

#87362-KHS

MODIFICATION AGREEMENT

THIS NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGES IN MY INTEREST RATE AND MY MONTHLY PAYMENT. THIS NOTE LIMITS THE AMOUNT MY INTEREST RATE CAN CHANGE AT ANY ONE TIME AND THE MAXIMUM RATE I MUST PAY.

**THE STATE OF NEVADA
COUNTY OF DOUGLAS**

KNOW ALL MEN BY THESE PRESENTS:

Recitals

Reference is hereby made to that one certain Promissory Note (the "Note") dated **APRIL 19**, 2002, in the original principal sum of \$ 314,800.00 executed by **MICHAEL T. SMITH AND KAREN P. SMITH, HUSBAND AND WIFE**

herein referred to as "Borrower" whether one or more), payable to the order of **WELLS FARGO HOME MORTGAGE, INC.**

("Lender"), and said Note being secured by, among other instruments, that certain Deed of Trust, Mortgage or Security Deed (the "Security Instrument") of even date therewith duly recorded **4-24-02, 540421**, in the Real Property Records of **DOUGLAS** County, **NEVADA**, the above said instruments concerning encumbering and creating liens against the following described property (the "Property"), to wit:

0143737

Multi-State Modification to Arm Loan with No Conversion Option
Requires new T.I.L. and Program Disclosure
Attach Completed ARM Rider as Exhibit "B"
NMFL# 2982 12/00

KHS
Initials

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See Exhibit "A" attached hereto and made a part hereof for all purposes and being the same property located at
2857 JACKIE CIRCLE, MINDEN, NV 89423

WITNESSETH

WHEREAS, Borrower now desires to modify the Note and ratify said liens against the property; and

WHEREAS, Lender, the legal owner and holder of said Note and liens securing same, in consideration of the premises and at the request of the Borrower has agreed to modify the Note as hereinafter provided; and

WHEREAS, the Borrower, in consideration of the modification of the Note as hereinafter set forth by the legal owner and holder thereof, has agreed to ratify said Note and indebtedness evidenced thereby and reconfirm Borrower's unconditional promise to pay to the order of **WELLS FARGO HOME MORTGAGE, INC.**

at its offices at 503069246

P.O. BOX 9246, DES , or at such other places as the holder of said Note may designate in writing, the principal sum of **THREE HUNDRED FIFTEEN THOUSAND FIVE HUNDRED AND 00/100**

(\$ *****315,500.00**) or so much thereof as may have been or may be advanced under the Note, together with interest thereon at the rates herein provided, in accordance with the terms thereof and hereof from and after the effective date of this Agreement until maturity.

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree that the Note and Security Instrument are hereby renewed, extended and/or modified, as follows:

I. Items 1 through 11 below shall, as applicable, amend, modify and replace those items in the Note

1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S. \$ *****315,500.00** (this amount is called "Principal"), plus interest, to the order of the Lender. The Lender is **WELLS FARGO HOME MORTGAGE, INC.**

I will make all payments under this Note in the form of cash, check or money order. I understand that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

2. INTEREST

Interest will be charged on unpaid principal until the full amount of principal has been paid. I will pay interest at a yearly rate of **5.000** %. The interest rate I will pay will change in accordance with Section 4 of this Note.

The interest rate required by this Section 2 and Section 4 of this Note is the rate I will pay both before and after any default described in Section 7(B) of this Note.

3. PAYMENTS

(A) Time and Place of Payments

I will pay principal and interest by making a payment every month. I will make my monthly payment on the first day of each month beginning on **DECEMBER 01**, 2002 . I will make these payments every month until I have paid all of the principal and interest and any other charges described below that I may owe under this Note. Each monthly payment will be applied to interest before principal. If, on **NOVEMBER 01**, 2032, I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "Maturity Date."

NMFL# 2982 12/00

Initials
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I will make my monthly payments at WELLS FARGO HOME MORTGAGE, INC., P.O. BOX 9246, DES MOINES, IA 503069246

or at a different place if required by the Note Holder.

(B) Amount of My Initial Monthly Payments

Each of my initial monthly payments will be in the amount of U.S.\$ *****1,693.67 . This amount may change.

(C) Monthly Payment Changes

Changes in my monthly payment will reflect changes in the unpaid principal of my loan and in the interest rate that I must pay. The Note Holder will determine my new interest rate and the changed amount of my monthly payment in accordance with Section 4 of this Note.

4. INTEREST RATE AND MONTHLY PAYMENT CHANGES

(A) Change Dates

The interest rate I will pay may change on the first day of **NOVEMBER** , 2005 , and on that day every 12th month thereafter. Each date on which my interest rate could change is called a "Change Date".

(B) The Index

Beginning with the first Change Date, my interest rate will be based on an Index. The "Index" is the weekly average yield on United States Treasury securities adjusted to a constant maturity of 1 year, as made available by the Federal Reserve Board. The most recent Index figure available as of the date 45 days before each Change Date is called the "Current Index".

If the Index is no longer available, the Note Holder will choose a new index that is based upon comparable information. The Note Holder will give me notice of this choice.

(C) Calculation of Changes

Before each Change Date, the Note Holder will calculate my new interest rate by adding **TWO AND THREE-QUARTERS** percentage points (**2.750** %) to the Current Index. The Note Holder will then round the result of this addition to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section 4(D) below, this rounded amount will be my new interest rate until the next Change Date. The Note Holder will then determine the amount of the monthly payment that would be sufficient to repay the unpaid principal that I am expected to owe at the Change Date in full on the Maturity Date at my new interest rate in substantially equal payments. The result of this calculation will be the new amount of my monthly payment.

(D) Limits on Interest Rate Changes

The interest rate I am required to pay at the first Change Date will not be greater than **7.000** % or less than **3.000** %. Thereafter, my interest rate will never be increased or decreased on any single Change Date by more than **TWO** percentage point(s) (**2.000** %) from the rate of interest I have been paying for the preceding 12 months. My interest rate will never be greater than **11.000** %.

(E) Effective Date of Changes

My new interest rate will become effective on each Change Date. I will pay the amount of my new monthly payment beginning on the first monthly payment date after the Change Date until the amount of my monthly payment changes again.

(F) Notice of Changes

The Note Holder will deliver or mail to me a notice of any changes in my interest rate and the amount of my monthly payment before the effective date of any change. The notice will include information required by law to be given me and also the title and telephone number of a person who will answer any question I may have regarding the notice.

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5. BORROWER'S RIGHT TO PREPAY

I have the right to make payments of Principal at any time before they are due. A payment of Principal only is known as a "Prepayment". When I make a Prepayment, I will tell the Note Holder in writing that I am doing so. I may not designate a payment as a Prepayment if I have not made all the monthly payments due under the Note.

I may make a full Prepayment or partial Prepayments without paying a Prepayment charge. The Note Holder will use my Prepayments to reduce the amount of Principal that I owe under this Note. However, the Note Holder may apply my Prepayment to the accrued and unpaid interest on the Prepayment amount, before applying my Prepayment to reduce the Principal amount of the Note. If I make a partial Prepayment, there will be no changes in the due dates of my monthly payment unless the Note Holder agrees in writing to those changes. My partial Prepayment may reduce the amount of my monthly payments after the first Change Date following my partial Prepayment. However, any reduction due to my partial Prepayment may be offset by an interest rate increase.

6. LOAN CHARGES

If a law, which applies to this loan and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from me which exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the Principal I owe under this Note or by making a direct payment to me. If a refund reduces Principal, the reduction will be treated as partial Prepayment.

7. BORROWER'S FAILURE TO PAY AS REQUIRED

(A) Late Charges for Overdue Payments

If the Note Holder has not received the full amount of any monthly payment by the end of 15 calendar days after the date it is due, I will pay a late charge to the Note Holder.

The amount of the charge will be 5.0000 % of my overdue payment of principal and interest. I will pay this late charge promptly but only once on each late payment.

(B) Default

If I do not pay the full amount of each monthly payment on the date it is due, I will be in default.

(C) Notice of Default

If I am in default, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Note Holder may require me to pay immediately the full amount of principal that has not been paid and all the interest that I owe on that amount. That date must be at least 30 days after the date on which the notice is mailed to me or delivered by other means.

(D) No Waiver By Note Holder

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

(E) Payment of Note Holder's Costs and Expenses

If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorney's fees.

8. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address.

Any notice that must be given to the Note Holder under this Note will be given by delivering it or by mailing it by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

9. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

10. WAIVERS

I and any other person who has obligations under this Note waive the rights of Presentment, and Notice of Dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of Dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

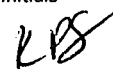
11. UNIFORM SECURED NOTE

This Note is a uniform instrument with limited variations in some jurisdictions. In addition to the protections given to the Note Holder under this Note, a Mortgage, Deed of Trust or Security Deed (the "Security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses which might result if I do not keep the promises that I make in this Note. That Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note. Some of those conditions are described as follows:

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law. Lender also shall not exercise this option if: (a) Borrower causes to be submitted to Lender information required by Lender to evaluate the intended transferee as if a new loan were being made to the transferee; and (b) Lender reasonably determines that Lender's security will not be impaired by the loan assumption and that the risk of a breach of any covenant or agreement in this Security Instrument is acceptable to Lender.

To the extent permitted by Applicable Law, Lender may charge a reasonable fee as a condition to Lender's consent to the loan assumption. Lender may also require the transferee to sign an assumption agreement that is acceptable to Lender and that obligates the transferee to keep all the promises and agreements made in the Note and in this Security Instrument. Borrower will continue to be obligated under the Note and this Security Instrument unless Lender releases Borrower in writing.

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If Lender exercises the option to require immediate payment in full, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

(Check and Complete if Applicable):

X II. The Security Instrument shall be and hereby is amended as follows:

X (A) Reference to the maturity date of the debt secured by the Security Instrument is changed from 10-19-02 to 11-01-32

X (B) The Adjustable Rate Rider attached hereto as Exhibit "B" is hereby incorporated into and made a part of the Security Instrument.

Further, it is expressly agreed that for and in consideration of this Modification Agreement, Borrower hereby releases and forever discharges Lender and its officers, directors, counsel, employees, agents, predecessors, successors, and assigns from all causes of action, claims, rights, and controversies, known or unknown, which Borrower had, now has, or may hereafter acquire which

relate to, are based on, arise out of, or are in any way connected with any acts of Lender or its above affiliates occurring prior to the execution of this Agreement and relating in any manner to the above described Note or Security Instrument or the Property described herein or therein. This is a general release of all possible claims and causes of action of every kind and character related to the above described subject matter and is to be interpreted liberally to effectuate maximum protection of Lender and its above affiliates.

The Borrower hereby ratifies Lender's liens and/or security interests against the Property until the Note as so hereby modified has been fully paid, and agrees that this renewal, extension and/or modification shall in no manner affect or impair the Note or the liens and/or security interests securing same and that said liens and/or security interests shall not in any manner be waived, but are acknowledged by Borrower to be valid and subsisting, the purpose of this instrument being simply to modify the Security Instrument and the time and manner of payments of the Note and ratify all liens and/or security interest securing same, and the Borrower further agrees that all terms and provisions of the Note, the Security Instrument and the other instruments creating or fixing the liens and/or security interest securing same shall be and remain in full force and effect as therein written, except as otherwise expressly provided herein.

A breach or other default of any of the terms of this Agreement by Borrower shall constitute a breach or default under the Note and Security Instrument, and Lender shall thereupon have the right to seek all remedies available to it under the aforesaid loan instruments.

Borrower covenants and agrees that the rights and remedies of the Lender under this Agreement are cumulative of, are not in lieu of but are in addition to, and their exercise or the failure to exercise them shall not constitute a waiver of, any other rights and remedies which Lender shall have under the Note or the Security Instrument.

It is agreed that time and the unimpaired security of Lender are the essence of this Agreement.

Borrower covenants and agrees that this Agreement represents the final agreement between Borrower and Lender relating to the above described subject matter and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties hereto. Except as expressly provided herein, the Loan and all instruments evidencing and securing same shall remain unaffected, unchanged and unimpaired. In the event of a conflict between the terms of the Note or this Agreement, the terms hereof shall be controlling. By entering into this Agreement, the parties have no intention whatsoever to extinguish or discharge the indebtedness or liens and/or security interests evidenced by the loan instruments or to effect any novation. Borrower further covenants and agrees that there are no unwritten oral agreements between the parties hereto relating to the above described subject matter.

EXECUTED this the 29TH day of OCTOBER, 2002, to be effective

(SEAL)

(SEAL)

(SEAL)

(SEAL)

(SEAL)
MICHAEL T. SMITH

(SEAL)
KAREN P. SMITH

(SEAL)

(SEAL)

WITNESS:

ACCEPTED AND AGREED TO BY THE OWNER AND HOLDER OF SAID NOTE:

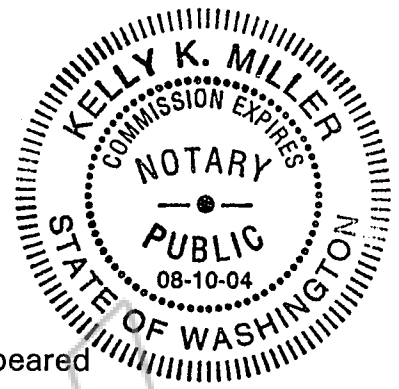
By: *Inge E. Randolph*
Name: INGE E. RANDOLPH
Title: ASSISTANT SECRETARY

WITNESS:
M. Harris

MS
Initials

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10/8



THE STATE OF ~~NEVADA~~ WASHINGTON
COUNTY OF ~~DOUGLAS~~ SNOHOMISH

BEFORE ME, the undersigned authority, on this day personally appeared
INGRE E. RANDOLPH

, as ASSISTANT SECRETARY
of WELLS FARGO HOME MORTGAGE, INC., known to me to be the person whose name is
subscribed to the foregoing instrument and acknowledged to me that he executed the same for the
purposes and consideration therein expressed, in the capacity therein stated, as the act and deed of
said CORPORATION

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 29TH day of OCTOBER, 2002.

Kelly K. Miller

My Commission Expires:

Notary Public for the State of ~~NEVADA~~ WASHINGTON
Name: KELLY K. MILLER

THE STATE OF NEVADA
COUNTY OF DOUGLAS

BEFORE ME, the undersigned authority, on this day personally appeared
MICHAEL T. SMITH AND KAREN P. SMITH

known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument and
acknowledged to me that he/she/they executed the same for the purpose and consideration therein
expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the ³⁰29TH day of OCTOBER, 2002.

Kathy Swain

My Commission Expires: *8/13/04*

Notary Public for the State of NEVADA



IRS
Initials

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IRS

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ADJUSTABLE RATE RIDER

(1 Year Treasury Index - Rate Caps)

THIS ADJUSTABLE RATE RIDER is made this 29TH day of OCTOBER, 2002, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust, or Security Deed (the "Security Instrument") of the same date given by the undersigned (the "Borrower") to secure Borrower's Adjustable Rate Note (the "Note") to WELLS FARGO HOME MORTGAGE, INC.

(the "Lender") of the same date and covering the property described in the Security Instrument and located at:

2857 JACKIE CIRCLE, MINDEN, NV 89423

[Property Address]

THE NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGES IN THE INTEREST RATE AND THE MONTHLY PAYMENT. THE NOTE LIMITS THE AMOUNT THE BORROWER'S INTEREST RATE CAN CHANGE AT ANY ONE TIME AND THE MAXIMUM RATE THE BORROWER MUST PAY.

ADDITIONAL COVENANTS. In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

A. INTEREST RATE AND MONTHLY PAYMENT CHANGES

The Note provides for an initial interest rate of 5.000 %. The Note provides for changes in the interest rate and the monthly payments as follows:

4. INTEREST RATE AND MONTHLY PAYMENT CHANGES

(A) Change Dates

The interest rate I will pay may change on the first day of NOVEMBER, 2005 and on that day every 12 MONTHS thereafter. Each date on which my interest rate could change is called a "Change Date."

0143737

MULTISTATE ADJUSTABLE RATE RIDER - ARM 5-2 -Single Family- Fannie Mae/Freddie Mac

UNIFORM INSTRUMENT Fannie Mae 4-2/5-2/6-2 ARM

VMP 822R (0008) Form 3111 1/01 NMFL #3111

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Initials: *MTS KRS*

VMP MORTGAGE FORMS - (800)521-7291



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(B) The Index

Beginning with the first Change Date, my interest rate will be based on an Index. The "Index" is the weekly average yield on United States Treasury securities adjusted to a constant maturity of 1 year(s), as made available by the Federal Reserve Board. The most recent Index figure available as of the date 45 days before each Change Date is called the "Current Index."

If the Index is no longer available, the Note Holder will choose a new index which is based upon comparable information. The Note Holder will give me notice of this choice.

(C) Calculation of Changes

Before each Change Date, the Note Holder will calculate my new interest rate by adding **TWO AND THREE-QUARTERS** percentage points (**2.750** %) to the Current Index. The Note Holder will then round the result of this addition to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section 4(D) below, this rounded amount will be my new interest rate until the next Change Date.

The Note Holder will then determine the amount of the monthly payment that would be sufficient to repay the unpaid principal that I am expected to owe at the Change Date in full on the maturity date at my new interest rate in substantially equal payments. The result of this calculation will be the new amount of my monthly payment.

(D) Limits on Interest Rate Changes

The interest rate I am required to pay at the first Change Date will not be greater than **7.000** % or less than **3.000** %. Thereafter, my interest rate will never be increased or decreased on any single Change Date by more than **TWO** percentage points (**2.000** %) from the rate of interest I have been paying for the preceding 12 months. My interest rate will never be greater than **11.000** %.

(E) Effective Date of Changes

My new interest rate will become effective on each Change Date. I will pay the amount of my new monthly payment beginning on the first monthly payment date after the Change Date until the amount of my monthly payment changes again.

Initials: *MTS*

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(F) Notice of Changes

The Note Holder will deliver or mail to me a notice of any changes in my interest rate and the amount of my monthly payment before the effective date of any change. The notice will include information required by law to be given to me and also the title and telephone number of a person who will answer any question I may have regarding the notice.

B. TRANSFER OF THE PROPERTY OR A BENEFICIAL INTEREST IN BORROWER

Section 18 of the Security Instrument is amended to read as follows:

Transfer of the Property or a Beneficial Interest in Borrower. As used in this Section 18, "Interest in the Property" means any legal or beneficial interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrower at a future date to a purchaser.

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law. Lender also shall not exercise this option if: (a) Borrower causes to be submitted to Lender information required by Lender to evaluate the intended transferee as if a new loan were being made to the transferee; and (b) Lender reasonably determines that Lender's security will not be impaired by the loan assumption and that the risk of a breach of any covenant or agreement in this Security Instrument is acceptable to Lender.

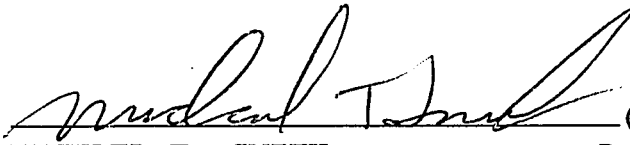
To the extent permitted by Applicable Law, Lender may charge a reasonable fee as a condition to Lender's consent to the loan assumption. Lender may also require the transferee to sign an assumption agreement that is acceptable to Lender and that obligates the transferee to keep all the promises and agreements made in the Note and in this Security Instrument. Borrower will continue to be obligated under the Note and this Security Instrument unless Lender releases Borrower in writing.

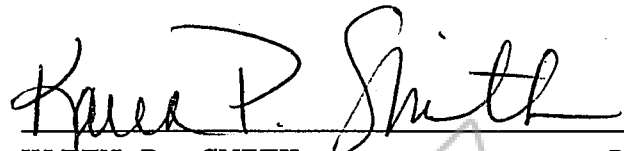
If Lender exercises the option to require immediate payment in full, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

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BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Adjustable Rate Rider.


MICHAEL T. SMITH (Seal)
-Borrower


KAREN P. SMITH (Seal)
-Borrower

(Seal)
-Borrower

(Seal)
-Borrower

(Seal)
-Borrower

(Seal)
-Borrower

(Seal)
-Borrower

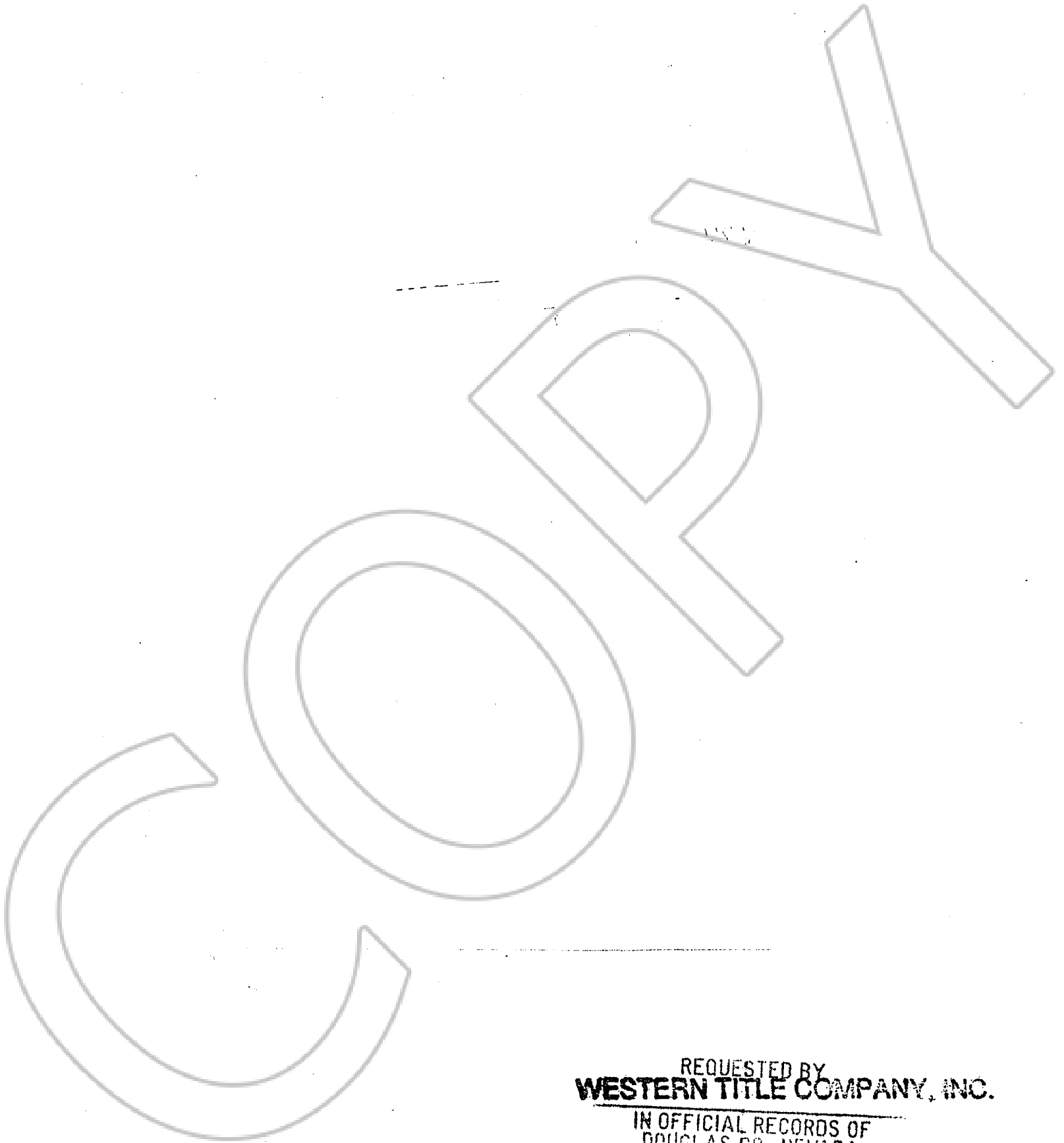
(Seal)
-Borrower

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EXHIBIT "A"

Lot 9 as set forth on Final Subdivision Map LDA 99-052 of BUCKBRUSH ESTATES PHASE 2, filed in the Office of the County Recorder of Douglas County, State of Nevada on March 30, 2001, in Book 0301, Page 7896, as Document No. 511326.



REQUESTED BY
WESTERN TITLE COMPANY, INC.

IN OFFICIAL RECORDS OF
DOUGLAS CO., NEVADA

2002 OCT 31 PM 4:42

LINDA SLATER
RECORDER

\$26⁵⁰ PAID *KJ* DEPUTY

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BK 1002 PG 15000