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10/13*

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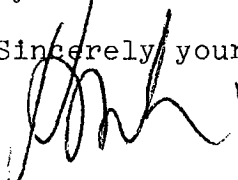
October 13, 1975

Mr. Clyde Carter, Vice President
The Pacific Corporation
1725 K Street, N. W.
Washington, D. C. 20006

Dear Clyde:

I had not realized that today is a holiday in Washington so that I was unable to reach you by telephone. I am enclosing a brief statement concerning the landing costs which may be of some help to you in your discussions tomorrow. In any event, I will telephone you early tomorrow morning, October 14th, to read you this over the telephone in the event it does not reach you in time by mail.

Sincerely yours,



R. Kirk Batzer

RKB:nvg
Enclosure

APPROVED FOR RELEASE
DATE: 17-Nov-2009

It had been the practice of the Company for many years to state its inventory of material and supplies at average cost, with suitable allowance made for overstocks, damaged and obsolete items, and items held for sale. The Company continued to do so in preparing financial statements at January 31, 1975.

For a number of years, during which both Air America and Air Asia were fully operational, landing costs were incurred for items acquired for Air America and Air Asia, and these costs were adjusted between the companies at the end of each year so as to reflect in each company's accounts an equal ratio of landing costs to the total inventory cost. The change in circumstances in the period ended January 31, 1975, whereby the operations of Air America were substantially curtailed, made it inappropriate to follow such an adjustment at the end of this period. Air America as concluding its operations, had bought substantially reduced supplies and should not have been charged with landing costs incurred during this period. The adjustment that was made, and was referred to in our letter dated June 16, 1975 is, we believe, appropriate, and is not at variance with the Air Asia's consistent practice of stating inventories at average cost.