

FBI Supervisor To Plead Guilty In Spy Case

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LOS ANGELES, CA -- Former **FBI** counterintelligence supervisor James J. Smith is expected to plead guilty Wednesday to lying to the federal government about his affair with accused Chinese double agent Katrina Leung, sources said Tuesday.

In exchange, federal prosecutors will drop one count of mail fraud and three counts charging the veteran Los Angeles **FBI** agent with gross negligence in allowing Leung access to classified documents, sources said. While there was no specific agreement on sentencing, it is possible that Smith, 60, will not serve any time in prison. The proposed plea agreement, to be brought before U.S. District Judge Florence-Marie Cooper, comes just more than a year after Smith and Leung were arrested in a scandal that embarrassed the **FBI** and led to a sweeping overhaul of its counterintelligence operations.

The arrests last April followed a year-long investigation that determined Leung, a longtime **FBI** informant and prominent Chinese American businesswoman, carried on romances over a 20-year period with Smith and William Cleveland, another former **FBI** counterintelligence supervisor in San Francisco. Cleveland was never charged in the case but resigned his sensitive post at the Lawrence Livermore National Laboratory the day after Smith and Leung were taken into custody.

The arrests were particularly galling to many national security officials when it was later disclosed that top **FBI** counterintelligence officials were told a decade ago that Leung may have been having unauthorized contacts with Chinese intelligence agencies, but decided to allow Smith, her longtime "handler," to take care of the matter. Leung is charged with five counts of illegally copying and possessing national security papers that could harm the United States. Leung has always maintained that she was acting under instruction from Smith and other **FBI** agents in her dealings.

Her attorneys had no comment Tuesday on a possible plea agreement for Smith. For 20 years, Leung was known by the code name "Parlor Maid" and was considered to be among the bureau's most important counterintelligence sources on China. Her information made its way to the highest levels of government, earning Leung about \$1.7 million. Smith, who retired from the **FBI** in 2000, spent 22 of his 30 years with the **FBI** assigned to its Chinese counterintelligence squad in Los Angeles. It was not long after he joined the squad that Smith recruited Leung as an informant.

Federal authorities alleged that a decade or so into that association, Leung also began working for the Chinese government. At the time of their arrests, authorities alleged, Smith and Leung had engaged in a series of deceptions or inappropriate behavior in their handling of highly-sensitive documents. A counterintelligence agent reported seeing Smith on at least one occasion in 1999 check out a top-secret document from the bureau's vault in Los Angeles and not return it until a day or two later, according to an affidavit. "No other **FBI** personnel ever retained top-secret documents overnight that they had checked out," an agent wrote in the affidavit.

In searching Leung's San Marino home, **FBI** agents said, they also recovered a 1997 **FBI** memorandum on Chinese fugitives that was classified secret, as well as two directories of **FBI** personnel and a telephone list related to an **FBI** investigation with the code name "Royal Tourist." That list related to the six-year investigation of Dr. Peter Lee, a TRW Inc. physicist who pleaded guilty in 1997 to providing Chinese scientists with classified information about nuclear weapons. The document, authorities say, included a list of agents assigned to the case, their work assignments and their office, home and cell phone numbers.

Before her arrest, according to the **FBI**, Leung told agents that Smith would allow her to review classified documents but he never allowed her to keep them. Instead, she said, she would "surreptitiously" copy documents taken from Smith. The agent allegedly was so careless about documents that he would leave his briefcase unattended and open, enabling Leung to see what she

wanted to review and then copy the papers without Smith's knowledge. During its investigation, the **FBI** received approval from the top secret Foreign Intelligence Surveillance Court in Washington, D.C., for covert searches and extensive surveillance of locations where Smith and Leung would meet.

The sites included a hotel where the two allegedly had sex. In November 2002, according to documents, **FBI** agents staged a covert search of Leung's luggage at Los Angeles International Airport before she flew to China. In the luggage, authorities said, agents found a fax from Smith to Leung, as well as six photographs of a meeting of the Society of Former Special Agents of the **FBI**. On her return trip, agents conducted another secret search of her belongings and the photographs were missing, according to court documents.