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MICKI UTSLER
RECORDER
MADISON COUNTY, IOWA
(515) 462-4381

Preparer: Farmers & Merchants State Bank, 101 W. Jefferson, PO Box 29, Winterset, IA 50273

SUBORDINATION AGREEMENT

WHEREAS, John R. Knobloch and Cindy J. Knobloch, husband and wife, (hereinafter called "Borrower") granted to Farmers and Merchants State Bank, a mortgage in the principal amount of \$25,000.00, dated April 8, 2002 and filed April 17, 2002, in Mortgage Record 2002, Page 1835 of the Recorder's Office of Madison County, Iowa, covering and encumbering the following described real estate:

Lots Three (3) and Four (4) In Block Twenty-One (21) of the Original Town of Winterset, Madison County, Iowa,

WHEREAS, the Borrower has applied for a secured loan in the amount of \$160,000.00 for a term of 180 months from Union State Bank (hereinafter called "Lender"). Union State Bank has declined to make such loan unless the undersigned Bank subordinates its mortgage in the above-described property to Lender.

NOW THEREFORE, in order to induce Lender to make said loan to Borrower, and in consummation of said loan in reliance upon this Subordination Agreement, Farmers and Merchants State Bank does hereby subordinate its mortgage described above recorded in Mortgage Record 2002, Page 1835 of the Recorder's Office of Madison County, Iowa, in favor of Union State Bank, in an amount not to exceed \$160,000.00, so that the mortgage to be executed by Borrower to Lender shall grant a lien in said property superior to the outstanding mortgage of Farmers & Merchants State Bank, except as herein limited.

IN ALL OTHER respects said mortgage of Farmers and Merchants State Bank and its priority position as to all other liens on said property, not specifically mentioned herein shall remain in full force and effect.

THIS SUBORDINATION AGREEMENT shall be of no force or effect unless the proposed loan from the Lender to the Borrower is completed within 60 days from the date of this agreement.

THIS SUBORDINATION AGREEMENT shall be binding upon the successors and assigns of the undersigned Bank and shall operate to the benefit of the Lender, its successors and assigns.

Dated this 5th day of December 2002.

FARMERS & MERCHANTS STATE BANK

By: Tim J. Rethmeier, V.P.
Tim J. Rethmeier
Vice President



STATE OF IOWA, COUNTY OF MADISON, ss:

On this 5th day of December, 2002, before me, the undersigned, a Notary Public in and for the State, personally appeared Tim J. Rethmeier to me personally known, who being by me duly sworn, did say that they are the Vice President of the corporation executing the within and foregoing instrument to which this is attached, that (the seal affixed thereto is the seal of the corporation; that the instrument was signed (and sealed) on behalf of the corporation by authority of its Board of Directors; and that Tim J. Rethmeier as officer acknowledged the execution of the foregoing instrument to be the voluntary act and deed of the corporation, by it and by them voluntarily executed.

Staci Shortt
Notary Public in and for said State.

Acknowledgment: For use in the case of corporations



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