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DEBORAH L. PEYTON, RECORDER/REGISTRA
DELAWARE COUNTY IOWA

REAL ESTATE CONTRACT-INSTALLMENTS

THE IOWA STATE BAR ASSOCIATION
Official Form No. 142
Recorder's Cover Sheet

Preparer Information: (name, address and phone number)
William D. Werger, 401 E. Main St., Manchester, IA 52057, Phone: (563) 927-5920

Taxpayer Information: (name and complete address)
Gunder Road Lodging, LLC 1020 W. Main St. Manchester, IA 52057

Return Document To: (name and complete address)
William D. Werger, 401 E. Main St., Manchester, IA 52057, Phone: (563) 927-5920

Grantors:
Iron Horse Inn of Manchester, Inc.

Grantees:
Gunder Road Lodging, LLC

Legal Description: See Page ~~XX~~ **#8**

Document or instrument number of previously recorded documents:

William D. Werger ISBA # 8095

REAL ESTATE CONTRACT-INSTALLMENTS

IT IS AGREED this 2nd day of October 2006, by and between Iron Horse Inn of Manchester, Inc. of the County Delaware State of Iowa (Seller); and Gunder Road Lodging, LLC of the County of Delaware, State of Iowa (Buyer);

That the Seller, as in this contract provided, agrees to sell to Buyer, and the Buyer in consideration of the premises, hereby agrees with the Seller to purchase the following described real estate situated in the County of Delaware, State of Iowa, to-wit:

Legal Description shown on Exhibit A

together with any easements and servient estates appurtenant thereto, but with such reservations and exceptions of title as may be below stated, and certain personal property if and as may be herein described on the itemized list attached hereto and marked Exhibit B all upon the terms and conditions following:

1. **TOTAL PURCHASE PRICE.** The Buyer agrees to pay for said property the total of $ 935,000.00 due and payable at Delaware County, Iowa, as follows:

(a) **DOWN PAYMENT** of $50,000.00 **RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED:** and

(b) **BALANCE OF PURCHASE PRICE.** $885,000.00 as follows: $10,000, plus interest, on November 1, 2006; $10,000, plus interest, on December 1, 2006; and the balance of the purchase price, plus interest, to be paid on January 2, 2007, with interest on unpaid balances at the rate of 7% per annum payable from and after October 1, 2006 until fully paid.

2. **POSSESSION.** Buyer, concurrently with due performance on its part shall be entitled to possession of said premises on the 1st day of October, 2006 and thereafter so long as it shall perform the obligations of this contract.

3. **TAXES.** Seller shall pay all current taxes prorated to date of possession and any unpaid taxes thereon payable in prior years. Buyer shall pay any taxes not assumed by Seller and all subsequent taxes before same become delinquent. Whoever may be responsible for the payment of said taxes, and the special assessments, if any, each year, shall furnish to the other parties evidence of payment of such items not later than July 15 of each year. Any proration of taxes shall be based upon the taxes for the year currently payable.

4. **SPECIAL ASSESSMENTS.** Seller shall pay the special assessments against this property:

(a) Any and all special assessments that are a lien on the property now or become a lien during the year 2006.

(b) Including all sewage disposal assessments for overage charge heretofore assessed by any municipality having jurisdiction as of date of possession.

Buyer, except as above stated, shall pay all subsequent special assessments and charges, before they become delinquent.

5. **MORTGAGE.** Any mortgage or other encumbrance of a similar nature against the said property, including a mechanics or other statutory lien, shall be timely paid by Seller so as not to prejudice the Buyer's equity herein. Should Seller fail to pay, Buyer may pay any such sums in default and shall receive credit on this contract for such sums so paid. Seller, its successors in interest or assigns may not mortgage their right, title or interest in such premises during the term of this contract.

6. **INSURANCE.** Buyer, on and from said date of possession, shall constantly keep in force insurance, premiums therefore to be prepaid by Buyer (without notice or demand) against loss by fire, tornado and other hazards, casualties and contingencies as Seller may reasonably require on all buildings and improvements, now on or hereafter placed on said premises and any personal property which may be the subject of this contract, in companies to be reasonably approved by Seller in an amount not less than the full insurable value of such improvements and personal property or not less than the unpaid purchase price herein whichever amount is smaller with such insurance payable to Seller and Buyer as their interests may appear. Seller's interest shall be protected in accordance with a standard or union-type loss payable clause. BUYER SHALL PROMPTLY DEPOSIT SUCH POLICY WITH PROPER RIDERS WITH SELLER for the further security for the payment of the sums herein mentioned. In the event of any such casualty loss, the insurance proceeds may be used under the supervision of the Seller to replace or repair the loss if the proceeds are adequate; if not, then some other reasonable application of such funds shall be made; but in any event such proceeds shall stand as security for the payment of the obligations herein.

7. **CARE OF PROPERTY.** Buyer shall take good care of this property; shall keep the buildings and other improvements now or hereafter placed on the said premises in good and reasonable repair and shall not injure, destroy or remove the same during the life of this contract. Buyer shall not make any material alteration in said premises without the written consent of the Seller. Buyers shall not use or permit said premises to be used for any illegal purpose.

8. **LIENS.** No mechanics' lien shall be imposed upon or foreclosed against the real estate described herein.

9. **ADVANCEMENT BY SELLER.** If Buyer fails to pay such taxes, special assessments and insurance and effect necessary repairs, as above agreed, Seller may, but need not, pay such taxes, special assessments, insurance and make necessary repairs, and all sums so advanced shall be due and payable on demand or such sums so advanced may, at the election of Seller, be added to the principal amount due hereunder and so secured. (For Buyer's rights to make advancements, see paragraph 5 above.)

10. **TIME IS OF THE ESSENCE.** Time is of the essence in this Agreement. Failure to promptly assert rights of Sellers herein shall not, however, be a waiver of such rights or a waiver of any existing or subsequent default.

11. **EXCEPTIONS TO WARRANTIES OF TITLE.** The warranties of title in any Deed made pursuant to this contract (See paragraph 12) shall be without reservation or qualification EXCEPT: (a) Zoning ordinances; (b) Such restrictive covenants as may be shown of record; (c) Easements of record, if any; (d) As limited by paragraphs 1, 2, 3 and 4 of this contract; (e) Sellers shall give a Special Warranty as to the period after equitable title passes to Buyers;

12. **DEED AND ABSTRACT, BILL OF SALE.** If all said sums of money and interest are paid to Seller during the life of this contract, and all other agreements for performance by Buyer has been complied with, Seller will execute and deliver to Buyer a Warranty Deed conveying said premises in fee simple pursuant to and in conformity with this contract and Seller will at this time deliver to Buyer an abstract showing merchantable title, in conformity with this contract. Such abstract shall begin with the government patent (unless pursuant to the Iowa State Bar Association title standards there is a lesser requirement as to period of abstracting) to said premises and shall show title thereto in Seller as of the date of this contract; or as of such earlier date if and as designated in the next sentence. This contract supersedes the previous written offer of Buyer to buy the above described property which was accepted by Seller on the 12th day of September 2006. Seller shall also pay the cost of any abstracting due to any act or change in the personal affairs of Seller resulting in a change of title by operation of law or otherwise. If any personal property is a part of this agreement, then upon due performance by Buyer, Seller shall execute and deliver a Bill of Sale consistent with the terms of this contract. Seller shall pay all taxes on any such personal property payable in 2006, and all taxes thereon payable prior thereto.

13. **APPROVAL OF ABSTRACT.** Buyer has not examined the abstract of title to this property and such abstract is not accepted.

14. **FORFEITURE.** If Buyer (a) fails to make the payments aforesaid, or any part thereof, as same become due; or (b) fails to pay the taxes or special assessments or charges, or any part thereof, levied upon said property, or assessed against it, by any taxing body before any of such items become delinquent; or (c) fails to keep the property insured; or (d) fails to keep it in reasonable repair as herein required; or (e) fails to perform any of the agreements as herein made or required; then Seller, in addition to any and all other legal and equitable remedies which they may have, at their option, may proceed to forfeit and cancel this contract as provided by law (Chapter 656 Code of Iowa). Upon completion of such forfeiture Buyer shall have no right of reclamation or compensation for money paid, or improvements made; but such payments and/or improvements if any shall be retained and kept by Seller as compensation for the use of said property, and/or as liquidated damages for breach of this contract; and upon completion of such forfeiture, if the Buyer or any other person or persons shall be in possession of said real estate or any part thereof, such party or parties in possession shall at once peacefully remove therefrom, or failing to do so may be treated as tenants holding over, unlawfully after the expiration of a lease,

and may accordingly be ousted and removed as such as provided by law.

15. **FORECLOSURE AND REDEMPTION.** If Buyer fails to timely perform this contract, Seller, at its option, may elect to declare the entire balance immediately due and payable after such notice, if any, as may be required by Chapter 654, The Code. Thereafter this contract may be foreclosed in equity and the court may appoint a receiver to take immediate possession of the property and of the revenues and income accruing therefrom and to rent or cultivate the same as the receiver may deem best for the interest at all parties concerned, and such receiver shall be liable to account to Buyer only for the net profits, after application of rents, issues and profits from the costs and expenses of the receivership and foreclosure end upon the contract obligation.

It is agreed that if this contract covers less than ten (10) acres of land, and in the event of the foreclosure of this contract and sale of the property by sheriff's sale in such foreclosure proceedings, the time of one year for redemption from said sale provided by the statutes of the State of Iowa shall be reduced to six (6) months provided the Seller, in such action file an election to waive any deficiency judgment against Buyer which may arise out of the foreclosure proceedings: all to be consistent with the provisions of Chapter 628 of the Iowa Code. If the redemption period is so reduced, for the first three (3) months after sale such right of redemption shall be exclusive to the Buyer, and the time periods in Sections 628.5, 628.15 and 628.16 of the Iowa Code shall be reduced to four (4) months.

It is further agreed that the period of redemption after a foreclosure of this contract shall be reduced to sixty (60) days if all of the three following contingencies develop: (1) The real estate is less than ten (10) acres in size; (2) the Court finds affirmatively that the said real estate has been abandoned by the owners and those persons personally liable under this contract at the time of such foreclosure; and (3) Seller in such action file an election to waive any deficiency judgment against Buyer or their successor in interest in such action. If the redemption period is so reduced, Buyer or their successor in interest or the owner shall have the exclusive right to redeem for the first thirty (30) days after such sale, and the time provided for redemption by creditors as provided in Sections 628.5, 628.15 and 628.16 of the Iowa Code shall be reduced to forty (40) days. Entry of appearance by pleading or docket entry by or on behalf of Buyer shall be presumption that the property is not abandoned. Any such redemption period shall be consistent with all of the provisions of Chapter 628 of the Iowa Code. This paragraph shall not be construed to limit or otherwise affect any other redemption provisions contained in Chapter 628 of the Iowa Code.

16. **ATTORNEY'S FEES.** In case of any action, or in any proceedings in any Court to collect any sums payable or secured herein, or to protect the lien or title herein of Seller, or in any other case permitted by law in which attorney's fees may be collected from Buyer, or imposed upon them, or upon the above described property, Buyer agrees to pay reasonable attorneys' fees.

17. **INTEREST ON DELINQUENT AMOUNTS.** Either party will pay interest at the highest legal contract rate applicable to a natural person to the other on all amounts herein as and after they became delinquent, and/or on cash reasonably advanced by either party pursuant to the terms of this contract, as protective disbursements.

18. **ASSIGNMENT.** In case of the assignment of this contract by either of the parties, prompt notice shall be given to the other parties, who shall at the time of such notice be furnished with a duplicate of such assignment by such assignors. Any such assignment shall not terminate the liability of the assignor to perform, unless a specific release in writing is given and signed by the other party to this contract.

19. **PERSONAL PROPERTY.** If this contract includes the sale of any personal property, then in the event of the forfeiture or foreclosure of this contract, such personalty shall be considered indivisible with the real estate above described; and any such termination of Buyers' rights in said real estate shall concurrently operate as the forfeiture or foreclosure hereof against all such personal property.

20. **CONSTRUCTION.** Words and phrases herein, including acknowledgments hereof, shall be construed as in the singular or plural number, and as masculine, feminine or neuter gender, according to the context.

21. **LEAD-BASED PAINT NOTICE.** If applicable, see attached Disclosure of Information on Lead-Based and/or Lead-Based Paint Hazards.

22. **SPECIAL PROVISIONS.**

a. Seller shall retain all accounts receivable earned on or prior to September 30, 2006. If Buyer shall receive any payments on said receivables on or after October 1, 2006, such amounts shall be promptly paid to Seller. Buyer shall have no obligation to collect the receivables for Seller.

b. This sale includes all furniture, fixtures, inventory, equipment and improvements located on the premises and integrally used in the motel business.

c. Seller and Buyer shall work with Wyndam (Cendant) to enable Buyer to assume or acquire a franchise license by December 31, 2006. Seller agrees to continue as franchisee until such time as the contract is concluded and title to the assets is finally conveyed.

Executed in duplicate:

Dated: Oct 2-06

Iron Horse Inn of Manchester

Iron Horse Inn of Manchester, Inc., Seller

By: Dennis Gudenkauf, President

Dated: October 2, 2006

Gunder Road Lodging, LLC, Buyer

By: William D. Werger, Manager

STATE OF IOWA)
) ss:
COUNTY OF DELAWARE)

On this 2nd day of October, 2006, before me, the undersigned, a Notary Public in and for the State of Iowa, personally appeared Dennis Gudenkauf, to me personally known, who being by me duly sworn, did say that he is the President of the corporation executing the within and foregoing instrument to which this is attached, that said instrument was signed on behalf of the corporation by authority of its Board of Directors; and that Dennis Gudenkauf as officer acknowledged the execution of the foregoing instrument to be the voluntary act and deed of the corporation, by it and by him voluntarily executed.

NOTARIAL SEAL IOWA
STEVEN E. CARR
COMMISSION NO. 713328
MY COMMISSION EXPIRES
10-30-07

Steven E. Carr
Notary Public in and for said State

STATE OF IOWA)
) ss:
COUNTY OF DELAWARE)

On this 2nd day of October, 2006, before me, the undersigned, a Notary Public in and for the State of Iowa, personally appeared William D. Werger, to me personally known, who being by me duly sworn, did say that he is the Manager of the limited liability company executing the within and foregoing instrument to which this is attached, that said instrument was signed on behalf of the limited liability company; and that William D. Werger as Manager acknowledged the execution of the foregoing instrument to be the voluntary act and deed of the limited liability company, by it and by him voluntarily executed.

Steven E. Carr
Notary Public in and for said State

NOTARIAL SEAL IOWA
STEVEN E. CARR
COMMISSION NO. 713328
MY COMMISSION EXPIRES
10-30-07

EXHIBIT A

LEGAL DESCRIPTION:

Part of the Northeast Quarter of the Northeast Quarter (NE¼-NE¼) of Section Thirty-one (31), Township Eighty-nine (89) North, Range Five (5) West of the Fifth Principal Meridian, Delaware County, Iowa, containing 2.73 acres more or less more particularly described by metes and bounds as follows:

Commencing at the Northeast Corner of Section 31, T89N, R5W of the 5th P.M.; thence S 00°-17'-00" E 80.00 feet along the approximate easterly line of the NE¼ of said Section 31; thence S 89°-59'-00" W 396.20 feet along the southerly right-of-way line of U.S. Highway No. 20 to the Point of Beginning; thence S 89°-59'-00" W 216.00 feet along the southerly right-of-way line of said U.S. Highway No. 20; thence S 00°-53'-17" E 549.92 feet; thence N 89°-59'-00" E 216.00 feet; thence N 00°-53'-17" W 549.92 feet to the Point of Beginning. Said described parcel containing 2.73 acres more or less. The northerly line of the NE¼ of Section 31, T89N, R5W is assumed to bear S 89°-59'-00" W.