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06/13/2024 01:50 PM Pages: 1 of 11 Fees: \$313.50
Skagit County Auditor

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

REVIEWED BY
SKAGIT COUNTY TREASURER
DEPUTY *Rena Thompson*
DATE *6.13.24*



HILARY S. FRANZ
COMMISSIONER OF PUBLIC LANDS

CONSENT TO ASSIGNMENT OF LEASE FOR SECURITY PURPOSES

Lease No. 22-A02677

Grantor: Washington State Department of Natural Resources
Grantee(s): Peoples Bank; Channel Investment Group LLC
Legal Description: SW1/4 NE1/4, Section 36, Township 34 North, Range 02 East, W.M.
Auditor Reference Numbers: 202403080026; 202403220051; 202404010027
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 CONSENT TO ASSIGNMENT OF LEASE FOR SECURITY PURPOSES (this "Consent") is made by and between the STATE OF WASHINGTON, acting through the Department of Natural Resources ("State"), and CHANNEL INVESTMENT GROUP LLC, a Washington limited liability company ("Tenant"), and PEOPLES BANK, a Washington bank corporation ("Lender").

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"). The Commencement Date of the Lease is March 1st, 2024 and the Termination Date of the Lease, unless terminated sooner under the terms of the Lease, is February 28th, 2049.
- B. The Lease is for the Property legally described in Exhibit A to the Lease.
- C. LaConner Country Inn, L.L.C. assigned its interest in the Lease to Channel Investment Group LLC on or about March 29th, 2024. Such assignment was recorded with the Skagit County Auditor's Office under Auditor's File Number 202404010027 and consented to by State in that Notice of and Consent to Assignment of Lease recorded with the Skagit County Auditor's Office under Auditor's File Number 202404010027.
- D. The Lease was amended by that agreement entered into on March 29th, 2024 and recorded with the Skagit County Auditor's Office under Auditor's File Number 202404010027.
- E. The term "Lease" in this Consent includes all amendments to the Lease entered into previous to the date of this Consent.
- F. A copy of the Lease, including all amendments, is attached as Exhibit A.
- G. Pursuant to a certain Commercial Security Agreement dated March 29th, 2024, Lender has agreed to make a loan to Tenant in the amount of Four Million One Hundred and Thirty-Three Thousand Five Hundred Dollars (\$4,133,500.00) (the "Loan"). Part of the security for payment of the Loan is an assignment of the Lease. The Lease prohibits such an assignment without State's consent. State is willing to give its consent based upon the assurances and agreements made in this Agreement.
- H. Capitalized terms in this Consent that are not expressly defined herein have the meaning assigned to them in the Lease.

Therefore, the parties agree as follows:

SECTION 1 TENANT'S REPRESENTATIONS

Tenant represents and warrants to State and to Lender that:

- (a) the Lease is in full force and effect,
- (b) Tenant is not in default or breach of the Lease,

- (c) Tenant has no knowledge of any claims, offsets, or defenses under the Lease or against State,
- (d) the rents due subsequent to this Consent have not been paid in advance,
- (e) to the best of Tenant's knowledge, the Property, which is described in the Lease, is in full compliance with all applicable federal, state, and local governmental permits, rules, ordinances, and laws.

Tenant 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 Tenant that have or may arise from circumstances that precede this Consent.

SECTION 2 STATE CONSENTS TO THE ASSIGNMENT OF THE LEASE FOR SECURITY PURPOSES

Subject to the conditions of this Consent, State consents to: (1) the execution and delivery by Tenant of a deed of trust ("Security Instrument") to Lender, pursuant to which Tenant will grant a security lien on all of its right, title, and interest in and to the Lease and the leasehold estate in the Property, (2) the assignment of the Lease to Lender upon foreclosure under the Security Instrument, and (3) assignment of the Lease to Lender in lieu of foreclosure under the Security Instrument. State is not consenting to any other assignment of the Lease.

State is not consenting to any lien against the State of Washington's fee simple or reversionary interest in the Property or any Improvement thereon owned by the State of Washington. Further, State is not disclaiming, waiving, or subordinating any of its interests in the Property, Improvements located on the Property, or Personal Property located on the Property.

Any Security Instrument shall contain a statement that Lender is disclaiming any interest or lien against the State of Washington's fee simple and reversionary interest in the Property and any Improvement thereon owned by the State of Washington. The statement shall further provide that State shall have no liability whatsoever in connection with such Security Instrument or the instruments and obligation secured by such Security Instrument.

Except as set forth in this Consent, no provision of this Consent 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 occurs.

SECTION 3 LENDER'S NOTICE OF ASSIGNMENT OF THE LEASE AND ASSUMPTION OF ALL LEASE OBLIGATIONS

In the event of an assignment of the Lease to Lender upon foreclosure of the Security Instrument, or delivery of an assignment of the Lease to Lender in lieu of foreclosure under the Security Instrument, and upon Lender's submission of the "Lender's Notice" to State, the Lease shall continue in full force and effect as a direct lease between State and Lender, and Lender shall be fully liable for all obligations of Tenant under the Lease. The "Lender's Notice" to State shall: (1) confirm that Lender has completed the foreclosure or assignment in lieu of foreclosure, (2) confirm that Lender has acquired Tenant's interest in the Lease, and that Lender is assuming all of the Tenant's obligations under the Lease, including curing any prior defaults, (3) be signed by the Lender, and (4) reference the recording number (Auditor's File Number) for the assignment or other document, which evidences the Lease has been assigned to the Lender. The Lender's Notice shall be submitted to State within thirty (30) days of the assignment of the Lease to Lender. Any assignment to Lender shall be voidable by State if Lender fails to timely provide State with the required Lender's Notice. Prior to such assignment of the Lease to Lender, Lender shall not be liable for any of the obligations of Tenant under the Lease.

SECTION 4 TRANSFER OR ASSIGNMENT OF SECURITY INSTRUMENT

This Consent only applies to Lender and is not assignable. Any change in control of the Security Instrument shall require the prior written consent of State.

SECTION 5 DEFAULT

Except as set forth below, State may not terminate the Lease upon an Event of Default under Section 14 of the Lease or pursue any other right or remedy under the Lease triggered by an Event of Default under Section 14 of the Lease unless State has sent Lender a notice of the default and Lender's cure period has expired; provided, however, that State is not otherwise obligated to send Lender notices of default. Lender's cure period for a default is the same cure period that is provided to Tenant under the Lease and shall commence upon State's provision of notice of the default to Lender. Failure to provide a notice of default to Lender shall not relieve Tenant of its obligations under the Lease nor extend the time in which Tenant has the right to cure the default. Lender agrees that if State has the right to terminate the Lease under Paragraph 12.5 of the Lease, State may terminate the Lease without providing Lender or Tenant prior notice of the default(s) or an opportunity to cure such default(s). Lender agrees that if State elects to deem a default an Event of Default under Paragraph 14.2(d), State may terminate the Lease without providing Lender or Tenant prior notice of the default or an opportunity to cure such default. Lender acknowledges that the Termination Date of the Lease, unless terminated sooner under the terms of the Lease, is February 28th, 2039 and Tenant has no right to renew the Lease.

SECTION 6 STATE'S COLLECTION ON BONDS

If Tenant defaults on the Lease, State reserves the right to collect on any bonds or other Security posted by Tenant for the benefit of State. Any interest Lender may have in the bonds or other Security posted by Tenant shall be inferior to State's interest in the bonds and Security.

SECTION 7 CONSENT OF LENDER

No agreement between State and Tenant modifying, canceling, or surrendering the Lease shall be effective without the prior written consent of Lender; provided that nothing in this Section 7 shall limit State's right to terminate the Lease upon an Event of Default in accordance with the provisions of this Consent or upon condemnation in accordance with the terms of the Lease.

SECTION 8 RECORDING OF CONSENT

Tenant shall record this Consent in the county in which the Property resides and provide State with the Auditor's File Number within sixty (60) days of the effective date of this Consent.

SECTION 9 NOTICE

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

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

Lender: PEOPLES BANK
Attn: Aldi Klllogjeri, SVP – Commercial Banking Officer
822 South Burlington Boulevard
Burlington, WA 98233

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 10 TERMINATION OF CONSENT

This Consent shall continue in force until either the Lease terminates or Tenant's obligations under the Loan are satisfied, whichever comes first.

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 on the date of the last signature below.

CHANNEL INVESTMENT GROUP LLC

Dated: 4/3/2024, 20__

Kathleen Hayton

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

PEOPLES BANK

Dated: 4/3/2024, 20__

Mike Fredlund

By: MIKE FREDLUND
Title: SVP – Commercial Market Leader
Address: 822 South Burlington Boulevard
Burlington, WA 98233
Phone: (360) 421-5801

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

Dated: 4/5/2024, 20__

Michael Rechner

By: THOMAS GORMAN
Title: Aquatic Resources Division
Manager
Address: 1111 Washington Street SE
Olympia, WA 98504-7001

Consent to Assignment of Lease for Security Purposes
Template approved as to form this
5th day of December 2021
Jennifer Clements, Assistant Attorney General



**DEPARTMENT OF
NATURAL RESOURCES**

Aquatic Resources Division
PO Box 47027
Olympia, WA 98504-7027

360-902-1100
ARD@DNR.WA.GOV
WWW.DNR.WA.GOV

March 29, 2024

MEMORANDUM

TO: Katie Allen, Acting Deputy Supervisor, Forest Resilience, Regulation & Aquatics

FROM: Thomas Gorman, Aquatic Resources Division Manager

SUBJECT: Delegation of Authority

During my absence from April 1 - 5, 2024, I delegate the authority reserved to the Aquatic Resources Division Manager, as set forth in the Delegation Order dated October 31, 2022, to Michal Rechner, Assistant Division Manager.

This delegation excludes appointing authority and discipline or termination decisions, which are referred to you during this period.

c: Aquatic Resources Division
Tina Champion

REPRESENTATIVE ACKNOWLEDGMENT

Notarized online using audio-video communication.

STATE OF washington)
) ss.
COUNTY OF whatcom)

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 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.

This notarial act involved the use of communication technology.

Dated: 4/3/2024

(Seal or Stamp)

KATHLEEN LOWE
Notary Public
State of Washington
Commission # 23024315
Commission Expires 8/10/2027

Kathleen Lowe
(Signature)

kathleen Lowe
(Print Name)
Notary Public in and for the State of Washington,
residing at washington

My appointment expires 8/10/2027

REPRESENTATIVE ACKNOWLEDGMENT

Notarized online using audio-video communication.

STATE OF Bellingham, Washington
) ss.
COUNTY OF Whatcom)

I certify that I know or have satisfactory evidence that MIKE FREDLUND 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 SVP – Commercial Market Leader of Peoples Bank to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

This notarial act involved the use of communication technology.

Dated: 4/3/2024

Kathleen Lowe
(Signature)

(Seal or Stamp)

KATHLEEN LOWE
Notary Public
State of Washington
Commission # 23024315
Commission Expires 8/10/2027

Kathleen Lowe
(Print Name)
Notary Public in and for the State of Washington,
residing at Bellingham, Washington

My appointment expires 8/10/2027

STATE ACKNOWLEDGMENT

Notarized online using audio-video communication.

STATE OF WASHINGTON)
) ss
County of Skagit)

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.

This notarial act involved the use of communication technology.

Dated: 4/5/2024

Kathleen Lowe

(Signature)

(Seal or Stamp)

kathleen Lowe

(Print Name)

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

KATHLEEN LOWE
Notary Public
State of Washington
Commission # 23024315
Commission Expires 8/10/2027

My appointment expires 8/10/2027