

Firms Recruited by Paul Manafort Are Investigated Over Foreign Payments

By **Kenneth P. Vogel**

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WASHINGTON — Federal prosecutors in recent weeks have been interviewing witnesses about the flow of foreign money to three powerful law and lobbying firms that Paul Manafort recruited seven years ago to help improve the image of the Russia-aligned president of Ukraine, people familiar with the questioning said.

The previously unreported interviews about the flow of the money are among the latest developments in the investigation of key figures who worked at the three firms — Mercury Public Affairs, the Podesta Group and Skadden, Arps, Slate, Meagher & Flom.

Prosecutors have focused on the role of Skadden Arps's lead partner on the account, the former Obama White House counsel Gregory B. Craig, in arranging financing and media coverage for his firms' work, the people familiar with the questioning said. And the prosecutors, they said, have also been asking about the extent to which the lead partners on the accounts for Mercury and Podesta — Vin Weber, a former Republican member of Congress, and the Democratic fund-raiser Tony Podesta — were involved in orchestrating their firms' day-to-day lobbying and public relations on the account.

The case has drawn intense interest in Washington in part because of the prominence of the three main figures, each of whom has played high-profile roles in politics and lobbying. But it has also sent shock waves through the influence industry by underscoring a newly aggressive legal crackdown on lobbyists and lawyers who do lucrative work representing foreign governments without registering as foreign agents.

The focus by prosecutors on precisely how the firms were paid for their work highlights the ripple effects of the investigation by the special counsel, Robert S. Mueller III. His team's inquiry into Russian interference in the 2016 presidential election spawned the investigation into unregistered foreign lobbying by the firms, which was referred to federal prosecutors in New York.

In recent weeks, people who worked with the firms on the Ukraine efforts have been summoned to Manhattan for daylong interviews with prosecutors and investigators, according to several people familiar with the questioning who spoke on the condition of anonymity because of the sensitivity of the ongoing investigation. The interviews were run by prosecutors from the office of the United States Attorney in the Southern District of New York, with assistance from the F.B.I. and the Justice Department's National Security Division.

Prosecutors from the southern district are playing central roles in a number of the investigations that have spun out of the special counsel's work, including the escalating inquiry into President Trump's inaugural committee.

Questions have centered on what the firms' officials knew about who was funding and directing their work, which occurred in 2012 and 2013, whether they intentionally misrepresented the source of the money and, if so, why.

The work initially was advertised as being directed by a Brussels-based nonprofit group, in the cases of Mercury and Podesta, and the Ukrainian Justice Ministry, in the case of Skadden Arps. But later, it was revealed that the direction for the nonprofit came from Ukraine's ruling party and the funding for Skadden Arps's work came from a Ukrainian oligarch.

Specifically, prosecutors have asked whether Mr. Weber may have had political motives to avoid registering as a foreign lobbyist. At the time of the lobbying, Mr. Weber was working as a top foreign policy adviser to the 2012 Republican presidential campaign of Mitt Romney. Mr. Romney's sharply adversarial stance toward Russia was anathema to that of the Russia-aligned politician Viktor F. Yanukovich, a longtime client of Mr. Manafort who was then president of Ukraine.

Mr. Manafort, who served as Mr. Trump's campaign chairman, was convicted of some charges brought by Mr. Mueller's team and pleaded guilty to others related to his lucrative work on behalf of Mr. Yanukovich.

As part of his plea deal, Mr. Manafort agreed to cooperate with federal investigations, as did his former deputy Rick Gates, who also pleaded guilty to crimes related to their Ukrainian work. While Mr. Mueller's team has accused Mr. Manafort of violating his deal, the New York prosecutors handling the inquiries into the work of Mercury, Podesta and Skadden Arps presented new information in recent weeks to witnesses, some of whom had been interviewed months earlier in the matter, according to the people familiar with the questioning.

Mr. Manafort had recruited Skadden Arps to write a report that he intended to use to allay Western human rights concerns about the Ukrainian government's prosecution and jailing of a political rival of Mr. Yanukovich. Mr. Manafort arranged for the firm to receive \$4 million funneled from an oligarch through a Cypriot account controlled by Mr. Manafort, according to government filings.

Initially, Mr. Yanukovich's government claimed that it funded the report with a payment of about \$12,000 in public funds. But the arrangement was deemed "highly suspicious" by the Kyiv Post, an influential English-language Ukrainian newspaper. In an op-ed, it cited "speculation that Skadden is being paid by someone on the side," and urged the firm to come clean.

Mr. Manafort told Mr. Craig that the oligarch wanted his involvement to remain anonymous, according to emails cited in a settlement released last month between the firm and the Justice Department. It showed that Skadden Arps declined to reveal the oligarch's identity under questioning from the department soon after the report was published.

The firm asserted in a letter to the department at the time that its work on the report did not constitute lobbying under the Foreign Agents Registration Act, or FARA, "and, respectfully, we therefore do not believe that you are entitled to such information."

Behind the scenes, the firm was scrambling to deflect scrutiny, according to emails quoted in the settlement, which does not name Mr. Craig or another partner on the account, Clifford M. Sloan, who also worked in the Obama administration. Their identities were confirmed by people with knowledge of the arrangement.

In one email cited in the settlement, Mr. Sloan warned Mr. Craig that "the Ukraine payment situation" could "put us in a very deep hole in the western press," if it was revealed by others. "I really think we need to get it out there as soon as we can."

Instead, according to the settlement, Mr. Craig worked with Mr. Manafort to modify the firm's contract with Ukrainian government retroactively to bill it for \$1.1 million, and to backdate the correspondence reflecting the change so it appeared as if it was executed before the Kyiv Post op-ed.

In a FARA lobbying filing Skadden Arps submitted to the Justice Department last month as part of its settlement, the firm indicated that it "understood" the oligarch to be Victor Pinchuk, a steel magnate who has portrayed himself as pro-Western. A \$150,000 donation by Mr. Pinchuk to Mr. Trump's since-shuttered charitable foundation has drawn scrutiny from Mr. Mueller's team, and he sought to distance himself from the renewed scrutiny of the report.

In a statement, his representatives said that “he had no connection to the project either professionally or personally,” and “was not the source of any funds used to pay fees of Skadden in producing the report.” But the statement also said, “Mr. Pinchuk’s understanding was that Skadden’s review was going to be led by a former counselor to two U.S. presidents, and that Skadden, a pre-eminent U.S. law firm, was going to be free to reach its own conclusions based on its own independent work.”

Mr. Pinchuk’s representatives also seemed to reject a claim Mr. Gates made in testimony during Mr. Manafort’s trial last year that Mr. Pinchuk used a company called Plymouth Consultants Limited to pay Mr. Manafort for an unspecified “legal project.”

Skadden Arps said the firm was continuing to cooperate with federal investigators, but said its settlement with the Justice Department absolves it of any criminal exposure related to the Ukraine work. The settlement required the firm to pay the federal government \$4.6 million — the total fees it received for the Ukraine work, minus \$567,000 it had refunded to the Ukrainian government in 2017 as scrutiny of its work escalated — and to fully cooperate with other Justice Department investigations.

Mr. Craig left Skadden Arps in April of last year as scrutiny of the Ukraine work mounted after a former associate of the firm pleaded guilty to lying to investigators about his work on the report.

The settlement accused the partner known to be Mr. Craig of misleading both his partners at Skadden Arps and the Justice Department about his contact about the report with a journalist. The journalist, who is not identified in the settlement, is David E. Sanger of The New York Times. The contact with Mr. Sanger should have prompted a lobbying registration under FARA at the time, the Justice Department said in the settlement.

Mr. Craig’s lawyers, William Taylor and William Murphy, said Mr. Craig “never acted as a lobbyist, press agent or public relations counsel for Ukraine,” and that Mr. Craig “never sought to mislead the Department of Justice or his former partner, Nabholz.”

Mercury was enlisted by Mr. Manafort to help roll out Skadden Arps’s report as part of a lobbying project on behalf of the Brussels-based nonprofit group, the European Centre for a Modern Ukraine. The Podesta Group also was paid to promote the nonprofit.

In recent weeks, prosecutors have asked lobbyists who worked on the account why red flags years earlier went unheeded. In particular, prosecutors have focused on a previously unreported 2012 email in which Ina Kirsch, a German citizen who was the head of European Centre, seemed to admit

that the funding for the lobbying by Mercury and Podesta came from businessmen who backed Mr. Yanukovich's party, according to people familiar with the questioning.

The firms initially failed to register the work under FARA, instead disclosing it under less rigorous congressional lobbying rules, because they contended that the European Centre was not linked to Mr. Yanukovich's government or his political party. But, under scrutiny from the Justice Department, they reversed course and registered under FARA in 2017.

Allies of Mr. Podesta, Mr. Weber and their firms blamed their problems on Skadden Arps, which — separate from its work on the Ukraine project — also provided lobbying compliance advice to Mercury and Podesta, as well as on Mr. Gates. Mr. Gates admitted in his guilty plea that he “provided false and misleading representations” to Skadden Arps in an effort to convince Mercury and the Podesta Group to avoid FARA registration.

Mr. Weber's lawyer has previously said that Mr. Weber was willing to register under the act and did not do so only because Skadden Arps advised Mercury not to.

Ben Protess contributed reporting from New York.

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