

# Neighbors, Prosecutors Put Pressure on Owner

LOGAN CIRCLE. From B1

"Just major headaches," agreed David Keifrider, who lived near the apartment building for three years before moving to another block out of frustration last November. "Gunfire would break out at any given time. There was constant traffic and drug dealing. That whole place has caused a lot of trouble."

After failing to win improvements on their own, members of the Logan Circle Community Association sought help from Operation Crackdown, a volunteer program run by the Young Lawyers Section of the Bar Association of the District of Columbia. That spurred the involvement of the U.S. attorney's office and the recent lawsuit in U.S. District Court against Blue White.

The suit was the first filed under an antidrug law, enacted by the D.C. Council last year, that gives the court authority to demand that drug-related nuisances be brought under control. Judges can order recalcitrant owners to pay damages and in some cases even seize the property itself.

Blue White officials chose to settle the dispute and signed an agreement last week. The agreement says Blue White contests the lawsuit's allegations, but the owners vowed to provide security every day from 4 p.m. until 6 a.m., install new locks, lights, security cameras and an intercom system, and to evict tenants who either engage in or facilitate crime. They also promised to improve trash pickup and tow illegally parked cars.

The agreement calls for most improvements to be made by June 7.

The settlement is subject to approval by Judge Henry H. Kennedy Jr. and calls for the court to retain jurisdiction in the dispute. Assistant U.S. attorneys Lydia Kav Griggsby and Barry Wiegand wanted that clause as an additional guarantee that the neighborhood's concerns would be addressed swiftly.

Scott A. Fenske and Gary G. Evergam, lawyers for Blue White, did not return telephone messages seeking comment on the settlement pact.

Blue White, which took over the apartment complex in 1995, receives \$32,000 a month in sub-



David Keifrider lived near the building at 1421 12th St. NW, rear, for three years. "Just major headaches," he said.

sidies from the federal Department of Housing and Urban Development in return for leasing units to low-income tenants. Neighborhood residents insisted that their dispute is not a struggle to rid the area of the less fortunate, but an effort to make the apartments more secure.

"Everybody recognizes there's some very innocent tenants in that building," said Andrew Hermann, a lawyer from the firm of Wilmer, Cutler & Pickering, who worked pro bono for the community group.

Eric Korpon, a neighborhood resident who helped lead the battle, said the community group got nowhere when it tried to deal directly with Blue White's officers, John Kontos and Thomas Tsianakis. He said the settlement is promising, but cautioned, "Frankly, I am not opening champagne just yet."

According to court affidavits filed by D.C. police detective Nancy M. Brown and neighborhood residents, the complex has long been a haven for drug trafficking, prostitution, public drinking, loitering and trash dumping.

D.C. police obtained 13 search warrants during the past four years to search units in the com-

plex for cocaine, marijuana and other drugs, Brown's affidavit stated. At one point, even the National Guard was deployed to help drive out drug dealers.

Joel Gregorio related a host of aggravations in his own affidavit. Gregorio, who lives in a 70-year-old building next to the apartments and shares an alley with it, said he often saw drug deals and frequently was disturbed by gunshots, including the shooting of street lights.

In an interview, Gregorio said he has been propositioned by prostitutes who work from from evening hours into the morning. The drug dealers, meanwhile, work near the apartments along 12th Street, catering to people in cars from the District, Maryland and Virginia, he said. Several times, Gregorio said, he has witnessed people throwing drugs out of an apartment building's window to people on the street.

Another neighbor, Robert L. Gerber, submitted a court affidavit saying he moved off the block "primarily out of fear for my own security and life."

Gregorio and Gerber were among eight community activists who sued Blue White two years ago in D.C. Superior Court, demanding similar im-

provements. In that case, too, the owners agreed to settle with a promise to make changes. But the settlement agreement had no enforcement provisions.

The volunteer lawyers with Operation Crackdown persuaded D.C. Council members last year to overhaul nuisance laws so neighborhood residents could take action against owners of properties plagued by drug activities. In most cases, lawsuits are not necessary, according to Jennifer M. Quinn, a lawyer with Steptoe & Johnson who works pro bono as the program's chairman.

Quinn said Operation Crackdown has targeted nearly 100 properties in two years, usually resolving matters through letters demanding improvements. Its hot line number (202-828-3643) is busier than ever, she said. The new law gives neighborhood groups a more effective tool, she said, especially when they win additional help from the prosecutors' office.

Mary Brown, who lives around the corner from the apartment building, said the combined pressure makes it more likely that the problems will be eliminated.

"We couldn't be more pleased with the support we've gotten," she said.



# Litigation

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## Andersen scores defense verdict

A Phoenix jury rejects a \$1.4 billion securities fraud suit.

BY MARGARET CRONIN FISK  
SPECIAL TO THE NATIONAL LAW JOURNAL

A PHOENIX JURY ON May 11 rejected a securities fraud class action filed against Arthur Andersen L.L.P. by shareholders in a failed home building company who sought \$95 million in compensatory damages and \$1.3 billion in punitives.

The plaintiffs, several thousand shareholders in UDC Homes Inc., had accused Arthur Andersen, an accounting firm, of "aiding and abetting breach of fiduciary duty and fraud" by the directors and officers of UDC, said plaintiffs' attorney **Robert S. Green**, of San Francisco's **Girard & Green**.

UDC stock had been selling at \$10 a share at the beginning of 1994, but it plummeted to \$1 per share at the end of the year and then became worthless when the company filed for bankruptcy in 1995, said defense counsel **Marshall B. Grossman**, of Los Angeles' **Alschuler, Grossman, Stein & Kahan LLP**. The Phoenix-based company was sold through bankruptcy to another home builder, he said. The stockholders "received nothing," he added.

The shareholders filed securities fraud actions against the directors and officers of UDC, as well as Arthur Andersen and another accounting firm, **Coopers & Lybrand**. The officers set-

led in 1995 for \$12.75 million; **Coopers** settled in early 1999 for \$4 million, Mr. Grossman reported. The plaintiffs were certified as a class in October 1997. *Isco v. Arthur Andersen L.L.P.*, CV No. 95-08941 (Super. Ct., Maricopa Co., Ariz.).

The plaintiffs claimed that UDC had issued false and misleading financial statements for fiscal years 1992, 1993 and 1994 and that Arthur Andersen had signed off on these statements, said Mr. Grossman. Mr. Grossman tried the case with **Michael Cypers** and **Gwyn Quillen**, of **Alschuler Grossman, and Francis J. Burke and Floyd Blenstock**, of the Phoenix office of Washington, D.C.'s **Staples & Johnson LLP**.

These statements painted a rosier picture of the financial status of UDC than was accu-

rate, said Mr. Green, leading shareholders to buy and continue to hold stock in the company. The plaintiffs charged that Arthur Andersen certified \$33.5 million in tax assets "that were worthless" and accepted UDC's inflation of the value of inventory, Mr. Green said.

Coopers was the auditor for UDC until 1992, Mr. Green said. "Coopers refused to certify the financial statements the company wanted, so Coopers was fired. Andersen was hired and certified statements so UDC could raise \$115 million in public bonds. This kept the company afloat until it tanked in May 1995," he said. "The shareholders lost \$150 million." The primary losses to the shareholders came after Arthur Andersen took over, Mr. Green said.

Arthur Andersen contended that neither the accounting firm nor the managers of UDC were responsible for the company's demise.

"UDC was a victim of the increasing interest rates in 1994," said Mr. Grossman. "When interest rates were tightened, UDC suffered more than most because of its highly leveraged capital structure. The company's failure had nothing to do with the audits or the financial statements. The company's failure was related to market conditions, increased interest rates and the financial structure of the company." ■



Andersen's defender: Marshall Grossman blamed interest rates for UDC's demise.