

Lake to Pay \$5,000 In Financial Probe

CIA Pick Cleared on Bosnia Arms Testimony

2/8/97
By Pierre Thomas
and Walter Pincus
Washington Post Staff Writers

CIA Director-designate Anthony Lake has agreed to pay \$5,000 as part of a settlement with the Justice Department, ending a long-standing investigation into whether his handling of stock transactions violated federal conflict-of-interest laws.

In announcing the settlement, the Justice Department also stated that it had found "no basis for any criminal charges against Lake" arising from testimony he gave in September about the administration's policy of turning a blind eye to Iranian arms shipments to Bosnia's Muslims in 1994. The Republican majority of a House select subcommittee that investigated the establishment of the

Iranian arms pipeline alleged that administration officials including Lake may have committed perjury or obstructed Congress in the testimony. However, Lake's testimony was not given under oath, and thus could not lead to prosecution. Justice Department lawyers who reviewed the testimony found it was truthful.

The findings announced yesterday remove obstructions that had delayed the start of Lake's confirmation hearings before the Senate Select Committee on Intelligence. Lake is the only one of President Clinton's second-term national security Cabinet appointments to face tough questioning and possible opposition to confirmation.

Rep. Lee H. Hamilton (D-Ind.), who was ranking minority member
See LAKE, A9, Col. 1

Lake to Pay \$5,000 in Probe of Stock Trades

LAKE, From A1

of the investigating subcommittee, said the Justice Department reports "should clear the way for swift consideration of Mr. Lake's nomination to be director of central intelligence."

There was no immediate Republican reaction, but the \$5,000 settlement indicated Lake's handling of his stocks was more serious than the allegations about his testimony on the Bosnia matter. It is possible Republicans will try to use the issue to continue to oppose Lake's nomination as CIA director.

Hamilton said the decision by the Justice Department confirmed his view that the criminal referral on the Bosnian arms testimony "was a political act," and that "the charges were never supported by the evidence." The White House quickly sought to claim the decisions on both Bosnia and the stock issue as vindication of Lake's integrity and immediately renewed the campaign for a quick confirmation.

"Lake had no intent to do wrong or mislead," said an administration official. "The president believes that Mr. Lake is uniquely qualified to be director of the Central Intelligence Agency and calls upon the Senate to move forward expeditiously. . . . This lays to rest the stock issue and any questions about Tony's personal integrity."

Justice Department prosecutors determined that Lake maintained hundreds of thousands of dollars in energy stocks that he should have sold shortly after becoming national security adviser four years ago. Department lawyers said that although there was clearly a violation, they concluded the infraction was not "willful" and thus did not reach the level of a criminal offense.

"There is no evidence that Mr. Lake ever took any action to conceal or misrepresent his or his wife's financial holdings.

As a result, in lieu of criminal charges, the department filed a civil



FILE PHOTO

ANTHONY LAKE

. . . rocky confirmation process

complaint against Lake, outlining his failure to sell the energy stocks despite being advised to do so by White House lawyers. The attorneys were concerned about potential conflicts of interest because Lake's work as national security adviser could affect oil markets and the value of his holdings.

The problems with the stock arose soon after Lake assumed the post of national security adviser almost four years ago. The dispute concerned energy stocks Lake purchased before coming to office. A financial disclosure report showed that his and his wife's \$1.1 million stock portfolio included holdings in Exxon, Mobil, Duke Power and Teco Energy.

In March 1993, the White House counsel's office sent Lake a memorandum telling him he should consider divesting the stock. After reviewing the memo, Lake wrote a note to his secretary asking her to send the information to his broker. The Justice Department review found there was "no evidence that Mr. Lake's secretary ever sent the memorandum to Mr. Lake's broker/financial advisor

and the memorandum was not received by the broker."

In October 1993, administration officials formally requested that Lake divest from the energy stocks to "avoid actual or apparent conflict of interest" in the performance of his official duties. Lake agreed to sell the stock and was given a "certificate of divestiture" from the White House. Lake told investigators he thought the certificate meant the sale had been completed. But the stocks had not been sold, and on June 14, 1995, the legal adviser to the National Security Council informed Lake of that fact. The stocks were sold about two days later.

In a letter sent yesterday to Rep. Henry J. Hyde (R-Ill.), chairman of the House subcommittee, Acting Assistant Attorney General Mark Richard said the allegations arising out of the Iranian arms inquiry were taken seriously and were investigated by the FBI under the direction of career prosecutors in the department's Public Integrity Section.

Richard told Hyde the investigation of allegations regarding other officials named in the referral was continuing "in a professional and fair-minded manner."

When GOP subcommittee members held a news conference in October to announce that they were referring to Justice allegations that perjury and obstruction of Congress may have been involved in testimony before the panel by senior Clinton administration officials, Hyde said, "We do not accuse any person or any institution of criminality. . . . We simply say we did not receive candid testimony [and] there are contradictions . . . and we are asking Justice to look at it."

Rep. Howard L. Berman (D-Calif.), a member of the Hyde subcommittee, said he sees the recent declassification of the panel's report and the once-classified 26-page referral letter to Justice as an attempt to use the material to embarrass Lake in advance of his confirmation hearings.