

COMPUTER
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MICHELLE "MICKI" UTSLER, COUNTY RECORDER
MADISON IOWA

Prepared by and return to: (Name, Address and Phone No.)
Jayne Maxwell, Union State Bank, 201 W. Court, Winterset Iowa 50273 (515)462-2161

Caveat: Do not use this form for an Iowa Consumer Credit Code transaction.

ASSIGNMENT OF SELLER'S INTEREST IN REAL ESTATE
CONTRACT FOR SECURITY PURPOSES
(SECURITY AGREEMENT)

KNOW ALL MEN BY THESE PRESENTS, that Arthur A Smith
its successors and assigns, herein referred to individually and collectively as the "Debtor," for and in consideration of good and valuable consideration received,

does hereby grant a security interest, sell, transfer, assign and set over to Union State Bank, its successors and assigns, herein referred to as the "Bank," the Debtors, Accounts, Chattel Paper, Instruments, General intangibles, arising either directly or indirectly from and the following property, herein referred to as the "Collateral" and all proceeds therefrom:

All of the right, title and interest of the Debtor as Seller, including all monies due or to become due the Debtor, pursuant to one certain Real Estate

Contract, dated the 27 day of May, 19 2005, between Seller and Poverty Ridge, LLC

as Buyer, recorded in Book 2005 at Page 2457, at the Madison County Recorder's Office, covering the property described on the attached exhibit A, and herein referred to as the "Contract."

All of the Debtor's right, title and interest in the property described in the Contract.

ESCROW. Debtor has heretofore or will deposit herewith the abstract and an executed warranty deed to the Collateral. The abstract and deed are to remain in escrow and not to be delivered to the Buyer until the Contract is paid in full. The abstract and deed will be returned to the Debtor if all obligations of the Debtor hereunder are performed and satisfied in full by the Debtor. The Bank is authorized to release and deliver to the Buyer the deed and abstract upon payment in full of the Contract price by the Buyer. It is hereby agreed that the Bank is not acting as an escrow agent as that term is defined in Iowa Code §524.905(3) and the accounting and other requirements of that section shall not be applicable to this transaction.

If this Assignment involves agricultural land as that term is defined in Section 172C.1 of the Code of Iowa, then notice is hereby given that an instrument of conveyance has been deposited with the Bank and grantor's name and address is N/A

and the grantee's name and address is N/A
all pursuant to Iowa Code §558.44.

BANK _____ BY _____

REPRESENTATIONS AND WARRANTIES OF DEBTOR - Debtor represents and warrants that:

- (a) The extension of credit secured by this Agreement is for business or commercial purposes, or is to an organization, and is therefore an exempt transaction under the Federal Truth-in-Lending Act and not subject to the Iowa Consumer Credit Code.
 - (b) Debtor is the owner of the Collateral free of all security interests or other encumbrances.
 - (c) Debtor is authorized to enter into this Agreement.
 - (d) Debtor hereby irrevocably appoints the Bank its true and lawful attorney, with power of substitution, to take control in any manner of any cash or non-cash items received in payment of the Collateral; to receive, open and dispose of all mail addressed to the Debtor; to endorse the name of the Debtor upon any checks, drafts, money orders, or other evidences of payment that may come into the Bank's possession; to sign the Debtor's name on any deed or notice to the Buyer; to sign the Debtor's name on any proof of claim in bankruptcy against the Buyer; and do all other acts and things necessary in the Bank's sole judgment to carry out the terms of this Agreement.
 - (e) The Contract arose from a bona fide sale. The Contract is genuine and enforceable against the Buyer according to its terms.
 - (f) Debtor will defend the Collateral against the claims and demands of all other parties; will keep the Collateral free from all security interests or other encumbrances, except as specified herein; and will not sell, transfer, assign, deliver or otherwise dispose of any Collateral or any interest therein without the prior written consent of the Bank.
 - (g) Debtor will keep, in accordance with generally accepted accounting principles consistently applied, accurate and complete records concerning the Collateral; and will permit the Bank or its agents from time to time to inspect the Collateral and to audit and make extracts from such records or any of the Debtor's books, ledgers, reports, correspondence and other records.
 - (h) Debtor will notify the Bank in writing prior to any change in the Debtor's address specified herein, and prior to any change in the Debtor's name, identity or legal structure;
 - (i) Debtor, in connection herewith, will execute and deliver to the Bank such financing statements or other documents, pay all costs of title searches and of filing financing statements and other documents in all public offices requested by the Bank, and do such other things with respect to the Collateral as the Bank may request.
 - (j) Debtor will pay or cause to be paid all taxes, assessments and other charges of every nature which may be levied or assessed against the Collateral; will insure or cause to be insured the Collateral against risks, and in coverage, from an amount satisfactory to the Bank with the Bank named as an insured on such policies; and at the Bank's request, will deliver or cause each policy or certificate of insurance thereof to be delivered to the Bank.
 - (k) Debtor will cause to be taken or will take, good care of the Collateral and will maintain the Collateral in good condition and repair and not permit its value to be impaired, and will immediately give the Bank written notice of any loss of, or damage to, any of the Collateral.
 - (l) Debtor will give notice to its Buyer to pay all amounts due on the Contract directly to Bank, such notice to be in such form and given at such time as may be requested by Bank.
 - (m) Debtor hereby authorizes Bank to give notice to Debtor's Buyer to pay all amounts due on the Contract directly to Bank, which notice may be given in Debtor's or Bank's name.
 - (n) All payments received by Bank upon the Contract shall be, at Bank's option, deposited in a special account at Bank styled "Collateral Account." Funds in said account shall be subject to Bank's security interest granted herein to secure any indebtedness of Debtor to Bank, and shall be applied by Bank first towards the payment of costs, charges and expenses, if any, incurred in the collection of the funds and then towards the payment of Debtor's indebtedness to Bank.
- INSURANCE AND TAXES.** In the event the Debtor shall fail to provide adequate insurance, pay taxes, or perform any other duty set forth herein, the Bank may, without notice, at its option, but without any obligation or liability to do so, procure insurance, pay taxes or perform any other duty set forth herein and add said sum to the balance of the obligations herein accrued. Debtor hereby appoints the Bank the agent and attorney for the Debtor in adjusting and cancelling such insurance and endorsing settlement drafts.
- SUCCESSORS AND ASSIGNS.** The rights and privileges of the Bank under this Assignment shall inure to the benefit of its successors and assigns. All covenants, representations, warranties and agreements of the Debtor contained in this Assignment are joint and several if the Debtor is more than one and shall bind the Debtor's personal representatives, heirs, successors and assigns.

The undersigned acknowledge(s) a receipt of a copy of this document.

For Additional Provisions see over.

DEBTOR <u>Arthur A Smith</u>	DEBTOR
TYPE NAME <u>Arthur A Smith</u>	TYPE NAME
ADDRESS <u>3361 280th Lane</u>	ADDRESS
CITY, STATE, ZIP <u>Truro IA 50257</u>	CITY, STATE, ZIP
Executed this <u>30th</u> day of <u>June</u> , 19 <u>2005</u>	ADDRESS OF BANK

OBLIGATIONS. The Debtor covenants with the Bank faithfully to observe and perform all of the obligations and agreements imposed upon the Debtor as the seller in the Contract. The Bank does not by the acceptance of this Agreement agree to perform any of the obligations of the Debtor under the Contract. This Agreement continues until specifically terminated in writing by Bank. The security interest granted herein is given to secure the performance of the covenants and agreements herein set forth and the payment of the indebtedness evidenced by all promissory note(s) or other instruments executed by Debtor to the order of the Bank and any other indebtedness of Debtor to Bank, whether now existing or hereafter incurred, of every kind and character, direct or indirect, whether maker, endorser, guarantor or surety and whether such indebtedness is from time to time reduced and thereafter increased or entirely extinguished and thereafter reincurred, including without limitation, any sums advanced by Bank in performance of Debtor's obligations hereunder, and fees, insurance, and repairs with respect to the Collateral, and any attorney fees and other charges and expenses incurred in the collection of the obligations secured hereby or to enforce and protect any rights in the Collateral, provided, however, that indebtedness incurred in a "Consumer Credit Transaction" as defined in the Iowa Consumer Credit Code shall not be secured by this Agreement.

If more than one person signs this Security Agreement, each of the undersigned individuals acknowledge and agree that the interest of each of us in the Collateral described above shall stand as security and collateral for any indebtedness, direct or contingent, that Bank or its assignee may now hold or in the future acquire, made or incurred by both of us jointly, or made or incurred by either one of us separately and independently of the other, without the necessity of obtaining the consent, co-signature or acknowledgement of the other on any such other indebtedness or obligation and whether made or incurred with or without my knowledge.

REMEDIES/DEFAULT. It is understood and agreed between the Debtor and the Bank that in the event of the non-payment or other event of default occurring with respect to any of the Obligations secured by this Assignment in accordance with the terms of the Obligations or at maturity, whether such maturity be by acceleration or otherwise, or in the event of the failure of the Debtor to keep and perform any of the conditions, stipulations and covenants contained in this Assignment or required to be kept by the terms of any Obligations secured hereby, or in the event the Buyer or its successors or assigns fails to observe or perform any of its Obligations under the Contract, that then the whole amount of principal and interest secured by this Assignment and then unpaid shall become due and payable, at the option of the Bank, and without notice to the Debtor and suit may be brought for the collection thereof and for the enforcement of this Assignment.

After the occurrence of a default as described above, the Bank may direct any or all of the Buyers of the Property under the Contract to pay to the Bank or its agents such proceeds, payments, profits, revenues, rights and benefits as may now be due or shall hereafter become due. The affidavit or written statement of an agent or attorney of the Bank stating that there has been a default shall constitute conclusive evidence thereof, and any Buyer or other person is authorized and directed to rely thereon without liability or the determination of the actual existence of any default under this Assignment and the Debtor shall have no recourse against any Buyer for the proceeds paid to the Bank.

Upon default, the Bank shall have all the rights and remedies of a secured party under the Uniform Commercial Code of Iowa and under any other applicable laws. Any requirements of reasonable notice by either party to the other or to any guarantors or sureties of the Debtor shall be met if such notice is mailed, postage prepaid, to the address of the parties shown on the first page of this Assignment (or to such other mailing address as either party in writing later furnished to the other) at least ten calendar days (counting the day of sending) before the time of the event or contemplated action set forth in said notice. Debtor agrees to pay all expenses of retaking, holding, preparing for sale, and selling and attorney's fees and legal expenses as may be allowed by law and incurred by the Bank in enforcing its rights under this Assignment. All exemptions in and to any of the Collateral are hereby waived. The rights and remedies conferred upon the Bank shall be cumulative and not alternative and shall be in addition to and not in substitution of or in derogation of rights and remedies conferred by the Uniform Commercial Code of Iowa, and other applicable laws.

It is understood and agreed that until directed otherwise by the Bank the installment payments as they become due under the terms of the Contract may be paid to the Debtor to retain, use and enjoy the same.

NON-WAIVER, EXTENSIONS, ETC. Any extension of time for payment of any installment of any of the Debtor's Obligations or the acceptance of only a part of such installment, or the failure of the Bank to enforce the strict performance of any covenant, promise or condition herein contained (or in any other note, obligation or agreement) on the part of the Debtor to be performed, shall not operate as a waiver of the right of the Bank thereafter to require that the Debtor's Obligations and the terms herein be strictly performed according to the tenor thereof and hereof. No party to this Assignment shall be discharged from liability to the Bank by reason of the Bank's extending the time for payment of an installment or installments owing or due upon any such Obligation, or by reason of the Bank's waiver or modification of any terms of this Assignment. All parties hereto severally waive presentment for payment, notice of non-payment, protest, notice of protest and diligence in bringing suit against any party. The Debtor agrees that the Bank may, without thereby releasing the Debtor, substitute, release, alter or make any other disposition of any Collateral and further agree that the Bank is not required to first resort for payment to any such Collateral. Debtor grants Bank, as further security for the Obligations secured hereby a security interest and lien in any credit balance (and other money) now or hereafter owed the Debtor by the Bank or any assignee of the Bank and, in addition, agrees that the Bank may, without prior notice or demand, set off against any such credit balance (or other money) any amount owing upon the Obligations secured hereby. No waiver of any provision of this Assignment shall be effective unless in writing and signed by the Bank.

MORTGAGE. In the event Debtor shall acquire either through forfeiture, foreclosure, deed in lieu of foreclosure, or any other method or manner the interest of the Buyer in the real estate contract hereby assigned, Debtor hereby agrees that this document shall constitute a mortgage without the requirement of any further documentation or filing. Debtor further agrees that this Mortgage may be foreclosed pursuant to Chapter 654 of the Code of Iowa.

Mortgagor hereby agrees that in the event of judicial foreclosure of this Mortgage, the Mortgagee may, at its sole option, elect:

- a.) Pursuant to Iowa Code §628.26 to reduce the period of redemption after sale on foreclosure to six months, or
- b.) Pursuant to Iowa Code §628.27 to reduce the period of redemption after sale on foreclosure to sixty days, or
- c.) Pursuant to Iowa Code §628.28 or any other Iowa Code Section to reduce the period of redemption after sale on foreclosure to such time as may be then applicable and provided by law, or
- d.) Pursuant to Iowa Code §654.20 to foreclose without redemption.

It is further agreed that if this agreement is foreclosed pursuant to Chapter 654 of the Code of Iowa, the Bank shall be entitled to the appointment of a receiver as provided therein.

CONSTRUCTION. The Debtor hereby relinquishes all rights of dower, homestead and distributive shares in and to the Property. Words and phrases herein shall be construed as in the singular or plural number, and as masculine, feminine, or neuter gender according to the context. The paragraph headings of this Assignment are for convenience only and shall not limit the terms of this Assignment. The validity, construction and enforcement of this Assignment shall be determined and governed by the laws of Iowa. All terms not otherwise defined shall have the meaning assigned to them by the Uniform Commercial Code of Iowa. If any provision of this Assignment shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, but this Assignment shall be construed as if such invalid or unenforceable provision had never been contained herein.

STATE OF IOWA

COUNTY OF Madison

} SS:

On this 30th day of June, 19 2005, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Arthur A Smith and _____, to me personally known to be the identical person(s) named in and who executed the foregoing instrument, and acknowledged that he/she/they executed the same as his/her/their voluntary act and deed.



[Signature]

Notary Public in and for said County and State