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## Key Met figures in settlement talks

**John Stucke**  
Staff writer  
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Key figures in the Metropolitan Mortgage & Securities Co. accounting scandal have reached deals to settle costly lawsuits filed by the U.S. Securities and Exchange Commission.

Among them: C. Paul Sandifur Jr., owner of the Metropolitan group of companies, who's stubborn leadership style and questionable business acumen have been blamed for the collapse of the \$2.3 billion financial conglomerate.

Sandifur has not been charged with crimes, yet still faces multiple lawsuits from investors, including a new \$500,000 claim to recover special dividends he awarded to himself as Metropolitan Mortgage was teetering.

A federal jury convicted his top business officer, Thomas Turner, of three felonies in June for his role in misleading and hiding facts from the company's outside auditing firm, Ernst & Young. Turner faces a possible prison term when he's sentenced next month. Like Sandifur, he has agreed to settle the SEC matter.

So has David Syre and his Bellingham property development company, Trillium Corp., which made a series of circuitous loans and property deals that allowed Metropolitan to trick its auditors and post profits when the company was actually losing money.

Metropolitan used the financial whitewash to sell bonds and stocks to unsuspecting investors.

Though news of the SEC settlements were included in court filings, the details are being withheld until the SEC's governing board agrees to the terms. Such terms often include restrictions on the settling parties' right to serve as officers or directors of publicly traded companies, along with fines and disgorgement of disputed profits.

Seattle attorneys Robert Mahler, representing Sandifur, and Scott Zanzig, representing Syre and Trillium, declined to talk about mediation sessions or financial terms of the tentative deals until the SEC board acts.

If the tentative settlement deals fall apart, trials will begin Dec. 3.

Maggie Lyons, administrator of the Metropolitan Creditor's Trust, also declined to comment on the settlements.

The SEC investigation of Metropolitan began in early 2003. By the time the company had filed for bankruptcy protection — in February 2004 — the SEC had issued numerous subpoenas for documents, combing through the records for wrongdoing and ultimately filing its civil complaint in September 2005.

Metropolitan has reported that it spent more than \$1.8 million finding and providing documents to the SEC, and another \$2 million to pay for a special Bankruptcy Court-appointed examiner.

The creditor's trust has since sued two auditing firms and recently filed a special lawsuit within the bankruptcy case, called an adversary proceeding, against Sandifur. It seeks the return of about \$500,000 in dividend payments the former owner allegedly received as ill-gotten payments.

Sandifur has denied the recovery claim.

The trust also has a claim against Sandifur's ex-wife, Helen Sandifur, seeking the return of about \$2 million it alleges she was improperly paid by the company to fund the divorce.

Other members of Sandifur's immediate family have agreed to repay about \$150,000, said Lyons.

While the SEC case and suits against former officers move along, the best hope for a big cash recovery to Metropolitan's former investors is legal actions against accounting firms.

The Metropolitan trust is scheduled to enter into arbitration with Ernst & Young next spring, and has a major malpractice and professional negligence lawsuit against PriceWaterhouseCoopers set for trial in March.

Contact John Stucke at (509) 459-5419, or by e-mail at [johnst@spokesman.com](mailto:johnst@spokesman.com).