TRANSCRIPT OF MEETING
of
STATE LANDS COMMISSION
LOS ANGELES, CALIFORNIA
JUNE 25, 1959
9:00 A.M.

PARTICIPANTS:

THE COMMISSION:
Messrs. Bert W. Levit, Director of Finance, Chairman
Glenn M. Anderson, Lieutenant Governor
Alan Cranston, Controller
Fred Zweiback, Executive Assistant to
Lieutenant Governor Anderson

STATE LANDS DIVISION
Messrs. F. J. Hortig, Executive Officer
Kenneth C. Smith, Public Lands Officer

OFFICE OF THE ATTORNEY GENERAL
Dan Kaufmann, Esq., Deputy Attorney General

APPEARANCES:
(All on behalf of Long Beach)
Joseph Ball, Esq.,
Special Counsel, City of Long Beach
Walhfred Jacobson, Esq.
City Attorney, Long Beach
Hon. Raymond C. Kealer
Mayor, City of Long Beach

Reporter:
Louise H. Lillico
Division of Administrative Procedure
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<td>1A SPECIAL ORDER OF BUSINESS</td>
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| (b) Division Beaches & Parks | 2 | 2 | |
| (c) " " " | 23 | 3 | 23 |
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| 3 Permits, easements, rights-of-way, fee | | | |
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MR. LEVIT: The meeting of the Lands Commission will please come to order. The Lieutenant Governor is expected and may be here a little later and for that reason I am going to, at least for the first half hour or so, take some liberties with the arrangement of the matters on the calendar, hoping that Governor Anderson will be here. In the meantime, his executive assistant, Mr. Zweiback, will sit on the Commission in his place.

The first item is the confirmation of the minutes of the meeting of May 28th. The minutes have been distributed. Are there any corrections or additions?

MR. HORTIG: No staff corrections, sir.

MR. LEVIT: If not, they will stand approved as submitted. I am going to pass to item 2, with the permission of the Commission, involving the grants of permits, easements and rights-of-way to public agencies without fee, pursuant to statute. Do you want to run through ..... Oh, here comes Governor Anderson now, so I'll welcome the Governor and with the permission of the Commission, then, we will go back to the order of business on the calendar.

The first item is a special order of business involving the Long Beach tide and submerged lands and relates to the matter of boundary determination. You will recall that at the last meeting of the Commission, Long Beach suggested that the matter of the boundary determination be put over for thirty days and this was done by the Commission. I think
we should have a report now from Mr. Hortig and/or the representatives of the Attorney General with respect to what has developed in the meantime.

MR. HORTIG: Mr. Chairman and members of the Commission, pursuant to the directive of the Commission to which you have already referred, there have been four conference meetings held with representatives of the City of Long Beach, representatives of the State Lands Division and the State Lands Commission counsel, and the representatives of the office of the Attorney General. As to the salient features of those conferences, I believe it would be most appropriate and expeditious for the Commission to hear a report or summary on those from the representative of the office of the Attorney General. Mr. Kaufmann, will you present the report?

MR. KAUFMANN: Following the Commission's meeting in May, we had telephone calls from the City Attorney's office in Long Beach and on June first we had an attorneys' meeting between representatives of the City Attorney's office and Mr. Friedman and Mr. Shavelson and myself, and Mr. Murphy of the State Lands Commission; and we at that time presented the bases of our claims to the City Attorney's office and tried to answer any questions they would have.

Then we had a second meeting on the following Monday, June 8th. At this meeting the same parties were present and Mr. Kreft of the State Lands Commission, and also administrative officials of the City of Long Beach were present. At
that time Mr. Ball and his associate were present. Mr. Ball has been retained as special counsel by the City, so we were advised, and again we explained the bases of our claims; and then on June 19th in Sacramento a third meeting was held in Sacramento. At that time Mr. Shavelson and I were not present and we were advised that the matter was discussed again and at that time the representatives of the City indicated that they needed more time because of complexities of the problems.

Yesterday afternoon we had a fourth meeting, again an attorneys' meeting, at which were present the same representatives on behalf of the State and representatives from the City Attorney's office, including the City Attorney, Mr. Jacobson, and Mr. Ball and his associate; and at that time we explained the bases of our claims and tried to answer any questions so that it would be clear to the City just what the State was asking for and why.

I believe this is a summation of the four meetings so far. I don't think there is any question that the representatives of the City, the City attorney, and the administrative officials of the City are in good faith and are seriously interested in this matter. They have cooperated with us in that they have furnished us with financial statements on the various wells on which the State may have claim and at that time they indicated to us that the complexities of the problem indicate more study; and that is where the matter is at the present time.
MR. LEVIT: Does anyone wish to address the Commission on this subject? Mr. Ball.

MR. BALL: Well, the resume given by Mr. Hortig and the Attorney General is correct. We have had these meetings and I have been present at two or three of them; and the problem is such -- they say it's a complex problem -- I don't know whether you know the problem or not. In the past three weeks since our office has been retained as special counsel for the City, one member of our office has worked with the City Attorney's office steadily in trying to just review the file. There are, I think, six separate suits that were filed in 1953, '9; there were trials; we have had consultations with engineers; there are all kinds of contradictory facts to consider and to evaluate.

Now, the first problem the City of Long Beach has is to determine what its rights are and the only way it can do that is to have its City Attorney advise its Council what the facts are and what the legal problems are; and at the present time neither the City Attorney nor I can express any opinion whatever and we can't to this Commission.

This is a matter that's taken probably a year and a half to study on behalf of the State and we have been on it three weeks, and we just can't express an opinion and we have said that to the Attorney General's office and the State Lands Commission.

Last week we stated that it was probably to the interest
of the State as well as the City that no immediate action be taken until we can go into this matter. As to evidencing our good faith by taking some position, we can't take one now and I doubt very much whether the City Council can take a position on behalf of Long Beach.

I think we can avoid a law suit. I don't know whether we can or not -- I say frankly I don't know whether we can or not. I see many instances and places and facts where we differ from the Attorney General's office, yet we may be able to accommodate ourselves to them. Yesterday, for the first time, I understood the position of the Attorney General. I got an entirely different idea of the facts. I can't change my mind that fast.

I think it is to the interest of the State and City to take no action at this time. I think neither of us dares to cross the line. If that is the attitude of the Commission and we are in sympathy, I think it is best that we wait until we can come to an honest conclusion. I can see nothing but disaster if we don't. We are within two to four weeks of unitization. The managers are meeting regularly in Fault Blocks IV and V and we have already solved VI. We think the unitization of the field is of more importance to the State of California and the City of Long Beach than this law suit. If we were going to whip subsidence, I think both of us could forget a law suit, which involves proportionately so little compared to the amounts involved from unitization and
repressurization of the sands. That's about our situation.
We don't come up here and walk up here and beg you for any
favors. We are asking you to take the position that you are
a partner with us down at Long Beach.

There has been a slight difference of opinion as to
whether or not you control forty-seven oil wells or we do.
That difference of opinion can be settled in the future as
well as today, because there is no money being dissipated.
Every penny is going to the bonded indebtedness fund. It is
going to reduce the indebtedness of the City of Long Beach.
That's about where we stand.

MR. LEVIT: Does any member of the Commission wish to
ask Mr. Ball any questions or pursue the matter?

GOV. ANDERSON: Could you have an answer to this if
you were given another thirty-day continuance?

MR. BALL: That's a question that was asked me in
Sacramento and was asked Mr. Jacobson. I say this -- we
would be in a better position in thirty days than we are today
but I certainly wouldn't want to guarantee that I would come
to a definite opinion within thirty days. I'd say we would
be in a better position to talk about it. We are talking
about a pretty important policy here. We not only have to be
aware of the facts ourselves but we have to go to the City
Council and make the City Council aware of these facts and
what the problems of law are, because they are our clients
and have to make the ultimate decision on policy.
Mr. LEVIT: It seems to me, Mr. Ball, that there is somewhat a shift of position on the part of Long Beach today with respect to what it was at the last meeting.

MR. BALL: There may be but remember I am expressing my position as special counsel, Mr. Chairman, and in my position as special counsel I am not bound by anyone except my own opinion and as special counsel I have been asked to advise Long Beach, and I cannot advise them today.

MR. LEVIT: What I am trying to say is -- at the last meeting the Commission was given to understand that Long Beach was very anxious not to have this law suit hanging in midair, so to speak, and that if thirty days' extension were granted there was a good chance the whole thing could be put out of the way, or at least enough progress could be made so that we could see where we were getting or not getting. It seems to me we have retrogressed in the last thirty days rather than otherwise, because whereas at the last meeting Long Beach thought something could be accomplished in thirty days now your opinion is that nothing can be accomplished.

MR. BALL: Perhaps I better amend that. It is not quite as hopeless as you put it. I am sure when the Mayor appeared before the Commission last month he was in good faith when he said we could do something. He is just as anxious not to have a law suit as you. As I say, both of us have too much to lose. Long Beach would like to get this out of the way because the threat of the law suit is prejudicing our
chances to unitize the field and it was pretty well expressed last week by Mr. Friedman when I said I couldn't give an opinion in thirty days and Mr. Jacobson said he couldn't give an opinion in thirty days, Mr. Friedman said he wanted us to give an opinion as soon as possible because he felt the threat of a law suit was prejudicing the unitization.

We are not asking for anything. In talking to our partners in the Harbor down there, we are talking over a problem of policy here. I don't want you to think we are suggesting that we delay our argument for six months or a year. I just want a reasonable length of time in which to find out what the facts are. That's all.

MR. LEVIT: What is the situation with respect to the repressurization progress? You said that you thought you were within two to four weeks of agreement.

MR. BALL: That's right, unless this threatened law suit prevents it. I don't know whether you are aware of the request of one of the operators for a clause in there which would be the same as a guaranteed title. We are not sure that will be pressed at this time, but it was suggested -- the clause was written up and Long Beach was requested to assent to it -- which, of course, we could not assent to.

MR. LEVIT: One other thought occurs to me. It does seem to me that it's feasible, if this matter is put over as you suggest, that whatever rights the State has or may have be preserved in the interim so that we don't get into a
situation where by reason of continual delay the State is simply putting the matter off because of one request after another. I am particularly impressed with this in view of the difference in the situation that exists now as compared with our last meeting.

As it was presented to us at the last meeting, we were told that the principal reason for haste in getting this thing determined was in order to clear the way for the repressurization agreements. Now, apparently there is a complete or almost a complete separation as between the two ....

MR. BALL: No, we still feel the same way.

MR. LEVI: I know, but you say now -- all you are saying now is that you don't want a suit filed regardless of whether you reach an agreement or not; if a suit is not filed, even without agreement you will be able to complete the repressurization agreements. Once the repressurization agreements are completed, the entire picture between Long Beach and the State changes as it was presented to us at the last meeting, because there is no connection whatsoever and no particular hurry. You say you are not asking for six months or a year, but it may very well be six months or a year because there is no hurry any more -- which is all right, I am not suggesting this is wrong, but I do think that if we are to delay enforcement of the State's rights which we have been instructed to pursue by the Legislature, that the very least that should be done is to have some sort of a stipulation so that this
delay will not prejudice the State's rights, so they can be determined nunc pro tunc, if I can use a lawyer's way of expressing this thing.

I know, by having had some preliminary talks with the Attorney General prior to this meeting, that they also have this point in mind and I am wondering if we shouldn't have some early determination of that. How does Long Beach feel about that?

MR. BALL: Well, that was suggested yesterday and Mr. Jacobson talked about it this morning. That's a matter, of course, of policy -- on which neither Mr. Jacobson or I can make a determination; but I believe if we had in writing exactly what you request then he and I could express ourselves better. Is that correct? (turning to Mr. Jacobson) We can't in general -- in other words, we feel that we cannot in any way prejudice any defense Long Beach has at this time.

MR. LEVIT: No one is suggesting that, Mr. Ball. I am inclined to agree with you. We can't talk in generalities. The Attorney General should prepare a stipulation and submit it to you, and we can find out very readily whether that will be agreeable to you.

MR. BALL: Then we would submit that as a matter of policy, because we have no control over that as counsel.

MR. LEVIT: There is no reason why final determination on that point can't be reached before the next meeting?

MR. BALL: Oh, I am certain a decision on that can be
reached before the next meeting.

MR. LEVIT: What is the pleasure of the Commission with regard to this?

GOV. ANDERSON: I see nothing wrong with giving them another thirty-day extension if at that time we can be reasonably sure that we can come to it at that particular meeting; but if it is going to drag on and on, I would just as soon decide it today. I would like some assurance that we can decide it next month.

MR. LEVIT: As I understand Mr. Ball, he is not in a position to give us such assurance. He says it will take longer than thirty days before he can tell the City of Long Beach what he thinks its position should be. Is that right, Mr. Ball?

MR. BALL: We feel like the Attorney General's office does. Mr. Friedman was insistent that we come to an early decision and I can see his reason, because he feels it is prejudicing our progress in unitizing the field -- and I think it is.

MR. LEVIT: I wouldn't like to leave that stand uncontradicted. We were given to understand that it was Long Beach -- both the Mayor and the City Council through the Mayor made the presentation, or representation, to the Commission at its last meeting that it was vital to get this thing out of the way right away.

MR. BALL: I think they still feel the same way.
MR. LEVIT: But the way you said it, you left the impression it was the Attorney General that was pushing the thing and Long Beach was indifferent.

MR. BALL: No, I think the City Council of Long Beach feel the same as they did last meeting and when I suggested to Mr. Friedman at the meeting in Sacramento last week that it would be impossible for me to set a deadline, say "In thirty days I can give you an opinion," he then stressed the importance of an opinion — and I am inclined to agree.

MR. LEVIT: In the light of Governor Anderson's comment what would be your position as to the action the Commission should take at this time, if any?

MR. BALL: I would say this — I would request the Commission to put it over until the next meeting, but I don't want to take the position now before the Commission that by the next meeting Mr. Jacobson and I will have already reported to the Council and have this already wrapped up, because I can't do that.

MR. LEVIT: Actually there isn't anything more but I would say at this time that outside of this stipulation that we talked about a moment ago there isn't anything more that the Attorney General or the Commission can do. The next move is up to Long Beach because I understand the Attorney General has spent the intervening time explaining the basis of the position that the Attorney General feels is legally sound so far as the State is concerned. So you have got our position
now. There is nothing else for us to do until you can come back with something definitive from your side, then see if the two views can be brought together.

MR. BALL: That's right.

MR. LEVIT: So perhaps if we put this over for thirty days, we should have at least some further expression from you as to "Where do we go from here?"

MR. BALL: That's right. I think we will be in a better position to express our opinion at that time than we are today, but if you would see the file of material a man has to digest you wouldn't be surprised -- you couldn't put it on this table -- just piles of material. In addition to that, remember we are lawyers and we have to understand the language of engineers. We have to get an education along with our study. It's quite a job to analyze the problem.

I'd say this: Yesterday afternoon I learned quite a bit from the afternoon I spent with the Deputies Attorney General and they explained their theory and interpreted their theory with their maps. I think we have made quite a bit of progress in the last thirty days.

MR. CRANSTON: The extension was granted thirty days ago at our last meeting, after strong representation by Long Beach that they would do their best to bring it to a conclusion at this meeting, and now you can't come to a conclusion -- all you have done so far is to go into the information.

MR. BALL: The City Attorney's office worked pretty
hard. (Sotto voce discussion between Mr. Ball and Mr. Jacobson).

MR. BALL (continuing): Mr. Jacobson just reminded me that we haven't submitted to the Attorney General all the information that they have requested. We submitted some engineering data yesterday. We haven't submitted all the accounting data.

MR. CRANSTON: The principal reason for haste from the State's point of view is that until action is started we are losing rights from day to day as the statute of limitations moves along with us, unless we file a suit or have a stipulation as has been discussed.

If that stipulation can be worked out and presented and accepted by us as something that is done thirty days from now at our next meeting, if it accomplishes two things: (1) preserves the potential rights of the State, in case our view prevails for any part of this area, from the date of the last meeting (I think it should be from the date of the last meeting); and, secondly, it must be worked out that the proceeds are not encumbered from now on -- on that basis, I would be willing to go along for the thirty-day extension. If that kind of stipulation is worked out in thirty days, if the City needs more time there is no reason for haste and we can reach a negotiation without suit. I would be prepared to go ahead for thirty days if we can get a stipulation on that basis.
MR. BALL: Mr. Jacobson and I worked on that this morning. As to the second one, as to whether or not the funds are being encumbered, Long Beach has a bonded indebtedness of about thirty million dollars and it is being applied on the bonded indebtedness. So the money is not being dissipated.

MR. CRANSTON: It is not being dissipated from your point of view, but what about the State's point of view?

MR. BALL: If Long Beach reduces its bonded indebtedness, it would be that much better able to pay any judgment against them. That was my position yesterday when the suggestion was made.

MR. LEVIT: I think that would depend -- our position on that would depend largely on the advice we received from the Attorney General, as to whether the stipulation that is worked out is one that does fully protect the State's rights. Well, Governor, do you wish to add anything?

GOV. ANDERSON: No. I'd make the motion that we grant them the thirty-day extension, with the understanding that the requests of Mr. Cranston be put in there, in the motion.

MR. LEVIT: It seems to me in view of our discussion the motion could be to continue the matter thirty days.

GOV. ANDERSON (to Mr. Cranston): You'd feel better if we had the statute of limitations go back to the last meeting?

MR. CRANSTON: I think that would be implicit -- that
we do have to have a stipulation from the Attorney General of that precise nature.

MR. LEVIT: I think they understand what we are thinking about and that the Attorney General and Mr. Ball's office and the City Attorney's office are advised of our position.

MR. CRANSTON: I second the motion for a thirty-day extension, with the understanding that it is based on the record we have just established in the light of our discussions on this.

MR. LEVIT: Are you ready for the question? All in favor say "Aye." (Unanimously carried) Extension is granted for thirty days.

(Balance of calendar continued on next page)
MR. LEVIT: If it is agreeable to the Commission, I would like for the convenience of the people from Long Beach that are here to dispose of the other Long Beach matters that are on the calendar. This brings us to item 5 on page 4, which involves approval of the City of Long Beach projects. Do you want to run down those, Mr. Hortig?

MR. HORTIG: Yes sir. If the Commission will note, the project items enumerated on pages 28 through 45 of the calendar are all of a type, in that they represent projects in which the City may ultimately be entitled to a share of the subsidence expense expended to be deducted from the amounts of money to be returned to the State pursuant to Chapter 29. These projects all are intended to run through the major portion or beyond the next fiscal year. The majority of the projects are already in effect and have run during the preceding year and in order that there may be compliance with Chapter 29, which requires that the City have advance approval before the expenditure of any funds on a project involving subsidence alleviation, these projects are being referred to the Commission at this time en bloc for advance approval for the fiscal year 1959-'60.

All projects are subject to the standard conditions which the Commission has previously established, that the amounts allowed to the City of Long Beach ultimately as subsidence costs as the State's share will be subject to engineering review and after the project is completed in fact.
Therefore, it is recommended that the projects appearing on pages 28 through 45 be granted the same approval by the Commission, as an advance authorization for the fiscal year 1959-'60.

MR. CRANSTON: I so move.

GOV. ANDERSON: Second.

MR. LEVIT: We have a motion to approve the projects (a) through (m) of item 5. Is there any discussion in connection with this motion? (No response) If not, the motion is adopted by unanimous consent of the Commission.

Now, that brings us to the supplemental item on the calendar, which is, I suppose, item 13.

MR. HORTIG: Page 57.....

MR. LEVIT: Page 57, yes.

MR. HORTIG: ... of your calendar, gentlemen.

MR. LEVIT: This is a request which was submitted in April by Long Beach to approve expenditure of the City's share of tideland revenues for maintenance and operation of tideland beaches. The amount of proposed expenditure was $542,000-plus. This is supposed to be the estimated cost of maintaining beaches in Long Beach during the year '58-'59.

The matter was submitted to the Attorney General for legal opinion and, as you are all aware I am sure, the Attorney General did under date of June the 17th render his opinion on this subject, in which he held quite definitely and specifically that such expenditures were within the trust...
purposes and were proper. This (I am assuming that the Commission accepts the opinion) leaves for determination the amounts of expenditures which are appropriate; and aside from any other factors, I assume it would involve some staff review in connection with the fact that these moneys are expended on tideland beaches and not on upland beaches, because the Attorney General specifically points out that only the former and not the latter expenditures would be proper.

Mr. Hortig, would you care to state what action, if any, the Commission should take now in regard to this matter?

MR. HORTIG: There is no action by the Commission recommended today, Mr. Chairman. This matter was brought to the attention of the Commission as to its status as a result of a request from numerous sources, so that everyone would be aware that the Commission was aware of the existence both of the Attorney General's opinion and the fact, as recited in the calendar item, that staff reviews are in process to determine proper proportions of the area on which funds may be authorized by the Commission; and on completion of those reviews, which are being conducted cooperatively by the City of Long Beach and the staff of the Commission, there will be a recommendation.

MR. LEVIT: Is there any discussion with respect to this item? Mr. Ball.

MR. BALL: Long Beach would request, if possible, the Commission should take some action today on the matter of the
principle involved in the Attorney General's opinion; and as a practical matter it is important to us because this is budget time and we wondered whether or not the Commission could authorize, subject to audit, an expenditure at this time from tideland funds. That would establish the principle which we would like to have established by Commission order. At the same time, it would not handicap the staff because, as in subsidence expenditures, they audit the expenditures of the City and if there is too much it is repaid; if it is too little it is withdrawn.

MR. LEVIT: Wouldn't it be sufficient for your purposes, Mr. Ball, if the Commission would adopt that it is the consensus of the Commission that the Attorney General's opinion on the matter of the propriety of these expenditures be approved by the Commission and we will await a further report as to details?

MR. BALL: Well, that would satisfy one of our requests but we would also like to consider this in our budget; otherwise we would have to budget over a half million dollars for beach maintenance.

MR. HORTIG: If I may add at this point, Mr. Ball's point is advance approval under Chapter 29 or else the City cannot recoup these funds.

MR. LEVIT: Will you outline the form of resolution the Commission would adopt?

MR. HORTIG: If the Commission would desire, it would
appear to be appropriate to authorize expenditures not to exceed the amount initially applied for, the amounts actually to be granted to the City of Long Beach to be determined by the Commission upon an engineering review and final audit subsequent to the time when the beach maintenance work on authorized beaches is actually completed, in other words at the end of the next fiscal year.

MR. LEVIT: Is that what you have in mind?

MR. BALL: That would be satisfactory.

MR. JACOBSON: Fine.

MR. CRANSTON: I move we do what the staff suggests.

GOV. ANDERSON: Second.

MR. LEVIT: The motion is to adopt the resolution as outlined by Mr. Hortig and you will put that in the proper form in the Commission’s minutes. If there is no objection, that will be the order by unanimous consent of the Commission.

Now, the only other item that I know of that relates to Long Beach would be item 15, which would be the fixing of the time and place of the next meeting of the Commission; and the suggestion of the staff is that this be held on Thursday, the 30th of July, at 9 a.m. in Sacramento. Is there objection to so fixing the next meeting of the Commission?

MR. HORTIG: The date is in accordance with the general schedule heretofore established by the Commission.

The only subject under question is the location of the
meeting. Now, there is a precedent or policy that previous
Commissions have, because of the wide geographic range of
interest, alternated meetings outside of legislative session
between Sacramento and Los Angeles. Meeting today in Los
Angeles, under that schedule it would appear appropriate,
unless there were extenuating circumstances, to have the
next meeting in Sacramento.

GOV. ANDERSON: Wouldn't it be better on the Long
Beach situation to have the meetings down here until that is
cleared up?

MR. LEVIT: Well, it's perfectly all right with me.
I don't anticipate anything too definitive to happen at the
next meeting.

GOV. ANDERSON: I would prefer the next meeting down
here.

MR. LEVIT: How do you feel about it (to Mr. Cranston)?
MR. CRANSTON: It is more convenient for me in
Sacramento, but I am agreeable.

GOV. ANDERSON: All right -- you decide.

MR. LEVIT: In view of the Governor's request, the
next meeting will be in Los Angeles on the same date --
July 30th, nine a. m.

MAYOR KEALER: For the record, I am Raymond Kealer,
Mayor of Long Beach. I want to sincerely express our appre-
ciation for the cooperation we are getting from the Honorable
Chairman and members of the Commission on this matter that is
so vital to us. We are working in good faith. We will work diligently. We will do our best to come up with something that can be worked out. We want you to know we are not dragging our feet whatsoever.

In closing, I am just expressing on behalf of the City our appreciation for your cooperation.

MR. JACOBSON: Mr. Chairman, may we be excused now? I believe that constitutes our attendance.

MR. LEVIT: Yes.

MR. JACOBSON: Thank you very much.

MR. LEVIT: We will return to item 2 on the agenda, which involves permits, easements and rights-of-way to public agencies without fee. Mr. Hortig?

MR. HORTIG: The authorizations recommended in the calendar items appearing on pages 1 through 5 are, as the Chairman stated, for easements, permits, rights-of-way without fee to public agencies -- which, pursuant to statute, may be issued at no fee and the purpose of issuance actually primarily is that the State may have an adequate record of the type and extent of occupancy of State-owned lands. It is recommended, therefore, that these authorizations as outlined on calendar pages 1 through 5 be granted as recommended.

GOV. ANDERSON: So move.

MR. CRANSTON: Second.

MR. LEVIT: The five items under number 2 will be approved by unanimous consent of the Commission.
Item 3 -- permits, easements, leases, and so forth issued pursuant to statute and the general rental policies established by the Commission.

MR. HORTIG: In this series, Mr. Chairman, appearing on calendar pages 6 through 19, there are only two unique situations -- not non-standard, but unique in that they don't occur with the frequency of the other easements and rights-of-way that appear on the calendar. First, referring to the item on page 6, is a proposal for issuance of a mineral extraction lease pursuant to established rules, regulations and statutes to the high and only bidder, Pacific Gas and Electric Company, who offered a royalty bid of three cents per cubic yard for all fill material extracted from State tide and submerged lands, which bid was equal to the minimum advertised bid.

Similarly, on page 14, Moe Sand Company offer a minimum royalty of four cents a cubic yard for sand to be extracted from shoal areas in San Francisco Bay.

The second situation which is not of frequent recurrence is outlined on pages 11 and 12, wherein it is recommended that a waiver of operating requirements be granted on two mineral extraction leases because of the low grade of ore and the low prices on chrome ore. It is the desire of the lessee to suspend operations at this time and it is hoped that operation may become feasible when the market is more favorable. It is desired to suspend operations, paying the
annual rental.

The balance of the easements and permits outlined in pages 6 through 17 relate to standard right-of-way easements and prospecting permits and are completely in accord with standard forms, rules, regulations, and statutory requirements.

The item appearing on pages 18 and 19 relates to proposed modification or clarification of language which appears in a pooling agreement to which certain State lands in Sacramento County under arms of the Sacramento River are subject, in the problem having arisen that the language as it is now being interpreted at this late date (in the agreement which was entered into in June 1958) there has arisen a presumption of possibly paying royalty for gas or forcing production even at a time when there is no market, and the purchases in the area are made by the only purchaser of wholesale gas based upon demand when there are periods of demand; and the purpose of the amendment is merely to clarify the language and remove the necessity for operation, so that royalty will still be payable at any and all times when gas is actually extracted from the land.

GOV. ANDERSON: What area is this in?
MR. HORTIG: This is in Sacramento County on the lower Sacramento River, east of the Rio Vista gas field.

GOV. ANDERSON: How far is it?
MR. HORTIG: Physically, within five miles and involves
the Mokelumne River and tributary sloughs between that river and the Sacramento River. In other words, the State lands are water-bound lands. They were included originally in a lease issued according to public bidding. They were included in a unit agreement which has the main feature as to the gas removed from the State lands that the minimum royalties which would have been payable under the State lease are still applicable to the unit agreement. So for royalty purposes, this operation for the benefit of the State will still be continued, just as though the lands were still under a separate lease, except the efficiency of the wells is enhanced and the marketing is facilitated.

MR. LEVIT: Any discussion regarding any of these items? (No response) If not, a motion that they be approved will be in order.

GOV. ANDERSON: So move.

MR. CRANSTON: Second.

MR. LEVIT: Permits (a) through (l) in item 3 will be approved by unanimous consent of the Commission.

Item 4 -- sales of vacant State school lands.

MR. HORTIG: The items appearing on calendar pages 20 through 27 all reflect high bids equal to or in excess of the appraised value and the minimum value required in the bidding. The complete funds have been deposited for the acquisition of these lands and it is recommended that the Commission authorize the sales in accordance with the recommendation
as outlined on calendar pages 20 through 27.

I wish to call the attention of the Commission specifically to pages 24 and 25, which represent the consummation of the sales pursuant to bid for which the Commission heretofore granted deferments to Mr. Shaw.

MR. SMITH: There will be one more item on the July calendar.

MR. HORTIG: The last of the bids.

MR. LEVIT: What is the pleasure of the Commission?

GOV. ANDERSON: I move.

MR. CRANSTON: Second the motion.

MR. LEVIT: The sales in items (a) through (g) of number 4 will be approved by unanimous consent of the Commission.

Number 6 (we have already taken up number 5) is authorization for the Executive Officer to write to the Secretaries of Defense, Army and Navy, to request that regulations pertaining to operations in the proposed restricted area between Point Sal and Point Conception, Santa Barbara County, be withheld until the interested State agencies can establish grounds for a mutually satisfactory operating program with Federal agencies, and authorization to so inform the Department of Fish and Game and Small Craft Harbors Division.

As I understand it, you did previously, Mr. Hortig, advise the Federal government of the interest of the State in the proposed regulations?
MR. HORTIG: The State Lands Commission, pursuant to your directive, advised the Corps of Engineers, U. S. Army, who proposed to adopt restrictive regulations relating to certain State lands. The other State agencies, specifically Fish and Game and Small Craft Harbors Division, also objected on the pre-emption of State rights over the particular lands.

The form of notice did not indicate originally that anyone was going to be given an opportunity to have a hearing on the appropriateness of the rules and regulations, but as a result of the numerous objections which were filed both by the State and interested industrial groups, primarily oil and gas operators as well as commercial fisheries, as well as private fishermen, an informal conference was held with the Corps of Engineers, at which conference it developed that the representatives of the Navy who had requested these regulations after hearing my presentation on behalf of the problems of the State Lands Commission said: "Oh, we didn't think of that."

So, immediately thereafter there was a directive that the entire matter be forwarded to Washington to higher authority for further consideration and conclusion. Two weeks ago I was in Washington, D.C. and called on the Corps of Engineers to determine what they did. They, in fact, had the material there and were considering it. We were informed it was under consideration and there were no conclusions and
on my return to Los Angeles I read in the Los Angeles Times a quotation attributed to Rear Admiral Jack Monroe, commander of the Pacific Missile Range, for whom these lands were being sought, saying he did not know any opposition to the closing was still being expressed.

So in view of the fact that something has either been lost in transmission or is not of record, I feel it is imperative that the Commission be on record with the top authority in Washington to get them to do the only thing we feel is proper to do -- rather than close down the area, to at least have all the State's and the military's problems considered before any regulations are promulgated.

The proposed regulations, as they were drafted, were complete authority to close down roughly 120 square miles of tide and submerged lands to everyone, and close everyone out. We feel this would not only be a hazardous precedent; but, oddly enough, in the particular area it encompasses one of the three petroleum basins in California and the one that has been probably least explored to date and therefore can be assumed to be an area of potential necessary exploration in the near future.

Based on inaction by the State and lack of protest, we have found ourselves faced with Federal regulations forbidding any entrance into the area whatsoever and this, we think, is improper.

MR. LEVIT: I am just wondering if we are putting
this thing on the proper level even now. It might even be advisable for the Governor to address a letter to perhaps the President to call attention to this problem, so there won't be any more getting lost.

MR. HORTIG: If I may suggest, Mr. Chairman, since the preparation of the calendar I have received an information copy from the Department of Fish and Game, from the Director of Fish and Game, in which the Director has addressed the problem to the Governor, with the suggestion that the Secretary of Defense be informed of this. So it would appear possibly desirable for a combination of these factors and if the Commission wishes we could certainly redirect this to the top or have a combination of both.

GOV. ANDERSON: I would think our Executive Officer should notify him at the same time.

MR. LEVIT: That sounds like a good idea, I think, if there is no objection — that you write such a letter; that you then forward a copy of it to me, together with a draft of a letter that the Governor might send to President Eisenhower in relation to it.

MR. HORTIG: Yes sir.

MR. LEVIT: All right. We have taken care of that item.

The next item is number 7 — proposed annexations and this involves determination of values on property?

MR. HORTIG: To an extent. In view of earlier
annexations within city limits of tide and submerged lands without any consideration as to the ultimate use or the complications of ultimate use of such lands, the Legislature in either 1957 or 1958 required that thereafter in any such annexations the annexing authority must secure an evaluation of the tide and submerged lands from the State Lands Commission, together with any objections or protest by the State Lands Commission.

In the event of uninhabited tide and submerged lands being annexed, the prior annexation statutes only provided for protest by inhabitants and we have no inhabitants generally on our tide and submerged lands, so usually a substantial proportion of the area proposed to be annexed had no voice in the annexation proceedings.

In the three instances outlined in calendar pages 48, 49 and 50 for Redwood City and Menlo Park, there are proposed to be annexed tide and submerged lands in San Francisco Bay for which the staff cannot recommend any basis for objection to annexation by the State Lands Commission; and appraisals have been prepared in accordance with statutory requirements and authorization is requested to forward these evaluations to these respective cities in order that they may complete their annexation proceedings.

MR. LEVIT: What would be the basis on which the State might object to annexations of this kind?

MR. HORTIG: There could be consideration of economic
detriment to existing or offered gas leases -- not in San Francisco Bay, but this is the general reason. There have been obvious attempts along the Pacific Coast, in areas which are potentially oil and gas bearing, for some municipalities to foresee the desirability of including such areas within their city limits in order to have an additional tax base and without the obligation to give any service. Ordinarily, the lessee of the State lands receives no municipal service but gets a tax bill.

In those areas where this is a real threat or it is in existence, it must be obvious that the future bidder for State oil and gas leases simply has to condition his bid to the State by subtracting the amount of municipal taxes he must pay.

MR. LEVIT: Any objections?

MR. HORTIG: We have not had heretofore -- we have not had any question, but we have evaluated all these lands on the basis of a condition Governor Anderson raised at another meeting. By this means we are not forcing people on the uplands to accept without objection. The protests to be effective are to be based on 51% of the value and in most instances the value of the State Lands constitutes that. Therefore, if there were 5% that were objecting, and meritoriously so, they might find themselves swallowed up in annexation by lack of objection by the State Lands Commission. Fortunately, none have been filed.
MR. LEVIT: Any comments in regard to items (a) through (c) of number 7? (No response) Motion to be approved will be in order.

MR. CRANSTON: So move.

GOV. ANDERSON: Second.

MR. LEVIT: That will be the order by unanimous consent of the Commission.

Item 8 is an approval of termination of efforts to collect royalties under a prospecting permit in Stanislaus County amounting to $1,029.06; also to deny any future permits or leases to the lessee; and for making application to the Board of Control for discharge of accountability. In other words, we are owed roughly a thousand dollars by this lessee and we tried to collect it and haven't been able to do so, so now we are going to blacklist him and stop trying to collect it any more?

MR. HORTIG: This is the proposal because the lessee is insolvent. If we did succeed, and probably could, in securing a judgment against him, the question is whether we would be tenth or fifteenth in unsatisfied judgments already outstanding (something of that magnitude) and because of the cost to the Commission for the legal services to go through this, it is agreed by the office of the Attorney General it would exceed what we could hope to get out of it, even if the possibilities of recouping weren't as dismal as they are in this particular instance.
MR. LEVIT: All right. Are there any questions or comments with regard to number 8? Number 9 -- we will pass on to these other items and handle them together. Let the record show that Governor Anderson is excused and will be replaced by Mr. Zweiback.

Number 9 -- authorization to enter into an agreement for reproduction service for the '59-'60 fiscal year with Metropolitan Blueprint Company at a cost of not to exceed $5,000.

MR. HORTIG: Technically, reproduction services for the Commission are conducted by a contractor with a contract issued pursuant to low bid for each fiscal year. Metropolitan Blueprint was the low bidder, have been for several years, have rendered satisfactory service to the Commission.

The Executive Officer is authorized to approve contracts only up to a limit of $2,000, therefore this is brought to the Commission for authorization.

MR. LEVIT: Any questions on number 9? (No response)

Number 10 -- authorization to make a service agreement or agreements with Keplinger & Wanenmacher and with Herman Kaveler for consulting services respecting oil and gas leasing for the '59-'60 fiscal year. Dr. Kaveler is from Oklahoma?

MR. HORTIG: Both firms are from Oklahoma, sir, and were the group selected by the prior Commission to render technical services to the Commission. There will be no
commitment for minimum utilization of these firms under these contracts. It will be a case of if the Commission felt the need of their services we could use them and we would then not have to initiate the proceedings of having a service contract approved by the Personnel Board, Director of Finance, etcetera, all of which would take time. When we need services ....

MR. LEVIT: In other words, you specify a price in the service agreement?

MR. HORTIG: Per day and a maximum amount, and there will be no guarantee there will be services required. This will also be helpful to the Department of Finance. They can borrow ..... 

MR. LEVIT: Yes, we used Dr. Kaveler in the last session. 

MR. HORTIG: I am citing that as a circumstance which may be of advantage over and above simply the Lands Commission having these people under contract.

MR. LEVIT: Any questions on number 10? (No response)

Number 11 -- to declare ... pardon me, did you have a question?

MR. ZWEBACK: Yes, I wonder if we could get the brochure on these gentlemen, to be sure they are capable people?

MR. HORTIG: We will be very happy to send you copies.

MR. LEVIT: Number 11 -- to declare the salary for the position of Executive Officer open for adjustment as of
July 1, 1959, to allow for possible adjustment later on the basis of State Personnel Board adjustments for comparable classes. Why is this resolution necessary? I know what it's about. I understand what you are talking about, but why do we have to adopt any resolution on it?

MR. HORTIG: The State salaries for exempt positions in civil service cannot be adjusted retroactively. It is assumed -- it has already been assumed by the Personnel Board that civil services classes should receive increases effective July 1st. If the Commission at a later date, after a review of salaries for exempt positions approved by the Director of Finance should (I hope) look with favor upon an increase for the Executive Officer, this raise or increase could not be effective as of July 1, 1959 unless the Commission takes this action to declare the range open for adjustment as of July 1.

MR. LEVIT: Let me take a look at the resolution.

MR. HORTIG: This has been standard, I might say, every time the Governor's budget has included funds and the Personnel Board has allocated such funds to civil service classes in the years past.

MR. LEVIT: Well, I think it's clear from the presentation of it that the Commission is not taking any position on it at this time and it's merely a technical action so that if and when the Commission does take action it can be made retroactive to July first if the Commission so desires.
MR. HORTIG: That is correct.

MR. LEVIT: Any questions in connection with number 11?

(No response) A motion to approve items 8, 9, 10 and 11 will be in order.

MR. CRANSTON: I so move.

MR. ZWEBELL: Second.

MR. LEVIT: That will be the order by unanimous consent of the Commission.

Number 12 is a report on the status of major litigation. Anything on that, Mr. Hortig?

MR. HORTIG: Nothing new, beyond what is listed on calendar page 56, which you gentlemen have already read; and this requires no action by the Commission at this time.

MR. LEVIT: Any comments or questions in regard to this item? (No response) Is there anything further to come before the Commission?

MR. HORTIG: Not from the staff, sir.

MR. LEVIT: If not, the meeting is adjourned.

ADJOURNED 10:20 A.M.

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