## ANALYSIS

This ordinance grants a proprietary petroleum pipeline franchise to Crimson Resource Management Corp., a Colorado Corporation ("Franchisee"), to collect, transport, and distribute petroleum and other products for a period of ten (10) years.

The annual franchise fee payable to the County by Franchisee will be determined according to a formula contained in Section 2 of this franchise ordinance. Franchisee will pay a one-time granting fee of five thousand dollars ($5,000).

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By
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GVC:td

[Requested: 6/5/08]

[Revised: 6/18/08]

**ORDINANCE NO. 2008-0053F**

An ordinance granting a proprietary petroleum pipeline franchise to Crimson Resource Management Corp., a Colorado Corporation, to collect, transport, and distribute petroleum and other products for a period of ten (10) years.

The Board of Supervisors of the County of Los Angeles ordains as follows:

**SECTION 1.** Franchise Term, Grant.

The right, privilege, and franchise is granted to Crimson Resource Management Corp., a Colorado Corporation ("Franchisee"), and its successors and assigns, for a period of ten (10) years, beginning on the effective date of this franchise, to lay, construct, reconstruct, maintain, operate, renew, repair, change the size of, remove, or abandon in place, pipes and pipelines for the collection, transportation, or distribution of petroleum, oil, gas, gasoline, or other liquid hydrocarbon products, wet gas, industrial gas, chemicals, mud, steam, water, waste water, and other liquid substances, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980," 42 U.S.C. section 9601 et seq., and amendments thereto, together with all manholes, valves, cathodic protection systems, appurtenances, and connections necessary or appropriate for the operation of said pipes or pipelines, including poles, conduits, wires, cables, including adjunct communications lines, and other appurtenances and equipment for telegraph or telephone lines, or both, necessary or appropriate solely for the Franchisee's operations, in, under, along, or across any and all highways as defined in Section 16.36.080 of the Los Angeles County Code now or hereafter dedicated to

public use within the following described service area within the unincorporated territory of the County of Los Angeles ("County"), State of California, and depicted on the exhibit map attached hereto:

**Castaic/Val Verde Area.**

All the unincorporated territory of the County of Los Angeles, California, lying within the following boundaries described as follows:

Sections 1 through 5, Township 4 North, Range 17 West, San Bernardino Base and Meridian ("S.B.M."); Sections 25 through 29, Township 5 North, Range 17 West, S.B.M.; Sections 32 through 36, Township 5 North, Range 17 West, S.B.M.; Sections 29 through 32, Township 5 North, Range 16 West, S.B.M.; Sections 5 and 6, Township 4 North, Range 16 West, S.B.M.; and that portion of Rancho Temascal lying within Sections 29, Township 5 North, Range 17 West, S.B.M.

**SECTION 2.** Consideration; Payment of Fees.

A. As consideration for the franchise granted, the Franchisee shall pay the County's Chief Executive Office ("CEO") a one-time granting fee of five thousand dollars ($5,000) within thirty (30) days after the adoption of this ordinance.

B. As additional consideration for the franchise granted, the Franchisee shall pay annually in arrears, on or before April 15 following the end of each calendar year, for each year during the life of the franchise ("fee payment date"), to the County, in lawful money of the United States, a franchise fee computed annually ("annual franchise fee"), as set forth below.

C. The annual franchise fee payment by the Franchisee shall accrue to the County on January 1 of each year for the highway space occupied by the Franchisee's facilities as of December 31 of the calendar year immediately preceding the applicable fee payment date. The annual franchise fee shall be comprised of the base annual fee, which shall be adjusted by the ratio of the price index as set forth in Section 2.F below, and computed to the nearest tenth (1/10) of a cent. The "base annual fee" shall be calculated according to the highway space occupied by the pipelines and/or conduits, including the protective covering, pipe casings, pipe connections, and any other appurtenance(s), such as manholes, valves, cathodic protection systems, connections, and any other structure(s). The base annual fee shall be calculated at the rate of one dollar and fifty cents ($1.50) per cubic foot of highway space occupied, as set forth in Section 2.E below.

D. Adjusted diameter. The nominal internal diameter of the Franchisee's pipes and conduits (metal or plastic) shall be adjusted upward to the equivalent diameter(s) of street space occupied in accordance with the following formula:

1. The highway space occupied by metal pipes and conduits shall be taken as equivalent to the volume occupied by a cylinder of equal length having a diameter of one (1) inch greater than the nominal internal diameter of the pipes and conduits.

2. The highway space occupied by plastic pipes and conduits shall be taken as equivalent to the volume occupied by a cylinder of equal length having a diameter of two (2) inches greater than the nominal internal diameter of the pipes and conduits.

3. For purposes of calculating the highway space occupied, in no event shall the diameter of any pipe or conduit (metal or plastic) be taken to be less than six (6) inches.

E. The "adjusted diameter(s)" of highway space occupied by the Franchisee's pipes and conduits derived in accordance with Section 2.D above, shall be used to calculate the base annual fee in accordance with the following formula:

1. The rate of one dollar and fifty cents ($1.50) per cubic foot set forth in Section 2.C above, shall be converted mathematically to a base annual fee using the formulas and table shown below.

The "adjusted diameter(s)" of highway space shall be used to determine the applicable linear footage base rate per one (1) foot of street space occupied as set forth in the schedule of base rates below.

The base annual fee shall equal the total length of the pipe or conduit (measured in feet) multiplied by the linear footage base rate (depicted in column C below) that corresponds with the applicable "adjusted diameter" of the pipe or conduit (depicted in column A below).

| A | B | C |
|---|---|---|
| **Adjusted Diameter of Pipe (In Inches)** | **Volume Per Foot in Cubic Feet** | **Base Rate per Linear Foot (Based on $1.50 per Cubic Ft.)** |
| 6.00 | 0.1964 | $0.2945 |
| 7.00 | 0.2673 | $0.4009 |
| 8.00 | 0.3491 | $0.5236 |
| 9.00 | 0.4418 | $0.6627 |
| 10.00 | 0.5454 | $0.8181 |
| 11.00 | 0.6600 | $0.9899 |
| 12.00 | 0.7854 | $1.1781 |
| 13.00 | 0.9218 | $1.3826 |
| 14.00 | 1.0690 | $1.6035 |
| 15.00 | 1.2272 | $1.8408 |
| 16.00 | 1.3963 | $2.0944 |
| 17.00 | 1.5763 | $2.3644 |
| 18.00 | 1.7672 | $2.6507 |
| 19.00 | 1.9690 | $2.9534 |
| 20.00 | 2.1817 | $3.2725 |
| 21.00 | 2.4053 | $3.6079 |
| 22.00 | 2.6398 | $3.9597 |
| 23.00 | 2.8853 | $4.3279 |
| 24.00 | 3.1416 | $4.7124 |
| 25.00 | 3.4089 | $5.1133 |
| 26.00 | 3.6870 | $5.5305 |
| 27.00 | 3.9761 | $5.9641 |
| 28.00 | 4.2761 | $6.4141 |
| 29.00 | 4.5870 | $6.8804 |
| 30.00 | 4.9088 | $7.3631 |
| 31.00 | 5.2415 | $7.8622 |
| 32.00 | 5.5851 | $8.3776 |
| 33.00 | 5.9396 | $8.9094 |
| 34.00 | 6.3050 | $9.4575 |
| 35.00 | 6.6814 | $10.0220 |
| 36.00 | 7.0686 | $10.6029 |

2. The linear footage base rate (depicted in column C above) is derived based on the following factors and formulas:

Pi = 3.1416

r = radius of pipe or conduit (in inches) = "adjusted diameter" (in inches) / 2

L = length of pipe or conduit (in inches)

L / 12 = length of pipe or conduit (in feet)

Volume of pipe or conduit (in cubic inches) = Pi **x** $r^2$ **x** L

Volume of pipe or conduit (in cubic feet) = Pi **x** $r^2$ **x** L / 1,728"

Base annual fee = Volume of pipe or conduit (in cubic feet) **x** $1.50 per cubic foot

= [Pi **x** $r^2$ **x** L / 1,728"] **x** $1.50

Linear footage base rate = Base annual fee ***per linear foot of pipe***

= [(Pi **x** $r^2$) **x** (12" / 1,728") **x** $1.50]

Base annual fee = Linear footage base rate x Length of pipe or conduit (in feet)

= [(Pi **x** $r^2$) **x** (12" / 1,728") **x** $1.50] **x** (L / 12")

= [Pi **x** $r^2$ **x** L / 1,728"] **x** $1.50

3. For pipelines with an adjusted diameter not listed above, the fees shall be in the same proportion to the fees of a 12-inch diameter pipe as the diameter of the unlisted pipe is to 12 inches.

4. The volume of highway space occupied by any other appurtenance(s), such as manholes, valves, cathodic protection systems, connections, and any other structure, shall be computed using the outside dimensions of the structure.

5. The highway space occupied by overhead communications lines shall be taken as one-fifth (1/5) cubic foot per linear foot of highway route occupied, being equivalent to a rate of thirty cents ($0.30) per linear foot ($1.50 x 1/5 = $0.30).

F. Annual franchise fee. The base annual fee shall be calculated as set forth in Section 2.E above and adjusted each calendar year, including the year of granting of this franchise, on the applicable fee payment date in accordance with the following formula to derive the annual franchise fee, provided however, in no event shall the annual franchise fee be less than two thousand five hundred dollars ($2,500).

1. The "Producer Price Index ("PPI") for all Commodities (1982 = 100)," as published by the United States Department of Labor, Bureau of Labor Statistics/Office of Information ("Bureau"), shall be defined as the "index," and such index as it stands on January 1, 2008 (i.e., 181.0), shall be defined as the "base index," which is declared to be 100, and the index for the month of September immediately preceding the fee payment date shall be defined as the "current index";

2. If the current index differs from the base index, then the base annual fee shall increase or decrease by the percentage increase or decrease between the current index and the base index, provided that, if the current index drops below the base index, no adjustment shall be made. The base annual fee shall be multiplied by an adjustment factor determined by dividing the current index by the base index. For example, if the base index is 181.0 and the current index is 210, the annual franchise fee shall be one hundred and sixteen percent (i.e., 210 / 181.0 = 1.160 = 116%), times the base annual fee, provided however, under no circumstances shall the multiplying factor be less than one, nor shall the annual franchise fee calculated using said factor, be less than the base annual fee. If the Bureau shall revise the index, the parties hereto shall accept the method of revision for conversion recommended by the Bureau; and

3. If the Bureau discontinues the preparation or publication of the PPI for all commodities (1982 = 100), and if no transposition table prepared by the Bureau is available applicable to the year of 1982, then the amount of each annual franchise fee shall be computed by reference to such other price index as may be chosen by the County, and the County shall be the sole judge of comparability of successive indices and its determination on this point shall be final and conclusive. In no event shall the annual franchise fee adjusted by reference to such other price index be less than the base annual fee as set forth in Section 2.E above.

G. In addition to the foregoing annual franchise fee, the Franchisee shall also pay:

1. The County Department of Public Works, Construction Division, Permit Section, within sixty (60) days after the end of each calendar year, for each year of the life of the franchise, an initial construction charge calculated at a rate of one hundred dollars ($100) per mile, or fraction thereof, for all new main lines laid during that preceding calendar year.

2. The County Auditor-Controller, within sixty (60) days after the end of each calendar year, for each year during the life of the franchise, an annual fee of twenty-five dollars ($25) per pole-mile, or portion thereof, for aerial or above-ground lines, and twenty-five dollars ($25) per mile, or portion thereof, for underground conduit for wire, cable, telephone, or telegraph lines maintained under the franchise during that preceding calendar year.

H. The County reserves the right to change its method of calculating fees and the amount thereof, not more frequently than once every five (5) years, if the Board of Supervisors ("Board") determines after a public hearing that good cause exists for such change, and such change is not in conflict with the laws of the State of California.

I. The Franchisee shall also pay any application fees, administrative fees, processing fees, late charges, accrued interest, and penalties required in connection with this franchise. These fees may be charged at the then-current applicable rates.

**SECTION 3.** Reports.

The Franchisee shall during the life of the franchise:

A. File with the County Auditor-Controller and the CEO, Director of Real Estate, on the fee payment date, with one copy to each, a report, verified under oath by a duly authorized representative of the Franchisee, showing as of December 31 of the immediately preceding calendar year ("franchise report period"), the length of the Franchisee's main lines in highways, the nominal internal diameter of such main lines, the "rate per foot per year," defined as the amount payable per lineal foot per year under Section 2, and the computation of the total amount of the annual franchise fee due to the County, together with such data as is necessary in the opinion of the County Auditor-Controller and/or the CEO, Director of Real Estate, to calculate or verify the calculation of the annual franchise fee as required by Section 2.

B. In the report prepared pursuant to subsection 3.A above, Franchisee shall also show: any change in franchise footage since the end of the most recent franchise report period, if any, segregating such footage as to new main lines laid, old main lines

removed, old main lines abandoned in place, including the internal diameter of such main lines laid, removed, and/or abandoned in place; the footage of new conduits laid for wires, cables, telegraph, or telephone lines, old conduits removed, old conduits abandoned in place; the diameter of such conduits laid, removed, and/or abandoned in place; and the footage and internal diameter of main lines in territory annexed or incorporated since the last day of the most recent franchise report period; and

C. File with the Director of the County Department of Public Works and the CEO, Director of Real Estate, on or before the fee payment date, with one copy to each, a report showing the permit number of each permit obtained for the installation of new main lines and conduits during the most recently completed franchise report period, together with the length and size of such main lines and conduits.

**SECTION 4.** Late Payments.

A. In the event Franchisee fails to make any of the payments provided for herein on or before the dates they are due, the Franchisee shall pay a late charge of ten percent (10%) of the amount due, said ten percent (10%) being due on the sixty-first (61st) day after the due date. The ten percent (10%) has been set by both parties hereto in recognition of the difficulty in affixing actual damages from a breach of said time of performance requirement.

B. In the event full payment of any rate, payment, or fee, including the ten percent (10%) late charge, is not received within ninety (90) days after the due date, an assessment of interest shall accrue on the unpaid balance at one percent (1%) per month beginning on the ninety-first (91st) day after the due date.

**SECTION 5.** Indemnification, Insurance, and Bonding.

Franchisee shall meet the following indemnification, insurance, and bonding requirements:

A. Franchisee shall indemnify, defend, and hold harmless the County and its special districts, elected and appointed officers, employees, and agents ("County's agents") from and against any and all liability and expense, including claims and lawsuits for injuries or damages of any nature whatsoever, including but not limited to bodily injury, death, personal injury, or property damage, including property of the Franchisee, and including pollution liability, defense costs, legal fees, and workers' compensation benefits, based upon, arising from, or relating to either: (1) Franchisee's operations or the services provided by Franchisee, its employees, agents, servants, receivers, contractors, subcontractors, successors, or assignees ("Franchisee's agents") in connection with this franchise; and/or (2) the acts or omissions of Franchisee, Franchisee's agents, or any person in connection with activities or work conducted or performed pursuant to this franchise and arising out of such activities or work. Franchisee shall also indemnify, defend, and hold harmless the County and the County's agents, from and against any and all pollution liability, contamination, or environmental degradation liability, including any and all expenses, claims, and lawsuits for injuries or damages of any nature whatsoever, defense costs, legal fees, and workers' compensation benefits, arising from or relating to any threatened, actual, or alleged discharge, dispersal, release, or escape of any substance into or upon any person, thing, or place, including the land, soil, atmosphere, man-made structure,

and/or any above or below ground watercourse or body of water, in connection with this franchise. The Franchisee shall not be obligated to indemnify the County and County's agents for liability and expense arising from the active negligence of the County and the County's agents.

B. The County shall be immediately notified by Franchisee of all discharge, release, or escape of any petroleum, oil, gas, gasoline, other liquid hydrocarbon products, wet gas, industrial gas, chemicals, steam, water, waste water, mud, or other substances from Franchisee's pipelines and appurtenances within the franchise area. All actions to investigate, remove, or remediate any substance reasonably demonstrated to be discharged, dispersed, released, or escaped from Franchisee's pipelines, and to repair or restore Franchisee's pipelines and appurtenances shall be the sole responsibility of Franchisee and shall be conducted by Franchisee or Franchisee's agents, in conformance with any and all applicable laws, ordinances, rules, regulations, requirements, and orders whatsoever, present or future, of the federal, state, County, or other applicable local government at Franchisee's sole cost and expense, and shall be immediately undertaken by Franchisee or Franchisee's agents. If Franchisee fails to take any action required pursuant to this section, County may, but shall not be obligated to, take all actions it deems appropriate at Franchisee's sole expense. Upon written demand by County, Franchisee shall reimburse County for all County expenses reasonably incurred in connection with County's actions including, but not limited to, all direct and indirect costs relating to investigation, remediation, and removal.

C. Without limiting Franchisee's indemnification of County or County's agents, Franchisee shall provide and maintain at its own expense, during the term of this franchise, the following programs of insurance. Such programs and evidence of insurance shall be satisfactory to the County, and shall be primary to, and not contributing with, any other insurance or self-insurance programs maintained by the County.

1. Certificate(s) or other evidence of coverage satisfactory to the County shall be delivered on or before the effective date of this franchise, and on or before the expiration date of each term of insurance, to the Chief Executive Office, Real Estate Division, Attn: Property Management Section, 222 South Hill Street, Third Floor, Los Angeles, California 90012, or such other address(es) as Franchisee may be directed in writing by the CEO to use. Such certificates or other evidence shall:

a. Specifically identify this franchise ordinance;

b. Clearly evidence all insurance required in this franchise ordinance;

c. Contain the express condition that the County is to be given written notice by registered mail at least thirty (30) days in advance of any modification, non-renewal, cancellation, or termination of any program of liability insurance, and at least thirty (30) days in advance of any modification, non-renewal, cancellation, or termination of any program of workers' compensation or other insurance required by this Section 5.

d. Include a copy of the additional insured endorsement to the commercial general liability policy, adding the County and County's agents as insureds for all activities arising from this franchise; and

e. Show the Franchisee's insurance as primary to the County's insurance and self-insurance programs. This may be evidenced by adding a statement to the additional insured endorsement required in subsection (d) stating, "It is further agreed that the insurance afforded by this policy is primary to any insurance or self-insurance programs maintained by the additional insureds, and the additional insureds' insurance and self-insurance programs are excess and non-contributing to Named Insured's insurance."

2. The County reserves the right to require copies of Franchisee's insurance policies at County's request.

3. Insurance is to be provided by an insurance company with an A. M. Best rating of not less than A:VII, unless otherwise approved by the County.

4. The Franchisee agrees to release the County and County's agents and waive its rights of recovery against them under the insurance policies specified in this franchise ordinance.

5. Liability: Such insurance shall be endorsed naming the County of Los Angeles and the County's agents as additional insureds, and shall include, but not be limited to:

a. Commercial General Liability insurance written on a commercial general liability form (ISO policy form CG00 01, or its equivalent, unless

otherwise approved by the County), with limits of not less than five million dollars ($5,000,000) per occurrence, fifteen million dollars ($15,000,000) policy aggregate, and fifteen million dollars ($15,000,000) products/completed operations aggregate.

i. If written on a claims-made form, such insurance shall be endorsed to provide an extended reporting period of not less than two (2) years following termination or cancellation of this franchise.

b. Comprehensive Auto Liability insurance (written on ISO policy form CA 00 01, or its equivalent, unless otherwise approved by the County), endorsed for all owned, non-owned, and hired vehicles with a limit of not less than one million dollars ($1,000,000) per occurrence.

c. Environmental Impairment Liability insurance, which insures liability for environmental impairment including cleanup cost endorsed for "Sudden and Accidental" contamination or pollution. Such coverage shall be in an amount and form to meet all applicable state and federal requirements but in no event less than five million dollars ($5,000,000) per occurrence.

i. If written with an annual aggregate limit, the policy limit should be three (3) times the above-required occurrence limit.

ii. If written on a claims-made form, such insurance shall be endorsed to provide an extended reporting period of not less than two (2) years following termination or cancellation of this franchise.

6. Workers' Compensation: A program of workers' compensation insurance in an amount and form to meet all applicable requirements of the Labor Code

of the State of California. Such policy shall be endorsed to waive subrogation against the County for injury to the Franchisee's employees. If the Franchisee's employees will be engaged in maritime employment, the coverage shall provide the benefits required by the Federal U.S. Longshoreman and Harbor Worker Compensation Act, Jones Act, or any other federal law to which the Franchisee is subject. In all cases, the above insurance shall include Employers' Liability insurance with coverage of not less than:

a. Each accident: one million dollars ($1,000,000).

b. Disease-policy limit: one million dollars ($1,000,000).

c. Disease-each employee: one million dollars ($1,000,000).

D. Franchisee shall furnish the CEO, Real Estate Division, at the location specified in Subsection 5.C.1 within thirty (30) days of the adoption of this ordinance, and within thirty (30) days of the expiration date of each term of insurance, either certified copies of the policies required by Subsection 5.C or a certificate of insurance for each of said policies executed by the Franchisee's insurance agent, or by the company issuing the policy, certifying that the policy is in force.

E. As an alternative to commercial insurance from Franchisee, the County may consider and approve, at the County's sole option, Franchisee's use of a program of self-insurance or self-insured retention, upon review and approval of the following:

1. An agreement to provide the County and the County's agents with indemnification in accordance with Subsections 5.A and 5.B. The County shall be provided at least the same defense of suits and payments of claims as would be

provided by the commercial insurance policy described above, and without being subject to a deductible or self-insured retention.

2. A formal declaration by Franchisee to be self-insured for the type and amount of coverage indicated in this ordinance. This can be in the form of a corporate resolution or a certified statement from an authorized principal of the Franchisee. Franchisee must notify the CEO, Real Estate Division, at the location specified in subsection 5.C.1, immediately of discontinuation or substantial change in the self-insurance or self-insured retention program.

3. An agreement to notify the CEO immediately of any claim, judgment, settlement, award, verdict, or change in Franchisee's financial condition which would have a significant negative effect on the protection that the self-insurance or self-insured retention program provides to the County.

4. The name, address, and telephone number of Franchisee's legal counsel and claim representative, respectively, for the self-insurance or self-insured retention program.

5. Upon request by CEO, an audited financial statement that gives evidence of Franchisee's capacity to respond to claims falling within the self-insurance or self-retention program. Resubmission of such a statement may be required annually for the duration of the franchise, or more frequently at the request of the CEO.

6. A Certificate of Consent to Self-Insure issued by the State of California, Department of Industrial Relations certifying Franchisee's compliance with the requirements of the Director of Industrial Relations under the provisions of the Labor

Code of the State of California (sections 3700 to 3705, inclusive) and certifying that Franchisee has furnished satisfactory proof to said Director of Franchisee's ability to self-insure and to pay any compensation that may become due to Franchisee's employees.

7. Failure on the part of the Franchisee to comply with the County's requirements for approval of a program of self-insurance or self-insured retention will result in withdrawal of the County's approval to self-insure.

F. Within thirty (30) days following the adoption of this ordinance, Franchisee shall provide to the CEO, at the location specified in subsection 5.C.1, a faithful performance bond in the sum of not less than fifty thousand dollars ($50,000) payable to the County of Los Angeles and executed by a corporate surety, acceptable to the County and licensed to transact business as a surety in the State of California. Such bond shall be conditioned upon the faithful performance by the Franchisee of the terms and conditions of this franchise and shall provide that, in case of any breach of condition of this franchise, the whole amount of the penal sum of $50,000, or any portion thereof, shall be deemed to be liquidated damages, and shall be immediately payable to the County by the principal and surety(ies) of the bond.

1. Throughout the term of this franchise, Franchisee shall maintain the faithful performance bond in the amount specified herein. Within ten (10) business days after receipt of notice from the County that any amount has been withdrawn from the bond as provided in this section, Franchisee shall immediately restore the bond to the full amount specified herein.

2. The faithful performance bond shall continue to exist for one (1) year following the CEO's approval of any sale, transfer, assignment, or other change of ownership of the franchise, or following the expiration or termination of the franchise. The CEO may release said bond prior to the end of the one (1) year period upon satisfaction by Franchisee of all the obligations under the franchise.

3. At its sole option, the County may accept certificates of deposit, cash deposits, irrevocable letters of credit, or U.S. government securities in lieu of, or in addition to, commercial bonds to meet the above bonding requirements. Such alternative security shall be made payable to the County and shall be deposited with the County's Auditor-Controller and/or Treasurer Tax Collector, as applicable.

G. The types and amounts of said insurance coverage and bonding shall be subject to review and adjustment by the County, at County's sole discretion, at any time during the term of the franchise. In the event of such adjustment, Franchisee agrees to obtain said adjusted insurance coverage and bonding, in type(s) and amount(s) as determined by the County, within thirty (30) days after written notice from the County.

H. Failure on the part of Franchisee to procure or maintain the required insurance and bonding, or to provide evidence of current insurance and bonding, shall constitute a material breach of the terms of this franchise upon which the County may immediately terminate or suspend this franchise.

I. It is the obligation of Franchisee to provide evidence of current insurance policies and bonding. Any franchise operations shall not commence until Franchisee has complied with the provisions of this Section 5, and any operations shall be

suspended during any period that Franchisee fails to obtain or maintain the insurance and bonding required hereunder.

**SECTION 6.** Transfers and Assignments.

A. Franchisee shall not sell, transfer, assign, lease, hypothecate, place in trust, or change the control of the franchise or any part thereof (each of which is hereinafter referred to as an "assignment"), to any other person or entity ("transferee") except with the written consent of the CEO, and after payment of a transfer fee as detailed in Subsection 6.G. As used in this section, "transfer" includes stock transfer, and "control" includes actual working control in whatever manner exercised.

B. Franchisee shall give notice to the CEO of any pending assignment, except as excluded in Subsection 6.E, and shall provide all documents requested by the CEO, as set forth in Subsection 6.F, on which the assignment is predicated. Consent to any such assignment shall only be refused if the CEO finds that Franchisee is in noncompliance with the terms and conditions of the franchise and/or that the proposed transferee, as applicable, is lacking in experience and/or financial ability to meet the franchise obligations. Consent from the CEO shall be conditioned upon the terms and conditions set forth in the assignment documents delivered to County, the assumption by the transferee, as applicable, of all the Franchisee's covenants and obligations under the franchise, and all information provided to the CEO under Subsection 6.F, below, being true and correct as of the time of submittal to the CEO. Upon receipt of such consent from the CEO, Franchisee may proceed to consummate the assignment.

C. Franchisee shall file with the CEO within thirty (30) days after the effective date of any assignment, a certified copy of the duly executed instrument(s) which officially evidences such assignment. If such duly executed instrument(s) is not filed with the CEO within thirty (30) days after the effective date of such proposed assignment, or if the conditions to consent by the CEO have not been met, then the CEO may notify the Franchisee and the proposed transferee that the assignment is not deemed approved by the County. The CEO may then administratively determine that the assignment has no force or effect or that the franchise is forfeited and the Board of Supervisors may repeal this franchise.

D. As a condition to granting consent to such assignment, the County may impose such additional terms and conditions upon this franchise and upon the proposed transferee which the CEO recommends or the Board deems to be in the public interest. Such additional terms and conditions shall be expressed by ordinance. Nothing contained herein shall be construed to grant Franchisee the right to complete an assignment except in the manner aforesaid. This section applies to any assignment, whether by operation of law, by voluntary act of Franchisee, or otherwise.

E. Notwithstanding the foregoing, shareholders, partners, and/or any other person or entity owning an interest in Franchisee may transfer, sell, exchange, assign, or divest themselves of any interest they may have therein. However, in the event any such sale, transfer, exchange, assignment, divestment, or other change is effected in such a way as to give control of, or a twenty-five percent (25%) or more interest in Franchisee, to any person or persons, corporation, partnership, or legal entity other than

the person or entity with the controlling interest in the Franchisee on the effective date of the franchise or the effective date of the last approved assignment, consent thereof shall be required as otherwise provided in this Section 6.

F. Upon notice by Franchisee of any pending assignment, the proposed transferee shall submit an assignment application to the CEO, which shall contain at a minimum:

1. Identification of the proposed transferee which indicates the corporate or business entity organization, including the submission of copies of the corporate or business formation papers (e.g., articles of incorporation and by-laws, limited partnership agreements, operating agreements), and the names and addresses of any parent or subsidiary of the proposed transferee(s), or any other business entity owning or controlling the proposed transferee in part or in whole;

2. A current financial statement, which has been audited by a certified public accountant demonstrating conclusively to the satisfaction of the CEO that the proposed transferee has all the financial resources necessary to carry out all of the terms and conditions of the franchise. The financial statement shall include a balance sheet, profit and loss statement for at least the three (3) most recent years, and a statement of changes in financial position; however, if the proposed transferee has been in existence for less than three (3) years, then for such period of existence;

3. A copy of the proposed agreement of sale, letter of understanding, or other documentation which details the proposed assignment ("assignment documents"); and

4. Other information which may be required by the CEO to assess the capability of the proposed transferee to operate and maintain the franchise.

G. The transfer fee shall be submitted with the Franchisee's request for the County's consent to any assignment described in Subsection 6.A and shall be determined as follows:

1. Consent to assignment or any other action, in which the County does not elect to modify the franchise by adoption of an amending ordinance: two thousand five hundred dollars ($2,500).

2. Consent to assignment or any other action, in which the County elects to modify the franchise by adoption of an amending ordinance: five thousand dollars ($5,000).

3. In the event County's actual costs to process the proposed assignment application, including any consultant's fees incurred by the County to assist in evaluating the application, exceed the fees detailed above, the Franchisee and proposed transferee may be required to pay any additional costs incurred by the County in processing the Franchisee's and/or proposed transferee's request for assignment. Such costs shall be paid by the Franchisee and the proposed transferee prior to final consideration of the request by the CEO or the Board, as applicable.

**SECTION 7.** Relocation of Pipelines.

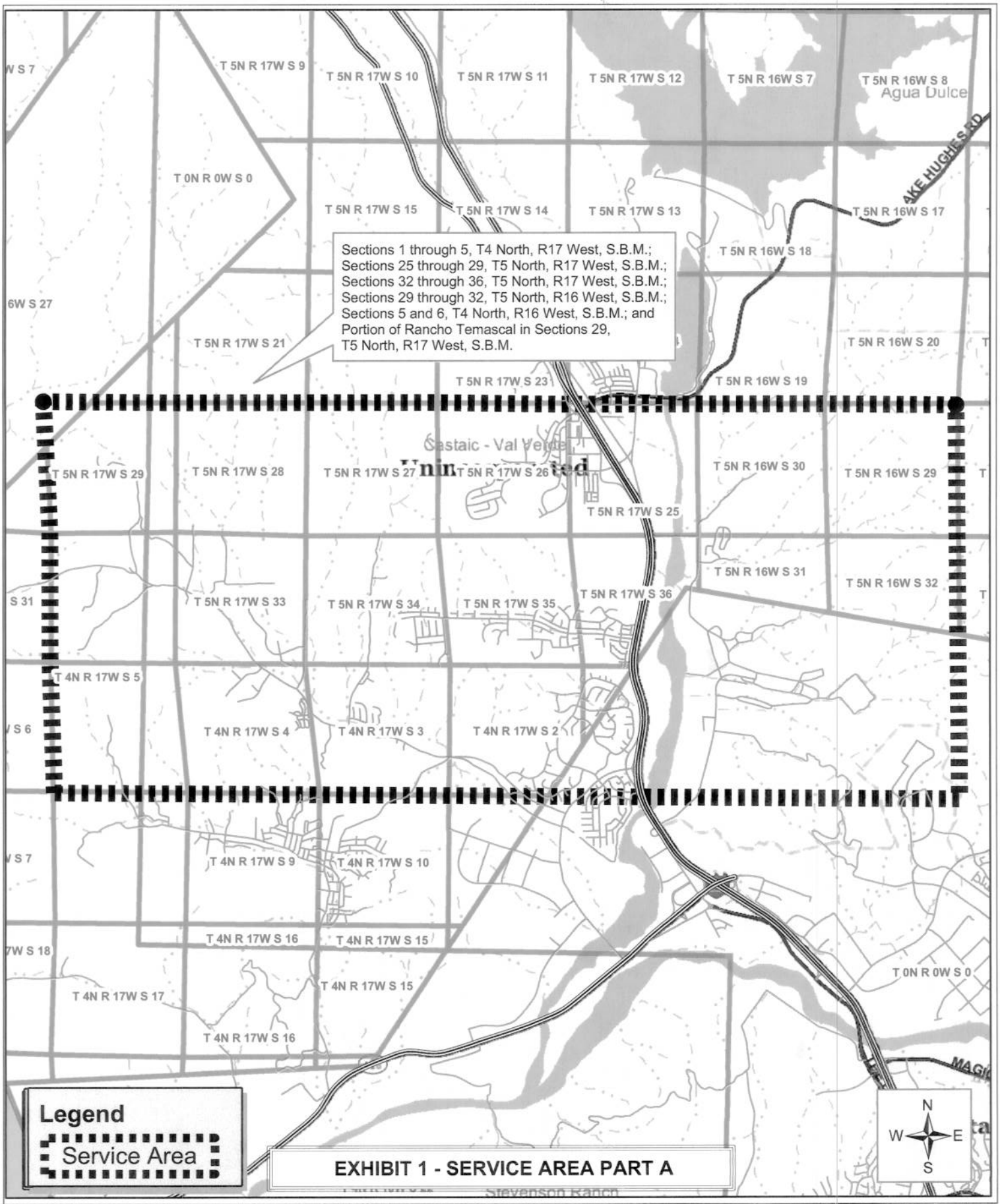
In the event the Franchisee receives notice to relocate its pipelines and appurtenances pursuant to Section 16.52.290 of the County Code, in addition to all obligations of Franchisee and rights of the County under Sections 16.38.450 and

16.52.290 of the County Code, if Franchisee neglects or fails to relocate its facilities in a timely manner after receipt of any such notice, Franchisee shall be solely responsible for, and shall reimburse the County, city, and other applicable public entities, any and all additional costs or expenses incurred by the County, city, and other applicable public entities, due to, or resulting from, such delay in relocation of the facilities.

**SECTION 8.** Pipeline Franchise Ordinance.

In addition to the terms and conditions stated herein, this franchise is granted under all of the terms and conditions contained in the County Pipeline Franchise Ordinance, Title 16, Division 3A, of the Los Angeles County Code, as codified in 1978 and amended to date, which is incorporated herein by reference, as it may hereafter be amended. In the event the terms and conditions of this franchise conflict with the terms of the County Pipeline Franchise Ordinance, the terms and conditions hereof shall control. Without limiting the generality of the foregoing, Sections 16.52.020H, 16.52.100, 16.52.110, 16.52.120, 16.52.140, 16.52.150, 16.52.200, 16.52.220, 16.52.340, 16.54.050, 16.54.060, 16.54.070, 16.54.080, and 16.54.090 are superseded by this franchise granting ordinance.

[PPFRNCRIMSONRMCGCCC]

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|---|---|---|
| Date<br>February 2008 | **COUNTY OF LOS ANGELES - CHIEF ADMINISTRATIVE OFFICE**<br>**Crimson Resource Management Corporation**<br>**Proprietary Petroleum Pipeline Franchise**<br>**Castaic / Val Verde Unincorporated Area** | Crimson / Petominerals<br>Ord. 89-0112F, amended |
| Sup Districts<br>5th District | | Agent<br>R. Ball |

**SECTION 9.** This ordinance shall be published in The Metropolitan News a newspaper printed and published in the County of Los Angeles.

Yvonne B. Burke
Chair

ATTEST:

Sachi A. Hamai
Executive Officer -
Clerk of the Board of Supervisors
County of Los Angeles

I hereby certify that at its meeting of October 7, 2008 the foregoing ordinance was adopted by the Board of Supervisors of said County of Los Angeles by the following vote, to wit:

| | Ayes | | Noes |
|---|---|---|---|
| Supervisors | Zev Yaroslavsky | Supervisors | Gloria Molina |
| | Don Knabe | | |
| | Michael D. Antonovich | | |
| | Yvonne B. Burke | | |
| | | | |

Effective Date: November 6, 2008

~~Operative Date:~~

Sachi A. Hamai
Executive Officer -
Clerk of the Board of Supervisors
County of Los Angeles

I hereby certify that pursuant to Section 25103 of the Government Code, delivery of this document has been made.

SACHI A. HAMAI
Executive Officer
Clerk of the Board of Supervisors

By _____
Deputy

APPROVED AS TO FORM:
RAYMOND G. FORTNER, JR.
County Counsel

By _____
Leela Kapur
Chief Deputy County Counsel

S:\Ordinances\County Counsel\2008\2008-0053F