

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

|                             |   |                       |
|-----------------------------|---|-----------------------|
| UNITED STATES OF AMERICA EX | . | Docket No. CA 96-1258 |
| RELATOR ERVIN AND           | . |                       |
| ASSOCIATES, INC.,           | . |                       |
|                             | . |                       |
| Plaintiff,                  | . | Washington, D.C.      |
|                             | . | March 9, 1998         |
| vs.                         | . | 11:00 a.m.            |
|                             | . |                       |
| HAMILTON SECURITIES GROUP,  | . |                       |
| INC., et al.,               | . |                       |
|                             | . |                       |
| Defendants.                 | . |                       |
|                             | . |                       |
| .....                       | . |                       |

TRANSCRIPT OF SEALED MATTER  
BEFORE THE HONORABLE STANLEY SPORKIN  
UNITED STATES DISTRICT JUDGE.

APPEARANCES:

|                    |   |
|--------------------|---|
| For the Plaintiff: | ANTHONY ALEXIS, ESQ.<br>U.S. Attorney's Office<br>555 Fourth Street, N.W.<br>Washington, D.C. 22001     |
|                    | Tucker Flyer<br>By: DANIEL M. HAWKE, ESQ.<br>1615 L Street, N.W.<br>Suite 400<br>Washington, D.C. 20036 |

For the Defendant:

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| Court Reporter: | BEVERLY J. BYRNE<br>Official Court Reporter<br>Room 6810 U.S. Courthouse<br>Washington, D.C. 20001<br>(202) 273-0899 |
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Proceedings reported by stenomask, transcript produced from dictation.

P R O C E E D I N G S

1  
2 THE DEPUTY CLERK: U.S. ex rel Ervin versus Hamilton  
3 Securities, Civil Action 96-1258.

4 THE COURT: Has this got to do with the subpoena?

5 MR. ALEXIS: It's the same matter, Your Honor, but  
6 in a different fashion. This is the qui tem lawsuit, and the  
7 United States had to actually move to enforce a subpoena. And  
8 because of that, we haven't seen any of those documents that  
9 allow us to conduct an evaluation.

10 THE COURT: How much more time are you going to  
11 need?

12 MR. ALEXIS: At this point I see at a minimal 120  
13 days, because as I understand they're going to meet with the  
14 special master or they've already met with the special master,  
15 and then as they get the documents, that's probably going to  
16 take --

17 THE COURT: How's he working out?

18 MR. ALEXIS: My understanding is well. They worked  
19 late into the night on Friday, and they have a meeting today  
20 with him. All weekend actually.

21 THE COURT: He's a pretty savvy guy.

22 MR. ALEXIS: Yes. I understand that the government  
23 is happy, and that they are moving forward, which should allow  
24 us --

25 THE COURT: I forgot. They have a lot of extra

1 space because they just came out of a big case. They did a  
2 billion dollar -- they were a billion dollar special master.  
3 I don't know if you remember that. It was the Prudential  
4 case. They gave away a billion dollars.

5 All right. So they have some space there. It just  
6 is an ideal situation as I see it, and what I compliment them  
7 on is that they're willing to do it almost pro bono because  
8 that cost does not -- whether it was \$100, right, I put in  
9 there.

10 MR. ALEXIS: Yes, which is private firm language is  
11 you're losing money.

12 THE COURT: Mr. Goldman couldn't take it because,  
13 well, first of all, he didn't like the money, but secondly,  
14 you needed someone right away, and he wasn't available.

15 All right. What's the next thing?

16 MR. ALEXIS: After we -- well, we would just like --

17 THE COURT: All right. Let's give a date, 120 which  
18 is what date?

19 MR. ALEXIS: July 10.

20 THE COURT: July 10 at what time?

21 THE DEPUTY CLERK: As a status?

22 THE COURT: Yes.

23 THE DEPUTY CLERK: We can do that at 10:30.

24 THE COURT: July 10 at 10:30. All right.

25 What's the next thing?

1 MR. ALEXIS: And that the matter stay under seal  
2 until our hearing.

3 THE COURT: Right.

4 MR. ALEXIS: That's all the government --

5 THE COURT: All right. We better tell the special  
6 master it's under seal. Does he know that?

7 MR. ALEXIS: I believe he does. Yes, he does.

8 THE COURT: Now, but there's another matter I had.  
9 When is that? Are you involved in that?

10 MR. ALEXIS: I hope not. I haven't heard about it.

11 THE COURT: It's the same case, isn't it? Well, I  
12 think they got to be in on it, don't they? Well, somebody  
13 else is trying to get those records.

14 MR. ALEXIS: Which records?

15 THE COURT: What's the name of that case?

16 THE LAW CLERK: It's the Drumm case.

17 THE COURT: U.S. versus Drumm?

18 THE LAW CLERK: No, it's Drumm versus Hamilton  
19 Securities.

20 MR. ALEXIS: Oh, I don't believe that's my case.

21 THE COURT: Well, it's somebody's case.

22 THE LAW CLERK: It's a separate party.

23 MR. ALEXIS: Is it a FOIA case?

24 THE COURT: No, no, no.

25 THE LAW CLERK: Litigation in Louisiana.

1 MR. ALEXIS: Okay. I've heard about that.

2 THE COURT: Somebody has got to be here, because  
3 they're trying to get the special -- they're going to try to  
4 get the records that the special master has.

5 MR. ALEXIS: And that's the one that's been handled  
6 by main Justice I believe. It must be. I haven't heard of  
7 the case before.

8 THE COURT: Well, somebody better get on that. And  
9 somebody from your office ought to be here.

10 MR. ALEXIS: What time is that?

11 THE DEPUTY CLERK: 2:30 I think. 2:30 this  
12 afternoon.

13 THE COURT: It's U.S. versus -- what's that, U.S.  
14 versus Drumm Real Estate?

15 THE LAW CLERK: No, it's Drumm --

16 THE COURT: I have it as U.S. versus Drumm Real  
17 Estate.

18 MR. ALEXIS: And there is no --

19 THE DEPUTY CLERK: It's Miscellaneous Case No.  
20 98-66.

21 MR. ALEXIS: And there is no one that's actually  
22 entered their appearance for the United States yet?

23 The problem with 2:00 o'clock, Your Honor, actually  
24 I'm in training right now out in Reston.

25 THE COURT: Well, I can't do -- these people are

1 coming in from New Orleans.

2 MR. ALEXIS: Okay.

3 THE COURT: And it's been scheduled.

4 MR. ALEXIS: I'll find someone if I -- if I will not  
5 be here, I'll find someone.

6 THE COURT: Maybe the attorney from the Department  
7 ought to be here. Somebody ought to be knowledgeable. We  
8 did, because what it is is they're seeking records. They got  
9 a subpoena.

10 MR. ALEXIS: And Hamilton obviously can't comply if  
11 they don't have the documents any more would probably be  
12 Hamilton's response.

13 Okay. I'll make sure that someone is here.

14 THE COURT: And I think if they're going to -- if  
15 it's going to require the special master, then they got to pay  
16 some of the costs, the difference in -- you wouldn't have it,  
17 because Hamilton doesn't have any money, but it seems to me  
18 that if the special master is going to have to do something in  
19 that case, so you'll have to make some arrangement.

20 MR. ALEXIS: Okay.

21 THE COURT: I think it's just appropriate.

22 MR. ALEXIS: Okay.

23 THE COURT: All right.

24 MR. ALEXIS: 2:30?

25 THE COURT: All right. Next case then.

1 MR. ALEXIS: Thank you, Your Honor.

2 THE COURT: Thank you. I'll tell you, I've seen  
3 complicated cases before. With all these parties, this is  
4 going to be complicated beyond belief.

5 MR. ALEXIS: I don't think it's going to ever get  
6 any easier. There's a ripple effect because of all the note  
7 sales, so it's only going to get harder as people start to use  
8 the note sales, effective note sales that defense is asked to  
9 pay back.

10 Are the pleadings under seal in that matter?

11 THE DEPUTY CLERK: No.

12 MR. ALEXIS: Can I have the docket number so I can  
13 get --

14 THE DEPUTY CLERK: Miscellaneous No. 98-66.

15 (Whereupon, the proceedings were concluded at 11:10  
16 o'clock a.m.)

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CERTIFICATE

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I certify that the foregoing is a correct transcript  
from the record of proceedings in the above-entitled matter.

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BEVERLY J. BYRNE  
Official Court Reporter