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RECORDER

Preparer: Farmers & Merchants State Bank, 101 W. Jefferson, PO Box 29, Winterset, IA 50273 (515) 462-4381 MADISON COUNTY, IOWA

SUBORDINATION AGREEMENT

WHEREAS, Robert J. Valencia and Emily C. Valencia, husband and wife, granted to Farmers and Merchants State Bank, a mortgage in the principal amount of \$35,000.00, dated March 8, 2002 and filed March 14, 2002 mortgage record 2002 page 1206 of the Recorder's Office of Madison County, Iowa, covering and encumbering the following described real estate:

The West 60 acres of the Southeast Quarter (1/4) of Section Eleven (11) in Township Seventy-five (75) North, Range Twenty-eight (28) West of the 5TH P.M., Madison County, Iowa, except that portion deeded to the State of Iowa for highway purposes, containing 26.8 acres, more or less, as set out at Book 104, Page 314 recorded October 14, 1974.

WHEREAS, Robert J. Valencia and Emily C. Valencia, husband and wife, granted to Farmers & Merchants State Bank a mortgage in the principal sum of \$152,000.00 dated September 11, 2003 and filed September 16, 2003 in book 2003 page 5546 of the Recorder's Office of Madison County, Iowa, also covering and encumbering the above described real estate.

NOW THEREFORE, Farmers and Merchants State Bank does hereby subordinate its mortgage described above recorded in mortgage record 2002 page 1206 of the Recorder's Office of Madison County, Iowa, in favor of and to the mortgage described above held by Farmers & Merchants State Bank recorded in book 2003 page 5546 of the Recorder's Office of Madison County, Iowa.

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.

Dated this 29th day of September, 2003.



FARMERS & MERCHANTS STATE BANK

By: [Signature]
Phillip J. Clifton
Vice President

STATE OF IOWA, COUNTY OF MADISON, ss:

On this 29th day of September, 2003, before me, the undersigned, a Notary Public in and for the State, personally appeared Phillip J. Clifton 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 Phillip J. Clifton 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.

[Signature]
Notary Public in and for said State.



Acknowledgment: For use in the case of corporations