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[Return to story](#)

FIRM OWES HUNDREDS OF MILLIONS -- GRAPEVINE TANGLE TRIPS 2,000 BUYERS

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BY CATHY JETT

Raymond Peroutka knew he'd have trouble analyzing Metropolitan Grapevine's records even before he walked into its Laurel, Md., headquarters last October.

Employees of the company, which a judge has said operated a Ponzi scheme involving mortgage payments, had "spontaneously" quit the day a judge froze its assets, he said. Some were photographed carrying bankers boxes out of the office and loading them into a minivan.

"You put those two things together, and realize that there is a significant number of documents that I don't have in my control at present," said Peroutka, who is heading the court-ordered investigation into Metropolitan Grapevine's books.

The examination is expected to continue for months as he and the staff at Invotex, a Baltimore firm specializing in financial analysis, re-create company ledgers from old bank statements and canceled checks.

While they've located Metropolitan Grapevine account numbers at SunTrust Bank, they're still seeking them for three other banks and a credit union. Money also may be stashed in unknown accounts, Peroutka said.

So far, Invotex has turned up about \$1 million, including \$800,000 in liquid assets, plus motor vehicles and real estate. Included are furnishings at POS Dream Homes of Fredericksburg, a Metropolitan Grapevine subsidiary in Spotsylvania County.

MG DiVine Foundation, which bills itself as a charitable arm of the company and also is in Spotsylvania, is not included in the investigation at this time.

Peroutka said he has found titles to about 50 cars, sport utility vehicles and vans, and recovered about 30 of them. The list includes Grapevine President Andrew H. Williams' 2003 Cadillac DeVille DTS, his 1998 Corvette and four 2007 Mercedes-Benz S-Class S550s that belonged to subsidiary Billboards4ATMs.



Grapevine Title LLC. is located in the Chancellor Executive Center on State Route 3 in Spotsylvania County.

"The vehicles were either luxury cars used principally by insiders to either drive themselves or be chauffeured around, or passenger or cargo vans used to bring investors to meetings in the sense of a limo service or to haul around flat-screen monitors in support of Billboards4ATMs or POS Cafes [another Metropolitan Grapevine venture]," Peroutka said.

company owes millions

Those assets are a mere drop in the bucket compared with the millions that Metropolitan Grapevine owes on mortgages, Peroutka said. Investors and vendors are due more than \$100 million just in refunds for money paid in or products supplied.

"If you look at Metropolitan Grapevine's obligations into the future, then there are literally hundreds of millions of dollars of obligations that will be unsatisfied," he said.

Metropolitan Grapevine's POS Dream Homes program claimed it could pay off homeowners' mortgages in five years by investing their money in its other businesses.

People were asked to pony up a membership fee of up to \$5,500, plus about 15 percent of the sometimes overinflated sale price of their property. They also agreed to split the equity evenly once the mortgage was paid.

No evidence has been found, however, that any of the businesses their money was supposedly invested in generated "significant" income, Judge Thomas Smith said when the case came before the Prince Georges County, Md., Circuit Court Oct. 29.

Invotex has since found that there were about 2,000 investors involved, some in more than one real-estate deal. Many have filled out proof of ownership claim forms posted on the Web site it created for the investigation, pos-receiver.com.

"That 2,000 is an estimate that's evolving as we better understand the data we're dealing with," Peroutka said.

The amount they are owed is far higher than that due vendors. That's largely because Metropolitan Grapevine's businesses, which had spread to eight states and the District of Columbia, paid their bills until they came under fire from the Maryland Attorney General's office, he said.

LEGAL PROCESS CONTINUES

Williams, his officers and the businesses were accused of operating an unregistered promissory-note investment program under the guise of a mortgage payment plan. Williams, who was barred from selling securities in Maryland in 2001, did not register his new businesses, as is required in Maryland and Virginia.

Both states ordered him and his companies to temporarily stop doing business in August, and the Maryland Attorney General's Office got an emergency court order on Oct. 8 to freeze Metropolitan Grapevine's assets. The order also appointed Invotex as the receiver to examine the companies' financial records.

Judge Smith granted Maryland's request to issue a preliminary injunction against Metropolitan Grapevine on Dec. 3, and extended the freeze and Invotex's appointment until a final judgment is made.

InvoTex recently began scheduling pretrial interrogations of many of the principals involved in Metropolitan Grapevine. Included will be Isaac Smith, former president of POS Dream Homes, and his wife, Bethena Smith, who ran the Fredericksburg Dream Homes office and MG DiVine Foundation. The Smiths live in a nearly \$1 million home in Spotsylvania's Sawhill subdivision.

The depositions will take place over the next few weeks.

"What will, in all likelihood, happen, is that we'll find funds have gone to individuals in substantial amounts," Peroutka said. "We'll ask that they return funds that they've received. If they're not willing, we'll likely have to ask the assistance of the court, and lawsuits take a while to wind their way through the court process."

In the meantime, Judge Smith's court order prohibits a class-action suit against Metropolitan Grapevine and its officers, a possibility that has popped up on a number of the blogs about the company.

"The theory is that if you have hundreds of people picking at Andy Williams or any of his companies, the result will be a multiplicity of lawsuits and nobody will get anything," Peroutka said. "This will produce the most money for claimants."

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What is the status of the case? InvoTex is currently reviewing the books and records of the POS companies to determine if there are assets belonging to those companies that are not currently in its possession. This process will continue until all assets have been identified and a determination is made on whether they can be recovered. InvoTex is seeking any information anyone has on company assets, additional entities related to POS et al. or anything else pertinent to the case. I was an investor and I want to collect the money owed to me, what do I need to do? If you have not already done so, e-mail pos-receiver@invotex.com with your contact information or complete the contact information form from the Web site pos-receiver.com as soon as possible. Also, anyone wishing to file a claim must complete the investor proof of claim form. Please mail proof of claim with copies of any contracts, front and back of any checks to POS et al. and transaction information relating to any mortgage or other payments received or made on your behalf from the POS or related entities. Copies of the front and back will also help in the tracing the location of bank accounts opened by the POS entities. What if I am unable to provide some of the information needed, such as complete contract information, the backs of my checks, or detailed information on payments received? Send all contract and payment information that you can provide. Your bank or mortgage company should be able to provide all the documentation that is required to file your claim. Check with your local branch for help. If your bank is unable to provide some of the items, such as the backs of cashier's checks, please send InvoTex what you can obtain. InvoTex will contact you if it needs additional information. Will investors who received payments get more or less money than those who did not receive any money from POS et al.? What determines who will get paid and when? The court must approve a formula for calculating pay-out claims. InvoTex will recommend a formula to the court. You will receive notice of the proposed formula and will have an opportunity to comment.

Payment will not be on a first-come, first-served basis. The receiver will ask the court to approve an interim payment to investors after all claims have been received and evaluated, if sufficient assets are collected. It is too early to guess when that would be.

If I owned several houses in the program, do I have to do separate claims for each? Yes. When is the deadline to turn in the claims form? A deadline will be established by the court at a future date and

posted on pos-receiver.com. You are encouraged to send in claim forms and documentation at your earliest convenience. The sooner it is received, the sooner it will be evaluated. ON THE NET For more information, go to pos-receiver.com

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