

CHIT Key

Capitalization of Chennault Airlines (Panama)

- A. Founders Stock - \$100,000 - 51% to General Chennault; 49% to Holding Company.
- B. Preference Stock - \$900,000 - all to Holding Company.

Holding Company (Far East Company) Capitalization (American)

- A. Founders Stock -
  - Common stock - 26,185 shares (Distribution discussed below)
  - Class "A" stock - 27,273 shares (Distribution discussed below)
- B. Publicly offered stock - \$3,075,000 to be raised by the sale of Class "A" and common shares in units of 4 "a" and 1 common at \$10 per share for "A" and \$1 for the common.

Transferable options for the purchase of common shares to be granted as follows at \$0.05 per option:

To General Chennault 37,500 shares

To financiers 37,500 shares

Options exercisable for a period of at least 5 years at a step-up price - After the second year at \$1.50, after the third year at \$2.00, and the fourth year at \$2.50, and the fifth year at \$3.00.

The "A" shares should be non voting and shall have preference upon liquidation over the Common shares. They shall be the same as the Common shares as to dividends except that no dividends shall be paid on the Common shares until the Company has earned and paid dividends at the rate of 5% on the total invested in the "A" shares for a period of three years.

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F.N. #49,50

Founders stock subscriptions to Holding Company -

Founders stock subscriptions will be taken in two bites. The first subscriptions, privately offered, will be for approximately \$100,000 worth of stock (to supply the first money for Chennault airlines). in parcels of two shares of common and one share of "A". The total of this original offering will be 16,662 shares of common and 8,331 shares of "A", or a total of \$99,972.

The second founders offering, made semi-privately, to reach \$200,000 will be offered on the basis of parcels of 1 share of common and two shares of "A". The number of shares which will be sold under this offering will be 19,047 shares of "A" and 9,523 shares of common or a total of \$298,195.