City State Bank
P.O. Box 502
Central City, IA
52214

DELAWARE COUNTY IOWA
FILED
2001 SP -4 AM 11: 31
BOOK 2001 PAGE 1292
DEBORAH L. HEYDON
DELAWARE CO. RECORDER
11.00

Prepared By: Shelia Smith, Farm Service Agency, 200 S. 12th St., Manchester, IA 52057 563-927-4580

USDA
Form RD 460-2
(Rev. 4-97)

SUBORDINATION BY THE GOVERNMENT

Position 1 (Chattel Security)
Position 5 (Real Estate Security)

The United States of America acting through the United States Department of Agriculture (called the "Government") is the owner and holder of the following-described instruments executed by John A. Schlarmann and Jami L. Schlarmann of Delaware County, State of Iowa:

Title of Instrument	*Date of Instrument*	*Date Filed*	*Office Filed*	*Document File or Book No.*	*Page No.*
Real Estate Mortgage	04/20/2001	04/24/2001	Delaware County Recorder	2001	1292

AND, City State Bank (called the "Lender") has agreed to loan $3,100.00 to John A. Schlarmann and Jami L. Schlarmann (called the "Borrower") for the following purposes:
Farm Improvements

THEREFORE, in consideration the Lender's agreement to make such loan to Borrower, the Government (1) consents to the Borrower obtaining the loan from the Lender for such purposes, and (2) agrees to and does subordinate in favor of the Lender and its successors and assigns its liens or security interests created or evidenced by the above-described instruments insofar as they cover the following-described property and provided the Lender perfects a lien on that property:
The South One-Half (S1/2) of the Southeast Quarter (SE1/4) of Section Nineteen (19), and the West One-Half (W1/2) of the Southwest Quarter (SW1/4) of the Southwest Quarter (SW1/4) of Section Twenty (20) and the North Seven-Eighths (N7/8) of the Northeast Quarter (NE1/4) of the Northeast Quarter (NE1/4) of Section Thirty (30), All in Township Eighty Seven (87) North, Range Four (4), West of the Fifth Principal Meridian, in Delaware County, Iowa, subject to roadway easements of record.

This subordination references City State Bank's loan number 48196 dated August 28, 2001.

The maturity date of this loan will be August 20, 2006.

This subordination is limited to the amount actually loaned by the Lender to the Borrower (principal and accrued interest) for the forgoing purposes and also the amount actually advanced for foreclosure costs and other advances made or to be made by the Lender, for a total limitation not to exceed $ 3,100.00 .* Any amount which is in excess of this figure will not be covered by this subordination unless prior written consent was obtained from the Government for incurring the expenditure in question. The Lender must incorporate into the borrower's note a statement that the loan will be in default should any proceeds of the loan funds obtained as a result of this subordination be used (1) for a purpose that will contribute the excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, provided by 7 C.F.R. part 1940, subpart G, or (2) for any purpose not provided for above.

IN WITNESS WHEREOF, The United States of America has caused this subordination to be signed on the 28th day of August, 2001, pursuant to the delegated authority published in 7 C.F.R. part 1900, subpart A.

UNITED STATES OF AMERICA,

WITNESS: _____

BY Shelia D. Smith

TITLE SHELIA D. SMITH, Farm Loan Manager

U.S. Department of Agriculture.

*(NOTE TO LENDER: You are advised to obtain a perfected security interest on the above property. When the indebtedness has been satisfied please mark this form "PAID IN FULL" and return it to the Department of Agriculture at the following address: 200 South 12th St., Manchester, IA 52057 .)

STATE OF IOWA }
COUNTY OF DELAWARE } *ss:*

ACKNOWLEDGMENT

On this 28th day of August, 2001 (year), before me, the subscriber, a Notary Public, in and for the above county and State, appeared Shelia D. Smith, known to me to be Farm Loan Manager, United States Department of Agriculture, and the person who executed the foregoing instrument, and he/she acknowledged to me that he/she executed the same as the free act and deed of the United States of America, for the uses the purposes mentioned in it.

IN WITNESS WHEREOF, I have set my hand and seal at Manchester, Iowa the day and year listed above.

[SEAL]

CATHY L. GREIF
Commission Number 175823
My Comm. Exp. 8-31-03

Cathy L. Greif *(Signature)*

My commission expires _____

Notary Public *(Title)*