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## Nuclear Lab Official Quits in Spy Probe

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The onetime head of the FBI's Chinese counterintelligence unit in San Francisco has resigned a sensitive post at the Lawrence Livermore National Laboratory after authorities said he acknowledged a longtime affair with an alleged Chinese double agent.

The resignation of ex-FBI supervisor William Cleveland Jr. came one day after federal agents in Los Angeles arrested a retired colleague, James J. Smith, and businesswoman Katrina Leung in an espionage-related case Wednesday.

While Cleveland has not been charged with any wrongdoing, court documents and interviews assert that the former FBI agent, like Smith, carried on a romance with Leung that spanned years. During that time, Cleveland has acknowledged to FBI

investigators, he had suspicions that Leung, a prized FBI informant, was passing classified information to China's intelligence service.

Cleveland raised his concerns with Smith, who he knew had recruited Leung, but took no other action, according to court documents. And both he and Smith continued their romantic involvement with Leung, who FBI investigators allege not only passed on information to China but was found with classified FBI documents at her home in San Marino.

Those documents included a secret memorandum about Chinese fugitives, a telephone list of the FBI's National Security Division squad in Los Angeles and a directory of the FBI's legal attaches overseas.

Smith, free on \$250,000 bail, has not commented about the case. Cleveland did not return phone calls or e-mails seeking comment Friday.

Leung, who has been jailed at the federal Metropolitan Detention Center in Los Angeles since her arrest, attended a brief court session Friday in which U.S. Magistrate Victor Kenton discussed procedural matters with prosecutors and defense lawyers in preparation for the defendant's bail hearing Tuesday.

Afterward, defense lawyer Janet I. Levine told reporters that Leung had been “abused” and “manipulated” by the FBI, not the opposite, as claimed by federal prosecutors.

“When the facts are revealed, we are confident that Ms. Leung will be shown to be a patriot of this country who did what she was told to do, and she will be exonerated,” Levine said.

Levine said the government’s complaint distorts Leung’s role as an FBI asset. Referring to Leung’s FBI handlers, the defense lawyer said that her client “was used by them to do what they wanted done.... She did what they wanted her to do.” Levine declined to be more specific.

Throughout the FBI, details of the investigation remained closely held, with even veteran agents voicing surprise at the secrecy of the inquiry. One indication of the case’s sensitivity was the fact that agents recruited for the investigation were given polygraph tests before, during and after their work on the case.

At Lawrence Livermore, spokeswoman Susan Houghton said, “It’s very important to reiterate that the FBI has not provided us with any information that would make us think that lab security in any way has been compromised. That’s why we’re really treating this as a personnel matter.”

The case is a further embarrassment for the University of California, which manages Livermore and its sister nuclear weapons facility, Los Alamos, on a long-standing contract for the Energy Department.

In recent months, with strong evidence of financial fraud, theft and other problems at Los Alamos, UC’s management and business practices at the labs have come under intense federal scrutiny. The Energy Department has said it will decide by April 30 whether to break the contract.

On Friday, UC spokesman Michael Reese said the university, in conjunction with lab officials, had acted as quickly as it could to limit possible damage.

“As soon as we heard about it, his personal and computer access to the lab was immediately suspended and we requested that the [Energy Department] revoke his security clearance,” Reese said. “What we’ve also undertaken, here and at the lab, is a thorough review of his work, to make sure there have been no compromises of security.”

In Cleveland’s Monterey neighborhood of single-family homes, residents expressed shock. Cleveland and his wife, a schoolteacher, were described as extremely friendly. “We exchanged cookies at Christmas,” said one neighbor. “They’re run-of-the-mill people, just like we are.”

Just as with Smith’s arrest on charges of gross negligence in handling U.S. secrets, former colleagues of Cleveland said Friday that they were stunned by disclosures that he was romantically involved with an informant now charged with illegally obtaining classified documents for China.

“Bill was probably as well respected an agent and supervisor as I worked with in San Francisco,” said retired FBI Agent Rick Smith, who served as supervisor of the office’s Soviet counterintelligence squad. “He had the utmost respect from field agents as well as the hierarchy ... excellent knowledge of the work and was just a good man.”

While Cleveland's relationship with Leung showed "poor judgment," Rick Smith said, "I don't think there is anything he has done that is related to espionage. And from what I understand, he has not -- and never has been -- the focus of the investigation."

That statement was echoed by San Francisco FBI Agent LaRae K. Quy. "I do not have any information that he is going to be indicted or anything like that," said Quy, a veteran counterintelligence agent who now serves as the office's spokeswoman.

In court papers, the FBI has said that Cleveland is cooperating with investigators.

"I found him to be one of the more competent agents I have ever dealt with in the FBI," said another retired FBI official. "The only reason he did not advance further is that he did not want to leave San Francisco."

The retired official recalled that Cleveland attended the Army's language school in Monterey.

Among Chinese intelligence agents, the official said, “he was one of the old hands in the FBI....

“I had always known Bill to be very straightforward, very competent,” the retired official said.

Cleveland, who left the FBI in 1993, started at the Livermore lab that same year and headed its counterintelligence program, responsible for identifying potential foreign intelligence threats to the lab and doing security briefings for employees, including those traveling overseas. In that \$157,940-a-year post, Cleveland directed a staff of about 10 employees and had a “Q” clearance -- the highest security clearance at the sprawling facility in the Livermore Valley in the East Bay.

FBI affidavits stated that Cleveland’s affair with Leung stopped when the agent retired, but resumed in 1997 and 1999 -- a period when Cleveland was employed at the lab.

Two years ago, Cleveland went part-time and worked on special counterintelligence projects for the lab. His hours and salary were reduced by 40%.

Lawrence Livermore has a nuclear weapons and nonproliferation mission. Since the attacks of Sept. 11, 2001, it has taken on new responsibilities in the war on terrorism and has been developing devices to detect and combat biological and chemical weapons.

Cleveland has been teaching two courses at San Jose State University's Administration of Justice department. One of them focuses on intelligence and counterintelligence. The syllabus shows that the lectures cover some of the most notorious spy cases in recent years -- "The John Walker Spy Ring," "The Aldrich Ames case," and former FBI Agent Robert Hanssen's case as well as "China's intelligence services and methodologies" and nuclear espionage from the 1970s to present.

Inger Sagatun-Edwards, the department chairwoman, said that she hired Cleveland to teach the spring semester after he was recommended by another former FBI agent. He did so well that she asked him to take on a second course in management of law enforcement agencies when another instructor had to drop it midway through the semester.

"He received a very positive peer evaluation," said the chairwoman. "We don't have student evaluations until the end of the semester, but it appears he was very popular."

He is very engaging and very reliable.” Sagatun-Edwards said she had no inkling of Cleveland’s involvement in the Leung case until one of the faculty members told her about news reports.

Records show that Cleveland and his wife purchased a home in Monterey for just over \$1 million two years ago. They sold a previous home in Pacific Grove for about \$500,000.

Lynn Posey, their neighbor in Pacific Grove, said Friday that the Clevelands “were very close. They were always together.”

The couple, she said, would “ask about my kids; we exchanged flowers and baked goods -- normal, small-town neighbor stuff. If someone was sick or going to be out of town, we’d tell each other.

“They were very warm and very friendly and very tight.”

It appears that the Clevelands moved from Dublin, which is not far from the Livermore laboratory, where they sold their home for \$335,000 in 1999.

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This article was reported by Times staff writers Greg Krikorian, Tim Reiterman, Lee Romney, David Rosenzweig, Rick Schmitt, Rebecca Trounson and Henry Weinstein.



Lee Romney

Former staff writer Lee Romney covered the Bay Area and Northern California news for the Los Angeles Times from the San Francisco bureau. Romney grew up in Canada and then Arizona before moving to the Bay Area. She started with the L.A. Times in 1992 and after many years in the Southland returned to San Francisco in 2003. She left the newsroom in 2015.