

E-SYSTEMS INC.

Corporate Offices

P. O. Box 6030 • Dallas, Texas 75222 • Telephone: (214) 742-9471

January 31, 1975

To: Mr. Richard C. Blair
Administrative Contracting Officer
Detachment 9 AFCCMC (AFLC)
APO San Francisco 96340

Subject: Purchase of Air Asia Company Limited
from Air America, Inc. by E-Systems, Inc.

Reference: Novation Agreement

Dear Sir:

As of the date hereof, E-Systems and Air America, Inc. completed the transaction whereby E-Systems purchased Air America's subsidiary, Air Asia Company Limited. In connection with the transaction, E-Systems agreed to complete certain U. S. Government contracts awarded to Air America, Inc. which are being substantially performed by Air Asia Company Limited in Taiwan. In connection with these contracts, E-Systems would appreciate your assistance in processing the attached Novation Agreement which recognizes E-Systems as the successor in interest on these contracts.

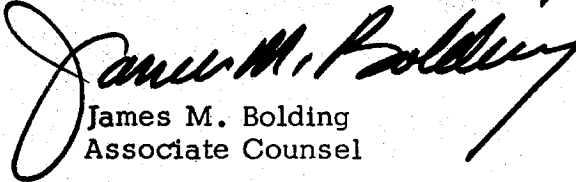
In connection with the processing of the Novation Agreement, a statement is required concerning the capability of the Transferee to complete the contracts. Please be advised that E-Systems intends to perform all of the contracts utilizing the same personnel that Air Asia was utilizing prior to its acquisition by E-Systems. In addition, I am enclosing for your examination brochures on the overall capability of E-Systems to perform government contracts. With respect to E-Systems' capability to perform overhaul, maintenance and modification effort on aircraft, E-Systems is currently performing at its Greenville Division in Greenville, Texas two significant contracts in addition to many others. The first of these two contracts is the VIP Special Air Mission Fleet which consists of all of the aircraft assigned for use by the President of the United States. The other is the Airborne Command Post

APPROVED FOR
RELEASE DATE:
20-Oct-2009

To: Mr. Richard C. Blair
Administrative Contracting Officer

contract which is a contract for the incorporation of certain electronic equipment for use by the Air Force in three Boeing 747 aircraft. Other contracts on which E-Systems is performing are listed more specifically on the attached list. Should your office require additional information in processing the referenced Novation Agreement, please contact me.

Cordially,


James M. Bolding
Associate Counsel

/jg
Enc.

cc: Henry P. Bevans, Esq.
Vice President - Law
Air America, Inc.
1725 K Street, N.W.
Washington, D. C. 20006

NOVATION AGREEMENT
LIST OF DOCUMENTS

		<u>No. of Copies</u>
1.	Novation Agreement	3
2.	General Conveyance and Assignment	1
3.	Certificate of Resolutions - Air America, Inc.	1
4.	Opinion of Counsel - Air America, Inc.	1
5.	Certified Copy of Resolution of Board of Directors of E-Systems, Inc.	1
6.	Opinion of Counsel - E-Systems, Inc.	1
7.	Balance Sheet of E-Systems, Inc. prior to acquisition and after acquisition	1
8.	Balance Sheet of Air America, Inc. prior to acquisition	1
9.	Balance Sheet of Air America, Inc. after acquisition	1
10.	Evidence of security clearance, Corporate Office, E-Systems, Inc. dated May 8, 1972, granting Top Secret security clearance	1
11.	Evidence of security clearance, E-Systems, Inc. Greenville Division, dated May 8, 1972, granting Top Secret security clearance	1
12.	List of aircraft IRAN modification contracts performed by E-Systems, Inc. (evidence of capability to perform Government contracts)	1
13.	E-Systems, Inc. 1973 Annual Report	1

		<u>No. of Copies</u>
14.	E-Systems, Inc. Mid-year 1974 Report	1
15.	Capabilities brochure E-Systems, Inc.	1

AGREEMENT

THIS AGREEMENT, entered into as of January 31, 1975 by and between Air America, Inc., a corporation duly organized and existing under the laws of the State of Delaware with its principal office in the City of Washington, D.C. (hereinafter referred to as the "Transferor"); E-Systems, Inc., a corporation duly organized and existing under the laws of the State of Delaware with its principal office in the City of Dallas, Texas (hereinafter referred to as the "Transferee"); and the United States of America (hereinafter referred to as the "Government").

1. WHEREAS, the Government, represented by various Contracting Officers of the Department of Defense has entered into certain contracts and purchase orders with the Transferor as set forth in the attached list marked "Exhibit A" to this Agreement and herein incorporated by reference; and the term "the contracts" as hereinafter used means the above contracts and purchase orders, and all other contracts and purchase orders, including modifications thereto, heretofore made between the Government, represented by various Contracting Officers of the above named Department and the Transferor (whether or not performance and payment have been completed and releases executed, if the Government or the Transferor has

any remaining rights, duties or obligations thereunder), and including modifications thereto hereafter made in accordance with the terms and conditions of such contracts and purchase orders between the Government and the Transferee:

2. WHEREAS, as of January 31, 1975, the Transferor assigned, conveyed, and transferred to the Transferee all of the Transferor's equity ownership in the Transferor's subsidiary, Air Asia Company Limited, a Republic of China Company limited by shares, by virtue of a Bill of Sale between the Transferor and the Transferee;

3. WHEREAS, the Transferee, by virtue of said assignment, conveyance and transfer, has acquired all of the equity ownership of Transferor's subsidiary, Air Asia Company Limited;

4. WHEREAS, by virtue of said assignment, conveyance and transfer, the Transferee has assumed all the duties, obligations and liabilities of the Transferor under the Contracts;

5. WHEREAS, the Transferee is in a position fully to perform the Contracts, and such duties and obligations as may exist under the Contracts;

6. WHEREAS, it is consistent with the Government's interest to recognize the Transferee as the successor party to the Contracts;

7. WHEREAS, there has been filed with the Government evidence of said assignment, conveyance or transfer, as required by ASPR 26-402 (b);

NOW, THEREFORE, in consideration of the premises, the parties hereto agree as follows:

8. The Transferor hereby confirms said assignment, conveyance and transfer to the Transferee, and does hereby release and discharge the Government from, and does hereby waive, any and all claims, demands, and rights against the Government which it now has or may hereafter have in connection with the Contracts.

9. The Transferee hereby assumes, agrees to be bound by, and undertakes to perform each and every one of the terms, covenants, and conditions contained in the Contracts. The Transferee further assumes all obligations and liabilities of, and all claims and demands against, the Transferor under the Contracts, in all respects as if the transferee were the original party to the Contracts.

10. The Transferee hereby ratifies and confirms all actions heretofore taken by the Transferor with respect to the Contracts with the same force and effect as if the action had been taken by the Transferee.

11. The Government hereby recognizes the Transferee as the Transferor's successor in interest in and to the Contracts. The Transferee hereby becomes entitled to all right, title, and interest of the Transferor

in and to the Contracts in all respects as if the Transferee were the original party to the Contracts. The term "Contractor" as used in the Contracts shall be deemed to refer to the Transferee rather than to the Transferor.

12. Notwithstanding the foregoing provisions, all payments and reimbursements heretofore made by the Government to the Transferor and all other action heretofore taken by the Government, pursuant to its obligations under any of the Contracts, shall be deemed to have discharged pro tanto the Government's obligations under the Contracts. All payments and reimbursements made by the Government after the date of this Agreement in the name of or to the Transferor shall have the same force and effect as if made to said Transferee and shall constitute a complete discharge of the Government's obligations under the Contracts, to the extent of the amounts so paid or reimbursed.

13. The Transferor and the Transferee hereby agree that the Government shall not be obligated to pay or reimburse either of them for, or otherwise give effect to, any costs, taxes or other expenses, or any increases therein, directly or indirectly arising out of or resulting from (i) said assignment, conveyance and transfer, or (ii) this Agreement, other than those which the Government, in the absence of said assignment, conveyance and transfer, or this Agreement, would have been obligated to pay or reimburse under the terms of the Contracts.

14. The Transferor hereby guarantees payment of all liabilities and the performance of all obligations which the Transferee (i) assumes under this Agreement, or (ii) may hereafter undertake under the Contracts as they may hereafter be amended or modified in accordance with the terms and conditions thereof; and the Transferor hereby waives notice of and consents to any such amendment or modification.

15. Except as herein modified, the Contracts shall remain in full force and effect.

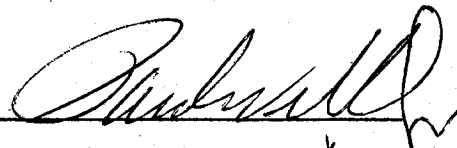
IN WITNESS WHEREOF, each of the parties hereto has
executed this Agreement as of the day and year first above written.

UNITED STATES OF AMERICA

By _____

Title _____

AIR AMERICA, INC.

By 

Title Managing Director

(Corporate Seal)

E-SYSTEMS, INC.

By 
Vice President-Finance

Title Chief Financial Officer

(Corporate Seal)

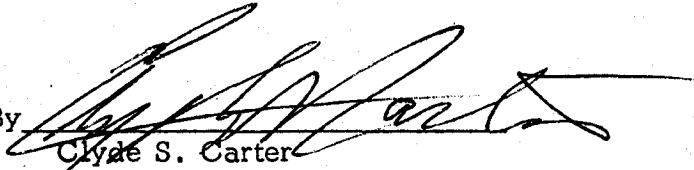
CERTIFICATE

I, CLYDE S. CARTER certify that I am the Senior Vice President of Air America, Inc., named above; that PAUL C. VELTE, JR., who signed this Agreement on behalf of said corporation, was then Managing Director of said corporation; and that this Agreement was duly signed for and in behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.

Witness my hand and the seal of said corporation this
31st day of January, 1975.

(Corporate Seal)

By


Clyde S. Carter

Senior Vice President

CERTIFICATE

I, C. L. TAYLOR certify that I am the Secretary of E-Systems, Inc., named above; that VIRGIL B. PETTIGREW, who signed this Agreement on behalf of said corporation, was then Vice President-Finance, Chief Financial Officer of said corporation; and that this Agreement was duly signed for and in behalf of said corporation by authority of its governing body and is within the scope of its corporate powers.

Witness my hand and the seal of said corporation this
31st day of January, 1975.

(Corporate Seal)

By C. L. Taylor
C. L. Taylor, Secretary

EXHIBIT A

United States Government Contracts
 Awarded to
 AIR AMERICA, INC.
 Being Performed at
 AIR ASIA COMPANY LIMITED
 Taiwan, Republic of China

<u>CONTRACT</u>	<u>PURCHASING OFFICE</u>	<u>TOTAL U.S. DOLLARS</u>	<u>TYPE WORK</u>	<u>UNPAID 30 SEPT.</u>	<u>ESTIMATED UNPAID FOR OCT.</u>
<u>F33600-71</u> <u>-C-0221</u>	2750 ABWNG/PMA Specialized Proc Branch Building 2 Area C Wright- Patterson AFB Ohio 45433	1,482,478.89 (Including 188,000 for FY-75)	C-46 IRAN R2800 Engine Overhaul	186,210	176,210
<u>N00651-72</u> <u>-D-0011</u>	Purchase Dept US Naval Supply Depot Subic Bay, Philippines	618,950	C-118 PDLM	98	-0-
Order 0025	"	97,793	"	59,376	57,376
<u>N00651-72</u> <u>-D-0014</u>	Purchase Dept US Naval Supply Depot Subic Bay, Philippines	363,673	C-117 PDLM	-0-	-0-
Order 0035	"	60,000	C-117 PDLM	37,781	37,281
<u>F04606-72</u> <u>-A-0092</u>	Dept AF HQ Sacramento AMA (AFLC) Directorate Procurement McClellan AFB, CA 95652	1,207,097 (A)	T&M BOA	-0-	-0-
Order RJ01	"	580,675.00	UH-1 Component Overhaul	143,249	130,749
Order RJ02	"	529,922.35	UH-1 Engine Overhaul	20,737	20,737

<u>CONTRACT</u>	<u>PURCHASING OFFICE</u>	<u>TOTAL U.S. DOLLARS</u>	<u>TYPE WORK</u>	<u>UNPAID 30 SEPT.</u>	<u>ESTIMATED UNPAID FOR OCT.</u>
<u>F42600-73</u> <u>-C-0001</u>	Dept AF HQ Ogden AMA (AFLC) Hill, AFB, UT 84406	5,202,858 (FY-74) 5,173,805 (FY-75)	F-4 Fixed Price PDM	561,180 5,133,157	427,361 4,736,745
<u>F04606-73</u> <u>-A-0095</u>	Dept AF HQ Sacramento (AFLC) McClellan AFB, CA 95652	810,380 (A)	Fixed Price BOA	-0-	-0-
Order SA01	"	133,300	PDM T29/C131	125,800	104,300
Order QP01	"	507,660	PDM 7 EA F4E A/C	507,660	507,660
Order QP02	"	206,505	Corrosion Control 30 EA F4 A/C	206,505	206,505
<u>N00651-74</u> <u>-D-0022</u>	Purchase Dept US Naval Supply Depot Subic Bay, Philippines	15,760 (C)	T&M Component Overhaul/ Repair	-0-	-0-
Order TL25	"	202.30	Component Overhaul/ Repair	25.00	-0-
Order TL26	"	888.00	"	888.00	888.00
Order TL27	"	329.74	"	329.74	329.74
Order TL28	"	835.38	"	-0-	-0-
Order TL29	"	240.94	"	240.94	240.94
Order TL30	"	300.04	"	300.04	300.04
Order TL31	"	147.14	"	147.14	147.14
Order TL32	"	444.00	"	444.00	444.00

<u>CONTRACT</u>	<u>PURCHASING OFFICE</u>	<u>TOTAL U.S. DOLLARS</u>	<u>TYPE WORK</u>	<u>UNPAID 30 SEPT.</u>	<u>ESTIMATED UNPAID FOR OCT.</u>
<u>N00651-74</u> <u>-D-0032</u>	Purchase Dept US Naval Supply Depot Subic Bay, Philippines	103,347.90 (B) Plus O&A	PDLM C-118	-0-	-0-
Order 0001	"	65,000.00	"	64,862.00	59,862.00
<u>N00651-74</u> <u>-D-0036</u>	Purchase Dept US Naval Supply Depot Subic Bay, Philippines	107,981.10 (B) Plus O&A	F4B) F4J) ACE RF4B)	-0-	-0-
Order 0001	"	33,000.00	F4J ACE	33,000.00	-0-
Order 0002	"	25,000.00	F4B ACE	25,000.00	25,000.00
Order 0003	"	25,000.00	F4B ACE	25,000.00	25,000.00
Order 0004	"	25,000.00	F4B ACE	25,000.00	25,000.00
Order 0005	"	25,000.00	F4B ACE	25,000.00	25,000.00
<u>N00651-74</u> <u>-D-0037</u>	Purchase Dept US Naval Supply Depot Subic Bay, Philippines	85,050.00 (B) Plus O&A	C-117 PDLM	-0-	-0-
Order 0001	"	44,000.00	C-117 PDLM	43,873.00	22,110.00
<u>N00651-74</u> <u>-D-0039</u>	Purchase Dept US Naval Supply Depot Subic Bay, Philippines	155,082.60 (B) Plus O&A	C1A/S2 PDLM	-0-	-0-
Order 0001	"	29,370.00	C-1A PDLM	29,370.00	29,370.00
Order 0002	"	26,700.00	S-2 PDLM	26,700.00	-0-
Order 0003	"	28,000.00	C-1A PDLM	28,000.00	28,000.00
<u>N00651-74</u> <u>-D-0040</u>	Purchase Dept US Naval Supply Depot Subic Bay, Philippines	61,600.50 (B) Plus O&A	OV-10 PDLM	-0-	-0-
Order 0001	"	14,000.00	OV-10 PDLM	14,000.00	-0-
Order 0002	"	14,000.00	"	14,000.00	10,700.00
Order 0003	"	14,000.00	"	14,000.00	14,000.00

<u>CONTRACT</u>	<u>PURCHASING OFFICE</u>	<u>TOTAL U.S. DOLLARS</u>	<u>TYPE WORK</u>	<u>UNPAID 30 SEPT.</u>	<u>ESTIMATED UNPAID FOR OCT.</u>
<u>N00651-74</u> <u>-D-0041</u>	Purchase Dept US Naval Supply Depot Subic Bay, Philippines	66,841.20 (B) Plus O&A	UH-1E PDLM	-0-	-0-
Order 0001	"	10,000.00	UH1N PDLM	10,000.00	10,000.00
Order 0002	"	14,500.00	UH1E PDLM	14,500.00	2,400.00
Order 0003	"	10,000.00	UH1E PDLM	10,000.00	10,000.00
<u>N00651-75</u> <u>-D-0003</u>	Purchase Dept US Naval Supply Depot Subic Bay Philippines	400,000.00 (B) Plus O&A	C-130 PDM	-0-	-0-
Order 0001	"	80,000.00	C-130 PDM	80,000.00	80,000.00
<u>F33600-71</u> <u>-C-0264</u>	2750 ABWNG/ PMA Specialized Proc Branch Bldg 2 Area C Wright- Patterson AFB Ohio 45433	158,562.84	Blanket Purchase Agreement under C-46 IRAN/ R2800 Engine Overhaul Program	56,175.00	56,175.00
<u>F04606-73</u> <u>-A-0080</u>	Dept AF HQ SMAMA McClellan AFB CA 95652	15,000.00 (A)	T&M BOA	2,860.00	2,860.00
RJ01	"	184,280.00	UH-1 Component Overhaul	173,200.00	172,200.00
<u>F62531-70</u> <u>-C-0014</u>	Dept AF HQ SMAMA McClellan AFB CA 95652	5,700.00	USE / Repair of US Gov't Facility Items	5,327.00	5,327.00

- (A) Fund is allotted on basis of each order issued under the BOA.
- (B) This represents fund for item 1 at minimum quantity only.
Actual fund is allotted on basis of individual order issued under this contract.
- (C) Represents minimum fund for the contract, actual fund is allotted on basis of individual order.

GENERAL CONVEYANCE
AND ASSIGNMENT

THIS GENERAL CONVEYANCE AND ASSIGNMENT datéd
January 31, 1975, from Air America, Inc., a Delaware corporation
(the "Seller"), to E-Systems, Inc., a Delaware corporation (the "Buyer"),

WITNESSETH:

WHEREAS, Seller and Buyer have entered into an Agreement
for the Sale of Stock dated as of August 21, 1974 (hereinafter called the
"Agreement") providing for the sale and purchase of the equity ownership
of Air Asia Company Limited, a subsidiary of the Seller,

NOW, THEREFORE, pursuant to the terms and conditions
of the Agreement and for the considerations set forth therein, the receipt
of which is hereby acknowledged, Seller hereby grants, conveys, sells,
assigns, transfers, and delivers unto Buyer, its successors and assigns,
free and clear of all liens and encumbrances of every kind and description,
Seller's right, title and interest in the equity ownership of Air Asia Com-
pany Limited, a company limited by shares organized under the laws of
the Republic of China.

Seller hereby constitutes Buyer its agent and attorney to
perform all acts necessary to accomplish the assignment of said stock

unto Buyer or its assigns or successors in interest. Seller agrees that it will at any time and from time to time, at the reasonable request of Buyer, execute and deliver to Buyer all other and further instruments necessary to vest in the Buyer full title, right and interest in the stock of Air Asia Company Limited assigned to Buyer pursuant to this General Conveyance and the Agreement.

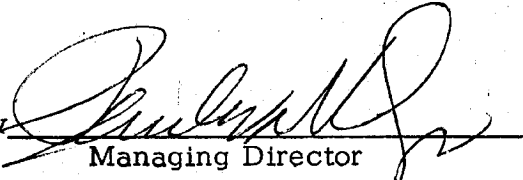
All terms and provisions of this General Conveyance and Assignment and the Agreement will be binding upon Seller and its successors and assigns, and will inure to the benefit of Buyer and its successors and its assigns.

IN WITNESS WHEREOF, Seller has caused this instrument to be duly executed on the date first above written.

AIR AMERICA, INC.

(Corporate Seal)

By


Managing Director

CERTIFIED COPY OF RESOLUTION

OF

BOARD OF DIRECTORS

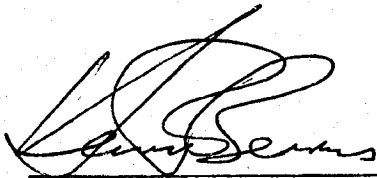
OF

AIR AMERICA, INC.

I, Henry P. Bevans, Secretary of Air America, Inc., a corporation duly organized and existing under the laws of the State of Delaware, do hereby certify that the following resolution was duly adopted at a meeting of the Board of Directors of Air America, Inc. held the 17th day of September, 1974 at New York, New York:

RESOLVED, that the execution upon behalf of the Company of that certain Agreement for the sale of shares with E-Systems, Inc. as of the 21st day of August 1974 by George A. Doole, Jr. as Vice Chairman of the Board of Directors and the actions taken and to be taken in pursuance thereof are in all respects approved and ratified by the Board.

31 January 1975


Henry P. Bevans

(Corporate Seal)

AIR AMERICA, INC.

1725 K STREET, N.W.
WASHINGTON, D.C. 20006

TELEPHONE (202) 223-6130

CABLE ADDRESS
AIRAMERICA

January 31, 1975

Ref.: WB-74-1985

Administrative Contracting Officer
Detachment 9 AFCCM (AFLC)
APO San Francisco 96340

Subject: Legal Opinion re.: Novation of Contracts

Dear Sir:

As you have been advised separately, this Company and its parent company, The Pacific Corporation, have entered into an agreement with E-Systems, Inc. for the sale of Air America's shares in Air Asia Company Limited. As Vice President-Law and Secretary of Air America, Inc. and Secretary of The Pacific Corporation, I have been requested to render an opinion of counsel with respect to said sale. I am familiar with all pertinent documentation of Air America, Inc. and The Pacific Corporation and the actions of their respective Boards of Directors with respect to said sale. It is my opinion that:

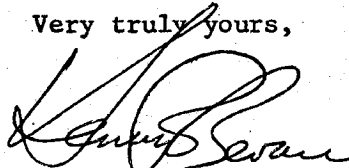
(a) Air America, Inc. and The Pacific Corporation are duly organized, existing and in good standing in the State of Delaware;

(b) The Boards of Directors of Air America, Inc. and The Pacific Corporation have duly authorized and ratified the Agreement for the Sale of Shares of Air Asia Company Limited, entered into with E-Systems, Inc. as to the 21st day of August, 1974 and subsequently amended, and the actions taken and to be taken pursuant thereto;

(c) Said Agreement has been appropriately executed and delivered by the duly elected and authorized officers of Air America, Inc. and The Pacific Corporation, and no further corporate action is required for the approval of the aforesaid Agreement or actions taken or to be taken pursuant thereto; and

(d) The sale of shares of Air Asia Company Limited in accordance with the aforesaid Agreement was validly consummated as of the date of this letter.

Very truly yours,



Henry P. Bevens

CERTIFIED COPY OF RESOLUTIONS
OF
BOARD OF DIRECTORS
OF
E-SYSTEMS, INC.

I, C. L. Taylor, Secretary of E-Systems, Inc., a corporation duly organized and existing under the laws of the State of Delaware, do hereby certify that the attached resolutions were duly adopted at a meeting of the Board of Directors held the 29th day of May, 1974, and have not been amended, modified or rescinded.

RESOLVED: That the appropriate officers of the Corporation are authorized and directed to enter into an agreement providing for the purchase of all of the outstanding equity ownership, subject to certain qualifying shares necessary to meet the requirements of the law of the Republic of China, of Air Asia Company Limited, a Republic of China company limited by shares, for good and valuable consideration in accordance with the terms and conditions generally reviewed and discussed at this meeting; and

FURTHER RESOLVED: That the appropriate officers of the Corporation are hereby authorized and directed to do and perform all acts and things and sign other documents and certificates and to take such other steps as they deem necessary to fully effectuate the purchase of Air Asia Company Limited.

BE IT FURTHER RESOLVED: That the appropriate officers of the Corporation are hereby authorized and directed to do and perform all acts and things, and sign documents and certificates, and to take such other steps as they deem necessary to make application for and qualify the Corporation as a foreign investor in the Republic of China under the law of the Republic of China; in connection therewith the appropriate officers are hereby directed and authorized to appoint agents and attorneys in the Republic of China authorized to act for the Corporation in order to effectuate this resolution.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary
and have affixed the seal of said Corporation this 31st day of January, 1975.

(SEAL)

C. L. Taylor
C. L. Taylor, Secretary
E-Systems, Inc.

E-SYSTEMS INC.

Vice President

January 31, 1975

Opinion in Connection with Novation of Contracts

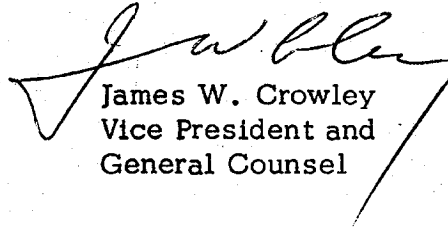
Gentlemen:

In connection with the Agreement dated as of August 21, 1974, by and among The Pacific Corporation, Air America, Inc. and E-Systems, Inc., as amended and supplemented as to the date of this opinion, the undersigned has been requested to render an opinion of counsel with respect to the purchase of the stock of Air Asia Company Limited, a subsidiary of Air America Inc. The undersigned is employed as the Vice President and Corporate General Counsel by E-Systems, Inc., the "Buyer" under the aforesaid Agreement, and, as such, is familiar with the Certificate of Incorporation, Bylaws, and other pertinent documents of E-Systems, Inc. and the actions taken by the directors and officers of E-Systems, Inc. in connection with the execution and delivery of the aforesaid Agreement and with the transactions contemplated thereby. It is the opinion of the undersigned that:

- (a) E-Systems, Inc., is a corporation duly organized, existing and in good standing under the laws of the State of Delaware.
- (b) The Board of Directors of E-Systems, Inc. has duly authorized the execution and delivery of the Agreement dated as of August 21, 1974, as amended and supplemented, and the transactions contemplated therein; the aforesaid Agreement has been appropriately executed and delivered by the duly elected and acting officers of E-Systems, Inc.; and no further corporate action on the part of E-Systems, Inc., is required for the approval of the aforesaid Agreement or the transactions contemplated thereby.

(c) The purchase of the stock of Air Asia Company Limited by E-Systems, Inc., in accordance with the aforesaid Agreement dated as of August 21, 1974, was properly executed as of the date of this letter in accordance with applicable law.

Very truly yours,



James W. Crowley
Vice President and
General Counsel

/jg

E-SYSTEMS, INC.
Balance Sheet
(Amounts in Thousands)

<u>Assets</u>	<u>Before Acquisition</u> (Nov. 24, 1974)	<u>After Acquisition</u> (Pro Forma Jan. 31, 1975)
<u>Current Assets</u>		
Cash	\$ 1,232	\$ 1,432
Accounts Receivable	47,846	48,643
Inventory	28,747	31,403
Prepaid Expense	525	602
Total Current Assets	<u>\$ 78,350</u>	<u>\$ 82,080</u>
Investments and Other Assets	9,803	9,964
Net Plant, Property & Equipment	<u>13,738</u>	<u>15,617</u>
Total Assets	<u>\$ 101,891</u>	<u>\$ 107,661</u>
 <u>Liabilities & Equity</u>		
<u>Current Liabilities</u>		
Notes Payable	\$ 11,000	\$ 12,900
Accounts Payable	10,933	11,183
Federal Income Taxes	10,410	10,410
Other Current Liabilities	14,451	15,670
Total Current Liabilities	<u>\$ 46,794</u>	<u>\$ 50,163</u>
Long-Term Debt	12,367	12,367
Other Liabilities	671	3,072
Stockholders' Equity	<u>42,059</u>	<u>42,059</u>
Total Liabilities & Equity	<u>\$ 101,891</u>	<u>\$ 107,661</u>

Note: Under Generally Accepted Accounting Principles the Assets of Air Asia are required to be appraised after the acquisition and adjustments may occur in the individual accounts.

Air America, Inc.
Balance Sheet
(Amounts in Thousands)

	<u>Before Acquisition</u> <u>(September 30, 1974)</u>	<u>After Acquisition</u> <u>(Pro Forma</u> <u>January 31, 1975)</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash	\$ 1,665	\$ 1,394
U.S. Government Securities	3,020	3,020
Accounts Receivable	10,466	9,381
Inventory	1,966	667
Prepaid Expense	536	447
Other	<u>1,789</u>	<u>29</u>
Total Current Assets	19,442	14,938
Investments & Other Assets	1,252	1,107
Net Operating Property & Equipment	6,886	5,433
Total Assets	<u>\$27,580</u>	<u>\$21,478</u>
<u>Liabilities & Equity</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 2,887	\$ 2,675
Other Current Liabilities	<u>4,699</u>	<u>3,521</u>
Total Current Liabilities	7,586	6,196
Other Liabilities	5,020	3,858
Stockholder Equity	<u>14,973</u>	<u>11,424</u>
Total Liabilities & Equity	<u>\$27,579</u>	<u>\$21,478</u>