CALENDAR ITEM
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09/22/98
PRC 4769.1
PRC 5735.1
N. Smith
D. Plummer
M. Meier

REQUEST FOR APPROVAL OF ASSIGNMENT OF LEASES AND CONSENT TO ENCUMBER LEASES

LESSEES/ASSIGNORS:

Wickland Oil Martinez L.P., a
California limited partnership
P.O. Box 13648
Sacramento, California 95853

Wickland Oil Company, a
California Corporation
P.O. Box 13648
Sacramento, California 95853

ASSIGNEE:

Shore Terminals, LLC, a
Delaware Limited Liability Company
12 Green Valley Drive
Lafayette, California 94549

BACKGROUND:

The Commission currently has two leases with Wickland affiliate companies, both of which are the subject of this calendar item. The first lease, PRC 4769.1, was issued on June 1, 1973 to Wickland Oil Martinez for a term of 25 years with two renewable options, each for 10 years. The renewal options are subject to such reasonable terms and conditions that the Commission may impose. This lease covers 5.04 acres of sovereign lands in the Carquinez Strait, Contra Costa County. Current rent is $26,457 per year, with the State retaining the right to adjust the rent at each renewal option. Wickland has notified Staff that it is exercising that option to renew. Staff responded indicating that the Commission must approve the renewal and that continued operation of the terminal was subject to the California Environmental Quality Act (CEQA). The initial term of

the lease is extended until the Commission is able to act on the renewal. Staff is currently preparing an initial study required by CEQA.

The second lease under consideration was issued for the marine terminal located near Selby, PRC 5735.1, which was entered into on January 1, 1981 and will expire December 31, 2005. The lease covers 5.80 acres of sovereign lands in San Pablo Bay, Contra Costa County. The rent is now set at $29,333 per year, with the State retaining a right to fix a higher rent periodically during the lease term.

Wickland Oil Martinez L.P., a California limited partnership and Wickland Oil Company, a California Corporation, has requested an assignment of these two marine terminals to Shore Terminals, LLC. The assignment is necessitated by the sale of the marine terminal facilities, including the leasehold interests contained in the two Commission leases, PRC 4769.1 and PRC 5735.1, to Shore Terminals, LLC.

Shore Terminals, LLC, has requested approval of an "Agreement and Consent to Encumbrancing of the Lease", in the amount up to a maximum of $55 million for a term which will expire on December 31, 2003, to finance (I) a portion of the purchase price for the acquisition of the uplands, leasehold interests, and improvements, (ii) capital improvement projects at the acquired terminals, and (iii) working capital. The leasehold interests in the State leases is a part of the overall collateral being pledged as security for the loan. The lender group is comprised of Bank Boston, N.A. as Agent Bank. The Agent's role is to syndicate a loan or series of loans through itself and perhaps several other lending institutions. Syndication spreads the risk among the lending banks and may allow for financing larger amounts than would be possible from any one bank. The Agent continues to represent all of the lenders until the security interest is no longer necessary or the Agent is relieved by an assignment or other similar transaction. The Agent would be the entity which would "step into the shoes" of the Lessee in the event of a default. The current syndicate of lenders being formed may include Fleet National Bank, PNC Bank Corp., and LaSalle National Bank. Staff has been provided financial reports for the Agent Bank and each institution being considered for inclusion in the syndicate. Staff examined that information and is satisfied that each of the subject banks is both substantial and capable. Staff further believes that Bank Boston, N.A. would function effectively as "Agent" under the proposed Encumbrancing Agreement, and would perform under the lease in the unlikely event of a default.

The Commission has previously approved encumbrancing of both leaseholds with term loans in the aggregate amount of $87.2 million ($37.2 million secured by the Selby terminal and $50 million secured by the Martinez terminal), with the First National Bank of Boston (now Bank Boston, N.A.) acting as co-agent bank. Wickland will, as a part of the sale of the terminals to Shore Terminals, LLC, retire any indebtedness that remains under the previously approved encumbrancing agreements.

Staff has informed both the Lessee/Assignor and the proposed Assignee that any action on this assignment and encumbrancing does not bind the Commission in any way with respect to the renewal of PRC 4769.1. Staff has also informed the Lessee/Assignor that it will not be released from its responsibilities for performance under the covenants, conditions, and agreements of the leases.

OTHER PERTINENT INFORMATION:

This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code section 6370, et seq. but will not affect those significant lands.

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.

EXHIBITS:

A. Location Map for PRC 4769.1
B. Location Map for PRC 5735.1

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.

SIGNIFICANT LANDS INVENTORY FINDING:

FIND THAT THIS ACTIVITY WILL INVOLVE LANDS IDENTIFIED AS POSSESSING SIGNIFICANT ENVIRONMENTAL VALUES PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ., BUT THAT SUCH ACTIVITY WILL HAVE NO DIRECT OR INDIRECT EFFECT ON THOSE RESOURCES FOR WHICH SUCH LANDS ARE IDENTIFIED.

AUTHORIZATION:

AUTHORIZE APPROVAL OF THE ASSIGNMENT OF THE INTERESTS NOW HELD UNDER GENERAL LEASES - INDUSTRIAL USE PRC 4769.1 AND PRC 5735.1 BY WICKLAND OIL MARTINEZ L.P., A CALIFORNIA LIMITED PARTNERSHIP AND WICKLAND OIL COMPANY, A CALIFORNIA CORPORATION, COLLECTIVELY CALLED "ASSIGNORS", TO SHORE TERMINALS, LLC, A DELAWARE LIMITED LIABILITY COMPANY, PROVIDED THAT NEITHER ASSIGNOR IS RELEASED FROM ANY OR ALL RESPONSIBILITIES FOR PERFORMANCE UNDER THE COVENANTS, CONDITIONS, AND AGREEMENTS OF THE LEASES;

APPROVE AN AGREEMENT AND CONSENT TO ENCUMBRANCING OF THE LEASEHOLDS, AND AUTHORIZE THE EXECUTIVE OFFICER TO APPROVE THE SUBSTITUTION OF LENDERS ENTERING OR LEAVING THE LENDERS GROUP; AND

AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE THE NECESSARY DOCUMENTS TO EFFECTUATE THESE TRANSACTIONS.

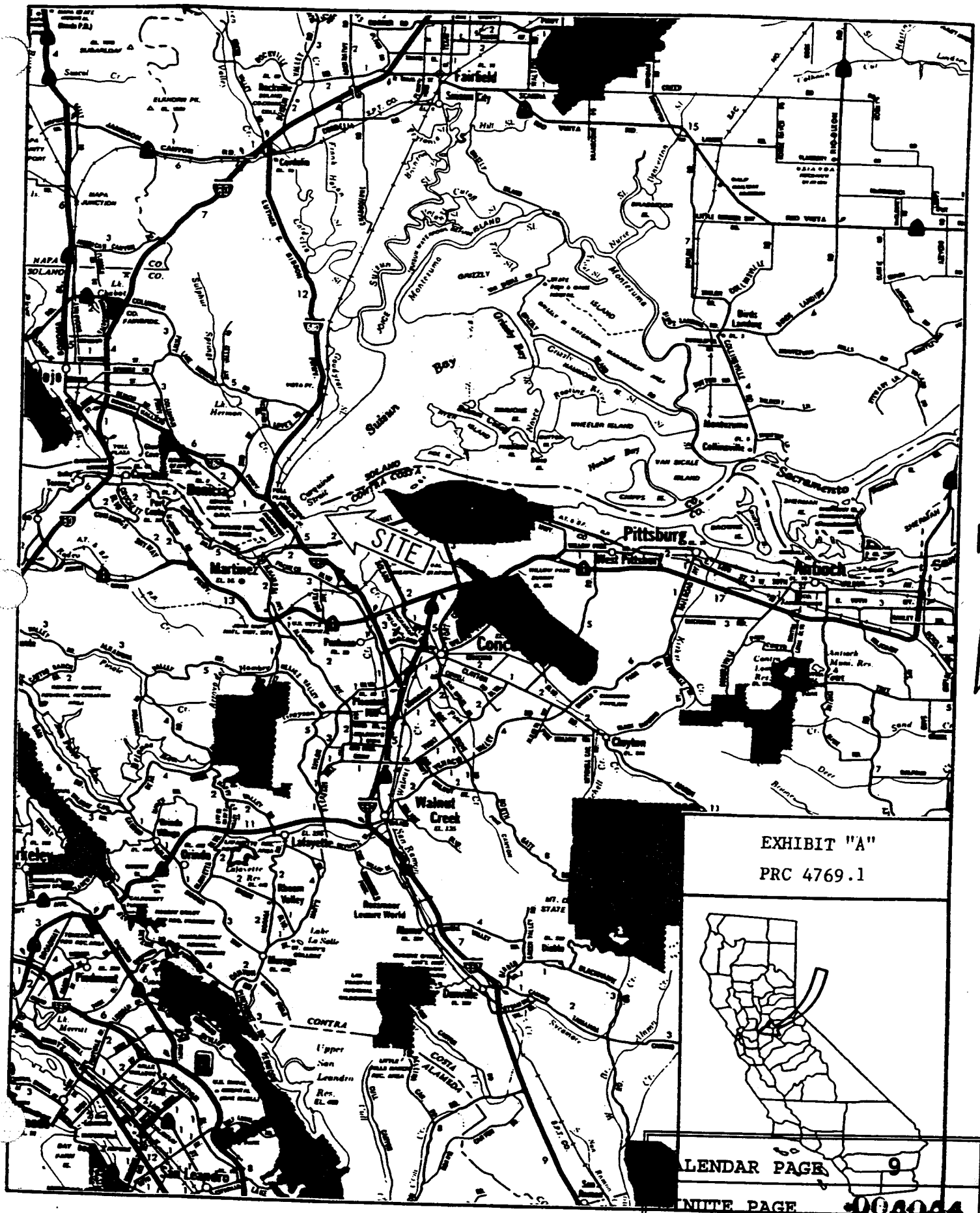
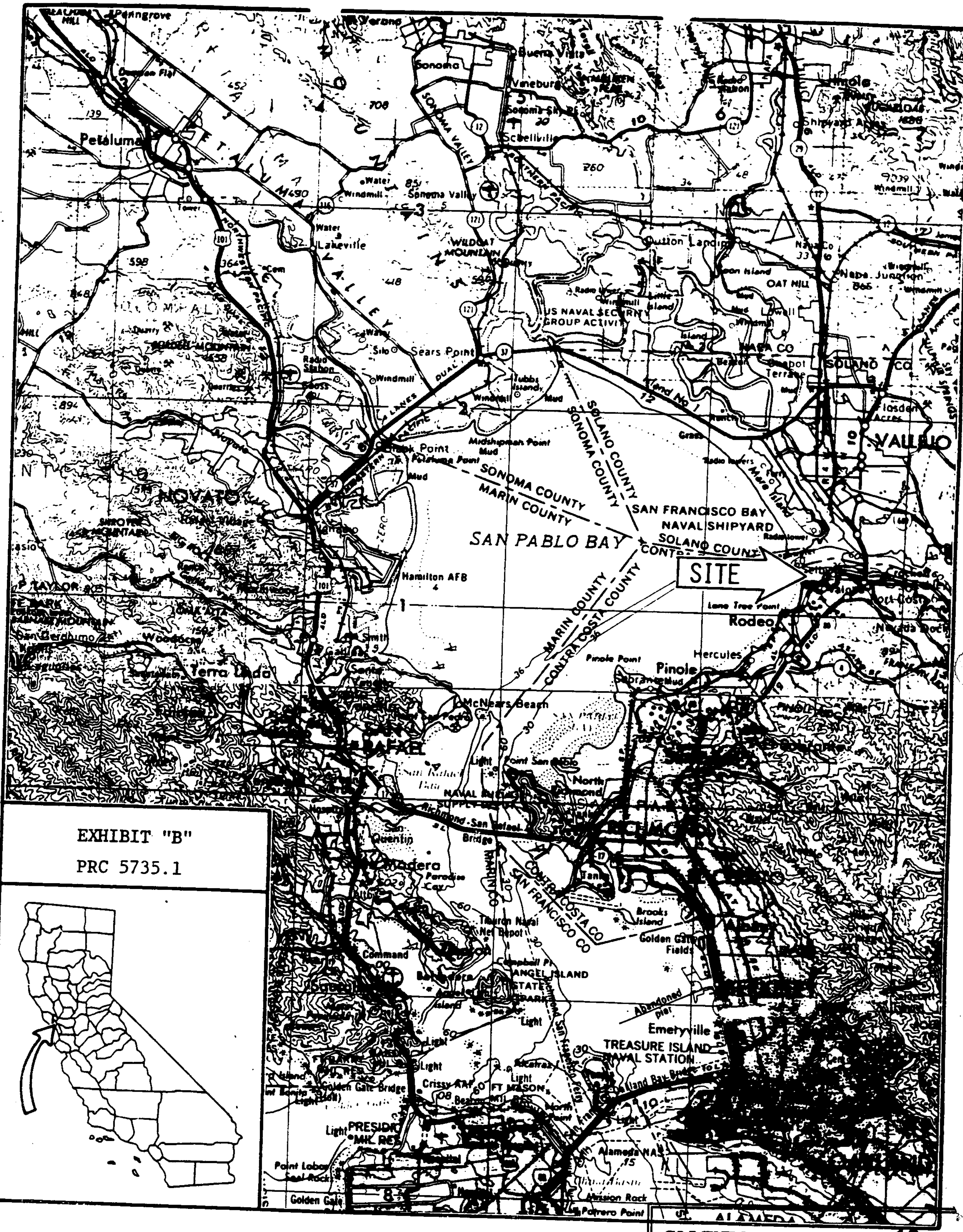


EXHIBIT "A"

PRC 4769.1

EXHIBIT "B"

PRC 5735.1



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