

White House states faith in CIA's Casey; recent ruling 'not relevant'

Washington (AP)—President Reagan has full confidence in William J. Casey and wants him to stay on as director of the Central Intelligence Agency, despite a ruling he knowingly misled investors in a 1960s business deal, White House officials said yesterday.

The federal judge's ruling May 19 against Mr. Casey surfaced Tuesday within hours of Max Hugel's resignation as chief of clandestine operations.

Mr. Hugel, a Casey confidante, denied allegations published in the *Washington Post* that he improperly slipped inside information on a firm he once headed to two Wall Street brokers. He said he was stepping aside to avoid having the allegations harm the administration and his colleagues at the CIA.

While Mr. Reagan was publicly backing Mr. Casey, CBS reported that Senator Barry Goldwater (R, Ariz.) was telling his colleagues on the Senate Intelligence Committee that Mr. Casey should be replaced. Mr. Goldwater is chairman of the committee.

Mr. Goldwater, who was not directly quoted, has been unhappy with the way Mr. Casey has been running the agency and was particularly perturbed by the appointment of Mr. Hugel, CBS reported.

But Cable News Network said Mr. Goldwater called the CBS story "a malicious lie." CNN quoted Katherine Grammer, an aide to Mr. Goldwater, as saying that Mr. Goldwater had spoken to Mr. Casey yesterday and told Mr. Casey the Senate panel would look into the charges. Ms. Grammer also told CNN that the senator told Mr. Casey, "I think everything's going to be all right."

The court ruling against Mr. Casey came in connection with an unrelated business deal in which a group of unhappy stockholders charged in a civil suit that Mr. Casey and other directors of a now-defunct firm misled them in attempts to solicit investors.

U.S. District Judge Charles E. Stewart, Jr., in New York said Mr. Casey and the other directors allowed distribution of a circular they knew contained false or mis-

stated information and which also omitted important information.

Mr. Reagan, stopped by reporters as he went into a reception for labor leaders, said, "There is no controversy [over Casey]. I have complete trust in him."

Vice President George Bush, attending the same reception, was asked if Mr. Casey should resign. "Oh, no!" he replied.

Edwin Meese III, the president's counselor, played down the importance of the ruling, calling it a 10-year-old case "that's not going to go anywhere as far as we're concerned. I don't think it's relevant to his position in the administration."

In a telephone interview, Mr. Casey's New York lawyer, Milton Gold, said yesterday, "We have very substantial defenses to this action. Mr. Casey says he relied on the advice of a reputable investment firm, Gore, Forgan, and a reputable accounting firm, Haskins & Sells. He denies any misconduct."

Mr. Gold said he had moved to have Judge Stewart reconsider his finding, and in any case, trial of the case has not begun

and "we haven't had our day in court yet."

Mr. Gold said Mr. Casey himself lost \$150,000 on the firm. "This is exactly the kind of case that arises often when investors lose their money and sue the directors. They lost their money and he did too," Mr. Gold said. "There isn't a vestige of personal dishonesty or lack of elemental good faith on the part of [Mr.] Casey."

In a related matter, a federal appeals court in New Orleans has ruled that Mr. Casey and other directors, through their management, put the firm Multiponics, Inc., "deep and deeper into debt" through a "pattern of self-interest."

Based on that conclusion, the 5th U.S. Circuit Court of Appeals upheld last July a ruling which put Mr. Casey and the other directors last in line for a share of the firm's final assets, when they were divided two weeks ago among the firm's other creditors.

Mr. Casey and the other directors got none of the \$10 million, despite their claims of outstanding personal loans to the company.

At the White House, the deputy press secretary, Larry Speakes, said the president did not learn of the district court ruling in New York May 19 until he saw news accounts of it Tuesday.

Mr. Speakes said he did not know whether the CIA chief informed anyone in the White House of the May 19 finding. However, he said Mr. Casey had revealed the existence of the pending suit and discussed it with Fred Fielding, now the White House counsel, before his nomination was submitted.

"The pending litigation was definitely discussed," Mr. Speakes said. "He [Fielding] decided that there was no problem."

Mr. Speakes said the president was briefed on Mr. Casey's file before submit-

ting the nomination. The spokesman said, however, he did not know specifically whether the pending suit was discussed.

"The president retains full confidence in the director of the CIA," Mr. Speakes said. "The matter is still subject to further appeal in the court system."

Mr. Reagan does not want Mr. Casey to step aside during a possible appeal, said Mr. Speakes, adding that it was "not an up or down decision."

"The president immediately decided to retain Mr. Casey," said Mr. Speakes.

Mr. Speakes, pressed by reporters on how long Mr. Reagan would back Mr. Casey, said, "Well, we'll just wait and see what happens."