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FILE: SALE of

29 June 1973

HR70-14

MEMORANDUM FOR THE RECORD

SUBJECT: Valuation Report by R. Dixon Speas Associates

1. On 28 June 1973 I received a call from Dixon Speas who telephonically furnished me with a summary of their conclusions regarding the evaluation of the Air America complex.

2. Attached is the information furnished by him. Please note that Attachment A indicates the amount of assets and liabilities which Dixon Speas envisions moving from the Air America complex to the Pacific Corporation. The figures used are based on the 31 March 1973 audit figures and in addition to these they have added some CAT assets not currently included in the overall book value. They have also debited owners equity in the amount of \$.5 million on the contingency that the Company may be charged full fares rather than reduced fares for the repatriation travel. They have also taken the funds accrued for aircraft maintenance in the amount of \$1,990,000 and added it to the owners equity. In establishing value they assumed that Air America would acquire ownership of the hulls of S-58T's. They also assumed that in case of liquidation it would be done over a period of a year. On Attachment B, Dixon Speas has divided the value into four possible categories: net book value; high market value as a going concern; lower market value as a going concern; and liquidation value.

3. In summary, Dixon Speas would propose moving \$23 million up to the Pacific Corporation before the sale. This reduces the net book value to somewhat over \$9.9 million. After moving excess funds out of the Air America complex he reaches the following conclusions as to value: net book value - \$9.94 million; high market value as a going concern - \$16 million; low market value as a going concern - \$7 million; liquidation value is judged to be a range between \$1.1 million in profit to \$2.8 million in loss depending upon the final noncurrent liabilities, mainly attributable to employees' separations.

add to the \$9.94 already noted there


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4. Mr. Speas' basic conclusion is that the Company is worth much more as a going concern and should be sold that way if at all possible. For that reason he believes that sale should be handled on an open bid basis without a minimum price being established insofar as the bidders are concerned.

5. Mr. Speas will deliver his report to us on Monday, 2 July. He will submit his bill at the same time addressed to the Pacific Corporation. The Pacific Corporation will pay R. Dixon Speas Associates for their services.


Special Assistant to the
Deputy Director
for Management and Services

Attachments

Distribution:

- 0 - DD/M&S
- 1 - EO/DDM&S; ADD/M&S; SA-DD/M&S
- 1 - General Counsel
- 1 - O/PPB

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Assets and Liabilities to be Moved from the Air America
Complex to the Pacific Corporation

Assets

Government Securities	\$20.745 million
Other Assets (SAT Note)	\$ 3.125 million
Net Value of 6 Aircraft Being Transferred to Pacific. Includes 2 Hughes Helicopters; 1 - L-130; 1 - DC-6B; 1 - D-HC4; 1 - S-58T (which has been written off the books since 31 March). It does not include the two special Hughes 500 aircraft which are not included in Air America books.	\$ 3.364 million
TOTAL ASSETS	\$27.23 million

Liabilities

Liability for Taxes	\$4.2 million
Net Amount to be Moved to Pacific Corporation	\$23 million

	<u>Net Book Value</u>	<u>As Going Concern High Market Value</u>	<u>Low Market Value</u>	<u>Liquidation Value</u>
<u>ASSETS</u>				
Current Assets	9.48	9.48	9.48	9.48
Inventory & Operating Equipment	13.45	17.81	12.68	7.84
Other Assets	0.42	0.42	0.42	0.42
Goodwill	---	1.70	(-2.17)	---
TOTAL	23.35	29.41	20.41	17.74
<u>LIABILITIES</u>				
Current Liabilities	9.62	9.62	9.62	9.62
Non-Current	3.79	3.79	3.79	6.2 -10.1
Termination Costs	--	--	--	.75
TOTAL	13.41	13.41	13.41	16.6-20.5
NET EQUITY	9.94	16.0	7.0	1.1 to loss of 2.8