



BANK OF HOVEN

(5)

Defendant 7

February 28, 1997

Ronnie Long  
Box 272  
Timber Lake, SD 57656

Dear Ronnie;

This letter is a follow up to our telephone conversation on 2-27-97. The Bank of Hoven has tentatively approved a closed end operating loan in the amount of \$40,595.00 under a LIFO agreement with the BIA upon the following conditions being met:

1) Written concurrence from the BIA for the balance remaining on the protective advance loans to be paid from an advance on the LIFO operating loan:

#2960 for leases	prin. balance	\$11,436.02
#3039 for emergency operating	prin. balance	\$5,000.00
#3040 for snowmobile	prin. balance	\$2,250.00

with the remaining advances for operating expenses.

2) Written approval from the BIA to reschedule the existing BIA guaranteed loans as follows;

#98181	84%guarantee	approximately \$418,000.00	20 yrs annual pmt
#98809	80%guarantee	approximately \$17,500.00	7 yrs annual pmt (20 yrs if possible)

3) Written concurrence from BIA that renewal of notes #98181 and #98809 with the interest being paid from the renewal note, that the interest subsidy would be honored

4) Ronnie Long to sell current wheat and millet inventories prior to closing of the LIFO loan, with the proceeds being paid to the LIFO note.

5) Ronnie Long to sell 400 ton of the current hay inventory by 4-1-97 if this is not a violation of the current corn program, if it is the hay will be sold by 11-1-97, with proceeds being paid to the LIFO note.

6) Ronnie Long to provide the Bank of Hoven with a current and accurate list of accounts payable prior to closing the LIFO loan.

7) The Longs agree to handle their checking account in a satisfactory manner, which





BANK OF HOVEN

implies no overdrafts.

- 8) All proceeds from sales will be applied to the LIFO first until paid then to the term note payments.

Sincerely yours,

James Nielsen, AVP

cc; Russell McClure, Supt.



BANK OF HOVEN

FAX (605) 948-2198

TELECOPIER COVER LETTER

TO Stacey Johnson 605-341-6467 DATE 3-18-97

FROM: BOA/Jim Nielsen # OF PAGES 10

RE: Long Family Land + Cattle Co Inc

COMMENTS/ACTION Enclosed 1) Revised 1997 Cash flow  
2) RE Transaction  
3) Lease Purchase Agreement

REPLY REQUESTED: YES ( ) WHEN: \_\_\_\_\_  
NO ( )



Monthly Cash Flow (Agri-Business)

Year 1

Date: 11/96 to 10/97

Name: Ron Long

Month	11	12	1	2	3	4	5	6	7	8	9	10	Total
Cash beginning:		\$9,313	\$6,363	\$3,413	(\$7,337)	(\$10,287)	(\$13,637)	(\$25,247)	(\$28,097)	(\$28,447)	(\$28,797)	(\$40,595)	\$0
Cash ending:	\$12,125	\$96 wheat and millet							200 @ 25 @ \$4.00			\$20,000	\$32,125
Grain	\$22,000												\$66,198
Int on debt and CRP													\$36,000
Calf sales 150 @ 80% @ \$300													\$13,750
Yearling sales 25 @ \$550													\$14,300
pasture rent 200 head @ \$13.5 1/2 Mo													\$14,300
Cash available:	\$34,125	\$9,313	\$6,363	\$3,413	(\$7,337)	(\$10,287)	(\$13,637)	(\$22,647)	(\$25,497)	(\$25,847)	\$7,553	\$43,503	\$162,373

Operating Expenses:													
Car & Truck													\$2,500
Chemicals													\$0
Competition													\$0
Custom Hire (machine work)													\$0
Depreciation													\$0
Employee Benefits													\$2,500
Feed													\$3,000
Fertilizers													\$0
Freight & Trucking													\$12,800
Gasoline, Fuel & Oil													\$1,000
Insurance (other than health)													\$1,710
Interest - other													\$0
Labor hired													\$0
Pension & Profit-sharing													\$0
Rent on lease (Equip. etc.)													\$0
Rent on lease (Animals, Land)													\$19,702
Repairs & Maintenance													\$4,800
Seeds and plants													\$2,000
Storage and warehousing													\$0
Supplies													\$2,400
Taxes													\$5,320
Utilities													\$4,200
Veterinary, breeding, & medicine													\$1,500
Miscellaneous (specify)													\$0
Total Cash Expenses:	\$23,512	\$1,650	\$1,650	\$7,150	\$1,650	\$2,050	\$10,310	\$4,150	\$1,650	\$1,650	\$2,650	\$5,360	\$63,432

1) BIA term note \$415,000 20 yrs 9.25% \$46,246  
 2) Land payment \$44,198.00

OTHER DISBURSEMENTS:													
Capital expenditures													\$0
Livestock purchases													\$0
Owner's withdrawal													\$15,600
Loan repayment													\$92,744
Total Other Disbursements:	\$1,300	\$1,300	\$1,300	\$3,600	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$45,498	\$47,546	\$108,344

Total Cash Disbursements:	\$24,812	\$2,950	\$2,950	\$10,750	\$2,950	\$3,350	\$11,610	\$5,450	\$2,950	\$2,950	\$48,148	\$52,906	\$171,776
TOTAL CASH, ENDING:	\$9,313	\$6,363	\$3,413	(\$7,337)	(\$10,287)	(\$13,637)	(\$25,247)	(\$28,097)	(\$28,447)	(\$28,797)	(\$40,595)	(\$9,403)	(\$9,403)

This bond does not include selling 400 TON of No 350 corn \$20,000

LEASE WITH OPTION TO PURCHASE

\* \* \* \* \*

This Indenture, made and entered into and executed in duplicate this 5th day of December, 1996, by and between Bank of Hoven, a South Dakota Banking Corporation, P.O. Box 7, Hoven, South Dakota 57450, P.O., lessor, and Long Family Land and Cattle Company, Inc., of P.O. Box 272, Timber Lake, South Dakota 57656, lessee, WITNESSETH:

That the Lessor in consideration of the rents and covenants hereinafter mentioned, does hereby demise, lease and let unto the said lessee, and the said lessee does hereby hire and take from the said lessor, the following described real estate situated in Dewey County, South Dakota:

The East Half (E $\frac{1}{2}$ ) of Section One (1), Township Fifteen (15) North, Range Twenty Four (24), East of the Black Hills Meridian;

The Northwest Quarter (NW $\frac{1}{4}$ ) of Section Twenty Five (25), all of Section Twenty Eight (28), the East Half (E $\frac{1}{2}$ ) of Section Thirty Two (32), the Northeast Quarter (NE $\frac{1}{4}$ ), the West Half of the Northeast Quarter of the Northwest Quarter (W $\frac{1}{2}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ ), the Southeast Quarter of the Northeast Quarter of the Northwest Quarter (SE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ ), the West Half of the Northwest Quarter (W $\frac{1}{2}$ NW $\frac{1}{4}$ ) and the Southeast Quarter of the Northwest Quarter (SE $\frac{1}{4}$ NW $\frac{1}{4}$ ) and the South Half (S $\frac{1}{2}$ ) of Section Thirty Three (33); and the Southwest Quarter (SW $\frac{1}{4}$ ) of Section Thirty Four (34), all in Township Seventeen (17) North, Range Twenty Five (25), East of the Black Hills Meridian, subject to easements, reservations and conveyances, if any, existing and of record,

to have and to hold, the above leased premises unto the said lessee for the full term of two (2) years from and after December 5, 1996.

LEASE PAYMENTS:

The said lessee agrees to and with the said lessor to pay as rent for the above described real estate, the sum of Forty Four Thousand One Hundred Ninety Eight Dollars (\$44,198.00), per year, payable in approximately October or November of 1997 and 1998. Said payment is a CRP payment which will be payable from the United States Government to lessee, and lessee agrees to assign said payment to lessor so that lessor may receive said payment directly from the United States Government.

Prepared by:  
David A. Von Wald  
Attorney-at-Law  
Box 468  
Hoven, So. Dak. 57450  
Tel. (605) 948-2550

NO ASSIGNMENT OR SUBLETTING:

It is understood that the lessee shall not have the right to sublet the above described real estate, or any part thereof, nor assign this lease without the prior written consent of the lessor.

REAL ESTATE TAXES:

The lessee shall pay the 1996 real estate taxes which become due and a lien on January 1, 1997, and the 1997 real estate taxes which become due and a lien on January 1, 1998, before the same shall become delinquent.

POSSESSION:

The lessee is currently in possession of the above described real estate and its possession shall terminate on December 5, 1998.

OPTION TO PURCHASE:

The lessee shall have an option to purchase the above described real estate during the term of this lease under the following terms and conditions:

A. The option purchase price for the above described real estate shall be the sum of Four Hundred Sixty Eight Thousand Dollars (\$468,000.00).

B. In the event lessee wishes to exercise its option to purchase, it must give notice to lessor in writing and pay five percent (5%) of the purchase price and furnish the remaining balance of purchase price within sixty (60) days of the date of any such notice.

C. Lessee shall pay all selling expenses, including attorney fees, transfer fees, title insurance and any other miscellaneous expenses, including real estate taxes.

D. Lessor agrees to provide a Quit Claim Deed only, quitclaiming its interest in the above described real estate to the lessee, upon receipt of the entire purchase price.

E. Lessor agrees that there is currently a mortgage under the State Enhancement Program which it shall forthwith pay off,

and additionally it shall satisfy any mortgages wherein the Bank of Hoven is presently the mortgagee.

F. Lessor now owns residential real estate in Timber Lake, formerly owned by Kenneth Long, and has credited lessee's notes for \$10,000.00. In the event, said residential property is sold for more than \$10,000.00, lessee agrees to reduce the selling price of the above described farm real estate any net amount, after expenses exceeding \$10,000.00. In the event said residential real estate is sold for less than \$10,000.00, the selling price of the above described farm real estate shall be increased by the net amount, after expenses of less than \$10,000.00. Lessor does not warrant that it will sell said residential real estate nor is it under any obligation to attempt to sell the same. In the event it is not sold at the time lessee exercises its option to purchase, the option price of the farm real estate shall not be affected. If lessor later sells said residential real estate, or if lessee does not exercise its option to purchase, any proceeds from the sale of said residential property will be the Bank of Hoven's.

G. In the event lessee exercises its option to purchase, all rent payments received prior to the purchase of said real estate will be credited against the purchase price of said real estate, minus an amount equal to interest at the rate of eight and one-half percent (8.5%) per annum on the unpaid balance of purchase price from and after December 5, 1996.

INSURANCE:

Lessor will purchase a policy of insurance insuring the buildings located on the above described real estate against loss by fire and extended coverage along with liability insurance, and it shall be the responsibility of the lessee to reimburse the lessor for the cost of all such insurance.

WASTE:

Lessee agrees that it shall not commit any waste on the above described real estate and shall farm or graze said real estate in a good and husbandlike manner and shall maintain the buildings and fences in a good state of repair, reasonable wear and tear by the elements alone excepted, at its expense.

DEFAULT:

That should the lessee fail to pay any of the rent aforesaid





