

8 January 1976

TO: Mr. Velte
FROM: Mr. Carter
RE: Status of E-Systems--Air America Settlement Matter

This will supplement my memo to you on the above subject on December 17, 1975.

You will recall that preparatory to my meeting with Mr. Crowley of E-Systems on 4 November 1975, I had sent to Mr. Crowley a telex on October 23, 1975 setting forth the premises and figures as the bases for our discussion. That telex stated as a result of the computations therein a computed net due to Air America in the amount of \$83,305.71. Apropos to our discussions with Mr. Crowley, we had made concessions as a result of which we reached agreement with him that such computed net to Air America would have been adjusted to \$30,831.

As a result of telephone conversations with Mr. Ken Smith in late December 1975, I agreed to meet with Mr. Mike Herman of E-Systems to listen to his explanation of Mr. Smith's attempt to present certain figures to me in that telephone conversation, which did not come through to me clearly. At Mr. Jim Bolding's telephone request on Monday January 5, 1976, Mr. Bolding and Mr. Herman visited our offices January 7 and 8, 1976. At the outset, they identified their desire to in fact discuss each of the items we had previously discussed with Mr. Crowley. After discussions on the afternoon of January 7th we met again with Messrs. Bolding and Herman this morning January 8th and a final position stated by me on behalf of Air America was: I referred to conclusions reached between me and Mr. Crowley in early November 1975 and added an amount of \$7,000 in E-Systems favor without any express identification of any particular item in controversy to which such amount could be related; therefore, a new offer was tendered to E-Systems which would further adjust the above noted computed net due to Air America to a revised amount of \$23,831. My advice to Mr. Bolding was that I had nothing else to offer and insofar as I am concerned if such offer is not acceptable to E-Systems then I would suggest that arbitration may be the only route left. Notwithstanding the nature and measure of E-Systems arguments, our offer constitutes a reduction by an amount of \$60,000 from the figure set forth in my said telex of October 23, 1975 which telex reflects the figures advised to the corporation by its Treasurer, Mr. Herd, as being what he considers E-Systems owes Air America. I advised Mr. Bolding that if such offer were not acceptable then he should consider that E-Systems had no firm offer from Air America and we would revert to the \$83,000 figure. At Mr. Bolding's request I agreed to wait until Wednesday January 14, 1976 for a firm response which we anticipate receiving upon a take it or leave it basis.

A second matter discussed with Mr. Bolding during his presence at this time was the commercial accounts receivable retained by Air America. In that regard, Mr. Bolding queried that, if E-Systems were to agree to the above offer of Air America, would we accept from E-Systems towards settlement of the \$23,831 assignment of Accounts Receivable owed to Air Asia in the amount of \$21,378, being receivables from such entities as Air Cambodge, Khmer Airlines, Tri-9 Airlines, PT Airfast SVC. I declined his suggestion inasmuch as those four debtors now owe Air America a collective

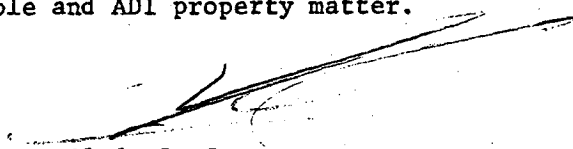
APPROVED FOR RELEASE
DATE: 17-Nov-2009

RE: Status of E-Systems--Air
America Settlement Matter

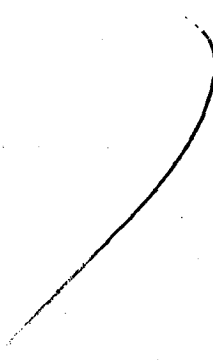
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January 8, 1976

amount of over \$240,000, the collection of any part of which may be substantially improbable. I advised Mr. Bolding that we, in turn, had planned to address E-Systems with regard to the acquisition by E-Systems from Air America of the entire Accounts Receivable retained by Air America, as well as the ADI property which we hope to obtain Trustee Deed/Title to, and I invited E-Systems to consider such and give us a response. I noted to Mr. Bolding your desires and our insistence that any consideration with respect to such Receivables, regardless how handled, be distinct and apart from settlement of the matters in contention between the parties deriving from the sale of Air Asia to E-Systems. It is my understanding that E-Systems will also, probably through Mr. Bolding, respond to us by next Wednesday on this Accounts Receivable and ADI property matter.


Clyde S. Carter

cc: VP-T
VP-L



December 17, 1975

TO: Chief Executive Officer

FROM: SVP-OCA

SUBJ: Status of E-Systems--Air America Settlement Matter

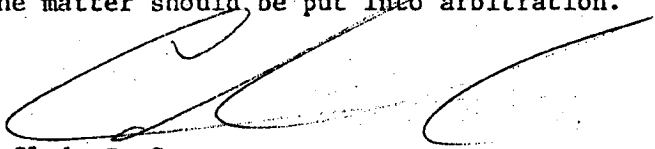
Due to the passage of time, the current status of this matter may fail to come sharply into focus, as I have been asked a number of times recently regarding this status, which is the reason for this memorandum for the file.

After a considerable number of written and telephonic exchanges between Air America and E-Systems personnel regarding this matter, we received a letter from E-Systems, dated September 29, 1975, from Mr. James W. Crowley, Vice President and General Counsel which cited various disagreements between the parties, and which noted E-Systems preparedness to discuss a resolution of these matters with someone in authority at Air America. Mr. Crowley's letter also noted that if such discussions did not produce resolution between the parties then E-Systems suggested that the matter be referred to arbitration "prior to the end of 1975". Apropos discussions between us on the matter, I advised Mr. Crowley by telephone that I would represent Air America and had authority to agree for the Company. At Mr. Crowley's ultimate suggestion we convened a meeting in our Washington offices on Tuesday November 4, 1975, first between me and Mr. Crowley for approximately one hour and then between Mr. Crowley and Mr. Herd and myself for what amounted to the balance of the day. At the end of those discussions, at approximately 4:00 o'clock in the afternoon Mr. Crowley extended his hand across the table to me with the utterance, "I agree; we have a deal; I will call you from Dallas and confirm this by tomorrow night." Mr. Herd was present at the time Mr. Crowley made that statement and we were under the impression that Mr. Crowley appropriately represented his Company and had reached an agreement with us and only need to clarify the essence of that agreement with his Company's senior financial personnel and Mr. Smith of the Greenville Division under whom Air Asia functions.

I believe that my next direct contact with Mr. Crowley occurred on Monday November 17, 1975, about 12 days later than I expected to hear from him. In the meantime I learned through Mr. James Bolding that Mr. Crowley had (1), been absent from his Dallas office much of the intervening time, and (2) "that a number of E-Systems people were unhappy with the Crowley--Carter deal" and apparently Mr. Smith was precluding the confirmation and implementation thereof. On November 17 in a contact from Mr. Crowley he advised me in essence that Ken Smith had some problem with the deal but indicated that he might be inclined to agree with it if Air America agreed to throw in a couple of Accounts Receivable! I advised Mr. Crowley that if E-Systems sought to contaminate the agreement I had reached with him by the interjection of Accounts Receivable items or otherwise, that such would in all probability not be acceptable to us. I further advised Mr. Crowley that if E-Systems has an interest in the 26-odd remaining Accounts Receivable (which have a book value of approximately \$692,000.00) we would be interested in receiving an offer from E-Systems for Air Asia/E-Systems to acquire all of such Accounts Receivable.

Nothing has moved beyond the above status and it has now been 30-days since my discussions with Mr. Crowley. As late as a conversation I had with Mr. Bolding day before yesterday, I suggested to him that it would be helpful if E-Systems responds to the Carter-Crowley agreement.

It begins to appear that if this matter is to move off of dead center, there will have to be some direct contact with the CEO of E-Systems to invoke his concern and action from the E-Systems end, or, the matter should be put into arbitration.



Clyde S. Carter