

**WATER SECURITY AGREEMENT,
COLLATERAL ASSIGNMENT OF WATER RIGHTS,
AND ESCROW AGREEMENT**

THIS WATER SECURITY AGREEMENT, COLLATERAL ASSIGNMENT OF WATER RIGHTS, AND ESCROW AGREEMENT ("Assignment") is made between CEDAR VALLEY WATER COMPANY, L.C. ("Assignor"), THE TOWN OF EAGLE MOUNTAIN, a Utah municipal corporation ("Town"), and U.S. BANK NATIONAL ASSOCIATION, ("Escrow").

RECITALS

- A. WHEREAS, Town is a municipal corporation of the state of Utah; and,
- B. WHEREAS, Assignor is an affiliate of Monte Vista Ranch, L.C. ("Monte Vista") and Eagle Mountain Properties L.C.(E.M. Properties); and,
- C. WHEREAS, Monte Vista and E.M. Properties own certain real property lying within the municipal boundaries of the Town and more particularly described in that Deed of Trust, Assignment of Rents, Security Agreement and Financing Statement from Monte Vista and E.M. Properties as trustors to Escrow as trustee and beneficiary, a copy of which is attached hereto as Exhibit "A", which real property (the "Real Property") Monte Vista and E.M. Properties desire to sell to third-parties for development; and,
- D. WHEREAS, Assignor is the record owner of certain water rights specified in paragraph 2 of this Assignment, below; and,
- E. WHEREAS, Assignor desires that such water rights be dedicated to the Town solely and exclusively for use in Town's municipal water system in connection with the development of the Real Property to be sold by Monte Vista and E.M. Properties to third-parties; and,
- F. WHEREAS, D. Scott Gettings, John W. Walden and Andrew Zorbis (collectively, "Guarantors"), principals of Monte Vista, have executed and delivered to Escrow, (in its capacity as Trustee under a certain Water and Sewer Indenture of Trust, a certain Telecommunications Indenture of Trust, and a certain Gas and Electric Indenture of Trust, (collectively, the "Indentures")), a certain Guaranty Agreement, dated September 1, 1997, (the "Guaranty"), guaranteeing the payment of certain Water and Sewer Revenue Bond Anticipation Notes, Telecommunications Revenue Bond Anticipation Notes and Gas and Electric Bond Revenue Anticipation Revenue Notes (the "Notes") issued by the Town to finance municipal services within the Town; and,

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G. WHEREAS, the parties desire and intend that this Assignment secure payment and performance of the obligations and agreements of the Guarantors contained in the Guaranty, through the collateral assignment of such water rights to the Escrow to dispose of those water rights as fiduciary of the parties in accordance with the terms of this Assignment and without implicating the restrictions of Article XI, Section 6, of the Constitution of Utah.

NOW THEREFORE, in consideration of the promises and undertakings herein provided, and other good and valuable consideration, the parties agree as follows:

1. Assignor hereby unconditionally assigns, grants, conveys and warrants to Escrow, as escrow agent for the parties pursuant to the terms of this Assignment, all right, title and interest in and to the following water rights:

Water Rights Numbers 54-47, 54-48, 54-50, 54-56, 54-645 and 54-1003, and Change Applications a16238 and a21500, as recorded in the records of the State Engineer of Utah, Utah State Division of Water Rights (the "Water Rights").

Reserving to the Assignor 339.69 acre feet from Water Rights 54-645 and 54-50.

Assignor further agrees that Escrow shall retain title and ownership of the Water Rights for the life of this Assignment, subject to the provisions herein expressed and so long as the Guaranty remains extant and in force and effect between the parties thereto; HOWEVER, Assignor may transfer its reversionary interest in the Water Rights to third parties exclusively for transfer by such third parties to the Town for the benefit of the Real Property under paragraph 6 of this Assignment, which transfer will be subject to and conditioned upon the terms of this Assignment and the escrow established hereunder.

2. Assignor and Town agree that Escrow may act as their escrow agent in the transaction contemplated by this Assignment. Escrow agrees to act as depositary and escrow agent of Assignor and Town hereunder, to hold to title to the Water Rights as a fiduciary in trust for the parties, and to dispose of the Water Rights only in strict conformity with the provisions of this Assignment.

3. This Assignment is unconditional and absolute, subject only to the terms and provisions hereof. Assignor agrees and covenants that Escrow shall retain and hold all right, title and interest in and to the Water Rights until all of the indebtedness represented by the Notes has been paid in full or Escrow has conveyed the Water Rights in accordance with the provisions of this Assignment.

4. For purposes of this Assignment, any default by Guarantors under the Guaranty or of Monte Vista Ranch, L.C. and E.M. Properties under that certain Escrow Deposit Agreement (the "Escrow Agreement"), dated September 1, 1997, entered into among the Town, Monte Vista Ranch, L.C., E.M. Properties and Escrow, shall also constitute a default under this Assignment.

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5. So long as no default, as defined in paragraph 4 of this Assignment, has occurred or is continuing, Assignor has the right to use and enjoy the Water Rights to the extent the Water Rights, or any part thereof, have not theretofore been conveyed to others under, and subject to, the terms of this Assignment. During the life of this Assignment, Assignor agrees to assume, at Assignor's sole expense, the full and complete obligation of maintaining the Water Rights from forfeiture and abandonment.

6. Upon written request by Assignor or any transferee of Assignor's reversionary interest under paragraph 11 of this Assignment, Escrow will promptly convey the Water Rights, or portions thereof, to Town through a water rights deed(s) in a form reasonably acceptable to the Town.

7. At Town's option, prior to conveyance of the Water Rights by Escrow to Town, and upon the occurrence of a default as defined in paragraph 4 of this Assignment, Town may either (1) apply to any court of competent jurisdiction for the appointment of a receiver to exercise Town's rights hereunder on Town's behalf, or (2) direct the Escrow to transfer and assign the Water Rights to Town to use, manage, encumber and alienate the Water Rights as the absolute owner thereof solely for use within the municipal water system of Town for use on, and benefit of, the Real Property, the Town and the Assignor. If Town applies for a receiver, Town shall be entitled to such receiver as a matter of right, without regard to the solvency or insolvency of Assignor and without regard to the value of the Water Rights. Such receiver may be appointed without posting of bond. Any requirement of a bond is expressly waived by Assignor, who hereby consents to the appointment of such a receiver. In the event of such a default and upon the appointment of a receiver as provided herein, such receiver shall take exclusive possession of, and shall have the Escrow assign all of its right, title and interest in and to the Water Rights to said receiver. The receiver shall thereafter have the right (1) to exclusive possession of the Water Rights, and (2) to use, manage, encumber and alienate the Water Rights as the absolute owner thereof solely for use within the municipal water system of Town for use on, and benefit of, the Real Property, the Town and the Assignor. If necessary to obtain possession of the Water Rights, Escrow, the Town or the receiver on behalf of the Town may invoke any and all legal remedies to dispossess Assignor of the Water Rights.

8. Assignor does hereby agree to indemnify Town, Escrow and such receiver for, and to hold them harmless from, any and all claims, liabilities, loss or damage to third-parties which may be incurred in the exercise of rights or remedies hereunder and from any and all claims and demands whatsoever which may be asserted against Escrow, Town, or such receiver by reason of any alleged obligations or undertakings by Assignor to third-parties relating to or concerning the Water Rights, except for the wilful acts or gross negligence of the Escrow, Town or such receiver.

9. Nothing in this Assignment shall impose any obligation upon Escrow, Town or any receiver for the control, management or use of the Water Rights; nor shall it operate to make Escrow, Town or any receiver responsible or liable for any dangerous or defective condition of any diversion works or storage facilities used in connection with the Water Rights, or for any negligence in the management, repair or control of such diversion works or storage facilities resulting in loss or injury or death to any licensee, agent, affiliate, employee or stranger.

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10. In case of any conflict between any provision of this Assignment and any provision in the Guaranty or the Escrow Agreement, the provision in the Guaranty or Escrow Agreement shall govern and control.

11. When Guarantors have fully performed all of their obligations and agreements pursuant to the Guaranty, this Assignment shall then terminate and become null and void, and Escrow shall re-assign to Assignor the Water Rights, or any part thereof, which shall not, subsequent to this Assignment, have otherwise been conveyed, granted, donated or assigned to Town, or which Town shall not have become entitled to receive.

EXECUTED on October 15th, 1997.

ASSIGNOR:

CEDAR VALLEY WATER COMPANY, L.C.

By: 
Its: Managing member

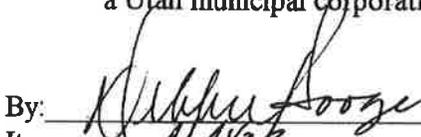
ESCROW:

U.S. BANK, NATIONAL ASSOCIATION

By: 
Its: VICE PRESIDENT/MANAGER

TOWN:

TOWN OF EAGLE MOUNTAIN
a Utah municipal corporation

By: 
Its: MAYOR

 10/15/97

