

MINUTES OF MEETINGS

OF

EXECUTIVE COMMITTEES

OF

AIR ASIA COMPANY LIMITED AND AIR AMERICA, INC.

10 January, 1967

Meetings of the Executive Committees of Air Asia Company Limited and Air America, Inc. were held on January 10, 1967 and the following matters were considered:

1 - Approval of Minutes: The Minutes of the Meetings of the Air Asia Company Limited and Air America, Inc. Executive Committees of December 20, 1966 were approved.

2 - Reports:

(a) Operating Statistics - November, 1966: Flying activity for November totalled 20,166 hours or 672 hours per day as compared with a total of 20,805 hours or 671 hours per day reported for October. Total revenue load factor for scheduled operations was 60% for November as compared with 55% for November of 1965. Customer aircraft maintenance was up 12% with 255,000 skilled man-hours reported for November, 1966, as compared with 218,000 in October, 1966. The total skilled man-hours

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expended in November at the main maintenance base was 582,000, an all time high. Skilled labor overtime was 28% of regular hours worked in November as compared with 25% for October, 1966.

(b) Financial - November, 1966: Financial results for November, 1966 show transport and other operating revenue of \$5,402,000 and customer maintenance revenue of \$949,000. Total gross revenue for November was \$6,351,000. November was the second month in succession that revenue exceeded \$6,000,000. For the first eight months of the Companies' year, total revenues were \$42,183,000 which is 53% above the revenues of \$27,492,000 for the same period during the previous year. Air Asia Company Limited showed a net income before income taxes for November of \$420,000 and for the past eight months of \$2,339,000. Air America's results were approximately the same.

(c) USFAA Jurisdiction Over Air America U.S. Registered Aircraft:

Air America operates the HR70-14
and its scheduled air service in under Part 121 of the Federal Aviation Regulations (FAR) and was issued, in connection with such operation, an Air Carrier Operating Certificate by the U.S. Federal Aviation Agency (FAA). Air America's operations in Southeast Asia, on the other hand, are not conducted under Part 121 of the FAR's, and the aircraft used in Southeast Asia are not listed on Air America's Air Carrier Operating Certificate.

Several months ago the FAA raised the subject of whether Air America's Southeast Asia operations involved "air commerce" as that term is defined in the Federal Aviation Act and therefore whether such operations should be

conducted in accordance with Part 121 of the FAR's. Part 121 contains numerous requirements which were not designed for the bush type flying done by Air America in Southeast Asia and would seriously limit, and in some cases preclude, the operation of existing services.

After several meetings with FAA officials they have decided that operations confined to the three countries of Thailand, Laos and Vietnam and conducted under U.S. Government contracts will not be considered as requiring compliance with Part 121. However, operations for hire from those three countries to other areas with U.S. registered aircraft will be required to comply with or be exempted from Part 121. Air America does operate maintenance flights from SEA to Tainan on which it occasionally transports customer personnel and property to and from such points as Hong Kong. FAA indicated that as long as such customer personnel and property were carried as an accommodation and not for hire, and such accommodation is not required under a contract, then such non-revenue maintenance ferries would not involve "air commerce" and their operation would not have to comply with Part 121.

However, to cover the possibility that an occasional Tainan ferry flight may technically involve "air commerce" it was decided that Air America would apply for a blanket exemption from the provisions of Part 121 for such flights. The FAA indicated that such an exemption request would receive favorable consideration.

During the meetings with the FAA the matter of compliance with Parts 61 and 91 of the FAR's was also discussed. Effective September 19, 1966

most of the requirements of Parts 61 and 91, which were not already applicable to the operation of U.S. registered aircraft outside the U.S., were extended to such operations. Part 91 prescribes certain operating rules and maintenance practices and requirements. Part 61 deals with pilot certification. Parts 61 and 91 are general regulations which apply to the operation of all U.S. registered aircraft irrespective of whether the operation is also covered by the more extensive requirements of Part 121. The requirements of Part 91 are considerably less restrictive than Part 121, and represent good operating practices which, for the most part, are and can be complied with in the Southeast Asia operations. However, because of the conditions under which Air America's Southeast Asia operations must be conducted it was recognized that there may be certain provisions of Part 91 from which an exemption would be required. Air America is reviewing the requirements of Parts 61 and 91 against its Southeast Asia operations to determine if an exemption from any of the requirements are needed and will make application with the FAA accordingly.

3 - SEA Contract Operations: Southeast Asia contract operations were reviewed and discussed in general.

4 - Indemnity - CCAA C-46 Aircraft B-156: C-46 aircraft B-156, which was leased from the CCAA, was destroyed in an accident on November 17, 1966. Under the terms of the lease the Company must pay CCAA \$35,000 for the loss of the aircraft. The Executive Committee approved such payment.

5 - Settlement of C-46 Aircraft B-908 Expenses With Insurers: The Company

has made claim against the Underwriters for \$124,359.95 representing expenses incurred by the Company in the settlement of the claims arising out of the scheduled airline accident on June 20, 1964. The Underwriters have agreed to pay \$104,359.95 of actual out of pocket expenses but have declined to reimburse the Company for the time expended by its legal staff estimated at \$20,000. The Executive Committee approved settlement at \$104,359.95.

6 - Communications Facilities at Taipei Office: The Executive Committee approved the installation of MAG communications facilities at Taipei.

7 - Capital Appropriation Requests: The Executive Committee considered and approved the following capital appropriation requests:

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| (a) | PLNG-AR-179 Repair Porter Aircraft N-153L | \$71,750 |
| (b) | TAC-AR-364 Construction of Administrative and Training Facilities at Yokota AFB, Japan | \$79,000 |

8 - Banking Facilities: The Executive Committee considered and approved changes in signature and custodian requirements for the following accounts:

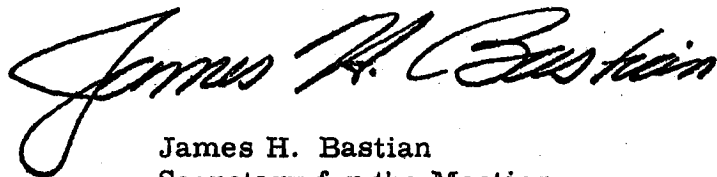
- (1) CATCL Hong Kong Working Fund Account No. 504-24-6 in the FNCB
- (2) CATCL Hong Kong Payroll Account No. 504-25-4 in the FNCB
- (3) AAM Hong Kong Payroll Account No. 504-26-2 in the FNCB
- (4) AAM Clark US\$ Working Fund in the FNCB
- (5) AAM Clark Peso Working Fund in the FNCB
- (6) AAM Bangkok Working Fund Account in the Bank of America

- (7) AAACL N. Y. Payroll Account No. 949-1-001161
in The Chase Manhattan Bank
- (8) AAACL L. A. Procurement Fund Account No.
149-904740 in the United California Bank
- (9) Unbanked Hong Kong Check Cashing Fund

The Executive Committee directed that resolutions in the form required by the banks be filed with the minutes of the meeting.

There being no further business to come before the meeting, on motion duly made and seconded, it was adjourned.

Respectfully submitted,



James H. Bastian
Secretary for the Meeting