

METROPOLITAN MORTGAGE & SECURITIES, CO., INC.  
BOARD OF DIRECTORS MEETING  
October 22, 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, October 22, 2001. The meeting was held at 601 W. 1<sup>st</sup> Avenue, Spokane, Washington.

A roll was taken and the following directors were present: C. Paul Sandifur, Jr., Gary Brajcich, Harold Erfurth, Irv Marcus, William D. Snider, Reuel Swanson, and John Trimble. Sterling Gallagher, and Jill Arnold also joined the meeting. Arlene Burns acted as recorder.

A quorum was announced and the meeting proceeded.

C. Paul Sandifur, Jr. then provided a company overview. He commented that the Company had prevailed through a remarkable period of adjustment and that he was optimistic that the recent changes would return the company to profitability.

C. Paul Sandifur, Jr. stated that the Company would return to niche markets, utilizing high expertise in-house and outsourcing those functions that require less skill. He noted that the Company's transactions are focused on profitability through quality rather than quantity and explained that the newly implemented strategy of acquiring equity kickers was proving to be very successful. He went on to say that as the Company had restructured, it would be in an advantageous position should the economy improve.

He asked if there were any questions with regard to the company overview. There being none, he introduced Mr. Sterling Gallagher, who distributed to the Board a Business Plan that outlined the Fiscal Year 2002 budget. A true copy of the Business Plan is attached to these minutes as Exhibit A.

Mr. Gallagher explained that new investment strategies were being developed, particularly those that were tax advantageous, and that the Company's cash liquidity was presently quite large.

Mr. Trimble inquired how investments were chosen and implemented and Mr. Gallagher explained he was designing a strategic planning process which is not quite complete. Mr. Swanson commented that there is an Investment Committee that reviews the amounts and types of investments that are made.

Mr. Gallagher directed the Board's attention to the projected income for fiscal year 2002, noting that equity kickers were expected to provide \$9.7m in income for the year.

C. Paul Sandifur, Jr. asked if there were any questions with regard to the Business Plan. There were none.

Mr. Swanson referred the Board members to a proposed resolution relating to authorized check signers that had previously been provided for review; whereby Mr. Sterling Gallagher be given authorization to sign checks up to \$200,000.

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After a brief discussion Paul Sandifur asked if there was further discussion. There being none, upon motion of Mr. Marcus, seconded by Mr. Trimble, by unanimous vote, the Board authorized the following resolution:

**RESOLVED**, that all checks of the corporation and its subsidiaries should contain the following limits and conditions as set forth below:

Under \$10,000: One authorized signature or facsimile;

\$10,000 and above for checks issued between the \*affiliated group:  
One authorized signature or facsimile;

\$10,000 -- \$150,000:

Two signatures required -- one signature may be a facsimile and the other must be either C. Paul Sandifur, Jr., Reuel Swanson, John Van Engelen, Jay Caferro, Tom Turner, Anthony A. Steffens, Sterling Gallagher, Scott Cordell, Michael A. Agostinelli, or B. Elaine Hoskin;

\$150,000 -- \$200,000:

Two authorized signatures required -- either C. Paul Sandifur, Jr. or Reuel Swanson with a facsimile signature, or any two signatures of the following: John Van Engelen, Jay Caferro, Tom Turner, Sterling Gallagher, Scott Cordell, Michael A. Agostinelli, or B. Elaine Hoskin;

Over \$200,000:

Two authorized signatures required -- either C. Paul Sandifur, Jr. with a facsimile signature, or any two signatures of the following: Reuel Swanson, John Van Engelen, Jay Caferro, Tom Turner, Sterling Gallagher, Scott Cordell, Michael A. Agostinelli, or B. Elaine Hoskin;

**RESOLVED FURTHER**, that the use of the facsimile signature of Robert A. Ness for all bank accounts of the corporate group as limited above is hereby approved.

Mr. Swanson then directed the Board's attention to an Internal Audit Committee Charter that was provided previously for review. He explained that a Board mandated Charter is required to trade on a public exchange, and that the resolution had been developed by Kutak Rock, the Company's securities attorneys. The resolution had also been examined by corporate counsel. Upon motion of Mr. Marcus, seconded by Mr. Trimble, by unanimous vote, the Board adopted the Charter which is attached as Exhibit B.

Mr. Swanson then referred the Board to the matter of Broker Trading Authorizations to add Mr. Michael Behrman which had been previously distributed for review. Upon motion of Mr. Marcus, seconded by Mr. Snider, by unanimous vote, the Board authorized the following resolution.

**RESOLVED**, that any one of the following officers or designated employees of the corporation is hereby exclusively authorized to purchase, acquire, sell, assign, transfer, deliver and otherwise deal with and trade in any and all shares of stock, bonds, debentures, notes, options, futures, evidences of interest, evidences of indebtedness and other obligations, investments and securities now or hereafter held by the corporation, in its own right or in any fiduciary capacity, and to execute and deliver any and all instruments necessary, proper or desirable for such purposes including any form resolutions required by any transfer agent, registrar, broker or issuer of securities which resolution shall be dated as of the date of adoption of this resolution. No other individuals, other than those specifically named below, shall be so authorized except by further resolution of this Board.

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