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NICKI UTSLER
RECORDER
MADISON COUNTY, IOWA

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~~F~~armers & Merchants State Bank

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SUBORDINATION AGREEMENT

NOTICE: This subordination agreement results in your security interest in the property becoming subject to and of lower priority than the lien of some other or later security instrument

This Agreement is made this 20 day of June 2003, by and between **Farmers & Merchants State Bank** with its headquarters located in Nebraska (herein called "Lien Holder"), and **Wells Fargo Home Mortgage, Inc.** with their main office located in the State of Iowa (herein called the "Lender").

RECITALS

Lien Holder is the beneficiary/mortgagee under a deed of trust/mortgage, dated August 27, 2002, executed by Bryce Duncan and Nancy Duncan (the "Debtor") which was recorded in the county of Madison, State of Iowa, as **Book 2002 on Page 4214** (the "Subordinated Instrument") covering real property located in Winterset in the above-named county of Madison, State of Iowa, as more particularly described in the Subordinated Instrument (the "Property").

PLEASE SEE ATTACHED EXHIBIT "A" (Legal Description)

Lender will make a loan to the Debtor secured by a deed of trust/mortgage on the Property which will be recorded (the "Lender Instrument"). The Lender Instrument will secure a promissory note/line of credit agreement in the amount of \$155,000.

Lien Holder has agreed to execute and deliver this Subordination Agreement.

ACCORDINGLY, in consideration of the property and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lien Holder hereby agrees with Lender as follows:

1. Regardless of any priority otherwise available to Lien Holder, the lien of the Subordinated Instrument is, shall be and shall remain fully subordinate for all purposes to the lien of the Lender Instrument, to the full extent of the sum secured by the Lender Instrument, including not only principal and interest on the principal indebtedness secured thereby but all other sums secured by the Lender Instrument, excluding non-obligatory future advances.
2. Lien Holder warrants to Lender that Lien Holder presently owns the Subordinated Instrument and indebtedness secured thereby, free and clear of all liens, security interests and encumbrances.
3. This Agreement is made under the laws of the State of Iowa. It cannot be waived or changed, except by a writing signed by the parties to be bound thereby. This Agreement is made between Lender and Lien Holder. It shall be binding upon Lien Holder and the successors and assigns of Lien Holder, and shall inure to the benefit of, and shall be enforceable by, Lender and its successors and assigns. Neither the Debtor nor any other person (except Lender, its successors and assigns), shall be entitled to rely on, have the benefit of or enforce this Agreement.

IN WITNESS WHEREOF, this Subordination Agreement is executed on the day and year first above stated.

Farmers & Merchants State Bank NOTICE: This subordination agreement contains a provision which allows the person obligated on your real property security to obtain a loan a portion of which may be expended for other purposes than improvement of the land

By: *Mina Bickett*
Title: *Consumer Loan Officer*

STATE OF Iowa)
) SS.
COUNTY OF MADISON

The foregoing instrument was acknowledged before me this 18th day of
2003, by Gina Hackett of Farmers & Merchants State Bank
(bank officer name and title)
Consumer Loan Officer

WITNESS my hand and official seal.

My commission expires:



Staci Shortt
Notary Public

Parcel "B", located in the West Half ($\frac{1}{2}$) of the Southeast Quarter ($\frac{1}{4}$) of the Southeast Quarter ($\frac{1}{4}$) of Section Ten (10), Township Seventy-five (75) North, Range Twenty-seven (27) West of the 5th P.M., Madison County, Iowa, containing 19.96 acres as shown in Plat of Survey filed in Book 3, Page 547 on February 22, 2000 in the Office of the Recorder of Madison County, Iowa,

