

New settlement in Met suit

\$38 million proposal assigns no blame in securities lawsuit

John Stucke

The Spokesman-Review

Tags: [auditors](#) [bankruptcy](#) [class action](#) [Metropolitan Mortgage](#)

On the Web: Read [previous Metropolitan Mortgage developments](#) (<http://www.spokesman.com/tags/metropolitan-mortgage>).

A \$38 million settlement proposed Tuesday in the Metropolitan Mortgage & Securities Co. class action lawsuit would help several thousand investors recoup some losses from Spokane's largest business collapse.

Investors sued the bankrupted company's outside auditors and former executives six years ago.

The class action case accomplished what other legal actions brought by the bankruptcy trust and state insurance officials failed to achieve: Collect money from accounting giant Ernst & Young.

Bradley Jones, the lead attorney on the case from the Tacoma firm of Gordon Thomas Honeywell, said the new settlement includes \$14.25 million from Ernst & Young; \$13.9 million from accounting firm PriceWaterhouseCoopers; \$5 million from securities underwriter Roth Capital; and \$5 million from an insurance policy used to cover the cost of defending former Metropolitan officials.

The settlement will not pin wrongdoing on any party and moves the Metropolitan episode toward closure.

The class action suit still has claims involving chief executive officer C. Paul Sandifur Jr. and a handful of other top executives.

Jones, though, said he anticipates settling the allegations with Sandifur and the others rather than going to trial this spring.

He does not anticipate reaping a large settlement from Sandifur and the others.

The class action settlement will not benefit every investor, Jones noted. Rulings in the suit narrowed the class to three groups of investors: those who bought Metropolitan bonds after May 2002; those who bought preferred shares of Metropolitan stock after August 2002; and those who bought Summit Securities bonds after February 2002.

Summit Securities Inc. is the Idaho-based affiliate of Metropolitan.

"We are very pleased to finally obtain this recovery for the class," said Tyler Weaver, an attorney with Hagens Berman in Seattle.

The proposed settlement needs preliminary approval from U.S. District Judge Fred Van Sickle in Spokane.

If such approval is granted, a mass mailing will be sent this spring to investors who qualify as members of the class action. The mailing will include information about how to file a claim and other details, including a vote on whether to accept the settlement.

Jones and Weaver anticipate the entire matter could be wrapped up and payments mailed by the end of the year.

In a brief statement, PriceWaterhouse said it "is pleased to be part of this settlement and is happy to see this case resolved."

After attorney and expert witness fees are paid, the class members should expect to divvy up between \$23 million and \$25 million – or least 16 cents to 20 cents on the dollar, according to calculations.

The class-action settlement is separate from the three rounds of payments already made to many investors who became creditors as part of the Metropolitan bankruptcy.

The \$2.3 billion bankruptcy was marred from the outset by an accounting scandal, a major investigation by the U.S. Securities & Exchange Commission, an FBI inquiry that resulted in the conviction of a senior Metropolitan executive, receivership actions by insurance regulators in three states, numerous lawsuits and arbitration cases and a tangle of claims and insider business dealings.

The millions spent on high-stakes litigation unfolded against this backdrop: Most of Metropolitan's roughly 16,000 investors were older residents living across the Northwest. Many had invested their life's savings in a company that once claimed its unsecured corporate bonds were as safe as certified deposits from banks.

The collapse of Metropolitan left retirement plans in ruins.

Maggie Lyons, the Metropolitan trustee, acknowledged that each month she receives notices that at least 15 investors have died.

Jones, the lead attorney, said he remained mindful of those statistics as the case dragged on and on.

"It has been unfortunate in that regard because so many investors are retired and elderly and we lost many of them on the way to get here," he said. "We all felt that this settlement is the best way to avoid appeals and delays."

Get more news and information at Spokesman.com