FILED NO. 77
BOOK 29 PAGE 541
1972 JAN 20 AM 11:55
MARY E. WELTY
RECORDER
MADISON COUNTY, IOWA

10 pgs

Fee $20.50 Paid

CONTRACT

THIS CONTRACT, made and entered into as of this 24th day of April, 1968, by and between Billy W. Farlow of Winterset, Iowa, First Party, and Ruth Breen, R.N., of Madison County, Iowa, Second Party,

WITNESSETH

WHEREAS, First Party is the owner of all of the outstanding shares of stock of "Madison Developments, Inc.", an Iowa Corporation, consisting of fifty shares, and,

WHEREAS, Second Party has been the registered nurse and administrator of the Nursing Home facilities owned and operated by the aforesaid Corporation, and,

WHEREAS, First Party does desire to sell to Second Party and Second Party does desire to purchase and acquire from the First Party one-half of the outstanding stock of the aforesaid Corporation, which First Party owns, and,

WHEREAS, these parties desire further to enter into an Agreement for the management and control of said Corporation; and for the acquisition of the stock of the other in case of the death of the other party to this Contract,

NOW THEREFORE, in consideration of the foregoing, and in consideration of the mutual promises, acts and agreements hereinafter set forth, these parties do agree and stipulate as follows, to-wit:

1. First Party does hereby agree to sell, and Second Party does hereby agree to purchase, one-half of the shares of stock owned by him in Madison Developments, Inc., said one-half constituting twenty-five shares in number, for a total purchase price of Fifteen Thousand and No/100 ($15,000.00) Dollars.

2. Second Party agrees to pay the purchase price for the aforesaid stock as follows:

By the execution and delivery of a Promissory Note to the First Party, in the principal amount of Fifteen Thousand and No/100

($15,000.00 Dollars, payable in installments of Three Hundred Fifty and No/100 ($350.00) Dollars per month, commencing May 1, 1968, and a like amount on the first day of each and every month thereafter until said Note is paid in full. Said Note shall be without interest, except that payments in default shall draw interest at seven per cent (7%), and said Promissory Note shall be on the usual form as adopted by the Iowa State Bar Association. Said Note shall be secured by a lien upon the twenty-five shares being sold by the First Party to Second Party, said lien to run in favor of the First Party, and the Second Party does hereby hypothecate her interest in said shares as security for said purchase price until the purchase price is paid in full; provided, however, that nothing herein contained shall prevent the Second Party from voting said shares or receiving all dividends declared on stock by the aforesaid Corporation, which would be coming to her as a result of the ownership of said shares.

3. Each of the parties hereto agree that they shall not otherwise sell, pledge, hypothecate, assign or transfer their shares of stock in the aforesaid Corporation, without the consent of the other, for a period of five years from the date of this instrument.

4. It is further agreed by and between these parties that they shall continue to own the stock in the aforesaid Corporation in equal shares, fifty per cent (50%) each, and that any additional shares of stock issued by said Corporation shall be issued one-half in number to each of these parties, and each party does agree to so vote his stock in said Corporation and to so vote as a Director of said Corporation as to effect this provision as well as all other provisions of this Contract.

5. These parties do agree to effect and create a Contract whereby if one of these parties should desire to sell his or her stock after the expiration of the aforesaid five year period; or in the event of death of one of these parties, the said stock could

be acquired by the Corporation and the purchase thereof, upon the death of one of these parties to be funded by Life Insurance. These parties, in furtherance of said purpose, do agree to execute and to cause the Corporation to execute, the Purchase Agreement, which is attached hereto, marked "Exhibit A", and made a part hereof by reference.

IN WITNESS WHEREOF, we have subscribed our names.

Billy W. Farlow

Billy W. Farlow - First Party

Ruth Breen

Ruth Breen, R.N. - Second Party

"EXHIBIT A"

CONTRACT

THIS AGREEMENT, made and entered into this 24 day of April, 1968, by and between Madison Developments, Inc., an Iowa Corporation, hereinafter called "Corporation", and Billy W. Farlow and Ruth Breen, hereinafter called "Stockholders",

WITNESSETH

WHEREAS, it is the desire of the Corporation and each of the Stockholders that, in the event of the death of any one of the Stockholders, the Corporation shall have funds available with which to purchase the shares of stock of the deceased Stockholder in the Corporation; and

WHEREAS, the Stockholders are the active managers of the Corporation and a pecuniary benefit accrues to the Corporation by reason of the continuance of the life of each Stockholder and a loss would be suffered by the Corporation as the result of the death of any Stockholder, and,

WHEREAS, ownership of stock by the Stockholders is as follows: Billy W. Farlow, twenty-five shares; and Ruth Breen, twenty-five shares,

NOW THEREFORE, in consideration of the foregoing, and of the mutual acts, promises and agreements herein contained, the Stockholders for themselves, their heirs, Executors and Administrators, and the Corporation for itself and its successors, hereby agree as follows:

1. Upon the execution of this Agreement, a policy of insurance shall be purchased upon the life of each Stockholder by the Corporation, in the amount of Fifty Thousand and No/100 ($50,000.00) Dollars for each such policy, payable to the Corporation.

2. The right to change the beneficiary, to assign, to surrender or borrow upon, and to exercise any and all privileges of ownership in the policy issued upon the life of any Stockholder and

in any supplemental agreement attached thereto shall be vested only in the Corporation.

3. The first and all subsequent premiums under the policies issued upon the life of each Stockholder shall be paid by the Corporation as such premiums become due.

4. Upon the execution of this Agreement, and annually thereafter, or more often if mutually so determined, the Corporation and the Stockholders shall agree upon the value of each share of stock of the Corporation for the purposes of this Agreement, and each such valuation shall be endorsed upon this Agreement. Such valuations shall take into consideration the cash surrender value of the policies of insurance herein contemplated.

5. Upon the death of any stockholder, his shares of stock in the Corporation shall be purchased at the agreed valuation with the proceeds of the insurance policy on his life collected by the Corporation, and if said proceeds are not sufficient to pay for said stock at the agreed valuation, then the Corporation shall pay such additional sum as may be required; and the Executors or Administrators of the deceased Stockholder shall execute such instruments as may be necessary to accomplish the transfer of said stock to the Corporation upon receipt from the Corporation of the amount of said policy proceeds and any additional amounts required for said purchase.

6. The Stock Certificates evidencing the shares of stock in the Corporation owned by the Stockholders as set out in the preamble of this Agreement shall be endorsed as follows:

> "This Certificate is subject to the terms of an Agreement executed April 24, 1968, between the Stockholder whose name appears on the face hereof, and others, and Madison Developments, Inc."

7. The Certificates so endorsed shall be delivered to the Corporation, to be held by the Corporation subject to the terms and conditions of this Agreement. Any shares purchased by the Corporation

under the terms of this Contract shall be turned over to the Corporation.

8. Each Stockholder shall be entitled to vote his Stock and receive the dividends thereon as though this Agreement had not been made; but he shall not have the right to use his stock for collateral except with respect to the purchase price thereof when stock is purchased from another Stockholder, without the written consent of the Corporation. He shall have the right to sell his stock only upon the conditions set out in the following paragraph.

9. After the expiration of five years from the date of this Agreement, any Stockholder may elect to sell his stock during his lifetime in whole or in part. He shall give the Corporation written Notice of his intent to sell, including the number of shares which he intends to sell, and the Corporation shall have the right to purchase such shares within thirty (30) days from the date of such Notice. The Corporation shall hold the Certificate or Certificates deposited by such Stockholder until the expiration of said thirty days, unless a written direction as to the disposition of such stock signed by the Corporation and the Stockholder shall be executed before the expiration of said period. Any purchase under this paragraph shall be made at a price not greater than that determined as set out in Paragraph 4. In the event of disagreement between the Corporation and the selling Stockholder, the Corporation shall have a right to purchase said stock at its book value as shown by the books and records of the Corporation, and as computed by the accountant keeping the books and records for the Corporation as of that time. At the expiration of the thirty day period, the option to purchase not having been exercised by the Corporation, the Stockholder shall have the right to cancel his Notice of intention to sell within five days after the expiration of said thirty day period.

If such Notice of cancellation has not been given to the Corporation, the Corporation shall turn over to the Stockholder, Certificates for the number of shares specified in his written Notice of intention to sell. If all of the shares deposited under this Agreement are covered by the Notice then this agreement shall be considered as automatically terminated as far as the selling Stockholder is concerned. If only part of the shares are covered, this Agreement shall remain in effect as to the remaining shares.

10. This Agreement shall terminate automatically upon the bankruptcy or dissolution of the Corporation, or by mutual consent of all parties hereto.

11. If this Agreement is terminated as to any Stockholder during his lifetime, such Stockholder shall have the right, within thirty days thereafter, to purchase the policy of insurance issued upon his life, upon paying to the Corporation an amount equal to the cash surrender value thereof as of the date of purchase.

12. This Agreement shall be binding, not only upon the parties hereto, but also their heirs, Executors, Administrators, successors and assigns, and the parties hereto agree for themselves and their heirs, Executors, Administrators, successors and assigns to execute any instruments in writing which may be necessary or proper in the carrying out of the purposes and intent of this Agreement. This Agreement shall be performed in Winterset, Madison County, Iowa.

IN WITNESS WHEREOF, this Contract has been executed on the day and year first above written.

MADISON DEVELOPMENTS, INC.

By Billy W. Farlow
President

By Ruth Breen
Secretary

Billy W. Farlow
Billy W. Farlow

Ruth Breen
Ruth Breen

April 24, 1968 We agree that the value of each share of stock as of this date is $3000.00

Billy W. Farlow

Ruth Breen

MADISON DEVELOPMENT, INC.

By Billy W. Farlow President

By Ruth Breen Secretary

Sept. 13 - 1968 We agree that the value of each share of stock as of this date $4,000.00

Billy W Farlow

Ruth Breen

Madison Developments, Inc.

By: Billy W. Farlow Pres.

By: Ruth Breen Sec.

March 20, 1971 - We agree that the value of each share of stock as of this date - $6,000.00

Billy W. Farlow

Ruth Breen

By Billy W. Farlow Pres.

By Ruth Breen Sec.

IOWA STATE BAR ASSOCIATION
OFFICIAL FORM No. 15

FOR THE LEGAL EFFECT OF THE USE OF THIS FORM, CONSULT YOUR LAWYER

PROMISSORY NOTE

$ 15,000.00 April 24, 19 68

FOR VALUE RECEIVED, the undersigned, each as principal, jointly and severally, promise(s) to pay to the order of Billy W. Farlow at Winterset, Iowa, the sum of Fifteen Thousand and no/100---------- DOLLARS with interest thereon from ----------; payable ---------- at the rate of ------- per cent per annum until payment hereof, as follows:

$ 350.00 on May 1, 1968, and $ 350.00 on the first of each month thereafter until paid in full.

Interest, payable as aforesaid, shall first be deducted from the payment; any balance thereof to be applied on principal.

Principal and interest not paid when due shall draw interest at the rate of seven per cent per annum payable as aforesaid. Upon default in payment of any interest, or any installment of principal, the whole amount then unpaid shall become due and payable forthwith, at the option of the holder without notice. The undersigned, in case of suit hereon, agrees to pay attorney's fees, and any Justice of the Peace may have jurisdiction hereon to the amount of Three Hundred Dollars.

Makers, endorsers and sureties waive demand of payment, notice of non-payment, protest and notice thereof. Sureties, endorsers and guarantors agree to all of the provisions of this note, and consent that the time or times of payment of all or any part hereof may be extended after maturity, from time to time, without notice.

Address _____ Ruth Breen
Ruth Breen

Phone _____ _____

D-9978 (30) 15. PROMISSORY NOTE
This Printing: October 12, 1967

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Paid 10-14-1970
In full B. W. Farlow

No. _____ 19 _____
RECEIVED FROM _____ DOLLARS
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Account Total $ _____
Amount Paid $ _____
Balance Due $ _____
"THE EFFICIENCY LINE"

SUPPLEMENT TO CONTRACT

THIS SUPPLEMENTAL CONTRACT, made and entered into this 25th day of May, 1968, by and between Madison Developments, Inc., an Iowa Corporation, hereinafter called "Corporation", and Billy W. Farlow and Ruth Breen, hereinafter called "Stockholders",

WITNESSETH

WHEREAS, these parties did heretofore on April 24, 1968, enter into a Contract in writing for the acquisition of shares of stock by the Corporation upon the death of a stockholder, and,

WHEREAS, these parties do now agree to amend said Contract in the manner hereinafter set forth,

NOW, THEREFORE, in consideration of the foregoing, and of the mutual acts, promises and agreements herein contained, the Stockholders for themselves, their heirs, executors, and administrators, and the Corporation for itself and its successors, hereby agree as follows:

1. That in the event the life insurance carried upon the life of a Stockholder is not sufficient to pay the full price of the stock held by said deceased Stockholder under and pursuant to the terms of the aforesaid Contract, each Stockholder, or his or her heirs, executors and administrators, does hereby agree that any amount owed by the Corporation to the stockholder's estate, after the application of the proceeds of the life insurance on the life of the deceased stockholder, shall be paid for by a promissory note for said difference, secured by a mortgage on the assets of the corporation, which mortgage shall be secondary to any prior liens against said assets. Said indebtedness thus represented by said promissory note shall be

amortised over a period of ten years and shall be due and payable in full at the expiration of said ten-year period and shall draw interest at the rate of five per cent (5%), and said note and mortgage shall contain all of the provisions usually contained in such instruments in general use and circulation in the community of Winterset, Iowa, for the benefit of the mortgagee.

IN WITNESS WHEREOF, we have subscribed our names at Osceola, Iowa, on the date first above written.

MADISON DEVELOPMENTS, INC.

By _____
Billy W. Farlow, President

By _____
Ruth Breen, Secretary

_____
Billy W. Farlow

_____
Ruth Breen