

MEMORANDUM OF PROPOSED AGREEMENT BETWEEN MAJOR
GENERAL C. L. CHENNAULT AND NATIONAL SKYWAYS FREIGHT

1. General Chennault represents that that he is in a position to produce a contract for a corporation which he will form under the name of CHENNAULT AIR TRANSPORT with a permit from the Chinese Government to operate an airline for relief purposes within China and a contract with CNRRA, the Chinese extension of UNRRA by which Chennault Air Transport will carry outgoing freight for CNRRA at a given rate with permission to carry for its own account on the back ^{haul} call; such contract will be operable until approximately May 1, 1947.
2. General Chennault represents that under the contract with CNRRA above referred to, CNRRA will provide and place at the disposal of Chennault Air Transport planes and other equipment adequate for the purpose to maintain an airline operation on the scale of a 12 plane operation over substantially the entire devastated area of China.
3. General Chennault proposes on behalf of Chennault Air Transport that to be formed with National Skyways Freight, will operate such 12 plane relief line or any extensions thereof through a subsidiary corporation to be ~~named~~ ^{formed} and owned 100% by National Skyways Freight, named the CHENNAULT OPERATIONS INC, in performance and in accordance with such contract with CNRRA.
4. Such operation shall be under the general policy direction of General Chennault who shall become the Chairman of the Board of Chennault Operations Inc, but subject to such direction Chennault Operations, assumes complete responsibility for the operation of the line, with such equipment owned by Chennault Air Transport including financing of the operation in accordance with requirements of Chennault

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Air Transport's obligations to CNRRA.

5. For such operation, Chennault Air Transport shall pay Chennault Operations Inc.

a. The actual cost of operation under this contract of Chennault Operations Inc., plus

b. 10% of such cost as administrative charge.

6. As additional compensation, Chennault Operations Inc. will be entitled to a portion of the net profits of CHENNAULT AIR _TRANSPORT, calculated as follows:

After the deduction in paragraph 5 above of cost plus 10% for Chennault Operations, there shall be set aside for Chennault Air Transport a similar amount of Administration Charge and 10%, ~~xxxxxxx~~ to that charged by Chennault Operations Inc, and a charge for depreciation of the equipment owned by Chennault Air Transport, calculated at 50% during the duration of this contract, ^{or} ~~not~~ of any extensions thereof. After the setting aside of these amounts, the amount remaining shall be divided equally between the Chennault Air Transport and the Chennault Operations Inc.

7. This contract shall extend during the period of the contract between Chennault Air Transport and CNRRA referred to in paragraph 1 above and any extension thereof, except that after the first expiration date of such CNRRA contract, i.e. May 1, 1947, either party may terminate this contract on 90 days notice.

or

This contract shall extend during the period of the contract with CNRRA above referred to in paragraph 1, but Chennault Air Transport upon 30 days notice prior to such date shall have the option of

of extending this option to one year from such date.

8. Chennault Air Transport at the expiration of this contract shall have the option within thirty days of purchasing at cost less depreciation any equipment used and owned by the Chennault Operations Inc., in this operation