

METROPOLITAN MORTGAGE & SECURITIES, CO., INC.
BOARD OF DIRECTORS MEETING
June 25, 2001
1:30 P.M.

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 25, 2001. The meeting was held at 601 W. 1st Avenue, Spokane, Washington.

The following directors were present: C. Paul Sandifur, Jr., Gary Brajcich, Harold Erfurth, Irv Marcus, Samuel Smith, Ph.D., William D. Snider, Reuel Swanson, and John Trimble. Jill Arnold also joined the meeting.

A quorum was announced and the meeting proceeded.

C. Paul Sandifur, Jr. announced that Mr. Snider had been elected to serve as a director of the corporation and he asked the Board to welcome Mr. Snider. The Board members congratulated Mr. Snider on his director election.

C. Paul Sandifur, Jr. then provided a company overview. He reported that the company had decided to exit the leasing business and he noted that this division had been closed and the leasing assets are being sold to interested buyers. He stated that the company anticipates one more layoff to occur, but he pointed out that the company plans to retain approximately 300 employees in all. C. Paul Sandifur, Jr. reported that the company strategy will emphasize profitability over volume. He noted that the company will focus its efforts in the following business areas: commercial lending, CNC (seller-financed paper), property development, alternative assets (lotteries, etc.), and equity investments. C. Paul Sandifur, Jr. indicated that Rick Oakes had been hired to oversee the property development division and he provided a brief recap of Mr. Oakes' career to date. He reported that Philip Sandifur would lead the company's equity investing division under the supervision of Mr. Snider. Mr. Snider indicated that the equity investment division had experienced some losses in the past but he emphasized that over the last eighteen months the division had gains of approximately \$3 - \$4 million. He noted that the company is currently the largest investor in Northwest Venture Partners, a fund headed up by Tom Simpson, and he pointed out that Mr. Simpson has had favorable returns on his previous funds. Mr. Snider reported that the company also works with Jim Simmons of ICM in making equity investment decisions. He noted that Mr. Simmons focuses primarily on small and micro cap stock funds.

C. Paul Sandifur, Jr. emphasized that the company will be focusing on niche markets with an emphasis on profitability. He noted that the anticipated yields on production are very favorable with commercial lending yields in the 14% range after costs and estimated yields of 13.3% on CNC production. He reported that one of the CNC's major competitors, Associates, had exited the seller-financed paper business which could allow for additional opportunities for the CNC. C. Paul Sandifur, Jr. indicated that the property development division had greatly improved its performance and is now estimating yields in the 20% range.

C. Paul Sandifur, Jr. reported that the first physical transfer of files to Ocwen had occurred without incident and he noted the final file transfer is scheduled to be completed on July 2, 2001. He indicated that the completion

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