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MEMORANDUM OF UNDERSTANDING

Regarding: Equity investment in residential property described as 792 Foothill Road, Gardnerville, Nevada APN # 19-191-20, Douglas County, Nevada.

Discussion: Russell Tolen Gilbert desires to assist his daughter Sandra J. "Sam" Halford and son-in-law Forest W. Halford with their purchase of the above described home.

Description of Transaction: Sam and Forest are purchasing the above described home for a purchase price of approximately \$275,000 plus closing costs. Russell T. Gilbert will provide approximately \$76,000 in funds for an equity interest of approximately $\$76,000 \div \$277,000 \times 100\% = 27.4\%$.

Property taxes: Russell will pay his proportionate share of property taxes.

Capital Improvements: Russell, at Sam and Forest's option, will pay his % equity share of capital improvements. Or, if Sam and Forest decide to pay 100% of the cost of improvement, then Russell's percentage ownership will decrease accordingly. Example of calculation: $\$76,000 \div \$277,000 + \text{capital improvements} \times 100\% = \text{new equity}$.

Insurance: Sam and Forest will maintain adequate homeowners insurance of the property.

Subordination: Russell will subordinate his 27.4% equity interest to the first mortgage Sam and Forest take out to finance their equity interest in the house. In the event Sam and Forest cannot service the mortgage, which is their financial responsibility, they will notify Russell before mortgage is in default.

Resale of Property: In the event Sam and Forest sell the property they will pay Russell his calculated equity % (see above discussion for capital improvements) of the sales price less sales expense at the close of escrow.

Surrender of Equity at Death: In the event of Russell's death, his % equity will be bequeathed to Sam and Forest. Applicable inheritance taxes will be paid by the Russell Tolen Gilbert trust.

Domicile of Execution: This agreement was drafted and executed in the state of Nevada. All parties to this agreement are residents of Nevada.

Signed Russell Tolen Gilbert *Russell Tolen Gilbert* date 1/4/99

Signed Forest W. Halford *F. W. Halford* date 1/4/99

Signed Sandra J. Halford *Sandra J. Halford* date 1-4-99

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✓
RUSSELL T. GILBERT
P.O. Box 2021
CARSON CITY, NV. 89702

COPY

REQUESTED BY
Russell T. Gilbert
IN OFFICIAL RECORDS OF
DOUGLAS CO., NEVADA

2001 JUL 31 AM 9:31

LINDA SLATER
RECORDER

\$ 8.00 PAID BC DEPUTY

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