

1 UNITED STATES DISTRICT COURT
2 FOR THE DISTRICT OF ARIZONA

3 **United States of America,**)
4)
5 Plaintiff,) CR-17-000585-PHX-GMS (DKD)
6 vs.) Phoenix, Arizona
7 **Peter Nathan Steinmetz,**) June 23, 2017
8) 3:21 p.m.
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BEFORE: THE HONORABLE JOHN Z. BOYLE, MAGISTRATE JUDGE

TRANSCRIPT OF PROCEEDINGS

INITIAL APPEARANCE

A P P E A R A N C E S

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Transcript Produced by Transcriptionist

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P R O C E E D I N G S

(Court was called to order by the courtroom deputy.)

(Defendant present and in custody.)

(Proceedings begin at 3:21.)

COURTROOM DEPUTY: Case number CR 17-585. *United States v. Peter Nathan Steinmetz*, set for initial appearance.

MR. DAY: Good afternoon, Your Honor. Brett Day for the United States.

MR. STEIN: Good afternoon, Your Honor. Lee Stein specially appearing for Dr. Steinmetz.

THE COURT: All right. Thank you.

MR. DAY: Your Honor, at this time the Government would move to unseal the superseding indictment.

THE COURT: Any objection?

MR. STEIN: No objection.

THE COURT: The motion is granted. The superseding indictment is unsealed.

Mr. Steinmetz, good afternoon. We're here for your initial appearance and arraignment.

THE DEFENDANT: I understand.

THE COURT: Good. Let me advise you of your rights. You have a right to remain silent. Anything you say can be used against you in the future. You have the right to have counsel represent you. If you could not afford an attorney, one would be appointed for you without charge. I know

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1 Mr. Stein is appearing in a limited capacity if I understand it
2 correctly. So he's representing you at this time.

3 Is the Government seeking detention?

4 MR. DAY: We are Your Honor.

5 THE COURT: Mr. Stein, regarding detention, how do
6 you wish to proceed on that matter?

7 MR. STEIN: Your Honor, we would like a detention
8 hearing. But we would ask that Dr. Steinmetz be released on
9 his own recognizance pursuant to the recommendation of Pretrial
10 Services pending that hearing. There's been no showing that
11 he's either a flight risk or a danger to the community. I do
12 have his passport here which incidentally doesn't show any
13 international travel beyond 2009. I'm ready to turn this over
14 to the Government to ensure that he is here in court.

15 THE COURT: Well, normally I grant the detention
16 request and set a hearing as a matter of course. If you are
17 able to, Mr. Day, describe just what your proffer would be to
18 request detention either as a flight risk or danger. I
19 reviewed the Pretrial Services report.

20 MR. DAY: Your Honor, I apologize. I don't have that
21 information. I would just request the Government's entitled to
22 a continuance pursuant to 3142. I would ask for a continuance
23 of the detention hearing to Wednesday or thereafter to allow
24 the assigned AUSA to appear on this particular matter. I,
25 unfortunately, do not have for the Court any information. I

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1 would ask that, pursuant to 3142, that the defendant be
2 detained until that detention hearing.

3 THE COURT: All right. I want to postpone this until
4 a little later in the day. You're going to have to contact
5 someone to get some information to give me an understanding
6 under what basis you would proceed.

7 I'll tell you this may be the first time in three
8 years that I've set this off. Just having reviewed this, I see
9 the charges. They are significant. But otherwise, every
10 factor points toward release.

11 MR. DAY: Certainly, Your Honor.

12 THE COURT: I'm not prejudicing you really to argue
13 that point. I just would like to know what's the basis in
14 fact.

15 So, Mr. Stein, that means at least temporarily I'm
16 going to give him time. Do you have the ability to stay until
17 4 o'clock?

18 MR. STEIN: As late as you want, Your Honor.

19 THE COURT: All right.

20 Dr. Steinmetz, we're resetting your matter until 4
21 o'clock.

22 That will give you half an hour. If you can just
23 make a proffer at least what you would be basing the detention
24 request on, that will suffice; but you'll need to tell me more
25 than the attorney who is requesting it may want that.

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1 MR. DAY: I understand, Your Honor. Unfortunately,
2 the attorneys are not in the office today. One of the
3 attorneys did show up here a little bit earlier so I don't
4 think it will be any problem for me to get that information. I
5 would have had that information for the Court prior to the
6 hearing but for the fact that they were out the office today.

7 THE COURT: Okay. We'll be back at 4 o'clock today.

8 MR. DAY: Wait, Your Honor. One of the attorneys
9 just showed up.

10 THE COURT: Okay. Well --

11 MR. DAY: Do you want to continue forward?

12 THE COURT: No. We'll move it down the calendar.
13 Speak for a moment, tell him the issues and we'll recall this
14 before 4 o'clock.

15 (Recess at 3:25; resumed at 3:49.)

16 COURTROOM DEPUTY: Recalling CR-17-585, *United States*
17 *v. Peter Nathan Steinmetz, initial appearance.*

18 MR. BINFORD: Good afternoon, Your Honor. Matthew
19 Binford on behalf of the United States.

20 THE COURT: Good afternoon. Thank you for being
21 here.

22 MR. STEIN: Lee Stein for the defendant.

23 THE COURT: All right. Good afternoon. Good
24 afternoon, Dr. Steinmetz, once again.

25 Okay. We were here regarding a detention issue. The

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1 Government wanted a detention hearing. I reviewed the Pretrial
2 Services report, the indictment. This is a rare occurrence
3 where I just wanted the Government to proffer what basis they
4 would be requesting detention under.

5 MR. BINFORD: Thank you, Your Honor. And I had an
6 opportunity to speak with Mr. Stein out during the short recess
7 and the reason we were initially seeking detention is based on
8 Mr. -- Dr. Steinmetz's assets that are held in overseas
9 accounts. We know that recently he had over a million dollars
10 in Japan. He had more than \$600,000 reported from the
11 Netherlands and more than \$300,000 reported in an account in
12 the United Kingdom. The allegations here involve transactions
13 that occurred with people that are operating on the Dark Web
14 and transactions that, as Dr. Steinmetz himself has admitted in
15 the past, have exceeded tens of thousands of dollars at once.

16 So that was our reason for seeking detention. We
17 thought that he might be a flight risk. He owns an airplane
18 that he keeps out at Falcon Field. Since the search of his
19 home back on April 20, records show that he's accessed the
20 airport and flown several times. There's no transponder
21 information from those dates. So we weren't clear if he was
22 turning his transponder on while he was flying his plane. And
23 we just have some concerns about his flight.

24 I spoke with Mr. Stein. He assured me that
25 Dr. Steinmetz is not a flight risk and he offered some things

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1 and I asked for some things and we've agreed that Dr. Steinmetz
2 will turn over his passport. And then we would ask the Court
3 to impose a few additional conditions including turning over
4 all firearms that Dr. Steinmetz owns, turning -- I'm sorry,
5 submitting to GPS monitoring so that he does not feel
6 threatened to leave, and then there was one other condition.
7 Oh, and just no access to the airplane.

8 THE COURT: That he not use the airplane for any
9 reason?

10 MR. BINFORD: Well, given our proximity to the Mexico
11 border, the agents, myself, we have concerns that he could get
12 in that airplane, fly and be out of the country and go overseas
13 where he has more than a million dollars in foreign accounts.

14 THE COURT: That's fine. I just need to order it.
15 You want an order that says he's not to use that airplane?

16 MR. BINFORD: We know that he has an access card that
17 he needs to get to the airport. If he surrenders that access
18 card, I think that would be reasonable.

19 THE COURT: A GPS monitoring -- let me ask Pretrial
20 Services, can that be installed on Monday if he's released
21 today?

22 PRETRIAL OFFICER: Yes, Your Honor, but as you're
23 aware, we usually try to get out to the residence just to make
24 sure that the GPS is working and it's appropriate. But I think
25 in this case it should be fine.

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1 THE COURT: Right in the middle of Tempe. Normally,
2 we do wait but that would delay his release.

3 PRETRIAL OFFICER: I think we'll be good with that.
4 I didn't really understand where it was.

5 THE COURT: Do you want him to report here, then, to
6 Pretrial Services or does Pretrial Services want to meet him at
7 his residence?

8 PRETRIAL OFFICER: No. He would report here.

9 THE COURT: All right. Normally, sir, you would be
10 transported directly from the marshal to Pretrial Services.

11 Okay. I'll review the release conditions with you,
12 Mr. Kinley. Let me move on. I don't know that we've handled
13 the arraignment questions.

14 Did you review the first superseding indictment with
15 Dr. Steinmetz, Mr. Stein?

16 MR. STEIN: Yes.

17 THE COURT: Do you waive reading?

18 MR. STEIN: Yes.

19 THE COURT: Sir, the Court will enter pleas of not
20 guilty on your behalf as to Counts 1 and 2 and a denial
21 forfeiture allegation. Your pretrial motion deadline is July
22 7. It has been set at July 7 at 9:00 a.m. Your trial date is
23 August 1 at 9:00 a.m. before Judge Humetewa. So August 1 at 9
24 a.m. is your current trial date. That date can change.

25 I'm going to review your release conditions with you.

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1 One of those will be that you maintain contact with Mr. Stein
2 or his firm by Friday noon of each week. You can do that by
3 phone. You are always responsible for your court dates.

4 Do you understand?

5 THE DEFENDANT: Yes, I do, Your Honor.

6 THE COURT: Okay. There was one other question about
7 a cash bond which also could be ordered for next week. I had
8 also considered that point. I did want the Government's
9 position. He could post a cash bond by next week. Candidly, I
10 was thinking of the cash bond by next Friday at 5 p.m. of
11 \$100,000.

12 I'm trying to accommodate your release now to give
13 you time to not hold you in custody but we want conditions. If
14 the Government is not requesting it, I won't post it.

15 MR. BINFORD: I think given the other conditions that
16 Mr. Stein and I have agreed upon, I don't think that the
17 \$100,000 cash bond is necessary.

18 THE COURT: All right.

19 MR. STEIN: Your Honor, if I can readdress the Court
20 on the condition of --

21 PRETRIAL OFFICER: We could put the monitor on today
22 after he gets released.

23 THE COURT: All right. Well then, sir, the marshals
24 will release you directly to Pretrial Services and they will
25 begin the monitoring today.

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1 THE DEFENDANT: I understand.

2 THE COURT: At least affixing it to you and it will
3 be part of your release condition. So you are required to
4 appear at all proceedings and surrender for a sentence if one
5 is imposed in your case. Do you understand that?

6 THE DEFENDANT: Yes, I do.

7 THE COURT: You're not to commit any violations of
8 state federal or local law. You are to surrender for the
9 submission of a DNA sample if authorized by law. You are to
10 maintain contact with your attorney by Friday of each week.

11 Does Dr. Steinmetz have a passport or travel
12 documents?

13 MR. STEIN: I've got them with me, Your Honor.

14 THE COURT: You'll surrender those today to Pretrial
15 Services. The access card that was referenced regarding the
16 airplane, Mr. Stein, does he have an access card he'll
17 surrender as well?

18 MR. STEIN: He does have an access card at his -- he
19 has an access card at his home. If we give it to the Court --

20 THE COURT: Tuesday, 5 p.m.?

21 MR. BINFORD: That works for the Government, Your
22 Honor.

23 THE COURT: All right. Surrender the access card
24 regarding the airport to Pretrial Services by Friday at 5 p.m.
25 Immediately advise the Court, your attorney, and the U.S.

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1 Attorney in writing if you change your address or telephone
2 number. Of course you'll be under location monitoring. Will
3 you be residing at the Tempe address that is on Julie Drive?

4 THE DEFENDANT: That is my address, Your Honor.

5 MR. STEIN: Your Honor, I'm sorry to interrupt you.
6 You said surrender the access card by Friday?

7 THE COURT: Tuesday. Tuesday at 5. Thank you.

8 MR. STEIN: I just wanted to make sure.

9 THE COURT: You are to report as directed to Pretrial
10 Services. So after you're released today, you'll be released
11 to Pretrial Services. You are not to obtain a new passport or
12 other travel documents.

13 Regarding location monitoring, you will participate
14 in location monitoring program that is directed by Pretrial
15 Services at their discretion which will include GPS monitoring
16 and location monitoring, again at their discretion.

17 Is there any request regarding what type of home
18 monitoring there would be? Pretrial Services we have,
19 obviously, three choices. Does he need to have a curfew to
20 have monitoring?

21 PRETRIAL OFFICER: Your Honor, I think at this point,
22 if we leave it to the discretion of the Pretrial Services
23 officer, at that point, I think while we would be able to
24 determine which of the GPS's --

25 THE COURT: If it's fine. Understand he's not going

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1 to have any curfew or home detention?

2 PRETRIAL OFFICER: Correct.

3 THE COURT: Understood.

4 You'll abide by all the program requirements of that
5 location monitoring in your case.

6 Are there any additions or corrections from the
7 Government?

8 MR. BINFORD: I wasn't sure if the firearms were
9 included. I may have missed it if you said it.

10 THE COURT: No. I can include it.

11 Any objection?

12 MR. STEIN: None.

13 THE COURT: Sir, you're not to possess or attempt to
14 acquire any firearm, destructive device or dangerous weapon or
15 ammunition. Do you understand that?

16 THE DEFENDANT: Yes, I do. And I will consult with
17 my attorney about how to deal with storage of my ammunition.

18 THE COURT: Okay. You'll need to do that very
19 quickly. You're not allowed to have that in your residence so
20 I need to give you a deadline to eliminate that from your home.
21 I'm going to give you until Monday at 5 p.m. Monday at 5 p.m.
22 to remove any ammunition or firearms from your residence.

23 THE DEFENDANT: I understand, Your Honor.

24 THE COURT: Mr. Binford, any other additions or
25 corrections?

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1 MR. BINFORD: No, Your Honor. Thank you very much.

2 THE COURT: You're welcome.

3 Dr. Steinmetz, do you have any questions for the
4 Court?

5 THE DEFENDANT: No, I do not, sir.

6 THE COURT: All right. Again, you are to abide by
7 all trial dates. If you fail to do that, a warrant could issue
8 for your arrest.

9 Mr. Stein, anything else?

10 MR. STEIN: Nothing, Your Honor. Thank you.

11 THE COURT: Thank you.

12 Oh, one more --

13 PRETRIAL OFFICER: I'm sorry, Your Honor. I believe
14 with the GPS condition, that home detention is mandatory for
15 that but we give them a schedule and they are never detained to
16 their house if they don't need to.

17 THE COURT: Fine. I won't impose home detention but
18 all it says is you can leave your home for employment,
19 education, religious services, medical, substance abuse, mental
20 health treatment, attorney visits, court appearances and any
21 other activities preapproved by Pretrial Services.

22 So it's very broad. Basically, you need to consult
23 with Pretrial Services regarding your travel. Other than that,
24 you'll be under the standard conditions of monitoring.

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THE DEFENDANT: Thank you, Your Honor.

THE COURT: All right. Thank you. We're adjourned.

MR. STEIN: Thank you.

(Whereupon, these proceedings recessed at 3:59 p.m.)

* * * * *

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C E R T I F I C A T E

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3 I, ELAINE M. CROPPER, do hereby certify that I am
4 duly appointed and qualified to act as Official Court Reporter
5 for the United States District Court for the District of
6 Arizona.

7
8 I FURTHER CERTIFY that the foregoing pages constitute
9 a full, true, and accurate transcript of all of that portion of
10 the proceedings contained herein, had in the above-entitled
11 cause on the date specified therein, and that said transcript
12 was prepared under my direction and control, and to the best of
13 my ability.

14
15 DATED at Phoenix, Arizona, this 23rd day of January,
16 2018.

17
18
19
20 s/Elaine M. Cropper

21 _____
22 Elaine M. Cropper, RDR, CRR, CCP
23
24
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