

AGENDA

AIR AMERICA, INC.

BOARD OF DIRECTORS MEETING

December 2, 1976

1. Call to order/Notice/Quorum.
2. Approval of minutes: Board Meeting of July 22, 1976.
3. Resignation of Treasurer.
4. Election of: Treasurer
Assistant Treasurer
5. Reports:
 - Old Business
 - New Business
6. Board approvals and ratifications.
7. Other matters.
8. Adjournment.

MINUTES OF MEETING

OF

BOARD OF DIRECTORS

OF

AIR AMERICA, INC.

July 22, 1976

A meeting of the Board of Directors of Air America, Inc. was held at 161 Olde Stagecoach Road, Ridgefield, Connecticut on July 22, 1976 at 12:00 o'clock noon.

PRESENT: Messrs. Velte, Doole and Carter

Also present at the invitation of the Board was Mr. Peterson, Assistant Secretary. Mr. Velte served as Chairman and Mr. Peterson as Secretary of the meeting.

The Chairman called the meeting to order and announced the meeting duly called and the presence of a quorum.

The minutes of the meeting of the Board of Directors of April 22, 1976 were approved.

The minutes of the meeting of the Board of Directors of July 7, 1976 were approved.

The Chairman noted an absence in the authorized number of Directors of the Corporation and proposed the election of one additional director at this time to bring the current number of directors to four, whereupon, it was proposed and seconded, that Mr. Mark L. Peterson be elected a Director of the Company. By unanimous vote of all Directors present Mr. Mark L. Peterson was elected a Director of the Company and joined the meeting at

that point in that capacity:

Next, Mr. Carter presented to the Chairman a letter from Mr. Henry P. Bevans, dated May 28, 1976, addressed to the Board which tendered his resignation as a Vice President and Secretary of the Company. Upon the Chairman's call for consideration of Mr. Bevan's letter, the Board unanimously voted to accept the resignation and directed that a letter of appreciation on behalf of the Board be addressed to Mr. Bevans which letter Mr. Carter might sign as President.

Next, Mr. Carter suggested to the Board that it move promptly to elect a new Secretary of the Company and he nominated for that office Mr. Mark L. Peterson; concurrently he nominated Mrs. Helen L. Wight for the office of Assistant Secretary; and, further, to facilitate various liquidating functions of the Company he recommended that the office of Assistant Treasurer also be filled and he nominated Mr. Peterson for that office. The nominations of Mr. Carter were seconded and upon vote thereon the Directors unanimously elected the following persons to the offices shown:

Secretary	- Mark L. Peterson
Assistant Secretary	- Helen L. Wight
Assistant Treasurer	- Mark L. Peterson

It was next noted that certain changes in the banking resolutions covering the Company's safekeeping and checking accounts should be made to delete therefrom the names of persons no longer with the Company, and to add Mr. Peterson as a signatory to the Company's accounts to create maximum facilitation for dealing with those accounts.

Whereupon, the Board then considered and unanimously approved the following banking actions:

Manufacturers Hanover Trust Company
350 Park Avenue
New York, New York
Account No. 135-0-00403

Signatures Required: Any two

Signatures Deleted: Hugh L. Grundy, Paul E. Sinner

Signature Added: Mark L. Peterson

The Riggs National Bank
Lincoln Office
17th & H Streets, N. W.
Washington, D. C.
Account No. 12-07-170-088

Signatures Required: Any one

Signatures Deleted: Hugh L. Grundy, Paul E. Sinner

Signature Added: Mark L. Peterson

Manufacturers Hanover Trust Company
350 Park Avenue
New York, New York
Safekeeping Account No. M6577-23Z

Signatures Required: Any one for all transactions
except withdrawals; any two
signatures for withdrawals.

Signatures Deleted: Henry P. Bevans, Paul E. Sinner

Signature Added: Mark L. Peterson

With regard to the Company's Custodian Account with
Manufacturers Hanover Trust Company:

Manufacturers Hanover Trust Company
350 Park Avenue
New York, New York
Custodian Account No. M-6624K

The Board authorized and unanimously approved the execution of a revised Custodian Agreement, or appropriate amendment of the

current Custodian Agreement applicable to the said Custodian Account, or such other action as necessary to provide that all written directions in respect of that account be personally signed by the corporate President, Clyde S. Carter or by the corporate Secretary, Mark L. Peterson.

Reporting on items of note since the meeting of the Board on April 22, 1976, the President reported that on May 20, 1976 Omni Aircraft Sales made a \$500,000 payment on its Note to the Company, leaving a principal balance of \$500,000 plus interest due in February 1977. He reported that the U. S. Air Force had made a payment on the indemnity account under the "Madriver" contract in the amount of \$929,195 on June 11, 1976, relating to lost and destroyed aircraft (property) items, leaving only outstanding claims for reimbursement of personnel death and injury losses which currently aggregate something over \$300,000. He noted that the Company Treasurer, Mr. Herd, is actively pursuing these claims with the Air Force Contracting Officer concerned at Headquarters, Pacific Air Forces. With regard to the Air America, Inc. Retirement Plan, the President reported that all participants except three (two missing persons Townley and Ritter, and the estate of deceased employee Kirkland) have been paid and that there is a residual amount of about \$510,000 which should revert to the Company once all participants' accounts have been settled; however, the Trustee (Bank) counsel has raised the question with the Trustee as to whether any reversion of the Trust Funds to the Company would raise any problem under the so-called Pension Reform Act (Employee Retirement

Income Security Act of 1974) and suggested to the Trustee that a further determination from the IRS would seem to be advisable in this regard. The President advised that he had re-associated Mr. Henry Bevans to assist him in the resolution of this matter, since Mr. Bevans had represented the Company in its original dealings with the IRS leading to the IRS letter of October 24, 1975 approving the partial termination date of May 30, 1974 for the Plan. It is felt that the Bank counsel are being overly cautious with respect to their client; however, in an effort to establish the resolution of the Retirement Plan termination as soon as possible, the IRS office which issued the October 1975 letter will be recontacted in this matter. He further reported that the Retirement Board has offered to pay the wives of Messrs. Townley and Ritter, upon appropriate receipt, release, and indemnification undertakings by them, of the amounts remaining in the Fund to the credit of their respective spouses. With regard to the Kirkland amount, although his estate is in controversy as to who is the beneficiary entitled to the payment, it is understood that Letters Testamentary are being sought to permit the probate of his estate in which event payment to the estate in care of such Administrator(rix) will be considered. In the meantime, that portion of the Fund computed as a reversionary amount to Air America is being retained in Certificates of Deposit at current 30-day CD interest rates. The President next reported that he had located, through the assistance of the Company's insurance brokers, Frank B. Hall and Company, an actuarial consultant

to evaluate the Company's liabilities with respect to its workmen's compensation insurance program, and that, although the Actuary's report is not complete, his interim report indicates there is a potential disposal liability of between \$1,000,000 to \$1,700,000 depending on ultimate precise clarification of the various liabilities, and the ability to locate and negotiate with some Underwriter to assume such liabilities and the payment program with respect thereto. He noted that this problem area retains top priority for resolution but that there is still a great deal of work to be done in the matter. He called to the Board's recollection that the securities deposited with the Federal Reserve Bank in New York to secure the Company's financial responsibility in this matter have a current market value of approximately \$1,250,000. He also called attention to the fact that the reserve for these liabilities on the Company's books at the present time amount to only \$403,000 and that, prior to concluding the tax return for the fiscal year ended June 30, 1976 a review of this entire matter will be undertaken with Coopers & Lybrand to ascertain whether an increase in that reserve as of June 30, 1976 is warranted and, if so, whether such should be effected from a tax-advantage standpoint.

Next, the Board reviewed a preliminary consolidated balance sheet for The Pacific Corporation and subsidiaries as of June 30, 1976 which the President reported was being reviewed by Coopers & Lybrand in conjunction with their progressive audit.

Regarding the liquidation of Air America Limited, the Liquidator has advised that the final general meeting of that Company to approve the Liquidators final statement has been set for August 25, 1976, following which the Liquidator will make his filings with the Court which will implement a count down for one year of retention of corporate records by the Liquidator after which time the records will be forwarded to the Air America, Inc. Washington office.

The President next addressed himself to the disposal of certain assets by the Company to E-Systems for \$70,000 as covered by a memorandum from the President and the Treasurer to the Board of Directors under date of May 13, 1976, being the so-called Air Distribution, Inc. properties and the related accounts receivables, plus the accounts receivable from Air Cambodge, Tri 9 Airlines, Khmer Airlines, and Airfast, as covered by an agreement between Air America and E-Systems dated 24 May 1976. He noted the prior concurrence of the Directors with said sale and disposal and requested their formal ratification thereof which the Directors unanimously confirmed.

Next, the President noted that Coopers & Lybrand had queried auditable documentation regarding the payment by the Company to former employees based in South Vietnam for their losses of personal and household effects as a result of the evacuation of South Vietnam by the Company. A general discussion ensued as to the methodology implemented in determining what amounts to pay. The tabulations showing the employee, the amounts of his claims, and the amount thereof reimbursed to him,

were submitted for Board review it being noted that the aggregate of the amounts paid included \$472,350.03 to Americans, \$128,756.75 to Chinese, \$13,378.00 to Thais, and \$221,205.75 to Filipinos, an aggregate of \$835,690.53. It was also noted that the cost data for the close-out negotiations of USAID Contract -1029 included these costs and that the allowance of such costs was accepted as a principal by USAID in negotiating the bottom-line settlement of that contract. The President requested Board ratification of such payments by the Company and upon motion made and seconded the Board unanimously ratified such payments.

Next, the President noted that Coopers & Lybrand have also queried auditable documentation regarding separation bonus payments made after 30 June 1975. A brief review ensued of the policies implemented by Mr. Velte, the Chief Executive Officer approving such payments, including the need to assure the availability of key personnel to effect an orderly termination of the Company's operating activities and an effective continuation of those activities to such point of termination. The policy for awarding separation bonus payments also took into account the length of time the person receiving any such payment had been in the service of the Company and it was noted that from 30 June 1975 to the date of this meeting an aggregate of \$118,499.71 had been paid in such bonuses to persons whose tenure of services covered a spread from less than two years to approximately 30 years. In addition, it was noted that six persons remain in the employ of the Company in its Washington offices to whom it is

contemplated similar bonus payments will be made when their employment ultimately is terminated. The formula applicable to these persons equates to one months pay for up to the first four years of employment plus one week for each year or part of a year in excess of four years and as of 22 July 1976, the amount due them is \$42,746.78. The President requested Board ratification of such past payments and approval of such future payments; whereupon, upon motion made and seconded the Board unanimously ratified and approved such payments as stated.

The President discussed the matter of disposal of the office furniture and inventory items which is the only remaining property items on the books of the Company. It was noted that it had been proposed to the Company that such property be deeded or conveyed to *Barclay Senior Administration of the U.S. Govt.*

rather than make any attempt to dispose of it as second hand items. It was requested that, if such disposal is authorized, the President be given authority to write-off such office items; whereupon, on motion made and seconded, the Board unanimously approved the write-down of such property items to "zero" on the books of the Company and the disposal thereof by the conveyance of ownership to

The President then noted that the lease for the office space at 1725 K Street, N. W., Washington, D. C. had expired on 30 June 1976 but that the terms of the lease, which en toto had been approved by the Board initially, provided for two

consecutive one year renewals and that pursuant to negotiations with the Landlord the lease for the full premises had been extended for the month of July without any increase in rent to permit the orderly evacuation of the premises. He further noted that a new lease for a period commencing 1 August 1976 until 1 October 1977 had been executed covering a drastically reduced area. The renewal rate for the new lease is approximately nine percent per square foot per annum higher than the old rate, which is consistent with all new leases in the building. The President noted that although authority to enter into such new lease may have in fact existed, he nevertheless requested ratification of his action by the Board; whereupon, the Board by unanimous vote approved and ratified the execution of such new lease.

The President noted that the Company has continuing relationships with dependents of various missing employees which include monthly payments to four dependent spouses of four missing Asian employees (which payments would continue up to a certain maximum as provided in the pertinent Personnel Manual) and payments to continue the group life insurance coverage under the AILIFE group policy for three missing American employees. He recommended that he be authorized to seek lump sum payments to the spouses of the Asian employees to alleviate, in one instance, payments from continuing for a period up to 10 years, and noted that the current maximum due to settle such missing payments would be slightly less than \$60,000. Upon motion made and seconded the Board unanimously conferred such authority

upon the President. He next also suggested that perhaps the AILIFE Underwriters could be induced to effect payment of the policy amounts to the wives of the three missing American employees if the Underwriters were given indemnifying assurances that in the event any of the missing persons return, within some stated period of time, the Underwriters would be refunded the money so paid. He noted that a reasonable period of time might be seven years (normally the longest statutory period prescribed on the basis of which presumption of death may be established, absent any other factual evidence) and that of that period the three persons involved have been missing for four years and seven months. He requested that he be authorized to pursue with the AILIFE Underwriters the possibility of such a settlement by them and that, if the Underwriters are willing to do so upon the requirement that the Company accord to the Underwriters such an indemnifying assurance, that he be authorized to execute such assurance to the Underwriters in writing for a period not beyond 27 December 1978, which would be the seven years mentioned above. It was noted that the total amount of the three insurance coverages is \$55,500. After discussion, and on motion made and duly seconded, the Directors unanimously voted to authorize the President to seek such a form of settlement by the AILIFE Underwriters.

The President noted the following three matters to which his attention will be addressed in the immediate future:

1. Settlement with the U. S. Government for the UH-1H parts. On this matter, it was noted that the Company, utilizing

the liaison services of USAID in view of the indemnifying aspects of the termination agreement of USAID Contract -1029, is seeking to obtain from the U. S. Army assurance that the Army will not seek to hold the Company accountable or liable for either the loss of UH-1H parts which were in the possession of the Company in Vietnam, estimated to be valued at approximately \$3 million, or to hold it responsible or liable for the UH-1H parts of a value of \$497,328 billed to but never paid by the ICCS and that once such assurances are obtained the Company would effect a payment to the U. S. Army representing the net collections over prior payments, which the Treasurer has been able to constitute from his records as amounting to approximately \$1,178,000. It was further reported that Department of the Army officials have advised AID in writing in a manner indicating that it will not seek recovery from Air America with regard to the lost parts but the matter of the ICCS parts has not been fully addressed by the Army to date. He noted this item as being reported upon since it is anticipated that this matter will be resolved with the Department of the Army prior to the next Board meeting.

2. It was also noted that the Company has booked POL payables for a net total of \$227,340.21 and that in view of the lost record situation attendant to the Saigon evacuation, it is not clear to whom various elements of that overall payable is due but that the net payee-beneficiary under the prior payment procedure in effect in Vietnam should have been the U. S. Defense Supply Agency which organization will be approached

in the near future to determine the method for effecting the proper settlement of such payables.

3. It was also reported that the Company still carries a receivable from the old CIC entity of Laos in the amount of \$160,062 and carries a comparable payable to the U. S. Air Force under the prior Madriver contract of \$162,729, the amounts reflecting authorized utilization of technical services personnel time to service the CIC helicopter aircraft, the payment to USAF under the Madriver contract being an obligation when the CIC had paid its bill. It was noted that the Contracting Officer of the last Madriver contract has been requested to agree to waive the claim against the Company for the payable noted above in order that these items may be discharged from the Company's books. No response has been received on this matter to date.

The Board unanimously expressed agreement with the settlement procedures indicated for the three items enumerated above.

The Chairman next called upon the President for any further report to the Board on items of business or any comments on how the Board might be helpful to him in the corporate liquidating process which he has undertaken. The President took the opportunity to thank the members of the Board for their confidence and support in and helpfulness to him with regard to the complex matters of resolving and liquidating the Company's affairs and advised that in his opinion, matters are progressing satisfactorily and are relatively on target.

The Chairman stated that he had no further report to submit to the Board, whereupon, there being no further business to come before the meeting, it was, on motion duly made and seconded, adjourned.

Respectfully submitted,

Mark L. Peterson
Secretary of the Meeting