MINUTE ITEM
This Calendar Item No. C18
was approved as Minute Item
No. 18 by the State Lands
Commission by a vote of 3
to 0 at its 9-19-00
meeting.

CALENDAR ITEM
C18

A 8, 9

S 4, 6

09/19/00
PRC 5439.1
PRC 8156.9
D. Jones

AMENDMENT OF MASTER LEASE

MASTER LESSEE:

SFPP, L.P.
1100 Town and Country Road
Orange, California 92638

AREA, LAND TYPE, AND LOCATION:

Master Lease, PRC 5439.1:

Sovereign and school lands under various waterways statewide.

Proposed Amendment:

Sovereign lands under the Sacramento River, cities of Sacramento and West Sacramento, Sacramento and Yolo Counties.

AUTHORIZED USE:

Master Lease, PRC 5439.1:

The continued use and maintenance of 19 existing petroleum pipelines.

Proposed Amendment:

Deletion from the lease of the northern most one-half of an existing right of way in the Sacramento River and an existing idle 10" diameter petroleum pipeline contained within that portion of the right of way .

MASTER LEASE TERM:

Twenty (20) years, beginning January 1, 1978.

CONSIDERATION:

Master Lease, PRC 5439.1:

$63,180 per year; with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

PROPOSED AMENDMENT PRC 5439.1:

Delete from the lease premises 1) the northern most one-half of an existing right of way within the Sacramento River; and 2) the existing idle 10" diameter petroleum pipeline contained within that portion of the right of way. All other terms and conditions of the lease shall remain in effect without amendment.

OTHER PERTINENT INFORMATION:

1. SFPP, L.P. ("SFPP") and Level 3 Communications, LLC ("Level 3") entered into a Pipeline Purchase and Sale Agreement dated August 25, 2000, wherein SFPP has agreed to sell to Level 3 an existing idle 10-inch pipeline underneath the Sacramento River in the cities of Sacramento and West Sacramento. The sale is contingent on Level 3 conducting due diligence and notifying SFPP of any objectionable matters. After the expiration of the due diligence period, Level 3 and SFPP will have ten days to close the purchase transaction. Level 3 intends to install a fiber optic cable through the pipeline. This installation by Level 3 is part of an integral portion of its fiber optic network in California.

2. Staff and SFPP have agreed that Lease No. PRC 5439.1 should be amended to delete the northern most one-half of the existing right of way and the idle 10-inch pipeline.

3. Staff has reviewed the Pipeline Purchase and Sale Agreement between SFPP and Level 3.

4. At its July 29, 1993, meeting, the Commission approved an Agreement and Consent to Encumbrancing of Lease in favor of U. S. Bank Trust National Association and those additional institutional lenders listed on file in the Sacramento office of the State Lands Commission as the Secured Party Lender. In accordance with the Commission's action, the CSLC executed that certain Agreement and Consent to Encumbrancing Agreement, by and between the State of California, acting by and through the State Lands Commission, as Lessor, SFPP, L.P. as Lessee and Bank of America National Savings Association, as Trustee, dated July 27, 1993, and amended August 11, 1997, (hereinafter referenced to as the "Encumbrancing Agreement". Under the terms of the Encumbrancing Agreement, Lessor has agreed that no modification of the Lease shall be effective without the consent of the Secured Party Lenders. To date, the consent of the Secured Party Lenders has not been obtained. PRC 5439.1 will be amended as herein provided subject to the condition

precedent that the consent of the Secured Party Lenders under the Encumbrancing Agreement is obtained not later than 120 days following Commission action and the staff of the Commission is furnished with said consent.

5. 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.

6. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq. Based upon the staff's consultation with the persons nominating such lands and through the CEQA review process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.

EXHIBITS:

A. Lease Description and Location Map

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 IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED BY THE COMMISSION FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ.

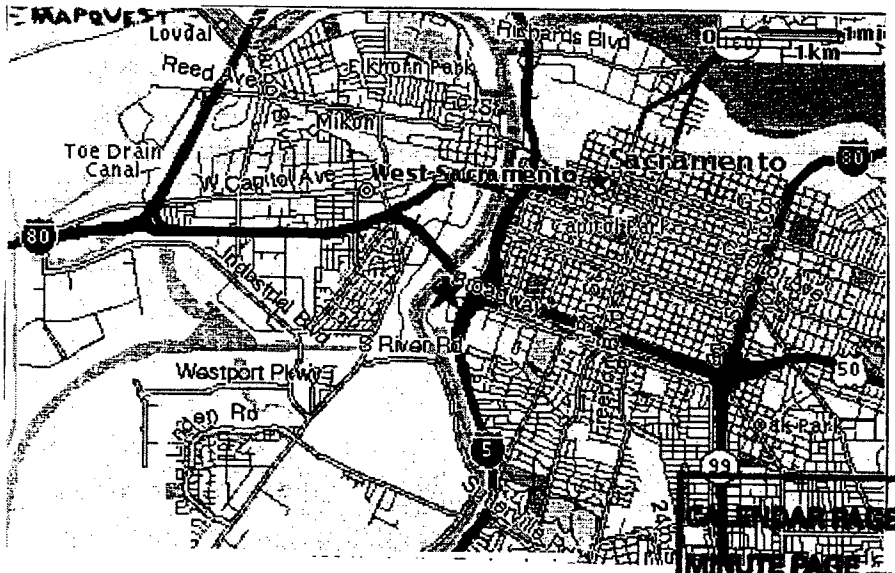
AUTHORIZATION:

AUTHORIZE THE AMENDMENT OF LEASE NO. PRC 5439.1, A GENERAL LEASE - RIGHT OF WAY USE, EFFECTIVE SEPTEMBER 19, 2000, TO DELETE FROM THE LEASE PREMISES: 1) THE NORTHERN MOST ONE-HALF OF THE EXISTING RIGHT OF WAY WITHIN THE SACRAMENTO RIVER AS DESCRIBED ON EXHIBIT A ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF; AND 2) THE EXISTING 10 INCH DIAMETER PETROLEUM PIPELINE CONTAINED WITHIN THAT PORTION OF THE RIGHT OF WAY, SAID AUTHORIZATION BEING SUBJECT TO THE CONDITIONS PRECEDENT THAT: 1) LESSEE FURNISH COMMISSION STAFF, NOT LATER THAN 120 DAYS FOLLOWING COMMISSION ACTION, WITH THE WRITTEN CONSENT TO THE FOREGOING COMMISSION ACTION OF U. S. BANK TRUST NATIONAL ASSOCIATION AND THOSE ADDITIONAL INSTITUTIONAL LENDERS LISTED ON FILE IN THE SACRAMENTO OFFICE OF THE STATE LANDS COMMISSION AS SECURED PARTY LENDERS WITH A SECURITY INTEREST UNDER THE AGREEMENT; AND 2) LESSEE FURNISH THE COMMISSION STAFF, NOT LATER THAN 120 DAYS FOLLOWING COMMISSION ACTION, THE BILL OF SALE EXECUTED BY ALL PARTIES AFFECTING THE CONVEYANCE OF THE 10-INCH PIPELINE TO LEVEL 3 COMMUNICATIONS, LLC.; ALL OTHER TERMS AND CONDITIONS OF THE LEASE WILL REMAIN IN EFFECT WITHOUT AMENDMENT.

The northern most one-half of a parcel of tide and submerged land 50 feet wide in the Sacramento River, Sacramento and Yolo Counties, within the City of Sacramento, lying 25 feet on either side of the following-described centerline:

Beginning at a point on the ordinary high water mark on the left bank of the Sacramento River which bears N. 42º 03' 45" E., 103.91 feet from Station "E 90", as shown on sheet 7 of 12 of that certain map entitled " Survey of the Ordinary High Water Mark Along the Sacramento River", prepared by the Division of State Lands and filed in Book 11, pgs. 48-50, and Book 12, pgs. 1-9 of surveys, Sacramento County Recorder's Office, said point of beginning having California Zone 2 Coordinates of X = 2,138,249.61, Y = 328,809.14; thence from said point of beginning N. 57º 20' 32" W., 675.87 feet more or less to a point on the ordinary high water mark on the right bank of the Sacramento River having California Zone 2 coordinates of X = 2,137,680.57, Y = 329,173.85, containing 0.776 acre, more or less.

LOCATION MAP



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This exhibit is solely for purposes of generally defining the area to be eased, and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or other property.

EXHIBIT A
PRC 5439.1