

Spence was target before raid on ring

Jerry Seper, and Michael Hedges The Washington Times; Part A; Pg. A1 July 10, 1989, Monday, Final Edition; Correction Appended

Craig J. Spence, the Washington lobbyist and power broker, was the subject of a Secret Service investigation even before a February raid on a homosexual prostitution ring to which he has been linked, The Washington Times has learned.

The Secret Service last week expanded its investigation with inquiries about **friends and associates of Mr. Spence.**

Two of those friends are former U.S. Attorney Joseph diGenova and his wife, Victoria Toensing, a former deputy assistant attorney general for the Justice Department's criminal division.

During interviews last week with friends and associates of Mr. Spence, the Secret Service made copies of photographs from a July 4, 1988, party showing him mugging for the camera with Mr. diGenova and Miss Toensing, who in one photo is draped in an American flag.

It was on that same weekend that Mr. Spence arranged a 1 a.m. tour of the White House, which one participant said included two male prostitutes.

The Secret Service also wants to talk to Mr. Spence, but has been unable to locate him, according to persons the agents have interviewed.

Mr. diGenova couldn't be reached yesterday for comment. He has been interviewed twice by The Times over the past two weeks. In the first conversation, he described a fleeting contact with Mr. Spence which, he said, was based solely on mutual business interests.

In a second conversation, he said he attended a few of Mr. Spence's parties, as U.S. attorney and later after he left the government to enter private law 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. Business contacts made on the trip proved fruitful and are still being pursued, he said.

"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. He said he didn't report his findings or concerns to authorities.

Although the Secret Service hasn't said what sparked its interest in Mr. Spence, one of the persons questioned by the Secret Service said investigators appeared to be "interested" in the connections the lobbyist had made.

The Secret Service was the lead agency in a Feb. 28 raid on a house on 34th Place NW used by a homosexual prostitution ring, a ring with which Mr. Spence spent up to \$20,000 a month, according to call boys, his friends and documents obtained by The Times.

The federal investigation, headed by the office of U.S. Attorney Jay Stephens and conducted by Secret Service agents, appears to be aimed at determining whether Reagan and Bush administration officials and others were

compromised by Mr. Spence, through the use of female and male prostitutes and with electronic audio and video eavesdropping at parties at his house in the fashionable Kalorama neighborhood in Northwest Washington.

Another focus of the probe, persons interviewed by the Secret Service have told this newspaper, is whether White House security was compromised by the late-night tours arranged by Mr. Spence.

Mr. Stephens has said only that his office is investigating "possible credit-card fraud" in connection with arrests made in the 34th Place raid. But numerous sources have told The Times that the Secret Service is asking about Mr. Spence's activities.

Secret Service agents on Friday also asked a former Spence colleague detailed questions about attempts by the lobbyist to obtain information about the Delta Force, an elite U.S. commando team involved in top-secret military operations.

The former friend said **Mr. Spence had given a gold Rolex watch to a highly decorated Vietnam veteran who is now associated with Army anti-terrorist units. Later, according to the former friend, Mr. Spence alluded to the gift of the watch and asked the veteran detailed questions about the Delta Force operations.**

The Vietnam veteran was one of six persons on the July 3 White House tour, arranged by Mr. Spence. A uniformed Secret Service guard, who admitted the group to the White House and served as an unofficial host, also told The Times that he had received a gold Rolex watch worth about \$8,000 from Mr. Spence but said Mr. Spence had asked for nothing in return.

Mr. Spence collected key officials of the Reagan and Bush administrations, media celebrities and high-ranking military officers, among others, for his glittery dinner parties at his Kalorama home. According to friends, visitors to Mr. Spence's Wyoming Avenue NW house and records, the host eavesdropped on some gatherings to compromise guests and blackmailed some associates with threats to disclose their indiscretions.

Efforts to reach Mr. Spence during the past three weeks have been unsuccessful. He telephoned The Times on June 29 in response to a telefaxed message but hung up when asked about his activities. His fax machine number has since been disconnected.

Mr. diGenova was nominated by President Reagan to be U.S. attorney in 1983. Prior to that, he was an assistant U.S. attorney in the Washington office, chief counsel and staff director of the Senate Rules Committee and chief minority counsel for the Senate Judiciary Committee.

In 1981, as chief counsel for the Senate Rules Committee, Mr. diGenova was responsible for overseeing the Reagan transition after Republicans gained control of the Senate in the 1980 elections. From June 1975 to April 1976, Mr. diGenova was counsel to the Senate Select Committee on Intelligence, the so-called Church Committee that investigated allegations of CIA and FBI wrongdoing.

Mr. diGenova announced his resignation as U.S. attorney in January 1988, and he left office to begin his private practice on March 1.

Miss Toensing, who also is in private practice, was chief counsel for the Senate Select Committee on Intelligence from 1981 to 1984 when she resigned to join the Justice Department as a deputy assistant attorney general.

At Justice, she headed the criminal division's procurement fraud unit and was instrumental in a number of high-profile indictments, including several involving General Dynamics. She also was responsible for the investigation and prosecution of terrorists.

A number of photographs, including more than a dozen from the 1 a.m. White House tour, were taken over the July Fourth weekend in 1988 by a participant in Mr. Spence's revelries. The photos, copies of which were obtained last week by The Times, have been reviewed by the Secret Service.

Of the several snapshots of the July 4, 1988, tour reviewed by the Secret Service, only two - both of which included Mr. diGenova and his wife - were copied.

Craig Spence was a registered lobbyist for several Japanese firms through 1987 and established close friendships with a number of leading Japanese politicians, including Motoo Shiina, considered by Tokyo analysts to be an inside favorite to replace scandal-plagued Souseke Uno as prime minister.

Mr. Spence and Mr. Shiina were embroiled in a real estate deal involving the house in Kalorama, a two-story Victorian showpiece valued last year by real estate agents at \$1.15 million.

By the time a lawsuit filed by Mr. Shiina over the property was settled, the Japanese official had admitted in court papers to giving Mr. Spence \$345,000 in cash.

Mr. Spence has told several current and former friends that he obtained the money to buy the house by blackmailing Mr. Shiina. Mr. Shiina has denied he was blackmailed by Mr. Spence.

The lobbyist moved in November 1988 from the Kalorama house, on Wyoming Avenue, to an apartment on Massachusetts Avenue NW, but apparently his operations remained unchanged.

A female prostitute who worked for the escort service that supplied Mr. Spence with call boys, said he hired her to have sex with young military men in his part-time employ.

The prostitute, describing herself as retired, said Mr. Spence ordered her to engage in those assignments in certain specific locations in his Massachusetts Avenue apartment, enabling him to eavesdrop on the encounters. One of her clients, an enlisted man stationed at a local Army base, confirmed that he worked for Mr. Spence, and the prostitute's account.

"Some of the men were married," she said. "They told me he was using what I did with them against them."

Once, Mr. Spence's influence with the Washington power elite appeared almost limitless, demonstrated by his ability to arrange midnight tours of the White House. **The Times has confirmed that Mr. Spence arranged at least four midnight tours of the White House, including one June 29, 1988, on which he took with him a 15-year-old boy whom he falsely identified as his son.**

One man Mr. Spence apparently cultivated was a uniformed Secret Service officer assigned to the midnight shift at the White House. The officer, Reginald A. deGueldre, was interrogated for more than 10 hours last week about his association with Mr. Spence. Five Secret Service agents, armed with search warrants, searched his house for nearly two hours Friday night, although they wouldn't say what they were looking for. The agents seized several photographs from Mr. deGueldre's home.

Mr. deGueldre said he has been told he will be called to testify before a federal grand jury. According to one law enforcement official, Mr. deGueldre failed the portion of a polygraph test involving favors he may have done for Mr. Spence.

Photo, In a snapshot copied by the Secret Service, Craig J. Spence (right) and former U.S. Attorney Joseph diGenova watch Mr. diGenova's wife, former Deputy Assistant Attorney General Victoria Toensing, clown at a

party.; Photo, Reginald A. deGauldre, a uniformed Secret Service officer, holds the door to the White House open for two of the six persons who were given a tour at 1 a.m. on July 3, 1988. The tour, arranged by Craig J. Spence, is the subject of a Secret Service probe. The photo was taken by another tour pa[rticipant.]

CORRECTION-DATE: July 14, 1989, Friday, Final Edition

CORRECTION:

Due to an editing error, a story Monday in The Washington Times incorrectly said that photographs of former U.S. Attorney Joseph diGenova and his wife, Victoria Toensing, an ex-deputy assistant attorney general, were taken during a July 3, 1988, tour of the White House arranged by former Washington lobbyist Craig J. Spence.

Mr. diGenova and Ms. Toensing did not go on the July 3 tour, which, according to one participant included two male prostitutes. However, the couple did attend a party at Mr. Spence's house on the same weekend, during which the photographs were taken.