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9 UNITED STATES DISTRICT COURT
10 FOR THE EASTERN DISTRICT OF WASHINGTON

11 KEITH CAUVEL and MARJORIE
12 CAUVEL, husband and wife; KENT
13 WEAVER and KATHIE WEAVER,
14 husband and wife; and ROY SIMMS;
15 et al.,

16 Plaintiffs,

17 v.

18 METROPOLITAN INVESTMENT
19 SECURITIES COMPANY, INC., a
20 Washington corporation;
21 METROPOLITAN MORTGAGE &
22 SECURITIES COMPANY, INC., a
23 Washington corporation; SUMMIT
24 SECURITIES, INC., an Idaho
25 corporation; CANTWELL PAUL
26 SANDIFUR, JR.; GARY BRAJCICH;
HAROLD ERFURTH; IRV MARCUS;
ROBERT A. NESS; ERIK SKAGGS;
WILLIAM SNIDER; REUEL
SWANSON; JOHN TRIMBLE; TOM
TURNER; PHILIP SANDIFUR;

CASE NO. CV-04-0025-FVS

FIRST AMENDED CLASS ACTION
COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES
LAWS

DEMAND FOR JURY TRIAL

1 GREGORY STRATE; JAMES
2 HAWKINS; and ERNST & YOUNG,
3 LLP, a Delaware limited liability
4 partnership,

Defendants.

5 INTRODUCTION

6 The Plaintiffs, on behalf of themselves and others similarly situated, have
7 filed this lawsuit as a class action on behalf of a proposed class of all persons
8 who purchased or otherwise acquired debentures, preferred stock and investment
9 certificates (“securities”) issued by defendants Metropolitan Mortgage &
10 Securities Company, Inc. and Summit Securities, Inc. between January 1, 2001
11 and December 15, 2003 (the “Class Period”).

12 I. PARTIES

13 1.1 Plaintiffs Marjorie and Keith Cauvel, husband and wife, residing in
14 Spokane, Washington and Kathie and Kent Weaver, husband and wife, residing
15 in Spokane, Washington, and Roy Simms, residing in Bremerton, Washington,
16 bring these claims individually and on behalf of the Cauvel and Weaver marital
17 communities, and on behalf of all others who purchased securities of Defendant
18 Metropolitan Mortgage & Securities Company and of Defendant Summit
19 Securities, Inc. between January 1, 2001 and December 15, 2003.

20 1.2 Defendant Metropolitan Mortgage & Securities Company, Inc.
21 (“Metropolitan”) is a Washington corporation doing business in Spokane
22 County with its principal offices located at 601 West First Avenue, Spokane,
23 Washington.

1 1.3 Defendant Metropolitan Investment Securities, Inc. ("MIS") is a
2 Washington corporation doing business in Spokane County with its principal
3 offices located at 601 West First Avenue, Spokane, Washington.

4 1.4 Defendant Summit Securities, Inc. ("Summit") is an Idaho
5 corporation located and doing business in Spokane County with its principal
6 offices located at 601 West First Avenue, Spokane, Washington.

7 1.5 Defendant Cantwell Paul Sandifur, Jr. ("Sandifur") is a resident of
8 Spokane County, Washington and at all times material hereto controlled
9 defendants Metropolitan, Summit and MIS as an owner, officer and director of
10 MIS, an owner, officer and director of Metropolitan, and owner of Summit.
11 Sandifur also signed registration statements for securities of Metropolitan in
12 2001, 2002 and 2003. Sandifur signed public filings, including Metropolitan's
13 annual reports, during this period.

14 1.6 Defendant Reuel Swanson, at all relevant times, acted as a Director
15 of Metropolitan, and as a Director and Officer of MIS. Defendant Swanson
16 signed registration statements for securities of Metropolitan in 2001, 2002, and
17 2003. Defendant Swanson signed other filings by the corporation, including
18 Metropolitan's annual reports, during this period.

19 1.7 Defendant Gary Brajcich was at all relevant times a Director of
20 Metropolitan. Defendant Brajcich signed registration statements for securities of
21 Metropolitan in 2001, 2002 and 2003. Defendant Brajcich signed other filings,
22 including Metropolitan's annual reports, during this period.

23 1.8 Defendant Harold Erfurth, at all relevant times, served as a Director
24 of Metropolitan Mortgage. He is listed as a signatory to the registration
25 statements of Metropolitan in 2001, 2002, and 2003.
26

1 1.9 Defendant Irv Marcus was at all relevant times a Director of
2 Metropolitan. Defendant Marcus signed registration statements for securities of
3 Metropolitan in 2001 and 2002. Defendant Marcus signed other filings,
4 including Metropolitan's annual reports, during this period.

5 1.10 Defendant Robert A. Ness at all relevant times acted as Director
6 and Officer of Metropolitan in charge of financial operations, including roles as
7 Controller and Chief Financial Officer. Defendant Ness further signed
8 registration statements offering the securities of Metropolitan in 2002 and 2003,
9 and further signed annual reports required by law on behalf of Metropolitan,
10 including quarterly and annual reports. Defendant Ness further served as an
11 officer in Summit with responsibilities for accounting functions of Summit.

12 1.11 Defendant William D. Snider, at all relevant times, served as a
13 Director of Metropolitan. Defendant Snider signed registration statements
14 offering the securities of Metropolitan in 2001, 2002, and 2003. Defendant
15 Snider further served as the Chief Financial Officer for Metropolitan in 1999,
16 2000, and 2001.

17 1.12 Defendant John Trimble, at all relevant times, served as a Director
18 of Metropolitan. Defendant Trimble signed registration statements offering
19 securities for Metropolitan in 2001, 2002 and 2003.

20 1.13 Defendant Erik Skaggs, at all relevant times, served as an officer in
21 Metropolitan, and as a manager and officer in MIS. In these capacities,
22 defendant Skaggs directed sales of securities to these Plaintiffs through use of
23 misleading and untrue statements and omissions.

24 1.14 Defendant Tom Turner, at all relevant times, served as President,
25 Director and Principal Executive Officer and Principal Financial Officer in
26

1 Summit. Defendant Turner signed registration statements for the sale of Summit
2 securities. Defendant Turner directed securities offerings, including investment
3 certificates and preferred stock, and signed registration statements for these
4 securities in 2000, 2001, 2002, and 2003.

5 1.15 Defendant Philip Sandifur, at all relevant times, acted as an Officer
6 and Director of Summit. Defendant Philip Sandifur directed Summit securities
7 offerings, including investment certificates and preferred stock, and signed
8 registration statements for these securities in 2000, 2001, 2002, and 2003.

9 1.16 Defendant Gregory Strate, at all relevant times, served as a Director
10 of Summit. Defendant Strate directed Summit securities offerings, including
11 investment certificates and preferred stock, and signed registration statements
12 for these securities in 2000, 2001, 2002, and 2003.

13 1.17 Defendant James Hawkins at all relevant times, served as a Director
14 of Summit. Defendant Hawkins directed Summit securities offerings, including
15 investment certificates and preferred stock, and signed registration statements
16 for these securities in 2000, 2001, 2002, and 2003.

17 1.18 Collectively the individuals identified in paragraphs 1.5 through
18 1.17 are referred to as the "Officer and Director defendants."

19 1.19 Defendant Ernst & Young, LLP ("Ernst & Young") is a Delaware
20 limited liability partnership, doing business in the State of Washington. During
21 the Class Period, Ernst & Young was engaged as an independent auditor and
22 accountant for Metropolitan and Summit.

1 **II. JURISDICTION AND VENUE**

2 2.1 This Court has jurisdiction over this action pursuant to §27 of the
3 Securities Exchange Act of 1934 (the "Exchange Act"); 15 U.S.C. §78aa; the
4 Securities Act of 1933, 15 U.S.C. § 77v; and 28 U.S.C. §§1331, 1337 and 1367.

5 2.2 Plaintiffs bring this action pursuant to §§10(b) and 20(a) of the
6 Securities Exchange Act, 15 U.S.C. §§78j(b) and 78t(a), and Rule 10b-5, 17
7 C.F.R. §240.10b-5, promulgated thereafter by the Securities and Exchange
8 Commission ("SEC"), and the Securities Act, §§ 11, 12(2), 15, and 15 U.S.C.
9 § 77k, § 77l(2), and § 77o.

10 2.3 Venue is proper in this District pursuant to §27 of the Exchange
11 Act, and 28 U.S.C. §§1391(b) and (c). Many of the acts and transactions giving
12 rise to the violations of law complained of herein occurred in the Eastern
13 District of Washington. In addition, Metropolitan and Summit maintain their
14 corporate headquarters and executive offices at 601 West First Avenue,
15 Spokane, Washington in the Eastern District of Washington.

16 2.4 In connection with the acts and conduct alleged in this Complaint,
17 defendants, directly and indirectly, used the means and instrumentalities of
18 interstate commerce, including the mails and telephone communication systems,
19 and the facilities of a national securities market.

20 **III. FACTS**

21 **A. Plaintiffs.**

22 3.1 Plaintiffs Keith W. and Marjorie L. Cauvel acquired the following
23 debentures issued by Metropolitan during the Class Period:

Certificate No.:	Issued:	Principal:
DBU07242	1/17/2002	\$ 17,396.91

DBU08028	7/30/2002	\$ 33,477.07
DBU08967	1/31/2003	\$ 19,022.86
DBU07243	1/17/2002	\$ 17,396.71
DBU08968	1/31/2003	\$ 20,164.91

3.2 Plaintiffs Kent and Kathie Weaver acquired the following debentures on the following dates:

Certificate No.:	Issued:	Principal:
DBU06987	12/31/01	\$ 3,326.88
DBU07110	01/16/02	\$ 8,530.01
DBU08644	11/19/02	\$ 4,367.72
DBU08684	12/04/02	\$ 6,946.56

3.3 Plaintiff Roy Simms acquired the following securities during the Class Period:

Summit Debentures

Certificate No.:	Issued:	Amount:
SAU04877	12/165/02	\$10,000.00
SAU04884	12/20/02	\$70,000.00

Metropolitan Debentures

Certificate No.:	Issued:	Amount:
DAU06338	09/01/01	\$15,000.00

Metropolitan Preferred Stock

Certificate No.:	No. of Shares:
Series E-7	711.16

1 **B. Defendants Metropolitan, Summit, MIS, Sandifur and Officers and**
2 **Directors.**

3 3.4 Defendant Metropolitan was incorporated in the State of
4 Washington in January, 1953. Metropolitan's controlling shareholder is
5 defendant Sandifur. Mr. Sandifur has control of Metropolitan through his direct
6 ownership of approximately 74% of Metropolitan common stock and through
7 his voting power over a family trust in which he is a beneficiary and holds the
8 power to vote the shares.

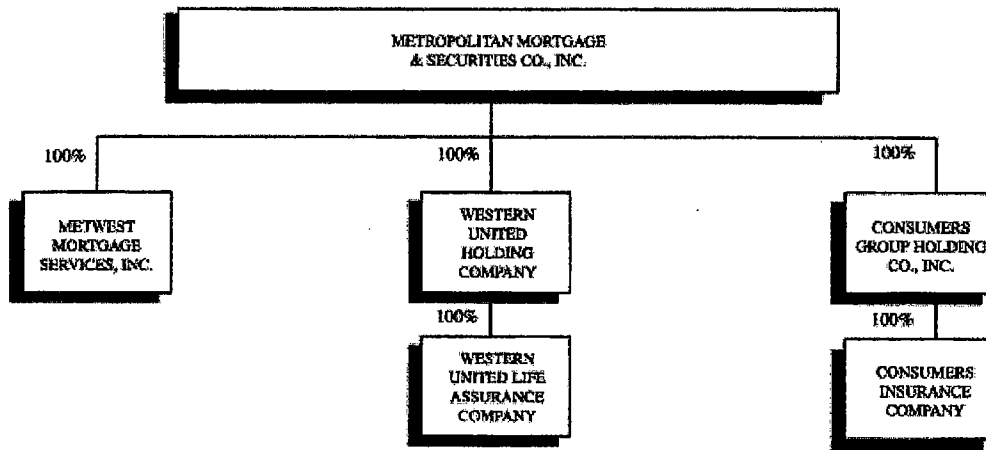
9 3.5 Starting in approximately 1990, defendant Sandifur embarked upon
10 a scheme to create or acquire a byzantine labyrinth of corporations that would
11 all be under his common ownership and control. He intended to and did create a
12 vertically integrated series of companies involving the issuance, marketing, and
13 sale of securities to the general public for the purpose of generating funds he
14 could control to originate, acquire, hold and sell receivables consisting primarily
15 of real estate loans, contracts, promissory notes, lottery prizes, and structured
16 settlements.

17 3.6 The group of companies created and controlled by defendant
18 Sandifur had structurally inherent conflicts of interest that resulted in
19 transactions between Metropolitan and Summit that were not fair, honest or
20 conducted in good faith, resulting in repeated and continuous breaches of
21 fiduciary duties.

22 3.7 Defendant Metropolitan owns a variety of subsidiaries. These
23 include Metwest Mortgage Services, Inc., which primarily performs collection
24 and servicing functions for companies controlled by defendant Sandifur, and
25 Western United Holding Company which in turn owns Western United Life
26 Assurance Company.

1 3.8 Metropolitan also owns 96.5% of Consumers Group Holding
2 Company, Inc., which in turn owns Consumers Insurance Company. Defendant
3 Summit owns the remaining 3.5% of Consumers Group Holding Company, Inc.

4 3.9 Below is an organizational chart filed by Metropolitan with the
5 SEC that illustrates defendant Metropolitan's corporate holdings:
6



15 3.10 In 1990 defendant Metropolitan created defendant Summit as a
16 wholly owned subsidiary. On September 9, 1994 National Summit Corporation,
17 a Washington corporation ("National") and an entity wholly owned by
18 defendant Sandifur, acquired defendant Summit from defendant Metropolitan.
19 National owns 100% of defendant Summit.

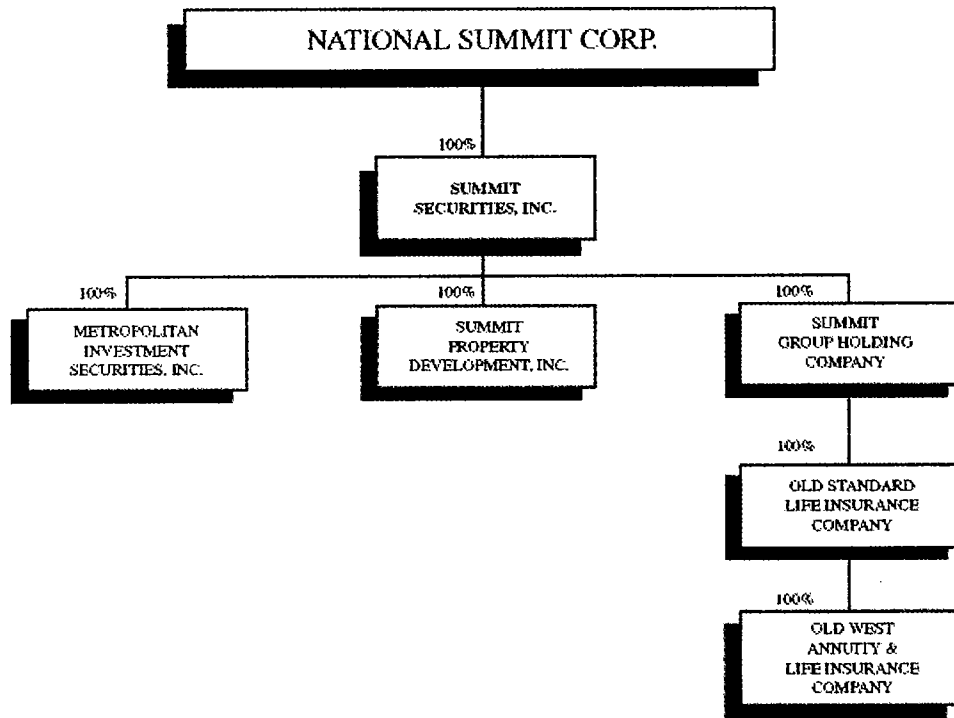
20 3.11 Defendant MIS is a broker-dealer and has been a member of the
21 National Association of Security Dealers ("NASD") since approximately 1983.
22 Until 1995 defendant MIS was owned by defendant Metropolitan. However, in
23 1995 defendant Summit acquired defendant MIS.

24 3.12 Also in 1995 defendant Summit created a wholly owned subsidiary
25 holding company, Summit Group Holding Company. Summit Group Holding
26

1 Company subsequently acquired Old Standard Life Insurance Company from
2 defendant Metropolitan. Old Standard Life Insurance then acquired Arizona
3 Life Insurance Company, which subsequently changed its name to Old West
4 Annuity & Life Insurance Company.

5 3.13 Defendant Summit also owns Summit Property Development, Inc.
6 a real estate development services company that works principally for
7 Metropolitan and affiliated companies.

8 3.14 Below is an organizational chart filed by Summit with the SEC that
9 illustrates defendant Summit's corporate holdings:



22 3.15 National and defendants Metropolitan, Summit and MIS are
23 commonly owned by and in the common control of defendant Sandifur.
24
25
26

1 **C. Defendant Ernst & Young, LLP.**

2 3.16 The companies controlled by defendant Sandifur and identified in
3 Section B above, operated on financial years ending September 30th of each
4 calendar year.

5 3.18 Metropolitan and its various subsidiaries prepare consolidated,
6 audited, and unaudited financial statements for financial and regulatory
7 purposes. These financial statements are included in SEC filings and
8 prospectuses for the issuance of Metropolitan debentures and preferred stock.

9 3.19 Summit and its various subsidiaries prepare consolidated, audited,
10 and unaudited financial statements for financial and regulatory purposes. These
11 financial statements are included in SEC filings and prospectuses for the
12 issuance of Summit debentures and preferred stock.

13 3.20 PricewaterhouseCoopers, LLP (“Pricewaterhouse”) is an
14 international accounting and consulting firm that acted by and through its
15 partners and employees in the course and scope of their employment in
16 connection with the work performed for Metropolitan and Summit.
17 Pricewaterhouse provided accounting and auditing services to Metropolitan and
18 Summit and was engaged by them for many years to provide independent
19 auditing, accounting, tax services, examination and review of filings with the
20 SEC; audits and/or reviews of financial statements included in the SEC filings of
21 Metropolitan and Summit, including audited and unaudited information; and
22 annual reports. Pricewaterhouse also prepared and opined upon Metropolitan’s
23 and Summit’s financial statements for the fiscal year ending September 30,
24 2000, and represented that it audited Metropolitan’s and Summit’s financial
25 statements in accordance with Generally Accepted Auditing Standards
26 (“GAAS”). Pricewaterhouse issued an unqualified report on the consolidated

