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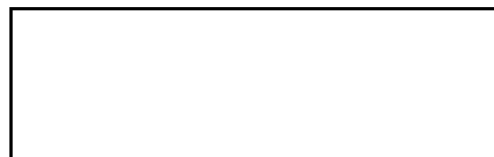
ER 73-3172/3

13 September 1973

MEMORANDUM FOR: Deputy Director for Management and Services *putz*

SUBJECT : Status Report Re Proposed Sale of Air America
Complex and Disposition of Southern Air Transport

Attached herewith are the two status report memoranda requested by Mr. Colby. They are unclassified and hopefully follow the terms of reference requested by you. I have coordinated these memoranda with Mr. Greaney, Office of General Counsel, and will furnish copies of the memoranda to the Office of Legislative Counsel and Chief, East Asia Division for their information.



Special Assistant to the
Deputy Director
for Management and Services

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Earlier this year, the Pacific Corporation determined that it might sell its holdings in Air America Inc., Civil Air Transport Co. Ltd., Inc. and the Thai Pacific Company Ltd. providing that the following conditions were met: The sale would be on a cash basis without an exchange of stock; the companies' liabilities to its employees would be guaranteed by the purchaser; and the purchaser would continue to operate the Company and maintain the same flying capabilities as are now being maintained. It was understood that the purchaser would hopefully continue to operate the companies for the indefinite future but a sale condition would require the purchaser to continue operations of the Company at least until 30 June 1974.

With a view toward sale, the Pacific Corporation engaged a consultant firm, R. Dixon Speas Associates, to conduct a study and prepare a report relative to the assets to be sold as well as to identify potential bidders who might be interested in purchasing the assets. U. S. Government customers of Air America were notified as to the possibility of sale and in July 1973 a bidders' conference was held with approximately ten prospective bidders present. At the conference all prospective bidders were furnished with a copy of the R. Dixon Speas Associates' study and invited to travel to the Far East and Southeast Asia, at their expense, to see the assets being sold. In early August, five bidders who indicated interest in acquisition of the assets did visit properties in the Far East and Southeast Asia and on their return all indicated an interest in bidding on the assets. Invitations to Bid were sent to those professing interest and a deadline for submission of bids has been set for 15 October 1973. In the meantime, the Pacific Corporation is endeavoring to answer questions raised by the various bidders as to the properties being sold.

At the present time there are several possible obstacles to the sale of the Company. First of all, any purchaser of the Company must be acceptable to the Nationalist Chinese on Taiwan since a major portion of the assets lies in that country. Any bidder must be acceptable as a foreign investor to the Chinese and as of this date the Chinese have not been contacted

regarding this matter. It is anticipated this will be done in the near future and certainly any successful bidder will want to assure himself of the acceptability of his company to the Chinese Government.

Secondly, any purchaser must be capable of operating the companies involved in a manner so that they furnish the U.S. Government in the Southeast Asia with the same service as furnished in the past. While all the potential bidders represent substantial companies who should qualify in this regard, these qualifications have not yet been established. Finally, while several companies profess sincere interest, no bids have yet been received and will not be received until approximately 15 October 1973, if then. At the present time Government contracting for flying service has been drastically reduced and the U.S. Government requirements for flying service in that part of the world may not be sufficient to entice a bid for the Company.

The next milestone in the proposed sale will be 15 October when bids are due. If a suitable bidder is identified, who meets the criteria established for sale, and if suitable arrangements can be made with the Nationalist Chinese for the transfer of ownership of the Taiwan assets to a new company, then the Pacific Corporation may be able to negotiate a sale of its holdings in the Far East and Southeast Asia. If neither of the above contingencies occur, the Pacific Corporation is prepared to continue to operate these wholly owned subsidiaries at least through Government Fiscal Year 1974.

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