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UNITED STATES DISTRICT COURT

DISTRICT OF OREGON

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, vs. WILLIAM EDWARD SEARS and PATRICIA JEAN SEARS-MILLION, Defendants, And PJM & ASSOCIATES, INC., Relief Defendant.	CV 05-1473 CO COMPLAINT AND DEMAND FOR JURY TRIAL

Plaintiff Securities and Exchange Commission (the "Commission") alleges:

I. INTRODUCTION

1. Defendants William Edward Sears and Patricia Jean Sears-Million (together, “the Sears”) are former stockbrokers who fraudulently induced their clients, many of whom were retired, to invest substantial portions of their savings in high-risk securities. From September 1998 through July 2003, the Sears sold 600 clients more than $35 million in bonds and preferred stock issued by two related Spokane, Washington companies, Metropolitan Mortgage & Securities, Co. Inc. (“Metropolitan”) and Summit Securities, Inc. (“Summit”).

2. The Sears deceived their clients into purchasing Metropolitan and Summit securities by falsely telling them that the securities had little or no risk and were as safe as bank certificates of deposit. In fact, as the Sears knew, Metropolitan and Summit securities were risky—they knew that Metropolitan was unable to generate sufficient income to cover its fixed charges and, unless their operations improved, both Metropolitan and Summit would have to rely on future securities sales just to repay their existing indebtedness. Despite this, the Sears caused many of their clients to invest from 50% to more than 90% of their limited savings and retirement funds in Metropolitan and Summit securities. As part of the fraud, the Sears falsified information on their clients’ brokerage records, in order to circumvent rules designed to limit an investor’s exposure to high-risk securities.

3. As a result of the Sears’ fraud, their clients have suffered substantial losses. In February 2004, Metropolitan and Summit declared bankruptcy and, though the bankruptcy proceeding is pending, it is likely that investors in these companies will recover little, if any, of their investments.

4. The Commission seeks a court order that requires the Sears to disgorge their unlawful profits from the sale of Metropolitan and Summit securities and pay civil

monetary penalties, and enjoins them from violating the antifraud provisions of the federal securities laws. In addition, the Commission seeks an order that requires relief defendant, PJM Associates, Inc. ("PJM"), a company controlled by the Sears, to disgorge all unlawful profits that it obtained resulting from the Sears' fraud.

II. JURISDICTION AND VENUE

5. The Commission brings this action pursuant to sections 20(b), 20(d) and 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§77t(b), 77t(d) and 77v(a)] and sections 21(d) and 21(e) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d) and 78u(e)]. The Sears directly or indirectly used the means and instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, in connection with the acts, practices, and courses of conduct alleged in this Complaint.

6. Venue is appropriate in the District of Oregon pursuant to section 22(a) of the Securities Act [15 U.S.C. §77v(a)] and section 27 of the Exchange Act [15 U.S.C. §78aa] because the Sears reside in this District, and a substantial portion of the conduct alleged in this Complaint occurred within this District.

7. Assignment to the Portland Division is appropriate pursuant to Local Rule 3.3 because a substantial part of the events that give rise to the claims occurred in Multnomah County, Oregon.

III. DEFENDANTS AND RELIEF DEFENDANT

8. Defendant William Edward Sears is a resident of Portland, Oregon. At all relevant times Sears was licensed to sell securities by the National Association of Securities Dealers (the "NASD") as a representative of a broker-dealer registered with the NASD and the Commission. Sears is the husband of defendant Sears-Million.

9. Defendant Patricia Jean Sears-Million is a resident of Portland, Oregon. At all relevant times Sears-Million was licensed to sell securities by the NASD as a representative of a broker-dealer registered with the NASD and the Commission.

10. Relief defendant PJM is an Oregon corporation owned and controlled by the Sears. At all relevant times PJM maintained its principal office in Tigard, Oregon, with Sears-Million serving as the company's president, and Sears as its secretary.

IV. FACTUAL ALLEGATIONS

A. The Sears Knew That Metropolitan and Summit Securities Were High-Risk Investments.

11. From 1998 to 2003, the Sears served as registered representatives of Metropolitan Investment Securities, Inc. ("MIS"), a securities broker-dealer wholly-owned and controlled by Summit. The Sears earned commissions based on their sales of securities for MIS. While MIS was authorized to sell securities issued by a number of companies, its primary purpose was to act as the exclusive seller of securities issued by Summit and its related company, Metropolitan.

12. At all relevant times Metropolitan and Summit were under common private ownership, and were jointly operated and managed. Together, the companies were involved in, among other things, purchasing cash-flow assets such as mortgages, lottery prizes, and structured settlements; lending for real estate development; and providing life insurance.

13. Although they were privately owned, both Metropolitan and Summit issued securities that were registered with the Commission, pursuant to sections 12(b) and 12(g) of the Exchange Act [15 U.S.C. §§78*l*(b) and 78*l*(g)]. During the relevant period, certain of each company's debt securities were listed on the Pacific Exchange and Metropolitan's preferred stock shares were listed on the American Stock Exchange.

14. The securities of Metropolitan and Summit carried significant risks, making them unsuitable for risk-averse investors who could not afford or did not want to risk losing their principal. For example, MIS specifically informed the Sears that Metropolitan and Summit preferred stock shares were inappropriate for investors seeking a secure, low-risk investment. MIS further instructed the Sears to inform their clients about the poor financial conditions of Metropolitan and Summit and the lack of an active trading market for Metropolitan and Summit securities.

15. The Sears received and reviewed prospectuses and other public filings by Metropolitan and Summit that disclosed these and other risks associated with investing in those companies. For example, in a prospectus for an offering of its bonds dated May 11, 2001, Metropolitan disclosed that its earnings had been insufficient for the past two years to cover its fixed charges and preferred stock dividends. The prospectus also disclosed that, unless Metropolitan's operations improved or it was able to obtain funds from other sources, it would have to issue additional securities in order to repay its current debenture offering. A comparable disclosure was included in the prospectuses for subsequent Metropolitan securities offerings.

16. In a prospectus for an offering of its preferred stock dated February 11, 2000, Summit disclosed that it would have to rely in part on future securities sales in order to pay its existing debt and preferred stock obligations as they came due. A similar disclosure was included in the prospectuses for subsequent Summit securities offerings.

B. The Sears Made Fraudulent Misrepresentations and Omissions to Induce Their Clients to Invest in Metropolitan and Summit Securities.

17. Despite knowing the risks involved in Metropolitan and Summit securities, the Sears targeted their sales of such securities to investors who were largely retired and had limited financial resources. The Sears attracted such investors by placing advertisements in publications aimed at senior citizens, attending events and conferences

for seniors, and advertising in newspapers such as the Oregonian with phrases such as "We specialize in solid conservative investments," "FDIC Insured," and "CD Maturing?"

18. Many clients told the Sears that they were seeking safe, low-risk investments to preserve their savings and retirement funds. Moreover, as the Sears knew, many of their clients had limited experience investing in securities, and were relying on the Sears to explain the risks involved in investing in Metropolitan and Summit securities.

19. In order to induce these clients to purchase Metropolitan and Summit securities, the Sears misrepresented the securities as safe and secure. Among other things, the Sears falsely told investors that Metropolitan and Summit securities had little or no risk; that they were as safe as bank certificates of deposit; and that funds invested with Metropolitan or Summit would be used to purchase real estate and, as a result, there was little risk that investors would lose any of their principal.

20. The Sears also failed to discuss or explain important risks involved in investing in Metropolitan and Summit securities. In some instances, clients did not even receive a prospectus until after their purchase of Metropolitan or Summit securities. In others, the Sears directed clients to specific portions of the prospectus, but failed to explain or point out other sections that discussed the risks involved. As a result, the Sears failed to inform clients of, among other things, the fact that: Metropolitan's earnings were insufficient to cover its fixed charges and preferred stock dividends; Metropolitan and Summit would each likely have to rely on future securities sales in order to repay its existing indebtedness; and preferred stock issued by Metropolitan and Summit was particularly risky because it was subordinate to all of the debt, preferred stock and other obligations of all of the subsidiaries of the issuing company.

C. In Order to Sell High-Risk Metropolitan and Summit Securities, The Sears Also Falsified Information On Client Subscription Agreements.

21. At all relevant times, MIS maintained rules designed to limit an investor's exposure to risky investments, such as Metropolitan and Summit securities. One MIS rule required that an investor have at least a "medium" risk tolerance in order to invest any portion of his or her funds in preferred stock issued by Metropolitan or Summit.

22. Another MIS rule limited the amount a client could invest in certain securities, based on that client's net worth. Specifically, an investor could not invest more than 20% of his or her net worth in any single class of securities by a single issuer (e.g., all Metropolitan bonds); not more than 30% in all classes of securities by a single issuer (e.g., all Metropolitan bonds and preferred stock, combined); and not more than 40% in aggregate for all securities issued by Metropolitan or Summit.

23. The Sears were aware of these risk tolerance and net worth rules through MIS training sessions and other meetings and conferences, and also through MIS written materials. Despite this, in several instances the Sears falsified the risk tolerance and net worth information included in client subscription agreements, which were used to indicate a client's desire to purchase securities.

24. With regard to risk tolerance, the Sears often filled out the subscription agreement to indicate that a client had a "medium" risk tolerance, even though that client had informed the Sears that he or she had only a "low" risk tolerance. As a result, the subscription agreements did not accurately reflect what the Sears knew about their clients' risk tolerance.

25. Similarly, in several cases the Sears overstated their clients' net worth on the subscription agreements. The Sears did this by assigning artificially high values to a client's assets, or by including in the client's net worth assets that the Sears knew the client did not own. In addition, the Sears often inflated a client's net worth by improperly assigning asset values to expected future income streams such as pension and Social

Security payments, and including these values in a client's so-called "phantom portfolio" of assets.

26. By falsifying client net worth figures in the subscription agreements, the Sears were able to circumvent MIS's rules limiting the percentage of a client's net worth that could be invested in Metropolitan and Summit securities. As a result, the Sears caused many clients to invest from 50% to more than 90% of their true net worth in high-risk Metropolitan and Summit securities.

D. Summit and Metropolitan File for Bankruptcy.

27. The last prospectuses issued by Summit and Metropolitan expired on January 31, 2003, and July 31, 2003, respectively. Unable to raise additional funds, Summit and Metropolitan each filed for Chapter 11 bankruptcy protection on or about February 4, 2004. The two proceedings have been consolidated, and are still pending.

E. The Defendants Were Unjustly Enriched by the Sears' Fraud.

28. The Sears received commissions ranging from 2% to 5% of the price of the Metropolitan and Summit securities their clients purchased. The Sears routinely deposited their commission checks from sales of Metropolitan and Summit securities into corporate bank accounts in the name of their company, relief defendant PJM. The Sears then drew salaries and other compensation from PJM.

29. The Sears were unjustly enriched by receiving, directly or indirectly through PJM, commissions from their fraudulent sales of Metropolitan and Summit securities.

30. In addition, PJM was unjustly enriched to the extent that it retained or used for any purpose any of the commissions that the Sears earned from their fraudulent sales of Metropolitan and Summit securities.

FIRST CLAIM FOR RELIEF
Violations of Section 10(b) of the Exchange Act
and Rule 10b-5 by Sears and Sears-Million

31. The Commission realleges and incorporates by reference Paragraphs 1 through 30 above.

32. By engaging in the conduct described above, Sears and Sears-Million, directly or indirectly, in connection with the purchase or sale of securities, by use of the means or instruments of interstate commerce, or of the mails, or of a facility of a national securities exchange, with scienter: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, transactions, practices, and courses of business which operated or would operate as a fraud or deceit upon the purchasers of securities and upon other persons.

33. Sears and Sears-Million violated and, unless restrained and enjoined, will continue to violate section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Exchange Ace Rule 10b-5 [17 C.F.R. § 240.10b-5].

SECOND CLAIM FOR RELIEF
Violations of Section 17(a) of the Securities Act
by Sears and Sears-Million

34. The Commission realleges and incorporates by reference Paragraphs 1 through 30 above.

35. By engaging in the conduct described above, Sears and Sears-Million, directly or indirectly, acting intentionally, knowingly or recklessly, in the offer or sale of securities by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions to state a material fact necessary in order to make the statements made, in the

light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices or courses of business which operate as a fraud or deceit upon the purchasers of the securities.

36. Sears and Sears-Million violated and, unless restrained and enjoined, will continue to violate section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court:

1. Enjoin defendant Sears from acts or practices that violate, directly or indirectly, section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], section 10(b) of the Exchange Act [15 U.S.C. §78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5];

2. Enjoin defendant Sears-Million from acts or practices that violate, directly or indirectly, section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], section 10(b) of the Exchange Act [15 U.S.C. §78j(b)], and Rule 10b-5 [17 C.F.R. § 240.10b-5];

3. Order defendants Sears and Sears-Million and relief defendant PJM to disgorge their ill-gotten gains in an amount according to proof, plus prejudgment interest;

4. Order defendants Sears and Sears-Million to pay civil penalties pursuant to section 20(d) of the Securities Act [15 U.S.C. §77t(d)] and section 21(d)(3) of the Exchange Act [15 U.S.C. 78u(d)(3)]; and

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5. Grant such other and further relief as this Court may determine to be just and necessary.

JURY TRIAL DEMAND

The Commission hereby demands a jury trial.

DATED: September ____, 2005

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Robert L. Mitchell

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SECURITIES AND EXCHANGE COMMISSION