

**TRANSFER AGREEMENT
(Chehalis – Centralia Airport)**

THIS TRANSFER AGREEMENT ("Transfer Agreement") is made and entered into this 31st day of Dec., 2013, by and between **LEWIS COUNTY**, a municipal corporation (the "County"), and the **CITY OF CHEHALIS**, a municipal corporation, its successors and assigns (hereinafter the "City"), pursuant to RCW chapter 39.34.

WITNESSETH:

WHEREAS, the Chehalis-Centralia Airport (the "Airport") is jointly operated, maintained and regulated by the City and County pursuant to the *Chehalis-Centralia Airport Operating Agreement*, dated as of December 19, 2005, between the City and County (the "Operating Agreement");

WHEREAS, the County has determined that it is in the best interests of the County to withdraw from the Operating Agreement and to transfer its interest in the real and personal property of the Airport to the City subject to the terms and conditions of this agreement;

WHEREAS, the County is a party to thirteen (13) grant agreements with the Federal Aviation Administration (FAA), dating from 1981 to 2013 and in a collective amount of \$3,467,691.65, that subject the County to continuing obligations, including repayment if the grant agreements are violated;

WHEREAS, the City desires to continue operating the Airport as sole owner and operator and concurrently has entered into the *Assignment and Assumption Agreement* with the City of Centralia, the County and the Federal Aviation Administration accepting the assignment of and assuming all covenants, obligations, terms and conditions of the Grant Agreements entered into with the Federal Aviation Administration (the "FAA") concerning the Airport, both by the City of Centralia and Lewis County;

WHEREAS, on August 29, 2007, the County issued the *Lewis County, Washington, Limited Tax General Obligation Bond, 2007* (Centralia-Chehalis Airport) in the principal amount of \$3,500,000 (the "County Bond") to finance extensive improvements for the benefit of the Airport;

WHEREAS, as a condition to the issuance of the County Bond, the City and County entered into an Interlocal Agreement (the "*Bond Interlocal Agreement*") providing that the operating revenues of the Airport shall be the primary source of repayment of the County Bond and for the administrative costs relating to the County Bond and that Airport operating revenues shall be drawn upon and transferred to the Lewis County Treasurer ("Treasurer") to be deposited into the Lewis County Limited Tax General

Obligation Bond Fund, 2007 (Chehalis-Centralia Airport) Airport Debt Service Fund (the "Airport Debt Service Fund") at times and in amounts sufficient to pay debt service on the County Bond when due;

WHEREAS, in the *Bond Interlocal Agreement*, the City and County further agreed that in the event that Airport operating revenues are insufficient to pay debt service on the County Bond, the City shall be obligated promptly (within 24 hours) following receipt of written notice from the County to remit one-half of the deficiency to the County to pay debt service on the County Bond;

WHEREAS, the transfer to the City of the County's interest in the Chehalis-Centralia Airport requires an amendment of the *Bond Interlocal Agreement* to ensure that the debt service on the County Bond remains current until maturity and that the County Bond is fully paid at final maturity of the County Bond on June 1, 2017;

WHEREAS, the transfer contemplated by this Agreement and the *Assignment and Assumption Agreement* will (1) release the County from all obligations under the approximately \$3.5 million in FAA Grant Agreement obligations, (2) ensure full payment of the June 1, 2017 balloon payment on the outstanding Airport Bonds in the amount of \$1,565,777.43, and (3) require the City to timely fund all other remaining annual bond payments in full, net of interest earned in the debt service fund;

WHEREAS, the present and future liabilities to the County being assumed by and provided for by the City exceed the deemed value to the County of the undivided property interest being transferred by the County, which interest is encumbered by and subject to the restrictions stated in the FAA Grant Agreements; and,

WHEREAS, in the event of the closure of the Airport and subject to compliance with the requirements of FAA Revenue Use Policy, Section II.B.1.a.ii, 64 Fed. Reg. 7696, 7716 (dated February 16, 1999)(as amended), the City agrees to grant one-half of the future proceeds of the sale or other disposition of any real property and improvements contributed to the Airport or acquired during the time that the County and the City were joint owners of the Airport, after deduction of any interest of the City of Centralia in said proceeds, to the Lewis County Airport located near Toledo, Washington, as the replacement airport for the Chehalis-Centralia Airport, or to another suitable airport owned in whole or in part by the County should the airport near Toledo no longer be owned by the County;

NOW THEREFORE in consideration of the above-stated recitals, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. County Withdrawal from Operating Agreement. The County withdraws from the Operating Agreement and the City consents to that withdrawal. The

City shall defend, indemnify and hold Lewis County harmless from any and all claims and losses arising out of Airport activities occurring after the execution of this Agreement.

2. City Grant of Interest in Proceeds of Sale or Other Disposition of Airport Property upon Closure of the Airport. Although the County conveys its interest in the real and personal property of the Airport to the City, the City hereby grants and conveys to the County a one-half interest in the proceeds from the sale or other disposition of any interest in the real property (and improvements thereto) described in Exhibit A to this Agreement (the "Joint Property"), after deduction of any proceeds due to the City of Centralia pursuant to Chehalis Resolution 9-2004, Centralia Resolution 2432 and County Resolution 04-304. Legal descriptions of the parcels comprising the Joint Property are attached hereto as **Exhibit A** to this Agreement and are incorporated herein by this reference. Such payment shall be made for the benefit of and applied exclusively toward the Lewis County Airport near Toledo, Washington or such other airport owned or operated by Lewis County as qualifies as a replacement airport for purposes of the then current version of FAA Revenue Use Policy, Section II.B.1.a.ii, 64 Fed. Reg. 7696, 7716, dated 2/16/99, as directed by the Lewis County Board of County Commissioners. If the said FAA Revenue Use Policy or applicable subsequent FAA Policy is no longer in effect, such payment shall be made directly to Lewis County. If the said FAA Revenue Use Policy or applicable subsequent FAA Policy is still in effect at that time but the County no longer owns an interest in any suitable airport, the Lewis County Board of County Commissioners shall promptly determine to which other suitable airport the monies shall be granted.
 - a. Fair Market Value. In the event the City closes the Chehalis-Centralia Airport and conveys, transfers or disposes of its interest in any of the Joint Property for no remuneration or for less than the fair market value of the Joint Property or interest in that property, the City shall pay the County one-half of the fair market value of the Joint Property or interest in that property for the purposes provided herein, which value shall be determined by an independent appraisal by a competent appraiser agreed to by both parties. In the event that the Chehalis-Centralia Airport is acquired by the FAA or another federal agency, this section will not apply to the transaction.

b. Proceeds. For purposes of this section 2 of this Agreement, the term "proceeds" shall mean: Gross sale price less ordinary selling expenses paid by the City including but not limited to escrow fees, title insurance costs, survey costs, and real estate commissions.

c. Recording. This Agreement shall be recorded with the Lewis County Auditor's Office as to all parcels identified in **Exhibit A** to this Agreement. This Agreement shall also be posted on the websites for the County and the City.

3. Amendment of Bond Interlocal Agreement. Section 3 of the Bond Interlocal Agreement entered into by the City of Chehalis and Lewis County on August 27, 2007, is hereby amended by the replacement of the following Section 3 for the existing Section 3 of that August 27, 2007 Bond Interlocal Agreement:

Section 3. In the event that Airport operating revenues are insufficient to pay debt service on the County Bond, the City shall be obligated promptly (within 24 hours) following receipt of written notice from the County (which notice may be electronic as provided in Section 5) to remit the entire deficiency to the County.

In all other respects the August 27, 2007 Bond Interlocal Agreement shall remain in full force and effect.

4. Mandated Minimum Balance in Airport Debt Service Fund. The County Bond provides for a ten-year term with a 15-year amortization. There is an annual payment on the County Bond of \$158,102.91 with a final payment due on June 1, 2017 of \$1,565,777.43. The City shall timely provide the required funds to the County for the County to timely make all required bond payments. At the close of business on December 31, 2013, the County Treasurer shall transfer from Airport Agency Fund 621 to the Airport Debt Service Fund the amount sufficient to bring the balance of that account to \$1,565,777.43. Thereafter, the City shall ensure and agrees to at all times maintain a cumulative balance of at least \$1,565,777.43 in the Airport Debt Service Fund managed by the Lewis County Treasurer until the County Bond is fully paid at maturity. The City shall indemnify and hold Lewis County harmless from any and all claims arising out of the breach of section 4 of this agreement and section 3 of the *Bond Interlocal Agreement* as amended by section 3 of this agreement. The County Treasurer shall credit to the City interest earned on the funds on deposit in the Airport Debt Service Fund from

and after January 1, 2014, but such earnings shall only be applied toward the funds required by the County to timely make all required County Bond payments. Any funds remaining in the Airport Debt Service Fund after the County Bond has been fully paid shall be remitted to the City Treasurer.

5. Management of Airport Debt Service Fund. The County Treasurer shall manage the Airport Debt Service Fund in accordance with the Lewis County Investments Policy, as from time to time amended.
6. Approval of Bondholder. This Agreement shall not be effective unless and until the Bank of America or its successor in interest to the Airport Bond approves the changes implemented by this Agreement, including the change in the flow of funds to pay the Airport Bond. The County will exercise its best efforts to secure the timely approval of Bank of America or other bondholder.
7. Management of Airport Agency Fund 621 in Transition.
 - a. At the close of business on December 31, 2013, the County Treasurer shall transfer to the City all of the funds remaining in Airport Service Fund 621, except for (1) the funds transferred to the Airport Debt Service Fund to bring the balance of that fund to \$1,565,777.43 and (2) \$100,000 to pay 2013 Airport expenses (including but not limited to salaries for December, 2013) submitted for payment to the County Auditor on or before noon on January 15, 2014. Any funds remaining in Airport Agency Fund 621 after those payments and the payment to the Airport Debt Service Fund are made shall be remitted by the County Treasurer to the City on or before January 24, 2014.
 - b. The City shall be responsible for payment of all Airport expenses incurred after close of business December 31, 2013, and for any 2013 Airport expenses for which invoices have not been submitted to the Lewis County Auditor for payment by noon on January 15, 2014. The last payroll for the Airport employees will be in the latter half of December 2013. The City shall be responsible for payment for January health and welfare benefits and shall indemnify and hold Lewis County harmless from any and all claims arising from the failure to pay for or provide health and welfare benefits to Airport employees.
8. Cooperation. The parties agree to cooperate in facilitating the execution of all documents and agreements necessary and appropriate to the fulfillment of the terms, conditions and obligations contemplated by this Agreement.

9. Access Easement. The City shall grant the County and its contractors an access easement without fee and on reasonable terms for purposes of completing Phases 1A and 1B of the Airport Levee Project, which project provides flood protection to the Airport.

10. Amendments. This agreement may be amended, altered or changed from time to time by agreement of the parties hereto evidenced by written amendment thereto. No party shall withdraw from this Agreement without the consent of the other.

11. Notices. All notices or other communications required or permitted under this Agreement shall be sufficiently given if given by electronic communication, with return receipt verified, promptly confirmed in writing by U.S. Mail, return receipt requested:

a. If to *County*: Lewis County Commissioners
360 N. W. North Street
Chehalis, WA 98532
Attention: Chairperson

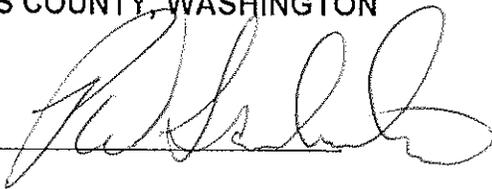
b. If to *City*: City Manager
City of Chehalis
350 N. Market Boulevard
Chehalis, WA 98532

12. Governing Law. This agreement shall be construed and enforced in accordance with the laws of the State of Washington, and venue for any dispute arising hereunder shall be in the Superior Courts for the State of Washington in Thurston County.

EXECUTED IN DUPLICATE and effective as of January 1, 2014.

LEWIS COUNTY, WASHINGTON

By _____



By _____

Name: _____

Title: Commissioner

P.W. SCHWALTER

Name: _____

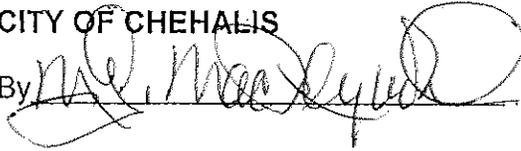
Title: Commissioner

By _____

Name _____

Title: Commissioner

CITY OF CHEHALIS

By 

Name Martin G. MacRyord
Title: City Manager

Exhibit A

Parcel 1

Tract 3 as depicted on a Record of Survey of Chehalis-Centralia Airport prepared by Foresight Surveying dated September 2009 and recorded November 5, 2009, under Lewis County Auditor's File No. 3336250, being located within the north half of Section 19, Township 14 North, Range 2 West, W.M., Lewis County, Washington.

Parcel 2

Those portions of Government Lots 5 and 6 of Section 19, Township 14 North, Range 2 West, W.M., Lewis County, Washington, lying north and west of the Airport County Road. EXCEPT THEREFROM that part of Government Lot 5 lying northerly of Airport County Road and easterly of the outlet drainage ditch on county-city airport diking pump.

ALSO, that portion of Government Lot 7, Section 19, Township 14 North, Range 2 West, W.M., Lewis County, Washington, lying easterly of the following described Line "A":
BEGINNING at the southwest corner of said Government Lot 7; thence south $89^{\circ}37'37''$ east 1157.75 feet, along the south line thereof, to the west line of the airport restrictive zone, 1250 feet west, as measured perpendicular from the centerline, of runway 15/30 to the true point of beginning of said Line "A"; thence north $2^{\circ}12'09''$ west 1408.5 feet, parallel with the centerline of said airport runway, to the right bank (southeasterly bank) of the Chehalis River and the terminus of said Line "A".

Parcel 3

That portion of Section 19, Township 14 North, Range 2 West, W.M., Lewis County, Washington, lying southeasterly of Airport County Road as said road exists February 7, 2013.
EXCEPT that portion of said property lying easterly of the westerly line of Interstate Highway No. 5.
ALSO EXCEPT that portion of the east half of the east half of said Section 19 lying northerly of the north line of the south 575 feet of the northeast quarter of the southeast quarter of said Section 19.
ALSO EXCEPT those portions of Government Lot 5 and of the northwest quarter of the southeast quarter of said Section 19 lying northerly and easterly of the following described Line "A":
BEGINNING at the southeast corner of the northwest quarter of the southeast quarter of said Section 19; thence north to a point 660 feet south of the northeast corner of said northwest quarter of the southeast quarter and the true point of beginning of said Line "A"; thence north $72^{\circ}58'$ west 619.4 feet to the bank of the Slough; thence westerly along said bank to a point 300 feet east of the west line of said northwest quarter of the southeast quarter; thence north to the southerly line of Airport Road and the terminus of said Line "A".

ALSO EXCEPT Louisiana Avenue.

ALSO EXCEPT Arkansas Way.

ALSO EXCEPT Chamber of Commerce Way.

ALSO these portions of Section 19, Township 14 North, Range 2 west, W.M., Lewis County, Washington, lying within the boundaries of the slough or lake known as Emrich Lake as disclosed by Warranty Deed recorded February 11, 1942, under Auditor's File No. 364572, records of said County.

ALSO that portion of the north half of Section 30, Township 14 North, Range 2 West, W.M., Lewis County, Washington lying westerly of Interstate Highway No. 5.
EXCEPT that portion of said north half lying westerly of the easterly line of Airport County Road as said road exists February 7, 2013.

ALSO EXCEPT that part of the southwest quarter of the northeast quarter of Section 30, Township 14 North, Range 2 West, W.M., Lewis County, Washington lying easterly of the following described Line "A":

BEGINNING at the southwest corner of said southwest quarter of the northeast quarter; thence south 89°56'10" east 165.00 feet along the south line thereof to the northeast corner of Lot 1 of Chehalis Land and Timber Company's First Subdivision and the true point of beginning; thence north 00°03'42" east, 1245.4 feet parallel with the west line of said southwest quarter of the northeast quarter; thence north 36°39'13" east 100.66 feet to a point on the north line of said southwest quarter of the northeast quarter that is 225.00 feet south 89°54'05" east from the northwest corner of said southwest quarter of the northeast quarter and the terminus of said Line "A".

ALSO EXCEPT Louisiana Avenue.

ALSO EXCEPT Chamber of Commerce Way.

ALSO Lots 1, 2, 3, 4, 5, 6, 7 and 8 Chehalis Land and Timber Company's First Subdivision to Chehalis as recorded in volume 2 of Plats, page 91, records of Lewis County, Washington.

EXCEPT those portion of said Lots 1-8 lying east of the west line of Northwest Louisiana Avenue.

ALSO EXCEPT those portions of said Lots 1-8 lying southwesterly of the northwesterly line of St. Helen Avenue.

ALSO Blocks 1 and 2 Chehalis Land and Timber Company's Second Subdivision to Chehalis, as recorded in volume 2 of Plats, page 143, records of Lewis County, Washington.

EXCEPT Those portions of said Blocks 1 and 2 lying southwesterly of the northeasterly line of St. Helen Avenue.

ALSO EXCEPT that portion of said Block 1 lying westerly of the easterly line of Airport Road.

Parcel 4

A portion of the north half of the south half of Section 30, Township 14 North, Range 2 West, W.M., Lewis County, Washington, more particularly described as follows:

COMMENCING at the 1 inch iron bar marking the southwest corner of Section 30, Township 14 North, Range 2 West, W.M., Lewis County, Washington; thence along the south line of said Section 30 north 89°26'57" east 2746.15 feet to the stone marking the south quarter corner of said Section 30; thence along the north/south centerline of said Section 30 north 00°02'48" east 1316.71 feet to the southeast corner of the northeast quarter of the southwest quarter of said Section 30; thence along the south line of said Subdivision south 89°41'15" west 444.88 feet to the southerly extension of the east line of that tract of land described in Contract recorded October 11, 1976, under Auditor's File No. 821519, Lewis County, Washington; thence along said southerly extension and along said east line north 00°28'45" west 123.64 feet to the true point of beginning; thence continuing along said east line north 00°28'45" west 569.69 feet to the southerly margin of St. Helens Avenue and the northeast corner of said tract of land described in Contract recorded under Auditor's File No. 821519; thence along said southerly margin south 52°28'41" east 516.55 feet to the westerly margin of Louisiana Avenue; thence along said westerly margin south 02°04'19" west 8.27 feet; thence continuing along said westerly margin south 21°25'28" east 244.70 feet; thence south 87°47'51" west 494.37 feet to the true point of beginning.

ALSO a portion of the southwest quarter of Section 30, Township 14 North, Range 2 West, W.M., Lewis County, Washington, more particularly described as follows:

COMMENCING at the 1 inch iron bar marking the southwest corner of Section 30, Township 14 North, Range 2 West, W.M., Lewis County, Washington; thence along the south line of said Section 30 north 89°26'57" east 2746.15 feet to the stone marking the south quarter corner of said Section 30; thence along the north/south centerline of said Section 30 north 00°02'48" east 1316.71 feet to the southeast corner of the northeast quarter of the southwest quarter of said Section 30; thence along the south line of said Subdivision south 89°41'15" west 444.88 feet to the southerly extension of the

east line of said tract of land; thence along said southerly extension and along said east line north 00°28'45" west 123.64 feet to the true point of beginning; thence south 87°47'51" west 48.62 feet; thence north 03°30'29" east 579.06 feet to the southerly margin of St. Helens Avenue; thence along said southerly margin south 52°28'41" east 10.58 feet to the northeast corner of said tract of land; thence along the east line of said tract south 00°28'45" east 569.69 feet to the true point of beginning.

TOGETHER WITH AND SUBJECT TO easements, covenants, and restrictions of record, including but not limited to all easements that benefit the described Airport property, such as but not limited to all aviation easements.