

MINUTE ITEM

8/5/71

FDU

13. "SS LA JENELLE"-AUTHORIZATION FOR CONTINUANCE OF EXISTING LEASE PRC 4539.9 TO THE JOINT VENTURERS ON A MONTH-TO-MONTH BASIS UNTIL THE LEGAL OWNER OF THE VESSEL IS DETERMINED; CLARITA VALLEY SALVAGE, INC., AND BAHAMA STAR SALVAGE CORPORATION - W 2880.31.

After consideration of Calendar Item 17 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE EXECUTIVE OFFICER TO NEGOTIATE AND CONTINUE THE EXISTING LEASE PRC 4539.9, FOR REMOVAL OF THE VESSEL "SS LA JENELLE" FROM STATE-OWNED TIDE AND SUBMERGED LANDS, TO THE JOINT VENTURERS, CLARITA VALLEY SALVAGE, INC., AND BAHAMA STAR SALVAGE CORPORATION, ON A MONTH-TO-MONTH BASIS AS PROVIDED THEREIN.

Attachment;
Calendar Item 17 (2 pages)

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17.

"SS LA JENELLE"-AUTHORIZATION FOR CONTINUANCE OF EXISTING LEASE PRC 4539.9 TO THE JOINT VENTURERS ON A MONTH-TO-MONTH BASIS UNTIL THE LEGAL OWNER OF THE VESSEL IS DETERMINED.

On April 13, 1970, the passenger ship "SS La Jenelle" broke loose from its mooring two miles offshore Port Hueneme and washed ashore adjacent to the entrance of Port Hueneme Harbor on State-owned tide and submerged lands. Immediately after the beaching, the State Lands Commission contracted for a salvage estimate to determine the removal costs for the vessel. The estimate at that time was \$718,754. Since then the hull has deteriorated and been sanded in to such extent that present removal costs probably would be much higher. Bahama Star Salvage Corporation (Bahama), who bought the ship in a bankruptcy action, entered into a joint venture agreement with Clarita Valley Salvage, Inc. (Clarita), to remove and salvage the ship as a profit-making venture at no cost to the State. In November 1970, the State Lands Commission entered into a lease with the joint venturers providing for the salvagers to occupy the State-owned tide and submerged lands in order to remove the vessel and to restore the beach to its original condition. On March 30, 1971, Bahama sent a "Notice of Rescission" to the Board of Directors of Clarita, in order to terminate the agreement between the two companies. After several months of working independently on the project with little productivity, Bahama sold the vessel to Clarita. The Bill of Sale was recorded in Official Records of Ventura County on July 9, 1971. Certain officers and directors of Bahama have contested the legality of the sale, and ownership of the ship therefore is in question. In the meantime, Clarita has taken possession of the salvage yard on the beach adjacent to the ship. Clarita also has obtained from the Navy an exclusive permit to operate on the Navy portion of the salvage area.

At the July meeting, the Commission took the following action:

1. Authorized the Executive Officer to negotiate a one-month additional extension of lease PRC 4539.9 in the name of the Joint Venturers.
2. Delegated to the Executive Officer the authority to modify lease PRC 4539.9 so that it will be in the name of the person or persons who have legal title if and when it is determined to the satisfaction of the Attorney General that the legal title problem has been resolved.
3. Authorized the office of the Attorney General to proceed with an action for injunctive relief to get the vessel "La Jenelle" removed from State land.

In consideration of the action taken at the July 1971 meeting and the following facts:

1. Determining the legal owner of the "La Jenelle" probably will be very time-consuming;
2. The existing lease, extended pursuant to the July Commission authorization, will terminate September 1, 1971;

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3. The owner of record is working on the site, laying the groundwork for a large-scale dismantling operation;

it is felt that the best interests of the State could be served by authorizing the Executive Officer to negotiate and continue the existing lease on a month-to-month basis as provided therein.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO NEGOTIATE AND CONTINUE THE EXISTING LEASE PRC 4539.9, FOR REMOVAL OF THE VESSEL "SS LA JENELLE" FROM STATE-OWNED TIDE AND SUBMERGED LANDS, TO THE JOINT VENTURERS, CLARITA VALLEY SALVAGE, INC., AND BAHAMA STAR SALVAGE CORPORATION, ON A MONTH-TO-MONTH BASIS AS PROVIDED THEREIN.