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PRESS RELEASE

FOR IMMEDIATE RELEASE
MONDAY, OCTOBER 6, 1997

United States Attorney Helen F. Fahey and Thomas J. Pickard, Assistant Director, FBI Washington Field Office, announced today the arrest of three Washington-area residents on espionage charges.

Arrested on Saturday, October 4, 1997, were the following individuals:

* **JAMES MICHAEL CLARK**, 49 years old, of Falls Church, Virginia. Clark is presently an investigator with a private firm in Fairfax, Virginia.

* **THERESA MARIE SQUILLACOTE**, 39 years old, of Washington, D.C. Until January 1997, Squillacote was a senior staff attorney in the office of the Deputy Undersecretary of Defense for Acquisition Reform.

* **KURT ALAN STAND**, 42 years old, of Washington, D.C. Stand is presently employed as a regional representative of the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF North America.) Stand and Squillacote are married.

The three defendants are scheduled to appear before United States Magistrate Judge Barry R. Poretz on Monday, October 6, 1997, for their initial appearance.

The three defendants are charged with Conspiracy to Commit

Espionage in violation of 18 U.S.C. §794(c). Defendants Squillacote and Stand are also charged with Attempted Espionage in violation of 18 U.S.C. §794(a) and Obtaining National Defense Information in violation of 18 U.S.C. §793(b). The maximum penalty for the offenses under §794 is life in prison and a \$250,000 fine and, if certain statutory criteria are present, the death penalty. The maximum penalty for the offense under §793 is 10 years in prison and a \$250,000 fine.

The criminal complaint charges that the three defendants engaged in a conspiracy to commit espionage on behalf of the German Democratic Republic ("GDR"), the Soviet Union, the Russian Federation, and the Republic of South Africa.

The complaint also charges that Squillacote and Stand committed attempted espionage and the offense of "obtaining national defense information" by providing to a person they believed to be a South African intelligence officer four Department of Defense and CIA SECRET documents related to the national defense. U.S. Attorney Fahey stated that the Republic of South Africa was not involved in the conduct that is the subject of the criminal complaint.

The affidavit in support of the criminal complaint alleges the following:

* that Stand became an agent of the foreign intelligence service of the GDR -- known as the "HVA" -- in or about 1972, and recruited Clark in 1976 and Squillacote in 1979-1981;

* that Clark provided the HVA a number of SECRET and a TOP SECRET classified documents which he obtained from State Department sources;

* that Squillacote, Stand and Clark traveled outside the United States on numerous occasions to meet with their GDR "handlers", particularly in Mexico, Germany, and Canada, and received training on the use of document cameras, detection of surveillance, and the receipt of coded radio communications.

* that the defendants had several code names assigned by the HVA, were provided passports by the HVA in false names, mailed packages and photographs to the HVA to special "accommodation" addresses, and used such espionage "trade craft" as miniature document cameras and shortwave radios for the receipt of coded communications.

* that the three individuals remained agents of the GDR until the country was unified with West Germany in October 1990 and then supported their GDR handler's effort to establish a new espionage relationship with the Soviet Union and then with the Russian Federation. This included at least 10 trips overseas to hold "meets" with their former GDR "handler" in places such as Sweden, Spain, Germany and England, and continued "tasking" of the defendants to gather information on such topics as "weapons and their components".

In addition, the affidavit states that two undercover FBI operations known as "false flags" were conducted. In one, an FBI

agent posed as a Russian intelligence officer and had five meetings with Clark. In the other, an FBI agent posed as a South African intelligence officer and had three meetings with Squillacote and one with Squillacote and Stand. The affidavit alleges that Squillacote provided four SECRET classified DOD and CIA documents to the supposed South African intelligence officer. These documents consisted of a draft version for 1996 and a final version for 1997 of the Department of Defense's Defense Planning Guidance (classified SECRET), as well as a "Scenarios Appendix" (classified SECRET), and a CIA International Arms Trade Report (also classified SECRET). According to the affidavit, Squillacote and Stand removed the SECRET and other security markings on the documents before passing them to the undercover FBI agent. The affidavit also details numerous statements made by the defendants during the course of the "false flag" undercover operations.

U.S. Attorney Fahey made the following statement: "These arrests take a critical step toward bringing to justice three United States citizens who, among other things, are alleged to have been spies for East Germany during the height of the Cold War. The affidavit presents a portrait of three Americans who betrayed the people's trust and the obligations of American citizenship. I congratulate the FBI for an extraordinary job in rooting out and uncovering the espionage ring outlined in the affidavit."

Assistant Director Pickard made the following statement:

"The arrest of these individuals marks yet another significant milestone in the ongoing efforts of the United States Government to protect our nation's security from those who would seek to penetrate it. The full resources of the FBI and the Department of Justice will be devoted to thwarting any and all attempts at espionage. I would also like to recognize the men and women of Squad NS-31 and the other components of the FBI's Washington Field Office for their outstanding work and dedication."

U.S. Attorney Fahey and Assistant Director Pickard expressed their special appreciation to the German Federal Office for the Protection of the Constitution ("BfV") for their valuable assistance during the investigation. Ms. Fahey and Mr. Pickard also expressed their appreciation to the Department of Defense and the Department of State and to the Internal Security Section of the Criminal Division of the Department of Justice for their assistance throughout this investigation.

This matter has been investigated by the FBI's Washington Field Office and is being prosecuted by Assistant United States Attorneys Randy I. Bellows and Robert A. Spencer.

For further information, please contact Marie Parker, Office of the United States Attorney, at 703-299-3700.

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FBI Files

6/20/96



Department of Justice

FOR IMMEDIATE RELEASE
THURSDAY, JUNE 20, 1996

AG
(202) 616-2777
TDD (202) 514-1888

STATEMENT BY ATTORNEY GENERAL JANET RENO

On June 18, 1996, The Office of Independent Counsel Kenneth Starr advised me that it did not believe it had jurisdiction to investigate further the circumstances under which the White House obtained FBI background files in 1993-94. I have concluded that it would constitute a conflict of interest for the Department of Justice itself to investigate a matter involving an interaction between the White House and the FBI, a component of the Department of Justice.

Therefore, I have decided today to seek an expansion of Mr. Starr's jurisdiction from the court, so that he may conduct that further investigation. Mr. Starr has advised me that he would accept such jurisdiction if the court grants my petition.

~~MMF~~

**Talking Points on White House Reforms
On Obtaining FBI Background Information**

****** The White House has put in place a series of procedures governing the obtaining and use of FBI background information that is, by all accounts, above and beyond the procedures in place in all prior Administrations.

****** Four aspects of these procedures are apparently unprecedented. They are as follows:

1. Individual's current, written consent is required in almost all cases before any request goes to FBI for individual's background investigation, and the consent must accompany the request to FBI.

* Previously, consent of the individual was obtained when the White House asked the FBI to initiate a background investigation. Consent was not required when an existing background investigation was provided to the White House; the FBI provided the White House with existing background investigations in response to a request for a "name check" if a background file already existed.

2. White House Counsel or a designated attorney in his office must personally approve and sign all requests.

* Previously, no attorney approval was required.

3. The security or vetting officer who initiates the request must certify that the request is made for official purposes only.

* Previously, no certification was required.

4. The Chief of Staff and Counsel to the President must designate in writing those White House employees who may have any access to FBI files.

* Previously, no such written designation was required.

****** These procedures ensure that the mistakes that happened in 1993 could not happen again.

-- Before the White House requests background information from the FBI, it first must obtain the signed, written consent from the individual whose file is sought, and second must provide that consent to the FBI.

-- If that procedure were in place in December 1993, the White House would have had to seek the consent of the individuals before requesting their files.

- The only occasion when consent is not required is when the White House Counsel and the Attorney General (or Deputy Attorney General) provide a letter of justification to the FBI.

6/20/96

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

June 19, 1996

STATEMENT BY CHIEF OF STAFF LEON E. PANETTA

Today the White House is restructuring its personnel security functions by incorporating them into the Security Office of the Executive Office of the President (EOP). This office, staffed entirely by career professionals, today carries out these functions for most of EOP, and does so efficiently and effectively. It is headed by Charles "Chuck" Easley, a long-time career professional.

It is clear that the procedures in place for some three decades, through seven Administrations, at both the White House and the Federal Bureau of Investigation, were not adequate. *

This restructuring, recommended by the White House Counsel, when combined with the reforms already put in place by the White House Counsel and the Federal Bureau of Investigation, will ensure that these essential security procedures are carried out efficiently, by career professionals, in a manner that protects individual privacy.

functions assigned to EOP Security Office
 Director, Craig Livingstone
 Ed Hughes, Exec. Asst.
 Jonathan Denbo, Security Asst.
 George Saunders, contract employee
 for pre-employment security reviews

welcome to return, in another capacity.

NSC physical security
 Glenn Yorkdale
 security officer,
 NSC.

14 year
 security/
 intelligence
 specialist

THE WHITE HOUSE

WASHINGTON

June 18, 1996

MEMORANDUM FOR LEON PANETTA
CHIEF OF STAFF

FROM: JACK QUINN
COUNSEL TO THE PRESIDENT

SUBJECT: WHITE HOUSE OFFICE OF PERSONNEL SECURITY

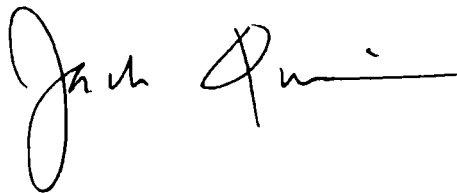
At present, the White House Office of Personnel Security conducts personnel security operations for the White House Office, the Office of the Vice President, the Office of Policy Development, and the Executive Residence. The Executive Office of the President (EOP) Security Office conducts personnel security functions for all other EOP offices except for the National Security Council (NSC), which conducts its own personnel security review in coordination with the White House Office of Personnel Security. Specifically, the EOP Security Office, which is part of the Human Resources Management Division of the Office of Administration, currently provides personnel security services to the following EOP agencies: Council of Economic Advisers, Council on Environmental Quality, Office of Administration, Office of Management and Budget, Office of National Drug Control Policy, Office of Science and Technology Policy, and the United States Trade Representative.

As you know from my memorandum to you of June 14, 1996, I have instituted a number of reforms to govern the procedures for White House requests to the Federal Bureau of Investigation (FBI) for background investigation material. In addition to those reforms, I recommend that the administrative personnel security functions currently performed by both the White House Office of Personnel Security and the NSC be incorporated into the EOP Security Office. In effect, this would mean that the EOP Security Office would serve on behalf of the White House in performing these functions with regard to White House Office, the Office of the Vice President, the Office of Policy Development, the Executive Residence, and NSC personnel. I believe that the reforms I instituted last week -- such as requiring the current, signed consent of the individual about whom information is sought to accompany White House requests of the FBI -- will be implemented most effectively and efficiently by merging the several existing security operations into the administrative office that currently performs security functions for the EOP.

The EOP Security Office is currently supervised by Charles "Chuck" Easley, who is a career employee hired during the Reagan Administration and who has served for ten years as the EOP Security Officer. Mr. Easley retired from the U.S. Army after 20 years. He served for 12 years as a Counterintelligence Special Agent in the Army, and for eight of those years, he served as the Technical Security Advisor to the Security Officer of the Joint Chiefs of Staff. Mr. Easley, heads a career staff at the EOP Security Office, will continue to report to the Associate Director for Human Resources Management of the Office of Administration, a career personnel specialist, who, in turn, reports to the Director of the Office of Administration.

If you approve this recommendation, the EOP Security Office will conduct its work on White House personnel in accordance with the procedures established by the Counsel to the President. As always, suitability decisions will remain the responsibility of Counsel to the President. In addition, all background investigation material regarding White House personnel will remain under the control of the Counsel to the President and will be maintained separate and apart from EOP personnel security files.

Under the new procedures I established last week, requests to the FBI for background investigation information on White House personnel will require -- in addition to the current, signed consent of the individual -- the approval of the Counsel to the President or specifically designated attorneys in the Counsel's Office. Furthermore, under the proposed plan, access to FBI background investigations would be limited to those White House and EOP employees authorized in writing by the Chief of Staff and the Counsel to the President whose assigned duties require the review or processing of such information.

A handwritten signature in black ink, appearing to read "Jack Quinn". The signature is fluid and cursive, with a large loop for the first letter 'J' and a long horizontal stroke at the end.

CHARLES C. EASLEY

**RELEVANT
SECURITY
EXPERIENCE:** **Security Officer, Office of Administration**
October 1, 1986, to present.
Performs duties as the Security Officer, Executive
Office of the President (EOP), serving seven EOP
agencies. Duties involve all aspects of a
personnel security program including security
interviews, adjudication of background
investigations, and the maintenance of security
files and records. Career civil service position.
Requires a close daily working relationship with
both the FBI and the Secret Service.

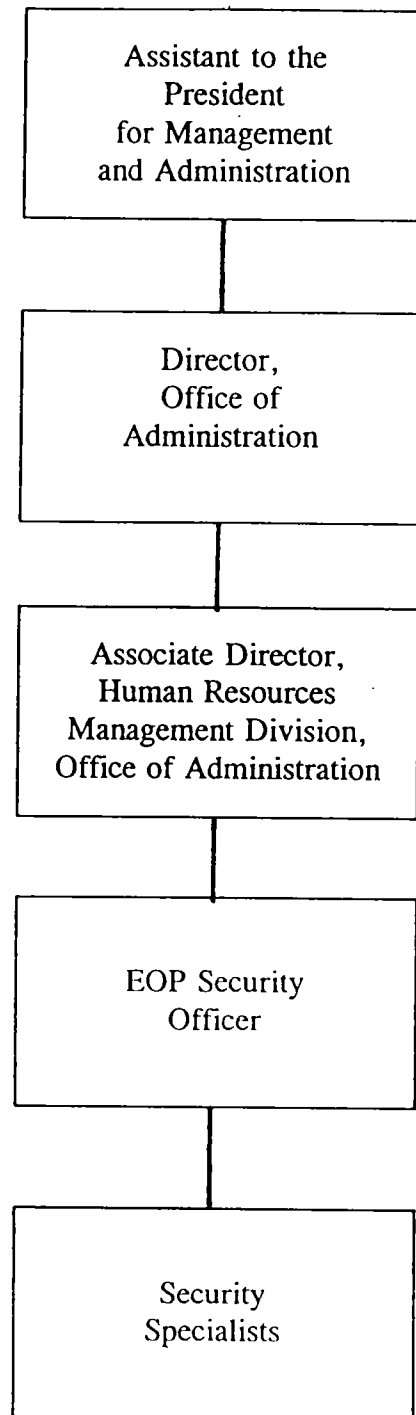
Related Experience

Served a total of 20 years in U.S. Army, retired
in 1978. For 12 of these years, served as a
Counterintelligence Special Agent conducting
counter-intelligence inspection and
investigations. This included eight years as the
Technical Security Advisor to the Security Officer
of the Joint Chiefs of Staff (JCS), responsible
for planning, implementing and supervising
security operations, including both technical and
physical security. Bronze Star recipient.

**CAREER
RELATED
EDUCATION:** Various seminars pertaining to personnel and
communication security presented by CIA, FBI,
NSA, OPM and Department of Defense
Senior Enlisted Advance Course, US Army
Intelligence Command
Defense Against Sound Equipment, US Army
Intelligence Command
Special Agent's Course, US Army Intelligence
Command

PERSONALS: Born November 23, 1939, Portageville, MO.
Married Jeanine Easley on November 4, 1989.
Three children from a previous marriage, two
step-children from current marriage.

Executive Office of the President Security Office
Organization Chart



Jodi T.

Frank Reeder,
(career staff at
OMB 20 yrs.)

May Beck
career.

Easley.

1-2-3

EXECUTIVE OFFICE OF THE PRESIDENT CLEARANCE PROCESS

Hiring office notifies EOP Security Office of intention to hire employee

Consent form signed by employee and General Counsel (or designee) of hiring office

EOP Security Office forwards consent form to FBI to request initial name check

EOP Security Office conducts pre-employment security interview,
reviews information received from FBI

EOP Security Office informs hiring office that individual has cleared
pre-employment security screening

Clearance forms (SF-86, etc.) sent to individual, completed, and returned to
EOP Security Office

EOP Security Office forwards consent form, clearance forms, and request for
background investigation to FBI

FBI returns full-field background investigation to EOP Security Office
(usually within 10-12 weeks)

EOP Security Office provides results of background investigation to
General Counsel of hiring office for suitability determination

EOP Security Office forwards background investigation to
Secret Service for access pass approval

Background investigation/name check is secured in locked files in
alarmed EOP Security Office

- The EOP Security Office is part of the Human Resources Management Division of the Office of Administration. The Office of Administration was founded in 1978 to provide common administrative services to the agencies and offices of the Executive Office of the President.
- Prior to the consolidation announced today, the EOP Security Office provided personnel security services to the following EOP agencies: Council of Economic Advisers, Council on Environmental Quality, Office of Administration, Office of Management and Budget, Office of National Drug Control Policy, Office of Science and Technology Policy, and the United States Trade Representative. These agencies employ two-thirds of all EOP employees.
- 2-4
=• After the consolidation, the EOP Security Office will provide personnel security services to all of the EOP agencies and offices. The present career staff of the EOP Security Office will be expanded with additional career positions, which we expect to fill through a competitive civil service process.
- The Security Office will continue to report to the Associate Director for Human Resources Management of the Office of Administration, a career personnel specialist, who will in turn report to the Director of the Office of Administration.
- The Security Office will continue to be headed by Charles "Chuck" Easley, a professional security specialist who has served for ten years as the EOP Security Officer. Mr. Easley retired from the Army after twenty years, twelve of which he spent a Counterintelligence Special Agent in the U.S. Army, conducting counter-intelligence inspection and investigations. For eight of those years, he served as the Technical Security Advisor to the Security Officer of the Joints Chief of Staff.

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** The White House Security Personnel Office is being restructured to restore confidence in the integrity of the handling of these files.

- The White House Counsel intends to put the handling of the files under the control of a senior employee with a background in personnel security.

- Craig Livingstone, the head of the White House's personnel security office, requested and received permission to be placed on paid administrative leave.
- Mr. Livingstone will not return until such time as the matter is clarified to the satisfaction of the Chief of Staff.