

ChevronTexaco Global Refining
6101 Bollinger Canyon Road
San Ramon, CA 94583
Tel 925 842 3232
Fax 925 790 3556
jsbindra@chevrontexaco.com

Jeet S. Bindra
President

ChevronTexaco

September 28, 2004

**Letter of Intent
Point Molate & Point San Pablo
Richmond, CA**

Mr. Phil Batchelor
City Manager
Richmond City Hall
1401 Marina Way South
Richmond, CA 94804

Dear Mr. Batchelor:

Chevron U.S.A. Inc. ("Chevron") desires to discuss with the City of Richmond ("City") certain real properties owned by City located in the City of Richmond, County of Contra Costa, State of California, and described on Exhibit "A" attached hereto (the "Properties"). The Properties are commonly referred to as Point Molate and Point San Pablo. The Properties contain 375 acres, more or less. This letter sets forth several material key terms, conditions and understandings upon which Chevron would be willing to initiate negotiations with City for the purchase of the Properties, subject to Chevron and City reaching agreement on other remaining material terms and conditions and documentation that would be necessary to complete a transaction.

1. The Properties.

- A. The sale of the Properties to Chevron would include all of City's right, title and fee simple interest, free and clear of all liens and encumbrances, in and to the Properties and pertinent rights of way, easements, and all other appurtenant rights, together with all improvements, if any, belonging to City and located on the Properties.
- B. The Properties have been used as former terminal facilities; such use has included the storage and transmission of fuel and other petroleum products. The Properties may contain surface and sub-surface petroleum contamination and buried debris and equipment, the existence and locations of which are not precisely determined.
- C. City, or its predecessors in interest, has undertaken remedial activities on the Properties to treat, remove, dispose of, contain or control hazardous substances to industrial standards in accordance with applicable federal and state laws.



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2. Purchase Terms.

- A. The Purchase Price for the Properties would be FIFTY FIVE MILLION DOLLARS (\$55,000,000). In addition, Chevron would further agree to the creation and payment of additional assessments and/or ad hoc tax payments, covering the development and/or maintenance of various incidental public improvements associated with the Point Molate and Point San Pablo Properties, for a total amount of TWENTY FIVE MILLION DOLLARS (\$25,000,000) to be paid in annual amounts of ONE MILLION DOLLARS (\$1,000,000) per year to the City, commencing on the first anniversary date of the close of sale.
- B. The Purchase Price would be payable at the close of the due diligence period described below and upon the transfer of the Properties to Chevron. Without cost or expense to City, Chevron would reserve the right to consummate the purchase as part of a tax deferred exchange transaction.
- C. Chevron would agree to enter into an Exclusive Right to Negotiate ("ERN") with the City substantially in the form previously entered into between the City and Upstream. Chevron would pay to the City, upon execution, the sum of \$250,000 as consideration for this ERN.

3. Due Diligence Period.

- A. The due diligence period would commence with the effective date of a Purchase and Sale Agreement and would expire ninety (90) days thereafter.
- B. City would make available to Chevron for inspection all customary and material title and property documents, environmental reports and summaries, permits, surveys and other records reasonably related to the Property and within City's possession or control and provide Chevron with reasonable physical access to the Properties for the purpose of conducting property investigations and testing necessary for Chevron to satisfy its due diligence efforts and review.

4. Representations and Warranties.

- A. City would make no representations or warranties as to the physical condition of the Properties and Chevron would be acquiring the physical conditions of the Properties in an "AS IS" condition "WITH ALL FAULTS." Chevron would assume the risk that adverse physical conditions may not have been revealed by its due diligence investigations.
- B. City would make no representation or warranty whatsoever as to operative or proposed governmental laws and regulations (including, but not limited to, zoning,

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environmental and land use laws and regulations) to which the Properties may be subject.

- C. Chevron currently anticipates using the Properties as a buffer for Chevron operations and permitting portions to be used as a shoreline open space resource for public use. Chevron would endeavor to cooperate with an open space coalition comprised of public and nonprofit agencies, led by the East Bay Regional Park District, to develop a reasonable comprehensive open space plan for the Properties.

5. No Back-up Offers. During the term of this Letter of Intent City shall not present the Properties for sale nor accept "back-up" offers.

6. Brokers and Commissions. Chevron and City would represent and warrant to the other that neither would have used any broker, agent or finder in connection with the proposed transaction and each party would indemnify the other for any commissions or fees claimed by any broker, agent or finder through said party.

7. Additional Real Property. City has, from time to time, expressed interest in acquiring certain properties owned by Chevron which are situated in the vicinity of the Properties. Chevron would be willing to discuss with City as further consideration of the foregoing described transaction, use by the City of certain real properties currently owned by Chevron which Chevron considers surplus to its operations and business needs.

8. Limitation of Liability. Except as may otherwise be provided in this letter, neither party shall have any liability to the other party for losses or damages including, without limitation, lost profits, lost business opportunities, loss of use of any property, cost of capital, incidental or consequential damages which may result from, arise out of or be related to the performance of this letter or its termination. These limitations of liability provisions will survive the termination of this letter. Notwithstanding the foregoing, the parties agree that each party shall be responsible for its own costs and expenses and for any individual liabilities that arise in pursuing discussions pursuant to this letter and in effectuating a purchase and sale of the Properties.

9. Choice of Law. Any and all disputes arising out of or relating to this letter shall be governed by and construed in accordance with the laws of the State of California, without giving effect to principles of conflicts of law.

The consummation of the sale of the Properties to Chevron is subject to each party's completion to its sole satisfaction of its due diligence investigation, the negotiation and execution of one or more definitive agreements, and any other governmental or third party consents that may be necessary under the circumstances, including, without limitation, the approval of Chevron's senior management to all proposed business and legal terms and conditions as set forth in the definitive transaction documents. Except as otherwise expressly provided, the terms, conditions and understandings set forth in this letter are intended to be non-binding upon both Chevron and City and are presented to facilitate



Mr. Phil Batchelor
City Manager
Richmond City Hall
September 28, 2004
Page 4

ChevronTexaco

negotiations. If City desires to pursue negotiations with Chevron on the basis of this letter, Chevron requests that City indicate its concurrence with the terms, conditions and understandings as hereinafter set forth by signing and returning to Chevron a counterpart of this letter which is enclosed.

This letter contains only a list of proposed points that may or may not become part of a definitive agreement for the sale of the Properties to Chevron. It is not based on any agreement between the parties. Except for Sections 5, 6, 8 and 9 hereof, this letter is not intended to impose any obligation whatsoever on either party, including without limitation an obligation to bargain in good faith or in any way other than at arms' length. The parties do not intend to be bound by any agreement until both agree to and sign an ERN and/or a formal written definitive contract, and neither party may reasonably rely on any promises inconsistent with this paragraph. This paragraph supersedes all other conflicting language. Any letters, drafts, or other communications which are not formally executed by the parties with the express intent of being bound thereto shall have absolutely no legal effect, shall not be used to impose any legally binding obligation on another party, and shall not be used as evidence of any oral or implied agreement between the parties or as evidence of the terms and conditions of any implied agreement.

In the absence of the execution of an ERN, either party, in such party's sole and absolute discretion, may terminate this letter and the negotiations between the parties at any time, for any reason or for no reason, without any obligations of any kind to the non-terminating party.

Chevron welcomes the opportunity to discuss further the above terms and conditions with City.

Sincerely,


Jeet S. Bindra

City desires to pursue negotiations with Chevron on the terms, conditions and understandings set forth hereinabove and concurs with the express covenants contained above.

City of Richmond

By: _____
Its: _____
Date: _____



Exhibit A
Map of the Pt. Molate and Pt. San Pablo Properties

