

and movable property as they may require but which may be transferred to the Canadian Government under this agreement. Ordinary depreciation, damage, wear, tear and loss in connection with any such property will not be a charge against the United States Government.

5. The Government of the United States will retain the right to recapture certain property necessary for the use of its armed forces in an amount not to exceed 15 per cent of the original cost value of the material listed in Appendix II, page 1, and items 10, 11, 12, 13, 14, 15, 17, 18, 19, 20 and 21 of Appendix II, page 2, totalling approximately \$12,000,000. The United States Government will designate in writing to the Canadian Government prior to May 15, 1946, such articles as it desires to withdraw and appropriate adjustments of the financial settlement covered in paragraph 3 will be arranged.

6. Any United States Government owned property located in Canada which is not transferred to the Canadian Government under this agreement, may be withdrawn from Canada by the United States Government or sold in Canada for United States account, either by negotiation between the two Governments or by War Assets Corporation as has been the procedure heretofore.

7. Lend Lease aircraft, aircraft parts and accessories returned to United States account from the United Kingdom and located in Canada will be disposed of in the following manner:

(a) The United States Government will indicate in writing to the Canadian Government prior to 30th May, 1946, that property it desires to recapture. The Canadian Government agrees to assist in the best of its ability the United States Government in the preparation for movement and the movement of such property.

(b) Combat type aircraft, aircraft parts and accessories, left by the United States Government in Canada, will be transferred to Canadian account for salvage without further reimbursement to the United States Government.

(c) Non-combat type aircraft, aircraft parts and accessories left by the United States Government in Canada will be transferred to the account of the Canadian Government without reimbursement to the United States Government except that when flyable non-combat type aircraft and Anson aircraft containing Lend Lease components are disposed of for use as flyable aircraft, appropriate reimbursement in respect of the Lend Lease content of such complete aircraft will be made to the United States Government by the Canadian Government. The Canadian Government further agrees that flyable non-combat type aircraft other than Ansons will not be disposed of as flyable aircraft outside of Canada without consultation between appropriate agencies of the two Governments. The United States Government agrees that in the case of proposed sales of this type it will not unreasonably withhold its agreement.

(d) It is further agreed that any similar property which may become available in Canada following May 30, 1946, shall be dealt with in a like manner, provided that the United States Government shall give thirty days' notice from the date of such property becoming available in Canada of its intention to return such property to the United States.

8. The Canadian Government will designate an agency to co-ordinate the acceptance of custody of property transferred under this agreement by the United States Government to the Canadian Government. It is understood that the United States Government will not abandon property transferred to the Canadian Government under this agreement until after having provided a reasonable opportunity for the Canadian Government to arrange for custody.