

October 12, 2007

Linda S. Adams, Secretary
California Environmental Protection Agency
1001 I Street
Sacramento, CA 95812

Michael Chrisman, Secretary
California Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Re: Non-Binding Letter of Intent for the
Remediation and Transfer of the
Santa Susana Field Laboratory Property

Dear Secretary Adams and Secretary Chrisman:

The purpose of this Letter of Intent (the "LOI") is to set forth the agreement in principal between The Boeing Company ("Boeing") and the State of California ("State"), with respect to the remediation of certain environmental hazards identified on that certain real property commonly referred to as the Santa Susana Field Laboratory (SSFL) Facility, and more fully described herein, and for the ultimate transfer of such property to the State, on the basic business terms and conditions set forth in this LOI, and subject to the negotiation and execution of one or more definitive agreements (each a "Definitive Agreement").

1. The SSFL Property. Boeing and the National Aeronautics and Space Administration (NASA) are the owners of approximately 2,850 acres of real property in Ventura County, California, known as the Santa Susana Field Laboratory Property (the "SSFL Property"). Boeing owns the portions of SSFL Property commonly referred to as "Area I," "Area III," "Area IV," and "Undeveloped Land" (collectively, the "Boeing Property"). NASA owns the portion of the SSFL Property commonly referred to as "Area II" and a 42-acre parcel of Area I (the "NASA Property").

The U.S. Department of Energy owns facilities on an approximately 90-acre site within Area IV. The SSFL Property is generally located as shown on Attachment 1 and is generally depicted on Attachment 2.

2. Environmental Conditions; Boeing Responsibility. The SSFL Property has been used for the management of hazardous waste, and there have been releases of hazardous wastes, hazardous constituents, and hazardous substances on and from the SSFL Property. Boeing, NASA, and the U.S. Department of Energy are jointly and severally responsible for cleanup of those releases. Notwithstanding such joint

responsibility for cleanup, Boeing agrees that it will complete the cleanup of the SSFL Property using the Standard for Cleanup set forth in this paragraph, and subject to certification by the State that the Standard for Cleanup has been achieved. The Standard for Cleanup for both radiological and chemical constituents across the entire SSFL Property will be established using a risk-based approach that includes consideration of both human health and ecological risk receptors and is consistent with Chapter 6.8, Division 20 of the Health and Safety Code. Boeing will clean up the SSFL Property to levels which would be acceptable for residential use and protect individuals living in the vicinity of the Property, as determined by the State. Boeing shall complete the remediation of the SSFL Property to the Standard for Cleanup specified in this paragraph, for both radiological and chemical constituents, even if NASA or the U.S. Department of Energy do not achieve the prescribed Standard for Cleanup. Boeing shall maintain in place with the State all appropriate financial assurance mechanism(s) until the State has certified that the Standard for Cleanup has been achieved and all conditions of transfer of the SSFL Property have been met.

3. Boeing Property Acquisition. Boeing desires to donate the Boeing Property to the State, and to facilitate a no-cost acquisition of the NASA Property by the State, in order that the entire SSFL Property may be preserved as park land and/or open space for the use and enjoyment of the People of the State of California, and in order to conserve its natural, cultural and historical values. The State will acquire from Boeing, and Boeing will donate to the State, the Boeing Property. Boeing will transfer each of Area I, Area III, Area IV and the Undeveloped Land to the State by Grant Deed, on an area-by-area basis, after all soil remediation as may be required to achieve the Standard for Cleanup has been completed, all required facilities to remediate groundwater contamination have been installed and have been determined by the State to be functional and operational, and after all Site Restoration (as defined below) has been completed. Upon request of the State, Boeing shall cooperate with the State in identifying appropriate areas for siting of future public use facilities on the SSFL Property.

4. NASA Property Acquisition. Boeing will use its best efforts to secure NASA's transfer of the NASA Property to the State at no cost to the State, through a transfer mechanism acceptable to the State. The State will have no obligation to acquire the Boeing Property unless and until the State has acquired, or is satisfied that it will be able to acquire, the NASA Property in a condition, and upon terms and conditions, acceptable to the State in its sole discretion. If the State fails to acquire either the NASA Property or the Boeing Property as provided in a Definitive Agreement, Boeing will nonetheless fulfill its commitment to achieve the Standard for Cleanup set forth herein. Boeing will complete the cleanup of the entire SSFL Property to the satisfaction of the State, using the Standard for Cleanup set forth in paragraph 2 of this LOI, and subject to certification by the State that the Standard for Cleanup has been achieved.

5. Site Restoration. Boeing shall restore the SSFL Property to as close to an unimproved natural state as practicable prior to transfer of the property to the State (the "Site Restoration"). The Site Restoration shall include, without limitation, removal of buildings, roads and other improvements from the SSFL Property as identified by the State and restoration and replanting of the surface of the portions of the SSFL Property affected by such removal.
6. Institutional Controls. The State shall have the right to approve any proposed land use covenants or other institutional controls that may be necessary components of a final approved remediation plan for the SSFL Property. No such covenant shall unreasonably restrict public access over the SSFL Property for park, recreational (including camping) or open-space use; however, it shall prohibit future agricultural, residential, commercial, industrial or other uses of the SSFL Property, except as may be determined by the State to be incidental to the otherwise permitted uses of the SSFL Property and protective of human health and the environment.
7. Due Diligence. The State, as a condition to any obligation to acquire the SSFL Property, shall have the right to review, investigate, inspect, study, and approve all aspects of the SSFL Property, including without limitation, matters of title, agreements, and physical and legal conditions. Boeing shall provide the State with access to the SSFL Property and copies of all available information and records concerning the SSFL Property, including leases, licenses, permits, contracts, agreements, surveys, maps, plans, and other records.
8. Access. Upon the recordation of each Grant Deed conveying a portion of the Boeing Property to the State, the State shall provide to Boeing such rights of access over the property then being acquired as may be reasonably necessary for Boeing to perform groundwater cleanup, including operation, repair, maintenance, replacement and removal of remediation systems and associated physical and engineering controls; and any associated monitoring.
9. Funding. Boeing shall provide funding for 30 years, in the amount of \$750,000 per year, to the State for its use in the conversion of the SSFL Property to the State's intended uses and ongoing operation, maintenance and management. The State intends to use a portion of such annual funding to establish a permanent endowment for future operations, maintenance, and management of the SSFL Property. The first \$750,000 payment shall be payable by Boeing concurrently with the recording of the first Grant Deed conveying any portion of the SSFL Property to the State (the "Initial Closing Date"). The remaining payments shall be payable on the anniversary of the Initial Closing Date in each of the succeeding 29 years.
10. Boeing's Waiver of Claims. Boeing shall forever waive any and all claims against the State in any manner connected with any hazardous wastes, hazardous constituents

or hazardous substances (collectively, "Hazards"), known and unknown, that existed or are present on, or were released from, the SSFL Property prior to the date the State acquires title to such property. Boeing shall also forever waive any and all claims against the State in any manner connected with any migration of any such Hazards, and any release of any hazardous wastes, hazardous constituents, hazardous substances or similar materials on or from the SSFL Property caused or contributed to by Boeing, its employees, agents or contractors, on or after the date the State acquires title. Boeing shall assume and be fully responsible for all costs, expenses, and liabilities associated with the performance of environmental remediation of the SSFL Property; both before and after the transfer, including the costs of the State's environmental consultants or other costs incurred by the State in oversight, monitoring, or enforcing performance of any Definitive Agreement(s).

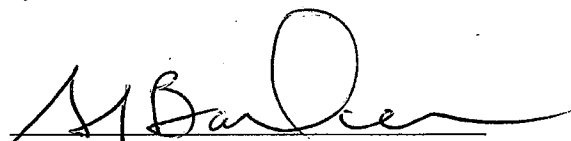
11. Boeing's Indemnity to the State. In addition to any other rights and remedies that the State may have at law or in equity, Boeing shall hold the State harmless and indemnify, defend, and protect the State from and against any and all claims (including those under common law), regardless of when such claims arise, in connection with (i) any remediation of the SSFL Property for which Boeing is or becomes obligated under a Definitive Agreement or otherwise, or (ii) for injury to, or illness or death of, any person, or damage to any property (including claims for loss of value or remediation expense) asserted by any third party related to or arising from any known or unknown environmental condition existing on or originating from the SSFL Property prior to the date the State acquires title to such property, any migration of any such known or unknown environmental condition, or any remedial work or other activity by Boeing, its employees, agents or contractors, on the SSFL Property on or after the date the State acquires title, and (iii) claims of any federal, state or local governmental or quasi-governmental body for any known or unknown environmental condition existing on or originating from the SSFL Property prior to the date the State acquires title to such property, for which Boeing is or becomes obligated under a Definitive Agreement or otherwise, any migration of any such known or unknown environmental condition, or which arises from any remedial work or other activity by Boeing, its employees, agents or contractors, on the SSFL Property on or after the date the State acquires title.

12. Definitive Agreements. This letter reflects the basic business understanding among the parties; however, the transaction this letter contemplates will be subject to the negotiation and execution of appropriate definitive and final Property Acquisition Agreements between Boeing and the State and between NASA and the State. These agreements will:

- a) be consistent with this letter; and
- b) be subject to review and approval by the parties to this letter, the Department of Finance, the State Public Works Board, and any other division of the State with authority over the proposed transactions.

13. Non-Binding LOI. Despite any contrary provision of this LOI, this LOI is not intended as, and does not constitute, a legally binding agreement by any party. No party may claim any legal rights against the other parties by reason of the signing of this LOI or by taking any action in reliance upon it. Each party to this LOI fully understands and agrees that no party will have any legal obligation to the other, or with respect to the proposed transaction, unless and until all terms and conditions of the proposed transaction have been negotiated and agreed to by all parties in their respective sole discretion and set forth in a Definitive Agreement which has been negotiated and agreed to by the parties.

14. Interpretation. This letter will not be interpreted to modify or limit the legal authority or responsibility of any party, or to require any party to act beyond or inconsistent with its legal authority. Nothing in this LOI is intended to obligate the State to the expenditure of funds in excess of appropriations authorized by law. This LOI is not intended to confer any rights or benefits upon, or be subject to enforcement by, any third party.

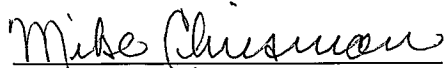

Stephen J. Barker

Vice President
The Boeing Company

10/12/07
Date


Linda S. Adams, Secretary
California Environmental Protection Agency

10/12/07
Date


Michael Chrisman, Secretary
California Resources Agency

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Date