

**Eagle Mountain City, Utah**

**RESOLUTION NO. R-19-2007**

**A RESOLUTION OF THE CITY COUNCIL OF  
EAGLE MOUNTAIN CITY, UTAH, ACKNOWLEDGING AND  
APPROVING ASSIGNMENT OF BANKED WATER ENTITLEMENT**

WHEREAS, Eagle Mountain City holds certain water rights creating a banked water entitlement for Oquirrh Mountain Ranch, LLC, referred to as “the Assignor,” to meet the requirements of the City for development; and

WHEREAS, the Assignor has assigned the banked water entitlement with the City as collateral to Bank of American Fork (the “Assignee”); and

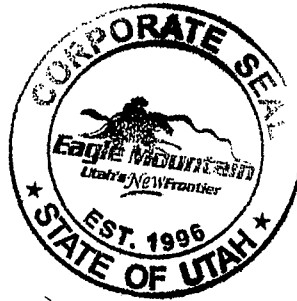
WHEREAS, the Assignee has requested that the City acknowledge the assignment and the banked water entitlement and the City is prepared to acknowledge the entitlement and the assignment.

NOW THEREFORE, be it resolved by the City Council of Eagle Mountain City, Utah, as follows:

1. The “Assignment of Banked Water Entitlement with Eagle Mountain City” attached to this Resolution as Exhibit 1 is hereby acknowledged, received and approved by Eagle Mountain City.

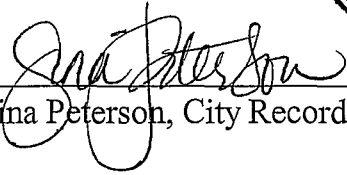
2. The Mayor is authorized to execute the Acknowledgement and Consent to the Assignment of Banked Water Entitlement and to return this Resolution with the Acknowledgement to the Assignee.

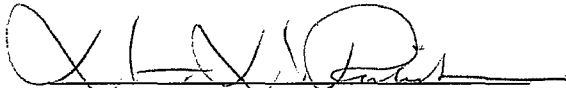
ADOPTED by the City Council of Eagle Mountain City, Utah, this 16th day of October, 2007.



EAGLE MOUNTAIN CITY, UTAH

ATTEST:

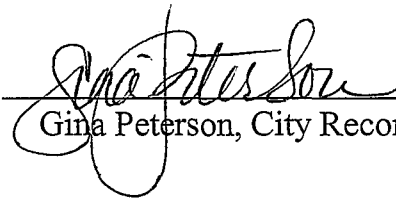
  
Gina Peterson, City Recorder

  
Don D. Richardson, Mayor

**CERTIFICATION**

The above resolution was adopted by the City Council of Eagle Mountain City on the 16<sup>th</sup> day of October, 2007.

5 voting aye 0 voting nay

  
Gina Peterson, City Recorder

# **EXHIBIT**

**1**

**When Recorded Mail To:**  
**BANK OF AMERICAN FORK**  
**712 EAST MAIN**  
**LEHI UTAH 84043**  
**Attn: LOAN DEPT.**

**ASSIGNMENT OF BANKED WATER ENTITLEMENT  
WITH EAGLE MOUNTAIN CITY**

This Assignment of Banked Water Entitlement (the "Assignment") is made and entered into this 5TH day of OCTOBER, 2007, by and between OQUIRRH MOUNTAIN RANCH, L.L.C. ("Assignor") and BANK OF AMERICAN FORK ("Assignee").

**R E C I T A L S**

WHEREAS, in JUNE 14, 2007, Assignor purchased and was deeded a divided right to 227 acre-feet of water evidenced by water Right Number 54-1153 (a29551), approved for municipal use in Eagle Mountain City, a Utah City, Utah ("City") under Change Application Number (a29551) (the "Water Right").

WHEREAS, City required and Assignor has deeded the Water Right to the City to be used in connection with the development of real property located at TBD, Eagle Mountain in Utah County, Utah, more particularly described in the attached legal description, see **Exhibit "A"** (the "Development").

WHEREAS, City granted to Assignor the exclusive right to use the water in the Development in and subject to, compliance with the requirements of the City for the payment of relevant fees, maintenance and use of the water right (referred to herein as the "Banked Water Entitlement").

WHEREAS, Assignor has requested and Assignee has agreed to extend credit to Assignor for use in the development of **12559 W State Road 73, currently Saratoga Springs, Utah 84045**

WHEREAS, Assignee desires to acquire from Assignor all of Assignor's right, title, and interest in the Banked Water Entitlement as collateral security for all of Assignor's obligations in favor of Assignee.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereby agree as follows:

1. Assignment. Assignor hereby presently and absolutely grants, conveys, and assigns to Assignee all of Assignor's right, title, and interest in and to **71.5 acre feet** of the Banked Water Entitlement. Assignor further assigns all Assignor's right, title, and interest in and to any claim, in law or equity, which Assignor may have in connection with or which Assignor might have by virtue of **71.5 acre feet** of the Banked Water Entitlement.

2. Grant of Security Interest. To the extent, if any, the foregoing assignment is ineffective or not complete, Assignor hereby grants and conveys to Assignee a lien and security interest in and to the Banked Water Entitlement and all of Assignor's right, title, and interest thereto (the "Security Interest").

3. Warranties. For the purpose of inducing Assignee to make loans to Assignor, and with full knowledge that Assignee will rely thereon, Assignor hereby represents and warrants to Assignee as follows:

**ORIGINAL DOCUMENT**  
**Eagle Mountain City Recorder's Office**

(a) Assignor shall duly perform all the conditions, covenants, and terms imposed on Assignor by the City regarding the Banked Water Entitlement.

(b) The Banked Water Entitlement has not previously been assigned by Assignor to secure any existing indebtedness of Assignor.

(c) Assignor is the owner of interest in the Banked Water Entitlement and Assignor's interests in the Banked Water Entitlement have not been previously pledged, conveyed, transferred, or hypothecated in whole or in part.

(d) Assignor is not in default under any of the terms, covenants, or conditions regarding the Banked Water Entitlement and will not permit a default to occur.

(e) The Banked Water Entitlement is free and clear of all defenses, setoffs, counterclaims, liens, and encumbrances of every kind and nature except for the requirements of the City for its use.

4. Obligation. This Assignment is made and the Security Interest granted to Assignee for payment by Assignor under that certain Promissory Note dated **October 05, 2007** in the original principal amount of **\$750,000.00**, together with interest, costs, fees, and expenses incidental thereto, and all extensions, modifications, or renewals thereof (the "Obligation").

5. Satisfaction of the Obligation. Assignee will reassign to Assignor the rights, title, and interest in the Banked Water Entitlement when the Obligation is fully performed and satisfied and provide prompt and concurrent notice to the City of such reassignment.

6. Assignor's Covenants. Assignor shall defend the Banked Water Entitlement against all claims or demands of any and all persons claiming any security interest therein which is allegedly superior to that of Assignee. Assignor shall execute any other documents reasonably required by Assignee necessary to perfect the interest of Assignee in the Banked Water Entitlement. Assignor shall not further assign the Banked Water Entitlement or create or permit any lien, charge, or encumbrance upon the Banked Water Entitlement or otherwise transfer the Banked Water Entitlement or any interest therein without the prior written consent of Assignee and notice to the City.

7. Assignee Not Responsible for Terms of the Banked Water Entitlement. It is further understood that this Assignment shall not operate to place responsibility for the Banked Water Entitlement upon Assignee, nor for the carrying out of any of the terms and conditions that the City may impose regarding the Banked Water Entitlement.

8. Liability of Assignee. Assignee shall not be liable for any loss sustained by Assignor resulting from Assignee's failure to exercise its rights under and pursuant to this Assignment, and nothing contained herein shall require Assignee to exercise its rights pursuant hereto, which rights shall be exercised at the sole option and discretion of Assignee after the default by Assignor under the Obligation or this Assignment. Assignee shall not be obligated to perform or discharge, nor does Assignee hereby undertake to perform or discharge, any obligation, duty, or liability under the City's requirements regarding the Banked Water Entitlement or under or by reason of this Assignment.

9. Assignor to Perform Obligations. Assignor covenants with Assignee to observe and perform all the obligations imposed upon Assignor as its interests appear under the Banked Water Entitlement and not to do or permit to be done anything to impair the security thereof; not to transfer or assign Assignor's obligations under the Banked Water Entitlement; not to encumber or hypothecate Assignor's interest in the Banked Water Entitlement to any person other than Assignee hereunder; not to alter, modify, or change the terms of the Banked Water Entitlement or give up or waive any right or option Assignor may have under or pursuant to the Banked Water Entitlement or any interest therein so as to affect directly or indirectly,

proximately or remotely, the rights of or a termination or diminution in the value of Assignor's or Assignee's interest thereunder.

10. Power of Attorney. Assignor appoints Assignee its attorney-in-fact to demand, receive, and enforce all rights under the Banked Water Entitlement and to give receipts, releases, and satisfactions and to sue for all rights either in the name of Assignor or in the name of Assignee, with the same force and effect as Assignor could have done if this Assignment had not been made.

11. Default. Assignor will be in default hereunder if any of the following events occur:

(a) There is any default of the Banked Water Entitlement.

(b) If any statement, representation, or warranty made herein or otherwise by Assignor to Assignee is untrue in any material respect when made.

(c) When Assignor becomes insolvent or unable to pay debts as they mature, or when Assignor makes an assignment for the benefit of creditors, or when any proceeding is instituted against or by Assignor under the United States Bankruptcy Code.

(d) When there is any default of the Obligation for which this Assignment is given as collateral or of any term, condition, or covenant of this Assignment.

12. Remedies. Upon or at any time after default hereunder, Assignee, without in any way waiving such default or limiting any other remedy, may after notice to the City, at its sole discretion and option, take any or all of the following actions:

(a) Accelerate and declare immediately due and payable all indebtedness or payments remaining under the Obligation secured hereby.

(b) Pursue any other remedy allowed it by the terms of this Assignment, the Obligation secured hereby, or any law, and receive from Assignor all its costs and expenses in so doing, including attorney's fees and costs (and attorney's fees and costs for the appeal of any judicial action).

The remedies of Assignee are cumulative and not exclusive, and any waiver of Assignor's default shall not be considered a waiver of any other or future default. No failure or delay on the part of Assignee in exercising any right, power, privilege, or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, privilege, or remedy hereunder preclude any other or further exercise thereof.

13. Indemnification. Assignor shall, and does hereby agree, to indemnify Assignee for, and to hold Assignee harmless from, any and all liabilities, losses, or damages which may or might be incurred pursuant to the Banked Water Entitlement or under or by reason of this Assignment and from any and all claims and demands whatsoever that may be asserted against Assignee by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements regarding the Banked Water Entitlement. Should Assignee incur any such liability under the Banked Water Entitlement or under or by reason of this Assignment or in defense of any such claims or demands, the amount thereof, including any costs, expenses, and reasonable attorney's fees, including any fees from the appeal of any judicial action, shall be secured immediately upon demand and upon failure to do so, Assignee may, at its option, declare all sums secured hereby immediately due and payable.

14. Miscellaneous. Nothing contained in this Assignment and no act done or omitted by Assignee pursuant to the powers and rights granted it hereunder shall be deemed to be a waiver by Assignee of its rights and remedies under the agreements now existing or hereafter arising between Assignor and Assignee secured

hereby, and this Assignment is made and accepted without prejudice to any of the rights and remedies possessed by Assignee under and pursuant to the terms of said agreements. The right of Assignee to full satisfaction of the Obligation secured hereby and to enforce any other security held by it may be exercised by Assignee either prior to, simultaneously with, or subsequent to any action taken by it hereunder.

15. Binding Effect. This Assignment, together with the covenants and warranties herein contained, shall inure to the benefit of Assignee, its successors, representatives, and assigns and shall be binding upon Assignor, its successors, representatives, and assigns.

16. Notices. For purpose of written notice to Assignor hereunder, Assignor hereby designates the following to be its address and agrees that Assignee will be in compliance with any notification requirements under this Assignment or any governing statutory law upon mailing of written notice to: **OQUIRRH MOUNTAIN RANCH, L.L.C. 1305 N COMMERCE DR. #200 Saratoga Springs, Utah 84045**

17. Final Agreement. This Assignment, together with any written instruments or documents that are referred to in or made a part of this Assignment, is the final expression of the agreement between Assignee and Assignor concerning the subject matter of this Assignment and may not be contradicted by evidence of any alleged oral agreement.

OQUIRRH MOUNTAIN RANCH, L.L.C.


By: SAGE COMMUNITIES, L.L.C., MANAGER OF  
OQUIRRH MOUNTAIN RANCH, L.L.C.

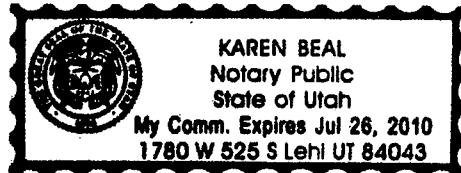


BY: SCOTT F. KIRKLAND, MANAGER OF SAGE  
COMMUNITIES, L.L.C.

STATE OF UTAH )  
COUNTY OF Utah ) ss.

On the 8th day of October, ~~2006~~ <sup>2007</sup>, personally appeared before me  
Scott F. Kirkland, who duly acknowledged to me that he executed the  
foregoing instrument in his capacity as Manager of Sage Communities.

  
NOTARY PUBLIC  
My commission expires: July 26, 2010



**ACKNOWLEDGMENT AND CONSENT TO  
ASSIGNMENT OF BANKED WATER ENTITLEMENT**

EAGLE MOUNTAIN CITY, UTAH, ("City") hereby acknowledges that ("Assignor") deeded to City 227 acre feet of water evidenced by Water Right Number 54-1153 (a29551), approved for municipal use in the TBD, Eagle Mountain City, Utah under a Change Application Number (a29551), which Water Right has been banked on behalf of OQUIRRH MOUNTAIN RANCH, L.L.C. for use in TBD and consents to the foregoing Assignment of Banked Water Entitlement between OQUIRRH MOUNTAIN RANCH, L.L.C. and BANK OF AMERICAN FORK ("Assignee") and to all other transactions described in the Assignment.

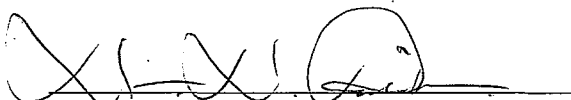
City agrees that, on giving Assignor any notice of default pursuant to the terms and conditions regarding the Banked Water Entitlement, it shall also give a copy of such notice to Assignee at the following address: BANK OF AMERICAN FORK, 712 EAST MAIN, LEHI, UTAH 84043 City further agrees that Assignee may remedy such default within the period given to Assignor, and it shall accept such performance by Assignee as if such performance had been made by Assignor.

Eagle Mountain City has adopted a Resolution of its city council which is incorporated herein by reference, consenting to the assignment by Assignor of the Banked Water Entitlement to Assignee, defining the requirements for use of the Banked Water Entitlement and acknowledging that City will not permit any further assignment of the Banked Water Entitlement in the future and that Assignee may, in its sole discretion, perfect its security interest in the Banked Water Entitlement by confirming legal title to the Water Rights is in the City and the beneficial interest of the Assignee to the Banked Water Entitlement may be perfected by recording this Assignment in the official records of the County Recorder for Utah County, Utah and may file a UCC-1 Financing Statement with the State of Utah.


DATED October 16, 2007



EAGLE MOUNTAIN CITY, UTAH

  
\_\_\_\_\_  
Mayor

Attest:

  
\_\_\_\_\_  
, City Recorder

Assignment of Banked Water Entitlement - Blank Form.doc  
10/3/07 8125.02



EXHIBIT "A"

TO BE DETERMINED