

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES <i>ex rel.</i>)	
ERVIN AND ASSOCIATES, INC.)	
)	
Plaintiffs,)	
)	
v.)	Civ. Action No. 1:96-CV-1258 (LFO)
)	
THE HAMILTON SECURITIES)	
GROUP, INC. <i>et al.</i>)	
)	Declaration of John J. Ervin
)	
Defendants.)	
)	

DECLARATION OF JOHN J. ERVIN

I, John J. Ervin, state and declare as follows:

1. I have been the President of Ervin and Associates, Incorporated since July 1, 1989. In that capacity, I directed all of Ervin and Associates' business with the Department of Housing and Urban Development ("HUD"), and business that related to HUD note sales. I also directed all of Ervin and Associates' efforts to seek business with buyers of HUD notes for the purposes of servicing these notes after purchase.

2. During 1995 and 1996, Ervin and Associates employed Michael Nathans, a consultant with Penn Capital, Inc., to pursue opportunities relating to HUD's note sales on behalf of Ervin and Associates

3. A few days after the initial offer on HUD's first single family note sale (held on October 25, 1995), Michael Nathans informed me that he had learned from Terry DeWitt of J-Hawk (an investment firm), that Jeff Parker of Cargill, BlackRock's bidding partner on the sale, had told Mr. DeWitt that Hamilton had approached the BlackRock bidding team and offered it an

opportunity to increase its single family note sale bid and win all of the assets. At this time, there was no information that Hamilton had not offered this opportunity to other bidders.

4. A few days later, on November 7, 1995, I attended a meeting in New York City with representatives of Goldman Sachs and BlackRock. Also attending the meeting on behalf of Ervin and Associates were Michael Nathans, an Ervin consultant, and Lucy Du, an Ervin employee. Attending the meeting on behalf of BlackRock were Wes Edens, Randy Nardone and Mark Begeny. Attending the meeting on behalf of Goldman Sachs were Mike Offit, Peter Briger and Adam Sherman. The purpose of the meeting was to discuss HUD's single family, state agency and Mark-to-Market activities. At this time, Goldman Sachs' and BlackRock's representatives informed us that the two investment firms were to be considered as "one and the same" for purposes of all HUD note sales and restructuring activities.

5. I knew from this meeting with Goldman Sachs' representatives, and from discussions with Michael Nathans, that Goldman intended to bid on the Partially Assisted note sale and to participate in HUD's state agency and Mark-to-Market initiatives for subsidized loans.

6. Subsequently, I learned from Michael Nathans that he learned that BlackRock was a subcontractor to Hamilton on the Partially Assisted note sale. See Attachment 1 at 4. Based on the information in the preceding paragraphs, I concluded that BlackRock's arrangement with Hamilton created an irreconcilable conflict of interest. I also believed that their arrangement created the possibility for insider trading and potential violations of federal securities laws and regulations. Because Hamilton ignored this conflict and permitted BlackRock and Goldman Sachs to bid on note sales, I concluded that Hamilton was also involved.

7. The information in the preceding paragraph also caused me and others at Ervin and Associates to question whether the opportunity that Hamilton had given BlackRock to raise its bid in the first single family note sale was proper.

8. In late March 1996, I and others at Ervin and Associates learned that BlackRock had won the second single family note sale held on March 20, 1996, and that Hamilton had not conducted a best-and-final round of negotiations despite the fact that the bids were very close.

9. On March 29, 1996, I had a telephone conversation with William Richbourg, the HUD employee who was directing the note sales. In that conversation, I told Mr. Richbourg that I suspected that inside information that was not available to other bidders had been obtained by BlackRock (and by implication its partner Goldman Sachs) that enabled them to win assets in HUD's note sales. I based this conclusion on the information set forth in the preceding paragraphs of this Declaration.

10. In this same March 29, 1996 conversation, after I made this statement, Mr. Richbourg told me that Hamilton's original subcontractor on the first single family note sale, Asset Strategies Group, Inc., had written a letter to HUD. Mr. Richbourg stated only that the letter described a planning meeting in which Hamilton discussed the details of the first single family note sale while BlackRock representatives were also in attendance. Mr. Richbourg did not disclose any other information about the content of this letter, and he did not provide a copy of this letter to me at that time or at any other time.

11. On May 22, 1996, Mr. Richbourg told me that a BlackRock employee had been stationed throughout bid day in the lobby of the hotel in which bids on the second single family note sale were being received, and that the employee did not submit BlackRock's bid until very

closing to the bid deadline.

12. In 1996, after Ervin and Associates filed the original *qui tam* Complaint, I asked Mr. Michael Nathans to prepare a memorandum of all the conversations he had with individuals who provided information in connection with the allegations in Ervin's *qui tam* Complaint. A copy of that memorandum, signed by Mr. Nathans at the time, is attached to this Declaration as Attachment 1. In that memorandum, Mr. Nathans sets forth the details of his conversations with Mr. Terry DeWitt described in paragraph 3 of this Declaration. Attachment 1 at 2.

I declare, under penalty of perjury, that the foregoing is true and correct.

Executed on: 10/24/2000


JOHN J. ERVIN