

August 5, 2003

BOARD OF DIRECTORS REGULAR BI-MONTHLY MEETING

The Regular Bi-Monthly meeting of the Board of Directors for Metropolitan Mortgage & Securities Co., Inc. was called to order on Monday, August 25, 2003 at 1:30 p.m. in the 16th Floor Conference Room of Metropolitan Financial Center by Chairman C. Paul Sandifur, Jr.

Directors Present: C. Paul Sandifur, Jr. Gary D. Brajcich, Irv Marcus, Reuel Swanson, John Trimble, Samuel H. Smith PhD, and William D. Snider. Harold Erfurth was not in attendance.

Invitees Present: William Smith, Mike Agostinelli, Ron Pellegrino, and Kari Alldredge who acted as recorder.

The meeting was called to order and the roll was taken. Mr. Swanson declared that a quorum was present and the meeting proceeded.

On motion made and seconded, the reading of the minutes of the last meeting were unanimously dispensed with.

Mr. C. Paul Sandifur, Jr. moved on to the next item on the agenda, an overview of operations.

Mr. C. Paul Sandifur, Jr. stated that there is much focus on the sales of the Hawaii properties. He explained that the company and/or its affiliates owns 29 lots, each of which are valued at \$1 million a piece, in the Sun Set Beach property. He added that management is anticipating up to a \$7 million profit from the sale of the lots.

Mr. C. Paul Sandifur, Jr. noted that the Dillingham Ranch property adds an additional 5 lots to the Hawaii sales efforts. The lots are currently on the market and it's the hope of management to sell the property in individual lots, which would potentially create more profit. However, the property could be sold as one if closing the individual lots will carry over the profits into the 2004 fiscal year. It is the goal of management to close the sales allowing the profit to be realized by the close of the 2003 fiscal year.

Mr. Marcus asked if the 29 lots of the Sun Set Beach property were expected to close before Sept. 30th and Mr. C. Paul Sandifur, Jr. responded that he has reason to believe that they will. Some discussion followed.

Mr. C. Paul Sandifur, Jr. explained that the sale of the Hawaii properties is essential to the profitability of the company for the fiscal year. He added that the company still owns 2600 additional acres of the Dillingham Ranch properties, which includes 4 waterfront lots that can be sold in the future.

The Board was then provided a handout, which included recent articles on the Company published in the area. A copy of the handout is attached to these minutes and labeled Exhibit "A." Brief discussion followed.

Mr. C. Paul Sandifur, Jr. then requested that Mr. Smith present the update on securities filings and related issues.

Mr. Smith stated that management has drafted a response to the comment letters and has steadily been making progress on eliminating specific concerns of the SEC. He added that management has been successful in explaining the 90+ day interest

explained that the SEC still has questions on the company's DPAC model which management will address in upcoming conversations with the SEC.

Mr. Smith stated that E&Y is currently in the process of conducting an industry wide search regarding the minority interest issue. He noted that management currently has a feeling of guarded optimism regarding the situation and hopes to see the issues resolved shortly. Some discussion followed.

Mr. Swanson asked if the SEC has agreed to combine the Summit Securities, Inc., and Metropolitan Mortgage & Securities Co., Inc. issues. Mr. Smith responded that the SEC plans to address the conflict of interest issue after the accounting issues have been resolved to their satisfaction. Mr. Agostinelli added that the conflict of interest issue is more about disclosure rather than legality.

Mr. Smith stated that management is looking at three weeks as a possible timeline for resolving these issues.

Mr. Snider asked if E&Y has been a contributor to the responses and Mr. Smith replied that yes, E&Y and specifically Jack Behrens have stated that they are comfortable and in agreement with the company's position.

There being no further discussion on the SEC, Mr. Smith concluded his presentation and Mr. Agostinelli provided an update on the NASD.

Mr. Agostinelli explained that management is currently in negotiations with the NASD, adding that he is still waiting on the statement of allegations to be issued by the NASD. He stated that the NASD will likely suggest a fine as well as other sums of money created for escrow accounts. He noted that management has suggested to the NASD that the company hire a consultant to look at the compliance procedures and he fully anticipates that the NASD will be in favor of this.

Mr. Marcus asked if the NASD cited any specific problems and Mr. Agostinelli replied that the NASD claims that the company did not provide enough training or information to reps. Some discussion followed.

At this time Mr. Pellegrino joined the meeting.

Mr. Pellegrino addressed the Board stating that he felt comfortable with the amount of training and information that was provided to reps. He added that the preferred stock seemed to be the biggest issue. He noted that only two individuals bought the stock that selected low risk and preservation of capital as the priorities of their investment.

Some discussion followed regarding risk and disclosure.

Mr. Agostinelli briefly reviewed some of the suggestions the company has discussed proposing in the negotiations with the NASD.

Mr. Agostinelli stated that the NASD did seem eager to come to a resolution.

Mr. Trimble asked if training sessions are documented and Mr. Pellegrino responded that credit was given to reps that attended the sessions however the NASD does not seem to take interest in any documentation or support the company can provide.

Mr. C. Paul Sandifur, Jr. asked if there have been any customer complaints and Mr. Pellegrino stated that we had received no complaints until recently regarding stock issues triggered by recent press coverage. Brief discussion followed.

Mr. Trimble inquired about the importance of the recent resolution which raised dividends to %10 and Mr. Pellegrino stated that the resolution was designed to signal to share holders that the company will continue to pay dividends. Mr. Trimble asked what this costs the company per year and Mr. Pellegrino replied that it costs an estimated \$730,000. Mr. Trimble stated that %15 return on today's market seemed pretty significant. Mr. C. Paul Sandifur, Jr. added that those percentages can be adjusted in the future. Some discussion followed.

Discussions on the NASD and MIS concluded and Mr. C. Paul Sandifur, Jr. asked that Mr. Agostinelli explain the proposed resolutions to the Board.

Mr. Agostinelli requested the Board refer to the first provided resolution titled *Authorization to make a Secured Loan from Metropolitan Mortgage & Securities Co., Inc. (Secured by Summit Group Holding Common Stock & KOA Timber Harvesting Rights.)*, a copy of which is attached hereto as Exhibit "B." The Board reviewed the terms of the loan and Mr. Trimble made a motion to approve the resolution. It was seconded by Mr. Swanson.

Mr. Brajcich inquired about the risks associated with the loan. Mr. Agostinelli explained that the loan was secured by timber rights in addition to stock. Mr. Brajcich asked about the appraised value on the timber and Mr. Agostinelli responded that it was appraised between \$20-150 million. Mr. Brajcich asked about the status of the harvesting rights and Mr. Agostinelli explained that we are currently in a foreclosure procedure, but he felt that all issues should be resolved. Mr. Brajcich inquired about the net worth of the Hawaii LLC and the guarantors net worth. Mr. Agostinelli stated he could not answer those questions at this time, but insisted that the loan was well collateralized. Some discussion followed.

Mr. Snider asked if the SEC had made any comments regarding this type of intercompany transaction and Mr. Smith replied that they had not.

Mr. Marcus asked if it was the opinion of the Board that they should wait on this particular resolution. Mr. Smith stated that the Board could wait however, this transaction is essential to getting liquidity into SSI.

Mr. Sam Smith inquired about the origination of the timber rights. Mr. Agostinelli stated that initially the timber rights belonged to Metro, and were later passed onto Summit for \$10 million, which the company has chosen to turnaround and use as collateral for the loan.

Mr. Sam Smith asked if this loan would affect Metro's liquidity negatively and Mr. Smith stated that Metro's liquidity needs would be met by Western United Life through loans or purchase of assets. Brief discussion followed.

Mr. Snider inquired about the appraisals on the timber and Mr. Agostinelli explained that the initial appraisal used the most conservative methods, adding that in the lawsuit independent estimates were used which were higher than the company's appraisals. Mr. Brajcich asked that the minutes show that there have been different values assigned to the timber rights, and through litigation an independent appraisal valued the property higher.

Mr. Brajcich stated that it is important that management be aware of the value of the collateral in case the loan were to fall through. Mr. C. Paul Sandifur, Jr. added that the value of the property could be more at any given time.

Mr. Brajcich inquired about the status of any environmental groups who may protest the harvesting of the property and Mr. C. Paul Sandifur, Jr. stated that this

... company would be able to harvest the
timber.

Mr. Snider asked if the property was ... ed and Mr. Agostinelli replied that no it was not. He added that certain areas of the forest will require harvesting permits. Mr. Sam Smith asked if the profits are in question in the areas that do require permits. Some discussion followed.

Additional discussion on the loan took place and the Board inquired about the need to have the resolution in Metro's name rather than Westerns if they were to provide the actual money. Mr. Agostinelli stated that management had looked at these issues and determined it was best for all parties to conduct the loan through Metro.

It was requested by C. Paul Sandifur, Jr. that the resolution and issues related to collateral be further studied by the Board before the resolution is voted on. His request was noted and the resolution was tabled.

Mr. C. Paul Sandifur, Jr. moved on to the next item on the agenda, the appointment of Bill Smith as Chief Financial Officer.

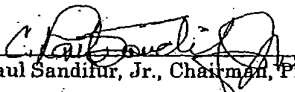
On motion made, seconded and unanimously approved, Bill Smith was elected as the Chief Financial Officer for Metropolitan Mortgage & Securities Co., Inc. to serve until the next annual meeting or until his successor is appointed and qualified within the Bylaws of the company.

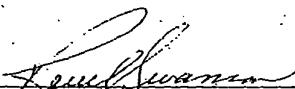
Mr. C. Paul Sandifur, Jr. stated that Mr. Erfurth has tendered his resigned as a Director of the company. On motion made, seconded and approved Mr. Erfurth's resignation from the Board was accepted. The Board expressed their wish to honor Mr. Erfurth for his years of service by electing him as an Honorary Director. On motion made, seconded, and approved, Mr. Erfurth was elected an Honorary Director. The Board also agreed to add his picture among the other founders in the lobby of the Metropolitan Financial Center.

Mr. C. Paul Sandifur, Jr. then asked if there was additional business that should come before the Board.

Mr. Marcus inquired about backup plans being made for the benefit of the company should anything happen to the Chairman and CEO. Mr. C. Paul Sandifur, Jr. assured him that the plans are being completed and reviewed at this time.

There being no other business, on motion made and seconded, the Regular Bi-Monthly Meeting of the Board was adjourned by unanimous consent.


C. Paul Sandifur, Jr., Chairman, President, and CEO


Attest: Reuel Swanson, Corporate Secretary