

Following is complete text of agreements  
with amendments to contract and appendix  
between CNRRA and Chennault-Willauer  
for delivery of aircraft and equipment to China  
(Cable 5329 from Shanghai, 14 January 1947,  
and cable 5414 to Shanghai, 22 January 1947)

This agreement drafted by UNRRA Legal Counsel approved by UNRRA CNRRA and Chennault Willauer. "This agreement is made the blank day of blank 1947 between Chinese National Relief and Rehabilitation Administration (hereinafter called CNRRA) and G. L. Chennault and Whiting Willauer (hereinafter called the Contractor), a partnership engaged in the airline business in Shanghai, China.

Whereas, the United Nations Relief and Rehabilitation Administration (hereinafter called UNRRA) has already or is about to acquire certain aircraft and operational supplies and equipment now located in the Philippines or Hawaii or other Pacific areas for delivery at said points to CNRRA for the operation of CNRRA Air Transport (hereinafter called CAT) under a contract between CNRRA and the contractor dated October 25th, 1946;

Whereas: CNRRA desires to secure the services of Chennault and Willauer as an independent contractor to receive, keep, manage, operate, and maintain said aircraft and to do all things necessary or proper to bring about their delivery to China; and

Whereas: UNRRA and CNRRA have this day entered into an agreement attached hereto as Appendix "A".

Witnesseth:

Now therefore in consideration of the reciprocal undertakings and promises of the parties herein expressed, the parties have agreed and do hereby agree as follows.

Article 1.

Notwithstanding said contract of October 25th, 1946, Chennault and Willauer shall act as independent contractor as to all services to be performed hereunder.

Article 2.

The contractor agrees to perform the services provided herein for all such aircraft (together with other equipment needed for the CNRRA Air Transport Operation which can be flown as cargo in the aircraft during the delivery) which may be acquired by CNRRA and entrusted by CNRRA to the contractor under the terms of this contract.

Article 3 A.

The contractor agrees to:

(A) Receive, care for, and operate the aircraft at places designated by CNRRA in the Pacific area.

(B) Procure and employ pilots, co-pilots, crew chiefs, radio technicians, mechanics, and other personnel to put into operable condition and fly the aircraft to China. The persons so employed shall be jointly and severally the agents and employees of the contractor. The contractor shall have and exercise full control, responsibility and authority with respect to the movement of the aircraft.

If possible, the number of pilots, co-pilots, crew chiefs, crew members, and technicians involved in the delivery of the planes shall be kept to the following maxima: Tabulate 20 pilots, 20 co-pilots, 20 crew chiefs, 20 crew members, 8 technicians.

(C) Fly and deliver all the aircraft designated by CNRRA by the shortest, safe and practicable route, and without unnecessary delay to any airfield at Shanghai or Canton, China that may be agreed upon between the parties hereto. Upon the presentation of a receipt from CNRRA at the designated airport, all responsibility of the contractor with respect to the delivered aircraft shall cease. CNRRA's responsibilities, under this agreement, for salaries and wages of pilots, crew members and technicians shall cease as soon as they have respectively ceased to participate in the conditioning and movement of the aircraft to the designated airfield. There shall be no liability with respect to repatriation of the persons employed by the contractor to effect said delivery.

(D) In making such delivery, carry upon the aircraft such supplies and spare parts immediately available which have been delivered to CNRRA or UNRRA as can be safely carried and are ultimately needed for operations in China. The aircraft shall not be employed for other purposes in the course of delivery.

(E) Upon request by UNRRA to assist in placing the aircraft in operable condition, and maintain the aircraft, together with necessary equipment and spare parts, in such good order and condition as necessary to enable the delivery of the aircraft to China.

(F) Do all things necessary to facilitate and procure the delivery of the aircraft from the place at which entrusted to the contractor to the place of designated destination, including the procurement of necessary permits and documents.

#### Article 3 B.

The contractor agrees to:

(A) Perform the services required to be performed by it hereunder in an economical and efficient manner and exercise due diligence to protect and safeguard the interests of CNRRA and UNRRA in all respects, and to avoid excessive and unreasonable expense, loss and damage of every nature to CNRRA and UNRRA.

(B) Furnish and maintain during the period of this agreement, a bond with sufficient surety, in the amount of United States \$50,000 such bond to be approved by CNRRA and UNRRA as to both sufficiency of surety or sureties and form, and to be conditioned upon the due and faithful performance of any or all the covenants and agreements of the contractor contained in this agreement, including, without limitation of the foregoing, the condition faithfully to account to CNRRA and UNRRA for all funds and property received and disbursed by the contractor or its agents. If such bond is not readily obtainable, a suitable "Guarantee" may be substituted.

#### Article 4.

(A) The contractor agrees to and shall:

(1) Keep its books, records and accounts relating to operations under this contract in such form and under such regulations as may be prescribed by either CNRRA or UNRRA, and

(2) File, upon notice from CNRRA or UNRRA, statements of operation, special reports, and memoranda of any facts or transactions which effect any operations under this agreement.

(B) CNRRA or UNRRA are hereby authorized to examine and audit the books, records and accounts of the contractor whenever either may deem it necessary or desirable.

(C) Upon the willful refusal of the contractor or his employees or agents to comply with the provisions of this article, CNRRA may immediately rescind this agreement.

Article 5.

Contractor shall perform the services rendered under this agreement at cost without any profit or fee.

Article 6.

The contractor shall exercise due diligence in the selection of its employees and agents.

Article 7.

Levy.

All expenses of every kind incurred by the contractor, directly and exclusively, in performing, procuring or supplying the services, stores, supplies or equipment, as required hereunder shall be borne by CNRRA. Such expenses chargeable to CNRRA shall be as follows, subject to the related conditions set forth:

(1) Salaries and wages and necessary subsistence and travel expense of pilots, co-pilots, crew chiefs, crew members, mechanics; and radio and other technicians employed in this operation. The salary and wage scales, and necessary subsistence and travel shall be subject to prior approval by CNRRA and UNRRA Headquarters or China, Manila or Honolulu offices. Expenses chargeable under this category shall include salaries, subsistence, and travel necessary to bring the employees of the contractor from Headquarters of UNRRA (or a point at equivalent or lesser distance) to the places at which aircraft are entrusted to the contractor, and, in addition the cost of aircraft and bus charter for the first movement on 29 December 1946 of certain employees of the contractors from Miami to Washington, D. C.

(2) Fuel, lubricants, special fluids, and other operating and repair supplies.

(3) Premiums for all insurance and surety bonds to be procured by the contractor hereunder.

(4) All airport registry and other required fees.

(5) Taxes, after prior notice to UNRRA of any levy or attempt to levy and after authorization by UNRRA.

(6) Servicing of planes. All wages, supplies, equipment and spare parts necessary to assist in placing the aircraft in operable condition and maintaining the aircraft in such good order and condition as necessary to enable delivery to China.

(7) Necessary long distance telephone and telegraph expenses.

(8) Any of the expenses falling within categories 1 through 8 incurred prior to the signature of this agreement and in contemplation thereof.

Article 8.

Except as provided in Article 7-10, CNRRA shall not be chargeable for any of

the following expenses which shall be borne by the contractor:

- (1) Salaries and wages of contractors supervisory, administrative or office personnel.
- (2) Contracts, administrative and overhead costs.
- (3) Bookkeeping and accounting expenses involved in complying with CNRRA or UNRRA requirements.

With regard to any item of expense which may arise incidental to the terms of the agreement and which has not been established herein as an expense chargeable to CNRRA or the contractor, the parties hereto and UNRRA China Office shall mutually agree which of them shall be charged with the expense of such item; and the conditions, if any, to be placed upon such expenditure.

Either CNRRA or UNRRA may disallow in whole or in part any expenses which have been incurred in contravention of any outstanding instruction or which are improvident or excessive.

It is contemplated that under the terms of Appendix A, attached hereto, the expenses and cost incurred hereunder in U.S. dollars shall be borne by UNRRA and that UNRRA will pay such expenses or costs directly or make reimbursement thereof to CNRRA or the contractor as may be most appropriate in the particular case and that such payment or reimbursement shall be in such manner and upon such conditions as to the approval, verification and presentation of bills or vouchers as UNRRA may from time to time prescribe.

#### Article 9.

The contractor shall, without cost or expense to itself, but chargeable to CNRRA as provided in Article 7, procure or provide insurance acceptable to UNRRA and CNRRA against all insurable risks of whatsoever nature relating to the aircraft to be assigned hereunder. This insurance is to be for the benefit of the contractor, CNRRA, UNRRA and CAT as their interests may appear, and shall include all public indemnity risks for liability to third parties. For the purposes of this article the planes shall be valued at 50,000 United States dollars (each ?).

#### Article 10.

The delivery and operation of said aircraft shall be for the account of CNRRA and the contractor shall not be liable for any loss or damages to the aircraft, cargo, or passengers except in the event of the proven negligence of the contractor, their officers, agents or employees.

The contractor shall indemnify and hold harmless and defend UNRRA and CNRRA against any and all loss, liability, damage and expense (including costs and reasonable Attorney's fees in defending such claim or demand, whether or not the claim or demand be found to be valid) of whatsoever kind or nature and by whosoever asserted arising out of operation of said aircraft or the performance by the contractor of any of its obligations hereunder, including, but not limited to any and all claims and demands by third persons, passengers or crew members of said aircraft for damages to their property and for personal injury or loss of life, and for maintenance and care.

#### Article 11.

(4) CNRRA shall have the right to terminate this agreement at any time as to any and all aircraft entrusted to the contractor, and to assume control forthwith of any and all aircraft upon 15 days written or telegraphic notice.

(B) Upon giving CNRRA 15 days written or telegraphic notice, the contractor shall have the right to terminate this agreement, but termination by the contractor shall not become effective as to any aircraft already enroute to China until delivery at point of destination in China.

Appendix "A"

Supplementary agreement between CNRRA and UNRRA.

(Throughout, reference to contract between CNRRA and Chennault Willauer should not be referred to as "Appendix A" but by some other reference.)

Whereas, Article 3 (B) of the basic agreement entered into 13 November 1945 between the Government of the Republic of China and United Nations Relief and Rehabilitation Administration provides that the transfer of supplies to the Government may take place at such places as may be agreed upon from time to time by the Government and the Administration;

Whereas, CNRRA has this date at the request of UNRRA entered into a contract, attached hereto as Appendix "A" with Chennault and Willauer calling for the delivery of planes from designated place in the Pacific area to China;

Whereas the Washington Headquarters of UNRRA has given assurance that UNRRA will bear all the expenses authorized by UNRRA and incurred by CNRRA in U. S. dollars under said contract.

Now, therefore, it is agreed between the Government of the Republic of China and the United Nations Relief and Rehabilitation Administration, as follows:

Article 1.

(A) UNRRA will entrust and transfer to CNRRA under the terms of the basic agreement such aircraft and spare parts as may be procured by UNRRA for transfer under the terms of this agreement and necessary supplies and equipment to fly the said aircraft to designated points in China.

(B) UNRRA will pay either directly or will reimburse CNRRA for all expenses which have been authorized by UNRRA and incurred by CNRRA in U. S. dollars under the terms of the CNRRA-Chennault contract. Such payment or reimbursement will be made in such manner and upon such conditions as to approval, presentation of vouchers, or verification as UNRRA shall from time to time prescribe. UNRRA's responsibility is specifically limited to expenses where Article 4 of the CNRRA-Chennault contract has been strictly complied with.

(C) UNRRA will assist CNRRA and Chennault and Willauer where appropriate in obtaining necessary permits and documents and the cooperation of Governmental authorities.

Article 2.

(A) CNRRA will accept transfer of aircraft, spare parts, equipment and supplies designated by UNRRA for transfer hereunder in the Hawaiian or Philippine Islands, or at other points in the Pacific Area and will designate an agent at all such places to accept such transfer on its behalf and fully authorized to sign a receipt on behalf of the Government of the Republic of China for such aircraft and supplies as may be transferred under the terms hereof.

(B) CNRRA hereby designates Chennault and Willauer to act as its agent hereunder and undertakes to transmit in accordance with existing regulations proper signature authority for individual signatures necessary.

(C) Upon the signing of said receipt, CNRRA will undertake all risks and liabilities in connection with the custody, management and ownership of said aircraft. UNRRA shall have no liability of any nature whatsoever. CNRRA shall indemnify, hold harmless and defend UNRRA against any and all loss, liability, damage and expenses (including cost and reasonable Attorney fees in defending such claim or demand whether or not the claim or demand be found to be valid), of whatsoever kind or nature and by whomsoever asserted arising out of the operation, ownership or custody of said aircraft or their performance by Chemault and Willauer of any of their obligations under Appendix "A".