

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

COPY

BEFORE THE
SECURITIES COMMISSIONER

Metropolitan Mortgage)	
& Securities Co., Inc.,)	SUSPENSION ORDER
and its Officers, Directors,)	REQUEST FOR ADMISSIONS
Agents and Employees,)	SUBPOENA DUCES TECUM
)	NOTICE OF OPPORTUNITY
Respondents,)	FOR HEARING

WHEREAS, THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA HAS REASONABLE GROUNDS TO BELIEVE THAT:

1. Metropolitan Mortgage & Securities Co., ("Respondents") and its Officers, Directors, Agents and Employees have engaged in, are engaging in, or are about to engage in, acts, practices or transactions, as more fully described below, which are prohibited under Chapter 10-04 of the North Dakota Century Code (N.D.C.C.);
2. It is necessary or appropriate in the public interest or for the protection of investors to restrain these acts, practices, or transactions;
3. The Respondents, on January 26, 1994, filed an application to register Investment Debentures, Series II; Installment Debentures, Series I; and Variable Rate Cumulative Preferred Stock, Series E-6 (hereinafter "Securities"), pursuant to N.D.C.C. § 10-04-08;
4. Pursuant to N.D.C.C. § 10-04-08.1, a condition, limitation, or restriction ("condition") was made on the registration of the securities and was agreed to by Respondents (specify the condition);

5. The registration was granted on February 14, 1994 with certificate of registration number 47147; and
6. The respondents violated the condition.

THEREFORE, IT IS ORDERED, pursuant to N.D.C.C. § 10-04-09(2), that the registration of the securities is **SUSPENDED**; and

IT IS FURTHER ORDERED that according to this **REQUEST FOR ADMISSIONS** the Respondent shall either admit or deny the following Allegations of Fact and Statements of Law:

1. The Respondents filed an application to register Investment Debentures, Series II; Installment Debentures, Series I; and Variable Rate Cumulative Preferred Stock, Series E-6 (hereinafter "Securities"), on January 26, 1994, pursuant to N.D.C.C. § 10-04-08;
2. On behalf of the Securities Commissioner, Chief Examiner Harold P. Kocher placed a condition, limitation or restriction ("condition") on the registration by requiring a minimum investment in the securities of \$5,000 and that a "sticker" stating this condition would be affixed to the front page of the prospectus for the security, in a letter dated February 8, 1993;

3. Susan Thomson, on behalf of the Respondent, represented that the sticker would be affixed to all prospectuses sent to North Dakota, and that the sticker would state, "[i]nvestments in the securities described herein by residents of North Dakota are subject to a minimum investment requirement of \$5,000.00," in a letter dated February 15, 1994.
4. The registration for the security was granted on February 14, 1994 with certificate of registration number 47147.
5. On or around March 15, 1994, Nancy J. Lewis (hereinafter "Lewis") requested a copy of the prospectus from the Respondent regarding the securities.
6. The Respondents mailed to Lewis a prospectus and a 1993 Annual Report by Prepaid First Class Mail.
7. The prospectus received by Lewis did not contain the required sticker and was in violation of N.D.C.C. § 10-04-09(2).

For each of the ALLEGATIONS OF FACT AND STATEMENTS OF LAW that are denied, the Respondents shall:

1. describe in detail the specific facts and law that are the basis for the denial;
2. attach legible copies of any documents that support the claims of denial or that the Respondents intend to introduce as exhibits at the hearing for this matter;

3. list the name, address, and telephone number of each person whom the Respondents intend to call as a witness at the hearing for this matter, and describe briefly the material facts and issues for which the witness is expected to testify, and describe the specific qualifications and relevance of any expert witnesses who are expected to testify at the hearing.

FAILURE BY THE RESPONDENTS to describe in detail their basis for denial of specific ALLEGATIONS OF FACT AND STATEMENTS OF LAW may result in a decision by the Securities Commissioner that the allegations and statements have been admitted by the Respondents and may be the basis for FINDINGS OF FACT AND CONCLUSIONS OF LAW in an Order prepared by the Securities Commissioner.

IT IS FURTHER ORDERED that pursuant to N.D.C.C. § 10-04-16.1 the Respondent shall comply with this SUBPOENA DUCES TECUM by providing the following to the Office of the Securities Commissioner WITHIN TEN DAYS OF YOUR RECEIPT OF THIS ORDER:

1. A list of the names and addresses of persons to whom the respondents mailed or delivered a prospectus for the securities from February 14, 1994 to the present;
2. The number of shares or other units that were offered for sale or sold to each person named in number 1 above, the dates of the offers or sales, and the consideration given or promised in payment for the securities.

YOU ARE NOTIFIED that the above-cited violations, if proven, are sufficient grounds for the imposition of a civil penalty and administrative costs, pursuant to N.D.C.C. § 10-04-16 in an amount not to exceed ten thousand dollars (\$10,000) for each violation, and the Respondents may have joint and several liability to pay any civil penalties assessed after the hearing for this matter;

YOU ARE NOTIFIED that N.D.C.C. § 10-04-12(4) requires a stenographic recording of the hearing. In addition, N.D.C.C. § 10-04-13(3)(a) requires the appellant to pay reasonable transcript costs. Therefore, on the day of the hearing, the Respondents shall remit a certified check in the amount of \$500 to the stenographer "Emineth & Associates" before the hearing begins. The stenographer shall refund any unused portions of the \$500 to the Respondent within 30 days after the time for appeal has expired. If reasonable costs for a stenographer or transcript exceed \$500, then the Respondents shall pay the additional costs to the stenographer before receiving the transcripts for appeal;

AMERICANS WITH DISABILITY ACT NOTIFICATION: The Respondents shall promptly notify the Securities Commissioner if a party or witness to be called at the hearing has a disability that will require auxiliary aids or service at the hearing;

YOU ARE NOTIFIED that time is of the essence for the prompt scheduling of the hearing for this matter, for the Respondents' admission or denials of the REQUEST FOR ADMISSIONS, and for the production of documents in the SUBPOENA DUCES TECUM. FAILURE BY THE RESPONDENTS TO COMPLY WITH ANY TERMS OF THIS ORDER MAY RESULT IN CIVIL PENALTIES, REVOCATION OF THE REGISTRATION OF THE SECURITIES OR OTHER APPROPRIATE REMEDIES IN LAW AND EQUITY.

YOU ARE NOTIFIED that pursuant to N.D.C.C. § 10-04-12, you may request a hearing before the Securities Commissioner if such a request is made IN WRITING WITHIN TEN DAYS AFTER THE RECEIPT OF THIS ORDER. The Respondent has the right to be represented by legal counsel at the hearing.

IN TESTIMONY WHEREOF, witness my hand and seal this 28th day of March, 1994.

(SEAL)

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CAL HOOVESTOL
SECURITIES COMMISSIONER