

## **POWER BROKER SERVED DRUGS, SEX AT PARTIES BUGGED FOR BLACKMAIL**

**Michael Hedges and Jerry Seper The Washington Times; Final Section: A Page: A1 Friday, June 30, 1989**

**Craig J. Spence, an enigmatic figure who threw glittery parties for key officials of the Reagan and Bush administrations, media stars and top military officers, bugged the gatherings to compromise guests, provided cocaine, blackmailed some associates and spent up to \$20,000 a month on male prostitutes, according to friends, acquaintances and records.**

The 48-year-old D.C. power broker has been linked to a **homosexual prostitution ring** currently under investigation by the U.S. Attorney's Office. Its clients included several top government and business officials from Washington and abroad.

**Among the clients identified in hundreds of credit-card vouchers obtained by The Washington Times - and identified by male prostitutes and escort operators - are government officials, locally based U.S. military officers, businessmen, lawyers, bankers, congressional aides, media representatives and other professionals.**

**Mr. Spence's influence appeared unlimited, aptly demonstrated by his ability to arrange midnight tours of the White House, according to three persons who said they took part in those tours.**

"It was a show-the-flag time for Craig Spence," said one person who went on a July 3, 1988, tour that included two male prostitutes. **"He just wanted everyone to know just how damned powerful he was," said the person. "And when we were strolling through the White House at 1 o'clock in the morning, we were believers."**

One man who was on the tour but asked not to be named for fear it would damage his business said it was cleared by a uniformed Secret Service guard whom the man had seen attending Mr. Spence's parties as a bodyguard.

"For once in his life, Craig was doing something nice. We just thought, neat, we get a free midnight tour of the White House," the man said. Another person on the tour said the group walked through all the public areas of the White House and "even took pictures of ourselves in the barber's chair."

**After arriving in Washington in the late 1970s, Mr. Spence was hosting parties during the early Reagan years attended by, among others, journalists Eric Sevareid, Ted Koppel and William Safire; former CIA Director William Casey; the late John Mitchell, attorney general in the Nixon administration; conservative activist Phyllis Schlafly; Ambassador James Lilley; and Gen. Alfred M. Gray, the commandant of the Marine Corps.**

Arnaud de Borchgrave, editor-in-chief of The Times, went to dinner once at Mr. Spence's home to honor Mr. Lilley.

Efforts to reach Mr. Spence in the past week were unsuccessful. He contacted The Washington Times yesterday in response to a telefaxed message but hung up when queried about his activities.

According to many current and former friends, Mr. Spence was a dangerous friend to cultivate. **Several former associates said his house on Wyoming Avenue was bugged and had a secret two-way mirror, and that he attempted to ensnare visitors into compromising sexual encounters that he could then use as leverage.**

One man described having a limousine sent to his home by Mr. Spence and being brought to a gathering at which several young men tried to become friendly with him. "I didn't bite; it's not my inclination," the man said. "But he used his homosexual network for all it was worth."

The man, a business associate of Mr. Spence who was on the White House tour, said: **"He was blackmailing people. He was taping people and blackmailing them."**

One former friend said he saw an 8-foot-long, two-way mirror overlooking the library of Mr. Spence's home which, he said, he was later told was used for "spying on guests."

Georgetown University law professor Richard Gordon said he was a close friend of Mr. Spence's until his "behavior began deteriorating quite markedly."

Mr. Gordon recalled being at a gathering at Mr. Spence's home and having a conversation with veteran NBC and CBS correspondent Liz Trotta.

"We were sitting in a corner, talking about our mutual concern about Craig's physical condition. He came down later and said he had been listening to us and didn't appreciate it at all," Mr. Gordon said.

Ms. Trotta, contacted in New York City, yesterday confirmed Mr. Gordon's comments and said it was "one in a series of incidents" in which she began to question Mr. Spence's emotional and physical stability.

"He was fragmenting right before our eyes," she said. "I was very concerned about him."

One former Reagan administration official who worked at the U.S. Information Agency and is an open homosexual said he went to private parties at Mr. Spence's home and saw a great deal of recording and taping equipment.

"It was my clear impression that the house was bugged," he said. Another man, an Air Force sergeant who worked for Mr. Spence as a bodyguard, said: "The house was definitely bugged. I can't say what he was doing with the information. I don't know that. But he was recording what occurred there."

**Several others confirmed that Mr. Spence had bragged on several occasions that he had his house bugged and that conversations between guests often had been overheard.** They said Mr. Spence often would come down late to parties he hosted and told close associates that he had been listening to what was being said about him.

**Several people also said Mr. Spence boasted about getting control of the million-dollar home on Wyoming Avenue by blackmailing clients in Japan.**

William Harbin, a former U.S. Foreign Service official who worked for Mr. Spence in the mid-1980s, said: "He pretty much blackmailed a Japanese client. He had represented this firm in Washington, the Policy Study Group.

"The Japanese put up the money for Spence to buy a big house on Wyoming Avenue," Mr. Harbin said. "I heard he later had a quarrel with this Japanese because he was really using this house to advance his own purposes, not for the Japanese. But he threatened to expose that they had transferred the money illegally, so it made the Japanese back down."

Another longtime friend confirmed that Mr. Spence bragged about the Wyoming Avenue deal, saying he had beaten "a very rich, old-line Japanese family."

**Secret Service spokesman Bob Snow, when asked yesterday for records about Mr. Spence's visits to the White House, said only the White House counsel could authorize release of the material.**

C. Boyden Gray, the White House counsel, said he did not know why Mr. Snow referred The Times to him, adding that he was unaware that his office was required to release such information. **"I just don't know anything about that," Mr. Gray said. "But maybe there's something I don't know about."** Federal law enforcement authorities, including the Secret Service, involved in the probe of the homosexual prostitution ring have told prostitutes and their clients that a grand jury will deliberate over evidence gathered in the ongoing investigation throughout the summer.

Hundreds of credit-card vouchers, drawn on both corporate and personal accounts and made payable to the Washington-based escort service operated by the homosexual ring, have been examined by The Washington Times.

Mr. Spence, a former ABC-TV correspondent who covered the war in Vietnam, was one of the biggest spending clients of the homosexual prostitution network, according to credit-card vouchers obtained by The Times. For example, on Oct. 5, 1988, he made four separate payments totaling \$1,525 with his American Express card for male escorts from Professional Services Inc.

On Oct. 8, he paid \$600 for male escorts, and another \$600 payment Oct. 20, the documents show. There were some months when Mr. Spence spent as much as \$20,000 for male escorts hired to provide him sexual services, according to documents and interviews with prostitutes who served him.

Many of Mr. Spence's guests soured on his hospitality when his darker behavior emerged. A case in point is his relationship with former **U.S. Attorney Joseph diGenova.**

According to Mr. diGenova, he attended a few of Mr. Spence's parties both as U.S. attorney and after he left the government to enter private practice. He eventually traveled to Japan last December on a business trip with Mr. Spence and Wayne Bishop, chairman of the Washington law firm of Bishop, Cook, Purcell & Reynolds, where Mr. diGenova works.

**"When I got back from Japan, some anonymous person suggested that he (Mr. Spence) might be using cocaine. Well, of course my antennae went up right away and I checked those rumors out . . . and found much to my surprise that people suspected the worst," Mr. diGenova said.**

At that point, Mr. diGenova said, he severed his relationship with Mr. Spence. "When you compared it to his other eccentric behavior, it made sense. But I had no evidence whatsoever," he said.

Mr. diGenova said he never took his concern that Mr. Spence might be using drugs to authorities.

Others interviewed said they witnessed drug use and other crimes at parties thrown by Mr. Spence but also never shared their observations with law enforcement officials.

The saga of Mr. Spence, described by one friend as "Washington's Jay Gatsby," began unraveling when federal and D.C. police raided a male prostitution ring in Northwest Washington and discovered credit-card vouchers signed by Mr. Spence and others.

But for several years - even as publications such as The New York Times were describing Mr. Spence as Washington's ultimate power broker - acquaintances noticed bizarre behavior.

**Mr. Spence was generous with cocaine at his parties**, according to several people who said they witnessed drug use at the exclusive Kalorama house.

"I know he was a coke freak," said the business associate who was on the White House tour. "A lot of people saw it. His behavior spoke for itself."

**Several friends said Mr. Spence bragged that U.S. military personnel, for whom he had built a gymnasium in El Salvador, had smuggled cocaine back to him when they returned to the United States.**

**"I heard he was selling drugs, or smuggling drugs into the country from El Salvador," said a friend who worked closely with Mr. Spence.** "He went down there two or three times or maybe more. He was trying to interest a Japanese firm with buying a fishery in El Salvador.

"I found out the United Nations had rejected a similar scheme; they found if you put more boats in there the fish would just get smaller. So I told him that it was no good," the former associate said.

U.S. Drug Enforcement Administration officials said this week they had no evidence of any such operation.

Others said the drugs came from a more mundane source - midlevel dealers in Northwest Washington.

How a man whom even his closest friends describe as a flawed, malevolent personality managed to court Washington's biggest names is a quintessential Washington story.

Mr. Spence arrived in Washington in the late 1970s. Even intimate friends said his depiction of his background was as shifting as his guest list. What can be confirmed is that he attended Syracuse University and worked as a journalist with ABC in Southeast Asia during the Vietnam War.

One former friend, who became acquainted with Mr. Spence in Tokyo, said that the latter had a "falling out" with ABC News because of his political views. The former friend said Mr. Spence was a hard-line conservative and was opposed to what he described as "the liberal treatment of the news by the network."

Mr. Spence made good contacts in Japan and among Chinese expatriates, often bragging of his close association with former Japanese Prime Minister Yasuhiro Nakasone and appearing in public with a Chinese businessman who once served as an unofficial representative of Communist China in Washington, sources said.

The businessman said this week that he did not know exactly what work Mr. Spence did, but that he often bragged about his contacts with Japanese businessmen and political leaders, particularly Mr. Nakasone.

**He described Mr. Spence as "strange," saying that he often boasted that he was working for the CIA and on one occasion said he was going to disappear for awhile "because he had an important CIA assignment."**

**According to the businessman, Mr. Spence told him that the CIA might "doublecross him," however, and kill him instead "and then to make it look like a suicide."**

The businessman also said he attended a birthday bash for Roy Cohn at Mr. Spence's house. He said Mr. Casey was at the party. "One time he stormed into another party with a big, white hat and an entourage of security guards," the businessman said. "It was all rather bizarre."

Mr. Spence's trump card in courting the rich and famous apparently was his access to high-ranking orientals at a moment when Japan was flowering as an economic giant and relations with China were thawing.

"Craig had an interest in the Japanese economy," said Mr. Gordon. "He was very interested in breaking through the bureaucratic level and getting people to come to seminars.

"He developed a kind of genuine and effective influence among important doers and thinkers in Washington and from New York," Mr. Gordon said. "I met some interesting senators and representatives at his parties."

He was doing extensive business with Japan in the early 1980s, some of which former Reagan administration officials said appeared to violate trade laws.

Mr. Gordon said he warned Mr. Spence of the need to be registered as a lobbyist, and documents show that in January 1985 he became a registered agent lobbying for Japanese businesses.

A January 1982 New York Times profile of Mr. Spence was headlined "Have Names, Will Open Right Doors." The article quoted a Washington Post columnist in 1980 saying of Mr. Spence: "Not since Ethel(D-) Kennedy used to give her famous Hickory Hill seminars for great minds of our times during the days of Camelot has anyone staged seminars successfully on a continuing social basis in Washington. That's what Craig Spence has been doing."

Mr. Spence was described in the New York Times as "something of a mystery man who dresses in Edwardian dandy style, a former television correspondent who now wears many hats, including international business consultant, party host, registered foreign agent and something called 'research journalist.' "

Those who knew Mr. Spence best were astonished by his ability to court the rich and powerful.

"He conned people into going to parties - big people, Cabinet members and personalities and so forth," said Mr. Harbin, who wrote research papers that Mr. Spence peddled to Japanese clients.

"Everybody likes to go to a free party around here. He'd have a photographer there, get his photo taken with a great man, and use that," he said.

"He was quite secretive, but from what I could see these things had little or no substance," Mr. Harbin said. "Usually a grain of truth, but he'd build a pile of lies on top of it. Usually he'd start with a photograph of himself with some guy and build a lie around it that he was his top adviser. Nakasone was one."

Mr. Spence also bragged about social companions, telling friends that he had hosted Mr. Cohn, Rock Hudson and others at his Wyoming Avenue home.

The former Reagan administration aide said he decided to sever a friendship with Mr. Spence when he witnessed him trying to force his off-duty military bodyguards into homosexual acts.

"I'm openly gay myself," he said. "Most gays find that type of behavior reprehensible."

Several people who attended Mr. Spence's parties remarked at what one guest called "his personal honor guard." "I don't know where he got them, but he liked to surround himself with tall, handsome, stalwart young men. He liked to surround himself with decorations," one frequent guest said.

Mr. Spence has been living on Massachusetts Avenue in recent months, friends said. His legitimate business contacts have "one by one dropped away," said one close friend.

He has told a number of his friends that he plans to leave the country by Aug. 15. Mr. Spence also has said his health is failing.

"I can unhappily confirm that. He has been in ill health. I am not truly aware of what it is that is wrong with him," said Mr. Gordon.

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*\* Paul M. Rodriguez contributed to this report.*

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Photo, Power broker Craig J. Spence demonstrated his influence by providing late night strolls through the White House for groups of selected friends., By Richard Kozak/The Washington Times