

MINUTE ITEM

This Calendar Item No. C42 was approved as Minute Item No. 42 by the California State Lands Commission by a vote of 3 to 0 at its 5/12/97 meeting.

CALENDAR ITEM

C42

A 19

S 8

05/12/97
WP 4689.1
WP 4690.1
WP 4691.1
D. Plummer

**CONSENT TO ENCUMBER
GENERAL LEASES - COMMERCIAL USE**

LESSEE/ASSIGNOR:

FelCor/CSS Holdings, L.P.
c/o William S. Brunsten
Manatt, Phelps & Phillips, LLP
11355 West Olympic Blvd.
Los Angeles, California 90064

SECURED-PARTY LENDERS:

Chase Manhattan Bank, as administrative agent and Wells Fargo Bank National Association, as document agent.

AREA, LAND TYPE, AND LOCATION:

Filled sovereign lands in the city of Burlingame, San Mateo County.

AUTHORIZED USE:

360 room, ten story hotel, together with a restaurant, lounge, typical hotel concessions and public park.

LEASE TERM:

66 years, beginning July 1, 1972.

OTHER PERTINENT INFORMATION:

1. At its October 17, 1995, meeting, the Commission approved an assignment of the leases from San Francisco International Airport Hometel (On-The-Bay) limited partnership, (Hometel) to FelCor/CSS Holdings, L.P., a Delaware limited partnership (FelCor) which was in the process of acquiring the hotel. As part of the transaction, FelCor secured loan financing from Smith Barney Mortgage Capital Group, Inc., for up to twenty million dollars.

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FelCor now desires to obtain financing for the maintenance, operation and repair of the hotel and various other hotels owned by FelCor. The security for the loan will come from the various assets (Borrowing Base) of FelCor, of which, the leasehold estates created by the State leases is but a part. The leases currently provide that the total amount of indebtedness secured by the mortgage shall not exceed seventy-five percent of the aggregate fair market value of the hotel and that proceeds from any loan be used "exclusively for financing the acquisition of the leasehold and construction, maintenance, operation, repair, alteration and reconstruction of the property and improvements". Due to the nature of Borrowing Base financing, it is necessary for the leases to be amended as a part of the encumbrancing agreement. The encumbrancing agreement will provide that: 1) any loan proceeds may be expended pursuant to a separate Credit Agreement between FelCor and secured-party lenders. This credit agreement provides that the expenditure of loan proceeds may be used throughout the Borrowing Base and for additional acquisitions by FelCor; 2) the leasehold estates may be used as security for the loan provided that the total amount of indebtedness under the loans does not exceed more than seventy-five percent of the aggregate fair market value of the hotel and all of the other assets of Lessee included in the Borrowing Base; 3) the State and the secured-party lender, will agree that in the event that the leases are terminated as a result of the leases being rejected in a bankruptcy proceeding relating to Lessee, the State will enter into a new lease or leases with secured-party lenders under the same terms and conditions for the remainder of the term of the leases; 4) the Agreement and Consent to Encumbering of Leases entered into among Lessor, Lessee and Smith Barney Mortgage Group, Inc., is of no further force or effect.

2. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

EXHIBIT:

- A. Location Map

CALENDAR ITEM NO. C42 (CONT'D)

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

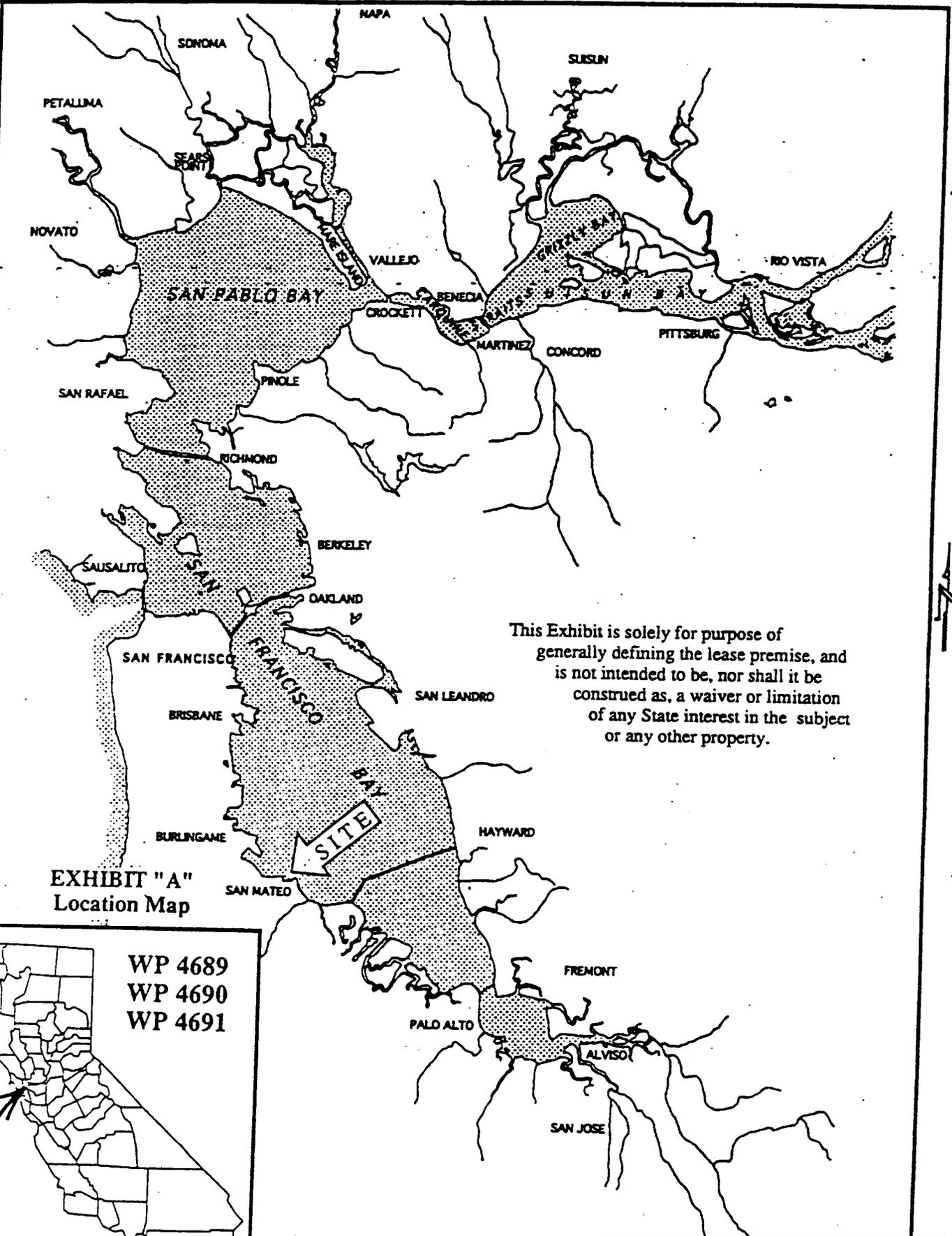
CEQA FINDING:

FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061, BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

AUTHORIZE THE ENCUMBRANCING OF THE LEASEHOLD ESTATES OF LEASES NO'S. PRC 4689.1, PRC 4690.1 AND PRC 4691.1 BY FELCOR/CSS HOLDINGS L.P., A DELAWARE LIMITED PARTNERSHIP; APPROVE CHASE MANHATTAN BANK, AS ADMINISTRATIVE AGENT, AND WELLS FARGO BANK NATIONAL ASSOCIATION, AS DOCUMENT AGENT, AS SECURED-PARTY LENDERS; AUTHORIZE AMENDMENT OF THE LEASES PURSUANT TO THE ENCUMBRANCING AGREEMENT.

AUTHORIZE STAFF TO TAKE ALL ACTIONS NECESSARY TO EFFECTUATE THIS ENCUMBRANCING OF THE LEASEHOLD, INCLUDING THE EXECUTION AND RECORDATION OF NECESSARY DOCUMENTS.



This Exhibit is solely for purpose of generally defining the lease premise, and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

EXHIBIT "A"
Location Map



WP 4689
WP 4690
WP 4691