

1 THIS AGREEMENT, made this 27th day of Sept., 1967, by and between
2 China Air Lines, a company organized under the laws of the
3 Republic of China (hereinafter referred to as "CAL"), and Air
4 America, Inc., a Delaware corporation with offices at 815
5 Connecticut Avenue, N.W., Washington D.C. 20006 (hereinafter
6 referred to as "Airam");

7
8 WITNESSETH:

9
10 WHEREAS, Airam has a contract with the United States Government
11 to provide flying services and desires in the fulfillment of that
12 contract to secure flying services from an additional source; and

13
14 WHEREAS, CAL is willing to provide such flying services under
15 subcontract to Airam;

16
17 NOW, THEREFORE, in consideration of the stated premises, the
18 mutual covenants, and the conditions herein contained the parties
19 hereto agree as follows:

20
21 ARTICLE I. SERVICES TO BE PERFORMED

22
23 a. CAL shall, during the period set forth in Article III. hereof,
24 furnish the following:

25
26 Item 1. Flying services with one basically assigned C-46
27 aircraft and two basically assigned C-123 aircraft,
28 and when requested by Airam the services of one
29 additional C-46 type aircraft subject to call orders
30 as provided in paragraph c. of this Article I.
31 including all necessary aircraft fuel, engine lubri-
32 cating oil and aircraft lubricants (POL), supplies,
33 services, personnel, and ground support equipment
34 for the operation thereof, unless otherwise provided
35 hereinafter, subject only to necessary absence of
36 such aircraft for proper maintenance. CAL shall base
37 such aircraft at a place or places agreed to between
38 CAL and Airam, hereinafter referred to as the "Base
39 Point(s)". Such Base Point(s) may be changed from
40 time to time by agreement between CAL and Airam
41 expressed in writing. Daily maintenance inspections
42 are to be performed at the Base Point of such aircraft.
43 Aircraft repairs, maintenance, and services beyond
44 CAL's capability to perform at the Base Point may be
45 performed at other locations. The aircraft shall be

1 operated between points agreed to between CAL and
2 Airam. For the foregoing services, CAL shall be
3 paid pursuant to the rates set forth in Appendix "A",
4 attached hereto and hereby made a part hereof, and
5 the provisions of Article IV. hereof.
6

7 Item 2. Modifications to its aircraft, requested by Airam
8 and approved by CAL, to suit them for use by Airam;
9 provided, that if requested by CAL, CAL shall be
10 reimbursed for such modification, and for restoring
11 the aircraft to prior configuration upon release of
12 the aircraft. However, such modified aircraft shall
13 not be withdrawn during the period of assignment or
14 call by CAL without prior approval of Airam. For
15 the foregoing services, CAL shall be reimbursed
16 pursuant to paragraph "g" of Article IV. hereof.
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18 Item 3. Parts and materials to the extent required in the
19 performance of Item 2 of this Article I. CAL shall
20 be reimbursed for such parts and materials as
21 provided in paragraph "g" of Article IV. hereof.
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23 Item 4. Upon request of Airam, CAL may, if available, provide
24 additional flight crew personnel for which CAL shall
25 be paid pursuant to the normal rates set forth in
26 Appendix "D" and the provisions of Article IV. hereof.
27 Requests by Airam for additional flight crew personnel
28 shall be in writing, requesting personnel by classifi-
29 cation and category, desired location of services and
30 period for which services are being requested.
31

32 b. CAL shall have complete authority and discretion to decide all
33 matters of maintenance, the adequacy of clearances, permissions
34 obtained, and operations insofar as the safety of the aircraft
35 and its personnel are concerned, in accordance with established
36 CAL and industry standards.
37

38 c. In calling for aircraft which may be furnished "on call"
39 pursuant to Item 1. of Article I. hereof, Airam, which term
40 shall include its authorized representative, shall issue a
41 call order in accordance with Appendix "B", attached hereto
42 and made a part hereof, which shall notify CAL of the place
43 at which the aircraft is required and the period of time for
44 which such aircraft is desired. CAL shall respond by agreeing
45 to furnish the aircraft in accordance with the terms requested,

1 or will advise of non-availability of the aircraft, or advise
2 the portions of the requested period during which the aircraft
3 can be made available. Except in the event of non-availability
4 CAL's response shall state the place at which the aircraft
5 shall be made available, and such response shall be deemed
6 an offer which offer may be accepted by Airam at any time
7 before it is withdrawn. Acceptance in writing of such offer
8 by Airam shall be deemed a call order for CAL to furnish
9 the aircraft at the place of availability as stated by
10 CAL, and for the agreed period whereupon the aircraft shall
11 be deemed to be called hereunder; such place of availability
12 shall be the "Point of Origin" for such aircraft.

- 13
14 d. Airam and/or its duly authorized representative, may issue
15 Flight Service Operational Orders in accordance with
16 Appendix "C" attached hereto and hereby made a part hereof,
17 for all flights, except maintenance flights to and from
18 Taiwan, and may issue changes thereto at any time and from
19 time to time during the life of this contract. Such orders
20 and changes thereto, shall be in writing and signed by the
21 authorized representative; provided that such orders may be
22 issued orally or by other means when the exigency of any
23 situation precludes written operational orders or changes
24 in which event such oral orders may be confirmed in writing
25 within a reasonable time after performance of the services
26 ordered. Such orders shall authorize CAL to perform flights
27 specified therein and may designate the routes to be flown
28 and the points from which and to which the flight shall be
29 made.
- 30
31 e. Upon request of Airam, a member of the aircraft crew shall
32 sign, when requested, for all specified cargo listed on the
33 manifest and obtain a receipt therefor at destination;
34 provided, that CAL's personnel shall not be responsible
35 for cargo content or identification.
- 36
37 f. Airam shall be responsible for the management, supervision
38 and the provision of peculiar parts, components, equipment
39 and supplies for only the C-123 aircraft. This shall be
40 done at no additional cost to CAL. Airam shall furnish
41 all such items, upon request from CAL, to the extent that
42 such are available. It is understood the source of such
43 items is United States Government Stores.
44
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- 1 g. CAL shall have no obligation to replace any aircraft furnished
2 hereunder which are lost or destroyed or undergoing repairs
3 while engaged in performance of this contract.
4

5 ARTICLE II. PERSONNEL TO BE FURNISHED
6

- 7 a. CAL shall provide, within the rates per flying hour provided
8 for herein, necessary maintenance and operations personnel
9 and a normal complement of flight crew members for the
10 aircraft furnished hereunder.
11
12 b. Airam shall arrange for all personnel required to load, handle
13 and unload cargo. CAL shall be responsible, within the rates
14 per flying hour provided herein, for providing qualified
15 personnel to supervise the placement and securing of cargo
16 as well as the seating of passengers. Except as otherwise
17 provided for herein, CAL shall determine its own requirements
18 for personnel to be assigned to the performance of this
19 contract commensurate with operational and maintenance
20 requirements hereunder.
21
22 c. CAL shall engage such of its facilities and equipment as
23 shall be necessary for the performance of this contract
24 except as otherwise specifically provided for in this
25 contract; provided, however, that Airam may loan or furnish
26 CAL such supplies or equipment as, in the opinion of Airam,
27 are required by CAL for the performance of the contract and
28 which are not reasonably available to CAL from other sources.
29

30 ARTICLE III. PERIOD OF PERFORMANCE
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- 32 a. The services called for under this contract shall commence on
33 the day first above written and continue until midnight,
34 30 June 1968.
35
36 b. Airam shall have the right to renew this contract for two
37 additional one year periods and such renewal shall be automatic
38 unless CAL is notified in writing thirty (30) days prior to
39 the effective date of such renewal. However, Airam shall
40 have the right to terminate this contract at any time it
41 shall determine the services provided for therein are no
42 longer required by giving notice in writing thirty (30)
43 days prior to the effective date of such termination.
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ARTICLE IV. CONSIDERATION AND PAYMENT

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- a. Airam shall pay CAL in accordance with the provisions of this Article IV. at the appropriate rates set forth in Appendix "A" hereof for the services performed by CAL hereunder.
 - b.
 - 1. As pertains to Item 1. of Article I. hereof, CAL shall be paid, upon submission of proper invoices or vouchers, the applicable rates stipulated in Appendix "A" for services rendered and accepted, less deductions, if any, herein provided.
 - 2. As pertains to Item 4. of Article I. hereof, CAL shall be paid, upon submission of proper invoices or vouchers, the normal rates stipulated in Appendix "D" for services rendered and accepted, less deductions, if any, herein provided. CAL shall be paid the appropriate hourly rates for each of such personnel and pro rata amounts thereof for fractional parts of an hour flown provided that CAL shall be paid at the rate for each such personnel at a minimum of 2.3 hours per day. The minimum of 2.3 flying hours per day shall apply to all days that each such personnel are called for hereunder including days required in positioning the personnel to the point of use and return of such personnel to their regular assigned CAL station upon release from services hereunder by Airam. In addition, CAL shall be reimbursed for all expenses of positioning and depositioning such personnel including, but not limited to, transportation costs, incidental expenses, and dead head pay.
 - c. Flight time, actual flying time, and flying hour is the logged time of each flight and shall be calculated as follows:
 - 1. "Block to Block" Time: From the moment the aircraft first moves under its own power for the purpose of flight until the moment it comes to rest at the next point of landing.
 - 2. Airborne Time: Airborne time is the logged time of each flight to the nearest minute calculated from the moment of take-off to the moment of landing.
 - d. In addition to the flying hour rates provided in Appendix "A" hereof, CAL shall be paid for those personnel covered by

1 Appendix "D" at the hourly rates for hazardous area flying
2 set forth in Appendix "D" for each hour or pro rata for a
3 portion of an hour of hazardous area flying. Airam shall
4 designate in writing those personnel authorized on its behalf
5 to execute certificates for hazardous area flight time. The
6 hazardous flight hour rates prescribed in Appendix "D" hereto
7 shall apply to all flight time hereunder which is of a hazardous
8 nature, herein defined as flight time over areas in which active
9 combat operations are in progress or over areas controlled or
10 occupied by unfriendly forces; provided, that the determination
11 of whether flights or portions of flights are performed over
12 such hazardous areas shall be by agreement between the local
13 senior representatives of the parties hereto based upon known
14 conditions prior to a flight or pilot experienced and reported
15 conditions subsequent to or during a flight; provided, further,
16 that such determination shall be made in advance of each flight
17 when known or subsequent thereto when unknown. The hazardous
18 area flight time shall be certified by the aircraft commander
19 and Airam, or its authorized representative therefor. The
20 Flight Service Operational Order shall be used as the basis
21 for billing for the hourly rate(s) payable for such hazardous
22 flying.

- 23
24 e. 1. Subject to subparagraph 2. below, CAL shall be paid for
25 all hours flown hereunder by all aircraft furnished pursuant
26 to Item 1. of Article I., except for maintenance flight
27 hours, but including return of the aircraft to point of
28 origin during the period(s) of their assignment or call here-
29 under, and shall be paid for the minimum flight hours per
30 calendar quarter for each fleet of basically assigned aircraft,
31 whether or not actually flown. Such minimum flight hours shall
32 include all hours flown hereunder except maintenance flight
33 hours and shall be determined in accordance with the pro-
34 visions of Appendix "A". Minimum hours shall apply from the
35 moment the aircraft is ready to fly and is committed to use
36 under this contract. Minimum hours shall cease to apply
37 upon release of an aircraft from the contract or upon
38 destruction or loss of the aircraft. Minimum hours shall
39 not apply to the C-46 aircraft subject to call.
40
- 41 2. Subject to payment of minimums specified in paragraph 1.
42 above, CAL shall be paid for all hours flown as determined
43 in accordance with the "Block-to-Block" definition set
44 forth in Article IV.c.1. hereof; provided, however, that
45 the total hours of "Block-to-Block" time for which CAL shall

1 be paid shall be limited to a maximum of fifteen percent
2 (15%) in excess of airborne time as defined in Article IV.c.2.
3 hereof.
4

- 5 f. CAL shall be paid in accordance with the provisions of this
6 contract upon CAL presenting to Airam an original plus four copies
7 of CAL's invoices certified by an appropriate officer of CAL as
8 follows:
9

10 "I certify that the above bill is just and correct and
11 payment therefor has not been received."
12

- 13 g. Reimbursement pursuant to the provisions of Items 2. and 3. of
14 Article I. shall be subject to the following:
15

16 1. As pertains to Item 2. and 3. of Article I. hereof, and
17 subject to paragraph "g.2." of this Article IV., CAL shall,
18 upon submission of proper invoices and vouchers, be reimbursed
19 at cost excepting for direct skilled labor utilized to accom-
20 plish modification and repairs to CAL aircraft for which CAL
21 shall be paid \$1.75 for each hour of direct skilled labor
22 required and expended by CAL personnel. This rate includes
23 reimbursement for unskilled labor, overhead and profit.
24

25 2. As pertains to Item 3. of Article I. hereof, CAL shall be
26 reimbursed for direct materials used in accordance with
27 the following:
28

29 i. The amounts to be reimbursed by Airam under this
30 paragraph "g.2." shall include a tax levy by the
31 Government of the Republic of China on sales (known
32 in Taiwan as a "Business Tax", which is composed of
33 a business tax, a defense tax and a stamp tax). In
34 the absence of agreements providing exemption to the
35 Government therefrom, such taxes shall be considered
36 an allowable cost and may be included in the fixed
37 prices for labor utilized in Taiwan and the cost
38 of direct materials furnished by the Contractor
39 hereunder. The prices for direct materials furnished
40 by the Contractor may also include customs duties
41 paid to the Government of the Republic of China and
42 such shall be considered as allowable cost.
43

44 ii. For those parts and materials furnished by CAL for
45 which, in accordance with CAL's established practices,

1 the costs cannot be determined either by reference to
2 paid vendor's invoices or other means, the method of
3 pricing shall be by utilization of the current market
4 price or the price set forth in the most recent
5 available USAF Parts Catalog, whichever price is
6 most advantageous to Airam. CAL shall segregate
7 all items falling in the above category and so identify
8 in the invoice as a separate line item.

9
10 iii. All of CAL's claims for reimbursement of the costs of
11 items purchased directly for this contract must be
12 supported by invoices which shall be subject to
13 approval by Airam. This applies to all authorized
14 cost reimbursable items including direct parts and
15 materials furnished pursuant to Item 2. Claims for
16 reimbursement of costs of items withdrawn from CAL's
17 stock must be supported by CAL's invoices which shall
18 be subject to approval by Airam.

19
20 iv. Procurement, delivery, and material handling expense
21 (current landed costs) incurred by CAL to point of use
22 shall be considered as allowable elements of cost for
23 purpose of reimbursement under this contract. As
24 pertains to landed costs, materials, and supplies
25 which are used hereunder, which are transported to
26 or enroute to the point of use on commercial flights,
27 CAL shall be reimbursed at the commercial rates for
28 such transportation in effect at the time the trans-
29 portation is utilized.

30
31 h. "Direct Skilled Labor" as used herein includes that labor
32 which can be performed only by individuals possessing the
33 professional, specialized and/or technical skills, knowledge,
34 and capability to accomplish inspection, adjustments, repairs,
35 tests, and similar operations; machine shop work, welding,
36 electroplating, and similar operations on or incident to re-
37 conditioning, overhaul, and repair of aircraft or related
38 components, accessories, or parts. "Direct Skilled Labor"
39 includes only those skilled laborers, artisans, craftsmen,
40 and operators together with their leadmen and foremen, actually
41 and directly employed in the performance of work and services
42 as required under this contract. It does not include that
43 labor which is performed in cleaning and polishing of aircraft,
44 aircraft components and equipment, paint removal, assisting
45 in heavy work, such as moving equipment or heavy components;

1 generally, performing menial tasks and/or miscellaneous work
2 of a nature which requires none of the technical skills,
3 knowledge or professions referred to in the first portion of
4 this paragraph "h". It also does not include work and labor
5 performed by administrative personnel, corporate officers,
6 supply personnel, all supervisory personnel above the foreman
7 level, office personnel, time-keepers, watchmen, guards and
8 janitors.
9

- 10 i. "Direct Materials" as used herein are defined as all items
11 purchased, supplied, manufactured or fabricated with the
12 intention of entering them into, or making them a part of
13 the aircraft. For the purposes of this contract, cleaning,
14 brightening, polishing components, packing and packaging
15 materials, P.O.L. (petroleum, oil and lubricants) and other
16 materials, used or consumed directly on the aircraft or com-
17 ponents, parts thereof, shall be considered direct materials.
18 All other materials such as office and stationery supplies,
19 sweeping compounds and equipment, personnel washroom supplies,
20 lighting supplies, etc., which are not (and would not be)
21 actually used directly on the aircraft or its components,
22 shall be considered indirect materials.
23
24 j. Airam shall make payment hereof in United States dollars by
25 check, draft or other instrument and payable as directed by
26 CAL in writing.
27

28 ARTICLE V. SPECIAL PROVISIONS
29

- 30 a. Airam, and/or its duly authorized representative, shall provide
31 technical surveillance, supervision, and operational control
32 necessary to assure that CAL performs the services in accordance
33 with the provisions of the contract, provided that such
34 services shall be commensurate with the rated capabilities
35 of the aircraft, reasonable professional standards, and the
36 qualifications of CAL's personnel. CAL shall have final
37 authority to decide all matters in connection with the
38 services involving safety of operation.
39
40 b. CAL shall not be responsible for non-completion or diversion
41 of any flight from original point or destination due to causes
42 beyond the control of CAL. The flying time for flights which
43 are not completed or are diverted due to causes beyond the
44 control of CAL shall be considered as authorized flying time
45 for payment under the terms of the contract. The Captain

1 of the aircraft shall be the deciding authority on flight
2 completion or diversion, or any other action deemed necessary
3 in the interest of flight safety.
4

- 5 c. CAL's employees and officers of CAL, or other persons or
6 organizations employed by CAL in the performance of work or
7 rendition of services under this contract, shall at all times
8 be identified as the employees, officers, or agents of CAL
9 and shall not be considered as the employees, officers or
10 agents of Airam.
11
- 12 d. Airam may, if it finds it to be in the best interest of the
13 United States Government, direct CAL to remove, and CAL shall
14 remove, any employee from assignment to perform services
15 under this contract.
16
- 17 e. It is the understanding of Airam that CAL shall be relieved
18 of the necessity to pay landing fees, airways communications
19 and parking charges for operations performed under this
20 contract. In the event Airam is unable to obtain such relief,
21 it is agreed that Airam shall pay such charges incurred under
22 this contract.
23
- 24 f. Except as expressly provided in this contract, Airam shall
25 have no responsibility to or for CAL personnel engaged in
26 the performance of services hereunder.
27
- 28 g. CAL shall furnish in writing to Airam the name, personal
29 history data, and any other pertinent information available
30 to CAL, if requested by Airam, of all CAL personnel assigned
31 to this contract.
32
- 33 h. To the extent that Airam is relieved by the United States
34 Government of liability for the loss of, damage to or
35 destruction of U.S. Government property made available to
36 CAL and U.S. Government cargo, which term shall be deemed to
37 include passengers' baggage and personal belongings, transported
38 in the performance of this contract, Airam does hereby relieve
39 CAL of liability for loss of, damage to or destruction of
40 U.S. Government property and cargo transported by CAL in the
41 performance of this contract.
42
- 43 i. CAL is authorized to transport CAL personnel, parts, equipment
44 and supplies during performance of services hereunder, on a
45 space available basis on the aircraft furnished hereunder.

1 j. Examination of Records: CAL agrees that the Comptroller
2 General of the United States or any of his duly authorized
3 representatives shall, until the expiration of three years
4 after final payment under this contract, have access to and
5 the right to examine any directly pertinent books, documents,
6 papers and records of CAL, involving transactions related to
7 this contract.
8

9 k. Soviet-Controlled Areas: CAL shall not acquire for use in
10 the performance of this contract any supplies or services
11 originating from sources within Soviet-controlled areas,
12 as listed in Article VII. of this contract, or transported
13 from or through Hong Kong or Macao, without the written
14 approval of Airam.

15
16 1. Price Reduction for Defective Cost or Pricing Data:

17
18 1. If Airam determines that any price, including profit or
19 fee, negotiated in connection with this contract was
20 increased by any significant sums because CAL, or any
21 subcontractor in connection with a subcontract covered
22 by 2. below, furnished incomplete or inaccurate cost or
23 pricing data or data not current as certified in CAL's
24 Certificate of Current Cost or Pricing Data, then such
25 price shall be reduced accordingly and the contract shall
26 be modified in writing to reflect such adjustment.
27

28 2. CAL agrees to insert the substance of paragraphs 1. and 2.
29 of this clause in each of his cost-reimbursement type,
30 price redeterminable, or incentive subcontracts hereunder,
31 and in any other subcontract hereunder in excess of
32 \$100,000 unless the price is based on adequate price
33 competition, established catalog or market prices of
34 commercial items sold in substantial quantities to the
35 general public, or prices set by law or regulation. In
36 each such excepted subcontract hereunder which exceeds
37 \$100,000, the Contractor shall insert the substance of
38 the following clause:
39

40 "PRICE REDUCTION FOR DEFECTIVE COST OR PRICING DATA -
41 PRICE ADJUSTMENTS
42

43 1. This clause shall become operative only with
44 respect to any change or other modification made pursuant
45 to one or more provisions of this contract which involves

1 a price adjustment in excess of \$100,000, except where
2 the price is based on adequate price competition,
3 established catalog or market prices of commercial
4 items sold in substantial quantities to the general
5 public, or prices set by law or regulation. The right
6 to price reduction under this clause shall be limited
7 to such price adjustments.

8
9 2. If CAL determines that any price, including
10 profit or fee, negotiated in connection with any price
11 adjustment within the purview of paragraph 1. above was
12 increased by any significant sum because the subcontractor
13 or any of his subcontractors in connection with a sub-
14 contract covered by paragraph 3. below, furnished
15 incomplete or inaccurate cost or pricing data, or data
16 not current as of the date of execution of the sub-
17 contractor's certificate of current cost or pricing
18 data, than such price shall be reduced accordingly and
19 the subcontract shall be modified in writing to reflect
20 such adjustment.

21
22 3. The subcontractor agrees to insert the substance
23 of this clause in each subcontract hereunder which exceeds
24 \$100,000."

25
26 m. Audit

- 27
28 1. For purposes of verifying that cost or pricing data
29 submitted, in conjunction with the negotiation of this
30 contract or any contract change or other modification
31 involving an amount in excess of \$100,000 are accurate,
32 complete, and current, Airam, or its authorized represen-
33 tatives, shall--until the expiration of three years from
34 the date of final payment under this contract--have the
35 right to examine those books, records, documents and
36 other supporting data which will permit adequate evaluation
37 of the cost or pricing data submitted, along with the
38 computations and projections used therein, which were
39 available to CAL as of the date of execution of CAL's
40 Certificate of Current Cost or Pricing Data.
- 41
42 2. CAL agrees to insert the substance of this clause including
43 this paragraph 2. in all subcontracts hereunder in excess
44 of \$100,000, so as to apply until three years after final
45 payment under the subcontract, unless the price is based

1 on adequate price competition, established catalog or
2 market prices of commercial items sold in substantial
3 quantities to the general public, or prices set by
4 law or regulation. In each such excepted subcontract
5 hereunder in excess of \$100,000, CAL shall insert the
6 substance of the following clause to apply until three
7 years after final payment under the subcontract:
8

9 "AUDIT - PRICE ADJUSTMENTS

10
11 1. This clause shall become operative only with
12 respect to any change or other modification made pursuant
13 to one or more provisions of this contract which involves
14 a price adjustment in excess of \$100,000 unless the price
15 adjustment is based on adequate price competition,
16 established catalog or market prices of commercial items
17 sold in substantial quantities to the general public,
18 or prices set by law or regulation and further provided
19 that such change or other modification to this contract
20 must result from a change or other modification to
21 Airam prime contract.
22

23 2. For purposes of verifying that cost or pricing
24 data submitted in conjunction with a contract change or
25 modification involving an amount in excess of \$100,000
26 are accurate, complete and current, Airam or its authorized
27 representative shall--until the expiration of three years
28 from the date of final payment under this contract--have
29 the right to examine those books, records, documents,
30 and other supporting data which will permit adequate
31 evaluation of the cost or pricing data submitted, along
32 with the computations and projections used therein,
33 which were available to CAL as of the date of execution
34 of CAL's Certificate of Current Cost or Pricing Data.
35

36 3. CAL agrees to insert the substance of this
37 clause, including this paragraph 3. in all subcontracts
38 hereunder in excess of \$100,000 so as to apply until
39 three years after final payment of the subcontract."
40

41 n. Subcontractor Cost and Pricing Data

42
43 1. CAL shall require subcontractors hereunder to submit cost
44 or pricing data under the following circumstances: (i)
45 prior to award of any cost-reimbursement type, incentive,

1 or price redeterminable subcontract; (ii) prior to the
2 award of any subcontract the price of which is expected
3 to exceed \$100,000; (iii) prior to the pricing of any
4 subcontract change or other modification for which the
5 price adjustment is expected to exceed \$100,000; except
6 in the case of (ii) and (iii) where the price is based
7 on adequate price competition, established catalog or
8 market prices of commercial items sold in substantial
9 quantities to the general public, or prices set by law
10 or regulation.

- 11
- 12 2. CAL shall require subcontractors to certify, in substan-
13 tially the same form as that used in the certificate
14 by Airam to the U. S. Government, that to the best of
15 their knowledge and belief, the cost and pricing data
16 submitted under 1. above is accurate, complete, and
17 current as of the agreement on the negotiated price of
18 the subcontract.
- 19
- 20 3. CAL shall insert the substance of this clause including
21 this paragraph 3. in each of his cost-reimbursement type,
22 price redeterminable, or incentive subcontracts hereunder,
23 and in any other subcontract hereunder which exceeds
24 \$100,000 except where the price thereof is based on
25 adequate price competition, established catalog or market
26 prices of commercial items sold in substantial quantities
27 to the general public, or prices set by law or regulation.
28 In each such excepted subcontract hereunder in excess of
29 \$100,000, CAL shall insert the substance of the following
30 clause:

31
32 "SUBCONTRACTOR COST AND PRICING DATA - PRICE ADJUSTMENTS

33
34 1. Paragraphs 2. and 3. of this clause shall become
35 operative only with respect to any change or other
36 modification made pursuant to one or more provisions
37 of this contract which involves a price adjustment in
38 excess of \$100,000. The requirements of this clause
39 shall be limited to such price adjustments.

40
41 2. CAL shall require subcontractors hereunder
42 to submit cost or pricing data under the following
43 circumstances: (i) prior to award of any cost-
44 reimbursement type, incentive or price redeterminable
45 subcontract; (ii) prior to award of any subcontract,

1 the price of which is expected to exceed \$100,000;
2 (iii) prior to the pricing of any subcontract change
3 or other modification for which the price adjustment
4 is expected to exceed \$100,000; except in the case of
5 (ii) and (iii), where the price is based on adequate
6 price competition, established catalog or market prices
7 of commercial items sold in substantial quantities to
8 the general public, or prices set by law or regulation.
9

10 3. CAL shall require subcontractors to certify,
11 in substantially the same form as that used in the
12 certificate by Airam to the U. S. Government, that to
13 the best of their knowledge and belief the cost and
14 pricing data submitted under 2. above is accurate,
15 complete, and current as of the date of execution,
16 which date shall be as close as possible to the date
17 of agreement on the negotiated price of the contract
18 modification.
19

20 4. CAL shall insert the substance of this clause
21 including this paragraph 4. in each subcontract hereunder
22 which exceeds \$100,000."
23

- 24 o. CAL shall not enter into any subcontract, oral or written,
25 for the performance of any of the work or services provided
26 for under the terms of this contract without the written
27 approval of Airam.
28

29 ARTICLE VI. INDEMNITY AND INSURANCE
30

- 31 a. Except for loss, damage or destruction of Airam property
32 and injury to or death of Airam personnel not caused by
33 or directly attributable to CAL or its agents, servants,
34 employees, and except for loss, damage or destruction
35 to property and injury to or death of persons caused by
36 or directly attributable to the wilful misconduct of Airam
37 or its associated or affiliated companies or their employees,
38 servants and agents, Airam shall not be responsible or accept
39 any risk for any loss, damage, or destruction of any property
40 or for any injury to or death of any person resulting from
41 or arising out of this contract regardless of how caused or
42 when occurring and CAL hereby agrees to indemnify and save
43 and hold Airam, including its associated companies and
44 affiliates, and its agents, servants and employees, harmless
45 with regard to any and all claims of any nature, including

1 costs and expenses incident thereto, for damages, restitution,
2 or other compensation or accountability arising from or
3 related to any or all such loss, damage, destruction, injury
4 and death.

- 5
6 b. CAL agrees to maintain in full force and effect during this
7 contract insurance covering CAL's liability and undertaking
8 set forth in paragraph 'a.' hereinabove in connection with
9 its operations through and its activities in and about the
10 locations covered by this contract, such insurance to be in
11 such amounts and with such insurers as are acceptable to Airam
12 and shall cause Airam to be named as co-insured in connection
13 with such insurance.
- 14 c. CAL agrees to furnish to Airam the insurers' certificate(s)
15 of insurance which shall show (1) the names of the insured
16 parties, (2) the aircraft covered by the insurance, (3) the
17 effective period of such insurance, (4) the amount and coverage
18 afforded by such insurance, (5) the geographical limitations
19 applicable to the aircraft covered by such insurance and (6)
20 certifying that such insurance is in full force and effect,
21 (7) acknowledging acceptance of the indemnification agreement
22 assumed by CAL under this contract, (8) waiving any and all
23 rights of subrogation against the United States Government
24 and Airam, its officers, agents, and employees and (9) providing
25 that the insurers will give Airam at least thirty (30) days
26 prior written notice before such insurance or waiver of
27 subrogation is cancelled or materially changed. In addition,
28 CAL shall furnish Airam a certified copy or duplicate original
29 of such policy or policies and endorsements thereto and thereon
30 as soon as conveniently possible.
- 31
32 d. In the event CAL shall fail to procure and maintain such
33 insurance, Airam shall have the right to do so and charge
34 CAL with the cost thereof, such cost being subject to
35 deduction from any amounts owed by Airam to CAL under
36 this contract.

37
38
39 ARTICLE VII. SOVIET-CONTROLLED AREAS:

- 40
41 a. For the purpose of this contract, Soviet-controlled areas are
42 the following:

43
44 Albania
45 Bulgaria

1 China, excluding Taiwan (Formosa), but including Manchurai,
2 Inner Mongolia, the provinces of Tsinghai and Sikang,
3 Sinkiang, Tibet, the former Kwangtung Leased Territory,
4 the present Port Arthur Naval Base Area, and Liaoning
5 Province.
6

7 Communist-controlled area of Vietnam and Communist-controlled
8 area of Laos.

9 Cuba

10 Czechoslovakia

11 East Germany (Soviet Zone of Germany and the Soviet Sector of
12 Berlin)

13 Estonia

14 Hungary

15 Latvia

16 Lithuania

17 North Korea

18 Outer Mongolia

19 Poland and Danzig

20 Rumania

21 Union of Soviet Socialist Republics
22

23 ARTICLE VIII. AIRAM FURNISHED FACILITIES

24
25 Airam shall furnish to CAL for a sum to be deductible from amounts
26 to be paid to CAL as provided in Article IV.b. such equipment and
27 facilities or their approximate equivalent at such prices as shall
28 be agreed to in writing between the parties hereto from time to
29 time.
30

31 ARTICLE IX. C-123 TYPE AIRCRAFT
32

33 Notwithstanding any other provisions of this contract, it is
34 understood that CAL's undertakings herein with regard to making
35 the C-123 type aircraft available upon an initial or continuing
36 basis and the operation thereof shall be subject to the terms
37 and conditions or other arrangement upon which such aircraft
38 are so furnished to CAL.
39

40 ARTICLE X. CONTRACTUAL CONTENTS
41

42 This contract consists of Articles I. through X. on pages 1
43 through 18; an Appendix "A" of two pages; and Appendix "B" of
44 one page; an Appendix "C" of two pages and an Appendix "D"
45 of one page.

IN WITNESS WHEREOF, the parties hereto have, by their respective officials or representatives thereunto duly authorized, executed this agreement.

WITNESS:

CHINA AIR LINES

By _____

Typed Name: Robert Yeh

Title: Vice President

WITNESS:

AIR AMERICA, INC.

By _____

Typed Name: J. W. Walker, Jr.
Vice President

Title: Flying Contract Affairs

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APPENDIX "A"

AIRCRAFT FLYING HOUR RATES

Part I. The rates set forth in this Part I. are effective from 1 July 1967 through 30 September 1967.

Basic Aircraft	No.	Hours	Rate Per Flying Hour Per Calendar Quarter	Dry Wing
C-46	1	Minimum 270 270:01 and over	239.39 234.59	
C-123	2	Minimum 240 240:01 and over	162.99 158.19	
Call Aircraft	No.	Hours	Rate Per Flying Hour Per Calendar Quarter	
C-46	1	No minimums	239.39	

Part II. The rates set forth in this Part II. are effective from 1 October 1967 through 30 June 1968.

Basic Aircraft	No.	Hours	Rate Per Flying Hour Per Calendar Quarter	Wet Wing
C-46	1	Minimum 270 270:01 and over	259.55 249.55	
C-123	2	Minimum 240 240:01 and over	227.00 217.00	
Call Aircraft	No.	Hours	Rate Per Flying Hour Per Calendar Quarter	
C-46	1	No minimums	259.55	

APPENDIX "A"

Page 2 of 2

- Note 1. The term "fleet" as used herein is defined as one or more of a type of aircraft which are assigned to the contract as basic aircraft pursuant to the terms of Article I.a. Item 1.
- Note 2. The total number of aircraft making up a fleet during a calendar quarter shall be determined by considering each basic aircraft performing services under the contract during the entire calendar quarter as a unit of one and each basic aircraft performing services under the contract a portion of the calendar quarter as a percentage of a unit one obtained by dividing the number of days the aircraft was assigned by the number of days in the calendar quarter. The total sum of units will be the fleet for that calendar quarter.
- Note 3. The minimums applicable to each fleet of aircraft shall be determined by multiplying applicable minimums set forth on page 1 of this Appendix "A" by the fleet as determined in accordance with the procedures set forth in Note 2. above.
- Note 4. If the total hours flown by the entire fleet equals or exceeds the calendar quarter minimums as determined in accordance with Note 3. above, there will be no unflown minimums.
- Note 5. If the total hours flown by the entire fleet is less than the calendar quarter minimums as determined in accordance with Note 3. above, the billable unflown minimums shall be the difference between the total hours flown by the fleet and said minimums.

CALL ORDER
FOR ADDITIONAL AIRCRAFT

APPENDIX "B"
Contract No. 67-63

To: China Air Lines

Call Order No. _____

Date _____

Pursuant to Article I. paragraph c. of subject contract, you are hereby requested to provide, if available, additional aircraft as specified below:

<u>Type of Aircraft</u>	<u>Place Aircraft Required</u>	<u>From</u> (Date)	<u>Through</u> (Date)
-------------------------	--------------------------------	-----------------------	--------------------------

Please return the original and four copies to the undersigned indicating in space provided below your agreement to this request and aircraft identification number assigned.

Air America, Inc.
Authorized Representative

CAL'S OFFER

Date _____

To: Air America, Inc.

China Air Lines hereby agrees to furnish aircraft as indicated:

<u>Aircraft</u> Type	<u>Identification</u> No.	<u>Will be available at</u> (Point of Origin)	<u>From</u> (Date)	<u>Through</u> (Date)
-------------------------	------------------------------	--	-----------------------	--------------------------

China Air Lines Representative

ACCEPTANCE AND CALL ORDER

To: China Air Lines

Date _____

This constitutes acceptance of the Contractor's Offer as stated above and shall, pursuant to Article I. Paragraph c. of the contract, be deemed the Operational Order for CAL to furnish the aircraft described at the place of origin as indicated. The aircraft shall proceed from

_____ to _____ on _____
(Origin) (Base) (Offer date above)

Air America, Inc.
Authorized Representative

FLIGHT SERVICE OPERATIONAL ORDER

To:

From:

No. _____
Date: _____

(1) Aircraft No.	(2) Type	(3) Services to be rendered under Contract No. 67-63			
(4) Requested Schedule Location	(5) Actual Time	(6) Passengers	(7) Cargo	(8) Remarks	

Passenger's Signature

Air America, Inc. Representative

(9) Number of trip legs(per Log Book)	
Completed	Aborted - Reason
	- Weather
	- Mechanical
	- Other

(10) Total time flown this order per aircraft log.
Hours _____ Minutes _____

(11) Times flown over hazardous areas (per Log Book)	Locations	Time
	From	Mins
	To	Hours
Total Time flown over hazardous area		
(13) Certification		
Air America, Inc. Representative Signature		

(12) Crew Members

Capt. _____

F/O _____

FRO _____

AFS _____

Captain's Signature

INSTRUCTIONS FOR COMPLETION

Form to be issued to CAL prior to each flight by Airam authorized representative.

1. Authorized representative will complete items 1 through 4 and 6 through 8 and submit the original and two copies to AIR AMERICA Operations.
2. CAL flight captain or crew members will complete items 5 and 9 through 11 and 12 (to be same as aircraft log), as applicable, and signatures by CAL personnel will be affixed as indicated.
3. If change in original routing occurs while in flight or on mission, such change will be entered by the Captain in item 8. with notation of source authority of change.
4. All copies to be completed after flight returned to the Airam representative for completion of item 13. Certification. Subsequent distribution as follows:
 - a. Original forwarded to CAL attached to Flight Log.
 - b. One copy to be submitted by CAL when invoicing Airam.
 - c. One copy to be retained by Airam representative.
 - d. Airam will forward one completed copy to appropriate Finance representative.
5. Any special instructions or additional remarks to be entered under item 8; if additional space required, use additional sheets.
6. Operational Orders are to be assigned numbers showing month and numerical designator and numbered consecutively.

APPENDIX "D"

Page 1 of 1

ADDITIONAL PERSONNEL RATES
AND
HAZARDOUS RATES
FOR ALL PERSONNEL

	<u>Normal Rate</u>	<u>Hazardous Rate</u>
Pilot	US\$11.50	US\$6.88
Co-pilot	11.50	6.88
Navigator	8.50	6.88
Radio Operator	8.50	6.88
Extra Crew Member (ECM)	8.50	6.88
Flight Engineer	5.86	3.75
Parachute Dropping Officer (PDO)	5.86	3.75