MINUTE ITEM
This Calendar Item No. C49 was approved as Minute Item No. 49 by the California State Lands Commission by a vote of 3 to 0 at its 8-8-05 meeting.

CALENDAR ITEM
C49

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08/08/05
PRC 4769.1
N. Smith

REQUEST FOR ASSIGNMENT OF LEASE AND CONSENT TO ENCUMBER OF LEASE

LESSEE/ASSIGNOR:
Shore Terminals LLC
2801 Waterfront Road
Martinez, California 94533

ASSIGNEE:
Pacific Atlantic Terminals LLC
5900 Cherry Avenue
Long Beach, California 90805

AREA, LAND TYPE, AND LOCATION:
14.04 acres, more or less, of sovereign lands in the Carquinez Straits, near the city of Martinez, Contra Costa County.

AUTHORIZED USE:
An existing marine terminal consisting of a 40x100 foot concrete wharf connected to land by a 1,700 foot long trestle supporting an 11 foot wide roadway and pipe rack. This lease includes annual dredging of up to 6,000 cubic yards per year. An existing 12-inch petroleum pipeline across Pacheco Slough and along Waterfront Road.

LEASE TERM:
Twenty years, beginning January 1, 2005.

CONSIDERATION:
$235,800 per year; with the State adjusting the annual base rent each year by application of the Consumer Price Index (CPI) and the adjusted annual rent never being lower than the base rent. This CPI adjustment will continue at least until the tenth anniversary of the lease, when a new base rent may be established.

OTHER PERTINENT INFORMATION:

1. Assignee will own the uplands adjoining the lease premises.

2. Pacific Atlantic Terminals LLC will be acquiring the above marine terminal and appurtances, staff of the Commission has reviewed the financial statements and determined Pacific Atlantic Terminals LLC. has the means to provide financial assistance for any incidents that may occur.

3. Pacific Atlantic Terminals is requesting approval to encumber the leasehold interest as part of their financing for the acquisition of Shore Terminal LLC, a wholly owned subsidiary of Kaneb Partners L.P., in the amount of $400 million for a five-year period. Currently a syndication of lending institutes is being formed to underwrite the acquisition. While the final makeup of the syndication has not been finalized, Bank of America, N.A., has been named to act as the Agent Bank and will be in a position to execute the Encumbrancing Agreement on behalf of the syndication, once formed.

4. Pacific Energy Partners, L.P. will provide a Guaranty for the performance of the lease obligations of its subsidiary, Pacific Atlantic Terminals LLC.

5. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it 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, sections 15060 (c)(3) and 15378.

EXHIBITS:

A. Location Map

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

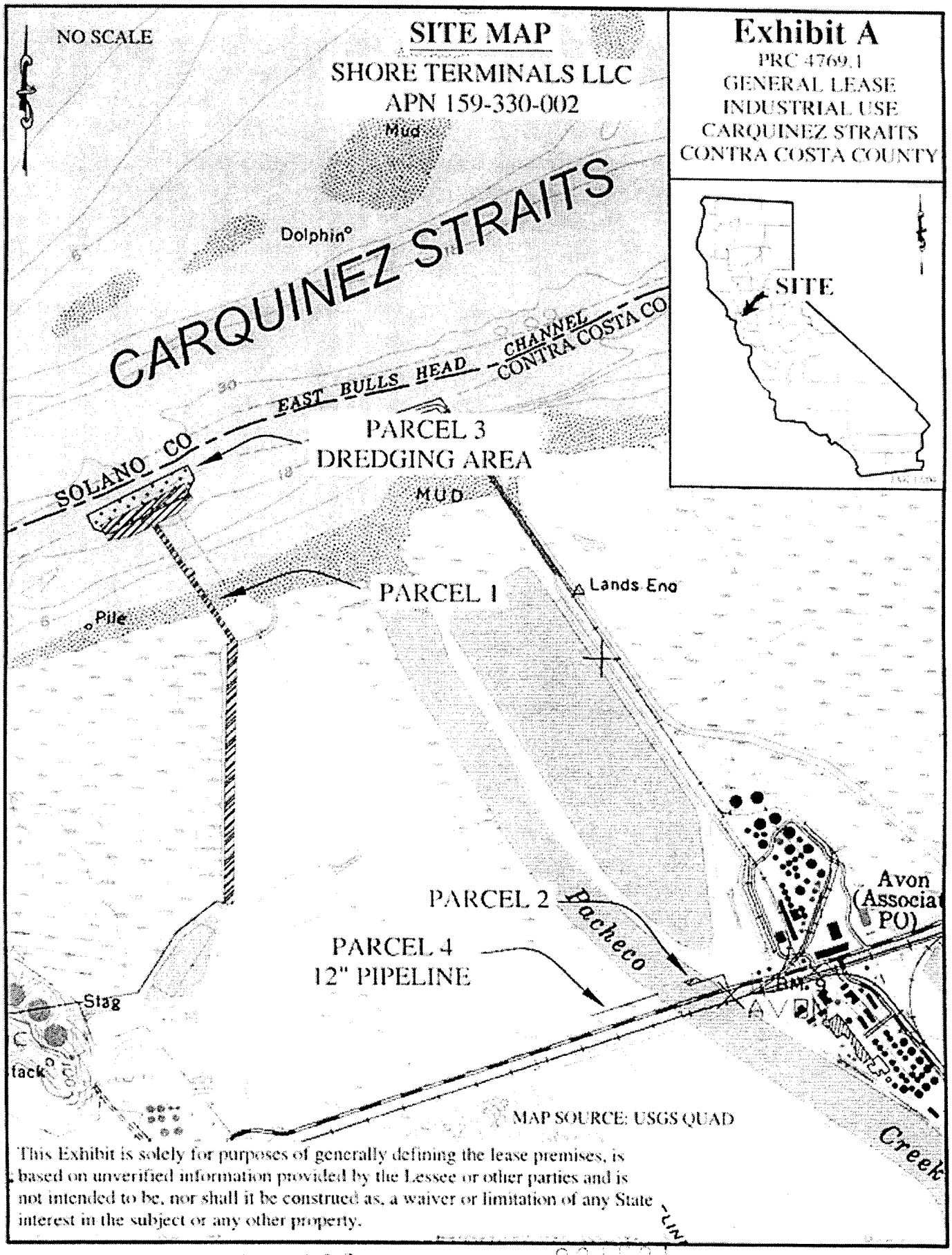
FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

1. AUTHORIZE THE ASSIGNMENT OF LEASE NO. PRC 4769.1, A GENERAL LEASE - INDUSTRIAL USE, OF SOVEREIGN LANDS SHOWN ON EXHIBIT A ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF, FROM SHORE TERMINALS LLC TO PACIFIC ATLANTIC TERMINALS LLC; PACIFIC ENERGY PARTNERS L.P. WILL PROVIDE A GUARANTY FOR PERFORMANCE OF ASSIGNEE; PURCHASE AND RECEIPT OF GUARANTY MUST OCCUR BEFORE OCTOBER 15, 2005, OR THIS APPROVAL IS NULL AND VOID.

2. AUTHORIZE EXECUTION OF THE DOCUMENT ENTITLED "AGREEMENT AND CONSENT TO ENCUMBRANCING OF THE LEASE" IN AN AMOUNT NO GREATER THAN $400 MILLION, BETWEEN THE COMMISSION, LESSEE AND BANK OF AMERICA, N.A., AS ADMINISTRATIVE AGENT, EFFECTIVE UPON APPROVAL OF THE NEW LOAN, BUT NO LATER THAN NOVEMBER 15, 2005.

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



This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties 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.