FILED
OCT 24 1989
CLERK SUPREME COURT

IN THE COURT OF APPEALS OF IOWA

No. 9-429 / 88-1106

275

KERR-McGEE REFINING CORPORATION,

Appellee,

vs.

DON HARRISON TRENCHING CO.,

Appellant,

and

THE UNITED STATES OF AMERICA, by and through the SMALL BUSINESS ADMINISTRATION,

Defendant.

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Appeal from the Iowa District Court for Polk County, Raymond Hanrahan, Judge.

This appeal arose from the trial court's ruling in an interpleader action. Kerr-McGee requested that the trial court determine whether it should pay the balance owed on a construction contract to appellant or to the Small Business Administration. **AFFIRMED.**

Rick L. Olson, Des Moines, for appellant.

David L. Charles and S.P. DeVolder of Gamble, Riepe, Webster, Davis & Green, Des Moines, for appellee.

Considered by Oxberger, C.J., and Donielson and Schlegel, JJ.

SCHLEGEL, J.

This appeal arose from the trial court's ruling in an interpleader action. Kerr-McGee requested that the trial court determine whether it should pay the balance owed on a construction contract to appellant Don Harrison Trenching Co. (Harrison) or to the Small Business Administration (SBA). Harrison Trenching was a subcontractor who remained unpaid by the contractor. The SBA is an assignee of a perfected security agreement on the accounts receivable of that contractor. The trial court found in favor of the SBA and relieved Kerr-McGee from any further responsibility. We affirm the trial court.

On appeal Harrison maintains the trial court erred because the priority given the security agreement did not defeat its latter-perfected mechanic's lien. It challenges that portion of the trial court's ruling which prohibits it from proceeding against Kerr-McGee in its pending mechanic's lien foreclosure action.

On August 30, 1985, Kerr-McGee entered into a construction contract with Petroleum Maintenance Services, Inc. (PMS), for the construction of a service station. PMS, as general contractor, subcontracted the excavation work to Don Harrison Trenching Co. Harrison completed its subcontract in September 1985 and submitted its bill to PMS.

On December 26, 1985, PMS completed its general contract, and submitted its final invoice to Kerr-McGee. The balance due was $5,799.26. Because Harrison had not yet been paid by PMS its outstanding bill of $5,980, Harrison accepted from PMS an assignment of the $5,799.26 owed by Kerr-McGee to PMS. This was evidenced by a written letter. The assignment directed Kerr-McGee to pay Harrison directly the entire balance due PMS on the contract.

Prior to making any payments, Kerr-McGee received a letter from Norwest Bank advising Kerr-McGee of the security interest Norwest held in the accounts receivable of PMS. The bank directed Kerr-McGee to pay to it all receivables owed to PMS on the construction contract. The security interested had been perfected since August 19, 1985.

This security agreement was subsequently assigned to the SBA who was a party to the district court action, but is not a party to this appeal.

Well in excess of sixty days following Harrison's completion of its excavation work, Harrison filed a mechanic's lien on the property dated February 2, 1986.

Faced with the competing demands on the funds due on the construction contract, Kerr-McGee filed this interpleader action on November 11, 1986, to determine which party had the superior right to the funds. On August 14, 1987, while this action was pending, Harrison

filed a separate action to foreclose its mechanic's lien. The trial court in this action stayed the other foreclosure matter pending its ruling.

On June 24, 1988, the trial court found that the SBA's claim to the funds through its perfected security agreement was prior to Harrison's claim to the funds through its assignment from PMS, and prior to the filing of the mechanic's lien. The trial court accordingly entered judgment in favor of the SBA and relieved Kerr-McGee of any further responsibility to PMS or any person claiming these funds from PMS by virtue of the construction work.

In this equitable action our scope of review is de novo. Iowa R. App. P. 4. We give weight to the fact findings of the trial court, but we are not bound by these determinations. Iowa R. App. P. 14(f)(7).

Harrison contends the trial court should have restricted its ruling as to whom the money was owed, rather than relieving Kerr-McGee from any further liability on the subcontract. The pertinent section of the Iowa Code states that a mechanic's lien filed by the subcontractor after sixty or more days from the date on which the subcontractor completed its job is valid "only to the extent of the balance due from the owner to the contractor." Iowa Code § 572.11 (1987). The trial court specifically found that at the time Harrison filed its mechanic's lien, no balance was due from Kerr-McGee to PMS on the contract. The SBA

was the holder of a valid security agreement in the receivables of PMS which interest was perfected prior to the date on which Harrison became assignee of PMS to the funds owing on the construction contract. Harrison accepts these findings of fact which are clearly supported by the record. Based on these facts, the SBA clearly had an interest superior to that of Harrison, whether that interest is based on the mechanic's lien or on the assignment from the contractor.

The purpose of an interpleader action is to protect a party from liability for each competing claim to a single sum of money. This purpose is served by allowing the court to adjudicate all the respective rights of the competing claimants in one action. Kelly, Shuttleworth & McManus v. Central National Bank & Trust Co. of Des Moines, 217 Iowa 725, 738-39, 248 N.W. 9, 16 (1933). The trial court correctly adjudicated all of the rights to the sum of $5,980 and we affirm that decision.

**AFFIRMED.**