MEETING

STATE OF CALIFORNIA

LANDS COMMISSION

STATE CAPITOL

ROOM 125

SACRAMENTO, CALIFORNIA

FRIDAY, JULY 12, 2013

2:00 P.M.

ERIC L. THRONE, CSR, RPR, RMR, CRR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 7855
COMMISSION MEMBERS:
Mr. Gavin Newsom, Lieutenant Governor, Chairperson, represented by Mr. Chris Garland
Mr. John Chiang, State Controller, represented by Mr. Alan Gordon
Ms. Ana J. Matosantos, Director of Finance, represented by Ms. Karen Finn

STATE LANDS COMMISSION STAFF:
Ms. Jennifer Lucchesi, Executive Officer
Mr. Mark Meier, Chief Counsel
Dave Brown, Chief, Administration and Information Services Division
Seth Blackmon, Staff Attorney
Jessica Rader, Staff Attorney
Jeff Planck, Assistant Chief, Mineral Resources Management Division
Ms. Kim Lunetta, Administrative Assistant

ATTORNEY GENERAL:
Mr. Joseph Rusconi, Deputy Attorney General
Mr. Mitchell Rishe, Deputy Attorney General
ALSO PRESENT:

Steve Greig, Government Relations Manager, Venoco
Ian Livett, Vice-President - Southern California, Venoco
Shaunn Cartwright, Save Pete's Harbor
James Lee, Secretary, Save Pete's Harbor
Wendy Stone, San Francisco Bay Marinas for All
Buckley Stone, San Francisco Bay Marinas for All
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<td>II  OPEN SESSION</td>
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<td>C03  VENOCO INC. (ASSIGNOR) AND VENOCO ENERGY PARTNERS OPERATING LLC (ASSIGNEE): Consider and approval of an assignment of a portion of Oil and Gas Lease Nos. PRC 736.1, PRC 3120.1, PRC 3242.1, and PRC 3314.1 from Venoco Inc. To Venoco Energy Partners Operating LLC (VEPO), Santa Barbara and Ventura Counties (PRC 735, PRC 3120.1, PRC 3242.1, PRC 3314.1) (A 35; S 19) (STaff: J. Planck, J. Rader)</td>
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PROCEDINGS

ACTING CHAIRPERSON GARLAND: I call this special meeting of the State Lands Commission to order. All the representatives on the Commission are present.

I'm Chris Garland, Lieutenant Governor Chief of Staff, representing the Lieutenant Governor.

I'm joined today by the Deputy Controller Alan Gordon; and representing the state controller -- actually, you represent the state controller -- and representing the Department of Finance is Karen Finn.

Unless there are no objections from the Commissioners, we'll adjourn into closed session first, according to the agenda. Are there any objections?

Hearing none, we are now officially going into closed session. Those nonessential persons please leave the room.

(Closed session.)

ACTING CHAIRPERSON GARLAND: The State Lands Commission is now back in open session.

Ms. Lucchesi, is there anything to report from the closed session?

EXECUTIVE OFFICER LUCCHESI: Yes. We would like to report that the State Lands Commission has authorized settlement in the case of State of California, acting by and through the State Lands Commission versus Venoco Inc.

ACTING CHAIRPERSON GARLAND: The next order of
business is the adoption of consent calendar.

   Is there anyone in the audience who wishes to speak on the item on the consent calendar? If not, do I hear a motion?

   ACTING COMMISSIONER GORDON: I have a motion to approve the consent calendar.

   ACTING COMMISSIONER FINN: I'll second it.

   ACTING CHAIRPERSON GARLAND: Motion to second. All those in favor?

   (Ayes.)

   ACTING CHAIRPERSON GARLAND: The "ayes" have it.

   Thank you.

   The next item on the agenda is the calendar. Is there any business that needs to be added or ....

   EXECUTIVE OFFICER LUCCHESI: No.

   ACTING CHAIRPERSON GARLAND: Item number 3 is to consider approval of an assignment of a portion and Oil and Gas Leases Nos. 3120.1, 3242.1 from Venoco Inc. to Venoco Energy Partners Operating LLC.

   May we have a staff presentation.

   CHIEF COUNSEL MEIER: Yes.

   Mr. Chair, Commissioners, my name is Mark Meier, I'm your chief counsel for the record.

   The proposal is approval of an assignment of a portion of four oil gas leases that been issued to Venoco Inc. The
assignment would be to an entity called Venoco Energy Partners Operating LLC, VEPO, which would be a subsidiary of a master limited partnership created by Venoco Inc.

The amount transferred would be a 22 percent interest of PRC 735, and 3314.1; and a 22 percent interest in nine specified well bores on PRC's 3120.1 and 3242.1.

The second group are collectively called the Holly leases, and the first group are the Montalvo leases.

I'm going to keep this short, because you have all been fully briefed on this and it's getting late.

The concern with any approval for any assignment is if there is any reason why an assignment is not in the best interest of the state. In this particular assignment we feel that what the state is getting is an improved bond.

They have agreed to raise the bond on 3120, 3242, and another adjacent lease called 421, from 7.5 million to 10 million immediately, and then phase it in and increase the bond to 30 million over a period of five years.

They also have agreed to undertake several projects. One of them has to do with injecting gas liquids into the pipeline to raise gravity of the oil and add a back-up pump onto platform to Platform Holly.

The Venoco has seen increased production on Platform Holly at Montalvo over the last four years significantly, and the state has seen an increase in royalties, significant
increase in royalties, and they have asked for approval of
this assignment. So I don't have anything more to add.

If you have any questions, representatives for Venoco
are here right now.

**ACTING CHAIRPERSON GARLAND:** What's the staff
recommendation?

**CHIEF COUNSEL MEIER:** Staff recommendation is to
approve the assignment, read the authorization -- well,
there's a number of authorizations in here.

Consent to the assignment of the 22 percent share of
735 and 3314, and a 22 percent interest in the specified well
bores, they're listed in the authorization. The wells are
numbers 11, 12, 14, and 16 on 3120; and wells four, seven,
nine and 12 on 3242.

The bond would be increased to $10 million within
30 days following the commission's approval, and then would
be increased $4 million each year until the total amount
reaches 30 million in 2018, on -- there's a typo in here, I
just realized it says on January 1, 2015 -- I think I'm
actually reading an out-of-date version of the calendar
item -- on 2025, and each ten-year anniversary after that the
bond would be readjusted to reflect the total re-abandonment
costs for Platform Holly.

The Venoco has also agreed to enter into an
reimbursement agreement to cover Commission staff costs of
$100,000 annually for overseeing the management of the leases, adjusted five percent per year.

And, let's see, this approval would be subject to subsequent approval by the SEC for the marketing of the limited partnership shares in the parent of the assignee. That would be Venoco Energy Partners, Venoco Energy Partners Limited Partnership, I believe. I've got it here, VEP, LLP. Let's see. The last thing is the Venoco would agree to indemnify and defend the state from any lawsuits, demands, claims, so forth and so on, from any investors in the MLP. I think that should be it. Yeah, that should be it.

ACTING CHAIRPERSON GARLAND: Okay. Thank you. I have a question. The company that we are assigning the leases to, or proposing to assign the leases to today, does that company currently exist?

CHIEF COUNSEL MEIER: No. I think we'll have to ask the representatives from Venoco.

ACTING COMMISSIONER FINN: VEPO, VEPO exists?

ACTING CHAIRPERSON GARLAND: Would one or both of you like to join us at the table so we can ask and answer questions.

Would you kindly state your name for the record.

MR. GREIG: Yes. Steve Greig, Government Relations Manager for Venoco.

ACTING CHAIRPERSON GARLAND: Spell your last name.
MR. GREIG: G-R-E-I-G.

ACTING CHAIRPERSON GARLAND: So the question was: "Does the company, that we're currently considering assigning the leases to, exist at this time"?

MR. GREIG: Yes, it does.

ACTING CHAIRPERSON GARLAND: Excellent. I have several other questions. But Commissioner Finn ....

ACTING COMMISSIONER FINN: What happens if the state doesn't authorize this, these leases are continued to be managed by Venoco then; correct?

MR. GREIG: That's if the state. If the state --

ACTING COMMISSIONER FINN: Commissioner Finn.

MR. GREIG: Commissioner Finn, yeah, if the state doesn't authorize the transfer of the assets, then Venoco moves forward as is --

ACTING COMMISSIONER FINN: Uh-huh.

MR. GREIG: -- but the MLP doesn't go forward and the financial benefit to the company isn't seen.

ACTING COMMISSIONER GORDON: What would be the effect to the company if you did not --

MR. GREIG: If we didn't, if the assets weren't transferred, I think Venoco has demonstrated a commitment, a willingness to reinvest in those assets for the state, we have demonstrated that by that increase in production the state has an increased royalty of 200 percent.
Since we purchased those properties, we believe that the transfer of the assets into the MLP will allow us to position ourselves so we could continue to do that.

If this doesn't get transferred, it limits our ability to continue to make those reinvestments.

**ACTING CHAIRPERSON GARLAND:** I'm going to follow up on that question and actually ask you to answer a direct answer to the question whether on occasion the opportunity is not met.

**MR. GREIG:** Well the direct answer is if you don't approve, the MLP doesn't go forward today.

**ACTING CHAIRPERSON GARLAND:** What does that mean over time?

**MR. GREIG:** It means the financial benefit of the MLP won't be seen and any type of, you know, we believe that the MLP strengthens our financial position.

**ACTING COMMISSIONER GARLAND:** What is the current financial position of the company?

**MR. GREIG:** It seems -- I'm sorry -- that's a hard question to answer. I mean I --

**ACTING COMMISSIONER GARLAND:** Okay. Let me see if I can quantify that for you. Is it my understanding that Venoco is in an extremely dangerous financial situation now, correct, as demonstrated by your D&B reports and your current financial disclosures?
MR. GREIG: I think we have demonstrated that over the last year we've increased and we've strengthened our position because of our ability to increase production.

ACTING COMMISSIONER GARLAND: Would you agree that the indicators of the financial industry do not reflect that currently and at the same time you're claiming to have strengthened your financial position, your credit ratings and scores have gone down, now putting you at the highest risk level?

MR. GREIG: I'm aware of the findings of the D&B report.

ACTING COMMISSIONER GARLAND: You are aware of them. Are you saying that my characterization is not correct?

MR. GREIG: What I'm saying is I'm not in a position, either within the company or my expertise, to comment on the accuracy or the financial position of the company in terms of --

ACTING COMMISSIONER GARLAND: Is there someone here from the company that can?

MR. GREIG: The guy with me, the Vice-President, Ian Livett, might be able to.

ACTING CHAIRPERSON GARLAND: Would you like to join us, if you can comment on this?

MR. LIVETT: Well, I think the comment that I would say to that -- and I'm not a financial person either -- and I
haven't read that report in great detail that you are looking at; but, you know, we were a public company up until about a year ago, and a year ago we decided to go public.

We decided to become a private company again. As a result of that we obviously had to buy out all of our existing shareholders, and as a result of that we actually increased our debt ratio quite significantly as part of that buy-out.

We subsequently have paid down some of that debt by paying a substantial asset, which is our Sacramento basin gas assets, which we sold for about $250 million.

And once that might sound we had significant production from those assets and one might think we sold a significant portion of the company, we did in terms of production, but it was gas production. In reality, we sold something like about ten percent of the value of the company.

**ACTING COMMISSIONER GARLAND:** And just so we're correct on the record, when you say "gas," natural gas?

**MR. LIVETT:** I'm sorry, yes.

So by doing that, we would significantly de-leverage some of our debt levels. And one of the reasons that we want to put some of our assets into an MLP is that we believe that that will bring in more private investment from private investors which will allow us to (A) pay down some more of our debts, and secondly will allow us to get back into the
acquisition business which is something that Venoco has been very, very successful at.

    You know, we acquired Platform Holly and the Ellwood, the Ellwood fields in 1997, and we actually -- which was 21 years ago -- the field actually produces more oil today than it did then.

    So I think that we have on the Montalvo fields, which we acquired about six or seven years ago, we have increased production there by going from about 1,000 barrels a day to 2,000 barrels a day. So we have doubled our production.

    So I think Venoco prides ourselves in buying mature fields, investing in those mature fields, and increasing production, obviously, making more revenue from those fields.

    We believe that the MLP is a key way going forward based on many other MLP's that are around, that we will use that vehicle to (A) de-leverage our debt, and secondly be able to acquire more fields and become a stronger company to go forward.

    So to answer your question, if the MLP does not go forward, then obviously the state assets are very significant assets in this assignment, and we would have to reconsider, we will have to reconsider our business objectives going forward, I'm sure.

    **ACTING CHAIRPERSON GARLAND:** I appreciate that. I also appreciate recognizing the asset that you say you're
putting into this is actually the state's asset that we lease to you.

MR. LIVETT: We put in the incentive.

ACTING COMMISSIONER GARLAND: So then based on that, you've said two interesting things that you'd like to retire or deal with the debt situation and begin reinvesting it, do you expect to raise enough capital from this transaction to be able to accomplish both of those things given your current situation?

MR. LIVETT: Obviously, yes. Although the market is very -- the market is changing significantly right now and, you know, we've actually been wanting to do this MLP assignment for quite a few months. Our original application was in November of last year, actually.

The duration it's taken to move forward with this, the market has changed. And so we are working with the SEC right now to get the necessary certifications in place, obviously working you folks to try to get the necessary assignments in place.

Once that happens, our plan is to go to market and see how the market reacts. I don't know how the market is going to react in a month's time.

ACTING COMMISSIONER GARLAND: And your comments that this has taken an awful long time, I'm going to assume you are not blaming anybody with that?
MR. LIVEITT: No, it's just taken a long time. It's taken a long time, you know, a lot of work to get this all prepared. The SEC, we had at least two rounds for the SEC, two rounds of comments.

ACTING COMMISSIONER GARLAND: Okay.

MR. LIVEITT: And we have had a great deal of negotiations and discussions with you folks trying to provide more information. So there's no blame there, it's just taken a long time.

ACTING COMMISSIONER FINN: So what happens if the IPO doesn't raise what you need?

MR. LIVEITT: I guess there's a possibility we would not go forward with it.

ACTING COMMISSIONER FINN: And so then if we were to approve this and you subsequently then are not successful in the IPO, where does that leave the assets?

MR. GREIG: I can answer that.

I think the assignment is actually tied to that, and the state, the additional things that we talked about --

ACTING COMMISSIONER FINN: Uh-huh.

MR. GREIG: -- and Mr. Meier mentioned --

ACTING COMMISSIONER FINN: Uh-huh.

MR. GREIG: -- in terms of the bonding and the projects, we're agreeing to those --

ACTING COMMISSIONER FINN: Uh-huh.
MR. GREIG: -- as part of the assignments. So those can go forward and the state's assets would stay with Venoco. So at one level the --

ACTING COMMISSIONER FINN: But can Venoco operate if it doesn't get the associated additional investment?

MR. GREIG: Yes.

MR. LIVETT: We would probably not be able to acquire any other property, we would not be able to invest as much capital into new wells like as we might have otherwise done. Absolutely.

ACTING COMMISSIONER FINN: Okay.

MR. LIVETT: And I also want to make sure it's clear that with this assignment, Venoco can still operate that, 100 percent.

ACTING COMMISSIONER FINN: Venoco is, correct. Excuse me. I was asking about VEPO. So if VEPO didn't get the increase --

MR. LIVETT: No. They'd have a minority share of the assets.

ACTING COMMISSIONER FINN: Okay.

MR. LIVETT: So Venoco will continue to remain the operator --

ACTING COMMISSIONER FINN: Okay.

MR. LIVETT: -- with full responsibility for making all the necessary regulations, all the necessary maintenance
and safety requirements, we will continue to be responsible for ensuring that the state gets their royalty payments. So we will still be the operator.

As far as interactions with State Lands is concerned from an operational level, that would be actually --

**ACTING COMMISSIONER FINN:** Okay.

**ACTING CHAIRPERSON GARLAND:** And so we have your assurance should you abandon the MLP after the assignment is assigned to you and for some reason if it's abandoned, you will still be able to meet the other agreed terms?

**MR. LIVETT:** Yes. I mean we will absolutely, yes. We have committed to the bonding within 30 days of the assignment. So if it was assigned today, it would be within 30 days of today.

**ACTING COMMISSIONER GARLAND:** When do you expect the SEC to approve?

**MR. LIVETT:** Probably, we're hoping, by the end of, probably by sometime in August.

**MR. GREIG:** Yeah, I mean, Mr. Chair, we believe we are at the last what we believe is the last stage of that process. We have received, as Mr. Livett has said: We've gone through two rounds with the SEC.

We have their third comment letter and there are three comments in that that we believe we can answer rather quickly. We believe this will be the last round for us and
once that happens when we start the process of going on the marketing of the MLP.

But with this assignment, assuming we get it today, we'll be submitting those comments next week, the responses.
We're that close.

**ACTING CHAIRPERSON GARLAND:** Any other questions by anyone else?

**ACTING COMMISSIONER FINN:** Nothing.

**ACTING CHAIRPERSON GARLAND:** Thank you both very much for your willingness to answer our questions.

Are there other public comments related to this item? I don't believe there are.

**EXECUTIVE OFFICER LUCCHESI:** We haven't received any.

**ACTING CHAIRPERSON GARLAND:** Okay.

**ACTING COMMISSIONER GORDON:** I would make a motion that we approve assignment of the leases and the full agreement pursuant to the MLP.

**ACTING CHAIRPERSON GARLAND:** All those in favor?

**ACTING COMMISSIONER FINN:** I don't think our reporter heard that.

**ACTING COMMISSIONER GORDON:** I make a motion to approve the staff recommendation with regard to the MLP.

**ACTING CHAIRPERSON GARLAND:** I have a motion.

Do I have a second?

**ACTING COMMISSIONER FINN:** I will second it.
ACTING CHAIRPERSON GARLAND: All right. Because of the rules -- actually, I'm going to ask our Executive Officer to explain the rules on how we vote when there are no elected constitutional officers here.

EXECUTIVE OFFICER LUCCHESI: And this applies to the voting on the consent agenda that occurred earlier, which the Commission complied with.

But just to explain, pursuant to the Government Code, when neither constitutional officer is -- or when both constitutional officers are represented by alternates, only one of those constitutional officers, one of those alternates can vote on a particular item, and one would need to abstain or not vote.

ACTING CHAIRPERSON GARLAND: In the interest of tradition and comedy, as my friend in the Controller's office and I have always had, the Controller's office is going to be putting up the official vote on this -- but before we get there, I want to register the position of our office on this issue, and that is this: We have grave and material concerns about this MLP and the assignment of these leases.

I wish that we would have had significantly more time, since none of us are experts in finance for these financial constructs. Unfortunately, I chose not to go into Wall Street. And while I have never regretted it until today, I wish I had a more expert background to be able to
get to a place where we could have a different outcome.

That being said, if the Chief Financial Officer for the Governor and the chief financial watchdog for the state controller's office is willing and capable of moving this forward, I will not, this office will not stand in the way.

So having a motion and a second, all those in favor of a staff recommendation and assigning of leases, say aye.

**ACTING CHAIRPERSON GARLAND:** Opposed?

The motion carries.

(Acting Commissioners Gordon and Finn: Aye.)

**ACTING COMMISSIONER GARLAND:** The motion carries 2-0, with the Controller and Department of Finance voting.

Congratulations, you have had a very lucky day.

**ACTING COMMISSIONER FINN:** I thank the staff for all the long hours and work that they put into this, and I know it's probably new ground you've all learned about, and thank you.

**EXECUTIVE OFFICER LUCCHESI:** Thank you.

**ACTING CHAIRPERSON GARLAND:** Are there any -- other what's the next order of business.

**EXECUTIVE OFFICER LUCCHESI:** Public comment.

**ACTING CHAIRPERSON GARLAND:** We have four registered, four registered commenters. I would ask everybody, in the interest of it being late in the day on a Friday, I do not wish anybody to not be allowed to speak, but you have a
three-minute time limit and I would appreciate everybody being sensitive to the lights in front of them.

First up is Shaunn Cartwright, then James Lee, Wendy Stone, and Buckley Stone.

Ms. Cartwright, welcome back.

**MS. CARTWRIGHT:** Nice to see you all again.

Hello, I'm here about Pete's Harbor. I'm sure most of you have figured that out.

**ACTING COMMISSIONER GORDON:** You're not here on the oil leases?

**MS. CARTWRIGHT:** I know you are shocked about that.

I am here to urge you to keep Pete's Harbor alive, keep the docks intact. I believe that it's vital right now. I'm sure you heard that it is surrounded by giant fences that are locked and dummy locked, that I believe that the barbed wire was recently taken down. There's no public assets at all to the entire area.

Right now, we're pursuing an opportunity to turn the area into an educational and research facility that the entire Bay Area can benefit from, and I believe that if these docks are taken apart, that that would greatly hurt that.

And I think that having an area like that on the peninsula would be a great benefit to the area on something we could take a lot of pride in.

And once that's dismantled that's gone forever, and I
think missing an opportunity like would be a bigger shame
that's already happened to Pete's Harbor area.

Right now if we go there, you have to turn in your ID
and write it down as to who was there and who wasn't, and I
believe that's an invasion of privacy to record people's
personal information when they are trying to access public
space under an armed guard.

I think that's exactly the point.

**ACTING COMMISSIONER GORDON:** The NSA.

**MS. CARTWRIGHT:** I believe that Snowden has already
been there. He might be hiding in Pete's Harbor because it's
pretty guarded.

And I implore you to get involved with the
Redwood City Inner Harbor, specifically not Pete's Harbor
plan. Without your leadership, it's just us residents on our
own due to the total lack of courage and leadership by most
every elected from Planning Commission to Congress.

And when I say that, I mean I have not knocked on
every door here. I have gone to the Planning Commission, I
have gone to the City Council, I have gone to every elected
official. I have gone to, I mean, every door.

And I will name names, I don't care. And all of them
say "Well, I'm waiting for so-and-so, I'm waiting for
so-and-so. If they do something, I'll do something."

It's like a house of cards. And I've got to tell you
is the sturdiest house of cards I have ever seen in my life, and nobody is willing to do anything except us, and we don't have the power. All of them do and they are not willing to do anything.

And you guys are the ones who can come in and help us with the inner harbor, specifically not Pete's Harbor plan, and we would appreciate the help.

And lastly -- because I have 13 seconds left, I'm doing good -- Save Pete's Harbor is for public access, it is not for personal gain, unlike other groups that are fighting for personal gain and control of the leases.

Thank you. I'll see you guys soon.

**ACTING CHAIRPERSON GARLAND:** Thank you.

Next up is James Lee.

**MR. LEE:** Good afternoon, good to see you again.

Thank you for giving me the time to speak.

I'm here as secretary for Save Pete's Harbor, which is now a nonprofit corporation.

I know you guys have received a letter from the another group detailing why, why people in the Redwood City community think the leasehold improvements and the out of harbor area, Pete's Harbor, should remain. So I don't want to get into that too much.

What I do want do say is to kind of piggyback on what Shaunn said about the inner harbor specific plan. There is a
task force in Redwood City for this inner harbor specific plan, and we understand that the State Lands Commission had has a seat on the task force.

I'm coming here today because I have attended the last two meetings of that task force as a member of the community, as secretary for Save Pete's Harbor, and I'm really concerned about the dissidence between the public input that's being given for this inner harbor area of which we feel should include Pete's Harbor, but currently does not, and the vision that's being presented by the city.

There were almost 40 people at the last meeting on Tuesday night. Nearly all the comments were about a lot of things. I think the State Lands Commission would like that the public spoke about public access, sustainable development about building with sea level rise in mind.

But the higher urban design consultants for the city, who was working on the specific plan, gave us presentations of building right up to the waterfront, shows photos of Balboa Island in Newport Beach, and Granville Island in Vancouver, which are very highly built up in very dense urban areas, not really quite appropriate for the area.

And I understand resource-wise is really hard to get down to Redwood City on a weeknight, but if you could please stay in touch with Redwood City and make sure they are doing the right thing. Since you guys do have a seat on the task
force, it would be great if your input influenced them somewhat.

I do also want to go with what Shaunn said, that Save Pete's Harbor, we're here to make sure that the marina is preserved. We're not concerned about the leases acquiring them for ourselves, we just want to make sure that the marina stays there.

Also just really quickly, we had an interesting case of -- or interesting example of how public access is being denied right now.

On the 4th of July, hundreds of people drove down to Pete's Harbor. It's a traditional place for people to go see the fireworks over the bay.

And because there wasn't enough press about it or what, people didn't realize the harbor had been closed. So there was a huge traffic jam because the harbor is fenced up. There is no public access for all of these people who have been enjoying it for decades. People know the place has a place to access the shore to be on the waterfront and to enjoy their community. So, please, I hope whatever you could do to help out would be much appreciated.

**ACTING CHAIRPERSON GARLAND:** Thank you, Mr. Lee.

Next up is Wendy Stone.

**MS. STONE:** I'm reading for Alison Madden, and this will take up all of my time.
This statement is read on behalf of San Francisco Bay Marinas for all, a charitable, public benefit nonprofit corporation organized and existing under California Law. Our mission is to provide public access to marinas in and around San Francisco Bay.

As always, we want to start by saying thank you again to the staff and Commission for its obvious professionalism, exhibited through diligent research and clear, thoughtful and prompt communication to the harbor, tenants and the City of Redwood City.

SFEMFA seeks to enable activities consistent with the public trust and designed to draw the public to Bay Area harbors and marinas and use them for recreational purposes, and for residential live-aboard purposes as consistent with applicable guidelines.

Our initial and current focus is to preserve the historic legacy at Pete's Harbor and ensure that docks on the outer harbor in Smith Slough are not ripped out to enable an exclusive upland private condominium development that intends to use the inner harbor as a private marina only for condo owners. This is the stated intent of the developer.

Please see our letter from the law firm of Adams, Broadwell, Joseph and Cardozo, detailing that outer harbor slips should not be ripped out, especially not without a very deliberate process including environmental assessments.
The upland owners have filed a short-term expedited permit application with BCDC for permission to rip out the docks as soon as that permit can be issued.

Pete's Harbor has been a Redwood City icon for over 50 years and deserves to remain. "Give Pete's a Chance" is therefore the name of our first initiative.

Current and former tenants and a wide coalition of local supporters would like to see the right solution for all of Redwood City, a development with a marina that takes into account what is good for all of Redwood City, not just one landowner or one developer.

Our members are electricians, engineers, attorneys, construction company owners, startup CEO's, cancer researchers, MBA's, and more. Pete's was never managed by an outside "professional" marina company and an initial lease to tenants will be operated with, at a minimum, the same competence and standard of care as Pete Uccelli and the current and former harbormasters. Pete built and ran a safe and lasting marina, and we're prepared to take up his legacy.

We ask that you:

One, act on the harbor's current uncured material breach and repossess the outer harbor property and marina facilities;

Two, order the turbidity curtains down;

Three, contact the BCDC and U.S. Army Corps of
Engineers and ask them not to grant any permits until the SLC has fully and finally acted on the matters of the leases;

Four, on an interim basis lease to SFBMFA with a recognition that all members of SFBMFA currently at the harbor be permitted to stay on the outer harbor;

Five, recognize the existing right of public ingress and egress across the adjacent public access strip, which we are informed is federally-owned property and is sufficient to provide access to the outer harbor "small," i.e., "consent" lease PRC 6856;

Six, review our application to lease the marina facilities, which is now ready for submission and expected to be filed Monday, and grant an interim lease to SFBMFA for at least 90 days, and work with us on the filing fee for the application to be able to pay it in installments out of rent and fund-raising.

That is the end of my time. Nice to see you all again. Thank you.

MR. STONE: She rehearsed that.

EXECUTIVE OFFICER LUCCHESI: If I may, you might have copies of what she read, that would be good.

MR. STONE: I should have passed that up before she did her speed-reading. I apologize.

Alison wrote that up. She couldn't be here, but it was really important that that message was read out loud for
the record.

So here we go.

**ACTING CHAIRPERSON GARLAND:** Mr. Stone, welcome back.

**MR. STONE:** I'm back ....

Excuse me. We ran like crazy to get here, and there was an accident at the 580 and the car in the cornfield, and I didn't get a chance to get my suit.

Anyways our friend, Chris Murphy, has lost the fight. He's been found guilty and now they are going to take possession of his boat and he has nowhere to live, because Judge Buchwald felt that the State Lands Commission really wasn't interested in the formal outcome of what's happening in Pete's Harbor. We're next on the chopping block and we don't know where we're going to go or where we are going to live.

A neat thing happened: You guys helped Paula breach the contract, and a week before that sucker was up she terminated her leases, which gave her 60 days.

And in that 60 days, she's now put in an application with BCDC to tear out all the docks which surround the turbidity curtain behind 8-foot fences that had barbed wire that I managed to get rid of, armed guards, they have a telescope watching us, and it's just an amazing piece of drama.

So I think that was a really cool move, that she was
able to do that. They give her 60 days, because that means she has until August now to -- this is really a notice. So she has 60 days you guys gave her and now she has 60 days more, and she has trucks waiting to pull out the docks, just drag them right up into the parking lot. They've already been sold, they are going to Bethel Island, and all she needs is an okay from BCDC.

And the BCDC and the Army Corps of Engineers will not make a move until the State Lands Commission stands up and makes a point of what they want done there. They are not going to do it. It's up to you guys. Okay.

I pleaded with Judge Buchwald. We need you to talk to them. A petition of writ has been sent against him from Paul's lawyers. So now we're going to the appellate court, the appellate court is going to order him to make a judgment on the UD, because UD's usually aren't four hours, but we have the world's longest UD.

And he will be forced to make judgment for defendant, I mean for the plaintiff, and we will have five days from sheriff moving, your eyes and ears of Pete's Harbor will be gone. We need permission.

I just called Paula up to take my boat out. I have to have somebody call me at the gate so I can go have it unlocked. We're living in a gulag, and all we want is public access.
I sent you the picture of the 4th of July, with the kids standing outside the chain-link fence going "Fireworks, fireworks." It's a shame, shame, shame, and everybody is going to lose it.

It's a beautiful place for a marina, it's a beautiful marina, brand-new electrical, brand-new plumbing. The only thing that's wrong with it is there's no boats.

Paula has terminated the leases and she's blaming you guys. She's saying this would have been a great place for a public marina, but the State Lands Commission has ruined that for the whole city.

She said "I'm going to sell it for privatization."

Paula's corporation said "I'll be willing to run it, a commercial marina."

Then we figured out we'll just terminate the leases, and Paula Uccelli has blamed you guys for making her do things she couldn't afford to do. Millions and millions of dollars are made and she blamed it all on you.

She blamed you all in the newspaper, big bad guys for taking away the marina from the public. That's the truth, so help me God.

I don't know if I will see you guys again because I don't know when your next meeting is. We may have to find another place to live. Hopefully, there will be a VA nearby.

Thank you for your time, Jennifer, and you guys. I
know you have gone above and beyond the call of duty, and I
know that you have taken the time to really appreciate and
listen to our conundrum. But from my heart, I want to thank
you because, I mean, gas drilling is a big thing. We're here
to Save Pete's Harbor.

So thank you very much for your time. And I hope to
see you again soon for something positive. It depends on the
appellate judge. We might be going back to court on the
19th. I don't know if there's a writ or all of this other
stuff.

Thank you. I'll keep you informed by e-mail. I'll
send you pictures with love from Pete's Harbor, the last ode.
All right?

ACTING CHAIRPERSON GARLAND: Thank you, sir.

MR. STONE: Thank you, guys.

EXECUTIVE OFFICER LUCCHESI: I want to let the
Commissioners know that we are looking into all of these
issues and are consulting with them, the BCDC, U.S. Fish &
Wildlife, California Department of Fish & Wildlife, and all
the other regulatory agencies about this.

MR. STONE: I told Shelly and also Grace, you guys
have been really great. Thank you.

ACTING CHAIRPERSON GARLAND: That concludes the cards
that I have. Are there any other public comments that need
to be made?
All right. Well, that concludes our open meeting. I don't believe we need to go back into closed session, so I will entertain a motion to adjourn.

**ACTING COMMISSIONER FINN:** So moved or ....

**ACTING CHAIRPERSON GARLAND:** We are going to switch to time moved by Finance, seconded by the Controller. All in favor?

(Ayes.)

**ACTING CHAIRPERSON GARLAND:** See everybody on the 22nd or 23rd of August.

**EXECUTIVE OFFICER LUCCHESI:** Thank you.

(Proceedings concluded.)

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COURT REPORTER'S CERTIFICATE

State of California )
               ) ss.
County of Sacramento)

I, ERIC L. THRONE, hereby certify that I am a
Certified Shorthand Reporter and that I recorded verbatim in
shorthand the proceedings had Friday, July 12, 2013, in the
matter of the special meeting of the State Lands Commission,
completely and correctly to the best of my ability; that I
have caused said shorthand to be transcribed into typewriting
and the foregoing pages, 1 through 34, constitute a complete
and accurate transcript of said shorthand writing taken in
the above-mentioned proceedings.

Dated at Sacramento, California, this 16th day of

ERIC L. THRONE, CSR No. 7855, RPR, RMR, CRR

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