

## Board Meeting Summary

(Private and Confidential)

### Overview

The purpose of this Board meeting is to review and discuss recommendations of the principal shareholders relative to the future of WRS. In view of current market conditions, and the opportunity to capitalize on the apparent success of the Corona ("New Tucson") lot acquisition program, a shift in the focus of the business of WRS is needed.

In summary, it is recommended that the focus of WRS be entirely the Corona project, which has recently dominated the efforts of the management team and is projected to be a source of significant earnings for the principal shareholders and the current WRS Capital Note Holders.

Attached are a series of exhibits and projections relating to the Corona project. The projections are specific to the ownership, development and sale of 1,400 platted lots in Corona to recognized national homebuilders, and reflect the entire focus of the Company on this opportunity. The other activities of the Company will be sidelined, and the management team will be enhanced and streamlined for this single purpose.

In the process of changing the business of the Company to holding, developing and selling residential lots, the shareholders believe it is fundamental to own the real estate (lots) free and clear of debt. This is the safest and most prudent manner to own real estate over a six to eight year disposition period. Based on the projections, approximately \$6 million in cash equity will be needed to fund the Company for this purpose.

The accompanying projections assume that \$4 million in cash will be raised by the liquidation of WRS assets (except the Corona lots) following a conversion to equity of all of the \$4 million in Capital Notes. An additional \$2 million in cash will be raised, most likely in Corona Acres, LLC, bringing the total equity to \$6 million. In the event a portion of the WRS Capital Note Holders do not convert, they will be repaid from the sale of WRS assets, and the amount of new money raised will be increased dollar for dollar above \$2 million in order to maintain the required \$6 million in equity.

For clarity, the projections assume that the Company will "hire" a newly formed affiliated management company called Western Associates Development Co., LLC. ("WAD") to execute the actual development and sale of the property. The members of the management team, led by Jeff Utsch, are experienced residential real estate professionals and have been identified. Every effort will be made to structure the Company and its business to maximize the after tax benefits to the equity owners.

Prior to the formation of WRS, Jeff Utsch and Mike Figueroa began acquiring lots in New Tucson Unit 8. To date this has resulted in the acquisition of approximately 350 of the 455 lots in that subdivision in an entity called Corona Estates, LLC. Corona Estates, LLC has agreed to sell all of its lots to Corona Acres, LLC in order to consolidate the Corona Acres, LLC holdings and minimize any potential conflicts of interest.

## Assumptions and Results of The Projections

Attached are financial projections that reflect the business plan of the Company. The underlying assumptions and results of the Projections are:

- Corona Acres, LLC will own 950 lots in the various New Tucson Units. It currently owns 929 lots (including the 21 lots it owns in Unit 6) and continues to acquire lots on a regular basis.
- Corona Acres, LLC will purchase "as-is" 350 lots from Corona Estates, LLC to consolidate all the lot holdings and bring the total owned to 1,300 lots. The average purchase price will be \$11,200/lot payable \$5,000/lot as a down payment and an average of \$6,200/lot at COE when the fully developed lot is sold to the builder. The \$6,200 average balance of the unpaid purchase price will be carried at no interest for 2 years, thereafter interest will be accrued at 8% per annum. Corona Estates, LLC will use the \$5,000/lot down payment to retire approximately \$1.750 million in acquisition debt and accrued interest through 12/31/03. Corona Estates currently owns 345 lots and continues to acquire lots on a regular basis.
- The Company will acquire an additional 100 lots at \$7,500 per lot cash in years 2-5 from other owners in the various Units bringing the total owned lots to 1,400.
- The entire \$4 million in WRS Capital Notes will convert to equity and the existing WRS assets will be liquidated for \$4 million cash. An additional \$2 million will be raised in Corona Acres, LLC to form an equity basis of \$6 million.
- The \$6 million in equity will be used to (i.) fund the acquisition of the lots from Corona Estates, LLC and others, (ii.) repay \$2.9 million in Corona Acres, LLC acquisition debt and accrued interest through 12/31/03, (iii.) establish an initial cash reserve of \$500,000, and (iv.) begin the construction and development of the lots based on contracts from national builders. (Each year \$500,000 will be added to the cash reserve until the total is \$1.750 million; the entire cash reserve will be distributed in year 7).
- The fundamental market assumptions revolve around a base lot price of \$35,000 escalating at 5% per year; development costs escalate at the same rate.
- Approximately 300 homes per year will be purchased by homebuyers (Five builders selling 5 homes per month each). This will result in the sale of 233 owned lots, or about 75% of the annual total.
- Based on the projections:
  - The equity capital will receive 100% of cash flow until the combined \$6 million investment is returned.
  - Thereafter, the equity capital will receive distributions in accordance with the projections, or a preferential return of 8% on their equity capital amount, whichever is greater, but not both.
  - The projected IRR on the \$6 million in equity is projected to exceed 18%.

## History of the Project

The Corona de Tucson area was originally in a rural area of Pima County, Arizona which consisted mostly of cattle ranches. In 1964 Horizon Land Company purchased a large part of the Andrade Ranch and in conjunction with a group of investors attempted to create a Baptist community. That group subsequently platted a series of subdivisions for the development of residential housing, called New Tucson Units 1-30. A number of these Units have been

developed and sold over the years. (Mr. Figueroa and Alan Day built approximately 250 homes in New Tucson Units 22-27 over a six-year period ranging in price from \$100,000 to \$250,000).

By 1985 the Niles Thim Company purchased most of the Corona lots from private investors and others and borrowed significant sums from investors. By 1989 the Thim Company went bankrupt and the lots were distributed to multiple investor groups who were creditors of Thim's. Since there were multiple owners in title to each lot or defunct corporations in title, no one was interested in assembling the lots. The property taxes went unpaid since 1985.

In 1998, Michael N. Figueroa, and a group of investors associated with him, optioned a number of lots from one of the foreign investor entities and proceeded to do a feasibility study. At that time, it was deemed not feasible to develop the lots.

By 2001, due to a severe shortage of buildable land in Pima County, numerous large developers acquired parcels next to and surrounding New Tucson. They filed development plans with Pima County to plat and develop single-family lots and commercial projects in the area. The Santa Rita Golf Course was expanded and upgraded. Utility lines, water, gas, phone and electric were brought closer to the undeveloped New Tucson lots. Unlike the parcels being acquired, New Tucson had final platted lots eliminating the timely process that other developers must complete to plat and obtain approvals for their lots. This process can take over two years.

In approximately January of 2002, Figueroa and Utsch had purchased, through affiliates, a significant number of lots in New Tucson Unit 8., and concurrently conducted a full feasibility study in regards to the lots they controlled. They engaged Greg Carlson Engineering to do the necessary studies to be able to obtain development permits.

The reports from Carlson Engineering showed no major hindrances for development and availability of utilities to Unit 8 and the adjoining Units 2, 5, 6, 7, 9 and 10. After thorough analysis it was determined advisable to acquire lots in the adjoining Units, as the utility lines and roads required to develop Unit 8 would benefit the other surrounding Units. Soon thereafter, in July of 2002, it was decided to purchase the tax certificates on lots in the other Units for a cost of \$1,400,000.

On the advice of our attorney, Mr. Jeffrey M. Neff, it was determined that the Deed restrictions and Conditions and Covenants running with the lots allow for the majority of the lot owners to vote to improve the lots for sale and thereby assess each lot owner its prorata share of all utilities, roads, legal fees and other development costs. With control of over 51% of the Unit 8 lots, Figueroa and Utsch had sufficient votes to assess and improve the lots in Unit 8. However, it is interesting to note that the majority of the other lot owners also voted to assess their lots to allow for the improvement and sale of their lots. All of the other Units (2, 5, 6, 7, 9 and 10) have similar CC&R's and HOA meetings are scheduled in the near future. It is expected that similar results will occur in these Units as over 51% of the lots in each Unit (except Unit 6) are owned or controlled by, Corona Acres, LLC (a subsidiary of Western Recovery Services, LLC), and affiliates.

As projected in the Lot Development Costs section of the projections, the Company has assumed that the direct hard costs of developing the non-owned lots will be financed through the sale of HOA liens placed on the non-owned lots. The Company anticipates being able to sell these liens to investors and receive very little resistance from the lot owners due to the benefit that will result to them. The Company has assumed that it will not be reimbursed for the overhead, profit and

contingency of developing the non-owned lots, although it will attempt to obtain such reimbursement through a management fee paid by the HOA.

#### The Business Plan

The business plan for Corona Acres, LLC is to develop the residential lots with roadways and utilities and to improve each lot for sale to both national and local builders. To date, we have received three letters of intent representing four (4) national builders to purchase finished improved lots. These letters of intent are being negotiated and accepted at this time for prices and terms consistent with the projections presented with this Board Summary. We have attached these initial letters of intent for review.

The Company will look only to improve those lots (inventory), as there are builder/purchasers ready to contract for and close on the sale of the lots. These improvements will be financed by construction loans from institutional banks on a non-personal liability basis. The construction loans will be repaid from the sale of lots to the homebuilders. We have attached an outline of such an institutional construction loan from Bank One.

A major advantage of Corona is that that substantially all of our "offsite" engineering and development plans are close to completion and some "onsite" (particularly Unit 8) are submitted for approval to Pima County agencies substantially ahead of our competition. This gives our property a time lead over some of the adjacent unplatte land, and has put us ahead of those properties in attracting homebuilders who need to contract for land now.

#### The Marketing Strategy

As can be seen above, we have obtained letters of intent from 4 national builders ( US Home, Lennar, Richmond American and KB Homes) as the result of our engagement of R. Mark Gragg as the broker to facilitate the sale of the lots. Mr. Gragg has substantial experience in negotiating and arranging sales of similar lots to homebuilders, and we expect to have the balance of the builder profile in place soon.

#### Prior Performance

The Company does not have any prior performance history as this entity has just been formed. The Principals and Advisors of the Company and the WAD management team have extensive experience in the activities in which the Company intends to engage, and they will discuss their prior performance with prospective investors as requested. Resumes are available upon request.

#### Competition

Based on recent reports from the Metropolitan Tucson Land Use Study (MTLUS) the Southeast and Southwest districts are the leading areas from the standpoint of single-family residential absorption and permitting in Tucson.

The major single-family developments included in the Southeast and Southwest districts are Rancho Sahuarita, Rancho Del Lago, Santa Rita Bel Air Estates at Corona de Tucson, and Mesquite Valley Ranch. There are also several active single-builder subdivisions nearby Corona de Tucson in these districts.

### Rancho Sahuarita (Master-Planned Community)

Rancho Sahuarita, located 10 miles west of Corona is a new master planned community. This community features a town lake and many community facilities already in place. There are seven active builders now selling homes in 15 active subdivisions priced in a range from \$119,000 to \$200,000. Sales are averaging approximately 5 lots per active subdivision per month or a total of 70 homes per month. The builders are Pulte, D.R.Horton, Richmond American, Sivage Thomas Homes, Insight Homes, Inc., KB Homes and Monterey Homes.

### Rancho del Lago (Master-Planned Golf Course Community)

Rancho Del Lago, which is contained in the 1,600-acre master planned Vail Valley Ranch, is located 10 miles east of Corona. This community features a golf course and clubhouse and attractive vistas of the surrounding mountains. There are approximately 623 lots in this part of the development being marketed by five active builders. Home prices range from \$157,000 to \$265,000. Sales are averaging about 5 lots per builder per month, or about 25 lots per month total. The builders are Genesee (Now Lennar), Pepper Viner, Richmond American, D.R. Horton and KB Homes.

### Santa Rita Bel Air Estates at Corona de Tucson (392 lots)

Santa Rita Bel Air Estates is located in the immediate vicinity of Corona just southeast of the Corona de Tucson golf course. Four "superpad" blocks have been sold to a group of local and national builders. The builders are KB Homes, AF Sterling Homes and Richmond American Homes. AF Sterling is marketing a less expensive line of homes ranging from \$110,000 to \$150,000, while Richmond American and KB Homes are marketing homes in the \$136,900 to \$181,900 range adjoining the golf course. Sales are for AF Sterling are averaging about 11 homes per month, about 18 homes per month for Richmond American, and about 17 homes per month for KB Homes. This indicates a monthly absorption rate of about 46 homes per month in the subdivision. US Homes plans to open a 70-lot subdivision in late 2003.

### Mesquite Ranch

Mesquite Ranch is a 634-lot subdivision located about 10 miles north of Corona on the east side of Houghton Road. This subdivision experienced excellent sales rates approaching 8-15 homes per month for some of the builders. It is effectively sold out. Home prices range from \$137,000 to \$178,000. The builders are US Home, Monterey Homes, KB Homes and Lennar Homes.

### Conclusion

Based on the information contained in this section, we believe that a group of 4-6 national and local builders each absorbing approximately 5 homes per month, or a total of 20-30 per month, is a reasonably conservative estimate. The projections assume that the initial average lot price will be \$35,000, and that the absorption rate will be 233 owned lots per year indicating a 7-year sellout of the entire subdivision.

A recent letter of value from Southwest Appraisal Associates, Steve Cole, MAI, has valued the completed lots at an initial price of \$35,000, projected first year absorption at 288 lots, and assuming constant market conditions a five-year sellout of the lots.