CRAINS detroit.com

back to Crain's Detroit

Lason awaits new loan deal as it faces stronger lawsuit
Technology provides wider access to learning for more students
By Brent Snavely
July 10, 2000

The fate of Lason Inc. remained up in the air Friday as the company talked with banks in hopes of reaching a new loan agreement and faced a beefed up class-action lawsuit filed in U.S. District Court in Detroit.

The Troy-based data and document management company has reported substantial losses for two quarters and is unable to meet the terms of loans with lenders. A waiver of the company's credit agreement granted in May expires today.A consortium of banks led by Bank One Corp. has retained Southfield-based Jay Alix & Associates for assistance. Lason has retained Arthur Andersen L.L.P..

Company Chairman and CEO Gary Monroe could not be reached for comment last week. Roy Arnold, an attorney representing the company from the Pittsburgh law firm Reed, Smith Shaw & McClay, declined to comment on any aspect of the case.

The complaint, first filed by Mantese Miller Mantese and Shea P.L.L.C.on Dec. 21, is a consolidated lawsuit that stems from a number of suits filed in late December. Mantese lawyers filed their amended complaint June 30. The lawsuits followed a stock price slide from $23.94 on Dec. 17 to $11.44 on Dec. 20. Lason's stock (Nasdaq: LSON) closed at $2.53 on Friday.

The suit names Lason's three top officers: Monroe, president and COO John Messinger, former CFO and executive vice president William Rauwerdink, and several investment firms that did stock analysis or consulting for Lason.

The complaint asks for monetary damages for people who bought stock between Feb. 17, 1998, and Dec. 17, 1999, but does not specify amounts.

The suit alleges Lason executives knew their company was in financial trouble more than a year before they warned stockholders of lower than expected earnings on Dec. 17.

Lason issued a press release that day saying earnings would be lower than expected - just eight days after saying there was no reason for stockholders to be concerned about falling stock prices.

Company executives have consistently said they were not aware of trouble until after their reassuring Dec. 9 press release was issued.

``During the fall time frame we were on schedule with our plans,'' said Messinger in an interview with Crain's Detroit Business last month. ``It was the fourth quarter when the sales performances came to light, and we immediately announced them.''

Messinger and Monroe have acknowledged that the company's revenue suffered from an aggressive acquisition program that put too little emphasis on cutting costs and reorganizing new businesses.

The lawsuit also criticizes board members and company officers for selling shares last year.

Board member and company founder Robert Yanover cashed in 6,000 shares of Lason stock for $222,720 on Nov. 2 from a charitable fund, but still holds more than 200,000 shares. Yanover said he found out about financial problems just a day or two prior to the Dec. 17 statement.

``In that time frame I assure you nobody, and I mean nobody, had any idea of what was going to happen,'' he said. ``If I knew what was happening, I would have sold a lot more than that.''

The lawsuit also alleges that Lason executives routinely asked managers to report expected revenue early so quarterly earnings would look better.

Attorneys from Mantese and Miller did not return phone calls last week.

Less than rigorous due diligence led to poor acquisition decisions for some of the more than 50 companies Lason has acquired since 1996, the complaint alleges.

London-based M-R Group plc, Lason's largest acquisition ever, was a prime example.

``According to individuals employed by the M-R Group at the time of the merger ... Lason executives had not even visited, let alone inspected the vast majority of the M-R Group's approximately 15 offices in the U.K. and spent no time reviewing the M-R Group's physical operations and or products or management before agreeing to the merger,'' the complaint says.

Brent Snavely, (313) 446-0405; bsnavely@crain.com