

**WHEN RECORDED RETURN TO:**

Guardian Northwest Title & Escrow Company  
1301 Riverside Drive  
Mount Vernon, WA 98273

**GRANTOR:** Madrona Bakerview LLC, a Washington limited liability company

**BENEFICIARY:** M&M Partnership, a Washington general partnership

**GRANTEE (Trustee):** Guardian Northwest Title & Escrow Company

**LEGAL DESCRIPTION:** TRCTS 1 and 2, Johnson & Follman's 1<sup>st</sup> ADD (Full legal description on page 11)

**TAX PARCEL I.D. #:** P53346 / 3734-000-002-0005

GNW 20-6435

**DEED OF TRUST - Commercial**

THIS DEED OF TRUST, made this 16<sup>th</sup> day of July, 2020, between Madrona Bakerview LLC, a Washington limited liability company ("GRANTOR"), whose address is 206 S. 15<sup>th</sup> Street, Mount Vernon, WA 98274; Guardian Northwest Title & Escrow Company ("TRUSTEE"), whose address is 1301 Riverside Drive, Mount Vernon, WA 98273; and M&M Partnership, a Washington general partnership ("BENEFICIARY"), whose address is 3016 "I" Avenue, Anacortes, WA 98221.

WITNESSETH: Grantor hereby bargains, sells and conveys to Trustee in Trust, with power of sale, the following:

1. **Collateral.**

**1.1 Land and Appurtenances.** The land described on Exhibit A hereto, and all tenements, hereditaments, rights-of-way, easements, appendages, and appurtenances thereto belonging or in any way appertaining, including without limitation all of the right, title, and interest of Grantor in and to any avenues, streets, ways, alleys, vaults, strips of land adjoining that property, and all claims or demands of Grantor either in law or in equity in possession or expectancy of, in and to that property; and

**1.2 Improvements and Fixtures.** All buildings, structures, and other improvements now or hereafter erected on the property described in 1.1 above,  
Deed of Trust - 1

and all facilities, fixtures and machinery of whatsoever nature (including without limitation all heating, ventilating, air conditioning, plumbing, and electrical equipment, all elevators and escalators, all sprinkler systems, all engines and motors, all lighting, laundry, cleaning, fire prevention and fire extinguishing equipment, all ducts and compressors, all refrigerators, stoves, and other appliances, attached cabinets, partitions, rugs, carpets, and draperies, now or hereafter located in or used or procured for use in connection with that property, it being the intention of the parties that all property of the character hereinabove described that is now owned or hereafter acquired by Grantor and that is affixed or attached to the property described in 1.1 above shall be, remain, or become a portion of that property and shall be covered by and subject to the lien of this Deed of Trust, together with all contracts, agreements, permits, plans, specifications, drawings, surveys, engineering reports, and other work products relating to the construction of the existing or any future improvements on the Property, any and all rights of Grantor in, to, or under any architect's contracts or construction contracts relating to the construction of the existing or any future improvements on the Property, and any performance and/or payment bonds issued in connection therewith; and

**1.3 Enforcement and Collection.** Any and all rights of Grantor without limitation to make claim for, collect, receive, and receipt for any and all rents, income, revenues, issues, club membership dues, royalties, and profits, including mineral, oil, and gas rights and profits, insurance proceeds, condemnation awards, and other moneys, payable or receivable from or on account of any of the Property, including interest thereon, or to enforce all other provisions of any other agreement (including those described in Section 1.2 above) affecting or relating to any of the Property, to bring any suit in equity, action at law, or other proceeding for the collection of such moneys or for the specific or other enforcement of any such agreement, award, or judgment, in the name of Grantor or otherwise, and to do any and all things that Grantor is or may be or become entitled to do with respect thereto, provided, however, that no obligation of Grantor under the provisions of any such agreements, awards, or judgments shall be impaired or diminished by virtue hereof, nor shall any such obligation be imposed upon Trustee or Beneficiary; and

**1.4 Accounts and Income.** Any and all rights of Grantor in any and all accounts, rights to payment, membership accounts and dues owed thereon, contract rights, chattel paper, documents, instruments, licenses, contracts, agreements, and general intangibles relating to any of the Property, including, without limitation, income, and profits derived from the operation of any business on the Property or attributable to services that occur or are provided on the Property or generated from the use and operation of the Property; and

**1.5 Leases.** All of Grantor's rights as landlord in and to all existing and future leases and tenancies, whether written or oral and whether for a definite term or month to month or otherwise, now or hereafter demising all or any portion of the property described in 1.1 and 1.2 above, including all renewals and extensions

thereof and all rents, deposits, and other amounts received or receivable thereunder. In accepting this Deed of Trust, neither Beneficiary nor Trustee assumes any liability for the performance of any such lease.

**1.6 Books and Records.** All books and records of Grantor relating to the foregoing in any form and all computer software necessary or useful to reading such books and records.

1.1 through 1.6 are collectively referred to herein as the "Collateral." The real property is not used principally for agricultural purposes in order for the deed of trust to be foreclosed nonjudicially. If this statement is false on the date the deed of trust was granted or amended to include that statement, and false on the date of the trustee's sale, then the deed of trust must be foreclosed judicially. Real property is used for agricultural purposes if it is used in an operation that produces crops, livestock or aquatic goods.

This deed is for the purpose of securing performance of each agreement of grantor herein contained, and payment of the sum of **One Million Four Hundred Twenty Thousand Dollars (\$1,420,000.00)** with interest, in accordance with the terms of a promissory note of even date herewith, payable to Beneficiary or order, and made by Grantor, and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor, or any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon, and expenditures made by Beneficiary to maintain or preserve the Collateral.

To protect the security of this Deed of Trust, Grantor covenants and agrees:

2. **Assignment of Rents.** As further security for the payment of all indebtedness herein mentioned, all Grantor's rents and profits of said property and the right, title and interest of the Grantor in and under all leases now or hereafter affecting said property, are hereby assigned and transferred to the Beneficiary. So long as no default shall exist in compliance with any requirement hereof or of any further instrument at any time executed with respect to this Deed of Trust the Grantor may collect assigned rents and profits as the same fall due, but upon the occurrence of any such default, or at such later time as the Beneficiary in its sole discretion may fix by written notice, all right of the Grantor to collect or receive rents or profits shall wholly terminate. All rents or profits of Grantor received from or in respect to said property which it shall be permitted to collect hereunder shall be received by it in trust to pay the usual and reasonable operating expenses of, and the taxes upon, said property and the sums owing the Beneficiary as they become due and payable as provided in this Deed of Trust or in the said note or in any modification of either. The balance of such rents and profits after payment of such operating expenses, taxes and sums due the Beneficiary, and after the setting aside of accruals to date of such expenses, taxes and sums, including amortization, shall be Grantor's absolute property. No lease of the whole or any part of the property involving an initial term of

more than three years shall be modified or terminated without the written consent of the Beneficiary, nor shall the surrender of any such lease be accepted nor any rental thereunder be collected for more than two months in advance without like written consent. In the event of any default hereunder and the exercise by the Beneficiary of its rights hereby granted, Grantor agrees that payments made by tenants or occupants to the Beneficiary shall, as to such tenants, be considered as though made to Grantor and in discharge of tenants' obligations as such to Grantor. Nothing herein contained shall be construed as obliging the Beneficiary to perform any of Grantor's covenants under any lease or rental arrangement. Grantor shall execute and deliver to the Beneficiary upon demand any further or supplemental assignments necessary to effectuate the intentions of this paragraph and upon failure of the Grantor so to comply, Beneficiary may, in addition to any other right or remedy it has, declare the maturity of the indebtedness hereby secured.

3. **Waste.** To keep the property in good condition and repair; to permit no waste thereof; to complete any building, structure or improvement being built or about to be built thereon; to restore promptly any building, structure or improvement thereon which may be damaged or destroyed; and to comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the property.

4. **Taxes/Assessments.** To pay before delinquent all lawful taxes and assessments upon the property; to keep the property free and clear of all other charges, liens or encumbrances impairing the security of this Deed of Trust.

5. **Insurance.** To keep all buildings now or hereafter erected on the property described herein continuously insured against loss by fire or other hazards in an amount not less than the total debt secured by this Deed of Trust. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary, as its interest may appear, and then to the Grantor. Policies shall include waivers of co-insurance. The Beneficiary shall be provided evidence of the renewal of the policies before expiration and thirty (30) days prior notice from the insurance carrier of policy cancellations. Furthermore, Beneficiary shall have the authority to require Grantor to provide rent loss or business interruption coverage when deemed necessary by the Beneficiary.

- (a) **Generally.** Should the Property or any part thereof be damaged by reason of any cause covered by insurance, Beneficiary may, at its option, commence, appear in, and prosecute, in its own name, any action or proceeding, or make any reasonable compromise or settlement in connection with such damage, and obtain all proceeds, or other relief therefor, and Grantor agrees to pay Beneficiary's costs and reasonable attorneys' fees in connection therewith. No insurance proceeds at any time assigned to or held by Beneficiary shall be deemed to be held in trust, and Beneficiary may commingle such

proceeds with its general assets and shall not be liable for the payment of any interest thereon.

- (b) Use of Proceeds for Restoration. If, in any instance, each and all of the following conditions are satisfied in Beneficiary's reasonable judgment, Beneficiary shall permit Grantor to use the balance of the proceeds after application of those proceeds first toward reimbursement of all of Beneficiary's proceeds, including attorneys' fees ("Net Claims Proceeds"), to pay costs of repairing or reconstructing the Property in the manner described below: (i) the plans and specifications, cost breakdown, construction contract, construction schedule, contractor and payment and performance bond for the work of repair or reconstruction must all be acceptable to Beneficiary; (ii) Beneficiary must receive evidence satisfactory to it that after repair or reconstruction, the Property will be at least as valuable as it was immediately before the damage or condemnation occurred; (iii) the Net Claims Proceeds must be sufficient in Beneficiary's determination to pay for the total cost of repair or reconstruction, including all associated development costs and interest projected to be payable on the Note until the repair or reconstruction is complete; or grantor must provide its own funds in an amount equal to the difference between the Net Claims Proceeds and a reasonable estimate, made by Grantor and found acceptable by Beneficiary, of the total cost of repair or reconstruction; (iv) Beneficiary must receive evidence satisfactory to it that all Leases which it may find acceptable will continue after the repair or reconstruction is complete; (v) Beneficiary has received evidence satisfactory to it, that reconstruction and/or repair can be completed at least three (3) months prior to the date the Note is due and payable; and (vi) no default under any of the Loan Documents shall have occurred and be continuing. If the foregoing conditions are met to Beneficiary's satisfaction, Beneficiary shall hold the Net Claims Proceeds and any funds which Grantor is required to provide and shall disburse them to Grantor to pay costs of repair or reconstruction upon presentation of evidence reasonably satisfactory to Beneficiary that repair or reconstruction has been completed satisfactorily and free of liens. However, if Beneficiary finds that one or more of the conditions are not satisfied, it may apply the Net Claims Proceeds to pay or prepay some or all of the Note.

Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale.

6. **Defend Security.** To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of title search and attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.
7. **Costs/Expenses.** In the event of any default under this Deed of Trust, or in the event that any dispute arises relating to the interpretation, enforcement, or performance of any obligation secured by this Deed of Trust, or in the event of bankruptcy or insolvency proceedings as described below, Beneficiary shall be entitled to collect from Grantor on demand all fees and expenses incurred in connection therewith, including but not limited to fees of attorneys, accountants, appraisers, environmental inspectors, consultants, expert witnesses, arbitrators, mediators, and court reporters, and including any costs incurred by the Beneficiary in connection with a suit for a deficiency judgment against Grantor and/or any Guarantor such as appraisal fees, and any other costs and expenses incurred by the Beneficiary. Without limiting the generality of the foregoing, Grantor shall pay all such costs and expenses incurred in connection with (a) arbitration or other alternative dispute resolution proceedings, trial court actions, and appeals; (b) bankruptcy or other insolvency proceedings of Grantor, any guarantor or other party liable for any of the obligations secured by this Deed of Trust, or any party having any interest in any security for any of those obligations; (c) judicial or nonjudicial foreclosure on, or appointment of a receiver for, any of the Property; (d) postjudgment collection proceedings; (e) all claims, counterclaims, cross-claims, and defenses asserted in any of the foregoing whether or not they arise out of or are related to this Deed of Trust; (f) all preparation for any of the foregoing; and (g) all settlement negotiations with respect to any of the foregoing.
8. **Taxes/Insurance.** Should Grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the property hereinabove described, Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the Note, shall be added to and become a part of the debt secured in this Deed of Trust.
9. **Consideration.** In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy the obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation. The Grantor assigns the rights to any proceeds to the Beneficiary to the extent of the amount of any unpaid balance remaining to be paid to the Beneficiary.
10. **No Waiver.** By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right to require prompt payment when due of all other sums so secured or to declare default for failure to so pay.

11. **Reconveyance.** Trustee shall reconvey all or any part of the property covered by this Deed of Trust to the person entitled thereto on written request of the Grantor and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.

12. **Default.** Upon default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expense of the sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Deed of Trust; (3) the surplus, if any, shall be distributed to the persons entitled thereto. To the extent permitted by law, without limitation, Beneficiary may seek and obtain a deficiency judgment following the completion of a judicial foreclosure or a trustee sale of all or a portion of the security for the obligations secured by this Deed of Trust.

13. **Trustee's Deed.** Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the property which Grantor had or had power to convey at the time of his execution of this Deed of Trust, and such as he may have acquired thereafter, Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchaser and encumbrances for value.

14. **Not Exclusive Remedy.** The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.


15. **Successor Trustee.** In the event of the death, incapacity, disability or resignation of Trustee, Beneficiary may appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original trustee. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Grantor, Trustee or Beneficiary shall be a party unless such action or proceeding is brought by Trustee.


16. **Successors/Assigns.** This Deed of Trust applies to and inures to the benefit of, and is binding not only on the parties hereto, but on their heirs, devisees, legatees, administrators, executors and assigns. The term Beneficiary shall mean the holder and owner of the Note, whether or not named as Beneficiary herein.

17. **Due on Sale.** If the Collateral, or any part thereof, is sold, conveyed, transferred, encumbered, or full possessory rights therein transferred (excluding the sale of personal property in the normal course of business), whichever event occurs first, then the Beneficiary shall declare all sums secured by this Deed of Trust immediately due and payable. This provision shall apply to each and every sale, transfer, conveyance or encumbrance regardless of whether or not Beneficiary has consented or waived their rights, whether by action or non-action, in connection with any previous sale, transfer, conveyance or encumbrance, whether one or more.

**GRANTOR:**

**Madrona Bakerview LLC**

  
\_\_\_\_\_  
By: Noah Friedrichs  
Its: Partner/owner

  
\_\_\_\_\_  
Todd DAVIDSON  
PARTNER / OWNER

WADELSTEINPROLAW\ProLawFiles\Documents\3571-003\Morris, Darde L. DDS\Document\353678.doc



---

**REQUEST FOR FULL RECONVEYANCE**

Do not record. To be used only when note has been paid.

TO: TRUSTEE

The undersigned are the legal owners and holders of the Note and all other indebtedness secured by the within Deed of Trust. Said note, together with all other indebtedness secured by said Deed of Trust, has been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

**M&M Partnership**

\_\_\_\_\_  
\_\_\_\_\_

DATED: \_\_\_\_\_

**Exhibit A**

**Parcel A:**

Tracts 1 and 2, "JOHNSON & FOLLMAN'S FIRST ADDITION, MOUNT VERNON, WASHINGTON", as per plat recorded in Volume 7 of Plats, pages 87 and 88, records of Skagit County, Washington, EXCEPT the North 63.56 feet of said Tract 1.

**Parcel B:**

The North 63.56 feet of Lot 1, "JOHNSON & FOLLMAN'S FIRST ADDITION, MOUNT VERNON, WASHINGTON", as per Plat recorded in Volume 7 of Plats, pages 87 and 88, records of Skagit County, Washington.

**Parcel C:**

Tract "X" of Mount Vernon Short Plat No. MV-8-91, approved May 7, 1991 and recorded May 21, 1991 in Book 9 of Short Plats, pages 362 and 363 under Auditor's File No. 9105210050. Being a portion of Section 20, Township 34 North, Range 4 East, WM.