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By Electronic Mail

Ms. Sherrie Kinkle
State Board of Equalization
Property and Special Taxes Department
450 N Street
Sacramento, California 94279-0064

Re: Property Tax Rule 133, Business Inventory Exemption

Dear Ms. Kinkle:

On behalf of our client, Space Exploration Technologies Corp ("SpaceX"), we write to express our full support of Chief Counsel Randy Ferris' memorandum to the Board dated May 8, 2014 ("Board Analysis"). We also write to respond to the misleading and inaccurate comments submitted by Santa Clara County Assessor Larry Stone. We reserve the right to provide further comments at the Board's May 22, 2014 hearing in Sacramento.

First, Mr. Stone states that the "crux of the dispute ... concerns a contention by the space transport industry that a special exemption is needed...." This statement is wrong. We agree with the Board Analysis that the proposed revisions to Rule 133 simply clarify existing law, which is consistent with the Legal Division's ruling on the subject. In short, this is not a "special exemption," but a necessary clarification of existing law.

Second, Mr. Stone states that his "research indicates that companies like SpaceX no more turn over control of their vehicles to a Range Safety Officer, than United Airlines turns over control of its aircraft to the FAA," and then, draws the analogy that "[j]ust as the FAA has the authority to ground any and all aircraft, as it did on '9-11', so too does the Range Safety Officer have the authority to destroy SpaceX cargo vehicles based only on safety considerations.... The RSO has no more control than an air traffic control officer." Not only is Mr. Stone's analogy misplaced, but his conclusion is wrong. We agree with the Board Analysis with respect to the responsibilities and authority of the Air Force (Range Safety) and the Mission Flight Control Officer's role as the sole decision-making authority and initiator of the flight termination system. Mr. Stone's analogy makes no sense — an air traffic controller does not have the authority or the ability to destroy an aircraft. The analogy also implies that SpaceX personnel operate the vehicle in the same manner as a United Airlines pilot operates an aircraft, but the

Board Analysis confirms that the vehicle is preprogrammed and autonomous and the Range User (such as SpaceX) has no ability to control the vehicle from launch to reaching orbital space.

Third, Mr. Stone states that "[t]he contractor or licensee (SpaceX) is responsible for its launch and vehicle operation throughout the mission." Again, Mr. Stone's facts are incorrect. We agree with the Board Analysis regarding the responsibility and authority of the Air Force (Range Safety) and the fact that the Range User has no ability to control the vehicle after launch and from launch to when the vehicle reaches orbital space. Ceding control of the launch vehicle to the Air Force is the hallmark of the federal regulatory system to ensure safe conduct.

Fourth, Mr. Stone states that "[t]he RSO only [sic] has possession of a space craft purely for safety reasons." We observe that Mr. Stone's statement, in contrast to his other statements, correctly concedes that the Air Force actually takes possession of the vehicle and payload. Mr. Stone, however, wrongly seeks to downplay the importance of safety control by implying that: (1) there are other types of control at play during the flight mission; and, (2) such other control is more important than safety control. Mr. Stone is wrong on both points. First, as the Board Analysis correctly concludes, the Range User has no ability to control the vehicle from launch to reaching orbital space. Thus, Range Safety control for safety purposes is in fact the ***only*** control that exists during the mission. Second—and at the risk of stating the obvious—range safety is of paramount importance to any launch. Ceding control to federal authorities is required by the federal system to ensure public safety and cannot be minimized. The Board Analysis regarding the responsibility and authority of the Air Force (Range Safety) is correct.

Should you have any questions or concerns, please contact me at (213) 457-8310. Thank you for your time and consideration.

Very truly yours,

Mardiros H. Dakessian

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