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DEBORAH L. PEYTON, RECORDER/REGISTRA
DELAWARE COUNTY IOWA

Preparer: James T. Peters, P.O. Box 774, Independence, IA 50644; (319)334-9992
Return to: Citizens State Bank 1218 E. Main St. Manchester IA 52057

SUBORDINATION AGREEMENT

WHEREAS, the City Council for the City of Manchester, Iowa, has previously entered into a Forgivable Loan Agreement through the Manchester Housing Program listing Steve and Janet Dudak as mortgagors, said document having been filed in the Office of the Delaware County Recorder on May 29, 1998, in Book 48, Page 215; and

WHEREAS, the City Council for the City of Manchester, Iowa, has been advised that the property owner, Steve Dudak, is seeking financing to provide for improvements and restoration of the real estate; and

WHEREAS, the City Council for the City of Manchester, Iowa, has determined that it is an appropriate purpose for the City to assist in forgiving a portion of the above-referenced obligation and permitting new financing to be placed in a prior position to the above-referenced mortgage;

IT IS HEREBY AGREED as follows:

1. That the obligation owed by Steve Dudak as set forth in the above-referenced Forgivable Loan Agreement is hereby partially forgiven. The principal obligation set forth in the above-referenced Forgivable Loan Agreement in the amount of $24,999 is hereby reduced to the sum of $12,500. The remaining obligations and conditions set forth in the above-referenced loan agreement shall remain in full force and effect except as specifically set forth herein.

2. The City of Manchester, Iowa, hereby subordinates its position for priority as a recorded real estate mortgage to allow Citizens State Bank of Monticello, Iowa, to obtain a prior secured mortgage in an amount not to exceed $ **23,000.00** which is secured by the real estate more specifically described as:

   Lot 4 of Subs. Lots 116 & 117, Manchester and Lots 1 & 2 Iowa Land Co. Add. Manchester in Delaware County, Iowa.

Dated this 12th day of September, 2005.

CITY OF MANCHESTER, IOWA

BY: Milt L. Kramer
Milt L. Kramer, Mayor

BY:
Erin Rempe, City Clerk

STATE OF IOWA, COUNTY OF DELAWARE:

On this September 21st, 2005, before me, the undersigned, a Notary Public in and for the State of Iowa, personally appeared Milt L. Kramer and Erin Rempe, to me personally known, did say that they are the Mayor and City Clerk, respectively, of the City of Manchester, Iowa; a municipal corporation; that the seal affixed to the foregoing instrument is the corporate seal of the corporation, and that the instrument was signed and sealed on behalf of the corporation, by authority of its City Council, as contained in Resolution No. R-128-2005 passed by Resolution of the City Council on the 12th day of September, 2005, and Milt L. Kramer and Erin Rempe acknowledged the execution of the instrument to be their voluntary act and deed and the voluntary act and deed of the corporation, by it voluntarily executed.

Laura K. Thomas
Notary Public in and for said State.

NOTARIAL SEAL IOWA
LAURA K. THOMAS
Commission Number 718135
My Commission Expires
8-26-08