File #: HD-19-005, Version: 1

DATE: 12/10/2018

TO: Board of Harbor Commissioners

FROM: Eamonn Killeen, Director of Real Estate

SUBJECT: Tesoro Refining & Marketing Company LLC
Fourth Amendment to Lease HD-1909

Executive Summary
Tesoro Refining & Marketing Company LLC (Tesoro) occupies two land parcels totaling approximately 4.08 acres at 1155 and 1241 Pier G Avenue under Lease HD-1909 (Lease). The leased parcels are improved with a 45,000 metric ton storage barn dedicated to calcined petroleum coke, and a 30,500 metric ton barn dedicated to green coke.

The 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 Fourth Amendment to Lease provides for a substitute guaranty by Marathon, unconditionally guaranteeing the obligations of Tesoro under the Ground Lease.

Key Points
- The Lease allows for a facility for the handling, loading, storage, and export of bulk commodities.
- The Lease is currently guaranteed by Andeavor.
- Marathon acquired Andeavor.
- This proposed Fourth Amendment to Lease provides for a substitute guaranty by Marathon.

Recommendation
This item requests the Board of Harbor Commissioners’ approval of a Fourth Amendment to Lease HD-1909 for approximately 4.08 acres of land located at 1155 and 1241 Pier G Avenue, causing Marathon to execute and deliver a substitute guaranty, unconditionally guaranteeing Tesoro’s obligations under the 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 Fourth Amendment to Lease has no fiscal impact to the Port.

Background
The Lease was originally entered into with Atlantic Richfield Company (ARCO) on December 17, 1969.
Tesoro is the successor lessee to BP West Coast Products LLC and ARCO.

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 Fourth Amendment to 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 Lease dated December 17, 1969; 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 Lease shall remain the same.