

**ASSIGNMENT OF RIGHTS AND OBLIGATIONS UNDER
EFFLUENT WATER AUCTION AGREEMENT**

Water Property Investors, LLC, a Delaware limited liability company (“Assignor”) and _____, a _____ (“Assignee”), enter into this Assignment of Rights and Obligations Under Effluent Water Auction Agreement (“Assignment”), with the consent of the Town of Prescott Valley (“Town”) as indicated by the signature of the Town’s authorized representative below. The “Effective Date” of this Assignment is the date of the signature of the Town’s authorized representative. Assignor and Assignee are sometimes referred to herein collectively as “Parties” and individually as a “Party.”

RECITALS

A. Any term used but not defined in this Assignment shall have the meaning given such term in the Effluent Water Auction Agreement between the Town of Prescott Valley, a municipal corporation of Arizona (“Town”), and Assignor (“Agreement”). A copy of the Agreement is attached hereto as Exhibit “1.”

B. Pursuant to the Agreement, Assignor acquired, among other things, the exclusive right to sell or pledge 1,103 acre-feet of the Town’s Credited Effluent and any first generation effluent that may be produced by on-site use of the Credited Effluent, as a 100-year assured water supply for subdivision development or certain approved Alternative Uses within the Town (collectively, Credited Effluent Interests). The Credited Effluent Interests and Assignor’s rights and obligations associated therewith are fully set forth in the Agreement.

C. Assignor currently holds _____ acre-feet of Credited Effluent Interests not previously pledged, assigned or sold.

D. Subject to Section 5 below, Assignor now desires to assign, and Assignee desires to assume, all of Assignor’s rights, interests, duties and obligations under the Agreement as to _____ acre-feet of the Credited Effluent Interests (“Assigned Effluent Interests”).

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements hereinafter set forth, and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties agree as follows:

COVENANTS

1. Incorporation by Reference. The above Recitals and all Exhibits attached hereto are incorporated herein by this reference.

2. Consideration and Assignment. In exchange for \$_____ U.S. Dollars payable by Assignee to Assignor in full (in cash or cash equivalent) upon execution of, and pursuant to, this Assignment, Assignor hereby unconditionally and irrevocably assigns, and Assignee hereby unconditionally and irrevocably assumes and acknowledges, all of Assignor’s rights, interests, duties and obligations, and all of the terms, covenants and conditions required to be kept, performed and fulfilled under the Agreement, as expressly provided in this Assignment, as to the Assigned Effluent Interests; provided, however, that, notwithstanding any other

provision of this Assignment, or the Agreement, this Assignment expressly excludes, and Assignee does not assume or acquire any of the rights or obligations contained in Section 6 of the Agreement. The Parties expressly acknowledge that Assignor retains all rights and obligations contained in Section 6 of the Agreement.

3. Warranty. Assignor warrants and represents that the Agreement is in full force and effect, has not been modified, no party to the Agreement is in breach or default thereof, and the Assigned Effluent Interests transferred herein are fully assignable, with the Town's written consent. Assignor further warrants and represents that the Assigned Effluent Interests have not, as of the date of this Assignment, been (i) assigned, (ii) pledged or committed to one or more CAWSs or Alternative Uses, (iii) sold, or (iv) encumbered in any manner other than as expressly set forth in the Agreement.

4. Indemnification. As of the Effective Date, Assignee agrees to indemnify and hold Assignor harmless from any and all liability, loss, cost, damage, and expense (including, without limitation, costs, expenses and reasonable attorneys' fees) incurred by Assignor and from any and all claims and demands whatsoever asserted against Assignor, resulting from Assignee's failure to perform or discharge any of the terms, covenants, duties, agreements or obligations assumed by Assignee under this Assignment. If Assignor incurs any such liability, loss, cost, damage or expense under this Assignment or the Agreement (including costs, expenses and reasonable attorneys' fees), or in defense of any such claims or demands, Assignee shall immediately reimburse Assignor in the amount thereof upon written demand by Assignor.

5. Ratification. Assignee acknowledges having ample opportunity to (i) read the Agreement in its entirety, including its Exhibits, (ii) conduct due diligence, and (iii) obtain advice of independent legal counsel on all aspects of the Agreement. Except as expressly modified by this Assignment, the Agreement shall continue in full force and effect, through the conclusion of its term and in accordance with its provisions. Pursuant to Subsection 21.4 of the Agreement, Assignee expressly acknowledges and agrees to be bound by, and to comply with, the following portions of the Agreement:

- 5.1. the terms of the Effluent Water Auction Escrow Agreement attached hereto as Exhibit "2;"
- 5.2. the Form and Timing of Payments provisions in Section 2 of the Agreement;
- 5.3. the Credited Effluent Interests provisions in Section 5 of the Agreement;
- 5.4. the Annual Effluent Additions Interests provisions in Section 6 of the Agreement, unless, as here, the Assignment expressly excludes these provisions;
- 5.5. the Security Interests provisions in Section 7 of the Agreement;
- 5.6. the Use Requirements in Section 8 of the Agreement when pledging any portion of the Assigned Effluent Interests to a CAWS or an Alternative Use;
- 5.7. the Alternative Use requirements in Section 9 of the Agreement when seeking to pledge any portion of the Assigned Effluent Interests to an Alternative Use;

- 5.8. the Re-Sale Contract provisions in Section 11 of the Agreement when re-selling any portion of the Assigned Effluent Interests to a third party that intends to directly pledge some or all of those interests to one or more CAWSs or Alternative Uses;
- 5.9. the Buyer's Representations, Warranties and Covenants in Section 13 of the Agreement;
- 5.10. the Dispute Resolution provisions in Section 14 of the Agreement, as applicable under the terms of the Agreement;
- 5.11. the Procedures Upon Termination in Subsection 15.4 of the Agreement, as applicable under the terms of the Agreement;
- 5.12. the Remedies provisions in Section 17 of the Agreement, as applicable under the terms of the Agreement;
- 5.13. the Indemnification provisions in Section 18 of the Agreement, as applicable under the terms of the Agreement;
- 5.14. the Waiver requirements in Section 19 of the Agreement;
- 5.15. the Assignment provisions in Subsection 21.4 of the Agreement when seeking to assign any portion of the Assigned Effluent Interests to a third party;
- 5.16. the cooperation and further documentation provisions in Subsection 21.11 of the Agreement;
- 5.17. the cooperation in the event of third-party litigation provisions in Subsection 21.12 of the Agreement, as applicable under the terms of the Agreement; and
- 5.18. all other duties and obligations of Assignor under the Agreement as to the Assigned Effluent Interests.

Assignee understands and agrees that this express acknowledgement in Subsections 5.1 through 5.18 of this Section 5 is not intended to be, nor shall it be interpreted as, a limitation on Assignee's obligations under this Assignment, but rather an express acknowledgement of certain crucial aspects of the assignment and assumption of the Agreement.

6. Consent and Release. Assignee has demonstrated its ability to perform the duties and obligations assumed by Assignee under this Assignment to the reasonable satisfaction of the Town. Pursuant to Subsection 21.4 of the Agreement, by virtue of the Town's authorized representative's signature below, the Town hereby consents to the assignment of the Assigned Effluent Interests, and hereby releases Assignor from all liability and obligation for the Assigned Effluent Interests, except as may exist prior to the Effective Date, as of the Effective Date. This approval (provided pursuant to Subsection 21.4 of the Agreement) notwithstanding, the Town expressly acknowledges, approves and agrees that this Assignment excludes any rights or obligations Assignor holds under Section 6 of the Agreement. The Parties expressly agree that

///signatures continue on following page

ASSIGNEE

Authorized signature for Assignee DATE

Title

STATE OF ARIZONA)
) ss.
COUNTY OF _____)

SUBSCRIBED AND SWORN TO before me on this _____ day of _____,
20_____, by _____.

Notary Public

My Commission Expires: _____

///signatures continue on following page

Assignment approved this _____ day of _____, 2008 by Town of Prescott Valley.

Authorized signature for Town DATE

Title

SUBSCRIBED AND SWORN TO before me on this _____ day of _____,
20_____, by _____.

Notary Public

My Commission Expires: _____