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## Homosexual prostitution inquiry ensnares VIPs with Reagan, Bush

By Paul M. Rodriguez  
and George Archibald  
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### 'Call boys' took midnight tour of White House

A homosexual prostitution ring is under investigation by federal and District authorities and includes among its clients key officials of the Reagan and Bush administrations, military officers, congressional aides and U.S. and foreign businessmen with close social ties to Washington's political elite, documents obtained by The Washington Times reveal.

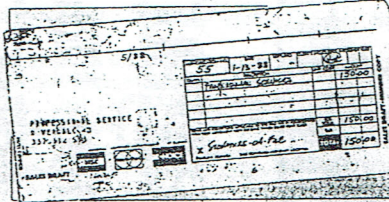
One of the ring's high-profile clients was so well-connected, in fact, that he could arrange a middle-of-the-night tour of the White House for his friends on Sunday, July 3, of last year. Among the six persons on the extraordinary 1 a.m. tour were two male prostitutes.

Federal authorities, including the Secret Service, are investigating

criminal aspects of the ring and have told male prostitutes and their homosexual clients that a grand jury will deliberate over the evidence throughout the summer, The Times learned.

Reporters for this newspaper examined hundreds of credit-card vouchers, drawn on both corporate and personal cards and made payable to the escort service operated by the homosexual ring. Many of the vouchers were run through a so-called "sub-merchant" account of the Chambers Funeral Home by a son of the owner, without the company's knowledge.

Among the client names contained in the vouchers — and identified by prostitutes and escort operators — are government officials, locally based U.S. military officers,



businessmen, lawyers, bankers, congressional aides and other professionals.

Editors of The Times said the newspaper would print only the

names of those found to be in sensitive government posts or positions of influence. "There is no intention of publishing names or facts about the operation merely for titillation,"

said Wesley Pruden, managing editor of The Times.

The office of U.S. Attorney Jay B. Stephens, former deputy White House counsel to President Reagan, is coordinating federal aspects of the inquiry but refused to discuss the investigation or grand jury action.

Several former White House colleagues of Mr. Stephens are listed among clients of the homosexual prostitution ring, according to the credit-card records, and those persons have confirmed that the charges were theirs.

Mr. Stephens' office, after first saying it would cooperate with The Times' inquiry, withdrew the offer late yesterday and also declined to say whether Mr. Stephens would recuse himself from the case be-

cause of possible conflict of interest.

At least one highly placed Bush administration official and a wealthy businessman who procured homosexual prostitutes from the escort services operated by the ring are cooperating with the investigation, several sources said.

Among clients who charged homosexual prostitute services on major credit cards over the past 18 months are Charles K. Dutcher, former associate director of presidential personnel in the Reagan administration, and Paul R. Balach, Labor Secretary Elizabeth Dole's political personnel liaison to the White House.

In the 1970s, Mr. Dutcher was a congressional aide to former Rep. Robert Bauman, Maryland Republican who resigned from the House after he admitted having engaged in sexual liaisons with teen-age male

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## The Strangely Disappearing D.C. Homosexual Prostitution Ring Story

So this was one of the biggest scandals—and biggest stories—in the history of this country. It put the nation in grave danger. It made Watergate look like two-bit shoplifting. But it was completely squelched, even after Spence conveniently turned up dead—allegedly of "suicide"—in a Boston hotel room five months later. Did he decide to "kill himself" after somebody from Washington paid him a visit? Did somebody from Washington suicide him?

Alan Stang, author, *Not Holier Than Thou*

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HIGH 84 LOW 62 PAGE 08

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By Paul M. Rodriguez  
and George Archibald  
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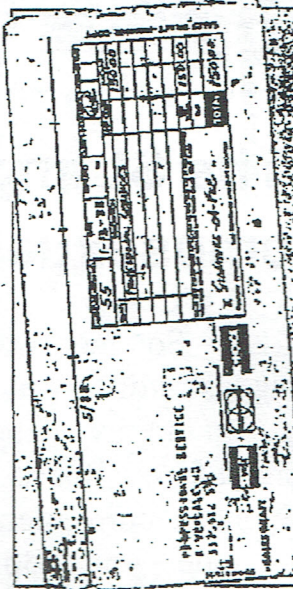
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# D.C. Homosexual Prostitution Ring Is Big Global Story, But Not in U.S.

BY CLIFF KINCÁID  
New York City Tribune Staff

Last Thursday's *Washington Times* story on a homosexual prostitution ring patronized by Reagan and Bush Administration officials and media figures has generated tremendous controversy around the world, but the domestic press seems to have chosen to ignore the moral and national-security implications of the scandal.

The *Times* suggested the ring could have been used for espionage purposes by the main Soviet intelligence service, the KGB.

Arnaud de Borchgrave, editor in chief of *The Washington Times*, said late Friday afternoon that spokesmen for the paper have granted 38 interviews to media from all over the world. "There is tremendous interest in this," he said.

The Friday edition of *The New York*

*Times* carried a small Associated Press wire service story on page 12 about the resignation of one Bush Administration official named in the scandal. The rest of The AP article focused exclusively on the investigation of fraudulent credit card billings being undertaken by the office of U.S. Attorney Jay Stephens, which was but a minor aspect of the *Washington Times* story.

By contrast, Friday's *Washington Post* carried nothing at all about the *Washington Times*' revelations.

However, the Saturday edition of the paper did carry a story, with a one-column headline, in the "Metro," or local, section.

Interestingly, big-media coverage of the revelations ignored the *Washington Times* report that "members of major

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## RING

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news organizations also procured escort services from the ring, credit card documents show."

The Thursday evening news programs on the three major American broadcasting networks seemed to play down the story, with ABC's *World News Tonight* ignoring it altogether.

Of the three evening news programs on June 29, only CBS News and NBC News mentioned the story.

Sitting in for anchorman Dan Rather, Connie Chung reported, midway through the broadcast, "Sources confirmed a *Washington Times* report today that D.C. police and the Internal Revenue Service are investigating a male prostitution ring whose clients may have included people connected to the Reagan and Bush administrations.

"But the sources told CBS News there is no indication at present that the investigation involves any high government or military officials."

On the *NBC Nightly News*, anchorman Tom Brokaw reported, "If Washington doesn't have enough to talk about these days, *The Washington Times* reported today that unidentified White House aides in the Carter, Reagan and Bush administrations are being investigated for using the services of a call boy ring.

"The paper reports that two of the male prostitutes were given a late-night tour of the White House last year. The White House press secretary, Marlin Fitzwater, said he knew nothing of this investigation.

### Prostitution Downplayed

"NBC's Lisa Myers reports her sources in the U.S. Attorney's Office say the investigation is not focusing on prostitution, but on fraud involving the use of credit cards to pay the call boy service."

Conservative commentator and columnist Patrick Buchanan noted on his Saturday night Cable News Network program, *Capital Gang*, that the

treatment of the story by *The Post* reflected the view that it was "a local matter of minor vice" and not a major scandal.

Another guest on the program, *Wall Street Journal* Washington bureau chief Albert Hunt, said that *The Post* was trying to treat the story as just a "credit card scandal," because some clients of the prostitution ring used credit cards to procure male homosexuals.

Hunt said the *Post's* downplaying of the story was "really a bit much."

"I think *The Washington Times* deserves credit for exhaustive reporting," he added.

De Borchgrave told the *New York City Tribune* that he was informed that

*Washington Post* Executive Editor Benjamin Bradlee's reaction to the scandal story was that he "went through the ceiling" in anger over having been scooped, and that "he raised hell for more than 2 hours because *The Post* had been working on the story for more than 5 months and couldn't crack it."

The copyrighted *Washington Times*

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story, written by Paul Rodriguez and George Archibald and which was carried under front-page, banner headlines, revealed that a homosexual prostitution ring was under federal investigation and that one of its clients, Washington power broker Craig Spence, was so politically connected that he arranged a middle-of-the-night White House tour on July 3, 1988, for his friends, including two male prostitutes.

One of the clients named, Labor Department official Paul Balach, im-

mediately resigned his post. Balach was Labor Secretary Elizabeth Dole's personnel liaison officer to the White House.

Another identified client, Charles Dutcher, was a former associate director of presidential personnel in the Reagan administration.

The story also said unnamed "military officers" and "congressional aides" were among the ring's clients.

### Fear KGB Blackmail

The story noted concern by former Pentagon officials that the male prostitutes employed by the ring could have been used by the Soviet intelligence service to blackmail government officials for espionage purposes.

"Operators of the ring told *The Times* that videotapes, audiotapes and still photographs were made of sex acts performed by clients and the call boys, including perverted acts," the article said.

Balach acknowledged that several clients, including himself, were blackmailed by the prostitutes.

A follow-up *Times* story on June 30 by Michael Hedges and Jerry Seper went into greater detail about power broker Spence.

It identified Spence as a big party-giver who provided guests with cocaine, as well as prostitutes, and electronically bugged his bashes to obtain potential blackmail material.

*The Times* named only one member of the media— one of its own assistant managing editors, Stanley Mark Tapscott, who worked for the Office of Personnel Management in the Reagan administration.

*The Times* said that Tapscott denied procuring homosexuals or sexual services of any kind and that he used the ring to arrange a meeting with two women as part of an investigation into dial-a-porn services. "His editors knew of no such investigation," *The Times* reported.

Tapscott's "resignation" was accepted on June 20, the paper added.

## Lobbyist Is Arrested in New York

Craig J. Spence, a Washington lobbyist who is a subject of a Federal investigation of male prostitution in Washington, is facing cocaine and gun possession charges in New York, the Manhattan District Attorney's office said yesterday.

Mr. Spence, 48 years old, was arrested July 31 at the Barbizon Hotel at 140 East 63d Street in Manhattan. Gerald McKelvey, a spokesman for District Attorney Robert M. Morgenthau, said Mr. Spence had called the police to say a man in his room had just robbed him of \$6,000 at gunpoint.

When the police arrived, Mr. McKelvey said, they found Mr. Spence and another man, Casey Regan, 22, in the room arguing. Mr. Spence told the police that Mr. Regan had stolen a gun from him and then used it to rob him. The police also found a small amount of cocaine in an envelope, Mr. McKelvey said.

Mr. Spence was charged with criminal possession of a loaded .32-caliber pistol, a felony that carries a maximum seven-year sentence, and with criminal possession of an illegal drug. He was released on his own recognizance. Mr. Regan was charged with possession of the gun and the drug and also with armed robbery.

At his arraignment in Manhattan Criminal Court on Aug. 1, Mr. Spence said that he met Mr. Regan on Times Square and that they returned to his hotel room.

Mr. Regan lives in Brooklyn and works as a loader in a warehouse, Mr. McKelvey said.

Mr. Spence's court-appointed lawyer



Craig J. Spence, who faces cocaine and gun charges.

did not return a reporter's telephone calls, and his business in Washington, Craig Spence Associates, does not have a listed number.

The Secret Service, the District of Columbia Police Department and the United States Attorney's office in Washington are investigating Mr. Spence's alleged patronage of a homosexual escort service there. In the 1980's, he built a reputation as an influential lobbyist who represented many Japanese concerns and threw extravagant parties but who kept his private life to himself.

November 12, 1989

## Lobbyist Linked to Sex Case Is Found Dead

AP

**BOSTON, Nov. 11**— Craig Spence, a lobbyist linked to a homosexual escort service under Federal investigation, was found dead in a hotel room here, the police said today.

Mr. Spence, 49 years old, was found in the Ritz-Carlton Hotel on Friday after firefighters used a saw to cut open his door, which was barricaded with a bed. Leonard Atkins, the Suffolk County Medical Examiner, said that an autopsy had been completed but that it might be weeks before a cause of death was announced.

The Washington Times reported in August that Mr. Spence disclosed he had AIDS and had threatened to commit suicide.

Mr. Spence was identified by the paper as a customer of a homosexual escort service being investigated by the Secret Service, the District of Columbia police and the United States Attorney's office for suspected credit card fraud. The newspaper said he spent as much as \$20,000 a month on the service. He has also been linked to a White House guard who has said he accepted an expensive watch from Mr. Spence and allowed him and friends to take late-night White House tours. Mr. Spence was a former correspondent for ABC News.

## Political figures linked to male sex ring

WASHINGTON (AP) — An aide to Labor Secretary Elizabeth Dole resigned yesterday in the midst of a fraud investigation centering on an alleged homosexual prostitution ring.

U.S. Attorney Jay Stephens confirmed the investigation into alleged credit card duplicate billings after The Washington Times reported that the ring was patronized by Reagan and Bush administration officials, congressional aides and one of its own former editors.

One of a handful of individuals named in the Times article, Paul R. Balach, resigned last night.

"I hereby resign my position this date due to the public disclosure of activities concerning my personal life," Balach said in a letter announcing his resignation as Dole's political personnel liaison to the White House.

Balach, who said he was a victim of the overbillings, said he quit to spare the department disruption.

Secret Service agents and District of Columbia police raided a house in a posh section of the city on two occasions, in February and May. Affidavits used to obtain the search warrants said escort services using names such as "Dream Boys" and "Man to Man" were using the house.

In applying for the search warrant, District police Detective Gerald W. Robertson said the investigation had produced "probable cause to believe that records and evidence related to an interstate prostitution business" were there.

Stephens refused to talk about allegations of the ring, but said in a statement that his office "has been investigating allegations involving credit card fraud arising from the execution of those warrants."

During the raids, officers confiscated multi-line telephones, paging devices, credit card imprinters, numerous bank statements, credit card slips and a diary of the escort business, according to an inventory filed in U.S. District Court.

The Washington Times said it has obtained a number of credit card slips and it identified individuals who paid for services, including Balach.

Labor Department sources said Balach had decided yesterday morning to take a few days annual leave after being named by the Times as a patron of the prostitution service. The paper said Balach claimed that an escort he had hired later fraudulently used his credit cards.

The Times quoted unnamed wit-

nesses and law enforcement agents as saying the Secret Service kept one box of seized files containing names and other information about high-level government officials who were clients of the male escort business.

Law enforcement officials familiar with the probe said investigators have obtained credit card receipts and phone logs linking additional political figures to the prostitution ring. The officials refused to provide additional details.

Robert Snow, a spokesman for the Secret Service, said its agents are working for Stephens. He said the U.S. attorney will present the case to a grand jury.

The Times said Stanley Mark Tapscott, one of its former assistant managing editors, was among those who used escort services. Tapscott, who resigned June 20, said he had not paid for sexual services of any kind, but was conducting an investigation into dial-a-porn services. The paper said its editors were unaware of Tapscott's reporting assignment.

Another individual identified by the Times as a patron of the escort services was Charles K. Dutcher, former associate director of presidential personnel for Reagan.



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.

2/10/89

## Spence was target before raid on ring

By Jerry Seper  
and Michael Hedges  
THE WASHINGTON TIMES

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

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# SPENCE

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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, per-

sons 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.

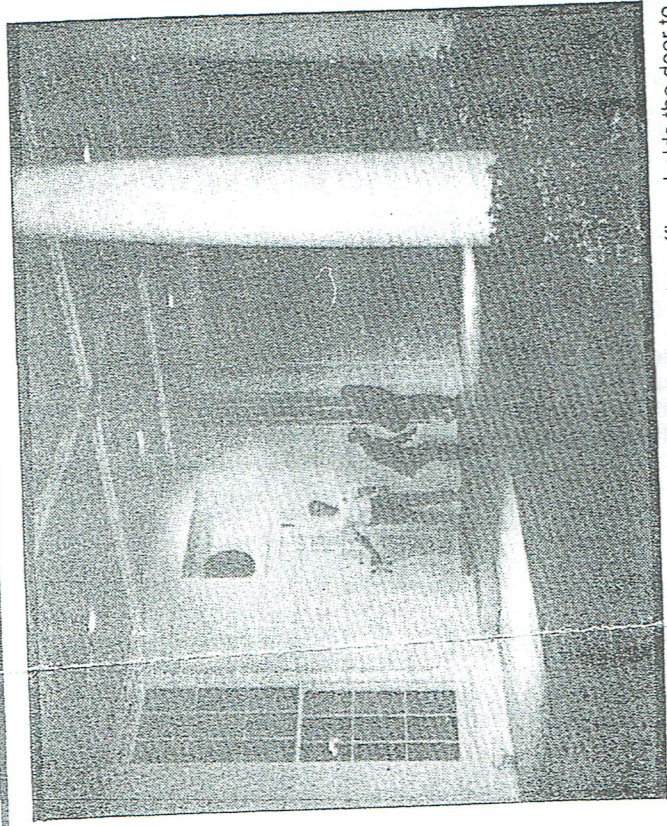
Mr. Spence collected key officials of the Reagan and Bush administrations, media celebrities and high-ranking military officers, among others, for his glittery dinner parties at his Kalorama home. According to friends, visitors to Mr. Spence's Wyoming Avenue NW house and records, the host eavesdropped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

cretions.

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



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 participant.

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 Sousuke 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. deGauldre, 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. deGauldre's home.

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