

When recorded return to

MICHAEL A. WINSLOW
Attorney at Law
411 Main Street
Mount Vernon, Washington 98273

200310070187
Skagit County Auditor
10/7/2003 Page 1 of 10 1:47PM

FIRST AMERICAN TITLE CO.

SHORT FORM DEED OF TRUST

66778E-2

GRANTOR:

Main Street Group, LLC, a Delaware Limited Liability Company

GRANTEES:

1. Beneficiaries: Raymond and Henrietta Moseley, husband and wife, as to an 18.1818% undivided interest; James E. Bolduc, a single man, as to a 27.2727% undivided interest; Gary VanderYacht, a single man, as to a 36.3637% undivided interest; and Dale VanderYacht, a married man, as his separate property, as to an 18.1818% undivided interest.
2. Trustee: First American Title Insurance Company of Skagit County, P.O. Box 1667, Mount Vernon, Washington 98273

LEGAL DESCRIPTION:

Parcel A: Lots 11 through 15, Block 24, "MAP OF THE CITY OF ANACORTES," according to the plat thereof recorded in Volume 2 of Plats, pages 4 through 7, records of Skagit County, Washington, TOGETHER WITH the South ½ of vacated alley adjacent to Lots 11, 12, and 13, as would attach by operation of law.

Parcel B: Lot 16, Block 24, "MAP OF THE CITY OF ANACORTES," according to the plat thereof recorded in Volume 2 of Plats, pages 4 through 7, records of Skagit County, Washington.

Parcel C: Lots 17 and 18, Block 24, "MAP OF THE CITY OF ANACORTES," according to the plat thereof recorded in Volume 2 of Plats, pages 4 through 7, records of Skagit County, Washington.

Parcel D: The South 50 feet of Lots 8, 9, and 10, Block 24, "MAP OF THE CITY OF ANACORTES," according to the plat thereof recorded in Volume 2 of Plats, pages 4 through 7, records of Skagit County, Washington, TOGETHER WITH the North ½ of vacated alley adjacent to said lots, which would attach by operation of law.

**ASSESSOR'S PROPERTY TAX
PARCEL OR ACCOUNT NO.**

**REFERENCE NOS OF DOCUMENTS
ASSIGNED OR RELEASED:** NONE

3772-024-010-0107 P55014
3772-024-013-0005 P55015
3772-024-015-0005 P55016
3772-024-014-0002 P55017
3772-024-018-0000 P55018

Deed of Trust
PPSI\Majestic\DeedofTrust

CONVEYANCE:

This Deed of Trust is made on September 23, 2003 between **Main Street Group, LLC**, Grantor, whose address is P.O. Box 456, Anacortes, Washington 98221; First American Title Insurance Company of Skagit County, Trustee, whose address is P.O. Box 1667, Mount Vernon, Washington 98273; and Raymond and Henrietta Moseley, husband and wife, as to an 18.1818% undivided interest; James E. Bolduc, a single man, as to a 27.2727% undivided interest; Gary VanderYacht, a single man, as to a 36.3637% undivided interest; and Dale VanderYacht, a married man, as his separate property, as to an 18.1818% undivided interest, Beneficiaries, whose address is 417 Pease Road, Burlington, Washington 98233.

Grantor hereby irrevocably grants, bargains, sells, and conveys to Trustee in trust, with power of sale, all Grantor's estate, right, title, interest, claim and demand, now owned or hereafter acquired, in and to the above described property in Skagit County, Washington (the "Property," which term shall include all or any part of the Property, any improvements thereon and all the property described in Section 1 of the Master Form Deed of Trust hereinafter referred to); which has the common address of _____.

TOGETHER WITH all the tenements, hereditments, and appurtenances now or hereafter belonging or in any way appertaining leases and other agreements for use and occupancy pertaining thereto and the rents, issues and profits thereof and all other property or rights of any kind or nature whatsoever further set forth in the Master Form Deed of Trust hereinafter referred to SUBJECT, HOWEVER, to the right, power and authority hereinafter given to and conferred upon Beneficiaries to collect and apply such rents, issues and profit. This Deed of Trust shall constitute a security agreement under the Uniform Commercial Code of Washington between Grantors as debtor and Beneficiaries as secured party. Grantor grant a security interest to Beneficiaries in any of the property which is personal property and also grants a security interest in the property described in Section 2 of the Master Form Deed of trust hereinafter referred to, now owned or hereafter acquired by Grantor (the Property as defined above, and the property described in said Section 2 are hereafter referred to as the "Collateral").

THIS DEED IS FOR THE PURPOSE OF SECURING the following:

(a) Payment of the sum of One Million One Hundred Thousand Dollars (\$1,100,000.00) with interest thereon according to the terms of a Promissory Note of even date herewith, payable to Beneficiaries or order and made by Grantor (the "Note," which term shall include all Notes evidencing the indebtedness secured by this Deed of Trust, including all renewals, modifications or extensions thereof);

(b) Payment of any further sums advanced or loaned by Beneficiaries to Grantor, or any of its successors or assigns, if:

(i) the Note or other writing evidencing the future advance or loan specifically states that it is secured by this Deed of Trust; or

(ii) the advance, including costs and expenses incurred by Beneficiaries, is made pursuant to this Deed of Trust or any other documents executed by Grantor evidencing, securing or relating to the Note and/or the Collateral, whether executed prior to, contemporaneously with or subsequent to this Deed of Trust (this Deed of Trust, the Note and such other documents, including any construction or other loan agreement are hereafter collectively referred to as the "Loan Documents") together with interest thereon at the rate set forth in the Note unless otherwise specified in the Loan Documents or agreed to in writing. Reference to the Loan Documents also includes the Loan Commitment executed between the Borrower/Grantor and Lenders/Beneficiaries dated the 26th day of August, 2003.



and/or rents of even date herewith, which are incorporated herein by reference, or contained herein.

By executing and delivering this Deed of Trust and the Note secured hereby, the parties agree that all provisions of Paragraphs 1 through 65 inclusive of the Master Form Deed of Trust hereinafter referred to, except such paragraphs as are specifically excluded or modified herein, are hereby incorporated herein by reference and made an integral part hereof for all purposes the same as if set forth herein at length, and the Grantor freely makes said covenants and agree to fully perform all of said provisions. The Master form Deed of Trust above referred to was recorded on the eleventh 11th day of August, 1987, in the Official Records of the offices of the county Auditors of the following counties in Washington in the book, and at the page designated after the name of each county, to-wit:

COUNTY	BOOK OR VOL.	PAGE NO.	AUDITOR'S FILE NO.
Adams	142	305	213404
Asotin			175404
Benton	493	1125	87-12850
Chelan	880	1663	8708110050
Clallam	784	278	594433
Clark		19	8708110009
Columbia	2H	296	H2135
Cowlitz			870811020
Douglas	M224	76	245733
Ferry	MF		205269
Franklin	0227	251	454027
Garfield			87248
Grant	634	109	804746
Grays Harbor	87	18669	870811031
Island	559	1756	87011073
Jefferson	243	338	309675
King			8708110560
Kitsap	432	682	8708110065
Kitittas	264	212	506597
Klickitat	141	300	206526
Lewis	365	154	960637
Lincoln			377660
Mason	384	027	470654
Okanogan	70	2376	741827
Pacific	8708	348	84496
Pend Oreille	74	899	194502
Pierce	0440	0367	8708110085
San Juan	188	341	87147097
Skagit	719	58	8708110057
Skamania	106	326	1036446
Snohomish	2079	0467	0708110076
Spokane	918	688	8708110112
Stevens	115	0434	8705730
Thurston	1511	769	8708110045
Wahkiakum	71	256	38075
Walla Walla	166	400	8706174
Whatcom		614	1580300
Whitman	48		521420
Yakima	1217	977	2807235

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A copy of such Master Form Deed of Trust is hereby furnished to the person executing this Deed of Trust and by executing this Deed of Trust, the Grantor acknowledges receipt of such Master Form Deed of Trust. The Property which is the subject of this Deed of Trust is not used principally or primarily for agricultural or farming purposes. The undersigned Grantor requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to him at the address hereinbefore set forth.

The specific provisions of this Deed of Trust, the Promissory Note secured hereby and the Loan Agreement (if any) shall control in the event of conflict with provisions with the Master Form.

Paragraph 17 of the Master Form Deed of Trust is deleted and the following language is substituted:

Due on Sale Clause. Beneficiaries may, at their option, declare immediately due and payable all sums secured by this Deed of Trust upon the sale or transfer of all or any part of the real property, or any interest therein, without the Beneficiaries' prior written consent. A "sale or transfer" means the conveyance of any property or any right, title or interest therein; whether legal or equitable, whether voluntary or involuntary, by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than ten years, lease/option to purchase contract; sale, assignment or transfer of any beneficial interest in or to any land trust holding title to the real property or any other method of conveyance of real property interests. A sale of the corporation, limited liability company or partnership interest greater than 49% of the voting stock, partnership interests, or member interests after date of the recording the Deed of Trust or dilution of the current voting stock, partnership or member interests through issuance of additional shares or interests shall likewise constitutes a "transfer". In the case of a conveyance or contract to convey, the interest shall likewise increase to the default amount or the holder may consent to the conveyance or contract to convey and increase the interest rate provided for herein. However, this option shall not be exercised by Beneficiary if exercise is prohibited by federal or Washington law.

Paragraph 26 of the Master Form Deed of Trust is deleted and the following language is substituted:

Late Charge. Payments will be late if not received by Beneficiaries or thier successor within the date due as specified in the Promissory Note. If a payment is late, Makers agree to pay a late charge equal to five percent (5%) of the amount of the delinquency. If the event the full balance of the note is not paid on or before 30 days from the date due, the Maker shall pay a late charge equal to two percent (2%) of the balance of all principal and interest due. There will be no daily pro rata adjustment. All later charges shall accrue to the benefit of the Beneficiaries. This paragraph shall not relieve the Grantor of the obligation to make payments on or before the date on which they are due nor do the terms of this paragraph in anyway affect Beneficiary's remedies pursuant to the terms of the Note secured hereby or this Deed of Trust.

Paragraph 58(b) of the Master Form Deed of Trust is deleted and the following language is substituted:

(b) Grantor shall promptly comply with all statues regulations and ordinances which apply to Grantor or the Property and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction which Grantor is bound by, relating to the use, collection, storage, treatment, control, removal or cleanup of hazardous or toxic substances in, on or under the Property or in, on or under an adjacent property that becomes contaminated with hazardous or toxic substances as a result or construction, operations or other activities on, or the contamination of, the Property, at Grantor's expense. Beneficiaries may, but is not obligated to, enter upon the Property and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its interest as Beneficiaries; and whether or not Grantor have actual knowledge of the existence of hazardous or toxic substances in, on or under the Property or any adjacent property as of the date hereof, Grantor shall reimburse Beneficiaries on demand for the full amount of all costs and expenses incurred by Beneficiaries prior to Beneficiaries acquiring title to the Property through foreclosure or deed in lieu of foreclosure, in connection with such compliance activities.



Paragraphs 49, 50, 51, and 52 of the Master Form Deed of Trust are hereby deleted.

This Deed of Trust is also subject to specific provisions as set forth in the Construction Rider, which is attached hereto as Exhibit A and incorporated by this reference as if set forth in full herein. The provisions in the Construction Rider shall control to the extent that there is any conflict with the provisions of the Master Form Deed of Trust.

The Note secured hereby evidences a construction loan but is not a combination Note.

The term "Grantor" as used in this agreement includes the "Borrower" as defined in RCW 61.24, if the Borrower is a person or entity other than the Grantor.

To the extent permitted by law, including, without limitation, RCW 61.24.100, the Beneficiary hereunder may seek and obtain a deficiency judgment following the completion of a judicial foreclosure or a non-judicial trustee's sale of all or a portion of the security for the obligation secured by this Deed of Trust.

The parties covenant and agree that the loan for which this Deed of Trust is given is for commercial purposes only. The Grantor/Borrower expressly covenants and agrees that the loan proceeds will not be used for any personal, family, or household purpose.

Grantor's Street address for service of process:

902 8th Street
Anacortes, WA 98281

WITNESS the hands and seals of the Grantor on the day and year first above written.

Main Street Group, LLC

by: _____

John R. Cox, member

by: _____

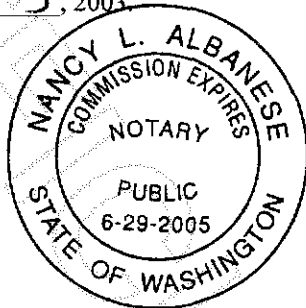
Linda Marie Cox, member



State of Washington)
)ss
County of Skagit)

I certify that I know or have satisfactory evidence that John Randolph Cox is the person who appeared before me; that he acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged as a Member of Main Street Group, LLC, to be the free and voluntary act of him for the uses and purposes contained in the instrument.

DATED: September 23, 2003

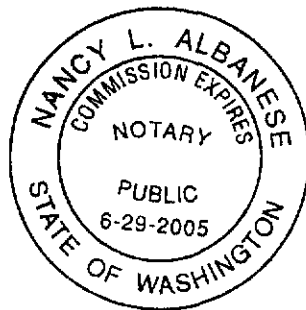


Nancy L Albanese
_____, Notary Public
My commission expires: 6-29-05

State of Washington)
)ss
County of Skagit)

I certify that I know or have satisfactory evidence that Linda Marie Cox is the person who appeared before me; that he acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged as a Member of Main Street Group, LLC, to be the free and voluntary act of her for the uses and purposes contained in the instrument.

DATED: September 23, 2003.



Nancy L Albanese
_____, Notary Public
My commission expires: 6-29-05

Deed of Trust
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Skagit County Auditor

EXHIBIT A

Construction Rider to Deed of Trust

This Construction Rider to the Deed of Trust is approved by Main Street Group, LLC (hereinafter "Grantor" or "Borrower") concerning a Deed of Trust given in favor of Raymond and Henrietta Moseley, husband and wife; James E. Bolduc, a single man; Gary VanderYacht, a single man; and Dale VanderYacht, a married man, as his separate property (hereinafter "Beneficiaries" or "Lender"). This supplements the provisions of the Deed of Trust.

1. Progress Draws and Disbursements. Disbursements shall be made under an Construction Disbursement and Escrow Agreement (hereafter "Escrow Agreement") and shall be identified as "progress draws." Progress draws shall be released when the Beneficiaries' representative, James E. Bolduc, provides notice to the Escrow Agent, by written certification, that the phase of work is completed by the general contractor/Grantor in accordance with the plans and specifications and the schedule stated in the Escrow Agreement. The final draw shall not be released to the Grantor until such time as the Beneficiaries' representative provides notice to the Escrow Agent, by written certification, that 100% of the work is completed in accordance with the plans and specifications and the other terms and conditions of this Agreement have been met.

a. The project is identified the Majestic Hotel.

b. Prior to the first construction draw, Grantor shall provide copies of final plans and specification blue prints for the project. In addition, Grantor shall provide a sworn statement on behalf of Grantor, if acting as general contractor, or from the general contractor, if a third party is so acting, listing each subcontractor and the amount of each contract let. Further, one copy of the most recent survey, showing the location of any easements, setback lines, or other physical matters effecting the property and title thereto, shall be provided. Grantor shall provide evidence acceptable to Beneficiaries that the proposed development complies with applicable zoning laws, environmental protection agency requirements, and building and municipal ordinances.

c. An "all risk" builder's risk, physical hazard insurance policy in an amount equal to 100% of full replacement value of all Improvements and contents thereof, without coinsurance or depreciation, and in any event, not less than the full original indebtedness of the Borrower. Said insurance policy shall name Lender as loss payee, and in addition, shall contain a standard mortgage endorsement waiving any breach of warranty by Borrower. Upon request by Lender, such coverage shall be replaced by an extended coverage "all-risk" replacement casualty policy. A comprehensive general liability policy of insurance including Products and Completed Operation coverage and a provision insuring performance of Borrower's indemnity obligation and providing coverage in

whatever minimum amount is required by the State of Washington, or if not specifically set forth, then according to minimum insurance industry standards for coverage of bodily injury or death, and property damage arising from any occurrence on the Property. Said insurance shall name Lender as an additional insured.

d. Grantor shall provide a copy of the approved Building Permit, if such is a requirement, and Grantor shall certify that there have been no changes to the approved plans, drawing, engineering, surveys, or other calculations necessary to prosecute the project since the last draw was taken by Grantor.

2. Request for Draws. Grantor shall present his request for a draw in writing in accordance with the disbursement schedules set forth below. Grantor shall submit documentation to support the draw request to James E. Bolduc, as Beneficiaries' representative. Beneficiaries shall have the right to review the draw request, utilizing the services of a construction project analyst, engineer, or surveyor, as may be appropriate. If Beneficiaries have concerns about the draw request, which are supported by their construction analyst, William Armstrong, or his successor, such that Beneficiaries' security or the completeness of the work necessary to meet the draw requirement is in question, additional review may occur. Such review or inspection by professionals shall be at Grantor's expense and payment, therefore, shall be deducted from the loan proceeds.

3. Liens.

a. Lien Releases. Prior to each and every disbursement, Lender may require, as a condition to such advance, that Borrower obtain from all subcontractors and materialmen, an acknowledgment of payment and release of lien through the date covered by the last advance, or the last date on which the contractor, subcontractor, or materialman performed services on or furnished material for the construction, as the case may be. Such acknowledgment and release shall be in standard form approved by Lender and shall cover all work done, labor performed and materials furnished or rented with respect to the Property and/or the Improvements.

b. Discharge of Liens. Borrower shall not allow any lien (statutory or otherwise) of any type to be recorded with respect to the Property, any Improvement or any portion of the same. Borrower shall give to Lender immediate written notice of the filing or recording of any such lien. In the event that any such lien is recorded, Lender may, without waiver of such default by Borrower or of any of Lender's other rights or remedies, cause such lien to be discharged (or may accept an assignment of rights of lienholder) by any lawful means. All costs incurred by Lender in connection with such lien shall be repaid to Lender immediately upon demand, and until repaid such sums shall bear interest at the applicable rate under the Note and shall be secured by the Trust Deed. Borrower's obligations under this paragraph is subject to Borrower's right to dispute and contest in good faith any lien filed against the Property, so long as such dispute or contest does not



materially impair the Lender's security and there is deposited with Lender or the Title Company an amount sufficient to satisfy said lien, any interest that may accrue thereon, and any expenses, including attorney's fees, which may or could be incurred in connection therewith, such amount generally shall be in the amount of the lien, plus \$100.00, unless a bond is posted by the Borrower to the satisfaction of the Lender. Borrower shall be required to obtain from the Title Company an endorsement to Lender's title policy insuring that Lender's Deed of Trust is in a prior position and insuring against any loss by reason of said lien. Written acknowledgment and consent to contest a lien shall be received from Lender, in advance and in Lender's sole discretion.

4. Construction by Grantor. Construction contemplated to be performed for this project shall be executed by the Grantor and such employees as the Grantor may retain. In the event that Grantor chooses not to act as the general contractor or otherwise delegates supervision responsibility for the project to a third party, then the contract for such delegation of supervision duties shall be subject to Beneficiaries' approval as a condition of honoring any draw request.

5. Inspection by Lender. Lender shall have the right to enter upon the Property and the Improvements at all times during construction or prior to sale and/or full payment of the Loan. Borrower understands that Lender is not obligated to make any inspections of the construction work, and that any inspections so made by Lender are for its Loan purposes only and that Borrower is not entitled to rely upon the same with respect to materials, workmanship, conformance to Plans and Specifications, or otherwise. No such inspection shall be the basis for any claim of waiver of any right of Lender or waiver of any default by Borrower.

6. Rights of Lender. If, in the opinion of Lender, any work in connection with construction of the Improvements has not been done, or is not being done in accordance with good building practices, in accordance with any Law (as defined above), or in accordance with the approved Plans and Specifications, or is otherwise unsatisfactory, Lender shall have the right, without waiver of default or of any other right of Lender, to stop said work and order its replacement or correction, whether or not such work has theretofore been incorporated in the Improvements, and shall be entitled to withhold all further disbursements until such work has been corrected. Failure of Borrower to make corrections, within fifteen (15) days after demand from Lender, or other reasonable period as is then applicable and approved shall constitute a further event of default hereunder.

7. Defense. It is agreed that Lender shall have the right, but not the obligation, to appear in or defend any action or proceeding purporting to affect the Property or the Improvements or the rights or duties of the parties hereunder, or the payment of any funds in connection with the foregoing, and in connection therewith may pay all necessary expenses, employ counsel and pay their reasonable fees, all of which Borrower agrees to repay to Lender upon demand, together with interest at the Note rate.

8. Compliance with Laws. Borrower agrees the Improvements shall be constructed strictly



in accordance with all applicable laws, ordinances, resolutions, covenants, conditions and restrictions, easement agreements, Environmental Laws (as defined below), and all building, zoning or other ordinances, statutes, regulations, permits and approvals applicable to the Property and/or the Improvements. Borrower further agrees the Improvements shall be constructed entirely on the Property and will not encroach upon any easement or right of way, or the land of others, and that the Improvements, when erected, shall be wholly within building restriction lines, however established, and will not violate any Law.

9. List of Contractors. Upon Lender's request, Borrower shall furnish to Lender, from time to time, correct lists of all contractors and subcontractors employed in connection with the construction of the Improvements. Each said list shall show the name, address and telephone number of each such contractor or subcontractor, a general statement of the nature of the work to be done, the labor and materials to be supplied, the names of the materialmen if known, and the approximate dollar value of such labor or work with respect to each. Lender shall have the right to make direct contact with each contractor, subcontractor and materialman to verify the facts disclosed by said list or for any other purpose.

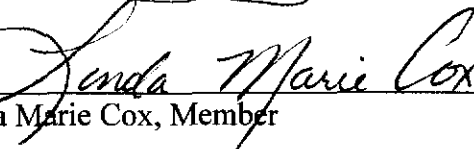
10. Beneficiaries' Right to Complete Project. Upon default by Grantor for a period of 60 days or more or Grantor's abandonment of the construction project, then Beneficiaries shall have the right to complete the construction of the project, utilizing the undisbursed loan funds, together with any additional funds of Beneficiaries. Grantor hereby irrevocably appoints Beneficiaries as Grantor's true and lawful attorney-in-fact for the purpose of acting concerning all matters involving the project, including but not limited to negotiating approvals with governmental authorities, executing documents, making contracts and supervising the completion. Beneficiaries agree not to exercise this power so long as Grantor shall be in compliance with the agreements, covenants, terms and conditions of the Promissory Note, Construction Disbursement and Escrow Agreement, the Deed of Trust and this Rider.

Grantor:

Main Street Group, LLC

By: 
John Randolph Cox, Member

Date: 9/23, 2003.

By: 
Linda Marie Cox, Member

Date: 9/23, 2003.

