

[] LIQUIDATION PLAN

I. Identification of the Instrumentality

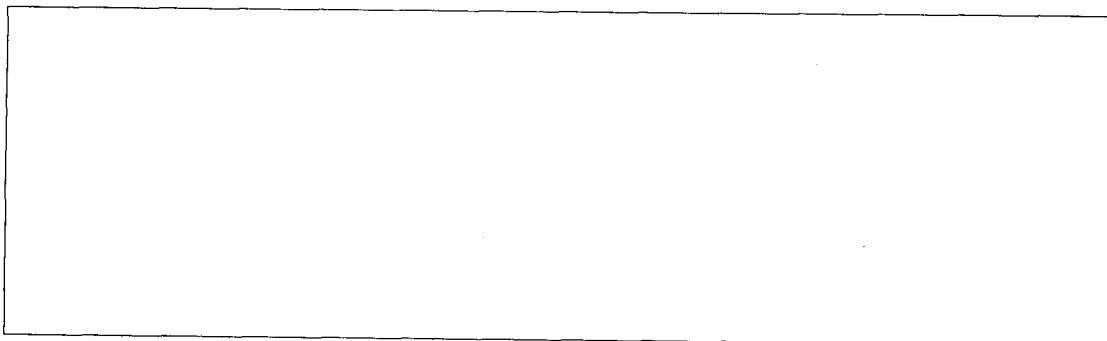
[] has been the controlling project for the following commercial instrumentalities:

A. The Pacific Corporation, incorporated in Delaware; is owned by the Agency through three corporate Officer/ Board Members in the name of the Sigler Corporation, the nominee of Manufacturers Hanover Trust Co., custodian. Pacific is the holding company for all equity in the [] complex. It has no employees and conducts no operations.

B. Air America, Inc. (AAM), wholly-owned by The Pacific Corporation, is a Delaware Corporation and is a charter air carrier. Its last operating contracts were with ICCS and AID in Vietnam and were terminated in April 1975. AAM has withdrawn from the Far East completely and currently leases office space in Washington, D. C. The hangar/storage space leased in Roswell, New Mexico has been sublet to the purchaser of the last of the flight assets. Air America sold its maintenance subsidiary, Air Asia Company Limited, in Tainan to E-Systems on 31 January 1975.

C. Air America Limited (AAL) was wholly-owned by Air America, Inc. and was a Hong Kong company. It performed computerized accounting and recordkeeping functions for its parent company. Air America Limited has filed for dissolution under Hong Kong law. This process was completed during December 1975.

D. Civil Air Transport Company Limited (CATCL) was a Chinese company chartered in Taiwan under the laws of Nationalist China and was owned by The Pacific Corporation. Pacific owned 40% of the capital stock directly; 60% in the names of three Chinese citizen, nominee shareholders; and small amounts in the names of U. S. citizen shareholders. Formerly a Chinese flag internationally scheduled air carrier, CATCL completed corporate dissolution in December 1975.



II. Termination Approval

The proposal to sell Air Asia Company Limited and to liquidate by sale of assets all other [] instrumentalities was approved by the 40 Committee in May 1974. The divestiture by the Agency of the [] complex was directed by the DCI on 6 April 1972 []. It was decided at that time to begin an orderly phase-down of the Agency's air capabilities in the Far East as they became excess to U.S. Mission requirements.

III. Financial Statements

Attached as Tab A are copies of the most recent audited financial statements. Tab B is a Statement of Liquidation. It lists all assets including claims receivable from the U. S. Government; shows all known liabilities including contingent liabilities and projects all future cash receipts. The statement shows that additional funds will eventually become available for turn-in to the U. S. Treasury. Tab C shows funds returned to the U. S. Treasury from the [] complex to date.

IV. Method of Liquidation

A. Responsibility. The Deputy Director for Administration, with the assistance of his Air Advisor and in coordination with the General Counsel will be responsible for the liquidation of the Project. Since the Project has no assets remaining in the Far East and no longer performs operationally on behalf of the Agency, the need for guidance and assistance from the Operations Directorate will be minimal. The Chief Executive Officer of Air America, Inc. will be responsible for accomplishing the specific liquidation tasks, as directed by the DDA.

~~SECRET~~

- 3 -

B. Objective. This Project has been identified for liquidation because Agency and U. S. Government needs for controlled, large-scale air services of the type provided by this Project no longer exist. Although the restructuring of the balance of power in Southeast Asia experienced in early 1975 was not anticipated at the time the phaseout decision was made in 1972, it had been determined that air services available from other sources in SEA had become adequately responsive to the needs of the U. S. Missions in these countries.

It was originally anticipated that Air America, Inc., Air Asia Company Limited, Civil Air Transport Company Limited, Air America Limited and Thai-Pacific Services Company Limited could be sold on a going-concern basis and continue to operate in the private sector. Bids were solicited from a list of competent bidders furnished by R. Dixon Speas, aviation consultants. All bids received were found to be unresponsive to the criteria set forth in the request for bids. It was therefore decided to request bids on the sale of the Air Asia maintenance facility as a separate entity and to liquidate the other companies by selling off the assets. Appropriate new approvals were obtained to cover the changed situation.

C. Termination of Activities. The Project ceased to function as a revenue generating entity in April 1975 with the collapse of South Vietnam. The two remaining flight services contracts with USAID and ICCS were canceled at that time.

With Air Asia sold, and CATCL, Air America Limited and Thai-Pacific Services, without assets and legally dissolved, only Air America, Inc. and The Pacific Corporation remain to be liquidated. The Pacific Corporation as the holding company, is functioning only as a repository for funds generated in liquidation prior to their return to the U. S. Treasury. Air America, Inc. sold all remaining surplus parts, equipment, and aircraft at the storage point in Roswell, New Mexico in December 1975. The sale was approved by the DCI, and concurred in by GSA, GAO, OMB, Chairman Nedzi of the House Oversight Committee and Chairman Brooks of the House Government Operations Committee.

~~SECRET~~

The remaining activities of Air America are all in the area of claims settlement. AAM officers are pressing claims against former contractors--primarily AID, USAF and the State Department (State is settling claims against ICCS by U. S. contractors); processing claims from former employees and subcontractors; processing BEC claims involving death and disability of former employees; and litigating/negotiating various suits arising from air crashes and the losses of former employees. AAM continues to monitor the status of employees missing in action.

D. Leases. The office space in Washington, D. C. and the hangar/storage space in Roswell, New Mexico are both on one-year leases expiring 30 June and 31 May 1976 respectively. Although it is not anticipated that either space will be required that long, the one-year leases were at such low rates compared to the rates for leases of shorter duration, it was more economical than short-term leases would have been. The lease on the hangar/storage space in Roswell has been assigned to the aircraft brokerage that purchased all of the aircraft, parts, and equipment stored there.

E. Personnel. Air America currently lists 23 employees; all assigned to the Washington office. This does not include 16 employees who are missing in action and presumed lost. (All of these employees are direct proprietary hires [redacted])

[redacted]

[redacted]

Determination of the legal status of the personnel missing in action is the responsibility of the Department of State. Pending this determination, Air America is purchasing annuities to cover all known liabilities associated with these missing personnel.

~~SECRET~~

- 5 -

As fewer and fewer employees are required to perform the corporate work, the Chief Executive Officer, Air America will administer the phased termination of the remaining employees. It is presently anticipated that about 10 of the employees currently in the Washington office will be required through 31 March 1976, reducing to zero by 30 June 1976. The plan for the phased termination of the remaining corporate employees has been reviewed by the DDA. He is briefed at least monthly on the size of the remaining work force.

Air America personnel officers are presently working with IRS officials to remove regulatory objections to fully vesting the retirement program for all employees participating in the program who have been terminated since 31 May 1974 and all employees still to be terminated. Funds are available for full vestiture in the retirement accounts.

F. Corporate Dissolution. At the appropriate time the Pacific Corporation and Air America, Inc., will be placed in dissolution in accordance with applicable Delaware statute. A cleared and witting attorney will be appointed by OGC to act as trustee of the corporation to handle any residual responsibilities and those stockholder and corporate liabilities that extend beyond corporate dissolution and departure of all corporate officers.

[REDACTED]

[REDACTED] Funds beyond those needed in connection with dissolution will be returned to the U. S. Treasury.

V. Requirement for Additional Funds

Although there may be contingent liabilities which have not been identified and quantified, the funds in the Pacific Corporation and Air America will be sufficient to cover any unrecognized liabilities of the companies. It is anticipated, therefore, that all costs of liquidation can be met by the cash reserves already in the Project. Tab B shows a projection of sources and applications of funds within the project.

~~SECRET~~

~~SECRET~~

VI. Disposition of Assets and Liquidation

As noted above, the non-cash assets of Civil Air Transport Company Limited, Thai-Pacific Company, and Air America Limited have already been liquidated and all leases and other obligations settled. Residual cash and obligations have been transferred to AAM. Air America, Inc. has disposed of all non-cash assets by sale. Only the equipment and furniture in the Washington office remain to be sold. As cash in excess of liabilities is generated from the liquidation process, it will be transferred to the Pacific Corporation pending remittance to the U. S. Treasury.

VII. Final Audit

The final audit by the Coopers & Lybrand CPA firm will be as of 30 June 1976. At this point in time, Pacific and Air America will be in legal dissolution and although transactions subsequent to this audit may require review-- there will be no operations or sales requiring CPA review. Any audits subsequent to 30 June 1976 would be more properly made by the Agency Audit Staff. If the final remittance to the U. S. Treasury occurs after 30 June 1976, the final audit will be made following this remittance.

VIII. Investment Account Adjustment

The Office of Finance is authorized to make the necessary adjustments to the [] investment account based on the final liquidation financial statement.

IX. Security

All personnel who have security clearances and who have been briefed on Agency ownership who are being terminated will be provided a security debriefing at which time secrecy agreements will be executed if appropriate.

~~SECRET~~

~~SECRET~~

SUBJECT: Project [redacted] Liquidation Plan

CONCUR:

[Signature] /s/ [redacted]
General Counsel

04 FEB 1976
Date

[Signature] [redacted]
Director of Finance

9 FEB 1976
Date

* [redacted]
Chief, [redacted] lit Staff

10 FEB 1976
Date

/s/ James H. Taylor
[Signature] Comptroller

17 FEB 1976
Date

[redacted]
Director of Security

8 JAN 1976
Date

/s/ F.W.M. Janney
Director of Personnel

8 JAN 1976
Date

/s/ Michael J. [redacted]
Director of Logistics

19 FEB 1976
Date

/s/ [redacted] *for*
Chief, Cover and Commercial Staff

8 JAN 1976
Date

/s/ [redacted] *for*
Chief, [redacted]

1/8/76
Date

* Audit Staff is responsible for the final audit of the project which will cover a review of the CPA report and internal management and records within the Agency.

~~SECRET~~

OL 6 0850