #1

9/14 1934.

To: Director

Mr. Nathan

Mr. Tolson

Mr. Edwards

Unit Two

Unit Four

Files Section

Personnel Files Section

Equipment Section

Chief Clerk's Office

Unit Five

Identification Unit

Statistical Section

Technical Laboratory

Mr. Deaderick

Mr. Joseph

Mr. Listerman

Mr. Lott

Mr. Lowdon

Mr. McKee

Mr. Newby

Mr. Richmond

Mr. Smith

Miss Gandy

Mrs. Kelley

Washington Field Office

Stenographic Pool

Secretary

Correct

Re-write

Re-date

See me

Send file.

7.1
Kohler
What about treating last
three or four pages of this notebook?
E. A. TAMM
Lowdon

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD
 FROM : J. C. STRICKLAND
 SUBJECT: LARRY E. KERLEY;
 BRIBERY

DATE: March 21, 1946

2:25 PM

Mr. Tolson
 Mr. E. A. Tamm
 Mr. Clegg
 Mr. Coffey
 Mr. Glavin
 Mr. Ladd
 Mr. Nichols
 Mr. Rosen
 Mr. Tracy
 Mr. Carson
 Mr. Egan
 Mr. Hendon
 Mr. Pennington
 Mr. Quinn Tamm
 Tele. Room
 Mr. Nease
 Miss Beahm
 Miss Gandy

Special Agent Granville of the New York Office called and advised that on March 21, 1946, at 11:00 AM, Howard Rushmore called Betty Lewis. He said he was very much impressed with Bridges, although he was not too much impressed by the other Senator inasmuch as he is "just a boy from Iowa, although he is a very solid guy." Betty Lewis agreed and said they should get something out of him.

Rushmore then said, "That idea of the speech is definitely very interesting." Mrs. Lewis then said, "We will have to get together and do that." She then went on to state, "I have already a lot of material together and, you know, there is another angle I was thinking about at seeing them selling this UNRRA wheat, you see, and, of course, it is being sold from Russia to France simply and purely to strengthen TORAZ, you see. Now after France is strengthened with TORAZ and they should overthrow the present Government, we have to look ahead anyhow. Our Senate has to look ahead and then again France becomes hostile to us and would we have to repeat the same mistakes. Would we have to repeat the same lending unless it becomes too dangerous for us -- on our own wheat. You see the idea is that whole appeasing becomes more and more worse instead of getting better and better."

Rushmore stated: "On the way down Bridges mentioned about the possibility that he wants to pave (phonetic) the situation a little when he gets back with the resolution before the whole Senate for the Special Committee. That, of course, will have to depend on the build-up and how much support he can get, but the resolution will itself contain arrangements of what we were talking about last night, to get the favorable public reaction for a demand for such a committee. He wants us to write it when he thinks the situation is precipitant and something can be done with it. That sounds like a good idea to me."

Betty Lewis said, "The first thing he said was very important -- that thing which he has authoritatively, that is happening in Europe -- did you hear that?" Rushmore said he had and Betty then asked when it was coming out. Rushmore replied: "As soon as I can call back to Washington - probably tomorrow. If I can get him today, he wants to check some facts down there, we can shape it up this afternoon and I will write it up." Lewis then said, "You know what would be terribly important. You must explain this to Paul." Rushmore stated he had already talked to Paul, who appreciates the importance of it. Betty thought it should be given headlines twice the size of the normal headline and Rushmore agreed. Betty said she was glad she got it from Bridges and not from anybody else "because you know this business." Rushmore said,

JCS:EOD

70 MAR 28 1946

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 4/13/03 BY 60290BCE/CAL/pmsRECORDED
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58-1548-91

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Memorandum for Mr. Ladd

he would "string along with him. I would not hesitate to refrain from mentioning him if he wanted me to." Rushmore then told Betty he had told Bridges to write to "us" a little note outlining the little things he wanted done in this particular speech and "it will probably be good for us to have this." Betty asked him if he were referring to the Foreign Relations speech and Rushmore said he was. Mrs. Lewis said she herself had suggested this to the Senator and they agreed that it should carry the complete developments from each unit "into this" and referred to this as the second Munich. They agreed it should not be too chronological as it would be too dull and that it would probably start with the present "Moscow Munich" and work backwards.

They agreed to get together the first part of next week to start writing the speech.

Mr. Granville stated that there is a possibility that Bridges is giving Rushmore the information about the Soviet plans in France. He stated there is also a possibility of an article coming out tomorrow which he is going to clear with Bridges since Bridges said he wanted to do a little checking. Granville stated that, of course, this is not definite and they are just drawing their own conclusions from the conversation. From the conversation, Rushmore and Betty Lewis are going to write a speech, which will probably be given by Bridges either in the Senate or at one of the committee meetings.

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

DATE:

FROM : D. M. Ladd

March 25, 1946

SUBJECT:

Call - 9:33 A. M.

Mr. Tolson	✓
Mr. E. A. Tamm	✓
Mr. Clegg	✓
Mr. Coffey	✓
Mr. Glavin	✓
Mr. Ladd	✓
Mr. Nichols	✓
Mr. Rosen	✓
Mr. Tracy	✓
Mr. Carson	✓
Mr. Egan	✓
Mr. Gurnea	✓
Mr. Hendon	✓
Mr. Pennington	✓
Mr. Quinn Tamm	✓
Tele. Room	✓
Mr. Nease	✓
Miss Beahm	✓
Miss Gandy	✓

Senator Bridges called me at the above time and advised he had gone up to New York and had talked to the Lewises, Rushmore and Kerley. He stated that the substance of the meeting was that he told them he did not know if anything could be done but that he would be glad to listen to their story. Senator Bridges stated the matter was going to stop there and he was taking no further action; that he appreciated very much my having given him the background because it permitted him to listen without committing himself.

4/19/46 10390 EAL/TJS

58-1548-92

70 MAR 28 1946

The Attorney General

March 29, 1946

John Edgar Hoover - Director, Federal Bureau of Investigation

LARRY ERNEST KERLEY

On December 3, 4, and 5, 1945, the New York Journal American published articles regarding several Soviet espionage cases being investigated by the Bureau. These articles were written by Howard Rushmore, who was a former member of the Communist Party and a writer for the "Daily Worker" until about 1940, at which time he was expelled from the Party for refusing to write an unfavorable review of the motion picture "Gone With The Wind."

The article written by Rushmore and published on December 3, 1945, referred to one Alfred Adamson. From the facts stated in the article, this individual can be identified as Arthur Alexandrovich Adams, an alleged Soviet agent who was at that time under investigation by this Bureau. The article published on December 4, 1945 related to the activities, at least in part, of Andrei Schevchenko, who was then the head of the Amtorg Trading Corporation in New York City. Schevchenko was also the subject of a current case being investigated by this Bureau. Information relating to both Adams and Schevchenko has previously been forwarded to you. On December 5, 1945, a third article written by Howard Rushmore was published and described in part the activities of an individual presumably being investigated by the FBI. It is believed that this article referred to Gerhardt Zisler, who was the subject of a current investigation. However, his activities were not at that time being followed as closely as the activities of the two other individuals.

You can readily understand that the Bureau is greatly concerned over the publication of these articles by the New York Journal American, because they destroyed several years of our work. An immediate investigation was instituted to determine how Howard Rushmore obtained the information for his articles. As a result of a technical surveillance authorized by you on the home of Howard Rushmore, it was learned that Rushmore was to have a conference with one Betty on the evening of December 28, 1945 at 8:30 P.M. It was also indicated that in speaking to Betty, Rushmore desired to have "our friend" present at the conference, and he also indicated that the time for the appointment would necessarily depend upon Betty's getting hold of "him" and to see if "he" could do it.

Through a physical surveillance, it was learned that on Friday evening, December 28, 1945, Howard Rushmore and his wife went to the home of James Campbell Lewis and his wife, Elizabeth Barbara Lewis, 73rd Street, New York, New York. Also present at the Lewis home that evening were former Special Agent Larry Ernest Kerley, George H. Sibley and a woman, as yet not fully identified, but apparently a woman with whom Sibley keeps company. Both Mr. Lewis and Mr. Sibley are executives of E. M. Squibb and Son.

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Mr. Nease
Miss Gandy

58-1548

JE:bm

SENT FROM D. O.
TIME 6:20 PM
DATE 3-30-46
BY [Signature]

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 4/19/83 BY 60291 BCP/BJB

Subsequent information obtained through technical surveillances authorized by you on the homes of Mr. and Mrs. James Campbell Lewis, Larry Ernest Kerley and the business address of Larry Ernest Kerley have indicated that Kerley is probably responsible for furnishing the information which Howard Rushmore used in writing his articles. Kerley is a former Special Agent of this Bureau, who resigned and whose resignation was accepted as of the close of business on October 1, 1945. Investigation has indicated that both Kerley and Howard Rushmore are very friendly with Mrs. Elizabeth Barbara Lewis, who is usually referred to as Betty Lewis. From the facts developed, it appears that Kerley either met Howard Rushmore through Betty Lewis and directly gave to Rushmore facts from which Rushmore wrote his articles, or Kerley gave the information to Betty Lewis who in turn passed it on to Rushmore. It should be noted that the facts mentioned above have all been developed through the technical surveillances.

In an effort to definitely verify the above mentioned indications, an effort was made to interview Kerley in New York City on March 18, 1946. However, Kerley refused to go to the New York Office of this Bureau for an interview, and when specifically asked if he had given the information regarding the previous mentioned articles to Howard Rushmore, he stated that he had not given the information but that he knew the identity of the individual who had. He further stated that he did not feel that he wanted to divulge the name of this person. He also indicated that this person was a former employee of the Bureau, but from his manner of speaking and from his actions it was believed that he was actually referring to Betty Lewis and not to a former Bureau employee.

It is not known if Kerley received any monetary return for furnishing information either directly or indirectly to Howard Rushmore or if his actions were due to misguided patriotism.

It appears from the facts known that no Bureau reports were furnished to Howard Rushmore, but information concerning the activities of Arthur Adams, Andrei Schavchenko and Gerhardt Eisler were probably given orally to Howard Rushmore or to Betty Lewis, who in turn passed the information on to Rushmore. However, there are some indications that Kerley did furnish Rushmore with a copy of a confidential FBI Bulletin. It is believed that this bulletin refers to the matter of investigating officials, representatives and employees of the Soviet Government Purchasing Commission and the Amtorg Trading Corporation. It is again pointed out that the facts above mentioned have been obtained through the use of the technical surveillances which were previously authorized by you.

Mr. Tolson _____
 Mr. E. A. Tamm _____
 Mr. Clegg _____
 Mr. Glavin _____
 Mr. Ladd _____
 Mr. Nichols _____
 Mr. Rosen _____
 Mr. Tracy _____
 Mr. Carson _____
 Mr. Egan _____
 Mr. Gurnea _____
 Mr. Harbo _____
 Mr. Hendon _____
 Mr. Pennington _____
 Mr. Quinn Tamm _____
 Mr. Nease _____
 Miss Gandy _____

This information is being given to you for any suggestive action you believe should be followed by this Bureau. It is also pointed out that you may wish to consider some remedial legislation so that in the future it will be a Federal violation for any person, who was formerly employed by the Bureau, to pass on information which he obtained as a result of his employment with the Bureau to unauthorized individuals after his services have ceased.

FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT **NEW YORK**

NY FILE NO. **67-13301 mes**

REPORT MADE AT NEW YORK	DATE WHEN MADE 3-25-46	PERIOD FOR WHICH MADE 3/11-19/46	REPORT MADE BY <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
TITLE LARRY ERNEST KERLEY			CHARACTER OF CASE BRIBERY
<p style="text-align: center;">PERSONAL AND CONFIDENTIAL</p> <p>SYNOPSIS OF FACTS:</p> <p>On 3/18/46 KERLEY was requested to accompany Agents to the NYFD for interview re unauthorized disclosure of Bureau investigations; KERLEY refused but stated he would answer any questions if SAC E. E. Conroy would come to KERLEY's office and KERLEY said he would go to Washington to talk with the Director if Bureau so desired; admitted he contemplated writing by-line story on "Journal-American" request after publication of articles of early December, but changed his mind; stated he did not give original information on RUSHMORE articles; said he knew identity of person who supplied this information, but would not divulge identity; was offered "very large sum of money" for contemplated by-line. Same date KERLEY asked Mr. Conroy if he and Mrs. LEWIS could come to the NYFD to talk with him; was advised it was desired to talk to him alone. SAS STRAIN and could recall no specific questions asked them by KERLEY re FBI investigations. SA recalled no specific information re Bureau investigations given to BETTY LEWIS </p> <p> KERLEY and BETTY LEWIS had lunch with SA GREGG 3/15/46 but asked no questions concerning Bureau investigations. Senator BRIDGES and possibly VANDENBERG will meet with KERLEY, RUSHMORE and BETTY LEWIS at latter's home 3/20/46 at 9:00 PM. Financial data and mail cover re KERLEY set out.</p> <p style="text-align: center;">P</p> <p>REFERENCE: Report of SA 3/12/46 at New York.</p>			
APPROVED AND FORWARDED: <div style="text-align: center;"></div>		SPECIAL AGENT IN CHARGE	
COPIES OF THIS REPORT		DO NOT WRITE IN THESE SPACES	
3- Bureau		<div style="font-size: 2em; font-weight: bold;">58-1548-94</div>	
2- New York			
		<div style="font-size: 1.5em; font-weight: bold;">RECORDS & INDEX</div> <div style="font-size: 1.5em; font-weight: bold;">58-1548-94</div>	

NY 67-13201

DETAILS:

This is a joint report of Special Agents
[redacted] and the writer.

b6
b7C

At New York, New York

ELIZABETH B. LEWIS

CONFIDENTIAL INFORMANT [redacted]

b2

During the period of this report information being set out below was furnished the New York Office by Confidential Informant [redacted] who reports information concerning part of the activities of BETTY LEWIS at her home, 22 East 73d Street, New York, New York.

MARCH 11, 1946

At 3:45 PM on the instant date HOWARD RUSHMORE told Mrs. LEWIS that, "Things were coasting along at the moment". RUSHMORE wished next week was here and BETTY wanted to know if RUSHMORE didn't want to call the "other guy" (probably Vandenberg). RUSHMORE stated he wanted to talk with Senator BRIDGES first and see what his plans are. RUSHMORE advised BETTY that he will then call the "other one" (VANDENBERG). BETTY stated that if RUSHMORE tells it to BRIDGES alone he might consider it his own information. RUSHMORE agreed and said he would like to have both of them here at the same time. BETTY stated that the "other fellow" is in charge of all foreign relations and as long as one is coming you might as well call the other. RUSHMORE agreed and stated, he, (VANDENBERG) will probably come because he knows me and the "Journal-American". RUSHMORE went on to say that he will get in touch with BRIDGES this week and see what day he is coming. BETTY replied that BRIDGES will come on any day that VANDENBERG will come. RUSHMORE agrees to call VANDENBERG about a very quiet meeting next week and states that this time he wants to put his cards on the table and will tell them that the "Journal-American" is not selling anything any more than VANDENBERG or BRIDGES are. RUSHMORE went on to say that probably all have read his story because BRIDGES told RUSHMORE he had the story photostated and distributed copies to every member of the Committee. RUSHMORE will call VANDENBERG tomorrow (March 12th.). BETTY went on to say that this is a big thing, a much better issue, than the way the Democratic Party collected for the advertising in their campaign book. She continued by saying that what they have to do is drive home to these two men that the attack is always taken by the wrong people

NY 67-13301

MARCH 14, 1946

At 3:28 PM LARRY KERLEY conferred with Mrs. LEWIS concerning the package from Lisbon which had been held up because of the opium content in the material which had been shipped.

Mrs. LEWIS then entered into a long discussion of one [redacted]. She said that [redacted] was "running around" with KENNETH LESLIE, who is connected with the publication, "Protestant". BETTY said that it was well known that KENNETH LESLIE was a Communist and that the other day she attempted to telephone [redacted] and found that she was in Mexico City and from the way the person talked on the other end of the line she became very suspicious of him. She said that possibly the Communists wanted to either use [redacted] apartment or else wanted her to do something for them in Mexico City and that was the reason she went. BETTY said that if [redacted] had been planning on going to Mexico City, she probably would have told her. She thought the whole thing was suspicious enough to be reported to the FBI. She indicated that there was some connection between [redacted] and [redacted] and ELIZABETH GURLEY ELYNN.

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b7C

[redacted]

b7D

[redacted] She indicated that quite recently she walked by VICTORIA STONE's jewelry shop and saw her sitting there with three or four men. She wanted KERLEY to get in touch with GREGG and arrange a meeting so that she could give this information to GREGG. KERLEY said he would get in touch with him and see if he could arrange a dinner engagement for the three of them.

It will be pointed out in another part of this report that a dinner engagement was actually consummated.

At 9:50 PM KERLEY told Mrs. LEWIS that he would have Agent GREGG at the St. Regis Hotel lobby on the following day at 12:30 PM.

MARCH 15, 1946

At 10:30 AM HOWARD HUSHMORE wanted to know from BETTY what Churchill was going to say on the instant evening. BETTY said that she did not know but that "JIM" was going to have lunch with Churchill

NY 67-13301

in the Republican Party. They decided that ~~GEORGE~~ SIBLEY will be at the meeting because he is a friend of BRIDGES.

RUSHMORE stated that he called the hotel today and asked for ARTHUR ADAMS and the hotel stated he is no longer with them. RUSHMORE went on to say that he talked to an "ex--uh, ex-Agent" a friend of his who also worked a little bit on that thing and he told RUSHMORE that he had heard on the grapevine that ADAMS had been picked up in Canada. RUSHMORE told him they probably read it in the "Journal-American" and we were wrong. RUSHMORE went on to say, "They are throwing out a lot of false information down there and I am quite aware of that". (This probably refers to the information given by Special Agent Emory M. Gregg that we still had ADAMS under surveillance although at the time ADAMS' whereabouts were unknown.) RUSHMORE stated that he will call PETTY and let her know what ARTHUR says. (Probably ARTHUR VANDENBEEK).

MARCH 12, 1946

No activity of any interest occurred on instant date.

MARCH 13, 1946

At 9:25 PM RUSHMORE communicated with Mrs. LEWIS at which time they discussed the present international situation, particularly the Russian situation and eventually RUSHMORE asked BETTY if she had heard from "our friend" (KERLEY), but Mrs. LEWIS said she had not. They discussed Senator BRIDGES and RUSHMORE said he was going to call him tonight and if he succeeded in reaching him, he would get in touch with Mrs. LEWIS. Mrs. LEWIS does not want PAUL SCHOENSTEIN to be in on the meeting with the Senators, stating she did not like his personality and both she and RUSHMORE agreed that it was "too Broadway".

According to the informant, Mrs. LEWIS apparently did not like SCHOENSTEIN, but did not want to express her dislike too much because of RUSHMORE.

At 9:50 PM RUSHMORE told Mrs. LEWIS that he had called Senator BRIDGES' home but got no answer and added he would try to contact BRIDGES again the following day and would get in touch with Mrs. LEWIS.

NY 67-13301

on instant date. It should be pointed out that BETTY is having reference to the luncheon that the Metropolitan Club was going to have for Churchill, which was quite a large affair.

BETTY wanted to know if HOWARD knew LEO PAZALSKI (ph.) of the State Department. RUSHMORE said that he did not know him and BETTY said that he had resigned today. She said that he must have been a fairly important individual inasmuch as he attended a lot of the Big Three Conferences and had been an advisor of Cordell Hull. BETTY said that she thought he was very suspicious because no one knew anything about him. RUSHMORE said that he was going to call Senator BRIDGES again tonight.

MARCH 16, 1946

At 1:30 PM BETTY LEWIS sent a congratulatory message by telegram to Churchill on his speech against, "Red Fascism".

MARCH 17, 1946

No activity of interest was reported on instant date.

MARCH 18, 1946

At 11:31 AM on the instant date LARRY KERLEY conferred with BETTY LEWIS, at which time he said that a "couple of boys from the office", referring to the FBI, came up to see him on the Journal-American story and that they wanted him to go down and talk with Mr. Conroy as he desired to see KERLEY about it. KERLEY said that he told them all he knew about the "darned thing" and that if they dropped up to his office, "we" would be glad to see them at any time and added, "I don't like to see things handled like that, however, if they want me to go to Washington, I would be glad to see the Director."

It is specifically pointed out that when KERLEY said, "We (probably referring to BETTY LEWIS and himself) would be glad to see them at any time", during the interview with Agents, KERLEY did not make such reference and merely stated that he, KERLEY, would be glad to see them any time when they would drop up at his office. It is pointed out, as will be shown later in the report, KERLEY at no time made reference to BETTY LEWIS or any other individual with whom agents should talk concerning the matter.

NY 67-13301

BETTY wanted to know if she knew the men who came to see him and KERLEY said no, they were a couple of fellows down in the New York Office and with whom he had worked. She wanted to know what had been the procedure in the past when they wanted to see a person. KERLEY said that "if it was important enough, they always go down and see him," but that he thought they should come up to see him. BETTY said that the reason they did not want to disclose the source was that there were too many Communists in the State Department and it might endanger one's life. He told BETTY that he had told the Agents that he had refused to do a "by-line". The source referred to above probably means the person who KERLEY said originally furnished information to the "Journal-American".

At 12:27 PM KERLEY, who was at BETTY's house, told Mr. Conroy that a couple of boys were up to see him and that there was something that he could not tell them before he had contacted his "source of information". He said that "these people" would also like to come down and speak to Mr. Conroy. Mr. Conroy told KERLEY that the matter pertained to the Bureau and he did not want any outsider to enter into the matter and that he had no desire to see them unless perhaps he should feel, after talking to KERLEY alone, that it would be necessary to see them, at which time he would do so. Mr. Conroy asked KERLEY who these people were and KERLEY answered hesitantly, "It is Mrs. LEWIS, Mrs. JAMES C. LEWIS". Mr. Conroy told KERLEY that if his name has come up in connection with anything and he would like to clear it, he would be glad to see KERLEY. KERLEY said that he did not think that it was a question of clearing it, but that he felt that the other people could give added information to the whole picture. KERLEY said he just wanted to see how Mr. Conroy felt about it, at which time Mr. Conroy again told KERLEY that he desired to see him alone and KERLEY concluded the conversation by saying "Well, all right, Sir."

At 12:40 PM KERLEY communicated with RUSHORE who was at the "Journal-American" and advised him that a couple of boys from the office were over to see him and that he, KERLEY, gave them the whole story. RUSHORE seemed somewhat surprised and was very anxious to find out just what KERLEY told the agents and KERLEY was required to make the statement several times, "I told them everything". RUSHORE then asked KERLEY, "Do you think they know that you had anything to do with this matter?" KERLEY asked him what he said and RUSHORE stated, "Do you think that they thought you had anything to do with the matter?" KERLEY said that he didn't know but that if they didn't know, they should have. RUSHORE then stated, "Well I suppose they knew it any way".

NY 67-13301

KERLEY then said he wanted to see RUSHORE on "this other thing". RUSHORE said that he had tried to get in touch with BRIDGES in Washington last night at his home, but that he wasn't in. He said that he had a call in for him now at his office and that he is supposed to be in at 1:00 PM. RUSHORE asked KERLEY if he wanted to still go ahead on that basis as he thought he might make an appointment with BRIDGES to come to New York. KERLEY then said, "Well, sure." The two make an appointment to meet at KERLEY's house on instant night at 8:00 PM. It might be stated that several times during the conversation RUSHORE wanted to know if KERLEY wanted to see him that afternoon, but KERLEY stated, "No, it's not important, it can wait".

At 9:25 PM on the same day, RUSHORE conferred with BETTY LEWIS and stated he had just called BRIDGES and that BRIDGES was coming up on Wednesday, March 20th and they would be at BETTY's house at about 9:00 PM. He said that BRIDGES stated that he would try and bring Senator VANDENBERG.

BETTY said, "I told my girlfriend (KERLEY), until such time, not a word". Continuing, she said, "Her father (probably the FBI) wanted her to do all sorts of things, but I told her, not one word".

RUSHORE stated that he (KERLEY) was coming down with RUSHORE the following day at his office for a meeting; that the Washington possibility had to be sounded out first.

RUSHORE then said, "That action today certainly made me sore". (probably referring to Agents asking KERLEY to come down to the office to talk to Mr. Conroy.) BETTY then said that relative to their discussion about the Par that it was black mail to threaten him that way and that they will not be able to get away with it. She said that, "It was a lousy trick" to threaten him, to which RUSHORE said, "I wish the dirty s.o.b.'s would threaten me". Mrs. LEWIS said that it was "Some Commie in the State Department who wanted to know who had released the information." RUSHORE said that he wanted to go on record that it was ALGER HISS, who is probably running the State Department and that he, RUSHORE, had a witness who worked for "Time Magazine" who would be willing to get on a witness stand and state that HISS paid dues to the Communist Party for three years. (RUSHORE is probably referring to WHITTAKER CHAMBERS, one of the editors of Time Magazine and former member of the Communist Party. CHAMBERS had been used as an informant relative to Communist matters.)

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Relative to the conversation above wherein RUSHMORE and BETTY are possibly accusing Agents of threatening KERLEY about the "Bar", it should be stated that at the time of the interview between Agents and KERLEY at his office, during the preliminary conversation, before anything was mentioned to him about the case at all, KERLEY stated that he was working very hard and that he intended taking an examination in either June or November for the New York State Bar. He stated that he had understood that Agent [] knew about the Bar inasmuch as he had been recently admitted to practice in New York State. He wanted to know if Agent [] could recommend the name of a "cram course" which law students took prior to taking the Bar examination. [] mentioned one he had taken in preparation for the Bar and KERLEY copied this down together with the address of the person who gave the course. He also wanted to know if it would do any good to take a course at the Practising Law Institute. Agent [] told him that this was more for lawyers already practicing and was a brush-up course only.

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KERLEY also asked what District he would be admitted in, in view of the fact that he lived in Queens County. Agent [] stated the Second Judicial District, which was the same one that Agent [] had been admitted to. Agent [] pointed out to KERLEY that the Second District was probably the "toughest" District in New York State in which to be admitted. KERLEY stated that he had understood this because another friend of his had been admitted in that District and had quite a time getting his papers through and that some of his friends' papers had been returned several times. (This probably refers to the papers of GEORGE STRAIN for whom KERLEY executed an affidavit and which had been returned by the Bar Association for corrections to be made by KERLEY).

It should be specifically pointed out that on a previous occasion KERLEY told RUSHMORE that he was running a big risk in negotiating with RUSHMORE inasmuch as he had a professional career to watch out for. BETTY subsequently told RUSHMORE that the reason KERLEY was emphasizing the importance of his professional career was to obtain money from the "Journal-American". It is very possible that KERLEY has told RUSHMORE and BETTY LEWIS that he was threatened about the "Bar" as an additional "lever" to use in trying to get money from the "Journal-American" for information he has supplied or will supply.

MARCH 19, 1946

At 4:10 PM LARRY KERLEY asked BETTY LEWIS if it was all right for him to come over and see her. BETTY said she would see him in about twenty minutes, at which time KERLEY said he would be over.

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HOWARD RUSHMORE

The editions of the "Journal-American" which were published during the period of this report were examined for articles by HOWARD RUSHMORE which might be of interest to instant investigation with negative results, with the possible exception of the edition, "7th Sports Racing--Sports Complete Edition" for March 11, 1946. On page fourteen of this edition, which is the Editorial Page, there appeared an editorial entitled: "Canada Shows How". This editorial was concerned with the Canadian arrests and was confined to that with the exception of some speculations as to what should be done in the United States. One paragraph is being quoted verbatim.

"And there has been no official denial of the facts--- revealed in the New York Journal-American--- that the FBI detected a Russian Agent endeavoring to discover the Atom bomb secret; that the State Department prevented his arrest; and that he was finally allowed to escape from our borders just a few days before the Canadian expose began---"

The above undoubtedly refers to the ARTHUR

ADAMS case.

LARRY ERNEST KERLEY

--CONFIDENTIAL INFORMANT [REDACTED]

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During the period of this report the information being set out below was furnished the New York Office by Confidential Informant [REDACTED] who reports information concerning part of the activities of LARRY ERNEST KERLEY at his home, 35-30 81st Street, Jackson Heights, Long Island, New York.

MARCH 11, 12, 13/ 1946

No activity of any interest was noted by the informant on the above dates.

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MARCH 14, 1946

At 9:44 PM on the instant date KERLEY conferred with Special Agent Emory M. Gregg at the latter's home and advised him that Mrs. LEWIS wanted him to have lunch with her and KERLEY on the following Friday, inasmuch she had a complaint to register with him concerning activities which might be of interest to the FBI. It was arranged that GREGG would meet KERLEY at the latter's office at twelve noon on March 15, 1946.

At 9:50 PM KERLEY told Mrs. LEWIS about the luncheon engagement.

At 11:20 PM KERLEY conferred with Special Agent George L. Strain, at which time they talked about a basketball game on the instant evening. KERLEY wanted STRAIN to try to get tickets for the basketball game the following Saturday night and GEORGE said that if KERLEY did not hear from him by noon the following day that would mean he could not go because he had originally planned to visit his cousin in New Jersey on the week-end.

MARCH 15, 1946

At 8:40 PM KERLEY conferred with Mrs. LEWIS, at which time he wanted to learn what had gone on at the Churchill luncheon which was attended by JAMES LEWIS. Mrs. LEWIS was very bitter about the luncheon, stating that Grover Whalen and La Guardia had introduced such a great man as Churchill and that La Guardia and Whalen had just recently attended a luncheon with Harold Ickes and William Gailmore. She referred to former Mayor La Guardia as a Communist inasmuch as he sponsored the Communist Congressman, Vito Marcantonio. She said that she wanted KERLEY to write a letter of protest to the Metropolitan Club (which gave luncheon for Churchill and of which JAMES LEWIS is a member) stating that as a former FBI Agent, he wanted to know why they allowed such a lack of preparation in picking people to introduce Churchill. She said, "In the letter, LARRY, you should state what you did in the Bureau, in charge of Bureau personnel, did special anti-espionage work and things like that." According to the informant, KERLEY was very reluctant about doing this and stated that he did not think he wanted to do it because of the fact that "JIM" was a member of the club.

BETTY said that "our friend at lunch" (referring to Agent Emory M. Gregg) appeared to be very downhearted. KERLEY said that

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he attributed it to the futility of it all. They both agreed that "their friend" (Gregg) was "on his guard".

At 11:12 PM KERLEY sent a telegram to Winston Churchill which read as follows:

"Your courageous stand for all free men is doing more than any nation to preserve freedom in the world. May God bless you.

LARRY KERLEY

"

MARCH 16, 17, 18, 1946

The informant received no information of interest on the above dates.

MARCH 19, 1946

At 9:00 PM on the instant date KERLEY made several attempts to get in touch with HOWARD BUSHORE but was unsuccessful.

~~CONFIDENTIAL INFORMANT~~

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MARCH 11, 12, 13, 14, 1946

No information of any interest to instant investigation was reported by the informant on the above dates.

MARCH 15, 1946

At 4:20 PM on the instant date Special Agent GEORGE L. STRAIN advised KERLEY that he was unable to obtain tickets for the basketball game.

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MARCH 16, 17, 1946

No information of any interest was received on the above dates.

MARCH 18, 1946

At 11:31 AM KERLEY conferred with BETTY LEWIS. This information has been set out previously in this report.

At 11:50 AM and again at 1:00 PM HOWARD RUSHORE attempted to get in touch with KERLEY but was unsuccessful. It is pointed out that at this time KERLEY was believed to be at the home of Mrs. LEWIS.

At 2:58 PM the informant advised that HOWARD RUSHORE was at KERLEY's office at this time. It should be pointed out that KERLEY got in touch with RUSHORE from Mrs. LEWIS' home, at which time RUSHORE seemed a little worried about the fact that KERLEY "had told them everything" and had agreed to come to KERLEY's house at eight o'clock on the instant evening. It would appear from this information that RUSHORE considered the development important enough to see KERLEY at an earlier time.

At 3:13 PM RUSHORE conferred with PAUL SCHOENSTEIN, City Editor of the Journal-American, at which time RUSHORE said that he was at KERLEY's office. SCHOENSTEIN said that he was busy and asked RUSHORE to call him back in about twenty minutes.

At 4:35 PM RUSHORE conferred with KERLEY, at which time he said that he had spoken to "What-cha-ma-call-it" (probably referring to PAUL SCHOENSTEIN) and that they had decided perhaps it might be best to have an interview with the "big boss" down at the office (probably the Journal-American office.) RUSHORE said that he would not be at KERLEY's tonight. RUSHORE said that he was going to give "What-cha-ma-call-it" (probably Senator Bridges) a ring down at his office and arrange to get him up here in the meantime. KERLEY said, "As I told you, I'm trying to get tickets for the basketball game tonight so I'll probably go ahead to the game." They agreed that KERLEY would be down to RUSHORE's office at noon the following day.

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At 4:45 PM KERLEY got in touch with Mr. LEWIS who asked, "What did those people say?". KERLEY said they would like to see him at tomorrow noon. KERLEY said that he would meet Mr. LEWIS in five minutes and discuss the matter.

MARCH 19, 1946

At 2:41 PM RUSHORE conferred with his wife who was working at the time, and said he would meet her at four. According to this RUSHORE would be at KERLEY's at the time stated.

GENERAL INFORMATION

On March 18, 1946, Special Agents [redacted] and the writer proceeded to the office of LARRY ERNEST KERLEY located in the building at 5 East 57th Street, at approximately 10:30 AM. KERLEY invited the two agents into the office and after a few opening remarks, KERLEY was advised that Mr. Conroy would like to talk with him down at the New York Office, at which time KERLEY wanted to know what it was about. He was advised that there had been some accusations concerning the giving out of information concerning confidential investigations being conducted by the Bureau and that some suspicion had been directed toward him.

KERLEY immediately said, "You're probably having reference to the articles which appeared in the Journal-American in early December and which were written by HOWARD RUSHORE". It should be noted that when he did mention RUSHORE's name he did it hesitantly--with marked obviousness he tried to recall the name of RUSHORE and after ten or fifteen seconds said that the articles were written by RUSHORE, HOWARD RUSHORE.

Without any comments by the Agents, he then stated, "Yes, I have some information; I'll probably be able to help you." He was then asked to come to the New York Office as Mr. Conroy would like to discuss the matter with him, at which time he stated rather hesitantly,

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that he did not think that he wanted to come to the New York Office, however, if Mr. Conroy would come up to his office, he would be more than glad to answer any questions. He also added that he would be more than glad to go to Washington and see Mr. Hoover and talk the matter over, as he once intended to do this.

KERLEY said that he would tell the agents this much that sometime after the publication of HOWARD RUSHMORE's articles, he was approached by RUSHMORE, possibly the latter part of December or the early part of January. RUSHMORE stated that he had found out that KERLEY had worked on the matters which he, RUSHMORE, had published in the newspaper and wanted KERLEY to talk with his, RUSHMORE's, City Editor, SCHOENSTEIN. KERLEY said that they ultimately did get together in the early part of January, at which time SCHOENSTEIN and RUSHMORE said that in view of the international situation and the threat Russia was to a peaceful world, Russian activities in the United States should be laid before the American public. They asked him, according to KERLEY, if the facts as stated in the Journal-American articles were true. KERLEY said that he had advised them that the information in the articles was true and that the FBI had been investigating such matters. They then asked him if he would be willing to write a by-line story on information which he had obtained while he was an Agent of the Bureau and working on the matters which were published in the Journal-American. KERLEY said that in view of his feeling about the international situation and because of the fact that he realized the threat Russia was to the United States and that the Bureau's hands were tied in doing anything about Russian espionage, he thought at that time that he would write such a by-line article. KERLEY said that he realized with the present structure of the State Department, nothing would ever be done toward letting the American people know what a dangerous position they were in relative to Russia.

KERLEY said that a very attractive monetary offer was made to him by SCHOENSTEIN and RUSHMORE and then aside to the Agents he said, "You fellows realize that I could have made \$200,000 out of it." He said, however, that he was not interested in any money; that his motives were purely for the sake of the Bureau and country and then added that, "Even if the Journal-American had not come out with the stories in the early part of December, I would have done so for the good of the United States."

He said that he had planned on going to Washington to talk with Mr. Hoover to see if something couldn't be worked out so that the American people could be made aware of Russian espionage going on in the United States as well as other countries and would tell the Director that he realized that his hands were tied in giving such information out and

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that he had the necessary contacts here in New York to give it wide publicity. KERLEY said that about three weeks ago when Vandenberg, Connally, Byrnes and John Dulles came out with their firm stand against Russian policy, the need for such a by-line story by him was no longer present and it was at that time that he decided not to write the by-line story and so advised RUSHMORE. He said that RUSHMORE and SCHENSTEIN have been practically begging him to write the story and again offered him a "very large sum of money."

He further stated that the way things were now he had decided to drop the whole matter and nothing else was going to be forthcoming from him to RUSHMORE.

KERLEY was specifically asked if he had given the information to RUSHMORE with which RUSHMORE had written the original articles and he stated that he had not given the information to RUSHMORE, but that he knew the identity of the individual who had. He stated that we would not be interested in him because, "He is not in the Bureau--- now". He said that he did not feel that he wanted to divulge the name of this person to the Agents.

It would appear that KERLEY is referring to BETTY LEWIS when he stated he knew the individual who had given the information to RUSHMORE and that the party being a former member of the Bureau is just merely a sham.

He was specifically asked if at any time since the publication of the articles he had attempted to obtain information concerning the investigations reported in the newspaper or any other investigations being carried on by the Bureau, but he stated that he had not. It was pointed out to him by the Agents that he had specifically asked Special Agent Emory K. Gregg as to the status of certain investigations in the New York Office and very hesitantly he stated that if he did ask Gregg any question, it was merely a matter of carrying on conversation rather than trying to obtain information from Gregg. It was then he added that if he wanted to get information about ARTHUR ADAMS (this is the first time the name of ARTHUR ADAMS was mentioned) he could have gotten it very easily. He was asked where and he stated that he could have gone down to the hotel and found out if ADAMS was around. It was pointed out to him that some inquiries had been made concerning ADAMS being at the hotel and if he knew anything about this. He stated he did not make the inquiries but that they were probably made by RUSHMORE, adding that, "RUSHMORE is quite a digger". He also mentioned during the early part of the questioning that he was in contact with RUSHMORE at least once a week, but later stated that RUSHMORE contacted him on several occasions.

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KERLEY stated that he realized he was no longer in the Bureau and that although he felt great admiration for the Bureau, he knew they were not in a position to "push him around". He said, however, that he wanted the Agents to know "that anything I did (at this point KERLEY hesitated, flushed slightly and continued) or that I would do, would be entirely for the benefit of the Bureau and Mr. Hoover."

It should be noted that he made a remark that by the time this interview got down to the Bureau it probably would be changed around a bit and he was told that if he wanted to guard against that, it would be better if he came down and gave a statement to Mr. Conroy and insure that the story be as he gave it. He refused to come and a resume of the statements he had made to the Agents was recited to him and he was asked if that was a fair statement of the facts. He stated that it was. The resume is the same as set out here above. He also further stated that if at any time the agents had any further questions to ask him or if Mr. Conroy wanted to come up to his office, or if Mr. Hoover wanted him to come to Washington to talk with him, he would be available.

During the course of the conversation KERLEY further stated that he understood from SCHOENSTEIN that a Bureau official had come up one night to New York City to speak to SCHOENSTEIN and that at that time the Journal-American had attempted to induce the Bureau to put the whole story out before the public. He stated that he did not know what answer had been made in view of the fact that SCHOENSTEIN had not told him. He said that he did not know who the Bureau official was but thought it would probably be Assistant Director Nichols or one of the public relations men.

During the entire time the agents were in contact with KERLEY he seemed very anxious to impress upon the agents that any thoughts he entertained of writing a by-line story were purely for patriotic reasons and it was because of his constant repeating this that he made the one slip above when he intimated that he had done something.

The above information was obtained from KERLEY with Agents being required to ask very few questions and when the interview came to a point where KERLEY was not talking unless he was asked a question, it was deemed advisable to discontinue the interview inasmuch as it was not desired to talk to him too much at this point. It should be stated that during the entire time of this interview the conversation was carried on in a friendly manner and at no time did either the Agents or KERLEY become sarcastic or irritated toward one another.

BANK RECORDS

By letter dated March 12, 1946, the Kansas City Office set forth the information concerning the \$600 loan which KERLEY made from the Columbia National Bank, Kansas City, Missouri.

On August 7, 1945, KERLEY obtained a single pay loan in the amount of \$600., which was due on February 7, 1946, together with .18. interest. This note was secured by a 1941 Pontiac automobile. The application for this loan, dated August 7, 1945, filed by KERLEY stated he wanted the money for use in the purchase of an interest in the FIRESTONE STORE at Murray, Kentucky. The application further stated that KERLEY had been employed as a Special Agent of the FBI for eight years; that his salary was \$5,200. per annum; that he was married; that he had three dependents; that he had life insurance in the amount of \$17,500 and that he was thirty years of age. This account was marked paid and closed on February 4, 1946. The application stated KERLEY had no other obligations, owned no real estate and that his nearest relative was VAN BARNETT, Murray, Kentucky.

The following were listed as places where KERLEY had previous charge accounts or had received loans but were marked "No balance due":
Second National Bank, Washington, D. C.;
NIGHT DEPOSIT BOXES, 7th and F Streets, Washington, D. C.

A check of the bank records and the records of the Loan Department failed to reflect KERLEY had ever sought or obtained any other type of loan from this bank.

MAIL COVER

The only mail which KERLEY received during the period of this report was from MORRIS ROSENBERG, 1440 Broadway, New York City to LARRY E. KERLEY at his home.

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EMORY M. GREGG

SPECIAL AGENT FBI

As stated above, at Mrs. LEWIS' request, LARRY KERLEY made a luncheon engagement with Special Agent EMORY M. GREGG for the purpose of Mrs. LEWIS giving a complaint to GREGG.

GREGG advised that he appeared at KERLEY's office at approximately twelve noon, at which time they proceeded to the St. Regis Hotel, where they met Mrs. LEWIS and had lunch.

According to GREGG, during the entire course of the lunch KERLEY said very few words, asked no pertinent question concerning the Bureau personnel or investigations being conducted by the New York Office and volunteered no information in this connection. GREGG said, on the other hand, Mrs. LEWIS was outspoken in her criticism of the United States State Department and had a great deal to say about recent news releases on the Russian situation (not in connection with news releases pertinent to instant investigation). She said that the purpose of meeting was for the filing of a complaint which she believed should be brought to the attention of the FBI. She said that this concerned an investigation or inquiry which was being made of her (Mrs. LEWIS) through [redacted] with whom she had been closely acquainted for several years. Mrs. LEWIS said that she believed that this investigation was instituted by VICTORIA STONE. The details of this complaint have been set out in that section of this report dealing with Confidential Informant [redacted] and will not be reiterated here.

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GREGG said that it was his impression that the sole purpose of giving him this complaint was to test his (Gregg's) reaction to her statement that she was under investigation. He said that she carefully avoided any question about Bureau personnel or other matters under present investigation.

Inasmuch as none of the conversation which took place even indirectly had a bearing on the instant investigation, the details of this meeting will not be set out.

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GEORGE L. STRAIN

SPECIAL AGENT FBI

On March 11, 1946, Supervisor [] advised that a few days previous he had told Special Agent STRAIN that STRAIN was to go on Complaint Duty for one month in the New York Office. STRAIN told [] that he would like to stay on his Deserter cases inasmuch as he was thinking about resigning from the Bureau, possibly sometime in the next three months. He added that it was quite possible that he would not resign, but that he wanted [] to know that he had it on his mind. He requested [] to keep this information confidential. STRAIN said that he probably would go into the practice of law possibly in Denver, Colorado and would go in with his father on some business ventures on the side. He said that he had sent his wife out to Denver, Colorado, to have her second child.

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On March 18, 1946, STRAIN was questioned by Supervisors [] and Robert R. Granville concerning STRAIN's association and connection with LARRY ERNEST KERLEY.

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A signed statement was obtained by the above Supervisors from Special Agent GEORGE L. STRAIN and is being set forth hereinafter verbatim.

"

New York, New York
March 18, 1946

"I, Special Agent George L. Strain, do make the following voluntary statement to Special Agents [] and Robert R. Granville:

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"The facts which are set forth in this statement concerning my associations with Larry E. Kerley are true and correct to the best of my knowledge and belief.

"I first became acquainted with Larry Kerley during the spring of 1940, at which time we were both clerical employees at the Bureau in Washington. We worked together in the Personnel Files Section for several months. During this time we were both attending Law School and on occasions would get together socially or for review of law subjects.

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"As I recall, he became a Special Agent during the summer or fall of 1941 and went to his first office of assignment in Butte, Montana. I do not recall, however, seeing him between that period of time and June or July of 1943 when I was assigned to the Louisville Field Division, to which KERLEY was also assigned. At that time he was a Resident Agent in Lexington, Kentucky, and I used to see him when he would come to the Louisville Office for dictation and conferences.

"When he was present in Louisville, we would often have meals together or be together socially. After my leaving Louisville during the first part of 1944, I returned to that office on at least two occasions as a witness. It is possible that I saw KERLEY on these two occasions; however, other than that I do not recall seeing him again until he was assigned to the New York Field Office.

"From the time of his assignment in the New York Field Office until he was transferred to the Kansas City Office, I would see him several times a week, if not daily, in the New York Field Division. During this period we were again friendly socially.

"Subsequent to his transfer to the Kansas City Office, I did not receive any communications from him, nor do I recall ever seeing him in New York until after his resignation from the Bureau and his return to New York City.

"Sometime after his return, he telephoned me at my residence, and advised me of his resignation from the Bureau and that he was working for Mr. JAMES LEWIS. During this conversation I recall his talking about the Kansas City Office and his dislike for it there. Subsequent to this call, on one occasion my wife, infant daughter and myself were in Jackson Heights waiting at a bus stop when he passed this bus stop in an automobile and stopped to buy a paper; noticing us, he suggested that he take us home. On this occasion we went to his apartment and visited there with him and his wife while our children played together for perhaps 30 to 45 minutes. To the best of my knowledge, the general tenor of our conversation during this visit was purely in a social way, together in which our wives entered into the conversation, and his discussion of his new employment with Mr. LEWIS.

"The next contact I had with KERLEY was, I believe, after the 12th of January, at which time I took to him an affidavit form I wished him to fill out concerning his acquaintanceship with me. This affidavit was to be furnished to the New York Bar Association previous to my being admitted to the bar. Several affidavits were needed from my associates. On this occasion I took this affidavit to him at his office building, 5 East 57th Street, New York City. On this occasion I visited with him, shortly pointing out what was needed in the affidavit, which he advised he would fill out.

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"As I recall, this contact was very brief, and other than discussion of the affidavit, I do not recall any conversation specifically.

"A few days after this, KERLEY telephoned me and advised me that the affidavit was ready, to which I replied I would come and get it shortly.

"About two weeks later, Special Agent Emory¹⁶ Gregg advised me he had an envelope for me which KERLEY had sent to me by him. He told me it was the affidavit and I obtained it from him. Upon looking the affidavit over, I noted that KERLEY was in error as to the length of time he had known me, inasmuch as he stated he had known me since 1939, when, in reality, it had only been since 1940. I either called him or he called me and I told him of this error, and advised him that I would have to return it to him for correction.

"A few days later, I did return the affidavit to his office in the evening and inasmuch as he was about ready to proceed home, we stopped in a restaurant next door to his office and had dinner. At this meeting to the best of my belief, our discussion concerned mostly his efforts in the betterment of the building of which he was Manager, his describing how he had increased the revenue of the building, and further, some of his ideas concerning an export-import business which he believed Mr. LEWIS was going to help him set up. I don't recall any time during this meeting in which he ever asked me any questions concerning the Adams Case or the office or any of the other cases under investigation. I might point out that the reason for my delay in obtaining the affidavit was the fact that I had several affidavits to obtain from acquaintances out of the State and I had not obtained them yet. Consequently, I was not pressed to get his immediately. On this occasion after our dinner, we walked to the subway and went to our respective homes.

"As I recall, my next contact with him was about a week later, at which time I went back to his office to pick up the affidavit and he did not have it completed. He completed it and we went together to a notary there in that building and had it notarized. At this time I had obtained all but one of the necessary affidavits and upon obtaining the last one, I filed with the Bar Committee. This date was February 18th.

"A few days later, I received notification from the Bar Committee to appear before them for correction of papers, at which time I had Kerley's affidavit and two other papers rejected for correction.

"I telephoned Kerley that I would have to return the affidavit to him for correction, and the following day or the day after I returned

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"the affidavit to him. He corrected it, we again went to the notary, and had it notarized, and I refiled it with the Committee. This was my last personal contact with him.

"On March 14th, late in the evening, KERLEY telephoned me and asked me if I had heard the radio broadcast of a basket ball game played that same night at Madison Square Garden. When I answered in the negative, he told me the outcome and wanted to know if I could go to a game on the night of Saturday, March 16th, at the Garden. I told him I had tentative other plans, but I would see. The following day I telephoned Madison Square Garden, and learned that they had no available tickets and I then telephoned Kerley and told him of this fact.

"To my knowledge the only other contacts he had had with Agents of the Bureau are with Special Agents Emory Gregg and [redacted] I have never been present at any time which he has contacted either one of these Agents; however, in conversations with Kerley I have learned that he had contacted them. In respect to [redacted] formerly lived in the same apartment with Kerley. I know nothing whatsoever concerning the contacts of [redacted] and Kerley inasmuch as I never was with them together on any occasion. As to Agent Gregg, the only reason I know he has contacted Kerley is that he did deliver the above mentioned affidavit to me and Kerley advised me that he had given it to him.

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"During my contacts with Kerley since he returned to New York from Kansas City he has expressed a general interest in the international Communist situation, and upon one occasion he inquired if I believed we would eventually go to war with Russia or how soon we would to to war with Russia. To this question I recall answering that I had no idea. Concerning current investigations of the office, in particular the Adams Case, I do not recall his asking me anything specifically concerning it although it is entirely possible that he did inasmuch as he worked on the same squad that was handling it while he was in New York City, which fact I knew, and also inasmuch as it was a well known case around the New York Office. Inso far as the Kravchenko or Schevchenko case, I am positive he never did ask me any questions concerning these cases. The reason I am positive of this is that I myself did not know of the distinction between the cases until subsequent to the publication of the articles in the 'Journal-American' during the first part of December. It is for this reason that I am certain that I would recall specifically if he had ever mentioned either one of these names to me.

"During any of my contacts with him he did not ask me to obtain any information for him concerning investigations of the office. Likewise he never made an offer or proposition to me to obtain for remuneration any information for him. At no time did I ever see or have reason to believe

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"he had in his possession any Bureau files, reports, copies of memoranda, notes, or other Bureau material concerning investigations he had made. During my contacts with him I at no time had any suspicion to believe that he had furnished information to the 'Journal-American' and we never discussed this situation or the articles. I wish to point out that if I had had the slightest suspicion or indication that it was Kerley who had furnished the information to the 'Journal-American' I most certainly would not have requested him to make a character affidavit for me and obviously would not have had any contact with him whatsoever.

"I do not recall the date, but during one of the contacts with Kerley in New York City a month or more ago, he did advise me that a Chinese boy who had been working for Mr. and Mrs. Lewis began using dope and they had to dismiss him. They subsequently obtained a Japanese man and wife for their housekeeper and cook and Kerley wanted to know if we possibly had anything in the indices about them. He gave me their names at the time but I do not recall them. However I do recall that they did live in Ossining, New York. I made no check whatsoever of these names and a short while later he followed it up. I recall telling him I had been too busy and had not gotten around to it. I had no intention of doing it in the first place inasmuch as I recalled an admonition a few months ago regarding a former Special Agent who had attempted to receive information from Agents of the Bureau and all present Agent personnel were instructed to be on guard against furnishing other ex-Agents information of the Bureau.

"I would further like to state at this time that if at any time in the future I may be of assistance in the investigation of this matter, I am more than anxious and willing to cooperate in any way whatsoever.

"I have read the above statement consisting of five pages as attested by my initials on each page and signature at the end, and this is to further certify as to its truthfulness and accuracy to the best of my knowledge.

s/ GEORGE L. STRAIN
Special Agent, FBI, 3/18/46

Witnesses:

ROBERT R. GRANVILLE, Special Agent, FBI, 3/18/46

Special Agent, FBI, 3/18/46

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Supervisors Granville and [] stated that Agent Strain appeared to be honest and forthright in the answers to the questions which were put to him and he volunteered readily and willingly the information concerning his contacts with KERLEY. There was no indication from his general demeanor and appearance that he was telling any falsehoods or in any way was attempting to cover up any of his contacts.

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It might be stated that Special Agent in Charge E. E. Conroy was present at the beginning of the questioning and parts of the questioning thereafter.

On March 19, 1946, Special Agent [] who is STRAIN's supervisor, advised that on the same day at approximately noon, Agent STRAIN told him that he had something on his mind, which he thought [] as his supervisor should know. He told [] that the office was aware of the individual who gave the story concerning Communist activities to the "Journal-American" newspaper. He said that this individual was a former Agent, but he did not give the identity of this person to []. He explained that he knew this former Agent for some period of time and was quite friendly with him. He advised that he had never given this former agent any information concerning any Communist matters at any time. He remarked that since his interview in the office yesterday, he had given the matter considerable thought and could not recall that this former Agent at any time requested information concerning Communist activities from him. However, he did state that some time ago this former Agent requested that he check the indices of the office on a Japanese couple who were employed by the former Agent's boss. He stated he didn't do this and had no intention of doing it. He also remarked that he realized that this "probably left him open to criticism as he did not inform the office of this former Agent's request." He stated that he told this during his interview, realizing that it would not react favorably toward him, but remarked that he wanted to give a complete and true picture of all of his activities with this former Agent. He stated that he was unfortunate in knowing this former Agent and seemed somewhat depressed at the time of his conversation, according to [].

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Agent Strain also remarked that as he was contemplating submitting his resignation in the near future, he thought that there would be some talk throughout the field that his resignation was requested by the Bureau.

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At Charlotte, North Carolina.

[redacted]
Special Agent

On March 18, 1946, Special Agent ^{in Charge} Edward Scheidt of the Charlotte Field Division and Special Agent [redacted] of the New York Field Division interviewed Agent [redacted] and obtained the following memorandum from him which is being set forth here below:

"

Charlotte, N. C.
March 18, 1946

MEMORANDUM

"The following represents to the best of my recollection all of the knowledge or information in my possession relative to the series of articles which appeared in the New York Journal American by Howard Rushmore in December 1945 and the latter part of January 1946.

"The earlier part of December I was working on an accounting squad on a War Fraud case concerning John Manton Company, etal. I believe that on the day the article first appeared in the New York Journal American I was working in Brooklyn with Special Agent [redacted] I bought a copy of the paper which I believe was an early edition, the headline having attracted my attention. Agent [redacted] also bought a copy and we read the article at the same time and both of us were amazed that such information was appearing in the paper.

"Upon the conclusion of my day's work I returned with Agent [redacted] to Room No. 5 or 7 of the New York Office. I recall that there were comments among the personnel there about this article and the general feeling of surprise and amazement was expressed by the participants in the discussion relative to the fact that such an article had appeared. I do not recall specifically who was at the office at that time, but I am under the impression that Glade Helzer and [redacted] were there.

"On the following two days further articles appeared which caused even more comment because of the fact that they were two different cases and for the far-reaching amount of information they furnished the general public. By this time every agent you saw that you knew made some comment

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"regarding the fact that there was too much of that information appearing in the paper.

"The second series of articles appearing in January in the same paper caused a recurrence of comments among the agents. I might add that I read each article with great interest, and at the time I was very surprised to find that such information was appearing in the paper. I was not too familiar with the facts of the cases on which the articles had appeared and for this reason they were of great interest to me. At the time neither I nor any of the agents with whom I talked could fathom how this information was getting into the papers and for several days after the period that the articles did appear there was a great deal of discussion among the fellow agents concerning the pros and cons as to how such information could have appeared; however, I never heard anything that would throw any light on how these articles did appear.

"From the time the articles appeared up to the present time the explanation for how these articles got into the paper is a complete mystery to me. If I had any information which would shed any information as to how these articles appeared I would be more than willing to and would feel it my duty to give this information. I cannot think of any circumstances or events that came to my attention that would throw any light whatever on this matter.

"I have been asked to furnish any information in my possession relative to former Special Agent Larry Ernest Kerley, and it is as follows:

"In the early part of August 1944 shortly after attending In-Service I was assigned by the Bureau to transport a car which was being sent from the Atlanta Field Division to the Detroit Field Division to which place I was assigned at that time. I made the trip with four other special agents who were all driving cars and our itinerary carried us through Lexington, Kentucky, where we spent one night of the trip while on the road. It had been our practice to contact various offices through whose territory we passed for any messages which might be held or sent to us while en route, and it was at the Lexington resident agency that I met Kerley. He at that time was one of the resident agents assigned to Lexington, and I met Kerley in a group with agents I was driving through the country with.

"I did not see Kerley again until I had been transferred from Detroit to New York when I met him in the halls of the New York Office and he advised me that he had been transferred to New York from the resident agency at Lexington. I believe at the time there had to be a reintroduction for I recalled seeing him somewhere but could not remember his name.

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" We never worked on the same squad together and I do not recall having seen him over once or twice until he moved into the same apartment building at 3530 - 81st Street, Jackson Heights. I had no knowledge that he was going to move into that apartment building until I met him in the hall one day and he told me that he was going to move into an apartment at 3530 - 81st Street and I remarked, 'That's a coincidence; I am living in the same apartment building.'

"After Kerley moved there, our paths did not cross very much as we did not work on the same squad and visits to each other's homes were very infrequent. Because we had separate groups of friends, I did not see very much of him, and also because his apartment was on the third floor on the opposite side of the building from where I resided and there was no connecting hallway. The only means of entrance to the apartments was by separate elevators which were divided by a lobby. I resided on the second floor on one side of the building, and he lived on the third floor of the opposite section of the building.

"During the time Kerley was a special agent, I do not believe that I visited him until he had a serious illness which I believe was some blood disease in which the white corpuscles were overpowering the red corpuscles or vice versa. I heard that information at the office and out of courtesy dropped around to see how he was getting along. I played rummy with him several nights to try to help him pass the time away. During the time he was an agent living in the same apartment building, I would say that I possibly visited him at his apartment approximately six times over a period of several months.

"Toward the latter part of his illness he went to Washington for a convalescent period and stayed at Virginia Beach with an agent named Mossburg whose first name I do not recall who was then connected with the Washington Field Office.

"Prior to Kerley's illness it is my understanding that he worked on a good many surveillances, and as a result worked irregular hours which was possibly another reason why I did not see him more often, even though I was living in the same building with him.

"During the time Kerley was ill he received a transfer to Kansas City which had been deferred for some period which I believe was a month or so until he had recovered sufficiently to go back to work. After he recovered enough he left on transfer to Kansas City, but at the time he did not give up his apartment but merely sublet it, furniture and all.

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"I went to In-Service I believe the first part of October 1945 and upon returning to New York was advised by my wife that Kerley had been by the apartment building to check up on the tenants to whom he had sublet his apartment and had called her while there. However, until the time he returned to New York after resigning from the Bureau I did not see him nor did I receive any communications from him.

"The next word I had from Kerley was when I saw him in the lobby of the apartment building one night and he said that he had resigned and was moving back into the apartment house and was accepting a job with a man named Lewis, this was sometime after I got back from In-Service. At the time he advised me that he had met this man Lewis during the time he was resident agent at Lexington, Kentucky, through an investigation that he had conducted and at the time had been offered a job by Lewis. He said he had turned down this job but that after coming to New York he contacted Lewis on several occasions and made tentative arrangements to accept a job in an export firm that Lewis was forming. The foundation of this company was to be rights to certain chemical formulas that were then the property of the I. G. Farben Company; these formulas were to be sold at auction by the Government. Kerley said that this company had not yet been formed as the property had not been put up for auction and meanwhile he was going to manage some property that this individual, Mr. Lewis, had bought which consisted of an office building on East 57th Street near Fifth Avenue.

"On every occasion after this that I saw Kerley the general topic of conversation was what a good job he was doing managing this property and the manner in which he was raising the rents on the tenants who were then occupying the building.

"At the time the articles appeared in the Journal American I believe Kerley made some comments to me which were along the lines of the amazement that everyone else had exhibited that such articles were appearing, but I did not discuss to any great length the material that appeared in these articles as I did not feel free to do so with someone not connected with the Bureau.

"I was confined to my bed with influenza around the second week of December, during which time Kerley came over on several occasions, possibly two or three times, and we played a form of rummy. Although we were not gambling, I noticed that on two or three occasions he would overcount the number of points he had. Even though I said nothing about it, I thought it rather odd to cheat at playing rummy.

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"The only occasion I believe that I went out with Kerley alone was one Saturday when there was an Army parade up Fifth Avenue. On that occasion we went over the Queensboro Bridge and parked a short distance from the building that KERLEY managed, and after watching the parade he showed me a new space he was taking over as his office in the building. I believe this whole period of time did not take in over two hours - we saw the parade, went into the building, and went back home.

"The weekend before Christmas I left New York to go to my home in South Carolina on two weeks' annual leave. After returning to New York approximately January 3 or 4, my wife and I went out with Kerley and his wife on one occasion and that was to a movie at which time we drove some distance to see the movie which was somewhere in the Long Island City Section.

"The night I left New York on January 31, 1946, on transfer to Charlotte, North Carolina, Kerley offered to drive me to the station because of the large amount of bags we were carrying and I accepted; that is the last time I have seen or heard from him. It was more or less of a coincidence that Kerley drove me to the station inasmuch as I had previously made arrangements for the person to whom I had rented my apartment to drive me there, but at the last moment he could not take me. Since Kerley offered to drive me to the station at about that time, I accepted his offer. Before Kerley offered to drive me to the station, I had arranged to meet Special Agents August J. Micek and [redacted] and former Agent [redacted] at the Pennsylvania Bar which is directly across from Penn Station for a farewell drink. Since Kerley was with me, he went with me to join this group of agents at the Pennsylvania Bar. I had one or two drinks with the group, this meeting taking place approximately fifteen or twenty minutes before train time.

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"After returning from South Carolina on leave, I don't believe that I saw Kerley on more than two or three occasions as we were trying to make the rounds of our close friends before leaving for Charlotte.

"As far as I was concerned Kerley was a neighbor and a casual friend rather than a close personal friend. My association with him was more on the basis of being a neighbor than that of being a close friend. I have tried to recall all incidents of my association with him and did see him numerous times, but because of the casual nature of our visits with each other, they seemed relatively unimportant and my memory is not too clear as to the specific dates, places, and details when I had occasion to be with him.

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"During the time that Kerley was a special agent and was living in the same apartment building with me at Jackson Heights, I was driving a number of agents to and from work in my car and, as an illustration of the casual nature of my relationship with Kerley, I might mention that he was not among the agents who were being driven by me to and from the office. I mention this because it is obvious that had he been a close personal friend, he naturally would have been included in this car pool.

"My general impressions and the general information I have of Kerley are these:

"Upon meeting Kerley in Lexington, Kentucky, I was somewhat favorably impressed with his general demeanor because he was an excellent conversationalist and convincing talker; but after meeting him again in New York, I somewhat changed my opinion inasmuch as I got to know him a little better and could see that he was a lot more talk than he was action. He seemed to be the kind of individual who was greatly impressed with the things he did and wanted to impress that fact upon everyone else. After resigning from the Bureau and taking this job with Mr. Lewis, the general impression that he tried to create to me was what a fine job he was doing in managing the property and how shrewd an operator he was. I might add at this time that generally that was the trend of the conversation that was followed and all I had to do was agree with what he said and he would carry on the entire conversation regarding his business.

"He also seemed to be the type fellow who spent his money to please himself, not caring too much about the appearance his wife presented. His apartment was very poorly furnished and he had received a gift of an oil painting from Mr. Lewis which by contrast made the appearance of the apartment look ridiculous.

"After returning from leave during Christmas, he also showed me a coat which was supposedly presented to him by Mr. Lewis; this was a very fine and expensive overcoat. He also stated that some gift had been given to his wife by Mr. Lewis, which I believe was three pairs of nylon hose, which were extremely scarce at that time.

"Also during the time I had known Kerley he had told me that he had formerly been a clerk in the FBI before entry on duty status as a special agent, and he knew much about Bureau matters and also knew much about outstanding personnel in the Bureau.

"After Kerley's return to New York after resigning, he advised me that he had opened a business with his brother, consisting of selling Firestone products - household and automobile supplies - somewhere in Kentucky and that he had cashed in his War Bonds to help finance the buying of this business. He advised me that the business was doing exceedingly

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"well, and he was making a lot of money on his investment but I do not recall his giving me any figures on the amounts involved.

"Politically, Kerley was very anti-administration. I don't know whether this was due to the fact that Mr. Lewis felt the same way and he was hopping on the bandwagon or whether he was expressing his own sentiments, but he was very caustic on his views of the Roosevelt and Truman administration.

"From his general comments, I feel that he felt very keenly over the Communist situation, indicating that it was an unsafe and unsavory condition existing in this country. I remember, however, that he felt that President Roosevelt had been, as he thought, partially responsible for allowing Communism to come into greater power in this country, and he felt that something should be done to curb this situation. He also had attacked Secretary of State Byrnes, and as I did not agree with his views about President Roosevelt and Secretary Byrnes, after two or three such outbursts on his part, I always avoided political conversations to avoid heated arguments.

"With reference to Kerley's close friends within the Bureau, the only real close friend I know he has is Agent Mossburg who, the last I knew, was assigned to the Washington Field Office. I have heard him mention the names of people in the Bureau who were friends of his but it seemed so unimportant at the time that I do not recall them.

"As for his friends in the New York Office, I don't believe he had any close friends as agents, and, if you could consider me as a friend of his, I believe I would be the closest thing he had to a friend in the New York office. I do not know of any agents in the New York office with whom he might have gone out socially. He, of course, did not work as an Agent in the New York office very long.

"With reference to friends of his outside of the Bureau in New York, there was an Oliver Lewis who resided across the hall from him in the apartment building. Lewis was an enlisted man in the Navy stationed somewhere in New York, and, as far as I know, there is no connection between this Lewis and his employer Lewis. From conversation with Kerley he indicated that the Kerleys and the Lewises, who lived just down the hall, played rummy together frequently and they were the closest friends that I knew of which Kerley had in New York. I recall that Kerley was on speaking terms with an agent named [redacted] who lived directly across the hall in the same apartment building but do not know the relationship that existed between

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"them. [] resigned as a special agent and left New York City sometime between December 26, 1945, and January 1, 1946. I also know that Kerley was not on speaking terms with Special Agent Ross Arnold who resided in the same section of the building as Kerley due to some misunderstanding regarding a subpoena to testify in Kentucky on which they both were to appear.

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"From remarks that Kerley and his wife made regarding Oliver Lewis, who resided across the hall, they were very intimate because they both had children approximately the same ages and were in and out of each other's apartments several times a day and possibly more and the four of them played cards together at night.

"From conversation with Kerley it was quite apparent that he was very impressed with the Lewis man by whom he was employed and also his wife, often referring to the money and influence they had in New York City and also the persons with whom they associated. According to Kerley, along with Mr. Lewis' other activities, he was also Vice President of Squibb, Inc. Kerley has also stated with some pride on some occasions that he had been out to dinner with the Lewises and had been to their home in Manhattan. He also said that the Lewises were very intimate with the higher people in New York City, Mrs. Lewis having served on a committee with Mayor O'Dwyer of New York City. I recall on one occasion that Kerley advised me that Mrs. Lewis had gone to lunch with President Truman I believe regarding some work that Mr. Lewis was doing in New York City regarding juvenile delinquency or some housing matter. Kerley also advised that she is reported to be acquainted with Robert Hannegan, Chairman of the Democratic Party. All of these remarks seemed odd to me due to the fact that Kerley had said that they were so anti-administration and so strongly Republican.

"Kerley seemed tremendously impressed with the money and influence of Mr. and Mrs. Lewis, and I believe that possibly his views were somewhat shaped by the way they thought. He often stated that Mrs. Lewis was one of the smartest women he had ever met in his life. I personally have never met Mr. and Mrs. Lewis, the former being the employer of Kerley.

"To the best of my recollection, there may have been a casual mention of Rushmore's name at the time the articles appeared inasmuch as the articles carried Rushmore's by-line. I am positive that at no time in any of our conversations did Kerley state or intimate that he was personally acquainted with either Rushmore or any other newspaper man in New York City. I personally have never met Rushmore.

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"During my association with Kerley after he had resigned as an agent, I never specifically talked over any of the Bureau's work with him. I do recall that one day he asked me how many agents were resigning and I gave him an indefinite answer to the effect that there were quite a few.

"There is a possibility of some mention having been made in a conversation between Kerley and myself to the effect that Adams was missing, but it is very doubtful in my mind that such a conversation took place. If such a conversation did take place, it was a very short one, which I believe might have been incidental to my having returned a copy of 'Persons in Hiding' which I had borrowed from Kerley to read while I was sick.

"If the Adams matter came into the conversation, I don't recall specifically how it happened to be mentioned; however, I know I would not have volunteered this information to Kerley inasmuch as he was no longer with the Bureau.

"If I had such a conversation with Kerley, it was around January 29 or 30 inasmuch as I left New York on transfer on January 31 and it would have been just a few days before I left that I returned the book I had borrowed.

"As indicated above, I am not sure that I did have a conversation with Kerley regarding Adams being missing as it might have been another agent with whom I had talked, and the fact just remains in my subconscious mind that I had talked about it with someone at about that time. I do not ever remember from what sources that I got the information that Adams was missing but this fact was common knowledge at the time to the personnel of the New York Office.

"In all the times I was in Kerley's apartment, the only official documents of the Bureau I have seen was a letter from the Bureau regarding final payment of his annual accrued leave. There was some discussion regarding this payment as he felt that he had not received the total amount coming to him in the way he mathematically handled the problem from his deductions. At no time did I see files, papers, memoranda, investigative notes, diaries, or any other type of Bureau property at Kerley's apartment nor did he ever mention to me having any Bureau property, files, serials, or notes relating to the Bureau's work in his possession.

"At no time did I ever discuss with Kerley the Schevchenko case or the Gerhardt Eisler case, nor did he ever ask me any questions about any of these cases.

"I believe Kerley at one time stated to me subsequent to the time he left the Bureau service that he had told some of the agents that when

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"they were on surveillance and wanted to get out of the cold to come to his place, which I took to mean his office, and use his toilet. He did not elaborate on this nor did he mention the names of the agents to whom he had told this, and I do not have any knowledge as to who they might have been. I have never been by Kerley's office during office hours or any other time except the one Saturday I was there, as I have previously mentioned.

"The information which I have furnished about this entire matter is true and correct to the best of my knowledge and if I had any other information regarding him which might be pertinent I would be only too glad to furnish it.

[REDACTED]

Witnesses:

Edward Scheidt, SAC, FBI, Charlotte, N. C.

[REDACTED] SA, FBI, New York

"

It will be recalled that on January 2, 1945, Special Agent [REDACTED] and Larry Kerley contacted Mrs. LEWIS for the purpose of [REDACTED] ascertain information concerning [REDACTED] contacts of ARTHUR ADAMS. This contact was made on the recommendation of KERLEY. It was therefore deemed advisable to interview Agent [REDACTED] relative to what took place when the contact was made [REDACTED] and whether KERLEY went into any details concerning [REDACTED] at the time [REDACTED]

Agent [REDACTED] who is presently assigned to the Charlotte Field Division, was explained the nature of the investigation and was requested to write a detailed memorandum concerning the events which took place at the above-mentioned time.

The following is the memorandum submitted by him on this occasion:

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Charlotte, North Carolina
March 18, 1946

MEMORANDUM

" The following information is being furnished relative to my knowledge of the dealing with BETTY LEWIS and former Special Agent LARRY KERLEY prior to my transfer from the New York City Field Division on March 10, 1945.

"Agent KERLEY advised me that he was intimately acquainted with Mrs. LEWIS and her husband due to close and long association while he was assigned to the Louisville Field Division. KERLEY indicated to me that due to some German Nationals living in the vicinity of the LEWIS home, he had conducted investigation there, which accounted for his acquaintanceship with the LEWIS'. He described them as very close friends of his. [REDACTED]

[REDACTED] a subject of the CCYPAP case,

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"I accompanied Agent KERLEY to Mrs. LEWIS' home on at least two occasions in connection with [REDACTED] investigation, at which time she greeted him in a manner indicating they were very close friends. I recall their conversation indicated she had apparently seen KERLEY several times previously, since his arrival in New York City, and had also been with KERLEY and his wife prior to this time in New York, apparently at the LEWIS home. Mrs. LEWIS talked with KERLEY very familiarly about the incident near Louisville wherein her home was destroyed by fire, and indicated that she and KERLEY had apparently discussed this matter a number of times and very thoroughly. On one of these occasions, Mr. JAMES LEWIS, husband of BETTY LEWIS, arrived at the LEWIS home while the writer and Agent KERLEY were present and he likewise indicated that he was well known to Agent KERLEY, addressing him as 'LARRY'.

"It is my best recollection Mrs. LEWIS indicated she was personally acquainted with an agent named SIZCO who was then a supervisor at the Bureau, as she mentioned one incident wherein she had contacted the Bureau telephonically and conversed with this agent. It is also my impression that Mrs. LEWIS indicated she was personally acquainted with Inspector HARBO. At all times she expressed the highest admiration for the Bureau, its work and its personnel.

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"Mrs. LEWIS indicated that she was personally acquainted with a number of very prominent persons in New York City, particularly in New York social circles, including ALFRED G. WYNE VANDEBILT, CLIFTON TADMAN, and Mrs. HARRY HOPKINS whom she described as a very close personal friend of longstanding, and a number of others whose names I cannot now recall. She mentioned having attended a small dinner at the Piltmore Hotel which was also attended by Mrs. FRANKLIN D. ROOSEVELT. She also stated that she was a close acquaintance of BARBARA HUTTON and indicated that she had assisted the Bureau in some way in conducting inquiries concerning BARBARA HUTTON. Agent KERLEY seemed very much impressed by these statements of Mrs. LEWIS and expressed several times that she was acquainted with many prominent people [redacted]

"At KERLEY's suggestion, [redacted]

[redacted] The information furnished [redacted] in a typewritten and handwritten report was subsequently reported by me in the case file of [redacted] At no time were any ramifications of the COLEAP case discussed [redacted]

[redacted] It appeared obvious to me at the time that [redacted] did not know the real nature of this investigation [redacted]

"Mrs. LEWIS stated that some years ago she was employed as chief dress designer for the Simplicity Pattern Company, at which time JACOB R. ARONOFF was attached to this company in some unknown manner, perhaps in a legal capacity. She stated that while associated with this company, she became well acquainted with ARONOFF and indicated she had attended parties and social functions either at his home or where he was present. She expressed the very deep and apparent dislike of ARONOFF. She was acquainted with some of the intimate personal details of his life, which information she had apparently obtained through fellow employees or from her own knowledge while associated with the Simplicity Company. In this connection, Agent KERLEY on one occasion advised me that Mrs. LEWIS was about the fourth highest salaried woman in the United States during her association with the Simplicity Company, when she earned a salary of approximately \$36,000 per year.

"While at In-Service Training during September 1945, the writer roomed with Agent KERLEY. During this period Agent KERLEY stated to the writer that upon his return to Washington from Quantico, he planned to


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"carry out an appointment with Mr. and Mrs. JAMES LEWIS, who had previously talked to him about some kind of job, but he furnished no further details and I did not ask him any questions about this.

"Inasmuch as I had worked on the COINRAP Squad in New York for some time and particularly in handling the VICTORIA STONE case, it appeared to me that Agent KERLEY was constantly endeavoring to curry favor with me. He impressed me as being rather boastful of his past achievements, which I felt were possibly more fictitious than true. It was my impression that he was making every effort to become important in some way in the New York office and apparently had the idea I could be of some help to him. He did not strike me as a particularly sincere person and I personally disliked him for the reasons stated above and because of his own inherent personality. Apparently, KERLEY sensed this with time and appeared to be resentful and more or less stayed away from me and I never saw him other than on rare occasions in the office, always on official business. I do know that other agents, whose opinions I respect, also came to me and expressed a similar opinion of KERLEY and a dislike of having to work with him. Although I am unable to recall the names of these agents, I do remember on several occasions this opinion was expressed by agents working on the physical surveillance of PHILLIP M. LEVY.

"I never recall having heard Mrs. LEWIS mention any friendship with newspapermen nor do I ever recall having heard KERLEY indicate that he was in any way acquainted with newspapermen.

"Since leaving New York City on March 10, 1945, I have had no contact whatsoever with Mrs. LEWIS and none with Agent KERLEY other than at In-Service as described above.

 Special Agent

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P E N D I N G

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CASE: BRIBERY

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F.B.I. TELETYPE

Mr. Tolson ✓
 Mr. E. A. Tamm ✓
 Mr. Clegg ✓
 Mr. Coffey ✓
 Mr. Glavin ✓
 Mr. Ladd ✓
 Mr. Nichols ✓
 Mr. Rosen ✓
 Mr. Tracy ✓
 Mr. Carson ✓
 Mr. Egan ✓
 Mr. Hendon ✓
 Mr. Pennington ✓
 Mr. Quinn Tamm ✓
 Mr. Nease ✓
 Miss Gandy ✓

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 HEREIN IS UNCLASSIFIED
 DATE 5/30/03 BY 60290BCE/KAL/pms

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WASH FROM NEW YORK 29 29 8-50 PM

✓ DIRECTOR URGENT

~~CONFIDENTIAL~~

LARRY ERNEST KERLEY, BRIBERY. ATTENTION ASSISTANT DIRECTOR LADD. REFERENCE ARTICLE APPEARING IN NEW LEADER INSTANT DATE CONCERNING ALTO CASE. REVIEW OF KERLEY CASE REFLECTS SHORTLY PRIOR HIS DEPARTURE FROM NY ON TRANSFER HE WAS ASSIGNED FOUR LEADS IN CONNECTION WITH ALTO CASE. TWO OF THESE CONCERNED WITH LYDIA ALTSCHULER AND FRANK JACSON. WHEN AGENT IS ASSIGNED TO ALTO CASE HE IS INSTRUCTED TO THOROUGHLY ACQUAINT HIMSELF RUNNING MEMO CONTAINING DETAILS OF INVESTIGATION TO DATE. IN ADDITION TO THIS HE MUST ACQUAINT HIMSELF WITH BACKGROUND OF MAIN SUBJECT OF CASE PRIOR TO COVERING ANY LEAD FLOWING OUT OF INVESTIGATION THAT SUBJECT. KERLEY SHOULD ACQUAINT HIMSELF WITH BACKGROUND OF FRANK JACSON FOR INVESTIGATION AS WELL AS BACKGROUND OF LYDIA ALTSCHULER. REFERENCE ARTICLE CONTAINED INFO RE JACSON WHICH AGENT NOT WORKING ON JACSON LEADS WOULD NOT BE ACQUAINTED WITH ALTHOUGH HE WAS COVERING OTHER LEADS ALTO CASE. ARTICLE STATED WOMAN LIVING ON PERRY STREET WAS LEADER OF RING INDIVIDUALS IN ALTO CASE. ARTICLE UNDOUBTEDLY HAD REFERENCE TO LYDIA ALTSCHULER WHO RESIDES NINE SEVEN PERRY STREET, NYC, AND WHO RECEIVED THREE SECRET WRITING LETTERS ALTO CASE MAIL DROP. NEW YORK INVESTIGATION ALTO CASE REFLECTS ALTSCHULER ONLY MINOR SUBJECT AND HAS NEVER BEEN ACTIVE WITH SUBJECTS WHO OCCUPY POSITIONS HIGHER THAN THAT OF MAIL DROP. KERLEY COULD VERY EASILY HAVE OBTAINED FACTS SET OUT IN ARTICLE WHILE HE WAS PREPARING HIMSELF TO WORK ON LEADS ASSIGNED TO HIM. KERLEY-S NUMBER THREE CARDS INDICATE HE REVIEWED ALTO FILE FOUR DAYS PRIOR TO HIS DEPARTURE FROM NY AND HAD CONFERENCE FORMER SPECIAL AGENT [REDACTED] TO WHOM ALTO CASE ASSIGNED. [REDACTED] WOULD ALWAYS EXPLAIN NATURE OF ALTO INVESTIGATION TO AGENTS BEING ASSIGNED TO ALTO CASE FIRST TIME. REVIEW OF KERLEY CASE REFLECTS

EX-11

If the intelligence contained in the above message is to be disseminated outside the Bureau, it is suggested that it be suitably paraphrased in order to protect the Bureau's coding systems.

58 APR 4 1986

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158-1548-95

25 APR 12 1986

58

F.B.I. TELETYPE

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Mr. Tolson_____
 Mr. E. A. Tamm_____
 Mr. Clegg_____
 Mr. Coffey_____
 Mr. Glavin_____
 Mr. Ladd_____
 Mr. Nichols_____
 Mr. Rosen_____
 Mr. Tracy_____
 Mr. Carson_____
 Mr. Egan_____
 Mr. Hendon_____
 Mr. Pennington_____
 Mr. Quinn Tamm_____
 Mr. Nease_____
 Miss Gandy_____

PAGE 2.

ON FEBRUARY FIVE LAST BETTY LEWIS TALKING WITH RUSHMORE WITH POSSIBILITY OF GETTING A STORY OUT. SHE TOLD RUSHMORE SHE WAS GETTING WARY OF SCHOENSTEIN, GERMAN AMERICAN EDITOR, AND THOUGHT SHE WOULD GO TO THE QUOTE WEEKLY AND HER FRIEND BILL UNQUOTE. NEW LEADER IS PUBLISHED WEEKLY AND EDITOR IS WILLIAM E. LEON. ON JANUARY THIRTY FIRST LAST, LEWIS AND RUSHMORE DISCUSSED NEW LEADER, LEWIS STATING SHE THOUGHT IT MIGHT BE MORE ANTI DASH STALIN THAN ANTI-COMMUNIST. RUSHMORE SAID HE LIKED SOME OF THE THINGS IT PRINTS AND HE BELIEVED IT WAS A QUOTE RIGHT WING SOCIALIST OUTFIT UNQUOTE AND MADE STATEMENT QUOTE I KNOW A LOT OF PEOPLE THERE UNQUOTE. NEW LEADER MENTIONED IN OTHER CONVERSATIONS BETWEEN RUSHMORE AND LEWIS AND LEWIS HAS SEVERAL TIMES REFERRED TO HER CONNECTIONS WITH QUOTE THE WEEKLY UNQUOTE. FEBRUARY EIGHTEENTH LAST DURING A LENGTHY CONVERSATION LEWIS TOLD RUSHMORE THAT QUOTE THERE IS A GREAT AMOUNT OF INFO NOT YET USED DEALING WITH RUSSIAN EXPIONAGE UNQUOTE. THIS WAS MENTIONED IN A CONVERSATION DEALING WITH KERLEY-S GIVING INFO. REFERENCE NEW LEADER ARTICLE MADE FOLLOWING STATEMENT QUOTE AS IN THE CASE OF STALINIST AGENTS SENT HERE TO OBTAIN ATOMIC INFO, NO ARRESTS HAD BEEN MADE BECAUSE OF SUPINE STATE DEPARTMENT POLICY OF AVOIDING ACTION THAT MIGHT OFFEND MOSCOW. UNQUOTE THIS IS LINE USUALLY FOLLOWED BY RUSHMORE IN HIS ARTICLE DEALING WITH INFO SUPPLIED HIM BY KERLEY AND IS CONSTANTLY THE TOPIC OF CONVERCATION AMONG RUSHMORE, KERLEY AND LEWIS. RECENTLY RUSHMORE TOLD KERLEY HE WAS CONTEMPLATING PUBLISHING INFO, WHICH KERLEY HAD GIVEN HIM, UNDER WASHINGTON DATE LINE WITH NO AUTHOR SO THAT BUREAU WOULD BE UNABLE TO ASCERTAIN SOURCE OF INFO. THIS CONVERSATION DEALT PARTICULARLY WITH QUOTING FROM BUREAU BULLETIN WHICH KERLEY PRESUMABLY HAD GIVEN RUSHMORE. VERY POSSIBLE RUSHMORE ARRANGED TO HAVE STORY PUBLISHED NEW LEADER SO LATER HE COULD IN JOURNAL AMERICAN LATER QUOTE STORY AND GET WIDER PUBLICITY. THEREFORE HIS SOURCE WOULD BE NEW LEADER INSTEAD

If the intelligence contained in the above message is to be disseminated outside the Bureau, it is suggested that it be suitably paraphrased in order to protect the Bureau's coding systems.

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PAGE 3

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Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Gandy _____

OF KERLEY. NYT INFORMANTS ALERTED TO IMMEDIATELY REPORT ANY
INFO BEARING ON ABOVE, WHICH WILL BE GIVEN BUREAU IMMEDIATELY.

CONROY

RECEIVED 3-29-46 9:29 PM EST RBH

*not for [unclear]
[unclear]*

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Mr. Carson _____
Mr. Egan _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Gandy _____

WASH FROM NEW YORK 2 30 4-12 P
DIRECTOR URGENT

ATTENTION ASST. DIR. D. M. LADD

CONFIDENTIAL

LARRY KERLEY, BRIBERY. REOURTEL YESTERDAY. NO FURTHER INFO
CONCERNING ARTICLE IN NEW LEADER OF MARCH THIRTY IN NY PRESS
TODAY. [REDACTED] NEGATIVE. BUREAU WILL BE PROMPTLY ADVISED OF (U)
ANY DEVELOPMENTS.

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CONROY

NY R 2 WA
RECEIVED 3-30-46 4-41 P.M. EST MK

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50 APR 3 1946

158-1548-96
APR 2 1946

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DM-4a

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DATE 06/28/2010

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____ b6
Mr. Hendon _____ b7C
Mr. Pennington _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Gandy _____

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DATE 5/30/03 BY 60322 UCBAW~~
DECLASSIFIED ON: 5/30/03
DECODED COPY

WASHINGTON FROM NEW YORK 1

1

5:00 PM EST

DIRECTOR URGENT

ATTENTION ASS. DIR. D.M. LADD

~~CONFIDENTIAL~~

LARRY KERLEY. BRIBERY. REOURTEL MARCH THIRTIETH INSTANT. NO FURTHER
INFORMATION IN MY PRESS TODAY CONCERNING ARTICLE IN MARCH-THIRTIETH
ISSUE OF NEW LEADER. [REDACTED] NEGATIVE. (U) CONRO 21 APR 2 1946 b2 b7E

RECEIVED

3-1-46

4:22 PM EST

MG

If the intelligence contained in the above message is to be disseminated
outside the Bureau, it is suggested that it be suitably paraphrased in
order to protect the Bureau's coding systems.

50 APR 3 1946

OFFICE MEMORANDUM

UNITED STATES GOVERNMENT

TO: R. D. M.
FROM: J. C. STRICKLAND
SUBJECT: LARRY KERLEY;
BRIBERY

DATE 27, 1946

You will recall that the New York Office is going to contact Mr. Whitaker Chambers on Thursday, March 28, 1946, to determine if he has any objection to the use of his name in connection with the information for questioning Alger Hiss of the State Department.

SAC Conroy called and advised that on March 18, 1946, Rushmore talked to Betty Lewis and she said that some "Commie" wanted to know who had released the information. Rushmore replied that he has a friend who will go on record concerning Alger Hiss and this witness is with the "Time" magazine. According to Rushmore, this individual would get on the witness stand and state that he has paid dues in the Communist Party. It is possible that Rushmore is referring to Whitaker Chambers.

This information is set forth in the report of Special Agent [] of the New York Office dated March 25, 1946, in the above entitled case, which report was mailed yesterday from New York City.

DIRECTOR'S NOTATION: "See that we contact Chambers promptly. H."

JCS:EW:eod

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76 APR 3 1946

70 APR 5 1946

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DATE 5/23/83 BY SP5/pt

#75-1101 304 PWT/lmw 5/11/88

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OFFICE MEMORANDUM

UNITED STATES GOVERNMENT

TO: MR. EDW. A. TAMM

DATE: 3/29/46

FROM: Mr. D. M. Ladd

Call: 5:10 P.M.

SUBJECT: ALTO CASE

SAC Conroy of New York called at this time and advised a review of the logs of conversations between Betty Lewis and Mr. Rushmore disclosed that Betty Lewis has referred to a connection with the Weekly. One conversation on February 5th, 1946, while Betty Lewis and Rushmore were discussing the possibilities of getting a story, she told Rushmore she was getting a bit wary of Schoenstein, the New York Journal-American City Editor, and thought she would go to the Weekly and her friend "Bill". Mr. Conroy stated that the Editor of the New Leader is William Bohn.

In a conversation between Betty Lewis and Rushmore on January 31, 1946, they discussed the New Leader and during the course of that conversation, Betty Lewis was somewhat wary of the New Leader and she thought it might be more anti-Stalin than anti-Communist. However, during the conversation Rushmore stated that he liked some of the things it prints and that he believed it was a Right-Wing Socialist outfit. He made the statement "I know a lot of people there."

Mr. Conroy advised there were other conversations about the New Leader.

He said there were thousands of leads in this Alto Case and Kerley only had four. Of those four leads which he had, they included two which definitely had to do with Jackson and with Lydia Altschuler (phonetic). Kerley could have handled hundreds of others which never would have touched them. Therefore, he was in a position to know this information shortly before he left he reviewed the running memorandum on that such as any Agent would do when assigned to a case of this type and discussed it with Agent [redacted] (phonetic) to whom the case was assigned.

Mr. Conroy advised he would forward more detailed information in a teletype to the Bureau.

DML:dmg

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DATE 5/30/03 BY 60220 BSE/CN/RS

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58-1548-99
F B I
76 APR 3 1946

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70 APR 5 1946

MR. LADD: A. TELL

3/23/46

Mr. D. M. Ladd

Call: 9:55 A.M.

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DATE 5/30/03 BY 60290BC/EAL/TMS

At this time, SAC Conroy of New York called and stated that another case appeared in the newspapers, possibly from Kerley. A little after 9:00 A.M. this morning Agent Alfred B. Kovak received a call from Nelson Frank, Staff Writer of the New York World Telegram, who advised he had just received a press release from the New Leader, a weekly anti-Communist labor publication. The release was dated March 26, and was marked for immediate release. He said it began, "A special squad of FBI Agents under the code name Alto Operation has learned that the Russian Secret Police has given its international agents in Mexico City orders to eliminate Frank Jackson, jailed murderer of Trotsky, at all costs." It was revealed in the New Leader of March 30th. Then Mr. Frank said he was unable to read the remainder of the release because he had to catch a train.

Mr. Conroy stated he had a copy and it starts with the headline "Will the NKVD Assassinate Trotsky's Killer?" The part which is of interest to the Bureau is as following:

SECRET 58-1348-100
F B I
APR 1946
"Mexican Secret Police intercepted a number of letters from the United States sent to high-ranking local Communists and two suspected NKVD agents. The FBI was informed and G-men were sent to Mexico City to investigate. They later reported to Washington and the FBI set up a special squad with the code name 'Alto Operation' to track down the agents in the network. After several months of intense investigation which included shadowing NKVD agents and members of the American Communist Party, the FBI learned that the NKVD ring was under direct instructions from Moscow to eliminate Jackson at any cost. The FBI intercepted letters sent to the Mexican NKVD agents from heads of the ring in New York. All of the letters giving instructions or plans to kill Jackson were in secret ink and were deciphered in the FBI's Washington laboratory. This ring is still in existence. It is headed by an American Communist, who lives on Perry Street in Greenwich Village. Although a high-ranking Stalinist, this woman has never been mentioned in the Party press or various Communist fronts. Other American members of the assassination network are obscure but relatively important in Party circles. As in the case of Stalin's agents sent here to obtain atomic information, no arrests have been made because of the supine State Department policy

DIRECTOR'S NOTATION: "This is most disturbing as it is another serious leak and 'Alto' is our own code word. I doubt it came from Kerley. Conroy should be told to get to bottom of it at once & not merely assume Kerley is the man. H."

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Pennington
Mr. Quinn Tamm
Mr. Nease
Miss Gandy

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Memorandum for Mr. Edw. A. Tamm

"of avoiding action which might offend Moscow. While dozens of FDI men assigned to the 'Alto Operation' squad continue to shadow members of this ring, the plotting goes on. Jackson is known to have sung loudly and long about his NKVD connections and named those responsible for Trotsky's assassination. In Stalin's politics this is virtually a death sentence and should the Mexican Police, who are keeping Jackson virtually in protective custody, relax their vigilance, the NKVD will accomplish its purpose."

The above information, read to me by Mr. Conroy, was printed in the New Leader. Mr. Conroy said this article has not yet appeared in the Journal-American, but if the World-Telegram has it, we can be sure the Journal-American would have it too. I requested SAC Conroy to advise the Bureau if this article appears up there.

DLL:cmg

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Gandy _____

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

FROM : J. C. STRICKLAND

SUBJECT: LARRY E. KERLEY;
BRIBERY

DATE: April 1, 1946

11:00 AM

Mr. Tolson	✓
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

SAC Conroy called from New York and advised that the following information may be of some significance in connection with the article in the New Leader. Mr. Conroy stated they have an Agent in the New York Office named Russell S. Garner who handles general Communist Party matters and who has advised he knows Rushmore rather well, having contacted him a number of times. Garner advised Mr. Conroy today that Rushmore had told him sometime last fall, as well as before that time, that he had been writing a weekly column and miscellaneous articles in the New Leader and that these columns did not appear under his name since he did not wish to reveal his identity to any Communist who might read that publication. Garner does not know if Rushmore is still writing for the New Leader.

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DATE 5/30/03 BY 60302 BCT/PA/TMS

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70 APR 5 1946

DATE 06-23-2010

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

FROM : J. C. STRICKLAND

SUBJECT: LARRY E. KELLEY;
BRIBERY

DATE: April 2, 1946

Mr. Tolson _____

Mr. E. A. Tamm _____

Mr. Clegg _____

Mr. Coffey _____

Mr. Glavin _____

Mr. Ladd _____

Mr. Nichols _____

Mr. Rosen _____

Mr. Tracy _____

Mr. Carson _____

Mr. Egan _____

Mr. Gurnea _____

Mr. Hendon _____

Mr. Pennington _____

Mr. Quinn Tamm _____

Tele. Room _____

Mr. Nease _____

Miss Beahm _____

Miss Gandy _____

While calling on another matter, SAC Conroy advised that there are 18 articles published in the New Leader and two of them appear without signature. They both appear on and occupy the entire fifth page. The one which concerns the Alto Case is entitled "Communist Plan Maritime Federation as Peace Weapon." Mr. Conroy stated that about half way through the article there is a statement as follows: "However, Meyers (Blackie Meyers) was forced to back-track and hurriedly enough after both the Journal American and the World Telegram exposed their inter-union squabble that he would not run for re-election." About 2/3 of the way down the article it says: "With such a program, the Red-baiters, the mouthpieces of the Fascists, such as Woltmans (phonetic) and Rushmores, who distort the truth in their desire to favor the monopolies and our enemies, will never weaken our union. These and other statements made by Curran and Frederick Woltman of the World Telegram and Howard Rushmore of the Journal American expose the inter-union feud are not the remarks of an anti-Stalinist."

Mr. Conroy stated they will have a report out today. Mr. Conroy commented that the absence of any comment on concerning these articles (U) may be significant.

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5/30/03

JCS:EOD

58-1548-102

70 APR 5 1946

RECORDED

DATE 06-23-2010

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. E. A. TAMM

FROM : D. M. LADD

SUBJECT: LARRY E. KERLEY;
BRIBERY

DATE: April 3, 1946

9:10 AM

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WHERE SHOWN OTHERWISE~~

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Coffey _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Beahm _____
Miss Gandy _____

SAC Conroy called from New York and advised that the captioned matter is not as highly confidential within the office as it had been due to the questioning of Agents, etc. Mr. Conroy also advised that Agent [] will in the future be assigned exclusively to the case. About the only thing left to do is cover the leads, which they have typed up on cards. They are going to submit these to the Bureau before they are covered inasmuch as it is questionable that some of them should be covered.

Mr. Conroy also stated that Agent George Strain had talked to him yesterday. Strain had been contemplating resigning before this matter came up but he thought he should hold it up awhile as this might be an indication of the reason for his resignation. Mr. Conroy stated he was given an excellent on his efficiency report, with an addendum that it would be tempered with any criticism he might receive in connection with an investigation of a former employee. Mr. Conroy stated he believes Strain is innocent and he told him to go ahead and submit his resignation if he desired.

Mr. Conroy stated in connection with [] this case has been segregated but he is giving instructions that it be handled by the regular SUTEC men in the future. This will save the services of three or four men.

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5/30/03

DML:EOD

70 APR

58-1548-103

IF EB

7 APR 4 1946

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NY 67-13301

DETAILS:

This is a joint report of Special Agents [redacted]
[redacted] and the writer at New York.

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b7C

RE: ELIZABETH B. LEWIS

CONFIDENTIAL INFORMANT [redacted]

b2

During the period of this report the information being set out below was furnished the New York Office by Confidential Informant [redacted] who reports information concerning part of the activities of BETTY LEWIS at her home, 22 East 73rd Street, New York, New York.

MARCH 20, 1946

At 10:25 A.M. RUSHMORE conferred with BETTY LEWIS at which time the Informant advised that RUSHMORE at that time was in the office of LARRY E. KERLEY at 5 East 57th Street, New York, New York. RUSHMORE told BETTY he thought they should hold "a council of war" before that night's meeting and she agreed that there were several things she wanted to tell him.

RUSHMORE was undoubtedly referring to the meeting they were contemplating having with Senator BRIDGES at the LEWIS home. RUSHMORE said he was with KERLEY and that they were going downtown together. BETTY told him that she was having lunch at the Ritz-Carlton on the instant date and declared "I hope all the FBI boys listening in take note". She laughed and said she thought the latter (referring to the FBI) were slipping, and stated that the previous night about 7:00 P.M. she and JIM (JAMES C. LEWIS) left the house and noticed a meat and fish truck parked directly in front of their door. She said that inside were sitting two well-dressed men, wearing snap-brim hats. She said she purposely walked by the truck and she noticed the two men slump down in the seat. BETTY said she thought this was very poor technique inasmuch as she had seen the truck in the picture "THE HOUSE ON 92ND STREET" and that the FBI should not use that technique again inasmuch as everyone knows about it. RUSHMORE said "They know everything they want to know anyway", and BETTY said "I told LARRY to call them and tell them we would be glad to tell them anything they wanted to know, but they didn't want it that way, so that's all there is to it."

NY 67-13301

RUSHMORE promised to get in touch with her after 2:00 P.M. to arrange the meeting. He said he was expecting a wire from Washington, (presumably from Senator BRIDGES) as to when he, (BRIDGES) would be up on the instant date.

It should be stated that no attempt had been made by Agents working on this case to conduct any surveillance of Mrs. LEWIS' house or of Mrs. LEWIS herself or of any other individual connected with this case. It will be recalled that previously RUSHMORE told LEWIS to watch out for "the boys" when she left her home.

At 2:50 P.M. Mrs. LEWIS conferred with her husband JAMES LEWIS and after some personal conversation which is of no interest to this case, Mrs. LEWIS said that she had just come into the house and that outside the house she had noticed the same truck she had seen the previous night only this time it was disguised as a dry cleaning truck and it had different license plates. Mr. LEWIS thought it might just be a coincidence because he was home early and didn't notice it. BETTY agreed with him.

Again it is stated that no Agents of the New York Office were conducting a surveillance in connection with this case.

At 3:00 P.M. RUSHMORE told BETTY that he had just received a wire from Senator BRIDGES and that the latter was arriving in New York at 4:05 P.M. RUSHMORE said he was going to meet BRIDGES and would find out his plans and arrange the 9:00 O'clock meeting on the instant night at her place. RUSHMORE said he hoped to come to the LEWIS home by 7:30 so that they could go over the material beforehand. RUSHMORE said FRANCES (Mrs. RUSHMORE) had accepted BETTY's invitation and was coming with him to be in on the meeting. BETTY said it would be better if she did not come. RUSHMORE said he had told KERLEY the day before that BETTY had invited FRANCES, however BETTY said that KERLEY had told her the previous night that he would rather FRANCES not come inasmuch as he (KERLEY) doesn't even speak of the matter in his own home". BETTY said later on that it would be all right but that at the present moment he (LARRY) "doesn't want the matter discussed with anyone else right now". BETTY then said "the things that have come up have unnerved him (probably referring to Agents' request of KERLEY that he come to the New York Office to talk with Mr. Conroy about some unauthorized disclosures of confidential information). This is the kind of a chap that if anything happens that throws him off key it's just _____ (indistinct word). I would rather not burden him with that. I would rather go ahead as he wishes now".

NY 67-13301

BETTY said it was a question of his being at ease. She said "It takes him a month or so to go ahead and get used to someone if ever, and if he is to say something that will make sense he must feel comfortable". She added "You know they will always have to the end of their life, that feeling of secretiveness and you can't get it out of them".

BETTY told RUSHMORE that it wouldn't be the only time BRIDGES would be around and the next time it would be all right.

According to the Informant RUSHMORE was very irritated over the fact that KERLEY did not want FRANCES to be at the meeting inasmuch as he told BETTY that he trusted her implicitly and told her everything. BETTY told him that it wasn't a matter of trust and that she would explain it all to FRANCES later. RUSHMORE said he wanted KERLEY himself to explain to FRANCES.

At 8:45 P.M. RUSHMORE conferred with Mrs. LEWIS at which time he said "I just wanted to check our signals as to whether we should hide any names." He added that PAUL (PAUL SCHOENSTEIN, Editor of the NEW YORK JOURNAL-AMERICAN) thought it was best to hide the other (probably referring to LARRY KERLEY). BETTY then said "No, you got to him through us". RUSHMORE said the only way to play it was to "put the cards on the table" and BETTY agreed with him. RUSHMORE said that BRIDGES was very much interested and that he might bring WHERRY along. He indicated he would be up at 9:00 P.M.

It is pointed out that the above conversation was probably concerned with whether RUSHMORE and LEWIS should reveal to BRIDGES the actual identity of LARRY KERLEY.

MARCH 21, 1946

At 11:00 A.M. on the instant date, RUSHMORE communicated with BETTY LEWIS at which time they both offered their opinions of Senator BRIDGES and the other Senator. RUSHMORE stated he was very much impressed with BRIDGES, although not much impressed by the "other guy" from Iowa, although he thought the latter was a "very solid guy".

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BETTY agreed with him and then RUSHMORE stated that "idea of a speech is definitely very interesting". BETTY said "We'll have to get together and do that". RUSHMORE agreed with this and BETTY said "I have already a lot of material together and you know there is another angle I was thinking about on seeing them - selling this UNRRA wheat, you see - and of course, it's being sold from Russia to France simply and purely to strengthen THOREZ you see. Now, after France is strengthened with THOREZ and they should overthrow the present Government, we have to look ahead anyway; our Senate has to look ahead and then - France goes hostile to us. Would we have to repeat the same mistake? Would we have to repeat the same kind of landings when it becomes too dangerous for us - on our own wheat. You see, the idea is this, the whole appeasing becomes worse and worse instead of getting better and better".

RUSHMORE stated "On the way down, he (BRIDGES) mentioned about the possibility - (RUSHMORE changed his manner of expression) he wants to ease the situation a little today when he gets back, but on the resolution before the whole Senate for a special committee, that of course will have to determine on the build-up and how much support he is sure he can get; but the resolution will itself contain elements of what we were talking about last night - to get a favorable public reaction for a demand for such a committee. He wants us to write it up if he thinks the situation is precipitous and something can be done with it. That sounds like a darned good idea to me".

BETTY then stated "The first thing he said which was very important - this thing which he has authoritatively - that is happening in Europe. Did you have that?" RUSHMORE said that he had, and BETTY asked him when it was coming out. RUSHMORE said "As soon as I get a call back from Washington - probably tomorrow". If I can get him today he wants to check some facts and then we can get together and shape it up and I can write it this afternoon."

BETTY said that it was terribly important and that she wanted RUSHMORE to explain it to PAUL (SCHOENSTEIN). RUSHMORE indicated that he had already explained it to SCHOENSTEIN and that the latter thought it was a perfect story. BETTY said she thought it should be given headlines twice the size of the normal headlines in order to encourage them for the next story. She said she was very glad, that she had got it from Senator BRIDGES and not from anybody else "because you know this business".

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RUSHMORE indicated he would "string along with BRIDGES" and would not hesitate if he told him not to mention his name. BETTY said she was glad she had suggested it on the basis that they were trying to help him (BRIDGES) and to the general public. RUSHMORE said he told BRIDGES to write them (BETTY and RUSHMORE) a letter outlining the things he wanted done, that is, in this particular speech, and that it would be well for them (BETTY and RUSHMORE) to have this. BETTY asked him if he were referring to the Foreign Relations speech and RUSHMORE said that he was. BETTY said "I know what he wants, I gave it to him 15 minutes before and he put it in another shape and gave it right back to us. He wants the complete development from Munich into this - into a second Munich. I think that we can do that better than he can". They both agreed that it should be not too chronological as it would be too dull. BETTY then said "Not only do we have Munich right now, but we have beaches of Normandy right now with the damn (indistinct word)". RUSHMORE said that BRIDGES wanted to hit it "Moscow-Munich" now and then work backwards.

BETTY then asked RUSHMORE about one WALTER BERNSTEIN (phonetic) who had written her a letter inviting her to a cocktail party at the Hotel Commodore where some important individuals, including some Congressmen were to talk on Churchill's speech and the present international situation. RUSHMORE said that he thought she should go and tell him what went on because he would be busy on the day of the party. They agreed they would get together the early part of the following week in order to begin work on the speech. BETTY said, and RUSHMORE agreed, that not only would they write his speeches for him but they would also manage his campaign for him.

It is pointed out that the above conversation took place on the morning following the evening which Senator BRIDGES and Senator HICKENLOOPER met RUSHMORE, KERLEY and BETTY LEWIS at the LEWIS home. It is possible that the above conversation indicates that RUSHMORE and LEWIS had been given information concerning Soviet policy in France, that is, a possible military coup d'etat, by Soviet forces in France.

It will be noted above that BETTY mentioned a repeat of the landings in Normandy. It is also possible that RUSHMORE and BETTY are merely mentioning the possible necessity for such future landing in view of the fact that Russia is giving France wheat in an attempt to make France a Soviet ally.

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MARCH 22, 1946

On this date at 9:20 P.M. KERLEY contacted Mrs. LEWIS. Information will be given later under the section of this report devoted to the activities of KERLEY.

MARCH 23, 1946

On this date at 11:18 A.M. Mrs. LEWIS was contacted by KERLEY concerning a date between them to go riding that afternoon. They had arranged to go in KERLEY's car and he stated he would contact her at 2:00 P.M. that day.

At 12:42 P.M. on this same date, Mrs. LEWIS' husband contacted KERLEY and cancelled the appointment to go riding that afternoon in view of the fact that some people had come to the LEWIS home, however, Mrs. LEWIS had a long discussion with KERLEY concerning places in Westchester County the latter should go to look for a home, suggesting White Plains and Armonk, New York. KERLEY promised to call LEWIS back that evening.

MARCH 24, 1946

There was nothing on this date of interest to instant investigation reported by the Informant.

MARCH 25, 1946

At 11:03 A.M. RUSHMORE contacted BETTY LEWIS at her home at which time they discussed Monsignor FULTON SHEEN's statement concerning the Russian Agent who had been discovered in a Congressional Committee in Washington, D. C. and had been arrested. RUSHMORE stated that he would like to have some more information on this Soviet Agent and that the JOURNAL-AMERICAN had contacted Monsignor SHEEN but that they were unable to get any further information from him. RUSHMORE stated he never liked SHEEN and believed him to be a "publicity hound", however, BETTY thought that SHEEN was wonderful and she stated she had read that SHEEN had made a statement that his story would be denied, to which BETTY stated "It was. The FBI did not confirm or deny it --, the usual thing".

Thereafter, RUSHMORE discussed the fact that Senator BRIDGES' story was buried in the Sunday JOURNAL in the back of the paper and did not get much of a play.

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He further stated he had a telephone call in for Senator BRIDGES that day and that he was going to check to see if the Senator was coming up to New York City that week. RUSHMORE stated he had talked to BRIDGES and BRIDGES had told him that if he did come up that week he would like to get together again with everybody. BETTY suggested that RUSHMORE tell BRIDGES she and her husband had been working on some things for them and that they were very busy. She further suggested that it was possible they could have dinner and a quiet time at her home and at this time they would include FRANCES RUSHMORE, RUSHMORE's wife. She went on to say she thought she and RUSHMORE should get together first and make the thing up. RUSHMORE promised he would advise her as soon as he got a call through to Senator BRIDGES.

MARCH 26, 1946

On this date at 11:15 A.M. Mrs. LEWIS contacted a Miss STEVENSON of the National Democratic Committee at the Hotel Biltmore. BETTY wanted tickets to the UNO meeting for some future date. Miss STEVENSON stated she would investigate and call BETTY back.

MARCH 27, 1946

At 9:42 A.M. HOWARD RUSHMORE contacted Mrs. LEWIS at which time they discussed the arrest in Portland, Oregon, of a Naval officer of the Russian Navy, NICOLAI REDIN. At this time BETTY stated that the "boys" had come through with the goods wonderfully. RUSHMORE commented that he wondered how "they" got out of that "State Department ruling", and went on to say he would like to give the FBI a pat on the back and point out that for a couple of years under the State Department's ruling, which "I understand is in the thing that Hoover sent out - which they are not supposed to investigate - I think it would be a good thing to show". To which BETTY replied "Wonderful idea - and a big photostat. It would be a complete statement that the FBI is always on the job and that it was all the State Department". RUSHMORE then stated he had called up a "fellow I know" about that and that the fellow didn't like the idea. (This fellow referred to is KERLEY). RUSHMORE further stated the "fellow" stated that it put the Bureau on the spot a little bit. BETTY then asked him didn't he "have that from anybody else?" RUSHMORE said "I didn't". BETTY then asked if "that isn't a mimeographed sheet?" RUSHMORE then didn't, evidently, believe she knew what he was talking about and stated "I think you have seen it too - that Hoover sent out", and stated he thought it would be a good time to point out, under what difficulties the FBI was laboring.

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BETTY stated that KERLEY probably had reasons for stating he didn't want it quoted. RUSHMORE stated that KERLEY did have reasons but that he, RUSHMORE, hadn't intended to make any direct quotes. BETTY then asked him if he didn't know this himself and couldn't he write about it from his own information. RUSHMORE stated he couldn't write this because he didn't have any independent information. He then stated he had a telephone call in for Senator BRIDGES and as soon as he heard from the latter he would immediately contact her.

At 11:25 A.M. on this date, BETTY LEWIS was contacted by her husband. During the course of this conversation, JIM told her that KERLEY had been at his office that morning and that KERLEY was going home to get his car at noon, because KERLEY had to go somewhere that afternoon.

At 5:15 P.M. Mrs. LEWIS contacted JIM LEWIS at his office at which time she told him she had been listening to the United Nations Organization Meeting on the radio and then excitedly stated that GROMYKO had "just walked out". He stated he would rush right home and listen to the rest of the proceedings and mentioned that he and "LARRY" were working on something at the office.

MARCH 28, 1946

Nothing of importance was developed by the Informant on this date.

MARCH 29, 1946

Nothing of interest was reported by the Informant on this date.

MARCH 30, 1946

Nothing of interest was reported by the Informant on this date.

MARCH 31, 1946

Nothing of interest was reported by the Informant on this date.

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GENERAL INFORMATION

As will be noted in reference report, a friend of BETTY LEWIS' is named [REDACTED] It was concerning [REDACTED] that Mrs. LEWIS contacted Special Agent Emory Gregg recently for the purpose of giving him some information concerning so-called Communist investigations regarding her, Mrs. LEWIS.

It has been ascertained that [REDACTED]

[REDACTED] in New York City.

This information was obtained from the NEW YORK HERALD-TRIBUNE on March 26, 1946 wherein an article states that [REDACTED]

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HOWARD RUSHMORE

On March 21, 1946 there appeared in the JOURNAL-AMERICAN a story under the byline of HOWARD RUSHMORE. This article concerned a National Committee of Communist ex-Servicemen who were seeking to force the War Department to rescind the ruling barring "Reds" from holding Army Commissions. The article named one of the leaders of this movement as JOHN GATES, also known as ISRAEL RAGENSTRICH. The article mentioned that an intimate friend of GATES has been "linked by the FBI to the Russian Spy Ring which in 1943-1944 obtained invaluable secrets of atomic development". This probably refers to STEVE NELSON. The article further stated that this friend of GATES attempted to steal atomic information in California two years ago and has been under constant surveillance by the FBI. The article further stated that this individual's name is known to the NEW YORK JOURNAL-AMERICAN.

Another article in the JOURNAL-AMERICAN on March 26th, under the byline of HOWARD RUSHMORE concerning a link between U. S. Communists and a Canadian suspect stated ARTHUR ADAMS was head of the "Moscow" espionage group.

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RE: LARRY ERNEST KERLEY

CONFIDENTIAL INFORMANT [redacted]

During the period of this report the information being set out below was furnished the New York Office by Confidential Informant [redacted] who reports information concerning part of the activities of LARRY KERLEY at his home.

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MARCH 20, 1946

Nothing of interest to report on this date.

MARCH 21, 1946

At 10:40 A.M. Mrs. KERLEY contacted a woman named [redacted]. The purpose of this contact was to awaken [redacted] as had previously been arranged between them.

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It should be noted that [redacted] is probably [redacted] wife of former Special Agent [redacted] previously mentioned in these reports.

MARCH 22, 1946

At 9:10 A.M. HOWARD RUSHORE contacted LARRY KERLEY at which time they agreed that RUSHORE would drop by KERLEY's home at 9:45 A.M. and they would ride to work together.

At 9:20 P.M. KERLEY contacted Mrs. LEWIS at her home at which time they discussed places where KERLEY could probably rent a place to live. KERLEY advised her he was thinking about a place to live but he was not very definite as to a time, but thought as soon as he got over his Bar examination he didn't believe he would stay in New York City. They made arrangements to drive out to Westchester County the following day to look at several places.

MARCH 23, 1946

At 12:42 P.M. KERLEY was contacted by JIM LEWIS. It was during this contact that the date to go riding in Westchester County was cancelled.

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MARCH 24, 1946

Nothing of interest was reported on this date.

MARCH 25, 1946

Nothing of interest was reported on this date.

MARCH 26, 1946

Nothing of interest was reported on this date.

MARCH 27, 1946

At 9:05 A.M. HOWARD RUSHMORE contacted LARRY KERLEY at which time they discussed the news release on the Russian Agent who was picked up on the West Coast. They both agreed they had never heard of the alleged Russian Agent whose name was REDIN. RUSHMORE stated he and PAUL SCHOENSTEIN were talking and that he, RUSHMORE, had showed SCHOENSTEIN "that thing I have down here at the office" and he wanted to quote from it in regard to the RUSSIAN PURCHASING COMMISSION and SCHEVCHENKO. KERLEY did not think it was wise to quote from it as it might implicate him. RUSHMORE then stated he would cover it up in such a way that there would be no kickback and that he wouldn't use a direct quote.

RUSHMORE then argued with KERLEY to the effect that such an article as he proposed would not hurt the Bureau, but KERLEY was of the opinion that it might embarrass the Bureau. RUSHMORE requested that KERLEY think the matter over a little bit more and call him later at his office.

MARCH 28, 1946

Nothing of interest was reported on this date.

MARCH 29, 1946

Nothing of interest was reported on this date.

MARCH 30, 1946

Nothing of interest was reported on this date.

MARCH 31, 1946

Nothing of interest was reported on this date.

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RE: LARRY ERNEST KERLEY

CONFIDENTIAL INFORMANT [REDACTED]

During the period of this report the information being set out below was furnished the New York Office by Confidential Informant [REDACTED] who reports information concerning part of the activities of LARRY E. KERLEY at his business office located at 5 East 57th Street.

MARCH 20, 1946

At 10:25 A.M. as was reported by Confidential Informant [REDACTED] RUSHMORE contacted BETTY LEWIS. RUSHMORE was in KERLEY's office at this time.

At 4:45 P.M. This informant corroborated the information supplied by [REDACTED] set out above.

MARCH 21, 1946

Nothing of interest was reported by the Informant on this date.

MARCH 22, 1946

Nothing of interest was reported by the Informant on this date.

MARCH 23, 1946

At 11:18 A.M. Confidential Informant [REDACTED] corroborated the information supplied by Confidential Informant [REDACTED] as set out in the foregoing.

MARCH 24, 1946

Nothing of interest was reported by the Informant on this date.

MARCH 25, 1946

Nothing of interest was reported by the Informant on this date.

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MARCH 26, 1946

Nothing of interest was reported by the Informant on this date.

MARCH 27, 1946

At 10:58 A.M. HOWARD RUSHMORE contacted KERLEY and tried to make an appointment with him, however, KERLEY stated he had a previous appointment.

At 11:17 A.M. LARRY KERLEY contacted HOWARD RUSHMORE, at which time RUSHMORE advised KERLEY that he had written an article which he intended to publish in the JOURNAL-AMERICAN and said he would read it to KERLEY. RUSHMORE explained it would be under a Washington dateline dated March 27, and that there would be no source or author given. The article was to read:

"Thousands of Russians, cloaked with diplomatic immunity as members of Russian Purchasing Commissions, were carefully protected by State Department order in effect throughout the war, it was learned today. Such agents as NICHOLAI REBIN arrested by FBI in Portland, and SCHNEVCHENKO who attempted to steal jet propulsion secrets, could not be investigated by FBI under strict State Department orders, although J. Edgar Hoover and other FBI counterespionage heads virtually begged the State Department during the war years to proceed with probes of the spy-ridden Russian missions. The Department again and again turned down their requests. It was learned that Hoover was finally ordered to notify all FBI personnel in a confidential directive not to investigate members of the American-Russian Trading Corporation - - that was Amtorg - - unless Washington FBI headquarters cleared the probe. Even though G-men had information that led them to believe that these Russians were acting as espionage agents, the FBI were not allowed to place the subjects under surveillance. It was also learned from official circles (in an aside to KERLEY, RUSHMORE stated "that's in Washington") that Hoover strongly disapproved the State Department ruling and with a touch of irony informed his Agents in a Directive that such subjects were immune under diplomatic regulations, and so on".

RUSHMORE, after finishing reading this article asked KERLEY what he thought of it and if it "cloaked" it enough. KERLEY didn't think so, especially the last part.

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KERLEY believed it might hurt the Bureau a great deal and stated that the Bureau couldn't make a move or do anything without the State Department and that BYRNES and his outfit were now making a stab at it. If they now read this sort of thing they could also come back and say "What's going on here?", that the State Department couldn't even give out any instructions without the press bringing it out. KERLEY was also of the opinion that it would hurt the Bureau because in future relations, the other agencies would be afraid to deal with the Bureau and it might be even that the Bureau would lose a lot of its jurisdiction on this sort of thing and give it to "that other bunch of fly-by-night investigators they have got in the State Department".

RUSHMORE was of the opinion that the relations were probably such at the present time this wouldn't do much more harm. KERLEY stated that this article got to specific facts on the thing. RUSHMORE commented that it was his opinion that the Washington dateline cloaked the source very well. KERLEY believed it did but stated he didn't care what he did or who knew about it, even the Bureau, but he believed it would do the Bureau some harm and it might close up some of their Washington contacts and channels. He stated that this was what he meant when he talked about not wanting to make any reference to any Directives.

RUSHMORE then stated that the Bureau had nothing to do with the Directive and that a lot of Agents who have resigned have these Directives. KERLEY stated that the point was, not who had them, but what effect it might have against the future operations of the Bureau, and did not believe the Bureau would appreciate seeing this printed. He then stated that he believed "the other part" was a boon to the Bureau (this probably refers to the original articles on ARTHUR ADAMS and SCHEVCHENKO, written by RUSHMORE. RUSHMORE stated he disagreed with KERLEY but would not want to use this article without KERLEY's sanction. KERLEY said he believed it would hurt the Bureau, whereupon RUSHMORE stated he didn't want to do that either but believed it wouldn't hurt, and believed that the relations between the FBI and the State Department were so strained already that this was just one more item. KERLEY stated that the fact they had picked up a Russian Agent on the Coast in Portland showed they must have had some permission from someone to arrest him "or they would not have done it", therefore it appears there was a complete turnabout in policy and that if an article like the one proposed by RUSHMORE came out, it might throw a monkey-wrench in the whole thing and put the State Department in a position of being able to say that nothing was sacred or confidential any more and they couldn't depend on the Bureau to carry out counter-espionage work.

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RUSHMORE finally agreed they would let it ride a little while. KERLEY was of the opinion that RUSHMORE would probably write a very good story without using any of the quotes that "are in there". RUSHMORE further told KERLEY he had gotten a 'phone call a short time before the contact, which told him that STEINBERG had been arrested that morning. KERLEY wanted to know who STEINBERG was and RUSHMORE explained he was the Washington Professor who had been mixed up with ROSE the Canadian member of Parliament, arrested on espionage charges.

RUSHMORE said his Informant had told him STEINBERG had been picked up by the FBI, but he didn't know if it were reliable information.

It is believed from the content of the above discussion that the Directive mentioned as being released from the Bureau, to all Agents, probably refers to Bureau Bulletin 22, 1944 Series, dated April 5, 1944 (paragraph B). This Bulletin is a Directive from the Bureau advising all personnel not to conduct any investigations of Soviet Purchasing Commissions without clearance from the Bureau so that the Bureau can take it up with the State Department.

It would also appear from the discussion, this Bureau Bulletin is in the possession of the JOURNAL-AMERICAN.

MARCH 28, 1946.

Nothing of interest was reported by the Informant on this date.

MARCH 29, 1946

Nothing of interest was reported on this date.

MARCH 30, 1946

Nothing of interest was reported on this date.

MARCH 31, 1946

Nothing of interest was reported on this date.

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MAIL COVER

<u>Sender</u>	<u>Date & Place of Postmark</u>	<u>Addressee</u>
Mrs. JAMES E. HEALEY c/o Hotel Niagara Niagara Falls, New York	Niagara Falls, 3/19/46 7:30 P.M.	Miss HATTIE L. RIVERS c/o Mrs. LARRY E. KERLEY 35-30 - 51st Street Jackson Heights, N.Y.
409-48th Street East Savannah, Georgia	Savannah, Ga., 3/22/46 7:00 P.M.	Mrs. LARRY E. KERLEY
RAILWAY EXPRESS AGENCY Treasury Department 671 South Wells St. Chicago, Illinois	New York City, 3/25/46	LARRY E. KERLEY
4522-44th Street, N.W. Washington, D.C.	Washington, D.C. 3/29/46 10:00 A.M.	Mrs. L. E. KERLEY

* * * * *

"NEW LEADER"

On March 29, 1946, NELSON FRANK, a staff writer for the NEW YORK WORLD-TELEGRAM newspaper, telephonically contacted Special Agent Alfred E. Novak of the New York Office and advised him that he had read something in the NEW LEADER, a weekly, anti-Communist Labor publication, which the FBI might be interested in. According to FRANK, he had received a release from the NEW LEADER, dated March 26, and marked "for immediate release". FRANK then read the release to Special Agent Novak which was identical with an article appearing in the March 30, 1946 edition of the NEW LEADER, which was on the newsstands in New York City on March 29, 1946.

Agent Novak asked FRANK if he were going to publish the article and FRANK stated that "I don't think that we will publish it, but I don't know what HOWARD would do" (referring to HOWARD RUSSETORE).

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On page 5 of the instant issue of the NEW LEADER there was an article entitled "WILL THE NKVD ASSASSINATE TROTSKY'S KILLER?". The article is being set out verbatim as follows:

"Since the assassination of Leon Trotsky in Mexico City in 1940, agents of the Communist International, both in Mexico and in the USA, have been plotting the liquidation of the man who murdered him--Frank Jackson.

"Jackson, it will be remembered, was the NKVD man who wormed his way into Trotsky's Mexican exile and after eight months of careful planning, killed the arch-enemy of Stalin with an Alpine axe. He was tried and sentenced to a long prison term. Sylvia Ageloff, Department of Welfare employe in New York who introduced Jackson to Trotsky, accused him in court of having made love to her in order to further the assassination plot.

"To persons not familiar with the ways of the NKVD, Jackson's conduct during the trial was incredible. At the time he begged Col. Sanchez Salazar, chief of the Mexican secret police, for a gun so he could kill himself. He wailed that the former leader of the Russian revolution had made advances to Miss Ageloff, and gave other weird excuses, none of which tallied with the facts. His use of forged Canadian papers and of the name Jackson--his real name, according to Mexican police, is Jacques van den Dreschd--was never explained. But Jackson, with his NKVD training, knew that he had bungled the job--he had not made his escape. Back in Moscow, the comrades also knew that he might 'sing'.

"Therefore, a few months after Jackson was sentenced, the NKVD set up a special 'ring' which had as its purpose the liquidation of Jackson. Mexican police were approached with offers of bribes by mysterious strangers, some of them American.

"At first they professed to be friends of Jackson who wanted to be 'alone with him for a few minutes'. Police, who had been tipped off that the NKVD was after their prisoner, refused to let them enter the cell. The callers became more persistent. One of them talked to the warden of the prison where Jackson is being held and displayed a package containing \$25,000.

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"It's yours," he told the warden, "if you'll let Jackson out of his cell for a few minutes to talk to me."

"The proposed 'talk' was to be outside the prison walls. The offer was repeated a number of times, but the bribes were refused.

* * * * *

"Mexican secret police intercepted a number of letters from the United States sent to highranking local Communists and two suspected NKVD agents. The FBI was informed and G-men were sent to Mexico City to investigate.

"They later reported to Washington, and the FBI set up a special squad with the code name 'Alto-operation' to track down the agents in the network. After several months of intense investigation which included shadowing NKVD agents and members of the American Communist Party, the FBI learned that the NKVD ring was under direct instructions from Moscow to eliminate Jackson at any cost.

"The FBI intercepted letters sent the Mexican NKVD agents from heads of the ring in New York. All of the letters, giving instructions on plans to kill Jackson, were in secret ink and were deciphered in the FBI's Washington laboratory.

"This ring is still in existence. It is headed by an American Communist who lives on Perry Street in Greenwich Village. Although a high-ranking Stalinist, this woman is never mentioned in the Party press or the various Communist fronts.

"Other American members of the assassination network are as obscure, but relatively important in Party circles. As in the case of Stalin's agents sent here to obtain atomic information, no arrests have been made because of the supine State Department policy of avoiding action that might offend Moscow.

"While dozens of FBI men assigned to the 'Alto-operation' squad continue to shadow members of the ring, the plotting goes on. Jackson is known to have 'sung' loudly and long about his NKVD connections and named those responsible for Trotsky's assassination. In Stalin's politics, this is virtually a death sentence, and should the Mexican police who are keeping Jackson virtually in protective custody relax their vigilance, the NKVD will accomplish its purpose."

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Without any doubt, the foregoing article refers to a case being investigated by the Bureau, New York being origin, which is entitled "ALTO". This is a code name for the title "LYDIA/ALTSCHULER, was.; ET AL - INTERNAL SECURITY (R), CENSORSHIP MATTERS", New York file 100-31551, Bureau file 65-43302.

The ALTO investigation is being conducted of a group of individuals exchanging secretly written and encoded messages between New York City, Mexico and South America. It is believed that this involves a communication and courier system employed by the Russian NKVD. Most of the secretly written messages have been deciphered and it appears the group of individuals involved in this investigation are attempting to free FRANK JACSON, with aliases, from his Mexican prison, where he is serving a 20-year sentence for the murder of LEON TROTSKY.

In connection with the investigation of the ALTO case, a number of leads have been covered in an effort to ascertain the activities of FRANK JACSON in connection therewith the activities of SYLVIA AGELOFF, also mentioned in the above article, who was JACSON's mistress.

The foregoing article is accurate enough to make the statement that it is concerned with the ALTO case, however, there are some statements made which are not at all backed by facts in the Bureau files, of the ALTO case. A few of the discrepancies are being set out below:

The episode of individuals calling on the warden at the prison and offering him \$25,000 contained in the package, if he would give them a short period of time with JACSON alone. It was indicated this offer was reported several times but the bribes were refused. As a matter of fact, the Bureau's confidential sources in Mexico City ascertained that a man described only as a "foreigner (nationality other than Mexican)" had approached one of the chauffeurs of the prison where JACSON was incarcerated and offered the chauffeur 30,000 pesos (about \$6,000 American money) to kill JACSON, while the latter was in the penitentiary. The chauffeur refused this offer but made a counter offer in stating he would kill JACSON for 100,000 pesos (approximately \$25,000 in American money). Apparently the counter offer was not accepted. Whoever gave this information to the NEW LEADER, or to the individual who wrote the article for the NEW LEADER, probably had the counter offer in mind.

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The article stated that the Mexican secret police intercepted a number of letters sent to high-ranking local Communists and two suspected NKVD Agents and that when the FBI was informed, "3-men were sent to Mexico City to investigate".

Of the 24 messages which had been intercepted in this case, 23 of them are known by the New York Office to have been intercepted by either the American Postal Censorship, or the British Imperial Censorship. One letter was mailed in Mexico to a Mexican address and was still made available to the FBI Laboratory for examination. The New York Office does not know from where this letter was obtained.

It will be noted that in the article JACSON's name was spelled FRANK JACKSON and that one of his aliases is spelled JACQUES VAN DEN DRESCHD, whereas it should be spelled VAN DEN DRESCHD or VAN DEN DRECHD.

A considerable amount of information concerning the background of FRANK JACKSON together with the details concerning a plot to kill JACKSON while in prison was set out in the report of Special Agent [redacted] dated September 5, 1944, in connection with the ALTO case. This report would be a logical report to which to refer in order to obtain a good background knowledge of JACKSON.

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The article stated that the ring of individuals who had been investigated by the FBI was still in existence and it was headed by an American Communist who lived on Ferry Street, in Greenwich Village. It indicated that she was a "high-ranking Stalinist", and had never been mentioned in the Party Press or the various Communist fronts. This undoubtedly refers to INDIA ALTSCHULER who resides at 97 Ferry Street, New York, New York and who, according to the investigation by the New York Office was very cautious about revealing her Communist connections.

The statement that ALTSCHULER was the head of the ring is without bases in the files of the New York Field Division. ALTSCHULER received three of the secret writing letters which were mailed from Buenos Aires, Argentina, to New York City and thus she occupied a position of a mail drop. There are other subjects in the ALTO case who occupy a position in the group much higher than that of the mail drop.

The article stated that while dozens of FBI men assigned to "ALTO-operations" continued to shadow members of the ring, the plotting goes on".

NY 67-13301

Numerous individuals had been surveilled in connection with the ALTO case, although at the time of this article not one individual is under a constant physical surveillance.

The article indicated that JACSON is known to have "sung" about his NKVD connections and named those responsible for TROTSKY's assassination. This is a false statement inasmuch as JACSON has never even admitted his identity or that he killed TROTSKY for any other reason than a personal one.

One of the main reasons it is believed that the NKVD has been trying to free JACSON from his prison is to dispose of him before he does announce his connections with the NKVD.

It might be stated that there are twenty-two subjects in the ALTO case and that during the investigation of the case which was commenced in the early Fall of 1943, thousands of undeveloped leads have been covered.

LARRY E. KERLEY, shortly prior to departure from New York on transfer, July 18, 1945, was assigned four leads in connection with the ALTO case. The leads KERLEY had assigned to him are as follows:

- (1) A lead to ascertain information concerning one [redacted] inasmuch as a woman believed to be [redacted] conferred with the latter and stated she was with [redacted] who wanted to contact "uncle - you know". [redacted] advised this person could be reached through JESUS ELIGIO on 4th Avenue. The name ELIGIO had also come up in the investigation of ERNESTINA FLEISCHMAN who was being investigated in connection with the ALTO CASE. ELIGIO's business address was 87-4th Avenue. b6
b7C
- (2) A lead to obtain information concerning one [redacted] an attorney in New York City, to determine if he were possibly identical with an unknown man who had contacted RUTH ELISON, a subject of the ALTO case. This lead was set out inasmuch as [redacted] was a contact of FRANK JACSON while the latter was in New York. b6
b7C
- (3) A lead to ascertain information concerning VERNON SMITH, 331 West 11th Street, New York City. The Superintendent of this building also worked in the building located at 551 Hudson Street and 308 West 11th Street. The reason this lead was set out was that EDIA AITSCHNER was observed to enter this address and was possibly believed to have contacted VERNON SMITH.

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- (4) A lead to ascertain information concerning PAUL SCHEER, MARCEL SCHEER and [REDACTED]

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When KERLEY left New York City on transfer to Kansas City, he turned in the duplicate assignment cards which are prepared in connection with the investigation of the ALTO case and they were immediately marked "unassigned". He apparently conducted no investigation which produced any information worthy of reporting, inasmuch as he dictated no insert for the report covering the period during which he worked on the ALTO case, or dictated a memorandum.

Following, is the information contained on KERLEY's Number 3 cards, pertaining to the ALTO case:

- July 7, 1945 - On instant date KERLEY indicated he had a conference with Supervisor Robert R. Granville and reviewed the case file of the ALTO case during the entire day.
- July 9, 1945 - From 1:50 P.M. to 5:38 P.M. KERLEY reviewed the ALTO file and had a conference with Special Agent [REDACTED] to whom the ALTO case was assigned. During this time KERLEY also reviewed other files.
- July 10, 1945 - On this date, KERLEY covered several leads in connection with the ALTO case and two other files. The names and addresses appearing in the leads were checked against the ALTO indices with negative results, and therefore, it is believed he conducted no investigation concerning the ALTO leads on that date.
- July 13, 1945 - At 11:40 A.M. KERLEY signed out of the office on the ALTO case indicating he was going to the Manhattan Board of Elections and Local Board Number 18. He returned to the office at 2:50 and then again signed out on the ALTO case to go to 331 West 11th, and 551 Hudson Street. This was in connection with the VERNON SMITH lead, above.
- July 16, 1945 - On the instant date KERLEY went to 551 Hudson Street, 331 West 11th Street, 308 West 11th Street, 87 - 4th Avenue (ELIGIO's business) and 19 East 65th Street (FLEISCHMAN's residence).

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It should be explained that when an Agent is assigned to the ALTO investigation, he is immediately instructed to read the Running Memorandum which is maintained in a current status in connection with the ALTO case. This Running Memorandum contains photographs of all the secret writing letters including the secret writing after it has been developed, a decipherment of the message if such has been effected, a chart showing the entire group of individuals being investigated in connection with the ALTO case, and detailed individual Running Memoranda concerning the subjects of the case which includes all of their background information and their connection with the case.

It should be pointed out that a Running Memorandum has never been prepared concerning FRANK JACSON inasmuch as he is not a subject of the case and therefore, before an Agent would have the information contained in the NEW LEADER on FRANK JACSON, he would very likely have some JACSON leads assigned to him. Also, before an Agent performs any investigation in connection with the ALTO case he has a conference with the Agent to whom the case is assigned at which time the nature of the investigation is explained to him and he can ask any questions concerning the investigation. This was the purpose of KERLEY's conference with Agent [] as shown above on his Number 3 card.

It might also be stated that because of the broad phase of investigation carried on in the ALTO case, it is very possible that an Agent would perform surveillances and conduct investigation concerning several of the subjects and not have very much detailed information concerning other subjects in the case. This is particularly true in connection with the subjects who reside in Mexico City or other parts of Central or South America, including FRANK JACSON, inasmuch as the number of leads in connection with these subjects are very limited.

It is also pointed out that the report of Special Agent [] mentioned above, had been prepared prior to the time KERLEY was assigned leads in the ALTO case. This lead as stated above, had considerable information about the background of FRANK JACSON.

A review of the file of the instant case (KERLEY) reflects that in various conversations between BETTY LEWIS and RUSHMORE, BETTY has referred to a connection with the "Weekly". In one conversation on February 5, 1946 by BETTY and RUSHMORE, they were discussing the possibilities of getting a story out, and she told RUSHMORE she was getting a bit wary of PAUL SCHONSTEIN, City Editor of the NEW YORK JOURNAL-AMERICAN, and thought she would go to see the "Weekly" and her friend BILL.

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It should be pointed out that the NEW LEADER is a weekly publication and the editor is WILLIAM E. BOHN.

In a conversation between BETTY and RUSHMORE on January the 31st, 1946, they discussed the NEW LEADER. RUSHMORE opened this particular part of the conversation by saying "So you liked the NEW LEADER, eh?" BETTY said she thought it was possibly more anti-Stalin, rather than anti-Communist, but RUSHMORE stated that he liked some of the things it printed and he believed it was a Right-Wing Socialist publication. He made the statement that he knew a lot of people there.

In a conversation on February 10, 1946 between RUSHMORE and BETTY LEWIS they discussed an article which appeared in the NEW LEADER concerning JOHANNES STEELE.

On February 16, 1946 during a conversation between BETTY LEWIS and RUSHMORE which was concerned particularly with the payment of money, possibly to KERLEY, BETTY stated that "there is a great amount of information not yet used dealing with Russian espionage". It is possible she had at that time information concerning the ALTO case and was referring to this and possibly other Internal Security (R) cases.

Particular reference is made to the following statement in the article set out in the foregoing: "As in the case of Stalin's agents sent here to obtain atomic information, no arrests have been made because of the supine State Department policy of avoiding action that might offend Moscow". This is one thing which RUSHMORE, LEWIS and KERLEY are constantly talking about; that is, the way the State Department is allegedly hampering the Bureau in its investigations concerning Russian espionage. Then too, it is believed that the quoted statement has reference to the ARTHUR ADA'S case when it mentioned Stalinist Agents sent to the U. S. to obtain atomic information. This case was written up by RUSHMORE in his earliest articles in the JOURNAL-AMERICAN.

It will be recalled that recently RUSHMORE told KERLEY that he was contemplating publishing some information which KERLEY had given him, but that he would publish the article under a Washington dateline with no byline so that "they" (The Bureau) would be unable to ascertain the source of the information. It is pointed out that the article which appeared in the NEW LEADER had no dateline or byline and was one of the few articles which had no author's name in the NEW LEADER.

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Of eighteen articles appearing in the instant issue of the NEW LEADER, only two did not have a byline and both of those appear on page 5, one of them being the quoted article; the other article is entitled "COMMUNISTS PLAN MARITIME FEDERATION AS 'PEACE' WEAPON". Both HOWARD RUSHMORE and the JOURNAL-AMERICAN are favorably mentioned in this article as being anti-Communist.

Special Agent Russell S. Garner advised Supervisor Robert H. Granville that sometime last Fall and for sometime past that, HOWARD RUSHMORE had been writing a weekly column and other miscellaneous articles for the NEW LEADER. RUSHMORE told Garner that these columns do not appear under his name as he does not wish to reveal his name to any Communist who might read this publication. Agent Garner did not know whether RUSHMORE was still writing for the NEW LEADER.

The major newspapers in the City of New York were examined for reprints of the information which NELSON FRANK gave Special Agent Novak for the following dates, with negative results: March 29, 30, and 31, 1946.

- P E N D I N G -

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DATE: 4/3/46

SA T. SCOTT MILLER, JR.

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ALL INFORMATION CONTAINED

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DATE 6/2/03 BY 60290 BCE/KAL/MS

NAMES:

SCHERER, MARCEL
SCHERER, PAUL
SCHOENSTEIN, PAUL
SHEEN, FULTON

[REDACTED]
[REDACTED]
[REDACTED]

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FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT **NEW YORK**

NY FILE NO. **67-13301**

CC

REPORT MADE AT NEW YORK	DATE WHEN MADE 4/3/46	PERIOD FOR WHICH MADE 3/20-31/46	REPORT MADE BY <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
TITLE LARRY ERNEST KERLEY			CHARACTER OF CASE BRIBERY
<p style="text-align: center;">6/2/03 602902CE/CAL/MS</p> <p>SYNOPSIS OF FACTS:</p> <p style="text-align: center;"><u>PERSONAL & CONFIDENTIAL</u></p> <p>NYT Informants advised that KERLEY, RUSHMORE, and BETTY LEWIS met with Senators BRIDGES and HICKENLOOPER at LEWIS' home, 3/20/46; RUSHMORE and LEWIS presumably will write a speech for BRIDGES regarding possible Russian threat. On 3/27/46 Informants advised that KERLEY has probably given RUSHMORE a copy of Bureau Bulletin 22, 1944 Series, dated 4/5/44, Paragraph B, which explains clearance from State Department necessary prior to investigation by Bureau of employees of Russian Trading Commissions. RUSHMORE wants to publish this, but KERLEY reluctant to give permission saying it might embarrass the Bureau. Results of mail cover on KERLEY set out. RUSHMORE published "re-hash" articles 3/21, 26/46. The NEW LEADER, a weekly publication, had information concerning AITO CASE in March 30, 1946 issue. Information contained in article made it apparent that the source had knowledge concerning this investigation. Indications set out which point toward RUSHMORE, BETTY LEWIS and KERLEY as being behind this article.</p> <p style="text-align: center;">- P -</p> <p>REFERENCE: Report of Special Agent <div style="border: 1px solid black; display: inline-block; width: 150px; height: 1.2em; vertical-align: middle;"></div> New York 3/25/46.</p>			
APPROVED AND FORWARDED:		SPECIAL AGENT IN CHARGE	DO NOT WRITE IN THESE SPACES
COPIES OF THIS REPORT			
<p>3 - Bureau</p> <p>2 - New York</p>			

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New York, N. Y.
March 29, 1946

Mr. Hoover:

During the investigation of the Larry Kerley case, there were developed two telephone conversations from Paul Schoenstein, Editor of the New York Journal-American, on the evening of February 19, 1946, from the residence of Mr. and Mrs. James Campbell Lewis, 22 East 73rd Street, New York City, N. Y. The first call was evidently to his sweetheart, the second to his wife. The contrast between the two is rather amusing. Attached are exact transcripts.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/2/03 BY 60320BC/CA

E. E. CONROY

ENCLOSURE

34 APR 9 1946

FIVE

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APR 12 1946

Mr. Tolson	✓
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn	
Mr. Nease	
Miss Gandy	

At 9:10 PM on the above date PAUL SCHOENSTEIN conferred with his wife and the following conversation took place.

Wife: Hello.

Schoenstein: Honey?

W: Yeh.

S: Write this number down - Butterfield 8-

W: (Interrupting) What is this? Another all night session?

S: No, no. Butterfield 8-5979 -- if you want me in the next hour or so.

W: Butterfield 8-5979

S: Righto, honey.

W: (Very angrily) Now listen, Paul. I don't want you there all night -

S: (Interrupting) And I'll talk to you when I get home.

W: Yeh, I know - one hour, two hours - call me at twelve o'clock and tell me to call that number at two.

S: It is not choice, old man.

W: No? (Sarcastically).

S: Good night.

W: Good night. (Hangs up very sharply.)

The above telephone number - Schuyler 4-1930 - is listed to [redacted] It is pointed out that it is possible that the informant did not obtain the correct telephone number.

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6/2/63 58-1548-105
WAB/CH/MS

ENCLOSURE

[REDACTED] - FEBRUARY 19, 1946.

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At 9:05 PM on the above date PAUL SCHOENSTEIN conferred with a woman whose telephone number might possibly be Schuyler 4-1930. The following is a verbatim transcript of the conversation which took place:

Woman: Hello.

Schoenstein: (In a sighing way) Hello, darling.

W: (Very sweetly) Oh, baby, I love you.
S: Oh, that is an understatement -- how do you feel?
W: I feel fine now.
S: I am over at a duplex apartment on 73rd and Fifth Avenue.
W: And Fifth Avenue? - What are you doing there?
S: Oh, I shall tell you.
W: Proceed.
S: Pardon me?
W: Proceed.
S: No can do.
W: Oh.
S: Anything doing?
W: No.
S: Everything peaceful?
W: Peaceful, uneventful and etcetera.
S: Good, good.
W: Good, good, good.
S: (Whispering) I love you very much.
W: Hold on a second. (Yells to someone in the background - Unable to understand what she said).
S: So. How long will you be there?
W: Oh, another half hour -- then I'll go right home.
S: So nasty out.
W: Uh huh. I know it -- all right, my dove.
S: You will get a letter from me tomorrow.
W: I know that, honey -- feel well?
S: Yeh.
W: Love me?
S: Very much.
W: Good, darling. I shall talk to you in the morning.
S: Good.
W: Good night, darling.
S: Good night.

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DATE 6/2/03 BY 60298 SP/ML

58-1548-105
ENCLOSURE

Office Memorandum

UNITED STATES GOVERNMENT

TO : MR. LADD
FROM : J. C. STRICKLAND
SUBJECT: LARRY KERLEY
BRIBERY

DATE: March 27, 1946

Time of Call: 10:50 a.m.

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Mr. Nease
Miss Beahm
Miss Gandy

SAC Conroy called at the above time and stated that Howard Rushmore had called him at 9:35 a.m. while he was in Executive Conference and requested that Conroy call him back. Mr. Conroy stated that they immediately got in touch with [redacted] and found that at 9:05 a.m. Rushmore got in touch with Kerley and they discussed the spy case on the West Coast which broke in today's paper. Rushmore then asked Kerley if "that thing we have in our office - Paul Schoenstien and I were discussing it and we want to know can we quote from it regarding the Soviet Government Purchasing Commission in New York City and the Schevchenko case." Kerley stated he did not want it quoted as he didn't want to be implicated. Rushmore argued with Kerley and stated it would not hurt the Bureau in any way. Kerley said no it would probably embarrass the Bureau. The two of them seemed to be quibbling and Rushmore ended the conversation by saying he wanted Kerley to think the matter over and call him later in the day. Kerley said he had an appointment in an hour and he would probably call later in the day.

Mr. Conroy advised that at 9:42 a.m. a call was received by Betty Lewis from Rushmore and they discussed the arrest last night. Betty said the boys came through with the goods wonderful and Rushmore said he wondered how they got out of that State Department ruling. Betty said they probably stepped on it finally and said, "Look here, we want to do our job and duty to the American people and we'll make the arrest and you can go to hell." Rushmore said he would like to give the FBI a pat on the back and point out that a couple of years under this ruling of the State Department, "which I understand is the thing that Hoover sent out which they are not supposed to investigate, I think it would be a good thing to show; that it's a wonderful idea and a big photo-stat. It would be a complete statement that the FBI is always on the job and that it was all State Department." Rushmore then stated that he called up a fellow he knew and he didn't like the idea. He said that it would put them on the spot a little bit - referring to the previous conversation with Kerley.

In the course of the conversation between Rushmore and Betty Lewis, reference was made to a mimeographed sheet sent out by Mr. Hoover which is believed to be a Bureau Bulletin in the possession of Kerley while he was in the Bureau.

JCS:cmw

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4/5/83

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1581548-106
30 APR 12 1946

58 APR 15 1946

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

FROM : Mr. J. C. Strickland

SUBJECT: LARRY E. KERLEY
BRIBERY

DATE: April 2, 1946

ALL INFORMATION CONTAINED

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DATE 4/2/03

BY 60290BCE/KAL/MS

Mr. Tolson _____

Mr. E. A. Tamm _____

Mr. Clegg _____

Mr. Coffey _____

Mr. Glavin _____

Mr. Ladd _____

Mr. Nichols _____

Mr. Rosen _____

Mr. Tracy _____

Mr. Carson _____

Mr. Egan _____

Mr. Hendon _____

Mr. Pennington _____

Mr. Quinn Tamm _____

Tele. Room _____

Mr. Nease _____

Miss Beahm _____

Miss Gandy _____

Reference is made to my memorandum of March 27, 1946, which reflected that Howard Rushmore was apparently in possession of a Bureau Bulletin; at that time we were unable to identify the particular bulletin.

SAC Conroy called on March 28, 1946, and advised that in a conversation between Rushmore and Kerley on March 27, 1946, Rushmore endeavored to persuade Kerley to agree to have an article published under a Washington date line and use some paragraph of the mimeographed material. According to Rushmore, the article would indicate that there were 1,000 Russians in the United States cloaked with diplomatic immunity and assigned to the Soviet Purchasing Commission and protected by the State Department. During the conversation Rushmore indicated that no investigation could be made without clearance from the State Department.

It is believed that the mimeographed paper which Rushmore refers to is Bureau Bulletin No. 22, Series 1944, dated April 5, 1944, Section (B). This Bulletin points out that the matter of investigating officials, representatives and employees of the Soviet Purchasing Commission and the Amtorg Trading Corporation has been discussed with officials of the State Department who advised that the Soviet Purchasing Commission and the Amtorg Trading Corporation are an integral part of the Soviet government and are so recognized by the State Department. The officer-representatives of the Soviet Purchasing Commission and the Amtorg Trading Corporation are considered Soviet government officials and are required to register with the State Department as officials of the Soviet government. Also, employees in minor positions are required to register with the State Department showing their affiliations with these Soviet agencies.

This Bulletin went on to state that it will be necessary to obtain clearance from the State Department before an investigation is conducted concerning officials, representatives or employees of the above agencies and the field was advised that before any active investigation was conducted concerning any official, representative, and employee of these agencies it would be necessary to advise the Bureau in order that the required clearance might be obtained.

Concerning the background of the above mentioned Bureau Bulletin, you are advised that on January 15, 1944, Special Agent R. R. Roach had a discussion with Messrs. Fred Lyon and Kenneth McPhearson of the State Department to determine the exact official status of the representatives, officers, and employees of the Soviet Purchasing Commission and the Amtorg Trading Corporation. As a result of this discussion, Mr. Lyon and Mr. McPhearson explained that the status of representatives, officers, and employees of these two organizations was as set out in the above mentioned Bureau Bulletin. This matter was further discussed at an Executive Conference held on January 29, 1944, at which time approval was granted to incorporate it in a Bureau Bulletin and same was set forth in the Bureau Bulletin above mentioned.

A copy of the above mentioned Bulletin is attached hereto for your information.

Attachments
JJM:edm

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30 APR 12 1946

58 APR 15 1946



Federal Bureau of Investigation
United States Department of Justice
Washington 25, D. C.



IN REPLY, PLEASE REFER TO
FILE NO. _____

~~STRICTLY CONFIDENTIAL~~

April 5, 1944

DECLASSIFIED BY 60290 BCE/CAL/MS
ON 6/2/03

BUREAU BULLETIN NO. 22
Series 1944

TO ALL SPECIAL AGENTS IN CHARGE:

The following observations, suggestions, and instructions are submitted:

(A) NEUTRALITY ACT - EXPORT CONTROL MATTERS - FILING OF WARRANTS OF DETENTION
In order that there may be no delinquency on the part of the Bureau in the filing of warrants of detention in a case involving the seizure of war materials intended for unlawful exportation, the following facts are being set forth:

Title 22, Section 401, U. S. Code, provides among other things that "the several collectors, comptrollers of customs, surveyors, inspectors of customs, and marshals, and deputy marshals of the United States, and every other person duly authorized for the purpose by the President, may seize and detain any articles or munitions of war about to be exported or shipped from, or taken out of the United States, in violation of the law, and the vessels or vehicles containing the same, and retain possession thereof until released or disposed of as directed in sections 402-408 of this title."

Section 402 of Title 22, U.S. Code, provides that "it shall be the duty of the person making any seizure under sections 401-408 of this title to apply, with due diligence, to the judge of the district court of the United States, or to the judge of the United States district court of the Canal Zone or to the judge of a court of first instance in the Philippine Islands, having jurisdiction over the place within which the seizure is made, for a warrant to justify the further detention of the property so seized...and if the judge refuses to issue the warrant, or application therefor is not made by the person making the seizure within a reasonable time, not exceeding ten days after the seizure, the property shall forthwith be restored to the owner or person from whom seized."

The Department of Justice has advised that Bureau Agents have the requisite authority to make seizures under the provisions of the sections set forth above. The Department has stated that the Bureau also has authority to make the seizures of articles being illegally exported under Section 300 (a), Title 5, U.S. Code, which provides in part as follows:

"The Director, Assistant Directors, agents and inspectors of the Federal Bureau of Investigation of the Department of Justice are empowered to serve warrants and subpoenas issued under the authority of the United States; to make seizures under warrant for violation of the laws of the United States; to make arrests without warrant for felonies which have been committed and which are cognizable under the laws of the United States, in cases where the

ENCLOSURE

58-1544-100

person making the arrest has reasonable grounds to believe that the person so arrested is guilty of such felony and where there is a likelihood of the person escaping before a warrant can be obtained for his arrest, but the person arrested shall be immediately taken before a committing officer."

Under the above Section, the Department has furnished the opinion that it is well recognized that incidentally to an arrest, a search and seizure may be made of any property which constitutes the fruit of the crime or the means by which the crime was committed.

Under Title 22, Section 401, U.S. Code, referred to above, the Department has advised that Special Agents of the Bureau are included in the persons authorized to make seizures by virtue of the President's Proclamation dated September 6, 1939, directing the FBI to take charge of matters relating to espionage, sabotage and violations of the neutrality regulations.

In view of the above opinion expressed by the Department, it is desired that in the event an article being illegally exported, such as the smuggling of platinum, is seized, due diligence be exercised in contacting the United States Attorney within ten days in order that his advise as to the filing of a warrant of detention may be followed.

(B) OFFICIAL STATUS OF SOVIET PURCHASING COMMISSION AND AMTORG TRADING CORPORATION EMPLOYEES. -- The question as to whether a clearance should be obtained from the State Department through the Bureau prior to conducting an active investigation concerning officials, representatives and employees of the above Soviet agencies has recently arisen on several occasions.

This matter has been discussed with officials of the State Department who have advised: (1) the Soviet Purchasing Commission and the Amtorg Trading Corporation are an integral part of the Soviet Government and are so recognized by the State Department; (2) officer-representatives of the Soviet Purchasing Commission and the Amtorg Trading Corporation are considered Soviet Government officials and are required to register with the State Department as officials of the U.S.S.R.; and (3) any individual employed by the Soviet Purchasing Commission and the Amtorg Trading Corporation, particularly employees in minor positions, is also required to register with the State Department showing his affiliation with these Soviet agencies.

These officials also state that according to the Rules of Protocol it will be necessary that clearance be obtained from the State Department before an investigation is conducted concerning officials, representatives and employees of the above agencies.

In view of the above, before an active investigation is conducted concerning any official, representative or employee of these agencies it will be necessary that you advise the Bureau concerning the identity, official connection with the above agencies, and the present address of the individual in order that the required clearance might be obtained by the Bureau.

After the above information has been furnished the Bureau, the cases involving these individuals should be placed in a closed status until your office has been specially instructed by the Bureau to continue the investigation. Cases presently pending in your office regarding employees of these Soviet agencies should be placed in a closed status and the Bureau advised in accordance with the above.

(C) ALIEN ENEMY CONTROL - REGULATIONS GOVERNING THE CONDUCT OF ALIEN ENEMIES - SEE 17 (J) NAT'L DEFENSE MANUAL.--Under date of March 8, 1944, the Department of Justice issued Circular No. 3589, Supplement No. 19, to all United States Attorneys, effecting a change in the procedure concerning travel and change of residence or employment by alien enemies on parole.

In the past, paroled alien enemies have obtained permission to travel or to change address or employment from the United States Attorney. Under the new procedure, paroled alien enemies are being advised to make applications for such permission to their parole officers in the Immigration and Naturalization Service. United States Attorneys are instructed to refer any paroled alien enemy who hereafter applies to the United States Attorney for such permission to his parole officer. The parole officer of the Immigration Service will submit a copy of all applications by parolees to the proper United States Attorney and to the local office of the FBI who may file with the parole officer any comment or objection to the travel or change of address or employment of the parolees. The copies of such applications received from the Immigration Service should be handled in the same manner as the copies of similar applications forwarded by United States Attorneys to local Bureau Field Offices in connection with the travel of alien enemies not on parole, as provided in Section 17J (A) of the National Defense Manual.

The new instructions also apply to alien enemies who have been interned at large by order of the Attorney General. Under orders of internment at large the alien is considered to be an internee within the United States, but is allowed certain freedom of activity outside an internment camp similar to parole and under the supervision of the Immigration and Naturalization Service.

The procedure previously in effect will be continued with respect to alien enemies who are not on parole or interned at large.

(D) [REDACTED] WITH ALIASES, FUGITIVE, [REDACTED] - NATIONAL STOLEN PROPERTY ACT; NATIONAL MOTOR VEHICLE THEFT ACT.--In each office there is complete background information and modus operandi of the above captioned fugitive concerning whom both an Identification Order and Wanted Notice have been issued.

It is requested that [REDACTED] description and modus operandi be discussed at the next quarterly conference of Special Agents in order that all Agents may become familiar with [REDACTED] description and modus operandi. His photograph should be carefully viewed by all Agents. The purpose of this action is for immediate identification of a complaint concerning [REDACTED]

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activities which may be received by any Agent and also the possibility that any Agent might see [] in his regular investigative activity.

[] travels throughout the United States with considerable rapidity and is frequently accompanied by young boys of approximately sixteen years of age, whom he hires as chauffeurs and subsequently abandons. Information has been received on more than one occasion of perverted acts on the part of [] with these boys. [] is known to travel by automobile from one section of the country to another after the successful perpetration of one of his frauds which usually involves fraudulent checks.

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SAC's are authorized without prior Bureau approval to immediately institute a state-wide police broadcast in their field division and adjoining field divisions upon ascertaining that [] is active in their field division. This authority is granted due to the fact that the time lost in securing the approval of such broadcast might result in failure to apprehend him. Sound discretion should be used in such broadcasts.

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For your further information in connection with identification which may be received from the public, the description and/or modus operandi of [] has been given publicity, not only by the press releases issued by your office, but also on nation-wide radio broadcasts and magazine articles. Leads concerning current activity of [] should be given immediate and vigorous attention.

(E) ESPIONAGE - "SPLIT" DOLLAR BILL.--On February 1, 1944, a circular was distributed to interested agencies by the District Intelligence Officer for the Eighth Naval District. Pictured thereon was the "inside" portion of a dollar bill which had been "split" in two separate sheets. On the inside of one sheet was a coded message handprinted in ink. The circular pointed out that the two halves could be pasted together, thereby concealing the message. The circular did not disclose the source of the information contained therein and pointed out the "obvious advantages for enemy couriers."

It has been ascertained it was prepared by a Government investigative agency as a part of its regular training program. It has not, to the knowledge of the FBI, been used by Axis Espionage Agents.

(F) PHOTOGRAPHIC MATERIAL SHOULD BE MARKED FOR THE ATTENTION OF MECHANICAL SECTION - SEC. 13A (7a) OF RULES AND REGULATIONS.--Some of the field offices continue to forward to the Bureau for the attention of the Technical Laboratory material requiring photographic attention only.

Bureau Bulletin Number 22, Second Series 1943, dated May 5, 1943, instructed that material requiring photographic attention only be marked for the attention of the Mechanical Section and not for the Technical Laboratory. Section 13A (7a) of the Manual of Rules and Regulations also provides it be marked for attention of the Mechanical Section.

These instructions should be followed.

Series 1944

(G) AMERICAN LEGION SOURCE OF INFORMATION IN RESIDENT AGENCIES. -- Reference is made to Bureau Bulletin No. 17, Series 1944, dated March 1, 1944. Section D of this Bulletin provides a method under which sources of information files may be maintained in resident agencies.

You are instructed to maintain in resident agencies American Legion contacts and sources of information in the same manner as is prescribed in the above mentioned Bulletin for source of information records,

(H) ESPIONAGE. -- A German espionage agent in South America maintained a radio transmitter in the following manner to avoid discovery:

A hole $3\frac{1}{2}$ ft. x $3\frac{1}{2}$ ft. square and 6 ft. deep was dug underneath a room in his house. The hole was cemented and waterproofed. Pipes were used to arrange for the antenna and air. The hole was wired for electricity. The radio set was placed on a shelf. A trap door was made to cover it of the same hardwood as the rest of the flooring in the room. The handle of the trap door was concealed under one small loose piece of hardwood flooring. It was so neatly made it was almost unobservable.

(I) LIST OF MILITARY POSTS, CAMPS AND STATIONS. -- A copy of the revised list of all military posts, camps and stations, issued by the U. S. Army, is being transmitted to each field office. It does not include munitions works; ordnance and chemical warfare depots. This list is available to Agents to assist them in the handling of official business.

(J) ANNUAL LEAVE. -- For your information, the Bureau has promulgated the policy of allowing necessary travel time to employees taking annual leave - in addition to the regular two week period of annual leave - which will be approved for employees requesting such leave and having the necessary leave accrued to them.

In computing travel time in instances where it is requested, you should in every instance compute the amount of time necessary for travel from your divisional headquarters to the employee's home and return by first-class rail transportation. It will not be possible to compute travel time on bus or other slower means of transportation.

It is, of course, understood that when the vacation is taken in the headquarters city, travel time will not be allowed. In cases where it is necessary for the employee to depart from the headquarters city and a part of a day is involved in such travel, a minimum unit of travel time to be allowed each way is one-half day.

In the event an employee is desirous of taking a continuous sight-seeing trip during the vacation period, travel time, of course, cannot be allowed.

4-5-44

BUREAU BULLETIN NO. 22

Series 1944

- 6 -

(K) TRANSPORTING OF HOUSEHOLD GOODS. -- Reference is made to Section 12 of the household regulations, which provides as follows:

"....All shipments allowable under these regulations shall begin within six months of the effective date of the transfer of the employee unless an extension is specifically granted by the head of the department or establishment. Such an extension shall be approved by the head of the department or establishment within the six months' period during which shipment would otherwise begin and shall in no case be for a period exceeding two years from the effective date of the transfer."

In this connection it has been noted in several instances that the Special Agent in Charge has orally granted such an extension, with the result that the employee involved has been disallowed the full cost of transportation. It is therefore desired to point out that according to information received by the Bureau from an official of the Comptroller General's office, all requests for time extensions must be approved by the "Head of the Department" at the Seat of Government.

Very truly yours,

John Edgar Hoover

Director



eral Bureau of Investiga
United States Department of Justice

New York, New York



IN REPLY, PLEASE REFER TO

FILE NO. _____

April 10, 1946

MEMO.

Re: LARRY ERNEST KERLEY
BRIBERY

This is to advise that the writer listened to Hungari-
an records from the date instant investigation was instituted
up to and including April 8, 1946, and nothing was heard which
might be of interest to instant investigation with the possible
exception that on February 19, 1946, BETTY LEWIS when talking with
one PAULINE asked her how she liked the newspapers. They both agreed
they were "wonderful" and "beautiful". It might be pointed out that
on February 16, 1946, the newspapers featured the story that the
Canadian Spy Ring had been uncovered.

The records dealt mainly with conversations between
Mrs. LEWIS and friends about conditions in Hungary and reminis-
cence of her life in Hungary.

Mrs. LEWIS in one conversation confidentially informed
a friend that she was a Jewess.

Special Agent [] explained the case to me
and gave me names of individuals and publications pertinent to this
investigation and asked me to note anything that might conceivably
be of interest to this investigation.

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ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/2/03 BY 60302CE/KAL/KWS

ECN
67-13301

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54 APR 16 1946



United States Department of Justice
Federal Bureau of Investigation

New York 7, New York

IN REPLY, PLEASE REFER TO

FILE No. _____

April 12, 1946

PERSONAL & CONFIDENTIAL



Director, FBI

Re: LARRY ERNEST KERLEY
BRIBERY

Dear Sir:

In connection with the captioned matter, it is desired that the Louisville Field Division conduct the following investigation, which was mentioned in my letter to you dated April 9, 1946.

It is requested that the Louisville Field Division contact the appropriate office of Dun and Bradstreet which would have a record of business establishments in Murray, Kentucky and ascertain if they have any information concerning the FIRESTONE HOME AND AUTO SUPPLY, which company is believed to be owned jointly by KERLEY and his brother-in-law, VAN BARNETT. Particular attention should be directed to the working capital of this company, the respective interests of the co-owners and any financial information they might have concerning either of the two individuals.

It is also desired that an analysis be made of the bank account maintained by the FIRESTONE HOME AND AUTO SUPPLY COMPANY at the Bank of Murray in Murray, Kentucky. It should be pointed out, however, that in Bureau letter dated February 11, 1946, to the New York Field Division, the Louisville Field Division was requested to discreetly determine if VAN BARNETT or the FIRESTONE HOME AND AUTO SUPPLY COMPANY had received any unusually large sums of money since August 1, 1945. Subsequent to this letter, the Bureau advised that it would instruct the Louisville Field Division that in the event inquiry could not be made in a highly, discreet manner concerning this bank account, no such investigation should be conducted.

To date, the New York office has received no information concerning such investigation, and therefore it is presumed it was deemed inadvisable to contact the bank. In the event the Bureau is in receipt of information from the Louisville Field Division as to why, at that time, the bank could not be contacted, it is requested to again consider the advisability of conducting the investigation and advise the Louisville Field Division accordingly.

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DECLASSIFIED BY 6208CE/CAL/TMS
6/2/03

58-1548-109

36 APR 18 1946

TSM:CTC
67-13301

Handwritten signature and initials, possibly "JH" and "5/11/46".

Letter to Director
NY 67-13301

April 12, 1946
PERSONAL & CONFIDENTIAL

The Louisville Field office should interview Special Agent F. X. JAHN relative to any information he might have concerning KERLEY's association with Mrs. JAMES CAMPBELL LEWIS or any information which KERLEY gave him concerning KERLEY's plans to resign from the Bureau, and whether he stated, at that time, the circumstances under which he was connected with the LEWISes. It should be noted that KERLEY spent the night with Agent JAHN on July 20, 1945, while he was enroute from New York City to Kansas City on transfer. KERLEY telephonically contacted Mrs. LEWIS while he was in Kansas City, and subsequently resigned from the Bureau, effective October 1, 1945.

Very truly yours,

E. E. Conroy
E. E. CONROY
SAC

cc - Louisville

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

DATE: April 15, 1946

FROM : D. M. LADD

SUBJECT: LARRY ERNEST KERLEY
BRIBERY

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 6/2/23 BY 60302BCE/SA/KWS

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

The New York Field Division advised by letter dated April 9, 1946, that leads are being covered in this case to determine if Kerley is in receipt of any money from sources indicating that it is connected with payments for information relating to Bureau cases. Special Agent F. X. Jahn of the ~~Baltimore~~ Field Division will also be interviewed relative to any information he may have concerning Kerley's association with Betty Lewis. Leads previously suggested to interview William E. Bohn, editor of the "New Leader," Mr. and Mrs. James C. Lewis, and similar individuals, will not be covered unless you instruct otherwise.

Technical surveillances are still being maintained on the home of Mr. and Mrs. James C. Lewis and the home and business address of Kerley. A mail cover is also being maintained on the home of Kerley. You will recall that an attempt was made to interview Kerley on March 18, 1946. Since that date, no information of value has been obtained through the technical surveillances and the mail cover on Kerley's home has served its purpose.

You will recall that on March 29, 1946, a memorandum was sent to the Attorney General setting forth the facts of instant case and the evidence we obtained through technical surveillances. The Attorney General was informed that the information was given to him for any suggested action he believed should be followed by this Bureau. To date, no advice has been received from the Attorney General.

ACTION:

It is suggested that the New York Field Division be permitted to have the leads looking towards the receipt of any money by Kerley from sources indicating that it is connected with payments for information relating to Bureau cases covered and that Special Agent F. X. Jahn be interviewed. It is not believed that any attempt should be made at this time to interview William E. Bohn, Mr. and Mrs. James C. Lewis, or similar individuals. As the mail cover has served its purpose and as no results are presently being obtained from the technical surveillances, it is recommended that they immediately be discontinued.

For your approval, there is attached hereto a letter to the New York Field Division incorporating the above mentioned suggestions and also instructing the New York Office to make every effort to bring this case to a logical conclusion within the next thirty days.

Attachment

JJH:cmw

52 APR 22 1946

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J. C. C. C. C.

X.

RECEIVED
APR 16 1946
FBI NEW YORK

General Bureau of Investigation
United States Department of Justice

633 Federal Building
Louisville, Kentucky

April 16, 1946

PERSONAL AND CONFIDENTIAL

DIRECTOR, FBI

Re: LARRY ERNEST KERLEY
BRIBERY

Dear Sir:

In furtherance of a confidential investigation concerning the above captioned matter, which I have telephonically discussed with Assistant Special Agent in Charge, Mr. Lally of the Baltimore Field Division, it is requested that Special Agent Francis X. Jahn, who formerly was Resident Agent at Lexington, Kentucky with former Special Agent Larry Ernest Kerley, be interviewed relative to any information he might have concerning Kerley's association with Mrs. James Campbell Lewis, or any information which Kerley gave him concerning Kerley's plans to resign from the Bureau. It should be ascertained also whether he stated at that time the circumstances under which he was connected with the Lewises.

It should be noted that Kerley spent the night with Agent Jahn on July 20, 1945 while he was en route from New York City to Kansas City on transfer. Kerley telephonically contacted Mrs. Lewis while he was in Kansas City and subsequently resigned from the Bureau, effective October 1, 1945.

The office of origin in this matter is New York City. As the Baltimore office has been advised, this matter should receive immediate attention.

Very truly yours,

M. W. McFarlin
SAC

MWM:bl
CC-New York City
CC-Baltimore

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INDEXED
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158-1548-111

89 APR 22 1946

DECLASSIFIED BY 60290BCE/CALMS
52 APR 22 1946 6/2/03

The Attorney General

April 23, 1946

Director, FBI

LARRY ERNEST KERLEY

Reference is made to the memorandum to you dated April 15, 1946, from Mr. Theron L. Caudle, Assistant Attorney General, Criminal Division, regarding which my comments were requested.

It is noted that the Criminal Division is of the opinion that Kerley's activities did not violate any existing statutes.

In view of that opinion, I am not in favor of the suggestion that Kerley and the other individuals mentioned in the matter be brought before a Federal Grand Jury and questioned extensively on the details of the original transaction. Since no prosecution is possible, such activity might only further jeopardize this Bureau's investigation of other Russian and Communist cases inasmuch as Kerley and his associates would thereby be shown definitely that the disclosures originally made could not make them subject to prosecution.

The referenced memorandum and its attachments are being returned herewith.

Enclosures

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/8/03 BY 60290BCE/KAL/KMS

630/27 4/22/46
4-22-46

[Handwritten signature]

[Handwritten signature]

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Gandy _____

LV:FVB

31 APR 23 1946

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

DATE: April 15, 1946

FROM : J. K. MUMFORD

11:15 AM

SUBJECT: LARRY E. KERLEY;
BRIBERY

Mr. Tolson	_____
Mr. E. A. Tamm	_____
Mr. Clegg	_____
Mr. Coffey	_____
Mr. Glavin	_____
Mr. Ladd	_____
Mr. Nichols	_____
Mr. Rosen	_____
Mr. Tracy	_____
Mr. Carson	_____
Mr. Egan	_____
Mr. Gurnea	_____
Mr. Hendon	_____
Mr. Pennington	_____
Mr. Quinn Tamm	_____
Tele. Room	_____
Mr. Nease	_____
Miss Beahm	_____
Miss Gandy	_____

SAC Conroy called from New York with reference to the article in Newsweek for April 15, page 18, entitled "Operation Alto," which obviously came from the New Leader and stated he would like to get clearance from the Bureau to contact Vincent Astor, owner of Newsweek, to see if he can trace this article back. Mr. Conroy stated in view of the fact Astor was with Navy Intelligence during the war he would have a natural interest in this article and could trace it back without connecting the Bureau with it.

I advised Mr. Conroy I would check and call him back.

6/3/03

60290BCE/CAL JMS

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30 APR 28 1946

51 APR 23 1946

FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT **NEW YORK**

NY FILE NO **67-13301 CMC**

REPORT MADE AT NEW YORK	DATE WHEN MADE 4/16/46	PERIOD FOR WHICH MADE 4/1-14/46	REPORT MADE BY <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
TITLE LARRY BRISTOL HARLEY			CHARACTER OF CASE BRIEBERY
<p style="text-align: center;">6/3/03 602908CE/CAL/JS</p> <p>SYNOPSIS OF FACTS: <u>PERSONAL & CONFIDENTIAL</u></p> <p style="margin-left: 100px;">Confidential Informants <div style="border: 1px solid black; display: inline-block; width: 150px; height: 1.2em; vertical-align: middle;"></div> advised that INFORMANT has not contacted either BETTI LEWIS or HARLEY during period of this report; a few conversations between LARRY HARLEY and LEWIS concerning business only. Analysis of HARLEY's bank account set out. Mail cover reported. Release re ALTO CASE appeared 4/15/46 issue "NEWSWEEK" magazine; apparently from same source which gave information to "NEW LEADER" re same case.</p> <p style="text-align: center;">- P -</p> <p>REFERENCE: Report of Special Agent <div style="border: 1px solid black; display: inline-block; width: 150px; height: 1.2em; vertical-align: middle;"></div> New York, 4/3/46.</p> <p>DETAILS: <u>AT NEW YORK, NEW YORK</u></p> <p style="text-align: center;">Re: <u>ELIZABETH E. LEWIS</u></p> <p style="text-align: center;"><u>CONFIDENTIAL INFORMANT</u> <div style="border: 1px solid black; display: inline-block; width: 50px; height: 1.2em; vertical-align: middle;"></div></p> <p style="margin-left: 50px;">During the period of this report, the informant did not furnish any information concerning contacts LEWIS had with other individuals which appeared pertinent to the instant investigation. There were a few conversations between BETTI LEWIS and LARRY HARLEY, but these dealt entirely with business, in connection with the building being managed by HARLEY. The information furnished by this informant is maintained in appropriate logs in</p>			
APPROVED AND FORWARDED: <div style="font-size: 1.5em; font-family: cursive;">S. O. Quay</div>	SPECIAL AGENT IN CHARGE	DO NOT WRITE IN THESE SPACES <div style="font-size: 1.5em; font-family: cursive;">58-1548-114</div>	
COPIES OF THIS REPORT 3 - Bureau 2 - New York		<div style="font-size: 2em; font-family: cursive;">5</div>	
<div style="font-size: 1.5em; font-weight: bold;">50 APR 24 1946</div>			

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NY 67-13301

the files of the New York Field Division.

No contacts were reported by the informant between HOWARD RUSHMORE and LEWIS.

It will be recalled that Mrs. LEWIS has held numerous conversations with several individuals in the Hungarian language. [redacted] a stenographer of the New York Field Division, who understands the Hungarian language, listened to all the conversations reported by the informant as being in Hungarian, from the date of the obtaining of the services of the informant, through April 8, 1946. Nothing of interest to the instant investigation was noted by [redacted] who advised that all the conversations dealt with conditions in Hungary and reminiscing on the part of Mrs. LEWIS with her Hungarian friends.

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One possible exception was on February 19, 1946, when BETTY LEWIS was talking with one [redacted] (possibly [redacted]). On this date, BETTY asked [redacted] how she liked the newspapers. [redacted] said that she thought that they were "wonderful" and "beautiful". It should be pointed out that on February 16, 1946, the newspapers carried the story of the uncovering of the Russian spy ring in Canada. Commencing at that time and for several days afterwards, the papers carried this incident on the front pages, and RUSHMORE again wrote articles concerning ARTHUR ADAMS and ANDREI SCHEVCHENKO.

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The Hungarian conversations subsequent to April 8th will be listened to by [redacted] and reported at a later date.

HOWARD RUSHMORE

The editions of the "NEW YORK JOURNAL AMERICAN" during the period of this report were examined by the writer for articles written by RUSHMORE which might possibly be connected with Bureau investigations with negative results. It might be stated that several articles appeared in the papers by RUSHMORE which concerned Communism generally.

LARRY ERNEST KERLEY

CONFIDENTIAL INFORMANT [redacted]

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The information supplied during the period of this report by the above informant was reviewed by the writer and it was noted that there was nothing which was pertinent to the instant investigation. It should be stated, however, that at no time did the informant report a contact between HOWARD RUSHMORE and LARRY KERLEY.

NY 67-13301

CONFIDENTIAL INFORMANT

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The information which this informant furnished the New York office during the period of this report contains no pertinent information to the instant matter.

No contacts between KERLEY and RUSHMORE were reported and a few conversations between KERLEY and BETTY LEWIS pertained solely to business.

GENERAL INFORMATION

By letter dated April 9, 1946, the Bureau was advised of the undeveloped leads which the New York office deemed advisable to cover. These leads dealt mainly with financial data concerning KERLEY. Appropriate letters have been sent to the Louisville, Savannah and Washington Field Divisions to conduct investigations pertaining to bank accounts which KERLEY might possibly have in Savannah, Georgia, Murray, Kentucky and Washington, D. C.

FINANCIAL DATA

At the Park Avenue Branch of the NATIONAL CITY BANK OF NEW YORK, the ledger card and the cancelled vouchers pertaining to KERLEY's account at the instant bank were examined by the writer. It was noted that from January 23 to April 5, 1946, KERLEY deposited a total of \$1,800 in his special checking account. These deposits are as follows:

<u>DATE</u>	<u>AMOUNT</u>
1/23/46	\$260.00
1/31/46	300.00
2/15/46	125.00
2/28/46	375.00
3/7/46	100.00
3/16/46	125.00
4/2/46	250.00
4/5/46	265.00

His balance as of April 12, 1946 was \$1,913.69. His withdrawals from January 23 to April 10, 1946 totalled \$1,431.89.

An examination was made by the writer of the cancelled vouchers being held by the bank, pending the submission of a statement to KERLEY, and items which have not been previously reported, and which might be of interest at the present time or subsequently in connection with this investigation were noted. The following are such vouchers:

NY 67-13301

DATE	PAYEE	AMOUNT
3/1/46	UNUSAL NOVELTY COMPANY This check bore the notation by KERRLEY "deposit on merchan- dise".	50.00
3/21/46	GEORGE JEVINTZMAN COMPANY This check bore the notation by KELLEY "deposit on merchan- dise".	20.00
3/26/46	AL MILLER & SONS, INC. Bore the notation "deposit on merchandise".	39.27
3/26/46	THE SELLERS COMPANY Bore the notation "deposit on merchandise".	10.00
3/26/46	ROYAL CROWN LAMP AND SHADE Bore the notation "deposit on lamps".	10.00
3/28/46	PRUDENTIAL INSURANCE COMPANY OF AMERICA Bore the notation "Premium Policy A13938227 to 3/26/47"	140.50
3/21/46	KINGSLEY PRODUCTS, INC. Bore notation "merchandise".	18.13
3/30/46	FABRIC HOUSE Bore notation "deposit on slip cover material".	25.00

Referral/Direct

NY 67-13301

DATE	PAYEE	AMOUNT
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Referral/Direct

3/26/46	ISSE KOCH AND COMPANY Bore the notation "deposit on lamps".	10.00
3/21/46	FURNICRAFT COMPANY Bore the notation "deposit on lamps".	5.00
3/26/46	ISSE KOCH AND COMPANY Bore the notation "deposit on lamps"	42.75
4/9/46	AL MILLER AND SONS, INC.	50.00
4/9/46	AL MILLER AND SONS, INC.	55.98

It would appear after an examination of the cancelled vouchers of KERLEY that he is using this special checking account in connection with making purchases for the building which he is managing.

MAIL COVER

The following is the result of a mail cover maintained on KERLEY:

SENDER	DATE & PLACE OF POSTMARK	ADDRESSEE
J. H. SHACKLEFORD & CO. Murray, Kentucky Tax Consultants	April 4, 1946, Murray, Kentucky	KERLEY

NY 67-19301

<u>SENDER</u>	<u>DATE & PLACE OF POSTMARK</u>	<u>ADDRESSEE</u>
Mr. JEFF O. FREEMAN, JR. Highland Avenue, Cuthbert, Georgia	April 5, 1946, Cuthbert, Georgia	KERLEY
E. A. DICKINSON Road's Inn Columbia, Missouri	April 11, 1946, St. Louis, Missouri	KERLEY

"NEW LEADER"

On April 1, 1946, NELSON FRANK, reporter for the "NEW YORK WORLD TELEGRAM", telephonically contacted Special Agent Russell S. Garner and asked Agent Garner if the latter had seen the article (concerning the ALTO CASE) in last week's "NEW LEADER". Garner advised FRANK that he had not seen it. FRANK stated that he did not know the author of it, but believed that it was not written by HOWARD RUSHMORE since RUSHMORE had not written for the "NEW LEADER" in several months, according to information FRANK had received from friends of his on the "NEW LEADER". FRANK stated that RUSHMORE wrote for the "NEW LEADER" only a few months and was paid for his contribution. FRANK stated that he did not believe RUSHMORE had written the article, inasmuch as if RUSHMORE had had such an article at his disposal, he would undoubtedly have written it for the "JOURNAL AMERICAN".

It was explained in the previous report that RUSHMORE had contemplated writing an article under a Washington date line in an attempt to conceal the source of information, and if he did write the article for the "NEW LEADER", it is not believed that he would sign his name thereto.

The "NEW LEADER" dated April 5, 1946 was examined by the writer for any articles which would be of interest to the instant investigation with negative results.

"NEWSWEEK"

"NEWSWEEK" is a magazine which is very similar to "TIME" magazine and which is published weekly. It is published in New York in the Newsweek Building, Broadway and 42nd Street. The President and Publisher is MALCOLM MUIR. The chairman of the Board of Directors is VINCENT ASTOR.

In the issue of "NEWSWEEK" dated April 15, 1946, there begins on page 17 a section of the magazine entitled "The Periscope", which continues through page 18, and contains 20 separate items of current interest.

NY 67-13301

On page 18 of the above section, there appears an item entitled "OPERATION ALTO". The following is a verbatim transcript of this article:

"The FBI is quietly watching a group of would-be assassins bent upon silencing Frank Jackson, the convicted slayer of Leon Trotsky, who is held in a Mexican jail. Members of the ring have made several attempts to get at Jackson by bribing his jailers. Mail between leaders of the ring in New York and their agents in Mexico has been intercepted. Apparently because Jackson is 'singing', the operatives now trying to protect him have given their project the code name 'Alto.'"

The Bureau was advised of this article immediately.

It will be noted that this article probably came from the same source as the article which appeared in the "NEW LEADER" and was reported in the referenced report. The name JACSON is again misspelled as JACKSON. It will be noted in the "NEWSWEEK" article the statement is made "apparently because Jackson is 'singing' the operatives now trying to protect him have given their project the code name 'Alto'." In the "NEW LEADER" article, the statement is made "Back in Moscow, the comrades also knew that he (referring to JACSON) might 'sing'." Later on in the "NEW LEADER" article, the statement is made "JACKSON is known to have 'sung' loudly and long about his NKVD connections and named those responsible for Trotsky's assassination."

In the "NEW LEADER" article, the code name of the case was given as "ALTO-OPERATION". However, it will be noted in the "NEWSWEEK" article, the code name was given "ALTO", which, of course, is the correct code name as used by the Bureau.

The possibility is pointed out, of course, that "NEWSWEEK" magazine merely got their information from the "NEW LEADER". However, in view of the fact that the correct name of the ALTO CASE was used, it is believed very likely the same individual who gave the information to the "NEW LEADER" was also in contact with someone at "NEWSWEEK".

- P E N D I N G -

SAC, New York

~~PERSONAL AND CONFIDENTIAL~~

April 16, 1946

Director, FBI

LARRY ERNEST KERLEY
DELIBERY

62-29080E/CAL/KMS
6/4/03

58-1548-115

Reference is made to your letter dated April 9, 1946, in the above-captioned matter.

The Bureau agrees with your suggestion that leads looking towards the receipt of money by Kerley from sources indicating that it is connected with payments for information relating to Bureau cases be covered and that Special Agent F. X. Jahn of the Baltimore Field Division be interviewed for any information he may have concerning Kerley's association with Betty Lewis. The Bureau is also in agreement with your suggestion that other leads should not be covered at this time and no attempt should be made to interview William E. Dohn, Mr. and Mrs. James G. Lewis, or similar individuals.

In view of the fact that the mail cover on Kerley's home has served its purpose and no information of value is presently being received from Confidential Informants [redacted] you are instructed to immediately discontinue the mail cover and the services of these informants.

b2

With reference to the statement appearing in your letter of April 9, 1946, relative to the proposed interview with Special Agent F. X. Jahn of the Louisville Field Division, you are advised that this employee has been assigned to the Baltimore Office of the Bureau since January 2, 1946.

Every effort should be made by your office to have the leads which are to be covered completed within the next thirty days, so that this case may be brought to a logical conclusion.

58-1548

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd

JJM; CMW

RECEIVED-DIRECTOR
FBI
APR 17 10 24 AM '46
U.S. DEPT. OF JUSTICE

1 APR 20 1946



Federal Bureau of Investigation
United States Department of Justice
New York 7, New York



IN REPLY, PLEASE REFER TO
FILE NO. _____

April 9, 1946
~~PERSONAL & CONFIDENTIAL~~

DECLASSIFIED BY 60290BCE/KAL/MAS
ON 6/3/03

Director, FBI

RE: LARRY ERNEST KERLEY
BRIBERY

Dear Sir:

There are being set out in this letter the undeveloped leads which ordinarily would logically be covered in the course of the investigation of the captioned matter. It will be noted that the leads are divided into three groups.

The following leads will be covered by the appropriate field division inasmuch as they pertain to the possible receipt by KERLEY of money from a source indicating that it would be connected with the information which KERLEY supplied to the "Journal American" and possibly to the "New Leader", or deal with future releases by these publications which possibly refer to Bureau investigations. The New York office is taking immediate steps to have these leads covered.

~~REFERRED RECORDING~~
Will contact the banks in Savannah, Georgia, to determine if any of them has accounts in the name of LARRY ERNEST KERLEY or his wife, DOROTHY RIVERS KERLEY. If such an account is located, will make a special analysis of the bank account and attempt to identify any unusually large deposits.

Will continue to contact the Bureau of Public Debt at Chicago, Illinois every two weeks for further information as to bond purchases made by KERLEY subsequent to February, 1945.

Will interview Special Agent F. X. JAHN of the Louisville Field Division relative to any information he might have concerning KERLEY's association with Mrs. LEWIS. It should be noted that KERLEY spent the night with Agent JAHN on July 20, 1945 while KERLEY was enroute from New York City to Kansas City on transfer.

Will locate the bank account of VAN BARNETT (KERLEY's brother-in-law) at Murray, Kentucky, and make a thorough analysis of it for any unusually large deposits, and if the account has such, will attempt to identify these deposits. VAN BARNETT resides at 1105 Olive Street, in Murray, Kentucky.

TSM:CTC
67-13301

While under review 4/14/46
JCM

58-1548-115
35
5/2/46

Letter to Director
NY 67-13301

April 9, 1946
PERSONAL & ~~CONFIDENTIAL~~

3. Will locate the bank account of the FIRESTONE HOME AND AUTO SUPPLY STORE, at Murray, Kentucky, which is owned jointly by KERLEY and VAN BARNETT. If such an account is located, will conduct an investigation as outlined above.

Will contact the appropriate office of Dun and Bradstreet covering Murray, Kentucky, for any information that concern might have concerning the FIRESTONE HOME AND AUTO SUPPLY, which is owned by KERLEY and BARNETT, and for any information Dun and Bradstreet might have concerning either of these two individuals. Particular attention should be directed to the working capital of the supply company, and the respective interests of the co-owners.

Will determine if KERLEY has an account with the Second National Bank, Washington, D. C., as he gave this bank as a reference when applying for a loan with the Columbia National Bank of Kansas City, Missouri. If the account is located, a complete analysis of it should be made and any unusually large deposits should be identified.

Will continue to monitor KERLEY's special checking account, number 3390, at the National City Bank, Park Avenue and 57 Street, New York, New York.

Will continue to examine the editions of the "Journal American" at New York every day for any article by HOWARD RUSHMORE which might possibly deal with Bureau investigations.

Will obtain a copy of KERLEY's Income Tax return for the year 1945 and make a thorough analysis of this. If possible, will obtain his Declaration of Estimated Income, which would have had to have been filed by January 15, 1946. It is possible, of course, that KERLEY did not file this.

The leads set out below are not being covered inasmuch as it is believed that the only information forthcoming, even if productive, would be additional contacts between KERLEY and BETTY LEWIS, HOWARD RUSHMORE, or PAUL SCHOENSTEIN, which connection, it is believed, has already been established, and covering these leads would be wasted investigative effort.

Will ascertain if Mrs. LUCY RIVERS (KERLEY's mother-in-law) has a telephone at her home, 509 East 48 Street, Savannah, Georgia, and if she has, will obtain the toll calls made from that telephone from September 1, 1945 to the present date.

Will ascertain what telephone KERLEY had at 107 Cochran Road, Lexington, Kentucky, and if this telephone was in his name, from about September 1, 1945 to the present date, obtain the toll calls made therefrom.

Letter to Director
NY 67-13301

April 9, 1946
PERSONAL & ~~CONFIDENTIAL~~

Will ascertain the telephone number of VAN BARNETT at Murray, Kentucky, and obtain the toll calls made therefrom from about September 1, 1945 to the present date. It should be pointed out that while KERLEY was in Kansas City, he made two calls to Murray, Kentucky -- one to Murray, Kentucky 544J, and another to 544R. It is possible that the hotel records in Kansas City were incorrect and these telephone numbers are possibly identical and both listed to VAN BARNETT. In the event they are two separate numbers, the toll calls from both should be obtained.

Will ascertain the telephone number of LUCY EMMONS, 45-22 44 Street, N. W., Washington, D. C., and if there is a phone listed to EMMONS, the toll calls made from that phone should be obtained covering the period from September 1, 1945 to the present date.

Will obtain the toll calls made from the home telephone number of PAUL SCHOENSTEIN at New York, which is Schuyler 4-4747. Will also obtain the toll calls made from SCHOENSTEIN's unlisted telephone number at the "Journal-American", which is CO 7-2762. The toll calls should be obtained for the period from September 1, 1945 to the present date. PAUL SCHOENSTEIN is the City Editor of the "Journal American".

Will obtain the toll calls for the above period from the home telephone number of HOWARD RUSHMORE at New York, which is Havemeyer 9-5268.

Will obtain the toll calls from the home telephone of JAMES C. LEWIS for the above period. LEWIS' telephone number at New York is Butterfield 8-5979.

Will obtain the toll calls made during the above period from the home telephone at New York of GEORGE H. SIBLEY, which is Regent 4-6089.

Will obtain the toll calls made from the KERLEY telephone at New York, Newtown 9-5181. It is believed that all of the records still in existence at the telephone company should be obtained. KERLEY moved into his present address, 35-30 81 Street, Jackson Heights, New York, in about March, 1945.

Will place a mail cover on KERLEY's office, which is located at 5 East 57 Street, New York City. It is pointed out that KERLEY is superintendent of this building and might be acquainted with the carrier.

The following leads deal mainly with interviews and in the past, individuals having knowledge of the disclosure of the information pertaining to Bureau investigations have refused to cooperate with the Bureau in determining the source of the information published in the newspapers. The

Letter to Director
NY 67-13301

April 9, 1946
PERSONAL & CONFIDENTIAL

leads not pertaining to interviews will be explained separately. None of the leads being listed below will be covered.

Will interview LARRY ERNEST KERLEY concerning both the articles which appeared in the "Journal American" that have been mentioned in this case, and the article appearing in the "New Leader". It should be pointed out that at one time KERLEY placed limitations on the conditions under which he may be interviewed, that is that the interview be made by Mr. Conroy at KERLEY's office, or if Mr. Hoover desired KERLEY to go to Washington, he would be glad to go there, and in either instance, more than glad to answer any questions. However, later he advised Mr. Conroy that he would be glad to come down to the New York office for the interview, providing BETTY LEWIS was present at the interview.

Will interview WILLIAM E. BOHN, editor of the "New Leader", relative to the story concerning the ALTO CASE, which appeared in the March 30, 1946 edition of the "New Leader".

Will interview JAMES C. and ELIZABETH B. LEWIS relative to KERLEY's connection with the articles published in the "Journal American" and the "New Leader".

Will interview GEORGE H. SIBLEY, 9 East 81 Street, New York, New York, for any information he might have concerning KERLEY's association with RUSHMORE and the "Journal American". It is pointed out that SIBLEY was present at a meeting comprised of Mr. and Mrs. LEWIS, Mr. and Mrs. RUSHMORE, LARRY KERLEY and an unknown woman friend of SIBLEY's. This was on the night of December 28, 1945, when KERLEY was identified.

Will identify the woman who attended the above meeting with SIBLEY and interview her concerning whatever was discussed at that meeting. It is possible that this woman is [redacted] inasmuch as the car which SIBLEY was driving that night is listed to [redacted] at SIBLEY's address, and presumably, she lives at [redacted]

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Will contact the Committee on Admissions of the Second Judicial District, Brooklyn, New York Bar Association, for any papers filed by KERLEY.

Will locate and examine the following bank accounts in order to determine if any unusually large withdrawals or deposits were made: JAMES C. LEWIS, ELIZABETH B. LEWIS, GEORGE H. SIBLEY, PAUL SCHOENSTEIN and HOWARD RUSHMORE. Because of the positions occupied by the above individuals, it is very likely that they would be acquainted with the officials of the banks

Letter to Director
NY 67-13301

April 9, 1946
PERSONAL & ~~CONFIDENTIAL~~

with which they do business, and therefore it is deemed inadvisable to conduct this investigation.

Will contact NELSON FRANK, staff writer, "New York World Telegram", to determine if he could possibly ascertain who wrote the article in the "New Leader", March 30, 1946 edition, wherein there appeared an article, with no by-line, concerning the ALTO CASE, presently being investigated in the New York office. It should be pointed out that FRANK is a friend of HOWARD RUSHMORE and was the one who called the New York office relative to the article in the "New Leader", upon his receiving a bulletin on the article from the "New Leader". Special Agent Robert R. Granville advised that he is personally acquainted with NELSON FRANK and that he does not think FRANK is the type of individual who would treat such a request as confidential and stated that in his opinion, the above investigation should not be carried out.

Relative to the investigation being conducted by Confidential Informants [redacted] whose identities are known to the Bureau, it is suggested that the Bureau consider discontinuing the services of these informants inasmuch as since the attempt was made by agents to interview KERLEY, no information of any value has been reported by them.

b2

Relative to the mail cover being maintained on KERLEY's home, it is suggested that this be removed, inasmuch as it would appear that the only value obtained therefrom would be additional contacts with persons involved in this case, which as stated above, has already been established.

The New York office will continue to employ the services of the NYT informants and continue to maintain the mail cover on KERLEY's home until advice to the contrary is received from the Bureau.

Very truly yours,


E. E. CONROY
SAC

FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE
COMMUNICATIONS SECTION

APR 19 1946

TELETYPE

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*via
4/19*

[Redacted]

[Handwritten signature]

[Redacted]

cal

WASH FROM NEW YORK 7 19 5-10 PM

DIRECTOR URGENT

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 6/4/03 BY 60290RCE/CAJ/ms

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ATTENTION OF ASSISTANT DIRECTOR LADD, ~~CONFIDENTIAL~~. LARRY ERNEST

KERLEY, BRIBERY. ~~CONFIDENTIAL~~ INFORMANTS

[Redacted]

[Redacted]

DISCONTINUED FOUR FORTY-FIVE PM TODAY

ON PRIOR BUREAU AUTHORITY BECAUSE OF NON-PRODUCTIVITY.

CONVOY

ACK AND HOLD PLS

NY R 7 WA

58-1548-116
APR 24 1946

5-511

cc: Mr. [unclear]

61 APR 26 1946

General Bureau of Investigation
United States Department of Justice

Baltimore 3, Maryland

April 24, 1946

10
X
CLASSIFIED BY 60290 BBE/KAL/ms
ON 6/4/03

PERSONAL AND CONFIDENTIAL

Director, FBI

Re: LARRY ERNEST KERLEY
BRIBERY

Dear Sir:

Reference is made to the letter from the Louisville Field Division to the Bureau dated April 16, 1946, copies of which were furnished to this office and the New York Field Division, requesting that Special Agent F. X. Jahn, now assigned to this office, be interviewed along the lines suggested in the referenced letter.

I have interviewed Special Agent Jahn and he has prepared for me a memorandum dated April 23, 1946 setting forth his knowledge of Kerley's association with Mr. and Mrs. James Lewis, as well as his own personal relations with Kerley.

Two copies of this memorandum are being transmitted to the Bureau with this letter and two copies are being transmitted to the New York Field Division with its copies of this communication.

Very truly yours,

FRED HALLFORD
SAC

159
Enclosure

PH:cc

cc-New York (Enclosure)

RECORDED

&
INDEXED

158-1548-117
139
36 APR 26 1946

50 APR 29 1946

Baltimore, Maryland

April 23, 1946

CLASSIFIED BY 60290BCE/CA/STMS
ON 6/4/03

~~PERSONAL AND CONFIDENTIAL~~

MEMORANDUM FOR THE SPECIAL AGENT IN CHARGE:

Re: LARRY E. KERLEY
FORMER SPECIAL AGENT

Reference is made to your inquiry concerning any knowledge I may have in regard to former Special Agent Kerley's association with Mrs. James Campbell Lewis or any information which Kerley gave concerning his plans to resign from the Bureau, together with any information I may have concerning the circumstances under which Kerley became connected with the Lewises and the statement as to whether Kerley spent the night with me on July 20, 1945 while enroute from New York City to Kansas City on transfer.

I am satisfied that Kerley never knew Mr. and Mrs. James Lewis prior to the time he was assigned to the investigation of the case involving [redacted] - Internal Security", of which case Louisville is the office of origin. Without having the file at hand, I cannot furnish the dates accurately, but I believe it was about the summer of 1941 that [redacted] was first brought to the attention of the Louisville Office by the management of the Kilgallen Hotel, Lancaster, Kentucky, who reported that [redacted] and his wife had registered at the hotel and had made pro-German statements. Later [redacted] was reported by his employers, Mr. and Mrs. James Lewis. Mr. Lewis was a Vice-President of the Squibb Company, of St. Louis, and he had purchased a large estate in the vicinity of Lancaster, Ky. [redacted] was a native-born German who came to the United States in 1939 or 1940 and accepted a post at the University of Miami in some field of agriculture. Eventually he accepted employment with Lewis as the latter's farm manager.

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The investigation of these reports concerning [redacted] and his wife was assigned to Special Agent Larry Kerley and in the course of the investigation he had a number of contacts with Mr. and Mrs. Lewis at their farm in Kentucky.

ENCLOSURE

58-1548-117

Memo - SAC

Re: Larry E. Kerley

Following our investigation [] and his wife were brought before the Alien Enemy Hearing Board at Lexington, Kentucky and Mrs. Lewis was the principal witness against them. I was not present at this hearing and do not know what transpired, but Mr. John T. Metcalf, former United States Attorney at Lexington, Kentucky, told me later that Mrs. Lewis was so strongly vindictive that there was a serious question in the minds of the Hearing Board whether they should give full credence to her testimony, and Mr. Metcalf expressed his personal view on more than one occasion that he was not entirely satisfied in his own mind but that Mrs. Lewis warranted investigation. This feeling on Mr. Metcalf's part was based on the fact that she went far and beyond reasonable limits of interest in the prosecution of [] case whereby he gained the impression that she was attempting to focus attention on [] and direct it away from herself. Mr. Metcalf's interest in Mrs. Lewis was principally occasioned by the fact that she was a native-born Hungarian and she spoke with a German accent.

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[] and his wife were ordered interned by the Attorney General following the hearings and they were placed in the custody of the Immigration and Naturalization Service at their detention station in Cincinnati.

While so detained, [] obtained permission to return to Lewis' farm for the purpose of gathering up some personal belongings. She came from Cincinnati in an automobile under guard of an Immigration employee and went to the tenant house on the Lewis farm. She stayed there for several hours and when she and the guard departed late in the evening, Mrs. Lewis went over to the tenant house and observed evidences of considerable drinking. She became alarmed and was fearful that [] would escape from the Immigration guard. She attempted to contact Agent Kerley by telephone at Lexington but he was out of town for some reason not recalled, and she then talked with me over the telephone. She was informed that the FBI had no jurisdiction with respect to the detention of interned enemy aliens but that the subject matter of her report would be furnished to the Immigration authorities at Cincinnati through our official channels. She was not satisfied with this and insisted that she was going to immediately telephone Washington and speak with the Attorney General and she indicated that she was personally acquainted with the Attorney General. The date of this incident will be reflected in the Bureau's files of this case.

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As a result of this telephone call from Mrs. Lewis, I proceeded immediately to the Lewis farm, accompanied by Special Agent [] who was at that time Resident Agent at Lexington. Upon arrival at the Lewis farm, the full circumstances of the incident were discussed with Mrs.

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b7C

Memo - SAC
Re: Larry E. Kerley

Lewis and they will be found in the Louisville reports on this case.

This is the only time I ever saw Mr. and Mrs. Lewis. Mr. Lewis was present on this occasion and the interview was completed in about twenty minutes.

Shortly after the interment of [redacted] there was a big fire in the mansion on the Lewis farm. I was told by Francis Quinn, manager of the Western Adjustment and Inspection Company at Lexington, Ky., that the Lewises had the contents of their home insured for \$100,000 and a full claim for this amount was made. Mr. Quinn was suspicious of the claim because the insurance had been in force only a short time and he had some information that gave rise to a suspicion that a considerable portion of the insured articles had been shipped away from the farm prior to the fire. During the course of his investigation, Mr. Quinn received information that [redacted] had been under investigation by the FBI and for this reason he contacted me; however, he was informed that our investigation of [redacted] case was confidential.

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Following this fire the Lewises moved to New York where they have a town house. After they moved away, Agent Kerley told me on several occasions that he had received telephone calls from New York City from Mr. and Mrs. Lewis and on several occasions when the Lewises passed through Lexington, Kentucky while travelling, they invited Kerley and his wife to have dinner with them at the hotel. Kerley has a son who is now about two years of age and who is named Michael Lewis Kerley. I believe that the baby was named after James Lewis. When the baby was born, Mr. Lewis purchased a war bond in an unknown amount for this child.

I believe it was in the summer of 1944 that Agent Kerley took a vacation in New York City. He contacted Mr. Lewis and was invited to stay at their home on Park Avenue and did stay there. Kerley told me he was entertained royally on this occasion and the Lewises were so interested in him they even sent him to their personal physician who gave him a thorough physical examination and prescribed certain medicines and treatments to reduce his weight. Kerley at that time weighed about 220 pounds and he was about six feet tall.

Upon his return to Lexington, Kentucky following this contact with the Lewises, Kerley told me that Mr. Lewis was attempting to form a syndicate to purchase an export-import drug company for a million dollars and that if Mr. Lewis' plans went through, he might employ him as South American representative of this drug company. Kerley gave me no more specific information on this occasion.

Memo - SAC
Re: Larry E. Kerley

Subsequently, Kerley was transferred to our New York Office and I do not know what contacts he had with the Lewises after that, but on the occasion of one of his return visits to Lexington, he did tell me that Lewis had a large vacant house in New York which he offered to turn over to Kerley rent free for the residence of himself and his wife and child.

While Kerley was enroute from New York City to Kansas City on transfer some time in the summer of 1945, he did stop at Lexington and he told me on that occasion that Lewis still had plans for the purchase of a drug company and that if the plans matured he might go in with Lewis; however, he gave me no more specific information. Kerley was driving through by himself on this occasion and I did invite him to spend the night at my house but he declined, and neither on this occasion nor any other occasion within the past three years, has Kerley spend the night at my place.

I have not seen Kerley since the last mentioned occasion. I do understand that following his resignation from the Bureau he passed through Louisville and Lexington enroute to New York, and I understand that he informed one or more Agents at Louisville that he was going in with Lewis at a salary of \$10,000 per annum.

My wife informs me that Kerley came to our home in Lexington, unannounced, about 7:00 p.m. one evening in December, 1945, at a time when I was in Boston, Mass. to be with my mother who was seriously ill. Kerley stayed only a few minutes and he gave no information concerning his activities at that time. My wife believes that he was on that occasion enroute to Murray, Kentucky where his brother-in-law is in business and in which business Kerley has an interest.

With respect to this business in Murray, Kentucky, I understand that several years ago Kerley loaned his brother-in-law a sum of money to assist him in obtaining a Firestone Company franchise and at the outset there was another businessman from Murray in the venture, who has since been bought out by the brother-in-law and/or Kerley. I do not know that brother-in-law's name, but I believe he may be readily identified as the manager of the Firestone store in Murray. Just what portion of the business is Kerley's as a matter of record or as a result of a family understanding, I do not know. I do not know the sum of money Kerley gave his brother-in-law.

Last night I was informed by my wife that Larry Kerley and his wife and son came by the house during the day while I was at firearms at Edgewood Arsenal, Maryland. Kerley told my wife that he is working in New York

Memo - SAC

Re: Larry E. Kerley

City and she gained the impression that he is the general manager for all of James Lewis' interests except those concerning Squibb Company. Kerley did not say what salary he was making, but he remarked that he is having more income from his share in his brother-in-law's store at Murray than he ever made while he was with the Bureau. Concerning his New York employment, he said that he had his own office in an office building which Lewis owns at 57 or 57th and Park Avenue. Kerley told my wife he wanted us to call on him if we were ever in the vicinity of New York and she asked how to contact him and he stated that he is listed in the phone book under his office address. He told her he did not have much to do and he rode the 5th Avenue bus to work and usually got to the office about 9:30 a.m. He said that he was now principally engaged in the preparation of the payroll for Lewis' personal employees but he expected to have more to do in the future. He stated that Lewis was negotiating for the purchase of the "Ferber" (phonetic) industries.

Kerley stated on April 22, 1946 to my wife that he and his wife and child left New York on Saturday, April 20th, and they would have stopped by on their way to Washington, D. C. on that date but they had stopped off in Palmyra, Pa. to visit a friend, and they had a dinner engagement at 7:00 p.m. in Washington with Mrs. Kerley's aunts, so they did not have time to stop going through Baltimore. The Kerleys spent the week-end with Mrs. Kerley's aunts, whose names and addresses I do not know, and they were on their way back to New York when they stopped in on April 22nd. Kerley had learned in December of my transfer to Baltimore and on reaching Baltimore yesterday he made inquiry to determine my present address.

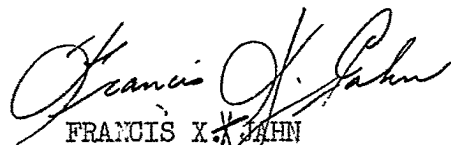
I do not know of any association between Kerley and Mrs. Lewis which is any closer than that between Kerley and Mr. Lewis. I have always had the impression that both of the Lewises regarded him highly and that his contacts have been equally divided between them. By that I mean Kerley would sometimes say that Mr. Lewis had called him and on other occasions he would say that Mrs. Lewis had called. All of his remarks to me concerning Lewis' proposed business ventures and his offers to take Kerley in with him have Mr. Lewis as the apparent prime motivating factor.

I believe, however, that you will find in the Bureau's file of the [redacted] case a statement in a communication from the New York Office to the effect [redacted]

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b7D

Memo - SAC
Re: Larry E. Kerley

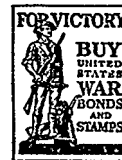
and, I believe, if I am not mistaken, you will find a statement that she was personally acquainted with Mr. Foxworth and the Attorney General.


FRANCIS X. JAHN
Special Agent

FXJ:cc



Federal Bureau of Investigation
United States Department of Justice



IN REPLY, PLEASE REFER TO
FILE NO. _____

New York, New York
April 10, 1946

MEMO

RE: LARRY ERNEST KERLEY
BRIBERY

This is to advise that since the ALTO CASE came out in the New Leader on March 29, 1946, HOWARD RUSHMORE has not conversed with either LARRY KERLEY or BETTY LEWIS on a single occasion.

It might also be stated that since an attempt was made by agents to interview KERLEY, no information of value has been obtained from Confidential Informants [redacted]

b2

[redacted]
Special Agent

b6
b7C

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/4/03 BY 60290BCE/CAL/PLS

TSM:CTC

~~67-13301~~

RECORDED
&
INDEXED
139

58-1548-118
20 APR 20 1946

50 APR 29 1946

125 pm

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

FROM : J. C. STRICKLAND

SUBJECT: LARRY E. KERLEY;
BRIBERY

DATE: April 25, 1946

1:00 PM

Mr. Tolson	
Mr. E. A. Tamm	✓
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

SAC Conroy called from New York and advised that on page 100 of this week's Time Magazine, which is the Book Review section, there is a footnote concerning the book "Heart from the Tomb," by Trotsky, which reads as follows:

"Jackson, whose real name according to the Mexican police is Jacques Vandendreschd, a Belgian traveling on false Canadian papers, is still in Mexico City. A month ago Manhattan's Socialist New Leader reported that the FBI, at the request of the Mexican Government, was working on the case. Jackson had committed an assassin's number one crime. He failed to escape. Said New Leader, 'The Mexican police have discovered that the NKVD is now trying to liquidate Jackson.' The operation is in charge of a little publicized U. S. woman Communist who lives in Manhattan's Greenwich Village."

You will recall that the above article refers to the Lydia Altschuler case, which was previously mentioned in an article in the New Leader. The U. S. woman Communist who lives in Manhattan's Greenwich Village is no doubt referring to Lydia Altschuler. It is believed that the information concerning the Altschuler case which appeared in the New Leader was furnished by Larry Kerley. It is also well to note that the name Jackson is again incorrectly spelled as it was in the article appearing in the New Leader. This will tend to also indicate that the information came from the same source.

SAC Conroy stated that he does not believe it advisable to contact the Real Estate Board in New York City for the purpose of revoking any real estate license as to do so he would have to openly contact the Board, which he believes to be inadvisable. He will not contact the Board unless advised to the contrary. He did advise, however, he can contact the Bar Association with security and such a contact will be made.

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HEREIN IS UNCLASSIFIED
DATE 6/4/03 BY 60390BCE/DAK/JRS

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158-1548-119
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7 APR 30 1946

JCS:EOD

58 MAY 1 1946

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

FROM : J. K. MUMFORD

SUBJECT: LARRY E. KERLEY;
BRIBERY

DATE: April 17, 1946

9:55 AM

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

SAC Conroy telephonically advised that on the evening of April 15, Kerley and Betty Lewis had a telephone conversation which lasted about an hour. Kerley's voice is rather unintelligible but he mentioned that he was going to Washington, D. C., and he would see Senator Fulbright. He did not say just when he was going.

JKM:EOD

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&
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158-1548-120
F B I
30 MAY 2 1946

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 6/4/03 BY 60390 BCP/ALP/US

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. TOLSON

DATE: April 30, 1946

FROM : W. R. GLAVIN

SUBJECT:

Mr. Tolson _____
 Mr. E. A. Tamm _____
 Mr. Clegg _____
 Mr. Coffey _____
 Mr. Glavin _____
 Mr. Ladd _____
 Mr. Nichols _____
 Mr. Rosen _____
 Mr. Tracy _____
 Mr. Carson _____
 Mr. Egan _____
 Mr. Hendon _____
 Mr. Pennington _____
 Mr. Quinn Tamm _____
 Tele. Room _____
 Mr. Nease _____
 Miss Beahm _____
 Miss Gandy _____

In connection with the attached Memorandum concerning Larry E. Kerley, I have talked with Senator Bill Fulbright and he will let me know if any contact was made with him.

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58-1548-1
F B I

30 MAY 2 1946

57 MAY 2 - 1946

ALL INFORMATION CONTAINED
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 DATE 6/4/03 BY 60320BCE/AL/JAS

WRG:ejm



States Department of 1
Federal Bureau of Investigation
New York 7, New York



IN REPLY, PLEASE REFER TO

FILE No. _____

May 2, 1946

DECLASSIFIED BY 602908CE/CAL/DAS PERSONAL & CONFIDENTIAL
ON 6/4/03

Director, FBI

Re: LARRY ERNEST KERLEY
BRIBERY

Dear Sir:

The Chicago office has advised, by letter dated April 29, 1946, that the Bureau of Public Debt in Chicago is still approximately one year behind schedule in the filing of bonds, and that in the next two months it expects to complete the filing of bonds purchased through May, 1945. It was requested that this office advise the Chicago office whether it desired a check to be made on or about July 1, 1946 of the bond applications.

Inasmuch as the check in July, 1946 would only reflect the purchase of bonds by KERLEY through May, 1945, it is not desired that such a check be made.

The Chicago office is therefore requested to discontinue the checking of such bond purchases by KERLEY.

Very truly yours,

E. E. Conroy
E. E. CONROY
SAC

HANDLED BY
STOR. ROOM

cc - Chicago

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE _____ BY _____

TSM:CTC
67-13301

58-1548-121

MAY 8 1946

105-511

59 MAY 9 1946

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD *pl*

DATE: April 19, 1946

FROM : E. E. CONROY

SUBJECT: LARRY E. KERLEY
BRIBERY

Mr. Tolson	
Mr. E. A. Tamm	✓
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Mr. Neasey	
Miss Gandy	

This morning I received a telephone call from ASAC A. H. Belmont, who advised that information was received through the technical surveillance of Kerley as follows:

Kerley left his apartment in Jackson Heights, New York City, early this morning to drive to Washington, D. C. He was apparently accompanied by his wife and child and a woman named "Hattie". The latter is possibly his mother-in-law. In Washington, D. C. he can be reached by Telephone Emerson 7958.

The indications received from the technical surveillance were to the effect that Kerley would return to his home in New York City some time during the coming week-end. This affords a possible opportunity to conduct a highly confidential investigation with reference to his apartment, which is being re-decorated during his absence. It is the opinion of the New York Office that this highly confidential investigation should not be conducted, in view of the fact that the Agents would have to operate "cold." Kerley unquestionably has friends in this apartment building who might possibly observe the activities of the Agents. In view of the lack of security, the New York Office does not feel that this investigation should be attempted.

It is noted that you agreed that the above highly confidential investigation should not be attempted.

It is further noted that you advised that you would have the Washington Field Office determine the person who has Telephone Emerson 7958 and advise me here or advise the New York Office. It is my recollection that Kerley has some relatives in Washington mentioned in investigative reports, whose identity could be determined if they are the same as the person who has the above telephone number.

It was later determined that the Washington Field Office has advised that the above telephone number is listed to Lucy A. Emmons, 4322 45th Street, N. W., Washington, D. C. It will be recalled that Lucy Emmons is mentioned in investigative reports on Kerley as a contact of his in Washington, D. C. It is my recollection that she is some relative.

Your attention is directed to the fact that earlier this week I advised the Bureau by telephone that Kerley had had a telephone conversation with Mrs. Betty Lewis in New York City, at which time he indicated that he intended to come to Washington, D. C., and while there confer with U. S. Senator Fulbright.

EEC:cmw

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HEREIN IS UNCLASSIFIED
DATE 6/4/03 BY 60290BCE/CAC/m

51 MAY 10 1946

588m

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. E. A. TAMM

DATE: May 7, 1946

FROM : D. M. LADD

Time of Call: 2:55 p.m.

SUBJECT: LARRY KERLEY
BRIBERY

Mr. Tolson	_____
Mr. E. A. Tamm	_____
Mr. Clegg	_____
Mr. Glavin	_____
Mr. Ladd	_____
Mr. Nichols	_____
Mr. Rosen	_____
Mr. Tracy	_____
Mr. Carson	_____
Mr. Egan	_____
Mr. Gurnea	_____
Mr. Harbo	_____
Mr. Hendon	_____
Mr. Pennington	_____
Mr. Quinn Tamm	_____
Tele. Room	_____
Mr. Nease	_____
Miss Gandy	_____

SAC Conroy called to advise of a conversation he had had with John F. Hennessy, a Swede who is the Secretary of the Character (phonetic) Committee in Brooklyn, which covers the second department, that is, Brooklyn, Queens, etc. Mr. Conroy advised that Hennessy is a personal friend of his and Hennessy advised him that they will take care of Subject Kerley.

Mr. Conroy stated that as far as the real estate broker's license is concerned, it was his opinion that they would show their hand very definitely if anything was done regarding it.

ACTION:

I advised Mr. Conroy to forget about the real estate broker's license.

DML:cmw

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HEREIN IS UNCLASSIFIED
DATE 6/4/03 BY 60290BCE/SAL/JWS

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MAY 10 1946
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158-1548-123

51 MAY 10 1946

523m

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

FROM : J. K. MUMFORD

SUBJECT: LARRY E. KERLEY;
BRIBERY

DATE: May 14, 1946
10:50 AM

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn	
Mr. Nease	
Miss Gandy	

SAC Conroy called from New York and advised that Agent Gregg of the New York Office had received a call from Mrs. Betty Lewis this morning stating she wanted to see him sometime during the week regarding furnishing information or a complaint. Gregg stated she was rather general and did not bring up Kerley's name. Mr. Conroy was calling for Bureau clearance. I advised Mr. Conroy that unless instructed to the contrary by tomorrow, to have Agent Gregg see Mrs. Lewis and have another Agent accompany him.

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 6/4/03 BY 60390 BCE/CA/JS

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FBI
39 MAY 15 1946

JKM:EOD

EX-1

57 MAY 17 1946

LADD

Federal Bureau of Investigation
United States Department of Justice
633 Federal Building
Louisville 2, Kentucky

much

~~PERSONAL AND CONFIDENTIAL~~
May 14, 1946.

Jm

Director, FBI

RE: LARRY ERNEST KERLEY
BRI BERY

Dear Sir:

Reference is made to a letter from the New York office dated May 10, 1946, requesting that investigation outlined in letter from the New York Field Division to the Bureau dated April 12, 1946 of the FIRESTONE HOME AND AUTO SUPPLY COMPANY at Murray, Kentucky be expedited, inasmuch as the Bureau desired the case completed at an immediate date.

This is to advise that Mr. MUMFORD of the Bureau on February 14, 1946 telephonically instructed the Louisville office that the information developed by the New York office concerning the above-mentioned Company was satisfactory and instructed that no investigation of that Company be conducted unless instructions to that effect were received from the Bureau.

In view of the above, no investigation will be conducted of the FIRESTONE HOME AND AUTO SUPPLY COMPANY in the absence of further instructions from the Bureau.

Very truly yours,

DECLASSIFIED BY 60290 BCE/CAL/JS
ON 6/4/03

LMG:TW
LS 58-18
AIR MAIL SPECIAL DELIVERY
CC: NEW YORK FIELD DIVISION (AMSD)

M. W. McFarlin
M. W. MC FARLIN,
SAC.

RECORDED
&
INDEXED

58-1548-125

10 MAY 21 1946

583m

TO : SAC, Louisville PERSONAL AND CONFIDENTIAL DATE: May 16, 1946
FROM : Director, FBI
RECORDED: 58-1541-126
SUBJECT: ALVIN KARPIS SPECIAL DELIVERY
MURKIN

Reference is made to the letter dated May 11, 1946, from the Louisville Field Division to the Bureau, a copy of which was forwarded to the New York Field Division, advising that the investigation requested in a letter from the New York Field Division to the Bureau dated April 12, 1946, would not be conducted unless instructions to do so were received from the Bureau.

The Louisville Field Division is instructed to immediately conduct in a very discreet manner the investigation requested in the copy of the letter received from the New York Field Division dated April 12, 1946. It is further requested that this investigation be completed at an early date.

cc - New York (Special Delivery)

RECORDED AND INDEXED BY 60390BCE/CAL/RS
ON 6/4/03

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Gandy _____

JJM:edm

MAY 16 3 49 PM '46

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

FROM : J. K. MUMFORD

SUBJECT: LARRY E. KERLEY;
BRIBERY

DATE: May 15, 1946

4:10 PM

5-14-46

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn	
Tele. Room	
Mr. Nease	
Miss Gandy	

While talking to the Louisville Office on another matter, Special Agent Chipman advised they had received a letter from the New York Office requesting an investigation at the Firestone Home and Auto Supply Company, which would include an analysis of their bank account through Dun and Bradstreet. Mr. Chipman stated that the Bureau had previously advised them not to conduct this investigation unless advised to the contrary. I told Mr. Chipman to send a conference teletype to New York and the Bureau to the effect that advice had been received not to handle this unless advised to the contrary by the Bureau.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/4/83 BY 60320 BCE/CAL/TJS

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JUN 21 1946

5.5.46

Office Memorandum • UNITED STATES GOVERNMENT

TO : 58-1548
The Director

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE: May 21, 1946

DATE 6/5/03 BY 60298CE/CAL/ms

FROM : D. H. Ladd

SUBJECT: LARRY ERNEST KERLEY
BRIBERY

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

On May 14, 1946, Special Agent Emory I. Gregg of the New York Office received a telephone call from Mrs. Betty Lewis, the wife of Kerley's employer, advising she would like to see him during the coming week regarding a complaint. The New York Office was instructed to have Special Agent Gregg interview Mrs. Lewis provided he was accompanied by another Agent.

On May 17, 1946, Mrs. Lewis was interviewed at her home by Special Agent Gregg, who was accompanied by Special Agent John F. Malone. Mrs. Lewis advised that on May 15, 1946, while attending a luncheon, she had entered into a conversation with Mrs. George Washington Cavanaugh and Mrs. "Flossie" Philipson (the wife of Major General Irving Philipson, former Area Commander at Governors Island, New York). Mrs. Cavanaugh is the alleged leader of New York City society and has reached a rather advanced age.

Mrs. Lewis explained that Mrs. Cavanaugh had given her information regarding suspicious activities at the Soviet Consulate in New York City. She related to the Agents these activities which were all of a nonspecific nature, and stated she could introduce the Agents to Mrs. Cavanaugh if they would attend a luncheon she proposed to sponsor at the opening of a room at the Ritz Carleton Hotel in the immediate future. She explained that because of Mrs. Cavanaugh's social prominence it would otherwise be difficult to meet her. Mrs. Lewis was informed that if her further cooperation was needed, she would be contacted at a later date.

During a lull in the conversation Mrs. Lewis made the following pertinent statements:

"There is one thing for which I am intensely sorry. It was a rather dirty trick involving an ex-Agent of your organization. I felt that the FBI, being subservient to the State Department, was being forced into a policy of appeasement, and that it should be 'freed' to take a more aggressive stand. It was not Kerley's fault; I led him on and on. I wanted to tell all about it to Mr. Conroy but he refused, saying that it was a matter which must necessarily be taken up without the presence of an outsider."

No comment was made to these remarks by either Agent present and the subject of conversation was then switched to the apparently changed foreign policy of the State Department as evidenced by recent statement and actions on the part of Mr. Byrnes. The Agents were of the opinion that Mrs. Lewis apparently sought to rationalize and justify her actions by crediting, to a great extent, the resulting publicity with this change of policy on the part of the State Department.

ACTION:

In view of the fact that Mrs. Cavanaugh is of an advanced age and all statements she made to Mrs. Lewis were of a nonspecific nature, it is not believed

JJM:MMJ

that Agents from the New York Office should again contact Mrs. Lewis regarding this matter.

If you agree with the above suggestion, there is attached hereto for your approval a letter to the New York Office.

*I most certainly agree. This
Lewis woman should not
enhance her prestige by
arranging interviews for
FBI.
H.*

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. E. A. TAMM
 FROM : D. M. LADD
 SUBJECT: LARRY E. KERLEY;
 BRIBERY

DATE: May 16, 1946
 2:55 PM

Mr. Tolson ✓
 Mr. E. A. Tamm ✓
 Mr. Clegg ✓
 Mr. Glavin ✓
 Mr. Ladd ✓
 Mr. Nichols ✓
 Mr. Rosen ✓
 Mr. Tracy ✓
 Mr. Carson ✓
 Mr. Egan ✓
 Mr. Gurnea ✓
 Mr. Harbo ✓
 Mr. Hendon ✓
 Mr. Pennington ✓
 Mr. Quinn Tamm ✓
 Tele. Room ✓
 Mr. Nease ✓
 Miss Beahm ✓
 Miss Gandy ✓

SAC Conroy, New York City, called and advised that Betty Lewis had again called Agent Gregg late this morning and told him that yesterday she had been at a luncheon at the Hampshire House in New York City which had been attended by about a dozen other women, including a Mrs. George Washington Cavanaugh. During the course of the luncheon Mrs. Cavanaugh advised Mrs. Lewis that she resided on East 62nd Street immediately to the rear and adjacent to the Russian Consulate; that from time to time she has considered calling the New York City Police Department because of rather mysterious disturbances at the Consulate; stating that in particular, she believed there had been a murder on the Consulate premises during the past week. Mrs. Lewis informed Agent Gregg she had suggested that Mrs. Cavanaugh contact the FBI and Mrs. Cavanaugh solicited Mrs. Lewis' assistance in that respect. Mrs. Lewis proposed to Gregg that inasmuch as she had invited Mrs. Cavanaugh to tea on the day of the opening of the Ritz Carlton Hotel, which is tentatively set for sometime during the coming week, that Gregg arrange to contact Mrs. Lewis immediately prior to the tea, at which time he would be introduced to Mrs. Cavanaugh. Agent Gregg delayed committing himself on the proposition and made arrangements to personally see Mrs. Lewis at her home sometime this afternoon, in line with Mrs. Lewis' previous request of Gregg that he contact her. Mr. Conroy stated that Agent Gregg has not yet gone to see Mrs. Lewis this afternoon.

I advised Mr. Conroy we should talk to the informant Mrs. Cavanaugh but not at any public luncheon. I suggested that when Agent Gregg sees Mrs. Lewis this afternoon to find out how they can get in touch with Mrs. Cavanaugh and then call her and make arrangements to talk to her. New York will submit the information they obtain from Mrs. Cavanaugh to the Bureau and we will submit the data to the State Department or any interested organization. Mr. Conroy stated that Agent Malone will accompany Gregg to see Betty Lewis this afternoon.

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58-1548-128
 FBI
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DML:EOD

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 HEREIN IS UNCLASSIFIED
 DATE 6/5/03 BY 60290 BCC/ALB/MS

51 MAY 31 1946



United States Department of Justice
Federal Bureau of Investigation



New York 7, New York

IN REPLY, PLEASE REFER TO

FILE No. _____

May 17, 1946

PERSONAL & CONFIDENTIAL

Director, FBI

Re: LARRY E. KERLEY
BRIBERY

Dear Sir: Att: Assistant Director D. M. Ladd

Reference is made to a telephone conversation between Mr. JACK MUMFORD and Assistant Special Agent in Charge BELMONT of this office today.

In accordance with Mr. MUMFORD's request, there is enclosed herewith a memorandum dated May 17, 1946, by Special Agents JOHN F. MALONE and EMORY M. GREGG entitled "LARRY E. KERLEY, BRIBERY" re interview on the afternoon of May 16, 1946, with Mrs. JAMES C. LEWIS. ~~DEFERRED RECORDING~~ *adm*

There is also enclosed a memorandum dated May 17, 1946, also by Special Agents JOHN F. MALONE and EMORY M. GREGG entitled "SODAC, NEW YORK CITY, INTERNAL SECURITY - R". This is also with reference to an interview with Mrs. JAMES C. LEWIS.

Very truly yours,

DECLASSIFIED BY 60290BCE/CA/PLS
ON 6/5/03

E. E. Conroy
E. E. CONROY
SAC

Encls. (2)

RRG:JAW

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MAY 31 1946

RECORDED COPY FILED IN 68-1548-129



United States Department of Justice
Federal Bureau of Investigation



New York, New York

IN REPLY, PLEASE REFER TO

FILE No. _____

May 17, 1946

MEMO:

RE: LARRY E. KERLEY
BRIBERY

On the afternoon of Thursday, May 16, 1946, Special Agents John F. Malone and Emory M. Gregg called at the home of MRS. JAMES C. LEWIS, 22 East 73rd Street, New York City, at her request. Following a lull in the conversation concerning information which MRS. LEWIS wished to furnish this office, for which purpose she presumably requested this interview, she made the following pertinent statements:

"There is one thing for which I am intensely sorry. It was a rather dirty trick involving an ex-Agent of your organization. I felt that the FBI, being subservient to the State Department, was being forced into a policy of appeasement, and that it should be 'freed' to take a more aggressive stand. It was not KERLEY'S fault; I led him on and on. I wanted to tell all about it to Mr. Conroy but he refused, saying that it was a matter which must necessarily be taken up without the presence of an outsider."

Without comment on the part of either Agent present, the subject of conversation was then switched to the apparently changed foreign policy of the U. S. State Department as evidenced by recent statements and actions on the part of Mrs. Byrnes. MRS. LEWIS apparently sought to rationalize and justify her actions by crediting, to a great extent, the resulting publicity with this change of policy on the part of the State Department.

Details as to the information offered by MRS. LEWIS during this interview are being set forth separately in a memorandum of this date entitled "SODAC, NYC; INTERNAL SECURITY - R."

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/5/03 BY 60220RCE/KAL/MS

JOHN F. MALONE
EMORY M. GREGG
Special Agents

EMG:els

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United States Department of Justice
Federal Bureau of Investigation

New York, 7, New York
June 10, 1946



IN REPLY, PLEASE REFER TO
FILE No. _____

PERSONAL & CONFIDENTIAL

Director, FBI

RE: LARRY ERNEST KERLEY
BRIBERY

Dear Sir:

Reference is made to letter dated January 3, 1946 from Kansas City to the Bureau in connection with the captioned matter, which set out information concerning KERLEY's activities while assigned to the Kansas City Field Division.

By letter dated May 29, 1946, the Kansas City Field Division requested the New York office to advise whether the Administrative records maintained by Kansas City relative to KERLEY should be retained or destroyed at the expiration of one year from the date of the record. The particular Administrative records concerned are set out in the January 3 letter above.

Although the New York office has made all of its Administrative records relative to KERLEY exhibits in this case, it is not felt that any of the Kansas City material is of significance in this case.

Therefore, unless the Bureau advises the Kansas City office to the contrary, the referred to Administrative records may be destroyed at the appropriate time by the Kansas City Field Division. For immediate reference, it is pointed out that the earliest record of the Kansas City Field Division relative to KERLEY would be in July, 1945 and would be destroyed in July, 1946.

Very truly yours,

E. E. Conroy
E. E. CONROY
SAC

cc - Kansas City

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No Duplication Fees are charged for Deleted Page Information Sheet(s).

Total Deleted Page(s) ~ 2
Page 242 ~ Referral/Direct
Page 244 ~ Referral/Direct

Federal Bureau of Investigation (FBI) File No. 58-HQ-1548,
1940's FBI Leak Investigation Focusing on Lawrence E. Kerley
Section 5

FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT **NEW YORK**

NY FILE NO. **67-13301 CTC**

REPORT MADE AT NEW YORK	DATE WHEN MADE 6/10/46	PERIOD FOR WHICH MADE 4/15-19, 25; 5/16; 6/7/46	REPORT MADE BY <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
TITLE LARRY ERNEST KERLEY			CHARACTER OF CASE BRIBERY

SYNOPSIS OF FACTS:

~~PERSONAL & CONFIDENTIAL~~

Confidential Informants furnished no pertinent information during period; discontinued 4/19/46. "TIME" magazine for 4/29/46 made reference to article previously published by "NEW LEADER" re ALTO CASE. On 5/16/46, BETTY LEWIS advised Special Agents Gregg and Malone that she was the cause of KERLEY's giving information re Bureau investigations. No significant activity in KERLEY's bank account.

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REFERENCE: Report of Special Agent New York, 4/16/46.

DETAILS: AT NEW YORK, NEW YORK

CONFIDENTIAL INFORMANT

APRIL 17, 1946

On the instant date, KERLEY advised BETTY LEWIS that he was leaving Firday (for Washington, D. C.). BETTY told him that she could not make the luncheon date they had arranged for the following day.

APRIL 19, 1946

At 6:50 am on the instant date, the informant advised that KERLEY was going to spend Easter weekend in Washington, D. C., and that

APPROVED AND FORWARDED: <div style="border: 1px solid black; border-radius: 50%; width: 100px; height: 100px; display: flex; align-items: center; justify-content: center; margin: 10px 0;"> </div>	SPECIAL AGENT IN CHARGE	DO NOT WRITE IN THESE SPACES <div style="font-size: 1.5em; font-weight: bold; margin-top: 10px;">58-1548-131</div>
COPIES OF THIS REPORT 3 - Bureau 2 - New York		<div style="font-size: 1.2em; font-weight: bold; margin-top: 10px;">972844</div> <div style="font-size: 0.8em; margin-top: 5px;">DECLASSIFIED BY 60292 BSE/CAL/JAS</div> <div style="font-size: 0.8em; margin-top: 5px;">ON 6/26/03</div>
<div style="font-size: 1.5em; font-weight: bold; margin-top: 10px;">50 JUN 24 1946</div>		<div style="font-size: 1.2em; font-weight: bold; margin-top: 10px;">INDEXED</div> <div style="font-size: 1.2em; font-weight: bold; margin-top: 5px;">40</div>

NY 67-13301

he would go to Washington by car. It was believed that he would stay with an individual whose telephone number was Emerson 7958. The Bureau subsequently advised that this telephone number was listed to LUCY A. EMMONS, 4522 45th Street, N. W., Washington, D. C. EMMONS has been previously mentioned in this case.

On April 19, 1946, the services of this informant were discontinued.

~~CONFIDENTIAL INFORMANT~~ [redacted]

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During the period of this report, Confidential Informant [redacted] advised that there was no contact between BETTY LEWIS and HOWARD RUSHMORE, and that the few conversations LEWIS had with KERLEY were pertaining to business, and nothing was said which was of interest to the instant investigation.

The services of the above informant were discontinued as of April 19, 1946.

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Stenographer [redacted] listened to the Hungarian conversations reported by Confidential Informant [redacted] from April 8 through April 19, 1946, but stated that nothing was said which was of interest to this case.

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~~CONFIDENTIAL INFORMANT~~ [redacted]

APRIL 15, 1946

On April 15, 1946, KERLEY contacted a Mr. FITZGERALD and asked if a non-member of the Real Estate Board could attend their meeting. Mr. FITZGERALD advised him to call the Board and thought that they would sell him a ticket to attend their coming meeting. KERLEY then asked to be connected with a Mr. KURLICK (phonetic) and advised KURLICK to get in touch with him the following week for an appointment with KERLEY.

APRIL 16, 1946

At 10:30 am on this date, KERLEY got in touch with Mr. FITZGERALD's secretary who told KERLEY that FITZGERALD left word for KERLEY to go to the Real Estate Board and ask for an extra ticket on Mr. BROWN's membership, number 44, and if he encountered any trouble, to call KURLICK (phonetic).

At 11:15 am, KERLEY made inquiry concerning a broker's license training course and was told to come in and see a Mr. GREEN. He was advised that the course started on the instant evening and would meet on Tuesdays and Thursdays, the fee being \$25. The informant was unable to ascertain the name of the institution giving the training course.

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At 1:40 pm, KERLEY advised his wife that he would not be home until 9:00 pm inasmuch as he was having dinner at 6:00 pm at the Real Estate Board.

On April 19, 1946, the services of Confidential Informant [redacted] were discontinued.

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GENERAL

The Book Review Section of "TIME" magazine, issue of April 29, 1946, contained a book review of the book entitled "STALIN" by LEON TROTSKY, which was supposed to be a book being written by TROTSKY at the time of his assassination. The first time that FRANK JACKSON was mentioned in the book review reference was made to a footnote on page 100 of the above issue of "TIME" magazine, the footnote reading as follows:

"JACKSON, whose real name, according to the Mexican Police, is JACQUES van den DRESCHD (he is a Belgian travelling on false Canadian papers), is still in the Mexican City jail. A month ago, Manhattan's socialist New Leader reported that the FBI, at the request of the Mexican Government, was working on his case. JACKSON had committed an assassin's no. 1 crime: He failed to escape. Said the New Leader: 'The Mexican Police have discovered that the NKVD is now trying to liquidate JACKSON; the operation is in charge of a little-publicized woman Communist who lives in Manhattan's Greenwich Village.'"

From the above, it would appear that the writer of this book review was merely making reference to the article which appeared in the "NEW LEADER" and later in "NEWSWEEK" magazine, and there is nothing which would indicate that the writer was in contact with the "NEW LEADER's" original source of information.

A copy of the above issue of "TIME" magazine has been made an exhibit in this case.

On May 14, 1946, BETTY LEWIS telephonically contacted Special Agent Emory M. Gregg and advised him that she had been telephonically contacted by a [redacted] with whom she was unacquainted and whose first name she did not know. She said that [redacted] had called for the purpose of inviting her to attend a meeting of the UPTOWN EAST SIDE POLITICAL ACTION COMMITTEE, at the Woodrow Wilson House, 45 East 56 Street, at 8:30 pm on Wednesday, May 15, at which the principal speaker would be their Far Eastern expert, Dr. ISRAEL EPSTEIN, who had served 20 years in China and would speak on the present conditions of that country.

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[redacted] told Mrs. LEWIS that she could contact a [redacted] their representative, between 1:00 and 5:00 pm on any day at their office at 1128 Lexington Avenue. Mrs. LEWIS advised that this office was formerly occupied by the CPA and professed some indignation that such space had been secured by a branch of the POLITICAL ACTION COMMITTEE.

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After giving this information, Mrs. LEWIS stated that she wanted Agent Gregg to "drop up and see her sometime in the near future". It should be pointed out that by strange coincidence, [redacted] mentioned above, are close contacts of JACOB EPSTEIN and RUTH WILSON, who are important subjects in the ALTO CASE. It is pointed out, however, that the original contacts subjects WILSON and EPSTEIN had with [redacted] and [redacted] were shortly after KERLEY left the New York office, and therefore it is believed that it was a mere coincidence that Mrs. LEWIS should be supplying this information. The mail cover maintained on [redacted] has indicated that she is active in organizations of this type and an investigation in connection with the UPTOWN EAST SIDE POLITICAL ACTION COMMITTEE has disclosed that [redacted] is an employee.

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Subsequently, on May 16, 1946, Special Agents Emory M. Gregg and John F. Malone called at the home of Mrs. LEWIS in compliance with Mrs. LEWIS' request mentioned above. The initial conversation was about general matters and GREGG advised that during a lull in the conversation, Mrs. LEWIS made the following statements which are pertinent to the instant investigation:

"There is one thing for which I am intensively sorry. It was a rather dirty trick involving an ex-agent of your organization. I felt that the FBI, being subservient to the State Department, was being forced into a policy of appeasement, and that it should be 'freed', to take a very aggressive stand. It was not KERLEY's fault; I led him on and on. I wanted to tell all about it to Mr. Conroy but he refused, saying that it was a matter which must necessarily be taken up without the presence of an outsider."

Without comment on the part of either agent, the subject of conversation was then switched to other matters. During the contact with Mrs. LEWIS, she gave a complaint concerning the activities at the USSR Consulate in New York, which information has been supplied to the appropriate file in the New York office.

The original memorandum by Agents Malone and Gregg relative to this contact was furnished to the Bureau.

By letter dated April 24, 1946 to the Bureau, the Baltimore Field Division furnished the Bureau and the New York office with copies of a memorandum, dated April 23, 1946, prepared by Special Agent Francis X. Jahn, who was acquainted with KERLEY. The following is the referred to memorandum:

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"Reference is made to your inquiry concerning any knowledge I may have in regard to former Special Agent KERLEY's association with Mrs. JAMES CAMPBELL LEWIS or any information which KERLEY gave concerning his plans to resign from the Bureau, together with any information I may have concerning the circumstances under which KERLEY became connected with the LEWISES and the statement as to whether KERLEY spent the night with me on July 20, 1945 while enroute from New York City to Kansas City on transfer.

"I am satisfied that KERLEY never knew Mr. and Mrs. JAMES LEWIS prior to the time he was assigned to the investigation of the case involving [redacted] - Internal Security", of which case Louisville is the office of origin. Without having the file at hand, I cannot furnish the dates accurately, but I believe it was about the summer of 1941 that [redacted] was first brought to the attention of the Louisville Office by the management of the Kilgallen Hotel, Lancaster, Kentucky, who reported that [redacted] and his wife had registered at the hotel and had made pro-German statements. Later [redacted] was reported by his employers, Mr. and Mrs. JAMES LEWIS. Mr. LEWIS was a Vice-President of the Squibb Company, of St. Louis, and he had purchased a large estate in the vicinity of Lancaster, Ky. [redacted] was a native-born German who came to the United States in 1939 or 1940 and accepted a post at the University of Miami in some field of agriculture. Eventually he accepted employment with LEWIS [redacted]

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"The investigation of these reports concerning [redacted] and his wife was assigned to Special Agent LARRY KERLEY and in the course of the investigation he had a number of contacts with Mr. and Mrs. LEWIS at their farm in Kentucky.

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"Following our investigation, [redacted] and his wife were brought before the Alien Enemy Hearing Board at Lexington, Kentucky and Mrs. LEWIS was the principal witness against them. I was not present at this hearing and do not know what transpired, but Mr. JOHN T. METCALF, former United States Attorney at Lexington, Kentucky, told me later that Mrs. LEWIS was so strongly vindictive that there was a serious question in the minds of the Hearing Board whether they should give full credence to her testimony, and Mr. METCALF expressed his personal view on more than one occasion that he was not entirely satisfied in his own mind but that Mrs. LEWIS warranted investigation. This feeling on Mr. METCALF's part was based on the fact that she went far and beyond reasonable limits of interest in the prosecution of the [redacted] case whereby he gained the impression that she was attempting to focus attention on [redacted] and direct it away from herself. Mr. METCALF's interest in Mrs. LEWIS was principally occasioned by the fact that she was a native-born Hungarian and she spoke with a German accent.

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[redacted] and his wife were ordered interned by the Attorney General following the hearings and they were placed in the custody of the Immigration and Naturalization Service at their detention station in Cincinnati.

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"While so detained, [] obtained permission to return to LEWIS' farm for the purpose of gathering up some personal belongings. She came from Cincinnati in an automobile under guard of an Immigration employee and went to the tenant house on the LEWIS farm. She stayed there for several hours and when she and the guard departed late in the evening, Mrs. LEWIS went over to the tenant house and observed evidences of considerable drinking. She became alarmed and was fearful that [] would escape from the Immigration guard. She attempted to contact Agent KERLEY by telephone at Lexington but he was out of town for some reason not recalled, and she then talked with me over the telephone. She was informed that the FBI had no jurisdiction with respect to the detention of interned enemy aliens but that the subject matter of her report would be furnished to the Immigration authorities at Cincinnati through our official channels. She was not satisfied with this and insisted that she was going to immediately telephone Washington and speak with the Attorney General and she indicated that she was personally acquainted with the Attorney General. The date of this incident will be reflected in the Bureau's files of this case.

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"As a result of this telephone call from Mrs. LEWIS, I proceeded immediately to the LEWIS farm, accompanied by Special Agent [] who was at that time Resident Agent at Lexington. Upon arrival at the LEWIS farm, the full circumstances of the incident were discussed with Mrs. LEWIS and they will be found in the Louisville reports on this case.

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"This is the only time I ever saw Mr. and Mrs. LEWIS. Mr. LEWIS was present on this occasion and the interview was completed in about twenty minutes.

"Shortly after the internment of [] there was a big fire in the mansion on the LEWIS farm. I was told by FRANCIS QUINN, manager of the Western Adjustment and Inspection Company at Lexington, Ky., that the LEWISES had the contents of their home insured for \$100,000 and a full claim for this amount was made. Mr. QUINN was suspicious of the claim because the insurance had been in force only a short time and he had some information that gave rise to a suspicion that a considerable portion of the insured articles had been shipped away from the farm prior to the fire. During the course of his investigation, Mr. QUINN received information that [] had been under investigation by the FBI and for this reason he contacted me; however, he was informed that our investigation of [] case was confidential.

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"Following this fire, the LEWISES moved to New York where they have a town house. After they moved away, Agent KERLEY told me on several occasions that he had received telephone calls from New York City from Mr. and Mrs. LEWIS and on several occasions when the LEWISES passed through

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"Lexington, Kentucky while travelling, they invited KERLEY and his wife to have dinner with them at the hotel. KERLEY has a son who is now about two years of age and who is named MICHAEL LEWIS KERLEY. I believe that the baby was named after JAMES LEWIS. When the baby was born, Mr. LEWIS purchased a war bond in an unknown amount for this child.

"I believe it was in the summer of 1944 that Agent KERLEY took a vacation in New York City. He contacted Mr. LEWIS and was invited to stay at their home on Park Avenue and did stay there. KERLEY told me he was entertained royally on this occasion and the LEWISES were so interested in him they even sent him to their personal physician who gave him a thorough physical examination and prescribed certain medicines and treatments to reduce his weight. KERLEY at that time weighed about 220 pounds and he was about six feet tall.

"Upon his return to Lexington, Kentucky following this contact with the LEWISES, KERLEY told me that Mr. LEWIS was attempting to form a syndicate to purchase an export-import drug company for a million dollars and that if Mr. LEWIS' plans went through, he might employ him as South American representative of this drug company. KERLEY gave me no more specific information on this occasion.

"Subsequently, KERLEY was transferred to our New York office and I do not know what contacts he had with the LEWISES after that, but on the occasion of one of his return visits to Lexington, he did tell me that LEWIS had a large vacant house in New York which he offered to turn over to KERLEY rent free for the residence of himself and his wife and child.

"While KERLEY was enroute from New York City to Kansas City on transfer some time in the summer of 1945, he did stop at Lexington and he told me on that occasion that LEWIS still had plans for the purchase of a drug company and that if the plans matured he might go in with LEWIS; however, he gave me no more specific information. KERLEY was driving through by himself on this occasion and I did invite him to spend the night at my house but he declined; and neither on this occasion nor any other occasion within the past three years, has KERLEY spent the night at my place.

"I have not seen KERLEY since the last mentioned occasion. I do understand that following his resignation from the Bureau he passed through Louisville and Lexington enroute to New York, and I understand that he informed one or more Agents at Louisville that he was going in with LEWIS at a salary of \$10,000 per annum.

"My wife informs me that KERLEY came to our home in Lexington, unannounced, about 7:00 pm one evening in December, 1945, at a time when I

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"was in Boston, Mass. to be with my mother who was seriously ill. KERLEY stayed only a few minutes and he gave no information concerning his activities at that time. My wife believes that he was on that occasion enroute to Murray, Kentucky where his brother-in-law is in business and in which business KERLEY has an interest.

"With respect to this business in Murray, Kentucky, I understand that several years ago KERLEY loaned his brother-in-law a sum of money to assist him in obtaining a Firestone Company franchise and at the outset there was another businessman from Murray in the venture, who has since been bought out by the brother-in-law and/or KERLEY. I do not know that brother-in-law's name, but I believe he may be readily identified as the manager of the Firestone store in Murray. Just what portion of the business is KERLEY's as a matter of record or as a result of a family understanding, I do not know. I do not know the sum of money KERLEY gave his brother-in-law.

"Last night I was informed by my wife that LARRY KERLEY and his wife and son came by the house during the day while I was at firearms at Edgewood Arsenal, Maryland. KERLEY told my wife that he is working in New York City and she gained the impression that he is the general manager for all of JAMES LEWIS' interests except those concerning Squibb Company. KERLEY did not say what salary he was making, but he remarked that he is having more income from his share in his brother-in-law's store at Murray than he ever made while he was with the Bureau. Concerning his New York employment, he said that he had his own office in an office building which LEWIS owns at 57 or 57th and Park Avenue. KERLEY told my wife he wanted us to call on him if we were ever in the vicinity of New York and she asked how to contact him and he stated that he is listed in the phone book under his office address. He told her he did not have much to do and he rode the 5th Avenue bus to work and usually got to the office about 9:30 a.m. He said that he was now principally engaged in the preparation of the payroll for LEWIS' personal employees but he expected to have more to do in the future. He stated that LEWIS was negotiating for the purchase of the "Ferber" (phonetic) industries.

"KERLEY stated on April 22, 1946 to my wife that he and his wife and child left New York on Saturday, April 20th, and they would have stopped by on their way to Washington, D. C. on that date but they had stopped off in Palmyra, Pa. to visit a friend, and they had a dinner engagement at 7:00 p.m. in Washington with Mrs. KERLEY's aunts, so they did not have time to stop going through Baltimore. The KERLEYS spent the weekend with Mrs. KERLEY's aunts, whose names and addresses I do not know, and they were on their way back to New York when they stopped in on April 22nd. KERLEY had learned in December of my transfer to Baltimore and on reaching Baltimore yesterday he made inquiry to determine my present address.

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"I do not know of any association between KERLEY and Mrs. LEWIS which is any closer than that between KERLEY and Mr. LEWIS. I have always had the impression that both of the LEWISES regarded him highly and that his contacts have been equally divided between them. By that I mean KERLEY would sometimes say that Mr. LEWIS had called him and on other occasions he would say that Mrs. LEWIS had called. All of his remarks to me concerning LEWIS' proposed business ventures and his offers to take KERLEY in with him have Mr. LEWIS as the apparent prime motivating factor.

"I believe, however, that you will find in the Bureau's file of the [redacted] case a statement in a communication from the New York Office to the effect that [redacted] and, I believe, if I am not mistaken, you will find a statement that she was personally acquainted with Mr. Foxworth and the Attorney General.

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"FRANCIS X. JAHN
Special Agent"

By letter dated April 19, 1946, the Washington Field Division advised that a check of the records of the SECOND NATIONAL BANK, Washington, D. C. failed to disclose a closed or an active account of LARRY ERNEST KERLEY.

By letter dated April 23, 1946, the Savannah Field Division advised that contacts with the banks in Savannah, Georgia, had failed to disclose an account in the name of LARRY ERNEST KERLEY, DOROTHY RIVERS KERLEY, or Mrs. LUCY RIVERS (Mrs. KERLEY's mother).

By a report dated May 31, 1946 in connection with this case, there was set out the investigation concerning KERLEY's interest in the FIRESTONE HOME AND AUTO SUPPLY COMPANY, at Murray, Kentucky. Nothing of interest was noted in this report. KERLEY did not maintain a personal bank account in Murray, Kentucky.

By letter dated May 2, 1946, the New York office advised the Chicago office to discontinue the investigation of periodically checking with the Bureau of Public Debt in Chicago for Government bond purchases by KERLEY.

On May 16, 1946, the writer contacted the Park Avenue Branch of the NATIONAL CITY BANK, where KERLEY maintains his special checking account, and examined the bank's ledger sheets maintained in connection with KERLEY's account, as well as his cancelled vouchers then on hand. Nothing of interest was noted with the possible exception that KERLEY deposited \$500 on April 30, 1946; and as of May 16, 1946, his balance was \$2,377.04.

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The stop notice placed with the bank for the examination of KERLEY's vouchers and ledger sheets by this office was removed on the above date.

The mail cover maintained on KERLEY during the period of this report revealed nothing of interest and it was discontinued on May 16, 1946.

During the period of this report, nothing of interest was noted in the "JOURNAL AMERICAN", newspaper; the "NEW LEADER", a weekly; "NEWSWEEK" or "TIME" magazines.

This case is being placed in a closed status upon authority received from the Bureau telephonically on May 15, 1946.

- C L O S E D -

FEDERAL BUREAU OF INVESTIGATION

Form No. 1

THIS CASE ORIGINATED AT **NEW YORK**

FILE NO. **58-15**

REPORT MADE AT Louisville, Kentucky	DATE WHEN MADE 5/31/46	PERIOD FOR WHICH MADE 5/27/46	REPORT MADE BY M. W. McFARLIN
TITLE LARRY E. KERLEY			CHARACTER OF CASE BRIBERY

SYNOPSIS OF FACTS:

PERSONAL AND CONFIDENTIAL

Records of Dun and Bradstreet, Louisville, Ky. disclose KERLEY a partner in the Firm of Firestone Home and Auto Supply Company at Murray, Ky. No information indicated as to the exact time he became a partner or the amount contributed to the firm. Investigation at the Bank of Murray, Murray, Ky. revealed that around 8/1/45, subject and his brother-in-law, VAN BARNETT, borrowed \$5,000.00 from bank for purchase of company. On 8/9/45, \$3300.00 deposit to account ascertained to be check payable to BARNETT and believed written by subject, drawn on Columbia National Bank, Kansas City, Mo.

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REFERENCE:

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Letter from New York City dated April 12, 1946;
Letter from Bureau dated May 16, 1946.

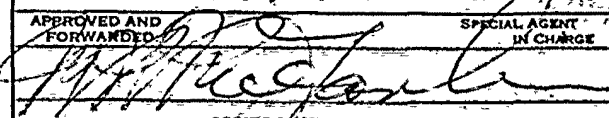
DETAILS:

At Louisville, Kentucky:

The following investigation was conducted by Special Agent LYMAN M. CHIPMAN:

An examination of the records of Dun and Bradstreet, 431 West Main Street, Louisville, Kentucky, disclosed the following information concerning the Firestone Home and Auto Supply Company at Murray, Kentucky.

The company was formed as a partnership on January 27, 1945 by VAN A. BARNETT, W. J. GIBSON and L. M. PARRISH. GIBSON and PARRISH apparently

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sold their interests in the partnership, and it now stands as VAN A. BARNETT and LARRY E. KERLEY.

The Dun and Bradstreet report dated October 2, 1945, which disclosed the above information, stated that an attempt had been made to obtain a financial statement without success. However, from other sources, it was determined that on that date the company had an inventory of \$10,000.00 and fixtures of about \$2500.00. A chattel mortgage of \$5,000.00 was held by a local bank, name not indicated, against this stock and fixtures.

The report stated that the company owned no real estate, but had moderate assets and personalties consisting of war bonds and other effects. The company met payments promptly and had a satisfactory volume of business.

On May 14, 1946, Dun and Bradstreet's representative reported that a local bank held a chattel mortgage of \$4500.00 against the company, being paid in the sum of \$100.00 monthly.

The report indicated that LARRY E. KERLEY was with an international drug firm, and BARNETT taught school part time at a local college.

On April 30, 1946, the company had cash in the bank amounting to \$3500.00, merchandise, \$2,490.61, total assets being \$14,565.13. The principal liabilities were listed as accounts payable, \$3,020.40; notes payable \$4500.00; net worth as of April 30, 1946, \$7,041.57.

The records of Dun and Bradstreet did not indicate how much KERLEY put into the firm, or the actual date that he became a partner.

As noted above, the local bank at Murray, Kentucky holds a chattel mortgage, which covers the merchandise and equipment.

At Murray, Kentucky:

The following investigation was conducted by Special Agent

Mr. GEORGE HART, Vice President of the Bank of Murray, Murray, Kentucky was interviewed on May 27, 1946, and he advised that around August 1, 1945, the subject and his brother-in-law, VAN BARNETT, a native of Murray, Kentucky, purchased the FIRESTONE HOME AND AUTO SUPPLY COMPANY at Murray, Kentucky.

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The two owners borrowed \$5,000.00 from the Bank of Murray, Kentucky to make the purchase and the bank holds a mortgage on the stock and equipment. To date, a total of \$500.00 has been paid on the note.

The \$5,000.00 is reflected as the first deposit of the company at the bank on August 8, 1945.

On August 9, 1945, a \$3300.00 deposit to the account is reflected. It was ascertained that this deposit was a check for the total amount payable to VAN BARNETT, drawn on the Columbia National Bank, Kansas City, Missouri, and believed to have been signed by the subject. It may have been a cashier's check.

A further analysis of the account failed to reflect any unexplainable irregular deposits.

An analysis of the personal account of VAN BARNETT reflected the following irregular deposits:

2/25/46	Cash	\$400.
2/25/46	Check	250.
2/27/46	Cash	200.
3/19/46	Check	243.

The deposit slips do not reflect the payer or the bank on which the checks were drawn.

Subject KERLEY does not maintain a personal bank account at the Bank of Murray, Kentucky.

-REFERRED UPON COMPLETION TO THE OFFICE OF ORIGIN-

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

FROM : J. K. MUMFORD

SUBJECT: LARRY E. KERLEY;
BRIBERY

DATE: June 13, 1946

3:33 PM

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/26/03 BY 60303CE/CAK/PS

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

SAC Conroy called from New York and advised that today Nelson Frank, staff reporter of the New York World Telegram, called Russell S. Garner and advised that he had had a conversation with Howard Rushmore of the New York Journal American in the last day or so in which Rushmore boasted of information he had received from a former Agent of the New York Office. According to Frank, Rushmore indicated that he had gotten considerable information concerning the Comrap and Alto cases but that he had published all the information he had received pertaining to these case and no additional stories would be forthcoming. Also according to Frank, Rushmore indicated there was more than one Agent who had furnished information. Frank was pressed for additional information concerning the exact nature of his conversation with Rushmore but he declined to reveal the extent of Rushmore's remarks. Frank said Rushmore told him that he, Rushmore, was well aware that he was on the black list of the New York Office of the FBI.

RECORDED

INDEXED

58-1548-133

F B I

36 JUN 19 1946

JUN 19 1946

FIVE

Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

DATE: June 18, 1946

FROM : D. M. Ladd

SUBJECT: LARRY ERNEST KERLEY,
BRIBERY

Mr. Tolson	✓
Mr. E. A. Tamm	✓
Mr. Clegg	✓
Mr. Glavin	✓
Mr. Ladd	✓
Mr. Nichols	✓
Mr. Rosen	✓
Mr. Tracy	✓
Mr. Carson	✓
Mr. Egan	✓
Mr. Gurnea	✓
Mr. Harbo	✓
Mr. Hendon	✓
Mr. Pennington	✓
Mr. Quinn Tamm	✓
Tele. Room	✓
Mr. Nease	✓
Miss Beahm	✓
Miss Gandy	✓

You will recall that in my memorandum to you dated May 21, 1946 you were advised that Mrs. Betty Lewis admitted that she had led Kerley on to divulge confidential information resulting in publicity which she felt had forced a change of policy on the part of the State Department.

Additional investigation has now been completed and no evidence was found to indicate that Kerley had received any money for his disclosures. As a matter of fact, the investigation tends to corroborate Mrs. Lewis' statement that she had led Kerley on, and Kerley, apparently feeling that he was indebted to her and her husband for his present position, was weak enough to be induced to furnish to Howard Rushmore unethical disclosures of confidential information which he had obtained as a result of his former position in the Bureau.

On June 13, 1946, Mr. E. E. Conroy advised that Nelson Frank, Staff Reporter of the New York World Telegram indicated he had recently engaged in conversation with Howard Rushmore of the New York Journal American and Rushmore boasted of information he had received from a former Special Agent of the New York Office. Rushmore mentioned he had published all the information he had received, and no additional stories would be forthcoming. According to Frank, Rushmore indicated more than one Special Agent had furnished information to him and remarked that he was aware that he, Rushmore, was on the black list of the New York Office of the FBI.

Regarding Rushmore's indication that more than one agent had furnished him information, you are advised that the investigation fails to substantiate this allegation and it appears that Rushmore was merely boasting to Frank that he had more than one contact.

RECORDED & INDEXED 88-158-1548-134
The pertinent facts of this case were presented to the Attorney General and on April 15, 1946, Mr. T. L. Caudle, Assistant Attorney General of the Criminal Division, wrote a memorandum to the Attorney General advising that Kerley's activities did not violate any existing statute. He suggested, however, that it might be possible to have Kerley and his associates brought before a Federal Grand Jury and questioned extensively. The original of this memorandum was forwarded to the Bureau by the Attorney General, and on April 23, 1946, you will recall that you advised the Attorney General that since no prosecution was possible it would probably only jeopardize our investigation of other Russian and Communist cases to have Kerley and his associates questioned in front of a Federal Grand Jury.

RECOMMENDATION: The New York Office has submitted a closing report, and it is recommended that no future action be taken.

ACTION: None, unless you disagree with this recommendation.

JIM:aop

59 JUN 27 1946

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 6/24/03 BY 60390 BCE/CAL/JAS

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. STRICKLAND
 FROM : D. M. Ladd
 SUBJECT: LARRY KERLEY

DATE: August 5, 1946

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

On August 2, 1946, Mr. Conroy called from New York and requested authority to destroy the recordings from the taps and the logs in connection with the Kerley case. I advised him that I would check and would let him know.

Subsequently on the morning of August 5, 1946, I telephonically communicated with ASAC Belmont in the absence of Mr. Conroy and advised him that these recordings and logs should be retained, that they not be destroyed at this time.

DML:da

53 AUG 6 1946

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ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 6/26/03 BY 60290 JCE/SALT/as

RECORDED 58-1548-135
 FBI
 29 AUG 1946

588M

OFFICE MEMORANDUM - UNITED STATES GOVERNMENT

TO : Mr. R. T. Harbo
 Time of Call - 10:50 AM
 FROM : J. A. Sizoo Dictated - 2:15 PM
 SUBJECT: FORMER SPECIAL AGENT DAVID M. KERLEY

DATE: September 30, 1946

Mrs. James Campbell Lewis, 22 East 73rd Street, New York City, telephone Putterfield 8-5979, called me long distance from New York today concerning the above-named former Special Agent. She advised that she and her husband became acquainted with Kerley in connection with the internment of [redacted] who was formerly [redacted]

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She advised that a short time later Kerley was transferred to New York and while there he contacted them repeatedly concerning the possibility of Mr. Lewis obtaining other employment for him. Mr. Lewis is vice president of E. R. Squibb and Son of New York and Kerley was attempting to persuade Mr. Lewis to get him a position with Squibb's. According to Mrs. Lewis, Kerley complained because he was not being paid enough money in the Bureau and after some time Mr. Lewis hired him as building superintendent of an office building which Mr. and Mrs. Lewis own in New York City. She advised that shortly after his resignation from the Bureau, he began making uncomplimentary remarks concerning the Director and the Bureau and [redacted]

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She advised that about three months ago Kerley appeared at her home asking if he could store a suitcase in their safe. Mrs. Lewis pointed out that they have a safe in their home in which they store valuables and she permitted Kerley to place the suitcase in her safe. After thinking about it for a day or so, according to Mrs. Lewis, she entered the safe and opened the suitcase in order to determine its contents. She stated that she did not completely examine the suitcase but noticed that it consisted of several rather large files and among others several letters written over the Director's signature to various Agents in charge. She decided that she did not want this material in her home believing that Kerley had no right to it and, therefore, called him and asked that he remove the suitcase from her home. She did not advise him, however, that she had opened it and examined its contents. According to Mrs. Lewis, the suitcase remained in the safe in their home for about three days and was then removed by Kerley. She stated that she had no knowledge as to where he had taken it, but that if he did not have it in his own home she suspected he would take it to the apartment of [redacted] who is a pilot for American Overseas Airlines and flies between New York and Ireland. Mrs. Lewis advised that she had further details available as to Kerley's actions and remarks subsequent to his resignation from the Bureau and employment by the Lewis' but that she did not desire to discuss the matter in any great detail over the long distance telephone.

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RECORDED 158-1548-135X
 Mrs. Lewis was thanked for having called the Bureau and made this

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57 JAN 7 1947

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 6/24/03 BY 60328/CA/PLS

Memorandum for Mr. Harbo

information available and she was advised that the matter would be called to the attention of appropriate officials here and it was quite possible that Mrs. Lewis would be contacted by an Agent of the New York Office concerning the matter. She at first asked that the writer come to New York to discuss it in further detail but later stated that she would be glad to discuss it with a representative of the New York Office if further details were desired.

Mrs. Lewis advised that Kerley was still in their employ, although they were seriously considering dismissing him in view of the efforts which he had recently made to contact a Mr. Warburton, a personal friend of the Lewis'. She identified Mr. Warburton as an official of one of the British missions and expressed some distrust at the manner which Kerley had apparently attempted to capitalize on his friendship with the Lewis' in an effort to contact Mr. Warburton, who is reported to be entering some type of business in the United States and with whom Kerley wished to be associated. This may account for Mr. Lewis' apparent "change of heart" toward Kerley.

RECOMMENDATION: That this memorandum be routed to the Administrative Division and the Investigative Division for such further action as might be desirable.

New York, N. Y.
October 30, 1946.

~~CONFIDENTIAL~~

Director, FBI

Re: LARRY ERNEST KERLEY
Bribery

Dear Sir:

Reference is made to the Bureau's letter of October 24, 1946, instructing that Larry Ernest Kerley be reinterviewed in order to determine if he now has or ever did have in his possession any of the reports mentioned by Mrs. James Campbell Lewis in an interview with a Bureau representative on October 11, 1946. Mrs. Lewis specifically mentioned a report or file relating to Axel Wenner-gren and also a file captioned "I. G. Farben". She also alleged that Kerley had exhibited to her a small leather case containing several thin little objects with curved ends which he identified to her as lock picking tools, and which he stated were made in the Bureau and provided to him.

Kerley was interviewed by the writer at the New York office on October 30, 1946, and emphatically denied that he has or has had in his possession the reports or files described by Mrs. Lewis, or any other Bureau reports. He insisted that he had surrendered to me when previously interviewed all the material which had been in his possession relating to the Bureau's work.

With reference to the lock picking tools mentioned by Mrs. Lewis, he admitted that he had exhibited a small leather case containing such tools to Mrs. Lewis, but denied telling her that they were made in the Bureau. He stated that some years ago he had a locksmith at Lexington, Kentucky, make up a small collection of lock picking tools, for which he paid the sum of \$1.50, and that these articles were his own personal property.

Kerley further advised that at the present time he is contemplating entering a suit against the Lewises because of the fact that they terminated his services with them and did not keep an oral agreement which he said Mr. Lewis had made with him, to the effect that he would be paid half of the amount of any increased rentals secured by him in the building which he managed for the Lewises, and also half of any profit realized by the Lewises in the sale of the building over and above the amount which the building cost them. He said that while he had not told the Lewises that he intends to sue them, they undoubtedly realize that he is contemplati-

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DECLASSIFIED BY 60290BCE/CAL/ST
ON 6/26/03

54 NOV 23 1946

Director

Re: LARRY ERNEST KERLEY, Bribery

some type of action against them inasmuch as at the time Kerley's services were terminated, Mr. Lewis made out a check payable to Kerley in the amount of \$1,000, with a notation on the check that it was to be in full payment of any obligations on their part to him; that upon being tendered this check, Kerley said that he tore it up in Mr. Lewis' presence. Kerley expressed the opinion that because of the disagreement he has had with the Lewises, that Mrs. Lewis was endeavoring to make as much trouble for him as she can, and pursuant to this plan invented the story she told at the Bureau on October 11th.

It may be noted that Mrs. Lewis also advised the Bureau that in going through the material Kerley had left with her, she noticed photostatic copies of letters to several Special Agents in Charge bearing the Director's signature, written on a typewriter having slanted type. No such material was contained in the material previously surrendered to the writer by Kerley, the only material in slanted type which was turned over by him being a carbon copy of what appears to be a manuscript of a speech. It is noted, however, that the material surrendered by Kerley did include two mimeographed reports in the fictitious case of Martin Albert Burke which were used by the Bureau for training purposes some years ago. Kerley when interviewed by the writer on October 30th was specifically asked about the photostatic copies of letters to several Special Agents in Charge, as mentioned by Mrs. Lewis, and insisted that he does not have any such items in his possession, and as indicated elsewhere in this letter, that he had previously surrendered to the writer all Bureau material in his possession.

For the Bureau's information, the New York office has files on AXEL LEONARD WENNER-GREN, with aliases, et al, Espionage Sw., G., and I. G. FARBENINDUSTRIE, Espionage G., both of which have been in a closed status for some time. With reference to the I. G. Farbenindustrie, it would not be possible to identify the report or reports referred to by Mrs. Lewis, inasmuch as there are a number of reports in this case containing informant sheets. With reference to the Axel Wenner-gren case, however, the information furnished by Mrs. Lewis would appear to describe the report of Special Agent John Edward Freese, dated at Miami, Florida, June 3, 1943, this being a mimeographed report, the informant page of which lists informant T-10 as being one.

The accuracy of Mrs. Lewis' description of this report would indicate that she very likely has seen a copy of this particular report. However, there is no way of establishing whether the report in question, or any of the reports in the Farben

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Director

Re: LARRY ERNEST KERLEY, Bribery

case, were in Kerley's possession, since both of the files in question have been stripped of extra copies of serials in accordance with a Bureau project. The files contain at the present time only one copy of each investigative report, with no charge-out slips. The presumption would be that any extra copies of reports in these files have been destroyed. Kerley stated that at no time had he worked on either the Wenner-gren or Farben cases, and the files would seem to bear him out in this inasmuch as there is no indication of any investigative activity on his part in these cases.

In view of Kerley's emphatic denial that he has had in his possession since his resignation any investigative reports, no further action is contemplated in this matter in the absence of Bureau instructions.

Very truly yours,

EDWARD SCHEIDT
SAC

New York, N. Y.
October 3, 1946.

~~CONFIDENTIAL~~

Director, FBI

Attention: Mr. E. A. Tamm,
Assistant to the Director.

RE: LARRY ERNEST KERLEY
Bribery
(Bureau file #58-1548)

Dear Sir:

Reference is made to a telephone call received by the writer from Mr. E. A. Tamm, on October 1, 1946, in which he advised that Mrs. James Campbell Lewis had informed a representative of the Bureau that former Special Agent Larry E. Kerley some months ago had stored in a safe at the Lewis home a suitcase which contained official Bureau documents, which material had later been removed by Kerley from Mrs. Lewis' safe and kept by him elsewhere. Mr. Tamm instructed that the writer contact Kerley and demand the return of any official papers in his possession. I telephoned to Kerley on the afternoon of October 1st, informing him that a matter of importance had arisen which I desired to talk to him about, and he agreed to come to the New York office on the morning of October 2nd at 10 AM.

Upon his arrival at the office on the morning of October 2nd, I told Kerley that Mrs. Lewis had reported that he had a number of official Bureau documents in his possession which he had formerly placed in her safe, and inquired of him as to what he had to say relative to this allegation. He informed me that the documents in question consisted of Bureau bulletins, office memoranda and miscellaneous material which he had accumulated during his service as a Bureau Agent. He volunteered to take me to his home and turn this material over to me. Accompanied by Special Agent [redacted] Kerley and I proceeded to his apartment at 3530 - 81st Street, Jackson Heights, at which time in our presence he went through the entire apartment, including all closet space, boxes, drawers, and suitcases, segregating all Bureau material from personal belongings and turning all of the Bureau material over to the writer, with the exception of a notebook containing notes taken by him at the Agents' training school at the time he entered on duty with the Bureau in 1941. He refused to turn this notebook over to me.

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DECLASSIFIED BY 6029 BCS/KLP/ES
ON 6/24/03

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Director
67-13301

Upon leaving his apartment, at Kerley's suggestion we proceeded to his office at 5 East 57th Street, New York City, where he showed the writer and Agent [] the entire contents of the office. However, no Bureau material was contained therein.

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The material obtained from Kerley is described as follows:

PERSONS IN HIDING, autographed by the Director

Uniform Crime Reporting Handbook, December 1940 issue

Identification Facilities of the FBI, dated August 1, 1940,

Suggestions for Protection of Industrial Facilities,
3 copies, April 1941, unnumbered.

Classification of Fingerprints, 1939, 2 copies

Uniform Crime Reports, second quarterly bulletin, 1941
and 2 copies of fourth quarterly bulletin, 1941

FBI Law Enforcement Bulletin, March 1942 (2 copies) and
April 1942 (3 copies)

The FBI National Police Academy, Questions and Answers

Some Suggestions for Physical Training

Startling Detective, January 1943 issue

The Investigator, February 1939

1944 Manual for Identification of Automobiles of
Automobile Protective and Information Bureau

Large bound volume of office memoranda, issued at Butte,
Montana office, December 1941 to February 1942; issued
at Louisville, Ky., office from March 1942 to April 1943;
Miscellaneous loose office memoranda issued at Louisville
up to August, 1943, and at Kansas City office in 1943 and
1945.

Letter to Director
Re: LARRY ERNEST KERLEY, Bribery
New York file #67-13301

Envelope marked Speech Material, containing:

Rough draft of speech, "The FBI AND NATIONAL DEFENSE"

Script of speech, "The Sphere of the Federal Bureau of Investigation in Modern America", by Special Agent L. J. McGee.

Script of speech, "The Place of the Federal Bureau of Investigation in the National Defense", by Special Agent [REDACTED]

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Script of speech, "The Work and Functions of the FBI"

Mimeographed blind memoranda, "The FBI - December 7, 1941 to December 7, 1942" (2 copies)

Proposed speech submitted by Special Agent Robert E. Bethert

Script of speech, not identified

Rough draft of speech, marked "Return to SA Larry Kerley, Lexington, Ky."

Script of speech, "FBI and National Defense"

Mimeographed blind memoranda, "Wartime Accomplishments of the Federal Bureau of Investigation, January 1, 1942 to January 1, 1943"

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Folder containing sample vouchers, inventory forms, leave slips, etc., evidently issued by Bureau at new agents' school.

Small notebook containing pencil notes on investigations, with pamphlet entitled "A People's Platform for Peace"

Pamphlets tied in bundle: "Molotov's Report to the Supreme Soviet", "May Day 1940", "From Socialism to Communism in the Soviet Union", "Unity for Peace and Democracy", "The Real Father Coughlin", "Social and National Security", and "Billions for Bullets".

Folder containing "Uniform Crime Reporting Handbook", printed memorandum re "Suggested Responses to Inquiry 'Why Compile Crime Statistics?'" ; two large unidentified photographs of package and hole in ground; undated memorandum from SAC H. K. Moss entitled "National Defense Investigations"; blank waiver of removal form; blank General Appearance form; Classification of Fingerprints and data on classifying prints; fictitious criminal record.

Letter to Director
re: LARRY ERNEST KERLEY, Bribery
New York file #67-13301

Folder marked "Newspaper Clippings", containing miscellaneous mounted and unmounted clippings concerning European population movements, releases on Bureau cases, cartoons, and two copies of a clipping from Lexington Herald, Lexington, Ky., February 10, 1944, concerning the capture of [redacted] a fugitive.

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Folder containing booklet, "Technical Laboratory, Federal Bureau of Investigation; reprint from FBI Law Enforcement Bulletin, May 1940 re collection of physical evidence; and instructions for packing of evidence.

Folder containing Standardized Government Travel Regulations and Bureau memorandum of June 1, 1942 re Retirement Act; copy of Executive Order re transportation of household goods; Bureau mailing list of November 24, 1942.

Miscellaneous loose papers including:

Mailing list, November 13, 1944

Specimen report, mimeographed (2 copies)

Bureau memoranda of September 6, 1943, re Income Tax Return;

January 30, 1943, re Insurance Fund; January 29, 1943 re Overtime

Compensation; February 10, 1943, re Overtime; February 13, 1942

re Bureau appropriation; blind memorandum re In-Service; memo of

January 9, 1943, re list of law enforcement officers, etc.;

January 15, 1943, re Questionnaire Forms; three pages torn from

various issues of Investigator re cartoon contest and poem; carbon

copy of letter to Bureau from SAC, Louisville, dated November 1,

1944, re [redacted] Sedition (unserialized); letter from Department

of Justice to Kerley re transfer from New York to Kansas City, dated

July 7, 1945; carbon copy of letter to Bureau from SAC, Kansas City,

August 18, 1945, re Kerley's In-Service; carbon copy of memorandum

dated February 16, 1945, at New York, file #56-240, re "Subpoena,

Harlan County, Ky., 11/3/42. Election Laws - Conspiracy"; copy

of I.I.#1-A re [redacted] et al, March 13, 1934.

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Folder containing pages apparently from Manual of Instructions, numbered 4A, entitled Sabotage; numbered 8F (2 pages) headed Scientific Aids in Criminal Investigations; with the same title, 5 pages numbered 8G, one numbered 8G-H, one numbered 83, and one page headed Section 9 - Sound and Technical Equipment, 9A-B.

One small photograph marked on back "Cooley Dam"

Accounting Lesson No. 13, and five-page memorandum headed "Outline of Mortgages"

Letter to Director
Re: Larry Ernest Kerley--Bribery

Folder marked "1" containing Pages 3-4 of Bureau Bulletin No. 26, First Series 1942, Pages 1-2, Bureau Bulletin No. 29, First Series, 1942 and portion of Bureau Bulletin (no date or number shown) captioned FBI NATIONAL POLICE ACADEMY-MAXIMUM AGE LIMIT.

Folder marked "14" containing Louisville Office Memo dated April 6, 1943; Bureau Bulletin No. 24, First Series 1942, Pages 3-6 only.

Folder marked "25" containing Louisville Office Memos dated September 24, 1943, November 8, 1943 and January 29, 1944 re "Selective Service"; Pages 1-2 Bureau Bulletin No. 8, First Series 1943; Pages 7-12, Bureau Bulletin No. 16, First Series 1942; Pages 9-10, Bureau Bulletin No. 26, First Series 1942; Pages 5-6, Bureau Bulletin No. 49, First Series 1942; portion of Bureau Bulletin (no date or number shown) captioned SELECTIVE SERVICE-BUREAU PERSONNEL; portion of Bureau Bulletin (no date or number shown) captioned SUPPLEMENTAL INVESTIGATIONS IN CONSCIENTIOUS OBJECTOR CASES.

Folder marked "31" containing Bureau Bulletin No. 32, First Series 1942.

Folder marked "41" containing sheet of lined paper with written notation "Federal Explosives Act ..."

Folder marked "42" containing Page 5, Bureau Bulletin No. 9, First Series 1943,

Folder marked "46" containing Pages 5-7, Bureau Bulletin No. 33, First Series 1942.

Folder marked "47" containing Louisville Office Memo dated November 8, 1943.

Folder marked "50" containing Bureau Bulletin No. 7, First Series, 1942.

Folder marked "65" containing Page 1, Bureau Bulletin No. 15, Second Series, 1943; Pages 2-4, Bureau Bulletin No. 13, First Series 1943; Page 18, Bureau Bulletin No. 13, First Series 1942; Memo to all Investigative Employees No. 146, Series 1942 re Amtorg Trading Corporation; Page 4, Bureau Bulletin No. 16, First Series 1942; Bureau Bulletin No. 16, First Series 1942; Page 7, Bureau Bulletin No. 53, First Series 1942; Portions of Bureau Bulletins (no date or number shown) captioned Instructions to Japanese Intelligence Agents and Espionage.

Folder marked "77" containing Bureau Bulletins No. 62, Second Series 1941; Pages 5-6, Bureau Bulletin No. 16, First Series 1942; Pages 3-4, Bureau Bulletin No. 28, First Series 1942.

Letter to Director
Re: Larry Ernest Kerley--Bribery

Folder marked "98" containing Louisville Office Memo dated September 9, 1943; Page 13, Bureau Bulletin No. 8, First Series 1942; Bureau Bulletin No. 9, First Series 1942; Page 12-13, Bureau Bulletin No. 13, First Series 1942; Pages 9-10, Bureau Bulletin No. 28, First Series 1942; Manual Pages 1-24 - Section 4, SABOTAGE; Portions of Bureau Bulletins (No date or number) captioned Unexploded Dynamite Discovered in Coal and Whiz Liquid Fire Extinguishing.

Folder marked "99" containing Louisville Office Memos dated September 10 and August 25, 1943; Pages 1-2, Bureau Bulletin No. 28, First Series 1942; Portion of Bureau Bulletin (no date or number) captioned Utilization of Plant Informants.

Folder marked "100" containing Page 7, Bureau Bulletin No. 12, First Series 1942; Bureau bulletins No. 31, First Series 1942; Pages 1-2, Bureau Bulletins No. 27, First Series 1942; Pages 1-2, Bureau Bulletins 14, Second Series 1943; Bureau Bulletin No. 9, First Series 1943; Pages 3-11, Bureau Bulletins No. 25, First Series 1942; Bureau Bulletin No. 53, First Series 1942; Pages 1-2, Bureau Bulletin No. 25, First Series 1942; Pages 4-5, Bureau Bulletin No. 33, First Series 1942; Bureau Bulletin No. 33, First Series 1942; Pages 1-4, Bureau Bulletin No. 49, First Series 1942; Bureau Bulletin No. 55, First Series 1942; Bureau Bulletin No. 57, First Series 1942; Bureau Bulletin No. 58, First Series 1942; Bureau Bulletin No. 60, First Series 1942; Manual Pages 1-7 - SECTION 14. HATCH ACT. INTERNAL SECURITY (SUBVERSIVE); Manual Pages 1-16 - SECTION 16. INTERNAL SECURITY - CUSTODIAL DETENTION; Pages 3-5, Bureau Bulletin No. 18, First Series 1942; Page 3, Bureau Bulletin No. 20, First Series 1942; Bureau Bulletin No. 23, First Series 1942; Pages 5-8, Bureau Bulletin No. 26, First Series 1942; Pages 14-16, Bureau Bulletin No. 26, First Series 1942; Pages 3-28, Bureau Bulletin No. 27, First Series 1942; Pages 13-14, Bureau Bulletin No. 16, First Series 1942; Page 2, Bureau Bulletin No. 15, Second Series 1943; Portions of Bureau Bulletins (No date or number) captioned as follows: Internal Security, Individual Exclusion Orders; Foreign Travel Control - Examination of Books and Documents; Internal Security Alien Enemy Control Disclosure of Allegations to Alien Enemies by Hearing Boards; Internal Security - Foreign Funds; Page 7, Bureau Bulletin No. 9, First Series 1943.

Confidential Report #174 dated May 30, 1935 re JAPANESE.

Four large posters "WARNING FROM THE FBI."

Folder marked "INTERESTING CASES" containing the following:
Bureau I.C. Nos. 26-38858; 31-42719; 88-922; 26-37969 and 91-339; 88-950; 7-115; 79-697; 15-3401; 382; 419; 381; L-22; 47-9110; 26-41009; 229; L-107; L-12; L-58; L-79; #208; 69-273; L-3; 7-1143.

Letter to Director
Re: Larry Ernest Kerley--Bribery

Bound file captioned: BUREAU BULLETINS, 1st & 2nd Series--1940, NUMBERS 28 thru 65. (It is noted that the following Bureau Bulletins are missing from this file: Nos. 46, 54, 56, 58, 59 and 61.)

Bound file captioned: BUREAU BULLETINS, FIRST SERIES. - 1941, NUMBERS 1 thru 35. (It is noted that the following Bureau Bulletins are missing from this file: Nos. 4, 7, 12, 13, 15, 18, 19, 27, 31 and 32; that pages 1 and 2 are missing from No. 11)

Slipped under the top cover of the above file were Mailing List of Field Divisions of the FBI, dated November 17, 1943, and list of names and addresses of employees of the Louisville Field Division, dated December 8, 1943.

Bound file captioned: BUREAU BULLETINS, 1st & 2nd Series--1941, 36 THRU---. (It is noted that the following Bureau Bulletins are missing from this file: Nos. 43 to 52 inclusive, 56, 57, 58, 62, 63, 66, 67 and 69; that in addition to the 1941 bulletins, there are also included in this file Bureau Bulletins Nos. 1 (page 2 only), 2, 3 and 6 of First Series 1942.

Slipped among the bulletins in the above file were Training Bulletins Nos. 1 and 2 of "AIR RAID - Defense Training for Federal Employees" and a 1941 Christmas card containing a few penciled notations on the envelope.

Bureau Bulletin No. 31, First Series 1941.

Bureau Bulletins, First Series 1942, Nos. 8 (pages 1-9 missing), 13 (page 11 only), 30, 34, 36, 37, 39, 41, 42, 44, 46, 61, 62, 65-68, 70-73, 75, 78.

Bureau Bulletins, First Series 1943, Nos. 2, 5, 6, 7, 10, 11, 12; 14 (pages 1-3 missing), 17, 18, 19, 20, 25, 26, 23, 30, 32, 34, 35, 36, 40, 41, 44, 45, 46, 48, 51, 52, 54, 55, 60, 66, 67 and 68 of Second Series, 1943; also page 3 of No. 16, 2nd Series, 1943.

Bureau Bulletins, Series 1944, Nos. 1, 3, 8, 9, 12, 14, 17, 19, 20, 21, 22, 25, 24, 26, 27, 29, 30, 31, 32, 33, 34, 36, 38, 39, 40, 41, 42, 45, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 60, 61, 62, 65, 66, 67, 68, 69.

Letter to Director
Re: Larry Ernest Kerley--Bribery

Bureau Bulletins, Series 1945, Nos. 1, 3, 4, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 23, 25, 26, 28, 29, 31, 32, 33, 35, 37, 38, 39, 40, 43, 47, 49, 55, 54, 53.

Portions of Bureau Bulletins captioned as follows:
(Numbers and dates not shown)
Temporary Confidential Informants
War Risk Insurance
Laboratory Examinations - Lottery and Obscene Matter
Communications - Teletype and Telegraph
Communist Party, U.S.A. INTERNAL SECURITY - R.

NEWS FRONT for 1943, Nos. 9, 11, 13, 14, 18, 19, 20, 21.

NEWS FRONT for 1944, Nos. 32, 46, 50, 51, 53, 54.

NEWS FRONT for 1945, Nos. 9, 21, 27, 28, 29, 30, 31, 33.

SCRAP BOOK containing clippings, particularly with reference to the Director, the Bureau, its work and personnel.

Framed photograph of the Director, autographed "To Larry E. Kerley - With cordial regards - J. Edgar Hoover, 1/16/39."

Prospectus, etc. on the Simplicity Pattern Co. Inc.
Issued by the First Colony Corporation.

Several unused targets.

The Conscientious Objector, August 1942 issue
The Conscientious Objector, February 1943 issue.

Pamphlets entitled as follows:
Pacifism and Invasion, by Jessie Wallace Hughan
The Positive Faith of Pacifism, by Evan W. Thomas
Peace Now! published by War Resisters' International, England.
What Gandhi Really Said.
Pacifists and Civil Defense, by War Resisters League
Our Position in Wartime, by War Resisters League
What is War Resistance? by Jessie Wallace Hughan
The War Resisters' International
First Aid to the World by Frances Witherspoon
A Plea for an Immediate Peace by Negotiation, G.W. Hartmann.
War-Time Restraints issued by American Civil Liberties Union

Letter to Director
re: LARRY ERNEST KERLEY, Bribery
New York file #67-13301

Folder marked "A", containing: memo of SAC Moss, Louisville, 4/1/43, re Air Priorities; page 9, Bulletin #8, 2/4/42, re Investigation of Army and Navy Personnel; Bulletin #10, 2/5/42, re Applicants; Bulletin #13, 2/18/42, pages 2 through 10, re Aliens; Bulletin #17, 2/25/42, re Arrests; letter of 3/9/43, #104, to all employees, re filing;

Folder marked "C", containing: memo of SAC Moss, Louisville, 8/24/43, re use of Movie Camera; memo of SAC Moss, 7/24/43 re confidential informants; memo of SAC Moss, 8/14/43, re conduct; memo of SAC Moss, 8/11/43, re misconduct; memo of SAC Moss, 2/14/44, re closed cases; portion of Bulletin #14, 3/17/43, re Stop Notices; Bulletin #3, 2/4/42; portion of Bulletin #25, 4/1/42, re Censorship; portion of Bulletin #49, 9/2/42 re Civil Air Patrol; portion of Bulletin #16, 3/31/43, re Censorship; page from Manual of Instructions, 11A, headed Investigative Reports;

Folder marked "D", containing: portion of Bulletin #9, 2/10/43, re Deserters; Bureau Bulletin #14, 2/20/42, re Delimitation Agreement.

Folder marked "E", containing: pages 13 to 18, Law Enforcement Bulletin, May 1940, re transmittal of evidence; portion of Bulletin #49, 9/2/42, re wrapping evidence.

Folder marked "F", containing: memo of SAC Moss, 3/22/43, re furniture; Criminal Identification and the Functions of the Identification Division; portion of Bulletin #29, re Furniture; page 15, Bulletin #13, 2/18/42, re FCC;

Folder marked "G", containing: portion of unidentified Bulletin re Government Transportation Requests.

Folder marked "I", containing: memo of SAC Moss, 8/24/43, re leave; memo of SAC Moss, 1/31/44, re Labor Unions; portion of unidentified Bulletin re Laboratory Facilities; memo of SAC Moss, 3/15/43, re leave; Bulletin #13, 3/10/43, first page.

Folder marked "M", containing: pencil notes re Military leave; page 1, Bulletin #16, 3/31/43, re Cooperation with ONI and G2.

Folder marked "N", containing: memo of SAC Moss, 1/22/44, re National Sheriffs Assn.; portion of unidentified bulletin re NPA applicants; mimeographed copy of letter of 7/25/42 from Pres. Roosevelt to Director re seventh anniversary of National Academy.

Letter to Director
re: LARRY ERNEST KERLEY, Bribery
New York file #67-13301

Folder marked "P", containing: carbon copy of letter, 8/28/43 from SAC Moss, Louisville, to John Noland, Commonwealth Attorney, Richmond, Ky., re addressing quarterly police conference; copy of letter 8/28/43 to Wm. E. Nichols, Fayette County Judge, Lexington, Ky., from SAC Moss, on same subject; memo of SAC Moss, 8/14/43, re Technical Laboratory; memo of SAC Moss, 8/16/43, re Press Releases; memo SAC Moss, re press releases; memo SAC Moss, 4/6/43, re Threats against Person of President; reprint from Law Enforcement Bulletin of May-June 1942, re Photography and Its Application in National Defense; page 28 from unidentified Law Enforcement Bulletin re Air Corps Photography Manual; Bulletin #59, 10/16/42; Bulletin #15, 2/21/42; memo of SAC Moss, 2/15/44 re National Pigeon Assn.

Folder marked "R", containing: memo of SAC Moss, 8/14/43, re Racial Problems; page 4, Bulletin #12, 2/11/42, re Retirement; portion of Bulletin #22, pages 3 and 4; page 16, Bulletin #13, 2/18/42.
/dated 3/18/42.

Folder marked "S", containing: memo of SAC Moss, 2/14/44, re Sabotage; portion of unidentified Bulletin re Statements;

Folder marked "Radio Skits", containing scripts titled and dated: 11/13/41, Civilian Defense; 3/22/38, The Kellys; 11/4/40, Espionage; 12/14/40, Sabotage; 11/17/38, The Brady Gang; 11/13/40, Plant Surveys; 10/8/40, Internal Security.

Folder marked "S", containing: memo of SAC Moss, 1/26/44, re McHabb decision; Bulletin #19, 3/7/42.

Folder marked "T", containing: memo of SAC Moss, 8/17/43, re sound men; memo of SAC Moss, 11/5/43, re transfers; memo of SAC Moss, 9/30/43, re Telephone Company contacts; reprint from Law Enforcement Bulletin re Traffic Control.

Folder marked "U", containing: pages 5 and 6, Bulletin #22, 3/18/42.

Folder marked "News Weeks", containing loose copies of "On the Bureau's News Front", 1943 and 1944 issues.

Folder marked "Communists", containing: pages 1 and 2, Bulletin #26, 4/8/42; page 1, Bulletin #13, 2/18/42; portion of memo of SAC Moss, undated, re Key Figures, CP; page 3, Bulletin #12, 2/11/42; Bulletin #54, 9/23/42, up to page 7;

Folder marked "Speeches", containing: pages 1 and 2, Bulletin #20, 3/11/42; reprint of article by Director re Alien Enemy Control, from Iowa Law Review, March 1944.

Envelope containing memo of SAC Moss, 1/5/43, re 7 Seas Club, IS-R;

Letter to Director
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memo. of SAC Moss, 11/23/42, re Special Agent Applicants;
memo of SAC Moss, 11/5/42, re Communist Infiltration of OIL
WORKERS International Union (Oil Workers Organizing Campaign)
CIO; IS-C; portion of memo of SAC Moss re activities of Communist
Party, State of Kentucky; memo of SAC Moss, 7/31/43, marked
Personal and Confidential, re Communism; memo of SAC Moss, 6/22/43,
re Communist Party Infiltration of Foreign Language Groups and
Organizations; memo of SAC Moss, 6/19/43, re Communist Infil-
tration of United Office and Professional Workers of America, CIO,
IS-C.

Letter to Director
Re: LARRY ERNEST KERLEY, Bribery
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It will be noted that the above material includes an autographed copy of the Director's book, PERSONS IN HIDING, as well as an autographed photograph of the Director, together with a scrap-book maintained by Kerley, consisting largely of items relative to the Director. Kerley insisted on turning all these articles over to the writer, together with the other material.

It was specifically understood and distinctly repeated several times that Kerley does not expect the return of any of the material received from him, and that any or all of this material may be destroyed or disposed of as the Bureau may see fit. Kerley stated positively that the material surrendered by him is all the Bureau material in his possession.

When Kerley was first asked about the Bureau material in his possession, he gave a lengthy oral explanation of his dealings with Mrs. Lewis and other persons mentioned below. When he first came to the office, I talked to him alone and later in the day when we were joined by Special Agent [redacted] Kerley orally repeated this same explanation in the presence of Agent [redacted]. I suggested that he dictate his explanation to one of our stenographers, but he declined to do so, indicating that his refusal was based on "psychological reasons", and that he didn't want to feel like a subject from whom a signed statement was being taken. The story which Kerley told to Agent [redacted] and myself was in substance as follows:

Kerley for some years has been acquainted with Mr. and Mrs. Lewis, and since leaving the Bureau's service he has been in Mr. Lewis' employ. [redacted]

[redacted] After leaving the Bureau's employ, Kerley also very freely talked with Mrs. Lewis regarding Russian espionage. Mrs. Lewis felt very strongly that the foreign policy of the United States was entirely too conciliatory and weak-kneed with respect to Russia, an opinion which was shared by Kerley, and Mrs. Lewis became very determined that something should be done to force our State Department to adopt a more aggressive attitude toward Russia. At about this time, Patrick Hurley resigned his post as Ambassador to China and directed a blast against the State Department, alleging that the State Department's policy toward Russia was controlled by left-wingers within that Department. It will be recalled that Hurley's public statement appeared approximately one week before the first of the articles written by Howard Rushmore appeared in the New York Journal-American, which was on December 3, 1945.

Letter to Director
re: LARRY ERNEST KERLEY, Bribery
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In her determination that something drastic be done, Mrs. Lewis got in touch with Seymour Berkson, head of the International News Service in New York, and arranged a meeting between Mrs. Lewis, Berkson, and Kerley. At this meeting she stated that something must be done about our foreign policy, and asked that Kerley, in view of his knowledge of Russian espionage in the United States, personally expose these espionage activities with a view to arousing public opinion and forcing the State Department to change its policies. Pursuant to the discussion between Berkson, Mrs. Lewis, and Kerley, Berkson called Paul Schoenstein of the Journal-American and arranged a meeting at Mrs. Lewis' home around the last of November or first of December 1945. This meeting was attended by Schoenstein, Howard Rushmore, Mr. and Mrs. Lewis, and Kerley. On this occasion Schoenstein "went to work" on Kerley, pointing out the danger to the United States presented by Russian espionage. Schoenstein told Kerley that if Kerley would write a series of articles for the Journal-American, these articles would be "the most sensational thing that has hit the United States", and would also accomplish a great deal of good. While Schoenstein did not offer Kerley any specific amount of money for doing such a series of articles, he offered every inducement, telling Kerley he could "write his own ticket", and that the articles would appear with Kerley's by-line. During the interview with the writer and Agent [redacted] Kerley denied several times receiving any money for the information furnished to Rushmore and the Journal-American. When Schoenstein proposed that Kerley write a series of articles under his own by-line, Kerley asked him if he had discussed the matter (i.e. Russian espionage activities and the desirability of exposing them) with the Director, and Schoenstein indicated that he had, but that he was unable to get the Director to agree for them to go ahead with an expose, the Director having indicated that he would not agree to their doing a series of articles relative to this matter. Kerley then told Schoenstein that he would not consider writing the series of articles with a by-line without first discussing the matter with the Director. Schoenstein then indicated that notwithstanding any opposition on the part of the Director, they were going to go ahead and make a release concerning Russian espionage, this relating to the series of articles written by Howard Rushmore which appeared shortly thereafter in the Journal-American.

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Kerley stated that Rushmore "broke" the articles on the strength of what he, Rushmore, knew about Russian espionage, and the information he had secured from Mrs. Lewis and also from Kerley. Kerley specifically admitted that he had discussed the Arthur Adams and Andrei Scheychenko cases with Mrs. Lewis and Rushmore, after leaving the Bureau, and that is where the Journal-American got the information about these two cases. Kerley further stated that after Rushmore had prepared his first article, he submitted it to Kerley for the latter's review. He also submitted the next several articles in this series to Kerley prior to publication. Kerley said that as originally written by

Letter to Director
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Rushmore, the articles contained material which would have made the Bureau Agents appear inept in the way they had handled the cases referred to and that at Kerley's suggestion Rushmore had changed the articles so that they would not be critical of the FBI.

For some time after the Rushmore articles appeared, the Journal-American continued working on Kerley through Mrs. Lewis to try to get Kerley to write a series of articles with his by-line. To the best of Kerley's recollection, it was about March 1946 when the Journal-American discontinued its efforts to get Kerley to write a series of articles, and he said that he has not been in touch with the Journal-American since then. However, about January or February 1946, in response to the pressure which the Journal-American was exerting on him, Kerley promised that if some change in our foreign policy did not become apparent, he would go to Washington, D. C., to talk to the Director, and if the Director verified Schoenstein's statements that he had talked to the Director about this matter but still would not approve of making a release, Kerley would seriously consider doing a series of articles under his own by-line.

Some time about February 1946, Mrs. Lewis arranged a meeting at her home which was attended by Senator Hickenlooper, Senator Styles Bridges, Howard Rushmore, Mr. and Mrs. Lewis, and Kerley. At this meeting the group discussed the various aspects of Russian espionage, although the occasion was mostly a social evening and the group came to no conclusions. During the evening Senator Bridges suggested that the Journal-American "ghost" a speech for him to deliver in the Senate dealing with the topic of Russian espionage in the United States.

Some time about March 1946, Kerley attended a meeting at which Rushmore, Schoenstein, and a superior of theirs in the Hearst organization was present. This superior, who Kerley said masquerades as a friend of the Director, launched into an attack on the Director. I endeavored to persuade Kerley to reveal the name of this individual, but he declined to do so although he repeated that this person is a superior of Schoenstein and Rushmore. Kerley said that as a result of the attack made on the Director at this meeting and the general attitude displayed by those present, he became disgusted and told them that as far as he was concerned "it was all over". Furthermore, he had by this time reached the conclusion that there was no further need for him to write a series of articles inasmuch as what would have been accomplished by the articles had already been accomplished by a change which had taken place in our foreign policy, which by that time had stiffened as far as Russia was concerned. At this point Kerley

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again repeated that he had had no contact with the Journal-American since last March.

In December 1945, shortly after the Rushmore articles appeared in the Journal-American, and during the time that the Journal-American officials were attempting to persuade Kerley to write a series of articles with his by-line, Schoenstein asked Kerley whether he had anything besides his personal recollection to "back up" his statements. Kerley indicated that he had a considerable amount of material in his possession which would be helpful to him in this connection, this being the material which he turned over to the writer as listed above. Kerley stated that Mrs. Lewis seemed to regard this material as very important and insisted that he keep it in her safe, and because of her insistence he took this material to Mrs. Lewis' home where it was placed in her safe. This was in December 1945. About three months ago, Kerley got the material back from Mrs. Lewis, "more or less by mutual consent".

About six or eight weeks ago, Kerley, who manages a building for Mr. Lewis, and had previously been promised other business opportunities by Lewis, told Mr. Lewis that he was becoming impatient and stale in his present work of managing Lewis' building, and wanted a frank statement of Lewis' progress in purchasing a drug house. Lewis had previously told Kerley that Lewis would make Kerley Vice-President in this drug house and eventually turn the business over to Kerley. Lewis told Kerley that he was still working on the proposition and stated that Kerley should not get impatient.

About four weeks ago, the Lewises asked Kerley if he could arrange for the personal delivery of a drug to a friend of the Lewises in Lisbon, Portugal. This drug was needed in connection with some illness on the part of the friend of the Lewises in Lisbon. Kerley arranged for the drug to be taken by plane as far as London, England, through a friend of Kerley's who Kerley referred to as a Colonel. At London the Colonel was to contact another friend of the Lewises who would take care of getting the drug to Lisbon. The London friend of the Lewises was described by Kerley as being a high official in the British government. Kerley declined to furnish this individual's name or that of the Colonel. As a result of this transaction, the Colonel who was Kerley's friend became acquainted with and friendly to the British official who is a friend of the Lewises. The British official discussed with the Colonel the

Letter to Director
re: LARRY ERNEST KERLEY, Bribery
New York file #67-13301

possibilities of forming an export and import concern to do business between England and the United States. Because of the influence and importance of the British official, the Lewises and also Kerley are of the opinion that the proposed venture might be a very profitable one. Kerley reported to the Lewises what the Colonel had told Kerley of his conversations with the British official, with the thought in mind that the British official, the Lewises, the Colonel, and Kerley would join in this venture. Mrs. Lewis, when the Colonel's proposals were told to her, immediately demanded to know of Kerley, "Why must we let the Colonel in on this?" Kerley replied that it seemed to him to be more of a question of the Colonel letting them in on it. However, Mrs. Lewis became angry and indicated that the Colonel had no right to inject himself into this matter and that it was unethical and improper on his part for him to have talked to the British official regarding the matter, inasmuch as the British official was a friend of the Lewises and the Colonel had met him only because of this fact. Mrs. Lewis said that the Colonel had taken unfair advantage of the Lewises' friendship with the British official and Kerley continued to disagree with her and Mrs. Lewis became angry with Kerley. This conversation was on September 22, 1946. Kerley has not talked to her since but knows that she became very incensed, and stated that this is the reason which motivated her in reporting to the FBI that Kerley had confidential material in his possession. He further indicated that the present animosity which Mrs. Lewis bears him is not shared by Mr. Lewis, and that he has been dealing with Mr. Lewis on a friendly basis subsequent to the time that Mrs. Lewis became angry with him.

The information received from Kerley during my conversations with him on October 2nd was furnished by him orally in a roundabout and involved manner. At times it was rather difficult to follow him because parts of his story were not told in chronological sequence. He was, however, unwilling to put his remarks in writing or to dictate them to a stenographer, but it is believed the foregoing accurately represents what he told me and Agent [redacted]. When we parted company he told me that if any additional information is desired at any future time, that he would be entirely willing to talk with me further.

It is understood that Mrs. Lewis stated to the Bureau that the material left in her safe was contained in a suitcase. Kerley denied this and said that it was in a blue barracks bag, which he exhibited to me at his home. According to Kerley, not all of the material which was secured by the writer from Kerley had been

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re: LARRY ERNEST KERLEY, Bribery
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placed in Mrs. Lewis' safe. He said that the material which had formerly been in Mrs. Lewis' safe consisted almost entirely of Bureau bulletins, some of them maintained in a loose stack and others in bound condition. At the time the material was turned over to the writer by Kerley, it was commingled with the other material listed herein, Kerley having placed it with other Bureau material when he removed it from Mrs. Lewis' home.

The material secured from Kerley is being held by me pending advice from the Bureau as to what disposition should be made of it. In the event any other action is desired by the Bureau, it is requested that I be so advised.

Very truly yours,

EDWARD SCHEIDT
SAC

COPY:FO

58-1548
SAC, New York

~~PERSONAL AND CONFIDENTIAL~~

October 11, 1946

Director, FBI

LARRY ERNEST KERLEY
BRIBERY

Reference is made to your letter dated October 3, 1946, advising you had received from former Special Agent Larry E. Kerley on October 2, 1946 some Bureau Bulletins, office memoranda and miscellaneous material which he had accumulated while a Bureau Agent. You advised this material was being held by you pending advice from the Bureau as to its disposition:

You are instructed to retain all material which may be considered to be the personal property of Kerley, including books and the autographed photograph of me, so it will be available if a demand for its return is ever made by Kerley. All remaining material which may be considered Bureau property, such as Bureau Bulletins and office memoranda, should immediately be destroyed by you.

JJM:EW

COMMUNICATIONS SECTION
OCT 14, 1946

RECORDED

58-1548-138
F B I

31 DEC 13 1946

DECLASSIFIED BY 60290BCE/CAL/JMS
ON 6/26/03

54 DEC 16 1946

RECORDED

SAC - New York

Director - FBI

October 24, 1946

PERSONAL AND CONFIDENTIAL

LARRY ERNEST KERLEY

Bribery

New York File 67-13301

DECLASSIFIED BY 60290 BCK/ALJMS
ON 6/26/03

Reference is made to the letter from your office to the Bureau dated October 3, 1946, and the letter from the Bureau to you dated October 11, 1946, in the captioned matter. For your information, on October 11, 1946, Mrs. James Campbell Lewis telephonically contacted a representative of the Bureau and advised that she had some information to furnish concerning Hungarian matters. On the afternoon of the same day Mrs. Lewis was interviewed at the Bureau and at this time furnished some miscellaneous information regarding Hungarian matters.

Mrs. Lewis also made certain general comments concerning former Special Agent Kerley and the bag of correspondence which Kerley had asked her to store in a safe at the Lewis home. She advised that in going through the material which was in this bag she noticed photostatic copies of letters to several Special Agents in Charge bearing the Director's signature written on a typewriter having slanted type, and several large files on various subject matters. She observed one file (probably a report) relating to Axel Wennergren and noticed the last page contained a key to the informants who were designated by letter or by number. She recalls that one of the informants concerning Wennergren was [REDACTED] b6 b7C b7D

[REDACTED] She also stated that Kerley had a large file captioned "I. G. Farben" and other similar files, all of which had informant sheets attached. Mrs. Lewis stated that after Kerley had been approached by Mr. Scheidt and requested to return the Bureau correspondence in his possession he contacted the attorney for the Lewises and advised this attorney of his conversation with Mr. Scheidt, stating to him, according to Mrs. Lewis, that he had only had in his possession some general material which the Bureau circulated concerning Communist matters and which he had returned to Mr. Scheidt. She stated that Kerley is no longer employed by Mr. and Mrs. Lewis as superintendent of an office building which they own, his resignation having been requested about ten days ago.

Mrs. Lewis also mentioned the publication of the articles in the New York Journal American for which Kerley supplied information, stating that she contacted a representative of one of the news services for Kerley and through him contact was made with the man who eventually wrote the article for the New York Journal American. She advised that she made the contact at Kerley's request inasmuch as Kerley stated he had developed a lot of information concerning Communist activities while in the Bureau and the Bureau was not in a position to do anything about it and he thought these matters should be made public. She stated that Kerley was the moving force in having these things published and that at first she did not desire to assist him, but was later convinced that his motives were justifiable.

Mrs. Lewis also commented during the conversation concerning various statements made by Kerley with reference to the Bureau and Bureau policies. She stated that Kerley mentioned the Director was ruthless towards Bureau employees

JJM:mpd
COMMUNICATIONS SECTION
OCT 12, 1946

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OCT 27 1946

SAC - New York (10-22-46)

and if the Bureau found out he had anything to do with the publication of the articles in the New York Journal American the Bureau would assassinate his character. It is apparent that Kerley was also indiscreet in statements he made to the Lewises both during and after his employment in the Bureau. For example Mrs. Lewis mentioned that Kerley had informed her the Bureau had a special room where burglary and lock picking tools for the use of Bureau agents were manufactured and to her a small leather case containing several thin metal objects with curved ends which he identified to her as lock picking tools and which he stated were made in the Bureau and provided to him.

You are instructed to immediately make arrangements to reinterview Kerley in order to determine if he now has or ever did have in his possession any of the reports mentioned herein by Mrs. Lewis. It is suggested that you first check the files in your office to determine if any of these reports are missing and if there is any indication that they were taken by Kerley. The Bureau should be promptly advised of the results of this interview.

Mr. R. T. Harbo

October 16, 1946

J. A. Sizoo

b7D

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/23/03 BY 60290BCE/KPL/JWS

Reference is made to my memorandum dated October 11, 1946, in which I advised of having received a telephone call from Mrs. Lewis. Arrangements were made to talk to Mrs. Lewis on Friday afternoon, October 11, in my office.

With reference to Mrs. Lewis' statement that she was having lunch with a representative of the Hungarian Legation who had advised her that he had some important matters to discuss and which she believed to be anti-Communist and of possible interest to the Bureau. She advised that the man to whom she referred was [redacted] and that she did have lunch with him. She stated that he did not have any specific information of particular interest except to say that, contrary to the opinion of most people, many of the persons assigned to the Hungarian Legation are anti-Communist, although there are some representatives who are strongly pro-Communist. The ones who are pro-Communists are the newer ones assigned here and there is a definite break between the two groups in the Legation. She advised that [redacted] mentioned a recent trip of certain delegates to the United States from Hungary, stating that in this group was a man who is now a high ranking Hungarian Army officer but who entered Hungary with the Russian Army when the Russians took over Hungary in the full uniform of a Russian colonel. He is [redacted]. She stated that [redacted] was somewhat suspicious of the presence in this group of [redacted]. While the group was here, they requested to be taken by the Army on certain sightseeing trips and among others asked to see some farming country. For some reason or other they were taken to Tennessee and, according to [redacted] were flown over the Oak Ridge Atom Bomb plant which was pointed out to them by American Army officers. Mrs. Lewis had no further information to offer concerning her conversation with [redacted] except to state that she believed [redacted] to be genuinely anti-Communist.

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Mrs. Lewis also made certain general comments concerning former Special Agent Lawrence Kerley and the bag of correspondence which Kerley had asked her to store in a safe in the Lewis home. She advised that in going through the material which was in this bag she noticed photostatic copies of letters to several different Special Agents in Charge bearing the Director's signature written on a typewriter having slanted type, and several large files on various subject matters. She observed one file (probably a report) relating to Axel Wennergren and noticed the last page contained a key to the informants who were designated by letter or by number. She recalls that one of the informants concerning Wennergren was [redacted]. She stated that Kerley also had a large file captioned I. G. Farben,

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&
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158-1548-139
F B I

Tolson
E. A. Tamm
Clegg
Glavin
Ladd
Nichols
Rosen
Tracy
Harbo
Mohr
Tele. Rm.
Mr. Nease
Miss Gandy

JAS:FLI

Memorandum for Mr. Harbo

and other similar files, all of which had informant sheets attached. Prior to my interview with Mrs. Lewis, I looked over the list of the material which the New York Office obtained from Kerley and do not recall seeing reports such as the ones described above listed therein. Mrs. Lewis stated that after Kerley had been approached by Mr. Schoidt and requested to return the Bureau correspondence in his possession he contacted the attorney for the Lewises and advised this attorney of his conversation with Mr. Scheidt, stating to him, according to Mrs. Lewis, that he had only had in his possession some general material which the Bureau circulated concerning Communist matters and which he had returned to Mr. Scheidt. She stated that Kerley is no longer employed by Mr. and Mrs. Lewis as superintendent of an office building which they own, his resignation having been requested about ten days ago.

Mrs. Lewis also mentioned the publication of the articles in the ~~New~~ New York Journal American for which Kerley supplied information, stating that she contacted a representative of one of the news services for Kerley and through him contact was made with the man who eventually wrote the articles for the New York Journal American. She advised that she made the contact at Kerley's request inasmuch as Kerley stated he had developed a lot of information concerning Communist activities while in the Bureau and the Bureau was not in a position to do anything about it and he thought these matters should be made public. She states that Kerley was the moving force in having these things published and that at first she did not desire to assist him, but was later convinced that his motives were justifiable. This was, of course, the position she would take at this time inasmuch as she is obviously angry with Kerley's recent approaches to certain family friends through whom he attempted to better his business relations. The contacts ^{with} these friends, particularly Mr. Warburton of the British Supply Mission, were made apparently without the consent of the Lewises.

Mrs. Lewis also commented during the conversation concerning various statements made by Kerley with reference to the Bureau and Bureau policies. She stated that Kerley criticized some of the Bureau's policies, stating that the Director was ruthless toward Bureau employees and that if the Bureau found out he had anything to do with the publication of the articles in the New York Journal American the Bureau would assassinate his character. It is quite obvious Kerley was most indiscreet in his statements to the Lewises both during and after his employment in the Bureau. A notable example of his indiscretion is an allegation by Mrs. Lewis that Kerley stated the Bureau had a special room set up in the Washington Headquarters where nothing was done except the manufacture of burglary and lock picking tools for the use of Bureau Agents. She stated that

Memorandum for Mr. Harbo

in support of this statement he exhibited to her a small leather case in which he had contained several thin metal objects with curved ends which he identified to her as lock picking tools and which he stated were made in the Bureau and provided to him. Mrs. Lewis was informed with reference to this statement that if Kerley made such a statement he certainly was badly mistaken; that the Bureau had no such room and that if Kerley ever had such equipment he obtained it himself.

No further information of any consequence was obtained on this occasion.

RECOMMENDATION: That this memorandum be routed to the Security Division for informational purposes.

OFFICE MEMORANDUM - UNITED STATES GOVERNMENT

TO : THE DIRECTOR

DATE: October 4, 1946

FROM : Edw. A. Tamm

SUBJECT:

Pursuant to your instructions, I advised Mr. Scheidt in New York of the contents of the attached memorandum addressed to Mr. Harbo by Mr. Sizoo and instructed him to send for former Agent Kerley to advise him of the information furnished by Mrs. Lewis and to ask specifically for the return to the Bureau of the Government property which Mrs. Lewis alleged that Kerley had in his possession. Subsequently, Mr. Scheidt called me and stated that he had talked to Kerley advising him of Mrs. Lewis' complaint and that Kerley had taken Mr. Scheidt, accompanied by another Agent, both to Kerley's residence and to his office where Kerley turned over to Mr. Scheidt a considerable quantity of material, most of which was Bureau bulletins. Kerley turned over an autographed photograph of you, an autographed copy of PERSONS IN HIDING and various other documents but there were no official serials or reports among the material obtained.

According to Mr. Scheidt, Kerley displayed a very cooperative attitude. He admitted furnishing all of the information to Rushmore of the New York Journal American which Rushmore used in his articles on communism and Kerley admitted that Rushmore had returned the articles to him for correction after they were written. Kerley claims that he corrected the article to put the Bureau in a more favorable light since Rushmore was critical of the Bureau at various places in the story. Kerley denied that he received any money for this series and stated he was prompted solely by patriotic motives. According to Kerley, Schoenstein was in on all the conferences and discussions of the articles prior to their publication. A superior of Rushmore's and Schoenstein's, who is an official of the Hearst papers, who pretends to be a friend of yours, was, according to Kerley, very, very critical of you throughout the various discussions. Kerley declined to furnish the name of this man but Mr. Scheidt will make a further effort to obtain it.

Mr. Scheidt will furnish a detailed letter to the Bureau concerning his interview with Kerley.

EAT:DS

RECORDED

INDEXED

31 JAN 3 1947

Director's notation: "Very likely Dick Berlin, H."

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

DATE 6/26/03 BY 60290 BCK/HMS

JAN 7 1947

COPY:FQ

SAC - New York

~~CONFIDENTIAL~~

January 13, 1947

Director, FBI

LARRY ERNEST KERLEY
BRIBERY

58-1548-148
Reference is made to your letter of January 7, 1947, in the above-captioned matter, requesting authority to destroy exhibits pertaining to this case.

You are hereby authorized to destroy all exhibits pertaining to this case except that material which may be considered to be the personal property of Kerley. In this connection you were advised by letter from the Bureau dated October 11, 1946; to retain all material which may be considered Kerley's personal property so it will be available if a demand for its return is ever made by Kerley.

JJM:mpd

DECLASSIFIED BY 60298CE/CH/PS
6/26/03

MAR 5 - 1947

ORIGINAL COPY FILED IN 67-106511-148

COPY: FQ

FEDERAL BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE

New York, N. Y.
January 7, 1947

~~CONFIDENTIAL~~

Director, FBI

Attention: Assistant Director D. M. Ladd.

RE: LARRY ERNEST KERLEY
Bribery

Dear Sir:

On August 5, 1946, Assistant Director Ladd telephonically instructed that the records and exhibits in instant case were to be retained until further notice.

In view of the fact that these exhibits take up three large drawers of a file cabinet, it is requested that the Bureau advise at this time whether they may be destroyed.

Very truly yours,

EDWARD SCHEIDT
SAC

ES:MT
67-13301

DECLASSIFIED BY 60290 BCF/CAL/SJS
ON 6/27/03

58-1518-141
FBI
76 JAN 8 1947

ORIGINAL COPY FILED IN 67-13301-102

COPY:EQ

OFFICE MEMORANDUM - UNITED STATES GOVERNMENT

TO : Mr. Ladd

FROM : J. C. Strickland

SUBJECT: LARRY EARNEST KERLEY
BLINDERY

DATE: January 13, 1947

Reference is made to the letter from the New York Office to the Bureau dated January 7, 1947, in which the New York Office referred to a telephone call made by you on August 5, 1946, instructing them that the records and exhibits in this case be retained until further notice. Referenced letter requested that authority be granted at this time to destroy these exhibits as they take up three large drawers of a file cabinet.

You will recall that the pertinent facts of this case were presented to the Attorney General and on April 15, 1946, Mr. T. E. Caudle, Assistant Attorney General, Criminal Division, wrote a memorandum to the Attorney General advising that Kerley's activities did not violate any existing statute. He suggested, however, that it might be possible to have Kerley and his associates brought before a Federal Grand Jury and questioned extensively. The original of this memorandum was forwarded to the Bureau by the Attorney General and on April 23, 1946, the Director advised the Attorney General that since no prosecution was possible, it would probably only jeopardize our investigation of other Russian and Communist cases to have Kerley and his associates questioned in front of a Federal Grand Jury. You will also recall that instant case is presently in a closed status.

It is further noted that by letter dated October 11, 1946, the Bureau advised the New York Office that material which was obtained from Kerley in October, 1946, at the time he was interviewed by SAC Scheidt of the New York Office, should be destroyed if it was considered Bureau property. At the same time, the New York Office was instructed to retain all material which may be considered to be the personal property of Kerley so it would be available if a demand for its return is ever made.

Recommendation: In view of the above, it is suggested that all material now being maintained by the New York Office in connection with this case be destroyed except that material which may be considered to be the personal property of Kerley.

Action: Attached hereto for the approval of the Director is a letter to the New York office instructing them as above recommended.

Attachment

JJM:mpd

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/24/03 BY 60290 BCE/RAL/tus

158-1548-142
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76 MAR 6 '47

ORIGINAL COPY FILED IN 158-1548-142

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. R. T. Harbo *RD*
 FROM : J. A. Sizoo *JA*
 SUBJECT: FORMER SPECIAL AGENT LARRY KERLEY *437189*

Time of call - 10:30 AM
 ALL INFORMATION CONTAINED DATE: September 24, 1947
 HEREIN IS UNCLASSIFIED
 DATE 8/1/01 BY SP277/ML/CH

Mr. Tolson
 Mr. E. A. Tamm
 Mr. Clegg
 Mr. Glavin
 Mr. Ladd
 Mr. Nichols
 Mr. Rosen
 Mr. Tracy
 Mr. Carson
 Mr. Egan
 Mr. Gurnea
 Mr. Harbo
 Mr. Hendon
 Mr. Pennington
 Mr. Quinn Tamm
 Tele. Room
 Mr. Nease
 Miss Holmes
 Miss Gandy

I received a telephone call from Mrs. James C. Lewis of New York, who advised that she and her husband had just been served with papers indicating that Larry Kerley is bringing suit against Mr. and Mrs. Lewis. She stated that Kerley was suing them on the basis of an oral agreement which he alleges was entered into between Kerley and the Lewises at the time Kerley resigned from the FBI. He alleges he agreed to resign from the FBI at the request of Mr. Lewis and that Mr. Lewis agreed to employ him as manager of a building Mr. Lewis then purchased at 58 West 57th Street, New York City. Kerley alleges it was agreed that he was to serve as a confidential agent and business manager for Mr. Lewis and to assist him in the acquisition and operation of properties in connection with chemical and pharmaceutical business. It was further alleged that Mr. Lewis agreed to pay Kerley \$50 a month, plus \$125 expenses, plus one half of the increase in the revenue from the building, plus one half of any profits which might accrue in the event Mr. Lewis later sold the building. It was also claimed that Mr. Lewis had agreed to pay Kerley 50% of the profits in the event a substantial offer for the building was received but the offer not subsequently accepted. It was alleged that the contract was terminated at the will of either party.

Kerley further alleged in the affidavit, which Mrs. Lewis read, that pursuant to this agreement he resigned from the FBI and did act for the defendant, James C. Lewis, as a business manager and confidential agent and that Mr. Lewis broke the contract in October of 1946. Kerley alleged that during the time he was employed by Mr. Lewis the gross rental of the building located at 58 West 57th Street increased \$50,000 annually and, therefore, he was suing for one half of this amount. He also alleged that Mr. Lewis had received an offer for the sale of the building of \$1,000,000 which would have resulted in a profit of \$500,000, one half of which Kerley claimed was due him. He also claimed that he had engaged in certain business affairs for Mrs. Lewis, which netted her approximately \$100,000 during the period of his employment for the Lewises and is suing her for one half of this amount. Mrs. Lewis advised that the pleading which she had before her was signed by an attorney named Phillip Adler for Kerley.

Mrs. Lewis advised that she was calling the Bureau because she thought the Bureau would want to know of this action, particularly since reference is made to the Bureau in this particular pleading. She and Mr. Lewis, who also talked on the telephone, advised that the agreement with Kerley at the time he accepted employment was entirely oral, nothing was in writing, and that it is absolutely untrue that Mr. Lewis attempted to persuade Kerley to leave the FBI, as indicated in the pleading. He stated that, as a matter of fact, during the summer of 1945, Kerley called upon him several times stating that he wanted to

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Memorandum for Mr. Harbo

resign from the Bureau in an effort to increase his income and asked Mr. Lewis for employment. Mr. Lewis advised that he recommended to Kerley that he remain with the Bureau, since the emergency was not over at that time, and he felt the Bureau needed his services. After several such visits from Kerley, he received a call in which Kerley alleged he was being transferred and practically "begged" Mr. Lewis for a position in order that he could remain in New York. It was Mr. Lewis' recollection that Kerley resigned from the Bureau about September of 1945 and entered employment with Mr. Lewis on November 15, 1945. Mr. Lewis advised that he had not as yet discussed this matter with his attorneys, but that he planned to turn it over to his attorneys immediately but wanted the Bureau to be advised at the outset inasmuch as the Bureau had been mentioned.

Mr. and Mrs. Lewis were thanked for having made this information available to the Bureau.

RECOMMENDATION: It is recommended that this information be made a part of Kerley's file and that this memorandum be routed to Division Five, inasmuch as that Division is familiar with the background of the relationship between former Special Agent Kerley and the Lewises.

FEDERAL BUREAU OF INVESTIGATION

1947

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

DATE 9/26/03 BY 60270 BSE/CA/KMS

The Director	Records Section
Mr. Tolson	Stamp and mail
Mr. Ladd	Prepare tickler
Mr. Rosen	Call file
Mr. Clegg	See me
Mr. Glavin	Call me re this
Mr. Nichols	Note and return
Mr. Tracy	
Mr. Harbo	
Mr. Carroll	
Mr. Coyne	
Mr. Fletcher	
Mr. Laughlin	
Mr. McCabe	
Mr. Mohr	
Mr. Nease	
Mr. Pennington	
Mr. Quinn Tamm	
Mr. Tyler	

b6
b7C

They ARE ALL
GETTING WHAT
THEY DESERVE
Retribution is
inevitable

ENCLOSURE

Edward A. Tamm

58-15485784-143

COPY:AJH

OFFICE MEMORANDUM - UNITED STATES GOVERNMENT

TO : THE DIRECTOR

DATE: October 21, 1947

FROM : D. M. Ladd

SUBJECT: LARRY KERLEY
Former Special Agent

SAC Scheidt advised that he had just received a call from former ASAC Ted Conroy, who advised that he had received information indicating that Kerley had filed a suit against Mrs. Lewis based on his having been fired from his job and there is allegedly some allegation in the suit to the effect that he had stolen papers from the FBI.

Mr. Scheidt stated that Mr. Conroy was going to obtain more details and would let him, Scheidt, know as soon as further information was obtained.

DML:da

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/26/03 BY 60290BCE/KAL/tjs

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158-1348-144
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76 NOV 6 1947

58 NOV 7 1947

ORIGINAL COPY FILED IN 158-1348-144

Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

DATE: November 6, 1947

FROM : D. M. Ladd

SUBJECT: LARRY ERNEST KERLEY

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Beahm
Miss Gandy

Reference is made to the memorandum from J. A. Sizoo to R. T. Harbo dated October 31, 1947, and the memorandum from Mr. Edward A. Tamm to the Director dated November 3, 1947, in the above captioned matter.

Paragraphs numbered one to five on pages two and three of the first referenced memorandum concern Mrs. Lewis' allegations that Kerley had in his possession certain reports which she considered to be Bureau property. These paragraphs are summarized below and comments are set forth under each paragraph reflecting information obtained as a result of a check of the pertinent Bureau files up to December, 1941. You will recall that in December, 1941, Kerley became a Special Agent. Prior to that time he had been employed in the Files Section and also in Personnel Files.

1. Mrs. Lewis stated Kerley had a report of approximately eight pages typewritten on thin paper concerning Ben Smith. Attached to this report were two photographs of Smith, together with his full description and aliases.

Comments:

Mrs. Lewis apparently was referring to Bureau file 65-7357 in the case entitled "Bernard Eugene Smith, was; Espionage." This file contains no report approximately eight pages long. It does contain, however, one report 36 pages in length which is typewritten on thin paper. No mention is made in the report of any photographs but there is a very meager description of Smith set forth on page 27. This report was written by Special Agent C. A. Gannon and is dated at New York City December 5, 1939. The New York file number is 65-1386. It should be noted that all Bureau file copies are accounted for. (65-7357-7)

2. Mrs. Lewis stated she observed a mimeographed report concerning Axel Wenner-gren and on the back of this report was a sheet identifying informants. She advised that among the informants were listed

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ALL INFORMATION CONTAINED
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DATE 8/1/21 BY SP2 RLM/ky
437189

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PERS. FILES
THREE

Memorandum for the Director

Comments:

Mrs. Lewis was undoubtedly referring to Bureau file 65-8857 entitled "Axel Leonard Wenner-Gren, with aliases; et al; Espionage - Sw., G." This file reflects that a report was written by Special Agent John Edward Freese dated at Miami, Florida, June 3, 1943, and two copies were furnished the New York Office. The New York Office file number is 65-3023. This particular report is on mimeograph paper and consists of 26 pages. Page 26 is a confidential informant page on which are listed twelve temporary confidential informants.

[redacted]
is listed as T-11. [redacted]

[redacted] is listed as T-10. All Bureau
copies of this particular report are accounted for. (65-8857-460)*

b7D

3. Mrs. Lewis stated she saw a file relating to the I. G. Farben Industry in which were the reports of several Agents, as well as considerable other miscellaneous correspondence. She advised that the top sheet in the report was a signed letter from a Mr. Armbruster to the Director concerning I. G. Farben and the next sheet was a copy of the Director's acknowledgment to Mr. Armbruster.

Comments:

Mrs. Lewis apparently was referring to Bureau file 65-3043 in the case entitled "I. G. Farbenindustrie; Espionage - G," in which New York is the office of origin. The New York file number is 65-798. A very thorough search of this file, together with a search of abstracts and index cards, failed to indicate that anyone named Armbruster was connected with it. However, on November 30, 1942, a letter over the signature of the Director was mailed to Mr. Howard W. Ambruster, Chemical Engineer, Westfield, New Jersey, thanking him for making available to the Bureau a photostatic copy of a column appearing in "The New Leader" which reflected

Memorandum for the Director

generally the background and history of the I. G. Farbenindustrie in the United States. The file indicates that Mr. Ambruster personally delivered this photostatic copy to the Bureau. The files also reflect that on several other occasions Mr. Ambruster from Westfield, New Jersey, has called at the Bureau and he has been described as a "professional agitator." (62-56848-4) No copy of the Director's letter to Mr. Ambruster was forwarded to the New York Office; however, in a letter dated February 15, 1940, from the Newark Office to the Bureau it was indicated that Mr. Ambruster claimed to be well known to Mr. P. E. Foxworth of the New York Office. Because of this alleged acquaintance with Mr. Foxworth, Mr. Ambruster apparently has called at the New York Office and letters from the Bureau may have been directed to him at an office in New York City. As stated above, however, all outgoing abstracts relating to Ambruster were checked back as far as 1936 and there is no indication that the Bureau sent this individual any letter except that mentioned above and one dated April 15, 1939. This latter letter, however, does not concern I. G. Farbenindustrie. (62-24463-22) A check of the abstracts failed to indicate that any letter of acknowledgment was sent to a Mr. Ambruster in connection with the I. G. Farbenindustrie. (65-3043-199)

4. Mrs. Lewis stated that she saw reports on the Schering Corporation, U. S. A. and the Schering Corporation of Cuba. She advised that the report concerning the Schering Corporation in this country was mimeographed on heavy paper and the one concerning the Cuban corporation was on thin white paper.

Comments:

Mrs. Lewis was apparently referring to Bureau file 65-4851 entitled "Schering Corporation, 86 Orange Street, Bloomfield, New Jersey; [redacted] with aliases; Espionage - G." A review of the Bureau file indicates that

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Memorandum for the Director

it contains numerous reports mimeographed on heavy paper and also reports from Cuba on thin white paper. All Bureau copies of these reports are accounted for. It is to be observed that Newark is the office of origin in this case and the New York file number is 61-553. (65-4851)

5. Mrs. Lewis indicated she saw a file containing a series of letters concerning administrative action taken by the Bureau in connection with the various personnel situations. She could only recall one of these letters which she said was a letter from the Director to a Division head of the Bureau dealing with a situation in which one or more Agents was criticized for permitting an individual whom they were surveilling to take their photographs.

Comments:

Mrs. Lewis apparently was referring to the surveillance of Lieutenant Peter Riedel, former Air Attache of the German Embassy. You will recall that this surveillance took place in July, 1941, and numerous Agents participated in the surveillance. The personnel file of the Indianapolis Office contains the original memorandum dated July 21, 1941, addressed to the Director by Mr. Clyde Tolson. The personnel files of all Agents involved in this matter were checked and it was ascertained that a copy of this memorandum was in each personnel file. Accordingly, there is no indication that any memoranda dealing with this matter are missing from the Bureau files but it is quite probable that Kerley could have taken with him an extra carbon copy in view of the fact that he was working in Personnel Files during July, 1941. From the information furnished by Mrs. Lewis, it was not possible to make a check of any other personnel files to determine if any pieces of correspondence are missing.

It is noted that page two of the first referenced memorandum sets forth information that Kerley apparently made a diligent effort prior to his transfer from the New York Office to determine what information the Lewises

Memorandum for the Director

had previously furnished to the Bureau. It is pointed out that he probably made this effort in order to get material for blackmail purposes, it being specifically noted that Kerley just recently indicated to the Lewises that he was going to call at the offices of E. R. Squibb and Sons and talk with [redacted] an official of that company, and advise him that Mr. and Mrs. Lewis had furnished information to the FBI early in the war to the effect that [redacted] had sheltered a suspected Nazi agent. The information to which Kerley was alluding is believed to be information [redacted]

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Recommendations:

If agreeable with you, I will telephonically contact Mr. Scheidt and briefly furnish him with the additional information we have received from Mrs. Lewis and instruct him to recheck the pertinent New York Office files in an effort to determine if there is any evidence that Kerley took serials from these files. He will also be instructed to [redacted]

b7D

[redacted] in order to determine if any serials are missing from this particular file.

THIS IS BEING DONE.

EDT
yes check carefully
2.

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

DATE: 11-3-47

FROM : MR. EDW. A. TAMM

SUBJECT: LARRY E. KERLEY
FORMER SPECIAL AGENTALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIEDDATE 8/1/01 BY SP21404/ky
437189

While the motivation for the allegations of Mr. and Mrs. Lewis against former Agent Kerley are obviously to induce the Bureau to take some action against him which will assist them in their law suits, we nevertheless have considerable specific information in this memorandum identifying investigative reports allegedly in the possession of Kerley. Upon the basis of this information furnished to us by the Lewis-s for the first time, a review is being made of our files to determine whether any of the documents described are actually Bureau reports or memoranda.

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158-1548-146

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They wanted until I brought
serge their selfish purposes
to fully advise us.

5871
PENDING

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Coffey
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Beahm
Miss Gandy

copy jfc

OFFICE MEMORANDUM

United States Government

To: MR. D. M. LADD
From: H. B. FLETCHER
Subject: LARRY ERNEST KERLEY

November 10, 1947

At 3:50 p.m. today, ASAC Belmont advised that he had received a telephone call from E. E. Conroy who said that he had talked to Ray Schindler and Schindler stated he was coming down to Washington on Wednesday to see the Director. Mr. Conroy requested that whoever interviewed Schindler should be careful not to indicate to Schindler that he, Conroy, had been furnishing information to the Bureau and particularly made reference to the papers furnished by him, Conroy.

It is noted that the letter addressed to Schindler on November 6, 1947, advised him that some one in the Bureau would confer with him if he called on Monday, November 10, 1947. It now appears that Schindler is going to come down on November 12, 1947.

HBF:cmw

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/26/06 BY 60390 BCE/CAL/PLS

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158-1548-146X
FBI
76 APR 22 1948

51 APR 22 1948

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67-101519-185

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OFFICE MEMORANDUM

United States Government

To: Mr. Coyne
From: D. M. Ladd
Subject: LARRY KERLEY

November 19, 1947

In accordance with Mr. Tamm's instructions, I telephonically contacted ASAC Belmont at 4:00 PM today suggested to him that the New York Office check the New York files in an effort to determine whether any of the serials identified by Mrs. Lewis as having been in Kerley's possession might be missing from the files of the New York Office.

I suggested to him that when this check was made, that he advise the Bureau by letter.

DML:da

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/26/03 BY 60220 BCE/KAL/PLS

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51 APR 22 1948

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67-106599-187

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OFFICE MEMORANDUM

United States Government

To: MR. TAM

November 17, 1947

From: D. M. LADD

Subject: LARRY ERNEST KERLEY

Mr. Raymond C. Schindler called at my office on November 18, and advised that he was investigating the case for the attorneys of Mr. and Mrs. Lewis. He cited the fact that Kerley was suing the Lewises for money allegedly owed to him. He stated that one of the allegations which would undoubtedly come out in court if this matter reached trial was that the Lewises had dropped Kerley because they found that he was in possession of Bureau reports which he allegedly had surreptitiously removed and that the Lewises, therefore, did not desire to have a man of that type working for them and had, therefore, discharged him.

Mr. Schindler suggested that it was believed that the Bureau might desire to avoid any such open disclosure and that it might be possible for the Bureau to have Kerley's suit withdrawn. I advised Mr. Schindler that the Bureau could not, of course, suggest to Kerley the withdrawal of the suit, that obviously this would not be proper; that the Bureau had no interest in either Kerley or the Lewises nor in the suit in any manner. He then stated that he thought if Kerley was in possession of stolen Government documents, that there might be a Federal violation that should be prosecuted. Again implying that if the Bureau did start prosecution against Kerley, that this would result in the dropping of the suit. I again informed Mr. Schindler that the Bureau had no interest whatsoever in Kerley.

He inquired as to the actual date that Kerley resigned from the Bureau. I advised him that I could furnish him no information inasmuch as the Bureau's files were confidential.

The meeting with Schindler was very friendly although he was given absolutely no information of any kind.

DML:da

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76 APR 22 1948

Director's notation: "Well handled. We will not pull the Lewises chestnuts out of the fire." H.

ORIGINAL COPY FILED IN

67-106594-181

51 APR 22 1948

6/26/03

60267BCE/CAL/MS

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. R. T. Harbo *RD*

FROM : J. A. Sizoo *JA*

SUBJECT: LARRY E. KERLEY
FORMER SPECIAL AGENT

DATE: October 31, 1947

10/29/47
ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 8/1/01 BY SP2AM/ely
437189

PL

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Holmes	
Miss Gandy	

I have again been contacted by Mr. and Mrs. James C. Lewis,
22 East 73rd Street, New York City, concerning the suit totaling
\$325,000 which Kerley has filed against them.

It will be recalled that Mr. and Mrs. Lewis called me on September 24, 1947, to advise that Kerley filed a suit against them on the basis of an alleged agreement that he was to share in the profits of the operation of an office building owned by Mr. and Mrs. Lewis in midtown Manhattan. Mr. Lewis will be recalled as an official of E. R. Squibb and Sons, recently having retired as first vice president and now retired from active participation but still a member of the Board of Directors of Squibbs. Among other things, Kerley alleged that Mr. Lewis had persuaded Kerley to resign from the FBI to take over the management of this building. The Lewises called to advise the Bureau of the filing of Kerley's complaint thinking the Bureau would want to know about it in view of the possibility that the FBI would probably be mentioned in the event the matter came to trial.

The Lewises have now advised that their attorney, Mr. Edwin M. Otterbourg, has filed a motion, scheduled to be heard November 7, 1947, asking for a more exact and detailed complaint from the plaintiff. Mr. Lewis advised that in discussing the matter with Mr. Otterbourg, whom Mr. Lewis identified as one of the leading New York attorneys and a member of the Board of Regents, Mr. Otterbourg indicated that he felt that it was essential to Mr. and Mrs. Lewis' defense that they bring in the fact that they fired Kerley because he had had in his possession confidential documents stolen from the FBI. Mr. and Mrs. Lewis both stated that they had no desire to have the name of the FBI used in connection with their defense, but that the discovery of the FBI records in the bag, which Kerley had stored in their safe, was the development which finally brought about their dismissal of Kerley, which Mr. Lewis stated he did within the next few days. Mr. Lewis stated that in dismissing Kerley he told him that the reason for his dismissal was primarily because he could not trust him, that Kerley had had confidential Government records in his possession, and that anyone who would take confidential records from the FBI files could not be trusted, and Mr. Lewis did not want him in his employ. He stated that Kerley answered that the records had been returned to representatives of the FBI in New York, who had contacted him concerning the matter, but that these records were in fact personal papers. Mr. Lewis stated that he then commented that if they had been personal papers the FBI would not have taken them from him.

Mr. Lewis further advised that he had been informed by Mr. Otterbourg that Mr. Otterbourg had retained Ray Schindler, a private investigator, for the purpose of having a complete background investigation made of Kerley and his activities in an effort to develop information which might be helpful to the defense of this case, and that it was contemplated that Mr. Schindler, or a

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representative of his agency, would contact the Bureau for information in this regard.

Mr. and Mrs. Lewis both commented that they were rather surprised that more drastic action than merely taking the papers away from Kerley was not taken because they felt that the nature of the records was of such confidential character that criminal action would have been available against him. Mr. and Mrs. Lewis commented that they felt that the information in the bag was abstracted from Bureau files for blackmail purposes and are of the opinion that Kerley is a dangerous person. To support their conclusion that Kerley is bent on blackmail, Mr. and Mrs. Lewis advised that approximately one week ago they received a message from Kerley through a [redacted] a common acquaintance, that if the Lewises did not settle the pending suit without having the matter go to trial Kerley was going to call at the Squibbs' offices and talk with [redacted] one of the top officials of E. R. Squibb and Sons, and advise [redacted] Mr. and Mrs. Lewis furnished information to the FBI early in the war that [redacted] had sheltered a suspected Nazi agent. The information to which Kerley was alluding is undoubtedly information which Mrs. Lewis furnished to me in 1940 concerning [redacted] who as I recall, was a refugee investigated as an espionage suspect, and concerning whom Kerley would have had no reason to have information unless he had made a diligent effort prior to his transfer from the New York Office to determine what information the Lewises had previously furnished to the Bureau to use under circumstances such as these. b6 b7C

In view of the fact that Mrs. Lewis had previously advised that Kerley had, among the papers which were in the bag, certain reports which were not acquired from him by the New York Office, Mrs. Lewis was asked to describe in greater detail the material which she had observed in this bag and which the Lewises felt were of such a character as to justify criminal action. Mrs. Lewis advised that the following material stands out in her memory as having been of the greatest significance.

1. A report of approximately eight pages typewritten on thin paper concerning Ben Smith. Attached to this report were two photographs of Smith together with full description and aliases. She advised that the report covered Smith's trips to Mexico and Germany, several of his dealings in the United States, and information relating to his South American properties. She stated that she recalled that Smith was referred to as "Sel-em" Ben Smith. She stated that she does not believe an informant's key sheet was attached to this report.

2. A mimeographed report concerning Axel Wenner-gren, which contained information concerning his trips to Peru and his personal activities in Mexico. She recalls that this report had a sheet on the back which was the key to the informants and among others [redacted]
[redacted] b7D

Memorandum for Mr. Harbo

3. A file relating to the I. G. Farben Industry. She states that this file contained the reports of several Agents as well as considerable other miscellaneous correspondence, and it is her recollection that it had a cardboard back and a cardboard front, that the cardboard front had the name of the Bureau on it, and that the material was clipped together with long metal prongs, which were bent over on the top. She stated that she recalls that the top sheet in the report was a signed letter from a Mr. Armbruster to the Director concerning I. G. Farben, and that the next sheet was a copy of the Director's acknowledgement to Mr. Armbruster.

4. Reports on the Schering Corporation, U.S.A., and the Schering Corporation of Cuba. She stated that it was her recollection that there were two reports, the one concerning the Schering Corporation in the United States was mimeographed on heavy paper and the one on the Schering Corporation of Cuba was on thin white paper.

5. A file containing a series of letters concerning administrative action taken by the Bureau in connection with various personnel situations. She advised that in several instances there were several pieces of correspondence concerning one situation, and that it was her impression that the file dealt with 80 to 100 personnel situations in the Bureau. She recalled that the top memorandum, which she believed was from the Director to a Division Head of the Bureau, dealt with a situation in which one or more Agents were criticized for having permitted an individual, whom they were surveilling to take their photographs.

With reference to the publication of the articles in the New York "Journal American", Mrs. Lewis stated that she had assisted Kerley in the publication of these articles, thinking that it would be desirable for the American public to be aware of the extent of Communist activity which was then going on in this Country. Kerley is reported to have expressed great concern to her about the amount of Communist activity then going on in this Country and commented that little could be done about it by the FBI from a prosecutive point of view at that time, and he thought the public should be informed. She stated that Kerley approached her with the idea of having this material published, but that she in fact put him in touch with Howard ~~Rushmore~~ of the ~~"Journal American"~~. She advised that during the preliminary conversation concerning the publication of these articles she inquired of Kerley if he were free to publish this material, or whether he was bound by any type of oath as a Bureau Agent not to disclose information obtained while he was acting in that capacity. Mrs. Lewis stated, and she was confirmed by Mr. Lewis, that Kerley denied ever having signed any oath of this type as a Bureau employee and that there was no reason why he could not disclose information in his possession. She advised that after an agreement had been made that the New York "Journal American" would publish the article Kerley asked to be paid \$45,000. Mr. Rushmore expressed amazement at his request for such a sum of money whereupon, according to Mrs. Lewis, Kerley stated that Leon ~~Turrou~~ had obtained \$200,000 for information which he had furnished for news stories, and that he felt he was entitled to at least \$45,000. Mrs. Lewis stated that she then reminded Kerley of the statements he had made earlier, that his only reason for wanting to publish these articles was to awaken the American public to the situation, and after further discussion Kerley agreed to the publication of the articles without compensation.

The following chronological sequence of events which led up to the present suit was furnished by Mr. and Mrs. Lewis.

Memorandum for Mr. Harbo

Summer - 1942

Mr. and Mrs. Lewis became acquainted with Kerley then an Agent of the Louisville Office in connection with the alien enemy detention of [redacted] owned by Mr. and Mrs. Lewis in the vicinity of Lexington, Kentucky.

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December, 1944 to Summer, 1945

Mr. and Mrs. Lewis were contacted on several occasions by Kerley for information in connection with cases presumably under investigation by the New York Office, frequently mentioning his desire to obtain other employment.

Spring, 1945

During a visit which Kerley made to the Lewises' residence, he indicated being extremely ill and was referred by Mrs. Lewis to the Lewises' family physician.

Late Summer, 1945

Mr. Lewis received a long distance telephone call from Kerley in Kansas City during which Kerley stated he had resigned from the FBI and was returning to New York and asked if Mr. Lewis could furnish him a position. Mr. Lewis states he told Kerley that he was surprised that he would resign from the Bureau in view of his training and present war time conditions whereupon Kerley answered that he had been assigned to make some special arrangements for the Director in Kansas City and that he didn't like his assignment and had already resigned. Mr. Lewis stated that he told Kerley he could then offer him no encouragement as to a position but that when he returned to New York to contact him and that perhaps he could be helpful to him. A short time thereafter Kerley called upon him in New York and the Lewises having purchased the office building in question in the interim offered Kerley the job of managing this building.

Summer, 1946

Mr. Lewis stated that by the summer of 1946 he was becoming apprehensive about Kerley inasmuch as Kerley did not appear to be properly handling the building and furthermore seemed to be trying to develop other and better business contacts through friends and associates of the Lewises. Furthermore, that during the late summer of 1946, Kerley called Mrs. Lewis one evening asking if she could arrange to obtain a large quantity of penicillin for him. According to Mrs. Lewis, Kerley told her that he had a good friend who was an airlines pilot for one of the trans-oceanic airline companies and who could sell penicillin in Europe at a tremendous profit. Mrs. Lewis refused to be involved in this situation. Several days thereafter Mr. Lewis received a request from Kerley that he attempt to obtain a sizable quantity of penicillin for him stating that he had a friend who was extremely ill and had to take penicillin. Mr. Lewis states that he told Kerley it could be obtained at a drug store and the matter was thereupon dropped. Immediately there-

Memorandum for Mr. Harbo

after he discussed this conversation with Mrs. Lewis and after hearing of the conversation concerning penicillin which Kerley had had with Mrs. Lewis they decided that Kerley was up to no good and thought it would be well to look in the bag, which Kerley had stored in their safe several weeks previously. Mrs. Lewis stated that as she recalls the bag had been in their safe six or eight weeks at that time. She states that she opened the bag and after noting the contents as reflected above she immediately requested Kerley to remove the material which he did the next day and that after Kerley had removed this material from their home she called me advising of the contents of the bag (telephone call concerning this matter was received on September 30, 1946).

October, 1946

Mr. Lewis states a few days after their discovery of the contents of the bag he called Kerley into his office and dismissed him.

As a matter of general interest, it might be noted that Mr. and Mrs. Lewis stated that they do not regard this suit against them by Kerley as a legitimate suit but as an effort to blackmail them into a cash settlement. To support this conclusion, Mr. Lewis pointed out that in his complaint Kerley alleges that he assisted Mr. Lewis in the shipment of a quantity of streptomycin to Portugal. Mr. Lewis stated that Kerley told [redacted] mentioned above, with reference to the shipment of this streptomycin that he considered it a violation of law to ship this drug to Europe and that he believed the Lewises would be reluctant to have it known that they made this shipment abroad. Mr. Lewis commented that he considered it quite obvious this was included in the complaint for the purpose of forcing the Lewises to make a cash settlement. According to Mr. Lewis, the shipment of this streptomycin is not in violation of any law. He stated that the facts were that Mrs. Lewis received a telephone call from a member of a prominent pharmaceutical family in Portugal. She was advised that the father of this family was extremely ill with uremic poisoning and that the family physician had advised that the only thing which would save him was streptomycin, which was unavailable in Europe. Mrs. Lewis was requested to attempt to obtain a quantity of this drug to ship to this family in Portugal. She advised him that she would discuss the matter with her husband. When Mr. Lewis was advised of this request, he immediately telephoned the department of Squibbs handling this drug and was advised that all the streptomycin Squibbs had was under Government control and, therefore, could not be made available to him. It was suggested, however, that some pharmaceutical companies had streptomycin which was not under Government control, and it was suggested that he attempt to locate some from one of the several other companies which were named. Mr. Lewis advised that he made a telephone call to another pharmaceutical house and learned that their streptomycin was under Government control, and he thereafter made a call to a pharmaceutical house, the Chemical Solvents Corporation, in Indianapolis, Indiana. He advised

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Memorandum for Mr. Harbo

that he talked to a Mr. Denny, whom he knows personally, and learned that that company had streptomycin which was not under Government control and after expressing his need for it, Mr. Denny offered to ship the desired quantity by air express to Mr. Lewis in New York. Mr. Lewis advised that Kerley was present at the time of this long distance call and immediately told Mr. Lewis that he had a friend who was an airlines' pilot and was leaving for London the following day and if the streptomycin arrived in time he would be glad to ask his friend to deliver it in London if that would be of assistance. Mr. Lewis stated he thereupon called Mr. Warburton of the British Ministry of Supply in London and requested that he arrange for the shipment of this material from London to Lisbon. The material was in fact received the following day from Indianapolis, according to Mr. Lewis, and turned over by him to Kerley who delivered it to the pilot. The pilot is reported to have delivered it to Mr. Warburton's Office, who arranged for its shipment to Lisbon by British pouch. It was delivered to the family of the pharmaceutical house in Lisbon by a messenger from the British Embassy in Lisbon.

While Mr. and Mrs. Lewis did not exactly say so, it was quite obvious that they were interested in having some action initiated by the Bureau against Kerley. They did indicate that if any action were taken against him it would avoid the possibility of reference to the Bureau during their defense against this suit. It is also quite obvious that they are concerned over this situation and are hopeful that some action might be taken by the Bureau which would interfere with Kerley's successful prosecution of this suit. No encouragement was given to the Lewises that any action might be taken by the Bureau. They were advised only that the further information which they had furnished would be reported. The Lewises were reminded that the fact that they had withheld advising the Bureau of the contents of this bag until after Kerley had removed it from their safe was very significant, and the situation might have been materially different if the Bureau had been furnished earlier advice in the matter.

RECOMMENDATION: That this memorandum be referred to Division Five for purposes of information.

Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

DATE: October 30, 1947

FROM : D. M. Ladd

SUBJECT: LARRY ERNEST KERLEY

You will recall that on December 3, 4, and 5, 1945, the New York ~~Journal American~~ published articles regarding several Soviet espionage cases which at that time were being investigated by the Bureau. As you know, these articles were written by Howard Rushmore who was formerly a member of the Communist Party and a writer for the "Daily Worker" until about 1940.

Through a physical surveillance maintained by the New York Office it was ascertained that on Friday evening, December 28, 1945, Howard Rushmore with his wife went to the home of James Campbell Lewis and his wife, Elizabeth Barbara Lewis, 22 East 73rd Street, New York, New York. Also present at the Lewis home that evening were former Special Agent Larry Ernest Kerley, George H. Sibley and a Janet Patt, apparently a woman with whom Sibley lives. You will also recall that Mr. Lewis and Mr. Sibley are both executives of E. R. Squibb and Sons. After the above information was obtained, efforts were made by this Bureau to determine if Kerley had actually furnished information for the articles written by Rushmore. (58-1548-35)

On May 16, 1946, Mrs. Elizabeth Lewis was interviewed at her request when she indicated she had some information concerning subversive matters. During this interview Mrs. Lewis volunteered the following information: "There is one thing for which I am intensely sorry. It was a rather dirty trick involving an ex-Agent of your organization. I felt that the FBI, being subservient to the State Department, was being forced into a policy of appeasement, and that it should be 'freed' to take a very aggressive stand. It was not Kerley's fault. I led him on and on". (58-1548-131, p.4)

On October 2, 1946, while being interviewed by Mr. Scheidt, Kerley specifically admitted that he had discussed the Arthur Adams and Andrei Schevchenko cases with Mrs. Lewis and Mr. Rushmore after leaving the Bureau and stated that is where the "Journal American" got the information about these two cases. (58-1548-137, p.13)

On October 11, 1946, Mrs. Lewis had a conference at the Bureau with Mr. J. A. Sizoo and during this conference she mentioned the articles which had been published in the New York "Journal American" during December, 1945. She stated that she had contacted a representative of one of the news services for Kerley and through him contact was made with the man who eventually wrote the articles. She advised that she made the contact at Kerley's request.

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inasmuch as Kerley had stated he had developed a lot of information concerning Communistic activities while in the Bureau and the Bureau was not in a position to do anything about it and therefore he thought such matters should be made public. She also indicated that Kerley was the moving force in having these articles published. (58-1548-139, P-2)

From the above it quite definitely appears that Kerley did actually furnish the information for the articles to Howard Rushmore and he probably did it at the suggestion of Mrs. Lewis, although in October, 1946, at which time her friendship for him had ceased, she indicated that he was the moving force.

The pertinent facts of this case were presented to the Attorney General and on April 15, 1946, Mr. Theron L. Caudle, Assistant Attorney General of the Criminal Division, wrote a memorandum to the Attorney General advising that Kerley's activities did not violate any existing statute.

You will recall that advice was recently received from the New York Office that Kerley had filed a suit against Mr. and Mrs. James Lewis. On October 22, 1947, former SAC E. E. Conroy made available photostatic copies of an investigative report regarding Kerley which contains information regarding Kerley's case against Mr. and Mrs. Lewis. These photostatic copies were confidentially obtained by Mr. Conroy from Mr. Raymond C. Schindler of the Schindler Bureau of Investigation, New York City. Mr. Conroy explained that the law firm of Otterbourg, Steindler, Houston and Rosen, New York, New York, represents Mr. and Mrs. Lewis and this law firm had requested the investigation of Kerley. Mr. Conroy believes that the actual investigation was made by Shelby Williams, a former Special Agent of the Bureau who is now employed by the Schindler Agency.

Shelby Williams is probably identical with Shelby Brooke Williams whose personnel file contains very little information. It indicates that he filed an application on July 1, 1919 and at that time stated he was 21 years of age, having been born in Arkansas. He entered on duty in July, 1919, and resigned on November 10, 1921. A memorandum dated February 14, 1922, signed [redacted] Chief Clerk and Administrative Assistant, and addressed to [redacted] states: "If this is the Williams I think it is - and I think it is - I would not recommend him as referee at a dog fight". Williams is listed as a member of the Society of Former Special Agents of the Federal Bureau of Investigation, Inc., in a membership list dated October 1, 1937.

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A report believed to have been made by Shelby Williams is dated October 14, 1947. Pertinent information is briefly set forth below and, where necessary, appropriate comments have been set forth to point out discrepancies.

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The report states that Kerley recently instituted suit against James C. Lewis in the amount of \$275,000 and against Elizabeth Lewis in the amount of \$50,000.

According to the report, Mr. Lewis is a very wealthy man and is Vice President of E. R. Squibb and Sons. His wife is also quite wealthy. During the war Mrs. Lewis became acquainted with Kerley, who was then employed by the FBI working in Kentucky. She was instrumental in turning over some information to the FBI regarding Bund members and later she assisted the FBI on a voluntary basis in New York and Washington, reporting to Mr. Sizoo (apparently Mr. J. A. Sizoo).

Kerley, according to the report, entered the FBI after graduating from the University of Nebraska Law School and was first stationed at the Tulare, California Japanese Detention Camp. He was later transferred to Louisville and Lexington, Kentucky and was subsequently transferred to New York City, where he claims to have worked on the Manhattan Project. Thereafter he was transferred to Kansas City, Missouri.

Comments

Bureau records reflect Kerley graduated from Arkansas State College in 1937, with an A.B. Degree and entered on duty as a Special Employee with the Bureau on October 21, 1937. He entered on duty as a Special Agent on September 22, 1941 and was assigned to the Butte Office December 20, 1941. On March 30, 1942 he was assigned to the Louisville Office and was made Resident Agent at Lexington, Kentucky on July 19, 1942. On November 29, 1944 he was assigned to the New York Office and on July 26, 1945 he was assigned to the Kansas City Office, where he resigned on October 1, 1945. The Bureau files do not reflect that he attended the University of Nebraska Law School or that he ever worked in California.

The report states that while in Kansas City, Missouri in the Summer of 1945, Kerley took three months' sick leave and came to New York where he was treated by Mr. Lewis' physician for an anemic condition. Kerley later returned to Kansas City and in the Spring of '46 he began to tell Mr. and Mrs. Lewis of his intense dislike for J. Edgar Hoover. He claimed he had been ordered to act as liaison between the Kansas City Police and Hoover on a visit made by Hoover to that city. He claimed to be disgusted with the service and asked Mr. Lewis for a job in New York.

Comments

As indicated above, Kerley did not go to Kansas City until July 26, 1945. Prior thereto he had taken considerable sick leave while assigned to the New York Office. Although the report above

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mentions the Spring of '46, it probably should be the Spring of 1945, but this date is also wrong as Kerley actually went to Kansas City in July. There is no indication that Kerley was ordered to act as liaison between the Kansas City Police and you.

The report states that Kerley was offered a job as manager of a building at 5 East 57th Street at a salary of \$625 per month by Mr. Lewis. Kerley entered the employ of Mr. Lewis and claimed he voluntarily resigned from the FBI, but there is considerable doubt about this statement.

Comments

Bureau records reflect that Kerley submitted his resignation on September 27, 1945. It was accepted and his active duty ceased at the close of business on October 1, 1945.

The report states that some months after Kerley was employed by Mr. Lewis, Kerley brought a duffle bag full of papers to Mr. Lewis' home and asked him to put it in his private safe for safe-keeping, which Mr. Lewis did. Some time later Mrs. Lewis looked at these papers and found they were original documents belonging to the FBI. She and her husband then asked Kerley to remove the papers from their home, which he did. Later Mrs. Lewis communicated with Sizu and informed him that Kerley was holding important Government papers. It is reported that the New York Office, during the time SAC Conroy was in charge, raided Kerley's home and seized these papers; however, Kerley was not arrested or charged with any crime as far as is known. He was later discharged from his employment by Mr. Lewis.

Comments

On September 30, 1946, Mrs. Lewis called Mr. Sizoo at the Bureau from New York City and stated that about three months previously Kerley asked her to keep a suitcase in her safe for him. She advised that she recently examined the suitcase and noticed that it contained numerous papers which appeared to be property of this Bureau. She went on to state that she then called Kerley and told him to remove the suitcase from her home.

On October 2, 1946, Kerley voluntarily appeared at the New York Office where he was interviewed by Mr. Scheidt. On the same day he volunteered to take Mr. Scheidt to his home where he stated he had some office memoranda and miscellaneous material which he had accumulated while a Bureau Agent. Mr. Scheidt, accompanied by Special Agent [redacted] went to Kerley's home

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and obtained from him all the above mentioned memoranda and miscellaneous material. No Bureau reports were included among the miscellaneous material. Mr. Scheidt pointed out that Kerley emphatically stated that the material he had left in Mrs. Lewis' safe was contained in a blue barracks bag and not in a suitcase. He showed Mr. Scheidt the barracks bag.

On October 11, 1946, Mrs. Lewis conferred with Mr. Sizoo at the Bureau and at that time mentioned that Kerley had stored a lot of correspondence in her safe. She mentioned that this correspondence was in a bag. She also indicated that the bag contained several Bureau reports. Kerley was again interviewed by Mr. Scheidt on October 30, 1946 and emphatically denied that he ever had any Bureau reports in his possession. He also stated that he had turned over to Mr. Scheidt all material which could be considered Bureau material when he was interviewed on October 2, 1946. You will also recall that at this time all pertinent files in the New York Office were examined in an effort to determine if any of the serials therein were charged out to Kerley, or could have gotten into his possession in some other manner, with negative results. (58-1548-135X;-136;-137, p.1 and 16;-139)

The report then goes on to mention that Kerley, in his suit against the Lewises, is represented by Philip Adler. In the Bill of Complaint, Kerley states that he was requested to resign from the FBI by Mr. Lewis in order to accept employment with Mr. Lewis. He then explains the type of contract he had with Mr. Lewis. In addition, he claims he did confidential work for Mr. Lewis in connection with the purchase of patent rights on German chemical patents seized by the Alien Property Custodian. He also claims that he assisted Mr. Lewis in procuring some stremo-mycrim, a rare drug, and arranged for its transportation to Portugal where it was to be used by a friend of Mr. Lewis. The report mentions that all the allegations made by Kerley are absurd because no contract had ever been entered into between Mr. Lewis and Kerley, and Kerley never assisted in any negotiations for patents which were handled by the Squibb Company itself, but he did assist in sending stremo-mycrim to Europe; however, there was nothing wrong in this matter.

Comments

It is not known by the Bureau if Kerley did or did not have a contract with Mr. Lewis. However, it should be noted that in connection with the alleged confidential work Kerley claims he did for Mr. Lewis in connection with the purchase of patent rights

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on German chemical patents, Kerley, on February 5, 1946 told Special Agent E. M. Gregg that Mr. Lewis might purchase a German pharmaceutical manufacturing house. He mentioned that this manufacturing house was at that time in the hands of the Alien Property Custodian and indicated that Mr. Lewis was purchasing it for his own private use and if purchased, Mr. Lewis had assured him that he would be made Vice President in charge of personnel. (58-1548-48, p.3)

Regarding the transportation of stremo-mycrim to Portugal, Kerley informed Mr. Scheidt on October 2, 1946, that about four weeks previously the Lewises had asked him to arrange for the personal delivery of this drug to one of their friends in Lisbon, Portugal. Kerley claims that a friend, whom he referred to as a Colonel, took the drug to London and there it was given to a friend of the Lewises who took it on to Lisbon. Kerley mentioned the London friend of the Lewises was a high official in the British Government. Later Kerley's friend and the Lewises' friend got together for the purpose of forming an export - import concern. Kerley stated that Mrs. Lewis also wanted to get in on the venture but did not believe that it was necessary to let the Colonel, who was Kerley's friend, in on it. She also indicated that Kerley's friend had taken unfair advantage of her friend, and when Kerley disagreed with her she became very angry with Kerley. Kerley advised that this conversation took place on September 22, 1946 and since that time Mrs. Lewis has not spoken to him. He also told Mr. Scheidt that because of this argument she probably reported to the FBI that he had confidential Bureau property in his possession. (58-1548-137, p.15)

The report then states that the Lewises are not worried over the suit brought by Kerley but merely wish to expose Kerley as a "phoney". It also mentioned that there was some discussion as to whether or not the writer of the report should attempt to see you in Washington, or whether Mrs. Lewis should attempt to get some information from Sizu (J. A. Sizoo). According to the report, the questions to be asked in Washington are: (1) Was Kerley discharged from the FBI? (2) Was he dropped from the roles for any normal reason, such as lack of appropriation, etc? (3) Did he voluntarily resign and if so the exact date of his resignation?

Comments

As mentioned previously, the writer of the report is believed to be Shelby Williams, a former Special Agent, and there is a possibility he may call on you in connection with this matter. Mrs. Lewis,

of course, may also attempt to contact Mr. J. A. Sizoo. Answers to the above questions have already been set forth in this memorandum.

The report states that it was finally agreed that before a trip was made to Washington, a check would be made through Mr. Conroy in order to obtain from him the story on the seizure of the papers from Kerley and why no charges were preferred against Kerley at that time. Next, a check would be made through the FBI Club to determine if Kerley had applied for membership and what information some of the members might have concerning him.

ACTION:

The above is submitted for your information. It is suggested, however, that you may desire me to telephonically advise Mr. Scheidt to keep in close contact with Mr. Conroy in order to determine if he is contacted by Shelby Williams or some other individual in connection with this matter.

11/4/47
See Scheidt
advised
OK

1. OK. but don't have to appear as he is doing any favors for us.
2. Williams was always a bad actor.
3. No information from FBI should be given anyone re this matter.
4. As for the Lewis & Kerley it is 6 of one & a half a dozen of the other.

RECORDED

November 6, 1947

52-1548-149

Mr. Raymond G. Schindler
Suite 1407
7 East 44th Street
New York 17, New York

Dear Mr. Schindler:

Regarding your letter of November 4, 1947,
requesting an appointment before 3:00 P.M. on Monday,
November 10, 1947, I regret to state that due to prior
commitments it will not be possible for me to see you.
However, if you desire to come to Washington and call at
my office, one of my assistants will confer with you.

With best wishes and kind regards,

Sincerely yours,

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U.S. DEPT. OF JUSTICE
FOR

- Mr. Tolson
- Mr. E. A. Tamm
- Mr. Clegg
- Mr. Glavin
- Mr. Ladd
- Mr. Nichols
- Mr. Rosen
- Mr. Tracy
- Mr. Egan
- Mr. Gurnea
- Mr. Harbo
- Mr. Mohr
- Mr. Pennington
- Mr. Quinn Tamm
- Tele. Room
- Mr. Nease
- Miss Gandy

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RAYMOND C. SCHINDLER
7 EAST 44th STREET
NEW YORK 17, N. Y.

November 4th, 1947

Mr. J. Edgar Hoover
Director, Federal Bureau of Investigation
Department of Justice
Washington, D.C.

My dear Edgar:

Would it be possible for me to see
you in Washington on Monday, November 10th, any
time before 3 PM, before making a further move in
the investigation we are conducting re Larry Curley,
with which your Mr. Sizoo is conversant?

Very sincerely,

Raymond
Raymond C. Schindler—

LARRY ERNEST
OKERLEY
J

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DATE 8/1/01 BY SP2ALM/ky

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THREE

FROM

DO-7

OFFICE OF DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

TO

OFFICIAL INDICATED BELOW BY CHECK MARK

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Mohr _____
Mr. Nease _____
Miss Gandy _____

See Me _____
Note and Return _____
For Your Recommendation _____
What are the facts? _____
Remarks: _____

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 8/1/01 BY 437187

*He must mean
Herby. I will
not be able to
see him. If
he sees some-
one else we
want to make*

*certain we are not
drawn into this mess. I
don't care what they do.
see Herby. Nothing can
embarrass us.*

ENCLOSURE

58-1548-149

**Federal Bureau of Investigation
United States Department of Justice**

New York, N. Y.
October 23, 1947

dm
~~CONFIDENTIAL~~

X
C. Sizoo
Director, FBI

RE: **LARRY ERNEST KERLEY**
Bribery

Dear Sir:

Reference is made to my telephone call to Assistant Director D. M. Ladd on October 21st, in which I advised that former SAC E. E. Conroy had informed me that he had learned that Kerley had instituted a suit against the Lewises. Mr. Conroy indicated that he would be able to furnish more information later.

On October 22nd, Mr. Conroy made available to me the enclosed photostatic copies of an investigative report regarding Kerley which contains further information about the Kerley suit. Mr. Conroy explained that he had confidentially obtained this information from Mr. Raymond C. Schindler, of the Schindler Bureau of Investigation of New York City. He explained that the law firm of Otterbourg, Steindler, Houston & Rosen, 200 Fifth Avenue, New York, represents Mr. and Mrs. Lewis, and that this law firm requested the Schindler agency to conduct an investigation of Larry Kerley. The enclosure represents the results of that investigation. Mr. Conroy is of the opinion that the investigation of Kerley by the Schindler agency was actually conducted by Shelby Williams, a former Special Agent of the FBI, who is now connected with the Schindler agency. Mr. Conroy requested that the source of this information be kept absolutely confidential.

It will be noted from the report of the Schindler agency that the Director or Special Agent Sizoo may possibly be contacted with respect to this matter.

DECLASSIFIED BY SP2ALM/clj
ON 8/1/01
437189

Very truly yours,

Edward Scheidt
EDWARD SCHEIDT
SAC

ES:MT
Encls. *2* ENCL

RECORDED
&
INDEXED

58-1548-150
F B I
20 NOV 24 1947

52 DEC 22 1947
195

Mr. Tolson.....
Mr. E. A. Tamm.....
Mr. Clegg.....
Mr. Glavin.....
Mr. Ladd.....
Mr. Nichols.....
Mr. Rosen.....
Mr. Tracy.....
Mr. Egan.....
Mr. Gurnea.....
Mr. Harbo.....
Mr. Mohr.....
Mr. Pennington.....
Mr. Quinn Tamm.....
Mr. Nease.....
Miss Gandy.....

JOURNAL MEMO.

#8770 - PAGE #2

Oct. 14th, 1947

He graduated from the University of Nebraska Law School and then entered the FBI. He was stationed first at the Tulare, California, Jap Detention Camp, later transferred to Louisville and Lexington, Ky. and was subsequently transferred to New York City where he claims to have worked on the Manhattan Project, and later transferred to Kansas City, Mo.

While in Kansas City, Mo. in the summer of 1945 the Subject took a three months sick leave and came to New York where Mr. Lewis's physician treated him for an anemic condition. He later returned to Kansas City and in the Spring of '46 he began to tell Mr. and Mrs. Lewis of his intense dislike for J. Edgar Hoover. He claimed that he had been ordered to act as liaison between the Kansas City Police and Hoover on a visit made by Hoover to that city. He claimed to be disgusted with the service, etc. and asked Mr. Lewis for a job in New York.

Mr. Lewis had just purchased the building at 5 East 57th Street, New York City and offered Subject a job as Manager of the building and General Assistant at a salary of \$625.00 per month. Subject came to New York and entered the employ of Mr. Lewis. He claimed that he voluntarily resigned from the FBI but there is considerable doubt about this statement.

Some months later Subject brought a duffle bag full of papers to Mr. Lewis' home and asked him to put it in his private safe for safe keeping and Lewis did so.

Sometime thereafter Mrs. Lewis decided to take a look at the papers and found that they were original documents belonging to the FBI in connection with cases and evidently papers which the Subject had no right to. She and her husband asked the Subject to remove the papers from their home which he did.

Then Mrs. Lewis communicated with Sizu (?) and informed him that the Subject was holding important Government papers. It is reported that the New York office (which would be in Conroy's time) raided the Subject's home and seized these papers. However, the Subject was not arrested or charged with any crime as far as is known.

Mr. Lewis then discharged the Subject from his employ.

Since that time the Lewises have received several veiled threats from lawyers representing the Subject, after which came the filing of the suit above mentioned by one Philip Adler, Attorney for the Subject.

The Subject in his Bill of Complaint first states that he was requested by Mr. Lewis to resign from the FBI to accept employment with him; that he had a contract with Mr. Lewis whereby, in addition to the \$625. per month remuneration, he (Subject) was to get 50% of all additional revenues built up at 5 East 57th Street in the way of rentals, etc. That in addition he (the Subject) was to receive one-half of the sale price of this building should Mr. Lewis sell it at a profit and further

JOURNAL MEMO.

#8770 - PAGE #3

Oct. 14th, 1947

that should Mr. Lewis receive an offer for the building at a profit and not sell it he (Lewis) was bound to pay the Subject one-half of such an offer.

Also, that he did confidential work for Mr. Lewis in connection with the purchase of patent rights on German chemical patents seized by the Alien Property Custodian.

Also, that he assisted Mr. Lewis in procuring some stremo-mycrim, a rare drug and arranged for its transportation to Portugal where a friend of Mr. Lewis was suffering from a disease which required immediate use of this drug. The inference behind the drug thing was that there was something illegal about it, whereas as a matter of fact it was an entirely proper transaction.

All the allegations made by the Subject are, of course, absurd because in the first place there was no contract of any kind; secondly, the Subject only performed duties at the building at 5 East 57th Street and had nothing to do with any negotiations for patents which were handled by the Squibb Co. itself. He did assist in sending the stremo-mycrim to Europe but there was nothing wrong in this matter.

Client isn't worried about the suit itself, but the Lewises are very anxious to expose the Subject as a phoney. It was debated whether or not I would go to Washington to see Hoover direct, or whether or not Mrs. Lewis would attempt to get some information from Sizu (?). The question as far as Washington is concerned, is -

First, was the Subject discharged from the FBI? Second, was he dropped from the rolls for any normal reason such as lack of appropriation, etc. Third, did he voluntarily resign? The exact date of his resignation is very important in this connection.

Finally, it was agreed that we would first check thru Conroy and try and get the story on the seizure of the papers from the Subject and why no charges were preferred against him at that time.

Second, I will check thru the FBI Club to see whether or not the Subject has applied for membership, or what any of the boys around the Club may know about him. Then some day next week I am to see the Client again and during the interim he will discuss the matter relative to the Washington angle.

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. D. M. Ladd

DATE: 11-26-47

FROM : H. B. Fletcher

SUBJECT: LARRY E. KERLEY

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Holmes
Miss Gandy

At 5:20 p.m., SAC Scheidt of the New York Office called and stated that Mr. Ted Conroy had called and related that Ray Shindler, investigator for the law firm of the Lewis family, had told him that the Lewis lawyers were concerned because they felt that the Lewises have not been forthright with them. Mr. Shindler suggested that Mr. Conroy contact the Lewis family in behalf of the lawyers. Mr. Conroy stated that if the Bureau wanted him to contact the Lewises, he would be glad to do it. Mr. Scheidt told Mr. Conroy that we weren't interested and not make any contact with the Lewises for the Bureau.

ACTION:

None. For your information.

HBF:esb

We have absolutely
no interest

RECORDED

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F B I
15 DEC 1 1947

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DATE 2/26/03 BY 60390ACE/CA/US

60 DEC 4 - 1947

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General Bureau of Investigation
United States Department of Justice

New York, N. Y.
November 20, 1947

Mr. Tolson.....
Mr. E. A. Tamm.....
Mr. Clegg.....
Mr. Glavin.....
Mr. Ladd.....
Mr. Nichols.....
Mr. Rosen.....
Mr. Tracy.....
Mr. Egan.....
Mr. Gurnea.....
Mr. Harbo.....
Mr. Mohr.....
Mr. Pennington.....
Mr. Quinn Tamm.....
Mr. Nease.....
Miss Gandy.....

CONFIDENTIAL

Director, FBI

RE: LARRY ERNEST KERLEY
Bribery

Dear Sir:

Reference is made to the telephone call to the New York office of Assistant Director D. M. Ladd on November 19, 1947, in which Mr. Ladd referred to information furnished by Mrs. Lewis to the effect that reports in the I. G. Farben case were allegedly observed by Mrs. Lewis in the possession of Kerley. Mr. Ladd requested that the Bureau be advised whether the reports in question are missing.

~~DEFERRED RECORDING~~

The Bureau's attention is invited to letter from the New York office dated October 30, 1946, captioned "LARRY ERNEST KERLEY, Bribery". As indicated in that communication, the New York file in this case entitled "I. G. FARBERINDUSTRIE, Espionage G", which has been in a closed status for some time, was examined. It was determined that this file had been stripped of extra copies of serials in accordance with the Bureau's project, there being contained in the file now only one copy of each investigative report, with no charge-out slips. The presumption would be that any extra copies of reports in this file have been destroyed. As stated in my letter of October 30, 1946, Kerley said that at no time had he worked on the Farben case, and the file would seem to bear him out in this, as there is no indication of any investigative activity on his part in this case.

Very truly yours,

DECLASSIFIED BY 60290 BCE/CALBRS
ON 6/26/03

EDWARD SCHEIDT
SAC

ES:MT
67-13301

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&
INDEXED

58-1348-152
29 DEC 17 1947

EX-121

1 JAN 7 1948

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. D. M. Ladd *DL*
 FROM : J. P. Coyne *JPC*
 SUBJECT: LARRY ERNEST KERLEY

DATE: December 3, 1947

Mr. Tolson _____
 Mr. E. A. Tamm _____
 Mr. Clegg _____
 Mr. Glavin _____
 Mr. Ladd _____
 Mr. Nichols _____
 Mr. Rosen _____
 Mr. Tracy _____
 Mr. Carson _____
 Mr. Egan _____
 Mr. Gurnea _____
 Mr. Harbo _____
 Mr. Hendon _____
 Mr. Pennington _____
 Mr. Quinn Tamm _____
 Tele. Room _____
 Mr. Nease _____
 Miss Holmes _____
 Miss Gandy _____

On November 19, 1947, you telephonically contacted ASAC Belmont in accordance with Mr. Tamm's instructions and instructed him to check the New York files in an effort to determine whether any of the serials identified by Mrs. Lewis were missing or might possibly be in Kerley's possession.

By letter dated November 20, 1947, the New York Office referred to its letter of October 30, 1946, and indicated that they had checked their files on the I. G. Farbenindustrie case with negative results.

In view of the fact that this letter was not responsive to your instructions of November 19, I telephonically contacted ASAC Belmont today and requested specifically that he check New York file 65-1386 concerning Bernard Smith. Mrs. Lewis indicated that she had seen a report from this case in Kerley's possession.

I also requested that he check New York file 61-553 concerning the Schering Corporation. Mrs. Lewis indicated she had seen a thin report and a report on mimeographed paper from this case in Kerley's possession.

I also asked him if he could identify Mr. Armbruster who allegedly was sent a letter by the Director for information he had furnished in connection with the I. G. Farbenindustrie case. I mentioned to Mr. Belmont that this individual might be identical with Howard W. Ambruster, a chemical engineer who resides in Westfield, New Jersey, and who apparently was a good friend of Mr. Foxworth. I told Belmont that Ambruster had in the past furnished information to the Bureau but we had no indication that the Director had ever written him a letter in care of the New York Office or to any address in New York City.

JPC:IGS

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DATE 8/2/01 BY SP2ALM/aly
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X-121

58-1548-153
 20 DEC 17 1947

JAN 7 1948

Federal Bureau of Investigation
United States Department of Justice

CONFIDENTIAL

Director, FBI

RE: LARRY ERNEST KERLEY
Bribery

Dear Sir:

Reference is made to telephone call to the New York office on December 3, 1947, of Mr. Pat Coyne of the Bureau, requesting a check be made regarding certain additional investigative reports which Mrs. Lewis allegedly saw in Kerley's possession.

It is understood from information furnished by Mr. Coyne and Supervisor Joe Meehan of the Bureau that Mrs. Lewis claimed that she saw a report about eight pages long in Kerley's possession, which report contained a description. This report was supposed to have been made in the case entitled BERNARD EUGENE SMITH, with aliases, Espionage, New York file #65-1386. A review of the New York file indicates that no eight-page reports were submitted in this case. There were, however, two reports submitted which contained descriptions, namely that of Special Agent C. A. Gannon, dated at New York, December 5, 1939, which was 36 pages long, and that of Special Agent C. A. Gannon, dated at New York, November 22, 1939, which was 34 pages long. This file was previously stripped of extra copies of serials in accordance with a Bureau project and it now contains only one copy of each investigative report with no charge-out slips. There is no indication in the file that Kerley ever worked on this case, and the fact that the file does not contain any report eight pages in length would indicate that Mrs. Lewis' statement was incorrect.

It is understood that Mrs. Lewis also said that she had seen reports in Kerley's possession in the case entitled SCHERING CORPORATION, Subversive Activities, New York file #61-553. Some of these reports, according to Mrs. Lewis, were on very thin paper. For the Bureau's information, this file was consolidated with New York file #65-4107, entitled SCHERING CORPORATION, 86 Orange Street, Bloomfield, N.J., DR. GREGORY H. STRAGNELL, with aliases, Espionage-G, (Foreign Funds). A review of the consolidated file reflects that the following reports were prepared on onionskin paper:

File #65-4107 - Report of SA [redacted] Washington, D.C., 6/20/42
" " " W. C. Gentry, Richmond, Va., 11/6/41.
" " " [redacted] Newark, N.J., 6/23/42.
" " " [redacted] Newark, N.J., 1/9/42.
" " " W. C. Gentry, Richmond, Va., 11/6/41.
" " " [redacted] Washington, D.C., 1/6/42.
" " " [redacted] New York, N.Y., 12/27/41.
" " " E. P. Morgan, Miami, Fla., 6/5/41.

ES:MT
67-13301

DECLASSIFIED BY 60296 BCS/KAL/KJS
ON 6/26/03

Director.

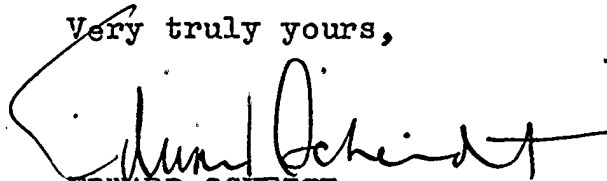
File #61-553 - Report of SA Lee E. Malone, Newark, N.J., 10/21/39.
" " " [redacted] New York, N.Y., 9/21/39.

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This consolidated file was previously stripped of extra copies of serials and at present contains only one copy of each investigative report. There is nothing in the file to show that Kerley ever worked on this case, or that any serials are missing other than those which would have been destroyed under the project referred to.

With reference to Mrs. Lewis' statement that she remembered a letter over the Director's signature to a Mr. Ambruster or Armbruster, thanking him for information furnished to the Bureau relative to the I. G. FARBENINDUSTRIE, a check of the files of the New York office was made with negative results, and no information was found in the files with reference to any such communication.

Very truly yours,



EDWARD SCHEIDT
SAC

SAC, NEW YORK

March 3, 1948

RECORDED 58-1548-155
DIRECTOR, FBI
LARRY ERNEST KERLEY
BRIBERY

PERSONAL ATTENTION

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DATE 8/2/01 BY SP2ALM/clj
437189

On February 24, 1948, Mrs. James Campbell Lewis telephonically contacted the Bureau to advise that Larry Ernest Kerley had filed an amended complaint in connection with the suit he has pending against her and her husband. She stated that this amended complaint alleges that she falsely complained to the FBI that he had in his possession confidential records which he had improperly abstracted from the files of the FBI. His amended complaint further states that the FBI had established that Mrs. Lewis' complaint was unfounded and Kerley had been discharged by Mr. Lewis because of the unfounded accusation made by Mrs. Lewis.

Mrs. Lewis further advised that she had discussed this matter with her attorney, Mr. Edwin Otterbourg and that they felt they had no alternative but to place in their answer a detailed description of the documents which she saw in the duffel bag which Kerley placed in her safe and which she subsequently requested Kerley to remove.

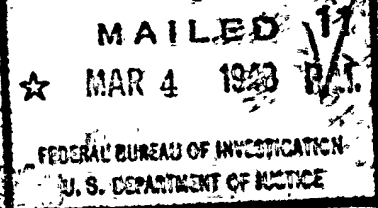
During this investigation, Mrs. Lewis also admitted that she had furnished to Mr. Otterbourg two files containing Bureau correspondence which Kerley had furnished her while he was assigned as an agent to the New York Office. She explained that one of these files contained copies of Bureau reports dealing with the arrest of [redacted]. She stated that she believes the other file contained a summary of [redacted]

[redacted] She claimed that she could not describe this file any further except to state that it contained references to SA J. A. Sizoo, former Assistant Director Foxworth and other Bureau personnel, [redacted]

Mrs. Lewis claimed that she had no conversation with Kerley whatsoever concerning these files until he appeared at her house on a particular day and voluntarily furnished them to her stating that he thought they would be of interest to her since they related to the Lewises. She advised that he made no demand of any kind for them and that she accepted the files and put them in the back of her safe, forgetting about them until Kerley instituted his suit against the Lewises. She stated that the only reason she could think of as to why Kerley had given her this material was in order to curry favor with the Lewises since at that time he was still employed by the FBI but was apparently planning to resign and ask the Lewises for a job, which he later did.

It is requested that you check [redacted] file in your office (New York file 100-16164) to determine if any serials are missing. It is also requested that [redacted]

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy



RECEIVED

you check all other files in your office which contain any material relating to any investigations conducted by you regarding either Mr. or Mrs. James C. Lewis to determine if any serials are missing.

You should also have two experienced agents interview Mrs. Lewis and obtain from her all details concerning the two files above mentioned. She should be asked to explain in detail the circumstances under which she obtained these files, including the date or dates and any remarks made by her and Kerley at the time. She should also be requested to furnish the date she gave these files to her attorney. After all pertinent information has been obtained, she should then be requested to obtain these files from her attorney and return them to you.

It is requested that this matter be given expeditious attention and that as soon as possible you advise the Bureau of the results of your contact with Mrs. Lewis.

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Lohr _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Gandy _____

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

DATE: March 2, 1948

FROM : D. M. LADD

SUBJECT: LARRY ERNEST KERLEY

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Holmes
Miss Gandy

Attached hereto is a memorandum from Mr. J. A. Sizoo to Mr. R. T. Harbo, dated February 25, 1948, which you have previously read. You will recall that Mrs. James Campbell Lewis admitted to Mr. Sizoo that she had furnished two files containing Bureau correspondence to her attorney, Mr. Edward Otterbourg. She claimed former SA Larry Ernest Kerley gave her these files while he was assigned to the New York Office.

Mrs. Lewis stated one file contained copies of Bureau reports dealing with the arrest of [redacted] who was [redacted] which the Lewises owned near Lexington, Kentucky.

b6
b7CCOMMENTS:

Mrs. Lewis was undoubtedly referring to Bureau file 100-51263, entitled, [redacted] et al, Alien Enemy Control - G". Kerley wrote several reports in this connection and conducted most of the investigation while he was assigned to the Louisville Office. [redacted] and [redacted] were arrested as alien enemies on August 15, 1942, and ordered interned by the Attorney General on September 15, 1942. On February 15, 1944, they were repatriated to Germany on the MS Gripsholm. The Bureau file on [redacted] was checked and no serials were found missing.

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The other file, according to Mrs. Lewis, contained a summary of the Bureau's contacts with Mr. and Mrs. Lewis. She advised that she believed it was prepared for the Attorney General for the purpose of evaluating their loyalty and dependability.

COMMENTS:

No such file can be identified at the Bureau. However, serial one in [redacted] file reflects that on October 8, 1941, a complaint was received by the Louisville Office from [redacted] who advised that the subjects had been making pro-Nazi statements. [redacted] advised that they were employed by Mr. James C. Lewis, and some doubt existed as to whether or not Mrs. Lewis, the wife of James C. Lewis, was loyal to this country. In this serial a lead was set out for the New York Office to ascertain the background of Mr. and Mrs. James C. Lewis.

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INDEXED
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b7C

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MAR 17 1948

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HEREIN IS UNCLASSIFIED
DATE 8/2/01 BY SP2ALM/ky

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Serial three in the same file is a report dated at New York City, May 5, 1942, in which it is mentioned that on April 6, 1942, a letter was directed to Ambrose V. McCall, Assistant Attorney General, State of New York, requesting that an investigation be conducted concerning Mr. and Mrs. Lewis, and if determined to be reliable, that they be interviewed for information concerning the subjects. In this same report the results of the investigation conducted by the Office of the Assistant Attorney General were set forth and in effect the report indicated that Mr. and Mrs. Lewis were loyal Americans.

Serial thirty-one in [] case is a report by former SA Kerley, dated January 30, 1943, at Louisville, Kentucky. In this report it was indicated that the Attorney General's Office had requested further investigation to determine whether or not witnesses against the subjects had an ulterior motive in reporting unfavorably on them.

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b7C

It is possible that Mrs. Lewis may have actually been referring to one or both of the above mentioned serials. As was previously mentioned, they are a part of [] file and no Bureau copies are missing, however, Kerley could have gotten copies of these serials from the files of either the Louisville or New York Offices.

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b7C

For your information Kerley was assigned to the Louisville Office on March 30, 1942, and was transferred to the New York Office on November 29, 1944. He departed from the New York Office for the Kansas City Office on July 26, 1945.

You will recall that in the attached memorandum Mrs. Lewis advised that Kerley had filed an amended complaint in which he alleged she falsely complained to the FBI that he had in his possession confidential records of the FBI which he had improperly abstracted from the Bureau's files. He further alleged that the FBI had established that Mrs. Lewis' complaint was unfounded, but he was discharged by Mr. Lewis because of this accusation by Mrs. Lewis. You will also recall that Mrs. Lewis and her attorney intend to place in their answer a detailed description of the documents which Mrs. Lewis saw in the duffel bag which Kerley placed in her safe and which she subsequently requested him to remove.

It is suggested that Mrs. Lewis may also intend to use the files which she now claims are in the possession of her attorney as additional evidence in

00 00

this case and, therefore, it is believed that we should endeavor to obtain these files before they can be used as evidence.

RECOMMENDATION:

It is recommended that we go to Mrs. Lewis and request her to return the files mentioned above.

Attached hereto for your approval is a letter to the New York Office setting forth information contained in Mr. Sizoo's memorandum and in instant memorandum. This letter instructs Mr. Scheidt to have two experienced agents interview Mrs. Lewis for all details concerning this matter. The New York Office is also instructed to request Mrs. Lewis to return the files which she gave her attorney.

The New York Office is further requested to check its file on case to determine if any serials are missing and to check all its files which contain serials relating to any investigations which may have been conducted on Mr. and Mrs. James C. Lewis to determine if any serials are missing.

b6
b7C

Attachments

✓
*Let me know of developments.
Should Mrs. Lewis refuse to
grant our request what is
then proposed?*

ld.

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. R. T. Harbo *RT Harbo*

FROM : J. A. Sizoo *JAS*

SUBJECT: LARRY KERLEY
Former Special Agent

DATE: February 25, 1948

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 8/2/01 BY SP2AM/ely
437189

Feb 25 1948

Mr. Tolson	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Holmes	
Miss Gandy	

The file of this Agent will reflect that I have received some previous telephone calls from Mrs. James Campbell Lewis concerning a suit which Kerley filed against Mr. and Mrs. Lewis alleging that they owed him a large sum of money, because they persuaded him to resign from the FBI to work for them and thereafter fired him without adequate reason and without paying him certain funds which he claimed.

I received another telephone call yesterday from Mrs. Lewis with reference to this and certain other matters. She advised that the last court action in this particular matter resulted in the granting of a motion by the court that Kerley file an amended complaint. She stated that this amended complaint has now been filed and that with reference to her he alleges that she falsely complained to the FBI that Kerley had in his possession confidential records of this Bureau which he had improperly abstracted from the Bureau's files. His complaint goes on to state that the FBI had established that this complaint was unfounded and that it was the ~~result of~~ this accusation by Mrs. Lewis which caused Mr. Lewis to discharge Kerley. Mrs. Lewis advised that she has discussed the matter with Mr. Edwin Otterbourg, who is representing Mr. and Mrs. Lewis in this matter, and they felt that they had no alternative but to place in their answer a detailed description of the documents which she saw in the duffel bag which Kerley placed in their safe and which she subsequently requested Kerley to remove. She has previously informed the Bureau through me the details as to her recollection of what this duffel bag contained. She had no further information to add at this time concerning this material.

During the conversation, Mrs. Lewis advised that she had also furnished to Mr. Otterbourg two files containing Bureau correspondence which Kerley had furnished her while he was assigned to the New York Office as an Agent. She advised, on questioning, that one time when Kerley came to see her about other matters he told her that he had copies of some correspondence which might be of interest to Mrs. Lewis and gave her copies of Bureau reports dealing with the arrest of [redacted] a farm which the Lewises owned near Lexington, Kentucky, and who was arrested as an enemy alien based on Mrs. Lewis' complaint. This case was investigated and handled by Kerley when he was assigned to the Louisville Office. Mrs. Lewis stated that the ~~problem~~ file was a file which apparently contained a summary of the Bureau's contacts with Mr. and Mrs. Lewis and which, she said, she believed was prepared for the Attorney General for the purpose of evaluating their loyalty and dependability. She could not describe this file any further except to state that it contained references to me and to former Assistant Director Foxworth and other Bureau members summarizing the results of their contacts with the Lewises. I asked Mrs. Lewis what gave rise to Kerley's giving her these two files and what demand, if any, was made by him. She stated that she had no conversation with him whatsoever concerning

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b7C

JAS:FLM

RT Harbo
2/24/48 memo to New York
3/2/48

158-155
RECORDED
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FILED

00 00

Memorandum for Mr. Harbo

these files until he appeared at her house on this particular day and voluntarily furnished her these files stating that he thought they would be of interest to her since they related to the Lewises. She advised that he made no demand of any kind for them and that she accepted the files and put them in the back of her safe forgetting about them until this suit. She stated that the only reason she could think of as to why Kerley should have given her this material was in order to curry favor with the Lewises, since at that time he was still employed by the FBI and was apparently planning to resign and ask the Lewises for a job, which he later did. As Mrs. Lewis indicated, this material is now in the hands of Mr. Edwin Otterbourg, the Lewises' attorney.

I asked Mrs. Lewis why she had not called my attention to these files before. She stated that she had completely forgotten about them until this suit began and then went through her safe to find anything which might be pertinent and found these files. I personally doubt that this is the case and feel that Mrs. Lewis did not intend to inform me of the fact that she had these files in her possession, since she made a rather vague reference to them when referring to the suit and only by asking some questions about this material did she furnish the information set out above.

RECOMMENDATION: That this memorandum be referred to the Security Division where this matter has previously been handled.



United States Department of Justice
Federal Bureau of Investigation
633 Federal Building
Louisville, Kentucky



IN REPLY, PLEASE REFER TO

FILE No. _____

March 6, 1948

PERSONAL AND CONFIDENTIAL

Director, FBI

Attn: Assistant Director, D. M. Ladd

DECLASSIFIED BY SP2ALM/elj
CH 8/2/01 437189

Re: LARRY E. KERLEY
FORMER SPECIAL AGENT

Dear Sir:

This information is being afforded you as per my telephonic conversation with Special Agent in Charge, E. Scheidt of the New York Office on March 6, 1948.

A careful review of the Louisville file entitled, [redacted] alias [redacted] with aliases, [redacted] INTERNAL SECURITY - G, ALIEN ENEMY CONTROL", Bureau file No. 100-51263, discloses that the report of Special Agent LARRY KERLEY dated August 24, 1942 designates three copies for the Louisville Office, however, there are only two copies in the file.

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b7c

The report of Special Agent LARRY E. KERLEY dated November 7, 1942 designates four copies for the Louisville Office and there are only three copies in the file.

Bureau letter dated November 21, 1942 forwarded two copies of a translation from the German entitled, "'Agronomia' Corps, i.N.S.C., Hamburg". The first five pages of one of the copies of that is missing.

In the report of Special Agent LARRY E. KERLEY dated January 30, 1943, three copies are designated for the Louisville Office, and one of those copies is not in the file.

Serials 86 and 87 do not appear in the Louisville file. These serials apparently relate to some correspondence which would be dated as being received in the Louisville Office on or about November 24, 1942.

There are no charge-out slips in the file and apparently the missing serials contain most of the pertinent information resulting from the investigation in this matter. It does not appear that these serials could be missing

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54 MAR 22 1948

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FBI
19 MAR 17 1948
RECEIVED

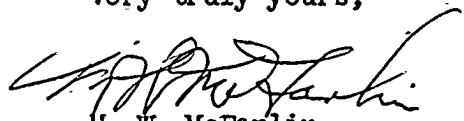
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19 MAR 17 1948

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RECEIVED

from the file without some design, and as the file has not been stripped the cause of their loss cannot be attributable to that project.

All of this information was afforded Special Agent in Charge, E. Scheidt telephonically March 6, 1948.

Very truly yours,


M. W. McFarlin
Special Agent in Charge

MM:b1
AIRMAIL SPECIAL DELIVERY

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. TAMM *AM*
 FROM : D. M. Ladd *DL*
 SUBJECT: LARRY KERLEY

DATE: March 6, 1948

Mr. Tolson	_____
Mr. E. A. Tamm	_____
Mr. Clegg	_____
Mr. Glavin	_____
Mr. Ladd	_____
Mr. Nichols	_____
Mr. Rosen	_____
Mr. Tracy	_____
Mr. Carson	_____
Mr. Egan	_____
Mr. Gurnea	_____
Mr. Harbo	_____
Mr. Hendon	_____
Mr. Pennington	_____
Mr. Quinn Tamm	_____
Tele. Room	_____
Miss Gandy	_____

SAC Ed Scheidt telephonically contacted me and advised that a check of the New York Office reflected that there were no serials missing in file, which is referred to in the letter to the New York Office and further, there appears to be no serials missing in the Lewis file. He stated, however, in the O- file there were three serials missing, serials 97-02, 03 and 04. He requested that the Bureau check its files.

He stated that the New York Office had sent a letter to the Bureau dated January 28, 1942, re: "Espionage" and it was stated in this letter that he was forwarding photostatic copies of letters from the Lewises, which letter was serial 97-05. He stated by reason of the fact that the three serials prior to this were also missing that they might have erroneously been forwarded to the Bureau. I advised Mr. Scheidt that I would check the Bureau files in an effort to locate this material.

Mr. Scheidt stated that upon checking the New York files as above referred and finding nothing missing, he had called SAC McFarlin at Louisville, who had determined that in case there were certain serials missing; that the report of Agent Kerley dated August 24, 1942, in this case indicated that three copies should be in the files whereas there were only two; likewise the report of Agent Kerley dated November 7, 1942, indicates three copies should be in the file whereas there were only two. The same was true with reference to the report of Agent Kerley dated January 30, 1943. Further, that four pages of the translation of a German letter in this file were missing. He stated that he had instructed SAC McFarlin to submit a detailed letter to the Bureau immediately with a copy to the New York Office setting forth these facts.

Mr. Scheidt inquired relative to the contact with Mrs. Lewis for the purpose of recovering this material. I advised him that should be informed that this was Government property. He inquired what steps should be taken in the event Mrs. Lewis refused and I pointed out to him that he might tell her that inasmuch as this was Government property, he would have to present the facts concerning her refusal to surrender the Government property to the United States Attorney.

I cautioned him to be courteous but firm in his dealings with Mrs. Lewis.

DML:da

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 8/2/01 BY SP4/MLJ

50 MAR 22 1948

3/16/48
Scheidt
McFarlin
DL
Don't show this

b6
 b7C

b6
 b7C

RECORDED
 INDEXED

158-1548-157

Handwritten signatures and initials



United States Department of Justice
Federal Bureau of Investigation
New York - New York

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Mohr _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Gandy _____

March 8, 1948

IN REPLY, PLEASE REFER TO
FILE NO. _____

~~PERSONAL AND CONFIDENTIAL~~

DECLASSIFIED BY SP2AM/clj
ON 8/2/01 437189

Director, FBI. Attn: Assistant Director D. M. Ladd

Re: LARRY ERNEST KERLEY
BRIBERY

Dear Sir:

Reference is made to Bureau letter dated March 3, 1948 wherein reference is made to a telephone call by Mrs. James C. Lewis to the Bureau. Mrs. Lewis stated that Larry Kerley had instituted a suit against her and her husband on the basis that she had made an unfounded complaint to the Bureau that he had improperly abstracted confidential records from the files of the FBI. It was requested that two Agents of this office interview Mrs. Lewis concerning these two files and request their return to the Bureau.

On March 6, 1948 Special Agents [redacted] and John M. O'Mara contacted Mrs. Lewis at her home and during such contact Mr. Lewis was present.

Mrs. Lewis stated that her knowledge of the confidential reports which are in her possession is rather vague but that she recalled one of the documents was a report presumably written by Kerley concerning [redacted] investigation [redacted] with aliases, et al, Internal Security-G, Alien Enemy Control). She stated that she recalled in the lower left corner of this report was a list of several offices of the Bureau and that next to the name "Louisville" was a red check mark which she stated she thought meant that this report was for the Louisville Office. In addition to this report she said that she thought she had one other report in connection with [redacted] case which had been written by Special Agent Joseph A. Sizoo. She could recall nothing more about the reports.

In addition to the two reports above mentioned, Mrs. Lewis said that there were two letters, exact length she could not remember, which dealt with an investigation concerning the loyalty of Mr. and Mrs. Lewis.

In this connection it is believed noteworthy that a review of New York file on [redacted] reflects two letters dealing with the question of the reliability and loyalty of Mrs. James C. Lewis. One letter was directed to the Agent in Charge, New York City, from Louisville, dated September 14, 1942, and the second letter, dated October 16, 1942, is New York's answer to Louisville's request for information on Mrs. Lewis and indicated that the New York Office had no derogatory information concerning

Mrs. Lewis in its files.

54 MAR 22 1948
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PERS. FILES

Letter to Director.
Re: Larry E. Kerley

March 8, 1948

On March 6, 1948 SAC McFarlin of Louisville telephonically stated that it should have three copies of the report of Larry Kerley dated 8-24-42 but that only two copies are in the file. In addition to this Mr. McFarlin stated that two serials are missing from the file and were believed to be serials block-stamped sometime in November or December 1942. It might be stated that there are no serials missing in the New York file on [redacted] case.

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Continuing with the contact with Mrs. Lewis, she stated that the above mentioned reports and letters were given to her by Kerley almost immediately after his arrival in New York on transfer from Louisville, Kentucky. (The Bureau records indicate that Kerley arrived in New York City November 29, 1944 on transfer from Louisville). She said that Kerley told both her and Mr. Lewis that he thought they would like to have this material. Both Mr. and Mrs. Lewis told the Agents that they thought Kerley was giving them the reports and the letters because of their cooperativeness during the investigation of the case about which the reports were written. Mrs. Lewis said that these reports and letters were placed in the back of their safe and that until the suit was started against them by Kerley she had completely forgotten about them. She said that these above mentioned reports and letters were never co-mingled with the material which Kerley subsequently asked Mr. and Mrs. Lewis to temporarily retain for him and which was in a duffle bag. The Bureau has previous information concerning this material, about which Mrs. Lewis informed the Bureau sometime ago. It will be recalled that Mrs. Lewis said that she told Larry to come over and get the stuff because she did not want material like that in her house. Mrs. Lewis, as well as Mr. Lewis, said that no further conversation subsequently took place between them and Kerley concerning the reports in question.

Mrs. Lewis stated that she did not recall the exact date the two reports and the two pieces of correspondence had been turned over to her attorney, Edwin M. Otterbourg, of 200 Fifth Avenue, but that it was shortly after Kerley had instituted his amended complaint which charged Mrs. Lewis with making an unfounded complaint to the Bureau that he (Kerley) had stolen files from the FBI. Mrs. Lewis said this was approximately six months ago and therefore it would be about October 1, 1947 when she gave her attorney the material in question.

Both Mr. and Mrs. Lewis stated that at the time they received the reports and letters from Kerley they thought it was because of their extreme interest in the case and the assistance they had given the agents in making the investigation. They said the material in the duffle bag would not fall under this classification and that is why they did not want it in their house.

Letter to Director
Re: Larry E. Kerley

March 8, 1948

Inasmuch as the information the Lewises had given concerning the two reports and two pieces of correspondence made it fairly certain that they were in possession of serials from files of the FBI, a request was made that the Lewises return the material to the Agents. It was diplomatically explained to them that the material was taken from the Bureau's possession without authorization and regardless of who had the material at the time it remained government property and therefore should be returned to a government representative upon request. Mrs. Lewis said that she had no objection and that the Agents should go to Mr. Otterbourg with the request. It was explained to Mrs. Lewis that the Agents would do this, provided Mrs. Lewis would call her attorney and instruct him to turn the material over to the Agents. Mrs. Lewis said that she would do this if the Agents would execute a receipt and give it to either Mrs. Lewis or her attorney in exchange for the reports and letters. Mrs. Lewis stated that Kerley had amended his complaint to the extent that he was seeking fifty thousand dollars damages against her personally on the charge mentioned above. She stated that her only defense was the showing of these reports and letters which had been given her by Kerley. She said that if she gave these up without a receipt she would have no defense against this assinine charge Kerley had made against her. On this point Mrs. Lewis explained that she would be very loathe to actually use the Bureau reports as her defense for the reason that it would be bad publicity for the Bureau, indicating that their reports were in the hands of people who had no right to them, however, the possession of the reports by her was the crux of her defense to Kerley's blackmail suit and for this reason she felt she could rightfully insist that the Bureau in return for the reports give her properly executed receipts describing the material returned by her. In connection with this she stated that Mr. Otterbourg told both her and Mr. Lewis that this was nothing more than "a blackmail suit" and this type of case has to be handled with great care and preparedness. It was explained to Mr. and Mrs. Lewis by Mr. Otterbourg that the important thing in a case of this type is to get final adjudication, or otherwise Kerley could continually hold his charge over their heads. Mrs. Lewis stated that her only fear is that Kerley will drop the suit prior to final adjudication and that she is anxious to publicly expose him as a "phoney." She said that in connection with the suit Kerley had sworn to his original allegation in Murray, Kentucky, and that it is obvious he has perjured himself.

The Lewises were advised by the Agents that the execution of such receipts could not be made by these Agents without authorization and that such had not as yet been granted.

At this point Mr. Lewis stated that in view of the circumstances surrounding their right to retain the material he thought that it would be best to communicate with his attorney. In Agents' presence, he telephonically communicated with Mr. Otterbourg and in

Letter to Director
Re: Larry E. Kerley

March 8, 1948

substance told Mr. Otterbourg that two Agents of the FBI were at his home requesting the return of the material which the Lewises had given Otterbourg with reference to the Kerley case. Mr. Lewis stated that since Kerley had unlawfully taken the material and had subsequently given it to them (the Lewises), technically "we are holding stolen property." Mr. Lewis stated that the Agents had advised that without prior authorization they could not execute receipts of this type and that as yet they had received no such authorization. After a few moments passed Mr. Lewis terminated his conversation with Mr. Otterbourg and then informed the Agents that Mr. Otterbourg said it would be impossible for him to see the Agents over the weekend but that he would like to see them Monday. Mr. Lewis added that Mr. Otterbourg was not taking this case lightly at all.

Mr. Lewis stated that Mr. Otterbourg is a very prominent attorney in New York City and is a leader of the New York State Bar Association. Mr. Lewis added that Otterbourg's partner, Charles A. Houston, who is assisting Otterbourg in the Kerley case, is a former justice of the New York State Supreme Court. He also advised that Otterbourg has assisted Senator Wiley on numerous occasions in connection with labor matters.

Mrs. Lewis then stated that her concern goes beyond the instant suit by Kerley against her and said that she had previously told the Bureau that Kerley had exhibited to her a report in the Wenner-Gren investigation. Mrs. Lewis stated that she recalled that on the informants' page appeared [REDACTED]

b7D

[REDACTED] She said that she did not know what Kerley had done with this report. She said that she did know, however, that at the present time Wenner-Gren is paying an attorney around one hundred thousand dollars a year to find out the names of the individuals who had been responsible for having Wenner-Gren placed on the blacklist with respect to exports. Mrs. Lewis stated that she and her husband are genuinely worried as to whether Kerley might feed this information to Wenner-Gren or his representative and thereby involve them in another suit of similar nature. The report to which Mrs. Lewis has reference is the report of Special Agent John Edward Freese dated June 3, 1943 at Miami, Fla., in connection with the case "Axel Leonard Wenner-Gren with aliases, et. al, Espionage SW,G."

Prior to the time the Agents left Mr. and Mrs. Lewis launched into a narrative of their association with Kerley and indicated that he had mentioned to them considerable information regarding his activity in the Bureau and the Bureau's activity in general, concerning which he was quite critical, and in addition the Lewises quoted numerous derogatory remarks made by Kerley concerning the Bureau

Letter to Director
Re: Larry E. Kerley

March 8, 1948.

and the Director. One of these remarks was that the Director indulges in "character assassinations" on Agents who leave the service. Mrs. Lewis said that this particular remark was made in the presence of Senator Styles Bridges and that the latter had jumped up from his chair and emphatically indicated his disagreement with Kerley's views concerning the Director. Similar remarks by Kerley concerning the Director and the Bureau were given to the Bureau by Mrs. Lewis on October 11, 1946 telephonically. This was set out in Bureau letter dated October 24, 1946 to the New York Office in instant case. Mrs. Lewis also stated that she knew that Kerley had been turned down three times when seeking admittance to the Former Special Agents Society.

7. Mrs. Lewis said that Kerley told them that at the Bureau he had been in charge of all Bureau personnel and also was in charge of the selection of personnel assigned to foreign countries. At one time Kerley told them that upon his arrival at the Kansas City Office for assignment he was immediately given the job of preparing a large welcome and reception for Mr. Hoover and that he had told them that he did not want to have anything to do with preparing a welcome for Mr. Hoover and so turned down the assignment.

Mrs. Lewis said that after Kerley had resigned from the Bureau and had started working for them he told her that she should quit giving information to the Bureau because all they did was to file the information away and take no action upon it and furthermore considered Mrs. Lewis nothing but a crank.

The above remarks made by both Mr. and Mrs. Lewis which do not directly pertain to the two reports and the letters were made voluntarily by the Lewises and no questions were put to them by the Agents concerning their general association with Kerley inasmuch as it was not desired that the Lewises gain the impression that the Agents were interested in anything other than the two reports and the letters.

Pursuant to instructions given by Mr. Ladd in my conversation with him on March 6, 1948, no further action will be taken in this matter and Mr. Otterbourg will not be contacted until instructions are received from you in this matter.

Very truly yours,

EDWARD SCHEIDT

SAC

SPECIAL DELIVERY

1. Find out from V. Quinn whether we should sign such a receipt.
2. Also see what can be done re prosecuting Kerley for these thefts.
H.

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. TAMM *PA*

FROM : D. M. Ladd *ph*

SUBJECT: LARRY KERLEY

DATE: March 8, 1948

Mr. Tolson	_____
Mr. E. A. Tamm	_____
Mr. Clegg	_____
Mr. Glavin	_____
Mr. Ladd	_____
Mr. Nichols	_____
Mr. Rosen	_____
Mr. Tracy	_____
Mr. Carson	_____
Mr. Egan	_____
Mr. Gurnea	_____
Mr. Harbo	_____
Mr. Hendon	_____
Mr. Pennington	_____
Mr. Quinn Tamm	_____
Tele. Room	_____
Mr. Nease	_____
Miss Holmes	_____
Miss Gandy	_____

SAC Ed Scheidt advised me on the evening of March 6 that Agents of the New York Office had contacted Mrs. Lewis and that she stated that the reports she referred to were first, a report written by Agent Sizoo and second, a report written by Agent Kerley, also two miscellaneous pieces of correspondence concerning the loyalty of the Lewises and that all of this material was in the possession of her attorney. She stated further that these exhibits goes to the heart of the instant law suit between Kerley and the Lewises in that he is charging the Lewises for falsely alleging that he had Bureau material in his possession.

Mrs. Lewis indicated that she would be willing to make this material available to the Bureau in the event the Bureau would sign a receipt for same, but that we would have to contact her attorney to obtain this material.

It would be my recommendation that the New York Office be authorized to contact Mrs. Lewis' attorney for the purpose of procuring the return of the Bureau material and further that they be authorized to sign a receipt showing the return of this material.

The Bureau would normally in similar situations furnish a receipt to an individual and I believe it would be desirable to do so in this case for the purpose of securing the return of the Bureau documents. *lm*

DML:da

RECORDED

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19 MAR 17 1948

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

DATE 8/2/01 BY SP7ALM/clj
437189

54 MAR 22 1948

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THREE
JW
Memo Kerley
3-10-48
GWT

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

DATE: March 15, 1948

FROM : D. M. LADD

SUBJECT: LARRY ERNEST KERLEY
BRIBERY

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Holmes
Miss Gandy

I talked to Mr. Vincent Quinn in the Criminal Division of the Department on March 13, 1948, with reference to this matter and inquired as to his views concerning the signing of a receipt for the purpose of obtaining the Bureau reports, etc., from Mrs. Lewis and her attorney. Mr. Quinn stated that he thought there should be no objection to signing such a receipt. He pointed out that probably the receipt would be used in the law suit between Kerley and the Lewises and the results would be no more more damaging than testimony on the part of Mrs. Lewis that she had had such reports and had turned them over to the Bureau.

I inquired of Mr. Quinn as to what could be done concerning the prosecution of Kerley for the theft of these documents. Mr. Quinn advised that prosecution could be had against Kerley, in his opinion, under Title 18, Sections 100 and 234, which are the same sections under which prosecutions have been instituted against individuals in possession of photographs of the atomic bomb. These sections make it a violation to embezzle Government records, etc. Mr. Quinn suggested, however, that it would be desirable first to have prepared a summary report of the evidence available, in order that it might be determined whether the case was strong enough to warrant proceeding, and that thereafter the policy determination should be arrived at as to whether it would be desirable to follow the proceeding. He stated that at this time it was his off-hand opinion, as far as the policy was concerned, that it would be undesirable to institute prosecution.

In the event you approve, I will advise the New York Office to contact Mrs. Lewis' attorney, obtain the return of the Bureau's documents, signing an appropriate receipt therefor. I will also instruct New York to prepare immediately a summary report which can be transmitted to Mr. Vincent Quinn for his review.

DML:cmw

RECORDED

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158-1548-1100
F B I
19 MAR 17 1948

OK.

K.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIEDDATE 8/2/01 BY SP2ALM/ky
437189

3/16/48

I called SA C. Sheldt & so
advised him

OK

54 MAR 22 1948

Office Memorandum • UNITED STATES GOVERNMENT

TO : D. M. Ladd

FROM : J. P. Coyne

SUBJECT: LARRY ERNEST KERLEY
BRIBERY

DATE: March 17, 1948

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Holmes _____
Miss Gandy _____

Reference is made to your memorandum dated March 15, 1948, in which you advised the Director that you spoke to Mr. T. Vincent Quinn in the Criminal Division on March 13, 1948, concerning this matter. You indicated that Mr. Quinn believed prosecution could be had against Kerley under Title 18, Sections 100 and 234. Mr. Quinn, however, requested a summary report of the evidence available prior to rendering a definite opinion.

For your information, Sections 100 and 234 of Title 18, USCA are set forth below:

"Section 100. (Criminal Code, section 47.) Embezzling public moneys or other property. Whoever shall embezzle, steal, or purloin any money, property, record, voucher, or valuable thing whatever, of the moneys, goods, chattels, records, or property of the United States, shall be fined not more than \$5,000 or imprisoned not more than five years, or both."

"Section 234. (Criminal Code, section 128.) Destroying public records. Whoever shall willfully and unlawfully conceal, remove, mutilate, obliterate, or destroy, or attempt to conceal, remove, mutilate, obliterate, or destroy, or, with intent to conceal, remove, mutilate, obliterate, destroy, or steal, shall take and carry away any record, proceeding map, book, paper, document, or other thing, filed or deposited with any clerk or officer of any court of the United States, or in any public office, or with any judicial or public officer of the United States, shall be fined not more than \$2,000, or imprisoned not more than three years, or both."

These sections of the Code were reviewed and it appears that Section 234 is covered by the usual statute of limitations which, you know, is three years.

The 1947 Cumulative Annual Pocket Part of Title 18 contains the following on page 202 and concerns Section 100:

"Prosecution for embezzlement of property and money of United States is barred by six and not three year statute of limitation. Weinhandler v. U. S. (C. C. A. N. Y. 1927) 20 F. (2d) 359, certiorari denied 48 S.Ct. 116, 275 U.S. 554, 72 Ed. 423."

52 MAR 25 1948

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37 MAR 28 1948

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DATE 8/2/01 BY SP2BAM/MLK
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You will also recall that as far as Mrs. Lewis can recall, she received the material in question from Kerley almost immediately after he was assigned to the New York Office. He was assigned to this Office on November 29, 1944, having previously been assigned to the Louisville Office. He departed from New York City for Kansas City on transfer on July 26, 1945. From the above, it appears that Mrs. Lewis received the material in the latter part of 1944 and Kerley apparently stole it in 1944 or prior thereto so the three year statute of limitation would probably bar prosecution now under Section 234. However, if he is charged with embezzlement under Section 100, prosecution is probably not barred.

RECOMMENDATION:

It is suggested that you may wish to call this to the attention of Mr. Quinn if you have not already done so.

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. D. M. Ladd

DATE: 3-19-48

FROM : H. B. Fletcher *HBF*

SUBJECT: LARRY KERLEY

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Holmes	
Miss Gandy	

At 5:20 pm, SAC Scheidt telephoned from New York and stated that the New York Office had been authorized to furnish a receipt to the attorney for the Lewises and two Agents had contacted the Attorney and had ascertained definitely that he has in his possession three Bureau reports and two letters which obviously are part of the Louisville Office's files. They asked for this Bureau property and the Attorney stated that he would be willing to turn them over provided he was given a receipt therefor and also provided they were requested in writing by the Special Agent in Charge of the New York Office. The letter requesting this property should also include instructions to turn them over to certain named and designated Special Agents.

Mr. Scheidt stated he would prepare such a letter unless advised to the contrary and arrangements have been made now to recontact the Attorney next Tuesday to secure these Bureau reports and letters and at that time the letter requested by the Attorney will be delivered and he will be furnished the receipt he desired.

ACTION: None.

HBF:esb

RECORDED

158-1548-2162
B B
37 MAR 25 1948ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

DATE 6/26/03 BY 60320BC/CL/ES

71 MAR 27 1948

5 JIM



United States Department of Justice
Federal Bureau of Investigation

New York - New York

IN REPLY, PLEASE REFER TO

FILE NO. _____

~~PERSONAL AND CONFIDENTIAL~~

Attn: Assistant Director D. M. Ladd

Re: LARRY ERNEST KERLEY
BRIBERY

March 20, 1948

Mr. Tolson
Mr. A. Tamm
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Pennington
Mr. Quinn Tamm
Mr. Nease
Miss Gandy

Dear Sir:

Reference is made to the telephone conversation between Assistant Director D. M. Ladd and myself on March 16, 1948, at which time Mr. Ladd stated that it was all right for Agents of this office to execute a receipt in return for the FBI reports and letters in the possession of Edwin M. Otterbourg, attorney for Mr. and Mrs. James C. Lewis in connection with the suit by Kerley against the Lewises.

On March 19, 1948 Special Agents John M. O'Mara and [redacted] contacted Mr. Edwin M. Otterbourg and his partner Fredric P. Houston, who is assisting Mr. Otterbourg in the handling of the case. Mr. Otterbourg furnished the Agents with a copy of Kerley's amended complaint and explained to the Agents the absolute necessity for either the documents or a receipt in lieu of them for a successful defense against Kerley. A copy of this amended complaint is being made an enclosure with this letter. *Photostat of complaint made.* DEFERRED-RECORDED

At the request of the interviewing Agents, Mr. Otterbourg exhibited Bureau documents being held by him. These documents were five in number and are described as follows:

One report made at Louisville dated 8/24/42 by Special Agent Larry E. Kerley in the case entitled [redacted] et al, 3-2 Internal Security - G.

One report dated 11/7/42 at Louisville by Larry E. Kerley in the same matter.

One report in the same matter by Larry E. Kerley dated Louisville, 1/30/43. 3-2

It was indicated in the distribution section of the first report that 4 copies had been designated for Louisville and the number 4 was encircled indicating that the instant report was one of the 4 designated for that office.

Three copies of the other two reports had been designated for Louisville and notations had been made in blue pencil indicating that these were copies that had been designated for the

7 1A230-7/18
TSM:gu

RECORDED
INDEXED

158-1548-103

Letter to Director
Re: L.E. Kerley-Bribery

March 20, 1948.

Louisville Office. The Louisville file number on the above three reports is 100-823.

The other two documents both contained Louisville block stamp and were both serial 99 of Louisville file 100-823.

The first one of these documents, consisting of two pages, is block stamped Louisville, 2/13/43 and is a copy of a letter dated 9/20/42 to the Attorney General, the Director of the FBI, Mr. J. Mulcahey, Director of Immigration at Cincinnati, Ohio, and to District Attorney Metcalf, Lexington, Kentucky. The letter is from the subject, [redacted] b6 b7C

10/2/42 The second letter, also from [redacted] is block stamped 2/18/43 at Louisville. It consists of 4 pages and is a copy of a letter dated 10/2/43 to the Attorney General and to the Director of Immigration at Cincinnati. b6 b7C

Both of these letters are on yellow copy paper and contain charges made by [redacted] against the Lewises alleging that the latter were holding property belonging to [redacted] b6 b7C //

Mr. Otterbourg said that on the basis of a complaint Mrs. Lewis had given the Bureau that Kerley was in possession of Bureau documents, Agents had gone to Kerley's home and had searched it. He further explained that the basis of Mrs. Lewis' complaint was the fact that for a period of time she had held a duffle bag at Kerley's insistence and upon examining the duffle bag had noticed Bureau documents and other confidential papers. Mr. Otterbourg stated that he has no way to introduce evidence that government property was seized from Kerley and made it clear to the Agents that he was sure that documents similar to the reports in question were seized by the Bureau. Mr. Otterbourg explained that his plan of action in the trial is to exhibit the documents in question to Kerley on cross-examination during the trial and create the impression in the minds of the jurors that if Kerley took these documents from the Bureau that he had probably taken more which were contained in the duffle bag. Mr. Otterbourg stated that if he did not have the documents it should be quite clear that he has no means whatever of proving that Mrs. Lewis did see official documents of the Bureau in Kerley's possession.

The particular worry to Mr. Otterbourg is Kerley's allegation in his complaint that he was exonerated by the Bureau on the charge made by Mrs. Lewis that he abstracted Bureau records. He feels that Kerley will use a plan of attack to the effect that the Agents of the New York Office had personally come to his home, interviewed him and searched his premises and found no government property; further

Letter to Director
Re: L.E. Kerley-Bribery

March 20, 1948.

that no action has been taken by the Bureau against Kerley and the only assumption is that no improper or illegal conduct was observed by the Bureau on Kerley's part. Kerley's point that he is exonerated is not going to be too hard to prove to the jury. In addition, Mr. Otterbourg explained the FBI and its personnel carry a definite mark of prestige in the eyes of the general public. It is going to be very difficult to convince a jury that a former FBI Agent could have been guilty of the type of conduct which Kerley is alleged by Mrs. Lewis to have engaged in. Kerley will be able to exhibit to the jury the letter acknowledging his resignation signed by the Director, in which his resignation is accepted with an expression of gratitude for his service to the Bureau. Mr. Otterbourg thought Mrs. Lewis had seen such a letter. Otterbourg definitely is concerned over the effect of such a letter on the minds of the jury and for that reason feels that he needs either the Bureau reports as evidence in rebuttal to rebut the above mentioned facts or else receipt properly executed by Bureau Agents on Bureau stationery. Mr. Otterbourg said that a receipt of course is a very poor substitute for the documents themselves for impressing the jury. Mr. Otterbourg said that inasmuch as he realizes that the documents are government property he has no right to retain them for use in the trial.

In connection with the receipt requested by Mr. Otterbourg, he indicated that he would appreciate the following plan being carried out: that he be furnished with a letter signed by the Agent in Charge of the New York Office setting out that it has come to his attention that Mr. Otterbourg, as attorney for Mr. and Mrs. Lewis, is in possession of certain documents which are the property of the United States Government and which are unlawfully outside of the possession of the Federal Bureau of Investigation; that the documents be briefly described and that specific authorization be given to Agents O'Mara and [redacted] to execute receipts for these documents, the receipts to be executed on official Bureau stationery. He further said that he wanted the documents identified in the receipt sufficiently for his purpose but within bounds of security for the Bureau's purpose. In this connection the Agents advised Mr. Otterbourg that material contained in the body of the report could not be set out in the receipt. b6
b7C

Mr. Otterbourg stated that he does not want to involve the Bureau in any way in the trial if such can possibly be arranged. He further stated that he does not want to discredit a former Bureau employee because of the reflection which would be cast on the Bureau itself. Mr. Otterbourg stated that he was surprised that the Bureau had not taken affirmative steps against Kerley prior to the present time, but Mr. Houston immediately explained to Mr. Otterbourg that probably the Bureau had decided against instituting prosecution against Kerley because more harm would come to the Bureau as a result of such prosecution than if the matter were dropped.

*If I don't care about the embarrassment -
if Kerley has violated some statute I want
prompt & vigorous prosecution. A.*

Letter to Director
Re: L.E. Kerley-Bribery

March 20, 1948.

Considerable concern was expressed by both attorneys lest Kerley become aware of the fact that the above mentioned documents or receipts therefor are to be used as a defense in the slander count in his suit. The attorneys feels that Kerley has undoubtedly forgotten that he had turned over these reports and letters to the Lewises and might possibly drop the suit if he became cognizant of their existence and final adjudication could not be obtained.

Mr. Otterbourg stated that Mrs. Lewis is quite concerned over the fact that shortly after she had told Agent Sizoo at the Bureau of the fact that Kerley had in his possession official Bureau documents Kerley filed an amended complaint asking an additional fifty thousand dollars damages for unfounded accusations Mrs. Lewis made to the Bureau to the effect that Kerley had stolen files from the Bureau. It was very evident that Mr. Otterbourg was implying that Kerley might possibly have a source of information at the Bureau and had ascertained that he was completely exonerated of the charges made by Mrs. Lewis.

A review of the New York file in this case does not indicate that Mrs. Lewis personally communicated with the Bureau shortly before the filing of the amended complaint, which was in January 1948. The file does indicate, however, that Ray Shindler, a private detective employed by Otterbourg to investigate Kerley, did call at the Bureau in November 1947 and attempted to get information concerning Kerley at the Bureau.

Mr. Otterbourg advised that upon receipt of a letter from me, the receipt would be drawn up and executed by the above named Agents, at which time the documents would be turned over to the Agents. It was agreed that the Agents call Mr. Otterbourg on Tuesday, March 23rd, and make an appointment on that date to execute the receipts.

On March 19, 1948 I telephonically summarized the above information to Mr. Howard Fletcher of the Bureau and he stated that unless advised to the contrary I could furnish Mr. Otterbourg with the letter authorizing the Agents to execute the receipt. Therefore, in the absence of information from the Bureau to the contrary, Agents O'Mara and [redacted] will make the necessary appointment with Mr. Otterbourg on March 23rd and obtain the three reports and the two letters.

b6
b7C

Very truly yours,

EDWARD SCHEIDT
SAC

Enclosure

SPECIAL DELIVERY

*3/26/48 Mr. Ladd advised
Al Belmont to keep material and
from Otterbourg in
N.Y. Office so
as not to break chain of evidence.
Belmont stated he would take
material and get obtained.*



United States Department of Justice
Federal Bureau of Investigation

New York - New York



IN REPLY, PLEASE REFER TO
FILE NO. _____

March 25, 1948.

~~PERSONAL AND CONFIDENTIAL~~

DECLASSIFIED BY 60270BCE/CAL/JMS
ON 6/26/03

Director, FBI.

Attn: Assistant Director D. M. Ladd

Re: LARRY E. KERLEY
BRIBERY

Dear Sir:

Reference is made to the telephone call on March 16, 1948 from Assistant Director D. M. Ladd, in which Mr. Ladd instructed that this office should contact the attorney for Mrs. James C. Lewis and execute a receipt for the Bureau reports and documents in the possession of the attorney. Further reference is made to my telephone conversation on March 19th with Mr. Howard Fletcher of the Bureau, in which I told Mr. Fletcher the attorneys for the Lewises desired a letter from me requesting the Bureau property being held by the attorneys and which letter should state that the documents were United States Government property unlawfully outside the possession of the Bureau. In addition it was requested by the attorneys that the requested letter set out authorization of the Agents to execute a receipt for this Bureau property. Mr. Fletcher on the occasion of that conversation indicated that such a letter could be furnished unless the Bureau advised to the contrary.

Inasmuch as no advice to the contrary had been directed by the Bureau, such a letter was delivered to attorney EDWIN M. OTTERBOURG on March 24, 1948. Two copies of this letter are being forwarded herewith to the Bureau. There are also being forwarded two photostatic copies of a proposed receipt which has been drawn up by Mr. Otterbourg. Mr. Otterbourg has requested that the final receipt be drawn up on Bureau stationery and that the handing over to Bureau Agents of the Bureau reports and other documents in question be witnessed by both Mr. and Mrs. James C. Lewis in order that both of the latter will be competent to testify as to the execution of this receipt. Present arrangements call for a meeting at Mr. Otterbourg's office at 11:30 AM on Tuesday, March 30th, at which time the receipts will be executed.

The attention of the Bureau is directed to New York letter to the Bureau dated March 8, 1948 which reflects the results of an interview with Mr. and Mrs. Lewis on March 6, 1948. On the occasion of that interview Mrs. Lewis made the statement that her at-

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JMO:M:gu
51 APR 23 1948

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158-1548-104
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32 APR 2 1948

STOP

Letter to Director
Re: Larry E. Kerley, Bribery

March 25, 1948.

torney, Mr. Otterbourg, feared that Kerley would drop the suit against Mr. and Mrs. Lewis and that the case would not come to a final adjudication, thus leaving the Lewises open to later blackmail attempts on the part of Kerley. On the occasion of the interview with Mr. Otterbourg yesterday he indicated that Mrs. Lewis had apparently misunderstood him and that he would prefer that the case be dropped for a variety of reasons. One reason he stated is his distaste for having to label as an embezzler in open court a former Special Agent of the FBI. Secondly, Mr. Otterbourg thought his clients would be brought to a great deal more expense by the necessity of going to trial. He stated that in fact should the Bureau desire to confront Kerley with the Bureau reports he would have no objection whatever and that it might have the desired effect of inducing Kerley to drop the suit, as well as forcing Kerley to advise the Bureau of the whereabouts of the important Bureau reports on Axel Wenner-Gren and I. G. Farben, which Mrs. Lewis has stated she knows Kerley had in his possession at one time.

Due to the fact that present arrangements call for the execution of this receipt on the morning of March 30th, it is requested that the Bureau consider the enclosed proposed receipt and advise the New York Office of the Bureau's approval of this receipt.

Very truly yours,

Edward Scheidt
EDWARD SCHEIDT
SAC

Enclosures

SPECIAL DELIVERY

607 U.S. Court House
Foley Square
New York, New York.

March 24, 1948.

Mr. Edwin M. Otterbourg,
Attorney-at-law,
200 Fifth Avenue,
New York, New York.

Dear Mr. Otterbourg:

It has come to my attention through Special Agents John M. O'Mara and [redacted] of this office that you, as attorney for Mr. and Mrs. James C. Lewis, have in your possession at the present time certain documents which are the property of the United States Government. These documents were described to me by the above Agents as being three separate mimeographed reports made at the Louisville, Kentucky, FBI Office by Special Agent Larry E. Kerley (no longer with this Bureau) and copies of two letters.

b6
b7C

These five documents are unlawfully outside the possession of the FBI. Because of the fact that the above referred to documents are property of the United States Government and are unlawfully out of its possession, I am requesting you, as attorney for Mr. and Mrs. Lewis, to surrender said documents to Agents O'Mara and [redacted] who are authorized by the Bureau to execute a receipt in exchange for these documents.

b6
b7C

An early compliance with this request will be appreciated.

Very truly yours,

EDWARD SCHEIDT
Special Agent in Charge

TSM:gu

cc. Bureau

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/26/03 BY 60380BCE/CA/TMS

58-1548-164
ENCLOSURE

Received from EDWIN M. OTTERBOURG as attorney for Mr. and Mrs. James C. Lewis, the following documents being the property of the United States Government unlawfully out of the files of the Louisville office of the Federal Bureau of Investigation, and the return of which has been requested by the said Bureau:-

- (1) Official Agent's Report to the Federal Bureau of Investigation by Larry Kerley, Title [redacted] dated 8/24/42 for the period 8/14 through 21/42 consisting of twenty-seven mimeographed pages showing this copy to be part of the Government file of the Louisville Field Office of the Federal Bureau of Investigation. b6 b7C
- (2) Similar Official Report by Larry E. Kerley in the same case dated 11/7/42 for the period 8/22;23;25;27; 9/5, 21;22;23;29;30/42 consisting of eighteen mimeographed pages showing this copy to be part of the Government file of the Louisville Field Office of the Federal Bureau of Investigation.
- (3) Similar Official Report by Larry E. Kerley in the same case dated 1/30/43 for the period 12/8;10;21/42; 1/11, 18/43 consisting of eighteen mimeographed pages showing this copy to be part of the Government file of the Louisville Field Office of the Federal Bureau of Investigation.
- (4) Official File Copy of Letter from [redacted] to Attorney General E. Biddle, J. E. Hoover, Director of F.B.I., and J. Mulcahey, Director of Immigration Facilities, Cincinnati, Ohio and District Attorney Metcalf, Lexington, Ky., dated September 20, 1942, consisting of two pages stamped "Federal Bureau of Investigation, U.S. Department of Justice, February 13, 1943, Louisville Field Office." b6 b7C
- (5) Official File Copy of Letter from [redacted] to Attorney General Francis J. Biddle and J. Mulcahey, Director of Immigration Facilities, Cincinnati, Ohio, dated October 2, 1942, consisting of four pages and stamped "Federal Bureau of Investigation, U.S. Department of Justice, February 13, 1943 and February 18, 1943, Louisville Field Office." b6 b7C

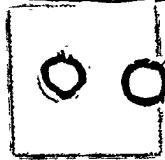
DATED: MARCH , 1948.

For: FEDERAL BUREAU OF INVESTIGATION

By: [redacted] Agent

John M. O'Mara, Agent.

52-1548-105



SAC, Louisville

Director, FBI

LARRY EMMETT KERLEY
BRIEF

March 30, 1948
~~CONFIDENTIAL~~

DECLASSIFIED BY 60270 BCE/CAL/MS
ON 6/27/03

Reference is made to your letter dated March 6, 1948, advising that in [redacted] Case three copies of the report of Kerley dated August 24, 1942 were designated for the Louisville file, but only two copies were in the file. You further advised that in the same case, four copies of the report of Kerley dated November 7, 1942 were designated for the Louisville file, but only three copies were in the file; and in addition you advised that three copies of the report of Kerley dated January 30, 1943, were designated for the Louisville file, but only two copies were in the file.

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b7C

For your information there are set forth below pertinent paragraphs of a letter which was received from the New York Office under date of March 29, 1948.

At the request of the interviewing Agents, Mr. Otterbourg exhibited Bureau documents being held by him. These documents were five in number and are described as follows:

One report made at Louisville dated 8/24/42 by Special Agent Larry E. Kerley in the case entitled [redacted] et al, Internal Security - G.

b6
b7C

One report dated 11/7/42 at Louisville by Larry E. Kerley in the same matter.

One report in the same matter by Larry E. Kerley dated Louisville, 1/30/43.

It was indicated in the distribution section of the first report that 4 copies had been designated for Louisville and the number 4 was encircled indicating that the instant report was one of the 4 designated for that office.

Three copies of the other two reports had been designated for Louisville and notations had been made in blue pencil indicating that these were copies that had been designated for the Louisville Office. The Louisville file number on the above [redacted] was 130-223.

The other two documents both contained Louisville block stamp and were typewritten serial 97 of Louisville file 130-223.

The first one of these documents, consisting of two pages is block stamped Louisville, 2/13/43 and is a copy of a letter dated 1/20/43 to the Attorney General, the Director of the FBI,

53 APR 6 1948

- Mr. Tolson
- Mr. E. A. Tamm
- Mr. Clegg
- Mr. Glavin
- Mr. Ladd
- Mr. Nichols
- Mr. Rosen
- Mr. Tracy
- Mr. Egan
- Mr. Gurnea
- Mr. Harbo
- Mr. Mohr
- Mr. Pennington
- Mr. Quinn Tamm
- Tele. Room
- Mr. Nease
- Miss Gandy

RECEIVED-DIRECTOR
F B I
U.S. DEPT. OF JUSTICE
MAR 31 3 28 PM '48

Mr. J. Mulcahey, Director of Immigration at Cincinnati, Ohio, and to District Attorney Metcalf, Lexington, Kentucky. The letter is from the subject, [redacted]

The second letter, also from [redacted] is block stamped 2/18/43 at Louisville. It consists of 4 pages and is a copy of a letter dated 10/2/43 to the Attorney General and to the Director of Immigration at Cincinnati.

b6
b7C

Both of these letters are on yellow copy paper and contain charges made by [redacted] against the Lowmies alleging that the latter were holding property belonging to [redacted]

It is noted that there is a discrepancy between the information contained in your letter and in the New York letter regarding the number of reports designated for your file. However, a check of the Bureau file in [redacted] Case indicates that the facts as stated in your letter are correct.

b6
b7C

It is also noted that the New York letter dated March 20, 1948, refers to a letter from [redacted] which consisted of four pages and which is dated 10/2/43. The Bureau file indicates that the correct date is 10/2/42.

The New York Office was previously requested to submit a summary report in this case. This should be done as soon as possible and until further notice the material obtained from Mr. Otterbourg should be retained by the New York Office. Errors noted in the New York letter dated March 20, 1948, should be avoided in the future as information received by the Bureau from both the New York and Louisville Offices is expected to be used for prosecutive purposes.

The Louisville Office will also prepare a summary report for the purpose of identifying Bureau personnel who can testify that the missing material received from Mr. Otterbourg are serials which belong in the files of the Louisville Office and also any testimony which will tend to explain how Kerley received these serials.

This matter has been discussed with the Criminal Division and no definite decision will be made until after the summary reports have been received. Kerley may be prosecuted for embezzlement as there are indications a six year statute of limitations may apply to this offense. No advice has been received from the Criminal Division as to where prosecution, if any, will take place. Therefore, until further notice, New York will remain the office of origin.

Enclosed herewith for the Louisville Office is a photostatic copy of a receipt which was given to Mr. Otterbourg on March 30, 1943, by [redacted]

the New York Office for the return of the material in question. This receipt may be of assistance to the Louisville Office in preparing the summary report.

Both offices receiving copies of this memorandum are requested to give this matter expeditious attention.

cc - ~~✓~~ New York
Enclosure
58-1548

JJM:ofm

Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

FROM : Mr. Ladd *sl*

SUBJECT: LARRY ERNEST KERLEY
BRIBERY
 Bureau File 58-1548

DATE: March 27, 1948

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 12/21/03 BY 60292CE/CAL/PAS

Mr. Tolson _____
 Mr. E. A. Tamm _____
 Mr. Clegg _____
 Mr. Glavin _____
 Mr. Ladd _____
 Mr. Nichols _____
 Mr. Rosen _____
 Mr. Tracy _____
 Mr. Carson _____
 Mr. Egan _____
 Mr. Gurnea _____
 Mr. Harbo _____
 Mr. Hendon _____
 Mr. Pennington _____
 Mr. Quinn Tamm _____
 Tele. Room _____
 Mr. Nease _____
 Miss Holmes _____
 Miss Gandy _____

Reference is made to my memorandum dated March 15, 1948, advising that Mr. T. Vincent Quinn of the Criminal Division saw no reason why we should not sign a receipt for the return of Bureau material now in the possession of Edwin M. Otterbourg, Attorney for the Lewises. In accordance with your instructions, I contacted Mr. Scheidt on March 16, 1948 and instructed him to prepare and sign an appropriate receipt.

It was later ascertained that the material above mentioned consisted of three different reports made by Kerley at Louisville, Kentucky in [redacted] Case and file copies of two letters written by [redacted] to various United States Government officials.

1 copy sent to Louisville

Attached hereto are two photostatic copies of a proposed receipt drawn up by Mr. Otterbourg. Mr. Otterbourg has requested that the final receipt be drawn up on Bureau stationery and that it be witnessed by both Mr. and Mrs. Lewis at 11:30 A.M. on Tuesday, March 30, 1948. This proposed receipt sets forth in detail descriptions of the five pieces of Government property now in the possession of Mr. Otterbourg. In accordance with previous advice received from Mr. Quinn, I believe it would be appropriate to have this receipt signed, as suggested by Mr. Otterbourg, by two Special Agents of the New York Office on March 30.

ACTION:

If you agree with the above recommendation, I will telephonically instruct the New York Office to prepare a similar receipt on Bureau stationery as mentioned above.

filed with letter to N.Y. Bureau dated 3-25-48
 Attachment

Memo Louisville
3-30-48 gfh

RECORDED

my
 58-1548-165
 IF B I
 32 APR 2 1948

OK. Also press for prosecution of Kerley if law is applicable

Addendum: 3-29-48

JJM:VMC

At 2:15 p.m. today, ASAC Belmont was advised that the suggested receipt to be given Mr. Otterbourg was approved.

HBf:cmw

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. D. M. Ladd

DATE: 3-30-48

FROM : H. B. Fletcher

SUBJECT: LARRY KERLEY

Mr. Tolson	_____
Mr. E. A. Tamm	_____
Mr. Clegg	_____
Mr. Glavin	_____
Mr. Ladd	_____
Mr. Nichols	_____
Mr. Rosen	_____
Mr. Tracy	_____
Mr. Carson	_____
Mr. Egan	_____
Mr. Gurnea	_____
Mr. Harbo	_____
Mr. Hendon	_____
Mr. Pennington	_____
Mr. Quinn Tamm	_____
Tele. Room	_____
Mr. Nease	_____
Miss Holmes	_____
Miss Gandy	_____

ASAC Belmont telephoned from New York at 3:25 pm this afternoon and stated that Agents had recovered from the possession of the attorneys of the Lewises the Bureau reports and letters which had been taken by former Special Agent Kerley from the files of the Louisville Office. This material together with the comments made by the attorneys and the Lewises is being forwarded immediately to the Bureau.

*Material will be kept in NY office
HBR/jgm*

HBF:esb

RECORDED

158-1548-1660

33

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/27/03 BY 60290ACE/PA/TJS

54 APR 3 1948

SAC, Louisville

April 3, 1948

Director, FBI

LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

Reference is made to Bureau letter dated March 30, 1948, instructing that summary reports in this case be prepared by both the Louisville and New York Offices.

Enclosed herewith for the Louisville Office are a copy of a letter dated April 1, 1948, received by the Bureau from the New York Office and three copies of a summary report dated April 1, 1948, at New York City which was prepared by Special Agent [redacted] in the above-captioned case.

It is believed these enclosures will assist the Louisville Office in preparing the summary report which was requested in referenced letter. Three copies of the summary report prepared by the Louisville Office should be designated for the New York Office. An appropriate number of copies should also be designated for the Bureau and the Louisville Office but no other distribution is to be made until further advice has been received from the Bureau.

It is requested that this summary report be submitted to the Bureau within five days after the receipt of this letter.

Copies of this letter are being forwarded to the New York Office for its information.

Enclosure

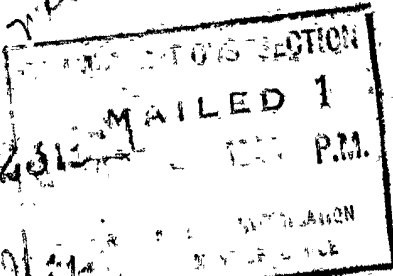
CC: New York

58-1548

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/27/03 BY 60290RE/CAL/HAS

JJM:mer

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy



RECORDED

58-1548-107

FBI
APR 5 1948

EX-40

KERLEY v. LEWIS

MEMORANDUM CERTAIN INFORMATION WHICH COUNSEL FOR
MR. AND MRS. LEWIS ARE SEEKING IN PREPARATION FOR TRIAL

1. In his suit against Mr. and Mrs. Lewis, Kerley says that in or about September 1945, he resigned his position as a Special Agent of the FBI and then entered their employ. He also alleges that he had agreed to resign from the FBI at the request of Mr. Lewis.

93409

Mr. Lewis' statement is that he was told by Kerley that he (Kerley) had resigned and that Kerley then asked for employment which was given him.

It therefore becomes an important fact in the case as to under what circumstances Kerley resigned, whether he was requested to resign by the Department or was he informed that the FBI staff would be required to be cut and that his resignation might be welcome for that reason or that it might at some time be requested, whether there were any other facts leading up to his resignation, what was the exact date of his written resignation; as of what date was his resignation effective, and up to when did he receive severance pay.

As to none of these facts have the Lewises any specific information and testimony in respect thereto will be required upon the trial. Can these facts be obtained from the FBI and what steps could be taken so that they can be competently established on the trial?

2. The telephone message from Kerley to Lewis, during which Kerley said he had resigned and was looking for a job, came from Kansas City. Mr. and Mrs. Lewis were away during July and early August and had had no talk with him until the telephone conversation from Kansas City in respect to his possible employment. The reason Kerley gave to Mr. and Mrs. Lewis for having resigned from the FBI was that he did not like the duties to which he was assigned at Kansas City.

Is there any way we can ascertain what day Kerley arrived at Kansas City, whether he made any difficulty about the duties to which he was assigned and what his whereabouts were during the last weeks in August and the early part of September?

3. Kerley alleges that in September 1946, Mrs. Lewis "falsely placed with the Federal Bureau of Investigation charges that the plaintiff had in his personal possession various confidential documents and data which were the property of the Federal Bureau of Investigation, but on investigation by said Bureau, said charges were determined to be unfounded". There will be no question upon the trial but that Mr. and Mrs. Lewis informed the Department that they had seen certain papers in the possession of Kerley and that thereupon the Department acted. It is the information of the Lewises that members of the Department visited Kerley not once but twice, and that papers were removed from his possession.

58-1548-168

In view of Kerley's allegations above quoted and particularly his statement that he was "exonerated", it becomes material upon the trial not only for Mr. and Mrs. Lewis to testify as to the nature of the papers which they observed and believed to be the property of the Government, thus justifying their action, but it also becomes important to show either what papers were taken from his possession by the FBI or the fact that papers which constituted Government property were taken from his possession. If none of the papers observed by the Lewises were found in his possession by the FBI, that fact should be established so that Kerley can be cross-examined as to what became of the papers that were observed. Is there any way in which the foregoing information can be obtained by Mr. and Mrs. Lewis or the facts produced in evidence upon the trial and what steps could be taken to accomplish this?

SAC, New York

April 6, 1948

Director, FBI

LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

~~CONFIDENTIAL~~

RECORDED

58-1548-168

Reference is made to your letter dated March 30, 1948, enclosing a one page memorandum prepared by Mr. Edwin M. Otterbourg. This memorandum set forth certain information which Mr. Otterbourg desired from the files of this Bureau to assist him in preparing a defense in the suit Kerley has filed against the Lowises.

This matter was discussed with the Criminal Division of the Department of Justice and the Bureau was advised that the information requested by Mr. Otterbourg should not be furnished him. Therefore, you may orally inform Mr. Otterbourg that the Criminal Division has advised that we cannot give him the information requested.

With reference to your suggestion that the Bureau consider requesting a search warrant in order to search Kerley's residence and office, you are advised that this will be brought to the attention of the Criminal Division after the summary report, previously requested, has been received from the Louisville Office.

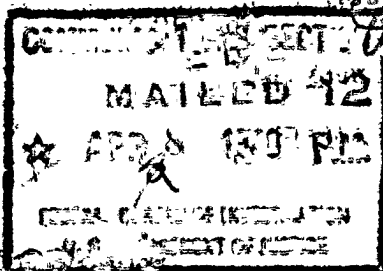
You are instructed to advise the Bureau by letter the exact addresses of Kerley's residence and office, the telephone numbers listed in his name, or used by him at his residence and office, and his present occupation.

58-1545

JJM:mvb

DECLASSIFIED BY SP2ALM/clj
8/2/07
137189

Tolson _____
E. A. Tamm _____
Clegg _____
Glavin _____
Ladd _____
Nichols _____
Rosen _____
Tracy _____
Egan _____
Gurnea _____
Harbo _____
Mohr _____
Pennington _____
Quinn Tamm _____
Tele. Room _____
Nease _____
Miss Gandy _____



RECEIVED-DIRECTOR
FBI
U.S. DEPT. OF JUSTICE
APR 7 7 47 PM '48

3/11/48



United States Department of Justice
Federal Bureau of Investigation

New York,
March 30, 1948

Mr. Tolson	.....
Mr. E. A. Tamm	.....
Mr. Clegg	.....
Mr. Glavin	.....
Mr. Ladd	.....
Mr. Nichols	.....
Mr. Rosen	.....
Mr. Tracy	.....
Mr. Egan	.....
Mr. Gurnea	.....
Mr. Harbo	.....
Mr. Mohr	.....
Mr. Pennington	.....
Mr. Quinn Tamm	.....
Mr. Nease	.....
Miss Gandy	.....

IN REPLY, PLEASE REFER TO
FILE NO. _____

Director, FBI

Attention: Mr. H. B. Fletcher.

RE: LARRY E. KERLEY
Bribery.

~~CONFIDENTIAL~~

Dear Sir:

DECLASSIFIED BY SP2AM/dj
ON 8/2/01 437189

Reference is made to previous correspondence in this case, and to the authorization by the Bureau for Agents of this office to execute a receipt for the Bureau documents in the possession of Edwin M. Otterbourg, attorney for Mr. and Mrs. James C. Lewis.

These documents were turned over to Bureau Agents and a receipt for them was executed on this date at Mr. Otterbourg's office. The turning over of these documents and the signing of the receipt were witnessed by Mr. and Mrs. Lewis. The documents in question are as set forth in the proposed receipt sent to the Bureau for its approval under cover letter of March 25, 1948. The documents consist of three reports by Larry E. Kerley at Louisville in the case of [redacted] with alias, et al. Internal Security G, and also yellow copies of two letters written by [redacted] to the Attorney General, the Director, and the Immigration Service.

Mr. Otterbourg advised Special Agents [redacted] and J. M. O'Mara that in connection with his defense of the Lewises in their suit by Kerley, there were certain facts regarding Kerley's association with the Bureau that Mr. Otterbourg desired to know. He was advised that it was a rule of the Department of Justice that all material in the files of the Bureau, including personnel matters, were confidential, and could be made available to outside individuals only upon the expressed authority of the Attorney General. Mr. Otterbourg countered that he realized this but desired to make a request of the Bureau at any rate, so that he would be on record as having made such a request. Accordingly, he had prepared a one-page memorandum, setting out what he needed for the defense, and he turned this memorandum over to the interviewing Agents for the Bureau's consideration. He stated that should the Bureau believe such information could not be released to him, he would then have to make other efforts in order to obtain the information necessary for the defense of his clients. He mentioned that he might have a few Senators, unnamed but described as close friends of his, approach Attorney General Tom Clark in order to see what could be done to assist Mr. Otterbourg's defense of his clients.

DEFERRED RECORDING

ENCL
JMOM:MT
67-13301

4-5-48

RECORDED 58-1548-108
INDEXED
APR 15 1948
HANDLED BY

*Peter Brown of the Dept
advised that FBI should
not furnish info requested
by Otterbourg. 79B*

58-1548

Director, FBI

At the time of the signing of the receipt, both Mr. and Mrs. Lewis were again questioned as to their recollection of when Kerley turned over to them reports and letters in [] case. Both recalled that it was shortly after Kerley's arrival in New York from Louisville.

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The records of the New York office reflect that Kerley reported for duty in the New York office on November 29, 1944, on transfer from Louisville, Kentucky.

Mr. and Mrs. Lewis described the circumstances under which Kerley turned the reports over as being somewhat a surprise to them but nevertheless they described them as follows: Kerley told them that because of their interest in [] a former employee of theirs, he felt that they would be interested in these reports on him, and he was turning them over to them for their own use. After noting the contents of the reports and letters, the Lewises placed them in their safe and forgot about them until some time in the Fall of 1947, when they turned them over to their attorney, Mr. Otterbourg.

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Mr. and Mrs. Lewis were then questioned concerning the contents of the duffel bag which Kerley had turned over to them, at which time he requested that the duffel bag be kept in the Lewis safe. Mrs. Lewis stated that the nearest she could fix the time of this was about three weeks prior to the time she called Special Agent Sizoo at the Bureau and reported the matter to him.

The file in this case indicates that Mrs. Lewis called Special Agent Sizoo of the Bureau on September 30, 1946, at which time she advised him of the duffel bag incident and added that Kerley had handed over the duffel bag to them about three months prior to that time.

Continuing, Mrs. Lewis stated that she was positive that when she had opened the duffel bag she saw official reports of the FBI, although most were on onionskin paper and not like the mimeographed reports which Larry had given them concerning [] case. She then described the Wennergren report as having an "informant page". Two of the informants being []

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[] She also stated that she saw reports in the I. G. Farben case, including some letters directed to Howard W. Armbruster, thanking him for information furnished the Bureau about the I. G. Farben Company. Mrs. Lewis was reminded that when she had previously spoken with the Agents she had stated that Kerley had shown her these reports. Mrs. Lewis stated that if she did say this, she was mistaken, because she definitely recalls seeing this material in the duffel bag.

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Director, FBI

The New York office's check of its files on Wennergren and I. G. Farben is set out in the New York letter to the Bureau dated October 30, 1946, in connection with the captioned matter.

Continuing, Mrs. Lewis stated that she saw a report on Bernard Smith, also known as Ben Smith, which she was positive was in the duffel bag. She said that with the report were photographs of Smith showing both a front and a side view. She recalled that the report indicated that it had been made in the Canal Zone and was concerned with Smith's activities in Venezuela.

The New York office has a file entitled Bernard Eugene Smith, et al, Espionage, New York file #65-1386. This file has two Bureau reports, both of SA C. A. Gannon, dated at New York December 5, 1939 and April 16, 1940. In the file it was noted, however, that this office received a confidential report from the Military Intelligence Division of the War Department concerning Bernard Eugene Smith and it is indicated on the front that the report had been made at Quarry Heights, Canal Zone. It was dated April 8, 1941 and was received by this office April 14, 1941. Distribution indicated that the FBI was to get one copy. This report merely set out an argument which Smith had with a representative of Pan American Airways while he was waiting for his daughter to arrive from Venezuela. No other serial in the file could properly be the document to which Mrs. Lewis referred.

Neither Mr. nor Mrs. Lewis could describe any other documents in the duffel bag but added that most of them were in a brown leather brief case and that there were so many in the brief case that it was "almost bursting at the seams".

A prosecutive summary report will be prepared and forwarded to the Bureau in the immediate future.

The New York office suggests that the Bureau seriously consider the obtaining of a search warrant for the searching of Kerley's residence and office on the basis of Mrs. Lewis' description of reports she had seen in the possession of Kerley.

The Bureau is also requested to advise New York of its consideration of the outline which Mr. Otterbourg gave to the Agents, and which is being forwarded with this letter as an enclosure.

Very truly yours,

Edward Scheidt
EDWARD SCHEIDT
SAC

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

DATE 8/2/01 BY SP2A/AM/ly

437189

Enclosure
SPECIAL DELIVERY



United States Department of Justice
Federal Bureau of Investigation

New York, N. Y.
April 1, 1948.

IN REPLY, PLEASE REFER TO

FILE NO. _____

~~CONFIDENTIAL~~

Director, FBI

DECLASSIFIED BY 60290BCE/CAL/pms
ON 6/27/03

RE: LARRY ERNEST KERLEY
Embezzlement of Government Property.

Dear Sir:

There are being enclosed with this letter six copies of the report of SA [redacted] dated April 1, 1948.

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It will be noted that no reference whatever is made in this summary report concerning the pending lawsuit by Kerley against Mrs. Lewis, charging Mrs. Lewis with falsely reporting to the FBI that Kerley had possession of stolen FBI reports and papers. It was felt that this was not pertinent to the instant matter. For this reason no reference was made in the summary report concerning the reports Kerley allegedly had in his possession and seen by Mrs. Lewis, but which have not been found by the Bureau to date. These reports were in the Wennergren, I. G. Farben, and Bernard Eugene Smith cases.

The New York office is not in possession of the complete facts concerning the missing serials in file #100-823 of the Louisville Division. It is felt that certain facts that are not known to this office would be of value to the prosecutor. These facts are being set out as follows:

~~DEFERRED RECORDING~~

Whether the case was closed prior to Kerley's departure from Louisville;

The last serial in the file indicating Kerley had done any investigation on the case;

Whether Kerley's name is still visible on the cover jacket of the file, which is, of course, erased when the case is closed;

Whether Serial 99 is one of the missing serials from the file.

Because of the confidential nature of the instant investigation, no further communication was had with the Louisville Division after the original call to Mr. McFarlin by me, at which time I requested he determine whether there were any missing serials in [redacted] case.

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Before the Bureau submits a copy of the enclosed report to a United States Attorney or to the Department for consideration, it should consider obtaining the above facts from the Louisville Division.

It will be noted that six copies of the enclosed report are designated for the Bureau. In the event that prosecution of the instant matter is decided upon, the Bureau can forward three copies to the Louisville Division, one of which can be given to the United States Attorney there. The Louisville copies were not sent directly to that office because of the confidential nature of the instant investigation.

Very truly yours,

Edward Scheidt
EDWARD SCHEIDT a
SAC

Enclosures 6

Form No. 3

THIS CASE ORIGINATED AT **NEW YORK**NY FILE NO. **67-13301** MT

REPORT MADE AT: NEW YORK CITY	DATE WHEN MADE: 4/1/48	PERIOD FOR WHICH MADE: 3/6, 19, 24, 30/48	REPORT MADE BY: <div style="border: 1px solid black; width: 150px; height: 20px;"></div>
TITLE: LARRY ERNEST KERLEY			CHARACTER OF CASE: EMBEZZLEMENT OF GOVERNMENT PROPERTY

SUMMARY REPORT

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/27/03 BY 60298CE/CAL/TMS

Larry Ernest Kerley entered on duty as a Special Agent of the Federal Bureau of Investigation on September 22, 1941. After a training period he was assigned to the Butte Division and arrived there December 20, 1941. On March 30, 1942, he arrived at the Louisville Division for assignment to that office. He arrived at the New York Division on November 29, 1944, and left for assignment to the Kansas City Division on July 18, 1945. He arrived at the Kansas City Division for assignment on July 26, 1945, and resigned from the Federal Bureau of Investigation effective October 1, 1945. Following his resignation, and until September 30, 1946, he was employed by Mr. James Campbell Lewis as building manager of property owned by Mr. Lewis at 5 East 57th Street, New York City. Kerley maintains an apartment at 35-30 - 81st Street, Jackson Heights, Queens, New York, but is presently believed to be spending the majority of his time in Murray, Kentucky.

While Kerley was assigned to the Louisville Field Division, he worked on a case involving an enemy alien, an employee of Mr. and Mrs. Lewis, owners of a farm near Lexington, Kentucky. During the investigation of the case Kerley had a number of contacts with the Lewises and submitted reports concerning his investigation. These reports were treated in the same manner as other Bureau reports and placed in file #100-823 of the Louisville Division.

ENCLOSURE DO NOT WRITE IN THESE SPACES

APPROVED AND FORWARDED: <div style="font-size: 1.5em; font-family: cursive;">Edward J. [Signature]</div>	SPECIAL AGENT IN CHARGE	RECORDED AND INDEXED:
COPIES OF THIS REPORT FURNISHED TO: 6 - Bureau 3 - New York		<div style="border: 1px solid black; padding: 5px;"> 58-1548-167 F B I 31 APR 28 1948 DEPT. OF JUSTICE ROUTED TO: FILE </div>
		CHECKED OFF: JACKETED: <div style="font-size: 1.5em; font-family: cursive;">EX-47</div>

NY 67-13301

In February 1948 Mrs. Lewis telephonically advised the Bureau that she had in her possession three reports and two letters, all of which were from a Bureau file. Mrs. Lewis said that she had turned the five documents over to her attorney. Mrs. Lewis said these three reports and two letters had been given to her and her husband in the latter part of 1944 in New York by Kerley, at which time he said that the reports were for the Lewises' own use.

These documents were secured from Mrs. Lewis' attorney, Edwin M. Otterbourg, and are presently in possession of the New York Division.

The Louisville Division file on [] case indicates that the three reports obtained from Mrs. Lewis' attorney are identical with three reports missing from the file.

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Inasmuch as the file from which the documents in question were extracted is maintained in the Louisville Division, it appears that the unlawful act of conversion was either when they were extracted from the file or when Kerley left the Louisville Division on transfer to New York with the documents in his possession.

STATUTE OF LIMITATIONS

It would appear that the Statute of Limitations began to operate either when the serials were extracted from the file or when Kerley left the Louisville Division for New York with the documents. Since the latest serial prepared was block-stamped February 18, 1943, in the Louisville Division, the Statute would begin to run some time between that date and November 1944 when Kerley left the Louisville Division.

Whereas the normal period of the Statute of Limitations is three years, the following is being set out as possibly applying to the instant set of circumstances: Section 104 of the Revised Statutes, as amended, 42 Stat. 220, c. 224, provides: "No person shall be prosecuted or tried or punished for any offense, not capital, except as provided in Section 1046, unless the indictment is found or the information is instituted within three years next after such offense shall have been committed; provided, however, that in offenses involving the defrauding or attempts to defraud the United States or any agency thereof, whether by conspiracy or not and in any manner, and now indictable under existing statutes, the period of limitations shall be six years.....".

NY 67-13301

The Circuit Court of Appeals, Second Circuit, held in the case WEINHANDLER vs. U.S. that the period of limitations in connection with embezzlement of government property is six years, since fraud is an element of the crime of embezzlement. 20 Fed. (Second) 359. Certiorari denied by U. S. Supreme Court, 75 U.S. 554.

No steps toward prosecutive action against Kerley have been taken up to the present time.

GOVERNMENT WITNESSES

Representative of the
Federal Bureau of Investigation
U. S. Department of Justice
Washington, D. C.

Will testify that Larry R. Kerley entered on duty as a Special Agent of the FBI on September 22, 1941; that following a period of training he was employed in the following offices, with dates of assignment, and will further testify as to the date of his resignation:

December 20, 1941:	Arrived at the Butte Division for assignment.
March 30, 1942:	Arrived at the Louisville Division for assignment.
November 29, 1944:	Arrived at the New York Division for assignment.
July 18, 1945:	Departed New York, N.Y., for Kansas City for assignment.
July 26, 1945:	Arrived at Kansas City Division for assignment.
October 1, 1945:	Ceased active duty with the Federal Bureau of Investigation following resignation.

NY 67-13301

Mr. and Mrs. James Campbell Lewis
22 East 73rd Street
New York, New York

Both Mr. and Mrs. Lewis can each testify that they met Larry Kerley in Lexington, Kentucky, as a result of an investigation being conducted by Kerley of their former employee, [redacted]. Thereafter they had occasion to meet with Kerley quite regularly. Each will testify that some time late in 1944, Larry Kerley visited them at their home in New York City, advising them that he had been assigned to the New York office of the Federal Bureau of Investigation. Kerley stated to the Lewises that because of their interest in [redacted] their former employee, he was turning over to them some reports and other material regarding [redacted]. He informed both Mr. and Mrs. Lewis that this material was "for their own use". They will testify that this material consisted of three reports and two letters, all of which was concerned with the Bureau investigation of [redacted].

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Mr. and Mrs. Lewis will both testify that after they had perused these reports, which they noted had been prepared by Kerley, they then placed the reports and letters in Mr. Lewis' safe, which is maintained at the Lewis residence. Thereafter Mr. and Mrs. Lewis forgot about this material until it was found in the safe late in 1947. They then went to the office of their attorney, Mr. Edwin M. Otterbourg, 200 Fifth Avenue, New York, and turned this material over to Mr. Otterbourg. Following a discussion with their attorney, Mrs. Lewis telephoned Joseph A. Sizoo, Special Agent of the FBI, at Washington, D. C.; and advised him of the existence of these reports and of the fact that they were being held by her attorney, Mr. Otterbourg.

Mr. and Mrs. Lewis can both testify that on March 30, 1948, the reports and other material previously furnished them by Larry Kerley and later placed in their

NY 67-13301

safe, were turned over to Special Agents []
[] and John M. O'Mara of the
Federal Bureau of Investigation, by Mr. Edwin
M. Otterbourg at his office, 200 Fifth Avenue,
New York City, and that they witnessed the
execution of a receipt for the above documents
at the time Mr. Otterbourg turned them over
to Special Agents [] and O'Mara.

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(Introduces Government
Exhibit "B")

Edwin M. Otterbourg, Attorney
200 Fifth Avenue
New York, New York

Mr. Otterbourg will testify that he is attorney
for Mr. and Mrs. James Campbell Lewis; that in
the latter part of 1947, he received five documents
from Mr. and Mrs. Lewis; that it appeared to him
that these documents were official documents of
the United States Government. Mr. Otterbourg will
testify that he held these documents until an official
request had been received from the FBI to surrender
these documents. He then surrendered these documents
on March 30, 1948, to Special Agents []
[] and John M. O'Mara of the Federal Bureau of
Investigation, and received a signed receipt from
Special Agents [] and O'Mara.

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(Introduce Government
Exhibits C, D, E, F,
and G)

[]
John M. O'Mara
Special Agents
Federal Bureau of Investigation
607 U. S. Court House
Foley Square
New York 7, N. Y.

These Agents will testify that on March 30, 1948,
there was received from Mr. Edwin M. Otterbourg,
at his office, 200 Fifth Avenue, New York, five
documents relating to the case of [] Each
of these documents was initialed by both Special
Agent [] and Special Agent O'Mara, for the pur-
pose of identification, at the time of the turning
over by Mr. Otterbourg.

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NY 67-13301

Each of these Agents will testify that upon receiving these three reports and two letters, they returned to the New York Division and placed instant documents in the file pertaining to the instant matter.

GOVERNMENT EXHIBITS

- B - Receipt executed by [redacted] and John M. O'Mara, Special Agents, Federal Bureau of Investigation, U. S. Department of Justice, on March 30, 1948, and given to Edwin M. Otterbourg, 200 Fifth Avenue, New York City, in exchange for five documents which are described below as Government exhibits C, D, E, F, and G. b6 b7C
- C - Official Federal Bureau of Investigation report made by Larry Kerley, dated August 24, 1942, at Louisville, Kentucky, consisting of 27 pages. This report was a copy of Serial 35 of Louisville Division file #100-823. Louisville retained three copies of this report.
- D - Official Federal Bureau of Investigation report made by Larry E. Kerley, dated November 7, 1942, at Louisville, Kentucky, consisting of eighteen pages. This report was a copy of Serial 78 of Louisville Division file #100-823. Louisville retained four copies of this report.
- E - Official Federal Bureau of Investigation report made by Larry E. Kerley, dated January 30, 1943, at Louisville, Kentucky, consisting of eighteen pages. This report was a copy of Serial 94 of Louisville Division file #100-823. Louisville retained three copies of this report.
- F - Copy of letter sent on September 20, 1942, to Attorney General F. Biddle, J. E. Hoover, Director of the FBI, J. Mulcahey, Director of Immigration Facilities, Cincinnati, Ohio, and District Attorney Metcalf, Lexington, Kentucky. This copy of a letter was two pages in length, was Serial 99 of Louisville file #100-823, and was block-stamped originally February 18, 1943, but by pencil a "3" had been written over the numeral "8". This letter was signed by [redacted] b6 b7C
- G - Copy of letter sent October 2, 1942, to Attorney General Francis J. Biddle, Washington, D.C., J. Mulcahey, Director of Immigration Facilities, Cincinnati, Ohio. This copy of a letter was four pages in length, was sent by [redacted] and was Serial 99 in Louisville file #100-823. It was block-stamped by the Louisville Division on February 18, 1943.

-PENDING-

Office Memorandum • UNITED STATES GOVERNMENT

TO : DIRECTOR, FBI

~~CONFIDENTIAL~~

DATE: April 7, 1948

FROM : SAC, LOUISVILLE

SUBJECT: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

Rebulet April 3, 1948.

There are enclosed herewith three copies of a summary report prepared by the Louisville Office in instant matter.

~~DECLASSIFIED BY 60288CE/CAC/DMS~~DECLASSIFIED BY 60288CE/CAC/DMS
ON 6/27/03FCC:ed
58-18

cc - New York (enclosure)

RECORDED

158-1548-170
F B I
31 APR 23 1948HANDLED BY
STEPHENS

51 APR 23 1948

EX-47

107

58gm

Form No. 3

THIS CASE ORIGINATED AT **NEW YORK, NEW YORK**FILE NO. **58-18**

REPORT MADE AT: Louisville, Kentucky	DATE WHEN MADE: 4-7-48	PERIOD FOR WHICH MADE: 4-7-48	REPORT MADE BY: <div style="border: 1px solid black; width: 100px; height: 1.2em; display: inline-block;"></div> FGC:ed
TITLE LARRY ERNEST KERLEY			CHARACTER OF CASE EMBEZZLEMENT OF GOVERNMENT PROPERTY

SUMMARY REPORT

A summary report as submitted by Special Agent of the New York Division, dated April 1, 1948, sets forth a statement of the offense involved in this case and a discussion of the Statute of Limitations applicable to it. Hence, no statement concerning the offense, Statute of Limitations, etc., is set forth in this report.

GOVERNMENT WITNESSES**HERBERT K. MOSS**

Assistant Special Agent in Charge
Federal Bureau of Investigation
St. Louis, Missouri

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/27/03 BY 60290 BCE/CAL/JMS

This witness was Special Agent in Charge of the Louisville Division of the FBI during the period that the case entitled as follows was under active investigation:

ALIEN ENTRY CONTROL - G, Louisville File No. 100-823."

This witness should be able to testify that the said case was assigned to Agent **LARRY E. KERLEY** on or about August 17, 1942, as evidenced by a notation appearing on Serial 26 of said case, reading "Reassign Kerley". Witness should further be able to testify that the case continued to be assigned to **KERLEY** until September 17, 1943, when a closing report, Serial 121, was submitted by **KERLEY**.

Witness should be able to testify concerning Serial 99 of the file, which consists of a letter from the Cincinnati Division to the Louisville Division of the FBI, dated February 12, 1943, with which were transmitted copies of two letters captioned as follows, respectively:

ENCLOSURE NOT WRITE IN THESE SPACES

APPROVED AND FORWARDED:	SPECIAL AGENT IN CHARGE	RECORDED AND INDEXED:
COPIES OF THIS REPORT FURNISHED TO:		CHECKED OFF:
3 - Bureau 3 - New York 2 - Louisville		JACKETED: X-47
ROUTED TO:		FILE
58-1518-17 FBI 31 APR 28 1948		117

"Copy of letter sent on September 20, 1942, to Attorney General F. Biddle, J. E. Hoover, Director of FBI, J. Mulcahey, Director of Immigration Facilities, Cincinnati, Ohio, and District Attorney Metcalf, Lexington, Kentucky," and

"Copy of letter sent on October 2, 1942, to Attorney General Francis J. Biddle, Washington, D. C., J. Mulcahey, Director of Immigration Facilities, Cincinnati, Ohio,"

both of which letters were written by [redacted] (The foregoing copies of letters are identified as Exhibits F and G in the summary report of Special Agent [redacted] New York, April 1, 1948. It is noted, however, that the blockstamp on the copy of letter dated September 20, 1942, as contained in the Louisville file, bears date of February 13, 1943, and does not reflect any change in the date as is shown on the said Exhibit F.)

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(It is to be noted that it cannot be determined from the Louisville file of [redacted] case that any copies of the aforesaid two letters written by [redacted] are missing from the file, inasmuch as the cover letter from the Cincinnati Division by which they were transmitted to the Louisville Division does not state the number of copies of said letters transmitted to Louisville.)

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This witness should be able to testify that the letter received from the Cincinnati Division, dated February 12, 1943, was routed by him to KERLEY along with the enclosures consisting of the aforesaid copies of letters, as is indicated by a notation appearing on the said cover letter in the witness' handwriting, as follows: "with enclosures", this notation being made in connection with the routing of the cover letter to Agent KERLEY.

This witness can testify that copy of letter dated September 20, 1942, bears the initials "L.K.", reflecting that the said copy was routed to the file by KERLEY and that the copy of letter dated October 2, 1942, bears the initial "D." (Special Agent DALE S. THOMPSON), indicating that the said copy was routed to the file by Agent THOMPSON.

It is expected that this witness can also testify from his personal recollection that [redacted] case was assigned to Agent KERLEY and that in connection with the investigation of that case it was necessary for KERLEY to have a number of contacts with Mr. and Mrs. James Campbell Lewis.

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Is. 58-18

[redacted] Stenographer
Federal Bureau of Investigation
Louisville, Kentucky

This witness was Chief Clerk of the Louisville Division from the latter part of December, 1942, through December, 1944, which includes the greater part of the period during which [redacted] case was assigned to KERLEY. The witness should be able to testify from her personal recollection that the said case was assigned to KERLEY, that she personally routed serials of the file to KERLEY, and that the file was available to KERLEY at such times as he was present in the Louisville Office, although no permanent record was maintained of the fact that the entire file was charged out to KERLEY.

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Witness can testify that the Louisville file in said case, as it presently exists, contains two copies of the report of Special Agent LARRY E. KERLEY dated August 24, 1942, at Louisville; that said report reflects that three copies thereof were designated for the Louisville file; hence one copy of said report is missing from the Louisville file; further that there is no record in the said file of the disposition made of the said copy missing from the file.

Witness can further testify that one copy of said report now contained in the Louisville file bears the handwritten name "Kerley" at the bottom of the cover page thereof, with the initials "L.K." written alongside said name, indicating that the said report was routed to KERLEY after its preparation.

Witness can testify that the Louisville file of [redacted] case contains three copies of the report of Agent LARRY E. KERLEY, dated November 7, 1942, at Louisville, that the said report reflects that four copies thereof were designated for the Louisville file; hence there is presently missing from the Louisville file one copy of said report; and further that the said file contains no information reflecting the disposition made of the said copy missing from the file.

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Witness can testify that the Louisville file of [redacted] case presently contains two copies of the report of Special Agent LARRY E. KERLEY dated January 30, 1943, at Louisville; that the said report reflects that three copies thereof were designated for the Louisville file; hence there is presently missing from the Louisville file one copy of said report. Witness will further testify that there is no information contained in the file reflecting the disposition made of the copy that is missing from the file.

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Witness can further testify that one copy of the aforesaid report contained in the Louisville file bears on its cover page the name "Kerley" written in

Is. 58-18

pencil in her handwriting, with the initials "L.K." written alongside, indicating that said report was routed to KERLEY after its preparation.

This witness can further testify in a general way as to the routine established in the Louisville Division for the routing of serials and files to agents, and can explain the significance of the blockstamp and notations appearing on the said serials in that connection.

EXHIBITS

The following serials contained in the Louisville file of [] case (File No. 100-823) appear to be especially pertinent to the instant case and are therefore being described in some detail:

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1. Serial 26 - teletype from the New Haven Division to Louisville, August 17, 1942, which bears a pen written notation reflecting that [] case was to be reassigned to Agent KERLEY.
2. Serial 99 - This serial consists of a letter directed to the Louisville Division by the Cincinnati Division under date of February 12, 1943, and of copies of two letters transmitted therewith, which letters were written by [] under dates of September 20 and October 2, 1942, respectively. The said letter from the Cincinnati Division reflects that the copies of the two letters written by [] were originally delivered by [] to an FBI Agent during an interview with [] at the Seagoville Station of the Immigration and Naturalization Service, Seagoville, Texas. The said letter from the Cincinnati Division bears a pencil notation reflecting that it, together with the copies of letters enclosed therewith, were routed to Agent KERLEY by Special Agent in Charge H. K. MOSS.
3. Serial 121 - closing report of Agent LARRY E. KERLEY, September 17, 1943, at Louisville, Kentucky, reflecting the status of the case as closed.

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SAC - New York

April 15, 1948

Director - FBI

LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

You are advised that the summary report of Special Agent [redacted] dated at New York City April 1, 1948, and the summary report of Special Agent [redacted] dated at Louisville, Kentucky April 7, 1948, in the captioned case were changed at the Bureau.

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The summary report made at Louisville, Kentucky, was rewritten. Enclosed herewith are three corrected copies for the New York Office and two corrected copies for the Louisville Office. Pages 2, 4, 5, 6 and 7 of the summary report made at New York City were rewritten and page 8 was eliminated. Enclosed herewith are three copies of all the pages which were rewritten for both the New York and Louisville Offices.

Each Office receiving copies of this memorandum will appropriately correct the copies of the summary reports, above mentioned, which are now in their files. No distribution is to be made of these reports until advice to do so is received from the Bureau. This matter is now being discussed with the Criminal Division of the Department of Justice but as yet no decision has been made regarding prosecution.

cc - Louisville

Enclosures

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/27/03 BY 60290 BCE/ALP/ms

L G. I. R. - 9

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Mohr _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Gandy _____

JJM:mpd
58-1548-

J. J. Meehan

ENCLOSURE

107

58-1548-1713A

FBI
45 APR 16 1948

EX-47

Assistant Attorney General T. Vincent Quinn
Criminal Division

April 13, 1948

Director, FBI

LARRY DENEIST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

Enclosed herewith are two summary reports prepared in the above captioned case by our New York and Louisville Offices.

It is requested that, from the facts set forth in these reports, you advise if there is any law applicable under which Kerley may be prosecuted. Your attention is directed to page 3 of the summary report prepared by our New York Office concerning the Statute of Limitations. According to the case cited in this report, it appears that the period of the Statute of Limitations in connection with embezzlement of United States property is six years.

Mr. D. M. Ladd will be available to supply you with any additional information you may need concerning this matter.

Enclosure

JJM:hlb

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/27/03 BY 60320CE/KAL/pws

158-1548-172
F B I
31 APR 23 1948

EX-47

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Mohr _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Gandy _____

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

DATE: 4-22-48

FROM : H. B. FLETCHER

SUBJECT: LARRY KERLEY

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Holmes	
Miss Gandy	

Mr. Ray Whearty of the Department called at 4:30 p.m., April 21, 1948, and stated he was handling the Larry Kerley matter, that he had the two reports from the Louisville and New York Offices, and he would like to have a copy of the report covering the interview with the Lewises.

I checked with Mr. Meehan, who stated we have no report covering the interview with the Lewises, but it was contained in a letter. I instructed him to prepare a memorandum setting forth the details of the interview with the Lewises for the benefit of Mr. Whearty.

HBF:cmw

RECORDED

58-1548-173
F B I

31 APR 23 1948

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/21/03 BY 60290BCE/CAL/TWS

EX-47

51 APR 23 1948

50M

FEDERAL BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE

To: COMMUNICATIONS SECTION.

April 17, 1948

Transmit the following message to SAC, NEW YORK

URGENT

LARRY HERBERT MERLEY, ENEMY OF GOVERNMENT PROPERTY. SUBJECT A RIL
FOURTEEN. YOU MAY DISCREETLY SUGGEST TO MR. OTTERBOURNE THAT HE ASK MERLEY
SPECIFIC QUESTIONS REGARDING HIS BUSINESS ADDRESS. NO PHYSICAL SURVEILLANCE
OF MERLEY SHOULD BE MADE.

HOOVER

58-1545

JJM:jb

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/21/03 BY 60290BCE/KAL/KAS

6 APR 17

APR 17 6 13 PM '48
RECEIVED READING ROOM
F B I
APR 17 4 43 PM '48
F B I
U. S. DEPT. OF JUSTICE

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Mr. Nease
Miss Gandy

SENT VIA

M

Per

NEW YORK FROM WASH

22

17

7-44 PM

SAC URGENT

LARRY ERNEST KERLEY, EMBEZZLEMENT OF GOVERNMENT PROPERTY. REURLET
APRIL FOURTEEN, YOU MAY DISCREETLY SUGGEST TO MR. OTTERBOURG THAT
HE ASK KERLEY SPECIFIC QUESTIONS REGARDING HIS BUSINESS ADDRESS. NO
PHYSICAL SURVEILLANCE OF KERLEY SHOULD BE MADE.

HOOVER

HOLD PLS

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/27/03 BY 60290 BCE/KAL/MS



United States Department of Justice
Federal Bureau of Investigation

New York, N. Y.
April 14, 1948.

IN REPLY, PLEASE REFER TO
FILE No. _____

Director, FBI

~~CONFIDENTIAL~~

RE: LARRY ERNEST KERLEY
Embezzlement of Government Property
Bureau file #58-1545.

DECLASSIFIED BY 60290BCE/CAH/TAS
ON 6/27/03

Dear Sir:

Reference is made to Bureau letter dated April 8, 1948, wherein it was requested that the New York office determine the exact addresses of Kerley's residence and office, the telephone numbers listed in his name or used by him at his residence and office, and his present occupation.

It was determined through a pretext telephone call that on April 10, 1948, Kerley was at the apartment maintained by him at 35-30 - 81st Street, Jackson Heights, N.Y., telephone Newtown 9-5181. This number is currently listed in the New York Queens telephone directory and the Telephone Company has advised that current bills are mailed to Kerley at this address. It should be pointed out, however, that telephone calls were made both during the day and during the evening hours to the above number for three days prior to April tenth, and no one answered the phone.

Mr. Edwin M. Otterbourg advised that in connection with a suit by the Lewises against a tenant in the building at 5 East 57th Street, Kerley is being used as a witness for the tenant to prove that the Lewises as landlords are not acting in good faith when they state that they need the tenant's space for their own use. Mr. Otterbourg stated that the trial started Monday, April 5, 1948, and although Kerley was in court he did not testify. Mr. Otterbourg expects Kerley to take the stand some time in the latter part of the current week.

Since the petition filed by Kerley in connection with his suit against the Lewises was sworn to by Kerley in Murray, Kentucky, it is possible that Kerley is spending most of his time in Murray.

In an effort to determine Kerley's business address in New York City, if he has one, Agents contacted the Credit Bureau of



Mr. Tolson.....
Mr. E. A. Tamm.....
Mr. Clegg.....
Mr. Glavin.....
Mr. Ladd.....
Mr. Nichols.....
Mr. Rosen.....
Mr. Tracy.....
Mr. Egan.....
Mr. Gurnea.....
Mr. Harbo.....
Mr. Mohr.....
Mr. Pennington.....
Mr. Quinn Tamm.....
Mr. Nease.....
Miss Gandy.....

RECORDED

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EX-89

TSM:MT
67-13301

Director.

Greater New York, where it was ascertained that they had no record whatever of Kerley. The Telephone Company has no listing for Kerley in any of the five boroughs with the exception of the telephone mentioned above. I had [redacted] who is a member of the Society of Former Special Agents of the FBI, discreetly examine Kerley's application for admission to the Society. [redacted] noted that the only information Kerley gave relative to his occupation was "manufacturers representative", with no address or connection. b6 b7C

Agents contacted the Park Avenue Branch of the National City Bank, where Kerley maintained an account, and it was ascertained that on February 17, 1947, Kerley had his account transferred to the Jackson Heights Branch of the Bank, which is located in the vicinity of his residence. His account there is very small and his business connection in the records of the Bank is stated as "exporter - 138 Water Street".

An investigation in the vicinity of 138 Water Street indicates that the buildings there jump from 130 to 152 Water Street because of the fact that an entire block is a parking lot where the number 138 would normally be. It was noted that in the building located at 130 Water Street there were several exporting and importing companies.

The directories of all the buildings in the vicinity of this address were checked for Kerley's name, with negative results.

Dun & Bradstreet records of all of the companies in the 128 and 130 Water Street buildings were checked, and no mention of Kerley was noted in any records.

The New York State drivers' license records were checked for Kerley's name, with negative results. The automobile registration records were checked and it was ascertained that Kerley did register his car in early 1947 for that year but that his car is not registered for the year 1948. In connection with his 1947 automobile registration, Kerley answered the question "business address" by stating "same as above" (above address being his residence address, 35-30 - 81st Street, Jackson Heights, L.I., N.Y.).

It appears now that the best way of ascertaining Kerley's office is through a discreet physical surveillance, but such will not be done without prior Bureau authority.

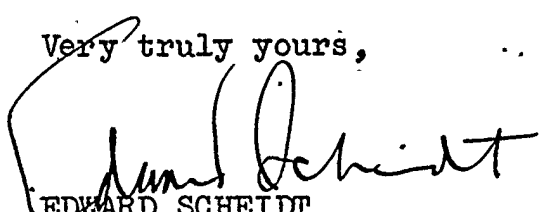
Director.

Pending the Bureau's advice relative to a very limited physical surveillance of Kerley, Agents will contact Mr. Otterbourg and suggest that Mr. Otterbourg ask Kerley specific questions concerning Kerley's business connection and business address at a pre-trial examination which Mr. Otterbourg has advised will take place on April 20, 1948. It is felt that these questions could be asked Kerley at such a hearing without arousing any suspicion whatever on Kerley's part.

It is the opinion of this office that Kerley probably maintains no separate business address in New York. If he were in the export business in this city, or in the business of being a manufacturers representative, it would appear that he would not only have a telephone number and listing in the New York directory, but that there would also be present inquiries regarding him at the credit bureaus in New York City. As a result of information supplied by Mr. Otterbourg, it appears that Kerley, although maintaining a residence in New York City, is undoubtedly spending the majority of his time in Kentucky, and operating his business from that locality.

Reference letter requested that Mr. Otterbourg be advised that the Criminal Division informed the Bureau that it should not give out the information Mr. Otterbourg requested. On April 12, 1948, SA [redacted] b6 telephonically advised Mr. Otterbourg of this. Mr. Otterbourg b7C said that he more or less expected this answer but still wanted to go on record that he had requested the information.

Very truly yours,


EDWARD SCHEIDT
SAC

cc-Louisville (P & C)

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

DATE: 5-3-48

FROM : H. B. FLETCHER

SUBJECT: LARRY KERLEY

Mr. Tolson ✓
 Mr. E. A. Tamm ✓
 Mr. Clegg ✓
 Mr. Glavin ✓
 Mr. Ladd ✓
 Mr. Nichols ✓
 Mr. Rosen ✓
 Mr. Tracy ✓
 Mr. Carson ✓
 Mr. Egan ✓
 Mr. Gurnea ✓
 Mr. Harbo ✓
 Mr. Hendon ✓
 Mr. Pennington ✓
 Mr. Quinn Tamm ✓
 Tele. Room ✓
 Mr. Nease ✓
 Miss Holmes ✓
 Miss Gandy ✓

Mr. Ray Whearty called at 3:00 p.m. and desired to know if there would be any objection to referring this case to the proper United States Attorney. I told him that I knew of no reason why it should not be brought to the attention of the proper United States Attorney for an opinion as to prosecution. He indicated that he would ascertain the proper United States Attorney, having in mind all the facts and circumstances and indicating he was going to send the entire matter to the proper United States Attorney, which will probably be the USA, Southern District of New York.

HBF:esb

HANDLED BY
TOP MASK

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 6/27/03 BY 60390RCE/CA/US

RECORDED - 2

58-1548-175
 FBI
 34 MAY 7 1948

59 MAY 8 1948

Assistant Attorney General T. Vincent Quinn

April 24, 1948

Director, FBI

LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

Reference is made to the telephone call received from Mr. Ray Whearty of the Criminal Division on April 21, 1948. At that time Mr. Whearty advised that he would like to have a copy of the report covering the interview had with the Lewises.

You are advised that we have no report covering the interview with the Lewises as such information was given to us in memorandum form by our New York Office. In accordance with the request received from Mr. Whearty there is, however, being set forth below for your assistance pertinent background information regarding this matter. The following data include all pertinent information pertaining to this case which has been received from interviews had with the Lewises.

On March 29, 1946, a memorandum was forwarded to the Attorney General. In this memorandum it was indicated that Larry Ernest Kerley was probably responsible for furnishing information which Howard Rushmore used in writing articles in the New York Journal American. These articles appeared on December 3, 4, and 5, 1945, and related to several Soviet espionage cases which at that time were being investigated by this Bureau.

In the above-mentioned memorandum the Attorney General was advised that from the facts known, no Bureau reports were furnished to Rushmore, but confidential information was probably given by Kerley to Mrs. James Campbell Lewis, who, in turn, passed it on to Howard Rushmore and from this information Rushmore wrote his newspaper articles. (Ser, 93)

On April 15, 1946, Theron L. Caudle, former Assistant Attorney General, wrote a memorandum to the Attorney General advising that it was the opinion of the Criminal Division that Kerley's activities in furnishing to unauthorized persons information from the FBI files did not violate any existing statutes. In addition, Mr. Caudle mentioned that it might be possible to bring Kerley before a Federal Grand Jury and question him.

On April 23, 1946, the Attorney General was advised by memorandum that since prosecution in this case was not possible this Bureau was not in favor of bringing Kerley before a Federal Grand Jury because it might jeopardize the investigation of other Soviet espionage cases.

JJM/de

COMMUNICATIONS SECTION

APR 27, 1948

- 1 -

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ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/27/03 BY 6030BCE/KAL/ms

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On May 16, 1946, Mrs. James Campbell Lewis was interviewed at her home, 22 East 73rd Street, New York City, by Special Agents John J. Malone and Emory M. Gregg concerning another matter. Following a lull in the conversation, she made the following remarks concerning instant case:

"There is one thing for which I am intensely sorry, It was a rather dirty trick involving an ex-agent of your organization. I felt that the FBI, being subservient to the State Department was being forced into a policy of appeasement, and that it should be 'freed' to take a more aggressive stand. It was not Kerley's fault; I led him on and on. I wanted to tell all about it to Mr. Conroy, but he refused, saying that it was a matter which must necessarily be taken up without the presence of an outsider."

Mr. Conroy, mentioned above, is identical with Mr. E. E. Conroy who was in charge of our New York Office in May, 1946.

(Ser. 129)

On September 30, 1946, Mrs. James Campbell Lewis telephonically contacted Special Agent Joseph A. Sizoo at this Bureau. Mrs. Lewis at the time was in her home in New York City. During this conversation, Mrs. Lewis advised Mr. Sizoo how she and her husband first became acquainted with Kerley. This information has previously been furnished you in summary reports.

During the conversation Mrs. Lewis advised that about three months ago Kerley appeared at her home and asked if he could store a suitcase in her safe. She advised that she permitted Kerley to place the suitcase in her safe. She advised that a day or so later she entered the safe and opened the suitcase in order to determine its contents and noticed that the contents consisted of several rather large files and other papers. She indicated that these papers and files might be property of this Bureau. She advised that she did not want this material in her home as she did not think Kerley had a right to it and, therefore, she called him and asked him to remove the suitcase. She further stated that she did not advise Kerley that she had examined the contents of the suitcase.

Mr. Lewis went on to state that in about three days the suitcase was removed by Kerley. She advised at that time she had no idea what he had done with it. She further stated that Kerley was still employed by the Lewises although they were seriously considering letting him go because he had recently contacted one of their personal friends and endeavored to have this friend enter some type of business with him.

(Ser. 135X,)

As a result of receiving the above information from Mrs. Lewis, our New York Office, telephonically contacted Kerley on October 1, 1946, and advised him that we had a matter which we desired to discuss with him. On the following day, October 2, 1946, Kerley voluntarily appeared at our New York Office at 10:00 AM. At that time he was informed that Mrs. Lewis had reported that he had a number of official documents in his possession which probably belonged to this Bureau and which he had at one time stored in her safe. Kerley advised that the documents in question consisted merely of Bureau Bulletins, office memoranda and miscellaneous material which he had accumulated while a Bureau Agent. He volunteered to take Special Agent in Charge Edward Scheidt, of our New York Office, to his home and to turn over all the material he had. His offer was accepted and Mr. Scheidt went to his home, accompanied by Special Agent [redacted]

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In the presence of these two individuals Kerley went through his entire apartment, located at 35-30 81st Street, Jackson Heights, Queens, New York. He included all closet space, boxes drawers and suitcases, segregating all Bureau material from personal belongings and turned all the Bureau material over to Mr. Scheidt, with the exception of a notebook containing some notes he had taken while in our training school for new Agents. He advised that he desired to keep this notebook.

Upon leaving Kerley's apartment he suggested that the party proceed to his office at 5 East 57th Street, New York City. At this address he showed Mr. Scheidt and [redacted] the entire contents of his office. No Bureau material was contained therein.

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Prior to accompanying Kerley to his apartment he was questioned by Mr. Scheidt in the New York Office and at that time he was asked if he wished to give a signed statement concerning this matter. He advised that for "psychological reasons" he did not wish to do so. He then went on to explain how he first became acquainted with the Lewises and admitted that he talked freely with Mrs. Lewis concerning Russian espionage because she felt very strongly that the foreign police of the United States was entirely too conciliatory and weak-kneed with respect to Russia. Kerley went on to state that through the assistance of Mrs. Lewis he was able to meet individuals connected with the New York Journal American. He admitted that he had discussed several cases which were then under investigation by this Bureau with Mrs. Lewis and with Howard Rushmore. He advised that from these discussions Rushmore obtained material with which he wrote the articles previously mentioned. Kerley also stated that all information he gave Mrs. Lewis and Rushmore was from personal recollection.

Kerley advised that in December, 1945, shortly after the Rushmore articles were published, he was asked by an official of the New York Journal American if he had anything else besides his personal recollection to "back up" his previous statements. Kerley advised that he indicated he had a considerable amount of material in his possession which would be helpful in this connection, this being the material which he had turned over to Mr. Scheidt. Kerley advised that Mrs. Lewis seemed to regard this material as very important and she insisted that he keep it in her safe and because of her insistence, he took it to her home and placed it in her safe in December, 1945. He advised that about three months ago he got the material back from Mrs. Lewis "more or less by mutual consent."

It should be pointed out that when Mrs. Lewis first mentioned this material she advised that it was contained in a suitcase. Kerley on interview emphatically denied this and stated that the material was in a blue barracks bag which he exhibited to Mr. Scheidt. Kerley also explained that all the material which he turned over to Mr. Scheidt had not been stored in Mrs. Lewis' safe. He explained that the material which had been in her safe consisted almost entirely of Bureau Bulletins. (Ser. 137)

It should be noted that some of the material which Kerley turned over to Mr. Scheidt on October 2, 1946, consisted of personal property belonging to him. All the other material was thoroughly examined, but did not include any Bureau reports of serials. This material has since been destroyed, but that which was considered to be Kerley's personal property is being retained by our New York Office.

On October 11, 1946, Mrs. Lewis was personally interviewed at the Bureau by Special Agent Joseph A. Sizoo in connection with another matter. During this conversation Mrs. Lewis also made certain general comments regarding Kerley and the material which had been stored in her safe. At this time she indicated that the material had been stored in a bag. She also mentioned that when she had gone through this material she noticed what appeared to be a report relating to Axel Wenner-gren, and another report relating to I. G. Farben. She described these alleged reports in some detail, but it has not been possible to date to determine if they were reports which belonged to this Bureau.

Mrs. Lewis also mentioned that Kerley was no longer employed by the Lewises, that his resignation had been requested about ten days ago. She also mentioned the articles which had been written in the New

York Journal American by Howard Rushmore and she stated that she had made contacts for Kerley at his request. She stated that Kerley was the moving force in having these articles published and that at first she did not desire to assist him, but was later convinced that his motives were justifiable. She explained that Kerley had told her that this Bureau was not in a position to do anything about Communist activities, and, therefore, he thought that such matters should be made public. (Ser.139)

On October 30, 1946, Kerley was again interviewed by Mr. Scheidt at our New York Office. In view of the fact that Mrs. Lewis had stated he had in his possession files relating to Axel Wenner-gren and I. G. Farben. Kerley at that time emphatically denied that he then had or ever had in his possession any Bureau reports or files. He insisted that he had previously surrendered to Mr. Scheidt all the material in his possession which related in any way to the work of this Bureau. Kerley further advised that he was then contemplating entering a suit against the Lewises because they had terminated his services and had not kept the oral agreement which had been made between him and Mr. Lewis. He stated that the Lewises probably realized he was going to sue them and indicated that for this reason they were endeavoring to cause him trouble.

On September 24, 1947, Mrs. Lewis telephonically contacted Special Agent Joseph A. Sizoo at this Bureau and advised that Kerley was suing her and her husband. She stated that in his complaint Kerley stated that he agreed to resign from the FBI at the request of Mr. Lewis and that Mr. Lewis had agreed to employ him as the Manager of a building which Mr. Lewis later purchased at 58 West 57th Street, New York City.

Mrs. Lewis advised that she was calling Mr. Sizoo at this time because she thought this Bureau would be interested in knowing about the suit which Kerley had instituted, especially in view of the fact that he claimed that he had only resigned from the FBI at the request of Mr. Lewis. After Mrs. Lewis finished talking, Mr. Lewis also spoke on the telephone and advised Mr. Sizoo that the agreement which he had with Kerley was entirely oral and that it was absolutely untrue that he, Mr. Lewis, attempted to persuade Kerley to resign from the FBI. (Ser. 143)

On October 29, 1947, while Special Agent Sizoo was in New York City on another matter, he interviewed Mr. and Mrs. Lewis. At that time Mrs. Lewis advised Kerley had filed a complaint against her and her husband. She also advised that a motion was to be heard on November 7, 1947, at which

time her attorney, Mr. Edwin M. Otterbourg, would ask for a more exact complaint from Kerley.

Mrs. Lewis advised that her attorney thought that as part of their defense they would show that Kerley had been dismissed from their employment because he had had in his possession confidential documents stolen from the FBI. Both Mr. and Mrs. Lewis stated that they had no desire to have the name of the FBI used in connection with their defense, but that the discovery of the FBI records in the bag which Kerley had stored in their safe was the real reason why Kerley was dismissed by them. Mr. Lewis pointed out that actually he had dismissed Kerley within a few days after this bag had been discovered. Mr. Lewis further stated that he had informed Kerley that he could no longer trust him because he had taken confidential records from the FBI files. He advised that Kerley answered that the records had been returned to representatives of the FBI in New York City, who had contacted him concerning the matter and that the records, in fact, were personal property.

At that time Mrs. Lewis was asked if she could describe in any greater detail papers she had allegedly seen in the bag which had been stored in her safe by Kerley. She then went on to describe several alleged reports, in addition to the two previously mentioned, but to date these reports cannot be positively identified and this Bureau cannot prove that they were stolen or embezzled by Kerley.

During this interview both Mr. and Mrs. Lewis advised that they did not regard the suit filed against them by Kerley as a legitimate suit, but they believed it was an effort to blackmail them into a cash settlement. They also indicated that if any action were taken against Kerley, it would avoid the possibility of reference to the Bureau during their defense against his suit.

(Ser. 147)

On February 24, 1948, Mrs. Lewis telephonically contacted Mr. Sizoo regarding some other matters. During the conversation she advised that Kerley had filed an amended complaint. A copy of this amended complaint was furnished to you at the time you were furnished with the summary reports made in this case. Briefly, the amended complaint alleges that Mrs. Lewis falsely complained to the FBI that Kerley had in his possession confidential records which he had improperly abstracted from the files of this Bureau. His amended complaint further alleges that the FBI established that Mrs. Lewis' accusation was unfounded, but he was discharged by Mr. Lewis because of this accusation.

During this conversation Mrs. Lewis also advised that she had furnished to her attorney some Bureau correspondence which Kerley had given her while he was assigned to the New York Office as a Special Agent. Upon being questioned by Mr. Sizoo, she advised that at one time when Kerley came to see her about some other matters, he told her that he had copies of some correspondence which might be of interest to her and gave her copies of Bureau reports dealing with the arrest of [redacted] who was formerly Mrs. Lewis' [redacted] on a farm which the Lewises owned near Lexington, Kentucky.

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Mrs. Lewis was questioned as to why she had not mentioned these serials or reports previously. She stated that she had completely forgotten about them until Kerley filed suit against her and her husband. She advised at that time she went through her safe to find anything which might be pertinent to the issue and found the material above mentioned, which was then in the possession of her attorney.

(Ser. 155)*

On March 6, 1948, Mrs. Lewis was interviewed at her home in the presence of Mr. Lewis, regarding this matter by Special Agents [redacted] and John M. O'Mara. Mrs. Lewis at that time was unable to definitely describe the reports or serials which she had given to her attorney. These reports and serials, however are fully described in the summary reports which have been previously furnished to you.

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Regarding the material which Mrs. Lewis gave her attorney, she advised that she had received this material almost immediately from Kerley after his arrival in New York City on transfer from Louisville, Kentucky. You will recall that Kerley arrived in New York City on November 29, 1944 from Louisville. During this interview Mrs. Lewis stated that Kerley told her and Mr. Lewis that he thought they would like to have this material. Both Mr. and Mrs. Lewis told the interviewing Agents that they thought Kerley was giving them the material because of their cooperativeness during the investigation of the case about which the reports were written. Mrs. Lewis stated that the material was placed in the back of her safe and that until the suit was started against them by Kerley, she had completely forgotten about this material. She also explained that this material was never mingled with the material which Kerley subsequently asked Mr. and Mrs. Lewis to temporarily retain for him in their safe and which was in a bag.

Mrs. Lewis stated she did not recall the exact date on which she turned over the material to her attorney, Mr. Otterbourg, but that it

was shortly after Kerley had filed his amended complaint. Mrs. Lewis stated that this was approximately six months ago and, therefore, it would be about October 1, 1947, when she gave her attorney the material in question.

Both Mr. and Mrs. Lewis stated that at the time they received this material from Kerley, they thought it was because of their extreme interest in the case and the assistance they had given the Agents who made the investigation. They said that the material in the bag would not fall under the above classification and it was for this reason they did not want that material in their house.

During this interview the Lewises were requested to return the material in question to the interviewing Agents. Mrs. Lewis said she had no objection; but suggested that the Agents request the material from her attorney. As indicated in the summary reports in your possession, this material was later received from Mrs. Lewis' attorney after he had been furnished with a receipt.

(Ser 158)

It should be noted that Kerley has not been interviewed regarding this particular matter. He was last interviewed, as indicated above, on October 30, 1946.

If you need any additional information to assist you in arriving at a decision regarding this matter, please do not hesitate to call Mr. D. M. Ladd who will be available.

SAC, New York

May 7, 1948

Director, FBI

LARRY EMMETT KERLEY
POSSESSOR OF GOVERNMENT PROPERTY

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/27/83 BY 60398 BCE/CAL/JWS

For your confidential information advice has been received from Mr. Ray Whearty of the Criminal Division that the facts in this case would probably be brought to the attention of the proper United States Attorney for an opinion as to prosecution. Mr. Whearty indicated that the proper United States Attorney is probably the one located in the Southern District of New York.

As previously instructed, no distribution of the summary reports now in the files of the New York and Louisville Offices should be made until authority to do so has been received from the Bureau. If either Office receiving copies of this memorandum is contacted by a United States Attorney for additional information regarding this matter the Bureau should be advised and the United States Attorney should be informed that all pertinent information has been given to the Criminal Division by the Bureau.

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Mr. Nease
Miss Gandy

cc - Louisville

COMMUNICATIONS SECTION
MAILED 6
★ MAY 8 1948 P.M.
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE

RECORDED
MAY 8 1948

58-1548-177
FBI
67 MAY 15 1948

55 JUN 1 1948

Office Memorandum

UNITED STATES GOVERNMENT

TO : MR. TALLM

FROM : D. M. Ladd

SUBJECT: LARRY KERLEY

DATE: May 17, 1948

Mr. Tolson ✓
 Mr. E. A. Tamm
 Mr. Clegg
 Mr. Glavin
 Mr. Ladd
 Mr. Nichols
 Mr. Rosen
 Mr. Tracy
 Mr. Carson
 Mr. Egan
 Mr. Gurnea
 Mr. Harbo
 Mr. Hendon
 Mr. Pennington
 Mr. Quinn
 Mr. Nease
 Miss Holmes
 Miss Gandy

Vince Quinn advised me on May 15, 1948, that he had been considering the question of prosecution of Kerley and that he had decided that the venue for prosecution would lie in New York, that the only question now remaining was as to whether the Statute of Limitations had as yet run. He stated he was having this looked into and would let the Bureau know just as soon as a decision was reached.

DML:da

HANDLED BY
STOP DESK
m

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 6/27/03 BY 60296 BCE/CAL/bs

RECORDED - 66

158-1548-178
F B

37 MAY 27 1948

11293
 JUN 5 1948
 300

RECEIVED

SAC, NEW YORK

June 4, 1948

Director, FBI

LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

PERSONAL ATTENTION

RECORDED-1

58-1548-180

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/30/03 BY 60200 BCK/KAL/JMS

Regarding this investigation, you are instructed to immediately assign two experienced agents who are familiar with all the facts involved to interview Kerley and if possible, to obtain a signed statement. During the interview Kerley should be specifically questioned concerning the three reports and two letters which were turned over to your office by Mr. Edwin M. Otterbourg, Attorney for Mr. and Mrs. James C. Lewis, on March 30, 1948. This material is described in detail in the summary report of Special Agent [redacted] dated at New York City April 1, 1948. b6
b7C

During the interview you should obtain from Kerley all information concerning how this material was obtained by him, such as the date or dates on which he acquired it, how he obtained physical possession of it, whether or not he destroyed any charge out slips which had been placed in the Louisville Office files, how he transported it to New York City, why he gave it to Mrs. James C. Lewis, and on what date he gave it to her. The above suggestions are not meant to be all inclusive and any other pertinent questions which occur to the interviewing agents concerning this material should be asked.

In addition, Kerley should be interviewed concerning the other Bureau material which Mrs. Lewis has alleged was contained in the duffel bag he stored in her home. This material is more fully described in Bureau letter dated October 24, 1946 and in your letters to the Bureau dated December 9, 1947 and March 8, 1948.

During the interview it should be pointed out to Kerley that we now have definite proof that he lied when previously interviewed on October 30, 1946. You will recall that at that time, he denied ever having had in his possession any Bureau reports similar to those described by Mrs. Lewis. Every effort should be made to capitalize on remarks or explanations made by Kerley and to completely develop any admissions made by him which are pertinent to this investigation.

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

MAILED 12
JUN 10 1948

RECEIVED
FBI
JUN 12 04 PM '48

2018 3712

The results of this interview should be furnished to the Bureau as soon as possible in report form and an extra copy should be prepared for the appropriate United States Attorney. However, no distribution of your report should be made outside the Bureau until advice to do so has been received.

For your confidential information, an opinion has been received from the Criminal Division, advising that there has been a violation of the law, venue is in New York City and the Statute of Limitations has not run.

Advice has also been received from the Criminal Division suggesting that as a matter of precaution, signed statements be procured from the Lewises. You are, accordingly, instructed to discreetly discuss this matter with Mr. and Mrs. James C. Lewis and obtain signed statements from each. If you believe such action is not feasible, every effort should be made to obtain a signed statement only from Mrs. Lewis. It is suggested that the interviews with the Lewises take place before the interview with Kerley.

Copies of this letter are being furnished the Louisville Office for its information.

cc: Louisville

JJM:vw:lf

Bureau File #58-1543

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Mohr _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Gandy _____

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. E. A. TAMM

DATE: 5-21-48

FROM : D. M. LADD

SUBJECT: LARRY ERNEST KERLEY

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Holmes	
Miss Gandy	

Mr. Vincent Quinn of the Criminal Division telephonically advised me today that a review of the file in this case reflects that there has been a violation of the law. He is of the opinion that the venue would lie in New York and that the Statute of Limitations has not run. He stated the only question now is the policy question as to whether it is desired to proceed with prosecution. He desired that I give him the Director's opinion on this.

I would recommend that Mr. Quinn be advised that the Bureau is agreeable to this being presented to the Grand Jury with the idea of proceeding with prosecution.

DML:cmw

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/27/03 BY 60308RE/CAL/tws

51 JUN 17 1948

RECORDED

22 JUN 12 1948

Memo Tamm

6-1-48 DML

COPY:AJM

OFFICE MEMORANDUM - UNITED STATES GOVERNMENT

TO : MR. TOLSON

DATE: May 19, 1948

FROM : MR. LADD

SUBJECT:

64
In accordance with your request, there is set forth hereintelow the information relative to those files which are kept in the Supervisors' Offices.

COMMUNIST PARTY, USA, BRIEF
INTERNAL SECURITY - C

The file in connection with this matter is retained in Room 1732 by the Supervisor. Inasmuch as this entire matter has been handled as a special and it is necessary to constantly refer to the files for the purpose of supplementing and keeping the brief up to date, this file has been so retained. In addition, there are approximately 604 original exhibits in this case which must be kept intact in the event the Department should call for any of them.

Director's Notation: "O. K. H."

LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

This file is kept by the Supervisor in his office, Room 1643, having been permanently charged to him. There are presently being written numerous memoranda concerning this matter. It is necessary to refer to the file very frequently, and in view of the fact that this file would otherwise be kept in the Identification Division, it has been permanently charged to the Supervisor.

GREGORY CASE
ESPIONAGE - R

Director's Notation: "O. K. H."

The entire file in this case was maintained in the Supervisor's Office from the time of its inception in November, 1945 until the late fall of 1947, at which time the file was returned to the file room when it became comparatively inactive.

In addition to the above-cited instances, of course, all Loyalty reports and mail are retained in the Loyalty Section until the completion of the case, at which time the jacket on a closed case is sent to the file room for processing and filing. The same thing is true with reference to Atomic Energy Act Applicant and Employee cases.

DML:cmw

Director's Notation:
"Give it prompt attention."

RECORDED - 41
H.

58-1548-181

F B I
48 JUN 12 1948

6/20/48 GAZAROFF/CAL/oms

FEDERAL BUREAU OF INVESTIGATION

JUN 10 1948

1948

☒ The Director
☒ Mr. Tolson
 _____ Mr. Ladd
 _____ Mr. Rosen
 _____ Mr. Clegg
 _____ Mr. Glavin
 _____ Mr. Nichols
 _____ Mr. Tracy
 _____ Mr. Harbo
 _____ Mr. Fletcher
 _____ Mr. Laughlin
 _____ Mr. McCabe
 _____ Mr. Baumgardner
 _____ Mr. Hargett
 _____ Mr. Keay
 _____ Mr. Mohr
 _____ Mr. Nease
 _____ Mr. Pennington
 _____ Mr. Quinn Tamm
 _____ Mr. Tyler
 _____ Mr. Wall

_____ Records Section
 _____ Stamp and Mail
 _____ Prepare tickler
 _____ Call File
 _____ See Me
 _____ Call me re this
 _____ Note and return
 _____ Please ascertain status
 _____ M
 _____ Room
 _____ Miss Gandy

Mr. Tolson
 Mr. E. A. Tamm
 Mr. Ladd
 Mr. Nichols
 Mr. Rosen
 Mr. Tracy
 Mr. Egan
 Mr. Gurnea
 Mr. Harbo
 Mr. Mohr
 Mr. Pennington
 Mr. Quinn Tamm
 Mr. Nease
 Miss Gandy

b6
b7C

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 6/30/03 BY 60290BCE/CAL/JAS

Edward A. Tamm

FEDERAL BUREAU OF INVESTIGATION



Room 5744 _____ 1948
 Extension 351 _____

To: ☒ Director
 _____ Mr. Tolson
 _____ Mr. Edward Tamm
 _____ Mr. Clegg
 _____ Mr. Glavin
 _____ Mr. Ladd
 _____ Mr. Nichols
 _____ Mr. Rosen
 _____ Mr. Tracy
 _____ Mr. Harbo
 _____ Mr. H. L. Edwards
 _____ Mr. M. A. Jones
 _____ Mr. Nease
 _____ Reading Room
 _____ Miss Gandy
 _____ Personnel Records
 _____ Records Section



Mr. Tolson.....
Mr. E. A. Tamm.....
Mr. Clegg.....
Mr. Glavin.....
Mr. Ladd.....
Mr. Nichols.....
Mr. Rosen.....
Mr. Tracy.....
Mr. Egan.....
Mr. Gurnea.....
Mr. Harbo.....
Mr. Mohr.....
Mr. Pennington.....
Mr. Quinn Tamm.....

b6
b7C

See Me For Appropriate Action
 Send File Note and Return

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 4/30/03 BY 6090BCE/CAL/MS

J. P. Mohr

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. D. M. Ladd

DATE: 5-17-48

FROM : F. J. Baumgardner

SUBJECT: FILES KEPT IN SUPERVISOR'S OFFICE

Mr. Tolson	_____
Mr. E. A. Tamm	_____
Mr. Clegg	_____
Mr. Glavin	_____
Mr. Ladd	_____
Mr. Nichols	_____
Mr. Rosen	_____
Mr. Tracy	_____
Mr. Carson	_____
Mr. Egan	_____
Mr. Gurnea	_____
Mr. Harbo	_____
Mr. Hendon	_____
Mr. Pennington	_____
Mr. Quinn Tamm	_____
Tele. Room	_____
Mr. Nease	_____
Miss Holmes	_____
Miss Gandy	_____

In accordance with your request, you are advised that Special Agent J. J. Meehan keeps in his office, room 1643, a complete file, entitled "Larry Ernest Kerley, Embezzlement of Government Property", Bureau file number 58-1540.

JUSTIFICATION:

Ordinarily files bearing the "58" classification are maintained in the Identification Division Building. Because of the numerous memoranda which are presently being written concerning this matter and because during the past few weeks it has been necessary to refer to this file frequently and without delay, it has been permanently charged out to room 1643.

JJM:esb

RECORDED - 41

58-1548-182

31 JUN 12 1948

File now kept in office

JUN 16 1948

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/30/03 BY 60390CE/CAL/ms

b6
b7c

89m

Office Memorandum • UNITED STATES GOVERNMENT

TO : E. A. Tamm

FROM : D. M. Ladd

SUBJECT: LARRY KERLEY

DATE: June 19, 1948

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

DATE 6/2/03 BY 60390CE/CA/JMS

Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Holmes _____
Miss Gandy _____

ASAC Belmont advised me on June 19, 1948, that it had been determined that Larry Kerley was in Murray, Kentucky, which is near Paducah, Kentucky, and that he will probably be there for the next two or three months. Mr. Belmont advised that signed statements had been obtained from the two Lewises.

Mr. Belmont suggested that Special Agents [redacted] and J. M. O'Mara be authorized to proceed to Louisville, Kentucky, and from there to Murray for the purpose of interviewing Kerley and taking a statement from him in line with the request from the Department.

I would recommend that these two agents who are thoroughly familiar with the case be permitted to proceed to Murray, Kentucky, in accordance with the above suggestion.

Donner

I agree

6/22/48
Belmont
58-1548-183
F B I
31 JUN 23 1948

51 JUL 9 1948

DML:mn

RECORDED - 98

ok

*5**

5-1548-183
7/2/48

PH
5/15/48

copy acb

OFFICE MEMORANDUM

UNITED STATES

DEPARTMENT OF JUSTICE

TO : MR. E. A. TAMM
FROM : D. M. LADD
SUBJECT : LARRY ERNEST KERLEY

DATE: June 1, 1948

I talked to Mr. Vincent Quinn of the Criminal Division on May 29 and advised him that the Bureau's position was that prosecution should be instituted if it was felt that there was a case. Mr. Quinn stated that he would like to have Kerley interviewed specifically about the various items in question before definitely deciding. He thought that an effort should be made to interview Kerley about the various reports which were recovered from the Lewises.

There is accordingly attached hereto a letter to New York instructing that this be done.

Attachment - 7-2-48

LMH:cmw

ORIGINAL COPY FILED IN 67-12457-1-206

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/30/03 BY 60290 BCK/ALP

RECORDED - 40

58-1548-184
F B I
76 JUN 24 1948

EX-36

517
JUN 29 1948

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. H. B. FLETCHER

DATE: July 7, 1948

FROM : D. M. LADD

SUBJECT: LARRY KERLEY

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

SAC Scheidt of the New York Office advised me on July 6, 1948, that he had learned that Kerley was now back in Murray, Kentucky and that in accordance with approval which had been previously granted, Special Agents [redacted] and John O'Mara were being authorized to proceed to Murray, Kentucky for the purpose of interviewing Kerley.

DML:FA

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/30/03 BY 60290ACE/CAL/RS

FORWARDED BY
STOP DESK

RECORDED
EX-14-82

58-1548-185
F B I
19 JUL 9 1948

59 JUL 22 1948

58-1548

Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

FROM : D. M. Ladd *DL*

SUBJECT: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY
(Bureau file 58-1548)

DATE: July 19, 1948

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Carson _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Hendon _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Mr. Nease _____
Miss Holmes _____
Miss Gandy _____

You will recall that Mr. T. Vincent Quinn, Assistant Attorney General, suggested that signed statements be obtained from Mr. and Mrs. James C. Lewis setting forth the facts of how they received five official Bureau documents from Kerley. Mr. Quinn also suggested that Kerley be interviewed regarding this matter.

A report dated July 13, 1948, has been received from the New York Office advising that signed statements were obtained from Mr. and Mrs. James C. Lewis—as requested by Mr. Quinn. The report also reflects that Kerley was interviewed on July 8, 1948, at Murray, Kentucky, and at that time he denied that he had ever given any official Bureau documents to the Lewises or to anyone else. During the interview Kerley suggested that inasmuch as Mrs. Lewis had been a frequent visitor to the office of the resident agent at Lexington, Kentucky, she might have "lifted" the documents in question out of a brief case while at his office or she might have "lifted" them out of his brief case when he was a visitor at Mrs. Lewis' farm near Lancaster, Kentucky. The interviewing agents indicated to Kerley that the suggestion offered above by him was not believed by them. Kerley, however, offered no other explanation but indicated that the whole affair was a conspiracy on the part of the Lewises to injure and damage his reputation.

For your information a letter was also received from the New York Office dated July 13, 1948, advising that when Kerley was interviewed he was told that he was obviously lying, but he emphatically denied the truth of such a charge.

Kerley stated that "Mrs. Lewis knew other Agents in the Bureau," specifically naming SA Joseph Sizoo and former SA Raymond Leddy. Kerley was asked if he had any information that these individuals might have supplied the documents in question to the Lewises, and he stated that he did not have any such information but that he was merely naming these two individuals as agents who at one time had been in close contact with the Lewises. He was told in no uncertain terms that he should not accuse ^{other agents} of committing an act for which all the circumstances indicated he himself was responsible. Kerley also mentioned that in his opinion the Lewises had "sucked in" the Bureau in their conspiracy against him. He was told that as a former Special Agent he should realize that the Bureau was not being taken in in any such manner by individuals outside of the organization.

RECORDED - 48
INDEXED - 48

3 JUL 28 1948

JJM:adp

53 AUG 3 1948


ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/30/03 BY 6092 BCE/CA/TJS

5-88m

During the interview on one occasion Kerley made a statement, "You can't come down here and push your weight around." On another occasion he stated, "I won't stand for these third degree methods." It was the opinion of the interviewing agents that on both occasions it was merely an attempt on the part of Kerley to save himself from an embarrassing situation wherein it was obvious that he was lying.

ACTION:

For your approval there is attached a letter to Mr. T. Vincent Quinn enclosing a copy of the New York report dated July 13, 1948. In the cover letter Mr. Quinn is advised that no further action is contemplated unless a request for additional investigation is received from him.



Attachment



United States Department of Justice
Federal Bureau of Investigation

New York, N. Y.
July 13, 1948.

IN REPLY, PLEASE REFER TO
FILE NO. _____

~~PERSONAL AND CONFIDENTIAL~~

Director, FBI

RE: LARRY ERNEST KERLEY
Embezzlement of Government Property
(Bureau file #58-1548)

DECLASSIFIED BY SP2AM/clj
ON 8/2/01

437189

Dear Sir:

Reference is made to the attached report of SA [redacted] in the above captioned matter, which sets out amongst other things the interview with Larry E. Kerley at Murray, Kentucky, on July 8th.

Inasmuch as certain matters came up during the course of the discussion with Kerley which it was believed should not be placed in the report concerning the interview, that information will be set out in this letter.

~~DEFERRED RECORDING~~

The interview with Kerley was initiated with the explanation that it was desired to discuss with him certain matters which Mr. Scheidt had previously questioned him about, namely the accusations of Mrs. James C. Lewis that Kerley had in his possession Bureau reports which he had at one time exhibited to her. Kerley was asked if he had any further statement to make about this complaint of Mrs. Lewis, and he stated that he stood by his original statement to Mr. Scheidt that he had at no time exhibited any Bureau reports. It was pointed out to Kerley that it was evident from Mrs. Lewis' description of information in the report concerning the I.G. Farben case, the Ben Smith case, and the Wennergren case, that she had actually seen Bureau reports in these matters, inasmuch as she was able to so accurately describe certain pages of these reports. Kerley said that he had at no time exhibited any such reports to Mrs. Lewis and that his knowledge of the Wennergren case had come from Mrs. Lewis herself, who at one time told Kerley that she had been instrumental in having Wennergren placed on the United States black list. Kerley stated he had no explanation as to why Mrs. Lewis could so accurately describe Bureau reports but did feel that she knew the substance of many Bureau investigations [redacted]

[redacted] Kerley said that he also wanted to state that he had never examined the files in those particular cases, had never pulled any serials from them, and had no knowledge of those investigations at all.

3 ENCL.
57

EX-46

TSM:MT

67-13301

RECORDED - 57

EX-46

58-1548-187

3 JUL 30 1948



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

b6
b7C

b7D

NY-67-13301

Kerley was asked if he recalled denying to Mr. Scheidt on a previous interview that he, Kerley, had in his possession any Bureau reports, correspondence, or other serials. Kerley said that he did so recall. Kerley was then asked about his participation in [] case, at which time he gave the information set out in the body of the report concerning his handling the case. b6 b7C

The Agents then brought to his attention the reports which the Lewises had furnished Agents of this office, at which time Mrs. Lewis and her husband explained that this material had been given them by Kerley in the latter part of 1944, when he arrived at the New York Division from the Louisville Division. It was pointed out to him that he was obviously lying to Mr. Scheidt on the previous occasion inasmuch as the Lewises could have obtained this material from no source other than Kerley himself. Kerley, who had been nervous since the beginning of the interview, was obviously disturbed by the accusation, and emphatically denied the truth of such a charge. It was pointed out to Kerley that he had worked on [] matter since the opening of the case, that he had had frequent contact with the Lewises during his investigation of the case, that he had written the three reports turned over by the Lewises, and that the case had been closed prior to his leaving the Louisville Division, and that after his arrival in New York, by his own admissions, he had maintained close contact with the Lewises, and had ultimately obtained employment from them, and that all logic would make it seem that Kerley must have been the individual who supplied these reports to the Lewises. He again emphatically denied that he had given the material to the Lewises, and stated that possibly Mrs. Lewis had obtained them from his brief case in the manner set forth in the enclosed report. When it was explained to him that charge-out slips would have remained in the file showing the material had been charged to him, he stated that while he did not absolutely know that the Lewises had obtained them in this manner, he was offering this as a possible explanation as to how they got them. When Kerley realized that this was a very weak explanation, he then stated that "Mrs. Lewis knew other Agents in the Bureau", specifically naming SA Joseph Sizoo and former SA Raymond Leddy. Kerley was asked if he had any information that these individuals might have supplied these reports to the Lewises, and he stated that he did not have any such information, but that he was merely naming these two individuals as Agents who at one time had been in close contact with the Lewises. He was told in no uncertain terms that he should not accuse other Agents of committing an act for which all the circumstances indicated he himself was responsible. Kerley then stated that the whole thing was a conspiracy on the part of the Lewises, and that he had no idea how they obtained possession of this material although he knew that he had not supplied the reports and letters to them. Kerley said that in his opinion the Lewises had "sucked in" the Bureau in their conspiracy against him. b6 b7C

(Kerley was told that as a former Special Agent of the Bureau he should realize that the Bureau was not being taken in in any such manner by individuals outside of the organization.

It was pointed out to Kerley that if he had never given any of the material to Mr. and Mrs. Lewis, why did he request the Lewises to maintain his duffle bag in their safe. Kerley said that Mrs. Lewis was the one who had requested the material be brought over and placed in the safe for safe-keeping until such time as Kerley might use the material for writing articles or testifying before Congress. Kerley was very quick to specifically point out that he had never given any consent whatever to the writing of such articles, but added that he would have testified before Congress if he had been subpoenaed and asked questions. Kerley, in answer to a specific question, was unable to explain of what value these Bureau Bulletins would have been in any articles he might want to write or in any testimony he might be giving before Congress. Concerning these Bureau Bulletins, Kerley attempted to leave the idea that Mrs. Lewis was the person insisting that he bring them to her apartment for safe-keeping, and that she was the one who thought they might be of value in writing newspaper articles and in testimony before Congress.

The Agents pointed out to Kerley that he should have considered it improper to exhibit Bureau Bulletins to a person outside of the Bureau inasmuch as they are marked "strictly confidential", and are certainly not meant for perusal by people outside of the Bureau. It was further pointed out to him that if an Agent felt this way about Bulletins, he certainly would feel no compunction about showing them reports or other confidential items. Kerley's only comment to this was a shrug and a feeble explanation that Mrs. Lewis had led him on and had persuaded him to show her this material.

It should be stated that any time it was intimated to Kerley that his contact and relationship to the Lewises was improper for an Agent or a former Agent, he would explain it in the same manner by stating that Mrs. Lewis had led him along.

It will be noted in the ^{un}signed statement set out in the enclosed report that Kerley made an addition which is designated by parenthesis in the statement set forth. Upon reading the statement Kerley asked the Agents if they thought that Bureau Bulletins would come under the definition of "reports, memos, letters, or other documents which were a part of an official file...". The Agents asked him why he asked for their opinion in this matter, whereupon he stated that he had shown Mrs. Lewis some Bureau Bulletins, as well as letting her have temporary possession of same when he gave

NY-67-13301

her the duffle bag. It was suggested by the Agents that if he wanted to have the statement restricted to material from the investigative file that the word "investigative" be inserted by him in the appropriate place. Kerley did this and initialed his insert.

On two occasions during the interview, when attempts were made to show Kerley's inconsistencies in his statements, Kerley became extremely incensed and disturbed. On one occasion when it was pointed out to him that he must have been lying when he talked to SAC Scheidt, Kerley made the statement, "You can't come down here and push your weight around!" In the second instance, Kerley stated, "I won't stand for these third degree methods". It was the opinion of the interviewing Agents that on both occasions it was merely an attempt on the part of Kerley to save himself from an embarrassing situation wherein it was obvious that he was lying.

An interview log was kept and is being maintained in this file.

Very truly yours,


EDWARD SCHEIDT
SAC

cc-Louisville (P & C)

8

FEDERAL BUREAU OF INVESTIGATION

Mr. Tolson	_____
Mr. Clegg	_____
Mr. Glavin	_____
Mr. Ladd	_____
Mr. Nichols	_____
Mr. Rosen	_____
Mr. Tracy	_____
Mr. Harbo	_____
Mr. Mohr	_____
Mr. Quinn Tamm	_____
Mr. Nease	_____
Miss Gandy	_____

Form No. 1

THIS CASE ORIGINATED AT

NEW YORK

NY FILE NO. 67-13301

MT

REPORT MADE AT NEW YORK CITY	DATE WHEN MADE 7/13/48	PERIOD FOR WHICH MADE 6/18, 7/8/48	REPORT MADE BY [Redacted]
TITLE LARRY ERNEST KERLEY			CHARACTER OF CASE EMBEZZLEMENT OF GOVERNMENT PROPERTY

b6
b7C

SYNOPSIS OF FACTS:

~~PERSONAL AND CONFIDENTIAL~~

Signed statements obtained from Mr. and Mrs. James C. Lewis, in which they set out circumstances under which Kerley gave them five official Bureau documents. Kerley interviewed at Murray, Ky., at which time he denied that he had ever given such reports or any other reports or official matter from an investigative file to the Lewises or anyone else.

- P -

REFERENCE: BUREAU LETTER DATED 6/4/48.

DECLASSIFIED BY *SP2924/ely*
ON *8/3/07*
#437189

DETAILS: At New York, N.Y.

On June 18, 1948, Special Agent John M. O'Mara and the writer obtained the following signed statements from JAMES CAMPBELL LEWIS and his wife, ELIZABETH LEWIS:

APPROVED AND FORWARDED: <i>[Signature]</i>	SPECIAL AGENT IN CHARGE	ENCLOSURE	DO NOT WRITE IN THESE SPACES
COPIES OF THIS REPORT		3 JUL 30 1948	RECORDED - 57
③ - Bureau 2 - Louisville 4 - New York			EX-46

67-13301

"

New York, N.Y.
June 18, 1948

I, James Campbell Lewis, make the following voluntary signed statement to [redacted] and John M. O'Mara, who have identified themselves to me as Special Agents of the FBI.

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I first met Larry E. Kerley in 1942, when in the course of his duties as an FBI Agent, Kerley came to my home near Lancaster, Kentucky. Kerley's visit was specifically in connection with an investigation he was conducting of [redacted]

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[redacted] There were later visits by Kerley in this same connection during the next year or year and a half.

In the late Fall of 1944, Larry E. Kerley came to my home in New York City at 22 East 73rd Street, and advised my wife and myself that he had been transferred to the New York office of the FBI. On that occasion or shortly thereafter Kerley handed to us certain FBI reports and letters which dealt with the case of [redacted]. Kerley commented that he was giving them to my wife and myself for our own use. It was my understanding at this time that Larry E. Kerley was turning this material over to us due to our previous cooperation with the FBI in [redacted] matter and also because of our personal interest in the case since [redacted] had been an employee of ours. After briefly perusing this material it was placed inside a locked closet at our residence at 22 East 73 Street, New York. I forgot about this material until the Fall of 1947 when it was again noticed by us. At this time, after a conference with my wife, we decided to turn the material over to our attorney, Mr. Edwin M. Otterbourg, 200 Fifth Avenue.

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Subsequently, about March 30, 1948, at the office of Mr. Otterbourg, the same material was turned over to Special Agents [redacted] and O'Mara of the FBI, at which time I observed that each of these men initialed the top page of each of five documents. I recall the five documents as consisting of three mimeographed FBI reports in the case of [redacted] with notations that each report had been made at Louisville, Kentucky, by Larry E. Kerley. The other two documents were also in [redacted] matter and consisted of letters on yellow copy paper. Simultaneously with the turning

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67-13301

over of these documents to Special Agents O'Mara and [] the latter individuals executed a receipt for the documents, which was given to my attorney and which was witnessed by myself and my wife.

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JAMES CAMPBELL LEWIS

Witnessed:

[]
John M. O'Mara
Special Agents
FBI, Justice
New York, N.Y., 6/18/48 "

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b7C

"

New York, N.Y.
June 18, 1948.

I, Elizabeth Lewis, make the following voluntary signed statement to [] and John M. O'Mara, who have identified themselves to me as Special Agents of the FBI.

b6
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I first met Larry E. Kerley in 1942, when in the course of his duties as an FBI Agent, Kerley came to my home near Lancaster, Kentucky. Kerley's visit was specifically in connection with an investigation he was conducting []
[] There were later visits by Kerley in this same connection during the next year or year and a half.

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In the late Fall of 1944, Larry E. Kerley came to my home in New York City at 22 East 73rd Street, and advised my husband and myself that he had been transferred to the New York office of the FBI. On that occasion or shortly thereafter Kerley handed to us certain FBI reports and letters which dealt with the case of [] Kerley commented that he was giving them to my husband and myself for our own use. It was my understanding at this time that Larry E. Kerley was turning this material over to us due to our previous cooperation with the FBI in [] matter and also because of our personal interest in the case since [] had been an employee of ours. After briefly perusing this material it was placed inside a locked closet at our residence at 22 East 73rd Street, New York. I forgot about this material until the Fall of

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67-13301

1947 when it was again noticed by us. At this time after a conference with my husband we decided to turn the material over to our attorney, Mr. Edwin M. Otterbourg, 200 Fifth Avenue. Some time thereafter, following a discussion with my attorney, I telephonically advised the FBI in Washington that I had discovered this material and that it was in the hands of my attorney.

Subsequently, about March 30, 1948, at the office of Mr. Otterbourg the same material was turned over to Special Agents [redacted] and O'Mara of the FBI, at which time I observed that each of these men initialed the top page of each of five documents. I recall the five documents as consisting of three mimeographed FBI reports in the case of [redacted] with notations that each report had been made at Louisville, Kentucky, by Larry E. Kerley. The other two documents were also in [redacted] matter and consisted of letters on yellow copy paper. Simultaneously with the turning over of these documents to Special Agents O'Mara and [redacted] the latter individuals executed a receipt for the documents, which was given to my attorney and which was witnessed by myself and my husband.

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ELIZABETH CAMPBELL LEWIS

Witnessed:

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[redacted]
John M. O'Mara
Special Agents
FBI - Justice
New York, N.Y., 6/18/48. "

Mr. and Mrs. LEWIS each made some minor changes in the original statements as drawn up by the Agents, such changes being in their handwriting and initialed by them.

AT MURRAY, KENTUCKY.

On July 8, 1948, Special Agent John M. O'Mara and the writer interviewed Kerley at his office located in a store operated by him and his brother in law, VAN BARNETT.

67-13301

The interview with Kerley commenced at 11:45 AM, and terminated at 2:10 PM. Kerley was advised that Agents wished to talk with him about his association with Mr. and Mrs. Lewis pertaining to official Bureau matters. He was referred to a previous interview with Mr. Edward Scheidt, Special Agent in Charge of the New York Field Division, at which time he was advised of a complaint made by Mrs. Lewis to the Bureau concerning possession by Kerley of official Bureau reports and documents. Kerley stated that he recalled the interview, and also recalled at the time that he had told Mr. Scheidt that at no time had he given to Mrs. Lewis any official documents and further that he had no official Bureau documents in his possession. Kerley was then asked if he recalled having worked on the investigation in the Louisville Field Division conducted on [redacted] with alias, et al, Alien Enemy Control - G. Kerley replied that he had and did recall working on such a case and that he had written a number of reports in that matter. He stated that as he recalled it he had handled the case from the time it was opened until it was closed. He advised that it was during the course of this investigation that he had first met Mr. and Mrs. James Campbell Lewis and that he had received from them their complete cooperation and assistance in this matter. Kerley was asked had he ever given either Mr. or Mrs. Lewis any reports, letters, or other matter from [redacted] investigative file, and Kerley emphatically answered in the negative. Kerley was then told that the Bureau was in possession of three separate investigative reports in [redacted] case written by Kerley while assigned to the Louisville Field Division, and in addition copies of two letters which were serials in the Louisville file on [redacted]. It was further explained to him that each of these five documents which are a part of the Louisville file had been missing from that file. It was explained to Kerley that these five documents had been recently turned over to the Bureau by Mr. and Mrs. Lewis; that they had stated that the documents came into their possession late in the Fall of 1944, shortly after Kerley had arrived in New York on transfer from Louisville; that the documents had been turned over to them by Kerley with the statement that they were being furnished because of the Lewises' cooperation in [redacted] matter and because of their interest in the case. On being so advised Kerley strenuously stated that the accusations of the Lewises were unfounded and undoubtedly were made with malice and in retaliation for the civil suit against the Lewises brought by Kerley for breach of contract in connection with his former employment by the Lewises.

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67-13301

Kerley was asked if he had any explanation as to how these documents could have reached the hands of the Lewises if they had not been furnished by him. He at this point suggested that inasmuch as Mrs. Lewis had been a frequent visitor to the office of the Resident Agent at Lexington, Kentucky, that she might have "lifted" these documents out of his (Kerley's) brief case while at this office or else might have "lifted" them out of Kerley's brief case when he was a visitor at their farm near Lancaster, Kentucky, to which Kerley was a frequent visitor during the course of official business. It was pointed out to Kerley that if he had been properly in possession of these reports during the course of his official business as an Agent assigned to the Louisville Division, charge-out slips would have been placed in the Louisville file on [redacted] and that such was not the case; that no charge-outs existed for any of the five serials missing from that file. It was further pointed out to Kerley that should it have been the case that he had had these documents in his possession, and Mrs. Lewis had without Kerley's knowledge taken them, that as a Bureau Agent conscious of security of Bureau property he would have noted their loss and have made a notification to the Louisville Division and have made efforts to recover them but that no such notification had ever been made by him. Kerley merely shrugged off these retorts to his explanation and offered no further comment. Kerley stated that he could offer no other explanation as to how the reports came into the hands of the Lewises but was content to rely on the statement that the whole affair was a conspiracy on the part of the Lewises to injure and damage his reputation.

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At the close of the interview, Kerley was asked if he would sign a statement to the effect that he had had no connection with supplying the five documents in [redacted] case to Mr. and Mrs. Lewis. After a brief hesitation, Kerley replied that he would sign such a statement. Accordingly, a statement was drawn up for Kerley's signature. It was read by Kerley and one brief correction was made and initialed by him in his handwriting. Kerley himself then made a copy of the statement and requested the Agents to initial this copy, and on the Agents' refusal to so initial Kerley's copy he declined to sign the original statement. The statement submitted for Kerley's signature and read by him is as follows:

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67-13301

"

Murray, Ky.
July 8, 1948

I, Larry E. Kerley, make the following voluntary statement to [redacted] and John M. O'Mara, who have identified themselves to me to be Special Agents of the Federal Bureau of Investigation, U. S. Department of Justice. No threats or promises have been made me and I realize that any statement which I may make can be used against me in a court of law.

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I have never at any time given to Mr. or Mrs. James C. Lewis of New York City any reports, memos, letters or other documents which were a part of an official (investigative) file of the Federal Bureau of Investigation. In particular, I wish to state that I did not give the above named Lewises any serials from the Louisville Division of the FBI, maintained in a file pertaining to [redacted]

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I have read the above statement and am signing it because it is true and correct."

The parenthetical word above is the addition made by Kerley to the statement as submitted to him by the Agents.

At the close of the interview Kerley was asked if he had any further statement to make regarding the accusation, and he said he would rest on his previous statement that it was a false accusation inspired by malice on the part of the Lewises.

The two statements given by Mr. and Mrs. James C. Lewis, as well as the statement which Kerley refused to sign but did initial, are being maintained in the files of the New York Division in connection with the instant matter.

- PENDING -

Assistant Attorney General T. Vincent Quinn
Criminal Division
Director, FBI

July 20, 1948

RECORDED - 57

LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY
(FBI file 53-1548)

INDEXED - 57

In accordance with your request, Mr. and Mrs. James C. Lewis and Larry Ernest Kerley were interviewed. Enclosed herewith is a copy of the report of Special Agent [redacted] dated at New York City, July 13, 1948, setting forth the results of the above-mentioned interviews.

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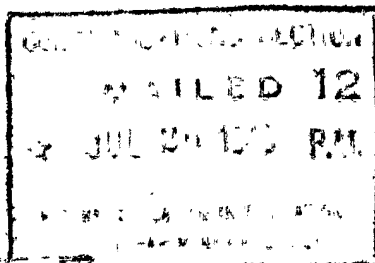
No further action is contemplated unless a request for additional investigation is received from you. It will be appreciated if you will advise me as soon as possible of your final decision regarding this matter.

Enclosure

G. I. R. -2

JJM:aop

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/30/03 BY 60308CE/CAL/PS



Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Hendon
Mr. Pennington
Mr. Quinn
Mr. Nease
Miss Gandy

U.S. DEPT. OF JUSTICE
JUL 20 12 12 PM '48
RECEIVED
JUL 20 11 20 AM '48

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. D. M. Ladd

FROM : F. J. Baumgardner

SUBJECT: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY
(File 58-1548)

DATE: August 23, 1948

Mr. Tolson _____
Mr. E. A. Tamm _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Mohr _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Gandy _____

At 5:40 PM today, ASAC Belmont of the New York Office called regarding the captioned matter.

He stated that the facts in this case were presented to Assistant United States Attorney Murphy on August 20, 1948. Mr. Murphy has now advised that he wishes to see the file which is being maintained regarding this matter by Attorney Edwin M. Otterbourg, 200 5th Avenue, New York City. Mr. Otterbourg is the attorney for the Lewises in this case.

Mr. Murphy is not acquainted with Mr. Otterbourg and he has asked that Agents of the New York Office who were acquainted with Mr. Otterbourg and who have talked with him regarding this case on several occasions introduce him (Murphy) to Mr. Otterbourg. Mr. Murphy stated that he will then ask Mr. Otterbourg to let him (Murphy) review Otterbourg's file regarding this matter. Mr. Murphy indicated that after he has reviewed Otterbourg's file he will reach a decision regarding prosecution in this case.

Mr. Belmont was of the opinion that the New York Office should comply with Mr. Murphy's request. I asked him when Mr. Murphy wanted to meet with Mr. Otterbourg. Mr. Belmont stated that the meeting between the two men will take place on Wednesday, August 25, 1948. I told Mr. Belmont that unless advised to the contrary before Wednesday, he should have an Agent of the New York Office who is acquainted with Mr. Otterbourg introduce Mr. Murphy in accordance with Mr. Murphy's request.

JFB:jam:td

HANDLED BY
WRONG DESK

RECORDED - 37

158-1548-188
F B I

31 AUG 25 1948

97

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/30/03 BY 60372 DCE/CA/TJS

SAC, NEW YORK

August 20, 1948

DIRECTOR, FBI

LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY
Bureau File 53-1548

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/30/03 BY 60320 BEE/CAL/MS

RECORDED 53-1548-189

On August 16, 1948, Alexander M. Campbell, Assistant Attorney General, Criminal Division, requested that the U. S. Attorney for the Southern District of New York be furnished with copies of all pertinent investigative reports and exhibits in this case. Mr. Campbell also furnished the Bureau with a copy of a letter dated August 16, 1948, directed to the U. S. Attorney for the Southern District of New York relative to this matter.

Enclosed herewith for your information are two copies of the letter dated August 16, 1948, which Mr. Campbell addressed to John F. X. McGohey, U. S. Attorney, U. S. Court House, Foley Square, New York, New York. Also enclosed herewith are two copies of a letter dated April 24, 1943, which the Bureau addressed to T. Vincent Quinn, the former Assistant Attorney General. This letter contains background information which is not contained in the two summary reports, copies of which were previously furnished to Mr. Quinn.

In compliance with the request of Mr. Campbell, you are instructed to furnish Mr. McGohey with copies of the two summary reports and with a copy of the report of Special Agent [redacted] dated at New York, July 13, 1948. You should also give Mr. McGohey a copy of the letter dated April 24, 1948, above mentioned.

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On page six of the above-mentioned letter, reference is made to an amended complaint which was filed by Kerley in his civil suit against the Lowises. A copy of the amended complaint was previously furnished to Mr. Quinn. If Mr. McGohey also requests that he be furnished with a copy of the amended complaint, you may provide him with one.

At the time the above-mentioned material is given to Mr. McGohey, he should be informed that all the exhibits pertaining to this case are in your possession and will be furnished to him at his request.

The Bureau does not believe that copies of any other reports will be of any assistance to Mr. McGohey and, therefore, you should not furnish them to him. However, an Agent fully acquainted with the facts involved should discuss this case with Mr. McGohey at the time the material is furnished him so that he will be fully cognizant of all the pertinent details.

The Bureau should be advised immediately as soon as a decision has been made regarding prosecution.

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

Enclosures

100-11

8/20/48
pc
EL
DL

8/20/48
JH

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. D. M. Ladd *DL*

FROM : H. B. Fletcher *HBF*

SUBJECT: LARRY KERLEY
THEFT OF GOVERNMENT PROPERTY

DATE: August 20, 1948

Mr. Tolson _____
 Mr. E. A. Tamm _____
 Mr. Clegg _____
 Mr. Glavin _____
 Mr. Ladd _____
 Mr. Nichols _____
 Mr. Rosen _____
 Mr. Tracy _____
 Mr. Egan _____
 Mr. Gurnea _____
 Mr. Harbo _____
 Mr. Mohr _____
 Mr. Pennington _____
 Mr. Quinn Tamm _____
 Tele. Room _____
 Mr. Nease _____
 Miss Gandy _____

SAC Scheidt of the New York Office called at 4:00 p.m., August 19, 1948, and stated he had been contacted by Assistant United States Attorney Tom Murphy, who advised that the Department had instructed that he look over this case for possible prosecution. AUSA Murphy stated that he wanted to see an Agent at noon on August 20. He particularly desired the details of the suit of Lewis against Kerley, the date of the oldest report known to have been in the possession of Kerley and copies of the summary reports.

I told SAC Scheidt that we had received word from the Department that this had been done and that we were preparing a letter outlining what he should do. I advised him that the letter was dated August 20.

I talked to SAC Scheidt again at 11:30 a.m. today and told him the letter was going forward and he was authorized to deal with Murphy as in any other case, that he should give Murphy copies of the summary reports of the Louisville and New York Offices and a copy of the New York report dated July 13, 1948. I also told him we had furnished the Department in addition a summary, and copies of this summary were being furnished him so that he could furnish it to AUSA Murphy.

HBF:IGS *IGS*

G. I. R. - 8

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 6/30/03 BY 60390 BGE/KAL/MS

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 6/30/03 BY 60390 BGE/KAL/MS

RECORDED 135

158-1548-190
 33 AUG 24 1948

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 71 SEP 8-1948

BL-608 MS

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

FROM : MR. LADD *ok*

SUBJECT: LARRY KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

DATE: September 13, 1948

ok

ph

W. J. M.

Tolson _____
E. A. Tamm _____
Clegg _____
Glavin _____
Ladd _____
Nichols _____
Rosen _____
Tracy _____
Egan _____
Gurnea _____
Harbo _____
Mohr _____
Pennington _____
Quinn Tamm _____
Tele. Room _____
Nease _____
Gandy _____

Reference is made to the attached memoranda dated September 10 and September 12, 1948, regarding articles by Howard Rushmore in the New York "Journal American" for September 10 and 11, 1948, respectively. Hereinafter set forth are Rushmore's allegations and facts as known to this Bureau concerning testimony which he anticipated Kerley would give before the House Un-American Activities Committee. In the "Journal American" for September 10 appeared the following:

- Rushmore - A criminal spy ring headed by a Soviet agent, Arthur Adams, obtained atomic secrets during the war.
- Facts - No one knows what Adams obtained, if anything.
- Rushmore - The FBI, which set up a special squad of 200 G-Men to watch this network, supplied the White House with all names of persons connected with the ring.
- Facts - In the New York Office the average number of agents assigned daily to investigation of Adams and all of his associates was approximately 30.
- Rushmore - Adams.....was allowed to escape because the White House did not want to antagonize Stalin in 1944-45.
- Facts - An indictment was outstanding against Adams during 1945 for the purpose of preventing his departure from this country. He disappeared in January, 1946. The White House had nothing to do with it.
- Rushmore - The FBI, apparently acting on administration orders, warned Kerley he had displeased official Washington.
- Facts - Kerley was asked to come to the New York Office (for the purpose of explaining his disclosures to Rushmore), but he refused. Subsequently, he was interrogated regarding his embezzlement of FBI reports.
- Rushmore - Kerley was repeatedly rejected for several Government jobs.
- Facts - These circumstances are unknown.
- Rushmore - He (Kerley) had for 6 months been assigned to "tail" Adams.
- Facts - Adams was under surveillance by Kerley on January 8 and again on January 18, 1945.
- Rushmore - He had heard Adams in conference with the owner of a jewelry store...
- Facts - Kerley in March, 1945, was assigned to the "plant" on Victoria Stone and naturally heard her in conference with Adams.
- Rushmore - He had observed the movements of an American girl acting as courier for Adams who worked in the Russian Embassy in Washington.
- Facts - Rushmore is apparently referring to [redacted] and Kerley was never assigned to a surveillance of her.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 4/30/03 BY 60290 BSA/TJS

LW:jb

53 SEP 22 1948

RECORDED - 2 58-1548-191
INDEXED - 2 22 SEP 21 1948

*It is certainly a good idea if
Rushmore & Kerley are having
marijuana dreams*

5-10

Rushmore - Adams.....met another spy called Steve at 45th Street and 8th Avenue in 1944.

Facts - The facts in the Adams investigation do not show that Adams ever met anyone named Steve at 45th Street and 8th Avenue at any time.

Rushmore - Steve, a member of the Communist Party National Committee.....made regular trips to New York to meet Adams.

Facts - This allegation is entirely false.

Rushmore - Kerley and another FBI.....saw Steve hand Adams a brief case.

Facts - Kerley never saw anyone hand Adams anything.

Rushmore - The FBI blocked his (Adams) attempted escape late in 1944.

Facts - Adams traveled from New York to Portland, Oregon, in February, 1945; and the FBI did not take any steps to "block" his escape since Adams returned to New York.

Rushmore - Adams.....when he attempted to board a Soviet ship in Seattle was halted by the G-Men.

Facts - Adams did not approach the Seattle waterfront.

With regard to the article of September 11, the following new allegations regarding Kerley's testimony are made:

Rushmore - Kerley was assigned to a super secret squad known as "Comintern Apparatus".

Facts - Comintern Apparatus was the name of the Bureau's control file on Soviet directed Communist espionage activity.

Rushmore - This squad was set up to track down various members of the Soviet spy ring headed by Arthur Adams.

Facts - The Comintern Apparatus Case had been running for a year and a half before Arthur Adams' activities became known.

Rushmore - Kerley told the Committee that on several occasions he saw Adams hand brief cases to members of the Soviet Consulate.

Facts - Kerley at no time saw Adams with members of the Soviet Consulate and at no time was Adams seen by any surveilling agent to hand brief cases to such individuals.

Rushmore - Adams' room in the Peter Cooper was a clearing house of atomic information supplied by Steve.....a woman owner of a Madison Avenue jewelry store.....a woman dress designer in Brooklyn.....a Brooklyn professor.

Fact - There has never been any indication that atomic information was ever furnished to Adams by Steve Nelson or Victoria Stone, the owner of a jewelry store. The woman dress designer and the Brooklyn professor are probably Mr. and Mrs. Clarence Hiskey. Clarence Hiskey was outside the continental United States during most of the time Adams was under investigation and his wife was not known to have furnished Adams atomic information.

ACTION:

None. This is for your information.

Attachment

The Attorney General

September 14, 1948

Director, FBI

~~PERSONAL AND CONFIDENTIAL~~

4-1

LARRY ERNEST KELLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

With further reference to my memorandum of September 13th wherein I transmitted a clipping from the New York Journal American for Saturday, September 11th, referring to the fact that [redacted] a former Special Agent, testified before the Un-American Activities Committee, [redacted]

OTHER Not Within the Purview of FOIA

Congressman Thomas was advised that it was a fact that the Bureau had Arthur Adams under investigation but he was not advised of any of the intimate details of the investigation. Late last evening Congressman Thomas called one of my assistants and indicated that the Sub-Committee consisting of Congressmen Thomas, Vail and McDowell was considering the matter of an informal conference with me later in the week to discuss the Arthur Adams case. Thomas emphasized this would not constitute a hearing but would merely be an informal conference on the case. The Congressman has been advised that it was not within my prerogative to discuss a case of this nature and accordingly it would not be possible for me to meet with the Committee, but on the other hand if the Committee saw fit to take the matter up with you, that would be a matter for the Committee to determine. Mr. Thomas stated that should the Sub-Committee desire to have the conference it would make a formal request of me.

2 Enclosure

SENT FROM D. O.
TIME 5:11
DATE 9-14-48
BY [signature]

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

CC - Mr. Ladd
- Mr. Fletcher
- Mr. Meehan

LBN:MP

OCT 2 - 1948

158-1548-192
F B I
3 SEP 23 1948
RECORDED
INDEXED
DECLASSIFIED BY 60290 BCE/CAJ/MS
6/30/03

Mr. Tolson

September 7, 1948

L. B. Nichols

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 6/30/03 BY 60290 BCE/CAL/BS

Joe Hanlon of the St. Louis Post Dispatch called re-
garding a former FBI Agent by the name of [redacted] who
later worked with Army Intelligence and who had testified
before the Un-American Activities Committee regarding Martin
D. Kamen, concerning the leakage of atomic information. Hanlon
said that since Kamen was a St. Louis man the Post Dispatch was
interested in checking into the matter.

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After checking, I advised Hanlon that we had never had
an Agent by the name of [redacted] that he was undoubtedly a
CIA agent assigned to the Manhattan Engineering District.

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OTHER Not Within the Purview of FOIA

While talking to Robert Stripling on other matters, I
asked him about [redacted] He stated [redacted] was not an FBI Agent and
had never represented himself as such. That [redacted]

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[redacted] This testimony was taken
by Congressman Nixon and the recording company was told to report
it separately; however, when the testimony came back covering the
hearings on Apt. Pressman and Budenz, [redacted] testimony was in
back of the transcription. It was given to the press and then it
was discovered that [redacted] testimony was on the back. They then
called the representatives of the press to whom the transcriptions
were given and exacted a pledge not to use [redacted] name; however,
some newspapers had gotten wind of this and were not bound by the
pledge exacted by the Committee, which accounts for the inquiries
on [redacted]

ORIGINAL FILED IN

RECORDED

58-1548-193

In the course of the conversation with Stripling, he asked
me about Larry Kerley and stated that Larry Kerley was called
before the Committee on the Arthur Adams case that they
had sent an investigator by the name of [redacted] to see Kerley. Upon
[redacted] return Stripling asked him what Kerley's attitude
was and what was the motive, whether he wanted to give spite testi-
mony against the FBI. [redacted] stated that Kerley hated the Communists
but he was not impressed with the fact that Kerley would be a spite
witness. I then told Stripling a little bit about Kerley, about
the Rushmore stories, their inaccuracies, and of how Kerley had not
only violated his oath and in reality was guilty of theft of
government property, and that if Kerley testified to the same
inaccuracies he furnished Rushmore we certainly would not be the
least bit reluctant to publicly issue a statement because it was
reprehensible for a former Agent to violate his oath in the
manner Kerley has and if he gave false testimony we certainly
would label it as such. Stripling stated that they did not want
to use a discredited Agent. I told him that Kerley was certainly

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Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn
Mr. Nease
Miss Gandy

LBN:hmc

Memorandum to Mr. Tolson

in this category. He said undoubtedly the chairman would want to talk to me about this when he came to Washington on Tuesday.

He then advised me in confidence that when Francis Sayre was Commissioner of the Philippines he sent a wire to Hiss about two people whom Sayre was considering taking to the Philippines as advisors. Hiss wired back recommending Noel Field, on whom Whittaker Chambers has testified that he went to Field to get him to work in the Party and found that he was already working with someone else in the Party. We have had considerable information on Field. He is no longer in the State Department but is now the European representative of the Unitarian Church. It would appear that his background is questionable to say the least.

Stripling also stated that they were considering calling four or five key Communists and asking them a lot of questions and then if they declined to answer on the basis of self-incrimination they would be cited for contempt. He has in mind Louise Bransten and some financial agents. He of course is interested in getting some questions to propound. He stated that he does have an excellent set of questions on Louise Bransten. I told him off the record about the stories quoting Adolf Berle and pointed out Berle never did furnish the information to us regarding the interview with Whittaker Chambers until we went and asked for his notes in 1943. He stated Berle has been wanting to testify since Chambers first testified and that while they were in New York a week ago he called Berle at noon and Berle went down and testified at 3 o'clock. He stated that Berle obviously had not had a chance to check any notes that he might have.

COPY:AJH

OFFICE MEMORANDUM - [REDACTED] ATES GOVERNMENT

TO : MR. D. M. LADD

DATE: September 9, 1948

FROM : H. B. FLETCHER

SUBJECT: HEARINGS BEFORE THE HOUSE UN-AMERICAN
ACTIVITIES COMMITTEE, September 9, 1948

Supervisor [REDACTED] of the Washington Field Office called
at 3:45 p.m. today and advised that [REDACTED] former Bureau Agent
who is now an investigator with the House Un-American Activities Committee,
furnished the WFO with the following information concerning the Executive
Hearing of the Committee today.

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LHL:cmw

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OTHER Not Within the Purview of FOIA

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 7/1/03 BY 60290 BCE/KAL/tws

RECORDED - 137

58-1548-194

INITIALS ON ORIGINAL = 12

ORIGINAL NOT RECORDED IN

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. D. M. Ladd *DL*
 FROM : H. B. Fletcher *HBF*
 SUBJECT: LARRY KERLEY
 BRIBERY

DATE: September 10, 1948

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 8/2/01 BY SP2ALM/ely
 437189

Mr. Tolson _____
 Mr. E. A. Tamm _____
 Mr. Clegg _____
 Mr. Glavin _____
 Mr. Ladd _____
 Mr. Nichols _____
 Mr. Rosen _____
 Mr. Tracy _____
 Mr. Egan _____
 Mr. Gurnea _____
 Mr. Harbo _____
 Mr. Mohr _____
 Mr. Pennington _____
 Mr. Quinn Tamm _____
 Tele. Room _____
 Mr. Nease _____
 Miss Gandy _____

ASAC Belmont called from New York at 5:35 pm today and advised as follows:

The following article appeared under the by-line of Howard Rushmore in the New York "Journal-American", Late Edition, for Friday, September 10th. The article is on the first page under the headlines, "Ex G-Man Tells a Comic Spy Plot. Says U.S. Let Chiefs Escape.":

"Larry Kerley, who for three years was an FBI Agent assigned to uncover a Soviet atom bomb spy ring here, has testified in secret session before the House Committee on Un-American Activities that:
 1. A criminal spy ring, headed by a Soviet agent, Arthur Adams, obtained many atomic secrets during the war; 2. The FBI, which set up a special squad of 200 G-men to watch this network, supplied the White House with all names of persons connected with the ring; 3. Adams, called by the FBI one of the most dangerous spies in America, was allowed to escape because the White House did not want to antagonize Stalin in 1944-45.

"The New York 'Journal-American' and the other Hearst newspapers published this story December 3, 1945, over the protest of the FBI, although the FBI had long considered the case closed and many Agents were bitter over the failure of the White House to act.

"Kerley was one of these Agents and after his resignation from the FBI -- after he was lauded by J. Edgar Hoover for his work -- the G-man asked the Hearst newspapers to make the facts public.

"Although he did this as a patriotic American and refused any compensation, the FBI, apparently acting on Administration orders, warned Kerley he had displeased official Washington.

"Although a brilliant lawyer, with an FBI record which made him one of Hoover's top Agents, Kerley was repeatedly rejected for several Government jobs.

"Last month, the New York 'Journal-American' assigned this reporter to tell the Committee in Executive Session the entire story of the Adams' network.

61 OCT 5 1948

LL:esb

RECORDED - 71
 INDEXED - 71

138-1548-195

33

Handwritten notes and signatures:
 "Memo Ladd"
 "to Dir 9-13-48"
 "5-10-48"
 "THREE"

"The Committee then voted to send an investigator to Murray, Kentucky, where Kerley now is in business.

"Although Kerley, since 1945, has been reluctant to testify in public because of possible reprisals by the New Dealers and their agencies, he told the New York 'Journal-American' he would before the Committee in Executive Session.

"The investigator went to Murray, where he was introduced to Kerley by this reporter.

"After hearing the investigator's report last week, the Committee called Kerley to Washington, where, on Wednesday and Thursday of this week, he told how:

"He personally had for 16 months been assigned to 'tail' Adams, who stayed at the Peter Cooper Hotel, 39th Street and Lexington Avenue.

"He had heard Adams in conference with the owner of a jewelry store on Madison Avenue.

"He had observed the movements of an American girl, acting as courier for Adams, who worked in the Russian Embassy in Washington.

"Kerley also told the Committee that Adams, who had contacts in major cities and bank accounts throughout the United States, met another spy called 'Steve' at 45th Street and 8th Avenue in 1944.

"'Steve', a member of the Communist Party's National Committee, was in contact with scientists at the University of California and made regular trips to New York to meet Adams.

"On this occasion, Kerley and another FBI Agent, trailing Adams, saw 'Steve' hand Adams a brief case. The latter then was picked up by a car belonging to the Soviet Consulate here.

"When Adams left the car, the brief case was not in his hand.

"Kerley also told the Committee that the FBI, which had a 24-hour watch on Adams, blocked the latter's attempted escape late in 1944.

"Adams fled New York, but was picked up in Chicago by the FBI and, when he attempted to board a Soviet ship in Seattle, was halted by the G-men.

"After the Hearst newspapers exposed Adams' role in the spy ring, the latter disappeared from his hotel and is believed now back in Russia."

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Ladd *HAF*

FROM : Mr. Fletcher *OK*

SUBJECT: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

DATE: September 12, 1948

Mr. Tolson ☒

Mr. E. A. Tamm ☒

Mr. Clegg ☒

Mr. Glavin ☒

Mr. Ladd ☒

Mr. Nichols ☒

Mr. Rosen ☒

Mr. Tracy ☒

Mr. Egan ☒

Mr. Gurnea ☒

Mr. Harbo ☒

Mr. Mohr ☒

Mr. Pennington ☒

Mr. Quinn Tamm ☒

Tele. Room ☒

Mr. Nease ☒

Miss Gandy ☒

Reference is made to the attached memorandum dated September 10, 1948 concerning a release in the New York "Journal American" of that date. The New York "Journal American" for Saturday, September 11, 1948 likewise carried on page 3 the following by-line article:

"Beatrice ~~X~~Heiman, questioned by the House Committee on un-American Activities this week during its probe of a Soviet atom bomb spy ring, was in 1939 named by a Congressional witness as a link between the American Communist Party and the Russian embassy.

"The Heiman Woman, who once worked for former Soviet Ambassadors Oumansky and Gromyko, is the daughter of Julius Heiman, 52 Broadway.

"Benjamin ~~X~~Gitlo, one-time head of the American Communist Party, testified before the Dies Committee Sept. 11, 1939:

"Beatrice Heiman is a member of the Communist Party and a link between the Russian Embassy and the Communist Party in America."

"Names Father.

"He also named her father, a business man, as a person who converted jewelry sent to this country by Russia into cash - the money being turned over to the Communists.

"On the basis of testimony by Larry Kerley, former FBI agent who told a dramatic story of Russian atomic spying before the Congressional body in executive sessions this week, the committee will further study the activities of both Heimans, it was learned. *lm*

"Kerley, a top G-man for eight years, was one of 200 FBI agents assigned to a super-secret squad known as 'Comintern Apparatus' in 1944-45.

"Traced Spies.

LW:EHW

61 OCT 5 1948

97 Memo Ladd to
Per 9-13-48
Red

RECORDED-57
INDEXED-37
158-1548-196
Wickham
Sam
John

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 8/8/01 BY SP/2444/ky 4371878

Memo for Mr. Ladd

"This squad was set up to track down various members of the Soviet spy ring headed by Arthur Adams, Russian agent.

"Kerley, who in connection with his official duties knew Heiman and his daughter, was closely questioned by the committee concerning the activities of both.

"Kerley was also asked to explain in detail the story first published in the N. Y. Journal American December 3, 1945, which exposed Adams and his confederates.

"Asks Probe.

"It was this newspaper which requested the committee to investigate the Adams network and this reporter introduced Kerley to committee investigators in Murray, Ky., where Kerley is now in business.

"Kerley told the committee that on several occasions he saw Adams hand brief cases to members of the Soviet Consulate here and that Adams' room in the Peter Cooper, 39th and Lexington Ave., was a 'clearing house' of atomic information supplied by:

"Steve, a member of the Communist Party's National Committee who contacted scientists at the University of California for atomic data.

"A woman owner of a Madison Ave., jewelry store.

"A woman dress designer in Brooklyn.

"Many other names, including a Brooklyn professor who once worked on the atom bomb project in Chicago, were supplied by Kerley to the committee."

ACTION

Pursuant to your instructions, the original of this article is being forwarded to the Attorney General under memorandum of September 13, 1948, pointing out that a prosecution of Kerley at this time might create the wrong impression in the minds of the public.

ALL INFORMATION CONTAINED *on envelope*
HEREIN IS UNCLASSIFIED
DATE 7/1/03 BY 60290 REF CAL JS



58-1548-197

ENCLOSURE

IAJH

FEDERAL BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE

750-1548-198

RECORDED

TO: COMMUNICATIONS SECTION.

SEPTEMBER 11, 1948

Transmit the following message to: SAC NEW YORK

CONFIRMING TELEPHONE CONVERSATION WITH SAC SCHEIDT AND MR. NICHOLS DETAILED
ANALYSIS SHOULD BE MADE OF FOLLOWING SUMMARY OF [REDACTED]

[REDACTED] AND BUREAU ADVISED SATURDAY.

OTHER Not Within the Purview of FOIA

HOOVER

SUMMARY ATTACHED:

LEN/dw

ORIGINAL COPY FILED IN 67-106599-214

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 7/1/03 BY 60290BCE/CAL/KMS

97
OCT 18 1948

Federal Bureau of Investigation
U. S. Department of Justice

COMMUNICATIONS SECTION

DECLASSIFICATION AUTHORITY DERIVED FROM:
FBI AUTOMATIC DECLASSIFICATION GUIDE
DATE 08-18-2010

SEP 13 1948

TELETYPE

WASH FROM NEW YORK 5 12 11-07P

DIRECTOR URGENT

ATTENTION LISH WHITSON

~~CLASSIFIED BY NLS/AG/MS/60367-AAG~~
~~DECLASSIFY ON: 2011~~

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LARRY E. KERLEY, FORMER SPECIAL AGENT. REURTEL SEPTEMBER TEN RE-
QUESTING A DETAILED ANALYSIS [REDACTED]

[REDACTED]

[REDACTED] INVESTIGATION OF ADAMS NEVER
DEFINITELY DETERMINED WHERE HE WAS BORN. HE HAS CLAIMED BIRTH ON
MAY FOUR, EIGHTEEN NINETY, TORONTO, CANADA, AND ON AUGUST TWENTY-
FIVE, NINETEEN FIVE, ESKILTUNA, SWEDEN. SWEDISH BIRTH COULD NOT BE
VERIFIED AND [REDACTED]

[REDACTED] [REDACTED]
[REDACTED] ADAMS

ENTERED THE UNITED STATES THRU BUFFALO ON MAY SEVENTEENTH, NINETEEN
THIRTY EIGHT FOR PERMANENT RESIDENCE ON THE BASIS OF AN IMMIGRATION
VISA GRANTED BY CONSULAR OFFICIALS IN CANADA SUCH WAS BASED UPON

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ORIGINAL COPY FILED IN 67-106599-212

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WA 5 PAGE TWO

~~SECRET~~
THE CANADIAN CITIZENSHIP OBTAINED BY ADAMS THROUGH THE USE OF THE
AFOREMENTIONED CANADIAN BIRTH CERTIFICATE. [REDACTED]

[REDACTED]
[REDACTED] ADAMS ENTERED THE U.S. AT NYC DECEMBER FIFTH, THIRTY-
TWO, AS MEMBER OF RUSSIAN MISSION DESTINED TO AMTORG TRADING COMPANY,
NYC. THIS MISSION WORKED AT WRIGHT AERONAUTICAL CORPORATION, PAT-
TERSON, NEW JERSEY. HE DEPARTED US FOR RUSSIA OCTOBER ELEVENTH THIRTY-
THREE. COMPLETE DETAILS RE ADAMS- MOVEMENTS CONTAINED IN NY REPORT
OF SA H.H. HINDERAKER, APRIL TWENTYEIGHT, FORTYEVE. [REDACTED]

[REDACTED]
[REDACTED] NO SUCH PHOTO-
GRAPH IS AVAILABLE IN NY . TWO PHOTOGRAPHS OF ADAMS TAKEN WITH
MEMBERS OF RUSSIAN MISSION AND OFFICIALS OF WRIGHT AERONAUTICAL AT
PATERSON, N.J., IN NINETEEN THIRTYTHREE ARE AVAILABLE. FILES CONTAIN
NO INFO THAT ADAMS INSPECTED BELL AIRCRAFT, BUFFALO. [REDACTED]

[REDACTED] ANDREI SCHEVCHENKO, WHO WAS RUSSIAN
REPRESENTATIVE BELL AIRCRAFT CORPORATION, NIAGARA FALLS, NY. [REDACTED]

[REDACTED]
[REDACTED] ADAMS WAS BROUGHT
TO ATTENTION OF NY OFFICE BY MED, [REDACTED]

IN NYC BY LETTER JULY THIRTYFIRST, FORTYFOUR. MED LETTER OF AUGUST

END PAGE TWO

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WA 5 PAGE THREE

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NOTHER Not Within the Purview of FOIA

THREE, FORTYFOUR, INDICATES MED HAD HISKEY UNDER SURVEILLANCE IN CHICAGO AS IT REFLECTS VISITS BY ADAMS TO HISKEY. [REDACTED]

[REDACTED]

IT MIGHT BE NOTED THAT EXAMINATION OF SURVEILLANCE SUMMARIES FURNISHED BY MED DO NOT REFLECT MEETING IN PARK BETWEEN ADAMS AND HISKEY BUT SUMMARIES APPEAR INCOMPLETE. [REDACTED] BE-

LIEVED TO HAVE OCCURRED IN SEPT., NINETEEN FORTYFOUR BETWEEN ADAMS AND JOHN HITCHCOCK CHAPIN. THE SURVEILLANCE WAS BY BUREAU AGENTS

[REDACTED] CHAPIN, WHEN INTERVIEWED, CLAIMED ADAMS GAVE HIM NOTHING BUT A KEY, FOR IDENTIFICATION, AND A PIECE OF PAPER BEARING ADAMS- NAME AND CHICAGO HOTEL RESIDENCE AND HE GAVE ADAMS NOTHING. THIS MEETING WAS LATE IN DAY, OCCURRED WHILE ADAMS UNDER SURVEILLANCE AND IS ONLY MEETING KNOWN TO THIS OFFICE WHERE ANYTHING WAS PASSED BETWEEN CHAPIN AND ADAMS OR HISKEY AND ADAMS. [REDACTED]

[REDACTED]

[REDACTED] MED DID ESTABLISH ADAMS- NAME AND ADDRESS AND DID CALL IN FBI IN JULY,

END PAGE THREE

~~SECRET~~

WA 5 PAGE FOUR

~~SECRET~~

NINETEEN FORTYFOUR. HOWEVER, ADAMS- IDENTITY AS POSSIBLE RUSSIAN AGENT WAS NOT ESTABLISHED UNTIL AFTER MED TURNED CASE OVER TO FBI. ADAMS- REAL RUSSIAN BACKGROUND WAS ONLY DETERMINED ON JANUARY TWENTY-FOUR, FORTYFIVE, UPON EXAMINATION OF THE RECORDS OF THE SOCIETY OF AUTOMOTIVE ENGINEERS, NYC. MED TURNED OVER INVESTIGATION OF ADAMS TO NY OFFICE BY LETTER JULY THIRTYONE, FORTYFOUR, AND CASE WAS OPENED AUGUST FIFTH, FORTYFOUR. NOTED THIS IS PRIOR TO ADAMS- TRIP TO CHICAGO AND MEETING WITH CHAPIN. ADAMS WAS IN CHICAGO FROM MORNING OF SEPTEMBER TWENTYTWO TO AFTERNOON OF SEPTEMBER TWENTYEIGHT, FORTYFOUR.

[REDACTED]

[REDACTED]

[REDACTED]

ADAMS- LUGGAGE WAS SEARCHED BY CHICAGO AGENTS ENROUTE FROM CHICAGO TO NY AND HIS ROOM SEARCHED AS SOON AS HE LEFT IT FOLLOWING HIS RETURN TO NYC. A TWENTYFOUR HOUR SURVEILLANCE WAS COMMENCED ON ADAMS AT THIS TIME. ADAMS LEFT CHICAGO SEPTEMBER TWENTYEIGHT AND ARRIVED NYC SEPTEMBER TWENTYNINE FORTYFOUR.

[REDACTED]

THERE WAS NEVER ANY INCIDENT WHERE LUGGAGE OR A BRIEF CASE OF ADAMS WAS SUBSTITUTED. HOWEVER DURING INVESTIGATION OF LEMENT U. HARRIS IN COMRAP CASE AGENTS SWITCHED BRIEF CASES WITH HARRIS AND KERLEY MAY HAVE CONFUSED THIS WITH ADAMS CASE.

[REDACTED]

[REDACTED]

END PAGE FOUR

~~SECRET~~

WA5 PAGE FIVE

[REDACTED] THE ONLY THING OBSERVED IN ADAMS- POSSESSION NOT UNDERSTANDABLE TO SA-S WAS A PIECE OF PAPER CONTAINING A NUMBER OF TECHNICAL QUESTIONS. THIS WAS COPIED AND THE RESULTS FURNISHED THE BUREAU IN THE REPORT OF SA H.H. HINDERAKER, DATED OCTOBER TWENTYSEVEN, FORTYFOUR, AT NYC. THIS PIECE OF PAPER WAS FOUND IN ADAMS- BRIEF CASE BY A CONFIDENTIAL SOURCE HAVING ACCESS TO HIS ROOMS AT THE PETER COOPER HOTEL ON SEPTEMBER TWENTYFIVE, FORTYFOUR. IT WAS SUBSEQUENTLY DETERMINED THAT THESE QUESTIONS PERTAINED TO THE MANHATTAN PROJECT. IT SHOULD BE NOTED THAT THESE QUESTIONS WERE COPIES FROM THE PAPER IN ADAMS-POSSESSION, WERE INCORPORATED IN THE AFOREMENTIONED REPORT OF OCTOBER TWENTY SEVEN AND THE NOTES DESTROYED. NO PHOTO* GRAPHS WERE MADE OF THIS MATERIAL. [REDACTED]

[REDACTED] THIS OFFICE HAS NO RECORD OF ANY DOCUMENTS FROM HISKEY TO ADAMS FOUND IN ADAMS BRIEFCASE. AS PREVIOUSLY STATED, BELIEVE MEETING [REDACTED] WAS BETWEEN CHAPIN AND ADAMS [REDACTED] BUREAU AGENTS NEVER OBSERVED ANY MEETS BETWEEN HISKEY AND ADAMS AND MED DID NOT ADVISE OF SUCH A MEET [REDACTED] ADAMS DID VISIT HISKEY AT VARIOUS TIMES AS SET FORTH IN MED LETTER OF AUGUST THREE, FORTY FOUR AND PRESUMABLY AGENTS OF MED OBSERVED THEM. NOTED THAT SIGNIFICANCE OF

END PAGE FIVE

WA 5 PAGE SIX

OTHER Not Within the Purview of FOIA

LIST OF QUESTIONS OBSERVED IN ADAMS BRIEFCASE NOT KNOWN OR APPRE-
CIATED UNTIL AFTER REPORT OF OCTOBER TWENTY SEVENTH SUBMITTED TO
BUREAU. ACCORDINGLY, NOTES WERE DESTROYED FOLLOWING DICTATION. [REDACTED]

[REDACTED]

THERE WERE NO PAPERS TAKEN FROM ADAMS AND NONE WERE TURNED OVER TO
SCIENTISTS OF THE MANHATTAN PROJECT. AS STATED THE TECHNICAL
QUESTIONS FOUND IN ADAMS- POSSESSION WERE COPIED AND REPORTED TO THE
BUREAU. ON NOVEMBER ELEVEN, FORTYFOUR, SUPERVISOR LISH WHITSON AD-
VISED THAT THE QUESTIONS PERTAINED TO THE PROJECT. BY TELETYPE OF
NOVEMBER NINE AND LETTER OF NOVEMBER EIGHTEEN, THE SAN FRAN-
CISCO OFFICE REPORTED SUBMITTING THE QUESTIONS TO MED AUTHORITIES
THAT CITY, WHO STATED IN EFFECT THAT THEY PERTAINED TO THE PROGRESS
AND METHODS OF THE DSM PROJECT IN THIS COUNTRY WITH SIMILAR PRO-
JECTS ABROAD. ON NOVEMBER TEN, FORTYFOUR, THE QUESTIONS WERE EX-
HIBITED TO [REDACTED] OF THE NY OFFICE OF THE MANHATTAN EN-
GINEERING DISTRICT. [REDACTED] ADVISED THAT THE INFORMATION HAD BEEN SUB-
MITTED TO THE HIGHEST RANKING TECHNICAL AUTHORITIES CONNECTED WITH
THE DSM PROJECT IN THIS AREA AND THEY HAD STATED IT WAS WITHOUT A
DOUBT INFORMATION CONCERNING THE PROJECT. HE ADDED THE MATTER HAD

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END PAGE SIX

WA 5 PAGE SEVEN

~~SECRET~~

OTHER Not Within the Purview of FOIA

BEEN REFERRED TO MED HEADQUARTERS, WASHINGTON, AND THAT THE TECHNICAL INFO WOULD BE FURTHER ANALYZED BY OTHER LEADING SCIENTISTS ON THE PROJECT AND THAT THE MILITARY AUTHORITIES IN WASHINGTON WERE TAKING AN EXTREME INTEREST IN THE MATTER. [REDACTED]

[REDACTED]

THE NEW YORK FILES DO NOT

REFLECT ANY STATEMENT BY MED OR BY ANY SCIENTIST LIKE THIS. INFORMATION RECEIVED FROM THE BUREAU AND SAN FRANCISCO AND NEW YORK AS RECEIVED FROM MANHATTAN ENGINEER AUTHORITIES CONCERNING THEIR REACTION TO THESE QUESTIONS HAS BEEN SET FORTH PREVIOUSLY. IT MIGHT BE FURTHER NOTED THAT AT THIS POINT OF THE INVESTIGATION NO CONTACT HAD BEEN HAD IN NYC WITH ANY SCIENTISTS OF THE PROJECT BY THE NY OFFICE. ALL CONTACTS WERE WITH AGENTS OF MED, THE SECURITY DIVISION OF THE PROJECT. [REDACTED]

[REDACTED]

END PAGE SEVEN

~~SECRET~~

~~SECRET~~

OTHER Not Within the Purview of FOIA

WA 5 PAGE EIGHT

[REDACTED]

[REDACTED] AS STATED HERETOFORE, THE
NEW YORK OFFICE HAD NEVER HAD ANY DIRECT CONTACT WITH PROJECT SCIENT-
TISTS AT THIS TIME. FURTHER, AS FAR AS NY RECORDS REFLECT WE NEVER
KNEW THE NAME OF ANY SCIENTIST WHO HAD COMMENTED ON THESE TECH-
NICAL QUESTIONS. [REDACTED]

[REDACTED]

[REDACTED] A REVIEW OF THE NY FILES IN THE ADAMS CASE AND IN CIN-
RAD CASE FAILED TO REVEAL ANY OFFICERS AT MED IN NYC BY THE NAME
OF [REDACTED] OR [REDACTED] THE FILES REFLECTED THAT THE MAJORITY OF CONTACTS
AT MED WERE WITH THE FOLLOWING - [REDACTED]

[REDACTED]

[REDACTED] NO RECORD OF HISKEY TURNING
OVER ANYTHING TO ADAMS. THE PIECE OF PAPER REFLECTING THE PERTINENT
TECHNICAL QUESTIONS WAS IN ADAMS- BRIEF CASE. BUT THERE IS NO KNOW-
LEDGE OF WHERE HE OBTAINED IT. [REDACTED]

END PAGE EIGHT

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OTHER Not Within the Purview of FOIA

WA 5 PAGE NINE

~~SECRET~~

OTHER Not Within the Purview of FOIA

THING FROM ADAMS- BRIEF CASE ALTHOUGH PHOTOGRAPHS WERE TAKEN ON
OTHER OCCASIONS WHEN THE BRIEF CASE WAS EXAMINED . DUE TO VERY LIMIT-
ED TIME, THIS WAS NOT POSSIBLE AT TIME LIST OF TECHNICAL QUESTIONS
WAS OBSERVED. [REDACTED]

~~(U)~~

[REDACTED] ADAMS WAS, OF COURSE, UNDER RIGOROUS INVESTIGATION.
NO PLANTS WERE MAINTAINED ON ADAMS UNTIL NOV. SEVENTEEN, FORTY FOUR,
WHEN A ROOM WAS SECURED IN THE ALLERTON HOTEL, LOCATED ON NORTH SIDE
OF EAST THIRTYNINTH ST. BETWEEN LEXINGTON AND THIRD AVENUE. FROM
WINDOW OF THIS ROOM AGENTS COULD VIEW EXITS FROM PETER COOPER AND WOULD
ADVISE SURVEILLING CARS VIA SIXTY WATT TRANSMITTER AS TO WHEN ADAMS
LEFT HOTEL. THERE WAS NEVER ANY TIME WHEN AGENTS USED "ADJOINING ROOM".
AS OF OCTOBER SIXTEEN, FORTYFOUR, [REDACTED] WAS INSTITUTED
ON ADAMS- ROOM ELEVEN NAUGHT THREE AT THE PETER COOPER, [REDACTED] AND WAS HAND-
LED FROM [REDACTED] IN JANUARY, FORTYFIVE, WHEN IT WAS BELIEVED ADAMS

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END PAGE NINE

~~SECRET~~

WA 5 PAGE TEN

~~SECRET~~

WAS GOING TO CHICAGO, AGENTS USED ROOM EIGHT TWO NAUGHT IN THE PETER COOPER. ON JANUARY TWENTYEIGHT, FORTYFIVE, [REDACTED] COVERING ADAMS ROOM, ELEVEN NAUGHT THREE, WAS INSTALLED. THIS WAS HANDLED FROM ROOM EIGHT TWO NAUGHT. AT THAT TIME, [REDACTED] WAS COVERED FROM THE SAME ROOM, EIGHT TWO NAUGHT, IN THE PETER COOPER THIS PLANT IN ROOM EIGHT TWO NAUGHT WAS DISCONTINUED FEBRUARY TWENTYEIGHT, FORTYFIVE. AT THAT TIME [REDACTED] ON SUBJECT-S ROOM WAS DISCONTINUED AND THE COVERAGE OF [REDACTED] WAS RETURNED TO [REDACTED] AS OF MARCH ONE, FORTYFIVE, THE BUREAU REQUESTED THAT THE NY OFFICE ATTEMPT TO OBTAIN ANOTHER PLANT IN THE PETER COOPER BUT THIS WAS UNSUCCESSFUL. THE PLANT AT THE ALLERTON WAS RETAINED UP TO MARCH ONE, FORTYFIVE. SUBSEQUENTLY, A VISUAL PLANT WAS MAINTAINED AT THREE THREE SEVEN LEXINGTON AVENUE, BUT THIS WAS SUBSEQUENT TO KEKLEY-S DEPARTURE FROM NY OFFICE. [REDACTED]

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[REDACTED]
[REDACTED] THERE WAS

NEVER ANY INCIDENT OF SWITCHING BRIEF CASES WITH ADAMS. CHICAGO AGENTS DID SECURE ADAMS LUGGAGE ENROUTE CHICAGO TO NY SEPT. TWENTY EIGHT, FORTY FOUR BUT NOTHING OF VALUE WAS OBTAINED. THE SEARCH WAS MADE ON THE TRAIN DURING THE NIGHT.

OTHER Not Within the Purview of FOIA

[REDACTED]
END PAGE TEN

WA 5 PAGE ELEVEN

~~SECRET~~

[REDACTED]

[REDACTED] IT WAS NOT POSSIBLE TO PHOTOGRAPH THE LIST OF QUESTIONS FOUND IN ADAMS HOTEL ROOM IN NY BUT THE QUESTIONS WERE COPIED BY AN AGENT AND SUBSEQUENTLY THE AGENTS NOTES WERE DICTATED IN THE REPORT DATED OCTOBER TWENTY SEVEN, FORTY FOUR IN THE ADAMS CASE. THE AGENTS NOTES APPARENTLY WERE DESTROYED AFTER DICTATION AS THERE IS NO EXHIBIT IN THE ADAMS FILE CONSISTING OF THE AGENTS NOTES. KERLEY WOULD APPEAR TO BE COMMENTING ON BASIS OF BUREAU PROCEDURE.

[REDACTED]

[REDACTED] THE FILES OF THE NY OFFICE INDICATE THAT ON JANUARY EIGHT, FORTY FIVE KERLEY WAS ON THE ARTHUR ADAMS SURVEILLANCE AT WHICH TIME HE SAW VICTORIA STONE ENTER ADAM-S HOTEL AND THEN LEAVE BUT HE DID NOT SEE ADAMS ON THAT DAY. ON JANUARY EIGHTEEN NINETEEN FORTY FIVE KERLEY WAS ON THE ADAMS SURVEILLANCE DURING WHICH TIME KERLEY SAW ADAMS DURING THE THREE HOUR PERIOD. KERLEY SURVEILLED ADAMS FROM ADAM-S HOTEL TO BERNAY-S OFFICE FROM BERNAY-S OFFICE TO VICTORIA STONE-S STORE AND THEN FROM STONE-S STORE TO ADAMS-HOTEL. THEREFORE KERLEY WAS ASSIGNED TO THE ADAMS SURVEILLANCE ON TWO DAYS ONLY AND ONLY SAW ADAMS DURING A THREE HOUR PERIOD ON ONE OF THE DAYS.

END PAGE ELEVEN

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WA 5 PAGE TWELVE

~~SECRET~~

OTHER Not Within the Purview of FOIA

[REDACTED]

THERE IS NO EVIDENCE IN NY

FILES THAT HISKEY EVER HANDED ADAMS ANYTHING AT ANY TIME, NOR DID
AGENTS EVER OBSERVE ANY MEETING BETWEEN ADAMS AND CLARENCE HISKEY.

[REDACTED]

ACCORDING TO INFORMATION RECEIV-

ED FROM MED THE DECISION TO CALL UP CLARENCE HISKEY ON HIS RESERVE
COMMISSION WAS MADE PRIOR TO THE TIME THE ADAMS CASE WAS TURNED OVER
TO THE BUREAU BY MED. AS WAS LEARNED THROUGH INVESTIGATION AND IN-
TERRIGATION OF CHAPIN THE MEETING BETWEEN [REDACTED] AND ADAMS OCCURRED

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END PAGE TWELVE

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WA 5 PAGE THIRTEEN

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OTHER Not Within the Purview of FOIA

AFTER HISKEY HAD LEFT US AND WAS AS A RESULT OF HISKEY HAVING BEEN CALLED INTO THE ARMED FORCES. IT WAS AS A RESULT OF THIS MEET THAT THE BUREAU COMMENCED CONTINUOUS SURVEILLANCE OF AND INCREASED INVESTIGATION OF ADAMS WHICH LED TO THE DETERMINATION OF HIS RUSSIAN BACKGROUND. THUS BUREAU IN NO POSITION TO DISCUSS ADAMS, AND HIS RELATIONSHIP TO HISKEY UNTIL AFTER LATTER ALREADY IN SERVICE. [REDACTED]

[REDACTED] ACCORDING TO INFORMATION FURNISHED BY MED, HISKEY WAS FIRST TRANSFERRED TO HEADQUARTERS NORTHWEST SERVICE COMMAND EDMONTON, ALBERTA, CANADA THEN TO "CANOL" AND SUBSEQUENTLY TO THE SO. PACIFIC AREA, WHILE IN EDMONTON, HIS QUARTERS WERE SEARCHED BY MED AGENTS WHO FOUND A NUMBER OF CLASSIFIED DOCUMENTS WHICH DEALT WITH HIS WORK ON THE PROJECT. ACCORDING TO MED, THESE WERE TAKEN FROM HIM BUT HISKEY NEVER REPORTED THEIR LOSS. [REDACTED]

[REDACTED] BUREAU ADVISED NY THAT THE HISKEY CASE WAS PRESENTED TO THE AGO AND THEY DECLINED PROSECUTION. SIMILARLY THE DEPT. OF JUSTICE DECLINED PROSECUTION OF HISKEY, AS SET FORTH IN BUREAU LETTER OF OCTOBER TWENTYFOURTH, FORTYSIX, IN THE ADAMS CASE. [REDACTED]

~~SECRET~~

END PAGE THIRTEEN

WA 5 PAGE FOURTEEN

~~SECRET~~



ON SEPTEMBER TWENTY, FORTY

FOUR, ADAMS WAS SURVEILLED TO TWENTY NINE EAST ELEVENTH ST., NYC
THE HOME OF JACOB ARONOFF.

END PAGE FOURTEEN

~~SECRET~~

WA 5 PAGE FIFTEEN

~~SECRET~~

ADAMS LEFT THE ARONOFF RESIDENCE AT NINE TWENTY PM WITH AN UNIDENTIFIED YOUNG MAN. BOTH WERE CARRYING LARGE CARDBOARD BOXES. THE BOXES. THE BOXES WERE PLACED IN THE REAR COMPARTMENT OF THE CAR WHICH WAS A BLACK SEDAN BEARING WHAT THE AGENTS THOUGHT TO BE NY TAGS "N FOUR SEVEN SIX SEVEN." THE CAR WAS LOST AND IT WAS ASCERTAINED THAT IT WAS REGISTERED TO JACQUES BRAUNSTEIN, FIVE TWENTY ONE, FIFTH AVENUE. AN INVESTIGATION OF BRAUNSTEIN WAS NEGATIVE. SUBSEQUENTLY ON OCTOBER TWENTY FIFTH, FORTY FOUR, AGENTS EMERY M. GREGG, [REDACTED] AND HAROLD E. HUNSEBERGER, SURVEILLED ADAMS TO ARONOFF-S RESIDENCE GIVEN ABOVE. AT SEVEN PM ARONOFF LEFT. AT NINE FIFTY PM ADAMS LEFT CARRYING A HEAVY SUITCASE AND AT NINE FIFTY FIVE PM A BLACK PLYMOUTH SEDAN WITH NY TAGS "N FOUR NINE SIX SEVEN" STOPPED IN FRONT OF THE HOUSE. ADAMS LUGGAGE WAS PLACED IN THE CAR-S TRUNK. THEN ADAMS GOT IN THE CAR WHICH DROVE OFF. AFTER A SHORT PERIOD OF TIME THE SURVEILLANCE WAS LOST BUT IT WAS ASCERTAINED THAT THESE PLATES WERE ISSUED TO PAVEL PETROWICH MIKHAILOV, VICE CONSUL, USSR CONSULATE, NYC. THIS CAR WAS SUBSEQUENTLY OBSERVED AT THE CONSULATE. THE AGENTS ON THE SURVEILLANCE ON SEPTEMBER TWENTY, FORTYFOUR, STATED THAT POSSIBLY, DUE TO CIRCUMSTANCES, THEY COULD HAVE MISTAKEN THE LICENSE NUMBER OF THE CAR AS FOUR SEVEN SIX SEVEN, INSTEAD OF FOUR NINE SIX SEVEN. MIKHAILOV WAS ASSIGNED TO THE USSR CONSULATE AT THE TIME OF THE ACTIVITY DESCRIBED ABOVE AND WAS SO ASSIGNED UNTIL HE LEFT THE US ON DECEMBER THIRTEEN, FORTYFIVE, WHICH WAS SHORTLY AFTER THE PUBLICATION OF THE ADAMS CASE IN THE JOURNAL AMERICAN NEWSPAPER ON DECEMBER THREE, FORTYFIVE. SINCE KERLEY ARRIVED IN NY, NOVEMBER TWENTY NINE, FORTYFOUR AND LEFT JULY NINETEEN, FORTYFIVE,

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WA 5 PAGE SIXTEEN

OTHER Not Within the Purview of FOIA

HE WAS IN NY WHILE MIKHAILOV WAS ASSIGNED TO THE CONSULATE. THE ONLY OTHER TIME THAT THE FILES OF THIS OFFICE INDICATE THAT ADAMS WAS IN TOUCH WITH THE CONSULATE WAS WHEN HE WAS OBSERVED TO MAIL A LETTER ON OCTOBER FOUR, FORTYFOUR, WHICH THE AGENTS IDENTIFIED AS BEING ADDRESSED TO THE USSR CONSULATE. THERE WAS NO RETURN ADDRESS ON THE LETTER AND THE AGENTS WERE UNABLE TO ASCERTAIN THE CONTENTS.

~~SECRET~~

[REDACTED]

[REDACTED] NELSON WAS SUBJECT OF INTENSIVE INVESTIGATION PRIOR TO THIS TIME IN ANOTHER CASE.

[REDACTED]

ADAMS WAS ON THE PAY ROLL OF THIS COMPANY FROM JUNE TWO, FORTYTHREE, TO JUNE TWENTYSEVENTH, FORTYFIVE, AND KEPT A DESK THERE UNTIL JANUARY NINETEEN FORTYSIX. HE WAS A TECHNICAL ADVISOR AT SEVENTYFIVE DOLLARS PER WEEK.

[REDACTED]

[REDACTED]

[REDACTED] ADAMS VISITED THIS APARTMENT ALMOST DAILY, HOWEVER, HE SPENT THE NIGHT INFREQUENTLY. MORE FOLLOWS.

SCHEIDT

HOLD PLS

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~~SECRET~~

1 Bureau of Investigation
 Department of Justice
 COMMUNICATIONS SECTION

SEP 13 1943

~~SECRET~~

TELETYPE

ALL INFORMATION CONTAINED
 HEREIN IS CLASSIFIED EXCEPT
 WHERE SHOWN OTHERWISE

WASH FROM NEW YORK 1 13 12-35A

DIRECTOR URGENT

ATTENTION MR. LISH WHITSON

CLASSIFIED BY NLS/AG/pms/60267-AAG
 DECLASSIFY ON: 25X
 OTHER Not Within the Purview of FOIA

LARRY E. KERLEY, FORMER SPECIAL AGENT. REURTEL SEPTEMBER TEN AND
 MY TEL SETTING OUT PARTIAL ANALYSIS [REDACTED] CONTINU-
 ING, PAGE FIVE LINE FIFTEEN YOUR REF TEL INDICATES [REDACTED]

[REDACTED]

[REDACTED] COVERED STONE-S TELEPHONE

AT HER RESIDENCE THIRTY NINE WEST FIFTY FIFTH STREET BEING INSTITUT-
 ED OCTOBER TWENTY FOUR, FORTY FOUR AND DISCONTINUED JUNE SECOND,
 FORTY SEVEN. [REDACTED]

COVERED STONES-S STORE AT FIVE TEN
 MADISON AVENUE AND WAS INSTITUTED DECEMBER TWENTY SECOND, FORTY FOUR
 AND DISCONTINUED JUNE SECOND, FORTY SEVEN. [REDACTED] BOTH WERE OPERATED FROM

[REDACTED] COVERING STONE-S APARTMENT WAS INSTITUTED (S) (U)

END PAGE ONE

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WA 1 PAGE TWO

NOVEMBER SECOND, FORTY FOUR. THIS WAS SINGLE PAIR TAP AND WAS OPERATED FROM THE BASEMENT OF STONE-S APARTMENT HOUSE. THIS WAS DISCONTINUED DECEMBER SECOND, FORTY FOUR. ON JANUARY TWENTY THREE, FORTY FIVE A CARBON MICROPHONE WAS PLACED IN THE CHIMNEY IN STONE-S APARTMENT BEARING SALE SYMBOL [REDACTED] THE PLANT BEING LOCATED IN THE SAME BASEMENT IN STONE-S APARTMENT HOUSE. THIS SET UP WAS CONTINUED UNTIL FEBRUARY EIGHT, FORTY FIVE. UP UNTIL THIS TIME MICROPHONE COVERAGE WAS OPERATED ON AN INTERMITTANT BASIS. DURING THE ABOVE TIME KERLEY WAS NOT ASSIGNED ON THE PLANT. ON FEBRUARY EIGHT, FORTY FIVE, APARTMENT SEVEN D OF THE HOTEL SHOREHAM THIRTY THREE WEST FIFTY FIFTH, WHICH IS NEXT DOOR TO STONE-S APARTMENT HOUSE WAS ENGAGED BY THE NYO TO USE IN THE PLANT OPERATION. FROM THIS HOTEL ROOM THE CARBON MICROPHONE IN STONE-S CHIMNEY WAS OPERATED UNTIL NOVEMBER NINE, FORTY FIVE, AT WHICH TIME [REDACTED] WAS PERMANENTLY DISCONTINUED. THE TIMES KERLEY WORKED IN THE PLANT WILL BE SET OUT LATER IN THEIR TELETYPE. (S)

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OTHER Not Within the Purview of

[REDACTED]

[REDACTED] ADAMS WAS FIRST SURVEILLED BY BUREAU AGENTS ON AUGUST TWENTYFIVE, FORTYFOUR. ADAMS DID NOT GIVE ANY INDICATION

END PAGE TWO

~~SECRET~~

WA 1 PAGE THREE

OF BEING TAIL CONSCIOUS UNTIL IMMEDIATELY AFTER HIS CONTACT WITH MIK-
HAILOV ON OCTOBER TWENTY FIVE, FORTY FOUR AS
SET FORTH PREVIOUSLY. THEREFORE, ADAMS WAS TAIL CONSCIOUS AT THE TIME
KERLEY ARRIVED IN THE NYO NOVEMBER TWENTY NINE, FORTY FOUR.

~~SECRET~~

OTHER Not Within the Purview of FOI

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] AN AGENT DID NOT HIT ADAMS
AT ANY TIME DURING THE SURVEILLANCE. A REVIEW OF THE ADAMS SURVEIL-
LANCE LOGS REFLECTS ADAMS AT WALDORF ONLY ON TWO OCCASIONS, THAT ON
OCTOBER SIXTEEN, FORTY FOUR, ADAMS AND VICTORIA STONE WENT TO THE
WALDORF ASTORIA HOTEL FOR A DINNER AND MEETING IN HONE OF A PRESENT-
ATION OF ARMY AND NAVY E AWARD TO ELECTRONICS CORPORATION OF AMERICA.
DURING THE TIME ADAMS WAS THERE, HE WAS IN THE PALM ROOM AND THE STAR-
LIGHT ROOF. ADAMS AND VICTORIA STONE LEFT AT NINE PM, SEPARATED IN
THE LOBBY, ADAMS GOING TO HIS HOME. ADAMS AND STONE WERE SURVEIL-
LED TO THE WALDORF BY AGENTS [REDACTED] AND

[REDACTED] ADAMS WAS SURVEILLED AWAY FROM THE WALDORF TO
END PAGE THREE

~~SECRET~~

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b7C

WA 1 PAGE FOUR

HIS HOME BY SAs DONALD E. SHANNON, HAROLD E. HUNSENGER AND [REDACTED]

[REDACTED] ON OCTOBER TWENTYSEVEN, FORTYFOUR, ADAMS LEFT THE OFFICE OF KEYNOTE RECORDINGS WITH AN UNIDENTIFIED MAN WHO WAS BELIEVED TO WORK AT KEYNOTE. THE TWO PROCEEDED TO THE WALDORF ASTORIA HOTEL WHERE THEY WENT TO THE STARLIGHT ROOF ON THE EIGHTEENTH FLOOR AND ATTENDED A MEETING OF BUSINESS MEN-S DEMOCRATIC CLUB TO HEAR THE PRESIDENT-S SPEECH FROM PHILADELPHIA. AT NINE FIFTY FIVE PM ADAMS LEFT ALONE AND WENT HOME. THE AGENTS DID NOT OBSERVE THE UNKNOWN MAN LEAVE THE MEETING BECAUSE OF THE LARGE NUMBER OF INDIVIDUALS IN ATTENDANCE. THE UNKNOWN INDIVIDUALS DESCRIPTION DOES NOT COINCIDE WITH THAT OF STEVE NELSON. FURTHERMORE, THE STEVE NELSON FILE DOES NOT INDICATE THAT HE STAYED AT THE WALDORF ASTORIA HOTEL. THE INCIDENT TO WHICH IT IS BELIEVED KERLEY WAS REFERRING WHEN HE STATED THAT ADAMS TOLD THE AGENT HE WAS GOING TO A CERTAIN ROOM WILL BE EXPLAINED LATER AT WHICH TIME THE ELABORATION IS GIVEN ON THE "PRIVATE WAR BETWEEN THE DIFFERENT SUBJECTS AND AGENTS".

OTHER Not Within the Purview of FC

END PAGE FOUR

~~SECRET~~

WA 1 PAGE FIVE

~~SECRET~~

[REDACTED]

[REDACTED] AT THE TIME KERLEY WORKED ON THE CASE IT HAD NOT BEEN OPENED A YEAR. FURTHER ADAMS WAS SURVEILLED EXACTLY TWO MONTHS BEFORE HE BECAME COGNIZANT OF THE SURVEILLANCE AND HIS CONTACT WITH MIKHAILOV WAS ASCERTAINED THROUGH THE PHYSICAL SURVEILLANCE. ALSO WE WERE ABLE TO DETERMINE ADAMS HABITS, HIS ASSOCIATES, HIS MEETING WITH CHAPIN IN CHICAGO AND IT WAS NECESSARY IN ORDER TO DEVELOP THE HIGHLY CONFIDENTIAL SOURCES THROUGH WHICH WE FOUND THE LIST OF QUESTIONS IN HIS POSSESSION PERTAINING TO THE DSM PROJECT.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] THE BUREAU WAS NOT AWARE OF ADAMS IDENTITY IN

END PAGE FIVE

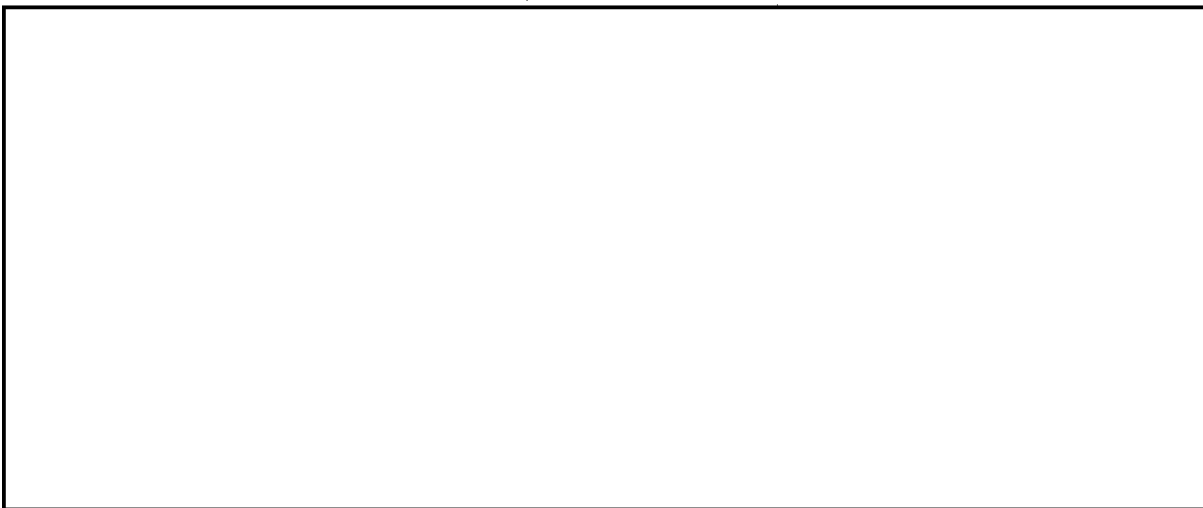
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WA 1 PAGE SIX

~~SECRET~~

NINETEEN FORTY WHEN HE RESIDED AT TWO FOUR NAUGHT WEST SEVENTY THIRD STREET, THE COMMANDER HOTEL, /NOTE DIFFERENT ADDRESS/. ALAMS RESIDED AT THIS HOTEL FROM MAY SEVENTEEN, THIRTY EIGHT UNTIL FEBRUARY SIX, FORTY ONE. AS TO THE BUREAU-S BEING AWARE OF HIS IDENTITY IN NINETEEN FORTY THREE, THE BUREAU WAS NOT APPRISED OF ADAMS IDENTITY UNTIL JULY THIRTY FIRST, FORTY FOUR.

OTHER Not Within the Purview of



THE BUREAU DID

NOT BREAKDOWN THE WIRES OR CODES SINCE AT THAT TIME THERE WAS NO TRANSLATION OF THE CABLES IN THE FILES AS THE CABLES WERE IN RUSSIAN.

MILLER WAS SURVEILLED BECAUSE OF HIS PERSONAL CONTACT WITH ADAMS.

THE TWO MET MORE THAN A DOZEN TIMES.



ON

FREQUENT OCCASIONS ADAMS WOULD VISIT DR. MILLER-S HOME AT FOUR HUNDRED WEST END AVENUE. MILLER WAS SURVEILLED BECAUSE OF HIS PERSONAL CONTACTS

END PAGE SIX

~~SECRET~~

TA 1 PAGE SEVEN

WITH ADAMS AND THE TWO DID MEET MORE THAN A DOZEN TIMES. [REDACTED]

DR. MILLER-S WIFE WAS RUSSIAN AND A CLOSE INTIMATE FRIEND OF ADAMS- WIFE DOROTHEA KEEN WHO WAS IN RUSSIA. [REDACTED] IN SEARCHING

~~SECRET~~

ADAMS- EFFECTS A NUMBER OF CABLEGRAMS WERE FOUND BETWEEN MILLER-S AND ADAMS- WIVES. ONE CABLE WAS FOUND IN THE POSSESSION OF IRENE MILLER, THE WIFE OF DR. LOUIS MILLER, COPIES OF A NUMBER OF CABLES BETWEEN JACOB BROCHES ARONOFF, AND ADAMS- WIFE IN MOSCOW WERE FOUND IN ARONOFF-S POSSESSION, AND A NUMBER OF CABLES WERE RECEIVED FROM RADIO AND CABLE CENSORSHIP, NYC BETWEEN ADAMS- WIFE AND ARONOFF, IRENE MILLER DR. LOUIS MILLER. THE CABLES MAINTAINED AS EXHIBITS IN THE ADAMS AND ARONOFF FILES ARE ALL IN ENGLISH AND NOT IN RUSSIAN. IN NONE OF THE RELATED FILES COULD ANY SUCH CABLES IN RUSSIAN BE LOCATED. [REDACTED]

[REDACTED] CABLES

BETWEEN KEENE, IRENE MILLER, ARONOFF AND NOVICK, RECEIVED BY NYO FROM CENSORSHIP, NOT FROM ANY SEARCH, WERE SENT TO BUREAU FOR EXAMINATION BY LETTER MARCH SECOND, FORTY FIVE IN COMRAP CASE. [REDACTED]

[REDACTED]
A REVIEW OF THE PHYSICAL SURVEILLANCE LOGS ON MILLER REFLECTED THAT ON JANUARY SIX FORTYFIVE, KERLEY WAS ON THE MILLER SURVEILLANCE FROM EIGHT AM TO FIVE THIRTY PM, BUT NO PERTINENT ACTIVITY WAS OBSERVED.

END PAGE SEVEN

~~SECRET~~

WA 1 PAGE EIGHT

[REDACTED]

[REDACTED] IN NEWARK REPORT ONE TWENTY SIX, FORTY FIVE,

~~SECRET~~

IN THE LEVY CASE, IT WAS STATED THAT ON NOVEMBER TWENTY
THREE FORTY FOUR, LEVY -S RESIDENCE IN SOUTH ORANGE, NJ WAS SEARCHED.
NOTHING WAS

FOUND PERTAINING TO EARNEY JOSEPHSON. A PERSONAL FILE ON LEON JOSEPHSON
WAS FOUND. ALSO, WHAT APPEARED TO BE THE ORIGINAL INS FILE OF WELWEL
WARZOWER, WITH ALIAS ROBERT WILLIAM WEINER. PHILIP LEVY WAS A VISITOR
AT VICTORIA STONE-S JEWELRY STORE.

[REDACTED]

[REDACTED]

[REDACTED] THERE IS NO INFO IN THE MARCIA

HISKEY OR THE ARTHUR ADAMS FILES THAT HISKEY MAINTAINED A.P.O. BOX
AS A DROP FOR ADAMS. IN ONE INSTANCE IT IS KNOWN THAT SHE ACTED AS A
AN INTERMEDIARY FOR MAIL TO ADAMS. FROM MED INTERCEPTS IT IS KNOWN
THAT JOHN CHAPIN ON MAY SEVENTEEN FORTY FOUR, WROTE A LETTER TO CLARENCE
HISKEY IN CARE OF MARCIA HISKEY PRESUMABLY AT HER IRVINGTON, NY, ADDRESS
AND THAT MARCIA SAID SHE FORWARDED IT TO ARTHUR. IT IS ALSO KNOWN
FROM TXXX

END PAGE EIGHT

~~SECRET~~

WA 1 PAGE NINE

FROM THESE INTERCEPTS THAT CLARENCE HISKEY HAD TOLD MARCIA TO EXPECT THAT LETTER. LATER IN JOHN CHAPIN-S SIGNED STATEMENTS HE ADMITTED THAT THE INSTANT LETTER WAS BY PRE-ARRANGEMENT HIS NOTIFICATION TO ADAMS THAT HE, CHAPIN HAD RETURNED TO THE MANHATTAN PROJECT IN CHICAGO. THERE IS NO INFORMATION THAT MARCIA HISKEY RECEIVED ANY QUOTE MATERIAL UNQUOTE INTENDED FOR ADAMS OTHER THAN THE ABOVE CHAPIN LETTER. THERE IS NO INFO THAT MARCIA HISKEY EVER VISITED THE RESIDENCE OR BUSINESS ADDRESSES OF VICTORIA STONE. MARCIA HAD NUMEROUS CONTACTS WITH ADAMS AT HER RES- DENCE, HIS HOTEL, AND AT PUBLIC PLACES DURING THE PERTINENT PERIOD, HOWEVER. NO ATTEMPT WAS EVER MADE BY THIS OFFICE TO GAIN ACCESS TO VICTORIA STONE-S STORE. HOWEVER, SOME CONSIDERATION WAS GIVEN TO THIS POSSIBILITY BUT IT WAS DEEMED INADVISABLE FROM SECURITY STANDPOINT.

OTHER Not Within the Purview of FOIA

[REDACTED]

[REDACTED] THE FOLLOWING SETS OUT A SUMMARY OF KERLEY-S ACTIVITIES IN THE NY OFFICE RELATIVE TO THE COMRAP, CINRAD, ADAMS AND RELATED CASES. ON JANUARY ELEVEN, FORTYFIVE, KER- KEY WAS ON A SURVEILLANCE AT THE USSR CONSULATE IN NY DURING WHICH TIME HE SURVEILLED ELLA WINTERS. ON FEB. SEVEN, FORTYFIVE, HE WAS AGAIN ON A SURVEILLANCE AT THE USSR CONSULATE DURING WHICH TIME HE SURVEILLED GEORGE PIRINSKY OF THE AMERICAN SLAV CONGRESS.

END PAGE NINE

~~SECRET~~

~~SECRET~~

PA 1 PAGE TEN

RELATIVE TO THE PHILIP LEVY SURVEILLANCE, KERLEY WAS ON THE SURVEILLANCE OF LEVY THE FOLLOWING DATES- DECEMBER TWO, FORTYFOUR, DECEMBER ELEVEN, FORTYFOUR, TAKING LEVY TO VICTORIA STONE-S STORE, DECEMBER THIRTEEN, FOURTEEN, FIFTEEN, EIGHTEEN, NINETEEN, TWENTY, FORTYFOUR, THE ONLY ACTIVITY NOTWORTHY OF MENTIONING BEING THAT ON DECEMBER FIFTEEN KERLEY SURVEILLED LEVY TO CAFE SOCIETY UPTOWN, WHICH IS OWNED BY EARNEY JOSEPHSON. KERLEY-S ACTIVITY ON THE DR. LOUIS MILLER CASE HAS ALREADY BEEN MENTIONED. KERLEY-S ACTIVITY ON THE ARTHUR ADAMS CASE HAS LIKEWISE BEEN MENTIONED. RELATIVE TO THE JOSEPH FREEMAN SURVEILLANCE ON JANUARY FOURTEEN, FORTYFIVE, KERLEY SURVEILLED HIM ON JANUARY FOURTEEN, FORTYFIVE, AT WHICH TIME FREEMAN MET WITH ELLA WINTERS AND DONALD OGDEN STEWART. FREEMAN WAS LAST SEEN ON THIS DATE AT FORTYFOUR CHALMERS PARK, ON JAN. FIFTEEN, FORTYFIVE, KERLEY SURVEILLED FREEMAN TO TWO HORATIO STREET, THE RESIDENCE OF FREEMAN-S SECRETARY, ANNE FEINBERG. KERLEY-S NUMBER THREE CARD FOR JAN. NINE, FORTYFIVE, SHOWS, "SURVEILLANCE RE HISKEY, VICINITY OF J AND THIRTEENTH STREETS, BROOKLYN", BUT THERE IS NO LOG SUBMITTED BY KERLEY TO SHOW THAT ACTIVITY HE OBSERVED ON THAT DATE TO BE FOUND IN THE MARGIA HISKEY PHYSICAL SURVEILLANCE SUB FILE. KERLEY WAS ASSIGNED TO THE JACOB ARONOFF SURVEILLANCE ON JAN. NINETEEN, FORTYFIVE BUT NO ACTIVITY WAS OBSERVED ON THAT DATE. ON FEB. TWENTYFOURTH, FORTYFIVE, KERLEY WAS ASSIGNED TO SURVEIL CAPT. MICHAEL BLANKFORT, BUT NOTHING OF CONSEQUENCE WAS NOTED. ON FEB. TWENTYSIX AND TWENTYSEVEN, FORTYFIVE, KERLEY WAS ON THE ERIC BERNAY PHYSICAL SURVEILLANCE BUT

~~SECRET~~
END PAGE TEN

WA 1 PAGE ELEVEN

BERNAY WAS NOT OBSERVED ON EITHER DATE. KERLEY SURVEILLED EDWARD SMITH ~~SECRET~~
ON MARCH TWO THROUGH MARCH EIGHT, FORTYFIVE, BUT NOTHING OF INTEREST
WAS NOTED. KERLEY-S ACTIVITY ON THE VICTORIA STONE PLANT WILL BE SET
OUT IN THAT PORTION OF THE ANALYSIS DEALING WITH AN ALLEGED STATEMENT
OF STONE TO BERNAY THAT THE FBI HAD PICKED UP ADAMS IN CHICAGO. AT
KERLEY-S SUGGESTION, [REDACTED]

[REDACTED]

[REDACTED]

THE REMAIN-

DER OF KERLEY-S INVESTIGATIVE ACTIVITIES IN THE NY OFFICE WAS SET
OUT IN THE REPORT OF SA [REDACTED] DATED JAN. SEVENTEEN,
FORTYSIX, IN THE KERLEY CASE. THIS APPEARS ON PAGES TWENTYONE
THROUGH FORTY OF THE INSTANT REPORT AND THEREFORE WILL NOT BE
REPEATED IN THIS TELETYPE.

OTHER Not Within the Purview of F

[REDACTED]

[REDACTED] THERE WAS MUCH CORRESPONDENCE IN THE VARIOUS RELATED
FILES RELATIVE TO THE POSSIBLE CP CONNECTION
OF THE SUBJECTS AND ASSOCIATES OF THE ADAMS GROUP. [REDACTED]

[REDACTED]

ADDITIONAL MATERIAL WILL BE SUBMITTED IMMEDIATELY.

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~~SECRET~~

COPY:AJH

Bureau of Investigation
Department of Justice

COMMUNICATIONS SECTION

SEP 13 1948

TELETYPE

WASH FROM NEW YORK 2 13 2-02A

DIRECTOR URGENT

ATTENTION MR. LISH WHITSON

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ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 7/1/93 BY 60290 BCE/CAL/MS

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LARRY E. KERLEY, FORMER SPECIAL AGENT. REURTEL SEPTEMBER TEN AND MY
TWO TELS SETTING OUT ANALYSIS [REDACTED] THIS IS THIRD
TELETYPE SETTING OUT ANALYSIS. PAGE FIVE PENULTIMATE LINE [REDACTED]



[REDACTED] NOTEWORTHY AMONG THESE INSTANCES

END PAGE ONE

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WA 2 PAGE TWO

WAS ON MARCH FOURTH, FORTY FIVE ON HIS RETURN TRIP FROM PORTLAND, OREGON, ADAMS STOOD AGAINST THE WALL IN GRAND CENTRAL STATION AND OBSERVED ALL PERSONS IN THE VICINITY FOR TEN MINUTES. ANOTHER INCIDENT OCCURRED ON MARCH NINETEENTH, FORTY FIVE WHEN ERIC BERNAY STOPPED HIS CAR AND DEMANDED OF THE AGENT WHY HE WAS BEING FOLLOWED AND BECAME EMBARRASSED WHEN THE AGENT ACCUSED BERNAY OF ATTEMPTING TO CAUSE A COLLISION WITH THE AGENT-S AUTOMOBILE. ANOTHER INCIDENT OCCURRED ON OCTOBER EIGHTEENTH, FORTY FIVE WHEN ADAMS WHILE UNDER SURVEILLANCE STOPPED TWO NYC POLICEMEN AND APPARENTLY ACCUSED AGENTS OF FOLLOWING HIS ALTHOUGH HE DID NOT APPROACH THE AGENTS. THE POLICEMEN WERE DISCREETLY APPRISED OF THE IDENTITY OF THE AGENTS WHO ADVISED ADAMS HE MUST BE IMAGINING THINGS. ON MARCH TWENTY-FIRST, FORTY FIVE, ADAMS OBVIOUSLY TAKING PRECAUTIONS TO INSURE DETECTION OF A SURVEILLANCE ENTERED THE HOTEL PENNSYLVANIA, NYC, AND TOOK AN ELEVATOR TO THE EIGHTEENTH FLOOR. HE WAS FOLLOWED BY AN AGENT, AND ADAMS APPROACHED THE AGENT ON THE EIGHTEENTH FLOOR OF THE HOTEL ASKING "WOULD YOU CARE TO COME IN WITH ME". AGENT THEREUPON WALKED AWAY.

OTHER Not Within the Purview of FO

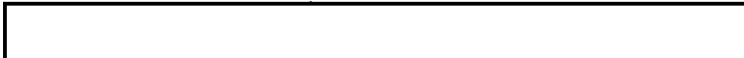
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WA 2 PAGE THREE

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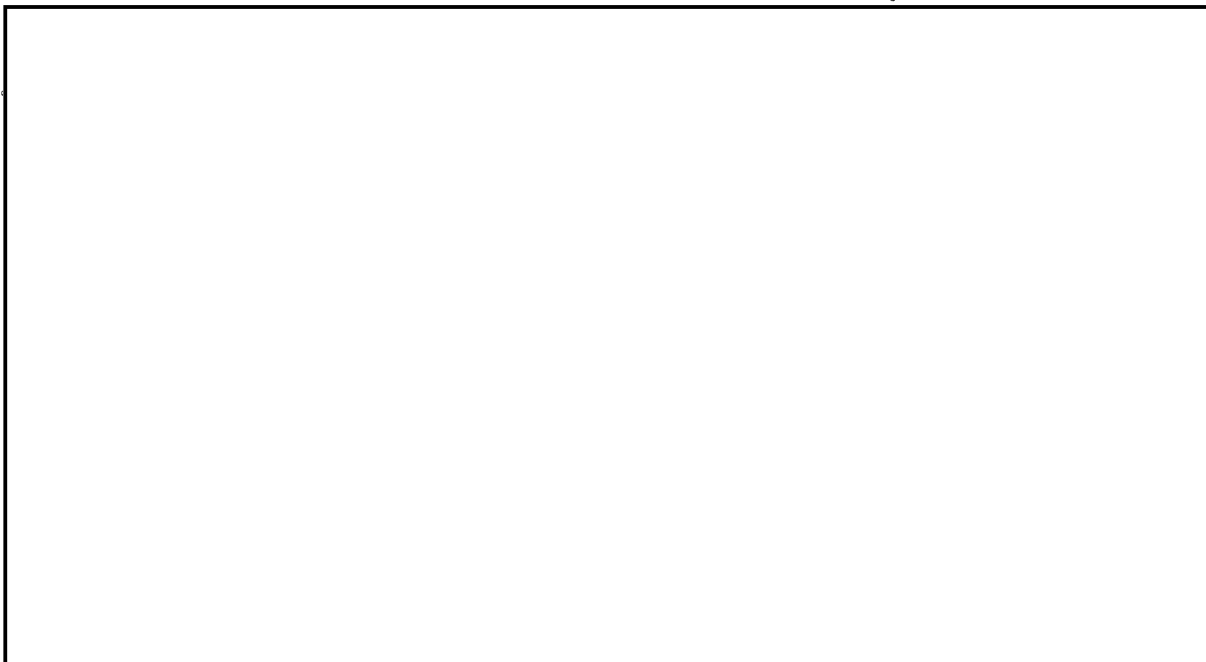
BERNAY-S FILE DOES NOT

INDICATE THAT HE WAS EVER AN OFFICER OF THE ELECTRONICS CORPORATION
OF AMERICA.



NOVICK WAS CON-

TACT OF ADAMS, AND THE FIRM HAD CLASSIFIED WAR CONTRACTS.



PREVIOUSLY, KERLEY WAS ON THE ADAMS SURVEILLANCE ON ONLY TWO OCCASIONS AND NOT ON THE DAY BEFORE ADAMS DISAPPEARED ON FEBRUARY TWENTY FIFTY, FORTY FIVE. IMMEDIATELY PRIOR TO ADAMS- DISAPPEARANCE ON THIS DATE THE SURVEILLING AGENTS ON ADAMS WERE DIVIDED AS FOLLOWS- MIDNIGHT TO EIGHT AM TWO AGENTS. EIGHT AM TO SEVEN PM FOUR AGENTS, SEVEN PM TO MIDNIGHT, THREE AGENTS... [REDACTED]

[REDACTED] SUPERVISOR ROBERT

R. GRANVILLE OF THE SECTION HANDLING RUSSIAN ESPIONAGE CASES, RECALLS THAT AFTER KERLEY-S ARRIVAL IN NY AND DURING ONE OF THE FEW TIMES KERLEY WAS

SENT OUT ON SURVEILLANCE, KERLEY TELEPHONICALLY COMMUNICATED WITH HIM. KERLEY ADVISED GRANVILLE THAT DURING THE SURVEILLANCE HE WAS ONE, HE HAD DETECTED THAT A MAN WAS FOLLOWING HIM AND HE WAS SURE HE WAS BEING SURVEILLED. KERLEY WENT ON TO STATE THAT AS SOON AS HE DETECTED MAN FOLLOWING HIM HE, KERLEY, WENT THROUGH VARIOUS MANEUVERS AND WAS FINALLY SUCCESSFUL IN SHAKING THIS COUNTERSURVEILLANCE. GRANVILLE IMMEDIATELY REPRIMANDED HIM FOR SUCH ACTION AND TOLD HIM THAT THE PROPER ACTION TO TAKE WAS TO REQUEST ADDITIONAL SURVEILLANCE MEN BE DISPATCHED TO A DESIGNATED POINT WHERE THESE AGENTS COULD TAKE UP A SURVEILLANCE ON THE INDIVIDUAL WHOM KERLEY THOUGHT WAS FOLLOWING HIM, IN ORDER TO PROPERLY IDENTIFY HIM. KERLEY WAS UNABLE TO RELOCATE INDIVIDUAL HE THOUGHT WAS TAILING HIM, SO NOT POSSIBLE TO IDENTIFY THAT INDIVIDUAL. GRANVILLE ATTRIBUTED KERLEY-S ACTION IN THINKING WAS BEING

END PAGE FOUR

WA 2 PAGE FIVE

SURVEILLED TO THE FACT THAT KERLEY HAD NOT HAD MUCH PHYSICAL SURVEILLANCE EXPERIENCE AND PROBABLY WAS NOT ACTUALLY SURVEILLED. GRANVILLE COULD NOT RECALL WHICH PARTICULAR SURVEILLANCE KERLEY WAS ON AT THE TIME HE MADE THE CALL. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] AS STATED PREVIOUSLY, KERLEY WAS NOT ON THE ADAMS SURVEILLANCE ON THE DAY PRIOR TO ADAMS DISAPPEARANCE. [REDACTED] THERE WERE ONLY TWO MEN ON ADAMS AT THE TIME HE DISAPPEARED ON FEBRUARY TWENTY FIFTY, FORTY FIVE. [REDACTED]

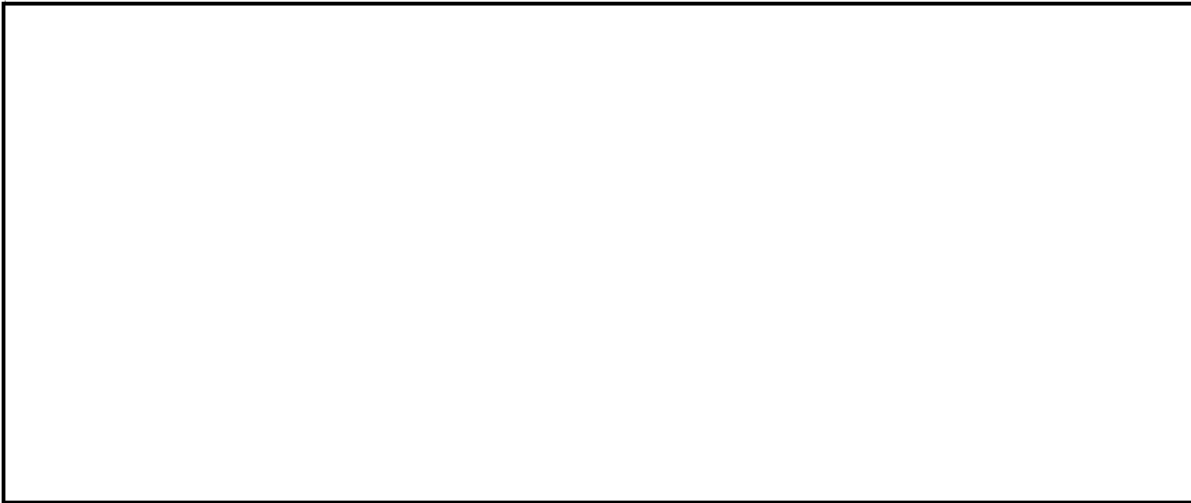
[REDACTED] NUMEROUS AGENTS WERE CALLED AT THEIR HOMES AND DISPATCHED TO VARIOUS POINTS IN NYC SUCH AS RAILROAD STATIONS AND BUS TERMINALS TO BE ON THE LOOKOUT FOR ADAMS BUT IT IS ESTIMATED THAT APPROXIMATELY EIGHTY FIVE MEN WERE AT THESE VANTAGE POINTS UNTIL THE CHICAGO OFFICE

END PAGE FIVE

WA 2 PAGE SIX

LOCATED ADAMS ON FEBRUARY TWENTY SIX, FORTY FIVE. TELETYPES WERE NOT SENT TO ALL OFFICES IN THE US BUT BORDER OFFICES WERE NOTIFIED BY BOTH TELETYPE AND TELEPHONE. IT WAS THROUGH A TELEPHONE CALL TO THE CHICAGO OFFICE THAT CHICAGO WAS REQUESTED TO COVER RAILROAD STATIONS, BUS TERMINALS, ETC. FOR ADAMS.

OTHER Not Within the Purview of FOIA



AS STATED ABOVE,

THERE WERE TWO MEN ON THE SURVEILLANCE OF ADAMS. AT ONE TWENTY FIVE AM, ADAMS LEFT THIRTY NINE WEST FIFTY FIFTH, THE RESIDENCE OF VICTORIA STONE. HE WALKED TO FIFTY THIRD AND MADISON AVENUE, WHERE HE STOOD AT A BUS STOP A MOMENT OR TWO AND THEN ENTERED A TAXI CAB GOING SOUTH ON MADISON AVENUE AND WAS OBSERVED PROCEEDING SOUTH ABOUT TWO BLOCKS. THE AGENTS WERE UNABLE TO GET THE CAR TO FIFTY THIRD STREET AND MADISON AVENUE INASMUCH AS ADAMS HAD WALKED OVER THERE ON A ONE WAY

SEND PAGE SIX

WA 2 PAGE SEVEN

TREET AGAINST THE DIRECTION FROM WHICH TRAFFIC COULD TRAVEL. ADAMS
DID NOT HAVE VICTORIA STONE-S DOG WITH HIM AT THE TIME.

MORE INFORMATION WILL BE SUBMITTED IMMEDIATELY.

SCHEIDT

HOLD PLS

FEDERAL BUREAU OF INVESTIGATION
FOIPA
DELETED PAGE INFORMATION SHEET

No Duplication Fees are charged for Deleted Page Information Sheet(s).

Total Deleted Page(s) ~ 22

Page 104 ~ Duplicate

Page 105 ~ Duplicate

Page 106 ~ Duplicate

Page 107 ~ Duplicate

Page 108 ~ Duplicate

Page 109 ~ Duplicate

Page 216 ~ Referral/Direct

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Page 282 ~ Referral/Direct

Federal Bureau of Investigation (FBI) File No. 58-HQ-1548,
1940's FBI Leak Investigation Focusing on Lawrence E. Kerley
Section 6

COPY:AJH

1 Bureau of Investigation
U. S. Department of Justice

COMMUNICATIONS SECTION

SEP 13 1948

TELETYPE

WASH FROM NEW YORK 3 13 2-42-A

OTHER Not Within the Purview of

DIRECTOR URGENT

ATTENTION MR. LISH WHITSON

972840
RECEIVED
OCT 10 1948
AUC 60290 BEE/AGT/US

LARRY E. KERLEY, FORMER SPECIAL AGENT. REURTEL SEPT. TEN REQUESTING
DETAILED ANALYSIS [REDACTED] AND MY TELS.
THIS IS FOURTH NY TELETYPE OF ANALYSIS.

ON PAGE TEN URTEL SECOND LINE [REDACTED]

[REDACTED]

[REDACTED] ADAMS WAS LOCATED

BY AGENTS OF THE CHICAGO OFFICE ABOUT SIX FIFTEEN PM ON THE
EVENING OF FEB. TWENTYSIX, FORTYFOUR, AND ADAMS WAS ALONE. SUBSE-
QUENTLY AT A TIME WHEN BERNAY WAS INTERVIEWED HE COMMENTED ON THE FACT
THAT ADAMS HAD MADE A TRIP FOR HIM TO THE WEST COAST IN THE FALL OF
FORTYFOUR AND ADDED THAT HE, BERNAY, HAD ACCOMPANIED ADAMS AS FAR
AS CHICAGO. KERLEY WAS NOT EMPLOYED BY THE BUREAU AT TIME BERNAY
INTERVIEWED. FROM CHICAGO ADAMS DID GO TO PORTLAND VIA CHEYENNE,
WYOMING, AND RETURNED TO CHICAGO THE SAME ROUTE. [REDACTED]

RECORDED - 71

58-1548-201
F B I
76 OCT 13 1948

ORIGINAL COPY FILED IN

WA 3 PAGE TWO

[REDACTED]

[REDACTED] BERNAY LEFT NY EITHER LATE IN THE DAY OF FEB.
TWENTYFOUR OR EARLY FEB. TWENTYFIVE, FORTYFIVE. [REDACTED]

b2

INDICATED THAT BERNAY ADVISED HE WAS GOING TO GEORGIA. ON FEB. TWENTY-
SEVEN [REDACTED] INDICATED THAT BERNAY HAD RETURNED TO NYC.
ON FEB. TWENTYSEVEN, FORTYFIVE, [REDACTED] REPORTED A CONVER-
SATION AT ELEVEN FORTY AM BETWEEN BERNAY AND NOVICK DURING WHICH
CONVERSATION BERNAY ENGAGED IN DOUBLE TALK WHICH THE NY OFFICE BELIEVED
REFERRED TO ADAMS LEAVING TOWN AND THAT EVERYTHING MIGHT NOT BE ALL
RIGHT. AT NO TIME, HOWEVER, WAS ANY DIRECT STATEMENT MADE ABOUT ADAMS
OR THE FACT THAT ANYONE HAD PICKED ADAMS UP.

[REDACTED] PAGE SIX OF REF TEL, [REDACTED]

[REDACTED]

END PAGE TWO

WA 3 PAGE THREE

[REDACTED] ON SEVERAL IN-

STANCES TECHNICAL SURVEILLANCES DID DISCLOSE SUBJECTS TALK ABOUT BEING SURVEILLED. ON MARCH TWENTYSEVEN, FORTYFIVE, VICTORIA STONE TOLD ADAMS SHE WAS SURVEILLED WHILE ON A TRIP TO PHILADELPHIA. ON MAY TWELFTH, FORTYFIVE, MARCIA HISKEY ADVISED A FRIEND THAT WHILE WITH ADAMS THE PREVIOUS EVENING THEY WERE FOLLOWED ALL NIGHT. ON MAY TWELFTH, FORTYFIVE, ERIC BERNAY ACTED AS A SPOTTER FOR ADAMS AND OTHERS, STAYING A BLOCK BEHIND THEM AS THEY WALKED DOWN THE STREET. ON MARCH EIGHT, FORTYFIVE, ADAMS TOLD MARCIA HISKEY THAT FOUR PERSONS WERE FOLLOWING HIM AROUND. THESE INSTANCES WERE MENTIONED TO THE BUREAU IN LETTERS DATED MARCH THIRTYFIRST, FORTYFIVE, AND MAY TWENTY-FOURTH, FORTYFIVE.

[REDACTED]

END PAGE THREE

WA 3 PAGE FOUR

[REDACTED] IT MIGHT BE STATED THAT KERLEY WAS ASSIGNED TO THE MICROPHONE PLANT LOCATED AT THIRTYTHREE WEST FIFTY-FIFTH STREET AND WHICH COVERED THE CARBON MICROPHONE INSTALLATION IN THE CHIMNEY IN STONE-S APARTMENT AT THIRTYNINE WEST FIFTYFIFTH STREET. KERLEY WAS ON DUTY AT THE STONE PLANT MARCH ELEVEN THROUGH MARCH SEVENTEEN, FORTYFIVE AND MARCH TWENTYFIVE AND TWENTYSIX, FORTYFIVE. HE HEARD ADAMS IN STONE-S APARTMENT A TOTAL OF FIVE TIMES AND JULIUS HEIMAN ON ONE OCCASION. KERLEY WAS NEVER ABLE TO HEAR ANY CONVERSATION OF ANY CONSEQUENCE. AT NO TIME WAS A TECHNICAL SURVEILLANCE RUNNING INTO THIS PLANT WHILE KERLEY WAS ON IT AND ACCORDINGLY KERLEY COULD HAVE OVERHEARD NO TELEPHONE CONVERSATION.

IT MIGHT BE STATED THAT ON MARCH TWENTYSIX, FORTYFIVE, AT SEVEN THIRTY PM THE STONE MICROPHONE SURVEILLANCE REFLECTED THAT STONE TOLD ADAMS ABOUT MEN FOLLOWING HER AND MENTIONED QUOTE SATURDAY UNQUOTE. SHE MENTIONED QUOTE THREE OF THEM AT TWO THIRTY UNQUOTE. STONE SHE QUOTE PAID NO ATTENTION TO THEM UNQUOTE. IT SHOULD BE ALSO POINTED OUT THAT KERLEY-S TOUR OF DUTY ON THAT DATE AT THE PLANT WAS TWELVE NAUGHT ONE AM UNTIL EIGHT FIFTYFIVE AM. IT SHOULD ALSO BE POINTED OUT THAT THIS WAS THE LAST DAY KERLEY WAS ON DUTY AT THE PLANT.

[REDACTED]

END PAGE FOUR

WA 3 PAGE FIVE



BY TELETYPE TO THE BUREAU JANUARY EIGHTEEN, FORTYFIVE THE BUREAU WAS REQUESTED TO ADVISE IF ADAMS WENT TO CANADA WHETHER THE SURVEILLANCE WAS TO BE TURNED OVER TO OR ANY OTHER ACTION. BY TELETYPE TO THE BUREAU FEBRUARY FIFTEEN, FORTYFIVE, THE BUREAU WAS REQUESTED TO SUPPL ACTION DESIRED IF ADAMS ATTEMPTED TO LEAVE THE UNITED STATES. THE BUREAU ADVISED BY TELETYPE ON FEBRUARY TWENTYSECOND, FORTYFIVE, THAT THE DEPT. MAY AUTHORIZE FILING OF A SECRET COMPLAINT FOR INDICTMENT ON SELECTIVE SERVICE. IN A TELEPHONE CONVERSATION ON FEBRUARY TWENTYSEVEN, FORTYFIVE, MR. MUNFORD OF THE BUREAU ADVISED ASAC DONEGAN THAT CLARK AND MCINERNEY OF THE DEPT. ADVISED THE BUREAU TO CONTACT THE USA, SINY, TO ADVISE HIM THAT THE ATTORNEY GENERAL WANTED A SECRET INDICTMENT RETURNED UNDER THE SELECTIVE SERVICE ACT. MR. MUNFORD ALSO STATED THE BUREAU HAD PUT IT UP TO THE ARMY AS TO WHAT COULD BE DONE IF ADAMS GOES ABOARD A SOVIET VESSEL OR PLANE AND THAT NO OPINION FROM THE ARMY HAD BEEN RECEIVED AS YET. ON FEBRUARY TWENTYFIVE, FORTYFIVE, A

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END PAGE FIVE

WA 3 PAGE SIX

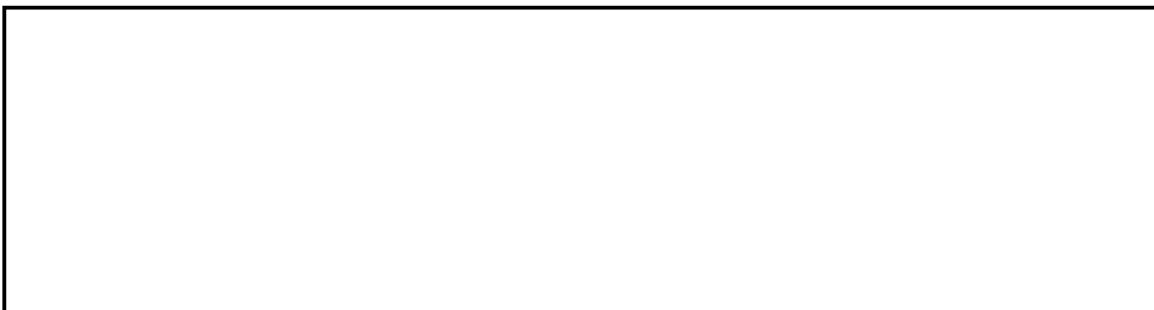
COMPLAINT BASED ON SEC. EIGHTY, TITLE EIGHTEEN, USC, WAS FILED BEFORE JUDGE CONGER IN SDNY. A SEALED INDICTMENT WAS RETURNED IN THE SOUTHERN DISTRICT ON MARCH THIRTEENTH, FORTYFIVE. BUREAU TELETYPE OF MARCH FIRST, FORTYFIVE, ADVISED THAT UNDER NO CIRCUMSTANCES SHOULD ADAMS BE PERMITTED TO BOARD A SOVIET VESSEL OR PLANE. IF SUCH WAS ATTEMPTED HE SHOULD BE TAKEN INTO CUSTODY AND THE BUREAU NOTIFIED IN THE EVENT OF ARREST.

OTHER Not Within the Purview of FOIA



[REDACTED] ADAMS DID NOT GO NEAR THE LOCKS IN PORTLAND FROM SEVEN FORTYFIVE AM TO FOUR THIRTY PM MARCH ONE, FORTYFIVE, NOR DID THE SURVEILLING AGENTS FORM A CORDON AROUND HIM. ADAMS DID GO TO A MOVIE WHILE IN PORTLAND. REFER TO PORTLAND REPORT ON ADAMS THREE THREE FORTYFIVE OF SPECIAL AGENT [REDACTED]

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b7c



INSERT "NOR"
END PAGE SIX

OTHER Not Within the Purview of FOIA

WA 3 PAGE SEVEN

[REDACTED] BERNAY APPROACHED THE SURVEILLING AGENTS WHO WERE IN AN AUTOMOBILE. THIS INCIDENT HAS BEEN SET OUT IN THAT PART OF TELETYPE NUMBER THREE DEALING WITH INSTANCES OF ADAMS AND HIS ASSOCIATES APPROACHING AGENTS DURING PHYSICAL SURVEILLANCES.

ON PAGE SEVEN YOUR TEL LAST PARAGRAPH [REDACTED]

[REDACTED] THERE IS NO EVIDENCE THAT JULIUS HEIMAN MAINTAIN

-ED VICTORIA STONE-S APARTMENT FOR HER. THERE IS EVIDENCE THAT HE LENT HER MONEY AND INVESTED IN HER STORE BUT NO EVIDENCE THAT HE WAS PAYING THE RENT FOR THE APARTMENT AT THIRTYNINE WEST FIFTYFIFTH STREET WHERE STONE RESIDED. BEATRICE HEIMAN ACCORDING TO INVESTIGATIVE REPORTS OF THE WASHINGTON FIELD OFFICE IN BEATRICE HEIMAN CASE WAS NOT EMPLOYED BY THE SOVIET EMBASSY DURING THE PERIOD OF THE ARTHUR ADAMS INVESTIGATION. THE WASHINGTON FIELD OFFICE HAS REPORTED THAT BEATRICE HEIMAN WAS EMPLOYED FROM NINETEEN THIRTYONE TO THIRTYTHREE AT THE SOVIET INFORMATION BUREAU, WASHINGTON, D. C. AND FROM NINETEEN THIRTY THREE TO NINETEEN FORTYONE AT THE RUSSIAN EMBASSY, WASH.D.C. FROM NINETEEN FORTYONE TO NINETEEN FORTYFOUR, HEIMAN WAS EMPLOYED BY TASS NEWS AGENCY AND JEWISH TELEGRAPH AGENCY, WASH. D.C. IT WAS FURTHER REPORTED THAT HEIMAN IN

CONNECTION WITH HER EMPLOYMENT AT TASS WAS ON OCCASION CALLED UP--- ANDREI GROMYKO, THEN SOVIET AMBASSADOR TO REVIEW SOME OF HIS S--- ORDER TO CORRECT THE FORM OF ENGLISH.

ON PAGE EIGHT URGENT LINE FOURTEEN READS QUOTE WHEN-

MAN WAS A COURIER [REDACTED]

[REDACTED]

END PAGE SEVEN

WAS PAGE EIGHT

[REDACTED]

[REDACTED] BEATRICE HEIMAN WAS AT NO TIME CLASSIFIED OR INVESTIGATED AS A COURIER. THERE IS NO EVIDENCE IN THE INVESTIGATIVE FILES OF BEATRICE OR JULIUS HEIMAN THAT A HIGHLY CONFIDENTIAL SOURCE WAS UTILIZED TO ASCERTAIN THE PERSONAL EFFECTS OF BEATRICE HEIMAN. THESE FILES REVEAL THAT BEATRICE HEIMAN MADE FREQUENT TRIPS TO NYC FOR THE PURPOSE OF VISITING HER PARENTS. INFO SUBMITTED BY THE WFO REVEALS THAT BEATRICE HEIMAN WAS IN NYC FROM DECEMBER FORTYFOUR TO JANUARY FORTY FIVE AND OVER THE WEEKENDS OF MARCH NINTH AND APRIL SEVENTH, FORTYFIVE. SHE WAS FURTHER IN NYC ON TWO OCCASIONS DURING MAY FORTYFIVE, AND ONCE DURING JUNE OF THE SAME YEAR.

[REDACTED] ON PAGE ELEVEN OF YOUR TEL FROM LINE FIVE ON IT SHOULD BE STATED THAT A REVIEW OF THE PERTINENT FILES IN THE NY OFFICE FAILS TO REVEAL THAT ANY INSTRUCTIONS WERE GIVEN BY THE STATE DEPT. AND RELAYED TO US OR THAT ANY COMMUNICATIONS WAS MADE BY THIS OFFICE OR THE BUREAU TO THE STATE DEPT. FOR INSTRUCTIONS RELATIVE TO ANY POSSIBLE ACTION AGAINST ARTHUR ADAMS.

[REDACTED] ON PAGES TWELVE AND THIRTEEN

END PAGE EIGHT

WA 3 PAGE NINE

OF YOUR TELETYPE WHICH ARE CONCERNED WITH ACTIONS OF KERLEY AFTER HIS
DEPARTURE FROM THE BUREAU, IT SHOULD BE STATED THAT ALL OF THE INFO
IN THE BUREAU -S POSSESSION RELATIVE TO KERLEY-S ACTIONS AFTER HE LEFT
THE BUREAU ARE IN THE KERLEY CASE FILE.

THIS COMPLETES THE REPLY TO YOU REFERENCED TEL.

SCHEILT

ACK AND HOLD PLS



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cc - MR.
MR.
MR. NEEHAN

The Attorney General

September 13, 1948

Director, FBI

~~PERSONAL AND CONFIDENTIAL~~

LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

Your attention is directed to the attached newspaper clipping from page 3 of the New York "Journal American" for Saturday, September 11, 1948.

This article with a by-line of Howard Rushmore states that Kerley testified during the past week before the House Un-American Activities Committee.

OTHER Not Within the Purview of FOIA

You will recall that on April 13, 1948, I furnished to Assistant Attorney General P. Vincent Quinn of the Criminal Division, summary reports on Kerley regarding embezzlement of Government property and requested advice regarding applicable laws under which Kerley might be prosecuted. On April 24, 1948, additional information requested by Mr. Ray Whearty of the Criminal Division was furnished to Assistant Attorney General P. Vincent Quinn. On July 20, 1948, there were forwarded to Assistant Attorney General P. Vincent Quinn of the Criminal Division the results of interviews requested by the Department with Mr. and Mrs. James C. Lewis and Larry Ernest Kerley. Under date of August 16, 1948, Assistant Attorney General Alexander M. Campbell advised that the matter was being referred to the United States Attorney for the Southern District of New York for consideration as to prosecution.

No further word has been received regarding possible prosecution of Kerley. Of course, the question as to prosecution of Kerley should have been settled with a minimum of delay. In the light of the attached newspaper item, prosecution at this time would appear to be an anti-climax and might leave the impression with the public that Kerley was being prosecuted because of his appearance before the House Committee on Un-American Activities.

Attachment

7/2/03
60290BCE/KAL/TMS

158-1548-202
F B I
76 OCT 14 1948



United States Department of Justice
Federal Bureau of Investigation
New York - New York

IN REPLY, PLEASE REFER TO

FILE No. _____

October 13, 1948

PERSONAL AND CONFIDENTIAL

Director, FBI.

DECLASSIFIED BY 60290 BCE/CAL/JS
ON 7/3/03

Re: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

Dear Sir:

Reference is made to the telephone call on August 23, 1948 by ASAC Belmont of this office, at which time Mr. Belmont advised that when this matter was presented to Mr. Thomas F. Murphy, of the United States Attorney's Office, Southern District of New York, for possible prosecution Mr. Murphy stated that before he made any decision in this matter he desired to examine the file of the Lewises' attorney in connection with Kerley's case against the Lewises.

Since it had been arranged that Special Agents [redacted] and J. M. O'Mara were to take Mr. Murphy to Mr. Otterbourg's office and introduce Mr. Murphy to Mr. Otterbourg, Agent [redacted] telephonically communicated with Otterbourg's office, at which time it was ascertained that Mr. Otterbourg was on vacation and would not be back until after the first of October.

This information was given to Mr. Murphy who stated that he would like to defer his decision relative to prosecution in this matter until he had at least attempted to secure Otterbourg's file on the Kerley matter.

On October 11, 1948 Agents O'Mara and [redacted] together with Mr. Murphy, met Edwin M. Otterbourg and his associate, Frederick Houston, in Otterbourg's office. At this time Mr. Murphy told Mr. Otterbourg that he had been designated to look into the possible prosecution of Kerley but before anything was done he desired to examine the pleadings in the case, all of which were not in the court record. During the discussion between Mr. Murphy and the two attorneys Mr. Murphy indicated that he also would like additional information concerning the Kerley-Lewis relationship and principally the information the Lewises had given their attorneys about their relationship with Kerley. Mr. Otterbourg told Mr. Murphy that he saw no objection but Mr. Houston stated that at present there is no one memorandum which sets forth all the facts given by the Lewises and that there are innumerable such memoranda. Mr. Otterbourg said that Mr. Murphy could at his convenience meet with Mr. Houston and they could examine the file.

TSM:gu
67-13301

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58-1548-203

18 1948

NY 67-13301

It should be pointed out that the Agents, though present, did not participate in the discussion relative to making available Otterbourg's Kerley file to Mr. Murphy.

Subsequently on the same date Mr. Houston telephonically contacted Agent [] and stated that he had been trying to reach Mr. Murphy but was unsuccessful. He said that he had been thinking the matter over and upon examining the Kerley file (which incidently is quite voluminous) he noticed a number of memoranda which contained only the personal history, as well as business history of the Lewises, and which in no way are related to Kerley. He said that he did not feel that as attorney for the Lewises it was quite ethical for him to show that material to anyone else.

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b7C

Agent [] informed Mr. Houston that inasmuch as Mr. Murphy had made the request for the examination Mr. Houston should either talk with Mr. Murphy or else communicate with him in some other manner.

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b7C

Mr. Houston said that he would write Mr. Murphy a letter in which he would enclose several memoranda on information given by the Lewises concerning Kerley and that in the event additional information was desired, Mr. Murphy could subsequently communicate with either Mr. Otterbourg or himself.

Agent [] then talked with Mr. Murphy relative to Houston's call, at which time Mr. Murphy stated that he did not think that arrangement would be satisfactory inasmuch as he would then be getting only that information which the attorneys thought he should have.

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b7C

Mr. Murphy said that he would await the receipt of Mr. Houston's letter and then communicate with this office at that time.

The Bureau will be advised of the results of this future conference with Mr. Murphy.

Very truly yours,

Edward Scheidt

EDWARD SCHEIDT
SAC

Office Memorandum • UNITED STATES GOVERNMENT

~~CONFIDENTIAL~~

TO : Director, FBI

DATE: October 25, 1948

FROM : SAC, New York

SUBJECT: LARRY ERNEST KERLEY
Embezzlement of Government Property

Reference is made to Bureau letter of October 18, 1948, requesting that this office immediately advise the Bureau as soon as a decision had been made by Assistant U. S. Attorney Thomas F. Murphy regarding prosecution in the instant case.

New York letter of October 13, 1948 to the Bureau advised that the attorney for the Lewises, Mr. Frederick Houston, had advised that he did not believe he would be privileged to allow Mr. Murphy to review his clients' file.

Following the transmittal of that letter, Mr. Houston contacted Mr. Murphy and arranged an appointment with him. At Mr. Murphy's request it was agreed that an Agent of this office would sit in on the interview with Mr. Houston. However, due to the pressure of business Mr. Murphy had to cancel this appointment with Mr. Houston and has not been able to make another appointment. Mr. Murphy has advised this office that he is to leave for Europe within two or three days, and will return in approximately five weeks. Because of the urgency of his trip, he will not be able to make an appointment with Mr. Houston to review any of the Lewis file, and accordingly will not be able to render any decision as to prosecution until after his return from Europe.

This office will immediately advise the Bureau upon learning of Mr. Murphy's decision.

JFOM:MT
67-13301DECLASSIFIED BY 6029DBCE/KAL/KMS
ON 7/2/03

RECORDED - 48

58-1548-205

OCT 28 1948

63 NOV 2 1948

*Called to Mr. Judd's
attention 10/29/48
by Mr. Fletcher
JFM*

JFM

Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

DATE: September 13, 1948

FROM : D. M. Ladd *DL*SUBJECT: LARRY ERNEST KERLEY
(Testimony Before House Un-American Activities Committee)ARTHUR ALEXANDROVICH ADAMS, with aliases
ESPIONAGE - R

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Mohr	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Gandy	

OTHER Not Within the Purview of FOIA

Attached hereto is a blind memorandum reflecting [redacted]

facts [redacted] (2) the

You will note that some of the items have been treated in considerable detail, particularly with regard to certain administrative procedures. You will also note that wherever a surreptitious search is mentioned, it is referred to as information coming from a highly delicate and confidential source.

This memorandum has been prepared in considerable detail primarily for your information but it does show that [redacted]

Attachment

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 7/2/83 BY 60290 BEE/KAL/TMS

RAC:mpd

RECORDED - 2
INDEXED - 2

158-1548-206
F B
3 OCT 11 1948

RECORDED COPY FILED IN 158-1548-206

32 OCT 28 1948

~~CONFIDENTIAL~~ ~~SECRET~~
September 13, 1948

[REDACTED]
[REDACTED]
[REDACTED] and the actual facts as they occurred according to the
Bureau files:

OTHER Not Within the Purview of

FACTS:

The exact birth or background of Arthur Adams is confused and many conflicting versions have been submitted by the subject. According to the Immigration and Naturalization Service records, Adams was born on October 25, 1885, in Eskilstuna, Sweden. He first entered the U. S. from South America at New York on July 4, 1910. After 1936, Adams always claimed to have been born in Toronto, Canada, on May 4, 1890. A birth certificate was issued to Adams in Canada based upon a declaration of birth filed on October 2, 1936, by one Arthur Ranto who described himself as an uncle. [REDACTED] b7D

[REDACTED]
[REDACTED] Adams did enter the United States, [REDACTED]
[REDACTED] on December 5, 1932, as a member of a commission to study at the Wright Aeronautical Corporation, Curtiss-Wright Plant, Paterson, New Jersey. Adams was at that time a member of the Russian Aviation Trust and was destined to the Amtorg Trading Corporation. This visit lasted until approxi-

OTHER Not Within the Purview of FO

DECLASSIFIED BY NLS/AG/ms/60067-AAG
9/4/03
ENCLOSURE

58-1548-206

~~SECRET~~

mately October 11, 1933, when Adams returned to Russia. It is noted that on this trip Adams claimed to be a Russian citizen. A photograph of Adams is available showing him at the Wright Aeronautical Corporation Plant, not the Bell Aircraft Plant as alleged.

OTHER Not Within the Purview of



FACTS:

The investigation of Arthur Adams was undertaken by the Bureau on the basis of information received on July 31, 1944 (not 1943 as alleged) from Captain Bernard W. Menke, Officer in Charge of the Intelligence and Security Division, Manhattan Engineer District, U. S. Army, 225 Broadway, New York, to the effect that Adams was known to have contacted Clarence F. Hiskey and Edward G. Manning, a DSM engineer and close personal friend of Hiskey. It was also indicated that in a correspondence between Adams and Manning, Manning stated he planned a trip to New York, at which time he would attempt to secure work on a DSM Project or possibly contact various individuals supposed to be recruiting personnel for work in Russia. Captain Menke's office also advised that they had ascertained, through confidential sources, that Adams made frequent trips out of town to Chicago, Detroit and other destinations. He was described as an intelligent and educated person extremely interested in engineering, chemistry and plastics. It was also indicated that Adams maintained in his room a considerable library on engineering, including books on aviation, electronics, nuclear physics and atomics.

Spot surveillances of Adams were begun on August 25, 1944, and carried on through September 21, 1944, at which time Adams left New York for

~~SECRET~~

~~SECRET~~

Chicago. A full surveillance of Adams was thereafter instituted and on the evening of September 25, 1944, Adams was observed to meet John Chapin in Chicago at the corner of 43d Street and Drexel Boulevard, where an unidentified object appeared to have been passed from Adams to Chapin. It was later determined that this item was a key and, according to Chapin, no information of any kind was passed between them. It is noted that this occurred two months subsequent to the institution of the Bureau's investigation [redacted]

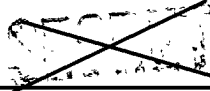
OTHER Not Within the Purview of

FACTS:

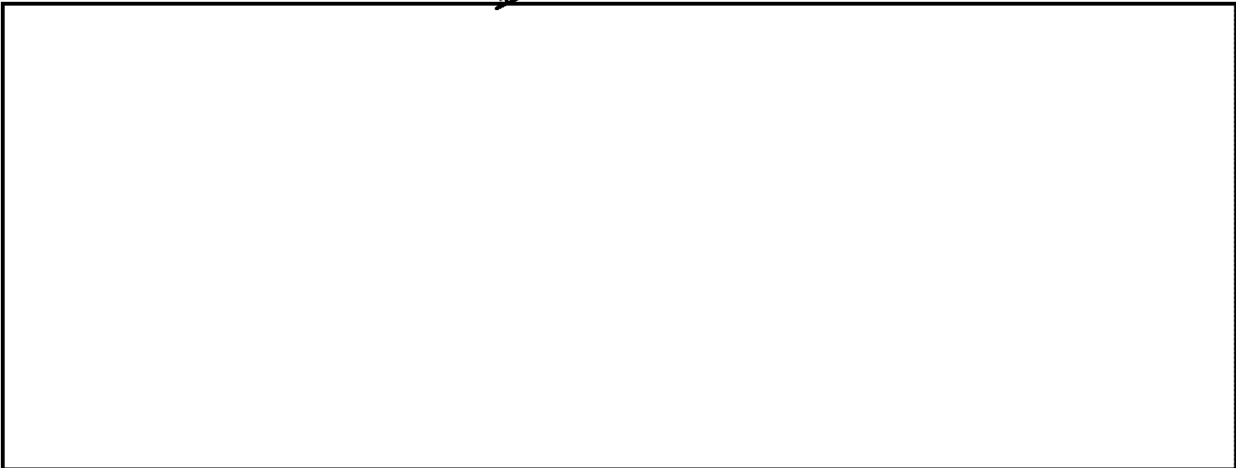
On September 27, 1944, while Adams was still in Chicago and immediately subsequent to his contact with Chapin, it was determined that his suitcase contained nothing but a money belt with approximately \$500. Adams departed from Chicago on September 28, 1944, and returned to New York on September 29. He was thereafter under continuous physical surveillance. At no time during the course of the Adams investigation was their any briefcase "swapping" made.

A highly delicate and confidential source, in October, 1944, made available the contents of Adams briefcase, which was contained in his room. This briefcase was described as follows: "A good grade small leather briefcase which had a built-in combination lock." No envelope [redacted] was found in the briefcase and no documents had been observed to pass between Hiskey and Adams. The only document of pertinent interest found in the briefcase was a one-page typewritten sheet of plain paper bearing certain notations, most of which were in question form.

OTHER Not Within the Purview of



OTHER Not Within the Purview of FOIA

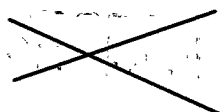


FACTS:

The sheet of typewritten paper contained in Adams' brief case was not in the nature of a "formula" [redacted] It was merely a list of questions which, according to Captain Lyall R. Johnson, MED representative in Oakland and Berkeley, California, were questions which required no scientific background to ask and very little scientific knowledge to answer but, at the same time, were questions which went into the progress of the DSM work, then one of the most closely guarded secrets of any nation. It is also noted that the significance of the questions as contained on this paper in Adams' possession was supplied to the Bureau by Captain Lyall R. Johnson and Major Harold A. Fidler, associated with the DSM Project in Oakland and Berkeley, California. The original information, as supplied by the Manhattan Project office in New York concerning Adams and his contacts with DSM Project employees, indicated Adams was interested in obtaining information concerning that Project, which related to the atomic bomb. [redacted]



OTHER Not Within the Purview of FOIA



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FACTS:

The New York Office had liaison with the following individuals connected with the Manhattan Engineer District in New York City: Captain B. W. Menke, Lieutenant David Teeple, Captain E. W. Brown, Lieutenant Martin Webb, Lieutenant John O'Connell. [REDACTED]



[REDACTED] Concerning Major General Kenneth Nichols, the Bureau files reflect he was assigned at Oakridge, Tennessee from 1943 to 1946, and thereafter at Washington, D. C.

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OTHER Not Within the Purview of FOIA

FACTS:

OTHER Not Within the Purview of FOIA

There was no envelope turned over to Adams by Hiskey and no envelope containing any pertinent information was contained in Adams' brief case.

[redacted] was begun by the Bureau immediately upon the receipt of information from MED on July 31, 1944. Adams, upon his arrival in the United States in 1938, took up residence at 240 West 73d Street and remained at this address until the early part of 1940, when he moved to the Peter Cooper Hotel, 130 East 39th Street. He was still residing at that hotel at the time of his disappearance.

On October 5, 1944, a technical surveillance on Adams' room at the Peter Cooper Hotel in New York City was authorized and installed on October 16, 1944. On October 4, 1944, a microphone surveillance was authorized and installed on January 28, 1945. This surveillance was discontinued on February 28, 1945. The technical surveillance on his room was in operation until February 4, 1946. Adams resided in Room 1103 and the Bureau equipment was located three floors below in Room 820. There was also in operation in connection with the physical surveillance the 60-watt transmitter located in the Allerton House between 3d Avenue and Lexington on 39th Street. This was established on November 17, 1944, and was utilized solely as an observation

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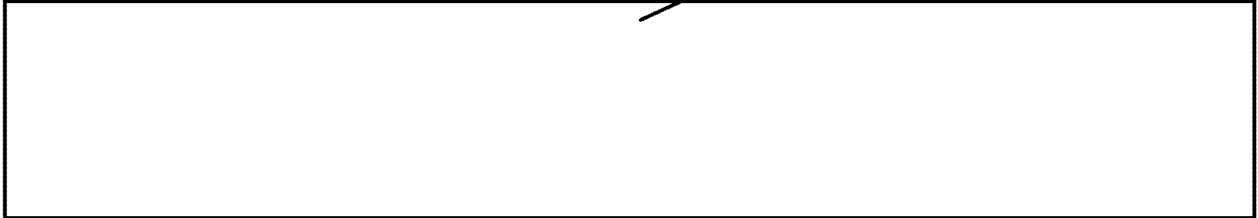
point in conjunction with the physical surveillance. The technical installation was operated through [REDACTED]

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[REDACTED] It is noted in this regard that, [REDACTED] ~~(S)~~
[REDACTED] there was no technical equipment located in an adjoining room to Adams.

OTHER Not Within the Purview of

OTHER Not Within the Purview of FOIA



FACTS:


 at no time during the course of Adams investigation was the investigative technic of switching brief cases utilized. As set out previously, the brief case of Adams was made available through a highly delicate and confidential source having access to his room in the Peter Cooper Hotel.

OTHER Not Within the Purview of FOIA

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FACTS:

 exhibits
of an evidentiary nature are maintained separately from the file but the
pertinent information contained in those exhibits is set out in Bureau
reports. No photographic copies of the contents of Adams brief case were
made, however, the pertinent material was made a part of a report by the
New York Office.

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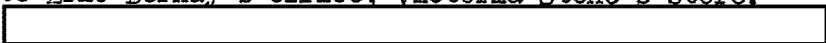


OTHER Not Within the Purview of

FACTS:

According to the records of the New York Office, Larry Kerley was on the Adams surveillance on January 8 and January 18, 1945. All logs from November 29, 1944, to the date Kerley arrived at the New York Office on assignment, to July 18, 1945, the date he left New York for assignment to Kansas City, have been reviewed and the above dates are the only two days upon which he initialed or signed any surveillance logs of Adams. Kerley was, however, on surveillance of other contacts of Adams.

On January 8, 1945, the log reflects that Kerley surveilled Victoria Stone over to Adams' hotel and then back to her residence. Nothing pertinent was observed during this surveillance. On January 18, 1945, Kerley was on the surveillance for a period of three hours, during which time Adams proceeded to Eric Bernay's office, Victoria Stone's store. and returned to his hotel.



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FACTS:

According to officers of the Manhattan Engineer District, as a result of their investigation of the connection between Hiskey and Adams, Hiskey was purposely called in to active duty by the Army, given his commission and sent to a post north of Canada. At the time he left the United States he was searched by Army authorities at Edmonton, Alberta, Canada, and at that time was found to possess a concise and comprehensive outline of the DSM Project. Hiskey was then sent to the Pacific area in May, 1944. Hiskey was discharged and his terminal leave expired on July 18, 1946. On July 17, 1946, the Judge Advocate General's Office declined prosecution of Clarence Hiskey and on October 15, 1946, the Criminal Division of the Department of Justice declined prosecution of Hiskey due to insufficient evidence. Hiskey, of course, in light of information concerning him, could not have been tried for the crime of treason. Through technical and physical surveillances, Arthur Adams was determined to be in contact with the Russian Consulate in New York City; however, the investigation did not prove he was furnishing information to the Consulate.

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OTHER Not Within the Purview of FOIA

FACTS:

The investigation of Arthur Adams did not disclose at any time that he was in contact with Steve Nelson. Adams' contact with the Russian Consulate was Pavel Petrovich Mikhailov, Acting Soviet Consul General in New York. Steve Nelson has been under investigation by the Bureau since 1941, at which time Nelson became chairman of the Communist Party in Alameda County, California. There is no information or indication of any bribe which was offered by Steve Nelson to any scientist and there is no "Stanford Project" at the University of California. Steve Nelson has never, through investigation, been determined to have been picked up in a limousine of the Russian Consulate on any of his trips to New York City. Arthur Adams once, and possibly twice, however, accompanied Pavel Mikhailov in a Consulate automobile. On October 25, 1944, Adams was observed by Agents to enter 29 West 11th Street, the residence of Jacob Aronoff, at 6:50 p.m. At 7:00 p.m. the Agents observed Jacob Aronoff enter this address. At 9:50 p.m. Adams was observed to leave this address

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carrying a heavy suitcase which measured 2x2x14; at 9:55 p.m. a black Plymouth sedan bearing New York license N-4967 stopped in front of this address and Adams entered the car. The luggage he was carrying was loaded into the trunk of the car by Adams and the driver. This car was registered to Pavel Petrovich Mikhailov, who was the Acting Soviet Consul General in New York. It was subsequently determined that this automobile was used primarily by Mikhailov and only on rare occasions was the car driven by any other individual. In this connection it is noted that after the Adams' expose on December 3, 1945, Pavel Mikhailov departed from New York for the Soviet Union.

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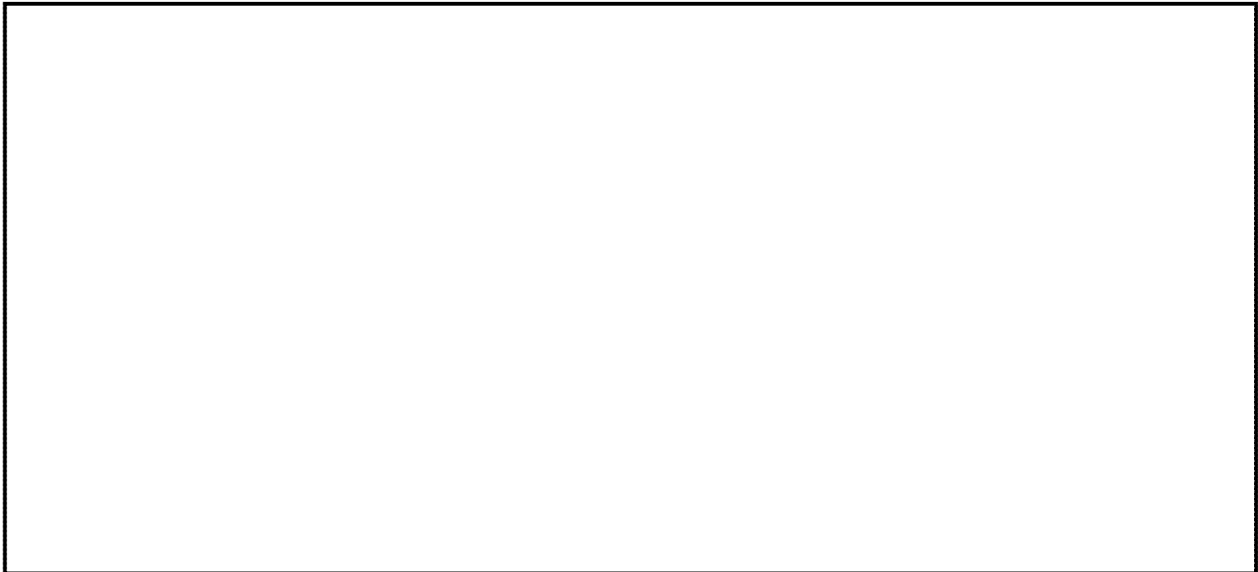
FACTS:

Investigation reflected that Adams was employed by the Keynote Recording Company as a technical advisor for \$75 a week. Arthur Adams' closest contact in New York City was Victoria Stone, his paramour, and he frequently stayed at her apartment. A tel-mike installation was installed on February 8, 1945, at Victoria Stone's apartment. [This was operated through [redacted] for a brief period due to technical difficulties, the tel-mike was inoperative and at that time a mike was [redacted] of the Stone apartment. This mike operated during the period that the tel-mike was not in use and it was not the type of installation that could be used during the winter months. The microphone [redacted] located in the building at 33d West 55th Street next door to the building wherein Stone's apartment was located.] (U)

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OTHER Not Within the Purview of FOIA



FACTS:

As stated previously, Kerley was not assigned to the Adams surveillance except on January 8 and 18, 1945. The investigation disclosed that Arthur Adams, as well as Victoria Stone, Eric Bernay and others, were surveillance conscious and Adams made it almost a daily routine to examine everyone around him closely, survey the street and all possible conveyances and continually placed himself in a position whereby he could scrutinize all individuals entering on a subway, platform, train or buses. He often retraced his steps and appeared to take circuitous routes to his destination.

Due to the urgent necessity of maintaining the secrecy of the information concerning the Manhattan Project, the information in this case was not made available to outside agencies other than the Justice Department and The State Department was not advised of the investigation until December 4, 1945. No instructions were received by the Bureau from the State Department concerning the conduct of the surveillance. During the course of the investigation and surveillance, Adams at no time made any remarks to any Agents who were surveilling him

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except on March 21, 1945, when Adams, after leaving an elevator on the eighteenth floor of the Hotel Pennsylvania, approached an Agent on that floor of the hotel, asking "Would you care to come in with me?" The Agent thereupon walked away. The only other such incident occurred January 12, 1946, when Special Agent [] was stranded with Adams at a bus stop on East 53rd Street at Madison Avenue. Adams at that time appeared anxious to talk to anyone and struck up a conversation with the Agent, during which time he complained of being followed by FBI Agents and being publicized as a Russian spy in American newspapers. Only a brief conversation occurred and the conversation was concluded with Adams making the statement that he did not know the stranger (the Agent with whom he was talking) but indicated he had to get it off his chest.

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Based on the above instance, authorization for an interview of Adams was approved on January 23, 1946, but could not be carried out because of Adams' disappearance that date.

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OTHER Not Within the Purview of FOIA

FACTS:

No such incident has ever occurred in the New York Office. Arthur Adams visited the Waldorf on only two occasions, at which time he went to the Star Light Roof. On one occasion he was in the company of Victoria Stone and on the other occasion he was accompanied by a man, otherwise unidentified but believed to be associated with Keynote Recordings, Incorporated. This person was not identical with Steve Nelson.

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OTHER Not Within the Purview of FOIA

FACTS:

The technical and microphone surveillances did in fact disclose conversations of this nature. Such conversations speculating on surveillances are typical of persons engaged in this type of activity. These individuals are surveillance conscious and often confer with each other regarding their ideas concerning the surveillances. The surveillances, however, in spite of this surveillance consciousness on the part of the subjects were of considerable value to the investigation inasmuch as these surveillances disclosed the activities of the subjects as well as the identities of their contacts.

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OTHER Not Within the Purview of FOIA

FACTS:

Arthur Adams disappeared on January 23, 1946, and investigative efforts have failed to ascertain his present whereabouts. It is noted that Kerley left the New York Office on July 18, 1945. Kerley resigned from the FBI effective the close of business October 1, 1945, while assigned to the Kansas City Office. Any information, therefore, after that date concerning the Bureau's activity in the Adams case, and especially that surrounding Adams' disappearance, is strictly hearsay on his part.

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OTHER Not Within the Purview of FOIA

FACTS:

Arthur Adams, upon his arrival in the United States in 1938, took up residence at 240 West 73d Street, [REDACTED]

[REDACTED] Adams remained at this address until the early part of 1940, when he moved to his residence at the Peter Cooper Hotel, 130 East 39th Street, New York City. The investigation of Adams was initiated as a result of information furnished by MED on July 31, 1944. His previous residence in New York City was, therefore, determined by subsequent investigation.

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FACTS:

OTHER Not Within the Purview of FOIA

Dr. Louis Miller was determined to be a frequent contact of Arthur Adams by investigation. Dr. Louis Miller was interviewed at his office, 400 West End Avenue on June 21, 1946, and advised that he had met Adams professionally about twelve years previously. He admitted seeing Adams frequently but advised that his association with Adams was purely professional. The wife of Dr. Louis Miller is Irene Miller who, it was determined by investigation, was also acquainted with Arthur Adams and who resided in Arthur Adams room at the Peter Cooper Hotel from February 6, 1945, through March 4, 1945. During a portion of this time Adams made his trip to Portland, Oregon. Investigation also reflected that Irene Miller transmitted a number of packages to Dorothea Keen Adams in Moscow. It was further determined through highly confidential and delicate sources and through the Office of Censorship that cablegrams were exchanged between Irene Miller and Dorothea Keen Adams. These cablegrams were in the English text [REDACTED]

[REDACTED]

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Irene Miller was interviewed on June 21, 1946. She admitted residing in Arthur Adams' room while separated from her husband. She further admitted knowing Dorothea Keen, stating that she met her in Russia during 1931 when the Millers traveled to Russia. She denied that she knew Arthur Adams was the husband of Dorothea Keen and reluctantly admitted that she knew that Arthur Adams and Dorothea Keen were acquainted. She also admitted sending packages to Keen but stated these packages were intended for her cousin, Helen Deamont.

Concerning the cablegrams, it is noted there was nothing in their wording which would distinguish them from other cablegrams sent during that period of time concerning food and clothing packages and greetings. Irene Miller was born in Warsaw, Poland, in 1905.

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FACTS:

A highly delicate and confidential source of the Newark Field Office advised in November, 1944, that there was in Levy's possession an Immigration and Naturalization file folder of the U. S. Department of Labor, No. 4101/182, regarding Welwel Warszower, alias Robert William Wiener, which contained copies of correspondence and memoranda of the Immigration Service regarding the immigration status of Warszower. These documents (ten in number) were for the period of July to September 4, 1940.

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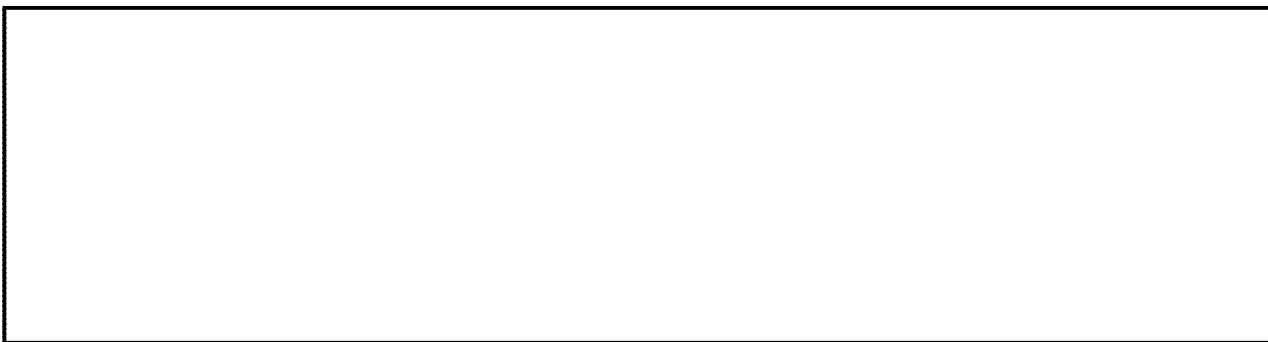
OTHER Not Within the Purview of FOIA

FACTS:

During the investigation of Arthur Adams in the fall of 1944, it was ascertained that one of his frequent contacts was Julius Heiman. Julius Heiman was identified before the Dies Committee on September 11, 1939, by Benjamin Gitlow, one-time General Secretary of the Communist Party of the USA, as a secret member of the Communist Party to make business arrangements to convert jewelry and diamonds received by the Party into cash. Beatrice Heiman, the daughter of Julius Heiman, according to Gitlow, served as a secretary to the Russian Ambassador Constantine Oumansky.

Investigation disclosed that Victoria Stone closely associated with Heiman in contacting various jewelry firms in New York City and it was further indicated that Heiman had a financial interest in Victoria Stone's jewelry store. Beatrice Heiman, in an application for employment with the United Nations Relief and Rehabilitation Administration filed on December 1, 1944, indicated that she had been employed at the Russian Embassy, 1125, 16th Street, N. W., Washington, D. C., from 1933 to 1941. Prior to that time she was employed by the Soviet Information Bureau; from 1941 to September, 1944, she was editor of the Tass News Agency.

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FACTS:

OTHER Not Within the Purview of FOIA

Marcia Sands Hiskey, the former wife of Clarence Hiskey, was a contact of Arthur Adams. [REDACTED] is borne out only by the fact that John H. Chapin, a fellow scientist of Clarence Hiskey sent Adams a letter through Marcia Sands Hiskey. Chapin when interviewed advised that this was a personal letter and did not contain espionage information. Marcia Hiskey did not own a post office box and the investigation has not disclosed that she delivered material to Victoria Stone's address.

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OTHER Not Within the Purview of FOIA

FACTS:

The membership of each of Adams' contacts in the Communist Party was of a definite interest to the Bureau and had a direct bearing upon the investigation. The background investigation of each contact of Adams was directed at determining the Communist Party affiliation as well as that individual's associations and contacts with Communist Party fronts, Communist Party officials or members.

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FACTS:

OTHER Not Within the Purview of FOIA

Beatrice Heiman has never through investigation been determined to be a courier and no attempt was made by the Bureau to search her en route to New York from Washington. Beatrice Heiman was employed, according to her own statements from 1931 to 1933 by the Soviet Information Bureau; from 1933 to 1941 as Administrative Secretary and Chief of the Chancery under Russian Ambassadors Constantine Oumansky and A. Troyanovsky at the Russian Embassy, 1125 - 16th Street, N. W., Washington, D. C. From 1941 to September, 1944 she was Editor of the Tass News Agency, National Press Building, Washington, D. C. It has been indicated through a technical surveillance on the Russian Embassy in 1945, that Heiman fell into disfavor with the Embassy and was not invited to its important functions. Beatrice Heiman was acquainted with many individuals residing in New York City and frequently made trips to New York, however, the investigation did not reflect that these trips were in the nature of courier activity. On March 12, 1945, she was employed by the Overseas News Agency as a Washington representative.

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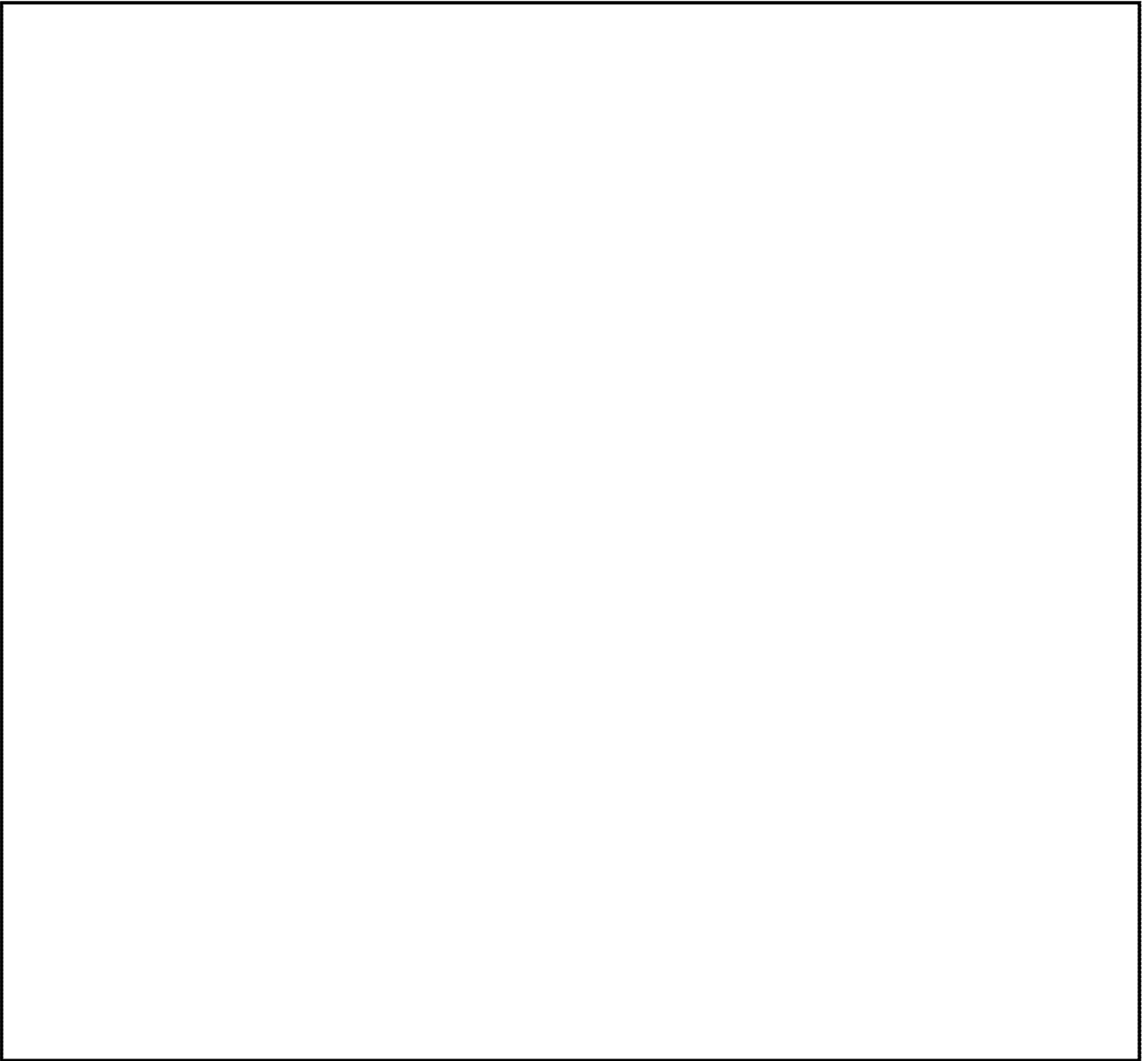
OTHER Not Within the Purview of FOIA

FACTS:

Arthur Adams was employed by Eric Bernay, President of Keynote Recordings Incorporated. Bernay was interviewed by Bureau agents on June 21, 1946 at his office and stated that he had met Adams approximately six years previously when Adams entered a music shop operated by Bernay on 44th Street in New York City. In his discussion with Adams at that time Bernay stated he immediately recognized the value of Adams' technical knowledge. During the following year he knew Adams socially and estimated that the information and advice given to him by Adams saved him many thousands of dollars. Bernay stated that he placed Adams on his payroll on June 2, 1943 as technical adviser at \$75 per week. Bernay advised that Adams left the payroll on June 27, 1945 although Adams maintained his desk at the office until some time in January, 1946. Bernay stated that Adams made a trip to the West Coast to survey the industrial situation for him. This apparently is a reference to the trip Adams made to Portland, Oregon in February, 1945. Bernay was not Vice President of the Electronic Corporation of America. That company is operated by Samuel Novick who is President. Novick was born January 25, 1897 at Bitebsk, Russia, according to Selective Service records. The Electronic Corporation of America is the successor to the Transformer Corporation. Novick was also associated with the Lafayette Radio Corporation, which company has supplied radio equipment to Government agencies. Investigation has not disclosed whether in fact Arthur Adams worked for the Electronic Corporation of America and Samuel Novick upon interview on June 24, 1946 denied that Adams was ever employed by that company. Investigation has disclosed, however, that Adams' contact at the Electronic Corporation of America was Carl Bristel, former Business Manager of "New Masses." The Electronic Corporation of America had both Army and Navy contracts for radar and electronic equipment, and the Communist background of people surrounding Novick in the corporation were regularly aired in the press during early 1945.

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FACTS:

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[redacted] February 25, 1945, at which
time Adams was lost and not picked up again until February 26, 1945, when

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he was recognized in Chicago, Illinois, by Agents. Adams then proceeded by train to Portland, Oregon. [REDACTED]

[REDACTED] in February, Adams was under a full 24-hour surveillance which was operated on four staggered shifts, so arranged that two Agents would be on the surveillance from 12:00 midnight and throughout the early morning hours, one Agent on foot and one in a Bureau automobile. The surveillance of Adams utilized approximately 16 men per day and except for the night hours three or more Agents were on the surveillance.

On the morning of February 25, 1945, at 1:45 a.m., Adams left 39 West 55th Street, the apartment of Victoria Stone, and was observed to be carrying a brief case and a newspaper. He was not walking a dog. Adams proceeded east on West 55th Street. One Agent was on foot and one Agent was in a Bureau automobile. Adams crossed Fifth Avenue on 55th Street and continued east to Madison Avenue, at which corner he proceeded south to the intersection of 53d and Madison Avenue. This was his normal route when leaving Victoria Stone's apartment and he normally boarded a southbound bus proceeding to the Peter Cooper Hotel. However, a few moments after his arrival at the bus stop he suddenly ran into the street and hailed a cruising cab proceeding south on Madison Avenue. The Bureau automobile had been forced by one-way streets to take a circuitous route in order to keep up with the Agent on foot. The Bureau automobile was further held up by traffic and the then prevailing dimout. The Agent on foot was unable to find another cab in sufficient time to follow Adams and although the Bureau car arrived in a matter of moments the surveillance was lost. Kerley's account has the following glaring discrepancies:

[REDACTED]

[REDACTED] At 6:00 p.m. in the evening, due to the activity

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at that hour, the services of more than two Agents were utilized. [REDACTED]

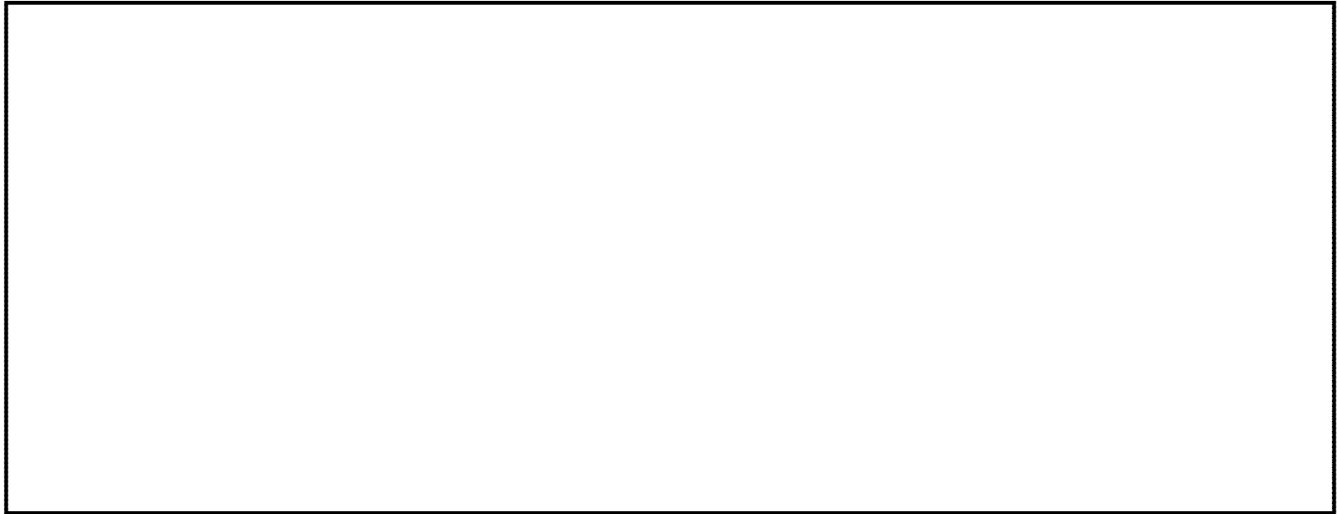
[REDACTED] On that date Kerley, while surveilling Adams, followed Adams to the Gramercy stationery store at 40th and Madison Avenue which Adams entered at 12:32 P. M. Kerley noted an unidentified man who appeared to watch Kerley closely. When Adams left the front of the store, Kerley noted the unidentified man and Adams speak to each other briefly. Adams then proceeded north on Madison Avenue and as Kerley resumed the surveillance he noted that the unidentified man was surveilling him, Kerley. Kerley then dropped the Adams surveillance and proceeded back to the stationery store, left that store, and proceeded to a large building at the corner of 42nd and Madison Avenue, entering it and making an exit on 42nd Street. Through this procedure Kerley was successful in losing the other surveillance, and he then proceeded to the nearest phone and contacted his supervisor at the New York Office. Kerley was reprimanded by the supervisor for the action he had taken and it was pointed out to him that he did not use good judgment in shaking the surveillance without first taking the necessary steps to have the surveilling individual identified. Kerley was instructed to immediately go back to see if the individual would continue to tail him. Later Kerley called and stated that he could not relocate the individual. [REDACTED]

Kerley was assigned to the squad of thirty men handling the Adams case and its ramifications. It is possible that he was called on the morning of Adams disappearance. [REDACTED]

[REDACTED] 85 Agents were utilized in shifts to check the railroad and airport terminals and addresses where Adams might possibly be located. Teletypes were not sent to all field offices in the United States but only those field offices that might cover logical leads to locate Adams. Adams was identified by Agents in Chicago on February 26, 1945. As previously pointed out, there was no dog with Adams at the time he left Victoria Stone's apartment. When located in Chicago Arthur Adams was alone and not in the company of Eric Bernav. [REDACTED]

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OTHER Not Within the Pur

FACTS:

In February, 1945, investigation disclosed that Arthur Adams might possibly depart from the United States. This information was furnished to [redacted] of the Manhattan Engineering District in Washington, D. C., and he advised that the attitude of the United States Army at that time was that it would be most undesirable for Adams to be permitted to leave the United States for the USSR with the information which he had undoubtedly been able to obtain concerning the atom bomb project. [redacted] also stated that they did not desire to have Adams prosecuted at that time on the basis of his espionage activity concerning the atom bomb project inasmuch as such prosecution would bring the project out into the open. This information, as well as the facts in the Adams case was discussed with Assistant Attorney General Tom Clark and Mr. James McNerney. At the time of this discussion on February 27, 1945, it was indicated to the Criminal Division that the Bureau's real interest in Adams was in his espionage activity but due to the extreme secrecy of the Manhattan Project and the urgent necessity of maintaining secret information concerning this project, the Army had requested that some means be used other than the Espionage Statutes or the Foreign Agents Registration Act for immobilizing Adams in the event he attempted to leave the United States.

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For that reason consideration was given to a complaint based upon false statements made by Adams in connection with his Selective Service and Alien Registration. These were considered by the Criminal Division even though they felt that both counts were weak from an evidentiary point of view. The real purpose of a complaint based upon these counts was that they would provide a tactic to be used to prevent departure from the United States and would comply with the considerations as expressed by the Army.

On February 28, 1945, a sealed complaint was filed in New York City in the Southern District of New York. [REDACTED]

[REDACTED] On March 2, 1945, a sealed complaint was filed in the same judicial district in New York. [REDACTED]

[REDACTED] This complaint superseded the complaint of February 28, 1945 and the original complaint was disposed of.

OTHER Sealed

On March 13, 1945, the Federal Grand Jury of the Southern District of New York returned a secret indictment. [REDACTED]

[REDACTED] This indictment was sealed and has never been opened. It is presently outstanding in the Southern District of New York. It was understood that Adams would not be charged under this indictment unless he attempted to leave the United States.

The State Department was not consulted concerning these charges. The request that Adams not be arrested on an espionage charge was made by a representative of the Manhattan Engineering District on behalf of the United States Army and a decision concerning prosecution was made by the Criminal Division of the Department of Justice.

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[REDACTED]

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FACTS:

Arthur Adams was recognized in Chicago, Illinois by agents on February 26, 1946. He left Chicago on that date and arrived in Portland, Oregon March 1, 1945 and was under surveillance during this train trip by two agents of the Chicago Office. Upon Adams' arrival at 7:45 A.M. at Portland, Oregon on March 1, 1945, he was under surveillance by agents of the Portland Office until his departure by train at 4:30 P.M. on the same date. This surveillance in Portland was participated in by only eight agents. Adams confined his activities in Portland to walking around in the business district and attending a 2 $\frac{1}{2}$ hour motion picture. He did not go to the Portland docks [REDACTED]

He did, however, make a phone call from a pay station booth.

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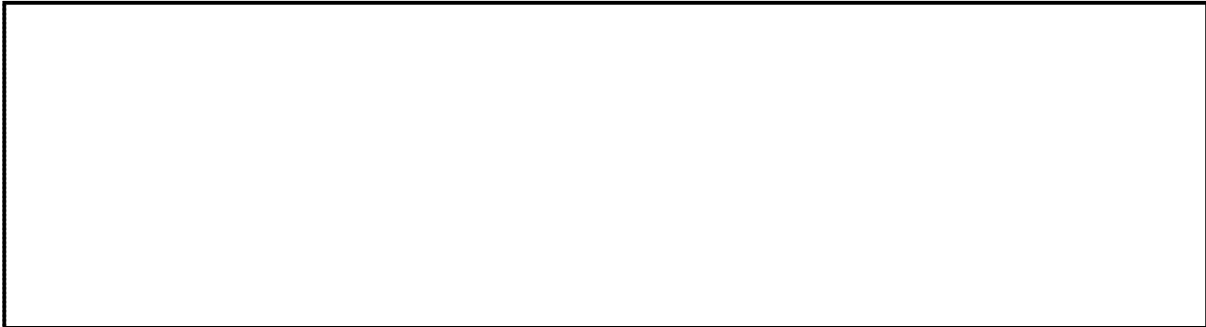
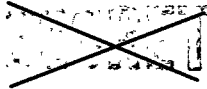
OTHER Not Within the Purview of FOIA

FACTS:

During the surveillance of Eric Bernay in New York, the New York Office advised that Bernay exhibited signs of being very surveillance conscious. He indicated this by reckless driving, running red traffic lights, and otherwise violating traffic laws. [REDACTED]


[REDACTED] Bernay while under automobile surveillance approached a Bureau agent and demanded to know why he was being followed. Bernay's attitude was extremely belligerent at the time. The agent immediately denied following Bernay and accused Bernay of attempting to run into the agent's automobile. This action by the agent changed Bernay's belligerency into confusion and the conversation terminated.

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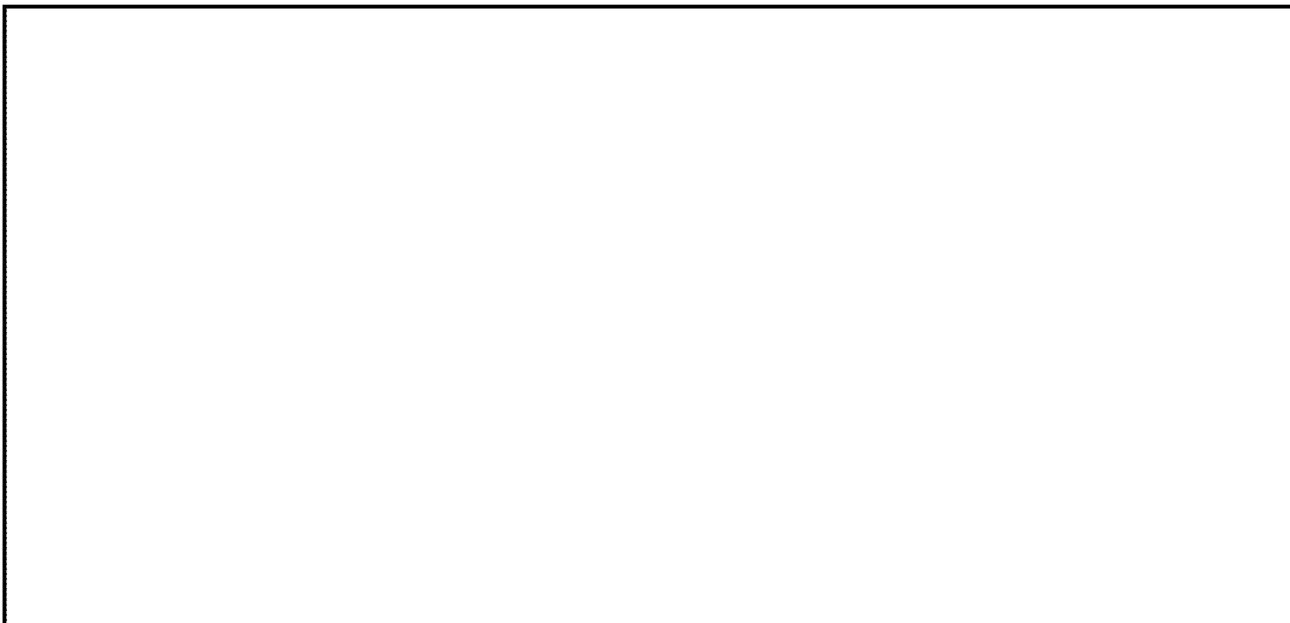
OTHER Not Within the Purview of FOIA

FACTS:

The information concerning the possible prosecution of Adams and the complaint filed against him has previously been noted. The Agents on this case, as in all other espionage cases, were made thoroughly cognizant of the nature of the evidence required and it was impressed upon them that legal and admissible evidence against Adams was necessary. 

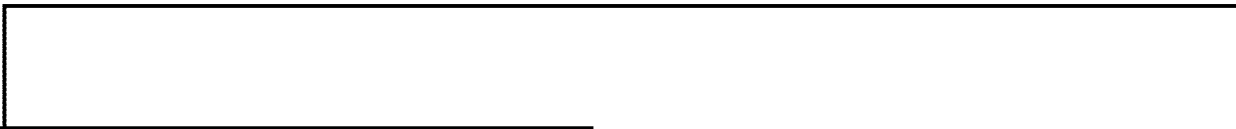


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OTHER Not Within the Purview of FOIA

FACTS:



[redacted] the request that Adams not be arrested on a charge of having violated the espionage laws or the Foreign Agents Registration Act was made by representatives of the Manhattan Engineer District in a move to protect the security of the atomic bomb.

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FACTS:

Larry Kerley resigned from the Bureau while assigned to the Kansas City Office, effective at close of business October 1, 1945. He had departed from the New York Office for assignment at Kansas City on July 18, 1945. The files of the Bureau fail to reflect any information indicating that Kerley talked to members of the FBI requesting or furnishing any suggestions as to what should be done with regard to the investigation of Soviet espionage cases. The Bureau's interest in Kerley originated on December 28, 1945.

The New York "Journal-American," on December 3, 4, and 5, 1945, published a series of articles regarding Soviet espionage cases which at that time were being investigated by the Bureau. These articles carried the by-line of Howard Rushmore. Because these articles destroyed or seriously impaired several years of work by the Bureau, concern was expressed over their publication and the Bureau became interested in determining how Rushmore obtained his information. It was reliably determined that on the evening of December 28, 1945, Howard Rushmore and his wife went to the home of James C. Lewis. They visited Mr. Lewis and his wife, Elizabeth Barbara Lewis at 22d East 73d Street, New York. Also present at the Lewis home were Kerley, George H. Sibley and Janet Patt, a friend of Sibley. Both Mr. Lewis and Mr. Sibley were at that time executives of the E. R. Squibb and Sons of New York City. From the identity of the individuals mentioned, it was indicated that Kerley might be the person responsible for furnishing to Rushmore the material used to write the articles previously mentioned.

In an effort to definitely verify the above indication, Kerley was contacted on March 18, 1946, but refused to be interviewed. Kerley denied he had furnished information to Rushmore but stated he knew the identity of the individual who had. He advised, however, that he did not feel he wanted to divulge the name of this person. [REDACTED]

[REDACTED] which

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were published in December, 1945, and not 1946, as indicated by Kerley. On September 30, 1946, Mrs. James C. Lewis advised a representative of the Bureau that Kerley had been employed by her husband and that approximately three months previously, Kerley had left some material in her home. She stated she had recently examined the material and noticed that it contained papers which appeared to be official FBI reports. She requested Kerley to remove the material from her home.

On October 11, 1946, Mrs. Lewis advised a representative of the Bureau that Kerley's resignation had been requested by her and her husband and that he was no longer employed by them. On October 1, 1946, SAC Schöidt telephonically contacted Kerley and requested that he come to the New York Office. Kerley arrived and was questioned in detail regarding the allegation that he had official FBI documents in his possession. He denied the allegation and stated that none of the material which he had stored with Mrs. Lewis was official but was personal material. At this time Kerley admitted he had discussed Soviet espionage cases with which he was familiar with Mrs. Lewis and Howard Rushmore after he had resigned from the FBI. He further admitted that it was from this information furnished by him that the articles in the New York "Journal-American" were published. Kerley also stated that in January or February, 1946, he promised the "Journal-American" that if some change in U. S. foreign policy did not become apparent, he would go to Washington and personally confer with the FBI Director. Kerley also related that some time in February, 1946, Mrs. Lewis arranged a meeting at her home, attended by Senator Hickenlooper and Senator Bridges, Howard Rushmore, Mr. and Mrs. James Lewis, and Kerley. He advised that at this meeting the group discussed various aspects of Russian espionage but he indicated that the occasion was of a social nature and the group came to no conclusions. He mentioned that during that evening, Senator Bridges suggested that the "Journal-American" "ghost" a speech for him to be delivered at the Senate which would deal with the topic of Russian espionage in the United States.

It should be noted that Kerley was interviewed at this time solely for the reason of determining whether, in fact, he had any official FBI documents in his possession and not to determine what he intended to do

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about writing additional articles or exposes. The files of the Bureau contain no information to indicate that any representative of the FBI ever made any threats or in any manner intimidated Kerley or, further, ever stated that if he published any additional articles he would be prevented from passing any Bar examinations. Further, there is no indication that any threats were made to harm him personally.

On October 30, 1946, Kerley was again interviewed by SAC Scheidt at the New York Office. Kerley at that time emphatically denied that he then had, or ever had, in his possession any Bureau reports or files. He commented at that time that he was contemplating entering a suit against Mr. and Mrs. Lewis because of the termination of his services by them.

On February 24, 1948, Mrs. Lewis again telephonically informed a Bureau representative that she had furnished to her attorney official FBI documents which had been given to her by Kerley at the time he was assigned to the New York Office of the Bureau as a Special Agent. She indicated that she had never previously mentioned these documents because she had forgotten about them until Kerley filed suit against her and her husband and that she had found them while she was looking through her safe. These documents were obtained from Mrs. Lewis' attorney, Mr. Otterbourg, and are now in the possession of the Bureau. The facts regarding this embezzlement of documents were presented to Assistant Attorney General T. Vincent Quinn on March 13, 1948, for prosecutive consideration. On July 8, 1948, Kerley was interviewed at his office in Murray, Kentucky, by a Bureau representative regarding the allegation that he had in his possession several official FBI documents which he had given to Mrs. Lewis and which have been recovered by the FBI from Mrs. Lewis' attorney. Kerley emphatically denied he had ever given any such documents to Mrs. Lewis.

On June 18, 1948, Mr. and Mrs. Lewis executed signed statements stating that they did obtain official FBI documents from Kerley shortly after his transfer from Louisville, Kentucky, to New York City as a Special Agent. This information was made available to the Criminal Division. On August 16, 1948, a letter was received from Assistant Attorney General Alexan-

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ander M Campbell, advising that the matter has been referred to the U. S. Attorney, Southern District of New York, for his consideration. No decision to date has been made regarding the prosecution of Kerley for the theft or embezzlement of Government property.

~~SECRET~~

SAC, New York

October 18, 1948

Director, FBI

LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

Reference is made to your letter dated October 13, 1948, advising that Mr. Thomas F. Murphy of the United States Attorney's Office, Southern District of New York, was handling this case. You also advised that Mr. Murphy would make no decision regarding prosecution until he had examined the file which Mr. Edwin M. Otterbourg, Attorney for the Lewises, had concerning this case.

Every effort should be made by you to bring this matter to a logical conclusion as soon as possible so that there will be no excuse whatsoever for the United States Attorney, Southern District of New York, to infer that we had been negligent. Any request received by you from Mr. Murphy should be promptly handled.

The Bureau should also be immediately advised as soon as a decision has been made by Mr. Murphy regarding prosecution.

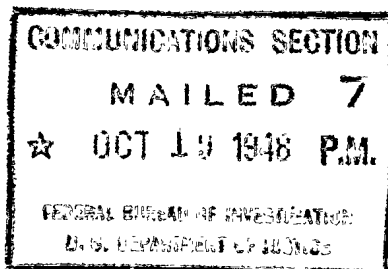
JJM:DAH

7/2/03 602903CE/CAL/JMS

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207
OCT 18 3 19 PM '48
RECEIVED REAR ROOM
F B I
U.S. DEPT OF JUSTICE

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



62 NOV 4 1948

Mr. Tolson

11-1-48

5-1

L. B. Nichols

FORMER SA LAWRENCE KERLEY

SAC Scheidt called from New York and advised that SA James P. Lee has a brother who is a dentist in Long Island. On October 31st the dentist told his brother he had met Peggy Shannon who is a writer on the Woman's Page of the New York Journal American. Miss Shannon told the dentist a former Agent by the name of Lawrence Kerley was employed by the New York Journal American and was working with Howard Rushmore and she had seen Kerley at a desk at the Journal American not more than 2 weeks previously. She further told the dentist that according to Kerley he was the one who broke the Arthur Adams case in the Journal American and as a result the FBI has been persecuting him and has caused his discharge from every job he has had since he left the Bureau and the Arthur Adams case broke. She further told him Kerley had discussed the installation of technical surveillances and she was confident if Kerley had misrepresented the facts to the Journal American and the Journal American knew this they would dismiss Kerley.

Scheidt wondered if we should go to the Journal American. I told him that we went to the Journal American at the time the Arthur Adams story broke and were given the run-around; that I doubted we should do anything further. Something should be done, of course, to clip Kerley but in view of his charges of persecutions we might be playing into his hands by going to the Journal American because sooner or later he will do something which we can make a further complaint about. In this instance without our personally interviewing the Shannon woman it would probably be difficult to use this as an incident.

CC - M. Ladd

CC - Mr. Fletcher

LBN:MP

C

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P

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RECORDED - 4

INDEXED - 4

58-1548-208
F B I
76 NOV 20 1948

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 7/3/03 BY 60320 JAL/KAS

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD *DL*

FROM : H. B. FLETCHER *HBF*

SUBJECT: LARRY ERNEST KERLEY
THEFT OF GOVERNMENT PROPERTY

DATE: December 9, 1948

Mr. Tolson ☒

Mr. E. A. Tamm ☒

Mr. Clegg ☒

Mr. Glavin ☒

Mr. Ladd ☒

Mr. Nichols ☒

Mr. Rosen ☒

Mr. Tracy ☒

Mr. Egan ☒

Mr. Gurnea ☒

Mr. Harbo ☒

Mr. Mohr ☒

Mr. Pennington ☒

Mr. Quinn Tamm ☒

Tele. Room ☒

Mr. Nease ☒

Miss Gandy ☒

SAC Scheidt, New York, called in and stated that on November 1, 1948, he had advised Assistant Director Nichols of the fact that information had been received that Kerley was working at a desk at the New York Journal-American. Further verification of this information has now been received in that Special Agent Russell S. Garner bumped into Howard Rushmore in the corridors and briefly talked to Rushmore. Rushmore stated that Kerley has for several months been employed by the New York Journal-American as an investigator. He described Kerley as a fine fellow. He stated that Kerley did not receive anything for his disclosure concerning the Adams case in the line of pay or fees. Special Agent Garner did not make any inquiries of Rushmore, not actually being acquainted with the matter and all the information obtained was volunteered by Rushmore.

HBF:cmw

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 7/3/03 BY 60290 BCE/CAL/TJS

RECORDED - 107

58-1548-209

4 DEC 16 1948

INDEXED - 107

X-37

58 DEC 21 1948

SAC, New York

February 10, 1949

Director, FBI

LARRY ERNEST MERLEY

Embezzlement of Government Property

Reference is made to your letter dated October 25, 1948, advising that Assistant United States Attorney Thomas F. Murphy was taking a trip to Europe and that upon his return a decision regarding prosecution in this case would probably be rendered.

As Mr. Murphy has now returned from his trip abroad it is requested that you discreetly determine if there is any indication he will make a decision regarding prosecution in this case in the near future.

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 7/3/03 BY 60390ZCE/cal/ks

Bureau file 58-1548

Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

COMMUNICATIONS SECTION

MAILED 13

FEB 11 1949 P.M.

FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE

RECEIVED FBI
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U.S. DEPT. OF JUSTICE

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58-1548-210
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FEB 16 1949

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

DATE: February 23, 1949

FROM : Mr. A. Rosen

SUBJECT:

Mr. Tolson ✓
 Mr. Clegg ✓
 Mr. Glavin ✓
 Mr. Ladd ✓
 Mr. Nichols ✓
 Mr. Rosen ✓
 Mr. Tracy ✓
 Mr. Egan ✓
 Mr. Gurnea ✓
 Mr. Harbo ✓
 Mr. Mohr ✓
 Mr. Pennington ✓
 Mr. Quinn Tamm ✓
 Tele. Room ✓
 Mr. Nease ✓
 Miss Holmes ✓
 Miss Gandy ✓

LARRY FROST

While talking to Peter Brown, he mentioned that the attorney representing the Lewises in the Kerley matter is going to write a letter to the Attorney General which will probably be received by him this week. Brown stated that he spoke with the attorney on Monday at which time it was indicated that in view of the fact that a former Special Agent was involved, the attorney thought there were special circumstances which dictated that the Department may wish to make available to him the facts concerning the matter. Peter Brown stated that he advised the attorney that every case brought to the Attorney General's attention seemed to be a special matter and that Brown would recommend if the matter came to his attention for handling that the rule concerning confidential information in the files of the Department of Justice be held inviolate.

If the letter comes to the Attorney General, Brown will call me.

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58-1548-211

Under no circumstances will we yield. The Lewises & Kerley are all of the same stripe. They were thick as thieves, then fell out & now Lewises want to get our help. Nothing doing.

AR:edm

E B I

MAILED - DIRECT

58 MAR 7 1949

58-1548

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 7/3/02 BY 60390 DCE/CA/TMS

51

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

DATE: March 1, 1949

FROM : MR. D. M. LADD

SUBJECT: LARRY KERLEY

Mr. Tolson ✓
 Mr. Clegg ✓
 Mr. Glavin ✓
 Mr. Ladd ✓
 Mr. Nichols ✓
 Mr. Rosen ✓
 Mr. Tracy ✓
 Mr. Egan ✓
 Mr. Gurnea ✓
 Mr. Harbo ✓
 Mr. Mohr ✓
 Mr. Pennington ✓
 Mr. Quinn Tamm ✓
 Mr. Nease ✓
 Miss Holmes ✓
 Miss Gandy ✓

Mr. Ray Whearty of the Department called at my office at 5:00 PM today and had a letter from the Lewises' attorney requesting that the Attorney General authorize Bureau Agents to testify in the civil suit pending in this matter. The attorney pointed out that the Bureau should be interested in view of the statements that Kerley made in his charges to the effect that the Lewises had improperly accused him, Kerley, of having removed serials from the Bureau files.

Mr. Whearty wanted to know what the Bureau's views would be with reference to permitting Bureau Agents to testify in this civil case.

I told Mr. Whearty that the Bureau felt very strongly that its Agents should not be authorized to testify in this civil suit and that there was no reason, in the Bureau's opinion, for the Bureau to have to assist either the Lewises or Kerley in washing their dirty linen.

Mr. Whearty stated that the letter to the Lewises' attorney would be answered in accordance with the above and that he would be advised that the Bureau Agents would not be authorized to testify in this civil case.

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 7/3/03 BY 60290 BCF/ALP

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EX-1

58-1548-212
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MAR 1 1949

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Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

DATE: March 11, 1949

FROM : MR. D. M. LADD

SUBJECT: HOWARD RUSHMORE
Reporter, New York Journal American
Article of March 4, 1949
(Larry E. Kerley, former SA)

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Coffey	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Pennington	
Mr. Quinn Tamm	
Tele. Room	
Mr. Nease	
Miss Beahm	
Miss Gandy	

Reference is made to your inquiry as to the date of the Bureau's instructions to Field Divisions which instructions in part were contained in the article written by Rushmore dated March 4, 1949.

This is to advise that with the exception of the word "also", the identical phraseology set forth in the article appeared in Bureau Bulletin #59, Second Series 1943, dated November 10, 1943. The paragraph in question is the penultimate paragraph on page one of this Bulletin in the Section entitled, "Communist Party - USA - 'Key Figure' Program". A copy of this Bulletin is attached with the pertinent portion marked.

A check has been made of the inventory of the material obtained by the New York Office from Former Special Agent Kerley on October 2, 1946. (You will recall that a large number of Bureau Bulletins and other material were turned over by Kerley on that date.) While Kerley had a large number of Bureau Bulletins issued in 1943, Bureau Bulletin #59 for this year was not listed in the inventory of the material turned over by Kerley. It is to be noted that there was a gap between Bulletin #55 and Bulletin #60 of the group dated in 1943 which had been retained by Kerley.

Attachment

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DATE 6/11/82 BY SP-1 GSK/PSK
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51 MAR 20 1949

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JOHN EDGAR HOOVER
DIRECTOR



Federal Bureau of Investigation
United States Department of Justice ~~STRICTLY CONFIDENTIAL~~
Washington, D. C.

November 10, 1943

BUREAU BULLETIN NO. 59
Second Series 1943

DECLASSIFIED BY SP-1 GSK/PSK
ON 6/11/82
218794

TO ALL SPECIAL AGENTS IN CHARGE:

The following observations, suggestions, and instructions are submitted:

(A) COMMUNIST PARTY, U.S.A. - "KEY FIGURE" PROGRAM. -- Your attention is called to the provisions of subsection "C" of Bureau Bulletin #63, dated October 26, 1942, which provide that "key figure" cases should be maintained in a pending status at all times. In the future you will be permitted to place certain "key figure" cases in a pending inactive status for a six-month period. This administrative handling may be employed in those "key figure" cases where both of the following conditions exist:

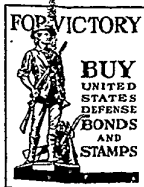
1. Where reports have been submitted reflecting a complete investigation concerning the subjects' background, Communist activities and connections, which reports definitely establish by information of an evidentiary nature a sufficient basis for possible future prosecutive action.
2. Where no further action is necessary other than maintaining contact with the informants, technical or otherwise; keeping informed as to the present whereabouts of the subjects; and generally following their activities.

This administrative procedure, of course, should not be used in cases where complete background and activity information has not yet been developed or where the subjects' activities are of such a continuous and highly important nature that they should be carefully followed at all times.

It is also pointed out that this procedure does not in any way relieve your office of the responsibility of maintaining up-to-date information concerning the activities of all "key figures" and of knowing their whereabouts at all times.

You also are reminded that the underlying purpose of the "key figure" program is to have a complete current list of all important Communists throughout the United States whose Communist activities and connections are so thoroughly established by investigation that it would be possible to take immediate emergency action against them should a situation arise whereby their activities should be promptly curtailed.

If after a careful consideration of the foregoing it is felt that certain "key figure" cases should be placed in a pending inactive status,



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BUREAU BULLETIN NC: 59

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Second Series 1943

this action should be taken and the Bureau so advised by letter. These cases should be set up on a six-month tickler, at which time the files of your office should be reviewed for any additional information and possible investigation suggested by recent developments. A pending report should be submitted at that time bringing the case up to date, after which the case may again be placed in a pending inactive status if conditions then existing appear to warrant such action.

(B) REVISION OF SECURITY INDEX CARDS. -- Prior to December 7, 1941, Security Index Cards prepared at the Seat of Government summarized the information available in the Bureau's files pertaining to the subjects of the cards. Photostatic copies of the cards were prepared and transmitted to the interested field offices. As supplementary information was received, it was recorded on the cards and the field offices were furnished with photostatic copies of the amended cards for their Confidential Security Index Card Files.

After December 7, 1941, the practice of summarizing the available information and recording it on the Security Index Cards was abandoned, and there was adopted a new type of Security Index Card on which there was recorded only the subject's name and aliases, business and residence addresses, citizenship status, and nationalistic tendency or other sympathy. In order that a corresponding copy of each card might be placed in the Confidential Security Index Card File of the interested field office or field offices, a form letter was directed in each instance to the field office within whose division the subject resided, with copies to any other field office within whose division the subject maintained a business or employment address, advising the field office of the preparation of the card at the Seat of Government and of the exact caption appearing thereon, and instructing the field office to prepare and file in its Confidential Security Index Card File a white 5" x 8" card bearing a caption identical with that appearing on the Bureau's card, and, in addition, the field office file number of the related investigative case file. This procedure is still in effect.

As a result of the change in procedure after December 7, 1941, the field offices have in their Confidential Security Index Card Files two types of Security Index Cards, one type consisting of photostatic copies of the Security Index Cards maintained at the Bureau, the other of white 5" x 8" cards prepared in accordance with specific Bureau instructions. A similar condition exists at the Seat of Government, in that the Bureau's Security Index consists of cards prepared prior to December 7, 1941, reflecting summaries of pertinent information and cards prepared since December 7, 1941, reflecting only the names and aliases, addresses, citizenship, and nationalistic tendencies of the subjects.

The captions of both types of cards (that is, the names, aliases, addresses, citizenship status, and nationalistic tendencies) have been kept current both at the Seat of Government and in the field. With respect to the cards prepared prior to December 7, 1941, this has been accomplished by preparing new caption cards whenever changes have occurred, attaching the new

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BUREAU BULLETIN NO. 59
Second Series 1943

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caption cards to the Security Index Cards at the Seat of Government, and mailing to the interested field offices photostatic copies of the new caption cards for attachment to the photostatic Security Index Cards maintained in the field. With respect to Security Index Cards prepared since December 7, 1941, the captions have been kept current by corrections, revisions, and additions originating either at the Seat of Government or in the field offices. In the event a revision is made in a field office, the Bureau is advised of the changes made by letter from the field office, and if a revision is made at the Seat of Government, the interested field office is likewise advised by Bureau letter.

It is now desired that the photostatic copies of Security Index Cards maintained in the field offices be gradually and systematically eliminated from the Confidential Security Index Card Files, and that a uniform method of revision of the captions of all Security Index Cards, whether prepared prior or subsequent to December 7, 1941, be effectuated. It is desired that the captions of all Security Index Cards be maintained in a correct and current status. Caption revisions may be made originally either at the Seat of Government or in the field offices. It is imperative, however, that the captions of all cards maintained in the field offices be identical with the captions of the cards maintained at the Seat of Government. Accordingly, when a revision is made at the Seat of Government, the appropriate field office will be advised by form letter and instructed to revise the caption of its card to correspond exactly with the Bureau's caption. Similarly, if a revision is made at a field office, the Bureau must be advised thereof by form letter, a supply of which is being furnished to each field office.

Upon receipt by a field office of such a form letter from the Bureau, appropriate action must be taken by the field office to bring the caption of its card into exact agreement with the caption of the card maintained at the Seat of Government. This will be accomplished by preparing a white 5" x 8" card bearing the same caption as the card at the Seat of Government, and, in addition, the field office file number of the related investigative case file. The card so prepared will then be filed in the Confidential Security Index Card File, replacing the card previously on file therein. If the card so replaced is a photostatic copy of the Security Index Card at the Seat of Government, it will be removed from the Confidential Security Index Card File and placed in the appropriate investigative case file. If, however, the card replaced is a white 5" x 8" card, it will be destroyed. By this procedure, all photostatic copies of Security Index Cards will eventually be withdrawn from the Confidential Security Index Card Files in the field offices, and the Security Index Card Files will consist only of white 5" x 8" cards.

In the event a caption revision is made in a field office, a white 5" x 8" card must be prepared reflecting the entire, correct caption of the Security Index Card and the appropriate field office file number. The card so prepared will be filed in the Confidential Security Index Card File, replacing the card previously on file therein. As in the case of revisions

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BUREAU BULLETIN NC. 59
Second Series 1943

- 4 -

originating at the Seat of Government, the card replaced will be destroyed, if it is a white 5" x 8" card, or placed in the appropriate investigative case file if it is a photostatic copy of the Security Index Card maintained at the Seat of Government. As previously noted, the Bureau must be advised of the revision by form letter.

(C) SELECTIVE SERVICE - MULTIPLE REGISTRATIONS. -- The inability of persons in custody of the police to furnish sufficient information to enable the Bureau to verify their registrations frequently results in their re-registration by the police. It has been determined that in many instances field offices handling these matters have overlooked the possibility of checking with the Bureau to determine whether the individual has been reported delinquent in another field division. Recently an individual called at a field office to have his Selective Service status clarified but was unable to furnish the address given by him upon his registration, which would have made it possible to ascertain the identity of his local board. A check with the Bureau revealed that he had registered on October 16, 1940 as he had claimed and had been delinquent for over two years.

In some instances registrants have deliberately registered several times under their own names or aliases which have resulted in their being reported delinquent to the Bureau several times. This possibility must be constantly borne in mind, and individuals in custody who are suspected of such activity should be thoroughly questioned so that the false registrations may be discovered and eliminated. Whenever it appears logical a communication should be sent to the Bureau to have the indices checked. To eliminate needless searches, however, it must be emphasized that such a request should be based upon a logical belief that the subject may have registered more than once.

(D) INDIVIDUAL EXCLUSION ORDER - CHANGING OFFICE OF ORIGIN. -- The following procedure should be followed in changing the office of origin in an Individual Exclusion Order Case.

The original office of origin will forward copies of all pertinent serials to the new office of origin. As subsequent changes in the office of origin are made the various field divisions will not retain copies of the serials received from the preceding offices of origin but will, in each instance, forward such material, together with copies of all pertinent serials subsequently received, to the new office of origin. In this way the current office of origin will have a complete file on the subject and the files of each of the other offices will contain only copies of those reports which carry that particular office as the office of origin and any other serials received during that time.

(E) INTERNATIONAL WORKERS ORDER - INTERNAL SECURITY - C. 49- You were previously advised in Bureau Bulletin No. 49, Second Series 1943, Section A, that the International Workers Order had thirteen language sections. It has been ascertained the International Workers Order now has sixteen national language group

sections which are as follows:

Croatian, Czech, Carpatho-Russian, Finns, Greek, Hungarian, Italian, Jewish, Polish, Rumanian, Russian, Serbian, Slovak, Spanish, Ukrainian and Puerto Rican.

Further information received indicated possibly the I.W.O. is endeavoring to form a Negro section. Any information which would substantiate the establishment of this new section should be immediately brought to the Bureau's attention.

(F) VALUE OF SOCIAL SECURITY INFORMATION. -- In order that the Bureau may be informed concerning the value of information obtained from the Social Security Board in locating Bureau subjects, it is desired that in every case where such information has contributed to or directly resulted in the location of a subject the Bureau be advised. If the Bureau is able to show that the information resulted in a substantial saving to the Government, it would be a convincing argument in obtaining the information in all types of cases now and after the war.

Inasmuch as this information is being utilized principally in Selective Service cases, Selective Service Form 11 has been prepared for your convenience in advising the Bureau. The letters transmitted to the Bureau should bear the notation "For Informative Data - Not to be Filed".

(G) MILITARY AND SEAMEN'S RECORDS. -- To assist in the expeditious handling of requests made by Field Divisions for military and seamen's records it will be necessary that the letter of request include the name and all aliases of the subject or subjects for which a search is desired. It will be the responsibility of the requesting Field Division to include this information when requesting a search by the Identification Division as only the names appearing in the letter of request will be searched.

(H) WAR LABOR DISPUTES ACT. -- Reference is made to Bureau Bulletin No. 32 (B), Second Series, 1943, and to Bureau Bulletin No. 38 (A), Second Series, 1943, which set forth instructions for the handling of information concerning lockouts, strikes, slowdowns or other work stoppages under the War Labor Disputes Act. The Criminal Division of the Department has now ruled that for the purpose of considering authorizing investigation under the War Labor Disputes Act it desires to be furnished information with respect to only the following types of labor disturbances:

1. Strikes, regardless of size, occurring in plants, mines, or other facilities in the possession, custody or control of the United States Government.

2. Slowdowns occurring in plants, mines or other facilities in the possession, custody or control of the United States Government.
3. Lockouts and other work stoppages occurring in plants, mines or other facilities in the possession, custody or control of the United States Government.

The Criminal Division has defined plants, mines and other facilities in the "possession" of the Federal Government as those plants, mines or facilities in which the Federal Government or some agency thereof exercises some affirmative, actual and expressed possession, custody or control through the exercise of constitutional or statutory authority. This definition excludes "shadow plants" and other industrial facilities which are partially or wholly owned by the Government but are not actually under Government control.

METHOD OF REPORTING WAR LABOR DISPUTES ACT INFORMATION TO THE BUREAU

Information concerning the above labor disturbances should be immediately reported to the Bureau by teletype under the character "WAR LABOR DISPUTES ACT" and no report need be submitted. If the information is voluminous or involved, a teletype summary should be submitted to the Bureau followed immediately by a detailed closing report. The character of the report should be "War Labor Disputes Act".

(2) STRIKES OR OTHER LABOR DISTURBANCES WITH THE EXCEPTION OF SLOWDOWNS IN PLANTS, MINES OR FACILITIES NOT IN POSSESSION OF THE FEDERAL GOVERNMENT. --- The Criminal Division no longer desires to be furnished with information concerning strikes or other labor disturbances, excepting slowdowns, occurring in privately owned or operated plants and such information need not be furnished to the Bureau except:

1. Strikes or other labor disturbances of unusual national interest.
2. Strikes or other labor disturbances which cause a complete production stoppage in a major war industry.
3. Actual or impending labor disturbances which have a direct effect on the national labor situation. This would include coal, transportation and other strikes which threaten to spread throughout a particular industry.
4. Strikes caused by subversive activity.

The Bureau does not desire to be advised concerning labor disputes, other than those mentioned above, even though such disputes receive publicity by the local press or national wire services.

11-10-43

BUREAU BULLETIN NO. 59
Second Series 1943

- 7 -

METHOD OF REPORTING INFORMATION CONCERNING LABOR DISTURBANCES EXCEPT SLOWDOWNS
IN PLANTS, MINES OR FACILITIES NOT IN THE POSSESSION OF THE FEDERAL GOVERNMENT

Labor disturbances of the above nature should be reported to the Bureau by teletype under the character of "SABOTAGE". If the information obtained is of an involved nature, a teletype summary should be submitted to the Bureau followed by a closing report.

(3) SLOWDOWNS IN PLANTS, MINES OR FACILITIES NOT IN THE POSSESSION OF THE FEDERAL GOVERNMENT. -- Information concerning such slowdowns should be submitted to the Bureau by a closing report under the character of "SABOTAGE", in accordance with the instructions set forth in Section 4B (e) of the National Defense Manual. No teletype is necessary.

It is reiterated that under no circumstances may an investigation be made concerning a labor dispute without prior Bureau authority. However, in view of the fact that the Attorney General has issued instructions that the Bureau be in a position to obtain information concerning major work stoppages, it is imperative that the informant coverage, which you have established under the procedure outlined in the referenced bulletins be maintained. It is realized that considerable labor information will be referred to your office by informants and other sources which under the above policy will not be referred to the Bureau. An appropriate notation should be made in the Field Office files for possible future reference.

In order that investigative personnel may be fully cognizant of existing Bureau policy in the handling of labor matters, you are instructed to have a discussion on the Bureau's labor policy at the next Agents General Quarterly Conference held in your Field Division. In this connection, you should discuss previous Bureau instructions relative to the handling of labor matters, which are set forth in Section 4B of the National Defense Manual, Bureau Bulletin No. 32 (B), Second Series, 1943, and Bureau Bulletin No. 38 (A), Second Series, 1943, in the light of the policy changes made by this bulletin.

Very truly yours,

John Edgar Hoover

Director

March 10, 1949

RECORDED - 123
INDEXED - 123

Mrs. James Campbell Lewis
22 East Seventy-Third Street
New York, New York

Dear Mrs. Lewis: 214

I wish to thank you for your letter of March 9, 1949. Its contents have been carefully noted, and I am aware of the present difficulties in which you are involved.

This Bureau is specifically prohibited from furnishing information in its files because of its confidential character, and as a corollary to this prohibition, it is impossible to furnish you any letter or any other statement in writing referring to the matters covered in your letter.

I regret that I cannot be of assistance to you.

Sincerely yours,

3/13/03

63913CE/CAL/ms

58-1548

JJM:HBF:cmw

John Edgar Hoover
Director

HANDLED BY
JUN 10 1949

Mr. Tolson _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Mohr _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Gandy _____

RECEIVED
MAR 11 1949

RECEIVED
MAR 11 1949

SAC, New York:

March 25, 1949

Director, FBI

LETTER FROM NEW YORK
RE: MURPHY CASE

Reference is made to Bureau memorandum dated February 10, 1949, requesting that you advise if Assistant United States Attorney Thomas S. Murphy has made a decision regarding prosecution in this case.

It is requested that you advise by return mail the status of this case.

JJM:ofm

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 7/5/03 BY 60250 BCK/CAL/BUS

RECORDED - 34

COMMUNICATIONS SECTION
MAILED 13
★ MAR 23 1949 P.M.
FEDERAL BUREAU OF INVESTIGATION U. S. DEPARTMENT OF JUSTICE

EX-126

58-1548-215
F B I
71 MAR 31 1949

Mr. Tolson _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Egan _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Mohr _____
Mr. Pennington _____
Mr. Quinn Tamm _____
Tele. Room _____
Mr. Nease _____
Miss Gandy _____



United States Department of Justice
Federal Bureau of Investigation
New York - New York

IN REPLY, PLEASE REFER TO

FILE NO.

~~CONFIDENTIAL~~

DECLASSIFIED ON

March 30, 1949

Director, FBI

Re: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

Dear Sir:

Reference is made to Bureau letter to New York dated March 25, 1949 requesting that the Bureau be advised if Assistant United States Attorney Thomas F. Murphy had made a decision regarding prosecution in this case.

Please be advised that during the month of February Mr. Murphy was contacted on three occasions by Special Agent John M. O'Mara of this office and discussions were had concerning the case. On the occasion of these discussions Mr. Murphy indicated that he was hesitant about prosecution due to a fear that the motives of Mr. and Mrs. Lewis would be subject to attack should they appear as witnesses against Kerley. However, he indicated that he desired to confer with his superior, Mr. McGohey, and that probably Mr. McGohey would in turn discuss the matter with me. Inasmuch as Mr. McGohey has been tied up on the Communist conspiracy trial he has not had an opportunity as yet to bring the matter up to me personally.

On March 29th Special Agent O'Mara conferred with Mr. Murphy and at that time was advised that he had recently written the Department in answer to a query from the Department as to his views as to prosecution. In his letter to the Department Mr. Murphy indicated that he questioned the candidness of the Lewises and for that reason was hesitant about prosecution though he had not made up his mind as to a final decision. Mr. Murphy made available recent correspondence in this matter which disclosed a letter from Mr. Alexander M. Campbell, Assistant Attorney General, to the United States Attorney, Southern District of New York, dated March 3, 1949. This letter requested Mr. McGohey's views as to prosecution and stated "Your attention is called to Bureau memorandum dated September 13, 1948, a copy of which was transmitted to you under date of September 28, 1948." Mr. Campbell's letter also enclosed photostatic copies of a letter to Mr. Tom Clark, The Attorney General, dated February 23, 1949 from

ENCLOSURE ATTACHED

JMOM:gu
67-13301
Encls.

RECORDED - 62

DECLASSIFIED BY 60290BCE/CAK/RS
ON 7/3/03

Letter to Director

Re: LARRY ERNEST KERLEY
Embezzlement of Gov't Property

March 30, 1949

Edwin M. Otterbourg, the attorney for the Lewises in New York City. Mr. Otterbourg's letter to the Attorney General briefly reviewed the civil case against the Lewises by Kerley and stated that the Lewises' defense was so tied up with Kerley's activities as an FBI Agent that it was felt that representatives of the FBI would be desirable witnesses for the defense. This letter requested that the Attorney General consider the question of permitting Bureau representatives to testify in this civil suit. Mr. Otterbourg's letter was accompanied by a memorandum on the case which had been prepared by his office. Photostatic copies of Mr. Otterbourg's letter and accompanying memorandum are being forwarded with this letter to the Bureau.

By letter of March 16, 1949 to Mr. Campbell from Mr. McGohey there was reviewed the visit to Otterbourg's office in the Fall of 1948 by Mr. Murphy and Special Agents O'Mara and [redacted] of which the Bureau has already been made aware. This letter stated "The plan of seeing Otterbourg's file did not materialize, he being reticent to disclose all of the contents since he claims some was not relevant. This reticence and his subsequent willingness after Mr. Murphy had returned to his office left an unfavorable impression with Mr. Murphy as to the entire candidness of the Lewises."

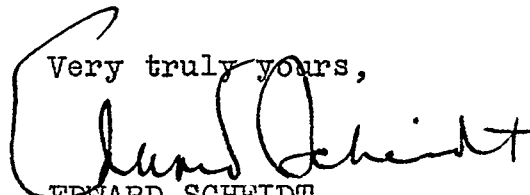
b6
b7c

Mr. McGohey's letter to Mr. Campbell later stated "Without coming to any final conclusion it is my impression that the case has an inherent weakness aside from any question of law involved, and that is the character of Mr. and Mrs. Lewis and their obvious disclosure of the allegedly stolen files only after the law suit was threatened by Kerley."

Mr. Murphy in a later discussion with Special Agent O'Mara on March 30th indicated that he felt he had adequately presented to the Department his views as to prosecution and that he would await further advice from the Department and thereafter discuss the matter with Mr. McGohey prior to making any final decision.

You will be immediately advised as to any further developments in this case and Mr. Murphy's final decision as to prosecution.

Very truly yours,


EDWARD SCHEIDT
SAC

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 7/3/03 BY 60290BCE/CAL/JRS

ENCLOSURE

58-1548-317

ALL INFORMATION CONTAINED *on encls/office*
~~HEREIN~~ IS UNCLASSIFIED
DATE 7/3/03 BY 60290BSE/CAL/MS

ENCLOSURE

58-1548-218

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. FLETCHER

DATE: April 25, 1949

FROM : D. M. Ladd

SUBJECT:

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

DATE 7/3/83 BY 60390RCE/MS

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

Peter Brown called me on April 21 and said that he had a letter for the signature of Peyton Ford going to U. S. Attorney McGohey which rather strongly urged prosecution of Larry Kerley. He stated that the U. S. Attorney had previously indicated that he was not too strongly in favor of such prosecution.

Mr. Brown wanted to know what the Bureau's views concerning this matter were and stated he would bring the letter to my office later in the day in order that I might discuss it with him.

Mr. Brown brought around to me on the night of April 22 a draft of a proposed letter to the U. S. Attorney which in very strong language urged prosecution of Kerley. The letter the Department had received from the U. S. Attorney indicated that in his opinion the case was rather weak.

I told Mr. Brown that it was the Bureau's position that the U. S. Attorney should make his decision and that no effort should be made to push the case or drop the case, but whatever the U. S. Attorney decided, should be the guiding factor.

In light of this, Mr. Brown indicated he would re-draft the letter so that it would not reflect the Department as urging prosecution but would rather request a further and final opinion from the U. S. Attorney.

DML:dad

Right. Furthermore
this case has been allowed by Dept.
to drag so long it seems useless
to now exert special pressure
for action.

RECORDED - 125

58-1548-219

52 MAY 4 1949

50771

SAC, New York

July 13, 1949

Director, FBI

LARRY ERNEST MURLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY
Bureau File 58-1548

It is requested that you immediately advise if Assistant United States Attorney Thomas F. Murphy has made any decision regarding prosecution in this case. You will recall that Mr. Murphy indicated in October, 1948 that as soon as he returned from his trip abroad he would render a decision.

JJM:EHW

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 7/3/03 BY 60370CE/KAL/JMS

RECORDED

58-1548-227
F B I

45 JUL 18 1949

Tolson _____
Clegg _____
Glavin _____
Ladd _____
Nichols _____
Rosen _____
Tracy _____
Egan _____
Gurnea _____
Harbo _____
Mohr _____
Pennington _____
Quinn Tamm _____
Tele. Room _____
Nease _____
Miss Gandy _____

MAILED 11

JUL 13 1949

RECEIVED
DEPARTMENT OF JUSTICE

62 JUL 14 1949

[Handwritten signature]

[Handwritten notes: "Just", "sw", "y/m"]

~~SECRET~~

EXEMPTED FROM AUTOMATIC
DECLASSIFICATION
AUTHORITY DERIVED FROM:
FBI AUTOMATIC DECLASSIFICATION GUIDE
EXEMPTION CODE 25X(c)
DATE 11-15-2010

Para 3 classified per OGA ltr 11/8/10

SAC, New York

May 25, 1949

Director, FBI

58-1548 ✓
FRIEDLANDER

~~Info classified per later dated 10/6/03~~
NLS/AG/MS/60067-AAG
10/7/03

SECURITY MATTER - C 65-9063

On May 20, 1949, [redacted]
[redacted] were interviewed at the Bureau at their request. Background information concerning these individuals is contained the report of Special Agent F. W. Waikart dated at New York city, March 27, 1940, in the case entitled [redacted] Espionage." New York file 65-1254, and letter from the Washington Field Office dated October 26, 1943; in the case entitled "Esperanto Society of North America, et al, Internal Security - C." a copy of which was forwarded to your office.

[redacted] advised that he had been referred to the Bureau by Mr. Harry Kerley who is presently employed as a research analyst for the "New York Journal American." He explained that he met Mr. Kerley approximately six weeks ago when he called at the office of the "New York Journal American" in order to suggest that an article be written exposing the alleged ouster of Anna Louise Strong from the Soviet Union as a hoax. He explained that he had never previously met Mr. Kerley.

[redacted]

During the course of the interview with [redacted] and [redacted] recalled that approximately two or three years ago a letter addressed to [redacted] Friedlander was received in the mail of the Esperanto Organization. This envelope was opened and contained only a newspaper clipping from some city in New England. This newspaper clipping describes how an entire plant was disrupted when a monkey wrench was dropped into an important piece of equipment. [redacted] had given no thought to his particular letter. However, the incident was recalled about six weeks to two months ago when a letter addressed to Alexander Trachtenberg was received with the Esperanto mail by mistake. Alexander Trachtenberg resides in the same apartment building with [redacted] This letter was also opened by mistake and

HOB:ofm

~~SECRET~~

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b7C

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b7C

Original copy filed in

SECRET

in that letter to Trachtenberg there was a reference to the name Friedlander. This letter was sent to Trachtenberg by a Jewish refugee from South America. The name of the sender and the name of the country where the letter was postmarked could not be recalled by either [REDACTED]

b6
b7C

The New York Office is requested to institute a preliminary investigation to determine the identity and present activities of Friedlander, who resides at 1114 West 16th Street, New York City. [REDACTED] may be discreetly contacted in this matter if the New York Office desires. Both [REDACTED] advised that they would be glad to be contacted at any time by the New York Office when it was believed that their services might be of assistance.

b6
b7C

SECRET

OFFICE MEMORANDUM

TO : D. M. Ladd

May 24, 1949

FROM : H. B. Fletcher

SUBJECT : LARRY ERNEST KERLEY
EMBAZZLEMENT OF GOVERNMENT PROPERTY

Reference is made to memorandum dated November 1, 1948, from Mr. L. B. Nichols to Mr. Tolson and memorandum dated December 9, 1948, from Mr. H. B. Fletcher to Mr. D. M. Ladd advising that Larry Kerley had recently been employed by the "New York Journal American" as investigator.

On May 20, 1949, [] were interviewed at the Bureau. During this interview [] mentioned that approximately six weeks ago he visited the office of the "New York Journal American" for the purpose of having that paper write an article exposing the alleged ouster of Anna Louise Strong from the Soviet Union. [] was of the opinion that her alleged ouster is a hoax.

[] advised that when he called at the office of the "New York Journal American" he was referred to the office of Mr. Larry Kerley. He explained that he had never previously met Mr. Kerley, but observed that he had a private office and he apparently was engaged by the "Journal American" as a research analyst. He explained that he had a large number of books in his room and when [] entered the office, Kerley was reading the "Daily Worker."

Action:

The abover is being furnished for your information.

JJM:OFM

58-1545-✓
NOT RECORDED
45 JUN 16 1949

7/3/03

60290BCE/CAL/TJS

original copy filed in

Federal Bureau of Investigation
United States Department of Justice
New York, New York

~~CONFIDENTIAL~~

August 4, 1949

Director, FBI

Re: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

Dear Sir:

Reference is made to Bureau letter of July 13, 1949, requesting that the Bureau be advised if Assistant United States Attorney Thomas F. Murphy had made any decision regarding prosecution in this case.

Mr. Murphy was not available for over two weeks after receipt of the Bureau letter and was interviewed yesterday. He advised that he had recently taken up the issue of prosecution in this case with his superior, United States Attorney McGohey. Mr. Murphy stated that Mr. McGohey indicated he would like to consider this matter himself and discuss the matter further with Mr. Murphy.

It was indicated by Mr. Murphy that a decision regarding prosecution could be expected in this matter within the next week or so. The Bureau will be immediately advised as to Mr. McGohey's decision.

Very truly yours,

Edward Scheidt, SAC

RECEIVED BY 60290 R/E/KAL/JMS
7/3/03

RECORDED - 110

EX-28

JMO:AG

58-1548-221

SAC, New York

September 6, 1949

Director, FBI

~~CONFIDENTIAL~~

LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY
Bureau file #58-1548

Reference is made to your letter dated August 4, 1949, stating that Assistant United States Attorney Thomas F. Murphy, had indicated that a decision with respect to prosecution in this case could be expected within a week or so.

You are instructed to again contact Mr. Murphy to determine if a decision in this matter has as yet been reached.

DECLASSIFIED BY 60290BCE/CAL/KRS
ON 7/3/83

WAS:omr

Tolson _____
Ladd _____
Clegg _____
Glavin _____
Nichols _____
Rosen _____
Tracy _____
Harbo _____
Mohr _____
Tele. Room _____
Nease _____
Gandy _____

RECORDED - 8

70 SEP 7 1949

57 SEP 13 1949



United States Department of Justice
Federal Bureau of Investigation
New York - New York

~~CONFIDENTIAL~~

DECLASSIFIED BY SP-1/1/1
ON 8/1/01
437189

September 13, 1949.

Director, FBI.

RE: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

Dear Sir:

With reference to Bureau letter of recent date, please be advised that Assistant United States Attorney Thomas F. Murphy was contacted in this matter on September 12, 1949. Mr. Murphy stated that he has not as yet had occasion to discuss this case in detail with United States Attorney John F. X. McGohey. Mr. Murphy said that Mr. McGohey had indicated that he desired such a discussion prior to giving a decision as to prosecution. He stated that in the light of the fact that Mr. McGohey is presently giving all his time to the Communist conspiracy trial here, it could not be predicted as to when the opportunity would arise for a discussion with Mr. McGohey concerning his case. However, Mr. Murphy did state that he would see to it that this case was given priority should an opportunity arise for him to take up matters with Mr. McGohey.

Mr. Murphy will advise this office as soon as any decision is made concerning this matter. The Bureau will be advised when such a decision is made.

Very truly yours,

Edward Scheidt
EDWARD SCHEIDT
SAC

JMO:GU
67-13301

RECORDED 109

58-1548-223

THREE

FROM

DO-7

OFFICE OF DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

TO

OFFICIAL INDICATED BELOW BY CHECK MARK

Mr. Tolson ☒
 Mr. Clegg ☐
 Mr. Glavin ☐
 Mr. Ladd ☐
 Mr. Nichols ☒
 Mr. Rosen ☐
 Mr. Tracy ☐
 Mr. Gurnea ☐
 Mr. Harbo ☐
 Mr. Mohr ☐
 Mr. Nease ☐
 Miss Gandy ☐

ALL INFORMATION CONTAINED
 HEREIN IS UNCLASSIFIED
 DATE 7/3/03 BY 60286 JCE/CAL JAS

See Me ☐
 Note and Return ☐
 For Your Recommendation ☐
 What are the facts? ☐
 Remarks:

I thought
 we had de-
 cided not to
 press this in
 view of the
 unwarranted
 delay of attor-

ney's paragraph 5 decision
 during which delay Herley
 had appeared as a witness
 before House & Senate Com-
 mittees. It now would
 look like retaliation.

Memo
 to Director
 9-21-58

58-1548-223

THE ATTORNEY GENERAL

Director, FBI

LARRY ERNEST KERLEY

EMBEZZLEMENT OF GOVERNMENT PROPERTY

September 16, 1949

DECLASSIFIED BY 60308/PAT/RS
ON 7/3/03

CONFIDENTIAL

According to an article which appeared in the Washington "Evening Star" under date of September 15, 1949, Larry E. Kerley, a former FBI Agent, testified on September 15, 1949, before a Senate Judiciary Sub-Committee.

According to the newspaper article, Kerley, among other things, "listed numerous Russian agents, Communists and 'contacts' he said were investigated by the FBI in wartime." Kerley also "listed Arthur Adams, Steve Nelson and Alexander Stevens, alias J. Peters, as having been among the most active and influential Communist agents in this country."

He identified Adams as having headed a spy group that attempted to obtain atomic bomb secrets. He indicated that Nelson "is the Comintern representative who was sent to organize industry workers where he could do the most damage in event of a national emergency." He described Stevens as a leading Soviet spy who entered the United States in 1922 and left, presumably for Russia, a few months ago.

For your information Kerley, above-mentioned, is identical with Larry Ernest Kerley who entered on duty as a Special Agent of the Federal Bureau of Investigation on September 22, 1941. On December 20, 1941, he was assigned to the Butte Division. On March 30, 1942, he was transferred to the Louisville Division. On November 29, 1944, he was transferred to the New York Division. He left New York for assignment in the Kansas City Division on July 18, 1945, and resigned while assigned to Kansas City on October 1, 1945. Following his resignation and until September 30, 1946, he was employed by Mr. James Campbell Lewis as building manager of property owned by Mr. Lewis at 5 East 57th Street, New York, New York. (58-1548-169)

On December 3, 4 and 5, 1945, the New York "Journal American" published articles regarding several Soviet espionage cases which were at that time being investigated by the Bureau. These articles were written by Howard Rushmore, a former member of the Communist Party and a writer for the "Daily Worker" until about 1940. The New York "Journal American" articles, above-mentioned, refer to investigations being conducted by this Bureau concerning Arthur Adams, Andrei Solovchenko and an individual believed to be Gerhardt Eisler.

RECORDED - III

158-1548-224

This Bureau was greatly concerned over the publication of these articles because they destroyed several years of our work. As a result of investigation to determine how Mr. Rushmore obtained the information for his articles, it was determined that he had received the information from Larry Kerley.

Mr. Tolson
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

TIME	12:35 PM
DATE	9-16-49
JJM:pm	BY: [initials]

9/16/49
Mr. Tamm
[initials]

[initials]

ATB

[initials]

Information regarding Kerley was called to the attention of the then Attorney General on March 29, 1948.

As a further result of our investigation of Kerley, it was ascertained that he had apparently embezzled three reports and two letters belonging to this Bureau while he was employed in the Louisville Division. Complete information regarding this alleged embezzlement was furnished to former Assistant Attorney General T. Vincent Quinn on April 24, 1948.

Your records will reflect that subsequent to that date, this matter was referred to Mr. John F. X. McGohey, United States Attorney, New York, New York, for his opinion as to prosecution. According to our records, Mr. McGohey still has this matter under consideration.

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

DATE: September 21, 1949

FROM : MR. D. M. LADD *DL*SUBJECT: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTYALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 8/2/01 BY SP2AUM/eb
487189

Tolson	<input checked="" type="checkbox"/>
Ladd	<input checked="" type="checkbox"/>
Clegg	<input checked="" type="checkbox"/>
Glavin	<input checked="" type="checkbox"/>
Nichols	<input checked="" type="checkbox"/>
Rosen	<input checked="" type="checkbox"/>
Tracy	<input checked="" type="checkbox"/>
Harbo	<input checked="" type="checkbox"/>
Mohr	<input checked="" type="checkbox"/>
Tele. Room	<input checked="" type="checkbox"/>
Nease	<input checked="" type="checkbox"/>
Gandy	<input checked="" type="checkbox"/>

By letter dated September 13, 1949, the New York Office reported another follow-up with the United States Attorney's Office in the titled matter to determine whether a decision as to prosecution had been made.

You inquired as to whether or not it had been decided not to press this matter in view of the unwarranted delay of attorneys in reaching a decision, during which delay Kerley had appeared as a witness before House and Senate Committees. You observed that to act would look like retaliation.

By memorandum dated September 13, 1948, addressed to the Attorney General shortly after [redacted]

[redacted] it was pointed out that there had been delay in the possible prosecution of Kerley and that in view of [redacted] prosecution would appear to be an anti-climax at that time and might leave the impression with the public that Kerley was being prosecuted because of [redacted]

OTHER Not Within the Purview of FOIA

On April 21, 1949, Mr. Peter Brown of the Department called and advised that a letter was going to United States Attorney McGohey, New York, over the signature of Peyton Ford, strongly urging prosecution. Mr. Brown was informed at that time that the Bureau's position was that the USA should make his decision and that no effort should be made to push the case or drop the case, and whatever the USA decided should be the guiding factor. Mr. Brown indicated at that time that the letter would be redrafted so as not to reflect that the Department was urging prosecution but would rather request a further and final opinion. You noted that this position was correct, that the case had been allowed by the Department to drag so long that it seemed useless to exert special pressure.

The case was followed by letters addressed to the New York Office on July 13, 1949, and again on September 6, 1949, to determine whether or not the USA had made a decision in the interest of bringing this matter to a conclusion, and because it had been indicated to the New York Office by the United States Attorney's Office that a decision would be made by a certain time and that time had passed. **RECORDED - 9** 58-1548-225

Since Kerley appeared before the Subcommittee on Immigration of the Senate Judiciary Committee subsequent to the last contact with the office of the USA, New York, on September 12, 1949, I agree that it would not be to the Bureau's interest to follow this case again within the immediate future. I have issued instructions that this case should not

HBF:mer

OCT 19 1949

58-1548

be followed by the New York Office with the USA but that they should merely await receipt of advice as to his decision. These instructions were transmitted to ASAC Belmont at New York at 9:30 A.M. today by Inspector H. B. Fletcher.

Yes leave it alone. There
has been so much
stalling by U.S. atty
that it is now useless.

H.

SENATORS TOLD OF STATE DEPT. SHIELDING SPIES

Barred Their Arrest,

Ex-FBI Man Says

BY JOHN FISHER

(Chicago Tribune Press Service)
Washington, Sept. 15—State department orders blocked the arrest of hundreds of soviet espionage agents operating in the United States during the war, a former FBI agent today told senate investigators.

Larry Kerley, assigned to watch top Russian spies, laid his story before the senate subcommittee on immigration. He reeled off scores of names of Russians and Americans known to the FBI as links in various Red espionage apparatuses.

Altho there were at least several hundred such agents known to the FBI, the state department permitted arrest of only one—an employe of the soviet consulate in Seattle, caught with blueprints. He was later released after official soviet protests.

Orders Block Arrests

There were standing orders, said Kerley, that no soviet espionage suspects could be arrested without prior approval of the state department, and this blocked the arrest of top spies, such as Arthur A. Adams, who was assigned to obtain atomic bomb secrets.

Kerley said his testimony was based upon actual experience and knowledge gained during his service as an FBI agent from 1937 to 1945. When he left the bureau, the state department order still was in effect, he said.

Kerley said the state department

ment—arrest ban also applied to American members of the spy rings, because they feared this would disclose the soviet apparatuses.

"It was a question of protocol because of the international situation at that time," Kerley explained.

There may have been spies in



Kerley

addition to those known to the FBI, he admitted.

Kerley said Communist party officials instituting a politburo in the United States, engaged in espionage for the soviet union, from which they took their orders.

He also named many government employes used as contacts by the various spy rings, including some employed at the University of Chicago and University of California laboratories working on the atomic bomb project.

"Most of the soviet espionage directed against the United States during the last war was directed thru diplomatic personnel and trade and economic missions," said Kerley. "Some of the agents, however, entered the country via fraudulent passports."

Only Peters Knew

Kerley continued:

"Most of the Russian espionage rings operated independently of each other, so only the Comintern representative, J. Peters, who directed the over-all activities, knew all of the agents."

"There were several hundred espionage agents operating during the last war—that many on which information is available; there may have been more."

Kerley recommended outright

outlawing of the Communist party and enactment of legislation such as proposed by Sen. McCarran (D., Nev.) to "and deport alien Communists, spies, whether diplomats or officials." He said Peters operated here since 1922 and left the country only two or three months ago after a deportation warrant was sworn out against him.

Describes Adams Case

Kerley then described the Arthur Adams case and others with which he was familiar.

He described Adams as "one of the most dangerous Russian agents entering this country." He said Adams headed an espionage group which was attempting to steal the atomic bomb secrets.

Adams was in the United States prior to 1921, returned to Russia, and returned in the 1920s.

Later, said Kerley, Adams used the New York City offices of the Electronics Corporation of America, headed by Sam Novick, and a subsidiary, Keynote Recording company, headed by Eric Bernay, both described as active in pro-Communist activities for years.

In 1943, Kerley related, Adams was seen contacting Clarence Hiskey, a scientist employed on the Manhattan project at the

University of Chicago thereafter cl... was found in... Kerley said Adams but he... lance in New... by leaving th... friend, Victor... morning by w... without ha... Adams grabbe... Bernay and... immediately... in a Chicago... trailed to Port... State depar... that Adams sh... but merely pre... the country, s...

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CHICAGO DAILY TRIBUNE

SEP 16 1949

File -

58-1548

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82 DEC 19 1949

DEC 19 1949

Soviet Spy Allowed To Flee, Probe Told

Reporter Scores Immigration Laws

By The Associated Press

A former FBI agent testified yesterday that the State Department blocked the arrest of Russia's No. 1 atom bomb spy in this country and the man later escaped.

Larry E. Kerley, who said he was an FBI operative from 1937 to 1945, told a Senate Judiciary subcommittee that a network of several hundred Soviet spies operated in the United States during the war. Russia's "best agents," he said, were assigned to ferret out A-bomb secrets.

Kerley testified that although the FBI was aware of their movements, the Federal bureau was not permitted to "open up" Russian espionage cases—or arrest the plotters—without the State Department's approval.

Says Adams Fled to Russia

The witness, now a member of the New York Journal-American editorial staff, said the State Department refused to permit the arrest of Arthur Alexandrovich Adams, whom he named as the most active Soviet agent in early atomic spying. Adams subsequently fled to Russia, he said.

Kerley said the State Department's no-arrest order was still in effect when he left the FBI in October, 1945. He said the FBI kept the department "closely advised" on Soviet spy activities.

Another case of State Department intervention against arrest of

known Soviet agents, Kerley told Chairman O'Connor (D., Md.), was that involving Andrei V. Shevchenko—representative of the Soviet purchasing commission at the Bell Aircraft Co. plant in Buffalo.

This case was first brought to light by the House Un-American Activities Committee. Shevchenko was uncloaked by Loyal Bell Co. employes from whom he tried to buy plane secrets.

Gives Long List of Names

The Comintern Secret Intelligence—"the little known OMS"—has one section which does nothing but process United States passports for its agents, the witness said.

Kerley gave a long list of names which he said the FBI had uncovered in the Soviet espionage web—contacts, mail drops, official Soviet representatives and others.

West Coast operations, Kerley testified, centered in Gregory Markovitch Kheifets, Vice Consul at San Francisco, who he said used the cover name of "Mr. Brown."

Another important agent he named as Steve Nelson, the Communist Party organizer for western Pennsylvania and leader of the American Slav Congress. Nelson has previously been called by the House Un-American Activities Committee.



Associated Press Photo

LARRY KERLEY

"We are losing this fight..."

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

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WASHINGTON POST

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 Gandy _____

COMMUNISTS

A former FBI agent said today that the State Department thwarted arrest of "several hundred" Soviet spies during the war.

The one-time G-man, Larry E. Kerley, told a Senate Judiciary subcommittee that the FBI could not arrest a Soviet agent without "prior approval" of the State Department. Kerley, now on the editorial staff

Whitson

of the New York Journal-American. FBI wanted to sieze Adams in 1945 said that among FBI-planned arrests blocked by the State Department was that of Arthur Adams, crippled head of a Soviet spy ring seeking atomic secrets. He said the but the State Department said no. The department wanted Adams kept in this country, however, but the FBI lost his trail and he got away, Kerley said.

INDEXED - 75

158-1548-A

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30 OCT 1949

WASHINGTON DAILY NEWS
 FINAL EDITION
 DATE 1-17-49



FEDERAL BUREAU OF INVESTIGATION

Room 5744

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1949

TO:

☒ Director
☐ Mr. Ladd
☐ Mr. Clegg
☐ Mr. Glavin
☐ Mr. Harbo
☐ Mr. Nichols
☐ Mr. Rosen
☐ Mr. Tracy
☐ Mr. Fletcher
☐ Mr. Mohr
☐ Mr. Carlson
☐ Mr. Nease
☐ Miss Gandy
☐ Personnel Files Section
☐ Records Section
☐

Mr. Tolson.....
Mr. Ladd.....
Mr. Clegg.....
Mr. Glavin.....
Mr. Nichols.....
Mr. Rosen.....
Mr. Tracy.....
Mr. Harbo.....
Mr. Mohr.....
Tele. Room.....
Mr. Nease.....
Miss Gandy.....
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See Me For Appropriate Action

Send File Note and Return

ALL INFORMATION CONTAINED
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DATE 7/14/03 BY 60220 BCE/CAL/SAS

Clyde Tolson

Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

DATE: September 16, 1949

FROM : D. M. Ladd *DL*SUBJECT: LARRY ERNEST KERLEY
(TESTIMONY BEFORE SENATE JUDICIARY
SUBCOMMITTEE, SEPTEMBER 15, 1949)ALL INFORMATION CONTAINED
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Nease	<input type="checkbox"/>
Gandy	<input type="checkbox"/>

In accordance with your request there is set forth below testimony given by Kerley before a Senate Judiciary Subcommittee on September 15, 1949, according to an article which appeared in the Washington Evening Star of that date. Also set forth below are the true facts concerning the items mentioned in Kerley's testimony.

TESTIMONY

He stated that as late as October, 1945 the Justice Department could arrest the several hundred suspected Soviet Espionage Agents in this country only on approval of the State Department. He added that he knew of only one instance where approval was given during the war.

FACTS

It is true that the Bureau did consult the State Department prior to arresting any suspected Soviet Espionage Agents who had or might have had diplomatic immunity; however, the statement that there were several hundred suspected Soviet Espionage Agents in this country in October, 1945, is only Kerley's opinion.

TESTIMONY

The newspaper article mentioned that he listed numerous Russian Agents, Communists and "contacts" who were investigated by the FBI in war-time.

FACTS

It is true that we did investigate such individuals during the last war.

TESTIMONY

He declared that "at least several hundred" persons were known to have operated in spy rings in the United States through the Soviet Embassy and Consulates, trade organizations, Communist groups and other organizations in the United States.

FACTS

It is not true that we know "at least several hundred" persons operated in spy rings in this manner. However, from information available

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158-1548-226
SEP 30 1949

Smith, March 1949, 8/1/49

J. Edgar Hoover
CJM
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we have always suspected that at least 60 per cent of the Soviet employees attached to the Soviet Embassy and former Consulates were engaged in espionage activities.

TESTIMONY

He testified that "we are definitely losing this fight against Communist Espionage and they will continue to infiltrate into this country and the Government unless we improve our immigration laws".

FACTS

No comment necessary as this is merely his belief.

TESTIMONY

He urged that the Communist Party be outlawed and said this would discourage fellow travelers and deprive the Party of financial support from "misguided rich Americans".

FACTS

No comment necessary as this is only his opinion.

TESTIMONY

Kerley listed Arthur Adams, Steve Nelson and Alexander Stevens, alias J. Peters, as having been among the most active and influential agents in this country. He identified Adams as having headed a spy group that attempted to obtain atomic bomb secrets.

FACTS

The investigation of Arthur Adams was instituted on July 31, 1944 when information was received from the Manhattan Engineering District that Adams was known to have contacted Clarence F. Hiskey and Edward W. Manning, a DSM Engineer and close personal friend of Hiskey. Subsequent investigation did determine that Adams was apparently interested in obtaining secret information relating to the atomic bomb. (58-1548-206, pg. 2)

TESTIMONY

Kerley said the FBI kept Adams under close surveillance during the war and once prevented him from boarding a ship for Russia.

FACTS

Spot surveillances of Adams were begun on August 25, 1944, and a full surveillance was instituted on September 25, 1944. (58-1548-206, pg. 2 and 3)

On March 1, 1945, Adams was under surveillance when he arrived in Portland, Oregon at 7:45 A. M. He departed at 4:30 P. M. the same date. He confined his activities to walking around in the business district and attending a motion picture show. He did not go to the Portland docks and the FBI did not prevent him from boarding a ship for Russia as testified by Kerley. (58-1548-206, pg 34)

TESTIMONY

Kerley testified that under the State Department policy concerning arrests of suspected Soviet Agents, Adams was never arrested.

FACTS

In February, 1945, investigation disclosed that Adams might possibly depart from the United States. This was furnished to the Manhattan Engineering District and advice was received that it would be most undesirable for Adams to be permitted to leave the United States. The Manhattan Engineering District also advised that they did not desire to have Adams prosecuted at that time as such prosecution would bring the atom bomb project into the open. This information, as well as the facts in the case, were discussed with the Attorney General on February 27, 1945 and because of the request made by the Army a sealed complaint was filed in New York City in the Southern District of New York on February 28, 1945 [redacted]

[redacted] On March 2, 1945 a sealed complaint was filed in the same District [redacted]

OTHER Sealed

On March 13, 1945, a secret indictment was returned in the same Federal District. Adams was not arrested, and he disappeared January 23, 1946.

The State Department was not consulted concerning these charges as testified to by Kerley and the State Department had nothing to do with the fact that Adams was never arrested prior to his disappearance. (58-1548-206, pg 32 and 33)

TESTIMONY

Kerley reportedly described Alexander Stevens as a leading Soviet spy agent who came to this country in 1922 and left, presumably for Russia, a few months ago.

FACTS

Alexander Stevens, with aliases, more commonly known as J. Peters, was born on August 11, 1894, at Cop, Czechoslovakia. He first entered the United States on February 10, 1924 (not 1922 as testified to by Kerley) under the name Alexander Goldberger. He reentered the United States at New York City on September 5, 1928, after a trip to Germany, Czechoslovakia and Hungary. (100-184255-297)

On October 8, 1947, Alexander Stevens was arrested by INS inspectors on a deportation warrant at Peekskill, New York. (100-184255-297 p. 6)

Stevens left the United States on May 8, 1949, via Royal Dutch Airlines. According to INS he departed voluntarily under a deportation order. The flight manifest at the time of his departure indicated that he was destined to return home permanently to Hungary, (not Russia as indicated by Kerley). (100-184255-336)

Benjamin Gitlow, a founder of the Communist Party in the United States, identified Stevens as an individual known to him as J. Peters, who prior to 1929 was a member of the Executive Committee of the Hungarian Section of the Communist Party and discharged assignments for the Party of a highly important and confidential nature.

James Glaser, a former managing editor of the "Daily Worker", referred to J. Peters as an OGPU agent who was a representative of the Communist International. Glaser indicated his information was prior to 1929. Manning Johnson, a former member of the Communist Party, indicated that in 1931, J. Peters was the head of the Technical Department of the National Committee of the Communist Party and indicated that his duties included the organization of the special Party apparatus in every state and district. George Timothy Holmes Hewitt, a former Communist Party member, identified J. Peters as the author of "The Communist Party, A Manual of Organization." William Odell Nowell, a former member of the Communist Party, reported that he knew Stevens in Moscow in 1932 and knew him there as an American Communist Party representative to the Communist International. (100-184255-297)

It will be recalled that on August 31, 1948, Whittaker Chambers, in a hearing before members of the House Committee on Un-American Activities, identified Alexander Stevens as the "J. Peters" he had known as director of an underground spy apparatus in the United States. It is noted that Chambers has furnished the Bureau with considerable detailed information with respect to his involvement with Peters in underground Communist work. It is further noted that Chambers claims to have first acted in 1934 as a courier between Peters and the Communist underground apparatus in Washington, D. C.

(100-184255-336 pp. 2, 14)

TESTIMONY

Kerley reportedly declared that Nelson "is the Comintern representative who was sent to organize industry workers where he could do the most damage in event of a national emergency."

FACTS

Kerley's testimony relates to Steve Nelson who is at the present time, Chairman of District No. 5 of the Communist Party at Pittsburgh, Pennsylvania.

A review of the Bureau's files fails to show any reliable information to substantiate the testimony of Kerley to the effect that Nelson was sent to this country as a Comintern representative to organize industrial workers in the United States.

FROM

DO-7

OFFICE OF DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

TO

OFFICIAL INDICATED BELOW BY CHECK MARK

Mr. Tolson _____
Mr. Clegg _____
Mr. Glavin _____
Mr. Ladd _____
Mr. Nichols _____
Mr. Rosen _____
Mr. Tracy _____
Mr. Gurnea _____
Mr. Harbo _____
Mr. Mohr _____
Mr. Nease _____
Miss Gandy _____

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note P. 3.
What are facts
re failure to ar-
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following re-
turn of agent
indictment in
Mar. 1945?

See Me _____ ()
Note and Return _____ ()
For Your Recommendation ()
What are the facts? ()
Remarks:

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DATE 7/3/03 BY 60290 BCF/CAF/as

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WAB

Ex-FBI Agent Says Red Arrests Hinged on State Department O.K.

By Robert K. Walsh

A former FBI agent told a Senate subcommittee today that as late as October, 1945, the Justice Department could arrest the several hundred suspected Soviet espionage agents in this country only on approval of the State Department. He added that he knew of only one instance where approval was given during the war.

Larry E. Kerley, the former FBI man, who now works for a New York newspaper, listed numerous Russian agents, Communists and "contacts" he said were investigated by the FBI in wartime.

He declared that "at least several hundred" persons were known to have operated in spy rings in the United States through the Soviet Embassy and consulates, trade organizations, Communist groups and other organizations in the United States.

Losing Fight Against Spies.

The witness warned that "we are definitely losing this fight against Communist espionage and they will continue to infiltrate into this country and the Government unless we improve our immigration laws."

The Communist Party should be outlawed, Mr. Kerley urged. He said this would discourage fellow travelers and deprive the party of financial support from "misguided rich Americans."

Mr. Kerley testified before a Senate judiciary subcommittee trying to determine whether the immigration laws should be tightened for national security. Most of the names he mentioned as having been investigated by the FBI while he was an agent from 1937 to October, 1945, have been brought out within the last year or two at hearings before the House Committee on Un-American Activities.

Before Mr. Kerley took the stand, Howard Rushmore, former Communist, informed the committee that there had been a "natural misunderstanding" about his testimony yesterday that the late President Roosevelt and Earl Browder, then head of the Communist Party, had conferred at the White House during the war.

Mr. Rushmore said he learned this from various sources, but not from Benjamin Gitlow, former Communist Party secretary.

Yesterday the subcommittee understood him to say he got the information from Gitlow. Today he explained that his reference to Mr. Gitlow dealt with information about other Communist activities during the war.

Lists Active Red Agents.

Mr. Kerley listed Arthur Adams, Steve Nelson and Alexander Stevens, alias J. Peters, as having been among the most active and influential Communist agents in this country. He identified Adams as having headed a spy group that attempted to obtain atomic bomb secrets. Adams, whose name often has been brought up in House committee hearings, is believed to be in Russia. Mr. Kerley said the FBI kept him under close surveillance during the war and once prevented him from boarding a ship for Russia. Under the State Department policy concerning arrests of suspected Soviet agents, he added, Adams was never arrested.

Nelson, Communist organizer in Western Pennsylvania, has appeared before the House committee several times, but has refused to testify. Mr. Kerley declared that Nelson "is the Comintern representative who was sent to organize industry workers where he could do the most damage in event of a national emergency."

Stevens, who also has been mentioned frequently in House committee testimony, was described by Mr. Kerley as a leading Soviet spy agent who came to this country in 1922 and left, presumably for Russia, a few months ago.

WASHINGTON EVENING STAR

September 15, 1949

58-1548-226

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DATE 7/3/03 BY 60503/CA/PLS

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State Dept. Shielded Spies, Ex-FBI Agent Tells Senators

A former FBI spy hunter told a Senate subcommittee yesterday that the State department blocked the arrest of "several hundred" known Soviet espionage agents in the U. S. during World War II.

The former agent, Larry E. Kerley, now with the editorial department of the New York Journal-American, testified that the FBI had to obtain "prior approval" from the State department before an arrest could be made.

Kerley also told a Senate judiciary subcommittee that Communist leaders assigned Steve Nelson to organize workers in major U. S. industries as preparation for "maximum sabotage" in event of war.

He said Red leaders sent Nelson "into heavy industries to organize the workers there" for that purpose.

The subcommittee is seeking ways of blocking a flow of subversive agents into and out of the United States.

Names West Coast Leader

Kerley said the "prior approval" order related both to foreigners and to Americans.

Sen. O'Connor (D) of Maryland, acting chairman, asked Kerley if the State department was kept abreast of the situation. Kerley replied:

"In all cases, they were kept closely advised."

O'Connor then asked him how many agents were involved. Kerley said:

"I think we would be safe in saying that there were several hundred operating during the war."

He said that they were engaged on different jobs but that

"the atomic bomb case was the most important."

Kerley pointed to the Judith Coplon case and the Julian Wadleigh case to show that Communists had infiltrated the government, and declared:

"If we don't do something about outlawing the party, they are going to continue to infiltrate the government and become stronger. The Soviets used their trade missions and consulates and embassy staffs primarily for espionage. They made Stalin as well-informed on our production and production potential as the U. S. government."

Kerley charged that West Coast espionage operation activities have been "mainly a Russian secret police operation."

He named as a leader in this ring Gregori M. Kheifets, who he said was Soviet vice consul in San Francisco.

Kerley also discussed the mysterious Arthur Adams, who was accused by House spy probers as being the "top Soviet atomic espionage agent" in this country at one time. The witness said that Adams is now presumably in Russia.

He testified that the FBI has orders from the State department not to arrest Adams.

He said that at the time he and others had Adams under surveillance, Russia was an ally of this country and the State department did not want Adams arrested unless it would prevent his fleeing the country.

Kerley named as contacts of Adams a number of persons questioned in the House atomic spy probe last summer.

They included Dr. Clarence H. H.

key, former bomb scientist, his key's first wife—Marcia Sand H. key, his present wife—Miriam Sherwood Hiskey; Ruth Wilson Pauline Baskind, wife of a New York attorney, and Frances Silverman, whom he identified as a member of a New York teachers' union.

Nelson Red Organizer

Nelson is a Communist party organizer in western Pennsylvania. He figured in the atomic espionage investigation conducted last summer by the House un-American activities committee.

Kerley, who was with the FBI from 1937 to 1945, testified that U. S. immigration laws are "woefully inadequate" to screen subversive aliens.

He quoted the late Gen. Walter Krivitsky as having said he personally described to Stalin the "ease" with which aliens could enter the United States. Kerley continued:

"He said Stalin jumped to his feet and declared, 'Let's send 25,000 men over and get them naturalized.'"

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Gandy _____

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Times-Herald 6

Wash. Post _____

Wash. News _____

Wash. Star _____

N.Y. Mirror _____

Date: _____

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DATE 7/3/03 BY 60290BCE/AL/MS

58-1548-226

Mr. Tolson ☒
 Mr. Clegg ☐
 Mr. Glavin ☐
 Mr. Ladd ☐
 Mr. Nichols ☒
 Mr. Rosen ☐
 Mr. Tracy ☐
 Mr. Egan ☐
 Mr. Gurnea ☐
 Mr. Harbo ☐
 Mr. Mohr ☐
 Mr. Pennington ☐
 Mr. Quinn Tamm ☐
 Mr. Nease ☐
 Miss Gandy ☐

September 20, 1949

MEMORANDUM FOR THE DIRECTOR

ALL INFORMATION CONTAINED
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 DATE 7/14/03 BY 60270 BCF/CAL/ms

Re: LARRY ERNEST KERLEY
 (TESTIMONY BEFORE SENATE JUDICIARY
 COMMITTEE, SEPTEMBER 15, 1949)

In my memorandum of September 16, 1949, captioned as above, it was reported that a secret indictment was returned against Arthur Adams on March 13, 1945; that he was not arrested; and that he disappeared on January 23, 1946.

It was also stated that the State Department, contrary to the testimony of Larry Kerley, had nothing to do with the fact that Adams was never arrested prior to his disappearance.

In connection with the above, you commented, "What are facts re failure to arrest Adams following return of secret indictment in Mar. 1945?"

The Bureau's files reflect that the indictment against Adams was obtained as a tactic to delay his possible departure from the United States if he attempted to leave.

OTHER Not Within the Purview of FOIA

In this regard, your attention is respectfully invited to my memorandum, and its attachment, to you dated September 13, 1948, captioned [redacted]

[redacted] "Arthur Alexandrovich Adams, with aliases; Espionage - R." Therein the following is reported in substance:

RECORDED - 91

1 ENCLOSURE
 In February, 1945, investigation disclosed that Arthur Adams might possibly depart from the United States. This information was furnished to [redacted] of the Manhattan Engineering District in Washington, D. C., and he advised that the attitude of the United States Army at that time was that it would be most undesirable for Adams to be permitted to leave the United States for the USSR with the information which

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WAB:EWT

THIS MEMORANDUM IS FOR ADMINISTRATIVE PURPOSES.
 TO BE DESTROYED AFTER ACTION IS TAKEN AND NOT SENT TO FILES

he had undoubtedly been able to obtain concerning the atom bomb project.

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[redacted] also stated that they did not desire to have Adams prosecuted at that time on the basis of his espionage activity concerning the atom bomb project inasmuch as such prosecution would bring the project out into the open. This information, as well as the facts in the Adams case, was discussed with Assistant Attorney General Tom Clark and Mr. James McInerney. At the time of this discussion on February 27, 1945, it was indicated to the Criminal Division that the Bureau's real interest in Adams was in his espionage activity but due to the extreme secrecy of the Manhattan Project and the urgent necessity of maintaining secret information concerning this project, the Army had requested that some means be used other than the Espionage Statutes or the Foreign Agents Registration Act for immobilizing Adams in the event he attempted to leave the United States.

For that reason consideration was given to a complaint based upon false statements made by Adams in connection with his Selective Service and Alien Registration. These were considered by the Criminal Division even though they felt that both counts were weak from an evidentiary point of view. The real purpose of a complaint based upon these counts was that they would provide a tactic to be used to prevent departure from the United States and would comply with the considerations as expressed by the Army.

OTHER Sealed

On March 13, 1945, the Federal Grand Jury of the Southern District of New York returned a secret indictment [redacted]

[redacted] This indictment was sealed. It was understood that Adams would not be charged under this indictment unless he attempted to leave the United States. (58-1548-206)

Further, with regard to the facts concerning the failure to arrest Adams following the return of the indictment against him, you may be interested in the opinion expressed by the Department in December, 1945. As noted in my memorandum dated December 29, 1945, to Mr. E. A. Tamm captioned "Arthur Adams; Internal Security - R," the following was set forth. Assistant Attorney General T. L. Caudle advised that USA McGohey of the SDNY had advised him that he desired to dismiss the indictment against Arthur Adams for violations of the Selective Service Act, expressing his doubt that Adams could be convicted on this indictment since it could not be proved where Adams was born.

Mr. Tolson_____
Mr. Clegg_____
Mr. Glavin_____
Mr. Ladd_____
Mr. Nichols_____
Mr. Rosen_____
Mr. Tracy_____
Mr. Egan_____
Mr. Gurnea_____
Mr. Harbo_____
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Mr. Pennington_____
Mr. Quinn Tamm_____
Mr. Nease_____
Miss Gandy_____

MEMORANDUM FOR

THIS MEMORANDUM IS FOR ADMINISTRATIVE PURPOSES
TO BE DESTROYED AFTER ACTION IS TAKEN AND NOT SENT TO FILES

Mr. Caudle related that there was only one count in the indictment within the three-year statute of limitations and the others were barred by the three-year statute. At that time, I informed Mr. Caudle that the only intention of using the indictment would be if Adams started to leave the country. Mr. Caudle stated that he advised McGohey to let the indictment remain as it was and that it was admitted the facts in the present indictment would probably be embarrassing for McGohey to try. (100-331280-369)

Arthur Adams disappeared from the New York area on January 23, 1946, and all investigative efforts to ascertain his present whereabouts have met with negative results. However, indications developed, through a highly confidential and delicate source having access to the personal effects of Anna Louise Strong when she returned to the United States from Russia in 1948, point to the possibility that Adams is presently in Moscow. (100-331280-652)

The facts concerning the disappearance of Adams were reported to you in my memorandum with its attachment dated September 1, 1948, captioned "Arthur Alexandrovich Adams, was; Espionage - R." In substance, they were as follows:

On December 3, 1945, the New York "Journal American" published an article concerning an alleged investigation of Soviet espionage in the United States. This article, which was written by Howard Rushmore, referred to an alleged Soviet agent named "Alfred Adamson." From the facts which appeared in the article, this individual could be identified as Arthur Adams.

Until December 3, 1945, the date of the Rushmore article, Adams' activities were covered by a physical surveillance. With the publication of the Rushmore article and the attendant, ensuing publicity, it became necessary as of 11:00 PM, December 3, 1945, to discontinue the surveillance. This was caused by the appearance at the point of surveillance of a deluge of newspaper reporters and photographers who were interested in taking pictures of Adams, interviewing him concerning his reaction to the Rushmore article, and ascertaining whether, in fact, he was under investigation by the FBI. Adams and his activity thereafter dwindled to a minimum. His contacts until January 23, 1946, were of an innocuous nature. On this latter date, at 4:25 PM, Adams was observed returning to his office, the Keynote Recording Company, after having visited the New York Public Library. At that time he was observed to be carrying only a loose leaf note book. He was not observed to leave the building and since that time his whereabouts have been unknown. (100-331280-652)

ACTION: None. This is for your information.

Respectfully,


D. M. Ladd

Addendum: I am attaching my memorandum to you of September 18, 1949, which pertains to the consideration given to disciplinary action in this matter.

Attachment

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

MEMORANDUM FOR

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THIS MEMORANDUM IS FOR ADMINISTRATIVE PURPOSES
 TO BE DESTROYED AFTER ACTION IS TAKEN AND NOT SENT TO FILES

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. LADD

DATE: October 5, 1949

FROM : H. B. FLETCHER

SUBJECT:

LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

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By letter dated September 13, 1949, the New York Office reported a follow up with the United States Attorney's office in the titled matter in an effort to get a decision as to prosecution. The Director inquired as to whether or not it had been decided not to press this matter in view of the unwarranted delay of attorneys in reaching a decision, during which period Kerley had appeared as a witness before House and Senate Committees. The Director observed that to act now would look like retaliation.

Instructions were issued to the New York Office to discontinue following this case and to permit the United States Attorney on his own volition to bring up the matter.

ASAC Belmont called in at 10:55 a.m. this morning and stated that AUSA Murphy had contacted the Agent handling this case and stated he wanted to know what the Director actually wants done in this case. He made reference to a memorandum from the Department which allegedly states the Director "wants something done." We are not aware of any recent memorandum from the Department to the United States Attorney in New York. On April 21, 1949, Mr. Peter Brown, of the Department, called you and advised that a letter was being forwarded over the signature of Peyton Ford to the United States Attorney strongly urging prosecution. It was explained to Mr. Brown by you that the United States Attorney should make the decision and no effort should be made to push the case. Mr. Brown advised at that time that the letter would be re-drafted so as not to reflect that the Department was urging prosecution but would rather request a final opinion. The Director noted that this position was correct.

RECOMMENDATION:

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 7/14/03 BY 60220BCE/KAL/MS

It is recommended that I advise ASAC Belmont that Mr. Murphy should be told that the Bureau has no comment concerning the prosecution and that he may desire to take up the question with the Department. I believe it also would be desirable to have Mr. Belmont tell Mr. Murphy that the Director has not urged prosecution; that the opinion of the United States Attorney is the controlling factor.

HBf:tlc

RECORDED - 51

58-1548-227

EX-119

17 OCT 1949

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Belmont advised
10-6-49

5-
Tues

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD

FROM : MR. H. B. FLETCHER

SUBJECT: LARRY KERLEY
THEFT OF GOVERNMENT PROPERTY

DATE: October 25, 1949

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 8/21/01 BY SP2AM/eli
437189

Mr. Tolson ✓
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols ✓
Mr. Rosen ✓
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Holmes
Miss Gandy

At 5:15 p.m., ASAC Belmont, New York, called and stated that a letter was going to the Department over the signature of USA McGohey advising that prosecution in this matter was being declined. Prosecution was believed inadvisable because the Lewises would be vulnerable because of their civil suit and also because they delayed in reporting the matter to the Bureau until they were the subject of a substantial civil suit by Kerley. Further, Kerley had in his possession at the time of his resignation a letter addressed to him which is commendatory and which he could use to advantage. Further, Kerley had permitted SAC Scheidt to search his residence and he could use this in mitigation.

HBF:esb

*These arguments are silly.
However I think overall
decision is wise in view
of long delay upon part
of M.C. in reaching
a decision.*

58-15489-228
NOV 3 1949
JH

SAC, New York

December 2, 1949

Director, FBI

LARRY BREEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

For your information, the Department has advised that the United States Attorney has recommended that this case be closed without prosecution, and that the Department is not disposed at this time to disagree with his recommendation. The Department has advised that its file is being closed.

A copy of the letter dated October 25, 1949, from Mr. John F. X. McGohey, United States Attorney, to the Attorney General is enclosed for your information.

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58-1548
Enclosure

7/14/03 60290 BE/CAL/TAS

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U. S. DEPT. OF JUSTICE
DEC 5 9 56 AM '49

RECEIVED
U. S. DEPT. OF JUSTICE
DEC 12 1949

Mr. Tolson
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Mohr
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

DEC 5 - 1949

DEC 12 1949

SECURITY DIVISION - FBI

1949

TO:

Director

Mr. Tolson

Mr. Clegg

Mr. Glavin

Mr. Harbo

Mr. Nichols

Mr. Rosen

Mr. Tracy

Mr. Q. Tamm

Mr. Mohr

Miss Gandy

Mr. Nease

Mr. Winterrowd

Mr. J. A. Carlson

Mr. E. J. McCabe

[Redacted]

[Redacted]

Chief Clerk's Off.

Records Section

Personnel Files

Mechanical Sec.

Ident. Division

Technical Lab.

Reading Room

Mr. H. B. Fletcher

Mr. Baumgardner

M

M

Mr. Laughlin

Mr. Wall

Mr. Keay

Mr. Whitson

M

Mr. Ferris

Foreign Service Desk

Mr. Callan

See Me

Call Me

Appropriate action

Note & return

Send file

Bring up-to-date

Correct

Re-date

Please initial & return

Place on record & return

Place on record

b6
b7C

Callahan 7/14/03

ALL INFORMATION CONTAINED

HEREIN IS UNCLASSIFIED

DATE 7/14/03 BY 60290 BCE/CAL/RS

D. M. Ladd - Rm. 5736

Telephone Ext. 555

SECURITY DIVISION - FBI

1949

TO:

✓ Director

Mr. H. B. Fletcher

Mr. Tolson

Mr. Baumgardner

Mr. Clegg

M

Mr. Glavin

M

Mr. Harbo

Mr. Nichols

Mr. Laughlin

Mr. Rosen

Mr. Wall

Mr. Tracy

Mr. Keay

Mr. Q. Tamm

Mr. Whitson

Mr. Mohr

M

Miss Gandy

Mr. Nease

Mr. Ferris

Foreign Service Desk

Mr. Winterrowd

Mr. Callan

Mr. J. A. Carlson

Mr. E. J. McCabe

See Me

Call Me

Appropriate action

Note & return

Send file

Bring up-to-date

Correct

Re-date

Please initial & return

Place on record & return

Place on record

Chief Clerk's Off.

Records Section

Personnel Files

Mechanical Sec.

Ident. Division

Technical Lab.

Reading Room

b6
b7C

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 7/14/03 BY 60290 BSE/CA/BJS

D. M. Ladd - Rm. 5736
Telephone Ext. 555

The Attorney General

February 20, 1950

Director, FBI

~~CONFIDENTIAL~~

LARRY E. KERLEY

EMBEZZLEMENT OF GOVERNMENT PROPERTY

PIERS, FBI FILE

I am transmitting herewith two clippings from the "New York Journal American" of February 16 and 17, 1950, wherein you will observe the name of Larry E. Kerley, a former Special Agent of the FBI. As mentioned in both of the clippings, references are made to Communists in the Government and Soviet espionage.

For your information, Mr. Kerley entered on duty as a Messenger on October 21, 1937. He entered on duty as a Special Agent on September 22, 1941, and submitted his resignation on October 1, 1945, following some difficulties which we had had with him. (58-1548-169)

On December 3, 4, and 5, 1945, the "New York Journal American" published articles regarding several Soviet espionage cases being investigated by the Bureau. These articles appeared under the by-line of Howard Rushmore, who was a member of the Communist Party and a member of the staff of the "Daily Worker," the official Communist publication, until around 1940, at which time he was expelled from the Party for refusing to write an unfavorable review of the motion picture, "Gone With the Wind."

When the Bureau received notice of the articles, above-referred-to, in 1945, a vigorous effort was made to have the articles withheld from publication, and once they were published a vigorous effort was made to ascertain the source of the information. In the course of our investigation, it was disclosed that Kerley was employed by Mr. and Mrs. James Campbell Lewis as the building manager of property owned by Mr. Lewis at 5 East 57th Street, New York City. It was further ascertained that through the Lewises, Kerley was placed in contact with Howard Rushmore and other members of the staff of the "New York Journal American." Obviously, he was the source of the information appearing in these articles in 1945. (58-1548-35)

In the investigation that followed, it was established that Kerley had turned over five documents which he had removed from the files of the Bureau to Mrs. Lewis, who, in turn, turned them over to her attorney and subsequently we were able to secure possession of them.

Summary reports on this alleged embezzlement of Government property were furnished to the Criminal Division on April 13, 1948, and the Bureau was advised, after a lapse of nineteen months, that the Department had concluded prosecutive

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Tracy _____
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Tele. Room _____
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Gandy _____

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INDEXED - 111

58-1548-231

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The Attorney General

action would not be taken. Of course, at this late date there is little that could be done, although I do feel that it is very bad procedure when an individual occupying a position of trust violates that trust as Kerley did, in not only purloining documents from the files of the Bureau, but in divulging information coming to his attention in the course of the official conduct of his duties. Kerley is now connected with the "New York Journal American."
(58-1548-172)

During the hearings of the Un-American Activities Committee in 1948, an article appeared in the "New York Journal American" on September 11, 1948, stating that Kerley had testified before the House Committee on Un-American Activities; that it would appear his testimony was in Executive Session, and was the result of Kerley's contacts with Howard Rushmore, of the "New York Journal American." His testimony did not accurately portray the policies of the Bureau or the developments in the cases which he discussed. (58-1548-202)

Under date of September 13, 1948, I called this to the attention of the then Attorney General, pointing out that while no further word has been received regarding possible prosecution of Kerley, it would appear at this time to be an anti-climax that might leave the impression with the public that Kerley was being prosecuted [REDACTED]

Attachments ~~KB~~

OTHER Not Within the Purview of

Who Protects Them? FBI Report Names Over 100 as Spies

(In this fifth article on America's "protected atomic spies," the N. Y. Journal-American reveals the existence of a master FBI report which went to the State Department and the White House. The State Department has declared it will "fire by nightfall" any Communists on its staff. Today's article lists three State Department employees, named by a former FBI man, as wartime contacts of Soviet spy agents. What will the State Department do about them, or what has it done?)

By HOWARD RUSHMORE

In November, 1945, the FBI delivered to the State Department and the White House a carefully-detailed FBI summary report of Soviet espionage in the United States during the war.

This report names more than 100 American scientists, military officers, State Department officials, Government employees and business men as part of the gigantic, well-financed Kremlin spy ring.

Hundreds of FBI agents working around the clock, often facing death at the hands of MVD triggermen, compiled this information.

They were aided by military intelligence, local police and confidential informants who infiltrated the many separate Soviet espionage cells.

Thousands of individual reports were carefully sifted

Continued on Page 5, Column 2.

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HEREIN IS UNCLASSIFIED
DATE 8/2/01 BY SP222/ky

"NEW YORK JOURNAL AMERICAN"

2-16-50

ENCLOSURE 58-1548-231

Who Protects Them: None of Red Atom Spy Suspects Ever

(In this concluding article of a series, the N. Y. Journal-American reveals that Gen. Leslie R. Groves found Communist scientists on the A-bomb project when he took command in 1942, and that the State Department ordered the FBI not to arrest Russian spies without State Department permission. Eight years after the Kremlin spying on our atom bomb project started, not one American or Russian has ever been arrested or tried for atomic espionage activities, although more than 100 were involved. Who is protecting them—and why?)

By HOWARD RUSHMORE

When Gen. Leslie R. Groves took command of atomic energy developments in the United States, he found more than 20 Communist scientists already at work on Manhattan Project.

By the time Groves had been authorized to organize a counter-intelligence squad to root out the subversive scientists, some of them had passed invaluable A-bomb data to Russian spies and their local fifth columnists.

The success of Soviet espionage agents in infiltrating the New Deal was shown by the fact that the Reds knew about the A-bomb plans months before Groves was named by the late President Roosevelt as boss of the most closely guarded military secret in the history of the world.

Other scientists, not suspected of Communist affiliations when Groves took command in 1942, later bobbed up as contacts for Arthur Adams, top Soviet atomic spy.

Groves' intelligence squad and the FBI traced the network to its base—the Russian embassy in Washington and Soviet consulates in other cities.

Bogus Americans Served

Couriers for the espionage networks were in many cases Russians here under false passports or naturalized Americans who obtained their citizenship by fraud.

More than 100 native-born Americans, including scientists, doctors, business men and government employees, were linked to this gigantic web of espionage.

Soviet plan to steal the secret of our atom bomb. Yes, eight years after Adams organized his espionage group, not one member of the entire network has ever been arrested.

SPY GROUPS. Groves testified before the House Committee on Un-American Activities in 1948 that both the late President Roosevelt and Mr. Truman knew of the Russian spy groups.

Q. Gen. Groves, did you ever report the efforts of the Russian government, Russian agents, to obtain information regarding atom development to the President of the United States.

A. Yes.

Q. When was that?

A. It would have to be in 1944.

Q. Did you report to President Roosevelt that the Russian government was in contact with the Manhattan Project?

A. Yes.

Q. Did you report to President Truman that the Russian government was in contact with the Manhattan Project?

A. Yes.

Q. Did you report to President Truman that the Russian government was in contact with the Manhattan Project?

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A. Yes.

Q. Did you report to President Truman that the Russian government was in contact with the Manhattan Project?

A. Yes.

and persistent and well-organized espionage against the United States, and particularly against the atom bomb project by a foreign power with which we were not at war, and its misguided and traitorous domestic sympathizers, or perhaps stooges would be a better word... beyond that I will go no further.

FORBIDDEN TO ANSWER.

"I am prohibited from answering your question for reasons which I can now give."

"A Presidential directive was issued on Aug. 5, 1948. It was amplified by an order from the Secretary of the Army, dated August 11, 1948."

"From the wording of the Presidential directive and the amplifying order, it appears that it would be most difficult for me to discuss with you or your committee or any individual member or representative of the committee any information relating to the loyalty or integrity of any Government employee or former Government employee."

"I would also, appear to be

barred from including in any material submitted to you any investigative data of any type. I, therefore, cannot disclose any information pertaining to the loyalty or integrity of any person now or formerly in the Federal service."

Another former Army officer on Manhattan Project was subpoenaed to appear before the committee and gave the same reason.

RUZZLING EN MASSE.

In its report, the House group said "if this construction is correct some 16,000,000 Americans have by Presidential directive, had their lips effectively sealed."

Both the House committee and other Congressional groups have many times attempted to obtain the individual files of government employees named as spies or Communists or both.

In all cases, Mr. Truman has given a point-blank "no."

Among the files unsuccessfully sought were those of State Department employees known by the FBI and Gen. Groves to have been members of atomic espionage networks.

Q. Did you report to President Truman that the Russian government was in contact with the Manhattan Project?

A. Yes.

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A. Yes.

New York Journal American
February 17, 1950, page 9
ENCLOSURE 38-1548-331

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 8-24-81 BY 43718/9

FBI Report Named 100 as Red Spies

By HOWARD RUSHMORE

Continued from First Page

and double-checked. They formed the basis of a master FBI "summary" covering hundreds of pages.

The cost of this five-year counter-spy operation ran into millions of dollars to say nothing of the physical sacrifices of the FBI agents and their aides who fought a 24-hour rear-guard action against the enemy within.

Yet not one person named in this summary has ever been arrested for espionage.

Many FBI agents resigned in disgust, realizing that their work was being sabotaged by the political powers in control of this vital bureau.

Few of the G-men have testified in public about the political influence exercised by the Administration over the FBI.

One who did was Larry E. Kerley, native of Arkansas, for eight years an FBI employe and agent. He testified before a subcommittee of the Senate Judiciary Committee last year.

Kerley, now a member of the N. Y. Journal-American staff, named from his own knowledge of the spy rings many Americans involved in espionage.

That British atomic spy rings were linked to those in this country was stated by Kerley. He told the Senate group that Steve Nelson—exposed earlier in this series as one of the chief spy couriers here—had regular meetings with a City College student.

Transmitted Data to Spies

"Nelson principally used the courier system for transmitting espionage information," Kerley said.

"One of the contacts in New York City was Doris Silver, also known as Doris Silver Amatniek, a City College student, who passed the documents on to the espionage chief in the East or to a British merchant marine officer who contacted her frequently at her apartment in New York."

(Klaus Fuchs, recently arrested British spy, is understood by the FBI to have had espionage contacts here. Kerley says the FBI as late as 1945 had no knowledge of Fuchs' espionage connections at Los Alamos.)

In his testimony, Kerley said the FBI traced all atomic and other espionage rings back to the Soviet Embassy or the various Russian Consulates with Gregori Kheifets, wartime head of the San Francisco Soviet Consulate as top man in many of the spy networks within the United States.

After naming more than 20 other Russians here under

diplomatic immunity as leaders of these spy cells, Kerley listed a number of Americans who worked with and for these Soviet espionage leaders.

Included among Kheifets' contacts, Kerley testified, were Martin D. Kamen and Alfred G. Marshak, Russian-born scientists who worked on an A-bomb project at the University of California.

Showing the scope of Soviet espionage, the former FBI agent listed as other contacts of the spy leader:

"Ornik Sergei Kapantsell, alias Jerry Armand, naturalized Russian, employed at American Stamping and Manufacturing Co. in Los Angeles; with access to confidential blueprints of aircraft then under construction at various southern California plants.

"Robin Kinkaid, in the OWI as propaganda analyst.
"Dr. Louis Bloch, War Manpower Commission office in San Francisco and Los Angeles.

"Philip E. Lilienthal, San Francisco language section of the OWI.

Names Americans in Ring

"James W. Lewis; in the Army in 1945. Had been State Department code clerk from 1935-42 and in Oct. 1943, coming back from Russia for Army draft, he carried a letter to Zubelin.

(Vassili M. Zubelin, second secretary of the Soviet Embassy in Washington from January 1942, until late in 1944 was named by Kerley as "in charge of illegal movements of aliens in and out of foreign countries.")

"Charles Albert Page, a former assistant cultural attache of the American Embassy in Paris . . . Page was a registered and paid-up member of the Communist Party in 1942 and 1943 while employed by the State Department."

Kerley testified that various Soviet officials headed different "apparatus" in the United States. He named a number of Americans as "working the Zubelin apparatus":

"Grace Granich, native-born New Yorker, president and treasurer of Intercontinent News Corp. until it was ordered dissolved by Justice Department in 1944.

"She was a contact of Robert Magidoff and his wife, Neoline Magidoff. Her husband, Max Granich, associated with Philip Jaffe (Amerasia case) and was mail drop for Communists operating in the Orient.

"He was told to get latest news from-Orient from John Stewart Service (State Department), returning from Orient in Spring of 1945."

O. (by Otto Dekom, investigator for the Senate subcommittee): Is that the same John Stewart Service who is now

special assistant to the Chief of the Policy Planning Staff, Division of Foreign Service Personnel?

A. I understand that is his present position.

Kerley testified that still another spy apparatus "headquarters on Perry st., New York City. This was home of a woman named Lydia Altschuler."

Returning to the espionage group headed by Kheifets which included spy apparatus in Mexico, Kerley testified

"Mail drops and contacts from Mexico operated through this Consulate (Kheifets) and included: the wife of C. Sidney L. Bogal, U. S. Army Medical Corps, and R. Beverley Wilson, wife of Jacob Epstein . . . Epstein has business cover as James L. Marcus of the Aldon Rug Mfg. Co., New York City. Other mail drops were Pauline Baskind, of Albert S. Baskind, New York attorney; Frances S. Bloch, a member of the Teachers' Union, New York City; Helen Levi, a columnist on the Daily Worker, and S. Bloch, a New York motion-picture operator."

This is only a portion of the list of persons named by Kerley as involved in Russian illegal actions and espionage during the war. The FBI summary report, read by Kerley, was prepared four years ago, but yet not one has ever been arrested.

OW: State Department orders to the FBI reveal

complete list

(TOM)

Mr. Peyton Ford
The Assistant to the Attorney General

February 20, 1950

Director, FBI

~~CONFIDENTIAL~~

LAWRENCE E. KELLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

I am attaching hereto a copy of a memorandum I am sending to the Attorney General today.

Attachment

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my D.O. file

SAC, Washington Field

URGENT

March 8, 1950

Director, FBI

~~PERSONAL & CONFIDENTIAL~~
BY SPECIAL MESSENGER

LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

Obtain immediately, on confidential basis if possible, and forward to Bureau copy of transcript of testimony of former SA Kerley before Senate Judiciary Sub-Committee on March 6th last. Expedite.

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MAILED 12
MAR 8 1950
COMM - 121

Office Memo • UNITED STATES GOVERNMENT

TO : Director, FBI

FROM : GUY HOTTEL, SAC, Washington Field

SUBJECT: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

DATE: March 9, 1950

~~PERSONAL & CONFIDENTIAL~~

Reurlet dated March 8, 1950.

Transmitted herewith are three copies of the "Hearings before the Subcommittee on Immigration and Naturalization of the Committee on the Judiciary, United States Senate, Eighty-first Congress, First Session". Your attention is directed to pages 801 and following of the enclosed pamphlets of these Hearings.

It is noted that KERLEY appeared before the Special Subcommittee to Investigate Immigration and Naturalization of the Committee on the Judiciary of the United States Senate on September 15, 1949. It has been ascertained that this is the only occasion on which KERLEY appeared before this Committee.

RUC.

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Enclosures

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158-1548234
1950
PERS. FILES

Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

DECLASSIFIED BY 60290BCE/CA/PLS
7/15/03

DATE: March 9, 1950

FROM : D. M. Ladd

SUBJECT: LARRY ERNEST KERLEY
(TESTIMONY BEFORE SENATE
JUDICIARY SUB-COMMITTEE,
September 15, 1949)**SECRET**CLASSIFIED BY NLS/AM/dj 60267AAG
DECLASSIFY ON: 25X 16-1
#437189Tolson ✓
Ladd ✓
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Rosen ✓
Tracy ✓
Harbo ✓
Mohr ✓
Tele. Room ✓
Nease ✓
Gandy ✓

The following is submitted pursuant to your request in connection with the testimony of Larry Ernest Kerley before the Senate Judiciary Sub-Committee as reported in part by the Washington Times Herald on March 7, 1950.

1. The Washington Field Office has been instructed to procure immediately a copy of the transcript of Kerley's testimony.

2. You requested a short memorandum on Adams, Schevchenko, and Kheifets, particularly as to the issue of arrest.

(a) Arthur Alexandrovich Adams.

Kerley was quoted as testifying: "The State Department's attitude had been previously publicized in the case of Arthur A. Adams, a Russian agent who contacted American physicists employed on the Atom Bomb Project from 1943 to 1945 while being trailed by FBI agents. The witness confirmed that the FBI was held off from arresting Adams until he left the country."

It is assumed that Larry E. Kerley, in his testimony before the Senate Judiciary Sub-Committee, was referring to the United States State Department (as being the Government agency that prevented the FBI from arresting Adams).

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED EXCEPT
WHERE SHOWN OTHERWISE.

OTHER Not Within the Purview of FOIA

Facts:

Arthur Alexandrovich Adams, a known Russian espionage agent, was born May 4, 1890, at Toronto, Canada. He entered the United States at Buffalo, New York, on May 17, 1938, on a fraudulent Canadian passport based on a fraudulent Canadian birth certificate. At the time he filed his application for entrance into the United States, he stated he had a financial interest in a concern known as the Technological Laboratories, which maintained offices in New York City. Adams had

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previously been in the United States on a number of occasions and was employed by various concerns. From 1938 to January, 1946, he was associated with the Electronic Corporation of America and Keynote Recording, Incorporated, both of New York City. His associates were members of the Communist Party and Communist fronts. The Bureau undertook an investigation of Adams when on July 31, 1944, information was received from the Intelligence and Security Division, Manhattan Engineer District, that Adams was known to have contacted Clarence F. Hiskey and [redacted] D. S. M. engineers. Subsequent investigation by Bureau agents revealed that Adams established contact with scientists working on atomic energy experiments from whom he got restricted information concerning atomic research in the United States, namely, John Hitchcock Chapin, employed on the D. S. M. Project at the University of Chicago, and [redacted] Further, an anonymous source made available in October, 1944, from the room of Arthur Adams at the Peter Cooper Hotel in New York City, a sheet of plain typewriting paper bearing notations which pertained to the D.S.M. Project which were evaluated by M.E.D. as revealing an intimate knowledge on the part of Adams of the most secret phases of the D.S.M. Project. On December 3, 1945, Adams became the subject of premature widespread publicity resulting from Kerley's disclosures, and on January 23, 1946, suddenly disappeared and has not been seen since. (100-331280-682;-12;-683; and Soviet and Satellite Espionage in the United States, memorandum dated September 27, 1948, p. 330).

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Ismail Akhmedoff, at one time the head of the Fourth Section of the Red Army Intelligence in Moscow, has advised that as of May, 1941, the Fourth Section had an illegal resident agent operating in the United States under the cover name of "Adams." From information submitted by Akhmedoff, this illegal resident agent is definitely believed to be identical with Arthur Adams.

Mr. Kerley's statements are entirely false and without foundation.

The State Department was not consulted concerning the arrest of Adams. The request that Adams not be arrested on an espionage charge was made by a representative of the Manhattan Engineer District on behalf of the United States Army and a decision concerning prosecution was made by the Criminal Division of the Department of Justice.

To elaborate on the above statement, in February of 1945, investigation disclosed that Arthur Adams might possibly depart from the United States. This information was furnished to [redacted] of the Manhattan Engineer District in Washington, D. C., and he advised that the attitude of the United States Army at that time was that it would be most undesirable for Adams to be permitted to leave the United States for the USSR with the information which he had undoubtedly been able to obtain concerning the Atom Bomb Project.

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[redacted] also stated that they did not desire to have Adams prosecuted at that time on the basis of his espionage activity concerning the Atom Bomb Project, inasmuch as such prosecution would bring the project out into the open. This information, as well as the facts in the Adams case, was discussed with Assistant Attorney General Tom Clark and Mr. James McInerney. At the time of this discussion on February 27, 1945, it was indicated to the Criminal Division that the Bureau's real interest in Adams was in his espionage activity, but due to the extreme secrecy of the Manhattan Project and the urgent necessity of maintaining secret information concerning this project, the Army had requested that some means be used other than the espionage statutes or the Foreign Agents Registration Act for immobilizing Adams in the event he attempted to leave the United States. b6 b7C

For that reason, consideration was given to a complaint based on false statements made by Adams in connection with his Selective Service and Alien Registration. The purpose of a complaint, based upon these counts, was to provide a tactic to be used to prevent departure from the United States and to comply with the considerations as expressed by the Army. On February 28, 1945, a sealed complaint was filed in New York City in the Southern District of New York

[redacted]
and on March 2, 1945, another sealed complaint was filed in the same Judicial District in New York [redacted]

[redacted] This complaint superseded the complaint of February 28, 1945, and the original complaint was disposed of. On March 13, 1945, the Federal Grand Jury of the Southern District of New York returned a secret indictment [redacted]

OTHER Sealed

For your further information, the New York Office was at no time advised that no further action could be taken "on orders of the State Department."

Mrs. Mc

(b) Andrei Ivanovich Schevchenko.

The Times Herald quoted Kerley as testifying that Schevchenko, an employee of the Soviet Purchasing Commission, attempted to obtain classified data concerning aviation from American citizens who were employees of the Bell Aircraft Company, Buffalo, New York, and that through the cooperation of those American citizens, the FBI built up a strong espionage case against Schevchenko. Kerley added, "The State Department would not permit an arrest and Schevchenko left the United States in January, 1946."

Facts:

Andrei Ivanovich Schevchenko entered the United States, June 19, 1942, as a Soviet Government employee of the Aviation Department, Soviet

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Government Purchasing Commission. He was assigned to the Bell Aircraft Corporation, Niagara Falls, New York, and served in the capacity of an inspector until February, 1945, at which time he became Vice Chairman of the Amtorg Trading Corporation in New York City. Schevchenko, while associated with the Bell Aircraft Corporation, operated as a Soviet intelligence agent through the use of sub-agents. The sub-agents with whom Schevchenko dealt were known to the Bureau and served as informants during his activities.— They are identified as follows:

~~SECRET~~
[redacted] an employee of the Hooker Electrochemical Company, and [redacted] at the Bell Aircraft Plant, Niagara Falls.

b6
b7C

Loren George Haas, who was a technical instructor at the Bell Aircraft Company until March, 1945, thereafter being employed by Westinghouse Corporation in Philadelphia, Pennsylvania.

[redacted] who until June, 1945, was employed as a [redacted] by Bell Aircraft, and thereafter employed as a [redacted] at the Buffalo Auto Springs Company, Buffalo, New York.

b6
b7C

Relative to possible prosecution, a conference was held on October 25, 1945, at the offices of the Attorney General, which conference was attended by the Under-Secretary of State Dean Acheson, as well as other representatives of the State and Justice Departments. The Attorney General advised that the investigation had reached a point where certain documents would be passed on the following Saturday night to Schevchenko and an arrest would be made unless the State Department deemed it contrary to their policy. Mr. Acheson then stated that a few weeks prior, in connection with investigations which were being conducted incident to the matter developing in Ottawa, Canada, the President and the Secretary of State at that time held the opinion that no arrest should be made except in order to protect the security of the United States. Mr. Acheson stated he felt that their attitude would be the same in this case. He advised that as he viewed the situation, one of three courses could be taken:

(1) To make no arrests but to prevent the delivery of the documents to Schevchenko.

(2) To make an arrest, seize the documents, and release Schevchenko with the State Department making appropriate representation to the Soviet Government.

(3) To make the arrest and proceed with prosecution.

Mr. Acheson stated that in view of the very delicate situation then prevailing with Russia internationally concerning the Japanese problem, which

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at that time was in such a state that Russia had refused to attend a forthcoming meeting in Washington on Pacific affairs unless prior to that time agreement was reached including Russia in the administration of affairs in Japan, that any incident such as the Schevchenko matter might aggravate the situation and make it even more difficult from an international point of view. Consequently, there was no prosecution of Schevchenko, who was known to be engaged in espionage activity in direct violation of the existing espionage statutes.

By letter dated December 15, 1945, the Department was advised that Schevchenko and his wife were leaving for the Soviet Union and would possibly leave before Christmas. An opinion as to possible prosecution against Schevchenko was requested in view of his possible departure. The Honorable Dean Acheson was advised by letter dated December 17, 1945, of Schevchenko's possible departure and his opinion was requested in regard to possible prosecutive action against Schevchenko. The Department advised by letter dated December 18, 1945, that the matter had been discussed with the State Department and the State Department advised it would be all right to permit Schevchenko to leave the United States and hoped "it would be possible to ascertain what the Schevchenkos were taking with them when they departed." On January 3, 1946, Schevchenko and his wife departed from the United States on a Soviet vessel and a search of their luggage was made with negative results. (100-340996).

(c) Gregori Markovich Kheifets.

The Times Herald article stated that Kerley testified that Kheifets, Soviet Vice Consul at San Francisco, operated an illegal radio station from his Consulate which made contact with a similar station near New York and another near Moscow. He is said to have testified that West Coast Communist espionage centered in Kheifets but he was left alone.

Facts:

Kheifets was born in Moscow, Russia, on May 15, 1899. He arrived in the United States at San Francisco on December 2, 1941, to assume his duties as Vice Consul at the Soviet Consulate in San Francisco. It was alleged that from 1934 to 1938, he performed special work for the Russian Government in Germany which resulted in the identification and punishment of persons involved in "subversion" and he was engaged in similar work in Russia which resulted in the "Blood Purge" of 1938 in the Soviet Union. From 1937 to 1941, he ostensibly served as Vice President of the Society for Cultural Relations with Foreign Countries (VOKS) at Moscow. He remained in the United States as the Soviet Vice Consul until July 6, 1944, when he departed for Russia.

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During his residence in San Francisco, he was known to operate as a Soviet espionage agent engaged in obtaining industrial and political information, as well as military and scientific data about the United States for transmission to the State Security Department of the N.K.V.D. in Moscow. (Soviet and Satellite Espionage in the United States, September 27, 1948, page 124; 100-203581-3702, p.17).

With respect to Kerley's allegation that Kheifets operated an illegal radio station from the San Francisco Consulate, the investigation in the Comrap case disclosed that the Soviet Vice Consulate at San Francisco maintained Radio Station TEU from prior to March 21, 1943, until September 30, 1943. Radio Station DTK was operated by the Soviet Consulate in New York City and it is believed that the New York radio station was set up for the purpose of establishing traffic between San Francisco, New York, and a station located in the vicinity of Moscow, Russia. (100-203581-3702, p.208).

There is no information in the Bureau's records that the matter of Kheifets' arrest was ever considered nor was consideration given to presenting his case to the State Department so that he would be declared persona non grata. The problem of Kheifets' arrest was not contemplated in view of the fact that he enjoyed diplomatic immunity as the Soviet Vice Consul at San Francisco.

Kheifets' activities were not referred to the State Department because to have done so would have jeopardized the entire investigation in the Comintern Apparatus case.

3. You also desired a short memorandum on certain other statements made by Kerley during his testimony.

(a) One of those statements was to the effect that "Russia's espionage activities in this country continued almost unchecked throughout the entire course of the war."

With respect to this testimony, if the word "unchecked" is interpreted as meaning "without investigation," this statement is entirely false, in view of the fact that, as you know, and that as Kerley also undoubtedly knew, the Bureau throughout the greater portion of the war conducted intensified investigations of Soviet espionage activities, most notably in the Comrap, Cinrad, Sodac, and Amtorg cases, in addition to cases on Russian individuals who were considered espionage suspects.

If "unchecked" is interpreted as meaning "without arrests," Kerley's testimony is likewise false, in view of the fact that during the recent war and shortly prior to the entry of the United States into the conflict, Gaik B. Ovakimian, an espionage suspect, was arrested in New York in 1941 on a charge of

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violation of the Registration Act and during 1946, after the close of hostilities but while a state of emergency still continued, Lieutenant Nicolai G. Redin was arrested by the Bureau on charges of espionage.

(b) Kerley also testified that the FBI was not even permitted to open an espionage case against any Russian suspect without State Department approval.

It is true that during the recent war it was the policy of the Bureau, as it is today, to consult with the State Department prior to initiating investigations of diplomatic personnel of foreign nations in the United States. ~~X~~ This policy was also followed with respect to officials, representatives, and employees of the Amtorg Trading Corporation and the Soviet Government Purchasing Commission. (Bureau Bulletin No. 22, Series 1944, Section B). (L) ~~(S)~~

In the absence of unusual circumstances, State Department approval was not required by the Bureau prior to initiating investigations of Russian citizens or any other individuals who did not fall into one of the categories just mentioned. Kerley's testimony, therefore, with respect to individuals who were neither diplomatic officials nor officials or employees of the Soviet Government is false.

(c) When asked how many Soviet spies had operated during the war in this country, Kerley alleged in his testimony that "...there were several hundred espionage agents operating during the war. The FBI was watching the operations of that many."

Without an exhaustive review of all Bureau espionage files, it is impossible to state how many individuals were under investigation as Soviet espionage suspects during the recent war. Igor Gouzenko, Soviet code clerk, who defected in Ottawa, estimated that approximately sixty per cent of the Soviet employees of the Soviet Embassy and Consulates were engaged in espionage activity.

Taking into account the investigations conducted by the Bureau of the Soviet Embassy, the various Soviet Consulates, the Amtorg Trading Corporation, and the Soviet Government Purchasing Commission, the Bureau was undoubtedly "watching the operations" of several hundred Russians as Kerley stated. Only a small per cent of those Russians attached to the organizations mentioned were individually suspected of espionage and Kerley's testimony, therefore, is compounded of truths, distortions, and falsehoods.

The Times Herald article on which this memorandum is based was prompted by the release by the Senate Judiciary Sub-Committee of Kerley's testimony given on September 15, 1949. You were previously advised concerning this testimony by my memoranda dated September 16 and September 20, 1949.

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Action:

None. The foregoing is submitted for your information.

Addendum:

Since the preparation of the foregoing memorandum, the Bureau has received the "Hearings of the Subcommittee on the Judiciary, United States Senate, Eighty-first Congress, First Session," consisting of two parts. The testimony of Kerley appearing therein is presently being reviewed.

~~SECRET~~

Commie Spies Unchecked All Through War

State Dept. Stopped
FBI Action, Quiz Told

By WILLARD EDWARDS

A Senate judiciary subcommittee yesterday released testimony that several hundred Russian spies operated "unchecked" in the United States throughout the war years with the full knowledge of the State department which forbade the FBI to make any espionage arrests.

This disclosure from a former FBI agent came as another Senate subcommittee headed by Sen. Tydings (D) of Maryland, prepared to open hearings tomorrow on charges by Sen. McCarthy (R) of Wisconsin that the State department still harbors numerous Communists.

Ex-FBI Man Heard

The judiciary subcommittee heard Larry E. Kerley, an FBI agent from 1937 to 1945, state flatly that FBI men were prevented from arresting Soviet spies by State department orders.

The State department's attitude had been previously publicized in the case of Arthur A. Adams, a Russian agent, who contacted American physicists employed on the atom bomb project from 1943 to 1945 while being trailed by FBI agents. The witness confirmed that the FBI was held off from arresting Adams until he left the country.

"Another case involving interference of the State department in the arrest of a Soviet espionage agent in this country was that of Andrei I. Schevchenko," testified Kerley.

Shevchenko's Escape

"This Russian agent entered the United States in 1942, representing the aviation department of the Soviet purchasing commission. He was assigned as a liaison man with the Bell Aircraft Co., Buffalo. Schevchenko approached American citizens and requested classified data on a new type of airplane. These citizens, at considerable risk to their personal safety and under the supervision of the FBI, built up a strong espionage case against Schevchenko.

The State department would not permit an arrest and Schevchenko left the United States in January 1946."

Both the War department and State department were informed by the FBI that Gregori M. Kheifets, Soviet vice consul at San Francisco, operated an illegal radio station from his consulate which made contact with a similar station near New York and another near Moscow, Kerley said. West Coast Communist espionage centered in Kheifets but he was left alone, the witness declared.

"Several Hundred" Watched

"Russia's espionage activities in this country continued almost unchecked throughout the entire course of the war," Kerley told the subcommittee. "In accordance with instructions of the State department to the FBI, the FBI was not even permitted to open an espionage case against any Russian suspect without State department approval."

Asked if the State department ever withheld from the Justice department the right to intern suspects, Kerley declared that they even withheld the right to get out process for them which in effect kept them from being arrested as in the case of Schevchenko and others.

Sen. O'Connor (D) of Maryland asked how many Soviet spies had operated during the war in this country.

"We would certainly be safe in saying that there were several hundred espionage agents operating during the war," the former agent said. "The FBI was watching the operations of that many."

Sen. Tydings said he believed President Truman would permit senators to inspect the government loyalty records of all individuals named at the inquiry.

4-26

Tolson ☒
Ladd ☒
Clegg ☒
Glavin ☒
Nichols ☒
Rosen ☒
Tracy ☒
Harbo ☒
Mohr ☒
Tele. Room ☒
Nease ☒
Gandy ☒

1. We should get copy of the testimony.
2. Prepare short memo on Adams, Schevchenko & Kheifets particularly on the issue of arrest.
3. Also a short memo on state ments questioned (?).

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MAR 20 1950
Times-Herald

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Wash. Post
Wash. News
Wash. Star
N.Y. Mirror

Date: _____

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February 23, 1950

MEMO FOR MR. LADD

A. ROSEN

LARRY EARNEST KERLEY

The following information was confidentially furnished to me by Peter Brown in the Department:

Peter Brown advised me that he had just had a conversation with Peyton Ford which concerned KERLEY. Mr. Brown said that Ford came walking into his office with a memorandum which had come over from the Bureau addressed to the Attorney General with a copy to Ford dated February 20 and Ford indicated to Brown that he desired to take the following action. Ford said, "I have a good mind to prosecute this fellow immediately. I don't want to be holding the bag on this thing." Peter Brown said, knowing that Ford seemed to be highly perturbed, "I wouldn't do that if I were you." Mr. Brown thinks that Ford has calmed down but that in view of Ford's action, he should alert the Bureau concerning this conversation.

He stated that he got hold of the memorandum and it appears that the paragraph that Ford was particularly interested in was the one dealing with the delay which occurred in connection with reaching a decision as to whether prosecution would be forthcoming. This delay, it is recalled, occurred in the initial stages of the matter which was being considered by the Department.

I told Mr. Brown that if there was any information which should be brought to his attention, we would do so, and I know that we would appreciate having anything more that developed in this matter.

AR:dad

DIRECTOR'S NOTATION: "It would be anticlimatic to prosecute Kerley now. If Dept had acted promptly originally the situation would have been different. H."

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Office Memorandum

UNITED STATES GOVERNMENT

TO : Director, FBI

DATE: March 21, 1950

FROM : SAC, Cincinnati

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
EXCEPT WHERE SHOWN
OTHERWISESUBJECT: LARRY E. KERLEY, Former Special Agent
THE OHIO COALITION OF PATRIOTIC SOCIETIES
INFORMATION CONCERNING-MISCELLANEOUS~~STRICTLY CONFIDENTIAL~~~~CONFIDENTIAL~~

Reference is made to my telephone conversation with Mr. CARL HENNRICH, at the Bureau, on the morning of March 10, 1950.

This is to advise that a Special Agent of this Office attended the morning session of "The Second Ohio Coalition Seminar--Socialism and Stalinism," which was held on March 12, 1950, at the State House, Columbus, Ohio, and heard the address of LARRY E. KERLEY, former special agent of this Bureau, entitled "Soviet and Communist Espionage."

It is to be noted that KERLEY was identified on the program of instant Seminar as being a former special agent of this Bureau and as now being associated with the New York Journal American, New York City.

KERLEY was noted to have read his speech from a manuscript and, in some instances, read from what appeared to be Congressional reports, possibly covering his testimony before a Congressional Committee.

For the most part, KERLEY's remarks were very general. For instance, he referred to the Communist Party, USA, as being part of an international conspiracy to bring about world-wide Communist and Soviet domination rather than a political party.

However, he indicated, by general statements, that many cases investigated by this Bureau failed to receive Federal prosecution because of interference on the part of the State Department. KERLEY, by innuendo, left the impression that the FUCHS case was only brought out in the open because this Bureau saw fit to refer the matter that if the matter had been referred to the U. S. State Department, as has been done in former instances in similar matters, it might never have been broken.

KERLEY commented on the Federal Grand Jury, which heard evidence concerning Espionage violations but, because of the manner in which it was influenced, failed to return a single indictment in this regard and, as a last resort, returned the indictments against the leaders of the Communist Party, USA.

He said that as of 1941, there were 13,800 Espionage cases being

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Letter to the Director
March 21, 1950
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investigated by an "intelligence agency" of this country. He made another statement to the effect that this Bureau was not permitted to even open an Espionage case unless the State Department gave its approval. He mentioned that the membership of the Communist Party, USA, and its followers numbers 1,000,000 today. KERLEY, in making reference to the Amerasia case, claimed that Secretary of State BYRNES wired his congratulations to JOHN STEWART SERVICE, upon the latter's case being nolleed.

KERLEY gave an account of the ARTHUR ADAMS case, commenting upon how he entered the United States from Canada at Buffalo, New York and his contacts with STEVE NELSON. He left the impression with his audience that the investigation of this matter by the Bureau was interfered with by the State Department. He pointed out that although investigation disclosed a flagrant violation of Espionage, a secret warrant was obtained for ADAMS' arrest in New York, which reflected a technical violation of a petty nature; that agents of this Bureau had strict instructions to not make any attempt to effect the arrest of ADAMS unless he actually and positively endeavored to leave this country; that these instructions originated out of the State Department. He went on to comment that upon ADAMS endeavoring to board a vessel at Portland, Oregon, he was surrounded by agents of this Bureau and arrested but that eventually, he was given his freedom and is presumed to have left the United States and gone to Russia.

KERLEY congratulated the Ohio Coalition of Patriotic Societies on their work. He endorsed the House Committee on un-American activities and gave credit to Congressman NIXON for having broken the HISS case. In response to a question from the floor, KERLEY narrated the facts in the HISS case, claiming how CHAMBERS had made an attempt to bring the matter concerning HISS to the attention of high officials of this government by going to BERLE, who, in turn, went to Justice FRANKFURTER. He told how FRANKFURTER upheld HISS and, as a consequence thereof, nothing was done. KERLEY mentioned how the civil suit between HISS and CHAMBERS developed. He stated that upon HISS' lawyers going to CHAMBERS for the purpose of taking depositions, CHAMBERS learned for the first time "and I tell you this in strict confidence," that he and possibly members of his family were subjects of an ugly rumor circulated about to the effect that "Lesbianism" existed; that, to protect his reputation and that of his family, he was forced to reveal his secret evidence. It is to be noted that KERLEY appeared before an audience of approximately one-hundred persons; that he was paid \$100 for his appearance and was followed on the program by BENJAMIN GITLOW.

A copy of the program of the instant Seminar is being enclosed herewith, for the information of the Bureau.

Letter to the Director
March 21, 1950
CIN FILE # 62-0

~~CONFIDENTIAL~~

The Ohio Coalition of Patriotic Societies appears to be the brain child of Colonel WILLIAM E. WARNER, 2893 Neal Avenue, Columbus, Ohio, a member of the Army Reserve Corps and a professor, College of Education, Ohio State University. WARNER served with distinction in both World War I and World War II. During World War II, he was a member of General EISENHOWER's staff and received a number of citations incidental to his action in the Battle of the Bulge. It would appear that WARNER felt the need of actively instituting some sort of a program which would have, for its purpose, educating certain people as to the threat of Communism and exposing individuals who have been identified, in any way, with that ideology. At first, it seemed that his activities were confined to the Reserve Officers' Corps in the United States Army in Ohio; however, upon the advice of a three star general in the Pentagon Building, Washington, D. C., to the effect that he should "broaden the base," the Ohio Coalition of Patriotic Societies was formed in the fall of 1949. The membership of this coalition is comprised of such groups as the Reserve Officers Corps, the American Legion, the Womens' Auxiliary of the American Legion, the D. A. R.s and similar patriotic organizations.

A current mailing list of the Ohio Coalition of Patriotic Societies has been made available to this Office by Colonel WARNER and it is to be noted that the same reflects a list of nearly 435 individuals, some of whom are prominent, such as WILLIAM P. TRACY, President, Tracy-Wells Company, Columbus, Ohio, Congressman JOHN M. VOORHEES, Father GEORGE T. WOLZ, St. Charles Seminary, Columbus, Ohio, Brigidiar General CARLTON S. DARGUSCH, Attorney and Trustee, Ohio State University, Senator JOHN W. BRICKER and Senator ROBERT A. TAFT. The seminars sponsored by the Coalition are closed to the public. As to the exposure, upon Colonel WARNER's ascertaining that a certain individual was to appear in Columbus, Ohio, in the role of a speaker, if he can determine that this person has been identified with any organizations cited as being subversive or with being Communist fronts, he puts out a bulletin to this effect, listing all the citations he can find. Two such bulletins, concerning LISA SERGIS, dated October 26, 1949 and ROGER NASH BALDWIN, dated February 10, 1950, are being enclosed herewith, for your information.

Colonel WARNER thoroughly appreciates the fact that he can expect no assistance whatever from this Bureau, in his endeavors.

Quite a bit of confusion has arisen in the minds of a number of people, particularly at Columbus, Ohio, as to what the coalition is and the purpose of the organization. A number of inquiries have been received by the Resident Agency at Columbus, Ohio in this regard, both telephonically and personally. Upon such an occasion arising, the individual

Letter to the Director
March 21, 1950
CIN FILE # 62-0

making the inquiry is informed that this Bureau does not endorse the Ohio Coalition of Patriotic Societies and does not condemn it, that it is not affiliated with this Bureau in any way whatever and that any further inquiries should be made directly to Colonel WARNER. It would appear that Colonel WARNER has access to three so-called private files, one of which is supposed to be in custody of WALTER S. STEELE, Washington, D. C., another in the custody of Colonel McCORMICK of the Chicago Tribune and the third, the only information concerning which is the fact that it is alleged to be in San Francisco.

Colonel WARNER subscribes to a number of periodicals such as Counter Attack and National Republic.

The above is being furnished only for your information.

~~CONFIDENTIAL~~

THE OHIO COALITION OF PATRIOTIC SOCIETIES
Security Education Program, Office of the Chairman
University Station, Box 3111, Columbus 10, Ohio

Re: The ~~Second~~ OHIO COALITION Seminar on Socialism and Stalinism

An exceptionally strong series of presentations is in prospect this weekend which no one receiving this invitation can afford to miss. Please note what follows, with care, and bring these sheets with you. We're sorry not to have gotten them to you sooner. See page 2 concerning your reservations.

General Registration Fee - \$1.00 per person for one or all meetings.
Please check your name with our official at the door as you enter.

Saturday, 11 March 1950

6:45 PM Informal Dinner. THE COLUMBUS CLUB, Cor 4th and Broad, Columbus

Note: LADIES will respect the traditions of this famous old club for men and enter by the side door! Reservations at \$3.50 will be limited to 100 Persons. No guests, please.

8:30 PM "Design for Freedom" (An exposure of Socialism)
C. I. ~~WEAVER~~, President, Ohio Chamber of Commerce

9:15 PM "Experiences as a Socialist and then as a Communist Leader."
BENJAMIN GITLOW. Founder, American Communist Party.

Sunday, 12 March 1950

All meetings in the Gold Room of the FORT HAYS HOTEL, Columbus

9:00 AM "Crossroads of America". Sound Film. Research Institute of America.

9:30 AM "Sabotage. It Can Happen Here"
CAPTAIN JACK W. ~~PREBLE~~, JR. Americanism Director
The American Legion of Ohio, Columbus

10:15 AM "Soviet and Communist Espionage"
LARRY E. KERLEY, Former Special Agent, FBI
New York Journal-American, New York City

10:45 AM "The Illinois Legislative Program and Experience"
SENATOR PAUL W. ~~BROYLES~~, Chairman, Seditious Activities
Investigation Commission, General Assembly, State of Illinois

11:30 AM "Strategy and Tactics of the Communist Conspiracy"
BENJAMIN GITLOW, Founder, American Communist Party

30 minute recess before lunch.

THERE WILL BE NO PUBLICITY, PLEASE

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12:45 PM Informal Luncheon in the Gold Room at \$3.00.
JOE T. LOVETT, Presiding. Representing the F. F. F.

2:00 PM "Inside Our Government"
HON. RALPH W. GWINN, Congressman from New York

3:00 PM Executive Session. Reports, Business, and Plans

1. The American Coalition
2. The Ohio Coalition
3. Local Coalitions
4. Constitution and By Laws, Consideration of
5. Incorporation of a "Non-Profit Patriotic Organization"
6. Financial Report and Plans
7. Techniques of Observing and Reporting
8. Needed Legislation, State and National
9. Your Program of Reading
10. The Problem of Your Security and Ours
11. The Ohio Coalition Seminar next Fall
12. The National American Legion Seminar in Columbus in 1951

!! YOUR RESERVATIONS !!

These must reach us before Saturday morning at 9:00 AM for both the dinner and the luncheon. The total cost for everything is only \$7.50.

Telegrams and Special Delivery Mail should be sent only to
Dr. William E. Warner, 2893 Neil Avenue, Apt. 400 D, Columbus 2, Ohio.

Phone calls will be made to Jefferson 4863 where our secretary, "Delia", will be on duty from 9:30 AM to 2:30 PM each day until Friday afternoon, when we shall assume that all reservations will be in.

The reservation limit for the COLUMBUS CLUB is 100 so it is suggested that there be no guests, except as these might be arranged for by phoning Dr. Warner on Saturday morning between 8:00 and 9:00 AM to learn if there are any vacancies. The reservation limit at the HOTEL FORT HAYES is 190. This may permit some guests.

Mr. Gitlow will address the 400 members and guests of the Columbus ROTARY Club at 12:30 PM on Monday in the Ballroom of the DESHLER-WALLICK HOTEL, where you may sit in the balcony.

THERE WILL BE NO PUBLICITY, PLEASE

THE OHIO COALITION OF PATRIOTIC SOCIETIES
Security Education Program, Office of the Chairman
University Station, Box 3111, Columbus 10, Ohio

26 October 1949

Re: Miss LISA SERGIO of New York City

The CENTRAL OHIO TEACHERS ASSOCIATION will hear Miss LISA SERGIO from 10:45 to 11:30 AM in the Coliseum at the State Fairgrounds on Friday morning, 28 October. Admission, fifty cents.

Miss SERGIO's booking agent is Mr. CHARLES S. PEARSON of 522 Fifth Avenue, New York 18, New York and has denied over the telephone as well as in a current letter that Miss SERGIO is anything but quite acceptable, yet this is what certain responsible agencies and organizations have published about her.

1. The Chicago Journal of Commerce in a series of articles by ANDREW AVERY published in June and July of 1946, states on page 29 that:

"LISA SERGIO is a former FASCIST, a vituperative propagandist for Mussolini, who used to broadcast to the United States by short wave, glorifying Il Duce's regime and especially his war on Ethiopia in 1936. Next year she came to the United States and before long was following the COMMUNIST Party line. She was on Station WQXR, New York, until this (1946) Spring. And from October 1944, to April 1946, she was a commentator on the Blue Network, now the American Broadcasting Company."

2. The COMMITTEE ON UN-AMERICAN ACTIVITIES, on page 20 of House Report 1115 of the 80th Congress, First Session, entitled, Civil Rights Congress as a Communist Front Organization, lists Miss LISA SERGIO as a member of the "Initiating Committee" of the conference held on Thomas Jefferson Day, Saturday, 13 April 1946.

3. The Fourth Report of Un-American Activities in California, 1948, on page 114, lists Miss LISA SERGIO as being affiliated with the AMERICAN COMMITTEE FOR THE PROTECTION OF FOREIGN BORN, and labels this, as does the U. S. Attorney General, as a COMMUNIST Front.

4. On page 132 of this same California report, Miss LISA SERGIO is listed as a sponsor of the AMERICAN COMMITTEE FOR YUGOSLAV RELIEF, and labels this, as does the U. S. Attorney General, as a COMMUNIST Front.

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5. On page 202, of this same California report, Miss LISA SERGIO is listed as a signer of the call of the CIVIL RIGHTS CONGRESS. See paragraph number 2, above.

6. On pages 227 and 228 of this same California report, Miss LISA SERGIO is listed as a sponsor of the COMMITTEE OF WOMEN, of the NATIONAL COUNCIL OF AMERICAN-SOVIET FRIENDSHIP, under the heading, CONGRESS OF AMERICAN WOMEN, and labels these, as does the U. S. Attorney General, as COMMUNIST Fronts.

7. The American Legion Americanism Commission of Indianapolis, says it has letterhead of the JOINT ANTI-FASCIST REFUGEE COMMITTEE on which Miss LISA SERGIO is listed as a National Sponsor. The U. S. Attorney General labels this as a COMMUNIST Front.

8. The COMMITTEE ON UN-AMERICAN ACTIVITIES, U. S. HOUSE OF REPRESENTATIVES, on page 59 of its Review of the Scientific and Cultural Conference for World Peace, arranged by the NATIONAL COUNCIL OF THE ARTS, SCIENCES, AND PROFESSIONS, and held in New York City on 25-27 March 1949, lists Miss LISA SERGIO as a sponsor, and labels this occasion as, a "supermobilization of the inveterate wheelhorses and supporters of the COMMUNIST PARTY. . . ."

Miss SERGIO is reported to be a very busy lady having, according to her agent, already lectured this year in Ohio before the following:

Temple Women's Association of Cleveland
Women's City Club of Akron
Ohio State University in Columbus
Ohio Education Association of Columbus
Town Hall Forum of Portsmouth
Teachers Association of East Liverpool
Delta Kappa Gamma of Toledo
Business and Professional Women's Club of Dayton
Civic Forum of Tiffin
Women's Club of Springfield

Mr. Walton B. Bliss is Executive Secretary of the OHIO EDUCATION ASSOCIATION of 213-215 East Broad Street, Columbus, and Mr. M. M. Berry is Secretary of the CENTRAL OHIO TEACHERS ASSOCIATION, Board of Education, Chillicothe.

The OHIO COALITION OF PATRIOTIC SOCIETIES is interested in Miss SERGIO's lectures, her sponsors, and especially in how accurately she is introduced, not to mention her particular "line", but that is its only interest.

THE OHIO COALITION OF PATRIOTIC SOCIETIES
Security Education Program, Office of the Chairman
University Station, Box 3111, Columbus 10, Ohio

10 February 1950

Re: ROGER NASH BALDWIN

The FRANKLIN COUNTY COUNCIL OF CHURCHES, of which the Reverend Dr. DONALD M. TIMMERMAN is Executive Secretary, announced on 3 February that ROGER NASH BALDWIN would speak on "Civil Liberties" at the Art Gallery on Monday, 13 February at 8:00 PM under the auspices of the OHIO LEAGUE FOR CONSTITUTIONAL RIGHTS.

Baldwin was born on 21 January 1884 in Wellesley, Massachusetts and refers to himself in Who's Who as a "political reformer." He reports being locked up during World War I, being director of the AMERICAN CIVIL LIBERTIES UNION of New York since 1917, writing Liberty Under the Soviets in 1928, editing Kropotkin's Revolutionary Pamphlets in 1928, ... His home is Dell Brook Farm, Oakland, New Jersey and his office is 170 Fifth Avenue, New York, New York.

The (Dies) Committee on Un-American Activities of the House of Representatives, in its Index to Hearings reported in Volumes 1-14 for the period 1938-41 refers sixty-two times to Mr. Baldwin's activities. These citations will be found on pages: 161, 376, 388, 436, 440, 462, 470, 475, 501, 510, 518, 520, 524, 526, 529, 533, 537, 568, 573, 582, 639, 668, 689, 694, 875, 1467, 1588, 1590, 1592, 1594, 1655, 2039, 2167, 2175, 2177, 2410, 2441, 2448, 2453, 2463, 2478, 2641, 2660, 2896, 2978, 2985, 3019, 3081, 3085, 5749, 5992, 6035, 6040, 6125, 6135, 6142, 6233, 6236, 6249, 6278, 6355, 6371.

The (Dies) Committee in Appendix IX report of 1944, entitled Communist-Front Organizations, again refers forty-two times to Mr. Baldwin's activities. These citations will be found on pages: 311, 380, 383, 390, 404, 409, 411, 416, 423, 428, 472, 519, 523, 535, 537, 589, 618, 659, 758, 764, 773, 949, 961, 1037, 1091, 1095, 1142, 1148, 1162, 1164, 1168, 1170, 1187, 1190, 1300, 1309, 1313, 1367, 1372, 1452, 1471, 1773.

The above report Baldwin's leadership in the following:

All-America Anti-Imperialist League, 1928
American Fund for Public Service, see Garland Fund
American League Against War and Fascism
American League for Peace and Democracy
American Committee for Struggle Against War
American Friends of Spanish Democracy
American Negro Labor Congress
American Student Union
American Youth Congress
Anti-Nazi Federation of New York
Book Union
Boycott Japanese Goods Conference, See Daily Worker, 11 January 1938
Congress for Unemployment and Social Insurance
China Today - U. S. Tomorrow, mass meeting
Citizens Committee to Free Earl Browder
Consumer's National Federation

58-1548-238

Friends of the Soviet Union
Garland Fund
Greater New York Emergency Conference on Inalienable Rights
Joint Committee for the Defense of the Brazilian People
Mother Ella Reeve Bloor, 45th Anniversary Banquet
National Citizens Political Action Committee
National Committee to Aid Victims of German Fascism
National Mooney Council of Action
National Scottsboro Action Committee
National Student League
New York Conference for Inalienable Rights
New York Tom Mooney Committee
Peace Rally to Aid China
Prisoner's Relief Fund
Russian Reconstruction Farms, Inc.
United States Congress Against War

BALDWIN is reported in the Columbus Dispatch for 8 February 1950 as being Chairman of the INTERNATIONAL LEAGUE FOR THE RIGHTS OF MAN and sponsored in Columbus by thirteen groups in addition to the OHIO LEAGUE FOR CONSTITUTIONAL RIGHTS, as follows:

Americans for Democratic Action, Columbus Branches
American Friends Service Committee
Central Ohio Social Studies Association
Columbus Teachers Union, Local 538
Franklin County Industrial Organization, CIO
Foreign Policy Association
National Association for the Advancement of Colored People
National Council of Jewish Women
North Columbus Friends Congregation
University Religious Council, OSU
Urban League
Young Men's Christian Association, OSU
Young Women's Christian Association, OSU

6

Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

DATE: May 9, 1950

FROM : Mr. Ladd

SUBJECT: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTYALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 8/3/01 BY SP3 JLM/ely
437185

Tolson	<input checked="" type="checkbox"/>
Ladd	<input type="checkbox"/>
Clegg	<input type="checkbox"/>
Glavin	<input type="checkbox"/>
Nichols	<input checked="" type="checkbox"/>
Rosen	<input type="checkbox"/>
Tracy	<input type="checkbox"/>
Harbo	<input type="checkbox"/>
Mohr	<input type="checkbox"/>
Tele. Room	<input type="checkbox"/>
Nease	<input type="checkbox"/>
Gandy	<input type="checkbox"/>

PURPOSE

To advise you that Mrs. James Campbell Lewis on two occasions reported to the Bureau that Kerley had removed Bureau serials. Her first report, made on September 30, 1946, concerned documents she said were in a suitcase, and was made, according to her, about three months after Kerley reclaimed the suitcase from her safe. This report did not result in the recovery of any Bureau serials. The second such report was made by Mrs. Lewis on February 24, 1948, concerned documents Kerley allegedly gave her while still an agent, which would have been prior to October 1, 1945. This report by Mrs. Lewis resulted in the recovery of five Bureau serials.

BACKGROUND

My memorandum dated May 3, 1950, advised you of comments made by Mr. John E. Peurifoy of the State Department to Mr. Roach of the Liaison Section concerning a conversation he had with Mr. and Mrs. James Campbell Lewis on May 2, 1950. Mr. Peurifoy advised that Mrs. Lewis informed him that some years ago Larry Kerley, then an Agent of the FBI, had stolen a satchel full of FBI reports and had brought them to the Lewis home for safekeeping. After Kerley had departed, Mrs. Lewis, according to Peurifoy, opened the satchel and found the contents were Bureau reports; then she got in touch with the Bureau and the reports were recovered. In connection with that statement you inquired, "Is this correct?"

Revelations made by Mrs. Lewis concerning the possible embezzlement of Bureau serials by Kerley were made on two separate occasions as follows:

1. September 30, 1946, Mrs. Lewis reported that Kerley had placed in her safe a suitcase which she thought contained Bureau reports and correspondence. The suitcase had been reclaimed by Kerley before Mrs. Lewis reported it to the Bureau.
2. February 24, 1948, Mrs. Lewis reported that Kerley had some time prior thereto given to her certain documents which she believed to have been abstracted from Bureau files and which were in the possession of her attorney at the time she made the report to the Bureau.

WAS:EHW:DDG

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158-1548-239

The comments made by Mrs. Lewis to Peurifoy as related by him seemed to confuse the two instances just mentioned.

On September 30, 1946, Mrs. Lewis telephonically advised an Agent of the Bureau that about three months prior thereto Kerley had appeared at her home asking if he could store a suitcase in her safe. Mrs. Lewis consented and a day or two thereafter decided to open the suitcase to determine its contents. She stated that the suitcase contained what she described as several rather large files and among others, several letters written over your signature to various Agents in Charge. Mrs. Lewis stated that she believed Kerley had no right to that material and accordingly, she asked him to remove the suitcase from her home. This he did, the suitcase having remained in the safe of the Lewis' about three days. (58-1548-135X)

Mrs. Lewis was subsequently interviewed personally by Agents of the New York Office, at which time she described in greater detail documents which she alleged had been in the suitcase. She described what appeared to be a report in the Wenner-Gren Case with such accuracy that it was believed that she referred to a report from the Miami Office dated June 3, 1943, however due to the destruction of copies of serials in connection with the stripping of files in the New York Office, it could not be definitely determined that the copy of such a report had been abstracted from the files of the New York Office.

Kerley was interviewed on October 2, 1946, in connection with the complaint of Mrs. Lewis at which time he voluntarily permitted Bureau Agents to examine the contents of his apartment and his office. That examination revealed that he was in possession of a number of Bureau publications, office memoranda, speeches made by Bureau representatives, Bureau forms and Bureau bulletins. No Bureau reports or serials from Bureau files were recovered as a result of that search. (Ibid. 137)

When interviewed at Murray, Kentucky on July 8, 1948, Kerley admitted that he had stored some material with the Lewis' but maintained that the material was in a duffel bag and not in a suitcase. He said that he stored this material in Mrs. Lewis' safe at her suggestion that it be kept in a safe place. He denied that any Bureau serials were contained in this duffel bag and the information provided by Mrs. Lewis concerning the contents of the "suitcase" on September 30, 1946, did not result in the recovery of any Bureau serials. (Ibid. 187)

On February 24, 1948, Mrs. Lewis telephonically advised a representative of the Bureau that at one time when Kerley came to see her about other matters, he gave her copies of Bureau reports dealing with the arrest of [redacted] who was formerly employed as a [redacted] on a farm in the vicinity of Lexington, Kentucky, which was owned by the Lewises. Mrs. Lewis stated that the documents Kerley had given her had been delivered to her attorney who at that time was representing Mr. and Mrs. Lewis in a law suit in which they were defendants and in which Kerley was the plaintiff. She claimed that she had forgotten about having those documents and gave that as her reason for not having previously mentioned them in the course of earlier contacts with the Bureau. (Ibid. 155)

b6
b7C

This complaint made by Mrs. Lewis resulted in the recovery from her Attorney, Edwin M. Otterbourg of five documents which appear to have been abstracted from the files of the Louisville Field Office. Those documents which were recovered on March 30, 1948, consist of copies of three reports and two letters in the case of [redacted] Alien Enemy Control - G. (Ibid. 169)

b6
b7C

It is noted that at the time Mrs. Lewis advised on February 24, 1948 of the documents which Kerley had given her, she stated that he had made those documents available while he was an Agent. With respect to the "suitcase" containing documents which Mrs. Lewis reported on September 30, 1946, Kerley had stored in her safe, she stated that event had transpired about three months prior to the date of her reporting.

Kerley on October 2, 1946, at the time he permitted a search of his apartment and office, stated that in December, 1945, Mrs. Lewis had suggested to him that some of the material in his possession should be kept in her safe and that he accepted her suggestion and delivered to her the duffel bag in which certain material was kept. He denied that this duffel bag contained Bureau serials. (Ibid. 137)

It will thus be observed that in spite of numerous contacts had by Bureau personnel with Mrs. Lewis, she did not mention until February 24, 1948, the field office serials which were eventually recovered by the Bureau. That revelation was made by her only after Kerley had filed suit against Mr. and Mrs. Lewis. The statement Mr. Peurifoy has quoted Mrs. Lewis as making states that the reports recovered were contained in the "satchel" Kerley had stored with her and implies that they were made available to the Bureau without delay. This as related above is not in accordance with the facts in this matter.

RECOMMENDATION

None. The foregoing is submitted for your information.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 7/14/03 BY 60370BCE/KN/LRS

4-26
Tolson ☒
Ladd ☒
Clegg ☒
Glavin ☒
Nichols ☒
Rosen ☒
Tracy ☒
Harbo ☒
Belmont ☒
Mohr ☒
Tele. Room ☒
Nease ☒
Gandy ☒
H. A. Smith

Voice Of The People

Please give name and address
with your letter. We will
withhold both on request.

We'd Like to Know

Will you please find out for
your readers why the State de-
partment, according to Law-
rence Kerley, former FBI agent,
forbids arrests in connection
with Russian espionage activi-
ties in the United States unless
the State department first ap-
proves of such a step?

It seems to me like this is
indeed page one news. Certainly
many people wonder why
N.K.V.D. agents are allowed to
operate with immunity, try to
kidnap people like the Russian
schoolteacher who leaped out
of a window in New York City
to escape them and who doubt-
less were responsible for Gen.
Krivitsky being shot in Wash-
ington, and perhaps many
other crimes against people in
this country.

After all, whether a person is
a foreign visitor or a native-
born citizen he has a right to
protection under our laws and
should be assured by our police
and law enforcement agencies
that he will not be murdered,
garrotted or maimed by the se-
cret police or a foreign power
operating under the aegis of
our State department, regard-
less of how Red certain indi-
viduals in that department may
be.

This situation has disturbed
many thousands of people in
this country who for years have
looked askance at our federal
agencies.

CHARLES P. BEAZLEY

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158-1548-A

70 JUL 8 1950

Page

Times-Herald 2

Wash. Post

Wash. News

Wash. Star

N.Y. Mirror

Date: 7/8/50

May 4,

Mr. Tolson

L. B. Nichols

Mr. Peyton Ford asked me to come by his office yesterday which I did. Peyton pointed out that the St. Louis Post dispatch was getting tuned up again over the Charles Binaggio-Charles Garotta slaying and were suggesting the FBI be turned loose. Ford wonder if we wanted to get into it. I asked what Federal law was being violated. He stated none. I told him that this was the answer. He stated that he didn't think we should get into it either. I told him, of course, we would have no interest in the case but in the final analysis the matter was up to the Department and the AG.

Ford stated they were bringing up the idea that the individuals were under subpoena. I stated that they were under subpoena as future defendants and I didn't think this entered into the picture.

Subsequently Ford stated that he would like very much for us to bring up to date our statistics on the Kansas City election ballots and theft of the ballots as he wanted to brief Estes Kefauver on this. I have checked and we do not have such figures. The Next time I see Ford I will so advise him. DIRECTOR'S QUOTATION: Right & we have neither time nor personnel to do it. H.

Thirdly, Ford inquired about the details on John Huber. I told him that I was not fully informed as this was something which Mr. Ladd was handling. Ford stated that the White House was pressing him as Senator Tydings had called him early in the morning; that he intended to give Senator Tydings the address of where Huber could be located. He then brought up the fact that he had been informed that it was a matter of time with Huber, including Kerley. I told Mr. Ford that Kerley was his man; that had the Department moved on Kerley as they should have we would all have been saved a lot of grief. He stated that about a year and a half ago he had seen the Director with a letter to McGohey and the Director was of the opinion that it would be unwise to order prosecution. I told Mr. Ford that obviously the Director could take no other position because the Department had delayed too long in taking action; that once Kerley had gone before the Committee the charge of retaliation would at once be raised and in the long run more harm than good would result.

DIRECTOR'S QUOTATION: This is the true version of my conversation with Ford; not the one Ford gives, which is only a half truth. H.

LBN:LH

7/14/03

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OFFICE Memorandum - UNITED STATES GOVERNMENT

TO : A. H. Belmont

FROM : C. E. Hemmrich

SUBJECT: OWEN LATTIMORE
ESPIONAGE - R

DATE: April 25, 1950

At 10:35 p.m., Special Agent K. D. Anenson of the Washington Field Office furnished the following information resulting from the hearings this evening of the Tydings Committee in connection with the Lattimore case. This information referred to testimony of former Special Agent Lawrence Kerley:

Mr. Lawrence Kerley next took the witness chair and identified himself as being on the Editorial Staff of the "New York Journal American" in New York City. As a matter of background information, Mr. Kerley stated that from 1937 to 1941, he was a clerk with the FBI and that from 1941 to 1945, he served as a Special Agent with the FBI. Following 1945, he stated he spent two years in Kentucky in private business and then returned to join the staff of the "New York Journal American." Mr. Kerley stated that he first came across the name of John Huber in 1939. At this point Mr. Kerley gave the impression that [REDACTED]

He described Mr. Huber as [REDACTED] a member of the Communist Party. Kerley began to testify concerning his subsequent meeting with Huber by stating that Huber had come to his office at the "New York Journal American" and furnished him information regarding Dr. Owen Lattimore. He stated that Mr. Huber had met Mr. Lattimore in the home of Mr. Frederick V. Fields in New York City. At this point Senator Tydings interrupted Mr. Kerley's testimony stating that that particular phase would be covered by Mr. Huber when he testified.

At this point, Senator Tydings called for Mr. Huber to ascertain if he was in the Committee room. Mr. Huber failed to answer and it was ascertained that he was not present. Mr. Kerley stated that Mr. Huber and he had come to Washington, D. C. together this morning, checking in at the Carlton Hotel. He stated that he had last seen Mr. Huber around noon when he went out to lunch and has not seen him since then and has no knowledge concerning his present whereabouts. Senator Tydings at this point called for a five minute recess.

The proceedings were resumed with Senator Tydings again calling Kerley to the stand and questioned him concerning his association with Huber and his activities while with the FBI. Mr. Kerley clarified the point concerning his first coming into contact with the name of John Huber. He stated that in 1939

CEH/mp

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as a clerk in the New York Office, [REDACTED]

[REDACTED] He stated that he had no personal contact with Huber at this time.

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1

In answer to a direct question from Senator Tydings concerning [REDACTED]

[REDACTED] but that during the time that he was in the New York Office, he had no direct personal contact with Huber. He stated that it was in 1947, when he was with the "Journal American" that Huber came to his office with information regarding the Communist apparatus in the United States.

b7D

Senator Tydings question Mr. Kerley concerning this information and asked if this had not been given by Huber [REDACTED]

[REDACTED] He also asked Kerley what he thought the attitude of the FBI would be concerning turning over this information. Kerley replied that there is a great deal of information filed away in steel file cabinets which he sincerely believed should be brought out into the open. He stated that he could not answer for the FBI as to whether Huber's disclosure of this information to him was right or wrong but that he felt that it was a matter of conscience. Kerley went on to explain [REDACTED]

b7D

He stated that in all, dating from 1947, to the best of his recollection he had had a dozen or so meetings with Huber at which time Huber had given him information concerning the Communist Party. Senator Tydings then questioned Mr. Kerley about his duties as a clerk of the FBI. Kerley replied that his duties were of a general clerical nature, working both with personnel files and in classification. He stated that he had access to both confidential files and regular files of the FBI. He stated that as a clerk he had no investigative functions.

In answer to a direct question from Senator Tydings, Kerley stated that he came here to testify before the committee as a witness for Senator McCarthy because he was subpoenaed to do so. In answer to other direct questions from Senator Tydings concerning his past association with Huber, Mr. Kerley stated [REDACTED]

b7D

[REDACTED] and that he had never paid Mr. Huber any money for information received. This concluded the testimony of Mr. Kerley

Senator Tydings, at the conclusion of the meeting, advised that if Mr. John Huber can be located, a meeting may be called for tomorrow morning, April 26, 1950. He also asked Mr. Lattimore's attorney when Mr. Lattimore would prefer to testify and Mr. Lattimore's attorney stated that they would prefer to give their testimony following that of the individuals called at the present time. Mr. Lattimore's testimony was tentatively scheduled for Thursday morning, April 27, 1950.

Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

DATE: May 3, 1950

FROM : D. M. Ladd

SUBJECT: ACTIVITIES OF LARRY KERLEY BEFORE
SENATE SUBCOMMITTEE HEARING ON THE MCCARTHY
CHARGES

At the request of Deputy Under-Secretary of State John E. Peurifoy, Mr. Roach called on him this morning at which time Peurifoy stated he had a story he wanted to relate to the Bureau before he took any further action concerning Larry Kerley and his activities in conjunction with the hearing on the Hill.

Peurifoy stated that he and his wife accepted a dinner engagement with Mr. and Mrs. James Campbell Lewis last night. (Lewis was formerly with the Squibb Toothpaste Company) Lewis is now residing at 22 East 73rd Street, New York City, telephone Butterfield 8-5975. Mrs. Lewis, who did most of the talking, according to Peurifoy, informed him that some years ago Larry Kerley, then an Agent of the FBI, had stolen a satchel full of FBI reports and had brought them to the Lewis home for safekeeping. After Kerley had departed, Mrs. Lewis opened the satchel and found the contents were Bureau reports; that she got in touch with the Bureau, and that the reports were recovered. She further stated that Kerley, a Mr. Rushmore, and a person by the name of Matthews who was formerly with the House Committee on Un-American Activities, now have an office in New York City near the Hearst Magazine Building where they have voluminous reports, some of which are believed to be official Government documents. Although Mrs. Lewis did not indicate that there were any FBI documents, she did state that Matthews, before he left the Un-American Activities Committee, had stolen voluminous reports and that these reports and others are now in the New York Office of these three individuals.

Mr. Peurifoy stated that Kerley, as the Bureau is undoubtedly aware, is being used by McCarthy in the present hearings and has recently testified in the Lattimore hearing. Peurifoy stated that if the facts as related by Mrs. Lewis are true, he will be compelled to pass the information on to Senator Tydings, but if the facts were not true as related by Mrs. Lewis, then he intended to say nothing further about it. He desired to know from the Bureau if the facts were correct and, if so, what the Bureau's desires were in having him discuss the matter further with Senator Tydings.

INDEXED - 25
RECORDED - 25

RRR:WMJ

32 JUN 2 1950
ADDENDUM (next page)

We will give Peurifoy
no advice. If he wants
any he can take it up
with A. J. or Ford.

Tolson _____
Ladd _____
Clegg _____
Glavin _____
Nichols _____
Rosen _____
Tracy _____
Harbo _____
Mohr _____
Tele. Room _____
Nease _____
Gandy _____

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HEREIN IS UNCLASSIFIED
DATE 8/3/01 BY 437109

He wanted to know if he could hear from the Bureau in this regard as soon as possible.

* * * * *

Another matter mentioned by Mr. Peurifoy to Mr. Roach is that four Senators (names not mentioned) are to appear on the floor of the Senate today at 12:00 noon and present charges of perjury against Senator McCarthy in view of statements that he has made concerning his evidence and an erroneous statement concerning the source of his information. The Committee, according to Peurifoy, have information that some of the data Senator McCarthy has produced was stolen by his stooges, the implication being, according to Peurifoy, that the two persons involved are Kerley and Robert Lee (former Bureau Agent). He stated that he has been assured that the blast made will result in serious repercussions against the individuals involved and throw an entirely new light on the Senate hearings. He further commented that the Tydings Committee will in the near future subpoena Robert Lee to make him produce information as to the source of various materials that he turned over to McCarthy. The Committee, according to Peurifoy, believe that they can place a perjury charge against Lee unless he makes disclosures which they do not believe he will make.

ADDENDUM: Mr. Roach informed Mr. Peurifoy today that the whole question concerning Kerley was submitted to the Attorney General two years ago at which time the Director recommended prosecution of Kerley and the Department of Justice did not deem it advisable to prosecute. It was suggested to Mr. Peurifoy if he had any further inquiries to make in the matter that they be directed to the Department of Justice. (RRR:mk, 5-4-50)-2

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. A. H. Belmont

DATE: May 12, 1950

FROM : C. E. Hennrich

SUBJECT: LARRY KERLEY

Mr. Tolson _____
 Mr. E. A. Tamm _____
 Mr. Clegg _____
 Mr. Glavin _____
 Mr. Ladd _____
 Mr. Nichols _____
 Mr. Rosen _____
 Mr. Tracy _____
 Mr. Carson _____
 Mr. Egan _____
 Mr. Gurnea _____
 Mr. Harbo _____
 Mr. Hendon _____
 Mr. Pennington _____
 Mr. Quinn Tamm _____
 Tele. Room _____
 Mr. Nease _____
 Miss Beahm _____
 Miss Gandy _____

Ray Whearty of the Department called on the afternoon of May 11, 1950. He stated that he had been reviewing the Department's file in this case. He referred to the summary report of Special Agent [redacted] dated April 1, 1948, at New York, wherein on page 7 reference is made to copies of a letter dated September 20, 1942, and of another letter dated October 2, 1942. Each of these is identified as serial 99 in Louisville file number 100-823. Whearty wanted to know if that statement was correct since it appeared the letters bore different dates and probably should have different serial numbers.

I called Mr. Whearty's attention to the report of Special Agent [redacted] dated April 7, 1948, at Louisville, which reflects that the two letters in question were transmitted as attachments to a letter from our Cincinnati Division to the Louisville Division dated February 12, 1943, and for that reason were given the same serial number. Whearty informed me incidental to the call that he is reviewing the Kerley file with the thought in mind that when he again testifies before the Tydings Committee certain pertinent questions may be asked him which, if answered falsely, would subject him to a perjury charge.

ACTION:

None. This is for your information.

CEH:jam

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 DATE 7/14/03 BY 60390CE/CAL/ms

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56 MAY 17 1950
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Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

FROM : MR. D. M. LADD *DL*

SUBJECT: LARRY ERNEST KERLEY
(Testimony Before Senate Judiciary
Sub-Committee, September 15, 1949)

DATE: March 20, 1950

Tolson ☒

Ladd ☐

Clegg ☐

Glavin ☒

Nichols ☒

Rosen ☐

Tracy ☐

Harbo ☐

Mohr ☐

Tele. Room ☐

Nease ☐

Gandy ☐

Reference is made to my memorandum dated March 9, 1950, which was submitted at your request in connection with an article which appeared in the Washington "Times Herald" on March 7, 1950, commenting on the testimony of Kerley which was given before the Senate Judiciary Sub-Committee on September 15, 1949. My memorandum pointed out that a transcript of the testimony of Kerley was being reviewed at that time. The purpose of this memorandum is to advise you further concerning the testimony of Kerley, based upon the review that has been made.

PURPOSE OF HEARINGS

Kerley testified under subpoena in connection with hearings that were being held on a Bill to amend the Immigration Act designated as S-1832. That Bill, introduced by Senator Pat McCarran was designed for the purpose of preventing the entry into the United States of individuals who were:

1. Seeking to obtain or transmit secret information concerning the national security;
2. Seeking the violent overthrow of the United States Government; or
3. Organizing or in any way participating in the activities of groups designated by the Attorney General as subversive.

The Bill further provided for the exclusion and deportation from the United States of individuals falling within the above three categories. The Bill further provided for the suspension of naturalization proceedings by any alien believed to be subject to the provisions of this Bill until the question of his subjection to it had been determined in his favor.

Kerley testified in support of the proposed legislation and in response to a direct question stated that the information he disclosed in his testimony had come to him in the course of his work with the FBI. Kerley stated that since leaving the Bureau, he had attempted to keep advised as to the activities of the Communist Party, how it was operating, and who its chief Comintern representatives were. He did not state how he was seeking to keep advised.

WAS:EHW

3 MAY 29 1950

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DATE 8/2/01 BY SP4ALM/leg
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158-1548-242

DETAILS OF KERLEY'S TESTIMONY

1. Arthur Alexandrovich^X Adams

A considerable portion of Kerley's testimony was devoted to the Adams case. My memorandum of March 9, 1950, contained a resume of Adams' case and pointed out that Kerley in his testimony before the Senate Judiciary Sub-Committee had falsely stated that the State Department had prevented the FBI from arresting Adams while he was in this country. My memorandum pointed out to you that the State Department was not consulted concerning the arrest of Adams and that the decision not to arrest him was made on the basis of the attitude taken by the Manhattan Engineer District. That Organization desired no action which would result in affording publicity to the secret operations in which that District was at that time engaged. (100-331280)

2. Andrei Ivanovich^X Schevchenko

Kerley also discussed this case which was synopsisized for you in my memorandum of March 9th. You will recall that my memorandum indicated that Kerley had testified that the State Department would not permit an arrest of Schevchenko, against whom a strong espionage case had been built by the FBI. My memorandum further pointed out that the Schevchenko case was discussed with the then Under-Secretary of State Dean Acheson who, in view of the International situation prevailing at that time, desired not to aggravate the situation and hence, opposed the arrest and prosecution of Schevchenko. (100-340996)

3. Lydia^X Altschuler

This case was not mentioned in my memorandum of March 9th for the reason that memorandum, as stated above, dealt with newspaper accounts of Kerley's testimony which, themselves, contained no reference to the Altschuler case. This case, you will recall, dealt with groups of individuals in New York City and in Mexico City who were corresponding by means of secret writings. Those individuals were seeking the release of Frank Jacson who was serving a prison term in Mexico for the murder of the exiled Russian leader, Leon Trotsky. (65-43302)

Kerley devoted only a small portion of his testimony to the Altschuler case and described the operations of the group in which Altschuler was involved as being directed toward the assassination of Jacson. Although it is true that Jacson's eventual assassination was suspected of being the ultimate objective of the group, nevertheless, such an objective on their part was not established by the Bureau's investigation.

4. Gregori Barkovich Kheifets

A substantial portion of Kerley's testimony dealt with the activities of this individual, former Soviet Vice Consul in San Francisco who arrived in this country on December 2, 1941 and departed on July 6, 1944. A resume of the Kheifets' case is contained in my memorandum of March 9th. That memorandum pointed out that Kerley had alleged that West Coast Communist espionage centered in Kheifets but he was left alone. My memorandum further pointed out that in view of the diplomatic immunity enjoyed by Kheifets and the highly confidential nature of the investigation in the Comintern Apparatus case in which Kheifets was involved, no consideration was given to the presenting of his case to the State Department.

Kerley did not state in his testimony that the State Department prevented the arrest of Kheifets, however, the "Times Herald" article on which my memorandum of March 9th was predicated was so phrased as to imply that the Kheifets case was one of those cases in which the State Department had blocked prosecution. (65-51533; 100-203581-3702, pp. 17, 208)

Attitude of Kerley and Sub-Committee Members Toward the Bureau

The testimony of Kerley was in no way critical of the Bureau nor were any questions asked of him by committee members or counsel which would imply criticism of the Bureau.

Kerley did criticize the State Department on the basis of the following counts:

1. That the State Department had prevented the arrest of Arthur Alexandrovich Adams. Your attention is respectfully directed to my comments concerning the Adams case which appear earlier in this memorandum and which also appear in my memorandum of March 9th.

2. That the State Department had prevented the arrest of Andrei Ivanovich Schevchenko. Here again you are respectfully referred to previous comments in this memorandum and to my memorandum of March 9th.
3. That the FBI was not even permitted to open an espionage case against any Russian suspect without State Department approval. In my memorandum of March 9th, I pointed out that during the recent war it was the policy of the Bureau, as it is today, to consult with the State Department prior to initiating investigations of diplomatic personnel of foreign nations in the United States. That policy was also followed with respect to officials, representatives and employees of the Amtorg Trading Corporation and the Soviet Government Purchasing Commission (Bureau Bulletin #22, Series 1944, Section B). I also pointed out that in the absence of unusual circumstances, State Department approval was not requested by the Bureau prior to initiating investigations of Russian citizens or any other individual who did not fall into one of those categories.

Outstanding Distortions and Inaccuracies in Kerley's Testimony

1. Kerley testified that he was with the Federal Bureau of Investigation from 1937 to 1945.

This statement is true since Bureau files reflected that he entered the Bureau as a Special Employee on October 21, 1937, was appointed a Special Agent on September 22, 1941, and ceased duty with the Bureau on October 1, 1945. Kerley's testimony did not indicate the capacities in which he served with the Bureau but is susceptible of the interpretation that his entire service was as a Special Agent.

2. Kerley made the positive statement that the objective of the Lydia Altschuler group was the assassination of Frank Jacson.

As stated above, investigation by the Bureau failed to establish the fact that Jacson's assassination was the objective of the individuals involved in the Altschuler investigation.

3. Kerley testified that Russian espionage activities in this country continued almost unchecked throughout the entire course of the last war.

Your attention is again respectfully directed to my memorandum of March 9th in which in commenting on this statement of Kerley, it was pointed out that the Bureau conducted intensified investigations of Soviet espionage activities, notably in the Comrap, Cinrad, Sodac and Amtorg cases, in addition to cases on individual Russian espionage suspects. It was also pointed out that Gaik B. Ovakinian, a Soviet espionage suspect, was arrested in New York in 1941 and that Lieutenant Nicolai G. Redin was arrested by the Bureau in 1946.

4. Kerley was asked while on the witness stand if the information gathered in connection with espionage activity was forwarded to the State Department. Kerley replied, "In all cases they were kept closely advised."

It is not true that the State Department was kept closely advised of developments in all espionage cases, nor is it true that the State Department was so advised in all Soviet espionage cases. In accordance with Bureau policy, the State Department was advised of developments in which it was believed to have an interest. There would be no reason for advising the State Department concerning every individual espionage case investigated by the Bureau.

5. Kerley testified that the State Department prevented the arrest of Arthur Alexandrovich Adams.

As stated above, this comment of Kerley is false.

6. Kerley testified that the Bureau could not investigate Russian espionage suspects except on State Department approval.

As set forth heretofore, this statement of Kerley is false.

ACTION

None. The foregoing is submitted for your information.

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. LADD

FROM : MR. BELMONT

SUBJECT: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

DATE: MAY 1, 1950

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 8/3/01 BY SP2ALM/clj

PURPOSE

To advise you of the Bureau's attitude toward prosecution of the captioned individual, a former Special Agent, as contained in communications addressed to the Department.

DETAILS

The file in this case reveals that it was first brought to the attention of the Department by a letter from the Bureau addressed to the Attorney General, dated March 29, 1946. At that time investigation had failed to reveal that, as was subsequently determined, Kerley had retained possession of certain Government property after the termination of his employment by the Bureau. The letter of March 29, 1946, pointed out that investigation had revealed that Kerley was probably responsible for furnishing information to Howard Rushmore, of the New York Journal American, which constituted the basis of a series of articles published in that newspaper in December, 1945, which constituted an expose of several Soviet espionage cases investigated by the Bureau. The letter of March 29th pointed out that the disclosures made by Rushmore had destroyed several years of the Bureau's work and it was suggested that the Attorney General might wish to consider remedial legislation which in the future would make it a Federal violation for any person formerly employed by the Bureau to reveal information obtained as a result of his employment after his services with the Bureau have ceased. (58-1548-93)

On April 16, 1946, the Attorney General forwarded to the Director by routing slip a memorandum addressed to the Attorney General from Theron L. Caudle, Assistant Attorney General, Criminal Division, dated April 15, 1946. That memorandum expressed the opinion that the activities of Kerley in furnishing information originating in Bureau files to unauthorized persons did not constitute a violation of any existing statutes. That memorandum did suggest that the information revealed as a result of Kerley's actions might be construed as information relating to the National Defense and further suggested that Kerley and other individuals involved with him in making the disclosures to Howard Rushmore might be brought before a Federal Grand Jury for the purpose of questioning. The Attorney General solicited the comments of the Director on the suggestion of Mr. Caudle.

(Ibid. 112)

By memorandum dated April 23, 1946, addressed to the Attorney General, the Bureau took the position that the questioning of Kerley and his associates

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before a Federal Grand Jury might result only in further jeopardy to the Bureau's investigation of other Russian and Communist cases. (Ibid. 112)

Subsequently information was received by the Bureau indicating that certain documents believed to have been abstracted from Field Office files had been in the possession of Kerley and had been delivered by him to an individual not connected with the Bureau, specifically Mrs. Elizabeth Campbell Lewis. A letter from New York to the Bureau dated March 20, 1948 which describes three reports and two letters then in the possession of the attorney of Mrs. Lewis bears the following notation of the Director: "I don't care about the embarrassment - if Kerley has violated some statute I want prompt & vigorous prosecution. H." (Ibid. 163)

A memorandum from Mr. Ladd to the Director, dated March 27, 1948 prepared for the purpose of obtaining approval for the execution of a receipt for five serials in the possession of Mrs. Lewis' attorney, to be delivered when the serials were returned, bears the following notation of the Director: "O.K. Also press for prosecution of Kerley if law is applicable. H." (Ibid. 165)

By letter dated April 13, 1948, addressed to Assistant Attorney General T. Vincent Quinn of the Criminal Division, the Bureau transmitted copies of summary reports prepared by the New York and Louisville Offices. It was requested that the Bureau be advised if there was any law applicable under which Kerley might be prosecuted. The attention of the Department was at that time directed to page three of the summary report prepared by the New York Office which cited a decision of the Circuit Court of Appeals, Second Circuit, which held that the period of limitations in connection with the embezzlement of Government property is six years. (Weinhandler vs. US; 20 Federal (Second) 359 Certiorari decided by U. S. Supreme Court 75 U.S. 554) That report likewise pointed out that of the five serials recovered, which appeared to have been embezzled by Kerley, the latest serial was block-stamped February 18, 1943. The suggestion was made that the embezzlement must have occurred and the Statute of Limitations would have begun to run some time between February 18, 1943 and November 29, 1944, when Kerley arrived in New York on transfer from Louisville.

(Ibid. 172)

On May 3, 1948 Mr. Ray Whearty, of the Department, asked Mr. Howard Fletcher if there would be any objection to referring this case to the proper U. S. Attorney, indicating that she felt the proper attorney would be the attorney of the Southern District of New York. He was advised that the Bureau saw no reason why such action should not be taken.

(Ibid. 179)

On May 15, 1948 Assistant Attorney General Quinn advised that he felt that venue would lie in New York and that he was giving further consideration to the question of whether the Statute of Limitations had run. He said that he would let the Bureau know just as soon as a decision was reached. (Ibid. 178)

On May 21, 1948 Mr. Quinn informed Mr. Ladd that he was of the opinion that venue would lie in New York and that the Statute had not run. He stated the only question was policy, as to whether it was desired to proceed with prosecution. His inquiry was made the subject of a memorandum from Mr. Ladd to Mr. E. A. Tamm on the same date, which bears the following comment of the Director, "We cannot stop a criminal prosecution so it will have to take its course. H." (Ibid. 180)

A memorandum from Mr. Ladd to Mr. E. A. Tamm dated June 1, 1948 reveals that Mr. Quinn was advised on May 29, that the Bureau's position was that prosecution should be instituted if it was felt that there was a case. Mr. Quinn requested that Kerley be interviewed. (Ibid. 184)

By memorandum to Mr. Quinn dated July 20, 1948, a copy of the report of Special Agent [redacted] dated at New York City July 13, 1948, setting forth the results of the interview with Kerley and of interviews with Mr. and Mrs. James C. Lewis was transmitted. The letter of transmittal requested that the Bureau be advised as soon as possible of the final decision in this matter. (Ibid. 187)

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The Bureau received a memorandum dated August 16, 1948 from Alexander M. Campbell, Assistant Attorney General, Criminal Division, enclosing a carbon copy of a letter of the same date to Mr. John F. X. McGohey, U. S. Attorney, New York City, referring this case to him for an opinion concerning prosecution. (Ibid. 189)

On September 13, 1948, a letter was addressed to the Attorney General transmitting a newspaper clipping from the New York Journal American for September 11, 1948 which related that Kerley had testified during the previous week before the House Un-American Activities Committee. That memorandum called to the attention of the Attorney General the fact that this matter had been referred to Assistant Attorney General Quinn on April 13, 1948 and had since been referred by the Department on August 16, 1948 to the U. S. Attorney for the Southern District of New York. This letter to the Attorney General commented that the question of prosecution of Kerley should have been settled with a minimum of delay. The letter further stated that in the light of the attached newspaper item, prosecution at that time (September 13, 1948) would appear to be an anti-climax and might leave the impression with the public that

Kerley was being prosecuted [REDACTED]

(Ibid. 202)

By memorandum dated October 12, 1948, Assistant Attorney General Campbell transmitted to the Bureau a copy of a letter from the U. S. Attorney dated October 7, 1948, which attributed the latter's failure to arrive at a decision to the fact that the attorney for Mr. and Mrs. Lewis, with whom he desired to discuss certain phases of this case, had been absent for the month of September.

(Ibid. 204)

A memorandum dated April 25, 1948 from Mr. Ladd to Mr. Fletcher reflects that on April 22nd, Mr. Peter Brown, of the Department, exhibited a draft of a proposed letter to the United States Attorney, urging in strong language the prosecution of Kerley. Mr. Brown desired the Bureau's views. He was informed that it was the Bureau's position that the U. S. Attorney should make his decision and that no effort should be made to push or drop the case, but whatever the U. S. Attorney decided should be the deciding factor. Mr. Brown agreed to re-draft his letter. The Director's comments on this memorandum are: "Right. Furthermore this case has been allowed by Dept. to drag along so long it seems useless to now exert special pressure for action. H."

(Ibid. 219)

By letter dated September 16, 1949 addressed to the Attorney General, the Bureau forwarded an article which appeared in the Washington Evening Star under date of September 15, 1949 concerning the testimony of Kerley before a Senate Judiciary Sub-Committee on that date. The attention of the Attorney General was directed to the disclosures which appeared in the Journal American during December, 1945 and pointed out that the work of the Bureau had suffered severely because of the disclosures which had been made by Rushmore of information he had obtained from Kerley. The Attorney General was further advised that this matter had been called to his attention in March, 1946 and that, according to the records of the Bureau, it was still under consideration by the U. S. Attorney.

(Ibid. 224)

A memorandum from Mr. Fletcher to Mr. Ladd dated October 5, 1949 reflects that Assistant U. S. Attorney Murphy in New York had contacted the Agent handling this case, stating that he wanted to know what the Director actually wanted done in this case. The memorandum contained the recommendation, which was approved, that New York be instructed that Mr. Murphy be informed that the Bureau "has no comment concerning the prosecution and that he may desire to take up the question with the Department." It was further recommended and approved that Mr. Murphy be informed that the Director has not urged prosecution and that the opinion of the U. S. Attorney was the controlling factor. On this memorandum the Director commented: "I agree. The

U. S. Atty. has procrastinated so long that it is now a farce. H." (Ibid. 227)

A memorandum from the Attorney General dated October 18, 1949 referred to the Bureau memorandum of September 16, 1949 and stated that the delay in reaching a decision in this case was doubtless occasioned by the fact that AUSA Murphy had been engaged in the Hiss case for many months. The memorandum enclosed a copy of a memorandum to the USA requesting a decision in the matter.

A memorandum from Assistant Attorney General Campbell dated November 18, 1949 enclosed a copy of a memorandum from the USA, SDNY dated October 25, 1949, advising that the USA was of the opinion that prosecution in this matter "be not instituted but be declined." The USA added that he had assumed in reaching his decision that prosecution was not barred by the Statute of Limitations, but indicated that a strong consideration in reaching the decision was the motive underlying the report of the transaction made by the Lewises to the Bureau, together with the conflicting motives in the present litigation between Kerley and the Lewises. He pointed out the possibility that the Lewises might have been prompted by motives of revenge and vindictiveness and he also alluded to the possibility of argument in behalf of Kerley that the Lewises because of their influence had been able to cause a criminal prosecution to be instituted in aid of their civil litigation. (Ibid. 230)

On February 20, 1950 the Bureau directed a memorandum to the Attorney General, transmitting clippings from the New York Journal American of February 16 and 17, 1950, which contained references to Kerley and to Communists in the Government, and to Soviet espionage. This memorandum again reviewed the circumstances of this case in brief and pointed out that although summary reports had been furnished to the Criminal Division on April 13, 1948, a lapse of 19 months occurred before a negative decision with respect to prosecution was reached. The Bureau commented that it is a bad procedure when an individual occupying a position of trust violates that trust as Kerley did and not only purloins documents from Bureau files, but divulges information which came to his attention in the course of his official duties. Reference was also made in this memorandum to inaccuracies in the testimony of Kerley before the House Un-American Activities Committee. Reference was also made to the fact that Kerley had testified in Executive Sessions before a Senate Committee.

On April 28, 1950 the Director addressed a memorandum to the personal attention of the Attorney General transmitting a copy of an editorial which appeared in the Washington Post for April 27th and which commented upon the testimony of Kerley. The Director pointed out that several years ago he had strongly recommended that prosecutive action be taken against Kerley and added that

"We are now paying the penalty for failure to have proceeded vigorously against him."

Concluding, the Director pointed out that had Kerley been prosecuted at the time such action was recommended by the Bureau, some of the present hysteria which can be directly attributed to him would have been avoided.

RECOMMENDATION:

None. This is for your information.

Impostor Witnesses

4-26
 Tolson ☒
 Ladd ☒
 Clegg ☒
 Glavin ☒
 Nichols ☒
 Rosen ☒
 Tracy ☒
 Harbo ☒
 Belmont ☒
 Mohr ☒
 Tele. Room ☒
 Nease ☒
 Gandy ☒
C. J. Hennrich

Impostor Witnesses

The two former "FBI agents" summoned before the Tydings Subcommittee at Senator McCarthy's request fell flat on their faces—the one figuratively, the other, it would seem, literally. They left their sponsor looking, if possible, even more shabby and forlorn than before he called them. Their performance deserves scrutiny not only because of their part in the current inquiry but also because of the relationship they claim to the Federal Bureau of Investigation.

Lawrence E. Kerley, the member of the pair who appeared Tuesday evening in response to the subcommittee's subpoena, was actually, as he claimed, at one time a special agent of the FBI. It is a point of pride and a part of the *esprit de corps* of the FBI that very few of the men who have left its employ—and the number now runs into thousands—have traded on their former status. But Mr. Kerley seems to have made business out of being a former FBI man. He had nothing whatever to contribute to the subcommittee Tuesday night save the information that while serving as a clerk in the bureau he recorded the engagement as an undercover informer of John J. Huber, the man who was to be Senator McCarthy's second witness but who "blackened out" instead of appearing. Of course, Mr. Kerley's information about Mr. Huber was confidential and his disclosure of it violated the spirit of the oath he took when he joined the FBI. It was also a violation of the President's order respecting the confidential character of FBI files.

Mr. Huber is a man who appears to have graduated from stool pigeon to impostor. He is no more entitled to call himself (or to be called by Senator McCarthy) a former "FBI agent" than any other person who may at one time have given confidential information to the agency. Regular investigative employees of the FBI are designated "special agents," a proud title that should not be debased by confusing it with tipsters, ~~angermen~~ and common informers.

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 Wash. Post 10
 Wash. News _____
 Wash. Star _____
 N.Y. Mirror _____

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 Date: _____



States Department of I
Federal Bureau of Investigation
Washington 25, D. C.

IN REPLY, PLEASE REFER TO

FILE No. _____

June 9, 1950

11:55 AM

MEMORANDUM FOR MR. TOLSON
MR. LADD
MR. NICHOLS

I called Mr. Richard E. Berlin, President of the Hearst Corporation in New York, to inquire about the status of Paul Walters since we had been withholding taking any action until we had heard from him. Mr. Berlin stated when he learned that I was calling he got in touch with his employees to secure a report from them and learned that former Agent Kerley had been working with Walters and they have pretty much made up their minds that Walters is a phony and that I was right in my opinion of the whole picture and they were wrong. Mr. Berlin stated, however, that Matthews believes Walters has some information but that he, Walters, will not give up; that he is a phony but that he knew too much to be a complete impostor. I then asked Mr. Berlin if he wanted me to hold off any longer and he said no that they were dropping Walters. I told him the approach we were making was with regard to the shakedown game Walters was playing throughout the country in order to secure money to go on a search for these documents which he never seems actually to produce, and that I felt we should make him either come across with the documents or stop working his con game. I told Mr. Berlin that since they were through with Walters we would immediately continue our investigation.

Very truly yours,

John Edgar Hoover
Director

cc-Mr. Nease

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Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

DATE: December 1, 1950

FROM : D. M. Ladd

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 7/15/03 BY 60370 BSC/KAL/RSSUBJECT: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

Tolson ✓
Ladd ✓
Clegg ✓
Glavin ✓
Nichols ✓
Rosen ✓
Tracy ✓
Harbo ✓
Mohr ✓
Tele. Room ✓
Nease ✓
Gandy ✓

PURPOSE

To advise you pursuant to your inquiry that the State Department was not consulted with respect to possible arrest of Arthur Alexandrovich Adams, Soviet-espionage-agent, and that the decision not to arrest Adams was made by the Criminal Division of the Department upon representations by Army officials to the effect that any publicity in connection therewith would result in premature disclosure of the activities of the Manhattan Project (Atom Bomb Project). This question was raised in connection with a newspaper article by George Sokolsky, which referred to the testimony of Kerley before a Senate Subcommittee in September, 1949. This memo is for the further purpose of advising you, on the question of State Department instructions, that in 1944 the State Department requested the Bureau to obtain clearance from State prior to initiating investigations on officials and employees of the Amtorg Trading Corporation and of the Soviet Government Purchasing Commission; and, further, that it has always been the policy of the Bureau to obtain State Department clearance before initiating investigations of diplomatic or official personnel of foreign governments.

BACKGROUND

The Washington "Times Herald" on November 28, 1950, carried the syndicated column of George Sokolsky, in which Sokolsky deplored the alleged fact that pro-Communist activity and Soviet espionage in this country had not been prosecuted promptly. Cases cited by him to illustrate his point were the cases involving Alger Hiss, Abraham Brothman and Miriam Moskowitz.

Sokolsky quoted various excerpts from the testimony of Larry E. Kerley, former Special Agent of this Bureau, which was given before the Senate Judiciary Subcommittee on September 15, 1949. (You will recall that detailed memoranda with respect to the testimony of Kerley were submitted by me on September 16, 1949, and on March 9 and March 30, 1950.)

Sokolsky quoted from Kerley's testimony as follows:

"Russia's espionage activities in this country continued almost unchecked throughout the entire course of the last war. In accordance with instructions of the State Department . . . the Federal Bureau of Investigation was not even permitted to open an espionage case against any Russian suspect without State Department approval."

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Memo - Mr. Ladd to Director
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Kerley was asked during his testimony what "the order was as you understood it as it came to you?"

Kerley replied that "no arrests of any suspects in the Russian espionage activities in the United States were to be made without the prior approval of the State Department." You inquired, "Facts as to State Department instructions?"

(1) The Washington "Times Herald" on March 7, 1950, in commenting on Kerley's testimony, which had just been released by the Senate Subcommittee, stated as follows:

"The State Department's attitude had been previously publicized in the case of Arthur A. Adams, a Russian agent who contacted American physicists employed on the Atom Bomb Project from 1943 to 1945 while being trailed by FBI Agents. The witness confirmed that the FBI was held off from arresting Adams until he left the country."

OTHER Not Within the Purview of FOIA



In his column which appeared in the Washington "Times Herald" on November 28, last, Sokolsky referred to the testimony of Kerley concerning the Adams case, and mentioned Adams' contact with Clarence Hiskey, described as a scientist employed on the Manhattan Project at the University of Chicago. Sokolsky referred to Kerley's testimony of September 15, 1949.

The Bureau initiated the investigation of Adams upon the receipt on July 31, 1941 of information from the Intelligence and Security Division, Manhattan Engineer District, that Adams had contacted DSM engineers Clarence F. Hiskey and Edward T. Manning. Investigation by the Bureau revealed that Adams established contact with scientists working on atomic energy experiments and obtained restricted information concerning atomic energy research in the United States. Individuals from whom such information was obtained were John Hitchcock Chapin, employed on the DSM Project at the University of Chicago, and Edward T. Manning, mentioned above.

An anonymous source in 1944 made available from the room of Adams at the Peter Cooper Hotel in New York a sheet of paper bearing notations which pertained to the DSM Project, and which were evaluated by the MED as revealing an intimate knowledge on Adams' part of the most secret phases of the DSM Project.

On December 3, 1945, Adams became the subject of premature wide-spread publicity resulting from disclosures made by Larry Ernest Kerley, and on January 23, 1946, suddenly disappeared and has not been seen since.
(100-331280-682;-12;-683)

The State Department was not consulted concerning the possible arrest of Adams. A representative of the MED, on behalf of the United States Army, requested that Adams not be prosecuted at that time on the basis of his espionage activity with respect to the Atom Bomb Project because prosecution would result in publicity and the exposure of the existence of the Project. This request was made by [redacted] of the MED in Washington, D.C., and was brought to the attention of the then Assistant Attorney General Tom Clark and Mr. James M. McInerney.

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It was on the basis of the attitude of the MED as expressed by [redacted] that the Criminal Division of the Department of Justice decided against prosecution of Adams for his espionage activities.

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(2) With respect to Bureau policy concerning the investigation of representatives of foreign governments in the United States, Bureau policy in the past has conformed to the following:

It has long been, and continues to be, the policy of the Bureau to seek prior approval of the State Department before initiating investigations of diplomatic or official representatives of foreign governments in this country in view of the fact that our foreign relations are the direct responsibility of the State Department.

Kerley, in his testimony, was apparently referring to this long-established policy and to further Bureau policy as enunciated in Bureau Bulletin No. 22, Series 1944, Section B. This Bulletin provided that no investigations should be initiated of officials, representatives or employees of the Amtorg Trading Corporation, or of the Soviet Government Purchasing Commission without the prior approval of the State Department. This Bulletin stated that State Department officials with whom this matter had been discussed

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Bulletin? 3-
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had advised that according to the Rules of Protocol, it would be necessary that clearance be obtained from the State Department before conducting an investigation concerning officials, representatives or employees of those Soviet agencies.

In view of the well-known policy of the USSR with respect to permitting other than Soviet officials to depart from Russia, practically every person traveling on a Soviet passport is an official representative of the USSR and would, therefore, come within one of the categories of persons concerning whom State Department clearance would be required prior to the opening of an investigation by the Bureau.

With respect to persons not diplomatic or official representatives of the USSR or officials, representatives or employees of the Amtorg Trading Corporation or of the ~~Soviet Government Purchasing Commission~~, and in the absence of unusual circumstances indicating an interest therein on the part of the State Department, it is not and has not been the policy of the Bureau to consult that Department prior to opening espionage investigations or making arrests in such cases.

RECOMMENDATION

None. The foregoing is submitted for your information.

Mr. Tolson

September 7, 1950

L. B. Nichols

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Senator McMahon called on September 6. He has received information that Leslie Gould of the New York Journal-American has been up in Connecticut checking up on Charles Calkins, now deceased, and his wife Ada. McMahon thinks that Gould is going to use this in the campaign of embarrassing McMahon.

He further stated that he has been informed that one of our investigative reports on Calkins was passed to the Hearst people and he understands that the former agent, by the name of Lawrence Kerley, had filched several Bureau reports and undoubtedly Kerley was the individual who has filched the report on Calkins, and this has been given to J. B. Matthews of the Hearst organization.

McMahon further stated that he understands that the New York Journal-American has a large vault where they keep FBI reports which they have been able to secure.

I told McMahon that it was a fact that Kerley was a former Agent and that Kerley had taken some reports; that when we learned of this and recovered them we immediately presented the facts to the Department but that the Department dilly dallied around and never did anything, and that for his personal and confidential information it was my belief that his friend, Peyton Ford, was the individual who handled this; that it was our view that Kerley nor any other Agent should ever be permitted to get by with such activities, but, of course it was too late to do anything now. I told him that I doubted very much that Kerley had a Calkins report because if my recollection was right, and I have since confirmed this, there was no report submitted by the New York Office where Kerley was assigned; that probably J. B. Matthews who was formerly with the Dies Committee had taken a lot of stuff from the Dies Committee files and which probably were confused. In this connection Mr. Ladd is having a check made on the reports that were recovered from Kerley.

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McMahon stated that he recalled that in the fall of 1947 after he had received some information on Calkins that he had communicated with the Bureau and that I had talked to him and furnished him some information on Calkins. His recollection was that the information furnished primarily had to do with his associations and he was wondering if I would check in the next day or so and tell him the worst about Calkins so that he could plan on meeting the Journal-American expose if they make one.

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ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED
DATE 7/15/03 BY 60290 BCE/KAL/LS

158-1348-
NOT RE
45 SEP 30 1950

Memorandum to Mr. Tolson

September 7, 1950

I told him that, of course, I could not give him anything that he could use and the only thing we could give him would be background because we could not in any way become involved in the situation. He stated that he thoroughly understood this and would respect the confidence in which he received it.

I saved the notes I used in my session with him in 1947 which are attached to the memorandum which I submitted at that time as exhibited in the files. I contemplate in using these and information later received when I see McMahon in the next day or so unless advised to the contrary.

September 25, 1950

Mr. Tolson

Mr. Nichols

u-

For record purposes, on September 6, 1950, Brian McMahon called me regarding the information he had to the effect that the Hearst organization had copies of FBI reports. I subsequently called back but he was out of town. I left my name. I heard nothing further from him until Saturday, when he asked me to come by his office on another matter.

In the course of the conversation, he inquired regarding Charles Calkins and the allegations of reports that the Hearst organization had. I told him that we could not conceive of Kerley having reports on Calkins as he never had access to the investigative reports and in fact there was no investigation in New York City at the time. McMahon inquired as to when it was I saw him some years ago after he had called the Bureau. I told him that he had called the Bureau on November 24, 1947, stating that he had received a letter to the effect that a member or a former member of the Communist Party was on his staff. I told McMahon at that time we had given him the highlights of the information in the Bureau's possession; that various confidential sources had informed us that Calkins was a member of the Party; that he did consort with Party members and that his wife had had a Party card. He stated that he could not recall the exact date that Calkins left. I told him that the press release was made on January 23, 1948, indicating that Calkins had resigned the previous day.

McMahon stated that he was now convinced that the Hearst papers did not have copies of the Calkins reports; that he had learned in confidence about 10 days previously that William Curley, the editor of the New York Journal-American, was making inquiries regarding Calkins, and that obviously they did not have the full details. Otherwise, the paper would not be making inquiries at this time.

LBN:MP

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HEREIN IS UNCLASSIFIED
DATE 7/15/03 BY 60390 BCF/AL/MS

58-1548-6

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45 SEP 30 1950

Original copy filed in

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copy;

September 8, 1950

Mr. A. H. Belmont

Mr. F. J. Baumgardner

LARRY KERLEY
FORMER SPECIAL AGENT

copy
Pursuant to your request, a check has been made of all of the sections of the main file on the captioned individual to determine whether there was any mention made therein or indication that Kerley had access to reports on Charles Caulkins. You are advised that this check was made with negative results.

JIS:mjt

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 7/15/03 BY 60202/EK/JS

58-1548-4
NOT RECORDED
45 SEP 30 1950

COPIES FILED IN

this Service was found in the home of a Soviet agent. The files of this Service pertaining to subject have been examined, and there is nothing in them to indicate that they have ever left the possession of this Service. However, we propose to make further inquiry to determine whether there is any basis for Mr. Kerley's allegation.

In view of the fact that Mr. Kerley was an employee of the Bureau, it may be that he gathered his information while so employed, and that the information may be reflected in your files. It will therefore be appreciated if you will check your files and advise this office of whatever information you may have with respect to the allegations in question.

If your response is negative, it may be necessary for a representative of this Service to approach Mr. Kerley personally. For our use in evaluating any statement which may be made by Mr. Kerley in this regard, it will be appreciated if you will express your views as to his reliability and credibility.

CONFIDENTIAL

A. H. Belmont

June 21, 1950

C. E. Hennrich

LEON JOSEPHSON
INTERNAL SECURITY - R

7/14/03 602908CEKALMS

PURPOSE:

To consider supplying the attached information to the Immigration and Naturalization Service in response to the communication from that agency dated June 14, 1950.

BACKGROUND:

On November 23, 1944, a "highly confidential and reliable source" made available to Special Agents [redacted] and William J. Flynn photographs of certain possessions maintained in the home of Philip Levy, 257 Kingsland Terrace, South Orange, N. J. It was reported that this material appeared to be part of a personal file of Leon Josephson that was in the possession of Levy. Among the material photographed was what appeared to be an Immigration and Naturalization Service file pertaining to Melwel Warszower, wa, William Robert Weiner. This material appeared to be an INS file as it was bound together by what appeared to be a conventional INS file binder.

b6
b7C

A routine check of INS files in New York City reflected that INS files #99489-591 and #4101-132 regarding Melwel Warszower were in file. However, a comparison of the photographed material in Levy's possession with that in the custody of the INS office revealed that the correspondence in the Levy's possession included what appeared to be three original communications, one of which could not be located in the INS file. The copy of this missing communication was also in Levy's possession. The missing communication had for its purpose the enclosing to INS a copy of the opinion of the Circuit Court of Appeals in the case "U. S. v. Melwel Warszower." The material in Levy's home also included copies of three pieces of correspondence contained in the INS file and four copies of correspondence not located in the INS file, one of which was previously mentioned. These four missing items pertained to correspondence and memoranda relative to Warszower's arrest for the purpose of deportation.
(100-48754-95, 151)

Distribution of information in connection with the Philip Levy investigation:

The following reports were sent by cover letter of February 27, 1947, to

Assistant Attorney General T. L. Caudle, Criminal Division:
Report of SA [redacted] at New York dated January 22, 1945.
(This report makes a brief reference to an Immigration and Naturalization Service file of William Robert Weiner as being in the possession of Levy, at his home.) (100-335075-49p24, 214)

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158-1548-✓
6 JUL 11 1950

Report of SA William J. Flynn at Newark dated January 26, 1945. (This report stated that what appears to be the original INS file of Helwel Warszower was Robert William Wiener, was included in the personal file of Leon Josephson that was kept in the home of Levy. This report sets forth in quotation marks the contents of the aforementioned communications concerning the immigration status of Warszower. It is noted that all of this material is dated in the year 1940.) (100-335075-52p40, 214)

Distributed to the Division of Records:

Report of SA [redacted] at Newark dated November 23, 1948 and sent to the Division of Records on December 23, 1948. (This report refers to the information that Levy, in 1944, had in his possession material concerning the immigration status of Helwel Warszower and it is "probable" that all of this material belonged to Leon Josephson.) (100-335075-240p35)

Distribution in connection with the Leon Josephson investigation:

The following reports were sent to Assistant Attorney General Caudle by cover letter of March 1, 1947 per his request of February 12, 1947:

Report of SA Edward J. Bistellhorst at New York dated May 12, 1945. (This report identifies the file #4101-182 of Helwel Warszower as part of a personal file of Leon Josephson that was maintained in Levy's home.) (100-48754-63, 73a)

Report of SA [redacted] at New York dated September 24, 1945. (This report reflects that a routine check was made of the records of INS at New York City and it was ascertained that file 410/1182 entitled "Helwel Warszower was Robert William Wiener" was not missing from the INS office.) (100-48754-65p5, 73a)

RECOMMENDATION:

Inasmuch as details concerning the material found in the personal file of Leon Josephson might imperil the highly confidential source of the Bureau and lead to subsequent embarrassment of the Bureau, details relative to the correspondence have not been made available to INS in the attached communication. However, in view of the statement by Lerley relative to the INS file found in Levy's home, it is recommended that the attached communication be transmitted to INS to forestall further open controversy between Lerley and INS over material obtained from this delicate source.

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Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

DATE: December 4, 1950

FROM : D. M. Ladd

SUBJECT: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

Under date of December 1, 1950, I submitted, pursuant to your request, a memorandum in connection with this matter in which it was stated that Section B of Bureau Bulletin No. 22, Series 1944, provided that no investigation should be initiated of officials, representatives or employees of the Amtorg Trading Corporation or of the ~~Soviet~~ Government Purchasing Commission without the prior approval of the State Department. That Bulletin stated that officials of the State Department had advised that under the rules of Protocol such investigations should be cleared with the State Department.

In answer to your inquiry concerning the date of this Bulletin, please be advised that the Bulletin was issued under the date of April 5, 1944. A copy of this Bulletin is attached for your information. (Page 2)

Attachment
WAS:eal

Does this circular still
apply today?

memo directed
 12-8-50

H.

la

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 7/15/03 BY 60290 BSE/KAL/ms

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INDEXED - 102

58-1548-246

APR 7 1951

PERS. FILES

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Office Memorandum • UNITED STATES GOVERNMENT

TO : The Director

FROM : Mr. D. M. Ladd

SUBJECT: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

DATE: December 8, 1950

Tolson ☒

Ladd ☒

Clegg ☒

Glavin ☒

Nichols ☒

Rosen ☒

Tracy ☒

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Gandy ☒

Purpose:

To advise in response to your inquiry that Bureau Bulletin #22, series 1944, dated April 5, 1944, providing that no investigation should be initiated of officials, representatives or employees of the Amtorg Trading Corporation without the prior approval of the Department of State still applies.

Details:

In my memorandum of December 4, 1950, with reference to Bureau Bulletin #22, series 1944, dated April 5, 1944, you noted "Does this circular still apply today?"

It still applies. However, we have been seeking through liaison to determine whether the State Department is still of the same mind as they were in 1944, since the Amtorg Trading Corporation is now registered as an agent of a foreign principal. I have been advised that the State Department is still considering this question.

Also, you may recall that on October 5, we asked the Department whether it would authorize the apprehension of Amtorg personnel under the Emergency Detention Program and whether the Department of State should be advised of contemplated apprehension of Amtorg personnel. You may recall that we have followed the Department on this proposition with memoranda of October 26, November 7, and November 24. No advice has been received from the Department.

Action:

RECORDED - 102 58-1548-247

These matters are being ~~approved~~ and you will be advised of any pertinent developments.

LW:gmw

Mem to Belmont
12-13-50
76 JUL 30 1951

Press for prompt
decision on all of
these questions?

HANDLED BY
STOP WORK

UNRECORDED COPY FILED IN 61-5581-1

MR. A. H. BELMONT

December 22, 1950

V. P. Keay

AMTORG TRADING CORPORATION
SECURITY MATTER - C
ESPIONAGE - R

7/15/03

6021082EKA/JS

Reference is made to my memorandum to you dated December 13, 1950, advising that the State Department has no objection to the Bureau conducting discreet investigations without prior State Department clearance on the activities of the Amtorg Corporation, its officials and employees. It was pointed out that State Department desires that prior clearance be obtained on any elaborate investigations, arrests, seizures, and direct interrogations. Concerning the expression "any elaborate investigations", the Director made the following notation, "This is as clear as mud. Just what does it mean? When does an investigation cease being discreet and become elaborate? H."

This matter was again discussed with Mr. Jessop of the State Department by Mr. Lawrence of the Liaison Section, and Mr. Jessop stated that the State Department desires that prior clearance be obtained whenever any inquiry or investigation is made that might get back to the person being investigated. Mr. Jessop stated that this would probably include almost any type of investigation where an individual is interviewed and knowledge of that interview could later be learned by the subject.

RECOMMENDATION:

It is recommended this memorandum be referred to the Espionage Section for its further information and guidance.

RWL:lw

158-1548-
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40 APR 1951

ADDENDUM:

It is obvious that the Department of State wishes to be consulted in each instance where an officer or employee of Amtorg is under investigation. The Bureau is doing this at the present time. Accordingly, there will be no change of instructions to the field.

L.W.

not copy filed in

DIRECTOR'S NOTATION:

In other words we cannot initiate an investigation of anyone associated with Amtorg before first getting State Dept. clearance.

H.

MR. A. H. BELMONT

December 22, 1950

V. P. Keay

ANTORG TRADING CORPORATION
 SECURITY MATTER - C
 ESPIONAGE - R

7/15/03

60202264/JS

Reference is made to my memorandum to you dated December 13, 1950, advising that the State Department has no objection to the Bureau conducting discreet investigations without prior State Department clearance on the activities of the Antorg Corporation, its officials and employees. It was pointed out that State Department desires that prior clearance be obtained on any elaborate investigations, arrests, seizures, and direct interrogations. Concerning the expressopm "any elaborate investigations," the Director made the following notation, "This is as clear as mud. Just what does it mean? When does an investigation cease being discreet and become elaborate? H.

This matter was again discussed with Mr. Jessop of the State Department by Mr. Lawrence of the Liaison Section, and Mr. Jessop stated that the State Department desires that prior clearance be obtained whenever any inquiry or investigation is made that might get back to the person being investigated. Mr. Jessop stated that this would probably include almost any type of investigation where an individual is interviewed and knowledge of that interview could later be learned by the subject.

RECOMMENDATION:

It is recommended this memorandum be referred to the Espionage Section for its further information and guidance.

RWL:lw:jef

ADDENDUM:

It is obvious that the Department of State wishes to be consulted in each instance where an officer or employee of Antorg is under investigation. The Bureau is doing this at the present time. Accordingly, there will be no change of instructions to the field.

L.W.

In other words we cannot initiate an investigation of anyone associated with Antorg before first getting State Department clearance.

H.

ENCLOSURE

158-1548-

RECORDED

1951

Original copy filed in 30

COPY

MR. A. H. BELMONT

December 13, 1950

V. P. Keay

AMTORG TRADING CORPORATION
SECURITY MATTER - C
ESPIONAGE - R

LARRY FIRST KEAY
Embassy of U.S. Property

At the request of Supervisor Whitson of the Espionage Section, Mr. Roach made a check at the State Department to determine whether that Department desired the Bureau to obtain specific clearance before conducting investigations on the activities of Amtorg, its officials and employees.

After careful checking the State Department has advised, pursuant to the attached memorandum, that the State Department has no objection to the Bureau conducting discreet investigations without prior State Department clearance on the activities of Amtorg Corporation, its officials and employees. As can be noted, however, in the attached memorandum, prior clearances should be obtained from the State Department on any elaborate investigations, arrests, seizures, and direct interrogations.

The above information was supplied to Mr. Roach by Mr. Walter E. Jessop, Security Division, State Department.

RECOMMENDATION:

It is recommended this memorandum be referred to the Espionage Section for its information and future guidance in the handling of investigations concerning the Amtorg Trading Corporation.

Attachment

RRR:lw:jef

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 7/15/03 BY 60290 BCE/CA/oms

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This is as clear as mud. Just what does it mean? When does an investigation cease being discreet and become elaborate?

RECORDED - 102 H.

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58-1548-

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58-1548-249

PERS. 249

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enig an

Office Memorandum

UNITED

TO : Mr. L. B. Nichols

FROM : Mr. A. H. Belmont

SUBJECT: LARRY ERNEST KERLEY
BRIBERY

DATE: *July 30, 1952*

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PURPOSE:

To recommend continued maintenance of
file 58-1548 in the confidential file room,
Room 6527.7511

DETAILS:

This file relates to the investigation of former Special Agent Larry Ernest Kerley, initiated in 1946, on the basis of allegations to the effect that he had disclosed confidential information to unauthorized individuals and had stolen copies of Bureau investigative reports and furnished them to individuals outside the Bureau.

RECOMMENDATION:

In order to insure limited access to this information and a limited amount of handling of the file, it is recommended that the file continue to be maintained in the confidential file room, Room 6527. 7511

Access to this file should be limited to Bureau officials and supervisors having a specific need for this file. It is believed that the present notation on the file "This file or enclosure cannot be removed or reviewed without contacting Unit Supervisor, Room ~~6523~~, 7511 extension 562," will serve to preserve the security of the information.

Dissemination of the contents of this file should not be made outside the Bureau without pointing out in a memorandum for the approval of the Domestic Intelligence Division and appropriate Bureau officials the specific necessity for dissemination.

This file contains six sections. A notation should be made on the cover of each section showing a cross-reference to this memorandum. 100-442010

65 AUG 58-254821
DET:kc

EX-141
RECORDED-37

AUG 5 1952

ALL INFORMATION CONTAINED

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DATE 7/15/23

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The Director

January 17, 1951

L. V. Ladd

Mr. Ladd
Mr. Belmont

COLUMN OF FULTON LEWIS, JR.
APPEARING IN THE NEW YORK JOURNAL-AMERICAN
JANUARY 16, 1951, REGARDING DEAN ACHESON

PURPOSE:

To advise you that the column of Fulton Lewis, Jr., dated January 16, 1951, appears to be based on the testimony of Larry E. Kerley, former Bureau Agent, given in September, 1949, before the Senate Judiciary Sub-Committee.

BACKGROUND:

In connection with the allegations made by Fulton Lewis, Jr., to the effect that "Senate Hearings on Communist Activities ---" will reveal that in each of 25 cases the State Department stopped the FBI from arresting "Kremlin spies," you inquired "Is there any hearing supporting this as alleged?"

This particular column of Lewis' appears to be based on the testimony of Larry E. Kerley, former Bureau Agent, given before the Senate Judiciary Sub-Committee on September 15, 1949. During his testimony, Kerley actually mentioned 21 Soviet officials, and in addition referred to Arthur A. Adams. His testimony conveyed the implication that all of these individuals, together with other persons named by him, were engaged in Soviet espionage. He also testified that no arrests in Russian espionage activities in the United States were to be made without the prior approval of the State Department, and that the FBI could not open an espionage case against a Russian subject without State Department approval.

The only case mentioned by Kerley in which the State Department actually prevented prosecution was that of Andrei Ivanovich Schevchenko. The decision in that case was actually made by Dean Acheson, then Under-Secretary of State.

WAE:jc:mod

158-1548-
NOT RECORDED

57 FEB 15 1951

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to be placed in file 100-1016 (RE: LARRY E. KERLEY)

ORIGINAL FILED IN 100-1016-3396-1

In his testimony, Kerley made broad statements of conclusions and supplied little factual data. His testimony contained numerous distortions and inaccuracies. Nevertheless, it has been seized upon on several occasions to provide sensational material for news articles and special columns. Kerley's testimony received newspaper publicity in September, 1949, and March, 1950, and also provided the subject-matter for a column by George Sokolsky in November, 1950.

It is noted that while Lewis mentioned 22 individuals he only named six. The last was one Vassilenko. Lewis ended his column with the statement "More about this tomorrow." In the testimony of Kerley the next name mentioned after that of Vassilenko is the name of Boris Morros, whom Kerley also described as a contact of Zubelin (Vassili Zubelin, known Soviet espionage agent). Kerley provided no details concerning Morros, other than to state that he was born in Russia, is naturalized, and had a brother and sisters still in Russia. Mr. Nichols has been apprised of this circumstance.

In regard to Bureau policy in initiating investigations of Soviet official personnel in this country, Bureau Bulletin No. 22, Series 1944, dated April 5, 1944, states that officials of the State Department advised that under the Rules of Protocol investigations of officials, representatives or employees of the Amtorg Trading Corporation or of the Soviet Government Purchasing Commission should not be conducted without the prior approval of the State Department. This question was again raised during December, 1950, and it was determined that the attitude of the State Department remains the same.

Of course, it has been the long-standing policy of the Bureau that investigations of foreign Diplomatic and Consular personnel are conducted only after State Department clearance has been obtained.

ACTION:

None. The foregoing is for your information. Future columns of Lewis will be reviewed for any pertinent data along these lines.

UNITED STATES GOVERNMENT

Memorandum

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Sullivan _____
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Ingram _____
Gandy _____

TO : MR. SULLIVAN *5/6*

DATE: 7-13-61

FROM : W. S. TAVEL *✓*

SUBJECT: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY
BUFILE 58-1548

The above captioned file is presently maintained in the Special File Room of the Records Branch, Files and Communications Division. You are requested to have the substantive supervisor, responsible for this matter, review the file to determine if it is necessary to continue to maintain the file in the Special File Room, or whether it may be returned to the regular file sequence. The appropriate notation should be made on this memorandum which should be returned to the Filing Unit, Room 1113 IB. This memorandum will be filed in the case file to record the action taken in connection with this review.

There are six sections to this file. See memorandum from Mr. Belmont to Mr. Nichols dated 7-30-52, (58-1548-249), for the previous authorization to maintain this file in the Special File Room.

WLB:wjs
(2)

Exposure has no objection to file being removed. See serial 250 comments of Adm. Div. deemed unnecessary.

No objection, Adm. Division

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DATE *7/15/03* BY *60290 BCE/KAL/JWS*

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SAC, New York (67-13301)

11/24/59

REC- 34

Director, FBI (53-1543) 280

LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

Reurlet 11/12/59.

Personal property of SA Larry Ernest Kerley, which was retained in accordance with instructions of 10/11/46, should not be destroyed. In addition, until advised to the contrary, all evidentiary material obtained in this case, including signed statements and interview logs, should be maintained as part of the investigative file.

In accordance with Bureau instructions regarding the destruction of duplicate serials, the investigative file in the New York Office may be purged of all duplicate serials.

NOTE:

Kerley served as an SA from 9/22/41, until he voluntarily resigned on 10/1/45. In violation of his oath of office he furnished information concerning his employment which was eventually published in a newspaper. He retained and kept in his possession copies of Bureau bulletins, investigative reports, and Agents' notes. He disclosed information concerning facts and investigative methods relating to four Bureau cases which information was published. He disclosed to unauthorized persons confidential information regarding investigative techniques, use and installation of microphones, techniques of physical surveillances, and methods of obtaining information from Communist sources. His disclosure of this information seriously impaired the Bureau's investigative work and he capitalized on his Bureau experience when making a nationwide lecture tour. New York has requested that personal property of the subject's turned over to this Bureau, which includes among other items an autographed photograph of the Director, be destroyed. In addition, New York suggests destruction of other evidentiary material such as copies of extra reports which the subject turned over to the Bureau and signed statements and interview logs concerning the investigation.

HAS:jpr (4)

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MAIL ROOM ☐ TELETYPE UNIT ☐

Prosecution of Kerley was declined on 4/15/46, and again on 10/25/49. Bureau files reflect no recent activity concerning him. He has, however, as recently as 1956 accused the Bureau of blackballing him and hindering his efforts to seek gainful employment.

In view of Kerley's unscrupulous character and since he could at any time make unfounded charges against the Bureau, it is felt that nothing of pertinence should be destroyed at this time. In the interest of conserving space, however, there appears to be no objection to destroying duplicate copies of serials in the investigative file.

Office Memorandum • UNITED STATES GOVERNMENT

TO : DIRECTOR, FBI (58-1548)

DATE: 11/12/59

FROM : SAC, NEW YORK (67-13301)

SUBJECT: LARRY ERNEST KERLEY
EMBEZZLEMENT OF GOVERNMENT PROPERTY

On 10/2/46, former SA KERLEY turned over one copy of "Persons in Hiding" by J. EDGAR HOOVER, autographed to LARRY E. KERLEY, 10/6/38, and one large, framed, autographed photograph of the Director dated 1/13/39. These items of personal property have been retained in accordance with Bulet 10/11/46 which directed that they be available if a demand for their return was ever made by SA KERLEY. It is noted that prosecution of the subject was declined 10/25/49. No request for these items has ever been made by SA KERLEY.

Bureau authority is requested to destroy them. It is suggested that it would also be proper to destroy at this time the evidentiary material obtained consisting of extra copies of Bureau reports which are now maintained as an exhibit. It is believed that all signed statements and interview logs may be destroyed. It is further suggested that the investigative file be stripped of all duplicate copies of serials in accordance with manual regulations permitting same after ten years. No action will be taken until Bureau authority obtained.

2 - BUREAU (58-1548) RM
1 - NEW YORK (67-13301)

CJR:EMD
(3)

ALL INFORMATION CONTAINED
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DATE 7/15/03 BY 60290BCE/CAL/JMS

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EX 104

58-1548-250

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FEDERAL BUREAU OF INVESTIGATION
FOIPA
DELETED PAGE INFORMATION SHEET

No Duplication Fees are charged for Deleted Page Information Sheet(s).

Total Deleted Page(s) ~ 26

Page 15 ~ Referral/Direct

Page 17 ~ Referral/Direct

Page 20 ~ Referral/Direct

Page 62 ~

Not Within the Purview of FOIA

Page 67 ~

Not Within the Purview of FOIA

Page 88 ~ b7D

Page 90 ~ b7D

Page 93 ~ Referral/Direct

Page 96 ~ Referral/Direct

Page 97 ~ Referral/Direct

Page 98 ~ Referral/Direct

Page 99 ~ Referral/Direct

Page 100 ~ Referral/Direct

Page 107 ~ Duplicate

Page 108 ~ Duplicate

Page 109 ~ Duplicate

Page 113 ~ Referral/Direct

Page 117 ~ Duplicate

Page 118 ~ Referral/Direct

Page 119 ~ Referral/Direct

Page 153 ~ Duplicate

Page 165 ~ Referral/Direct

Page 167 ~ Referral/Direct

Page 169 ~ Referral/Direct

Page 171 ~ Referral/Direct

Page 172 ~ Referral/Direct

Federal Bureau of Investigation (FBI) File No. 58-HQ-1548,
1940's FBI Leak Investigation Focusing on Lawrence E. Kerley
EBF 163 - Section 1

ALL INFORMATION CONTAINED *on envelope*
HEREIN IS UNCLASSIFIED
DATE *7/12/03* BY *AW/MS/MS/MS/MS/MS*

COPY OF AMENDED COMPLAINT

58-1548-163

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

LARRY KERLEY,

Plaintiff,

-against-

JAMES C. LEWIS and ELIZABETH LEWIS,

Defendants.

Plaintiff, by PHILIP ADLER, his attorney, com-
plaining of defendants, alleges:

FOR A FIRST CAUSE OF ACTION
AGAINST DEFENDANT. JAMES C.
LEWIS

1. On or about September, 1945, plaintiff and
defendant, JAMES C. LEWIS, entered into the following agree-
ment:

a: Plaintiff, at said defendant's request
agreed to resign from the Federal Bureau of Investigation
with whom he was then employed as a Special Agent.

b: Said defendant agreed to employ plaintiff,
and plaintiff at said defendant's request, agreed to enter
said defendant's employ. It was agreed that, among other
things, plaintiff was to serve as the Manager and Personnel
Director of the building which said defendant was about to
purchase at 5 East 57th Street, Borough of Manhattan, City
and State of New York; was to serve as said defendant's con-
fidential agent and business manager, was to help said defend-
ant in his business affairs and particularly in said defend-
ant's negotiations for the acquisition by him of various large
chemical and pharmaceutical properties or interests therein,
some of which were then under the control or in the custody

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of the Alien Property Custodian, and was to execute, on behalf of said defendant various confidential matters which said defendant would from time to time delegate to plaintiff.

c: Said defendant agreed to pay plaintiff and plaintiff agreed to accept as compensation for his services the following compensation:

1. Five Hundred Dollars (\$500.00) a month and One Hundred Twenty-Five (\$125.00) Dollars for expenses, and
2. A sum equal to one-half ($\frac{1}{2}$) of the increases, during the period of plaintiff's said employment, of the gross income of said building aforementioned at 5 East 57th Street, New York City, above the income of said building at the time of the purchase thereof by said defendant, and
3. Fifty (50%) per cent of any and all profits which would be derived from the sale of the said building at 5 East 57th Street, New York City, if such sale was made during the period plaintiff was employed by said defendant or, if a bona fide offer to purchase the said property was received by the said defendant at a price which would result in a profit and said defendant chose not to accept said offer, then the said defendant would pay to plaintiff a sum equal to fifty (50%) per cent of the profit that would have been realized from the sale of said property as though the said offer had been accepted, the property sold, and the profit actually realized.

d: The aforesaid contract of employment was terminable at the will of either plaintiff or said defendant.

II. Plaintiff duly entered upon said employment and pursuant to said contract, said plaintiff on or about September, 1945, resigned his position as Special Agent of the Federal Bureau of Investigation and entered defendant's employ and carried on his duties pursuant to said contract. Plaintiff, among other things, acted as the Manager and Personnel Director of the aforesaid building at 5 East 57th Street, New York City, acted as the confidential agent and

representative on behalf of said defendant in connection with the efforts of said defendant to purchase or acquire an interest in the Schering Corporation, Giba Pharmaceutical Product, Inc., Institute de Pasteur de Lisbon, a Portuguese pharmaceutical house; undertook, at said defendant's request, to transmit and did transmit through various channels certain quantities of Streptomycin to Portugal and acted for said defendant as his confidential agent in a variety of matters which said defendant delegated to plaintiff.

III. During the period of plaintiff's employment by said defendant under the contract aforesaid, plaintiff increased the gross rentals or income of the aforesaid building at 5 East 57th Street, New York City, by the sum of approximately \$50,000.00 annually, and, on information and belief, during said period, bona-fide offers for the purchase of said building were made to said defendant at a sum in excess of \$1,000,000.00 which offers, if they had been accepted by said defendant, would have resulted in a profit of approximately \$500,000.00 of which plaintiff would have been entitled to one-half ($\frac{1}{2}$) thereof or \$250,000.00 no part of which has been paid although duly demanded.

IV. Plaintiff has duly performed all the terms and conditions of said contract on his part to be performed.

V. By reason of said defendant's breach, plaintiff has been damaged in the sum of \$275,000.00.

FOR A SECOND CAUSE OF ACTION
AGAINST DEFENDANT ELIZABETH
LEWIS

VI. Plaintiff repeats and realleges with the same force and effect as though fully alleged herein, all the allegations of Paragraphs "I" to "V" hereof, both inclusive.

VII. On information and belief, that at all times herein mentioned, defendant, ELIZABETH LEWIS, had

knowledge of the terms and provisions of the aforesaid agreement between plaintiff and defendant, JAMES C. LEWIS.

VIII. On or about October 3, 1946, defendant, JAMES C. LEWIS, terminated the aforesaid agreement with the plaintiff and plaintiff's employment thereunder and refused to permit plaintiff to continue said employment.

IX. On information and belief, defendant, ELIZABETH LEWIS, maliciously, without just cause, and solely for the purpose of injuring plaintiff and depriving him of the benefits and profits that would accrue to him under the continuance of the aforesaid agreement between plaintiff and defendant, JAMES C. LEWIS, induced and persuaded said defendant, JAMES C. LEWIS, to terminate the aforesaid agreement with plaintiff, discontinue plaintiff's employment thereunder and to refuse to continue plaintiff in the employ of the defendant, JAMES C. LEWIS.


X. On information and belief, defendant, ELIZABETH LEWIS, was motivated in her conduct aforementioned, solely by malice towards plaintiff by reason of the following facts, among others:-

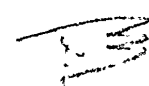
a: In December, 1945, defendant, ELIZABETH LEWIS, asked plaintiff to write a series of articles relating to the policy of the United States Government towards agents of a foreign power, which would be based on confidential information obtained by plaintiff in the course of plaintiff's employment as an agent of the Federal Bureau of Investigation. Plaintiff refused to do this on the ground that this would involve a breach of trust on his part, and the defendant, ELIZABETH LEWIS, became enraged at plaintiff by reason of such refusal.

b: During 1946, defendant, ELIZABETH LEWIS, requested plaintiff to charge a tenant who was conducting a reducing salon at the aforesaid building, 5 East 57th Street,

New York City, with conducting a house of prostitution and an abortion ring, to lay a foundation for proceedings to dispossess said tenant. Upon investigation plaintiff found that there was no basis whatever for such charges, and so advised defendant, ELIZABETH LEWIS. Said defendant then insisted that plaintiff attempt to pay a police officer money to raid the premises of said tenant during said tenant's business hours and arrest her on some charge in order to ruin said tenant's business, and to lay a foundation for the purpose of bringing dispossession proceedings against said tenant, but plaintiff refused to do so/

c: During 1946, defendant, ELIZABETH LEWIS, sought to induce plaintiff to dispossess another tenant, an architectural firm at said building, 5 East 57th Street, New York City, on the false ground, among others, that the space was necessary for the use of said defendant. Plaintiff advised ^{said} defendant, ELIZABETH LEWIS, that such proceeding was illegal. Nevertheless, summary proceedings were instituted against the said tenant, and they were dismissed by the Municipal Court.

d: In September, 1946, defendant, ELIZABETH LEWIS, falsely placed with the Federal Bureau of Investigation charges that plaintiff had in his personal possession various confidential documents and data which were the property of the Federal Bureau of Investigation, but on investigation by said Bureau, said charges were determined to be unfounded.

e: Defendant, ELIZABETH LEWIS, falsely stated to defendant, JAMES C. LEWIS, that plaintiff had violated the Laws of the United States by illegally retaining in plaintiff's personal possession confidential documents and data that were the property of the Federal Bureau of Investigation, and that plaintiff was ^{an} unfaithful employee of defendant, JAMES C. LEWIS, because plaintiff had failed to carry out the aforesaid wishes of said defendant, ELIZABETH LEWIS.

XI. On information and belief, defendant, JAMES C. LEWIS, terminated said contract of employment with plaintiff, and terminated plaintiff's said employment, and refused to continue plaintiff in his employment solely by reason of the aforesaid malicious inducement and interference by defendant, ELIZABETH LEWIS, and, but for such malicious inducement and interference by said defendant, ELIZABETH LEWIS, plaintiff's said agreement and employment would not have been terminated by defendant, JAMES C. LEWIS, and said defendant would have continued plaintiff in the employ of said defendant.

XII. By reason of the acts of defendant, ELIZABETH LEWIS, the aforesaid plaintiff has been damaged in the sum of Fifty Thousand (\$50,000.) Dollars.

WHEREFORE, plaintiff demands judgment against the defendant, JAMES C. LEWIS, for the sum of \$275,000.00 and against the defendant, ELIZABETH LEWIS, for the sum of \$50,000.00, with costs.

PHILIP ADLER
Attorney for Plaintiff
Office & P. O. Address
8 West 40th Street
Borough of Manhattan
City of New York

STATE OF KENTUCKY
CITY OF MURRAY
COUNTY OF CALLOWAY

} ss. Individual Verification

LARRY KERLEY, being duly sworn, deposes and says that

he is the Plaintiff in the within action; that he has read the foregoing Amended Complaint and knows the contents thereof; that the same is true to his own knowledge, except as to the matters therein stated to be alleged on information and belief, and as to those matters he believes it to be true.

Sworn to before me this 24th day of January 1948.

LARRY KERLEY

Nathan Hughes
Notary Public, Calloway County, Ky.
My commission expires July 4, 1951

XI. On information and belief, defendant, JAMES C. LEWIS, terminated said contract of employment with plaintiff, and terminated plaintiff's said employment, and refused to continue plaintiff in his employment solely by reason of the aforesaid malicious inducement and interference by defendant, ELIZABETH LEWIS, and, but for such malicious inducement and interference by said defendant, ELIZABETH LEWIS, plaintiff's said agreement and employment would not have been terminated by defendant, JAMES C. LEWIS, and said defendant would have continued plaintiff in the employ of said defendant.

XII. By reason of the acts of defendant, ELIZABETH LEWIS, the aforesaid plaintiff has been damaged in the sum of Fifty Thousand (\$50,000.) Dollars.

WHEREFORE, plaintiff demands judgment against the defendant, JAMES C. LEWIS, for the sum of \$275,000.00 and against the defendant, ELIZABETH LEWIS, for the sum of \$50,000.00, with costs.

PHILIP ADLER
Attorney for Plaintiff
Office & P. O. Address
8 West 40th Street
Borough of Manhattan
City of New York

STATE OF KENTUCKY
CITY OF MURRAY
COUNTY OF CALLOWAY

} ss. Individual Verification

HARRY KERLEY, being duly sworn, deposes and says that

he is the Plaintiff in the within action; that he has read the foregoing Amended Complaint and knows the contents thereof; that the same is true to his own knowledge, except as to the matters therein stated to be alleged on information and belief, and as to those matters he believes it to be true.

Sworn to before me this 24th day of January 1948.

Nathan Hughes
Notary Public, Calloway County, Ky.
My commission expires July 4, 1951

HARRY KERLEY

Federal Bureau of Investigation (FBI) File No. 58-HQ-1548,
1940's FBI Leak Investigation Focusing on Lawrence E. Kerley
EBF 19 - Section 1

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(4) ENCLOSURES TO THE BUREAU

NY File No. 67-13301



67-1330
58-185
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58-548-19

(G) ENCLOSURE TO THE BUREAU
SAFETY CONTROL FILE NO. 57-13301

PERSONAL AND CONFIDENTIAL

THIS ENCLOSURE IS TO BE
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OF INVESTIGATION
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WASHINGTON, D.C. 20535

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