CONSENT TO SALE OF REAL ESTATE
SUBJECT TO MORTGAGE

The undersigned, Roger A. Hoffman, as Acting ADD/F&I of the Small Business Administration, hereby states as follows:

1. That the Administrator of the Small Business Administration has a lien on the below-described real estate pursuant to a mortgage dated November 9, 1984 and which was filed for record in the office of the Delaware County Recorder in Book 19 T.L.M. at Page 30 on November 9, 1984 and also indexed in Chattel Mortgage Index 30 in the office of the Delaware County Recorder. A copy of said mortgage is attached hereto and by this referenced made a part hereof.

2. A copy of said Promissory Note which is secured by the above-referenced mortgage is attached hereto and by this reference made a part hereof.

3. That the Small Business Administration hereby consents to the sale of the above-described premises to the City of Manchester, Iowa and consents to the transfer of said property by the City of Manchester, Iowa to Fareway Stores, Inc. of Boone, Iowa. By granting this consent, the Small Business Administration acknowledges that it will not exercise any right to cause the above-referenced Promissory Note to become due upon sale or transfer of the real estate to the City of Manchester, Iowa and/or Fareway Stores, Inc. of Boone, Iowa.

4. This written consent is being granted based upon the assumption of loan indebtedness represented by said note, by the City of Manchester, Iowa.

Dated this 11th day of June, 1991.

SMALL BUSINESS ADMINISTRATION

BY: Roger A. Hoffman
Roger A. Hoffman
Acting ADD/F&I

STATE OF IOWA)
LINN) SS:
COUNTY OF ~~DELAWARE~~)

On this 11th day of June, 19 91, before me, a Notary Public for said County, and State, personally appeared Roger A. Hoffman, who is known by me and who is known to be the Acting ADD/F&I of the Cedar Rapids District Office of the U.S. Small Business Administration, a federal agency, that he executed this document as the free and voluntary act of the Administrator of the U.S. Small Business Administration, and on its behalf, pursuant to Authority delegated and published at 47 Fed. Reg. 2305 on January

FILE No. 102-2976
RECORDING FEE $ 50.00
TRANSFER FEE $

FILED FOR RECORD THE 12 DAY OF June, 19 91 AT 3:48 O'CLOCK P. M. BOOK 2 PAGE 182

STATE OF IOWA, DELAWARE COUNTY
Joan Sheppard, Recorder
Misc.

15, 1982.



My commission expires July 26, 1983

Notary Public in and for the
State of Iowa

Notary Public in and for the
State of Iowa

EIDL-205819-30-01-CR

MORTGAGE

(Direct)

This mortgage made and entered into this 9th day of November 19 84, by and between L. J. Scherrman, Ltd.

(hereinafter referred to as mortgagor) and the Administrator of the Small Business Administration, an agency of the Government of the United States of America (hereinafter referred to as mortgagee), who maintains an office and place of business at 373 Collins Road N. E., Cedar Rapids, Iowa 52402.

WITNESSETH, that for the consideration hereinafter stated, receipt of which is hereby acknowledged, the mortgagor does hereby mortgage, sell, grant, assign, and convey unto the mortgagee, his successors and assigns, all of the following described property situated and being in the County of Delaware, State of Iowa, to wit:

Lots Two Hundred Forty Six (246) and Two Hundred Forty Seven (247), Manchester, Iowa, according to plat recorded in Book I L.D., Page 284, from the 18th day of April, 1973, at 8:00 o'clock A.M. to the 10th day of May, 1973, at 8:00 o'clock A.M.; and Lots Two Hundred Thirty Two (232), Two Hundred Thirty Three (233), Two Hundred Thirty Four (234), and Two Hundred Thirty Five (235), Manchester, Iowa, according to plat recorded in Book I L.D., Page 284, from the 24th day of April, 1973, at 8:00 o'clock A.M. to the 10th day of May, 1973, at 8:00 o'clock A.M.

Together with and including all buildings, all fixtures including but not limited to all plumbing, heating, lighting, ventilating, refrigerating, incinerating, air conditioning apparatus, and elevators (the mortgagor hereby declaring that it is intended that the items herein enumerated shall be deemed to have been permanently installed as part of the realty), and all improvements now or hereafter existing thereon; the hereditaments and appurtenances and all other rights thereunto belonging, or in anywise appertaining, and the reversion and reversions, remainder and remainders, all rights of redemption, and the rents, issues, and profits of the above described property (provided, however, that the mortgagor shall be entitled to the possession of said property and to collect and retain the rents, issues, and profits until default hereunder). To have and to hold the same unto the mortgagee and the successors in interest of the mortgagee forever in fee simple or such other estate, if any, as is stated herein.

The mortgagor covenants that he is lawfully seized and possessed of and has the right to sell and convey said property; that the same is free from all encumbrances except as hereinabove recited; and that he hereby binds himself and his successors in interest to warrant and defend the title aforesaid thereto and every part thereof against the claims of all persons whomsoever.

This instrument is given to secure the payment of a promissory note dated October 15, 1984, in the principal sum of $ 215,500.00, signed by Laurence J. Scherrman, President, and Laurence J. Scherrman, Secretary in behalf of L. J. Scherrman, Ltd.

This Mortgage is given to secure a Guaranty dated October 17, 1984, and signed by Laurence J. Scherrman and Irene M. Scherrman.

SBA Form 927 (5-71) Previous Editions are Obsolete.

SIGN, NOTARIZE, RECORD AND RETURN TO SBA

4140002

ORIGINAL

FILE No. 218-954
RECORDING FEE $ 20.00
TRANSFER FEE $

FILED FOR RECORD THE 9 DAY OF November 19 84 AT 12:02 O'CLOCK P. M. BOOK 19 PAGE 30

STATE OF IOWA, DELAWARE COUNTY
Joan Sheppard, Recorder
CM 30 TLM

1. The mortgagor covenants and agrees as follows:

a. He will promptly pay the indebtedness evidenced by said promissory note at the times and in the manner therein provided

b. He will pay all taxes, assessments, water rates, and other governmental or municipal charges, fines, or impositions, for which provision has not been made hereinbefore, and will promptly deliver the official receipts therefor to the said mortgagee.

c. He will pay such expenses and fees as may be incurred in the protection and maintenance of said property, including the fees of any attorney employed by the mortgagee for the collection of any or all of the indebtedness hereby secured, or for foreclosure by mortgagee's sale, or court proceedings, or in any other litigation or proceeding affecting said premises. Attorneys' fees reasonably incurred in any other way shall be paid by the mortgagor.

d. For better security of the indebtedness hereby secured, upon the request of the mortgagee, its successors or assigns, he shall execute and deliver a supplemental mortgage or mortgages covering any additions, improvements, or betterments made to the property hereinabove described and all property acquired by it after the date hereof (all in form satisfactory to mortgagee). Furthermore, should mortgagor fail to cure any default in the payment of a prior or inferior encumbrance on the property described by this instrument, mortgagor hereby agrees to permit mortgagee to cure such default, but mortgagee is not obligated to do so; and such advances shall become part of the indebtedness secured by this instrument, subject to the same terms and conditions.

e. The rights created by this conveyance shall remain in full force and effect during any postponement or extension of the time of payment of the indebtedness evidenced by said promissory note or any part thereof secured hereby.

f. He will continuously maintain hazard insurance, of such type or types and in such amounts as the mortgagee may from time to time require on the improvements now or hereafter on said property, and will pay promptly when due any premiums therefor. All insurance shall be carried in companies acceptable to mortgagee and the policies and renewals thereof shall be held by mortgagee and have attached thereto loss payable clauses in favor of and in form acceptable to the mortgagee. In event of loss, mortgagor will give immediate notice in writing to mortgagee, and mortgagee may make proof of loss if not made promptly by mortgagor, and each insurance company concerned is hereby authorized and directed to make payment for such loss directly to mortgagee instead of to mortgagor and mortgagee jointly, and the insurance proceeds, or any part thereof, may be applied by mortgagee at its option either to the reduction of the indebtedness hereby secured or to the restoration or repair of the property damaged or destroyed. In event of foreclosure of this mortgage, or other transfer of title to said property in extinguishment of the indebtedness secured hereby, all right, title, and interest of the mortgagor in and to any insurance policies then in force shall pass to the purchaser or mortgagee or, at the option of the mortgagee, may be surrendered for a refund.

g. He will keep all buildings and other improvements on said property in good repair and condition; will permit, commit, or suffer no waste, impairment, deterioration of said property or any part thereof; in the event of failure of the mortgagor to keep the buildings on said premises and those erected on said premises, or improvements thereon, in good repair, the mortgagee may make such repairs as in its discretion it may deem necessary for the proper preservation thereof; and the full amount of each and every such payment shall be immediately due and payable and shall be secured by the lien of this mortgage.

h. He will not voluntarily create or permit to be created against the property subject to this mortgage any lien or liens inferior or superior to the lien of this mortgage without the written consent of the mortgagee; and further, he will keep and maintain the same free from the claim of all persons supplying labor or materials for construction of any and all buildings or improvements now being erected or to be erected on said premises.

i. He will not rent or assign any part of the rent of said mortgaged property or demolish, or remove, or substantially alter any building without the written consent of the mortgagee.

j. All awards of damages in connection with any condemnation for public use of or injury to any of the property subject to this mortgage are hereby assigned and shall be paid to mortgagee, who may apply the same to payment of the installments last due under said note, and mortgagee is hereby authorized, in the name of the mortgagor, to execute and deliver valid acquittances thereof and to appeal from any such award.

k. The mortgagee shall have the right to inspect the mortgaged premises at any reasonable time.

2. Default in any of the covenants or conditions of this instrument or of the note or loan agreement secured hereby shall terminate the mortgagor's right to possession, use, and enjoyment of the property, at the option of the mortgagee or his assigns (it being agreed that the mortgagor shall have such right until default). Upon any such default, the mortgagee shall become the owner of all of the rents and profits accruing after default as security for the indebtedness secured hereby, with the right to enter upon said property for the purpose of collecting such rents and profits. This instrument shall operate as an assignment of any rentals on said property to that extent.

3. The mortgagor covenants and agrees that if he shall fail to pay said indebtedness or any part thereof when due, or shall fail to perform any covenant or agreement of this instrument or the promissory note secured hereby, the entire indebtedness hereby secured shall immediately become due, payable, and collectible without notice, at the option of the mortgagee or assigns, regardless of maturity, and the mortgagee or his assigns may before or after entry sell said property without appraisement (the mortgagor having waived and assigned to the mortgagee all rights of appraisement):

(I) at judicial sale pursuant to the provisions of 28 U.S.C. 2001(a); or

(II) at the option of the mortgagee, either by auction or by solicitation of sealed bids, for the highest and best bid complying with the terms of sale and manner of payment specified in the published notice of sale, first giving four weeks' notice of the time, terms, and place of such sale, by advertisement not less than once during each of said four weeks in a newspaper published or distributed in the county in which said property is situated, all other notice being hereby waived by the mortgagor (and said mortgagee, or any person on behalf of said mortgagee, may bid with the unpaid indebtedness evidenced by said note). Said sale shall be held at or on the property to be sold or at the Federal, county, or city courthouse for the county in which the property is located. The mortgagee is hereby authorized to execute for and on behalf of the mortgagor and to deliver to the purchaser at such sale a sufficient conveyance of said property, which conveyance shall contain recitals as to the happening of the default upon which the execution of the power of sale herein granted depends; and the said mortgagor hereby constitutes and appoints the mortgagee or any agent or attorney of the mortgagee, the agent and attorney in fact of said mortgagor to make such recitals and to execute said conveyance and hereby covenants and agrees that the recitals so made shall be effectual to bar all equity or right of redemption, homestead, dower, and all other exemptions of the mortgagor, all of which are hereby expressly waived and conveyed to the mortgagee; or

(III) take any other appropriate action pursuant to state or Federal statute either in state or Federal court or otherwise for the disposition of the property.

In the event of a sale as hereinabove provided, the mortgagor or any person in possession under the mortgagor shall then become and be tenants holding over and shall forthwith deliver possession to the purchaser at such sale or be summarily dispossessed, in accordance with the provisions of law applicable to tenants holding over. The power and agency hereby granted are coupled with an interest and are irrevocable by death or otherwise, and are granted as cumulative to the remedies for collection of said indebtedness provided by law.

4. The proceeds of any sale of said property in accordance with the preceding paragraphs shall be applied first to pay the costs and expenses of said sale, the expenses incurred by the mortgagee for the purpose of protecting or maintaining said property, and reasonable attorneys' fees; secondly, to pay the indebtedness secured hereby; and thirdly, to pay any surplus or excess to the person or persons legally entitled thereto.

5. In the event said property is sold at a judicial foreclosure sale or pursuant to the power of sale hereinabove granted, and the proceeds are not sufficient to pay the total indebtedness secured by this instrument and evidenced by said promissory note, the mortgagee will be entitled to a deficiency judgment for the amount of the *deficiency without regard to appraisement.*

6. In the event the mortgagor fails to pay any Federal, state, or local tax assessment, income tax or other tax lien, charge, fee, or other expense charged against the property, the mortgagee is hereby authorized at his option to pay the same. Any sums so paid by the mortgagee shall be added to and become a part of the principal amount of the indebtedness evidenced by said note, subject to the same terms and conditions. If the mortgagor shall pay and discharge the indebtedness evidenced by said promissory note, and shall pay such sums and shall discharge all taxes and liens and the costs, fees, and expenses of making, enforcing, and executing this mortgage, then this mortgage shall be canceled and surrendered.

7. The covenants herein contained shall bind and the benefits and advantages shall inure to the respective successors and assigns of the parties hereto. Whenever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders.

8. No waiver of any covenant herein or of the obligation secured hereby shall at any time thereafter be held to be a waiver of the terms hereof or of the note secured hereby.

9. In compliance with section 101.1(d) of the Rules and Regulations of the Small Business Administration [13 C.F.R. 101.1(d)], this instrument is to be construed and enforced in accordance with applicable Federal law.

10. A judicial decree, order, or judgment holding any provision or portion of this instrument invalid or unenforceable shall not in any way impair or preclude the enforcement of the remaining provisions or portions of this instrument.

11. Any written notice to be issued to the mortgagor pursuant to the provisions of this instrument shall be addressed to the mortgagor at 103 East Marion, Manchester, Iowa 52057

and any written notice to be issued to the mortgagee shall be addressed to the mortgagee at 373 Collins Road N.E., Cedar Rapids, Iowa 52402.

IN WITNESS WHEREOF, the mortgagor has executed this instrument and the mortgagee has accepted delivery of this instrument as of the day and year aforesaid.

L. J. Scherrman, Ltd.

Laurence J. Scherrman, Pres. and Sec.

Walter J. Vaske, Vice President

Executed and delivered in the presence of the following witnesses:

.....

.....

(Add Appropriate Acknowledgment)

CORPORATION

STATE OF IOWA) SS.

COUNTY OF Delaware)

BEFORE ME, the undersigned authority, on this day personally appeared Laurence J. Scherrman, Pres. and Sec., and Walter J. Vaske, Vice Pres., known to me to be the persons and officers whose names are subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said L. J. Scherrman, Ltd., a corporation, and that they executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 9th DAY OF November, A.D. 19 84.

NOTARY PUBLIC in and for said County and State

(David J. Parmley)

My Commission Expires: 8-19-85

DAVID J. PARMLEY NOTARIAL SEAL IOWA

228-954

MORTGAGE

J. Scherrman, Ltd.

TO

Small Business Administration

RECORDING DATA

DELAWARE COUNTY IOWA
FILED
NOV 9 PM 12 02
BOOK 19 PAGE 30
JOAN SHEPPARD
RECORDER

$20.00

RETURN TO:

the .....

address .....

INDEXED IN
CHATTEL MTG. INDEX

U.S. SMALL BUSINESS ADMINISTRATION

SBA LOAN NUMBER

EIDL-205819-30-01-CR

NOTE

(FOR DISASTER LOANS ONLY)

NOV 6 1984

Manchester, Iowa

(City and State)

$ 215,500.00

SBA AREA PROCESSING CENTER

(Date) 10-15-, 19 84

For value received, the undersigned promises to pay to the order of

SMALL BUSINESS ADMINISTRATION

(Payee)

at its office in the city of ~~P.O. Box 3449~~ Denver, State of Colorado 80259

or at holder's option, at such other place as may be designated from time to time by the Holder or Small Business Administration

TWO HUNDRED FIFTEEN THOUSAND FIVE HUNDRED AND NO/100---------- dollars,

(Write out amount)

with interest on unpaid principal computed from the date of each advance to the undersigned at the Annual Percentage Rate, of

4 Percent per annum, payment to be made in installments as follows

$ 1,159.00----------, including principal and interest, payable monthly, beginning five (5) months from the date hereof; the balance of principal and interest to be paid in full

Twenty-five (25) year(s) from the date hereof; with the further provision that each said installment shall be applied first to accrued interest, and the balance, if any, to principal.

*In addition the undersigned promises to pay annually a supplemental payment equal to 15.000% of net earnings as computed before depreciation and after officer's compensation, taxes and principal payments against this loan. Each supplemental annual payment will be due no later than 120 days following the close of their fiscal year which ends December 31; such supplemental annual payment will be made each year the loan is outstanding.

Payment of any installment of principal or interest owing on this Note may be made prior to the maturity date thereof without penalty.

The term "Indebtedness" as used herein shall mean the indebtedness evidenced by this Note, including principal, interest, and expenses whether contingent, now due or hereafter to become due and whether heretofore or contemporaneously herewith or hereafter contracted. The term "Collateral" as used in this Note shall mean any funds, guaranties, or other property or rights therein of any nature whatsoever or the proceeds thereof which may have been, are, or hereafter may be, hypothecated, directly or indirectly by the undersigned or others, in connection with, or as security for, the indebtedness or any part thereof. The Collateral, and each part thereof, shall secure the Indebtedness and each part thereof. The covenants and conditions set forth or referred to in any and all instruments of hypothecation constituting the Collateral are hereby incorporated in this Note as covenants and conditions of the undersigned with the same force and effect as though such covenants and conditions were fully set forth herein.

The Indebtedness shall immediately become due and payable, without notice or demand, upon the appointment of a receiver or liquidator, whether voluntary or involuntary, for the undersigned or for any of property of the undersigned, or upon the filing of a petition by or against the undersigned under the provisions of any State insolvency law or under the provisions of the Bankruptcy Act of 1898, as amended, or upon the making by the undersigned of an assignment for the benefit of creditors. Holder is authorized to declare all or any part of the Indebtedness immediately due and payable upon the happening of any of the following events: (1) Failure to pay any part of the Indebtedness when due; (2) nonperformance by the undersigned of any agreement with, or any condition imposed by, Holder, or Small Business Administration (hereinafter called "SBA"), or either of them, with respect to the Indebtedness; (3) Holder's discovery of the undersigned's failure in any application of the undersigned to Holder or SBA to disclose any fact deemed by Holder to be material or of the making therein or in any of the said agreements, or in any affidavit or other documents submitted in connection with said application or the indebtedness, of any misrepresentation by, on behalf of, or for the benefit of the undersigned; (4) the reorganization (other than a reorganization pursuant to any of the provisions of the Bankruptcy Act of 1898, as amended) or merger or consolidation of the undersigned (or the making of any agreement therefor) without the prior written consent of Holder; (5) the undersigned's failure duly to account, to Holder's satisfaction, at such time or times as Holder may require, for any of the Collateral; or proceeds thereof, coming into the control of the undersigned; or (6) the institution of any suit affecting the undersigned deemed by Holder to affect adversely its interest hereunder in the Collateral or otherwise. Holder's failure to exercise its rights under this paragraph shall not constitute a waiver thereof.

SBA COPY

SBA FORM 147 BIS-771 REF SOP 50 35 PREVIOUS EDITIONS ARE OBSOLETE

4140002

Upon the nonpayment of the Indebtedness, or any part thereof, when due, whether by acceleration or otherwise, Holder is empowered to sell, assign, and deliver the whole or any part of the Collateral at public or private sale, without demand, advertisement or notice of the time or place of sale or of any adjournment thereof, which are hereby expressly waived. After deducting all expenses incidental to or arising from such sale or sales, Holder may apply the residue of the proceeds thereof to the payment of the Indebtedness, as it shall deem proper, returning the excess, if any, to the undersigned. The undersigned hereby waives all right of redemption or appraisement whether before or after sale.

Holder is further empowered, to collect or cause to be collected or otherwise to be converted into money all or any part of the Collateral, by suit or otherwise, and to surrender, compromise, release, renew, extend, exchange, or substitute any item of the Collateral in transactions with the undersigned or any third party, irrespective of any assignment thereof by the undersigned, and without prior notice to or consent of the undersigned or any assignee. Whenever any item of the Collateral shall not be paid when due, or otherwise shall be in default, whether or not the Indebtedness, or any part thereof, has become due, Holder shall have the same rights and powers with respect to such item of the Collateral as are granted in respect thereof in this paragraph in case of nonpayment of the Indebtedness, or any part thereof, when due. None of the rights, remedies, privileges, or powers of Holder expressly provided for herein shall be exclusive, but each of them shall be cumulative with and in addition to every other right, remedy, privilege, and power now or hereafter existing in favor of Holder, whether at law or in equity, by statute or otherwise.

The undersigned agrees to take all necessary steps to administer, supervise, preserve, and protect the Collateral; and regardless of any action taken by Holder, there shall be no duty upon Holder in this respect. The undersigned shall pay all expenses of any nature, whether incurred in or out of court, and whether incurred before or after this Note shall become due at its maturity date or otherwise, including but not limited to reasonable attorney's fees and costs, which Holder may deem necessary or proper in connection with the satisfaction of the Indebtedness or the administration, supervision, preservation, protection of (including, but not limited to, the maintenance of adequate insurance) or the realization upon the Collateral. Holder is authorized to pay at any time and from time to time any or all of such expenses, add the amount of such payment to the amount of the Indebtedness, and charge interest thereon at the rate specified herein with respect to the principal amount of this Note.

The security rights of Holder and its assigns hereunder shall not be impaired by Holder's sale, hypothecation or rehypothecation of any note of the undersigned or any item of the Collateral, or by any indulgence, including but not limited to (a) any renewal, extension, or modification which Holder may grant with respect to the Indebtedness or any part thereof, or (b) any surrender, compromise, release, renewal, extension, exchange, or substitution which Holder may grant in respect of the Collateral, or (c) any indulgence granted in respect of any endorser, guarantor, or surety. The purchaser, assignee, transferee, or pledgee of this Note, the Collateral, any guaranty, and any other document (or any of them), sold, assigned, transferred, pledged, or repledged, shall forthwith become vested with and entitled to exercise all the powers and rights given by this Note and all applications of the undersigned to Holder or SBA, as if said purchaser, assignee, transferee, or pledgee were originally named as Payee in this Note and in said application or applications.

This promissory note is given to secure a loan which SBA is making or in which it is participating and, pursuant to Part 101 of the Rules and Regulations of SBA (13 C.F.R. 101.1(d)), this instrument is to be construed and (when SBA is the Holder or a party in interest) enforced in accordance with applicable Federal law.

The undersigned understands and agrees that it is mandatory that all receipts, records, and such other evidence as is necessary and satisfactory to Small Business Administration be retained for one year from the date of the final disbursement on said note, which evidence shall indicate that the funds received have been used as directed by the authorization. Failure to furnish such evidence when requested shall raise a presumption that the proceeds of the loan have been wrongfully misapplied.

The undersigned understands and agrees that in the event he wrongfully misapplies the proceeds of the loan obtained, he shall be civily liable to the Administration in an amount equal to one and one half (1½) times the original principle amount of the loan. It is understood that the term "indebtedness" as defined above shall include this amount, if imposed by the Administration

NOTICE OF RIGHT OF RESCISSION

You have a legal right under Federal Law to cancel this transaction, if you desire to do so, with out any penalty or obligation within three (3) business days from date of this note.

No finance charge has been made for this transaction.

Corporate Execution

L. J. SCHERRMAN LTD.

Corporate Seal

/s/ Laurence J. Scherrman Pres
Signature
Laurence J. Scherrman, President

by Attest: /s/ Walter J Vaske
Typed Name
Walter J Vaske

/s/ Laurence J Scherrman
Title
/s/ Sec
Secretary of Corporation Secretary

Dated this 15th day of October 1984.

Individual

_____

_____

_____

_____

Note.—Corporate applicants must execute Note, in corporate name, by duly authorized officer, and seal must be affixed and duly attested; partnership applicants must execute Note in firm name, together with signature of a general partner.

Loan Number EIDL 205 819 3001 CR

L O A N A S S U M P T I O N A G R E E M E N T

WHEREAS, certain assets of L. J. Scherrman, Ltd., 103 East Marion, Manchester, Iowa (Debtor), are, for valuable consideration, being sold and conveyed by Debtor to the City of Manchester, Iowa (Assumptor);

WHEREAS, said assets are subject to the lien of a certain note and mortgage and security agreement dated October 15, 1984, and November 9, 1984, in the principal amount of $215,000.00, which lien has been perfected by proper filing as by law provided, and all of which are payable to Small Business Administration (Secured Lender);

WHEREAS, one of the Conditions of said loan documents is that Debtor shall not sell, assign or convey the encumbered assets without the express consent of Secured Lender; and,

WHEREAS, Assumptor wishes to purchase the encumbered assets from Debtor with Secured Lender's consent and hereby agrees to assume liability for $180,000.00, all according to the original terms and conditions thereof;

WHEREAS, in consideration for and upon completion of the assumption of this liability to the extent of $180,000.00 by the City of Manchester, Iowa, the Secured Lender, United States Small Business Administration has agreed to release the personal liability of the guarantors, Laurence J. Scherrman and Irene M. Scherrman and release its liens on other real estate owned by the guarantors.

NOW, THEREFORE, for and in consideration of Secured Lender's consent to the sale and conveyance to Assumptor by Debtor of the encumbered assets and release of the personal liability and lien on other real estate of the guarantors, Assumptor agrees as follows:

1. Assumptor hereby assumes and agrees to pay to Secured Lender according to the terms and conditions of the note, mortgage and security agreement the balance of the debt evidenced and secured thereby.

Section 2. Assumptor hereby assumes and agrees to be bound by all of the terms and conditions of the loan documents, including, but not limited to and as applicable, the loan agreement, personal guaranties, mortgages, security agreements, notes, as well as any other assignments and agreements required by loan authorization dated September 28, 1984, and executed by Debtor, L. J. Scherrman, Ltd., and Guarantors.

Section 3. Assumptor hereby agrees that its obligation to repay the debt assumed hereunder shall be secured by the authorization of this Loan Assumption Agreement by the Council of Assumptor in an aggregate principal amount not to exceed $180,000.00.

Section 4. Assumptor hereby agrees that the assets acquired from Debtor shall be used in connection with planning, undertaking and carrying out an urban renewal project in the Manchester Urban Renewal Area.

Section 5. The City Council has adopted a Resolution (the "Resolution") authorizing and approving the form of this Loan Assumption Agreement and providing for the payment of the obligations under this Loan Assumption Agreement and the Resolution is incorporated herein by reference, and the parties agree to abide by the terms and provisions of the Resolution. The debt assumed under the Loan Assumption Agreement and the interest thereon shall be payable from the levy of a sufficient continuing annual tax on all the taxable property within the territory of the Assumptor and provision has been made for the levy and collection of such tax.

6. The Assumptor may borrow additional money, enter into further Loan Agreements and issue Notes which are at the time of their issuance on a parity and equality of rank with the Loan Assumption Agreement with respect to the lien and claim of such collection of taxes thereof provided that the total indebtedness of the Issuer including this Loan Assumption Agreement does not exceed the Constitutional or statutory limitations.

7. This Loan Assumption Agreement is executed pursuant to the provisions of Sections 384.24A and 384.25 of the Code of Iowa, as amended, and shall be read and construed as conforming to all provisions and requirements of the statute.

DATED this 18th day of February, 1991.

(CORPORATE SEAL)

CITY OF MANCHESTER, IOWA,
ASSUMPTOR

ATTEST: Karen K. Cole
City Clerk Karen K. Cole

Milt L. Kramer
Mayor Milt L. Kramer

Small Business Administration Secured Lender

By: Francis P. Emery
Signature

Francis P. Emery
(Name)

Assistant District Director for Finance and Investments
(Title)