File #: HD-19-003, Version: 1

DATE: 12/10/2018

TO: Board of Harbor Commissioners

FROM: Eamonn Killeen, Director of Real Estate

SUBJECT: Tesoro Refining & Marketing Company LLC

Ninth Amendment to Ground Lease HD-5318-651

Executive Summary
Tesoro Refining & Marketing Company LLC (Tesoro) occupies approximately 16.93 acres of land at 2450 Pier B Street under Ground Lease HD-5318-651 (Ground Lease) for a petroleum coke calciner facility. This land-only Ground Lease was originally entered into by predecessor entities, and the Port of Long Beach became the lessor in conjunction with the 1994 acquisition of property on Pier A from Union Pacific Railroad Company.

The Ground Lease is currently guaranteed by Andeavor, a Delaware corporation. On October 1, 2018, Marathon Petroleum Corporation (Marathon) acquired all outstanding shares of Andeavor. As of that date, Andeavor ceased to be publicly traded, merged with other Marathon entities, and is now a wholly owned subsidiary of Marathon.

In consideration thereof, this proposed Ninth Amendment to Ground Lease provides for a substitute guaranty by Marathon, unconditionally guaranteeing the obligations of Tesoro under the Ground Lease.

Key Points
- The Ground Lease allows for a petroleum coke calciner facility.
- The Ground Lease is currently guaranteed by Andeavor.
- Marathon acquired Andeavor.
- This proposed 9th Amendment to Ground Lease provides for a new guaranty with Marathon.

Recommendation
This item requests the Board of Harbor Commissioners’ approval of a Ninth Amendment to Ground Lease HD-5318-651 for approximately 16.93 acres of land located at 2450 Pier B Street, causing Marathon to execute and deliver a substitute guaranty, unconditionally guaranteeing Tesoro’s obligations under the Ground Lease, make the determination that the action is categorically exempt pursuant to the California Environmental Quality Act, and adopt the authorizing Ordinance.

Financial Impact
The proposed Ninth Amendment to Ground Lease has no fiscal impact to the Port.

Background
The land-only Ground Lease was originally entered into between Union Pacific Land Resources Corporation
and M-C Carbon, a California partnership composed of Martin Marietta Aluminum, Inc. and Champlin Petroleum Company. The Port is successor lessor to Union Pacific Land Resources Corporation and Tesoro is the successor lessee to BP West Coast Products LLC, Atlantic Richfield Company, and M-C Carbon.

Tesoro Corporation executed a guaranty on behalf of Tesoro as part of the October 10, 2013 assignment from BP West Coast Products LLC to Tesoro. Tesoro Corporation changed its name to Andeavor on August 1, 2017.

On October 1, 2018, Marathon closed the transaction in which it acquired all of the outstanding shares of Andeavor. Also occurring on October 1, 2018, pursuant to multiple merger activities and entity name changes, Andeavor ultimately merged with and into Andeavor LLC, a Delaware limited liability company and wholly owned subsidiary of Marathon.

**Detailed Discussion of Current Issues**

Port staff, Tesoro, and Marathon have reached agreement to replace the existing guaranty with a substitute guaranty executed by Marathon.

Upon the Port’s execution of this proposed Ninth Amendment to Ground Lease, the guaranty originally executed by Tesoro Corporation shall be superseded with the express knowledge that:

1) The substitute guaranty has the same effective date as the original guaranty dated July 29, 2013, executed by Tesoro Corporation;

2) The substitute guaranty shall have no less force and effect than if signed prior to and as a condition precedent to execution of the Ground Lease dated December 30, 1980; and

3) The rights of the Port under the substitute guaranty shall be no less than those set forth in the original guaranty dated July 29, 2013.

All other terms and conditions of the Ground Lease shall remain the same.