

MEMO

KEELEY SETTLEMENT AGREEMENT

BANKRUPTCY CASE NO: 17-30526

May 31, 2019

Background:

Pursuant to a Notice and Motion for Approval of Settlement Agreement, entered 4/19/19, the Trustee, Erik A. Ahlgren, and Judy Keeley, personally, and as Personal Representative of the Estate of Eugene Keeley, entered into a Settlement Agreement as of June 1, 2018. Pursuant to that agreement, Judy Keeley executed a Secured Promissory Note dated June 1, 2018, in the amount of \$400,000.00 to Erik A. Ahlgren, as Chapter 7 trustee for the bankruptcy estate of John Keeley and Dawn Keeley, Bankruptcy #17-30526. See Attachments. Since the date of the agreement, Judy Keeley made an interest and principal payment of \$50,000. The principal balance as of November 20, 2018, was \$367,950.68, plus interest thereafter at 9.0% per annum.

The \$400,000 promissory note is secured by the following property:

1. Thirteen (13) real estate parcels in Walsh and Pembina County, North Dakota. Those parcels are described in that real estate mortgage to Erik A. Ahlgren as trustee, which was dated March 5, 2019, and recorded in Walsh County on March 13, 2019, as Doc. No. 292007, and in Pembina County on April 3, 2019, as Doc. No.255091. See attached Real Estate Mortgage.

A copy of the legal descriptions of the land subject to the mortgage, and a worksheet showing the appraised values, and the county "true and full" values of the mortgaged property are attached.

2. An Assignment of Mortgage from Judy Keeley to the trustee dated October 25, 2018, recorded January 18, 2019 in the office of the Walsh County Recorder Doc. No. 291754 is attached. Bell Bank of Fargo, North Dakota, held two mortgages securing five separate parcels of Walsh County farmland from John Keeley and Dawn Keeley, the debtors in this bankruptcy case. During the course of the bankruptcy proceedings, Bell Bank, upon a settlement payment to Bell Bank by John Keeley's parents, assigned these mortgages to Eugene Keeley (now deceased), and Judy Keeley. Eugene Keeley's estate conveyed Eugene Keeley's one half interest in these mortgages to Judy Keeley.

A copy of the legal descriptions of the land subject to the Assignment of Mortgage, and a worksheet showing the county "true and full" values of the mortgaged property are attached. We do not have an appraisal of each of the parcels of land. The ratio of the true and full value of the land secured by the mortgage was 33% of the appraised value of that land. We have used

that same ratio to approximate the appraised value of the land subject to the Assignment of Mortgage. A balance sheet prepared by Judy Keeley's primary lender, North Star Community Credit Union, dated February 28, 2019, shows a value of the mortgage to be \$1,150,000.

3. All of the farm buildings and grain bins, owned by Judy Keeley are situated on the farmland owned by Judy Keeley. The balance sheet referred to in paragraph 2 above, shows the value of these farm buildings and bins to be \$405,700.
4. All of the machinery and equipment, and all the farm trucks owned by Judy Keeley, are described on that same balance sheet. The machinery and equipment was valued at \$879,400, and the trucks were valued at \$197,400.
5. American Crystal Sugar Company unit retains owned by Judy Keeley, with a valuation of \$13,800.

The 288 shares of American Crystal Sugar Company owned by Judy Keeley are not secured, and any crops and crop payments pursuant to agreements between Judy Keeley and the trustee are secured by the primary lender and are not included in the property securing the \$400,000 mortgage to the trustee.

Copies of the personal property security agreement dated March 21, 2019, and a confirmed record of the initial financing statement #19-000540318-7 dated April 16, 2019, and filed with the North Dakota Secretary of State, are attached.

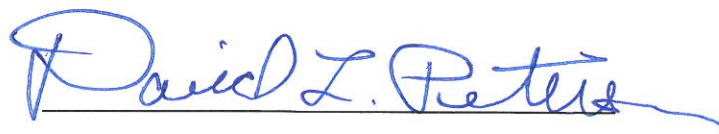
Priority position of the \$400,000 mortgage and security agreement between Judy Keeley and the trustee, Erik A. Ahlgren: North Star Community Credit Union of Grafton, North Dakota, is Judy Keeley's primary lender, and is in a priority position with respect to all of Judy Keeley's real and personal property. The mortgages from Judy Keeley to North Star Community Credit Union are as follows:

- a. Real estate mortgage, recorded November 16, 2017, as Doc. No. 289193, securing a promissory note of \$2,320,000.
- b. Real estate mortgage, recorded November 16, 2017, as Doc. No. as Doc. No. 289194, securing a promissory note of \$550,000. The mortgage indicates a maximum mortgage amount of \$4,350,000.
- c. Real estate mortgage recorded February 15, 2018, as Doc. No. 289691 securing a promissory note of \$600,000. The mortgage indicates a maximum mortgage amount of \$4,350,000.

Copies of the three mortgages are attached

The total current amount of the promissory notes secured by the three mortgages to North Star Community Credit Union is \$3,470,000. Pursuant to the North Star Community Credit Union balance sheet dated February 28, 2019, the balance owed by Judy Keeley to North Star Community Credit Union was \$3,290,309.

The \$400,000 mortgage by Judy Keeley to the Trustee is in second priority position to the three North Star Community Credit Union mortgages.

A handwritten signature in blue ink that reads "David L. Petersen". The signature is written in a cursive style and is positioned above a horizontal line.

DAVID L PETERSEN

ATTORNEY AT LAW