

When recorded, return to:
Channel Investment Group LLC
Attn: Kathleen Hayton, Managing Member
20446 Curran Place
Mount Vernon, WA 98274



HILARY S. FRANZ
COMMISSIONER OF PUBLIC LANDS

AMENDMENT AND NOTICE OF AND CONSENT TO ASSIGNMENT OF LEASE

210770-LT

Lease No. 22-A02677

Grantor: Washington State Department of Natural Resources
Grantee(s): Channel Investment Group LLC; LaConner Country Inn, L.L.C.
Legal Description: SW1/4NE1/4, Section 36, Township 34 North, Range 02 East, W.M.
Auditor Reference Number: 202403080026; 202403220051
Assessor's Property Tax Parcel or Account Number: Not Applicable
Assessor's Property Tax Parcel or Account Number for Upland parcel used in conjunction with this lease: P74111, P74112, P74113, P74114

This Amendment and Notice of and Consent to Assignment of Lease ("Agreement") is made by and between STATE OF WASHINGTON acting through the Department of Natural Resources ("State"), LACONNER COUNTRY INN, L.L.C., a Washington limited liability company, whose address is P.O. Box 624, La Conner, WA 98257 ("Assignor") and CHANNEL INVESTMENT GROUP LLC, a Washington limited liability company, whose address is 20446 Curran Place, Mount Vernon, WA 98274 ("Assignee").

BACKGROUND

- A. Lease No. 22-A02677 was entered into on the 19th day of March, 2024, by and between LaConner Country Inn, L.L.C. and State, and recorded with the Skagit County Auditor's Office under Auditor's File Number 202403220051 (the "Lease").
- B. The Lease is for the Property legally described in Exhibit A of the Lease.
- C. Section 4 of this Agreement includes amendments to the Lease.
- D. The term "Lease" in this Agreement includes all amendments to the Lease entered into previous to the date of this Agreement and all amendments within Section 4 of this Agreement.
- E. Capitalized terms in this Agreement that are not expressly defined herein have the meaning assigned to them in the Lease.
- F. Assignor now possesses the rights, duties, and liabilities under the Lease.
- G. Assignor desires to assign and Assignee desires to assume the rights, duties, and liabilities of Lessee under the Lease. The Lease prohibits an assignment without State's consent. State is willing to give its consent based upon the assurances and agreements made in this Agreement.

THEREFORE, Assignor and Assignee agree as follows:

SECTION 1 NOTICE OF INTENT TO ASSIGN

Assignor gives notice of its intent to assign the Lease to Assignee. Assignor warrants to State and Assignee that Assignor will assign all of its rights, title, and interest as Lessee under the Lease to Assignee effective the 29th of March, 2024, for the balance of the term as provided in the Lease upon State's consent to the assignment.

SECTION 2 NOTICE OF INTENT TO ASSUME

Assignee gives notice of its intent to assume all the duties and liabilities of Lessee under the Lease for the balance of the Lease term as provided in the Lease effective the 29th of March, 2024. By signing this Agreement, Assignee guarantees faithful performance and discharge of the duties and liabilities of Lessee according to the terms of the Lease.

SECTION 3 NO RELEASE

State does not release Assignor from fully performing the provisions of the Lease. Assignor agrees that State and Assignee may change, modify, or amend the Lease in any way, including the rent to be paid. Any change, modification, or amendment of the Lease shall not release Assignor from fully performing the provisions of the Lease. Assignor remains liable to State to the same extent as if no assignment had been made.

SECTION 4 AMENDMENTS

Paragraphs 3.1 and 10.4 of the Lease are amended to read as specified in Exhibit 1, attached hereto. All other terms of the Lease not inconsistent with this amendment or this Agreement are hereby affirmed and ratified.

SECTION 5 FURTHER ASSIGNMENTS

Further assignments may be made, without notice to or consent of Assignor, and without in any manner releasing or relieving Assignor from liability under the Lease. Assignor shall remain liable under all the terms, covenants, and conditions of the Lease as to the end of the term of the Lease. Further assignment shall not be made without prior written consent of State.

SECTION 6 WARRANTIES

Assignor represents and warrants to State and to Assignee that:

- (a) The Lease is in full force and effect;
- (b) Assignor is not in default or breach of the Lease;
- (c) Assignor has no knowledge of any claims, offsets, or defenses of any Lessee under the Lease or against State;
- (d) Rent due subsequent to this assignment have not been paid in advance by any Lessee; and
- (e) To the best of Assignor's knowledge, the Property is in full compliance with all applicable federal, state, and local governmental permits, rules, ordinances, and laws.

Assignor shall defend, indemnify and hold harmless State from any breach of the foregoing warranties and from any claims or causes of action, known or unknown, of Assignor that have or may arise from circumstances that precede this Agreement.

SECTION 7 NOTICE

Assignor instructs State to send all future notices to Assignee. Assignee has the obligation to keep Assignor informed about the activities on the Property and Assignee's performance of its obligations under the Lease. Assignee shall send to Assignor copies of any notices it receives or sends to State. Assignor has the obligation to remain informed of Assignee's activities on the Property, Assignee's performance of its obligations under the Lease, and Assignee's financial condition. State has no obligation to provide Assignor any notice or information concerning the Lease. Assignee and Assignor shall not rely on State to inform Assignor.

The parties shall direct notices required or permitted under this Consent to the following addresses:

State: DEPARTMENT OF NATURAL RESOURCES
Orca-Straits District
919 North Township Street
Sedro-Woolley, WA 98284

Assignor: LACONNER COUNTRY INN, L.L.C.
Attn: Richard E. Thompson, Managing Member
P.O. Box 624
La Conner, WA 98257

Assignee: CHANNEL INVESTMENT GROUP LLC
Attn: Kathleen Hayton, Managing Member
20446 Curran Place
Mount Vernon, WA 98274

Any Party may change the place of delivery upon ten (10) days' written notice to the others. Notice is effective upon personal delivery or three (3) days after mailing.

SECTION 8 RECORDATION OF AGREEMENT AND ASSIGNMENT AND NOTICE TO STATE

Assignor agrees to provide written notice to State that an assignment between Assignor and Assignee has been executed and to record this Agreement and the assignment (or memorandum of assignment) between Assignor and Assignee in the county in which the Property resides. Such assignment, notice, and recording must occur within 60 days of the date upon which this Agreement is executed. To meet the requirement that the assignment between the Assignor and Assignee be recorded, Assignor may record either the assignment document or a memorandum of assignment. Written notice to State under this Section shall include the recording number of this Agreement, the recording number of the assignment (or memorandum of assignment), and a copy of the assignment document or memorandum of assignment. If Assignor fails to notify State of the assignment in accordance with this Section, this Agreement shall be void.

SECTION 9 CONSTRUCTION

This Agreement shall be construed under the laws of the State of Washington. In the event of conflict between any term, condition, or provision of any agreement between the Assignor and Assignee, and the terms of this Agreement or the Lease, the terms of this Agreement and the Lease shall control. In the event of conflict between any term, condition, or provision of this Agreement and the Lease, this Agreement shall control.

SECTION 10 CONSENT BY STATE

In consideration of the foregoing, State consents to the assignment of the Lease to Assignee. However, State expressly conditions this consent on the understanding that neither State's consent nor its collection of rent from Assignee shall be a waiver of the covenant restricting future assignments or subletting. Furthermore, State's acceptance of Assignee as Lessee shall not be construed as releasing Assignor from full performance of the provisions of the Lease. Except as set forth in this Agreement, no provision of this Agreement or this consent alters or modifies any of the terms and conditions of the Lease, including the requirement that the written consent of State be obtained before any further assignment of the Lease or subletting of the Property occurs. If State fails to receive written notice of the assignment in accordance with Section 8 of this Agreement, State's consent shall be void.

SECTION 11 COUNTERPARTS

This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument as though all signatures appeared on one document.

THIS AGREEMENT requires the signature of all Parties and is effective as of
March 29, 2024.

Dated: March 29, 20 24

ASSIGNOR:

LACONNER COUNTRY INN, L.L.C.

Richard E. Thompson
By: RICHARD E. THOMPSON
Title: Managing Member
Address: P.O. Box 624
La Conner, WA 98257
Phone: (360) 421-5709

Dated: March 29, 20 24

James MacLean
By: JAMES MACLEAN
Title: Managing Member
Address: P.O. Box 624
La Conner, WA 98257
Phone: (206) 621-5601

Dated: March 29, 20 24

Thomas R. Whyte
By: THOMAS WHYTE
Title: Managing Member
Address: P.O. Box 624
La Conner, WA 98257
Phone: (425) 760-8757

Dated: MARCH 29, 20 24

James Dunlap
By: JAMES DUNLAP
Title: Managing Member
Address: P.O. Box 593
La Conner, WA 98257
Phone: (360) 202-1376

ASSIGNEE:


CHANNEL INVESTMENT GROUP LLC

Dated: March 29, 20 24

Kathleen Hayton
By: KATHLEEN HAYTON
Title: Managing Member
Address: 20446 Curran Place
Mount Vernon, WA 98274
Phone: (360) 840-6361

STATE OF WASHINGTON
DEPARTMENT OF NATURAL
RESOURCES

Dated: March 25, 2024


By: _____
Title: THOMAS GORMAN
Aquatic Resources Division
Manager
Address: 1111 Washington Street SE
Olympia, WA 98504-7027

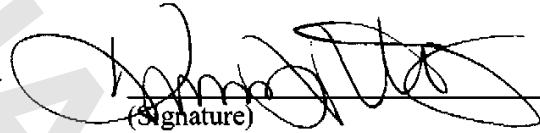
Amendment and Notice of and Consent to Assignment
Template approved as to form this
5th day of December, 2021
Jennifer Clements, Assistant Attorney General

REPRESENTATIVE ACKNOWLEDGMENT

STATE OF Washington)
) ss.
COUNTY OF Snohomish)

I certify that I know or have satisfactory evidence that RICHARD E. THOMPSON is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Managing Member of LaConner Country Inn, L.L.C. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: March 29, 2024


(Signature)

(Seal or stamp)



Kimberly A. Hawes
(Print Name)

Notary Public in and for the State of Washington,
residing at Oak Harbor

My appointment expires Aug. 18, 2024

REPRESENTATIVE ACKNOWLEDGMENT

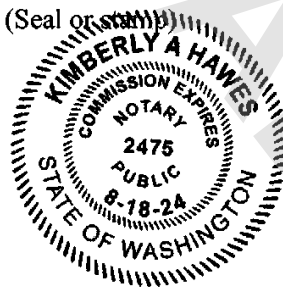
STATE OF Washington)
) ss.
COUNTY OF Skagit)

I certify that I know or have satisfactory evidence that JAMES MACLEAN is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Managing Member of LaConner Country Inn, L.L.C. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: March 29, 2024

(Signature)

(Seal or stamp)



(Print Name)

Notary Public in and for the State of Washington,
residing at Oak Harbor

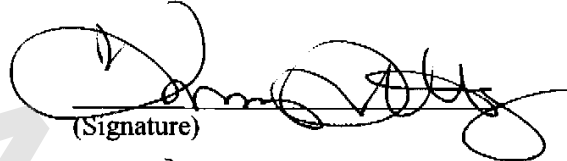
My appointment expires Aug. 18, 2024

REPRESENTATIVE ACKNOWLEDGMENT

STATE OF Washington)
COUNTY OF Skagit) ss.

I certify that I know or have satisfactory evidence that THOMAS WHYTE is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Managing Member of LaConner Country Inn, L.L.C. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: March 29, 2024


(Signature)

(Seal or stamp)



Kimberly A. Hawes
(Print Name)

Notary Public in and for the State of Washington,
residing at Oak Harbor

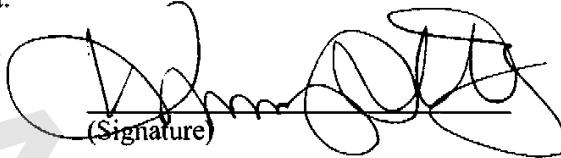
My appointment expires Aug 18, 2024

REPRESENTATIVE ACKNOWLEDGMENT

STATE OF Washington)
COUNTY OF Skagit) ss.

I certify that I know or have satisfactory evidence that JAMES DUNLAP is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Managing Member of LaConner Country Inn, L.L.C. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: March 29, 2024


(Signature)

(Seal or stamp)



Kimberly A. Hawes
(Print Name)

Notary Public in and for the State of Washington,
residing at Oak Harbor

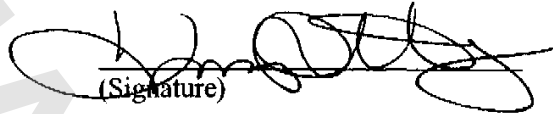
My appointment expires Aug 18, 2024

REPRESENTATIVE ACKNOWLEDGMENT

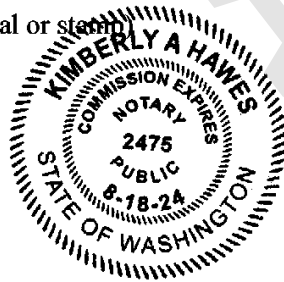
STATE OF Washington)
COUNTY OF Skaagit) ss.

I certify that I know or have satisfactory evidence that KATHLEEN HAYTON is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as the Managing Member of Channel Investment Group LLC to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: March 29, 2024


(Signature)

(Seal or stamp)



Kimberly A. Hawes
(Print Name)

Notary Public in and for the State of Washington,
residing at Oak Harbor

My appointment expires August 18, 2024

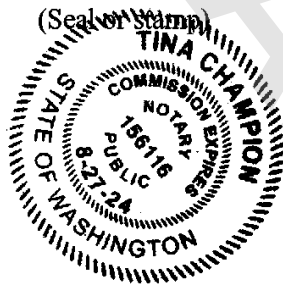
STATE ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
County of Thurston)

I certify that I know or have satisfactory evidence that THOMAS GORMAN is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Aquatic Resources Division Manager of the Department of Natural Resources, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 3.25, 2024

Tina Champion
(Signature)



Tina Champion
(Print Name)

Notary Public in and for the State of
Washington, residing at

Olympia

My appointment expires 8.27.24

EXHIBIT 1
Lease Amendments

Paragraph 3.1 of the Lease is amended to read as specified below:

3.1 Term Defined. The term of this Lease is twenty-five (25) years, beginning on the 1st day of March, 2024 (the "Commencement Date"), and ending on the 28th day of February, 2049 (the "Termination Date"), unless terminated sooner under the terms of this Lease (the "Term"). Whenever the phrase "termination of this Lease" or "termination of the Lease" is used in this Lease, it shall refer to the ending, termination, cancellation, or expiration of the Lease.

Paragraph 10.4 of the Lease is amended to read as specified below:

10.4 Financial Security.

- (a) At its own expense, Tenant shall procure and maintain during the Term a corporate security bond or provide other financial security that State, at its option, may approve as security for the faithful performance and observance by Tenant of the terms, conditions, and provisions of this Lease ("Security"). Tenant shall provide Security in an amount equal to Thirty-Five Thousand Dollars (\$35,000). Tenant's failure to maintain the Security in the required amount during the Term constitutes a breach of this Lease.
- (b) All Security must be in a form acceptable to State.
 - (1) Bonds must be issued by companies admitted to do business within the State of Washington and have a rating of A-, Class VII or better, in the most recently published edition of A.M. Best's Insurance Reports, unless State approves an exception in writing. Tenant may submit a request to the Risk Manager for the Department of Natural Resources for an exception to this requirement.
 - (2) Letters of credit, if approved by State, must be irrevocable, allow State to draw funds at will, provide for automatic renewal, and comply with RCW 62A.5-101, *et. seq.*
 - (3) Savings account assignments, if approved by State, must allow State to draw funds at will.
- (c) Adjustment in Amount of Security.
 - (1) State may require an adjustment in the Security amount:
 - (i) At the same time as revaluation of the Annual Rent,
 - (ii) As a condition of approval of assignment or sublease of this Lease,
 - (iii) Upon a material change in the condition or disposition of any Improvements, or
 - (iv) Upon a change in the Permitted Use.
 - (2) Tenant shall deliver a new or modified form of Security to State within thirty (30) days after State has required adjustment of the amount of the Security.

- (d) Upon any default by Tenant in its obligations under this Lease, State may collect on the Security to offset the liability of Tenant to State. Collection on the Security does not (1) relieve Tenant of liability, (2) limit any of State's other remedies, (3) reinstate the Lease or cure the default or (4) prevent termination of the Lease because of the default.