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DAVID A. HANDZO

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January 6, 1998

BY HAND DELIVERY

Judith Hetherton
Counsel to the Inspector General
U.S. Department of Housing and Urban Development
Office of the Inspector General
451 7th Street, S.W.
Washington, D.C. 20410-4500

Re: Hamilton Securities Advisory Services, Inc. and The Hamilton Securities Group, Inc.

Dear Ms. Hetherton:

Your letter of December 22, 1997, invited Hamilton to provide you with any information suggesting that the HUD Office of the Inspector General has leaked information to the media regarding its investigation. This letter responds.

- On October 24, 1997, The Washington Times ran an article headlined "HUD orders fired firm to surrender documents." The article, which necessarily was written on October 23, reported HUD's "demand" that Hamilton "immediately" turn over all documents related to the sales for which errors in optimization analysis occurred. The Inspector General subpoena to which this article obviously referred was served on Hamilton at 4:57 p.m. on the same day the article was published - October 24. Indeed, your letter to me of October 27, 1997, recites that Hamilton's counsel was first informed of the existence of the subpoena at 3:15 p.m. on the 24th. We can draw no other conclusion than that The Washington Times was informed of the subpoena at least 24 hours before it was served on Hamilton, and we can think of no possible source for such information other than HUD's Office of the Inspector General. Please provide me with a list of the

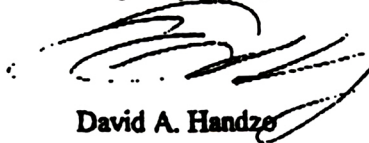
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individuals at HUD who knew on October 23 that the subpoena was about to be issued. In addition, please inform me in writing what steps you are taking to determine which of these individuals revealed this information to The Washington Times.

- ▶ On October 7, 1996, U.S. News & World Report reporters Ed Pound and Tim Ito wrote a letter to C. Austin Fitts stating that "[w]e have it on good authority that you and your company are a principal focus of the HUD IG investigation." Similarly, in a meeting with Austin Fitts, Mr. Pound stated that a source "of the highest authority in the HUD IG's Office" indicated that Hamilton was guilty of criminal misconduct. We do not understand how Messrs. Pound and Ito could know that Hamilton was a focus of the IG investigation unless someone in the IG's office provided that information. Confirming that suspicion, Mr. Pound's comment to Ms. Fitts expressly claimed a high-level source within the IG's office. Please inform me, in writing, who in the IG's Office communicated with Mr. Pound and Mr. Ito and what the substance of the communication was.
- ▶ The U.S. News & World Report article published on November 11, 1996, quotes from a 1993 Hamilton document (bates number 0010184-0010211) that was provided to your office pursuant to subpoena on August 30, 1996. That document was confidential, inasmuch as it was part of Hamilton's bid proposal for Contract No. 18161. Obviously, therefore, only HUD and Hamilton possessed copies. Hamilton did not provide a copy of the document to the reporters. Necessarily, HUD was the source. And since it is our understanding that the IG's Office took possession of Hamilton-related documents from other divisions of HUD, only the IG's Office could have been the source of this document. Please let me know how this document came into the possession of the reporters.

I look forward to your prompt response.

Very truly yours,



David A. Handzo

cc: Leslic H. Lepow, Esq.