
THE SPOKESMAN-REVIEW December 16, 2008

Met class action suit advances

John Stucke / The Spokesman-Review

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A class action lawsuit involving more than 6,000 Metropolitan Mortgage & Securities Co. investors is moving toward trial in 15 months.

The suit seeks \$300 million from two accounting firms and an underwriter that approved the financial reports and disclosures of Metropolitan. The investors include people who bought unsecured bonds called debentures, along with preferred stockholders.

The suit is regarded as the only chance for stockholders to recoup at least some of their investment after Metropolitan's bankruptcy rendered the preferred shares worthless.

Tyler Weaver, an attorney representing investors, said during a court hearing Tuesday that investors relied upon the accounting firms PriceWaterhouseCoopers LLP and Ernst & Young to audit the books of the company to ensure the numbers and business practices were accurate and legal. Underwriter Roth Capital has also been sued for its role in approving the prospectus that investors and brokers used to weigh the risks of investing in Metropolitan.

U.S. District Court Judge Fred Van Sickle last month certified most investors in the lawsuit as a class action. On Tuesday he listened to arguments and will decide within a week if about 100 other investors should be allowed to pursue claims in the class action proceedings.

For 50 years Metropolitan operated as one of Spokane's most successful companies. It was viewed as a steady, income producing investment, buying seller-financed mortgages to earn enough profit to pay its debt obligations and general business operations.

In the 1990s, the firm began to invest more in higher-risk commercial real estate. To finance the ventures, the company accelerated the sale of bonds and used a change in government regulations to sell preferred shares that were traded on lightly regulated stock exchanges.

A cash crunch ensued when such bond sales were slowed for further regulatory review. Without the ability to sell more stocks and bonds, the company defaulted on its debt payments. A wave of investigations and lawsuits followed and the company went bankrupt.

PriceWaterhouseCoopers already settled a professional malpractice suit for \$30 million. The money flowed into a trust representing what's left of Metropolitan. Most of that cash is being distributed to investors.

The trust is pursuing a separate claim against Ernst & Young.

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