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BOOK 224 PAGE 702

FILED FOR RECORD
SKAMIA CO. WASH.
BY *Cascadia Revolving Fund*

MAY 28 4:03 PM '02

O. Laury
AUDITOR

J. MICHAEL GARVISON

Return Name and Address:
Cascadia Revolving Fund
1901 NW Market St.
Seattle, WA 98107

Please print or type information

Document Title(s)

1. Second Note Modification Agreement
- 2.
- 3.
- 4.

Grantor(s)

1. Brian J. Adams
- 2.
- 3.
- 4.

☐ Additional names on page ____ of document.

Grantee(s)

1. Cascadia Revolving Fund
- 2.
- 3.
- 4.

☐ Additional names on page ____ of document.

Legal description (abbreviated: i.e. lot, block, plat OR section, township, range, qtr./qtr.)

Lots 5,6,7, of Block 3, Roselawn Addition

☐ Additional legal is on page 6 of document

Reference Number(s) (Auditor File Numbers) of Documents assigned or released:

AF 142931

☐ Additional numbers on page ____ of document.

Assessor's Property Tax Parcel/Account Number

03-07-36-3-4-0400-00

☐ Property Tax Parcel ID is not yet assigned

☐ Additional parcel numbers on page ____ of document

The Auditor/Recorder will rely on the information provided on the form. The staff will not read the document to verify the accuracy or completeness of the indexing information.

SECOND NOTE MODIFICATION AGREEMENT

THIS SECOND NOTE MODIFICATION AGREEMENT ("Second Modification") is made and entered into this 7th day of May, 2002, by and between Sawtooth Technologies L.L.C., a Washington limited liability company, ("Borrower"), Brian J. Adams, ("Guarantor"), and Cascadia Revolving Fund, a Washington nonprofit corporation ("Cascadia"). The parties hereby agree as follows:

A. Note. The Borrower executed and delivered to Cascadia a promissory note dated February 26, 2001, in the original principal amount of One Hundred Twenty Six Thousand Nine Hundred Twelve and 15/100 Dollars (\$126,912.15) ("Note"). The Borrower and Cascadia subsequently executed a Note Modification Agreement dated October 9, 2001, in which Cascadia advanced an additional Forty Thousand Nine Hundred Twenty (\$40,920.00) to the Borrower. The Note, as amended has a principal and accrued interest balance as of May 1, 2002, of One Hundred Fifty Seven Thousand Eight Hundred Seventy Nine and 92/100 Dollars (\$157,879.92). According to the terms of the Original Note and the first Note Modification Agreement, the Borrower also owes to Cascadia, Participation Payments (as defined and further described in the Loan Agreement and Participation Agreement dated February 26, 2001, see E.4, below), the current total amount of which is calculated at \$5,932.07 through March 31, 2002 (no interest is charged on this amount). These payments shall continue to accrue and are payable under the terms of the Loan Agreement and Participation Agreement, some terms of which are modified in this Second Modification, and are also due and payable upon payoff of the Note.

B. Security. The Note, as amended by this Second Modification, is secured by :

X 1. A deed of trust dated February 26, 2001, ("Deed of Trust"), recorded on March 26, 2001, in the records of Skamania County, Washington, under Document No. 140650 (Book 207, Page 887) and encumbering certain real property located in said county and state, as more particularly described as Parcel A in the attached Exhibit A; a Subordination and Estoppel Agreement executed by Paul G. Adams on March 15, 2001, recorded in the records of Skamania County under recording number 140757 (Book 208, Page 398), granting Cascadia a senior lien interest on Parcel A; and a separate Deed of Trust recorded on November 15, 2001, in the records of Skamania County, Washington under document No. 142931 (Book 216, Page 949) and encumbering certain real property located in said county and state, as more particularly described as Parcel B in the attached Exhibit A (together with Parcel A, the "Property")

X 2. A security agreement dated February 26, 2001, ("Security Agreement") encumbering personal property, intangibles, and other rights and interests of Borrower from time to time located upon or derived from the Property, as evidenced by financing statements recorded with the Washington State Department of Licensing under Document No. 2001-082-0199;

X 3. The independent continuing guaranty dated February 26, 2001, executed by the Guarantor ("Guaranty");

(collectively the "Security"), all pursuant to and subject to the additional terms, covenants, conditions, warranties, and obligations set forth in a Loan Agreement and Participation Agreement dated February 26, 2001, between the Borrower and Cascadia ("Loan Agreement").

C. Continuation of Security. The Security is amended so as to secure the entire principal and interest of the Note, as amended by this Second Modification, all expense reimbursements referred to in this Second Modification, and the modification fee.

D. Confirmation of Debt. The Borrower and the Guarantor confirm and acknowledge that: (1) the Note, Loan Agreement, and Security are in full force and effect, (2) they are liable under said documents in accordance with their terms, (3) they have no defenses or offsets to their obligations thereunder, and (4) Cascadia has performed all of its obligations to this date.

E. Second Modification of Note and Loan Agreement. The Note and Loan Agreement are hereby modified as follows:

1. Promise to Pay. In return for an additional advance received, the Borrower promises to pay to the order of Cascadia the additional principal sum of Eighty One Thousand Six Hundred Eighty and 00/100 Dollars (\$81,680.00), for a total principal balance due under the Note of Two Hundred Thirty Nine Thousand Five Hundred Fifty Nine and 92/100 Dollars (\$239,559.92) plus accrued interest.

2. Interest Rate. Interest on the total principal balance shall accrue at a fixed annual rate of interest of Eight percent (8.0%).

3. Due Date. All sums due under the Note, as amended by this Second Modification, are due in full on May 1, 2012, ("Due Date"). On the Due Date, the Borrower shall pay to Cascadia all outstanding principal, accrued interest, accrued Participation Payments and any other sums due under the Note, the Loan Agreement, or this Second Modification.

4. Payments. The Borrower agrees to make one hundred twenty (120) monthly principal and interest payments in the initial amount of Two Thousand Nine Hundred Six and 52/100 Dollars (\$2,906.52), beginning June 1, 2002, due on the same day of each month, and

Participation Payments (as defined and further described in the Loan Agreement and Participation Agreement dated February 26, 2001) equal to 2.0% of the monthly Total Revenue (not including equipment sales and NoaNet wholesale charges passed through to the end customer) as reported on the Borrower's monthly Profit and Loss Statements provided to Cascadia for the Qualifying

Period (as defined in the Loan and Participation Agreement), due 20 days after the end of each month in which a payment is due; and any other unpaid sums due under this Note, the Loan and Participation Agreement, or the Security Documents due on the Due Date. Cascadia agrees that the amount of any monthly Participation Payment shall be reduced to the extent that Cascadia's total rate of return on the principal balance of the loan in any given month exceeds 1.75% (as calculated by adding the amount of the interest payment paid that month to the Participation Payment calculated for the month and dividing by the current outstanding balance of principal and accrued interest on the loan at the end of the month) ("Return Cap").

Participation Payments shall be accrued until the Borrower's total monthly revenues exceed \$50,000, at which time current Participation Payments are due and payable on the 20th day of the following month and all accrued Participation Payments are due and payable in equal installments over the following twelve months. If total monthly revenues do not exceed \$50,000 by November 1, 2002, all accrued Participation Payments will be capitalized onto the principal balance of the Loan (and a new loan payment will be calculated based on the remaining amortization period) and all current Participation Payments thereafter will be due and payable on the 20th day of the following month. The Return Cap only applies in months in which the Borrower pays the interest and the Participation Payment when due.

5. Modification Fee. The Borrower also promises to pay to the order of Cascadia a Modification fee of One Thousand Six Hundred and 00/100 Dollars (\$1,600.00), which is included in the Reimbursements to Cascadia and netted from the Additional Advance to the Borrower as detailed in Exhibit B to this Second Modification. This fee shall be in addition to all other amounts evidenced by the Note.

6. Disbursement. The Borrower agrees that Cascadia will disburse the Loan proceeds according to the Loan Disbursement Schedule attached as Exhibit B.

7. Use of Proceeds. Borrower shall use the Loan solely for the purpose of working capital and equipment purchases as approved by Cascadia.

F. Expense Reimbursements. The Borrower agrees to pay all of the costs, fees, and expenses of Cascadia incurred in connection with this Second Modification, including but not limited to Cascadia's costs and attorney fees, all recording fees, and any title insurance premiums.

G. Title Policy. The Borrower shall provide or authorize Cascadia to obtain at Borrower's expense an endorsement to Cascadia's existing mortgagee's title insurance policy which increases the face amount of that policy from One Hundred Twenty Thousand and 00/100 Dollars (\$120,000.00) to One Hundred Sixty Five Thousand Dollars (\$165,000.00) and insures the validity and second lien priority of the Deed of Trust through and including the date of recordation of this Second Modification, subject only to the exceptions contained in the

original policy. Any additional exceptions shall be removed by and at the expense of Borrower upon Cascadia's demand. The Borrower and Guarantor hereby warrant that they have not consented to the filing of any liens on the Property since the date of the original Note.

H. Positive Covenants. The Borrower agrees that by November 1, 2002, it shall have accomplished one or more of the following:

1. Achieved positive monthly cash flow (net income as reported on the company's in-house financial statements and calculated as Net Income plus any depreciation or amortization expense);
2. Secured at least \$100,000 of additional equity financing;
3. Negotiated a merger with another internet service provider or related company that results in positive projected cash flow

I. Consent of Guarantor. The Guarantor agrees with the terms, covenants, and conditions of this Second Modification and specifically acknowledges that the Guaranty secures the entire principal and interest of the Note, as amended by this Second Modification, including all additional amounts advanced under this Second Modification. If the Guarantor is comprised of multiple parties, each of those parties jointly and severally guarantees the timely payment of all sums evidenced by the Note, as amended by this Second Modification. Cascadia, the Borrower, and the Guarantor confirm that the Guaranty is an independent contractual obligation and the liability of the Guarantor under the Guaranty is not secured by the Deed of Trust. The Guarantor's execution of this Second Modification shall not result in the Guarantor being a co-maker of the Note.

J. No Implied Modifications. Except as specifically set forth in this Second Modification, the terms and conditions of the Note, Loan Agreement, and Security, Cascadia's original priority in the Security, and the rights, benefits, duties, or obligations of the parties under the Note, Loan Agreement, and Security are unaffected by this Second Modification and remain in full force and effect. The parties further recognize and agree that any and all other documents and security agreements entered into between any two or more of the parties to this Second Modification which are in any manner connected with the indebtedness evidenced by the Note shall remain in full force and effect unless specifically canceled or amended by an instrument in writing signed by Cascadia.

K. Successors. The terms, covenants, and conditions hereof shall be binding upon and inure to the benefit of the parties and their respective participants, endorsees, successors, and assigns. This paragraph, however, shall not affect any restriction against or condition to the Borrower's assignment of the Note or Security or the transfer of any interest of the Borrower in the Property.

L. Applicable Law, Jurisdiction; Venue. This Second Modification shall be governed by, construed, and enforced under the laws of the state of Washington. The Borrower submits to the jurisdiction and venue of any court located in King County, Washington.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective the day and year first above written.

Borrower: Sawtooth Technologies L.L.C., a Washington limited liability company

Borrower's Address: P.O. Box 857
217 School Street
Stevenson, WA 98648

By: [Signature]

Brian Adams

Its: Managing Member

Cascadia Revolving Fund

By: [Signature]

Shaw Canale

Its: Executive Director

Guarantor: Brian J. Adams

Guarantor's Address: 227 School Street
Stevenson, WA 98648

By: [Signature]

Brian J. Adams

Acknowledged by the Guarantor:

STATE OF WASHINGTON ¹⁸ Oregon
COUNTY OF ~~MULTNOMAH~~ ^{Clatsop}

On this day personally appeared before me Brian J. Adams, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 7th day of May, 2002.

By: [Signature]

Notary Public in and for the State of ~~Washington~~ ^{Oregon}, residing at Portland, Oregon

C2:WORD/Second Note Modification-5-02 (1).DOC

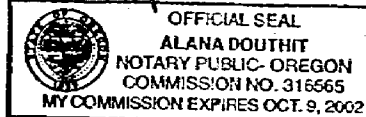


EXHIBIT A
to the Second Note Modification Agreement

Legal Description

PARCEL A

Lots 2, 3 and 4, Block 3, Roselawn Extension Addition to the Town of Stevenson, according to the recorded plat thereof, recorded in Book A of Plats, Page 65, in the County of Skamania, State of Washington.

PARCEL B

Lots 5, 6 and 7, Block 3, of ROSFLAWN EXTENSION, according to the official plat thereof, on file and of record at Page 65, Book A of Plats, records of Skamania County, in the County of Skamania, State of Washington.

EXHIBIT B
to the Second Note Modification Agreement

LOAN DISBURSEMENT SCHEDULE

<u>TOTAL OUTSTANDING BALANCE OF PRINCIPAL AND ACCREUD INTEREST AS OF MAY 1, 2002:</u>	\$157,879.92
<u>TOTAL ADDITIONAL LOAN DISBURSEMENTS</u>	\$ 81,680.00
CASCADIA FEES	\$ 1,600.00
NOTE MODIFICATION FILING FEE	\$ 45.00
UCC-3 SEARCH FEE	\$ 35.00
<u>TOTAL REIMBURSEMENTS TO CASCADIA</u>	\$ 1,680.00
<u>NET TO BORROWER</u>	<u>\$ 80,000.00</u>
<u>MAXIMUM BALANCE OF PRINCIPAL INCLUDING MODIFICATION FEES AFTER ADDITIONAL DISBURSEMENT</u>	<u>\$239,559.92</u>