

DFCS Alert: METROPOLITAN SECURITIES

Date: January 26, 2004

Regarding: Metropolitan Investment Securities, Summit Investments, and Metropolitan Mortgage & Securities Co.

To better serve Oregon investors, DFCS provides this alert about Metropolitan and its affiliates. DFCS believes that more than \$100 million worth of these investments have been sold to thousands of investors in Oregon, Washington, and Idaho over the past 10 years. Be aware that events involving Metropolitan and the status of Metropolitan and its affiliates could change at any time.

In December 2003, Metropolitan Investment Securities (Metropolitan) settled an investigation by the National Association of Securities Dealers (NASD). The NASD imposed sanctions after concluding that the following misrepresentations occurred:

- Metropolitan's sales force misrepresented the risks of certain proprietary investments, particularly the risk of earnings insufficient to repay obligations
- Metropolitan's sales force misrepresented the risk of holding investments that were subordinate to other obligations
- Metropolitan's sales force misrepresented the trading market for selling the investments

The NASD found that these proprietary investments were not suitable for elderly investors with a low risk tolerance. The NASD also found that in some instances, there were concentrations of these investments in elderly clients' portfolios. The NASD found that Metropolitan failed to adequately supervise its sales staff.

The NASD investigation focused on preferred stock issued by Metropolitan Mortgage & Securities and investment certificates (debentures) issued by Metropolitan Mortgage & Securities and its sister company, Summit Securities. The NASD case focused on sales of Metropolitan investments between January 2001 and March 2003; however, Metropolitan sales that violated securities laws may have occurred before and after these dates.

Metropolitan Investment Securities has closed its doors and transferred investors' accounts to Mutual Securities, Inc. of Agoura, CA. The phone number is (800) 750-7862.

All investors who want to seek recovery from Metropolitan and its affiliates need to take steps to initiate recovery. Remember: Government regulators are not in a position to recover losses.

Of importance to Oregon investors, the settlement agreement with the NASD requires Metropolitan to maintain an "independent escrow account" with a minimum balance of \$1 million, to be maintained for five years and replenished as necessary each quarter to

maintain the minimum balance. (For details about the Metropolitan settlement, read the NASD release at http://www.nasdr.com/news/pr2003/release_03_060.html.)

Money from the escrow account is to be distributed to investors who purchased securities issued by Metropolitan Mortgage & Securities Co. and Summit Securities, Inc. The investments had to have been purchased through Metropolitan Investment Securities between January 1, 2001 and March 31, 2003. To qualify for the distribution, investors must also demonstrate that they were the subject of sales violations by having filed a) an arbitration claim against Metropolitan Investment Securities; b) a civil suit against Metropolitan Investment Securities; or c) a complaint with Metropolitan Investment Securities.

Metropolitan investors who do not fall into this category should contact a lawyer and discuss their options, which may include the following:

- Aggrieved investors may be able to recover from the agents who sold them the investments.
- Investors may have cause to seek recovery against the companies that issued the securities, i.e., Summit Securities, Inc. or Metropolitan Mortgage & Securities, Co.
- Investors may have cause to seek recovery against Metropolitan Investment Securities, the brokerage firm that sold the Metropolitan securities. Recovery may be limited to the independent escrow account or awards made in arbitration proceedings initiated by investors.
- Investors may be able to pursue recovery against the officers, directors, and principals of the Metropolitan companies and affiliates responsible for the operation of the brokerage firm.

A class action lawsuit has been filed against Metropolitan affiliates by the law firm Gordon, Thomas, Honeywell et al. Brad Jones is the lawyer in charge and his paralegal is Gina Lane. The firm's telephone number is (253) 620-6500 and its address is 2200 Wells Fargo Plaza, Tacoma, Washington 98402; Jones' e-mail address is bjones@gth-law.com. Please contact the law firm to determine if you are eligible to join the class.

The NASD is continuing its investigation into Metropolitan and its sales practices. To file a complaint with the NASD:

NASD District 3 Office
Two Union Square
601 Union Street, Suite 1616
Seattle, WA 98101-2327
(206) 624-0790
Fax: (206) 623-2518
James G. Dawson, Director

The United States Securities and Exchange Commission also has jurisdiction over Metropolitan. The closest SEC office is:

San Francisco District Office
Helane L. Morrison, District Administrator
44 Montgomery Street Suite 1100
San Francisco, CA 94104
(415) 705-2500
TTY (415) 705-2517
sanfrancisco@sec.gov

DFCS has also opened an investigation into this matter. To file a complaint with DFCS, you may do so by calling (503) 378-4387 or by printing and completing the complaint form that immediately follows this alert and mailing it to:

Susan L. Schoaps, CFE
Division of Finance and Corporate Securities
350 Winter Street NE, Room 410
Salem, Oregon 97301-3881
susan.schoaps@state.or.us

The Metropolitan Independent Escrow Account is being managed by an independent administrator. To file a complaint with Metropolitan:

Metropolitan Investment Securities, Inc.
601 W. 1st Ave., Dept. 141000
Spokane, WA 99201-5041
(509) 835-2210



**STATE OF OREGON
DEPARTMENT OF CONSUMER & BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
SECURITIES ENFORCEMENT SECTION**
P.O. Box 14480, Salem, Oregon 97309-0405
(503) 378-4140

FOR OFFICE USE ONLY:	
Date Sent:	<u>2/9/04</u>
File#:	<u>S-3784</u>
CO/INV:	<u>SLS (web)</u>

SECURITIES QUESTIONNAIRE

Your Name(s): _____	Phone: Home: _____
Address: _____	Work: _____
Occupation(s): _____	Best time to contact: _____
Complaint Re:	
Company: _____	Phone: _____
Address: _____	
Person(s): _____	Phone: _____
Address: _____	

PLEASE ANSWER THE FOLLOWING IN AS MUCH DETAIL AS POSSIBLE:

(Attach additional sheets if necessary)

1. What type of investment did you make? (stock, limited partnership, etc.)

2. How much did you invest? _____ When? _____
By cash, check, or wire transfer? _____
Made out to? _____
3. How did you hear about the investment (letter, ad, phone call, friend, etc.)? Who contacted you, and when? _____
4. Prior to investing, what were you told about how your money was going to be used? Include who communicated the information, when and how. _____

5. What were you told about the investment before you invested, when and by whom?

6. What documents did you receive or were you shown regarding the investment prior to investing. Include when and from whom you received or were shown the document(s). Please provide a copy or describe all documents. _____
7. Did you receive a prospectus or other solicitation material? " Yes " No
When and from whom? _____
8. Prior to investing, what were you told about the safety or risks of the investment? Include who communicated the information, when and how. _____

9. Did you receive a stock certificate or any other documentation evidencing your investment?
 " Yes " No If yes, please describe such documentation (for example, a subscription agreement, receipt, promissory note, etc.). Indicate when and how it was received. _____

10. Did you receive correspondence or e-mails regarding your investment, either directly or indirectly after making your investment? " Yes " No If yes, please provide copies and indicate from whom and when it was received. _____
11. Describe your participation in the management and control of the investment, if any. _____

12. What profit did you expect from your investment? _____
13. Describe what amounts of principal and/or dividend, if any, you have received from your investment and indicate when and from whom it was received. _____
14. What information, if any, did you find out after you invested that you think you should have been told or received before investing? _____

15. Please provide the name, address and telephone number of other investors known to you.

16. Have you consulted with an attorney about this matter? If so, please provide the attorney's name, address and telephone number. _____
18. Describe your background and experience in investing: _____

19. Explain fully the events surrounding your investment in the order in which they occurred:

 Signature(s)

 Date

PLEASE SIGN AND RETURN QUESTIONNAIRE AND SUPPORTING DOCUMENTS TO:
 Department of Consumer and Business Services, Division of Finance and Corporate Securities,
 Securities Enforcement Section, 350 Winter Street, NE, Suite 410, Salem OR 97301-3881