
From: Smith, Brad (ODAG)
To: Schmalzer, Tracy (SMO)
CC: Goldberg, Stuart (ODAG); Monaco, Lisa (ODAG)
Sent: 3/3/2011 10:52:27 PM
Subject: ATF Story
Attachments: 2011-03-03 CEG to DOJ-ATF.PDF

Tracy,

I understand that you are already aware that CBS will be running a story this evening concerning ATF's Project Gunrunner activities and allegations that it knowingly allowed firearms to enter Mexico. Stuart and I just chatted briefly with Ken Melson and Billy Hoover at ATF about the story, and we wanted to pass along a few points that came up in our conversation, just in case you weren't aware of them.

- ◆ First, the CBS story will suggest that USAO in Arizona a lengthy amount of time to indict the straw purchaser linked to Agent Terry's murder.
- ◆ Second, the report will also claim that it took Main Justice/CRM a fair amount of time to obtain **ATF** surveillance orders for the straw purchasers.
- ◆ Finally, the story will claim that during a meeting in Mexico, Lanny Breuer told Mexican officials that he thought the investigation would be a ◆great project.◆

In essence, ATF believes that the CBS story essentially will say that Main Justice and the USAO delayed (or were at least slow) in moving to take down the straw purchasing operation connected to Agent Terry's murder, and, perhaps more significantly, that Main Justice/CRM endorsed a strategy of allowing guns to enter Mexico. CBS apparently has internal USAO/ATF e-mails and investigative reports to support the ◆delay claims,◆ and ATF anticipates that an ATF agent (or other law enforcement agents) may appear on camera.

Apart from the immediate allegations in the CBS story, Ken and Billy also mentioned two developments that we wanted to bring to your attention:

- ◆ Last night, ATF found a document indicating that, on at least one occasion, an ATF agent witnessed a suspected straw purchaser resell firearms, but for reasons that remain unclear (there is some speculation that the straw's erratic driving may have played a role), broke off surveillance of the straw and did not take him into custody following the transaction. As described to us, this document appears contrary to statements from ATF last month indicating that its agents arrested suspects straws along the Southwest Border as soon as they had concrete evidence indicating the suspect straws were engaged in illegal firearms trafficking. Stuart and I have requested a copy of the document, and we will share it once we have it.
- ◆ Senator Grassley's latest letter attaches reports of investigation that indicate that ATF agents sold guns to suspected straw. These documents, which I believe are included in Attachment 1 of Grassley's letter (attached), actually concern a different straw operation that isn't linked to Agent Terry's killing, though they were likely provided to Grassley by the same whistleblower who produced other materials tied to the Terry matter. In any event, the actions described in the reports are, we are told, contrary to ATF policy, and ATF is now gathering more information on the incident.

Thanks,

Brad