

METROPOLITAN MORTGAGE & SECURITIES CO., INC.
BOARD OF DIRECTORS BI-MONTHLY MEETING

June 23, 2003

The regular bi-monthly meeting of the Board of Directors of Metropolitan Mortgage & Securities, Co., Inc. (the "company") was called to order by C. Paul Sandifur, Jr. at 1:30 p.m. on Monday, June 23, 2003 at the Metropolitan Financial Center, 601 W. 1st Avenue, Spokane, Washington.

The following directors were present: C. Paul Sandifur, Jr., Gary Brajcich, Irv Marcus, Samuel H. Smith, Ph.D., William D. Snider, Reuel Swanson, John Trimble and Harold Erfurth. Also present was legal council, Lynn Ciani and Mike Agostinelli. Bill Arsenault, Bob Ness, Metro Controller were present as well as Kari Alldredge who acted as recorder.

Mr. C. Paul Sandifur, Jr. called the meeting to order and called the roll. Mr. Swanson declared a quorum and the meeting proceeded.

Mr. C. Paul Sandifur, Jr. requested that Bill Arsenault provide the Board with a report on the potential profitability on the sale of the companies Hawaii properties for this fiscal year.

Mr. Arsenault provided the Board with a handout on the Hawaii projected potential profit, which outlined each of the properties, the asking prices, and the potential profit, a copy of which is attached hereto and labeled Exhibit "A."

Mr. Arsenault began with an update on the Dillingham Ranch property. Metro owns the ocean front piece of the property under individual LLC's (Limited Liability Company). The most lucrative piece of the Dillingham Ranch property is called Lapaku (Kaena North), which is made up of several pieces of oceanfront lots, with high quality beachfronts. If sold at the current asking price a potential profit of 19.2 million could be made. He stated that the company would like to sell the property as four separate lots at 5.6 million each, which would give the company the 22.4 million asking price. However, it is also feasible that the company may have to sell the property as one, which may slightly decrease the profit margin. He added that Metro is on a very limited schedule to achieve a sale on the property this fiscal year, however the process overall is going well. The company has to get approval in three main areas; agricultural sustainability, transportation, and flood implications, all of which are currently underway. July 14th is the "drop dead date," for the sale, at which time if the company has not received tentative approval, they plan on selling the property as one. He explained that at this time they have heard of three potential buyers.

Mr. Arsenault stated that the Polo Lot 59A located on the Mokuleia Shores is currently listed with a broker at 8.2 million. He added that the property is made up of 22 acres on the ocean split into 2 parcels.

Mr. Arsenault explained that the third property owned by Metro, P-1 (Moluleia Estates) is .8 of an acre, however, the property needs a water line. Currently there is no domestic water for the parcel, which is why the piece of property is listed at a lower asking price.

Mr. Arsenault stated that total potential profit for the sale of the Hawaii properties owned by Metro could total 27.2 million. He added that these sales would bring a significant amount of cash into the company.

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Mr. Arsenault provided the Board with a brief update on the other properties owned in Hawaii by Western United Life Assurance Company. He stated that in Hilo-University Terrace, WULA owned two parcels which total an asking price of 750 thousand, resulting in a potential profit of 250 thousand. In addition, WULA owns the Sunset Beach Colony which when sold could potentially contribute a net profit of 7.3 million. The property has water as well as its own sewage plant. He added that there seems to be high sales interest, however the property is not yet posted in the open market. Instead the company is taking a lottery approach, which will be similar to an auction.

Mr. Trimble asked if a public easement was required and Mr. Arsenault replied that yes, it is required but he was not sure of the specifics.

Mr. Marcus inquired about the quality of the beachfront property, specifically if there was coral along the beach that might deter some buyers. Mr. Arsenault responded that the property contains beautiful sandy beachfront and is one of the main surfing areas on the island.

Mr. Marcus also asked about any potential competition the company may face from other property owners. Mr. Arsenault stated that Metro and affiliates have been successful in purchasing almost all of the available beachfront property, so the companies face little or no competition.

In conclusion, Mr. Arsenault stated that the companies could make a potential profit of 34.8 million combined, however, he added that it would be reasonable and conservative to assume at least a 25 million profit for the year. He added that this more conservative estimate is taking into account the possibility that some sales may not close before the fiscal year end, possible discounting, and the possible sale of Lapaku as one lot versus individual lot sales, which would be more lucrative. He said the biggest challenge the company is facing right now, is time.

Mr. Marcus asked whether or not the company was planning on renting out any of the current office space available in Metropolitan Financial Center, which could provide some income for the company. Mr. C. Paul Sandifur stated that this may provide some short-term income, but looking long term, the company needs to focus its energy's into projects such as the Hawaii properties. Mr. Arsenault added that it is important for the company to take a step back and analyze projections, determine what floors are available and so forth, before any possible rentals can be determined.

Mr. Sandifur moved onto the next item on the agenda, a securities registration update from Bob Ness.

Mr. Ness stated that Summit has received another set of comments from the SEC and the two groups of companies are facing many of the same issues. Mainly the SEC is concerned about the conflict of interests between the two parent companies within the corporate structure. The SEC has some concerns about intercompany agreements, specifically they are trying to understand and make themselves comfortable with the established lines of credit between companies. He added, that questions about the company's current accounting procedures are also being addressed, the way that the company recognizes 90-day delinquencies and foreclosures. Both companies are currently working with external audit, Ernst & Young to better address these lines of questioning and better communicate with the SEC.

Mr. Marcus asked if the SEC was questioning the company's liquidity and Mr. Ness stated that no it did not appear that liquidity was an issue, however cash flow and profitability are in question.

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Mr. Snider asked if these intercompany relationships have been so closely scrutinized in the past. Mr. Ness stated that no, but this trend could be attributed to ENRON and that all companies are facing stricter investigations.

Mr. Brajcich inquired about the role of Ernst & Young in the process of our responses to the SEC comments. Mr. Ness explained that E&Y is helping the framing of the company's responses on the accounting issues. Further, Mr. Brajcich asked if E&Y were in approval of the companies accounting practices and Mr. Ness stated the E&Y were supportive of the company's position and are continuing to work with us to better meet the requirements of the SEC.

Mr. Ness asked if the Board had any other questions or concerns to be discussed in today's meeting, there being none, he concluded his presentation.

Mr. C. Paul Sandifur, Jr. then provided the Board with a company overview. He explained that these lines of questioning and rounds of comments is a new trend by the SEC that is being addressed by all companies. Mr. Ness added that to a degree the SEC is setting their own policies as they go, because of all that has happened with ENRON and other companies this last year, the SEC is responding with new regulations and requirements in an attempt to make it more difficult for similar instances to occur in the future.

Mr. Smith asked what the Board should be expecting, how this situation may play out. Ms. Ciani explained that the company is considering hiring an individual who used to serve as general council for the SEC. The company would be able to use this person as a medium to communicate with the senior staff in the SEC to have discussions to better determine what the commission is seeking and what the potential outcome may be so the company can plan accordingly. Mr. C. Paul Sandifur, Jr. added that he and Ms. Ciani had just returned from New York from meeting with this firm, which is one of the top 10 firms in the country, and he was very impressed. He noted that in two weeks the company should have some more definite answers to the Board's concerns. In addition, he explained that if the SEC will not approve the financial statements and practices of the company, that as a result, the company would not be able to continue in its current form. Furthermore, this means the company needs to insure that it has adequate cash reserves to survive any reconstruction. He noted that the company does have adequate reserves to get them through Feb., 2004, which gives them some flexibility, and they will have the option to merge and consolidate certain companies if need be.

Mr. C. Paul Sandifur, Jr. stated that the company is currently working on changing their short-term profit picture and reducing costs by 10 million. In doing this the company will need to cut departmental expenses and limit staff. He explained that the original goal of the company was to bring in 100 million a month in commercial loans, and in preparation for this, staff was added. Mr. Sandifur added that it seems that 50 million is a more realistic average for the company and has proved to be a comfortable goal; therefore the company is in a position to cut staff and reduce the costs of information systems. Tess Strunk is in charge of strategic planning and analysis and is currently going through and identifying areas in which the company can reduce expenses.

Mr. Marcus asked how many people were currently acting members of the Budget Committee. Mr. C. Paul Sandifur, Jr. stated that he was not sure of the exact number, but feels confident that the committee is fit and capable of making objective decisions concerning the best interests of the company.

Mr. C. Paul Sandifur, Jr. added that the company should be able to reduce residual losses as well. Mr. Ness explained that the company has an estimated 6 million in

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exposure. He stated that in order for that figure to increase, it would require additional deterioration by September 2004. Mr. C. Paul Sandifur, Jr. noted that because of the decline in exposure it puts the company in a much better position to be profitable, significantly increasing income. In addition, he stated that the company is also going to be looking into some additional methods to increase profitability, but at this time, the plans are only in the conceptual phases.

Mr. C. Paul Sandifur, Jr. emphasized that the most important issue for the company right now is to solve the securities registration issues. While in New York, several firms provided some suggestions regarding the current challenge that the company is facing.

Mr. Ness stated that to secure some cash for the company to get them through February, it could require some intercompany agreements and consolidating, both of which need approval and support from the Board.

Mr. Marcus stated that in the recent Western meetings, several resolutions were proposed, one of which the president of the company did not even know about. He expressed some resistance to the consideration of any resolutions that the leaders in the company did not understand and could not endorse to the Board. The members of the Board and the attendees noted his concern.

Mr. Ness explained that the company is looking at potential consolidation. He added that the comment sheet issued by the SEC is often used to suggest changes they think the company should be looking into. However, because of the constantly revolving staff of the SEC, it is increasingly difficult to effectively answer the comment letters. Many of the answers issued by the company, are met with further questions, by another SEC employee, resulting in little, or no, level communication lines.

Mr. Marcus asked what the worst-case scenario the company could face from the NASD. Mr. Agostinelli explained that the NASD could set forth a fine and require the company to change the current corporate structure. Brief discussion followed.

Mr. Smith stated that the biggest concern for the company right now appears to be the result of the SEC comments, which may prevent the company from submitting offerings. Mr. Ness noted that the company should also evaluate the 90-day interest issue, which affects the income statement and may effect offering as well.

Mr. Smith added that the current environment has proved to be an issue and asked what other risks the Board members should be aware of. Mr. Ness replied that if the company does not make a profit this fiscal year, that the company must register by November 12, so the issue of liquidity should be a priority. Mr. Smith stated that the sale of the Hawaii property should provide the company with some liquidity, however, Mr. Ness explained that the property sale would not provide enough to make it through the year. Some discussion followed.

Ms. Ciani noted that Rule 3A9 is a possibility for the company, which would require them to solicit debenture holders.

Mr. Snider asked if management had looked into bridge financing at all. Mr. C. Paul Sandifur, Jr. stated that people exist in the market that would be willing to invest money in the company, in exchange for all of the stock. He added that Metro is not the only company facing these types of problems, that current challenges are more a reflection of the political climate than actions of the company.

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Mr. C. Paul Sandifur, Jr. purposed that the Metro Board plan on having more frequent meetings until some of these issues are resolved. Some discussion followed and it was agreed by the Board that they would meet again on July 8th, 2003.

Mr. C. Paul Sandifur, Jr. stated that the underwriters for MIS, Roth Capital, offered to withdraw from their services with the company. However, it appears that recently they are reconsidering. Mr. Agostinelli explained that during conversations last week it appeared that the two could remedy the situation. He noted that Roth Capital would like to see the issues with the NASD come to an end, and in addition they requested all documented information on the pricing change from Ron Pellegrino. Mr. C. Paul Sandifur, Jr. added that the company has spoken with another underwriting firm, so they do have a potential alternative.

Mr. Marcus mentioned that he was recently speaking with some investors who were concerned about the future of the company should something happen to Mr. C. Sandifur, Jr., CEO, President, and Chairman of the Board. Mr. C. Paul Sandifur, Jr. ensured the Board that he is currently working on a company plan for continuity of the company should something occur, but it is only 80% completed.

Mr. C. Paul Sandifur, Jr. suggested the Board meet in two weeks and Mr. Trimble asked that in addition each member of the Board receive a copy of the minutes. On motion made, seconded, it was unanimously approved that the Metro Board meet again in two weeks on July 8th, 2003 at 1:30 pm in the 16th Floor Conference Room of Metropolitan Financial Center.

Mr. C. Paul Sandifur, Jr. then asked that Lynn Ciani to present the proposed resolutions to the Board.

Ms. Ciani asked the Board to please review the first proposed resolution which is constructed to allow management the sale of structured settlements, as follows:

Sale of Structured Settlements

WHEREAS, this Company purchases certain rights to receive payments under or pursuant to a settlement agreement or annuity contract purchased by a settlement counterparty or assignee (each a "Receivable, and collectively the "Receivables"); and

WHEREAS, each of the Receivables were sold by a claimant to the Company pursuant to a purchase and sale agreement, whereby the claimant agreed to sell, assign, transfer, convey and pledge all or part of his or her right, title and interest in such settlement agreement, including the right to receive payments thereunder, in settlement of, or in connection with a judgment in, a lawsuit or potential lawsuit;

WHEREAS, the Board has determined, after review and discussion, that it is in the best interest of the Company, together with certain of its affiliates, to sell, in one or more transactions, the Company's interest in the Receivables to a third-party; and

WHEREAS, the yield at which the purchase price will be determined (the "Purchase Price Yield") for the purchase of the Receivables will be determined by the Designated Officers (as defined herein) or such other officers as they may designate, based upon fair market value, and such other terms and conditions they deem appropriate.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board hereby authorizes and approves the sale by the Company, in one or more transactions, of its interests in the Receivables to a third-party; and

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FURTHER RESOLVED, that the Board hereby authorizes and approves the Designated Officers or such officers as they may designate to determine the Purchase Price Yield, based upon fair market value, and such other terms and conditions they deem appropriate; and

FURTHER RESOLVED, that the Board hereby authorizes and approves that the President, any Vice President, and Secretary (the "Designated Officers") and such other officers as they may designate, are hereby authorized, empowered and directed to execute, negotiate, and deliver one or more purchase and sale agreements and such other documents as may be necessary in order to effectuate the sale of the Receivables, pursuant to these resolutions (collectively, the "Documents"). Each such Document shall be in such form and subject to such terms as any of the Designated Officers may determine, the signature on such Document by any such Designated Officer to conclusively establish such Designated Officers' approval of such Document and compliance with this resolution; and

FURTHER RESOLVED, that the Board hereby authorizes and approves the Designated Officers are, and each of them hereby is, authorized, empowered and directed to do all acts and take such actions, including, but not limited to, seeking any necessary approvals with federal or state agencies, the engagement of legal counsel and independent accountants and the execution and delivery of any additional agreements, instruments, certificates, affidavits and such documents incidental thereto as such Designated Officer may deem necessary or advisable to carry out the foregoing resolutions and any such actions and the execution and delivery of any such agreements, instruments, certificates, affidavits and documents are hereby consented to, ratified, approved and adopted in all respects; and

FURTHER RESOLVED, that all actions taken to date and any and all such further action that may be necessary or appropriate to be taken by the officers of the Company; the Designated Officers and their designees in connection with the sale of the Receivables, in one or more transactions, are hereby ratified, affirmed and approved in all respects.

Ms. Ciani stated that there are two sales that the company is presently looking at to three parties, mainly for liquidity purposes. It could potentially provide Metro with 1 million in liquidity.

Ms. Ciani explained that the second resolution allows the sale of real estate contracts and mortgage notes which combined with Old Standard Life and Old West Annuity & Life Insurance accounts for 14.2 million. The resolution is as follows:

Sale of Real Estate Contracts and Mortgage Notes

WHEREAS, the Board has determined, after review and discussion, that it is in the best interests of the Company, together with certain of its affiliates, to sell to a third-party purchaser in one or more sales up to \$20 million aggregate outstanding principal amount of fixed rate mortgage notes or contracts for the sale of real estate in which the holder of such contracts retains title to such property until any such contract is paid in full, each secured by residential or commercial land (the "Assets"); and

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board hereby authorizes and approves that the sale in one or more transactions of the Assets by the Company up to \$20 million aggregate outstanding principal amount of fixed rate mortgage notes or contracts for the sale of real estate; and

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RESOLVED, that the Designated Officers and such other officers as they may designate, are hereby authorized to determine if and when the Assets should be sold, which Assets, if any, should be sold, the sales price for the Assets and the purchaser of the Assets; and

FURTHER RESOLVED, that the Board hereby authorizes and approves that the Designated Officers and such other officers as they may designate, are hereby authorized, empowered and directed to execute, negotiate, and deliver one or more purchase and sale agreements and such other documents as may be necessary in order to effectuate the sale of Assets, pursuant to these resolutions (collectively, the "Asset Documents"). Each such Asset Document shall be in such form and subject to such terms as any of the Designated Officers may determine, the signature on such Asset Document by any such Designated Officer to conclusively establish such Designated Officers' approval of such Asset Document and compliance with this resolution; and

FURTHER RESOLVED, that the Board hereby authorizes and approves the Designated Officers are, and each of them hereby is, authorized, empowered and directed to do all acts and take such actions, including, but not limited to, seeking any necessary approvals with federal or state agencies, the engagement of legal counsel and independent accountants, and the execution and delivery of any additional agreements, instruments, certificates, affidavits and such documents incidental thereto as such Designated Officer may deem necessary or advisable to carry out the foregoing resolutions and any such actions and the execution and delivery of any such agreements, instruments, certificates, affidavits and documents are hereby consented to, ratified, approved and adopted in all respects; and

FURTHER RESOLVED, that all actions taken to date and any and all such further action that may be necessary or appropriate to be taken by the officers of the Company, the Designated Officers and their designees in connection with the sale of the Assets are hereby ratified, affirmed and approved in all respects.

On motion made, seconded, the resolutions for both the *Sale of Structured Settlements* and the *Sale of Real Estate Contracts and Mortgage Notes* were unanimously approved by the Board.

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

Mr. Swanson stated that Joe Christensen, Chief Investment Officer, had tendered his resignation. Mr. Marcus asked what had brought this about. Mr. C. Paul Sandifur, Jr. stated that Weiling Zhu has been taking on the day-to-day duties and fulfilling the position adequately at a lower salary range, and we did not need both individuals at this time.

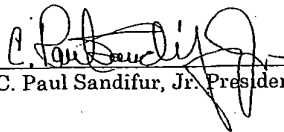
Mr. Snider asked if the company was planning on using Black Rock for investment services. Mr. Ness responded that by September 3, 2003, the company will likely have under 100 million in bond investments, so this issue is tabled for now until the company has a larger portfolio for them to manage.

There being no further business or discussion on motion made, seconded, the resignation of Joe Christensen was unanimously accepted by the Board.

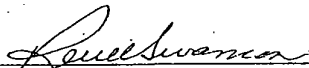
Mr. C. Paul Sandifur, Jr. added that Weiling Zhu has picked up 2.1 million in profits this month alone.

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On motion made, seconded, the Regular Bi-monthly Meeting of the Metro Board was adjourned.



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



Attest: Retel Swanson, Corporate Secretary

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