

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

In re: )  
 ) Case No. 04-60931  
Field McConnell, and )  
Alison McConnell, ) Chapter 7  
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Debtors. )

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**NOTICE OF HEARING AND MOTION OF AGCOUNTRY FARM  
CREDIT SERVICES, PCA TO LIFT AUTOMATIC STAY**

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TO: FIELD McCONNELL AND ALISON McCONNELL, 14834 28<sup>th</sup> AVENUE SOUTH,  
GLYNDON, MN 56547, AND TO THEIR ATTORNEY, BRUCE L. MADLON, P.O.  
BOX 9693, FARGO, NORTH DAKOTA 58106 AND ALL OTHER ENTITIES  
ENTITLED TO NOTICE OF THIS MOTION PURSUANT TO LOCAL RULES 2002-1  
AND 9013-3(a)(1).

1. AgCountry Farm Credit Services, PCA, (hereinafter "Farm Credit Services") moves this Court to lift the automatic stay to permit Farm Credit Services to exercise its contract and state law remedies in the repossession and liquidation of all property constituting the collateral of Farm Credit Services.

2. The Court will hold a hearing on this motion on November 16, 2004, 1:00 p.m., at U.S. Bankruptcy Court, 204 U.S.. Courthouse, 118 South Mill Street, Fergus Falls, MN 56537.

3. Any response to this motion must be filed and delivered not later than November 15, 2004, which is twenty-four (24) hours before the time set for the hearing, or filed and served by mail not later than November 13, 2004, which is three (3) days before the time set for the hearing.

4. This Court has jurisdiction over this motion pursuant to 28 USC § 157 and 1334, Bankruptcy Rule 5005 and Local Rule 1070-1. This is a core proceeding. The petition commencing this Chapter 7 case was filed on August 9, 2004. This case is now pending in this Court. This motion arises under 11 USC § 362 and 363, Bankruptcy Rule 9014 and Local Rules 9013-1 and 9013-2.

5. Farm Credit Services requests that this Court lift the automatic stay so that Farm Credit Services may repossess and liquidate all of the property subject to its security interest, to-wit: all farm machinery, equipment, motor vehicles, fixtures, livestock, poultry, farm supplies, general intangibles and proceeds. The granting of relief from the stay is appropriate for the reasons set forth below.

6. The Debtors are indebted to Farm Credit Services in accord with a Promissory Note/Loan Agreement of date October 31, 2003 in the original principal sum of \$107,525.00. Pursuant to the terms of said Promissory Note/Loan Agreement, interest accrues on the unpaid balance thereof at a variable rate, with a 2% increase in the event of default. The Promissory Note/Loan Agreement required principal and interest payments on a monthly basis commencing December 1, 2003, and continuing on the first day of each and every month thereafter, through January 1, 2007, when all remaining principal and accrued interest was due. Special principal payments of \$20,000.00 were also due annually. A true and accurate copy of the October 31, 2003 Promissory Note/Loan Agreement is annexed hereto as Exhibit A, and the terms of the same incorporated herein by reference.

7. To collateralize the subject indebtedness, the Debtors granted Farm Credit Services

a security interest in all farm machinery, equipment, motor vehicles, fixtures, livestock, poultry, farm supplies, general intangibles and proceeds (hereinafter the "Personal Property Collateral"). True and accurate copies of the Security Agreement and exhibit thereto of date July 10, 2000, executed by the Defendants are annexed hereto as Exhibit B.

8. Farm Credit Services perfected its security interest in the Personal Property Collateral by the filing of financing statements and notation on vehicle certificates of title. See Exhibit C annexed hereto.

9. The Debtors are in default with respect to their obligation to Farm Credit Services as a consequence of their conversion of Farm Credit Services' collateral and their failure to maintain a livestock herd of the minimum specified size. As of October 14, 2004, there was due and owing by the Debtors to Farm Credit Services \$62,371.35. Interest continues to accrue at the per diem rate of \$16.13 from and after October 14, 2004. Additionally, Defendants are indebted to Farm Credit Services for the latter's attorneys fees and costs, all as provided under the terms of the debt and security instruments executed by the Debtors.

10. In their Schedule, the Debtors allege that the value of Farm Credit Services' collateral is \$66,204.50. Farm Credit Services believes this figure is inaccurate and that it is oversecured. However, even based on Farm Credit Services' valuation of its collateral, the Debtors have limited equity in the same.

11. The Debtors assert that they have no equity in the collateral of Farm Credit Services. Said property is not necessary to an effective reorganization by the Debtors in that

the Debtors have filed a Chapter 7 liquidation case. Thus, relief from the stay is appropriate under 11 USC § 362(d)(1). Additionally, in that the Debtors have converted Farm Credit Services' collateral and have not made arrangements to adequately protect Farm Credit Services' secured position, cause exists for lifting the automatic stay.

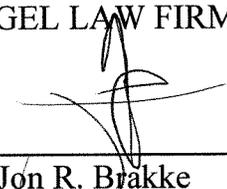
12. Farm Credit Services requests that pursuant to Rule 4001(a)(3) of the Rules of Bankruptcy Procedure the order granting this motion be effective immediately.

13. At any hearing on this matter, Farm Credit Services reserves the right to present testimony in support of the instant motion from:

- a. The Debtors, who will testify as to their obligation to Farm Credit Services, their obligations to other creditors, the value of the property collateralizing the debt due and owing to Farm Credit Services, the historical profitability of the Debtors' farming operation and anticipated income and expenses in future years;
- b. Merrill Knodle, Senior Credit Officer, Farm Credit Services, who will testify as to the obligations due and owing to Farm Credit Services, the collateral securing said obligations and the historical profitability of the Debtors' farming and other business operations.

Dated this 15<sup>th</sup> day of October, 2004.

VOGEL LAW FIRM

By:   
\_\_\_\_\_  
Jon R. Brakke MN ID #10765

218 NP Avenue  
P.O. Box 1389  
Fargo, ND 58107-1389  
(701) 237-6983  
ATTORNEYS FOR AGCOUNTRY FARM CREDIT  
SERVICES, PCA

**VERIFICATION**

Merril Knodle, Senior Loan Officer for AgCountry Farm Credit Services, PCA, the moving party named in the foregoing Notice of Hearing and Motion, declares under penalty of perjury that the contents of this Motion are correct to the best of his knowledge, information and belief.

Dated this \_\_\_\_\_ day of October, 2004.

AGCOUNTRY FARM CREDIT  
SERVICES, PCA

By: \_\_\_\_\_ /s/ Merrill Knodle  
Merril Knodle,  
Senior Loan Officer

Asan.	B.O. No.	CIF No.	Loan No.	Product Code	Coll. Code	Customer	Commitment Amount
72	61	5405450	1110812200	2500	1	MCCONNELL FIELD	\$107,525.00

**PROMISSORY NOTE/LOAN AGREEMENT**

**LENDER:** AgCountry Farm Credit Services, PCA  
1749 38th St SW  
Fargo North Dakota 58108-6020

**DATE:** October 31, 2003

**LOAN AMOUNT:** \$ 107,525.00

**MATURITY DATE:** January 1, 2007

**TYPE OF LOAN:** Intermediate Term (IT) Loan

**STATED INTEREST RATE:** 9.00 %

**TYPE OF INTEREST RATE:** VARIABLE RATE

**LOAN PAYMENTS:**

Monthly principal and interest payments of \$1,530.00 shall be due commencing on December 1, 2003 and on the first day each and every month thereafter until the debt is paid in full. In addition, a special principal payment of \$20,000.00 each shall be due on December 31st of each year commencing on December 31, 2003 and annually thereafter until maturity when any remaining principal and interest shall be due.

**DRAFT PROGRAM:**

Not applicable.

**COLLATERAL:** Payment of the loan is secured by:

All existing and future security agreements from all or any of the Borrowers (and from third parties if so intended) to the Lender. All of the covenants and agreements contained in said security instruments are made a part of this note.

**DEFAULT ADD-ON RATE:** 2.00 % will be added to the Interest rate that would otherwise be in effect for this loan, if Borrowers default as explained in the Additional Provisions.

**VOTING STOCKHOLDER:** Any one stockholder is authorized by the Borrowers to exercise any voting rights on behalf of members, subject to applicable bylaws.

Borrowers further agree that a security interest is granted to Lender in all such stock or participation certificates now owned and hereafter acquired, however designated or classified, and all equity reserve and allocated surplus in the Lender or Lender's parent association, as applicable, to secure the Loans.

**FOR VALUE RECEIVED,** the undersigned Borrowers jointly and severally promise to pay to the order of the Lender at its office shown above on or before the Maturity Date the principal sum equal to the Loan Amount together with interest thereon from dates of disbursement until paid pursuant to the Lender's Individual Loan Pricing Program (the "Program"), as provided in the Additional Provisions. Borrowers grant to the Lender, as security for the payment of this loan and, if applicable, the other Obligations, as defined in the Additional Provisions, a present security interest or lien in the property described above and, if applicable, the other Collateral, as defined in the Additional Provisions.

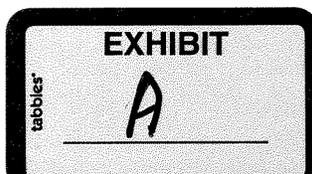
The Borrowers acknowledge receipt of: a) pertaining to the Lender or the Lender's parent association, as applicable, the most recent annual report and most recent quarterly report, if more recent than the annual report; a copy of the notice to Borrowers concerning investment, which includes a description of the terms and conditions under which equity is issued; capitalization bylaws and b) an Effective Interest Rate Disclosure Statement or a Truth-in-Lending Disclosure Statement, as applicable.

THIS AGREEMENT INCLUDES THE PROVISIONS IN THE "PROMISSORY NOTE/LOAN AGREEMENT -- ADDITIONAL PROVISIONS."

AND THE PROVISIONS IN THE "ADDENDUM TO NOTE/LOAN AGREEMENT".

Field McConnell  
FIELD MCCONNELL

Alison McConnell  
ALISON MCCONNELL



For Office Use Only	ASSN.	B.O. NO.	GIF NO.	LOAN	PROD. CODE	COLL. CODE	CUSTOMER N.	COMMITMENT AMOUNT
	72	61	5405450	1110812200	2500	1	MCCONNELL FIELD	107,525.00

### ADDENDUM TO NOTE/LOAN AGREEMENT

October 31, 2003

This Addendum is a part of, and contains additional terms and conditions for, a Promissory Note/Loan Agreement ("Note") dated October 31, 2003, in the principal sum of \$ 107,525.00, evidencing a loan extended by AgCountry Farm Credit Services, PCA ("Lender") to the Borrowers. Unless waived in writing by the Lender, until all liabilities of the Borrowers under this loan have been paid and satisfied in full, the Borrowers covenant and agree as follows:

#### COVENANTS:

1. The following Covenants and Agreements Amend and Supplement the Note. To the extent of any inconsistency between the provisions of the Note and this Addendum, this Addendum governs.

2. **REMIT ALL LIVESTOCK SALES PROCEEDS:** The first \$20,000.00 in proceeds obtained by Borrower from the sale of livestock in each calendar year shall be remitted to lender. Proceeds in excess of \$20,000.00 up to \$30,000.00 in the calendar year may be released to the Borrower upon Borrower's request. Proceeds in excess of \$30,000.00 per calendar year will be released to the Borrower at a rate of 50%.

3. **HERD SIZE:** Borrower shall maintain a livestock herd of at least 50 cows and 2 bulls.

**PROMISSORY NOTE/LOAN AGREEMENT  
ADDITIONAL PROVISIONS (Page 1 of 4)**

**INDIVIDUAL LOAN PRICING PROGRAM:** The Program provides for charging differential interest rates according to loan classes determined by criteria adopted by the Lender from time to time, such as type of loan, purpose, amount, quality, funding costs, operating costs, servicing costs, and competitive interest rates. There are separate types of loans and interest rates under the Program, each having a different rate of interest, and the loans within each class are assigned to an interest rate category. It is possible that the particular rate for each class of loan may differ among such geographical areas as may be designated from time to time. In the event that Borrowers default under the terms or conditions of any promissory note, membership agreement, mortgage or other security document, or any amendatory agreement to any of these, the Lender at its option may adjust this loan to any less favorable interest rate category then offered or maintained by Lender for loans of this type. The higher interest rate shall become effective immediately upon placement of this loan into the less favorable interest rate category by Lender, and the loan may, at the option of Lender, remain in the less favorable interest rate category for the remaining term of the loan, regardless of whether Borrowers later cure the default. Lender shall not place the loan into a less favorable interest rate category unless Lender has first given Borrowers written notice of the default, and Borrowers fail to cure the default within 60 days after Lender has given the notice. Notice shall be deemed to have been given when Lender places such notice in the mail for first-class mailing to the last address of Borrowers known by Lender. In addition to adjusting the loan to a less favorable interest rate category, Lender may also charge the higher default interest rate described below.

**INTEREST RATE:** If this is a:

(a) **Variable Rate loan,** the initial annual rate of interest is equal to the Stated Interest Rate. The interest rate is subject to change at any time and by any amount during the term of the loan and will vary from time to time at the option of the Lender.

(b) **Fixed Rate loan,** the annual rate of interest is equal to the Stated Interest Rate. The interest rate is not subject to change during the term of the loan and will not be increased or decreased except in the event of default.

(c) **Adjustable Rate Operating RLOC,** the initial annual rate of interest is equal to the Stated Interest Rate. The interest rate is subject to change at any time and by any amount during the term of the loan, but only on and after the first adjustment date, and the rate will not be increased or decreased prior to that date except in the event of default.

(d) **Adjustable Rate loan or an Adjustable Rate IT loan or an Adjustable Rate Capital RLOC,** the initial annual rate of interest is equal to the Stated Interest Rate. The interest rate is subject to change by any amount during the term of the loan, but only on the first adjustment date and on dates occurring at the end of the successive adjustment intervals thereafter, and the rate will not be increased or decreased during any one such interval except in the event of default.

(e) **Adjustable Rate Prime Rate Based loan,** the initial annual rate of interest is equal to the Stated Interest Rate. The index for adjustments is the prime rate reported on the tenth day of the month preceding the interest rate change date by the Wall Street Journal in its daily listing of money rates, defined therein as "the base rate on corporate loans posted by at least 75 percent of the nation's 30 largest banks." If a prime rate is not reported on the tenth day of a month, the prime rate reported on the first business day preceding the tenth day of the month will be used. If this index is no longer available, Lender will select a new index which is based upon comparable information.

(f) **Capped Non-Indexed Variable Rate loan,** the initial annual rate of interest is equal to the Stated Interest Rate. The interest rate is subject to change at any time and will vary from time to time at the option of the Lender. The interest rate is not based on an index. Except during periods of default when the additional percentage points specified herein shall be added to increase the interest rate, the interest rate may not increase or decrease by more than 6.00 percentage points above or below the initial annual rate of interest on any single change date or during the term of the Loan.

(g) **Fixed Then Indexed Adjustable Rate loan,** the initial annual rate of interest is equal to the Stated Interest Rate. Once the interest rate changes to an adjustable interest rate at the end of the fixed interest rate period, the index for adjustments is the estimated weekly average for one-year bonds funding cost index as reported by the Federal Farm Credit Banks Funding Corporation at its Web site, found in the Publications and Archives section at <http://www.farmcredit-fcb.com>, for that week which contains the date that is 45 days before the date that the adjustable interest rate is to be initially determined or subsequently adjusted. If the date that is 45 days before either the expiration date of the fixed interest rate period or an Adjustment Interval is not a business day, the Lender shall use that estimated weekly average for one-year bonds funding cost index for that week which includes that business day which immediately precedes the 45-day date. If this index is no longer available, the Lender will select a

new index which is based on comparable information. The Lender will give the Borrower notice of this choice.

(h) **Indexed Adjustable Rate loan,** the initial annual rate of interest is equal to the Stated Interest Rate. The index for adjustments is the estimated weekly average for one-year bonds funding cost index as reported by the Federal Farm Credit Banks Funding Corporation at its Web site, found in the Publications and Archives section at <http://www.farmcredit-fcb.com>, for that week which contains the date that is 45 days before a date the interest rate is to be adjusted. If the date that is 45 days before a date the interest rate is to be adjusted is not a business day, the Lender shall use that estimated weekly average for one-year bonds funding cost index for that week which includes that business day which immediately precedes the 45-day date. If this index is no longer available, the Lender will select a new index which is based on comparable information. The Lender will give the Borrower notice of this choice.

(i) **Adjustable Rate LIBOR Based loan,** the initial annual rate of interest is equal to the Stated Interest Rate. The index for adjustments is the One Month London Interbank Offered Rate ("One Month LIBOR") reported on the tenth day of the month preceding the interest rate change date by the Wall Street Journal in its daily listing of money rates, defined therein as "the average of interbank offered rates for dollar deposits in the London market based on quotations at five major banks." If a One Month LIBOR rate is not reported on the tenth day of a month, the One Month LIBOR rate reported on the first business day preceding the tenth day of the month will be used. If this index is no longer available, Lender will select a new index which is based upon comparable information.

Interest may be based upon a 360- or 365-day year as the Lender may determine.

**DEFAULT RATE OF INTEREST:** Prior to maturity, if Borrowers default under this document, the entire unpaid principal balance of the loan, including all advancements, shall bear interest from the date of default until the default is cured or maturity of the loan is accelerated by reason of default at a rate equal to the interest rate for this loan that would otherwise be in effect during the period of default plus the Default Add-On Rate per annum (the "default rate"), and the amount of such interest in excess of interest otherwise accruing in the absence of default shall be immediately due and payable. At maturity or upon acceleration of maturity by reason of default, the entire indebtedness including all principal, interest and advancements shall bear interest until paid at the default rate in effect at the time of maturity or acceleration of maturity, as the case may be.

**DISBURSEMENTS OF PRINCIPAL:** Disbursements of principal may be made at various times at Borrowers' request, subject to the provisions of this paragraph. Repayments of principal under a Revolving Line of Credit reinstate the loan commitment, subject to the terms of this document, but the total of the unpaid balance of future advances together with the existing indebtedness hereunder, in the aggregate at any one time outstanding, shall not exceed the Loan Amount; otherwise, repayments of principal do not reinstate the loan commitment, and total disbursements, in the aggregate, shall not exceed the Loan Amount. The Lender may withhold further disbursements if it determines that: (a) the value of the Collateral is insufficient; (b) loan proceeds have been used for purposes not approved by the Lender; (c) loan payments have not been made in accordance with the repayment plan contained in the loan application; or (d) an event has occurred which entitles the Lender to accelerate maturity of the loan.

**DRAFT PROGRAM AGREEMENT:** If the Draft Program is applicable to this loan, the Borrowers may draw loan funds using the draft forms furnished by the Lender, subject to the following terms and conditions:

(a) The Borrowers authorize and direct the Lender and its duly authorized agents to accept drafts made or drawn by any one of the Borrowers and to disburse loan funds accordingly, as specified in this document. The Borrowers may be charged a reasonable fee for this program and the cost of printing drafts.

(b) The Borrowers jointly and severally accept responsibility for all disbursements made pursuant to this authorization and direction. The Lender shall not be obligated to inquire as to whether the Borrowers have issued specific directions for any particular draft or to determine whether the Borrowers have received the benefit of the proceeds of any particular draft before honoring such draft. Drafts may be deposited directly into the bank account of any one of the Borrowers.

(c) The minimum amount for which each draft may be written is the Minimum Draft amount. In the event that Borrowers write any draft for an amount below this minimum, the Lender may charge Borrowers a reasonable fee for each draft that is not in compliance.

(d) Drafts may not be written in excess of the undisbursed loan commitment. The Lender reserves the right to revoke all future draft privileges without notice to the Borrowers in the event of an overdraft and the right to reject drafts that are not written for purposes specified in the loan documents or pursuant to these terms and conditions. In the event that Lender chooses to honor a draft which exceeds the available loan commitment, Borrowers are liable for full repayment of the funds thus

**PROMISSORY NOTE/LOAN AGREEMENT  
ADDITIONAL PROVISIONS (Page 2 of 4)**

borrowed, plus interest, and Lender may charge Borrowers a reasonable overdraft fee.

(e) The Borrowers agree to immediately notify the Lender in the event one or more drafts are lost, stolen, destroyed or otherwise misused and to indemnify the Lender and hold the Lender harmless from any loss or claim if any draft is lost, stolen, forged, altered or otherwise misused if the Lender did not have notice of the same at least 24 hours prior to honoring such draft.

(f) The Borrowers may stop payment on a draft by request to the Lender. The Borrowers will be charged a reasonable fee for each stop-payment order and agree to reimburse the Lender for all damages, costs and expenses as a result of the Lender's refusal to honor such draft. The Lender shall not be liable in the event the draft is honored following a stop-payment order if such order is not received in sufficient time to permit dishonor.

(g) This authorization and direction shall be effective as to this and, with the Lender's approval, other existing and future loans to the Borrowers and shall continue in force and effect until the Lender receives written notice of revocation signed by the Borrowers, provided the privilege of using drafts may be withdrawn by the Lender and unused drafts must be surrendered to the Lender on demand.

**FUNDS HELD PROGRAM:** Lender may offer a Funds Held Program ("Program") that allows Borrowers to make advance conditional payments on designated loans. Lender reserves the right, in its discretion, to amend or terminate the Program. The following terms and conditions apply to all Program accounts in connection with loans from Lender.

(a) Subject to Lender's rights to direct the application of payments, an advance payment made to be applied to future maturities on a loan will be placed in a Program account ("Account") as of the date received. If a special prepayment of principal is desired, Borrowers must so specify when an advance payment is made.

(b) Interest will accrue on funds in the Account at such times and at such rates as per Lender's Program. Lender may change the interest rate or accrual period from time to time without notice. The Program may provide for different interest rates for different categories of loans.

(c) When a loan installment or other related charge becomes due, funds in the Account for that loan will be automatically applied on the due date toward payment of the installment or related charge. Any accrued interest in the Account will be applied first. If the funds in the Account are not adequate to pay the entire installment or related charge, Borrowers must pay the difference by the installment due date.

(d) Funds received after a loan installment or related charge has been billed will be applied to the installment or related charge due. Funds received in excess of the billed installment amount or related charge will be placed in the Account.

Even though no installment or related charge is due, Lender may, at its option, apply funds from the Account without notice to Borrowers as follows:

-- **Protective Advances.** If Borrowers fail to pay when due other items Borrowers are required to pay pursuant to any loan document, Lender may apply funds in the Account to pay them.

-- **Account Ceiling.** If the Account balance exceeds the unpaid balance on the loan, Lender may apply the funds in the Account to pay off the loan and will return any excess funds.

-- **Transfer of Security.** If Borrowers sell, assign, or transfer any interest in any collateral for the loan, Lender may apply the funds in the Account to the remaining loan balance.

-- **Deceased Borrowers.** If all Borrowers are deceased, Lender may apply the funds in the Account to the remaining loan balance.

-- **Termination of Program.** If Lender decides to terminate the Program, it may apply all funds in the Account to the remaining loan balance effective on the termination date.

(e) Lender may, in its discretion, permit Borrowers to withdraw funds from the Account in accordance with Lender's Program.

(f) Neither the advance payments nor the accrued interest in an Account are insured by a governmental agency or instrumentality. If Lender is placed in liquidation, Borrowers shall be sent by the receiver such notices as required by FCA regulations then in effect. Such regulations currently provide for advance notice from the receiver that funds in the Account will be applied to the loan and that funds in the Account will not earn interest after the receiver is appointed.

**LOAN PAYMENTS:** If the loan is payable in installments and the period from the day interest begins to the due date of the first installment is more than the interval between installments, there may be an interest only payment due one installment interval prior to the due date of the first installment, or the interest may be included in the first installment at the option of the Lender, but if such period is less than the interval between installments and principal and interest are payable in equal installments, then the first installment will be decreased by the amount of interest not yet accrued for that installment. The final installment may be more or less

than preceding installments, if any, and any periodic adjustments to the interest rate will result in corresponding changes in the amount of installments, if the loan is payable in installments, or the amount due at maturity. The Borrowers may make advance payments in any amount and at any time without penalty. Prepayments shall, at the option of the Lender, (a) be held by the Lender and then applied to installments of principal and interest next scheduled to mature in the order of maturity, (b) be immediately applied to payment of principal then outstanding, resulting in a reamortization of the remaining balance of the loan over the remaining term under the existing payment plan and in a corresponding reduction in the amount of future installments of principal and interest, or (c) be immediately applied to payment of principal then outstanding, with, if an amortized loan, a corresponding reduction in the number of future installments of principal and interest in the inverse order of maturity, thus discharging the loan at an earlier date; provided, in any event, the Lender may, at its option, first apply any such prepayments to the payment of interest accrued to the date of prepayment.

**PERSONAL PROPERTY AND FIXTURES:** The following subsections (1) and (2) including the definitions apply, in addition, only if the collateral described on Promissory Note/Loan Agreement, and each addendum thereto, is personal property or fixtures:

(1) **Obligations and Collateral.** The Borrowers grant to the Lender as security for the payment and performance of this loan and the other obligations a security interest in all of the Borrowers' rights, title, and interest in the Collateral, including all rights to transfer an interest in the Collateral. "Obligations" means this loan and all other loans and advances by the Lender except any loan to which a Basic Membership and Lending Relationship Agreement (Rural Residence/Country Living Loans) applies including: (a) existing and future indebtedness, liabilities, and other obligations of the Borrowers to the Lender of any kind, absolute or contingent, due or to become due, arising out of existing or future credit granted by the Lender to the Borrowers, or any one or more of them, and all extensions and renewals thereof from time to time; and (b) all costs incurred by the Lender in enforcing its rights under this document with interest, including attorney's fees and legal costs. "Collateral" means (a) the property described on Promissory Note/Loan Agreement and each addendum thereto; (b) all additions, accessions, replacements, and substitutions of the Collateral and property of similar type or kind now owned or hereafter acquired by the Borrowers; and (c) to the extent not included in (a) or (b) as original Collateral, all products and proceeds of the Collateral. If the Collateral includes crops now growing or to be grown in North Dakota, the following provision is part of this document:

**This security agreement covers crops now growing. This security agreement also covers future crops to be grown in the current year or any year hereafter.**

The Borrowers agree to deliver upon the request of the Lender such additional security instruments as the Lender may deem necessary at any time.

(2) **Warranties and Agreements:** The Borrowers warrant and agree that:

(a) The Borrowers are the absolute owners of the Collateral free from any encumbrances, liens, security interests, or equity interests, except for the security interest granted herein and except as disclosed by the Borrowers to the Lender in writing.

(b) The Borrowers shall: (1) care for the Collateral and not permit its value to be impaired; (2) keep the Collateral free from all encumbrances, liens, and security interests, other than those created or expressly permitted herein; (3) defend the Collateral against all claims and legal proceedings by persons other than the Lender; (4) pay and discharge when due all taxes, license fees, levies, and other charges upon the Collateral; and (5) immediately inform the Lender in writing of any change in Borrowers' address or the location of the Collateral. Loss of or damage to the Collateral shall not release the Borrowers from any of the Obligations. Upon demand, the Borrowers will provide additional collateral acceptable to the Lender.

(c) At the Lender's request, the Borrowers shall keep all Collateral and the Lender's interest in it insured under policies naming the Lender as loss payee, with provisions, coverages, amounts, and by insurers satisfactory to the Lender, and the Borrowers shall furnish Lender satisfactory evidence of such insurance.

(d) The Borrowers shall pay all expenses which are permitted to be recovered from the Borrowers by applicable law and, upon request, take any action reasonably deemed advisable by the Lender to preserve the Collateral or to establish, determine the priority of, perfect, continue, or enforce the Lender's interest in the Collateral.

**PROMISSORY NOTE/LOAN AGREEMENT  
ADDITIONAL PROVISIONS (Page 3 of 4)**

(e) The Lender is authorized to examine the Collateral at reasonable times.

(f) The Borrowers shall not dispose of any of the Collateral without the authorization of the Lender and, except as otherwise agreed to in writing by the Lender, shall apply the proceeds of all dispositions of the Collateral to payment of this loan.

(g) The Borrowers understand that the unauthorized disposition of Collateral with intent to defraud the Lender constitutes a federal criminal offense.

(h) The Borrowers hereby authorize the Lender to file all financing statements describing the Collateral, and all amendments thereto, in any offices as the Lender, in its sole discretion, may determine. The Borrowers hereby also authorize the Lender to file all effective financing statements describing the Collateral pursuant to 7 U.S.C. section 1631, and all amendments thereto, in any offices as the Lenders, in its sole discretion, may determine.

(i) If the Collateral includes federal or state government program entitlements or payments, the Borrowers shall execute and deliver to the Lender all assignments, transfers, and other documents required by the Lender to transfer, convey, and assign to the Lender all such federal and state government program entitlements, payments, rights to payment whether or not earned by performance, accounts, general intangibles, and benefits.

(j) All terms in this Agreement that are defined in the Uniform Commercial Code, as enacted in the state in which Lender's office originating this Loan is located and as amended from time to time ("UCC"), shall have the meanings set forth in the UCC. The meaning of a term hereunder shall automatically change on the effective date of each amendment to the definition of such term in the UCC.

(k) For each Borrower that is not an individual, the legal name of each such Borrower is as set forth in the Note or an addendum thereto. None of the Borrowers have used any trade name, assumed name, or other name except those set forth in the Note or an addendum thereto. The Borrowers shall give the Lender written notice at least 30 days before the date of (1) any change in any Borrower's name or (2) any use by any Borrower of another name.

(l) If any of the Borrowers is a Registered Organization, as that term is defined in the UCC, all information provided by the Borrowers to the Lender concerning the state(s) of organization for the Borrowers is true, accurate, and complete. None of the Borrowers shall change its state of organization without the prior written consent of the Lender. Borrowers shall provide the Lender with written notice at least 30 days before the date any Borrower takes any action to change its state of organization.

(m) If any of the Borrowers is an individual or an entity that is not a Registered Organization, all information provided by the Borrowers to the Lender concerning the address of an individual Borrower's residence or the address of the chief executive office of an entity that is not a Registered Organization is true, accurate, and complete. None of the individual Borrowers shall change that address of residence without providing written notice to the Lender at least 30 days before the effective date of such address change. None of the Borrowers that are entities that are not Registered Organizations shall change that address of the chief executive office without providing written notice to the Lender at least 30 days before the effective date of such address change.

(n) To the extent that the Borrowers use proceeds of the Loan extended by the Lender to purchase Collateral, Borrowers' repayment of the Loan shall apply on a "first-in-first-out" basis so that the portion of the Loan used to purchase a particular item of the Collateral shall be paid in the chronological order the Borrowers purchased the Collateral.

**FINANCIAL RECORDS:** The Borrowers agree to maintain complete and accurate financial books and records for Borrowers' business, permit access by the Lender and to provide periodic financial information as requested by Lender in a form acceptable to Lender.

**PAYMENTS BY LENDER:** The Lender is authorized but not obligated to pay the following items and charge them to the loan with interest at the rate(s) then applicable to this loan: (a) amounts required to pay prior liens on the Collateral; (b) the cost of insurance carried by the Borrowers in connection with this loan or any financially related service offered by or through the Lender; (c) appraisal and title evidence costs, recording and filing fees, and similar items; (d) amounts required for the Borrowers to acquire and maintain stock or participation certificates in the Lender or the Lender's parent association, as applicable; and (e) any accrued interest hereunder that is not paid when due.

**EVENTS OF DEFAULT:** Each of the following constitutes a default by Borrowers under this document: (a) the failure to perform any warranty or agreement contained in this document or in any instrument securing payment of this loan or related to this loan; (b) default under any other promissory note executed by the Borrowers, or any one or more of them,

and payable to the Lender except any note to which a Basic Membership and Lending Relationship Agreement (Rural Residence/Country Living Loans) applies; (c) default under any lease executed by the Borrowers, or any one or more of them, under which the Lender is the Lessor, and, it shall also be an event of default under this document if an event of default occurs on any other loan or lease that any of the Borrowers has with either the Lender's parent association or any subsidiaries of the Lender's parent association; (d) any statement or report furnished by the Borrowers to the Lender is false in any material respect; (e) any Collateral is lost, stolen, substantially damaged, destroyed, or, without the Lender's consent, sold or encumbered; (f) any of the Borrowers dies, is dissolved, declares insolvency, is declared insolvent, or is the subject of any proceeding under any bankruptcy or insolvency law; or (g) the Lender, in good faith, deems itself insecure or determines that the prospect of payment of this loan or the prospect of performance of this or any other instrument securing this loan or relating to it is impaired.

**LENDER'S REMEDIES:** Lender, in addition to other rights provided in this document or by law or agreement, may do any one or more of the following if Borrowers default under this document: (a) declare this loan and any or all other loans to Borrowers or any one or more of them (except any loan to which a Basic Membership and Lending Relationship Agreement (Rural Residence/Country Living) applies) immediately due and payable; (b) as to Collateral which is personal property or fixtures, exercise all the remedies of a secured party under the Uniform Commercial Code including without limitation: (1) without notice to the Borrowers or judicial process peaceably enter upon any premises where the Collateral is located, take possession of it and remove it from the premises; (2) require the Borrowers to assemble the Collateral and make it available to the Lender at a place designated by Lender which is reasonably convenient to both parties; and (3) use and occupy the Borrowers' premises to care for livestock collateral. Crops are perishable and may decline speedily in value and the Lender at Borrowers' expense may care for and harvest the crops and dispose of them at private sale; (4) require Borrowers to reimburse the Lender for expenses incurred by the Lender in protecting or enforcing its rights under this document, including without limitation reasonable attorney's fees and legal expenses when permitted by law. (5) After deduction of expenses, the Lender may apply the proceeds of disposition to the Obligations in the order and amounts it elects.

**ASSIGNMENT OF LOAN:** The Lender may not assign or otherwise transfer this loan to any party other than AgriBank, FCB and its successors (the "Bank"), whether absolutely or as collateral security and whether in the ordinary course of business or otherwise, without the express written consent of the Bank. If this loan is assigned or otherwise transferred to the Bank or another institution chartered pursuant to the provisions of the Farm Credit Act of 1971, as amended, ("Act") the interest rate hereunder may be established by such institution in accordance with the provisions of this document. If this loan is assigned or transferred to a party not chartered under the Act, notwithstanding any contrary provision in this document, in the absence of maturity or acceleration, the following apply:

(a) If this is a Variable Rate loan or an Adjustable Rate Operating RLOC, adjustments in the interest rate will be made only on the dates occurring at successive intervals of one year each after the first day of the month and year of such assignment based upon an index and margin. The index will be the weekly average yield on United States Treasury securities, as made available by the Federal Reserve Board, adjusted to a constant maturity of one year.

(b) If this is an Adjustable Rate Capital RLOC or Adjustable Rate IT loan, the interest rate will continue to be adjusted on the dates and intervals described therein based upon an index and margin. The index will be the same as for a Variable Rate Loan, except it will be adjusted to a constant maturity of a length equal to the length of the interval between adjustments specified above (if U.S. Treasury yield figures are not available for this length, the U.S. Treasury yield figures which are available for the closest length of time which is shorter than the interval between adjustments will be used).

(c) For interest rate adjustments under (a) and (b), the margin will be the amount by which the interest rate in effect for this loan at the time of the assignment, in the absence of default, exceeds the index that would have been effective for the date that this interest rate was established for this loan (the last previous repricing date). The new interest rate will be calculated by adding the margin to the applicable current index and rounding the total to the nearest one-eighth of one percent, subject however, to the provision herein for a higher default rate. The current index will be the most recent index available as of 45 days before the date the interest rate is to be adjusted. If the applicable index is not available, the Lender will select a new index which is based upon comparable information. The interest rate shall never exceed the rate permitted by applicable law.

**PROMISSORY NOTE/LOAN AGREEMENT  
ADDITIONAL PROVISIONS (Page 4 of 4)**

(d) If this is an Adjustable Rate Prime Rate Based loan, the margin that is used for interest rate adjustments shall remain fixed for the remaining term of the loan at the margin amount that is in effect at the time of the assignment.

**WAIVER:** The Borrowers and other parties to this transaction (except the Lender), and each of them, whether principal, surety, guarantor, endorser, or other party, agree to be jointly and severally bound and, further, waive demand, protest, and notice of demand, protest, or nonpayment, and agree that the liability of each shall be unconditional without regard to the liability of any other party and shall not be affected by any indulgence, extension or extensions of time, renewal, waiver, release of any party or of any Collateral, or other modifications granted or consented to by the Lender. The rights and powers granted to the Lender hereunder shall not, nor shall any provision hereof, be waived except in writing signed by the Lender, and the provisions hereof shall not be modified, limited, or waived by any prior or subsequent course of dealing between the parties or between the Borrowers and third parties or by any usage of trade. To the extent the Bank gives or has given value to the Lender in reliance hereon, either by way of loan or discount, the Borrowers hereby waive any and all other defenses or right of offset which the Borrowers or any of them may or might have against the Lender when this document is held by the Bank, its collateral custodian, or the successors or assigns of either.

**APPOINTMENT OF AGENT:** Each of the Borrowers hereby appoints each of the other Borrowers as agent for the purposes of this loan and, if applicable, the Obligations and agrees that loan funds, dividends, stock retirement proceeds, and other distributions may be disbursed to or by order of any one or more of them. This appointment shall continue until written notice of termination is received by the Lender.

**ASSOCIATION MEMBERSHIP:** The Borrowers agree to purchase and maintain stock or participation certificates in the Lender or the Lender's parent association, as applicable, in amounts as may be required from time to time under the Capital Plan adopted by the Board of Directors pursuant to applicable Bylaws.

**MODIFICATION:** No modification of this document or any related document shall be enforceable unless in writing and signed by the party against whom enforcement is sought. **Oral agreements or commitments to loan money, extend credit, or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable. To protect you (the Borrowers) and us (the Lender) from misunderstanding or disappointment, any agreements we reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between us, except as we may later agree in writing to modify it.**

**REPORTING:** Lender, its agents, successors and assigns may report Borrowers' names and information regarding this loan and all of Borrowers' past and future loans to credit reporting agencies.

**FOR ILLINOIS AND MISSOURI LOANS ONLY:** Unless you (the Borrowers) provide us (the Lender) with evidence of the insurance coverage required by your agreement with us, we may purchase insurance at your expense to protect our interests in your Collateral. This insurance may, but need not, protect your interests. The coverage that we purchase may not pay any claim that you make or any claim that is made against you in connection with the Collateral. You may later cancel any insurance purchased by us, but only after providing us with evidence that you have obtained insurance as required by our agreement. If we purchase insurance for the Collateral, you will be responsible for the costs of that insurance, including interest and any other charges we may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to your total outstanding balance or obligation. The costs of the insurance may be more than the cost of insurance you may be able to obtain on your own.

**POWER OF ATTORNEY:** Borrowers hereby irrevocably appoint the Lender as Borrowers' attorney-in-fact to act for the Borrowers with full authority in the place and name of the Borrowers to take any action and to execute any instrument which the Lender may deem advisable to accomplish the purposes of this Agreement, including authority - (a) to endorse, collect, sue for, compromise, and receive any drafts, instruments, documents, or moneys due in connection with the Collateral; (b) to file any claims or take any action or institute any proceedings which the Lender may deem desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Lender with respect to any of the Collateral; (c) to disburse funds including paying insurance premiums, taxes, liens, and other costs of preserving the Collateral; and (d) to establish, determine priority of, perfect, continue perfected, preserve, enforce, or terminate the Lender's rights and interests under this Agreement. The Lender may charge its expenses of doing so to any of the Obligations and the Borrowers shall pay them upon

demand with interest from the date each expense is incurred at the rate in effect on the date each expense is incurred on the applicable Obligation.

**AUTHORIZATION FOR ACCESS TO INFORMATION:** Borrowers acknowledge and agree that the verification or reverification of any information, whether contained in the Borrowers' loan application or in any other manner supplied by the Borrowers to the Lender in connection therewith, may be made at any time by the Lender, its agents, successors, or assigns, either directly or through a credit reporting agency, from any source whether named in the Borrowers' loan application or otherwise provided to the Lender by the Borrowers.

**BORROWERS' PRIVACY DISCLOSURE:** Your privacy is important to us. We want you to know that we hold your financial and other personal information in strict confidence. Since 1972, Farm Credit Administration regulations have forbidden the directors and employees of Farm Credit institutions from disclosing personal borrower information to others without your consent. We do not sell or trade our customers' personal information to marketing companies or information brokers.

FCA rules allow us to disclose customer information to others only in these situations:

- We may give it to another Farm Credit institution that you do business with.

- We can be a credit reference for you with other lenders and provide information to a credit bureau or other consumer reporting agency.

- We can provide information in certain types of legal or law enforcement proceedings.

- FCA examiners may review loan files during regular examinations of our association.

- If one of our employees applies to become a licensed real estate appraiser, we may give copies of real estate appraisal reports to the State agency that licenses appraisers when required. We will first remove as much personal information from the appraisal report as possible.

As a member/owner of this Institution, your privacy and the security of your personal information are vital to our continued ability to serve your ongoing credit needs.

**UNAUTHORIZED DISPOSITIONS AND FALSE STATEMENTS:** Borrowers understand that it is a federal crime punishable by fine, imprisonment, or both to knowingly make any false statements in the Borrowers' loan application as applicable under the provisions of Title 18, United States Code, Section 1014. Borrowers also understand that any unauthorized disposition of Collateral or the making of any false statement or report to the Lender in connection with a loan could result in civil and criminal consequences to the Borrowers as applicable under the provisions of Title 18, United States Code, Sections 658 and 1014.

**PARTIES BOUND:** Each person signing the Note, other than the Lender, is a Borrower. The Obligations of all Borrowers are joint and several, and all Borrowers hereby acknowledge receipt of all proceeds of the Loan. This Agreement benefits the Lender, its successors, and assigns. This Agreement shall bind the Borrowers, the Borrowers' heirs, personal representatives, successors, and assigns, and all persons and parties who become bound as a Borrower under this Agreement.

**FEES CHARGED:** Lender has authority to charge and Borrowers agree to pay any reasonable fees and costs charged by Lender to amend the terms of this Loan. Borrowers give Lender authority to advance such fees and costs and charge them to the loan. If Borrowers do not immediately repay such advance, interest at the default rate shall begin to accrue on the amount advanced. The absence of express authority in this Promissory Note/Loan Agreement to charge a specific fee or cost to Borrowers shall not be construed as a prohibition on the charging of such fees or costs.

ASSN. NO.	B.O. NO.	CIF NO.
72	012	5405450

**SECURITY AGREEMENT**

1. **GRANT OF SECURITY INTEREST.** For value received, the undersigned Debtor, whether one or more, grants to AgCountry Farm Credit Services, PCA (after this called "Secured Party"), whose address is 1749 38th St SW Fargo North Dakota 58108-6020, a security interest in the property described in Section 2 (after this called "Collateral") to secure the payment and performance of the obligations described in Section 3 (after this called "Obligations").
2. **COLLATERAL DESCRIPTION.** The Collateral is the property described in one or more Exhibits to this Agreement which are by this reference incorporated into this Agreement.
3. **OBLIGATIONS SECURED.** "Obligations" means: (a) all existing and future loans, advances, indebtedness and payment and performance obligations owed or owing to Secured Party arising out of existing or future credit granted by Secured Party to Debtor (or any of them, if more than one), to Debtor and another, to another guaranteed or endorsed by Debtor, or to another designated by Debtor, whether direct or indirect, absolute or contingent, including both consumer and commercial credit, and both long-term and short-term credit; and (b) all existing and future payment and performance obligations of Debtor arising out of this Agreement and (c) all costs and expenses incurred by Secured Party in protecting or enforcing its rights under this Agreement with interest from the date incurred at Secured Party's applicable loan rate on the date incurred, including, to the extent permitted by law, attorneys' fees and legal costs and expenses.
4. **DEBTOR'S DUTIES REGARDING COLLATERAL.**
  - 4.1 **Prohibition on Disposition of Collateral by Debtor. DEBTOR SHALL NOT SELL, STORE OFF-FARM, LEASE OR OTHERWISE DISPOSE OF ANY COLLATERAL EXCEPT AS FOLLOWS:**
    - a) Subject to any restrictions stated in an addendum to this Agreement and to Secured Party's continuing security interest in all proceeds and accounts arising from permitted disposition of Collateral, Debtor, before default, may in a commercially reasonable manner, (1) market milk, (2) market eggs, and (3) use feed, crops and products of crops as feed for Debtor's livestock and poultry; or b) as specifically authorized in a writing signed by Secured Party or in an addendum to this Agreement. Secured Party reserves the right, in its sole discretion, to revoke or modify any permission given Debtor to dispose of Collateral.
  - 4.2 **Ownership Warranty.** Debtor warrants that Debtor is the absolute owner of all Collateral free of all interests, liens, encumbrances, options and security interests except: (a) Secured Party's security interest and (b) those disclosed to Secured Party by Debtor in writing.
  - 4.3 **Residence and Location.** Debtor's residence (if Debtor is a corporation or partnership, place of business or chief executive office if more than one place of business) is in the county and state shown above Debtor's signature. If all Collateral is not in this county, its location is (county or counties and state(s)): \_\_\_\_\_

This designation of location is not part of the description or identification of the Collateral. Collateral shall not be removed from the county of the location indicated except with the prior written consent of Secured Party. Debtor shall immediately inform Secured Party in writing of any change in Debtor's address or the location of the Collateral.

- 4.4 **Records and Reports.** Debtor shall keep permanent records of all material information on the acquisition, maintenance, identification and disposition of all Collateral in a form acceptable to Secured Party. Secured Party shall have the right to examine and copy these records at reasonable times and places. Debtor's records are kept at Debtor's present residence and shall not be removed from the state of Debtor's present residence. Debtor agrees to furnish Secured Party with written reports on the Collateral with content and at times as Secured Party may reasonably request.
- 4.5 **Maintenance of Collateral.** Debtor shall: (a) care for the Collateral in accordance with good agricultural practices and not permit its value to be impaired; (b) keep it free from all liens, encumbrances and security interests (other than those created or expressly permitted by this Agreement); (c) defend it against all claims and legal proceedings by persons other than Secured Party; (d) pay and discharge when due all taxes, license fees, levies and other charges upon it; (e) not permit it to become a fixture or an accession to other goods except as specifically authorized in a writing signed by Secured Party and (f) not permit it to be used in violation of any law, regulation or policy of insurance. Loss of or damage to the Collateral shall not release Debtor from any of the Obligations.
- 4.6 **Insurance.** Debtor shall keep all Collateral and Secured Party's interest in it insured under policies with provisions, coverages, amounts and by insurers satisfactory to Secured Party from time to time. Debtor shall furnish Secured Party with evidence of this insurance satisfactory to Secured Party. At Secured Party's request, Secured Party shall be specifically named in an appropriate union or standard mortgage clause endorsed on the policy. Debtor assigns and directs any insurer to pay to Secured Party the proceeds of this insurance and all premium refunds. Debtor authorizes Secured Party to endorse in Debtor's name any instrument for such proceeds or refunds. Secured Party shall have the option to apply the proceeds and refunds to any of the Obligations, whether or not due, or to restoration of the Collateral, returning any excess to Debtor. Secured Party is authorized, in the name of the Debtor or otherwise, to make, adjust and settle claims under any credit insurance financed by Secured Party or any insurance on the Collateral and to cancel the insurance after the occurrence of an event of Default.
- 4.7 **Inspection.** Debtor shall permit and assist Secured Party to verify and inspect the Collateral wherever located at reasonable times.

**THIS AGREEMENT INCLUDES ALL THE PROVISIONS ON ADDITIONAL PAGES OF THIS AGREEMENT. BY SIGNING, DEBTOR ACKNOWLEDGES THAT DEBTOR HAS READ ALL OF THESE PROVISIONS AND HAS RECEIVED AN EXACT COPY OF THIS AGREEMENT.**

Debtor's County and State of Residence: Clay Minnesota

Dated: July 10, 2000

Field McConnell  
Field McConnell

Alison McConnell  
Alison McConnell



**DEFAULT.**

- 5.1 **Default by Debtor.** Each of the following constitutes a default under this Agreement by Debtor (Default): (a) Failure to pay when due any principal, interest, advances, late charges, costs, attorneys' fees or other charges incurred on any of the Obligations; (b) The sale or other disposition of any of the Collateral when it is not authorized by this Agreement; (c) Failure to perform or observe any warranty, agreement or obligation contained in this Agreement or in any mortgage, deed of trust, security agreement, loan application or any evidence of or document relating to any of the Obligations; (d) Any warranty or information given to Secured Party in connection with this Agreement or any of the Obligations is false in any material respect when made; (e) Loss, theft, substantial damage, destruction or encumbrance of any of the Collateral or the making of any levy, seizure or attachment against it; (f) The acceleration of the maturity of Debtor's indebtedness to any other creditor; (g) The death, dissolution or termination of existence, insolvency, business failure, appointment of a receiver for any property, assignment for the benefit of creditors, the commencement of any proceeding under any bankruptcy or insolvency laws, of, by, or against Debtor or any guarantor or surety of Debtor; (h) Failure of any of Debtor's account debtors or obligors to make payment when due or to honor Secured Party's security interest; or (i) The occurrence of any event which causes Secured Party in good faith to believe that the Obligations are inadequately secured or the prospect of payment, performance or realization on the Collateral is impaired.
- 5.2 **Secured Party's Remedies.** Secured Party, in addition to other rights and remedies provided in this Agreement or in any evidence of or document associated with the Obligations or provided by law, may do any one or more of the following if a Default occurs under Section 5.1: (a) Declare any or all Obligations immediately due and payable; (b) Refuse to make advances under any commitment; (c) Exercise all rights and remedies of a secured party under the Uniform Commercial Code; (d) Without notice to the Debtor or judicial process, peaceably enter upon any premises where the Collateral is located, take possession of all or any part of it, and remove it from the premises; (e) Require Debtor at Debtor's expense to assemble all or part of the Collateral as directed by Secured Party and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties; (f) Sell, lease or otherwise dispose of all or any part of the Collateral, without notice to Debtor except as required by law, in one or more parcels at public or private proceeding on such terms as Secured Party may deem commercially reasonable; (g) Occupy and use the Debtor's premises, pasturage, feed troughs and water to care for livestock Collateral; (h) Crops are perishable and may decline rapidly in value and Secured Party at Debtor's expense may protect, cultivate, harvest, thresh and combine crops and sell them at private sale; (i) Apply the proceeds of Debtor's Association stock and participation certificates to the Obligations in such order and at such times as Secured Party shall determine; (j) Require Debtor to reimburse Secured Party out of proceeds from the disposition of Collateral or otherwise for expenses incurred by Secured Party in protecting or enforcing its rights under this Agreement. These expenses include the expenses of retaking, holding, preparing for sale or other disposition, and selling or disposing of the Collateral and, to the extent not prohibited by law, attorneys' fees and legal expenses. Secured Party may charge these expenses to any of the Obligations and Debtor shall pay them upon demand with interest from the date incurred at the rate in effect on the date incurred on the applicable Obligation. After deduction of these expenses, Secured Party may apply the proceeds of disposition to the Obligations in the order and amounts it elects; (k) If there is any security or collateral other than the Collateral described in this Agreement for any of the Obligations, then Secured Party may proceed upon the Collateral and the other security and collateral either concurrently or separately in any order it chooses.
- 5.3 **Commercially Reasonable.** In addition to other means which are commercially reasonable: (a) commercially reasonable notice is written notice sent to any address of Debtor given by Debtor to Secured Party in conjunction with this Agreement at least 10 calendar days (counting the day of sending) before the date of a proposed disposition of Collateral; and (b) commercially reasonable means of disposition of livestock include a sale through a livestock market and through a licensed livestock sales company.

**6. MISCELLANEOUS PROVISIONS.**

- 6.1 **True Information.** Debtor warrants that all information, statements and warranties given by or on behalf of Debtor to Secured Party in connection with this Agreement or the Obligations are true and correct.
- 6.2 **Collections.** (a) At any time Secured Party may, and Debtor shall upon request, notify Debtor's account debtors and obligors on instruments to make payment directly to Secured Party. Secured Party may enforce collection of, settle, compromise, extend or renew the indebtedness of such account debtors and obligors. Unless this notification is given, Debtor, as agent of Secured Party, shall collect accounts and instruments. (b) When required by Secured Party, all proceeds of Collateral received by Debtor shall be held by Debtor upon an express trust for Secured Party, shall not be commingled with any other funds or property of Debtor and shall be turned over to Secured Party in precisely the form received (but endorsed by Debtor, if necessary for collection) not later than the third business day following the date of receipt. All proceeds of Collateral received by Secured Party directly or from Debtor shall be applied against the Obligations in such order and at such time as Secured Party shall determine.
- 6.3 **Maintenance of Security Interest.** To the extent permitted by law, Debtor shall pay all expenses, and upon request take any action reasonably deemed advisable by Secured Party, to preserve the Collateral or to establish, determine priority of, perfect, continue perfected, preserve, enforce or terminate Secured Party's rights and interests under this Agreement.
- 6.4 **Power of Attorney.** Debtor hereby irrevocably appoints Secured Party as Debtor's attorney-in-fact to act for Debtor with full authority in the place and name of Debtor to take any action and to execute any instrument which the Secured Party may deem advisable to accomplish the purposes of this Agreement, including authority: (a) to endorse, collect, sue for, compromise and receive any drafts, instruments, documents or moneys due in connection with the Collateral; (b) to file any claims or take any action or institute any proceedings which Secured Party may deem desirable for the collection of any of the Collateral or otherwise to enforce the rights of Secured Party with respect to any of the Collateral; (c) to disburse funds including paying insurance premiums, taxes, liens, and other costs of preserving the Collateral; and (d) to establish, determine priority of, perfect, continue perfected, preserve, enforce or terminate Secured Party's rights and interests under this Agreement. Secured Party may charge its expenses of doing so to any of the Obligations and Debtor shall pay them upon demand with interest from the date incurred at the rate in effect on the date incurred on the applicable Obligation.
- 6.5 **Unauthorized Disposition and False Statements.** Debtor understands that the unauthorized disposition of Collateral or making a false statement or report to Secured Party in connection with a loan could result in civil and criminal consequences to Debtor (Federal Statutes 18 U.S.C. 658, 1014).
- 6.6 **Waiver.** The failure or delay of Secured Party to enforce any right shall not be construed as a waiver of the right. Secured Party's waiver of any default shall not constitute a waiver of any prior or subsequent default. Secured Party waives only those rights specified in a writing signed by Secured Party. The provisions of this Agreement shall not be modified or waived by any course of dealing or trade usage.
- 6.7 **Secured Party Not Liable.** Secured Party has no duty to exercise or to withhold the exercise of any of the rights and powers expressly or implicitly granted to it in this Agreement and shall not be responsible for any failure to do so or delay in so doing. Secured Party has no duty to protect, insure or realize upon the Collateral. Debtor releases Secured Party from all liability for any act or omission relating to the Obligations, the Collateral or this Agreement except Secured Party's willful misconduct.
- 6.8 **Financing Statement.** A carbon, photographic or other reproduction of this Agreement or of a financing statement shall be sufficient as a financing statement.
- 6.9 **Persons Bound.** Each person signing this Agreement, other than the Secured Party, is a Debtor. The Obligations of all Debtors are joint and several, and all Debtors hereby acknowledge receipt of all of the proceeds of the loan. This Agreement benefits Secured Party, its successors and assigns, and binds the Debtor and Debtor's heirs, personal representatives, successors, and assigns.
- 6.10 **Agency.** Until Secured Party is prospectively notified in writing by Debtor to the contrary, Secured Party may rely upon the following: (a) If Debtor is two or more individuals, the act or signature of any one of them shall bind them all; (b) If Debtor is a partnership, each partner is fully authorized to act for the partnership in all matters governed by this Agreement; (c) If Debtor is a corporation, each officer is fully authorized individually to act for and bind the corporation in all matters governed by this Agreement.
- 6.11 **Cumulative Rights.** All rights and remedies of Secured Party in this Agreement are cumulative and are in addition to other rights and remedies given in this Agreement or in any evidence of or document associated with the Obligations or provided by law.
- 6.12 **Termination.** This Agreement shall not be made null and void because at any particular time there is no outstanding secured Obligation and no commitment to lend money, if at the time the parties are contemplating additional loans or advances. It shall continue in effect for all Obligations to Secured Party arising prior to the filing of record of a UCC Termination Statement covering all Collateral. Debtor instructs Secured Party not to file a UCC Termination Statement until requested by Debtor.
- 6.13 **Interpretation.** This Agreement shall be governed by the laws of the state in which Secured Party's office originating the credit is located. In this Agreement, "including" means "including but not limited to" and indicates an illustrative and incomplete listing.
- 6.14 **Wisconsin Performance Deposit.** If Debtor has and exercises a right to redeem any Collateral under Section 425.208, Wisconsin Statutes, the performance deposit tendered by Debtor shall not bear interest while held by Secured Party.

**EXHIBIT TO SECURITY AGREEMENT  
DESCRIPTION OF COLLATERAL - GENERAL**

SSN No.	B.O. No.	CI No.
72	12	5405450

**Description of Collateral.** The Collateral referred to in the Security Agreement dated July 10, 2000, by the undersigned Debtor to AgCountry Farm Credit Services, PCA (Secured Party) includes, whether now owned or later acquired, the property described opposite the box(es) checked below and the property described at Sections 1.9 through 1.13.

1.1  All crops which are now, or during the term of the Security Agreement will become, growing on real estate in the State of \_\_\_\_\_ . The real estate is more specifically described as follows (if required by state law):

	ACRES	QTR.	SEC.	TWP.	N/S	RNG.	EW	COUNTY
Tr. 1	_____							
Tr. 2	_____							
Tr. 3	_____							
Tr. 4	_____							
Tr. 5	_____							

If the box at 1.1 above is checked the following applies:

**THIS SECURITY AGREEMENT COVERS CROPS NOW GROWING. THIS SECURITY AGREEMENT ALSO COVERS FUTURE CROPS TO BE GROWN IN THE CURRENT YEAR OR ANY YEAR HEREAFTER.**

- 1.2  All harvested crops and all processed crops, whether or not produced by Debtor.
- 1.3  All livestock and poultry.
- 1.4  All feed, seed, fertilizer, insecticides, herbicides and other agricultural chemicals and supplies.
- 1.5  All general intangibles.
- 1.6  All equipment, all spare parts and special tools for such equipment, all motor vehicles and all fixtures.
- 1.7  All contract rights, chattel paper, documents, accounts, and general intangibles, whether now owned or hereafter acquired by Debtor, including, but not limited to, all entitlements, rights to payment, and payments (in whatever form received, including, but not limited to, payments in cash or in kind) under any current or future state or federal governmental programs, including, but not limited to, governmental agricultural diversion programs, governmental agricultural assistance programs and the United States Department of Agriculture Farm Service Agency (FSA) Feed Grain Program; and all proceeds of the foregoing.

1.8  Property specifically described here: \_\_\_\_\_  
Includes now owned and after acquired property.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

1.9 **Association Stock.** Debtor's stock, participation certificates, equity reserve and allocated surplus in the Secured Party or its parent associations, as applicable, its successors and assigns.

1.10 **Accounts and Proceeds.** All accounts receivable, contract rights, and cash and noncash proceeds from the sale, exchange, collection or disposition of any Collateral. (Debtor is **NOT AUTHORIZED TO SELL** or dispose of any Collateral unless authorized in the Security Agreement or in a writing signed by Secured Party.)

1.11 **Documents.** All documents of title, warehouse receipts, weight receipts, scale tickets, storage contracts (including CCC contracts) and deficiency payments covering or arising from any Collateral.

1.12 **Additions.** All additions, accessions, replacements and substitutions of or to any Collateral and all property of similar type or kind, including all offspring of livestock and poultry.

1.13 **Products.** All products of crops, livestock and poultry given as Collateral including eggs, milk and wool and all products into which any of the Collateral has been or shall later be manufactured, processed or assembled

The Collateral described in this Exhibit is in addition to property described in additional Exhibits to the Security Agreement, if any. To the extent the Collateral described in this Exhibit is similar or after-acquired property or products or proceeds of existing Collateral, its inclusion in this Exhibit is for the purpose of more specifically identifying the Collateral. This Exhibit shall in no way affect the priority of the security interest of Secured Party in existing Collateral or limit the parties' intention that all similar and after-acquired property, products, and proceeds of the Collateral are also Collateral under the Security Agreement.

3.1 **Collateral Which May be Sold, Leased or Expended.** Subject to any conditions stated in Section 3.2 and 3.3 and to Secured Party's continuing security interest in all proceeds, products, offspring, rents, profits and accounts arising from permitted disposition of Collateral, Debtor, before default may, in a commercially reasonable manner, (a) market milk, (b) market eggs, (c) use feed or products thereof as feed for Debtor's livestock and poultry, and (d) sell or lease any other Collateral listed here:

3.2 **Required Livestock Herd Size.**  If checked here, then, notwithstanding any rights given Debtor herein to dispose of livestock, such disposition shall not reduce the size of Debtor's livestock herds below the following specified number of head. (Debtor represents that such herd(s) is/are presently maintained):

Type	Breed	Number	Age	Other
------	-------	--------	-----	-------

3.3 **Conditions for Disposition.** Debtor's right to dispose of Collateral listed in Section 3.1 is further conditioned upon the following restrictions:

- A. All checks from the sale of collateral must be made out in the name of the Secured Party and the Debtor.
- B. The following additional restrictions, if any:

Dated: July 10, 2000

Field McConnell  
Field McConnell

Alison McConnell  
Alison McConnell

# STATE OF MINNESOTA UCC-1 FINANCING STATEMENT

This statement is presented for filing pursuant to Minnesota Uniform Commercial Code Minnesota  
Statutes Chapter 336.9-402

1. Individual Debtor - Last McConnell		First Name Field		Middie L.	
Social Security # 893-91-9001		Mailing Address Rt 2 Box 204		State MN Zip Code 55347	
City Glyndon		Mailing Address Rt 2 Box 204		State MN Zip Code 55347	
2. Individual Debtor - Last McConnell		First Name Jason		Middie L.	
Social Security # 3669-2603		Mailing Address Rt 2 Box 204		State MN Zip Code 55347	
City McConnell		Mailing Address Rt 2 Box 204		State MN Zip Code 55347	

For Filing Office: Quality Business  
1400 1st Avenue  
St. Paul, MN 55102  
A 168700  
7-21-2000  
60194

3. Business Debtor - Name		Mailing Address		State		Zip Code	
Fed. ID #		Mailing Address		State		Zip Code	
4. Secured Party Name AgCountry Farm Credit Services, PCA		Mailing Address		State		Zip Code	
Mailing Address 1748 38th St SW		Mailing Address		State		Zip Code	
City Faribault		Mailing Address		State		Zip Code	

5. Assignee of Secured Party

6. This financing statement covers the following items or items of property:  
 A. All real estate, including but not limited to a right to acquire an interest in real estate, whether or not the interest is a leasehold interest, and whether or not the interest is a leasehold interest.  
 B. All personal property, including but not limited to:  
 1. Motor vehicles and other vehicles.  
 2. Aircraft.  
 3. Boats.  
 4. Farm equipment and other equipment.  
 5. Inventory.  
 6. Accounts receivable.  
 7. Intellectual property.  
 8. Other personal property.  
 9. Other personal property.  
 10. Other personal property.  
 11. Other personal property.  
 12. Other personal property.  
 13. Other personal property.  
 14. Other personal property.  
 15. Other personal property.  
 16. Other personal property.  
 17. Other personal property.  
 18. Other personal property.  
 19. Other personal property.  
 20. Other personal property.

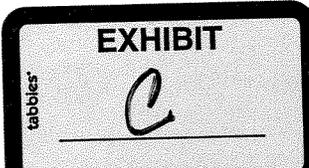
Present and products of the natural, kind and other acquired property, and natural if created, are also covered.

Debtor is a remaining user as defined by Minnesota Statutes Chapter 336.9-135

RETURN ACKNOWLEDGMENT COPY TO: (name and address)  
 AgQuality Farm Credit Services  
 P.O. Box 1228  
 Detroit Lakes MN 56502-1228

TERMINATION STATEMENT: This statement of Termination of Financing is preserved via Filing Office for the State of Minnesota Commercial Code. It is secured by the filing of this statement in the filing office. The filing number is shown above.

(3) FILING OFFICER COPY ACKNOWLEDGEMENT



**USDC FINANCING STATEMENT**

FOR THE PURPOSES OF SUBMITTING FINANCIAL INFORMATION TO THE U.S. DEPARTMENT OF JUSTICE

AC Country Farm Credit Services

322 Highway 79 North, PO Box 1078  
Blackfoot

LN 58581-1078

*paid*

Filing NO: 20030808160  
Filing Date: 2003/07/16  
Filing Time: 12:24 PM  
State of Minnesota  
Processing Office: Clay  
Filed by: ccrml14

1. NAME (TYPE OF ORGANIZATION) (Full legal name)  
 2. STATE (USDC FILE NO.)  
 3. USDC ACCOUNT NUMBER (if known and available)

4. TYPE OF ORGANIZATION  
 5. TYPE OF ORGANIZATION  
 6. TYPE OF ORGANIZATION

7. ADDRESS (STREET, BOX OR R.F.D. NUMBER, CITY, STATE AND ZIP CODE)  
 8. ADDRESS (STREET, BOX OR R.F.D. NUMBER, CITY, STATE AND ZIP CODE)  
 9. ADDRESS (STREET, BOX OR R.F.D. NUMBER, CITY, STATE AND ZIP CODE)

10. ADDRESS (STREET, BOX OR R.F.D. NUMBER, CITY, STATE AND ZIP CODE)  
 11. ADDRESS (STREET, BOX OR R.F.D. NUMBER, CITY, STATE AND ZIP CODE)  
 12. ADDRESS (STREET, BOX OR R.F.D. NUMBER, CITY, STATE AND ZIP CODE)

13. TYPE OF ORGANIZATION  
 14. TYPE OF ORGANIZATION  
 15. TYPE OF ORGANIZATION

16. TYPE OF ORGANIZATION  
 17. TYPE OF ORGANIZATION  
 18. TYPE OF ORGANIZATION

USDC 1 (continued)



UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

In re: )  
 ) Case No. 04-60931  
Field McConnell, and )  
Alison McConnell, )  
 ) Chapter 7  
Debtors. )  
\_\_\_\_\_ )

**BRIEF IN SUPPORT OF MOTION OF AGCOUNTRY FARM  
CREDIT SERVICES, PCA TO LIFT AUTOMATIC STAY**

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The Debtors are obligated to AgCountry Farm Credit Services, PCA (hereinafter "Farm Credit Services") pursuant to the terms of a Promissory Note of date October 31, 2003. The Debtors are in default and the current balance due to Farm Credit Services exceeds \$62,000.00.

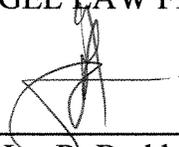
As collateral for the debt it is owed, Farm Credit Services holds a properly perfected security interest in certain of the Debtors' personal property, including, but not limited to, farm machinery, equipment, motor vehicles, fixtures, livestock, farm supplies, general intangibles and proceeds. Based on the Debtors' valuation of Farm Credit Services' collateral, the Debtors have no equity in the same.

Relief from the stay is appropriate when a debtor lacks equity in a creditor's collateral and the collateral is not necessary to an effective reorganization by the debtor. In this case, the Debtors assert that Farm Credit Services' collateral is worth less than the debt owed to Farm Credit Services. In that the Debtors have filed a Chapter 7 liquidation proceeding, it is evident Farm Credit Services' collateral is not necessary to an effective reorganization by the

Debtors. Additionally, under 11 USC § 362(d) relief from the stay can be granted for cause. The Debtors are in default on their obligation to Farm Credit Services. Absent the bankruptcy stay, Farm Credit Services would be permitted to recover and liquidate its collateral. The Debtors have not proposed to redeem Farm Credit Services' collateral and Farm Credit Services does not desire to permit the Debtors to reaffirm their obligation. In that the Debtors are proceeding under Chapter 7, there is no reason the bankruptcy stay should continue to be imposed as to Farm Credit Services right to pursue its available remedies in foreclosing on its collateral.

Dated this 14th day of October, 2004.

VOGEL LAW FIRM

By: 

Jon R. Brakke

#10765

218 NP Avenue

P.O. Box 1389

Fargo, ND 58107-1389

(701) 237-6983

ATTORNEYS FOR AGCOUNTRY FARM  
CREDIT SERVICES, PCA

**RE: Field McConnell and Alison McConnell  
Chapter 7 Bankruptcy Case No. 04-60931**

**STATE OF NORTH DAKOTA     )  
  ) ss  
COUNTY OF CASS            )**

**AFFIDAVIT OF SERVICE  
BY MAIL**

Holly A. Kittelson, being first duly sworn on oath, does depose and say: She is a resident of County of Cass, City of Fargo, State of North Dakota, is of legal age and not a party to or interested in the above entitled matter.

On October 18, 2004, affiant served the within:

**NOTICE OF HEARING ON MOTION OF AGCOUNTRY FARM  
CREDIT SERVICES, PCA TO LIFT AUTOMATIC STAY; BRIEF IN  
SUPPORT OF MOTION OF AGCOUNTRY FARM CREDIT SERVICES,  
PCA TO LIFT AUTOMATIC STAY AND PROPOSED ORDER**

by placing true and correct copies in envelopes addressed as follows:

Field McConnell  
14834 28<sup>th</sup> Avenue South  
Glyndon, MN 56547

Alison McConnell  
14834 28<sup>th</sup> Avenue South  
Glyndon, MN 56547

Bruce L. Madlom, Esq.  
Attorney at Law  
P. O. Box 9693  
Fargo, ND 58106-9693

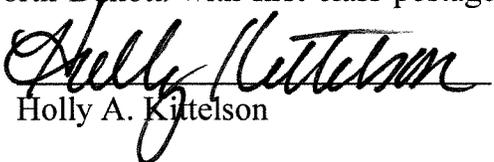
Office of the U.S. Trustee  
1015 U.S. Courthouse  
300 South 4<sup>th</sup> Street  
Minneapolis, MN 55415

Office of the US Attorney  
300 South 4<sup>th</sup> Street #600  
Minneapolis, MN 55415-2233

David G. Velde, Trustee  
1118 Broadway  
Alexandria, MN 56308

Brice, Vander Linden & Wernick, P.C.  
P.O. Box 829009  
Dallas, TX 75382-9009

and causing them to be placed in the mail at Fargo, North Dakota with first-class postage prepaid.

  
Holly A. Kittelson

Subscribed and sworn to before me this 18 day of October, 2004.

LORI THRALL  
Notary Public  
State of North Dakota  
My Commission Expires Feb. 1, 2009

  
Notary Public

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

In re: )  
 ) Case No. 04-60931  
Field McConnell, and )  
Alison McConnell, ) Chapter 7  
 )  
Debtors. ) **ORDER**  
\_\_\_\_\_ )

The motion to lift automatic stay of AgCountry Farm Credit Services, PCA, came on before this Court's consideration on November 16, 2004, at 1:00 p.m., at U.S. Bankruptcy Court, 209 PO Building, 118 South Mill Street, Fergus Falls, Minnesota. Appearances were as noted on the record. Notice of the pendency of said motion was provided to all interested parties. Based on the filings and pleadings herein, this Court believes good cause exists to grant the requested relief. Therefore, it is the order of this Court that the bankruptcy stay is lifted so as to permit AgCountry Farm Credit Services, PCA to resort to its contract and state law remedies in foreclosing on the Debtors' farm machinery, equipment, motor vehicles, fixtures, livestock, farm supplies, general intangibles and proceeds. This order shall be effective immediately.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2004.

\_\_\_\_\_  
Honorable Dennis D. O'Brien  
United States Bankruptcy Judge